

COUNTY COUNCIL
OF
TALBOT COUNTY, MARYLAND

2008 Legislative Session, Legislative Day No.: May 13, 2008

Resolution No.: 153

Introduced by: Mr. Duncan and Mr. Harrison

A RESOLUTION AUTHORIZING EXECUTION OF A MEMORANDUM OF UNDERSTANDING BETWEEN TALBOT COUNTY, THE TOWN OF EASTON, AND SHORE HEALTH SYSTEM, INC. ADDRESSING POSSIBLE RELOCATION OF THE MEMORIAL HOSPITAL, DESCRIBING PROCESSES THE PARTIES CONTEMPLATE IN CONNECTION WITH PLANNING, ANNEXATION, ZONING, EXTENSION OF WATER AND SEWER, AND NEGOTIATION OF DEVELOPER'S RIGHTS AND RESPONSIBILITIES AGREEMENTS, AND THAT AUTHORIZES EXECUTION OF TWO OPTION AGREEMENTS BY TALBOT COUNTY BY WHICH SHORE HEALTH SYSTEM, INC., OR A WHOLLY OWNED AFFILIATE, ACQUIRES PURCHASE RIGHTS IN TWO PARCELS OF LAND FOR A NEW HOSPITAL SITE, ONE CONSISTING OF APPROXIMATELY 90 ACRES, MORE OR LESS, THE OTHER CONSISTING OF 157 ACRES, MORE OR LESS, NEAR THE TALBOT COUNTY COMMUNITY CENTER

By the Council, May 13, 2008

Introduced, read first time, ordered posted, and public hearings scheduled on Tuesday, June 10, 2008 at 2:00 p.m., Tuesday, June 24, 2008 at 2:00 p.m., and Tuesday, July 8, 2008 at 2:00 p.m. in the Bradley Meeting Room, South Wing, Talbot County Courthouse, 11 North Washington Street, Easton, Maryland 21601.

By Order, *Susan W. Moran*
Secretary

A RESOLUTION AUTHORIZING EXECUTION OF A MEMORANDUM OF UNDERSTANDING BETWEEN TALBOT COUNTY, THE TOWN OF EASTON, AND SHORE HEALTH SYSTEM, INC. ADDRESSING POSSIBLE RELOCATION OF THE MEMORIAL HOSPITAL, DESCRIBING PROCESSES THE PARTIES CONTEMPLATE IN CONNECTION WITH PLANNING, ANNEXATION, ZONING, EXTENSION OF WATER AND SEWER, AND NEGOTIATION OF DEVELOPER'S RIGHTS AND RESPONSIBILITIES AGREEMENTS, AND THAT AUTHORIZES EXECUTION OF TWO OPTION AGREEMENTS BY TALBOT COUNTY BY WHICH SHORE HEALTH SYSTEM, INC., OR A WHOLLY OWNED AFFILIATE, ACQUIRES PURCHASE RIGHTS IN TWO PARCELS OF LAND FOR A NEW HOSPITAL SITE, ONE CONSISTING OF APPROXIMATELY 90 ACRES, MORE OR LESS, THE OTHER CONSISTING OF 157 ACRES, MORE OR LESS, NEAR THE TALBOT COUNTY COMMUNITY CENTER

WHEREAS for more than 100 years, Shore Health System, Inc. ("SHS") and its predecessors-in-interest have operated The Memorial Hospital at Easton (the "Hospital"), providing health care services to residents of the Town of Easton, Talbot County, Queen Anne's, Caroline, and Dorchester Counties, as well as surrounding areas. The Hospital has contributed greatly to the Town's and the County's quality of life, economic and social development, public safety, public health and general welfare of the Town and County. In turn, the Hospital has enjoyed support from the residents of the Town and the County, as well as support from the elected officials of the Town and the County in its efforts to provide health care to residents of the Mid-Shore area; and,

WHEREAS, in 2007, SHS announced that it was considering relocating The Memorial Hospital from its current location on South Washington Street in Easton to a location better situated to serve the growing needs of this region for a regional health care facility ("Regional Health Care Facility"). In response to this, the Talbot County Council offered to dedicate approximately 90 acres adjacent to the Talbot County Community Center and to make available

separately, at cost, an additional 157 acres of land adjacent to the 90 acre parcel as a location for a new Regional Health Care Facility. The County and the Town have discussed arrangements for the provision of water, sewer and other facilities to the parcels offered by the County. SHS has explored the suitability of the site with both the Town and the County and has determined that the parcels offered by the County appear to be a suitable site for a Regional Health Care Facility; and,

WHEREAS, all parties recognize that the relocation of the Hospital will involve a series of financial, legal and policy commitments. The parties desire to establish a framework for accomplishing the steps necessary to enable SHS to evaluate and decide whether to construct a Regional Health Care Facility on some or all of the land offered by the County, and to that end they have prepared a Memorandum of Understanding between the County, the Town of Easton, and Shore Health System, Inc., which is attached hereto as Exhibit "A," which is incorporated by reference herein, and the County and Shore Health System, Inc., have prepared proposed language for two (2) Option Agreements, attached hereto as Exhibit "B" and "C," which are incorporated by reference herein, through which Shore Health System, Inc. acquires rights to purchase each of the two parcels of real estate owned by the County.

NOW, THEREFORE, BE IT RESOLVED:

1. Talbot County approves the proposed Memorandum of Understanding attached hereto as Exhibit "A."
2. Talbot County approves the two (2) Option Agreements attached hereto as Exhibits "B" and "C".

3. The President of the Talbot County Council is authorized to execute the Memorandum of Understanding and Option Agreements, in triplicate, as attached hereto.

PUBLIC HEARING

Having been posted and Notice of time and place of hearing and Title of Resolution No. 153 having been published, a public hearing was held on Tuesday, June 10, 2008, Tuesday, June 24, 2008, and Tuesday, July 8, 2008 at 2:00 p.m. in the Bradley Meeting Room, South Wing, Talbot County Courthouse, 11 North Washington Street, Easton, Maryland 21601.

BY THE COUNCIL

ENACTED: July 8, 2008 *AS AMENDED*

By Order Susan W. Moran
Secretary

Foster - Nay

Pack - Aye

Duncan - Aye

Bartlett - Aye

Harrison - Aye

Exhibit A
MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (the "MOU") is entered into on the _____ day of _____, 2008, by Shore Health System, Inc., a non-stock corporation of the State of Maryland ("SHS"), Talbot County, a political subdivision of the State of Maryland (the "County") and The Town of Easton, a Maryland municipal corporation (the "Town").

Whereas for more than 100 years, SHS and its predecessors-in-interest have operated The Memorial Hospital at Easton (the "Hospital"), providing health care services to residents of the Town, the County, Queen Anne's, Caroline, and Dorchester Counties as well as surrounding areas. The Hospital has contributed greatly to the Town's and the County's quality of life, economic and social development, public safety, public health and general welfare of the Town and County. In turn, the Hospital has enjoyed support from the residents of the Town and the County, as well as support from the elected officials of the Town and the County in its efforts to provide health care to residents of the Mid-Shore area.

In 2007, SHS announced that it was considering relocating the Hospital from its current location on South Washington Street in Easton to a location better situated to serve the growing needs of this region for a regional health care facility ("Regional Health Care Facility").¹ In response to this, the Talbot County Council offered to dedicate approximately 90 acres adjacent to the Talbot County Community Center and to make available separately, at cost, an additional 157 acres of land adjacent to the 90 acre parcel as a location for a new Regional Health Care Facility. The County and the Town have discussed arrangements for the provision of water,

¹ The Regional Health Care Facility is intended to be developed in a campus setting and to develop and expand as necessary to serve the health care needs of the Mid-Shore region in a flexible manner that facilitates the provision of medical services and use of new technology. At a minimum, the Regional Health Care Facility is anticipated to include an acute care hospital including an emergency care facility, outpatient surgery and diagnostic services.

sewer and other facilities to the parcels offered by the County. SHS has explored the suitability of the site with both the Town and the County and has determined that the parcels offered by the County appear to be a suitable site for a Regional Health Care Facility.

All parties recognize that the relocation of the Hospital will involve a series of financial, legal and policy commitments. The parties believe that documenting their discussions at this point will assist in establishing a framework for accomplishing the steps necessary to enable SHS to evaluate and decide whether to construct a Regional Health Care Facility on some or all of the land offered by the County. The parties further explicitly recognize that this document is a statement of current intent and is not intended to create binding contractual or other commitments between them.

Now, therefore, SHS, the County and the Town hereby enter into the following Memorandum of Understanding:

1. Option to Purchase Property. SHS (or a wholly owned affiliate of SHS) and the County shall execute two option agreements (the "Option Agreements") on terms to be negotiated between them, under the terms of which SHS shall have the right to purchase the following parcels of land:

Parcel A

All that parcel of ground situate in the First Election District of Talbot County, Maryland, on the north side of Md. Rt. 662, (Longwoods Road) Easton, Talbot County, Maryland, being the same parcel described in a deed recorded among the land records of Talbot County, Maryland, at Liber 1402, folio 672, and at Liber 772, folio 944, containing 78.16 acres of land, more or less, together with any and all rights, ways, easements, improvements and appurtenances thereto belonging or anywise appertaining thereto. The perimeter of this portion of Parcel A is bounded in yellow and is illustrated on a Map marked as Exhibit "1" which is attached hereto.

Parcel A also includes part of the land conveyed to Talbot County by deed dated March

25, 1977 from Nettie Marie Jones, recorded at Liber 510, folio 339 among the Land Records of Talbot County, Maryland (the "Jones Land"). The area that is to be included in Parcel A is shown as bounded on three sides in blue on Exhibit "1". This area is to be added to Parcel A by abandonment of the (yellow) lot line joining the northerly and southerly blue boundaries on Exhibit "1" so that, as included in the Option, Parcel A is to include all of the land within the outside perimeter of the colored boundaries shown on Exhibit "1." This area is to be surveyed at the County's expense. The final line of division of the Jones Land between the land to be retained by the County and the land to be included in the Option will be agreed upon between SHS and the County.

Parcel B:

All that farm or tract of land situate on the west side of Longwoods Road and identified on Tax Map 17 Parcel No. 58 and containing 157.9976 acres of land, more or less and adjoining Hailem School Road on the west.

BEING Parcel No. 2 described in a deed dated May 31, 2005 by and between Carole Parris Young and Clarke L. Parris, as grantors and grantees, recorded among the land records of Talbot County, Maryland at Liber 1340 folio 0278.

SAVE AND EXCEPT, HOWEVER, that non-contiguous parcel of land on the east side of Longwoods Road containing six to ten acres of woodland and being shown as Parcel 2 of 2 of Parcel 58 in the tax plat records of Talbot County.

The Option Agreements shall provide that (1) the sales price of Parcel A shall be One Dollar (\$1.00) or such other nominal monetary consideration as the parties to the Option Agreements shall agree; and (2) the sales price of Parcel B shall be equal to the amount spent by the County to acquire Parcel B from Carole Parris Young and Clarke L. Parris. The County and SHS agree that the amount expended by the County for such purposes is Two Million Dollars (\$2,000,000.00).

2. *Amendments to Town and County Comprehensive Plans.* Within sixty (60) days of the execution of the Option Agreements, the Town and the County will initiate appropriate procedures for each jurisdiction to amend its respective comprehensive land use plan. The

proposed amendments to the Town's Comprehensive Plan will include amending the Town's Urban Growth Boundary to include Parcel A and Parcel B and the site of the Talbot County Community Center ("Parcel C"); to designate Parcels A, B and C as "Priority 1" for annexation purposes; and to identify Parcels A and B as an appropriate location for a Regional Health Care Facility and related uses. The amendments to the County's Comprehensive Plan will designate Parcels A, B and C as part of the Town of Easton's primary growth area. The amendments to both plans will provide that they are intended to facilitate the development of Parcels A and/or B as a Regional Health Care Facility and related uses and that, if SHS does not exercise its option to purchase by May 1, 2018, the Comprehensive Plan amendments shall lapse and be of no further effect.

3. *Amendment to the Talbot County Comprehensive Water and Sewer Plan.* Within sixty (60) days of the execution of the Option Agreements, the Town and the County will initiate procedures to amend the Talbot County Comprehensive Water and Sewer Plan to designate Parcels A, B and C as suitable for immediate water and sewer service by Easton Utilities and obtain MDE approval of such amendment. The amendments to the Comprehensive Water and Sewer Plan shall provide that they are intended to facilitate the development of Parcels A and B as a Regional Health Care Facility and to provide water and sewer service to Parcel C. In addition, the amendments may provide for partial or total termination if SHS does not exercise its option to purchase by May 1, 2018.

4. *Amendment to County Zoning Ordinance - DRRA's.* Within sixty (60) days of the execution of the Option Agreements, the County will initiate appropriate procedures to amend the Talbot County Zoning Ordinance to authorize the County to enter into "Development Rights

and Responsibilities Agreements”.

5. *Amendment to Town Zoning Ordinance - Regional Health Care District.* Within sixty (60) days of the execution of the Option Agreements, the Town will initiate procedures to amend its Zoning Ordinance to establish a district entitled “Regional Health Care (RHC)”. The RHC district regulations will provide that hospitals and related uses shall be permitted uses within the RHC District. The RHC regulations will be substantially similar to those set forth on Exhibit “A”.

6. *Annexation Agreement.* The parties shall enter into an annexation agreement. SHS’s obligations thereunder shall be contingent upon SHS’s exercise of its options to purchase by May 1, 2018. The annexation agreement shall specify the terms and conditions of the annexation of Parcels A, B and C by the Town and shall provide that the County will support an application by the Town to designate Parcels A, B and C as “Priority Funding Areas” pursuant to State Finance and Procurement Article Section 5-7B-01 *et seq.*

7. *Extension of Water and Sewer Mains to Site.* Before the commencement of annexation proceedings, the Town, the County and SHS shall enter into a written agreement (which may be part of the Annexation Agreement) regarding the extension of water and sewer service to Parcels A, B and C. The County shall have no obligation to extend water or sewer to Parcel A or B unless, and until, SHS commits to build an acute care hospital consisting of a minimum of 100 beds on either Parcel A or B. The Town, through the Easton Utilities Commission, shall construct mains and lines connecting the existing water and sewer systems of the Town to the properties. The cost of design and construction of the water and sewer lines necessary to serve 125% of the requirements of an acute care hospital consisting of a number of licensed beds to be determined

by SHS, but not less than 100 beds, on Parcels A or B and the cost to extend water and sewer to Parcel C shall be borne by the County. To the extent that additional capacity is required in water and sewer mains (or additional water and sewer mains are required) for additional development on Parcels A and/or B, SHS shall be responsible for said additional expenses. To the extent that water and sewer mains are increased in capacity to serve properties other than Parcels A, B, and C, the cost of such capacity increases shall not be the responsibility of SHS.

8. *Annexation.* The County and SHS shall file a petition for the annexation of Parcels A, B and C by the Town of Easton in accordance with Maryland Ann. Code Article 23A §19. The Town will introduce a resolution annexing the Parcels and an ordinance assigning a zoning classification of Regional Health Care to Parcels A and B and Agricultural (A-1) to Parcel C. The annexation resolution shall provide that, if for any reason SHS does not proceed with the development of Parcels A and/or B as a Regional Healthcare Facility within fifteen (15) years, the parties agree that the properties shall be “de-annexed”, i.e., that the Town boundaries shall be amended to exclude Parcels A, B and C. In addition, the annexation resolution shall also provide that the annexation is subject to the Sunset Contingencies and the Sunset Provision set forth hereinafter. The annexation resolution will further provide that the annexation will not become effective if the County does not give its consent to the zoning classifications specified herein prior to the effective date of the annexation resolution in the manner required by law at the time of the annexation.

9. *Development Rights and Responsibilities Agreement.* After the effective date of the annexation and the RHC zoning ordinance, if such resolution and ordinance are approved, the parties shall enter into one or more development rights and responsibilities agreements

("DRRA"). The DRRA shall set out the terms and conditions of the development of Parcels A and B as a Regional Health Care facility, shall contain appropriate provisions to facilitate extension of water, sewer and other utilities to Parcels A, B, and C, including supporting by the parties of state construction permit applications and the use of public rights-of-way to facilitate the construction and maintenance of such facilities. The DRRA shall include a description of the proposed development of Parcels A and B in order to provide assurances to the extent possible that SHS will be able to develop Parcels A and B as a Regional Health Care Facility in a manner consistent with the DRRA for a period of twenty-five (25) years.

10. *Limitation Upon Future Annexations Without County's Consent.* The Town and the County recognize that the County will pay for a significant portion of the water and sewer lines necessary to serve Parcels A, B and C. Both the Town and County recognize that the parcels do not lie within the Town's Urban Growth Boundary and both jurisdictions wish to minimize the possibility that the construction of the water and sewer mains will cause additional development in a manner inconsistent with the Town's and the County's Comprehensive Plans, as they exist now and as they may be amended from time to time in the future. Therefore, the Town and the County will enter into a joint planning agreement under Article 66 B § 3.05 (e), Md. Ann. Code, and to the extent necessary, shall pursue local public legislation to restrict annexation of the area to the north of Parcels A, B and C without Consent of the County for a period of forty (40) years.

11. *Periodic Reporting.* On the sixth month anniversary of this MOU and each year thereafter, SHS shall provide a written report to the Town and County indicating (i) any decision by SHS and/or progress toward locating a Regional Health Care Facility on the Property, (ii) significant issues and (iii) estimated times for accomplishing specified goals.

12. *Other.* The parties acknowledge that other issues will arise in the future as to the potential and/or actual development of Parcels A and/or B as the site of a Regional Health Care Facility. The parties agree to address those issues in good faith in order to facilitate the possible development of the parcels as a Regional Health Care Facility while appropriately allocating the costs of the project among the parties. The parties specifically acknowledge that this Memorandum is a statement of the parties' intentions; it does not create binding or enforceable commitments and is in no manner intended to limit or abridge the exercise of legislative judgment by either the Talbot County Council or the Easton Town Council or of discretion by any party.

13. *Sunset Contingencies.* A "Sunset Contingency" is the occurrence of any one of the following events as to either Parcel "A" or Parcel "B"; (1) SHS (or a wholly owned affiliate) sends written notice to the County of its intention to terminate the Option Agreement; or, (2) the Option Agreement remains unexercised for ten (10) years after the date it is signed; or, (3) at least one of the Option Agreements is exercised prior to that 10-year anniversary, but SHS (or a wholly owned affiliate) does not commence and diligently pursue planning and design of an acute care hospital consisting of a minimum of 100 beds on the Property within five (5) years following the date of Settlement under the Option Agreement; or, (4) except for delays caused by *force majeure*, construction of an acute care hospital is not substantially completed within fifteen (15) years after the date of Settlement under the Option Agreement.

14. *Sunset Provision.* Amendments to the Town and County comprehensive land use plans concerning Parcel "A" and "B", amendments to the County Comprehensive Water and Sewer Plan concerning Parcel "A" and "B", and the Annexation Resolution concerning Parcel "A" and "B" shall automatically lapse and have no further force or effect immediately if any

Sunset Contingency occurs as to that Parcel. In that event, the Town shall promptly send written notification of the new boundaries of the Town, excluding Parcel "A" or "B", or both, as appropriate, to the Clerk of the Circuit Court for Talbot County and to the Maryland Department of Legislative Services.

[SIGNATURES APPEAR ON NEXT PAGE]

ATTEST:

TALBOT COUNTY, MARYLAND

By _____ (SEAL)
Philip Carey Foster, President
Talbot County Council

TOWN OF EASTON, MARYLAND

By: _____ (SEAL)
Robert C. Willey, Mayor

SHORE HEALTH SYSTEM, INC.

By: _____ (SEAL)
Joseph P. Ross, President and CEO



Exhibit "A" to MOU adopted July 8, 2008

Proposed RHC Regulations

REGIONAL HEALTH CARE DISTRICT

A. INTENT OF DISTRICT.

The intent of this District is to provide for and encourage regional hospitals and related facilities in a campus setting and to identify and recognize the importance of such institutions and related uses to continue to be located within and serving the Town. These regulations are also intended to protect adjacent properties from the potential adverse impacts of such facilities by establishing development standards to which hospital and related uses must conform. The campus setting is intended to include amenities, services, and uses offered primarily for patients and their families, health-care providers, administrators, employees, visitors and other users of facilities located within the campus.

The logical, orderly and appropriate expansion and development of health care facilities in the Town in order to meet the long-range health care needs of the community are public necessities and are in the interests of the health, prosperity and welfare of the citizens of Easton, Talbot County and the Mid-Shore area.

B. DISTRICT ESTABLISHED; CRITERIA

The RHC District is a base zoning district and may be established anywhere within Town limits, provided the following criteria are satisfied:

1. The land area proposed for inclusion in the RHC District is at least fifty (50) acres in overall size, with all of the land or parcels proposed for inclusion in such District being contiguous to one another or separated only by a public street or other public right-of-way.
2. All of the land area proposed for inclusion in the RHC District is served or will be served at the time of physical development by public sewer and water systems.

The provisions of this RHC District, where in conflict with other provisions of the Zoning Ordinance, shall prevail.

C. DEFINITIONS

For the purpose of the RHC District, the following terms or words shall have the meaning set forth below. Terms not hereinafter defined shall have the meaning customarily assigned to them or the meaning defined in Section 113 of the Zoning Ordinance.

Ambulance Service - A facility housing ambulance or medical emergency vehicles and attendant staff, including offices and supply storage.

Assisted Living Facility – A facility providing room, board and living assistance to persons requiring assistance, but who do not require nursing home or hospital care.

Classrooms – Facilities for training and education.

Employee Day Care - A Child Care Center primarily for the care of children of employees of the principal or accessory uses located within the RHC District.

Health Clinic - An institution providing non-surgical treatment, care, examination, diagnostic, rehabilitation or preventive health services, including inoculation and educational services to outpatients.

Hospital - An institution providing physical or mental health services and medical or surgical care of the sick, handicapped or injured including facilities for overnight accommodation of patients. Hospitals may include various accessory and ancillary activities which are customarily incidental to and in direct support of the primary health care mission of the hospital, such as laboratories, pharmacies, cafeterias, gift shops, teaching, and research, diagnostic, treatment or rehabilitation facilities which are integrated with the hospital facilities.

Hospital Staff Dormitory - A facility providing residential accommodations (including cooking facilities) for the personnel of the hospital.

Medical Clinic - An institution providing outpatient mental health services and/or medical or surgical care of the sick, handicapped or injured.

Medical Laboratory - A facility providing services to health care providers to analyze and test physical samples and specimens for the diagnosis and treatment of patients.

Medical Offices - Offices for medical professionals, including, without limitation, physicians, chiropractors, dentists, optometrists, psychiatrists, nurse practitioners, psychologists, home health care service providers and similar uses.

Nursing Home - A place devoted primarily to the maintenance and operation of facilities for the treatment and care of any person suffering from illness, disease, deformities, or injuries who do not require extensive or intensive care such as provided in a general or other specialized hospital. A nursing home provides medical, nursing, convalescent, or chronic care in addition to room and board.

Overnight Care Facility - A facility that provides overnight accommodation of patients for recovery, rehabilitation or extended-care treatment of medical, psychiatric or psychological conditions or substance abuse and/or residential hospice care for terminally ill patients, including skilled nursing facilities and assisted living facilities.

Patient Hostel - A residential facility primarily intended for the use of patients being admitted or discharged from the hospital and their immediate families. The facility may include a shared dining facility that is restricted to the use of the hostel occupants and their guests.

Physician Housing- A facility providing residential accommodations (including cooking facilities) for physicians.

Special Medical Treatment Facility - A freestanding facility that has special equipment and technicians to provide unique or specialized services for diagnosis or treatment of patients.

Student Dormitories – A facility providing residential accommodations (including cooking facilities) for medical students and nursing students.

D. PERMITTED USES.

A building may be erected, altered or used, and a lot may be occupied or used, in whole or in part, for any of the following uses, provided that such uses shall comply with the RHC District Development Standards, and all other applicable provisions of the Town Zoning Ordinance.

Primary Uses:

- Administrative Offices for any permitted uses
- Assisted Living Facility
- Health Clinic
- Hospital
- Medical Clinic
- Medical Laboratory
- Medical Offices
- Overnight Care Facility
- Nursing Home
- Special Medical Treatment Facility
- Sales of durable medical equipment
- Other uses as determined by the Board of Appeals, not specifically mentioned herein but which facilitate the provision of medical services
- Public and private infrastructure and maintenance facilities

The following uses are also permitted when associated with or in support of the primary health care mission of one of the above uses:

- Ambulance Service
- Classrooms
- Hospital Staff Dormitory
- Employee Day Care
- Patient Hostel
- Parking (surface and/or structured)
- Physician and other Health Care Professional Housing
- Student Dormitory

E. ANCILLARY USES.

The following uses are also permitted to provide services or support for patients, employees, visitors and other users of permitted uses. These are intended as ancillary uses and shall be planned, sized, and designed primarily to serve the needs of patients, employees, visitors and other users of facilities located within the campus. These uses shall be located within structures containing one or more of the permitted uses listed in Section D and shall not have signage designed to attract patrons from outside the medical campus.

- Convenience Stores
- Pharmacies and Drug Stores
- Financial institutions
- Florist Shops
- Gift Shops
- Newspaper/Magazine Shops
- Restaurants and cafeterias
- Houses of Worship
- Libraries
- Other accessory and ancillary uses and structures clearly incidental to and associated with the permitted uses.

Shopping centers are not permitted within this District.

[Performance Standards, setbacks, height limits, open space, etc. to be added].

Exhibit B
AGREEMENT OF SALE AND OPTION
PARCEL A

Talbot County, Maryland, (the "Seller"), and NHP, LLC, a Maryland limited liability company, (the "Buyer"), make this Agreement of Sale and Option, (the "Agreement"), as of the ____ day of _____ 2008.

WHEREAS, Seller owns approximately 85.61 acres of land located in Talbot County including:

- (a) All that parcel of ground situate in the First Election District of Talbot County, Maryland, on the north side of Md. Rt. 662, (Longwoods Road) Easton, Talbot County, Maryland, being the same parcel described in a deed recorded among the land records of Talbot County, Maryland, at Liber 1402, folio 672, and at Liber 772, folio 944, containing approximately 78.16 acres of land, more or less, together with any and all rights, ways, easements, improvements and appurtenances thereto belonging or otherwise appertaining thereto; and
- (b) Part of the land conveyed to Talbot County by deed dated March 25, 1977 from Nettie Marie Jones, recorded at Liber 510, folio 339 among the Land Records of Talbot County, Maryland. The area that is to be included contains approximately 7.45 acres; and
- (c) Which lands are more particularly described in a Plat Showing Revision of Boundary Lines dated April 2008 prepared by Waters Professional Land Surveying, attached hereto as Exhibit A (hereinafter referred to as the "Property"); and

WHEREAS, Seller wishes to sell and Buyer wishes to acquire an option to buy the Property.

NOW THEREFORE, for the sum of one dollar, receipt of which Seller acknowledges, and for such other good and valuable consideration, as is herein contained, Seller and Buyer agree as follows:

- 1) The Option: Buyer shall have the Option for a period of ten (10) years following the date first above written (the "Option Period") to purchase the Property. If Buyer does not exercise its option before the end of the Option Period, Buyer's Option shall lapse and be of no further effect. If Buyer determines at any time during the Option Period, in its sole discretion, not to exercise this Option, then Buyer shall send written notice to Seller of Buyer's intention to terminate this Agreement. In addition, if Buyer terminates this Agreement, Buyer shall turn over to Seller all tests, studies, and plans (reasonably capable of being turned over), and the parties hereto shall have no further rights against, or obligations to, each other.
- 2) Settlement: Buyer shall settle on the Property as provided below within Ninety (90) Days of the Buyer giving written notice to Seller that Buyer is exercising its Option to purchase the Property ("Settlement").

3) Purchase Price: The Property's purchase price (the "Purchase Price"), is One Dollar (\$1.00).

4) Terms of Payment: Buyer shall pay the Purchase Price to Seller in cash or equivalent (i.e., funds wire transferred between FDIC insured financial institutions) at closing.

5) Seller's Tests, Studies and Plans: Seller shall deliver or make available to Buyer copies of all tests, studies and plans concerning the Property.

6) Environmental Warranty and Examination:

a. Seller warrants to the best of Seller's knowledge, information, and belief the following:

i. There are no underground storage tanks on the Property; and

ii. There are no, and have not been any, Hazardous Wastes or Substances or the like (as defined in Title 7 of the Environment Article of the Annotated Code of Maryland, or in the regulations now existing or hereafter promulgated pursuant thereto, or in the Uniform Fire Code of the National Fire Protection Association, 2006 edition, as amended, or in the Toxic Substance Control Act, 15 U.S.C. § 2601 et seq., as now amended or hereafter amended, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. § 9601 et seq., as now amended or hereafter amended, the Resource Conservation and Recovery Act of 1976, 42 U.S.C. § 6901 et seq., as now amended or hereafter amended, The Federal Hazardous Substances Act, 15 U.S.C. § 1261 et seq., as now amended or hereafter amended, the Occupational Safety and Health Act of 1970, 29 U.S.C. § 651 et seq., as now amended or hereafter amended, the Hazardous Materials Transportation Act, 49 U.S.C. § 1801 et seq., as now amended or hereafter amended, the United States Department of Transportation table (49 CFR § 172.101 and amendments thereto), or by the Environmental Protection Agency (or any successor agency), and the rules and regulations now in effect or promulgated hereafter pursuant to each law referenced above) on the Property, other than those permitted by law and used in the ordinary course of farming.

b. Buyer shall cause environmental examinations of the Property to be made at its sole cost, within six (6) months of the date of execution by Seller of this Agreement.

c. Seller warrants and represents that during the Option Period, Seller will comply with all Hazardous Waste and Environmental Laws and keep the Property free from Hazardous Wastes, except for those used in the ordinary course of farming that are permitted by law and where such use could not reasonably be expected to give rise to liability under the Hazardous Waste and Environmental Laws. Seller will promptly notify Buyer if there is any change in the status of the above representation and warranty.

7) Risk of Loss: Seller assumes the risk of loss until Settlement.

8) Transfer Taxes and other Settlement Charges: At Settlement, Buyer and Seller will equally split the following:

- a. All State and County transfer taxes; and
- b. All recording fees charged to record the Deed(s).

Buyer will be responsible for the Agricultural Transfer Tax, if any, and will pay all of its legal fees, title company charges, and title insurance premiums incurred at Settlement. If Seller engages its own attorney to be present at Settlement or review documents, Seller will be responsible for its attorneys' fees.

9) Seller's Use of the Property Prior to Settlement: Seller can continue to use the Property at Seller's risk and expense prior to Settlement; however, Seller will terminate all tenancies sixty (60) days prior to Settlement, and will deliver the Property free of any tenancies at Settlement, with the exception of any existing tenant farming the property in which case Seller will provide Buyer a copy of such farm lease sixty (60) days prior to Settlement. Upon Buyer's written request, Seller shall be responsible for the timely issuance of any notices required to terminate such farm tenancy on the Property in accordance with the terms of any existing lease and the requirements of law.

10) Memorandum of Option for Recording: Buyer has attached as Exhibit B a Memorandum of Option (the "Memorandum") for recording in the Land Records of Talbot County, Maryland. Seller shall execute this Memorandum as part of the Agreement. Buyer may record this Memorandum at Buyer's expense. If for any reason this Agreement becomes null and void, Buyer agrees to record a release within 30 days of that occurrence.

11) Lot Line Revision. Seller shall revise the lot lines to create the revised area and boundaries of Tax Parcel 75 as shown on Exhibit A.

12) Title: Title to the Property shall be good and merchantable, free of liens and encumbrances except use, occupancy and similar restrictions of public record which are generally applicable to properties in the immediate neighborhood or subdivision in which the property is located, and such utility and other easements that do not materially adversely affect the fair market value of the Property. Seller shall deliver to Buyer at Settlement a duly executed and acknowledged Deed(s) of Sale, with Special Warranty of Title, subject only to those easements, conditions, and restrictions which do not constitute valid objections to the title of the Property, and such other documents as are reasonably necessary to transfer the Property to Buyer and customarily required by title companies and settlement attorneys. In the event an examination of title, which examination Buyer shall cause to be made at its sole cost, within six (6) months of the date of execution by Seller of this Agreement, shall reveal any defects adversely affecting the marketability of the Property, Buyer shall promptly notify Seller, who shall correct any such reported title defects, if such title defects are reasonably capable (in terms of cost or time) of being corrected. If Seller is unable or unwilling to correct such defects, or such defects are not reasonably capable of being corrected, Buyer may terminate this Agreement, and upon such termination, Seller shall refund all deposit monies paid hereunder by Buyer, and the parties hereto shall have no further rights against, or obligations to, each other. Buyer, at its

sole option, may elect to proceed to Settlement despite the existence of such title defects revealed in such title examination, or may elect to cure said defects itself (in which case Seller will cooperate with Buyer as may be reasonably necessary to accomplish same), in which case Buyer will be entitled to a credit at Settlement for up to Ten Thousand Dollars (\$10,000.00) in out-of-pocket costs expended by it for attorneys' fees, title searches, etc. in order to cure said title defects. If Buyer or Seller elects to remove a title defect, then the dates for Settlement hereunder shall be extended until the removal of such defect has been completed, and any period of appeal as to any related legal action has expired, provided that in the case of Buyer's action, Buyer proceeds with all such actions in a diligent manner through conclusion of such action. Seller agrees that any encumbrance which it voluntarily places upon the Property, or allows to be placed thereupon, shall be removed by Seller to Buyer's satisfaction before settlement at Seller's sole cost, and is not an exception or defect to title which Seller can elect to not remove.

13) Access to Property: From the date of acceptance of this Agreement until Settlement, Buyer and Buyer's agents and representatives will have complete and unrestricted access to the Property to make inspections, tests, surveys, and other studies thereof including environmental tests and surveys. Buyer will repair any damage to the Property or to crops caused by the Buyer's inspections, tests, surveys, and other studies.

14) The Approvals: The Buyer may pursue permits, approvals and other governmental actions necessary for its purposes (the "Approvals") during the Option Period. Seller agrees to fully cooperate, at no expense to Seller, in performing all ministerial acts required of Seller in its capacity as Owner that may be required so that Buyer can obtain the Approvals. This cooperation by Seller is ministerial in nature and includes, but is not limited to, Seller signing all applications and documents, reasonably necessary to obtain the Approvals that are required by the Town, County, State, or Federal Governments or their respective Agencies. Such cooperation does not obligate Seller to make, issue, or grant any Approvals within the exercise of its governmental authority as a charter county, nor does it restrict or limit the Seller's discretion in the exercise of its police power.

15) Subdivision: Prior to Settlement, Buyer may seek to subdivide the Property. Buyer will pay any cost or expense associated with such subdivision. Seller will sign any documents necessary to process such subdivision. Seller's obligations hereunder are ministerial in nature. A subdivision application shall be treated as an Approval under Paragraph 14.

16) Effect of Condemnation: If prior to the date of Settlement, any action, suit, or other proceeding shall be commenced or instituted for the purpose of condemning or otherwise acquiring the Property or any part of the Property, through the power of eminent domain, then, at the option of Buyer, exercised by notice in writing to Seller, Buyer may elect to terminate this Agreement. If Buyer does not elect to terminate this Agreement, and such condemnation proceeding is concluded before settlement, then Seller shall pay over to Buyer or assign to Buyer all of its right, title, and interest in such condemnation award at settlement under this Option, which may include a credit against the purchase price. In addition, Seller shall not adjust or settle any condemnation awards whatsoever without the prior written approval of Buyer. Buyer and its counsel shall have the right (prior to Settlement) to participate in all negotiations relating to any such condemnation awards.

17) Specific Performance: If Seller defaults on this Agreement, in addition to any other remedies available to Buyer in law or equity, Buyer shall have the right to sue in equity seeking specific performance from Seller for delivery to Buyer of the Deed(s) to the Property.

18) Notices: All notices required under this Agreement shall be by prepaid U.S.P.S. first class mail, or by a recognized overnight delivery service such as U.P.S. or Federal Express, to the following:

a. Buyer: NHP, LLC, Attention: Joseph P. Ross, Shore Health System, 219 South Washington Street, Easton, Maryland 21601, With a copy to: John H. Murray, Miles & Stockbridge P.C., 101 Bay Street, Easton, Maryland 21601;

b. Seller: Attention: Talbot County Manager, R. Andrew Hollis, South Wing, Talbot County Courthouse, 11 North Washington Street, Easton, Maryland 21601. With a copy to Michael Pullen, Esquire, Talbot County Office of the Law, Talbot County Courthouse, 11 N. Washington Street, Easton, Maryland 21601; or

c. To such other address as Buyer or Seller shall inform the other party in writing in the manner and to the address specified herein or such later substituted address.

19) Signatures: For purposes of this Agreement, Buyer and Seller will deem facsimile signatures as originals.

20) Binding Effect: The terms of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors, heirs and assigns.

21) Public Information: The parties recognize that Art. 25A § 5B, Md. Ann. Code, requires that the County advertise any proposed disposition of public property once a week for three successive weeks in a newspaper of general circulation in the County, stating the terms of the proposed disposition, the compensation to be received therefore, and giving the public an opportunity to object. The parties recognize that this Agreement is subject to that process and to acceptance by the County following that process.

22) Covenants and Repurchase Right. The Property shall be transferred from Seller to Buyer by deed containing the following covenants:

(a) The Property shall be used only for agriculture and/or regional health care facilities, including, at a minimum an acute care hospital, and related medical and support uses consistent with uses permitted under a Regional Health Care or similar zoning district adopted by the Town of Easton.

(b) Within five (5) years following the date of Settlement, Buyer shall commence planning and design of an acute care hospital on the site or on the Adjacent Site. Except for delays caused by *force majeure*, if construction of an acute care hospital is not substantially completed within fifteen (15) years after the date of Settlement, Seller shall have the right at any time within five (5) years thereafter to require Buyer to convey the Property to Seller. Upon

Seller's written notice to Buyer that it wishes to reacquire the Property, Buyer shall transfer the Property to seller within Ninety (90) days and Seller shall return to Buyer any consideration paid by Buyer to Seller for the Property. If Seller does not give written notice within the five (5) year period, this covenant is extinguished and of no further force and effect.

(c) The above restrictive covenants shall be subordinated to any lien or other instrument securing any loan, bond issue, or other financing obtained and used to construct an acute care hospital and related or supporting facilities, so that, in the event of a *bona fide* default in the repayment of any secured obligation incurred to obtain construction financing, and sale of the Property under the terms of any instrument securing performance of that financial obligation, the Property may be sold by the secured party at such sale free and clear of the covenant.

23) Amendment: This Agreement may be amended only by mutual written agreement of the parties.

24) Entire Agreement: This document constitutes the entire Agreement between the parties hereto.

[SIGNATURES APPEAR ON THE NEXT PAGE]

IN WITNESS HEREOF, the Buyer and the Seller affix their signatures below:

WITNESS:

Talbot County, Maryland
"SELLER"

_____ By: _____ (SEAL)
Philip Carey Foster
President, Talbot County Council

STATE OF _____, COUNTY OF _____, TO WIT:

I HEREBY CERTIFY, that on this _____ day of _____, 2008, before me, the subscriber, a Notary Public of the aforesaid State, personally appeared **Philip Carey Foster**, who acknowledged himself to be the President of the Talbot County Council, and that as such Officer of the Talbot County Council, being authorized to do so, executed the foregoing Agreement of Sale and Option for the purposes therein contained by signing his name.

WITNESS my hand and Notarial Seal.

Notary Public

My commission expires:

WITNESS:

NHP, LLC
"BUYER"

By: Shore Health System, Inc., Sole
Member

By _____ (SEAL)
Joseph P. Ross, President and CEO

State of _____, County of _____, to wit:

On this _____ day of _____, before me, the undersigned officer, personally appeared **Joseph P. Ross**, who acknowledged himself to be the President and CEO of Shore Health System, Inc., sole member of NHP, LLC, and that he as such officer of Shore Health System, Inc., being authorized so to do, executed the foregoing Agreement of Sale and Option for the purposes therein contained by signing his name.

In witness whereof I hereunto set my hand and official seal:

Notary Public

My commission expires:

Exhibit B
MEMORANDUM OF OPTION AGREEMENT

THIS MEMORANDUM OF OPTION AGREEMENT (this "Memorandum") is made this ___ day of _____, 2008 by and between NHP, LLC, a Maryland limited liability company ("Buyer"), with an address of 219 South Washington Street, Easton, Maryland 21601 and Talbot County, Maryland ("Seller") with an address of 11 N. Washington Street, Easton, Maryland 21601.

Explanatory Statement

A. Buyer and Seller are parties to an Agreement of Sale and Option dated _____, 2008, by and between Buyer and Seller (the "Option Agreement"), pursuant to which Seller granted to Buyer the option to purchase (the "Purchase Option") all of that parcel of real property consisting of approximately 85.61 acres of land, together with related improvements, including:

(i) All that parcel of ground situate in the First Election District of Talbot County, Maryland, on the north side of Md. Rt. 662, (Longwoods Road) Easton, Talbot County, Maryland, being the same parcel described in a deed recorded among the land records of Talbot County, Maryland, at Liber 1402, folio 672, and at Liber 772, folio 944, containing approximately 78.16 acres of land, more or less, together with any and all rights, ways, easements, improvements and appurtenances thereto belonging or anywise appertaining thereto, and

(ii) Part of the land conveyed to Talbot County by deed dated March 25, 1977 from Nettie Marie Jones, recorded at Liber 510, folio 339 among the Land Records of Talbot County, Maryland. The area that is to be included contains approximately 7.45 acres; and

(iii) Which lands are more particularly described in a Plat Showing Revision of Boundary Lines dated April 2008 prepared by Waters Professional Land Surveying, attached hereto as Exhibit A (hereinafter referred to as the "Property").

(iv) All capitalized terms used in this Memorandum without definition shall have the meanings ascribed to such terms as are set forth in the Option Agreement.

B. Pursuant to the Option Agreement, Seller shall be obliged to hold title to the Property, for the purpose of transferring the Property, upon the request and instruction of Buyer in accordance with the terms of the Option Agreement. The parties agree that the right or interest in the Property afforded to Buyer with respect to the Property is in the nature of an option to purchase.

C. Buyer and Seller desire to enter into this Memorandum and record the same in order that third parties may have notice of the existence of the Purchase Option rights and interests of Buyer under the Option Agreement.

Memorandum

NOW, THEREFORE, in consideration of the foregoing Explanatory Statement which is incorporated by reference herein and made a substantive part hereof, and the mutual covenants, agreements, and consideration of the parties hereto and in the Option Agreement, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby covenant and agree as follows:

1. Seller hereby confirms that Seller has granted to Buyer the Purchase Option, in the nature of a right or option to purchase the Property, all of the terms and conditions of which are set forth more fully in the Option Agreement.

2. The rights of Buyer hereunder, shall commence on _____, 2008 and shall terminate on _____, _____ or earlier, in accordance with the terms set forth in the Option Agreement.

[SIGNATURES APPEAR ON THE NEXT PAGE]

IN WITNESS WHEREOF, the parties have executed and sealed this Memorandum as of
the day and year first above written.

WITNESS:

“SELLER”

By _____ (SEAL)
Philip Carey Foster
President, Talbot County Council

STATE OF _____, COUNTY OF _____, TO WIT:

I HEREBY CERTIFY, that on this _____ day of _____, 2008, before me, the subscriber, a Notary Public of the aforesaid State, personally appeared **Philip Carey Foster**, who acknowledged himself to be the President of the Talbot County Council, and that as such Officer of the Talbot County Council, being authorized to do so, executed the foregoing Agreement of Sale and Option for the purposes therein contained by signing his name.

WITNESS my hand and Notarial Seal.

Notary Public

My commission expires:

WITNESS:

“BUYER”

By: Shore Health System, Inc., Sole Member

By _____ (SEAL)
Joseph P. Ross, President and CEO

State of _____, County of _____, to wit:

On this _____ day of _____, before me, the undersigned officer, personally appeared **Joseph P. Ross**, who acknowledged himself to be the President and CEO of Shore Health System, Inc. and that he as such officer of Shore Health System, Inc., being authorized so to do, executed the foregoing Agreement of Sale and Option for the purposes therein contained by signing his name.

In witness whereof I hereunto set my hand and official seal:

Notary Public

My commission expires:

This is to certify that the within instrument was prepared by or under the supervision of the undersigned, as attorney duly admitted to practice before the Court of Appeals of Maryland.

John H. Murray

After recording please return to:

John H. Murray
Miles & Stockbridge P.C.
101 Bay Street
Easton, Maryland 21601

Exhibit C
AGREEMENT OF SALE AND OPTION
PARCEL B

Talbot County, Maryland, (the "Seller"), and NHP, LLC, a Maryland limited liability company, (the "Buyer"), make this Agreement of Sale and Option, (the "Agreement"), as of the _____ day of _____ 2008.

WHEREAS, Seller owns approximately 157.9976 acres of land located on the West side of Longwoods Road in Talbot County, Maryland, conveyed to Seller by a Deed from Clarke L. Parris and Carole Parris Young recorded in the Talbot County Land Records at Liber 1597, folio 343 and identified in the records of Talbot County on Tax Map 17, Grid 23, Parcel 58 (hereinafter referred to as the "Property"); and

WHEREAS, Seller wishes to sell and Buyer wishes to acquire an option to buy the Property.

NOW THEREFORE, for the sum of one dollar, receipt of which Seller acknowledges, and for such other good and valuable consideration, as is herein contained, Seller and Buyer agree as follows:

- 1) **The Option**: Buyer shall have the Option for a period of ten (10) years following the date first above written (the "Option Period") to purchase the Property. If Buyer does not exercise its option before the end of the Option Period, Buyer's Option shall lapse and be of no further effect. If Buyer determines at any time during the Option Period, in its sole discretion, not to exercise this Option, then Buyer shall send written notice to Seller of Buyer's intention to terminate this Agreement. In addition, if Buyer terminates this Agreement, Buyer shall turn over to Seller all tests, studies, and plans (reasonably capable of being turned over), and the parties hereto shall have no further rights against, or obligations to, each other.
- 2) **Settlement**: Buyer shall settle on the Property as provided below within Ninety (90) Days of the Buyer giving written notice to Seller that Buyer is exercising its Option to purchase the Property ("Settlement").
- 3) **Purchase Price**: The Property's purchase price (the "Purchase Price"), is Two Million Dollars (\$2,000,000), plus simple interest at the rate of four percent (4%) beginning January 1, 2010.
- 4) **Terms of Payment**: Buyer shall pay the Purchase Price to Seller in cash or equivalent (i.e., funds wire transferred between FDIC insured financial institutions) at closing.
- 5) **Seller's Tests, Studies and Plans**: Seller shall deliver or make available to Buyer copies of all tests, studies and plans concerning the Property.

6) Environmental Warranty and Examination:

- a. Seller warrants to the best of Seller's knowledge, information, and belief the following:
 - i. There are no underground storage tanks on the Property; and
 - ii. There are no, and have not been any, Hazardous Wastes or Substances or the like (as defined in Title 7 of the Environment Article of the Annotated Code of Maryland, or in the regulations now existing or hereafter promulgated pursuant thereto, or in the Uniform Fire Code of the National Fire Protection Association, 2006 edition, as amended, or in the Toxic Substance Control Act, 15 U.S.C. § 2601 et seq., as now amended or hereafter amended, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. § 9601 et seq., as now amended or hereafter amended, the Resource Conservation and Recovery Act of 1976, 42 U.S.C. § 6901 et seq., as now amended or hereafter amended, The Federal Hazardous Substances Act, 15 U.S.C. § 1261 et seq., as now amended or hereafter amended, the Occupational Safety and Health Act of 1970, 29 U.S.C. § 651 et seq., as now amended or hereafter amended, the Hazardous Materials Transportation Act, 49 U.S.C. § 1801 et seq., as now amended or hereafter amended, the United States Department of Transportation table (49 CFR § 172.101 and amendments thereto), or by the Environmental Protection Agency (or any successor agency), and the rules and regulations now in effect or promulgated hereafter pursuant to each law referenced above) on the Property, other than those permitted by law and used in the ordinary course of farming.
- b. Buyer shall cause environmental examinations of the Property to be made at its sole cost, within six (6) months of the date of execution by Seller of this Agreement.
- c. Seller warrants and represents that during the Option Period, Seller will comply with all Hazardous Waste and Environmental Laws and keep the Property free from Hazardous Wastes, except for those used in the ordinary course of farming that are permitted by law and where such use could not reasonably be expected to give rise to liability under the Hazardous Waste and Environmental Laws. Seller will promptly notify Buyer if there is any change in the status of the above representation and warranty.

7) Risk of Loss: Seller assumes the risk of loss until Settlement.

8) Transfer Taxes and other Settlement Charges: At Settlement, Buyer and Seller will equally split the following:

- a. All State and County transfer taxes; and
- b. All recording fees charged to record the Deed(s).

Buyer will be responsible for the Agricultural Transfer Tax, if any, and will pay all of its legal fees, title company charges, and title insurance premiums incurred at Settlement. If Seller engages its own attorney to be present at Settlement or review documents, Seller will be responsible for its attorneys' fees.

9) Seller's Use of the Property Prior to Settlement: Seller can continue to use the Property at Seller's risk and expense prior to Settlement; however, Seller will terminate all tenancies sixty (60) days prior to Settlement, and will deliver the Property free of any tenancies at Settlement, with the exception of any existing tenant farming the property in which case Seller will provide Buyer a copy of such farm lease sixty (60) days prior to Settlement. Upon Buyer's written request, Seller shall be responsible for the timely issuance of any notices required to terminate such farm tenancy on the Property in accordance with the terms of any existing lease and the requirements of law.

10) Memorandum of Option for Recording: Buyer has attached as Exhibit A a Memorandum of Option (the "Memorandum") for recording in the Land Records of Talbot County, Maryland. Seller shall execute this Memorandum as part of the Agreement. Buyer may record this Memorandum at Buyer's expense. If for any reason this Agreement becomes null and void, Buyer agrees to record a release within 30 days of that occurrence.

11) Title: Title to the Property shall be good and merchantable, free of liens and encumbrances except use, occupancy and similar restrictions of public record which are generally applicable to properties in the immediate neighborhood or subdivision in which the property is located, and such utility and other easements that do not materially adversely affect the fair market value of the Property. Seller shall deliver to Buyer at Settlement a duly executed and acknowledged Deed(s) of Sale, with Special Warranty of Title, subject only to those easements, conditions, and restrictions which do not constitute valid objections to the title of the Property, and such other documents as are reasonably necessary to transfer the Property to Buyer and customarily required by title companies and settlement attorneys. In the event an examination of title, which examination Buyer shall cause to be made at its sole cost, within six (6) months of the date of execution by Seller of this Agreement, shall reveal any defects adversely affecting the marketability of the Property, Buyer shall promptly notify Seller, who shall correct any such reported title defects, if such title defects are reasonably capable (in terms of cost or time) of being corrected. If Seller is unable or unwilling to correct such defects, or such defects are not reasonably capable of being corrected, Buyer may terminate this Agreement, and upon such termination, Seller shall refund all deposit monies paid hereunder by Buyer, and the parties hereto shall have no further rights against, or obligations to, each other. Buyer, at its sole option, may elect to proceed to Settlement despite the existence of such title defects revealed in such title examination, or may elect to cure said defects itself (in which case Seller will cooperate with Buyer as may be reasonably necessary to accomplish same), in which case Buyer will be entitled to a credit at Settlement for up to Ten Thousand Dollars (\$10,000.00) in out-of-pocket costs expended by it for attorneys' fees, title searches, etc. in order to cure said title defects. If Buyer or Seller elects to remove a title defect, then the dates for Settlement hereunder shall be extended until the removal of such defect has been completed, and any period of appeal as to any related legal action has expired, provided that in the case of Buyer's action, Buyer proceeds with all such actions in a diligent manner through conclusion of such action. Seller agrees that any encumbrance which it voluntarily places upon the Property, or allows to be placed thereupon, shall be removed by Seller to Buyer's satisfaction before settlement at Seller's sole cost, and is not an exception or defect to title which Seller can elect to not remove.

12) Access to Property: From the date of acceptance of this Agreement until Settlement, Buyer and Buyer's agents and representatives will have complete and unrestricted access to the Property to make inspections, tests, surveys, and other studies thereof including environmental tests and surveys. Buyer will repair any damage to the Property or to crops caused by the Buyer's inspections, tests, surveys, and other studies.

13) The Approvals: The Buyer may pursue permits, approvals and other governmental actions necessary for its purposes (the "Approvals") during the Option Period. Seller agrees to fully cooperate, at no expense to Seller, in performing all ministerial acts required of Seller in its capacity as Owner that may be required so that Buyer can obtain the Approvals. This cooperation by Seller is ministerial in nature and includes, but is not limited to, Seller signing all applications and documents, reasonably necessary to obtain the Approvals that are required by the Town, County, State, or Federal Governments or their respective Agencies. Such cooperation does not obligate Seller to make, issue, or grant any Approvals within the exercise of its governmental authority as a charter county, nor does it restrict or limit the Seller's discretion in the exercise of its police power.

14) Subdivision: Prior to Settlement, Buyer may seek to subdivide the Property. Buyer will pay any cost or expense associated with such subdivision. Seller will sign any documents necessary to process such subdivision. Seller's obligations hereunder are ministerial in nature. A subdivision application shall be treated as an Approval under Paragraph 13.

15) Effect of Condemnation: If prior to the date of Settlement, any action, suit, or other proceeding shall be commenced or instituted for the purpose of condemning or otherwise acquiring the Property or any part of the Property, through the power of eminent domain, then, at the option of Buyer, exercised by notice in writing to Seller, Buyer may elect to terminate this Agreement. If Buyer does not elect to terminate this Agreement, and such condemnation proceeding is concluded before settlement, then Seller shall pay over to Buyer or assign to Buyer all of its right, title, and interest in such condemnation award at settlement under this Option, which may include a credit against the purchase price. In no event shall any such credit exceed Two Million Dollars (\$2,000,000). In addition, Seller shall not adjust or settle any condemnation awards whatsoever without the prior written approval of Buyer. Buyer and its counsel shall have the right (prior to Settlement) to participate in all negotiations relating to any such condemnation awards.

16) Specific Performance: If Seller defaults on this Agreement, in addition to any other remedies available to Buyer in law or equity, Buyer shall have the right to sue in equity seeking specific performance from Seller for delivery to Buyer of the Deed(s) to the Property.

17) Notices: All notices required under this Agreement shall be by prepaid U.S.P.S. first class mail, or by a recognized overnight delivery service such as U.P.S. or Federal Express, to the following:

a. Buyer: NHP, LLC, Attention: Joseph P. Ross, Shore Health System, 219 South Washington Street, Easton, Maryland 21601, With a copy to: John H. Murray, Miles & Stockbridge P.C., 101 Bay Street, Easton, Maryland 21601;

b. Seller: Attention: Talbot County Manager, R. Andrew Hollis, South Wing, Talbot County Courthouse, 11 North Washington Street, Easton, Maryland 21601. With a copy to Michael Pullen, Esquire, Talbot County Office of the Law, Talbot County Courthouse, 11 N. Washington Street, Easton, Maryland 21601; or

c. To such other address as Buyer or Seller shall inform the other party in writing in the manner and to the address specified herein or such later substituted address.

18) Signatures: For purposes of this Agreement, Buyer and Seller will deem facsimile signatures as originals.

19) Binding Effect: The terms of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors, heirs and assigns.

20) Public Information: The parties recognize that Art. 25A § 5B, Md. Ann. Code, requires that the County advertise any proposed disposition of public property once a week for three successive weeks in a newspaper of general circulation in the County, stating the terms of the proposed disposition, the compensation to be received therefore, and giving the public an opportunity to object. The parties recognize that this Agreement is subject to that process and to acceptance by the County following that process.

21) Covenants and Repurchase Right. The Property shall be transferred from Seller to Buyer by deed containing the following covenants:

(a) The Property shall be used only for agriculture and/or regional health care facilities, including, at a minimum an acute care hospital, and related medical and support uses consistent with uses permitted under a Regional Health Care or similar zoning district adopted by the Town of Easton.

(b) Within five (5) years following the date of Settlement, Buyer shall commence planning and design of an acute care hospital on the site or on the Adjacent Site. Except for delays caused by *force majeure*, if construction of an acute care hospital is not substantially completed within fifteen (15) years after the date of settlement, Seller shall have the right at any time within five (5) years thereafter to require Buyer to convey the Property to Seller. Upon Seller's written notice to Buyer that it wishes to reacquire the Property, Buyer shall transfer the Property to seller within Ninety (90) days and Seller shall return to Buyer any consideration paid by Buyer to Seller for the Property. If Seller does not give written notice within the five (5) year period, this covenant is extinguished and of no further force and effect.

(c) The above restrictive covenants shall be subordinated to any lien or other instrument securing any loan, bond issue, or other financing obtained and used to construct an acute care hospital and related or supporting facilities, so that, in the event of a *bona fide* default in the repayment of any secured obligation incurred to obtain construction financing, and sale of the Property under the terms of any instrument securing performance of that financial obligation, the Property may be sold by the secured party at such sale free and clear of the covenant.

22) Amendment: This Agreement may be amended only by mutual written agreement of the parties.

23) Entire Agreement: This document constitutes the entire Agreement between the parties hereto.

[SIGNATURES APPEAR ON THE NEXT PAGE]

IN WITNESS HEREOF, the Buyer and the Seller affix their signatures below:

WITNESS:

Talbot County, Maryland
"SELLER"

By _____ (SEAL)
Philip Carey Foster
President, Talbot County Council

STATE OF _____, COUNTY OF _____, TO WIT:

I HEREBY CERTIFY, that on this _____ day of _____, 2008, before me, the subscriber, a Notary Public of the aforesaid State, personally appeared **Philip Carey Foster**, who acknowledged himself to be the President of the Talbot County Council, and that as such Officer of the Talbot County Council, being authorized to do so, executed the foregoing Agreement of Sale and Option for the purposes therein contained by signing his name.

WITNESS my hand and Notarial Seal.

Notary Public

My commission expires:

WITNESS:

NHP, LLC
"BUYER"

By: Shore Health System, Inc., Sole
Member

By _____ (SEAL)
Joseph P. Ross, President and CEO

State of _____, County of _____, to wit:

On this _____ day of _____, before me, the undersigned officer, personally appeared **Joseph P. Ross**, who acknowledged himself to be the President and CEO of Shore Health System, Inc., sole member of NHP, LLC, and that he as such officer of Shore Health System, Inc., being authorized so to do, executed the foregoing Agreement of Sale and Option for the purposes therein contained by signing his name.

In witness whereof I hereunto set my hand and official seal:

Notary Public

My commission expires:

Exhibit C
MEMORANDUM OF OPTION AGREEMENT

THIS MEMORANDUM OF OPTION AGREEMENT (this "Memorandum") is made this ___ day of _____, 2008 by and between NHP, LLC, a Maryland limited liability company ("Buyer"), with an address of 219 South Washington Street, Easton, Maryland 21601 and Talbot County, Maryland ("Seller") with an address of 11 N. Washington Street, Easton, Maryland 21601.

Explanatory Statement

A. Buyer and Seller are parties to an Agreement of Sale and Option dated _____, 2008, by and between Buyer and Seller (the "Option Agreement"), pursuant to which Seller granted to buyer the option to purchase (the "Purchase Option") all of that parcel of real property consisting of approximately 157.9976 acres of land, together with related improvements, which land was acquired by Seller under and by virtue of a Deed conveyed to Seller by a Deed from Clarke L. Parris and Carole Parris Young and recorded among the Land Records of Talbot County, Maryland, at Liber 1597, folio 343 and which is identified in the records of Talbot County on Tax Map 17, Grid 23, Parcel 58 (the "Property"). All capitalized terms used in this Memorandum without definition shall have the meanings ascribed to such terms as are set forth in the Option Agreement.

B. Pursuant to the Option Agreement, Seller shall be obliged to hold title to the Property, for the purpose of transferring the Property, upon the request and instruction of Buyer in accordance with the terms of the Option Agreement. The parties agree that the right or interest in the Property afforded to Buyer with respect to the Property is in the nature of an option to purchase.

C. Buyer and Seller desire to enter into this Memorandum and record the same in

order that third parties may have notice of the existence of the Purchase Option rights and interests of Buyer under the Option Agreement.

Memorandum

NOW, THEREFORE, in consideration of the foregoing Explanatory Statement which is incorporated by reference herein and made a substantive part hereof, and the mutual covenants, agreements, and consideration of the parties hereto and in the Option Agreement, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby covenant and agree as follows:

1. Seller hereby confirms that Seller has granted to Buyer the Purchase Option, in the nature of a right or option to purchase the Property, all of the terms and conditions of which are set forth more fully in the Option Agreement.

2. The rights of Buyer hereunder, shall commence on _____, 2008 and shall terminate on _____, _____ or earlier, in accordance with the terms set forth in the Option Agreement.

[SIGNATURES APPEAR ON THE NEXT PAGE]

IN WITNESS WHEREOF, the parties have executed and sealed this Memorandum as of the day and year first above written.

WITNESS:

“SELLER”

By _____ (SEAL)
Philip Carey Foster
President, Talbot County Council

STATE OF _____, COUNTY OF _____, TO WIT:

I HEREBY CERTIFY, that on this _____ day of _____, 2008, before me, the subscriber, a Notary Public of the aforesaid State, personally appeared **Philip Carey Foster**, who acknowledged himself to be the President of the Talbot County Council, and that as such Officer of the Talbot County Council, being authorized to do so, executed the foregoing Agreement of Sale and Option for the purposes therein contained by signing his name.

WITNESS my hand and Notarial Seal.

Notary Public

My commission expires:

WITNESS:

“BUYER”

By: Shore Health System, Inc., Sole
Member

By _____ (SEAL)
Joseph P. Ross, President and CEO

State of _____, County of _____, to wit:

On this _____ day of _____, before me, the undersigned officer, personally appeared **Joseph P. Ross**, who acknowledged himself to be the President and CEO of Shore Health System, Inc. and that he as such officer of Shore Health System, Inc., being authorized so to do, executed the foregoing Agreement of Sale and Option for the purposes therein contained by signing his name.

In witness whereof I hereunto set my hand and official seal:

Notary Public

My commission expires:

This is to certify that the within instrument was prepared by or under the supervision of the undersigned, as attorney duly admitted to practice before the Court of Appeals of Maryland.

John H. Murray

After recording please return to:

John H. Murray
Miles & Stockbridge P.C.
101 Bay Street
Easton, Maryland 21601