

**LEE MEMORIAL HEALTH SYSTEM
BOARD OF DIRECTORS**

**RESOLUTION:
Conversion**

The Lee Memorial Health System (“LMHS”) Board of Directors (“LMHS Board”) at a public meeting held on October 7, 2024, adopts the following resolution regarding the conversion of LMHS to a community-focused, non-governmental Florida nonprofit corporation (“Conversion”):

WHEREAS, LMHS is an independent special healthcare district operating in Lee County, Florida (“Lee County”), pursuant to special act of the Florida Legislature, Chapter 2000-439, Laws of Florida, as amended (the “Special Act”);

WHEREAS, in 1916 LMHS’s predecessor began operation of a community-focused, non-governmental nonprofit hospital in Lee County, including the establishment of Lee Memorial Hospital in downtown Fort Myers;

WHEREAS, in 1963 the Florida Legislature authorized the establishment of a public hospital district in Lee County by special act, Chapter 63-1552, Laws of Florida;

WHEREAS, in 1968 LMHS assumed operation of the hospital that began as Lee Memorial Hospital in 1916;

WHEREAS, LMHS has grown from a single hospital to a vibrant, full-service health system operating as Lee Memorial Health System d/b/a Lee Health (the “Health System”);

WHEREAS, the health care industry has changed significantly since LMHS assumed operation of the Lee Memorial Hospital in 1968;

WHEREAS, as the health care industry and the Lee County community evolve, the LMHS Board embraced and discharged its fiduciary duties of loyalty, care, and obedience to LMHS as it endeavors to protect and strengthen the organization and its mission;

WHEREAS, pursuant to the passage of Chapter 2023-326, Laws of Florida (the “Amendment to the Special Act”), the Florida Legislature has recognized that continued operation of the Health System as a governmental entity may not be an effective or beneficial governmental function;

WHEREAS, the Amendment to the Special Act authorizes LMHS to conduct an evaluation of the benefits to the residents of Lee County of Conversion;

WHEREAS, on August 31, 2023, the Board authorized an evaluation of the benefits to the residents of Lee County of Conversion, consistent with the Amendment to the Special Act and its fiduciary duties to LMHS and its mission;

WHEREAS, at the LMHS Board’s direction, Kaufman, Hall & Associates, LLC (“Kaufman Hall”), an independent entity with at least five years of experience conducting comparable evaluations of hospital organizations similar in size and function to the Health System, conducted an evaluation of Conversion, including the potential impact of maintaining the current governmental structure;

WHEREAS, LMHS engaged several third-party legal counsels and advisory firms, and LMHS management provided factual information, to assist Kaufman Hall in the evaluation of Conversion;

WHEREAS, on February 21, 2024, Kaufman Hall delivered its Conversion evaluation report (the “Report”) to the LMHS Board, which states: “[t]o the extent the Lee Health Board and management believe the system can realize the value of prospective strategic opportunities and increase its competitive position at a level that surpasses the near-term net cost increase outlined herein, and more effectively delivery on its mission – to be a trusted partner, empowering healthier lives through care and compassion – we recommend that Lee Health continue with the conversion process”;

WHEREAS, management analyzed factual data, conducted its own financial and operational assessment, and advised the LMHS Board that Conversion will enable LMHS to realize strategic opportunities and enhance its competitive position;

WHEREAS, management advised the LMHS Board that maintaining the current governmental structure of LMHS could over time pose a material risk to the organization and its mission;

WHEREAS, the Amendment to the Special Act required the LMHS Board, no later than 120 days after receipt of the final Report, to determine, by majority vote, whether the interests of Lee County residents are best served by Conversion;

WHEREAS, throughout the Conversion evaluation process, the LMHS Board sought input and feedback from the community and other interested stakeholders, both internal and external to LMHS, including through numerous employee team member town halls, community town halls in each of the five Board member districts, two public hearings, and ongoing updates to the media and on the Lee Health website, among others;

WHEREAS, the LMHS Board conducted no fewer than ten publicly-noticed board workshops, special meetings, and/or regular meetings at which the LMHS Board sought feedback and received advice from legal counsel, both internal and external to LMHS, third-party consultants, and LMHS leadership regarding the potential Conversion;

WHEREAS, the LMHS leadership team reviewed and made presentations to the LMHS Board regarding the potential impacts of Conversion, including a recommendation that Conversion is a strategic move towards securing the Health System’s future, its safety-net mission, and maximizing its impact on the communities it serves;

WHEREAS, as detailed in their presentations to the Board, Lee Health’s President/Chief Executive Officer and Chief Financial Officer advised the Board that Conversion is in the best

financial interest of LMHS and promotes the delivery of healthcare services to the residents of Lee County, including but not limited to, safety net services;

WHEREAS, through these and other actions, the LMHS Board conducted a diligent review process consistent with its fiduciary duties of loyalty, care, and obedience to LMHS and its mission, including consideration of the risks associated with maintaining the status quo;

WHEREAS, on June 13, 2024, based upon the LMHS Board's evaluation of the benefits to the residents of Lee County of Conversion, the LMHS Board determined that the best interests of Lee County residents are best served by Conversion and authorized the President/Chief Executive Officer of Lee Health and his designees to take all reasonable steps to negotiate and draft a proposed agreement with Lee County in accordance with the requirements of the Amendment to the Special Act (the "Mission Agreement");

WHEREAS, on August 20, 2024, the Lee County Board of County Commissioners voted unanimously to authorize publication of the draft Mission Agreement on the website of Lee County;

WHEREAS, on August 21, 2024, the LMHS Board voted unanimously to authorize publication of the draft Mission Agreement on the website of LMHS;

WHEREAS, on August 22, 2024, the evaluation, agreements, disclosures, and other supporting documents relating to the Conversion, including the draft Mission Agreement, were published on the websites of LMHS and Lee County;

WHEREAS, Lee Health System, Inc., a Florida not-for-profit corporation ("LHS") has been formed as a non-governmental Florida nonprofit entity for the purpose of being the nonprofit operator that will receive or assume all of LMHS's assets and liabilities through the Conversion;

WHEREAS, the Internal Revenue Service has confirmed that LHS is exempt from federal income tax under Internal Revenue Code Section 501(c)(3);

WHEREAS, if ultimately approved, the Conversion shall be accomplished subject to the terms and conditions set forth in the Mission Agreement, including transfer to or assumption by LHS of the assets and liabilities of LMHS as described therein;

WHEREAS, in accordance with the Amendment to the Special Act, no later than 30 days after the complete transfer to or assumption by LHS of all assets and liabilities of LMHS, LMHS shall notify the Florida Department of Commerce (f/k/a Florida Department of Economic Opportunity) of the Conversion, and upon receipt of such notice by the Florida Department of Commerce, LMHS shall be dissolved as a matter of law and cease to exist (the "Dissolution"); and

WHEREAS, subject to the foregoing, the Mission Agreement sets forth the terms and conditions of the Conversion as among LMHS, LHS and Lee County as required by the Amendment to the Special Act.

NOW, THEREFORE, BE IT RESOLVED THAT:

Based upon the LMHS Board's review and consideration of the foregoing, including the Board's determination that the best interests of Lee County residents are best served by Conversion, the Board hereby approves the Mission Agreement, which approval constitutes approval of the Conversion subject to the terms of the Mission Agreement. Contingent on approval of the Mission Agreement by Lee County, the LMHS Board hereby authorizes the Board Chair to take all actions and to execute all documents on behalf of LMHS as necessary to effectuate the Conversion.

THIS RESOLUTION has been adopted by the LMHS Board effective October 7, 2024.



Donna Clarke, Board Chair