

PruittHealth Home Health, Inc.

PruittHealth Home Health Acquisition Proposal

May 7, 2014

Prepared for:

**Ronald H. Clitherow, M.P.H., Senior Health Care Consultant
CliftonLarsonAllen LLP**

Prepared by:

**Nick Williams, Chief Development Officer
PruittHealth, Inc.**



Craven County





Ronald H. Clitherow, M.P.H.
Senior Health Care Consultant
CliftonLarsonAllen LLP
157 Azalea Dr.
Mocksville, NC 27028

May 13th, 2014

Dear Mr. Clitherow,

On behalf of PruittHealth Home Health, I would like to formally amend the purchase price initially submitted by our company on May 7th, 2014 for the sale of Craven County Home Health Agency. Our new offer price for the aforementioned home health agency is EIGHT HUNDRED and FIFTY THOUSAND DOLLARS (\$850,000).

Further, it has come to my attention that in preparing PruittHealth Home Health's Proposal to purchase Craven County Home Health Agency, a mistake was made on our behalf in relation to the transcription of one of the questions. In drafting our proposal, we inadvertently deleted part of a question as we were compiling our responses to the questions contained in the OPF. This question, #3 in Section C of the OPF, was structured in two parts and the second part, a question pertaining to the Seller's retroactive indemnification liability limit, is the part that contains the aforementioned deletion. We apologize for this mistake and any confusion that it may have caused and ask that you accept the following correction to our proposal for that question.

3. As part of a transaction, we desire to obtain the existing Home Health Medicare provider number of the Seller:

YES NO

If your answer to #3 above, is Yes, we agree that the Seller's retroactive indemnification liability limit that is attached with the Seller's Home Health Medicare provider number and Medicare enrollment agreement, prior to the effective date of closing, would not exceed the lesser of the selling price or the estimated FYE 2014 Medicare revenue.

YES NO

Thank you and feel free to contact me should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Nick Williams", with a long horizontal flourish extending to the right.

Nick Williams
Chief Development Officer
PruittHealth
(678) 533-6757
ncwilliams@pruitthealth.com



Ronald H. Clitherow, M.P.H.
Senior Health Care Consultant
CliftonLarsonAllen LLP
157 Azalea Dr.
Mocksville, NC 27028

May 7th, 2014

Dear Mr. Clitherow,

Thank you for the chance to submit a proposal to the Craven County Board of Commissioners in regard to the sale of Craven County Home Health Agency. After reviewing the enclosed materials, I feel confident that you will see that PruittHealth Home Health, Inc. would be an ideal candidate to operate this agency. Thank you again for the opportunity and I look forward to speaking with you soon.

Sincerely,

A handwritten signature in black ink, appearing to read "Nick Williams", with a long horizontal flourish extending to the right.

Nick Williams
Chief Development Officer
PruittHealth
(678) 533-6699
ncwilliams@pruitthealth.com



 **AVERY**



OFFER PROPOSAL FORM (“OPF”)

**OFFER TO ACQUIRE SPECIFIED LIMITED ASSETS OF
THE CRAVEN COUNTY MEDICARE-CERTIFIED
HOME HEALTH AGENCY, NEW BERN, NC**

A. Organizational and/or Personal Information of the Buyer:

Legal Name of Organization (or Individual if not incorporated):

PruittHealth Home Health, Inc.

Desired Mailing Address: 1626 Jeurgens Court, Norcross, GA 30093

Name/Title of Chief Executive or Owner: Neil L. Pruitt, Jr. – Chairman & Chief Executive Officer

Designated Contact Representative: Nick C. Williams – Chief Development Officer, PruittHealth, Inc.

Phone #: 678-533-6757 **Mobile Phone #:** 678-983-4080

Fax #: 678-533-6620

Email Address: ncwilliams@pruitthealth.com

Organization’s Federal EIN #: 58-2461588

If your organization is a current home health and/or home care provider, please provide Medicare provider number(s), Medicaid provider number(s), and, North Carolina State Home Health/Home Care license number(s), if applicable.

Medicare: 34-7251, 34-7015

Medicaid: 3407251, 1598004723

North Carolina State License(s): HC4538, HC0296

Branch Name	Medicare Number	Medicaid Number
PHH - Atlanta	11-7118 (main location)	000849274A
PHH - Monroe	11-7118 (branch of PHH Atlanta)	000849274A
PHH - Winder	11-7118 (branch of PHH Atlanta)	000849274A
PHH - Greensboro	11-7118 (branch of PHH Atlanta)	000849274A
PHH - North Georgia	11-7129 (main office)	0082945A
PHH - Blue Ridge	11-7129 (branch of PHH N. GA)	0082945A
PHH - Rome	11-7148 (main location)	414129674A
PHH - Ft. Oglethorpe	11-7148 (branch of PHH Rome)	414129674A
PHH - Surry County	34-7015	1598004723
PHH - Low Country	42-7123	HHA214
PHH - Wake County	34-7251	3407251

B. Please **succinctly** describe your organization's current, or past, operational experience in operating a Medicare-certified, licensed home health agency. Attach or provide a list of the organization's Board of Directors, or owners with 5% or greater ownership in company and percent ownership of each individual. Please describe below, or enclose, any supplemental printed information that you believe would be of benefit to the Seller in attaining a sound understanding of your organization, e.g., its developmental history; clinical and administrative leadership; operational success; service quality standards such as accreditation or current Home Health Compare scores; scope of services proposed for the service area which might also include non-traditional Medicare covered services such as tele-health, chronic disease management services and expertise, private duty and staffing services, other "distinctive competencies," etc. In short, how will the areas' citizens and referral sources benefit from your firm offering home care services through this acquisition?

Response (insert additional pages, as needed):

United Health Services (UHS)

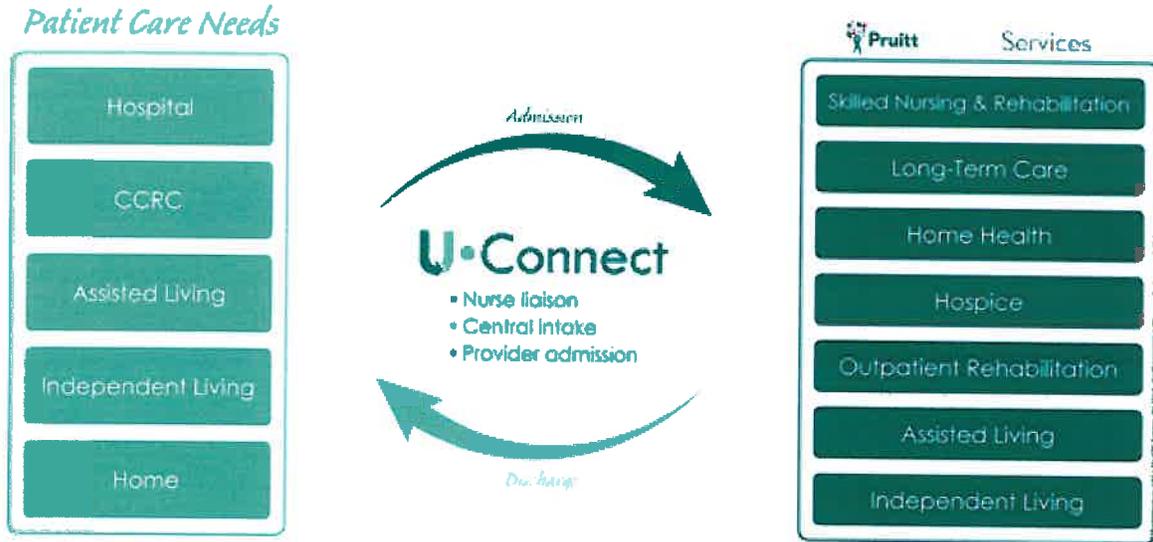
UHS began operations in 1969 as the Toccoa Nursing Center, in Toccoa, GA. Since that time, the UHS family of companies has demonstrated a steady and continuous pattern of growth. Through prudent facility acquisitions and related ancillary service expansion, the company's family of providers has expanded elsewhere in Georgia, into nearby South Carolina, North Carolina and Florida.

Today, UHS and its affiliates own or operate 93 long-term skilled nursing health care centers, four assisted living facilities, one independent living facility, 28 hospices, 16 home health agencies, one adult day care center, six pharmacies, a rehabilitation services company, a healthcare management services company, a nutritional services company, a clinical services company, a medical supply company, 16 SOURCE (care management) offices, and a construction / renovation company. UHS has also received CON approval to develop a nursing facility in Union County, North Carolina, a nursing facility in Rockingham County, North Carolina, a Medicare-certified home health agency in Brunswick County, North Carolina, a Medicare-certified home health agency in Forsyth County, North Carolina and a hospice home care agency in Cumberland County, North Carolina. Our model of care has proven to be a successful one

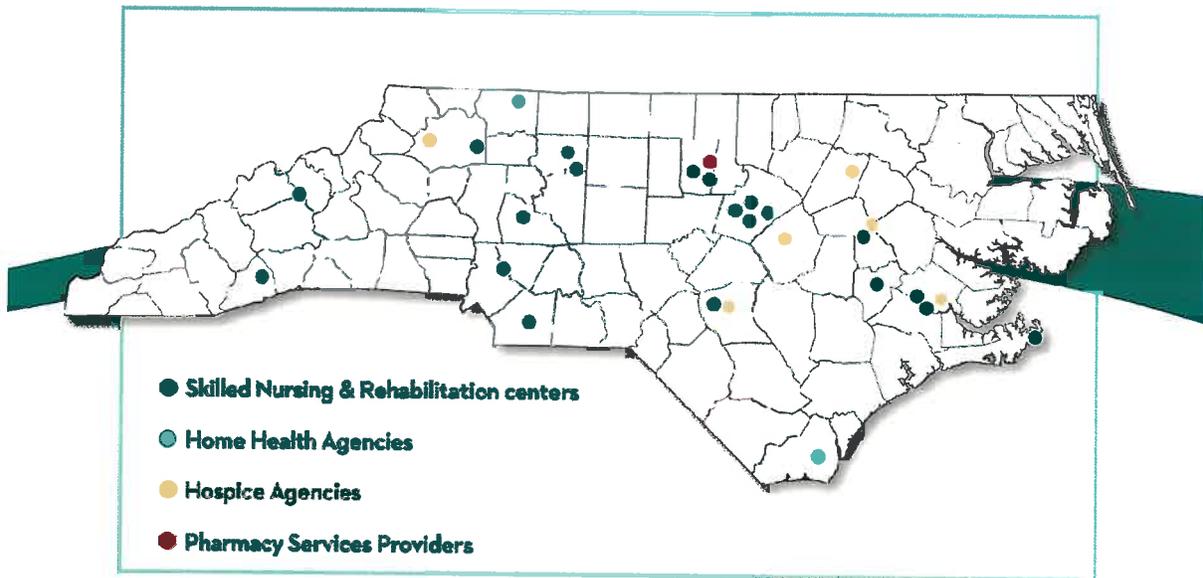
UHS has a 20-year history of providing post-acute care services in North Carolina as its first facility began operations in 1994. UHS is actively involved in North Carolina's local communities and has established numerous mutually beneficial relationships with local providers of health and social services. The new agency will have access to UHS's knowledge and experience in operating within the state and its long-term care community. Through its affiliation with UHS, the new agency will be able to effectively provide a streamlined continuum of care which envisions a single point of entry into a comprehensive system of services designed to best meet an individual's need. It will also be able to permit individuals to move into and out of various care settings in a coordinated manner with a single electronic medical record to ensure continuity between care settings. Already maintaining four skilled nursing facilities and a hospice agency in the immediate service area, including two skilled nursing facilities, PruittHealth – Neuse and PruittHealth – Trent, in

Craven County, the addition of a home health agency serving Craven County and its service area will provide UHS with a full range of services required for an integrated model aimed at providing a continuum of care. A depiction of this integrated model, the U-Connect Model of Care, is displayed below.

U-Connect Model of Care



Through a plan of targeted expansion, UHS and its subsidiaries are maintaining and strengthening their positions as regional leaders in the institutional, home and community based long-term care sector. UHS has been actively pursuing the home health market in North Carolina, recently receiving CON approval to develop Medicare-Certified home health agencies in both Brunswick and Forsyth Counties, and believes it will positively impact the delivery of home care throughout the state as new services come online. Please see the next page for a map of UHS provider locations in North Carolina by service line, including four established UHS skilled nursing facilities and a hospice agency within the immediate service area that employ more than 460 individuals within the Craven County service area. Thus, as one can see from the map on the next page and the information presented, our position within the state prepares us for an easy transition of growth in the county and the immediate service area, should we be selected.



PruittHealth, Inc. (PruittHealth)

Healthcare Provider Management Services Company Overview

A corporate subsidiary of UHS, PruittHealth, offers provider management services across the entire health care system.

PruittHealth is a southeast regional organization engaged in providing management-related services for health care providers in Georgia, Florida, North Carolina, and South Carolina. Affiliated providers furnish skilled nursing center services, assisted living services, institutional pharmacy services, home care and home health services, nutritional programs, in-home and inpatient hospice services, medical supply services, adult day care services, rehabilitation services, commercial insurance care management programs and community care programs. With more than 17,000 employees (partners), the organization touches the lives of more than 24,000 clients/residents daily.

PruittHealth has built an industry-leading holistic model of health care to meet a spectrum of long-term and ancillary care needs in the communities it serves. The organization is known throughout the Southeast for delivering high quality care through proactive performance improvement programs, including on-site visits and in-service education. UHS-Pruitt's vision *Committed to Caring*, defines not only what it does, but the culture in which it works.

Committed to Caring

PruittHealth understands that its clients are one of its greatest resources. Whether it is clients, residents, families or friends, volunteers, employees, or the communities served, PruittHealth is committed to serving health care needs, gaining loyalty, and maintaining a high level of customer satisfaction.

PruittHealth is committed to promoting a timely, courteous rapport with the people who affect the health care industry, including the public, those in the health care workforce, vendors, and referral sources. PruittHealth and its affiliates maintain relationships grounded in respect, open communication, and professionalism with those in the regulatory agencies, reimbursement agencies, and law enforcement.

PruittHealth is committed to open and honest communication that provides a foundation for conducting daily operations in an ethical and legal manner. PruittHealth cherishes and values employee competency built through continuing professional development. PruittHealth rewards teamwork and empowers those who promote quality care and services. PruittHealth adheres to the tenants of the "Quality First" pledge. PruittHealth is committed to upholding a culture that fosters caring, fairness and respect for people and property. Such a philosophy brings forth the best client, customer and employee care.

Please see Appendix A for profiles of key corporate leaders within PruittHealth.

PruittHealth Home Health

Like its parent company, PHH has extensive knowledge and experience in providing post-acute care services, serving over 7,000 patients in 2013. PHH began operations in Cleveland, Georgia, in 2001. Today, PHH operates five home health agencies with 13 offices in Georgia, two home health agencies in Wake County and Surry County, North Carolina, one home health agency in Beaufort County, South Carolina and has received CON approval to develop a Medicare-certified home health agency in Brunswick County, North Carolina as well as a Medicare-certified home health agency in Forsyth County, North Carolina.

All PHH agencies are fully accredited by Joint Commission and the new agency will seek Joint Commission accreditation for this agency should our proposal be approved. Furthermore, the new agency will meet or exceed all of the standards of care required by Medicaid, Medicare, and North Carolina State Licensure. The provision of high quality care will be further ensured by the new agency's own internal quality assurance standards. These standards have been proven to be effective as multiple PHH offices were named to the Outcome Concept Systems Home Care Elite List in 2013.

PHH's commitment to the provision of quality care is further demonstrated by its effort to measure the quality of care provided to all of its clients. All PHH agencies utilize *My Innerview* and proprietary surveys for client and staff satisfaction. PHH measures the quality of care provided by its home health agencies through the following third party benchmarking programs: Home Health Compare, Outcome Concept Systems, and CASPER. Additionally, PHH has developed internal quality and performance standards and tracks them monthly through a third-party, web-based application called Focus and Execute.

The new agency will utilize McKesson's Horizon Homecare point-of-care electronic medical system. The system will give the new agency's staff real-time access to a client's clinical history, drug-on-drug interactions, and customized information. All data collected by the point-of-care system will be integrated into PHH's existing information system (IS) platform. PHH's information management system is a single, unified application, which is able to track clinical, financial, and demographic information across and between UHS operating divisions. The system allows a single client medical record, containing all of the client's

clinical history, to be maintained as the client moves between various UHS treatment settings. All client information is protected from unauthorized access by strict policies and procedures, which ensure compliance with all provisions of the Health Information Portability and Accountability Act (HIPAA). The proposed IS application is a fully relational database which permits tracking client data on virtually any clinical or demographic data field in the system. Such flexibility ensures that PHH management is able to constantly monitor agency performance and effectiveness, as well as a number of quality of care indicators.

The new agency will also utilize UHS's central intake center. All referrals will be processed through a central number. The intake center has multiple entry points. Referring physicians or interested clients can access the system through a 1-800 number or through the local agency home number. Physicians can also utilize E-discharge. The central intake center verifies payment source, provides a medical screening, makes sure referring physicians are enrolled in PECOS, and schedules admission at the most appropriate location. Utilizing the central intake system will allow the new agency to operate more efficiently and effectively, will reduce operating costs and improve customer satisfaction.

If selected, PHH will help increase the quality and availability of care to patients in the Craven County service area. Through increased competition, patients in the area will be able to realize greater access to needed home care services. Additionally, the use of state of the art technology will help to improve the quality of care provided to the area residents. Through their commitment to the poor, sick, and elderly, UHS has a demonstrated an ability to meet the needs of the community in a caring and positive manner, regardless of race, sex, religion, national origin, physical handicap, or diagnosis, or payment source.

Services Overview

As a result of PHH's regional stature, its significant home office infrastructure with corporate management assistance and financial support, and its affiliation with PruittHealth, the new agency will be able to offer a full range of quality home health services, either in the client's home or in an alternative setting. Furthermore, in order to increase the quality of care provided to its patients, the new agency will incorporate PruittHealth's Model of Care, depicted on the following page.

PruittHealth Model of Care



Patients & Families

Fluid and flexible, our family-first system starts with patients and loved ones, demonstrating our commitment to caring.

Care Management

Our trained and licensed transition nurses guide patients through services and payment options, such as insurance and Medicare.

Care Service Providers

Offers nursing, therapy, pharmacy and hospice services at home or on site at skilled nursing and rehabilitation centers, assisted living centers or independent living communities, as well as adult day health services and government sponsored, private pay and commercial case management.

Care Pathways

Provides solutions for memory support, wound care, stroke rehab, cardiac care, pain management, respiratory therapy and more.

The new agency's home health care clients will have access to a battery of well-developed protocols and support services, which include, but are not limited to, the following:

- Skilled registered nursing services – provided by registered nurses, who evaluate the client, initiate the plan of care, regularly re-evaluate the client's nursing needs, coordinate services, and communicate with the physician.
- Specialized therapy services such as physical, speech, occupational and respiratory therapy– provided by qualified licensed skilled professionals who assist in the development of skills and physical functioning to promote client independence.
- Medical social work services– provided by masters-level social workers who help to assist with a client's emotional, financial, and social concerns.
- Home health aide services– provided by certified aides who offer assistance with simple activities of daily living such as personal care, ambulation, and exercise as an extension of therapy services, household services essential to health care at home, and ordinary self-administered medications.
- Physician services- provided by the agency medical director and the client's physician.
- Wound care services- provided by agency nursing staff under the direction of certified Wound, Ostomy, and Continence Nurse (WOCN).
- Pain management services- provided by agency nursing staff under the direction of certified Pain Management Nurse.
- Palliative care services- provided by agency nurse staff, outside nurse practitioners and/or physicians, and/or agency social workers trained in palliative care. Services will be designed to prevent and relieve suffering and to support the best possible quality of life for clients and their families, regardless of the stage of the disease or

the need for other therapies.

- IV and Infusion therapy services, including Chemotherapy- provided by agency nursing staff under the direction of a Certified Registered Nurse Infusionist (CRNI).
- Diabetes management services- provided by agency nursing staff trained in PruittHealth's Diabetes Clinical Pathway and under the guidance of a Diabetes Educator.
- Chronic disease management services-provided by agency nursing staff trained in PruittHealth's Chronic Disease Clinical Pathways.
- Heart failure, stroke, joint replacement, COPD services- provided by provided by agency nursing staff trained in PruittHealth's Heart Failure, Stroke, Joint Replacement, and COPD Clinical Pathways.
- Dietary and nutritional services-provided by agency nursing staff and licensed dietitians.
- Behavioral and mental health services- provided by agency nursing staff agency social workers trained in Alzheimer's/dementia care, crisis recognition, depression, suicide precautions, medication use, disease process, relaxation methods, stress management, grieving processes, problem solving techniques, decision-making, and social skills.
- Telemonitoring
- Point-of-care
- eScripts
- Pharmaceuticals and pharmaceutical review of medications related to life-limiting illness.
- Medical supplies and equipment.
- Client and family education and support.

PHH agencies have access to experienced management staff and established administrative polices, which will allow for quick implementation of home health services for residents of the proposed service area. UHS, PHH and PruittHealth's corporate management team represent 40 years of experience in providing clients with various health care services. PruittHealth has all the necessary corporate resources in place to effectively manage and develop the proposed agency. PHH will be responsible for day-to-day operations, training and oversight. The new agency will purchase some services from related UHS entities, bringing in UHS expertise from varying organizations' specialists. The new agency will also utilize the services these organizations offer and are as follows:

- PruittHealth– Provides management services, including but not limited to:
 - Management policies and procedures for the operation of the agency
 - Recruiting and training personnel
 - Billing and collections
 - Marketing
- United Clinical:
 - Clinical expertise, nursing consultants and support services
 - Specialist staff include: pharmacists, registered nurses, registered dietitians, certified wound care nurses, diabetic educators, clinical nurse educators, an infection control nurse, a rehab consultant, a pain management and palliative care nurse, reimbursement consultants, an OASIS consultant, social services consultants, an orientation consultant, certified health information system consultants, a quality of life consultant, and an

executive chef

- Specialist staff provide consultation and advice in the fields of accounting, auditing, budgeting, orientation, staff education, care management, collections, compliance, dietary services, information services, internal risk management, health and safety, legal, maintenance, nursing, spiritual care, social work services, personnel, pharmacy operations, public relations, purchasing, quality assurance, systems, procedures, third-party reimbursement, etc. as needed
- Process improvement management
- Assistance in contracting for and coordinating and auditing the provision of physical, speech, and occupational rehabilitation services
- United Pharmacy:
 - pharmaceuticals and pharmacy consultative services
 - qualified pharmacist responsible for the general supervision of pharmaceutical services and review of medication regimens
 - pharmaceuticals, drugs, incidental supplies and equipment
- United Rehab:
 - physical therapy, occupational therapy , speech therapy, and respiratory therapy services
 - therapy program management services
- United Medical :
 - durable medical equipment services
 - urological supplies, dietary products, housekeeping supplies, office supplies, wound supplies, oxygen, general medical supplies, nutritional supplements, and PEN and IV therapy supplies.

Quality Improvement Practices

PHH implements numerous initiatives in order to promote the quality of health care that it provides. Three of the main practices that it employs to ensure that a high level of care is provided are a strict adherence to the procedures and goals set forth by the Joint Commission on Accreditation of Healthcare Organizations, the utilization of Performance Improvement Teams to evaluate and improve the quality of healthcare rendered within individual agencies and the utilization of operational data in order to execute an organizational benchmarking plan. Though all of these initiatives have increased the quality of care provided by PHH, the Performance Improvement Teams and the organizational benchmarking plan have provided the most measurable outcomes.

The Performance Improvement Team, which consists of the Medical Director, Director of Health Services and at least three other agency staff members, is a team that is responsible for evaluating their own agency's outcomes. The team is formed to evaluate and improve the quality of healthcare rendered by providers of health services or to determine if health services rendered were professionally indicated or were performed in compliance with the applicable standard of care. The PI Team, which includes the Performance Improvement Sub-Teams and the Performance Improvement Action Teams, constitutes a "review organization," as defined under state law. Because the PI Team objectives are to improve the quality of healthcare provided and because all functions of the company contribute either directly or indirectly to the provision of quality healthcare, the PI Team may request any

information deemed relevant. The PI Team shall provide quality assessment and assurance services to nursing homes on behalf of and at the behest of agency's PI Committees.

The organizational benchmarking plan relies on Outcomes Concept Systems (OCS), a healthcare data gathering tool that tracks organizational performance in relation to specific operational outcomes. PHH has used this software to track acute care hospitalizations, emergent care provided, patients who improve in transferring, improvement in status of surgical wounds, improvement in ambulation / locomotion and improvement in acceptance of oral medications, just to name a few. The operational data from each PHH agency is reviewed on a yearly basis and each agency is graded against its previous year's performance, other agencies within PHH and national averages. In addition, goals for the upcoming year are made based on these results. Below are some examples of outcomes improvement among PHH as a whole that have resulted from the implementation of OCS benchmarking over the past two years.

C. Details of Offer to Acquire:

1. **Purchase Offer Price: \$750,000 (Seven Hundred Fifty Thousand Dollars)**
2. If your purchase price offer is other than “100% cash at closing,” and/or, is contingent upon obtaining a new loan or use of a new line of credit, beyond currently available cash reserves and available lines of credit, please describe in detail and attach supporting documentation from your lending institution of their loan commitment or new line of credit guarantee signed by an approved officer of the lending institution. **See Section G, below, regarding “Attestations and Affirmations.”**

Please check one (1) box below, as applicable:

X Current cash reserves available for the amount in C(1), above.

Additional borrowing is required and/or new or increased line of credit with lending institution letter of approval attached.

3. As part of a transaction, we desire to obtain the existing Home Health Medicare provider number of the Seller:

X YES NO

If your answer to #3 above, is Yes, we agree that the Seller’s retroactive indemnification liability limit that is attached with the Seller’s Medicare provider number and Medicare enrollment agreement, prior to the effective date of closing, would not exceed the selling price.

X YES NO

4. In addition to the return of your completed Offering Proposal Form, please also submit an **Initial Letter of Intent (“LOI”)**, on your organization’s letterhead and signed by the same individual signing this document. List/describe any details and/or conditions of your offer, including offering price, which you consider important for the initial assessment by the Seller of your offer that would be conditions of negotiating a Final Sales Agreement.

Please see the Appendix marked “LOI” for the Initial Letter of Intent.

5. Please indicate below who would be performing due diligence work tasks. Please check one (1) box below, as applicable:

- Only employees of our organization.
- Employees of our organization and sub-contractor(s)
- Primarily sub-contractor(s)

If you plan to use one or more sub-contractors, either firms or individuals, please provide the organization(s) and/or individual(s) names below:

6. Please indicate below your ability and commitment to complete due diligence work, with issuance of a findings and clearance letter, no later than thirty (30) days of the seller's acceptance of a binding LOI. If your response is "no," please indicate your expected time frame.

YES NO

D. Seller's Home Health Patients and Office Space of the Seller

(1) We understand and agree to the requirement of acceptance of the Seller's active patient case loads at the time of closing and will have all necessary personnel to assure continuation of patients' plans of care as of the date of closing. We understand we have the right to independently review, and to discuss with the Seller, patients' records and other related documents to determine qualifications of service coverage being provided, based on the payer of record, during due diligence, and, immediately following the date of closing (effective date).

YES NO

(2) As described in the General Information Memorandum, we agree to:

(a) Execute a short-term lease for the current home health office space at a fair market square footage rate as mutually agreed upon from the date of closing through the month end of the date of the final tie-in approval letter from CMS Region IV.

YES NO

E. Other Information

We acknowledge receipt of North Carolina General Statute (G.S.) 131E-13, as has been included with the General Information Memorandum we received. Although the Home Health Agency is not a hospital entity or hospital subsidiary, local units of government in North Carolina must also comply with this statute as home health agencies have been construed as a "health care facility." While actual charges for home health are not particularly applicable from a payment standpoint in today's prospectively established reimbursement rates for Medicare, North Carolina Medicaid and most private insurance and managed care payers, G.S. 131E-13(d)(4) and (d)(7) requires this information be obtained. Please complete the following information for your current usual and customary gross per visit charges (not discounted rates to any contracted payer) for your Medicare-certified operations. If you currently operate a Medicare-certified home health agency(ies) in North Carolina, please use those charges (or average if more than one agency).

(1) Information regarding home health per visit charges:

	<u>Charge Per Visit</u>
Nursing:	<u>\$165</u>
Physical Therapy:	<u>\$175</u>
Occupational Therapy:	<u>\$175</u>
Speech Therapy:	<u>\$175</u>
Medical Social Work:	<u>\$195</u>
Home Health Aide:	<u>\$65</u>

(2) Access to Care of Medically Underserved Re: G.S. 131E-13(d)(7):

In North Carolina, Medicare-certified home health agencies typically experience an average range of 1.5% - 2.0% of net revenue devoted to indigent or charity care services (e.g., no insurance or Medicaid coverage).

Please respond to the following questions and provide any additional or clarifying information you feel necessary.

(a) We will accept Medicaid referrals (check one): Yes No

(b) Charity care:

Please provide information as to the level of home health charity care, as a percent of net revenue, your firm has provided over your last complete fiscal year, and/or current year-to-date. Do not include bad debt write-offs in these amounts (e.g., uncollected coinsurance and deductibles, write-offs due to lack of proper eligibility determinations on your part, etc.).

PHH has historically reserved 3.0% of net revenues for the provision of indigent and charity care and uses its best efforts to identify and serve this market segment. Excess reserve amounts representing reserves not used for the provision of charitable care are paid to Georgia's Department of Community Health.

3.0% Average % of Net Revenue

\$263,605 Average Dollar Amount per fiscal year for prior three (3) Years.

(c) For private insurance patients who have coinsurance and deductible amounts that will be due to you for your services, do you require any advanced payment prior to actually accepting and admitting the patient to care? Please check one (1) choice below:

YES (Please explain your policy below)

NO

Response, if answered, "Yes," to (c) above:

F. Please describe, in detail, any other conditions applicable to your offer not otherwise previously addressed in Sections C, D and E above, or other sections of this submission:

Response:

This agreement is subject to:

- the creation of an acceptable purchase agreement which would include the documents customarily supplied in support of such an agreement;
- approval by appropriate regulatory authorities;
- satisfaction of all requirements of NC Law.

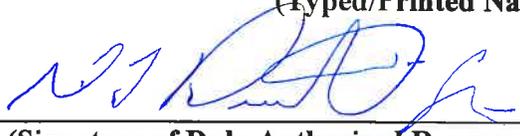
G. Attestations, Affirmations, and Agreed to Understandings of the Buyer and Authorized Representative of the Buyer:

The authorized representative of the Buyer, as indicated by the signature below, answers affirmatively to the following attestations, and such affirmations are recognized by the Buyer as required conditions of this offering proposal:

1. No owner, director, principal, or member of executive management of the Buyer's organization has been previously convicted of, or currently the subject of, Medicare, Medicaid, or insurance fraud or abuse, Stark violations, Medicare or Medicaid regulations regarding inducements or kickbacks, nor has been or is currently barred from participation in the Medicare or Medicaid programs. Furthermore, attestation is made that the organization or individual(s) making this offer would not be precluded from closing due to any past or pending criminal or civil convictions/charges, or, organizational/personal bankruptcy proceedings.
2. The authorized representative, whose signature appears below, attests that the organization or individual(s) have the required financial capacity to successfully close the transaction with full payment from current financial reserves without obtaining contingent outside borrowing, unless otherwise indicated in the Offer Proposal Form.
3. The authorized representative of the Buyer, whose signature appears below, acknowledges receipt and agrees to all of the "**Terms and Conditions for Buyers**" stated in the attached "**General Information Memorandum**" materials provided by the Seller. Unless otherwise indicated in our offering submission information, I understand that the entirety of the financial offer, subject to Buyer's due diligence review, will be paid in full, less the earnest money deposit, at closing. I also understand that should this offer be accepted, five percent (5%) of the initial offer price, or any finally negotiated initial offer to purchase between the Buyer and Seller, would be due to the Seller within five (5) working days of notification from the Seller. Furthermore, we acknowledge an understanding and acceptance of the conditions of the offer deposit requirement as presented in the "**Terms and Conditions for Buyers**" in the attached "**General Information Memorandum**" materials.
4. For home health patients, we accept referrals and admit patients regardless of sex, race, age, creed, national origin, or handicap as long as it is determined that the patient can be safely cared for in their home and that we, as a provider, have the requisite resources to meet the patient's home health needs.
5. The Buyer affirms that all information regarding the attached offer is accurate and complete and represents, as submitted, the Buyer's offer and any stated conditions of this offer.

As the duly authorized agent of the organization (or individual) submitting this offer, I stipulate that I have such authority to submit and execute this offering proposal; I have the authority to commit the indicated funds required for this acquisition; I have read and agree to the "Terms and Conditions for Buyers" as included in the "General Information Memorandum" materials; I attest to the accuracy and completeness of the proposal offer; and I attest to the accuracy of each affirmation above in items G, 1-5, above.

ON BEHALF OF: PruittHealth Home Health, Inc.
(Typed/Printed Name of the Organization)



(Signature of Duly Authorized Representative)

Neil L. Pruitt Jr. Chairman & CEO 5/6/2014
(Typed or Printed Name) (Title) (Date)

H. Submission Instructions and Requirements

THE ENTIRETY OF THIS OFFERING PROPOSAL FORM (OPF) AND ANY ATTACHMENTS MUST BE RECEIVED NO LATER THAN 5:00 PM, FRIDAY, MAY 2, 2014

SUBMIT BY CERTIFIED MAIL OR OTHER DATE STAMPED MEANS TO THE SELLER'S CONSULTING AGENT AS INDICATED BELOW:

- Two (2) original and one (1) copy of **both** your OPF and your Initial Letter of Intent (LOI) **all** with original signatures and dates (and any desired attached materials), AND,
- An electronic emailed copy, in PDF format, of **both** your OPF and LOI with electronic signatures affixed.

Addressee to use on your Initial Letter of Intent

**Mr. Thomas F. Marks, Chairman
Craven Board of County Commissioners
406 Craven Street
New Bern, North Carolina 28560**

However, Please Submit All Above Hard Copy and Electronic Documents Only To:

**Ronald H. Clitherow, M.P.H., Senior Health Care Consultant
CliftonLarsonAllen LLP
157 Azalea Dr.
Mocksville, NC 27028
Phone: 336-751-7297
Email Address: rhcheels@aol.com**

END OF DOCUMENT

Executive Leadership Team

Neil L. Pruitt, Jr. – *Chairman and Chief Executive Officer*

Neil L. Pruitt, Jr., is the Chairman and Chief Executive Officer of PruittHealth, Inc., where he is responsible for establishing strategic direction for the company and fostering an environment focused on the delivery of high quality health care. He also previously served as the Chair of the Board of Governors for the American Health Care Association (AHCA), which represents nearly 12,000 non-profit and proprietary facilities, including nursing facilities, assisted living residences, sub-acute centers, and homes for people with developmental disabilities. Mr. Pruitt is a recognized leader in the health care profession as shown by his recent Congressional appointment to the Commission for Long Term Care, a panel of 15 members charged with development of plans for a comprehensive, coordinated and high quality system ensuring long-term care for older adults and people with disabilities. Mr. Pruitt is also a board member of the Georgia Regents Health System, a Board member of the United Hospice Foundation, A Regent for the University System of Georgia, and a past Chair of the Georgia Health Care Association.



Since his appointment as C.E.O. in 2002, PruittHealth has expanded and diversified, while strengthening its financial structure and significantly improving its service delivery capabilities. Our organization offers a wide array of long term health services through its portfolio of affiliated providers. This portfolio includes 16 home care agencies, 31 hospice agencies, an inpatient hospice facility, 88 skilled nursing and rehabilitation centers, 5 assisted living communities, 2 independent living facilities, 6 geriatric pharmacies, a rehabilitation service provider, and a medical supplies management organization.

Since 2002, quality improvement initiatives have included renovation projects within the skilled nursing and rehabilitation centers and a customer service program that ensures all patients and families are recognized and treated as respected customers. Special emphasis has been placed on creating a patient-centric corporate culture which empowers employees to deliver the highest possible quality of care through an upscale consumer experience. These efforts have made PruittHealth a leader in the provision of post-acute and senior living services.

Mr. Neil Pruitt graduated from the University of the South – Sewanee with a Bachelor of Art Degree concentrating in Economics. He was also awarded a Masters of Business Administration and a Masters of Health Care Administration from Georgia State University.

Ryan Beddingfield – *Chief Operating Officer of Health Services*



Mr. Beddingfield joined Pruitt Health in 2001 as a Consultant Pharmacist. Four years later he was promoted to Executive Director of Clinical Services and became responsible for the development and enhancement of clinical programs within the organization. Mr. Beddingfield has held numerous positions within Pruitt Health since 2005, including Vice President of Pharmacy Services, Senior Vice President of Pharmacy and Medical Supplies, and Senior Vice President of Allied Health Services.

Over the years Mr. Beddingfield has been responsible for the financial performance, clinical outcomes, customer service, and overall growth of United Medical, United Nutritional, United Pharmacy, and United Rehab. In October 2013, Mr. Ryan Beddingfield was appointed as the organization's new Chief Operating Officer of Health Services. My Beddingfield is a certified Geriatric Pharmacist, a member of the American Society of Consultant Pharmacists, and was recently appointed to serve on the Therapy Policy Advisory Committee for the American Health Care Association.

Philip Small, C.P.A – *Chief Financial Officer*



PruittHealth was pleased to announce Mr. Philip Small as its new Chief Financial Officer, effective January 1, 2011. As CFO, he is responsible for the overall financial operations of the Southeast's leading provider of post-acute care services. Mr. Small carries a prominent work history that includes his tenure as President and CEO for Extendicare, Inc., his tenure as Executive Vice President and CFO for Beverly Enterprises Corporation, and his tenure as Vice Chairman/Finance Committee

Chairman for the American Health Care Association. Mr. Small graduated from Virginia Polytechnic Institute with a Bachelor of Science degree in Accounting.

Nick Williams – *Chief Development Officer*



Mr. Nick Williams is responsible for program development, marketing, and communications. He also manages the brands of PruittHealth and affiliated providers, and identifies opportunities for vertical and horizontal growth. Mr. Williams joined the organization in 2006 as Director of Program Development and later became Executive Director of Program Development. In September 2009, he was promoted to Senior Vice President of Corporate Development and took the responsibility of steering the

organization's strategic growth and marketing initiatives. In October 2013, Mr. Williams was promoted to Chief Development Officer. Before coming to PruittHealth, Mr. Williams worked for Provena Health Systems in Chicago. He received a Bachelor's Degree in Political Science from the University of the South – Sewanee and a Master's Degree in Health Services Administration from Xavier University.

Robert Strang – *General Counsel*



Robert Strang is the General Counsel for PruittHealth. Prior to joining our organization, Mr. Strang was a Partner at the law firm of Arnall Golden Gregory LLP. His experience includes a broad range of health care matters with an emphasis on Long Term Care. As General Counsel, Mr. Strang provides oversight, guidance and counsel on regulatory and compliance matters; risk management issues; professional liability claims; strategic acquisitions; government investigations; and development and implementation of training programs designed to promote quality of care and regulatory compliance. He received a Bachelor's Degree from the University of the South - Sewanee and a Juris Doctorate Degree from Tulane University.

Debra Harwell – *Senior Vice President of Post – Acute and Community Services*



Debra Harwell is Senior Vice President of Post – Acute and Community Services and currently oversees the operations of 32 skilled nursing facilities, 5 assisted living facilities, and 2 independent living communities located within Georgia, South Carolina, and North Carolina. Ms. Harwell has over 20 years of experience within the long term care industry and is a licensed skilled nursing facility administrator within both South and North Carolina. Debra currently serves as secretary on the Board of Directors for the South Carolina Health Care Association and is an active member of the North Carolina Health Care Facilities Association. Ms. Debra Harwell received her business administration degree Appalachian State University and a Masters for Health Care Administration from The University of South Carolina.

Kevin Metz – *Senior Vice President of Post – Acute and Community Services*



Mr. Kevin Metz joined PruittHealth in October of 1989 and currently oversees the operations of 56 skilled nursing facilities located within Georgia and Florida. His background includes over 31 years of experience in multi-facility management with an expertise in financial, human resources, and operational management. Mr. Metz professional affiliations include Certified Fellow of the American College of Health Care Administrators, Past President of the American College of Health Care Administrators (Alabama), and current board member of the Georgia Health Care Association. Kevin received his Bachelor's Degree in Health Care Management from the State University of New York in 1979.

AVERY

May 7, 2014

Mr. Thomas F. Marks
Craven County Board of Commissioners
406 Craven Street
New Bern, North Carolina 28560

RE: Proposed Sale of Medicare-certified Home Health Agency in Craven County, North Carolina

Dear Mr. Marks:

This letter of intent (this "LOI") is by and between PruittHealth Home Health, Inc. ("Buyer") and Craven County, North Carolina ("Seller") regarding the sale of the Medicare-certified Home Health Agency, (the "Agency") owned by Seller, operated as a division of the Craven County Public Health Department and licensed as Craven County Home Health Agency. The general terms and conditions which would apply to this LOI and under which Buyer and Seller would enter into an Asset Purchase Agreement, including any documents customarily supplied in support of such an agreement, for the purchase by Buyer of the Agency are as follows:

- Purchase and Sale of Limited Assets; Closing.** Buyer will buy, and Seller will sell, free and clear of all liens and encumbrances, except those approved by Buyer, the Agency, to continue to be located in Craven County, NC, and which has the legal authority to operate a Medicare-certified home health agency in Craven County, North Carolina (the "Limited Assets"). An exhaustive list of the Limited Assets to be purchased by Buyer would be more fully set forth and further defined in the Asset Purchase Agreement. The closing of the sale shall take place on or before Monday, June 30, 2014, unless extended by mutual consent of Buyer and Seller.
- Assets Retained.** Seller will retain at closing all current assets including accounts receivable, inventory, supplies, all office-related equipment, home health software, cash, investments, and prepaid expenses. Seller's office currently located at 2818 Neuse River Blvd., New Bern, NC, is not an asset being purchased but Seller will lease to Buyer, at a reasonable and market comparable rate, the current office until the issuance of the final CMS "tie-in" letter. Seller would have the right to retain copies of administrative, patient records and reports, and Brainstorm software, but Buyer would receive the originals of all such records and reports. An exhaustive list of assets to be retained by Seller would be more fully set forth and further defined in the Asset Purchase Agreement.

3. **Purchase Price.** The purchase price of the Limited Assets will be a price of SEVEN HUNDRED and FIFTY THOUSAND DOLLARS (\$750,000). The purchase price would be paid as follows:
 - a. FIFTY THOUSAND DOLLARS (\$50,000) as earnest money within five (5) working days of written acceptance by Seller of this LOI and the Offering Proposal Form (the "Earnest Money Deposit") as submitted and/or as subsequently modified through mutually accepted terms between the Buyer and Seller. The funds will be deposited in the escrow account belonging to the Seller's legal counsel.
 - i. Failure by the Buyer to proceed to closing with all due diligence, failure of completion and submission of any required documents that are the responsibility of the Buyer, failure to comply or adhere to any part of the Offering Proposal Form, failure for Seller to be able to close due to any misrepresentations of the Buyer as to information provided on the Offering Proposal Form, or voluntary withdrawal of Buyer's Offering Proposal Form and offer, will result in forfeiture of the entire earnest money deposit.
 - ii. In case of a failure to close due to no fault or no lack of good faith by either the Seller or Buyer, the Buyer's earnest money will be refunded in full within five (5) working days. If for any reason the Seller should decide not to move forward with final closing, solely based on its own decisions and not related to any fault or lack of good faith of the Buyer, the Seller will immediately return the entirety of the Buyer's earnest money deposit within five (5) working days of the Seller's notification to the Buyer that the Seller is not going to move forward with final closing.
 - b. The balance of the purchase price (less the earnest money) in immediately available funds by wire transfer at closing.
4. **Transfer Cost.** Each party shall bear its own costs, including expense of counsel, financial advisors, and accountants, in connection with the consummation of the proposed transaction.
5. **Non-Assumed Liabilities.** Buyer will not assume any liabilities of Seller that result from operations of the Agency prior to closing or any other liabilities whatsoever unless specifically agreed to by Buyer in the Asset Purchase Agreement. Seller would be responsible for payment of any taxes on the Limited Assets, if any, for the tax year prior to closing. Current year taxes will be prorated at closing and Seller shall also be responsible for any penalties and/or fines, if any, which are a result of operating the Agency prior to closing.
6. **Employees.** Buyer intends, but is not obligated, to offer employment to all employees of the Agency, subject to drug test and criminal background check results, effective after closing. Seller will be responsible for all vacation, sick leave, and other benefits due the employees through the date of closing, whether accrued but not paid and whether earned or unearned.
7. **Due Diligence.** Following Buyer's execution of this LOI, Seller shall make available to Buyer such books and records of the Agency reasonably required for Buyer's inspection and review. Buyer will begin its due diligence review immediately, and will collaborate with Seller to prepare the required "Letter of Non-Review" request to the Certificate of Need Section of the North Carolina Department of Health and Human Services Division of Health Service Regulation, and "Notice of Change" to the Adult Care Licensure Section of the North Carolina Department of Health and Human Services. Every effort will be made to have all necessary reviews and consents received by the time the Asset

Purchase Agreement is signed. Buyer will conclude its analysis of financial and clinical due diligence and have a findings and clearance letter issued no later than July 22, 2014.

8. **Exclusivity.** For a period commencing on the date of the acceptance of this LOI and ending on either: (a) the date a mutually acceptable final Asset Purchase Agreement is executed, which period shall not exceed September 1, 2014, unless extended by mutual consent of Buyer and Seller; or (b) the date Buyer provides written notice to Seller of its desire not to purchase the Agency (the "Exclusivity Period"), Seller will negotiate exclusively and in good faith with Buyer regarding the sale of the Agency. Throughout the Exclusivity Period, Buyer shall not directly or indirectly, whether through any officers, directors, partners, employees, affiliates, representatives, agents, or brokers, negotiate or submit bids, proposals, for offers, for any Medicare certified home health agency, whether such agency is a parent, subunit, or branch office in the Agency's "Competitive Service Area." For purpose of this LOI, "Competitive Service Area" shall mean the following North Carolina counties, which encompass the Agency's potential service area: Craven, Beaufort, Pitt, Greene, Lenoir, Jones, Onslow, Carteret, and Pamlico.
9. **Refund of Earnest Money.** Should Seller terminate this LOI prior to the execution of an Asset Purchase Agreement as described herein, or should Buyer terminate this LOI prior to the execution of an Asset Purchase Agreement due to its due diligence review revealing irregular materials, data, or regulatory issues that cannot reasonably be explained or cured to the satisfaction of Buyer, Seller shall refund the Earnest Money Deposit.
10. **Asset Purchase Agreement.** Unless extended by mutual consent of Buyer and Seller, it is contemplated that no later than 45 days after signing the Offering Proposal Form and final letter of intent, the parties will agree to the terms of the Asset Purchase Agreement. The Asset Purchase Agreement shall be based upon the general terms and conditions contained in the OPF, this LOI, and such terms and conditions as counsel for the parties deem appropriate.
11. **Nominee.** It is understood that, except with respect to constraints which may be required by third parties, Buyer may nominate any entity owned or affiliated with it to replace it as Buyer hereunder and in the Asset Purchase Agreement, except that such nominations shall not relieve Buyer of its obligations to negotiate in good faith the Asset Purchase Agreement.
12. **Confidentiality.** Buyer agrees that all information concerning Seller furnished, or to be furnished, by or on behalf of Seller, whether in accordance with the provisions of paragraph 7 or otherwise in connection with the transactions contemplated hereby (collectively the "Information") shall be kept confidential. The Information will be used solely for the purpose of the due diligence of Buyer and will be kept confidential by Buyer, its officers, directors, employees, representatives, agents and advisors; provided that (i) any of the Information may be disclosed to Buyer's officers, directors, employees, representatives, agents, lenders, managers, advisors and other parties who need to know such Information for the purpose of evaluation of the transaction, (ii) any disclosure of the Information may be made for any other purpose to which Seller consents in writing and (iii) the Information may be disclosed if required by law pursuant to a lawfully issued subpoena or order issued by any court with jurisdiction over the matter. To the extent that a transaction is not consummated, Buyer shall immediately return the Information to Seller.

13. Additional Provisions.

- a. Seller will follow State procedures to separate the existing agency license prior to closing.
- b. Buyer and Seller will comply with the provisions of North Carolina General Statute 131E-13, a copy of which has been supplied to, and reviewed by Buyer.
- c. Buyer and Seller shall work together in order to complete and submit the Change of Ownership Forms (CMS-855A) to transfer and assign the current Medicare Provider Number and Agreements to Buyer as quickly as federal and/or state regulations allow.
- d. Buyer and Seller shall work together to obtain the approval of all appropriate regulatory authorities, and to satisfy all requirements of North Carolina law.
- e. As of the closing date, Buyer shall accept all of the Agency's then current home health patients willing to accept a transfer, including the patients approved plans of care for the current certification period, unless modified by physician orders.

14. Non-Binding Nature. Except for Sections 4, 8, 9, 12, 14, and 17, which are intended to create binding obligations, this LOI is not contractual in nature and is non-binding on the parties with respect to the transaction contemplated herein and does not constitute an agreement to consummate any transaction involving the Agency and/or the Limited Assets, subject to the terms and conditions hereof.

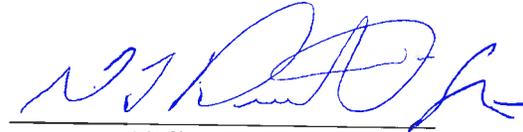
15. Governing Law. The validity and construction of this LOI shall be governed by the laws of the State of North Carolina without regard to conflicts of laws principles thereof.

16. Counterparts. This LOI may be executed in any number of counterparts, each of which shall be an original, but all of which together shall comprise one and the same instrument.

17. Termination. As of its execution by the parties, this LOI shall constitute an expression of the good faith intentions between them until superseded by the Asset Purchase Agreement. Either party may terminate this LOI at any time, whereupon the obligations of the parties hereunder shall cease; however, the binding provisions of Sections 9 and 12 shall survive any termination of this LOI.

If the forgoing is satisfactory, please indicate your acceptance by executing this LOI where indicated and returning a signed copy to the undersigned by June 14, 2014. Following execution hereof, the parties shall cause the preparation of an Asset Purchase Agreement, which, when executed, will be binding upon the parties.

Sincerely,



Neil L. Pruitt, Jr.
Chairman and CEO
PruittHealth Home Health, Inc.

Agreed to and Accepted by:

Craven County Board of Commissioners

By: _____
Thomas F. Marks, Chairman