

STATE OF NORTH CAROLINA)
)
COUNTY OF STOKES)
)

OFFICE OF THE COMMISSIONERS
STOKES COUNTY GOVERNMENT
DANBURY, NORTH CAROLINA
NOVEMBER 3, 2016

The Board of Commissioners of the County of Stokes, State of North Carolina, met for a Recessed Meeting (recessed from the November 1, 2016 Emergency Meeting) in the Third Floor Conference Room of the Ronald Wilson Reagan Memorial Building (Administration Building) located in Danbury, North Carolina on Thursday, November 3, 2016 at 2:00 pm with the following members present:

Chairman J. Leon Inman
Vice Chairman James D. Booth
Commissioner Jimmy Walker
Commissioner Ernest Lankford

Commissioner Ronda Jones - absent

County Personnel in Attendance:
County Manager Richard D. Morris
Clerk to the Board Darlene Bullins
County Attorney Tyrone Browder

Chairman Inman called the Recessed Meeting to order.

INVOCATION

Chairman Inman invited those who wished to join in the invocation to please do so.

Commissioner Lankford delivered the invocation.

GENERAL GOVERNMENT-GOVERNING BODY-PLEDGE OF ALLEGIANCE

Chairman Inman invited the citizens in attendance to join the Board in the Pledge of Allegiance.

CLOSED SESSION

Chairman Inman entertained a motion to enter Closed Session for the following:

- To consult with an attorney employed or retained by the public body in order to preserve the attorney-client privilege between the attorney and the public body, which privilege is hereby acknowledged pursuant to G.S. 143-318.11(a)(3)

Commissioner Lankford moved to enter Closed Session for the following:

- To consult with an attorney employed or retained by the public body in order to preserve the attorney-client privilege between the attorney and the public body, which privilege is hereby acknowledged pursuant to G.S. 143-318.11(a)(3)

Vice Chairman Booth seconded and the motion carried (4-0) with Commissioner Jones absent.

The Board reentered the opened session of the November 3rd Recessed Meeting.

SECOND AMENDMENT TO LEASE AND TRANSFER AGREEMENT

This Amendment To Lease and Transfer Agreement is made and entered into the 3rd day of November, 2016, by and between STOKES COUNTY NORTH CAROLINA, and STOKES-REYNOLDS MEMORIAL HOSPITAL, INC. (hereinafter referred to as “Lessor” and/or “Stokes”); and LifeBrite Hospital Group, LLC (hereinafter referred to as “Lessee” and/or “LifeBrite”);

WITNESSETH:

WHEREAS, Stokes and Pioneer Health Services of Stokes County, Inc. (“Pioneer”) entered into a Lease and Transfer Agreement, (the “Lease”) dated July 1, 2011; and

WHEREAS, Stokes and Pioneer executed an Amendment to the Lease and Transfer Agreement dated January 1, 2012; and

WHEREAS, Pioneer is currently a Chapter 11 debtor-in-possession under the jurisdiction of the United States Bankruptcy Court in the Southern District of Mississippi, In re Pioneer Health Services of Stokes County, Inc., Case No. 16-01122-NPO, jointly administered with In re Pioneer Health Services, Inc., Case No. 16-01119-NPO (the “Bankruptcy Proceeding”); and

WHEREAS, Pioneer has filed a motion in the Bankruptcy Proceeding to assign the unexpired portion of the Lease to LifeBrite; and has asserted, as a part of said motion, that there are no monetary or non-monetary defaults with respect to the Lease; and

WHEREAS, Stokes contends that there are monetary and non-monetary defaults with respect to the Lease as set forth in itemized statement to LifeBrite; and

WHEREAS, a condition to the assignment of said Lease is the cure of said defaults; however, the parties desire to avoid lengthy and costly litigation with respect to the alleged defaults, and have agreed to waive the right to litigate the issue of said defaults in consideration of the amendments to the Lease hereinafter set forth;

NOW THEREFORE, in consideration of the premises and the mutual promises and covenants set forth herein, the parties agree that LifeBrite may assume the Lease subject to the amendments to the respective sections of the Lease as hereinafter set forth, and the following terms and conditions:

1. The amendments to the Lease are as follows:

ARTICLE III

3.1 Rental payments. Paragraph 3.1 is deleted in its entirety and replaced with the following:

3.1 Rental payments. In consideration of the leasing of the Leased Facilities to Lessee, the Lessee shall pay to the Lessor annual rent of One Dollar (\$1.00) per year, beginning July 1, 2017.

3.6 Funding for Indigent Services. This paragraph shall remain in effect for the remaining term of the Lease with the stipulation that Lessee shall be entitled only to a prorated payment for year six (July 1, 2016 – June 30, 2017) for the period from the Effective Date of this Amendment through June 30, 2017; and the remaining payments for years 7 through 10.

3.7 Emergency Services. Paragraph 3.7 is deleted except for the provision that requires the Lessee to keep the Emergency Medical Services (EMS) station at the Hospital.

3.9 Lessor Payment of Payor Reimbursements. The following sentence is hereby added at the end of Paragraph 3.9: "If Lessee receives any reimbursements from funds paid in error for services provided by the hospital prior to July 1, 2011, Lessee shall promptly pay all of said reimbursements to Lessor."

ARTICLE V

5.6 Services. Paragraph 5.6 is deleted in its entirety and replaced with the following:

Lessee shall: (i) operate the Hospital as an acute care general hospital for the benefit of the general public; (ii) operate the Nursing Home, providing skilled and/or intermediate nursing care; and (iii) operate the other Leased Facilities as hospital-based facilities. Those services and facilities shall not be closed, curtailed, or ceased unless Lessee determines that any such curtailment or cessation (x) will not adversely affect the overall public health needs of the community served by the System, (y) is appropriate by virtue of the lack of utilization

of such services or the availability of such services from other local providers, or (z) is necessary or desirable in order to maintain the economic viability of the Operations taken as a whole; provided that Lessee shall not cease, curtail, or limit providing such services as required by Sections 5.4, 5.5, and 5.6 without the prior written consent of the Lessor, which shall not be unreasonably withheld. Lessee shall provide services as presently provided by the system and shall establish new health services operations in the County in accordance with the following schedule, subject to financial feasibility and licensing approval:

(a) Within six (6) months of the Effective Date, Lessee will take reasonable steps to upgrade the clinical laboratory to include outreach testing, implement a swing-bed program and Geropsychiatric Unit.

(b) Lessor acknowledges and agrees that LifeBrite desires to reopen the Emergency Room in King, North Carolina. Within six (6) months of the Effective Date, Lessee will conduct a study to determine if it is financially feasible to reopen the Emergency room in King, N.C. If Lessee determines that it is financially feasible, Lessor agrees to cooperate with Lessee with any contractual, licensing or regulatory steps necessary (at no expense to Lessor) to reopen the Emergency Room in King and give Lessee any consents reasonably necessary for the reopening.

(c) Except for the provision of indigent care and emergency services as required hereunder, this Article V shall not be interpreted to restrict Lessee in the exercise of its own business judgment with respect to the operation of the Leased Facilities. Lessee is authorized to augment, improve, or increase any existing service or add any service or to shift any current or new service to an Affiliated Entity or any other facility owned or operated by an Affiliated Entity if Lessee determines that such would be more efficient or would promote and improve the public health services available to the residents of the System's service area; provided, that any such transfer shall be made expressly subject to the provisions of Section 12.7 hereof.

5.13 Reporting Obligations.

(a) Paragraph (a) is deleted in its entirety and replaced with the following:

(a) Biannual Financial Statements. Lessee shall provide to the Lessor, biannual (every six months) financial statements prepared by management.

(d) New Paragraph (d) is hereby added as follows:

(d) Quarterly Report to the Stokes County Board of Commissioners. At a regularly scheduled meeting of the Stokes County Board of Commissioners in July, October, January and April of each year, an official of Lessee shall appear before the Board and give a status report with respect to the operations of the Hospital. Said report shall address the following for the previous quarter: financial report including performance versus budget, compliance with lease requirements, expansion of services, any existing or anticipated problems complying with lease requirements, and any existing or anticipated financial problems. Said report shall also address any planned expansion of services.

(e) New Paragraph (e) is hereby added as follows:

(e) Maintenance of Sufficient Working Capital and Reserves. Lessee shall adopt an annual operating budget and shall include a report on such budget in its periodic reports to the Stokes County board of Commissioners. The Lessor shall also create a nonreverting hospital capital account, and Lessee shall contribute \$10,000.00 per year to such fund, to be used for such capital improvements to the system over time as the Lessor determines following consultation with the Lessee. Lessee shall not make distributions, dividends, fee payments or similar disbursements of excess cash to its owners in a manner that will cause such cash reserves to fall below the budgeted amount.

2. The Amendments set forth herein shall take effect upon LifeBrite's closing on the purchase of hospital assets and assignment of the Lease from Pioneer pursuant to orders in the Bankruptcy Proceeding that (a) authorize LifeBrite's closing on the purchase of hospital assets from Pioneer; and (b) approve the assumption of the Lease by Pioneer and the assignment of Pioneer's remaining interests under the Lease to LifeBrite (the "Effective Date").

3. On the Effective Date, LifeBrite shall be released from any obligation to cure defaults by Pioneer under the Lease, as well as any other obligations due to Stokes from Pioneer under the Lease. On the Effective Date, Stokes shall be released from any obligations to Pioneer under the Lease arising prior to the closing date of the assignment of the Lease to LifeBrite.

4. Except as amended herein, all terms and conditions of the Lease shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto, acting by and through their duly authorized officers, have caused this Amendment to be executed as of the day and year first above written.

Signature Page follows:

Signature Page to Second Amendment to Lease and Transfer Agreement dated November 3, 2016

By: _____
J. Leon Inman, Chairman of the Stokes County
Board of Commissioners

Attest: _____
Darlene Bullins, Clerk to the Board of Commissioners

By: _____
Jimmy Walker, Chairman of the Stokes Reynolds
Memorial Hospital, Inc. Board of Trustees

Attest: _____
Ernest Lankford, Secretary to the Board of Trustees of
Stokes Reynolds Memorial Hospital, Inc.

LESSEE:

By: _____
Christian Fletcher, Manager, LifeBrite Hospital Group, LLC

Commissioner Lankford moved to approve the Second Amendment to Lease and Transfer Agreement between Stokes County North Carolina, and Stokes-Reynolds Memorial Hospital, Inc. and LifeBrite Hospital Group, LLC. Vice Chairman Booth seconded and the motion carried (4-0) with Commissioner Jones absent.

Chairman Inman recessed the meeting in order for the Board of Commissioners to convene as the Stokes Reynolds Memorial Hospital, Inc. – Board of Trustees.

The Board of Commissioners re-entered the open session of the November 3rd meeting following the Board of Trustees' meeting.

CLOSED SESSION

Chairman Inman entertained a motion to enter Closed Session for the following:

- To consult with an attorney employed or retained by the public body in order to preserve the attorney-client privilege between the attorney and the public body, which privilege is hereby acknowledged pursuant to G.S. 143-318.11(a)(3)

Vice Chairman Booth moved to enter Closed Session for the following:

- To consult with an attorney employed or retained by the public body in order to preserve the attorney-client privilege between the attorney and the public body, which privilege is hereby acknowledged pursuant to G.S. 143-318.11(a)(3)

Commissioner Lankford seconded and the motion carried (4-0) with Commissioner Jones absent.

The Board reentered the opened session of the November 3rd Recessed Meeting.

Chairman Inman entertained a motion.

Commissioner Lankford moved to relinquish Stokes County's right of first refusal to buy Home Health from Pioneer Home Health of Stokes, LLC with the condition that the balance due Stokes County is received upon sale and authorizes the Chairman to execute the waiver for the right of first refusal. Commissioner Walker seconded and the motion carried (4-0) with Commissioner Jones absent.

Adjournment

There being no further business to come before the Board, Chairman Inman entertained a motion to adjourn the Recessed Meeting.

Vice Chairman Booth moved to adjourn the Recessed Meeting. Commissioner Walker seconded and the motion carried (4-0) with Commissioner Jones absent.

Darlene M. Bullins
Clerk to the Board

J. Leon Inman
Chairman