



WakeMed Health & Hospitals

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William K. Atkinson, PhD, MPH  
President & CEO

May 12, 2011

The Honorable Thomas W. Ross  
President  
University of North Carolina  
General Administration  
910 Raleigh Rd.  
P.O. Box 2688  
Chapel Hill, NC 27515

Dear President Ross,

On May 3, 2011, the WakeMed Health & Hospitals Board of Directors unanimously approved a resolution authorizing WakeMed to pursue the acquisition of Rex Healthcare (Rex) from the UNC system. WakeMed and UNC Hospitals have a long history of working together for better healthcare in North Carolina. We strongly believe that the movement of Rex to the WakeMed system will greatly facilitate WakeMed's mission of service to the citizens of our area while also decreasing costs and providing efficiencies that would further support UNC's mission of providing academic-based patient care, research and teaching.

Specifically, WakeMed proposes to purchase from University of North Carolina Health Care System, an affiliated enterprise of the University of North Carolina, its entire membership or any other legal interest in Rex Healthcare, Inc., which controls and operates Rex Hospital, Inc., including any ownership and control and all assets owned, controlled, or operated by Rex Healthcare, Inc. and its affiliated entities, as well as any other assets owned or controlled by the University of North Carolina Health Care System which are primarily operated in connection with assets owned or controlled by Rex Healthcare, Inc.

We believe this acquisition would be in the best interest of the patients we serve and the taxpayers of North Carolina, as well as both UNC and WakeMed. As such, subject to negotiations and further due diligence, we are prepared to make an offer of \$750 million (net after provision for Rex's bond indebtedness) to acquire Rex and its assets.

WakeMed has proudly served the community for 50 years, and the system is currently in a very strong financial position with a healthy operating margin and significant cash reserves at a time when the state of North Carolina has a significant fiscal crisis affecting the state's university system and, as a result, UNC Health Care.

Eleven years ago, the state of North Carolina authorized the purchase of Rex Healthcare. Today, if purchased for \$750 million, the state of North Carolina and the UNC Health Care

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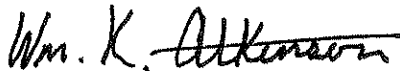
system would realize a significant return on investment in just 11 years. This influx of cash will significantly, positively impact the state, and in return the university system and UNC Health Care.

Additionally, there are significant synergies and efficiencies that can only be realized through a WakeMed/Rex combination due to the elimination of duplicative service lines and the marrying of our complementary strengths. Most importantly, patients can have better continuity of care through a local integrated system, better access to care and a broader range of services. Of course, WakeMed would also welcome continued collaboration with UNC in the areas of academic research, teaching and patient care.

For all these reasons, our position is that WakeMed and Rex need to be combined under the WakeMed system. We recognize that this is a sweeping proposal and a complex undertaking, and we strongly believe this proposal is a viable option to address numerous issues. We owe it to our institutions, to the patients we serve, and to the State of North Carolina to explore this idea that could do so much good for our community.

We look forward to discussing this proposal face-to-face in the immediate future.

Regards,



William K. Atkinson, Ph.D.  
President & CEO  
WakeMed Health & Hospitals



Billie Redmond  
Chair, Board of Directors  
WakeMed Health & Hospitals

cc: William L. Roper, M.D., M.P.H., CEO, UNC Health Care System  
Dale Jenkins, Chair, Board of Directors, Rex Healthcare  
UNC Board of Governors  
Laura Luger, UNC, Vice President and General Counsel  
Jeff Davies, UNC, General Administration & Chief of Staff