Application

The Pavillion Senior Living-Rehabilitation and Long Term Care at Lebanon

CN1708-026

State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

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CERTIFICATE OF NEED APPLICATION

SECTION A: APPLICANT PROFILE

1. **Name of Facility, Agency, or Institution**

The Pavilion Senior Living - Rehabilitation and Long Term Care at Lebanon
Name

1406 Medical Center Drive — Wilson
Street or Route — County

Lebanon — TN — 37087
City — State — Zip Code

*Note: The faculty's name and address **must be** the name and address of the project and **must be** consistent with the Publication of Intent.*

2. **Contact Person Available for Responses to Questions**

Hal Bone — Member
Name — Title

Hal Bone Enterprises, LLC — halbone9912@gmail.com
Company Name — E-mail address

680 Tennessee Blvd. — Lebanon — TN — 37087
Street or Route — City — State — Zip Code

Member — 615-453-9912 — 615-453-0779
Association with Owner — Phone Number — Fax Number

NOTE: ***Section A*** is intended to give the applicant an opportunity to describe the project. ***Section B*** addresses how the project relates to the criteria for a Certificate of Need by addressing: Need, Economic Feasibility, Contribution to the Orderly Development of Health Care, and Quality Measures.

Please answer all questions on ***8½" X 11" white paper, clearly typed and spaced, single or double-sided, in order and sequentially numbered. In answering, please type the question and the response.*** All questions must be answered. If an item does not apply, please indicate "N/A" (not applicable). ***Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment, i.e., Attachment A.1, A.2, etc. The last page of the application should be a completed signed and notarized affidavit.***

3. **SECTION A: EXECUTIVE SUMMARY**

A. Overview

Please provide an overview not to exceed three pages in total explaining each numbered point.

1) Description – Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant;

RESPONSE: The Applicant, Pavilion-THS, LLC, currently owns and operates sixty (60) licensed skilled nursing beds at The Pavilion Senior Living - Rehabilitation and Long Term Care at Lebanon located at 1406 Medical Center Drive, Lebanon, Tennessee (the "Nursing Home"). All 60 beds in the Nursing Home are dually certified for Medicare and Medicaid.

This application seeks to add an additional 20 dual Medicare/Medicaid-certified beds to the Applicant's existing sixty (60) bed facility for an eighty (80) bed facility if approved. The Nursing Home currently provides care for private-pay, Medicare Level II and Medicaid Level I and II residents. There would be no change to the services currently provided. The Applicant is responding directly to community need as documented in this application.

The project involves new construction to add a wing to the existing Nursing Home. The addition will be a single story, wood framed building with systems and finishes to match the existing facility and mirror a wing already located in the Nursing Home. The new wing will house all 20 of the proposed beds along with a nursing area, assisted bathing area, and resident common living spaces. The Nursing Home is designed to provide a residential home-like environment for its residents, while at the same time maximizing safety and independence. The finished new construction will consist of 8,340 square feet. The cost per square foot for total space is approximately $136.30 based on total project cost.

When the Nursing Home was constructed in 2009, it was intended that an additional wing would be added at some point in the future. Accordingly, the current kitchen is more than adequate for the addition of 20 beds and the land on which the Nursing Home is located contains more than enough square footage on which to build the new wing. The new wing will consist of 7 double occupancy rooms and 6 single occupancy rooms bringing the total of private rooms at the Nursing Home to 14 (i.e. 30% of the new wing will be private and 17.5% of all 80 beds will be private). The new rooms and their accompanying living space will feel more like a residential dormitory room setting, rather than a clinical or institutional environmental. The common areas outside the rooms will have inviting sofas and chairs as well as a common dining area with small café tables.

An affiliate of the Applicant, Pavilion Assisted Living, LLC, is scheduled to open a 46-unit assisted living and memory care facility (the "ALF") across a private drive from the Nursing Home on August 18, 2017. As of August 15, 2017, 34 residents have placed a deposit with Pavilion Assisted Living, LLC. The location of the ALF in such close proximity to the Nursing Home will create a campus style environment where seniors can "age in place".

Another affiliate of the Applicant (together with the Applicant and Pavilion Assisted Living, LLC, the "Pavilion Entities") is finalizing plans for an independent living community (the "ILF") to be located on land adjacent to the ALF, and thus also across a private drive from the Nursing Home. The design for the ILF is being finalized, but is expected to have 58 units consisting of twenty-one (21) duplex style cottages and sixteen (16) single family homes. The ILF homes are currently scheduled to open in the summer of 2018.

The Applicant currently provides much needed health care services to its community and the development of a campus containing assisted living and memory care services and independent living will further benefit future residents of the Nursing Home. The "Pavilion Community" - a campus offering residents the entire residential continuum -- from independent housing to assisted living and memory care to round-the-clock nursing services -- will be the first of its kind in Wilson County.

The continuum of services that will be offered on the campus will allow individuals to "age in place" in a community that they have chosen to call home. A comprehensive development concept avoids the relocation of individuals from their friends, spouses and greater community when they require additional healthcare services or care in a residential health facility.

Residents of the ALF and ILF requiring sub-acute, short-term care following surgery can utilize the Nursing Home which will not only ensure the best continuity of care, but also the feel that they are still "at home" and close to spouses and other loved ones.

The construction of a new wing with additional beds at the Nursing Home is not only crucial for the Applicant to continue to provide the highest quality of care at the Nursing Home, but also essential to providing the highest quality of services to future residents of the ALF and ILF.

The Applicant does not hold any outstanding but unimplemented certificates of need.

2) Ownership structure;

RESPONSE: Pavilion-THS, LLC, a Tennessee limited liability company, is the 100% owner and operator of The Pavilion Senior Living - Rehabilitation and Long Term Care at Lebanon. Pavilion-THS, LLC is owned 100% by Total Healthcare Systems, LLC. The owners of Total Healthcare Systems, LLC are Gordon Bone (52%), Hal Bone (24%) and Suanne Bone (24%). The Bones own interests in 3 other communities: The Pavilion Senior Living at Carthage in Carthage, Tennessee, Crestview Manor located in Jane Lew, West Virginia and The Pavilion Senior Living at Lebanon, an assisted living and memory care facility scheduled to open on August 18th of 2017 which will be located across a private drive from the Nursing Home.

See Organizational Charts on Attachment Section A-4A

3) Service area;

RESPONSE: The Service Area is Wilson County. According to the Tennessee Central Economic Authority, Wilson County is the third-fastest growing county in Tennessee. Industry is taking off in Wilson County with companies such as Amazon and Starbucks locating distribution centers in the county. Wilson County is also the home to a CEVA Logistics Center, SO.F.TER headquarters and production facility as well as Hollisters' Logistics Center. (http://tennesseecentral.org/regional_data/regional_profile/wilson_county)

An overview of the Service Area is as follows:

- From 2018 to 2022, the Wilson County population is projected to grow 7% as compared with the overall statewide population which is projected to grow 4.1%.
- The 65 and older population is expected to comprise approximately 18.75% of the total Wilson County population in 2022, which is nearly the same as the statewide percentage of 18.73%.

- The 65 and older population of Wilson County will increase by approximately 21.4% from 2018 to 2022, which is more than the statewide increase of 15.6%.

- The 85 and older population of Wilson County will increase by approximately 20.4% from 2018 to 2022, which is significantly more than the statewide increase during that same period of 10.8%.

- The 85 and older population of Wilson County will increase by approximately 51.45% from 2018 to 2026, which is significantly more than the statewide increase during that same period of 26.75%.

4) Existing similar service providers;

RESPONSE: There are four (4) skilled nursing facilities in the Applicant's projected Service Area of Wilson County: Lebanon Health and Rehabilitation (60 beds), Quality Care Health Center (280 beds), Mt. Juliet Health Care Center (106 beds) and the Applicant's Nursing Home, Pavilion Senior Living.

The Applicant and the other Pavilion Entities are developing a campus setting providing housing and care ranging from independent living cottages and duplexes to assisted living and memory care to skilled nursing. The other three (3) nursing homes in the Service Area are not connected with the four (4) assisted living facilities also located within the Service Area. The other skilled nursing facilities and assisted living facilities in Wilson County do not offer a campus style environment for residents to "age in place".

5) Project cost;

RESPONSE: The total estimated project cost is $1,136,755, with construction costs totaling $976,729 or 85.92% of total cost. The construction cost is $111.11 per square foot. The Applicant's construction cost per square foot is lower than the new construction cost state standard ($152.80/sq. ft. for 1st Quartile) which is due to the fact that while the additional wing is new construction, many of the typical cost outlays for new construction are not required by the project. For instance, because the additional wing was anticipated when the Nursing Home was originally built, the current kitchen is more than adequate. Similarly, the land on which the Nursing Home is located contains more than enough parking. Further, the costs for site preparation for the proposed project are nominal, while other common aspects of the Nursing Home which have already been built will be utilized by the proposed new wing.

6) Funding;

RESPONSE: The Applicant will finance the project with cash reserves and a loan from Hal Bone, a member of Total Healthcare Systems, LLC, the sole member of the Applicant. Attached as **Attachment Section A-3A(6)** are the following documents: (1) a letter from the Applicant's Chief Financial Administrator indicating that the Applicant has $200,000 in cash reserves; (2) a commitment from Hal Bone to loan the Applicant the remainder of the project costs; and (3) a letter from Pinnacle Asset Management Group / Raymond James verifying the ability of Hal Bone to borrow up to $1,000,000.

7) Financial Feasibility including when the proposal will realize a positive financial margin; and

RESPONSE: This project is economically feasible and will produce positive operating revenue within the first year of the operation of the project.

8) Staffing.

RESPONSE: The Applicant will add both clinical and administrative staff if the project is approved. The Applicant does not anticipate any difficulties in staffing the expanded Nursing Home and will pay wages to additional staff that are competitive with state medians. The Applicant currently has a backlog of applications for various positions in the Nursing Home.

B. Rationale for Approval

A certificate of need can only be granted when a project is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of adequate and effective health care in the service area. This section should provide rationale for each criterion using the data and information points provided in Section B. of this application. Please summarize in one page or less each of the criteria:

1) Need;

RESPONSE: The current need for additional beds in Wilson County is clear from the demographic data presented in this application. The cities of Lebanon and Mt. Juliet, as well as Wilson County, overall, are projecting rapid growth in population as well as an increase in the elder population. Further, it is the Applicant's belief that with the opening of the ALF in August of 2017 and the opening of the ILF in the summer of 2018, the current number of nursing home beds will not be adequate to accommodate the needs of the residents of the ALF and ILF forcing residents to move out of the Pavilion Community to obtain nursing care. A comprehensive development that includes a nursing home with an adequate number of beds is crucial to allowing residents in Wilson County to "age in in place" in the community that they have chosen to call home.

The Nursing Home has consistently maintained high occupancy rates year after year, and continues to provide a unique residential home-like environment for its residents, while at the same time maximizing safety and independence. Due to the sustained high occupancy levels, the Applicant must often deny admission to potential residents. Many of those denied residents end up leaving the Service Area to reside in a facility most similar in the level of care and offered amenities to the Nursing Home. At times, those residents, typically being discharged from the hospital, are forced to travel (sometimes over 20 miles) to facilities in other surrounding counties.

2) Economic Feasibility;

RESPONSE: The project discussed in this application is economically feasible and will produce positive operating revenue in the first year it is open. Due to the fact that an additional wing was contemplated at the time the Nursing Home was constructed, the costs of the project are well in line with, and even below, comparable projects that the agency has approved. The Applicant has maintained high occupancy for the past several years in the existing building, and projects a continued high occupancy for the entire facility (including the new wing) as soon as the project is completed. The Applicant believes that the current deflections alone from the Nursing Home would support the addition of 20 beds, but with the ALF and ILF on the same "campus", the Nursing Home should have no problem maintaining the requisite occupancy for the project to be economically feasible.

3) Appropriate Quality Standards; and

RESPONSE: The Nursing Home is currently in good standing with all licensing, certification and accrediting agencies. As set forth throughout this application, the Nursing Home has and continues to provide the highest level of care for its residents. The Nursing Home has an overall rating of 5 out of 5 stars as rated by Medicare's Nursing Home Compare and has been ranked by AHCA and NCAL as 1st out of 313 facilities in Tennessee on a weighted 3-cycle survey score. The Applicant continually monitors quality and patient outcomes to ensure the highest level of care.

4) Orderly Development to adequate and effective health care.

RESPONSE: As demonstrated in the many letters of support included with this application, the project will have a positive effect on the health care system as there is currently, and will continue to be, a substantial bed need in Wilson County. By developing a campus, the Pavilion Entities, including the Applicant, offer seniors the opportunity to reside in one community for the remainder of their lives as their age and medical needs advance, and the Nursing Home is a crucial component of that community.

There are currently no nursing homes associated with assisted living facilities in the Service Area and therefor no campus-like setting for Wilson County residents to age in place. The opening of the ALF concurrently with the filing of this application and the development of independent living duplexes and cottages within the next year will generate nursing home residents from within the Pavilion Community. Accordingly, the impact on other existing providers in the Service Area should be minimal. The Applicant will continue its partnerships with community leaders and other healthcare providers to ensure Wilson County can accommodate the future growth of the elder population in the county and the surrounding counties.

C. Consent Calendar Justification

If Consent Calendar is requested, please provide the rationale for an expedited review.

A request for Consent Calendar must be in the form of a written communication to the Agency's Executive Director at the time the application is filed.

RESPONSE: The Applicant does not seek Consent Calendar consideration.

4. SECTION A: PROJECT DETAILS

A. Owner of the Facility, Agency or Institution

Pavilion-THS, LLC		615-444-5556
Name		Phone No.
600 Tennessee Boulevard		Wilson
Street or Route		County
Lebanon	TN	37087
City	State	Zip Code

B. Type of Ownership of Control (Check One)

A.	Sole Proprietorship	___	F.	Government (State of TN) or Political Subdivision)	___
B.	Partnership	___	G.	Joint Venture	___
C.	Limited Partnership	___	H.	Limited Liability Company	**XX**
D.	Corporation (For Profit)	___	I.	Other (Specify) _____	___
E.	Corporation (Not-for-Profit)	___			

Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence. Please provide documentation of the active status of the entity from the Tennessee Secretary of State's web-site at https//tnbear.tn.gov/ECommerce/FilingSearch.aspx. **Attachment Section A-4A.**

Describe *the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% ownership (direct or indirect) interest.*

RESPONSE: The Applicant, Pavilion-THS, LLC, is owned 100% by Total Healthcare Systems, LLC. Total Healthcare Systems, LLC is owned by Gordon Bone (52%), Hal Bone (24%) and Suanne Bone (24%). **See Attachment Section A-4A**.

5. ***Name of Management/Operating Entity*** ***(If Applicable)***

Stein & Associates, LLC
Name

8520 South 36th Terrace — Sebastian
Street or Route — County

Fort Smith — Arkansas — 72908
City — State — Zip Code

Website address: www.steinandsassociates.com

For new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract. **Attachment Section A-5.**

6. **Legal Interest in the Site of the Institution** (Check One)

A.	Ownership	**XX**	D.	Option to Lease	_____
B.	Option to Purchase	_____	E.	Other (Specify) _____	_____
C.	Lease of ___ Years	_____		_____	

Check appropriate line above: *For applicants or applicant's parent company/owner that currently own the building/land for the project location, attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements* ***must include*** *anticipated purchase price. Lease/Option to Lease Agreements* ***must include*** *the actual/anticipated term of the agreement* ***and*** *actual/anticipated lease expense. The legal interests described herein* ***must be valid*** *on the date of the Agency's consideration of the certificate of need application.*

6B. Attach **a copy of the site's plot plan, floor plan, and if applicable, public transportation route to and from the site** on an 8 1/2" x 11" sheet of white paper, single or double-sided. ***DO NOT SUBMIT BLUEPRINTS***. Simple line drawings should be submitted and need not be drawn to scale.

1) Plot Plan **must** include:

   a. Size of site (***in acres***);

   b. Location of structure on the site;

   c. Location of the proposed construction/renovation; and

   d. Names of streets, roads or highway that cross or border the site.

2) Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. On an 8 1/2 by 11 sheet of paper or as many as necessary to illustrate the floor plan.

3) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

Attachment Section A-6A, 6B-1 a-d, 6B-2, 6B-3.

7. Type of Institution (Check as appropriate – more than one response may apply)

A. Hospital (Specify) _____ ___
B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty ___
C. ASTC, Single Specialty ___
D. Home Health Agency ___
E. Hospice ___
F. Mental Health Hospital ___
G. Intellectual Disability Institutional Habilitation Facility ICF/IID ___
H. Nursing Home **XX**
I. Outpatient Diagnostic Center ___
J. Rehabilitation Facility ___
K. Residential Hospice ___
L. Non-Residential Substitution-Based Treatment Center for Opiate Addiction ___
M. Other (Specify) _____ ___

Check appropriate line(s).

8. Purpose of Review (Check) as appropriate line(s) — more than one response may apply)

A. New Institution ___
B. Modifying an ASTC with limitation still required per CON ___
C. Addition of MRI Unit ___
D. Pediatric MRI ___
E. Initiation of Health Care Service as defined in T.C.A. § 68-11-1607(4) (Specify) _____ ___
F. Change in Bed Complement **XX**
[Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation]
G. Satellite Emergency Dept. ___
H. Change of Location ___
I. Other (Specify) _____ ___

9. Medicaid/TennCare, Medicare Participation

MCO Contracts [Check all that apply]

XX AmeriGroup **XX** United Healthcare Community Plan **XX** BlueCare ____TennCare Select

Medicare Provider Number 44-5500

Medicaid Provider Number Level I 7440606 Level II 44-550

Certification Type Skilled Nursing

If a new facility, will certification be sought for Medicare and/or Medicaid/TennCare?

Medicare ____ Yes ____ No XX N/A Medicaid/TennCare ____ Yes ____ No XX N/A

10. Bed Complement Data

A. Please indicate current and proposed distribution and certification of facility beds.

		Current Licensed	Beds Staffed	Beds Proposed	*Beds Approved	**Beds Exempted	TOTAL Beds at Completion
1)	Medical						
2)	Surgical						
3)	ICU/CCU						
4)	Obstetrical						
5)	NICU						
6)	Pediatric						
7)	Adult Psychiatric						
8)	Geriatric Psychiatric						
9)	Child/Adolescent Psychiatric						
10)	Rehabilitation						
11)	Adult Chemical Dependency						
12)	Child/Adolescent Chemical Dependency						
13)	Long-Term Care Hospital						
14)	Swing Beds						
15)	Nursing Home – SNF (Medicare only)						
16)	Nursing Home – NF (Medicaid only)						
17)	Nursing Home – SNF/NF (dually certified Medicare/Medicaid)	60	60	20	0	0	80
18)	Nursing Home - Licensed (non-certified)						
19)	ICF/IID						
20)	Residential Hospice						
	TOTAL						
	*Beds approved by not yet in service			**Beds exempted under 10% per 3 year provision			

B. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the applicant facility's existing services. **Attachment Section A-10.**

C. Please identify all the applicant's outstanding Certificate of Need projects that have a licensed bed change component. If applicable, complete chart below.

CON Number(s)	CON Expiration Date	Total Licensed Beds Approved
N/A		

11. **Home Health Care Organizations** – Home Health Agency, Hospice Agency (excluding Residential Hospice), identify the following by checking all that apply: **RESPONSE: NOT APPLICABLE**

	Existing Licensed County	Parent Office County	Proposed Licensed County		Existing Licensed County	Parent Office County	Proposed Licensed County
Anderson	☐	☐	☐	Lauderdale	☐	☐	☐
Bedford	☐	☐	☐	Lawrence	☐	☐	☐
Benton	☐	☐	☐	Lewis	☐	☐	☐
Bledsoe	☐	☐	☐	Lincoln	☐	☐	☐
Blount	☐	☐	☐	Loudon	☐	☐	☐
Bradley	☐	☐	☐	McMinn	☐	☐	☐
Campbell	☐	☐	☐	McNairy	☐	☐	☐
Cannon	☐	☐	☐	Macon	☐	☐	☐
Carroll	☐	☐	☐	Madison	☐	☐	☐
Carter	☐	☐	☐	Marion	☐	☐	☐
Cheatham	☐	☐	☐	Marshall	☐	☐	☐
Chester	☐	☐	☐	Maury	☐	☐	☐
Claiborne	☐	☐	☐	Meigs	☐	☐	☐
Clay	☐	☐	☐	Monroe	☐	☐	☐
Cocke	☐	☐	☐	Montgomery	☐	☐	☐
Coffee	☐	☐	☐	Moore	☐	☐	☐
Crockett	☐	☐	☐	Morgan	☐	☐	☐
Cumberland	☐	☐	☐	Obion	☐	☐	☐
Davidson	☐	☐	☐	Overton	☐	☐	☐
Decatur	☐	☐	☐	Perry	☐	☐	☐
DeKalb	☐	☐	☐	Pickett	☐	☐	☐
Dickson	☐	☐	☐	Polk	☐	☐	☐
Dyer	☐	☐	☐	Putnam	☐	☐	☐
Fayette	☐	☐	☐	Rhea	☐	☐	☐
Fentress	☐	☐	☐	Roane	☐	☐	☐
Franklin	☐	☐	☐	Robertson	☐	☐	☐
Gibson	☐	☐	☐	Rutherford	☐	☐	☐
Giles	☐	☐	☐	Scott	☐	☐	☐
Grainger	☐	☐	☐	Sequatchie	☐	☐	☐
Greene	☐	☐	☐	Sevier	☐	☐	☐
Grundy	☐	☐	☐	Shelby	☐	☐	☐
Hamblen	☐	☐	☐	Smith	☐	☐	☐
Hamilton	☐	☐	☐	Stewart	☐	☐	☐
Hancock	☐	☐	☐	Sullivan	☐	☐	☐
Hardeman	☐	☐	☐	Sumner	☐	☐	☐
Hardin	☐	☐	☐	Tipton	☐	☐	☐
Hawkins	☐	☐	☐	Trousdale	☐	☐	☐
Haywood	☐	☐	☐	Unicoi	☐	☐	☐
Henderson	☐	☐	☐	Union	☐	☐	☐
Henry	☐	☐	☐	Van Buren	☐	☐	☐
Hickman	☐	☐	☐	Warren	☐	☐	☐
Houston	☐	☐	☐	Washington	☐	☐	☐
Humphreys	☐	☐	☐	Wayne	☐	☐	☐
Jackson	☐	☐	☐	Weakley	☐	☐	☐
Jefferson	☐	☐	☐	White	☐	☐	☐
Johnson	☐	☐	☐	Williamson	☐	☐	☐
Knox	☐	☐	☐	Wilson	☐	☐	☐
Lake	☐	☐	☐				

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12. Square Footage and Cost Per Square Footage Chart

Unit/Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage		
					Renovated	New	Total
Rehab Wing						8,340	38,228
Unit/Department GSF Sub-Total							
Other GSF Total							
Total GSF		29,888				8,340	38,228
*Total Cost						$926,729	
**Cost Per Square Foot						$111.11	
Cost per Square Foot Is Within Which Range *(For quartile ranges, please refer to the Applicant's Toolbox on www.tn.gov/hsda).*					☐ Below 1st Quartile ☐ Between 1st and 2nd Quartile ☐ Between 2nd and 3rd Quartile ☐ Above 3rd Quartile	XX Below 1st Quartile ☐ Between 1st and 2nd Quartile ☐ Between 2nd and 3rd Quartile ☐ Above 3rd Quartile	☐ Below 1st Quartile ☐ Between 1st and 2nd Quartile ☐ Between 2nd and 3rd Quartile ☐ Above 3rd Quartile

* The Total Construction Cost should equal the Construction Cost reported on line A5 of the Project Cost Chart.

** Cost per Square Foot is the construction cost divided by the square feet. Please do not include contingency costs.

13. MRI, PET, and/or Linear Accelerator **RESPONSE: NOT APPLICABLE**

1. Describe the acquisition of any Magnetic Resonance Imaging (MRI) scanner that is adding a MRI scanner in counties with population less than 250,000 or initiation of pediatric MRI in counties with population greater than 250,000 and/or

2. Describe the acquisition of any Positron Emission Tomographer (PET) or Linear Accelerator if initiating the service by responding to the following:

A. Complete the chart below for acquired equipment.

☐ Linear Accelerator	Mev _____ Types:	☐ SRS ☐ IMRT ☐ IGRT ☐ Other _____
	Total Cost*: _____	☐ By Purchase ☐ By Lease Expected Useful Life (yrs) _____
	☐ New ☐ Refurbished	☐ If not new, how old? (yrs)_____
☐ MRI		☐ Breast ☐ Extremity
	Tesla:_____ Magnet:	☐ Open ☐ Short Bore ☐ Other _____
	Total Cost*: _____	☐ By Purchase ☐ By Lease Expected Useful Life (yrs) _____
	☐ New ☐ Refurbished	☐ If not new, how old? (yrs)_____
☐ PET	☐ PET only ☐ PET/CT	☐ PET/MRI
	Total Cost*: _____	☐ By Purchase ☐ By Lease Expected Useful Life (yrs) _____
	☐ New ☐ Refurbished	☐ If not new, how old? (yrs)_____

* As defined by Agency Rule 0720-9-.01(13)

B. In the case of equipment purchase, include a quote and/or proposal from an equipment vendor. In the case of equipment lease, provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments along with the fair market value of the equipment.

C. Compare lease cost of the equipment to its fair market value. Note: Per Agency Rule, the higher cost must be identified in the project cost chart.

D. Schedule of Operations:

Location	Days of Operation (*Sunday through Saturday*)	Hours of Operation (*example: 8 am – 3 pm*)
Fixed Site *(Applicant)*		
Mobile Locations *(Applicant)*		
(Name of Other Location)		
(Name of Other Location)		

E. Identify the clinical applications to be provided that apply to the project.

F. If the equipment has been approved by the FDA within the last five years provide documentation of the same.

SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with T.C.A. § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of health care." Further standards for guidance are provided in the State Health Plan developed pursuant to T.C.A. § 68-11-1625.

The following questions are listed according to the four criteria: (1) Need, (2) Economic Feasibility, (3) Applicable Quality Standards, and (4) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2" x 11" white paper, single-sided or double sided*. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer, unless specified otherwise. ***If a question does not apply to your project, indicate "Not Applicable (NA)."***

QUESTIONS

SECTION B: NEED

A. Provide a response to each criterion and standard in Certificate of Need Categories in the State Health Plan that are applicable to the proposed project. Criteria and standards can be obtained from the Tennessee Health Services and Development Agency or found on the Agency's website at http://www.tn.gov/hsda/article/hsda-criteria-and-standards.

1. **Determination of Need:**

The need for nursing home beds for each county in the state should be determined by applying the following population-based statistical methodology:

Need =.0004 x population 65 and under, plus
.01 x population 65-74, plus
.04 x population 75-84, plus
.15 x population 85+

RESPONSE: According to the Tennessee Population Projections published by the Division of Health Statistics of the Tennessee Department of Health and the codified bed need formula, Wilson County currently has and will continue to have a significant bed need. In 2019, when the new wing would open, the *net* bed need will be 276 (the need being 782 with 506 beds currently available). In 2020 and 2021, the projected net bed need is 315 and 356, respectively. Please see the attached table on **Attachment Section B - Need - A-1** showing bed need through 2022. The bed need is projected to grow significantly in Wilson County over the next few years from both population growth and an aging population. The statistical analysis supports the fact that this criteria is met and there is an existing and future demand for the project. Additional nursing beds are required to ensure that the senior citizens of Wilson County and the surrounding areas are adequately served.

The Applicant needs to add 20 skilled nursing beds to the Nursing Home to ensure additional beds are available generally and to meet the anticipated increase in its nursing home utilization. Furthermore, given the development of the ALF and ILF, there will be a significant demand for nursing home services in the foreseeable future, not only from the residents of the ALF and ILF, but also from the broader Service Area.

2. **Planning Horizon:** The need for nursing home beds shall be projected two years into the future for the current year.

   RESPONSE: According to the Tennessee Population Projection published by the Division of Health Statistics of the Tennessee Department of Health and the codified bed need formula, in 2019, the first full year of operation, Wilson County is projected to need an additional 276 nursing home beds (net need minus existing beds), and in 2020, the second full year of operation, the net bed need is projected to be 315.

3. **Establishment of Service Area:** A majority of the population of the proposed Service Area for any nursing home should reside within 30 minutes travel time from that facility. Applicants may supplement their applications with sub-county level data that are available to the general public to better inform the HSDA of granular details and trends; however, the need formula established by these Standards will use the latest available final JAR data from the Department of Health. The HSDA additionally may consider geographic, cultural, social, and other aspects that may impact the establishment of a Service Area.

   RESPONSE: The Service Area is Wilson County. The 2015 JAR data from the Department of Health indicates that of 260 total residents at the Nursing Home for the reporting period (1/1/2015 - 12/31/2015), 224 (i.e. 86%) were residents of Wilson County with the following breakdown for all counties:

County	Number of Residents
Davidson	5
DeKalb	1
Jackson	1
Macon	2
Montgomery	1
Rutherford	1
Smith	16
Stewart	1
Sumner	3
Trousdale	3
Outside of Tennessee	2
Wilson	224
TOTAL	**260**

Source: 2015 Joint Annual Reports

Smith County, adjacent to Wilson County to the east, has only one nursing facility, Kindred Nursing and Rehabilitation-Smith County. According to its 2015 JAR Report, the Kindred facility has 4 beds in private rooms, 108 beds in semi-private rooms and 16 beds in 3-bed wards. The Kindred facility also has an overall rating of 1 out of 5 stars on Medicare.gov Nursing Home Compare. See chart below for a comparison with the Nursing Home:

	Beds in Private Rooms	Beds in Semi-Private Rooms	Beds in 3-bed wards	Overall Star Rating
Applicant	6 (current) (14 with addition)	52 (current) 66 (with addition)	0	*****
Kindred	4	108	16	*

Source: 2015 Joint Annual Reports; Medicare.gov Nursing Home Compare

The Applicant believes there is a need for additional beds at the Nursing Home to ensure bed availability for Smith County residents and that belief is echoed by the letter of support from the Smith County Mayor included in **Attachment Section B - Need - General**.

Many residents of Wilson County who are not able to be placed at the Nursing Home due to full occupancy choose Life Care Center of Old Hickory Village ("Hickory Village") or Life Care Center of Hickory Woods ("Hickory Woods"). While Hickory Village and Hickory Woods are located approximately 22 miles and 27 miles, respectively, from the Nursing Home, both possess the amenities and level of care similar to the Nursing Home. Hickory Village was built in 2012 and Hickory Woods in 2011 (*2015 Joint Annual Reports*). Hickory Village has a Medicare.gov star rating of 3 out of 5 stars and Hickory Woods has a Medicare.gov star rating of 5 out of 5 stars.

Adams Place located in Rutherford County is another facility chosen by individuals who cannot be placed at the Applicant's Nursing Home. Adams Place was built in 1997 and renovated in 2004 and has an overall Medicare.gov star rating of 5 out of 5 stars.

Below is a chart showing the number of Wilson County residents choosing to reside in facilities similar to the Nursing Home (over the past three (3) reported years):

Facilities	Age of Home	Star Rating	Wilson County residents 2013	Wilson County residents 2014	Wilson County residents 2015
Adams Place Rutherford County 26 miles from Nursing Home	1997 (2004 renovation)	*****	2	2	11
Hickory Village Davidson County 22 miles from Nursing Home	2012	***	9	3	8
Hickory Woods Davidson County 27 miles from Nursing Home	2011	*****	57	82	70

Source: 2013 - 2015 Joint Annual Reports; Medicare.gov Nursing Home Compare

4. **Existing Nursing Home Capacity:** In general, the Occupancy Rate for each nursing home currently and actively providing services within the applicant's proposed Service Area should be at or above 90% to support the need for any project seeking to add new nursing home beds within the Service Area and to ensure that the financial viability of existing facilities is not negatively impacted.

   When considering replacement facility or renovation applications that do not alter the bed component within the Service Area, the HSDA should consider as the primary factor whether a replacement facility's own occupancy rate could support its economic feasibility, instead of the occupancy rates of other facilities in the Service Area.

   RESPONSE: The existing nursing home bed need, as established by the statutory need formula, shows the Service Area, Wilson County, as significantly in need of additional nursing home beds. As noted in the criteria, a key component of the HSDA's consideration should be how a facility's own occupancy rates support the economic feasibility; otherwise, a facility that is highly desirable because of its services and amenities could be impeded from necessary growth as part of its strategic plan. As shown in the chart below, the other three other facilities in the Service Area are not at or above 90% occupancy. However, the addition of 20 beds at the Nursing Home should not have a substantial negative impact on the other existing providers as the Nursing Home is currently turning away

residents, many of whom are leaving the Service Area of Wilson County for nursing home care. The Nursing Home's last five years' sustained occupancy at or above 93% and the many potential residents desiring admission who are turned away strongly demonstrates that the Nursing Home should expand to further serve the Service Area. Moreover, the opening of the ALF in August of 2017 will increase the need for available skilled nursing and long term care beds at the Nursing Home as the residents of the ALF and ILF age in place.

In connection with the Applicant's 2012 Certificate of Need Application for a 24-bed addition to the Nursing Home, each of the other facilities in the Service Area argued to the HSDA that the Nursing Home should be denied the additional 24 beds because such expansion would have a negative impact on their occupancy. The chart below indicates that the census in all three of the other facilities in the Service Area has generally remained the same since 2012 while the population of Wilson County and the surrounding area continues to increase.

	2012 Occupancy	**2013 Occupancy**	**2014 Occupancy**	**2015 Occupancy**
Pavilion Senior Living	98.9%	98.5%	97.3%	95.6%
Lebanon Health and Rehabilitation **only recently certified for Medicaid and only in network with 1 provider*	65.5%	54.7%	53.3%	56.7%
Mt. Juliet Health Care Center	98.2%	79.5%	72.1%	67.6%
Quality Care Health Center	82.1%	83.8%	83.4%	87.3%

Source: 2012-2015 Joint Annual Reports

While the 2016 JAR Reports are not yet available on-line, the Applicant represents that its 2016 occupancy was 93.4%. Further, the Applicant represents that its 2017 occupancy through July 31, 2017 was 92.4%.

With the need in the Service Area in 2019 for 276 beds, the Applicant's modest request for 20 additional beds should not affect the other facilities in Wilson County. As shown in the chart below, even if every facility in the Service Area were at full occupancy there is still a need for 256 additional beds.

Pavilion (with additional 20 beds)	**Lebanon Health and Rehab**	**Quality Care Health Center**	**Mt. Juliet Health Care Center**	**Total**	**Total Need 2019**	**Deficient** (after addition of 20 beds)
80	60	280	106	526	782.9	256.9

Source: Tennessee Population Projections published by the Division of Health Statistics of the Tennessee Department of Health and the codified bed need formula

The need in the years following 2019 continues to increase to 405 in 2022 (a mere 3 years later).

As evidenced by the numerous letters of support from government officials, physicians trying to place residents in the Nursing Home and other concerned individuals from Wilson County and Smith County, a need currently exists for additional high quality skilled and long term nursing home beds in the Service Area.

5. **Outstanding Certificates of Need:** Outstanding CONs should be factored into the decision whether to grant an additional CON in a given Service Area or county until an outstanding CON's beds are licensed.

   RESPONSE: There are no outstanding CONs in the Service Area.

6. **Data:** The Department of Health data on the current supply and utilization of licensed and CON-approved nursing home beds should be the data source employed hereunder, unless otherwise noted.

   RESPONSE: The Department of Health data has been employed for this application.

7. **Minimum Number of Beds:** A newly established free-standing nursing home should have a sufficient number of beds to provide revenues to make the project economically feasible and thus is encouraged to have a capacity of at least 30 beds. However, the HSDA should consider exceptions to this standard if a proposed applicant can demonstrate that economic feasibility can be achieved with a smaller facility in a particular situation.

   RESPONSE: This criterion is not applicable as this is not a newly established nursing home.

8. **Encouraging Facility Modernization:** The HSDA may give preference to an application that:

   a. Proposes a replacement facility to modernize an existing facility.

   b. Seeks a certificate of need for a replacement facility on or near its existing facility operating location. The HSDA should evaluate whether the replacement facility is being located as closely as possible to the location of the existing facility and, if not, whether,

   c. Does not increase its number of operation beds.

   In particular, the HSDA should give preference to replacement facility applications that are consistent with the standards described in TCA §68-11-1627, such as facilities that seek to replace physical plants that have building and/or life safety problems, and/or facilities that seek to improve the patient-centered nature of their facility by adding home-like features such as private rooms and/or home like amenities.

   RESPONSE: This criterion is not applicable.

9. **Adequate Staffing:** An applicant should document a plan demonstrating the intent and ability to recruit, hire, train, assess competencies of, supervise and retain the appropriate numbers of qualified personnel to provide the services described in the application and that such personnel are available in the prosed Service Area, However, when considering applications for replacement facilities or renovations of existing facilities, the HSDA may determine the existing facility's staff would continue without significant change and thus would be sufficient to meet this Standard without a demonstration of efforts to recruit new staff.

   RESPONSE: The Applicant pays wages and offers benefits that are commensurate with prevailing rates of other employment opportunities in the community. The Applicant has not had an issue with staffing the Nursing Home. The Nursing Home also benefits from several local schools with whom it maintains training partnerships, including Cumberland University, Lebanon High School, Wilson Central High School, McGavock High School and Tennessee College of Applied Technology. All of the foregoing schools have provided letters of support which are included in **Attachment Section B - Need - General**. The Applicant currently has adequate staff for the Nursing Home, including adequate professional staff required by the Department of Health, and does not anticipate any difficulty filling

positions needed in connection with the addition of 20 beds. Currently, the Applicant has 30 employment applications on file.

10. **Community Linkage Plan:** The applicant should describe its participation, if any, in a community linkage plan, including its relationships with appropriate health care system providers/services and working agreements with other related community services to assure continuity of care. If they are provided, letters from providers (including, e.g., hospitals, hospice services agencies, physicians) in support of an application should detail specific instances of unmet need for nursing home services.

    RESPONSE: As stated above, affiliates of the Applicant (the Pavilion Entities) are preparing to open an assisted living and memory care community in August of 2017 with an independent living (cottages and duplexes) community to follow in the summer of 2018. The Applicant's utmost goal is to provide a community in which residents can age in place.

    The Nursing Home is adjacent to Tennova Healthcare Center - Lebanon ("Tennova"), the only hospital in the Service Area and is connected to Tennova by a series of walkways and golf cart paths. The Applicant staffs a liaison to work with families, residents, medical staff and case managers to make the transition to rehabilitation and long term care. The Applicant offers potential residents and their families the opportunity to tour the Nursing Home, meet with the liaison to review any questions they have about care and provide input to the Applicant in its approach to help the resident make a smooth adjustment. The proximity of the Nursing Home to the Tennova campus, as well as the sidewalks and golf cart paths between the facilities, make it easier for families to tour the Nursing Home and accompany their family member upon admission. The Applicant works with Tennova case managers 7 days a week as they discharge residents to the Applicant's care.

    As evidenced by the letters of support included in **Attachment Section B - Need - A-10**, the Applicant has strong working relationships with several local physicians, a local senior community, the Lebanon Senior Citizens Center, the Senior Citizens Awareness Network of Wilson County and Tennova. The Medical Director of the Nursing Home, Bill Robertson, M.D., will also serve as the Medical Director for the ALF and ILF, and maintains an office on the Tennova campus adjacent to the Nursing Home. This project is strongly supported by the community.

11. **Access:** The applicant should demonstrate an ability and willingness to serve equally all of the Service Aria in which it seeks certification. In addition to the factors set forth in HSDA Rule 0720-11-.01(1) (listing the factors concerning need on which an application may be evaluated), the HSDA may choose to give special consideration to an applicant that is able to show that there is limited access in the proposed Service Area. However, an applicant should address why Service Area residents cannot be served in a less restrictive and less costly environment and whether the applicant provides or will provide other services to residents that will enable them to remain in their homes.

    RESPONSE: All beds in the Nursing Home are and will continue to be dually certified in the Medicare and Medicaid programs. The Applicant's model targets individuals who are Medicare qualified beneficiaries seeking skilled nursing and rehabilitation services and the Applicant will provide a continuum of care for residents of the ALF and ILF at such time as those communities are opened. The majority of all residents placed in nursing homes from the acute care setting are Medicare beneficiaries. Due to the fact that Medicare is a federal insurance program covering individuals age 65 and older, as well as disabled individuals below this threshold age, access to long term care Medicare beds is a function of bed availability in the market. As stated previously, the Applicant continuously turns away residents due to the unavailability of beds. The additional beds at the Nursing Home will provide greater access to health care for Medicare beneficiaries and reduce the instances in which the Applicant is unable to accept residents due to full occupancy.

12. **Quality Control and Monitoring:** The applicant should identify and document its existing or proposed plan for data reporting, quality improvement, and outcome and process monitoring systems, including in particular details in its Quality Assurance and Performance Improvement program as required by the Affordable Care Act. As an alternative to the provision of third party accreditation information, applicant may provide information on any other stated, federal, or national quality improvement initiatives. An applicant that owns or administers other nursing homes should provide detailed information on their surveys and their quality control programs at those facilities regardless of whether they are located in Tennessee.

    RESPONSE: The Applicant is currently in good standing with all licensing, certifying and accrediting agencies. As demonstrated in this application and the Applicant's regulatory history, the Nursing Home has provided high quality of care since its opening. The Applicant reports extensive quality measures as part of its involvement in the Medicare and Medicaid programs. The Applicant has an ongoing quality improvement program to monitor and improve patient outcomes. The outcomes are regularly reported as part of public reporting requirements for all nursing homes. The Nursing Home has an overall rating of 5 out of 5 stars as rated by Medicare's Nursing Home Compare and maintains the highest ratings for health inspections (5), staffing (4), and quality measures (4). The Applicant has been ranked by AHCA and NCAL as 1st out of 313 facilities in Tennessee on a weighted 3-cycle survey score. See **Attachment B - Need - A-12** for the Nursing Home's profile from Medicare's Nursing Home Compare website, the AHCA/NCAL letter and recent survey results for the Nursing Home. The level of quality provided by the Applicant results in the residents of Wilson County, and beyond, choosing to reside at the Nursing Home. As set forth in the Letters of Support, it is the outstanding reputation of the Applicant and the Nursing Home that keeps the facility first on families' and potential residents' list when seeking skilled nursing services.

13. **Data Requirements:** Applicant should agree to provide the TDH and/or the HSDA with all reasonably requested information and statistical data related to the operation and provision of services at the applicant's facility and to report that data in the time and format requested. As a standard of practice, existing data reporting streams will be relied upon and adapted over time to collect all needed information.

    RESPONSE: This criteria is met. The Applicant will participate in any data production of collection activities and acknowledges its agreement to this criteria.

14. **Additional Occupancy Rate Standards:**

    a. An applicant that is seeking to add or change bed component within a Service Area should show how it projects to maintain an average occupancy rate for all licensed beds of at least 90 percent after two years of operation.

    b. There should be no additional nursing home beds approved for a Service Area unless each existing facility with 50 beds or more has achieved an average annual occupancy rate of 90 percent. In determining the Service Area's occupancy rate, the HSDA may choose not to consider the occupancy rate of any nursing home in the proposed Service Area that has been identified by the TDH Regional Administrator as consistently noncompliant with quality assurance regulations, based on factors such as deficiency numbers outside of an average range or standards of the Medicare 5 Star program.

    c. A nursing Home seeking approval to expand its bed capacity should have maintained an occupancy rate of 90 percent for the previous year.

RESPONSE: The Nursing Home CON Standards state that in general, the occupancy rate for each nursing home currently and actively providing services within the Applicant's proposed Service Area should be at or above 90% to support the need for any new project seeking to add new nursing beds within the Service Area and to ensure that that the financial viability of existing facilities is not negatively impacted.

The existing nursing home bed need, as established by the statutory need formula, shows Wilson County as significantly in need of additional nursing home beds. As further noted in the criteria, a key component of the HSDA's consideration should be how a facility's own occupancy rates support the economic feasibility of a project; otherwise, a facility that is highly desirable because of its services and amenities could be impeded from necessary and desired growth as part of its strategic plan. The Nursing Home has an overall rating of 5 out of 5 stars as rated by Nursing Home Compare and maintains the highest ratings for health inspections (5), staffing (4), and health inspections (4). The Applicant has been ranked by AHCA and NCAL as 1st out of 313 facilities in Tennessee on a weighted 3-cycle survey score. As noted in Section B, Need, Question 4 above, the three other facilities in the Service Area are not at or above the 90% guideline in the standard. However, last three year's occupancy at the Nursing Home of over 93% as well as the large numbers of deflections of residents desiring admission strongly demonstrates that the Nursing Home must expand to continue to serve the needs of Wilson County.

The criteria and standards includes an example that an Applicant may be able to make a case for additional beds if specific ancillary services or bed types are lacking in a proposed Service Area. The below chart lists several characteristics of each of the facilities in the Service Area demonstrating possible reasons a potential resident might choose the Nursing Home over other facilities in the area, including newer construction, number of private beds and number of deficiencies and complaints.

Facilities in Service Area	Age of Facility	Total Beds	Private Beds	Certification	Number of Health Deficiencies	Number of Complaints
Pavilion (including 20 bed addition)	2009	80	14	80 dual	0	0
Lebanon Health and Rehabilitation Center	1992	60	8	60 dual*	1	3
Quality Care Health Center	1977 with 1995 renovation	280	24	Medicare only = 80 Medicaid only = 200	1	1
Mt. Juliet Health Care Center	1994	106	1	160 dual	4	3

Source: 2015 Joint Annual Reports and Medicare.gov Nursing Home Compare
**Lebanon Health and Rehabilitation Center only recently Medicaid certified (and only certified with 1 provider in network)*

B. Describe the relationship of this project to the applicant facility's long-range development plans, if any, and how it relates to related previously approved projects of the applicant.

RESPONSE: The Applicant and the other Pavilion Entities are committed to meeting the needs of Wilson County's growing population. With the opening of the ALF in August of 2017 as well as the construction of independent living cottages and duplexes opening in the summer of 2018, the Applicant would continue its dedication to serving the aging population of Wilson County.

The Pavilion Entity developing the ILF has already had a great deal of interest in the new construction as individuals aged 55+ are planning to reside at the ILF community and place their parents at the ALF or Nursing Home so that they can be close to their loved ones. As of the date of this application, approximately 12 individuals/couples have expressed interest in becoming residents of the ILF.

C. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map for the Tennessee portion of the service area using the map on the following page, clearly marked to reflect the service area as it relates to meeting the requirements for CON criteria and standards that may apply to the project. Please include a discussion of the inclusion of counties in the border states, if applicable. **Attachment Section B - Need-C.**

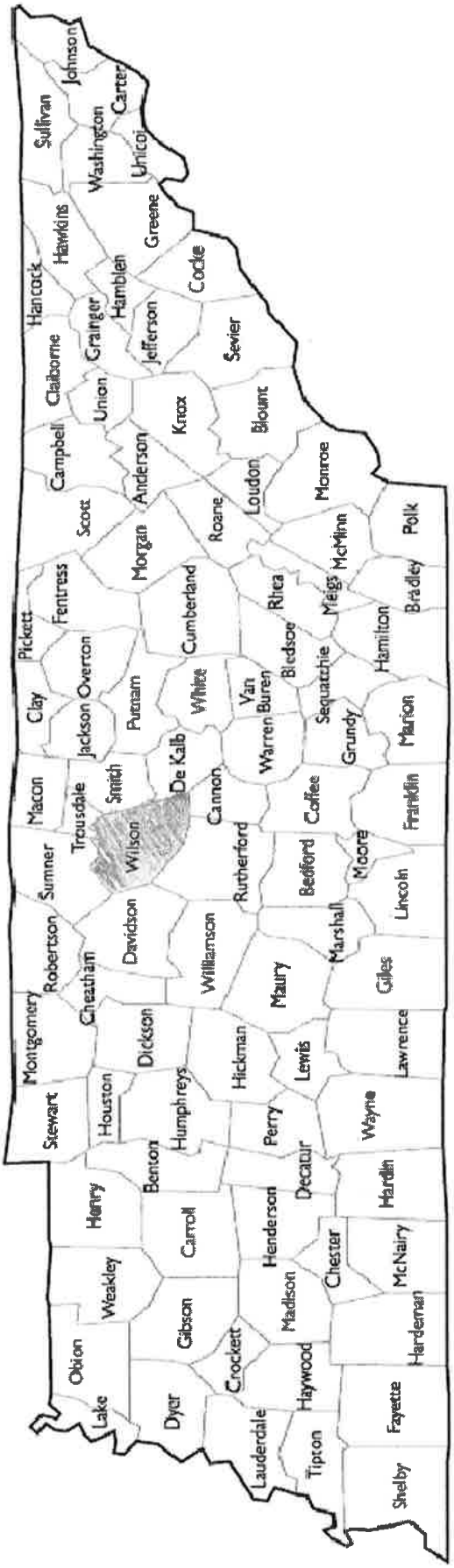
Please complete the following tables, if applicable:

Service Area Counties	Historical Utilization-County Residents	% of total residents
Wilson - 2015 JAR	224 of 260 residents	86.15%
Wilson - 2014 JAR	52 of 60 residents	86.66%
Wilson - 2013 JAR	46 of 60 residents	76.66%

Service Area Counties	Projected Utilization-County Residents	% of total residents
County #1		
County #2		
Etc.		
Total		100%

The Applicant believes that with the additional 20-beds it will be able to accommodate more residents of Wilson County. In addition to Wilson County, the Applicant hopes to continue to serve the residents of Smith County as well as other surrounding counties. Further, the Applicant's market studies indicate that the population of Davidson County is likely to migrate from a more densely populated area to cities such as Lebanon and Mt. Juliet, as evidenced by the success of the Del Webb community at Lake Providence in Mt. Juliet.

County Level Map



D. 1). a) Describe the demographics of the population to be served by the proposal.

RESPONSE: The population in the proposed Service Area, Wilson County, is the third-fastest growing city in Tennessee and is projected for further growth over the next several years. Specifically, the growth of individuals age 75-84 and over age 85 in Wilson County is increasing as set forth in the chart below:

Wilson County Age	2018 Pop	2019 Pop	2020 Pop	2021 Pop	2022 Pop	2023 Pop	2024	2025	2026
		% increase over 2018	% increase over 2019	% increase over 2020	% increase over 2021	% increase over 2022	% increase over 2023	% increase over 2024	% increase over 2025
75-84	6,223	6,670	7,046	7,400	8,079	8,711	9,241	9,784	10,273
		7.18%	5.63%	5.02%	9.17%	7.82%	6.08%	5.87%	4.99%
85+	2,097	2,180	2,289	2,413	2,526	2,682	2,838	2,996	3,176
		3.95%	5.00%	5.41%	4.68%	6.17%	5.81%	5.56%	6.00%

Source: University of Tennessee Center for Business and Economic Research Population Data Files, Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment

As demonstrated in the above chart, the Need Calculation set forth in **Attachment Section B - Need - A-1** and the Population Data Chart set forth in **Attachment Section B - Need - D-1-b**, the growth in the elder population in Wilson County clearly supports the Applicant's proposed expansion.

b) Using current and projected population data from the Department of Health, the most recent enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, complete the following table and include data for each county in your proposed service area.

Projected Population Data: http://www.tn.gov/health/article/statistics-population

TennCare Enrollment Data: http://www.tn.gov/tenncare/topic/enrollment-data

Census Bureau Fact Finder: http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml

Demographic Variable/Geographic Area	Department of Health/Health Statistics							Bureau of the Census				TennCare	
	Total Population - Current Year	Total Population - Projected Year	Total Population-% Change	*Target Population-Current Year	*Target Population-Project Year	*Target Population-% Change	Target Population Projected Year as % of Total	Median Age	Median Household Income	Person Below Poverty Level	Person Below Poverty Level as % of Total	TennCare Enrollees	TennCare Enrollees as % of Total Population
County A													
County B, etc.													

Service Area Total													
State of TN Total													

** Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. Projected Year is defined in select service-specific criteria and standards. If Projected Year is not defined, default should be four years from current year, e.g., if Current Year is 2016, then default Projected Year is 2020.*

See Attachment Section B - Need - D-1-b for above chart

2) Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

RESPONSE: The Wilson County Service Area continues to have a significant need for quality long-term care and other health care services. Although the existing Nursing Home helps to meet the needs of Wilson County, with the continuous population growth and the increasing need for nursing home services, the Applicant's existing bed capacity is not sufficient to meet existing and future need. Further, with the opening of the ALF and the development of the ILF (both located across a private drive from the Nursing Home), the existing 60 beds will not be sufficient to meet the needs of the Service Area or the Pavilion Senior Living community.

The Nursing Home is and will continue to be open to all ethnic and racial groups. For year-to-date 2017, the Nursing Home has averaged 26.4 residents with Medicaid as their primary payor and over the last 3 years (see chart on next page), the Nursing Home has averaged between 39% - 48% Medicaid residents.

E. Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: Admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. This doesn't apply to projects that are solely relocating a service.

RESPONSE: There are currently 3 other nursing homes in Wilson County. Attached as **Attachment Section B - Need - E-1** is a chart that includes the occupancy rates for each of the 4 homes, including the Applicant's Nursing Home. Note that the JAR Reports available for the last 3 reported years do not reflect the fact that Lebanon Health & Rehabilitation was only recently certified for the Medicaid program and is currently only in network with one provider.

F. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

RESPONSE: The following chart reflects the Applicant's average daily census by payor for the past three (3) years:

Applicant's Average Daily Census by Payor for 60-bed facility
(2013-Present)

Payor	2014	2015	2016	2017*
Private Pay	17.55	17.99	15.32	11.74
Medicare	7.75	10.90	11.80	12.03
Managed Care	3.40	4.28	4.44	5.52
Medicaid	28.47	22.45	23.14	24.51
Hospice-Private	.51	.73	1.03	.94
Hospice-Medicaid	.70	1.04	.31	.68
Total Patients:	58.38	57.39	56.04	55.42
Census:	97.3%	95.65%	93.4%	92.4%

*Source: Applicant (*Through July 31, 2017)*

Applicant's Projected Average Daily Census by Payor for 80-bed facility
(2018-2020)

Payor	2018 (construction and fill up year)	2019 (first full year of addition)	2020 (second full year of addition)
Private Pay	11.74	14.65	15.17
Medicare	12.03	17.65	17.85
Managed Care	5.52	7.32	7.58
Medicaid	24.51	31.49	32.62
Hospice-Private	.94	.30	.31
Hospice-Medicaid	.68	1.84	2.35
Total Patients:	55.42	73.25	75.88
Census:	92.4%	91.56%	94.85%

Source: Applicant

SECTION B: ECONOMIC FEASIBILITY

A. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

1) All projects should have a project cost of at least $15,000 (the minimum CON Filing Fee). (See Application Instructions for Filing Fee)

2) The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.

3) The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

4) Complete the Square Footage Chart on page 8 and provide the documentation. Please note the Total Construction Cost reported on line 5 of the Project Cost Chart should equal the Total Construction Cost reported on the Square Footage Chart.

5) For projects that include new construction, modification, and/or renovation—**documentation must be** provided from a licensed architect or construction professional that support the estimated construction costs. Provide a letter that includes the following:

   a) A general description of the project;

   b) An estimate of the cost to construct the project;

   c) A description of the status of the site's suitability for the proposed project; and

   d) Attesting the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in current use by the licensing authority.

RESPONSE: Please see Project Cost Chart and **Attachment Section B: Economic Feasibility - A-5**.

AUG 15 2017 PM2:14

PROJECT COST CHART

A.	Construction and equipment acquired by purchase:		
	1.	Architectural and Engineering Fees	40,000
	2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	30,000
	3.	Acquisition of Site	0
	4.	Preparation of Site	0
	5.	Construction Costs	926,729
	6.	Contingency Fund	50,000
	7.	Fixed Equipment (Not included in Construction Contract)	0
	8.	Moveable Equipment (List all equipment over $50,000)	40,000
	9.	Other (Specify) N/A	0
B.	Acquisition by gift, donation, or lease:		
	1.	Facility (inclusive or building and land)	0
	2.	Building only	0
	3.	Land only	0
	4.	Equipment (Specify)	0
	5.	Other (Specify)	0
C.	Financing Costs and Fees:		
	1.	Interim Financing	17,250
	2.	Underwriting Costs	10,000
	3.	Reserve for One Year's Debt Service	22,776
	4.	Other (Specify) N/A	0
D.	Estimated Project Cost (A+B+C)		1,136,755
E.	CON Filing Fee		15,000
F.	Total Estimated Project Cost (D+E)	**TOTAL**	1,151,755

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HISTORICAL DATA CHART

X Total Facility
☐ Project Only

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in January (Month).

	Year 2014	Year 2015	Year 2016
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)	21309	20946	20456
B. Revenue from Services to Patients			
1. Inpatient Services	$4291143	$4594409	$4569187
2. Outpatient Services	0	0	0
3. Emergency Services	0	0	0
4. Other Operating Revenue (Specify) therapy, medical supplies, drug revenue	1332470	1451397	1692446
Gross Operating Revenue	$5623613	$6045806	$6261633
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	$654134	$611892	$525795
2. Provision for Charity Care			
3. Provisions for Bad Debt	40284	78236	82421
Total Deductions	$694418	$6090128	$608216
NET OPERATING REVENUE	$4929195	$5355678	$5653417
D. Operating Expenses			
1. Salaries and Wages			
a. Direct Patient Care	1492966	1488710	1515219
b. Non-Patient Care	713988	698529	683868
2. Physician's Salaries and Wages	54652	49890	52219
3. Supplies	172277	196610	190284
4. Rent			
a. Paid to Affiliates	0	0	0
b. Paid to Non-Affiliates	3006	3146	3182
5. Management Fees:			
a. Paid to Affiliates	0	0	0
b. Paid to Non-Affiliates	9000	9000	9000
6. Other Operating Expenses	1306271	1825618	1989498
Total Operating Expenses	$3833130	$4352503	$4524270
E. Earnings Before Interest, Taxes and Depreciation	$1096065	$1003175	$1129147
F. Non-Operating Expenses			
1. Taxes	$90516	$81579	$87016
2. Depreciation	21550	223263	220067
3. Interest	145424	163478	161166
4. Other Non-Operating Expenses	0	0	0
Total Non-Operating Expenses	$451490	$468320	$468249
NET INCOME (LOSS)	$644575	$534855	$660898
Chart Continues Onto Next Page			

	Year 2014	Year 2015	Year 2016
NET INCOME (LOSS)	$644575	$534855	$660898
G. Other Deductions			
1. Annual Principal Debt Repayment	$156564	$60700	$62445
2. Annual Capital Expenditure			
Total Other Deductions	$156564	$206726	$56610
NET BALANCE	$488011	$328129	$604288
DEPRECIATION	$215550	$223263	$220067
FREE CASH FLOW (Net Balance + Depreciation)	$703561	$551392	$824355

X Total Facility
☐ Project Only

HISTORICAL DATA CHART-OTHER EXPENSES

	Year 2014	Year 2015	Year 2016
OTHER EXPENSES CATEGORIES			
Professional Services Contract	$ 463,273	$ 629,249	$ 724,236
Contract Labor	$ -	$ -	$ -
Imaging Interpretation Fees	$ 7,413	$ 9,820	$ 14,885
Drugs	$ 174,191	$ 229,396	$ 242,327
Equipment Rental	$ 11,910	$ 11,513	$ 15,669
Equipment Purchase	$ 14,539	$ 39,773	$ 9,035
Training	$ 5,969	$ 2,129	$ 2,769
Travel	$ 328	$ 491	$ 531
Raw Food	$ 137,785	$ 150,379	$ 147,078
Maintenance & Repairs	$ 26,701	$ 27,725	$ 25,959
Utilities	$ 115,534	$ 119,832	$ 108,669
Lawn Care	$ 3,850	$ 1,639	$ 6,394
Non-Emergency Transportation	$ 414	$ 766	$ 4,841
Lab Fees	$ 11,662	$ 8,307	$ 9,220
Ins - Health, work comp, GL, vehicle, etc.	$ 154,156	$ 368,929	$ 373,324
Software support & exp	$ 16,042	$ 16,260	$ 10,779
Dues/Membership/Subscriptions	$ 8,271	$ 10,611	$ 14,319
Advertising	$ 2,047	$ 1,503	$ 2,122
Quality Assurance Fee	$ 127,659	$ 180,839	$ 261,270
Amortization Expense	$ 16,654	$ 6,496	$ 5,153
Employee Benefits	$ 7,873	$ 9,861	$ 10,868
Contributions	$ 0	$ 100	$ 50
TOTAL	**$1,306,271**	**$1,825,618**	**$1,989,498**

D. Complete Projected Data Charts on the following two pages – **Do not modify the Charts provided or submit Chart substitutions!**

The Projected Data Chart requests information for the two years following the completion of the proposed services that apply to the project. Please complete two Projected Data Charts. One Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** (*i.e.*, if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility). The second Chart should reflect information for the total facility. **Only complete one chart if it suffices.**

Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

PROJECTED DATA CHART

X Total Facility
☐ Project Only

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year 2019	Year 2020
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)	26,737	27,697
B. Revenue from Services to Patients		
1. Inpatient Services	$6020968	$6462304
2. Outpatient Services	0	0
3. Emergency Services	0	0
4. Other Operating Revenue (Specify) _____	2055274	2205314
Gross Operating Revenue	$8076242	$8667618
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	$635599	$679917
2. Provision for Charity Care		
3. Provisions for Bad Debt	113899	106987
Total Deductions	$749498	$786904
NET OPERATING REVENUE	$7326744	$7880714
D. Operating Expenses		
1. Salaries and Wages		
a. Direct Patient Care	1901009	2012711
b. Non-Patient Care	800610	818146
2. Physician's Salaries and Wages	52875	52875
3. Supplies	242827	255139
4. Rent		
a. Paid to Affiliates	0	0
b. Paid to Non-Affiliates	1188	1188
5. Management Fees:		
a. Paid to Affiliates	0	0
b. Paid to Non-Affiliates	120000	120000
6. Other Operating Expenses	2963050	3279767
Total Operating Expenses	$6081559	$6539826
E. Earnings Before Interest, Taxes and Depreciation	$1245185	$1340888
F. Non-Operating Expenses		
1. Taxes	$101261	$108090
2. Depreciation	269373	269373
3. Interest	209234	207784
4. Other Non-Operating Expenses	0	0
Total Non-Operating Expenses	$579868	$585247
NET INCOME (LOSS)	$665317	$755641
Chart Continues Onto Next Page		

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	Year 2019	Year 2020
NET INCOME (LOSS)	$665317	$755641
G. Other Deductions		
1. Estimated Annual Principal Debt Repayment	$94009	$95459
2. Annual Capital Expenditure	0	0
Total Other Deductions	$0	$0
NET BALANCE	$571308	$660182
DEPRECIATION	$269373	$269373
FREE CASH FLOW (Net Balance + Depreciation)	$840681	$929555

X Total Facility
☐ Project Only

PROJECTED DATA CHART-OTHER EXPENSES

	Year 2019	Year 2020
OTHER EXPENSES CATEGORIES		
Professional Services Contract	$ 1,243,688	$ 1,414,111
Contract Labor	$ -	$ -
Imaging Interpretation Fees	$ 14,780	$ 14,780
Drugs	$ 564,087	$ 653,226
Equipment Rental	$ 20,147	$ 21,514
Equipment Purchase	$ 11,370	$ 11,721
Training	$ 4,881	$ 6,427
Travel	$ -	$ -
Raw Food	$ 191,872	$ 204,809
Maintenance & Repairs	$ 23,160	$ 24,703
Utilities	$ 138,703	$ 146,995
Lawn Care	$ 5,500	$ 5,500
Non-Emergency Transportation	$ 5,000	$ 5,000
Lab Fees	$ 9,594	$ 9,594
Ins - Health, work comp, GL, vehicle, etc.	$ 359,138	$ 367,029
Software support & exp	$ 15,600	$ 15,600
Dues/Membership/Subscriptions	$ 15,452	$ 16,136
Advertising	$ 2,646	$ 2,804
Quality Assurance Fee	$ 328,219	$ 350,605
Amortization Expense	$ 5,153	$ 5,153
Employee Benefits	$ 3,460	$ 3,460
Contributions	$ 600	$ 600
Total Other Expenses	**$ 2,963,050**	**$ 3,279,767**

PROJECTED DATA CHART

☐ Total Facility
X Project Only

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year 2019	Year 2020
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)	5610	6570
B. Revenue from Services to Patients		
1. Inpatient Services	$1420968	$1862304
2. Outpatient Services		
3. Emergency Services		
4. Other Operating Revenue (Specify) therapy,	443527	593567
Gross Operating Revenue	$1864495	$2455871
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	$135599	$179917
2. Provision for Charity Care		
3. Provisions for Bad Debt	33899	26987
Total Deductions	$169498	$206904
NET OPERATING REVENUE	$1694997	$2248967
D. Operating Expenses		
1. Salaries and Wages		
a. Direct Patient Care	270365	382067
b. Non-Patient Care	46588	64124
2. Physician's Salaries and Wages		
3. Supplies	58010	70322
4. Rent		
a. Paid to Affiliates		
b. Paid to Non-Affiliates		
5. Management Fees:		
a. Paid to Affiliates		
b. Paid to Non-Affiliates		
6. Other Operating Expenses	939973	1256690
Total Operating Expenses	$1314936	$1773203
E. Earnings Before Interest, Taxes and Depreciation	$380061	$475764
F. Non-Operating Expenses		
1. Taxes	$20148	$26977
2. Depreciation	45333	45333
3. Interest	44354	42904
4. Other Non-Operating Expenses		
Total Non-Operating Expenses	$109835	$115214
NET INCOME (LOSS)	$270226	$360550
Chart Continues Onto Next Page		

	Year 2019	Year 2020
NET INCOME (LOSS)	$270226	$360550
G. Other Deductions		
1. Estimated Annual Principal Debt Repayment	$31564	$33014
2. Annual Capital Expenditure		
Total Other Deductions	$31564	$33014
NET BALANCE	$238662	$327536
DEPRECIATION	$45333	$45333
FREE CASH FLOW (Net Balance + Depreciation)	$283995	$372869

☐ Total Facility
X Project Only

PROJECTED DATA CHART-OTHER EXPENSES

	Year 2019	Year 2020
OTHER EXPENSES CATEGORIES		
Professional Services Contract	$ 515,448	$ 685,871
Contract Labor	$ -	$ -
Imaging Interpretations Fees	0	$ 0
Drugs	$ 263505	$ 352644
Equipment Rental	$ 4042	$ 5409
Equipment Purchase	$ 36	$ 1387
Training	$ 81	$ 2427
Travel	-	-
Raw Food	$ 38243	51180
Maintenance & Repairs	$ 4560	$ 6103
Utilities	$ 4511	$ 32803
Lawn Care	$ 0	$ 0
Non-Emergency Transportation	$ 0	$ 0
Lab Fees	$ 0	$ 0
Ins - Health, work comp, GL, vehicle, etc.	$ 19086	$ 26977
Software support & exp	$ 0	$ 0
Dues/Membership/Subscriptions	$ 2021	$ 2705
Advertising	$ 466	$ 624
Quality Assurance Fee	$ 66174	$ 88560
Amortization Expense	$ 0	$ 0
Employee Benefits	$ 0	$ 0
Contributions	$ 0	$ 0
Total Other Expenses	$ 939,973	**$ 1,256,690**

B. Identify the funding sources for this project.

Check the applicable item(s) below and briefly summarize how the project will be financed. ***(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment Section B-Economic Feasibility-B.)***

XX 1) Commercial loan – Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;

___ 2) Tax-exempt bonds – Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;

___ 3) General obligation bonds – Copy of resolution from issuing authority or minutes from the appropriate meeting;

___ 4) Grants – Notification of intent form for grant application or notice of grant award;

XX 5) Cash Reserves – Appropriate documentation from Chief Financial Officer of the organization providing the funding for the project and audited financial statements of the organization; and/or

___ 6) Other – Identify and document funding from all other sources.

C. Complete Historical Data Charts on the following two pages—***Do not modify the Charts provided or submit Chart substitutions!***

Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available. Provide a Chart for the total facility and Chart just for the services being presented in the proposed project, if applicable. **Only complete one chart if it suffices.**

Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

E. 1) Please identify the project's average gross charge, average deduction from operating revenue, and average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table.

	Previous Year (2016)	**Current Year (2017 and 2018*)**	**Year 1 (2019)**	**Year 2 (2020)**	**% Change** (Previous Year to Year 2)**
Gross Charge *(Gross Operating Revenue / Utilization Data)*	$306.10	N/A	$332.35	$373.80	22.1%
Deduction from Revenue *(Total Deductions/Utilization Data)*	$29.73	N/A	$30.21	$31.49	5.91%
Average Net Charge *(Net Operating Revenue/Utilization Data)*	$276.37	N/A	$302.14	$342.31	23.86%

**2018 will be construction and fill-up, so projections are the same for 2017 and 2018*
***2016 is the latest year for which complete data are available in Historical Data Chart (thus used for % Change)*

2) Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

RESPONSE: The Applicant does not anticipate any changes to current charges as a result of the additional 20 dual certified beds. The proposed rates reflect increases of 1% per year based on current rates. The Applicant's Current and Proposed Charge Schedules are as follows:

Payor	**Current Year and 2018**	**Year 1 (2019)**	**Year 2 (2019)**
Private Pay	$220.00	$222.20	$224.42
Medicare	$400.00	$404.00	$408.04
Medicaid	$189.00	$190.89	$194.73

The proposed rate increases reflect 1% for private, 1% for Medicare and 1% for Medicaid

3) Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

RESPONSE: Below is a chart of the charges for facilities in the Service Area:

Applicant's Proposed Charges as Compared to Existing Facilities in Wilson County							
	Medicare Skilled Care	Medicaid TennCare Level 2	Medicaid TennCare Level 1	Private Level 2	Private Level 1	Semi-Private Level 2	Semi-Private Level 1
Pavilion Senior Living	$400	$175	$164	$265	$265	$220	$220
Lebanon Health and Rehabilitation Center (2014 JAR Report)	$419	N/A	N/A	$0	$281	$0	$201
Quality Care Health Center	$478	$204	$191	$299	$199	$299	$199
Mt. Juliet Health Care Center	$483	$172	$183	$306	$208	$306	$197

Source: 2015 Joint Annual Reports (except Lebanon Health and Rehabilitation Center which had no 2015 data so 2014 report data used)

F. 1) Discuss how projected utilization rates will be sufficient to support the financial performance. Indicate when the project's financial breakeven is expected and demonstrate the availability of sufficient cash flow until financial viability is achieved. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as **Attachment Section B-Economic Feasibility-F1**. **NOTE: Publicly held entities only need to reference their SEC filings.**

RESPONSE:

For the first full year of the addition, the Applicant projects an average daily census of 73.25 residents or 26,737 patient days, for an average annual occupancy rate of 91.56%.

For the second full year of the addition, the Applicant projects an average daily census of 75.88 residents or 27,697 patient days, for an average annual occupancy rate of 94.85%.

The project is economically feasible and will produce positive operating revenue by Year One.

In addition, the owners of the Applicant will provide funding as necessary to cover any operational losses (if any are experienced). As noted previously, the Applicant's financial statements for 2015 and 2016 are included with this application.

2) Net Operating Margin Ratio – Demonstrates how much revenue is left over after all the variable or operating costs have been paid. The formula for this ratio is: (Earnings before interest, Taxes, and Depreciation/Net Operating Revenue).

Utilizing information from the Historical and Projected Data Charts please report the net operating margin ratio trends in the following table:

Year	2nd Year previous to Current Year (2015)	1st Year previous to Current Year (2016)	Current Year (2017 and 2018*)	Projected Year 1 (2019)	Projected Year 2 (2020)
Net Operating Margin Ratio	18.73%	19.97%	N/A**	16.99%	17.01%

**2018 will be construction and fill-up, so projections are the same for 2017 and 2018*
***2016 is the latest year for which complete data are available in Historical Data Chart*

3) Capitalization Ratio (Long-term debt to capitalization) – Measures the proportion of debt financing in a business's permanent (Long-term) financing mix. This ratio best measures a business's true capital structure because it is not affected by short-term financing decisions. The formula for this ratio is: (Long-term debt/(Long-term debt+Total Equity (Net assets)) x 100).

For the entity (applicant and/or parent company) that is funding the proposed project please provide the capitalization ratio using the most recent year available from the funding entity's audited balance sheet, if applicable. The Capitalization Ratios are not expected from outside the company lenders that provide funding.

RESPONSE: The Capitalization Ratio of the Applicant as based on the most recent financials is 49.4, calculated as follows: Long-Term Debt [$3,928,385] / (Long-Term Debt [$3,928,385] + Total Equity (Net assets) [$4,023,296] x 100) = 49.4.

G. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid and medically indigent patients will be served by the project. Additionally, report the estimated gross operating revenue dollar amount and percentage of projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below.

RESPONSE: The Applicant is seeking the addition of 20 dual certified beds; accordingly, all beds in the Nursing Home will be certified for participation in the Medicaid/TennCare program.

The Applicant's Projected Payor Mix for the proposed 20-bed project for the first full year of operation is set forth below

Payor Source	Projected Gross Operating Revenue (2019)	As a % of total
Medicare/Medicare Managed Care	$372,899.00	20%
TennCare/Medicaid	$932,247.50	50%
Commercial/Other Managed Care	$205,094.45	11%
Self-Pay	$354,254.05	19%
Charity Care	--	--
Other (Specify)_____	--	--
Total	**$1,864,495**	**100%**

H. Provide the projected staffing for the project in Year 1 and compare to the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTEs) positions for these positions. Additionally, please identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources.

	Existing FTEs (2017)	Projected FTEs Year 1 (2019)	Average Wage (Contract Rate)	Area Wide/Statewide Average Wage
A. Direct Patient Care Positions				
Certified NA	23	30	12.69	11.46
LPN	12	15	19.84	18.91
RN	2	2		
Nurse Manager	2	2		
DNS	1	1		
MDS	1.5	1.5		
Total Direct Patient Care Positions	41.5	51.5		
B. Non-Patient Care Positions				
Quality Coordinator	0	0		
Administrator	1	1		
Resource Development	0	0		
Nurse Educator	.5	.5		
Receptionist	1.5	1.5		
Drivers	0	0		
Human Resources	0	0		
Sales Professional	.5	.5		
Social Services	1	1		
HIM	0	0		
Activity Director	1	1		
Admission	0	1		
Laundry	3	4	8.31	8.39
Housekeeping	4	5	9.31	9.41
Cook	4	4		
Dietary Aid	3	3		
Maintenance Director	1	1		
Maintenance Tech	0	0		
Office Managers	1	1		
Total Non- Patient Care Positions	21.5	24.5		
Total Employees (A+B)	63	76		
C. Contractual Staff				
Therapy Staff	6	9.5		
Total Staff (A+B+C)	69.5	85.5		

I. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

1) Discuss the availability of less costly, more effective and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, justify why not, including reasons as to why they were rejected.

RESPONSE: The Applicant has, both in 2012 in its first Certificate of Need Application and in this application, carefully considered its request to add additional beds to the Nursing Home, including obtaining feasibility and market studies. An alternative to the addition of beds does not exist. As evidenced by the current and future bed need and the letters of support included with this application, it is clear that there is a need in Wilson County for additional beds (including in private rooms) in an environment like and with amenities similar to those provided in the Nursing Home. With the development of the ALF and ILF in the same campus setting as the Nursing Home, the Applicant plans to provide a community in which residents can reside over a long period of time and an adequate number of beds at the Nursing Home is crucial to such a community.

2) Document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements.

RESPONSE: As discussed above, with the current census of the Nursing Home and its history of having to turn away residents, there are no feasible alternatives to additional beds.

SECTION B: CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

A. List all existing health care providers (i.e., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, that may directly or indirectly apply to the project, such as, transfer agreements, contractual agreements for health services.

RESPONSE: The Applicant has agreements for health services with the following providers:

Alive Hospice
American Health Associates
American Medical Response
Dialysis Clinic Inc.
Direct Supply
Eye Care for Life
First Call
First Choice Medical
Gentiva
Healthspring
Hendricks Counseling
Hometown Respiratory
Lee Medical
Linde Gas
Marquis Mobile Dental
Quality Mobile X-Ray
Stein Ancillary Services
Summit Tri-Star Hospital
Tennova Healthcare Center

Trident, USA
Turene Phar Med Co.
Wellness Solutions

B. Describe the effects of competition and/or duplication of the proposal on the health care system, including the impact to consumers and existing providers in the service area. Discuss any instances of competition and/or duplication arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

RESPONSE:

As previously stated, the Nursing Home has maintained, and will continue to maintain, the highest quality of care.

In addition to the Applicant's commitment to the highest level of care, the Nursing Home is very different from the other facilities in the area as it was constructed and decorated to be aesthetically pleasing and non-institutional. The entire Nursing Home (except for the kitchen and the bathrooms) is carpeted which decreases the overall noise level and also lends a home-like environment to the residents and their families. The vaulted ceilings, custom lighting, thoughtful décor, paint colors and artwork give the home the warmth and feel of a relaxed environment, not an institution. For residents' families, the Nursing Home is inviting with large gathering spaces, including a lounge with a custom stone fireplace, so that residents and families do not feel closed off in a resident's room. The proposed new wing's dining and relaxation spaces will complement the existing feel of the home creating more spaces for loved ones to gather.

The Applicant has demonstrated its commitment to quality of care. According to Medicare.gov Nursing Home Compare, the Applicant's facility has the highest composite "star ratings of the facilities in the Service Area The "star ratings" of Wilson County are as follows:

	Overall	Health Inspection	Staffing	Quality Measures
Applicant - Pavilion	*****	*****	****	****
Lebanon Health and Rehabilitation	****	***	***	*****
Mt. Juliet Health Care Center	***	***	**	****
Quality Care Health Center	*****	*****	***	****

The project will have a positive effect on the health care system as there is currently, and will continue to be, a large bed need in Wilson County. By developing a campus, the Pavilion Entities, including the Applicant, offer seniors the opportunity to reside in one community for the remainder of their lives as their age and medical needs advance, and the Nursing Home is a crucial component of the community.

The growth of the 65 years and older population (including, in particular, the growth in the 85 years and older population) in Wilson County makes it clear that additional beds are needed within the Service Area. As set forth in the 4th item of the Criteria and Standards "Existing Nursing Home Capacity" above, due to the fact that the Service Area (even if every bed is occupied) projects a need in 2019 for 256 beds, the Applicant's modest request for 20 additional beds should not affect the other facilities in

Wilson County. Further, the bed need continues to grow from 256 beds in 2019 to 315 in 2020 and 405 in 2022.

Currently there is no continuing care retirement community (CCRC) in Wilson County nor any affiliation between any of the three (3) assisted living facilities in the Service Area with the other skilled nursing facilities located in the Service Area. The opening of the ALF concurrently with the filing of this application and the development of independent living duplexes and cottages within the next year will generate nursing home residents from within the Pavilion Community. Accordingly, the impact on other existing providers in the Service Area should be minimal.

C. 1) Discuss the availability of and accessibility to human resources required by the proposal, including clinical leadership and adequate professional staff, as per the State of Tennessee licensing requirements and/or requirements of accrediting agencies, such as the Joint Commission and Commission on Accreditation of Rehabilitation Facilities.

RESPONSE: The Applicant has experience in the Wilson County area. The Applicant will add both clinical and administrative staff if the project is approved. Due to the fact that the Applicant has strong relationships with local health-care focused schools and will pay wages that are in-line with state medians, the Applicant does not foresee any difficulties in staffing the expanded Nursing Home.

2) Verify that the applicant has reviewed and understands all licensing and/or certification as required by the State of Tennessee and/or accrediting agencies such as the Joint Commission for medical/clinical staff. These include, without limitation, regulations concerning clinical leadership, physician supervision, quality assurance policies and programs, utilization review policies and programs, record keeping, clinical staffing requirements, and staff education.

RESPONSE: The Applicant has reviewed and understands all required licensing and/or certification requirements. The Nursing Home has policies and procedures in place governing regulations concerning all aspects of the Nursing Home's operations.

3) Discuss the applicant's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

RESPONSE:

The Applicant partners with multiple local schools to provide an environment for these students to gain real-life experiences that they have read and studied about in class. The Applicant is able to offer multiple levels of clinical training at the Nursing Home. The students gain knowledge and experience with caregiving tasks such as bathing, dressing, and feeding. They learn about medication administration, treatments, wound care, various therapies (physical, occupational, and speech), how to deal with dementia and how to love and care for people that need our assistance. The Applicant currently has partnerships with the following schools:

- Cumberland University
- Lebanon High School
- Wilson Central High School
- McGavock High School
- Tennessee College of Applied Technology

D. Identify the type of licensure and certification requirements applicable and verify the applicant has reviewed and understands them. Discuss any additional requirements, if applicable. Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure: Nursing Home License Number 300

Certification Type (e.g. Medicare SNF, Medicare LTAC, etc.): Medicare SNF

Accreditation (i.e., Joint Commission, CARF, etc.): N/A

1) If an existing institution, describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility and accreditation designation.

RESPONSE: The Applicant is currently in good standing with all licensing, certifying and accrediting agencies. Please see **Attachment Section B - Contribution to the Orderly Development of Health Care - D-1** for a copy of the current Nursing Home license.

2) For existing providers, please provide a copy of the most recent statement of deficiencies/plan of correction and document that all deficiencies/findings have been corrected by providing a letter from the appropriate agency.

RESPONSE: The most recent survey results indicate that no deficiencies were cited (See **Attachment Section B - Need - A-12**).

3) Document and explain inspections within the last three survey cycles which have resulted in any of the following state, federal, or accrediting body actions: suspension of admissions, civil monetary penalties, notice of 23-day or 90-day termination proceedings from Medicare/Medicaid/TennCare, revocation/denial of accreditation, or other similar actions.

RESPONSE: The Nursing Home has had no inspection during the last three survey cycles that have resulted in any of the noted penalties or sanctions.

a) Discuss what measures the applicant has or will put in place to avoid similar findings in the future.

RESPONSE: Not applicable.

E. Respond to all of the following and for such occurrences, identify, explain and provide documentation:

1) Has any of the following:

a) Any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant);

b) Any entity in which any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%; and/or

c) Any physician or other provider of health care, or administrator employed by any entity in which any person(s) or entity with more than 5% ownership in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%.

2) Been subjected to any of the following:

a) Final Order or Judgment in a state licensure action;

b) Criminal fines in cases involving a Federal or State health care offense;

c) Civil monetary penalties in cases involving a Federal or State health care offense;

d) Administrative monetary penalties in cases involving a Federal or State health care offense;

e) Agreement to pay civil or administrative monetary penalties to the federal government or any state in cases involving claims related to the provision of health care items and services; and/or

f) Suspension or termination of participation in Medicare or Medicaid/TennCare programs.

g) Is presently subject of/to an investigation, regulatory action, or party in any civil or criminal action of which you are aware.

h) Is presently subject to a corporate integrity agreement.

RESPONSE: No.

F. Outstanding Projects:

1) Complete the following chart by entering information for each applicable outstanding CON by applicant or share common ownership; and

RESPONSE: Not applicable. Neither the Applicant nor its parent have any outstanding CON projects

Outstanding Projects					
CON Number	Project Name	Date Approved	*Annual Progress Report(s)		Expiration Date
			Due Date	Date Filed	

* Annual Progress Reports – HSDA Rules require that an Annual Progress Report (APR) be submitted each year. The APR is due annually until the Final Project Report (FPR) is submitted (FPR is due within 90 ninety days of the completion and/or implementation of the project). Brief progress status updates are requested as needed. The project remains outstanding until the FPR is received.

2) Provide a brief description of the current progress, and status of each applicable outstanding CON.

G. Equipment Registry – For the applicant and all entities in common ownership with the applicant.

1) Do you own, lease, operate, and/or contract with a mobile vendor for a Computed Tomography scanner (CT), Linear Accelerator, Magnetic Resonance Imaging (MRI), and/or Positron Emission Tomographer (PET)? NO

2) If yes, have you submitted their registration to HSDA? If you have, what was the date of submission? N/A

3) If yes, have you submitted your utilization to Health Services and Development Agency? If you have, what was the date of submission? N/A

SECTION B: QUALITY MEASURES

Please verify that the applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the certificate of need, if approved.

RESPONSE: If approved, the Applicant will provide the Tennessee Health Services and Development Agency, and any other state agency when required, with information concerning the continued need and appropriate quality measures.

SECTION C: STATE HEALTH PLAN QUESTIONS

T.C.A. §68-11-1625 requires the Tennessee Department of Health's Division of Health Planning to develop and annually update the State Health Plan (found at http://www.tn.gov/health/topic/health-planning). The State Health Plan guides the State in the development of health care programs and policies and in the allocation of health care resources in the State, including the Certificate of Need program. The 5 Principles for Achieving Better Health are from the State Health Plan's framework and inform the Certificate of Need program and its standards and criteria.

Discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan.

A. The purpose of the State Health Plan is to improve the health of the people of Tennessee.

RESPONSE: The additional 20 beds proposed in this application satisfies this criterion. The purpose of the expansion project is to improve the health of Tennesseans by offering an additional 20 dually certified nursing beds to residents in Wilson County in order to fill an existing need. Further, development of the ALF, ILF and Nursing Home into a continuing care retirement community within the next 9-12 months will result in the only "age in place" option in Wilson County. Research shows that the continuum of care model produces better long-term outcomes as residents are able to stay in their communities.

The expansion of the Nursing Home by 20 beds, including 6 private rooms/beds will further the Applicant's ability to provide state of the art healthcare in a less institutionalized and more home-like setting. The Applicant's rank as #1 of 313 nursing homes in the state of Tennessee for a 3-survey cycle is evidence of the Applicant's commitment to the highest quality of care.

B. People in Tennessee should have access to health care and the conditions to achieve optimal health.

RESPONSE: The Applicant's proposed expansion will satisfy this criterion as well. Both the residents of the ALF (and the ILF once built and operating), as well as the other residents of Wilson County, will gain additional access to healthcare through the approval of this application. There is a need for additional nursing beds in Wilson County even before the ALF and ILF are completed. The addition of the 20 beds will allow the residents of Wilson County to have an expanded option to achieve optimal health by being able to age in place and experience a continuum of care.

The Applicant's healthcare model targets patients that are both Medicaid and Medicare qualified beneficiaries seeking long-term care and skilled nursing and rehabilitation services. Moreover, the Applicant is addressing the cultural change of placing short-term residents in private rooms, not for the increased revenue from private pay (as the projected data demonstrates, all private rooms will not be occupied by private-pay residents), but, rather, to allow Wilson County residents to stay in the area for post-acute care. Remaining close to their treating physicians will help residents in their progress.

C. Health resources in Tennessee, including health care, should be developed to address the health of people in Tennessee while encouraging economic efficiencies.

RESPONSE: The project proposed by the Applicant satisfies this criterion. The expansion of the existing Nursing Home is economically efficient as the Applicant, at the time of original construction in 2009, planned to add an additional wing of beds in a later phase. The existing large kitchen, laundry facilities and general layout of the Nursing Home allow for a great deal of efficiency upon the addition of the 20 proposed beds.

Further, as the Applicant's affiliate is scheduled to open the ALF in August of 2017, the provision of healthcare services on the continuum of care enhances the efficiencies of providing high quality care.

D. People in Tennessee should have confidence that the quality of health care is continually monitored and standards are adhered to by providers.

RESPONSE: The Applicant has demonstrated its commitment to the highest quality of care since the inception of the Nursing Home. It continually monitors care and meets the standards that Tennessee imposes on nursing homes. Through various sources, including the Medicare.gov website and the Nursing Home Compare data sets, consumers can compare and research long term care and subacute providers. The Applicant is dedicated to providing quality care to residents in the Service Area and CMS has recognized this high quality of care by awarding the Applicant's Nursing Home a 5-star rating. The Nursing Home's most recent survey was deficiency-free and AHCA and NCAL have ranked the Nursing Home 1st out of 313 facilities in Tennessee on a weighted 3-cycle survey.

E. The state should support the development, recruitment, and retention of a sufficient and quality health workforce.

RESPONSE: The Applicant satisfies this criterion as the Nursing Home is already a leading employer of a quality health workforce. The Applicant has demonstrated its commitment to working with various educational institutions to encourage the development, recruitment, and retention of a sufficient and quality health workforce, and the addition of 20 beds will enhance this commitment.

The construction of an additional wing to the Nursing Home will serve to increase jobs in the community and supports the development and opening of the ALF and ILF which will also provide additional jobs to the community. The Nursing Home will continue to pay wages and offer benefits that are in-line with the prevailing rates of other employment opportunities in the community.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper that includes a copy of the publication as proof of the publication of the letter of intent.

NOTIFICATION REQUIREMENTS

(Applies only to Nonresidential Substitution-Based Treatment Centers for Opiate Addiction)

Note that T.C.A. §68-11-1607(c)(9)(A) states that "...Within ten (10) days of the filing of an application for a nonresidential substitution-based treatment center for opiate addiction with the agency, the applicant shall send a notice to the county mayor of the county in which the facility is proposed to be located, the state representative and senator representing the house district and senate district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential substitution-based treatment center for opiate addiction has been filed with the agency by the applicant."

Failure to provide the notifications described above within the required statutory timeframe will result in the voiding of the CON application.

Please provide documentation of these notifications.

DEVELOPMENT SCHEDULE

T.C.A. §68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

Complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.

If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph,* please state below any request for an extended schedule and document the "good cause" for such an extension.

PROJECT COMPLETION FORECAST CHART

Assuming the Certificate of Need (CON) approval becomes the final HSDA action on the date listed in Item 1. below, indicate the number of days from the HSDA decision date to each phase of the completion forecast.

Phase	Days Required	Anticipated Date [Month/Year]
1. Initial HSDA decision date		December 2017
2. Architectural and engineering contract signed	5	December 2017
3. Construction documents approved by the Tennessee Department of Health	95	April 2018
4. Construction contract signed	100	April 2018
5. Building permit secured	110	April 2018
6. Site preparation completed	140	May 2018
7. Building construction commenced	141	May 2018
8. Construction 40% complete	225	August 2018
9. Construction 80% complete	309	November 2018
10. Construction 100% complete (approved for occupancy	351	December 2018
11. *Issuance of License	281	January 2019
12. *Issuance of Service	471	January 2019
13. Final Architectural Certification of Payment	476	January 2019
14. Final Project Report Form submitted (Form HR0055)	506	January 2019

***For projects that *DO NOT* involve construction or renovation, complete Items 11 & 12 only.**

NOTE: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date

I INDEX OF ATTACHMENTS

Attachment Section A-3A(6)	Project Financing letters
Attachment Section A-4A	Corporate Documents
Attachment Section A-5	Copy of Management Agreement
Attachment Section A-6A	Copy of Deed
Attachment Section A-6B-1	Copy of Site's Plot Plan
Attachment Section A-6B-2	Copy of Floor Plan Drawing
Attachment Section A-10	Change in bed allocations
Attachment Section B - Need - General	Letters of Support
Attachment Section B - Need - A-1	Need Calculation
Attachment Section B - Need - A-12	Evidence of Quality Care
Attachment Section B - Need - C	Service Area
Attachment Section B - Need - D-1-b	Population Data Chart
Attachment Section B - Need - E-1	Occupancy Rates for Service Area
Attachment Section B - Economic Feasibility - A-5	Documentation Supporting Construction Costs
Attachment Section B - Economic Feasibility - F1	Applicant's Financials
Attachment Section B - Contribution to the Orderly Development of Health Care - D-1	Copy of Nursing Home License
Proof of Publication	

Attachment Section A-3A(5)

Project Financing Letters

Pinnacle
ASSET MANAGEMENT
An affiliate of Pinnacle Bank
150 3rd Ave S. Suite 700
Nashville, TN 37201
Phone (615) 743-8408

RAYMOND JAMES
FINANCIAL SERVICES, INC.
Member FINRA/SIPC

Michelle Highsmith
Pinnacle Asset Management Group
Registered Sales Assistant

Mr. Harold G. Bone
P.O. Box 1194
Lebanon, TN 37088

Dear Mr. Bone,

Regarding your request for verify the ability to borrow up to $1 million, please accept this letter as verification that as of June 8, 2017 your Raymond James brokerage account margin account xxxx5978 has the borrowing power of $1,475,657.00.

I can be contacted at 615.743.8408 with any questions.

Many Thanks,

Michelle Highsmith

Securities offered through Raymond James Financial Services, Inc. Member FINRA/SIPC, and are • Not deposits • Not insured by FDIC or other governmental agency • Not guaranteed by Pinnacle Bank • Subject to risk, may lose value. Pinnacle Asset Management and Pinnacle Bank are independent of RJFS

July 12, 2017

Melanie M. Hill, Executive Director
Tennessee Health Services and Development Agency
502 Deaderick Street
Andrew Jackson Bldg., 9th Floor
Nashville, TN 37243

Dear Ms. Hill,

Pavilion-THS, LLC anticipates spending $1,096,755 to construct an additional wing to The Pavilion Senior Living – Rehabilitation and Long Term Care at Lebanon located at 1406 Medical Center Drive, Lebanon, Tennessee. It will consist of adding 13 rooms as well as a shared living area.

Pavilion-THS, LLC plans to use $200,000 of cash currently on hand toward this construction. The remainder of the project costs will be loaned to Pavilion-THS, LLC by Hal Bone, who holds an ownership interest in Total Healthcare Systems, LLC, the sole owner of Pavilion-THS, LLC. Raymond James Financial Services, Inc., where Mr. Bone has his brokerage account, has confirmed by its letter attached hereto that, as of June 8, 2017, Mr. Bone's account can support a loan of over $1.47M. Raymond James has thus confirmed that Mr. Bone can borrow $1M from his brokerage account.

Please call me at 615-453-9912 with any questions you may have.

Sincerely,

Benita Woodard

Benita Woodard
Director of Finance and Administration for Pavilion-THS, LLC

Bone & Associates
680
LEBANON, TN 37087
O. 615.453.0211
F. 615.453.0779

July 12, 2017

Melanie M. Hill, Executive Director
Tennessee Health Services and Development Agency
502 Deaderick Street
Andrew Jackson Bldg., 9th Floor
Nashville, TN 37243

Dear Ms. Hill,

I am writing this letter in connection with Pavilion-THS, LLC's Certificate of Need Application to construct an additional wing to The Pavilion Senior Living – Rehabilitation and Long Term Care at Lebanon located at 1406 Medical Center Drive, Lebanon, Tennessee. I hold a membership interest in Total Healthcare Systems, LLC, the sole owner of Pavilion-THS, LLC, as shown by the CON Application.

Pursuant to the letter from Pinnacle Asset Management and Raymond James Financial Services, Inc. provided with the application, I have the ability to borrow more than $1M from my brokerage account. I am committed to loaning to Pavilion-THS, LLC the portion of the project costs not covered by Pavilion-THS, LLC's own cash reserves. Our estimate of that amount to be loaned is approximately $1M.

Please call me at 615-453-9912 with any questions you may have.

Sincerely,

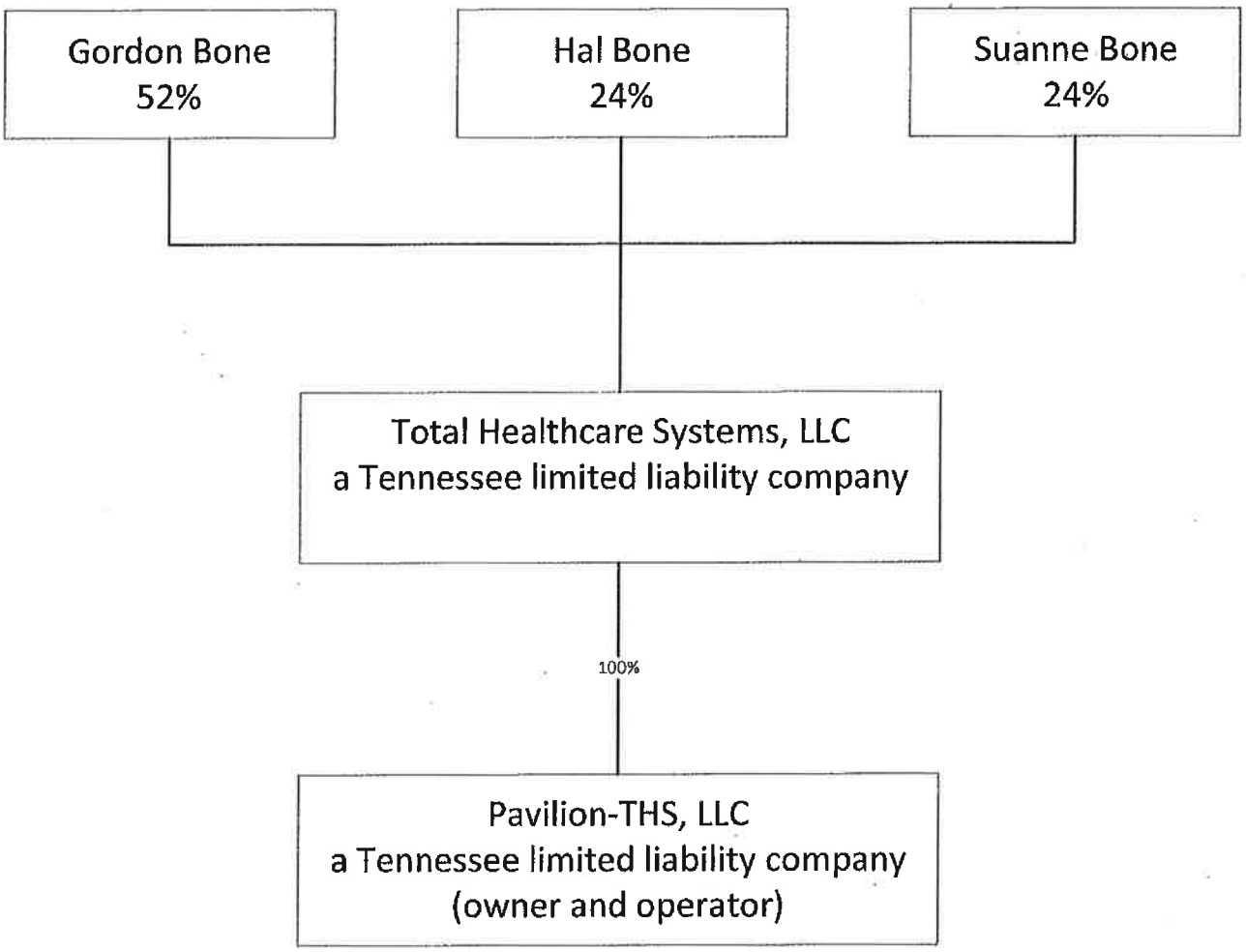
Hal Bone
Member of Total Healthcare Systems, LLC, the sole owner of Pavilion-THS, LLC

Attachment Section A-4A

Corporate Documentation for Pavilion-THS, LLC, the Applicant
Corporate Documentation for Total Healthcare Systems, LLC, the sole member of the Applicant
Organizational Chart for Pavilion Assisted Living, LLC

PAVILION-THS, LLC

The Pavilion Senior Living
Rehabilitation & Long Term Care Center



4846-2430-6250

Tre Hargett
Secretary of State

Division of Business Services
Department of State
State of Tennessee
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

MARIE WALKER
MARIE WALKER
SUITE 1900
633 CHESTNUT STREET
CHATTANOOGA, TN 37450

August 15, 2017

Request Type: Certificate of Existence/Authorization
Request #: 0247528

Issuance Date: 08/15/2017
Copies Requested: 1

Document Receipt

Receipt # : 003529191	Filing Fee:	$20.00
Payment-Credit Card - State Payment Center - CC #: 3708973890		$20.00

Regarding: **Pavilion-THS, LLC**

Filing Type:	Limited Liability Company - Domestic	Control # :	665894
Formation/Qualification Date:	08/22/2011	Date Formed:	08/22/2011
Status:	Active	Formation Locale:	TENNESSEE
Duration Term:	Perpetual	Inactive Date:	
Business County:	WILSON COUNTY		

CERTIFICATE OF EXISTENCE

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that effective as of the issuance date noted above

Pavilion-THS, LLC

* is a Limited Liability Company duly formed under the law of this State with a date of incorporation and duration as given above;

* has paid all fees, taxes and penalties owed to this State (as reflected in the records of the Secretary of State and the Department of Revenue) which affect the existence/authorization of the business;

* has filed the most recent annual report required with this office;

* has appointed a registered agent and registered office in this State;

* has not filed Articles of Dissolution or Articles of Termination. A decree of judicial dissolution has not been filed.

Tre Hargett
Secretary of State

Processed By: Cert Web User

Verification #: 023707623

Tre Hargett
Secretary of State

Division of Business Services
Department of State
State of Tennessee
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

BAKER DONELSON BEARMAN CALDWELL & BERKOWITZ, PC
STE 1800
633 CHESTNUT ST
CHATTANOOGA, TN 37450-1801

Request Type: Certified Copies
Request #: 240065

Issuance Date: 06/05/2017
Copies Requested: 1

Document Receipt

Receipt # : 003407745	Filing Fee:	$20.00
Payment-Check/MO - BAKER DONELSON BEARMAN CALDWELL & BERKOWITZ, PC, CHATT		$20.00

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that **Pavilion-THS, LLC**, Control # 665894 was formed or qualified to do business in the State of Tennessee on 08/22/2011. Pavilion-THS, LLC has a home jurisdiction of TENNESSEE and is currently in an Active status. The attached documents are true and correct copies and were filed in this office on the date(s) indicated below.

Tre Hargett
Secretary of State

Processed By: Sheila Keeling

The attached document(s) was/were filed in this office on the date(s) indicated below:

Reference #	Date Filed	Filing Description
6930-2773	08/22/2011	Initial Filing
6940-2948	09/21/2011	Articles of Amendment
7034-1240	04/03/2012	2011 Annual Report (Due 04/01/2012)
7161-1702	03/08/2013	2012 Annual Report (Due 04/01/2013)
7296-1890	03/06/2014	2013 Annual Report (Due 04/01/2014)
B0003-3184	09/19/2014	Articles of Amendment
B0081-4200	04/02/2015	2014 Annual Report (Due 04/01/2015)

RECEIVED
STATE OF TENNESSEE
2011 AUG 22 PM 3:54
TRE HARGETT
SECRETARY OF STATE

ARTICLES OF ORGANIZATION

OF

PAVILLION-THS, LLC

6930.2773

The undersigned, acting as organizer of **PAVILLION-THS, LLC** ("LLC"), a limited liability company organized pursuant to §48-249-101 et seq. of the Revised Tennessee Limited Liability Company Act, hereby adopts the following Articles of Organization for the LLC:

1. The name of the LLC is: **Pavillion-THS, LLC.**

2. (a) The complete address of the LLC's initial registered office in Tennessee is:

   109 North Castle Heights Avenue
   Lebanon, TN 37087

   (b) The name of the LLC's initial registered agent to be located at such office is:

   Jere N. McCulloch

3. The name and address of each organizer of the LLC is set forth below:

   Jere N. McCulloch
   109 North Castle Heights Avenue
   Lebanon, TN 37087

4. At the date and time of formation, there is one (1) member of the LLC. This Company is organized as a single member LLC, but retains the right to add additional members in the future.

5. The complete address of the LLC's principal executive office is:

   838 Carthage Highway
   Lebanon, TN 37087

6. The LLC will be member managed.

7. The members or parties to a contribution agreement or a contribution allowance agreement shall not have preemptive rights.

8. The LLC shall not have the power to expel a member.

9. No officer of this LLC shall be liable to the LLC or its members for monetary damages for a breach of fiduciary duty as a officer, except: (i) for any breach of the officer's duty of loyalty to the LLC or its members; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; or (iii) under T.C.A. §48-249-114(d); or (iv) for any act or omission occurring prior to the effective date of these Articles.

10. The duration of the LLC is to be perpetual.

11. Pursuant to T.C.A. §48-249-601, this LLC shall not be dissolved and shall not be required to be wound up by reason of any event that terminates the continued membership of a member if there is at least one (1) remaining member and the existence and business of the LLC are continued by the consent of a majority in interest of the remaining members.

12. Any assignment of a member's governance rights to a party not already a member of the LLC or a party to a contribution agreement with the LLC at the time of the assignment shall only be effective with the approval of the members and parties to contribution agreements holding a majority of the voting power of the LLC which would exist if the parties to contribution agreements were members, exclusive of the voting power held by the members seeking to make the assignment.

13. Each member of the LLC shall exercise that portion of the LLC's total voting power, and shall be entitled to receive or be allocated that portion of the LLC's profits, losses, and distributions, that equals the member's Percentage Interest. For purposes hereof, a member's "Percentage Interest" shall equal a fraction, the numerator of which is the agreed value (reflected in the LLC's records) of the member's contribution received and retained by the LLC, and the denominator of which is the agreed value (reflected in the LLC's records) of the aggregate amount of all members' contributions received and retained by the LLC.

Dated: August 19, 2011.

Jere N. McCulloch, Organizer

RECEIVED
STATE OF TENNESSEE
2011 AUG 22 PM 3:54
TRE HARGETT
SECRETARY OF STATE

6930.2774

RECEIVED
STATE OF TENNESSEE
2011 SEP 21 AM 9:09
TRE HARGETT
SECRETARY OF STATE

6940.2948

ARTICLES OF AMENDMENT TO THE
ARTICLES OF ORGANIZATION
OF
PAVILLION-THS, LLC

Pursuant to the provisions of §48-209-104 of the Tennessee Limited Liability Company Act or §48-249-204 of the Tennessee Revised Limited Liability Company Act, the undersigned company adopts the following Articles of Amendment to the Articles of Organization of **Pavillion-THS, LLC:**

1. The Limited Liability Company Control number is **665894.**

2. This Amendment is to be effective when filed with the Secretary of State.

3. The name of the Limited Liability Company is **Pavillion-THS, LLC.**

4. The text of the amendment is as follows:

   Be it RESOLVED that the name of the company be changed to **Pavilion-THS, LLC.**

5. No provision concerning the manner for implementation of the foregoing is required.

6. The amendment was duly adopted on the 14 day of September, 2011, by the sole member of the Company.

This is the 20th day of September, 2011.

PAVILLION-THS, LLC

By: _____
JERE N. MCCULLOCH, ORGANIZER

Tennessee Limited Liability Company Annual Report Form

AR Filing #: 02757925
Status: Unsubmitted

File online at: http://TNBear.TN.gov/AR

Due on/Before:04/01/2012 Reporting Year: 2011

Annual Report Filing Fee Due:
$300 minimum plus $50 for each member over 6 to a maximum of $3000
$20 additional if changes are made in block 3 to the registered agent/office

Please return completed form to:
Tennessee Secretary of State
Attn: Annual Reports
William R. Snodgrass Tower
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102
Phone: (615) 741-2286

SOS Control Number: 665894
Limited Liability Company - Domestic Date Formed: 08/22/2011 Formation Locale: Wilson County

(1) Name and Mailing Address:
Pavilion-THS, LLC
838 CARTHAGE HIGHWAY
LEBANON, TN 37087

(2) Principal Office Address:
838 CARTHAGE HIGHWAY
LEBANON, TN 37087

(3) Registered Agent (RA) and Registered Office (RO) Address: Agent Changed: No
JERE N MCCULLOCH
109 N CASTLE HEIGHTS AVE
LEBANON, TN 37087-2738

(4) This LLC is (change if incorrect): ____Director Managed, ____Manager Managed, X Member Managed, ____Board Managed (appropriate if formed prior to 1/1/2006 only).

If board, director, or manager managed, provide the names and business addresses, including zip codes, of the governors, directors, or managers (or their equivalent), respectively.

Name	Business Address	City, State, Zip

(5) Provide the names and business addresses, including zip codes, of the LLC managers (if governed by the LLC Act), or any officers (if governed by the Revised LLC Act), (or their equivalent), respectively.

Name	Business Address	City, State, Zip

(6) Number of members on the date the annual report is executed if there are more than six (6) members: 3
____This LLC is prohibited from doing business in Tennessee (check if applicable)

(7) Signature: Harold Bonse (8) Date: 3-30-12

(9) Type/Print Name: Harold Bonse (10) Title: Partner

Instructions: Legibly complete the form above. **Enclose a check made payable to the Tennessee Secretary of State in the amount of $300.00.** Sign and date this form and return to the address provided above. Additional instructions at http://tn.gov/sos/bus_srv/annual_reports.htm

SS-4253 RDA 1678

Received by Tennessee Secretary of State Tre Hargett, 04/03/2012, 15:08:39, 7034.1240

Tennessee Limited Liability Company Annual Report Form

AR Filing #: 03331635
SUBMISSION PENDING

File online at: http://TNBear.TN.gov/AR

Due on/Before:04/01/2013 Reporting Year: 2012

Annual Report Filing Fee Due:
$300 minimum plus $50 for each member over 6 to a maximum of $3000
$20 additional if changes are made in block 3 to the registered agent/office

Please return completed form to:
Tennessee Secretary of State
Attn: Annual Reports
William R. Snodgrass Tower
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102
Phone: (615) 741-2286

SOS Control Number: 665894
Limited Liability Company - Domestic Date Formed: 08/22/2011 Formation Locale: TENNESSEE

(1) Name and Mailing Address:
Pavilion-THS, LLC
680 TENNESSEE BLVD
LEBANON, TN 37087-1724

(2) Principal Office Address:
680 TENNESSEE BLVD
LEBANON, TN 37087-1724

(3) Registered Agent (RA) and Registered Office (RO) Address:
JERE N MCCULLOCH
109 N CASTLE HEIGHTS AVE
LEBANON, TN 37087-2738

Agent Changed: No
Agent County: WILSON COUNTY

(4) This LLC is (change if incorrect): ____Director Managed, ____Manager Managed, _X_Member Managed, ____Board Managed (appropriate if formed prior to 1/1/2006 only).

If board, director, or manager managed, provide the names and business addresses, including zip codes, of the governors, directors, or managers (or their equivalent), respectively.

Name	Business Address	City, State, Zip

(5) Provide the names and business addresses, including zip codes, of the LLC managers (if governed by the LLC Act), or any officers (if governed by the Revised LLC Act), (or their equivalent), respectively.

Name	Business Address	City, State, Zip

(6) Number of members on the date the annual report is executed: _3_
____This LLC is prohibited from doing business in Tennessee (check if applicable)

(7) Signature: Hal Bore (8) Date: 3/6/12

(9) Type/Print Name: Hal Bore (10) Title: President

Instructions: Legibly complete the form above. **Enclose a check made payable to the Tennessee Secretary of State in the amount of $300.00.** Sign and date this form and return to the address provided above. Additional instructions at http://tn.gov/sos/bus_srv/annual_reports.htm

SS-4253 RDA 1678

7161.1702, 03/08/2013, 10:23:12, Received by Tennessee Secretary of State Tre Hargett

Tennessee Limited Liability Company Annual Report Form

AR Filing #: 04016936
SUBMISSION PENDING

File online at: http://TNBear.TN.gov/AR

Due on/Before:04/01/2014 Reporting Year: 2013

Return completed form within 30 days to:
Tennessee Secretary of State
Attn: Annual Reports
William R. Snodgrass Tower
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

Annual Report Filing Fee Due:
$300 minimum plus $50 for each member over 6 to a maximum of $3000
$20 additional if changes are made in block 3 to the registered agent/office

SOS Control Number: 665894
Limited Liability Company - Domestic Date Formed: 08/22/2011 Formation Locale: TENNESSEE

(1) Name and Mailing Address:
Pavilion-THS, LLC
680 TENNESSEE BLVD
LEBANON, TN 37087-1724

(2) Principal Office Address:
680 TENNESSEE BLVD
LEBANON, TN 37087-1724

(3) Registered Agent (RA) and Registered Office (RO) Address:
HAROLD GORDON BONE JR
680 TENNESSEE BLVD
LEBANON, TN 37087-1724

Agent Changed: Yes
Agent County: WILSON COUNTY

(4) This LLC is (change if incorrect): ____Director Managed, ____Manager Managed, X Member Managed, ____Board Managed (appropriate if formed prior to 1/1/2006 only).

If board, director, or manager managed, provide the names and business addresses, including zip codes, of the governors, directors, or managers (or their equivalent). If governed by the pre-2006 LLC act and board managed, list board members and managers.

Name	Business Address	City, State, Zip

(5) Provide the names and business addresses, including zip codes, of any LLC Officers (if governed by the Revised LLC Act), or their equivalent.

Name	Business Address	City, State, Zip

(6) Number of members on the date the annual report is executed: 1
____This LLC is prohibited from doing business in Tennessee (check if applicable)

(7) Signature: [signature] (8) Date: 3-5-14
(9) Type/Print Name: Harold G. Bone Jr (10) Title: Partner

Instructions: Legibly complete the form above. **Enclose a check made payable to the Tennessee Secretary of State in the amount of $320.00.** Sign and date this form and return to the address provided above.

SS-4253 Page 1 of 1 RDA 1678

7296.1890, 03/06/2014, 13:07:15, Received by Tennessee Secretary of State Tre Hargett

B0003-3184 09/19/2014 3:04 PM Received by Tennessee Secretary of State Tre Hargett

SECOND ARTICLES OF AMENDMENT

TO ARTICLES OF ORGANIZATION

OF PAVILION - THS, LLC

(Limited Liability Company Control Number: 665894)

Pursuant to the provisions of §48-209-104 of the Tennessee Limited Liability Company Act or §48-249-204 of the Tennessee Revised Limited Liability Company Act, the undersigned adopts the following Second Articles of Amendment to its Articles of Organization:

1. Name. The name of the limited liability company is Pavilion - THS, LLC (the "*Company*").

2. Amendments.

   a. Article 5 of the Articles of Organization is hereby amended to reflect that the principal office address of the Company is 680 Tennessee Boulevard, Lebanon, Tennessee 37087.

   b. Article 6 of the Articles of Organization of the Company is hereby amended to reflect that the Company shall be director-managed.

3. Member Approval. The amendment contained herein was duly adopted by the sole member of the Company on September 1, 2014.

4. Effective Date. This amendment is to be effective when filed by the Secretary of State.

Dated: September 19, 2014.

PAVILION - THS, LLC,
a Tennessee limited liability company

By: Harold Gordon Bone, Jr.
President

C WRR 676626 v 2
2927887-000002

04585021

Tennessee Limited Liability Company Annual Report Form

AR Filing #: 04585021
SUBMISSION PENDING

File online at: http://TNBear.TN.gov/AR

Due on/Before:04/01/2015 Reporting Year: 2014

Return completed form within 30 days to:
Tennessee Secretary of State
Attn: Annual Reports
William R. Snodgrass Tower
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

Annual Report Filing Fee Due:
$300 minimum plus $50 for each member over 6 to a maximum of $3000
$20 additional if changes are made in block 3 to the registered agent/office

SOS Control Number: 665894
Limited Liability Company - Domestic Date Formed: 08/22/2011 Formation Locale: TENNESSEE

(1) Name and Mailing Address:
Pavilion-THS, LLC
680 TENNESSEE BLVD
LEBANON, TN 37087-1724

(2) Principal Office Address:
680 TENNESSEE BLVD
LEBANON, TN 37087-1724

(3) Registered Agent (RA) and Registered Office (RO) Address:
HAROLD GORDON BONE, JR
680 TENNESSEE BLVD
LEBANON, TN 37087-1724

Agent Changed: No
Agent County: WILSON COUNTY

(4) This LLC is (change if incorrect): ____Director Managed, ____Manager Managed, X Member Managed, ____Board Managed (appropriate if formed prior to 1/1/2006 only).

If board, director, or manager managed, provide the names and business addresses, including zip codes, of the governors, directors, or managers (or their equivalent). If governed by the pre-2006 LLC act and board managed, list board members and managers.

Name	Business Address	City, State, Zip

(5) Provide the names and business addresses, including zip codes, of any LLC Officers (if governed by the Revised LLC Act), or their equivalent.

Name	Business Address	City, State, Zip

(6) Number of members on the date the annual report is executed: 2
____This LLC is prohibited from doing business in Tennessee (check if applicable)

(7) Signature: [signature] (8) Date: 2-27-15

(9) Type/Print Name: Harold G Bone (10) Title: Partner

Instructions: Legibly complete the form above. **Enclose a check made payable to the Tennessee Secretary of State in the amount of $300.00.** Sign and date this form and return to the address provided above.

SS-4253 Page 1 of 1 RDA 1678

B0081-4209 04/02/2015 10:48 AM Received by Tennessee Secretary of State Tre Hargett

OPERATING AGREEMENT

OF

PAVILION-THS, LLC

THIS Operating Agreement of **PAVILION-THS, LLC** is made as of the 22 day of August, 2011, by **TOTAL HEALTHCARE SYSTEMS, LLC** (the "Sole Member").

RECITALS:

WHEREAS, the Member wishes to form a limited liability company pursuant to the **Tennessee Revised Limited Liability Company Act, T.C.A. §§ 48-249-101 et seq.**, as amended from time to time (the "Act"), by filing the Articles of Organization of the Company with the office of the Secretary of State of the State of Tennessee and by entering into this Agreement, for the purposes described in Article 2 hereof.

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein, the Member and the Company agree as follows:

ARTICLE 1.

DEFINITIONS

As used in this Agreement, the underlined terms set forth below shall have the following meanings:

1.1. Agreement. This Operating Agreement, including any instruments incorporated by reference, as amended from time to time.

1.2. Available Cash. As of any date, the cash of the Company as of such date less such portion thereof as the Managers determine to reserve for Company expenses, debt payments, capital improvements, replacements and contingencies.

1.3. Capital Contribution. With respect to the Member, the amount of money and the initial gross asset value of any property (other than money) contributed to the Company with respect to the Membership Interest held by the Member, is set forth on Exhibit A hereto.

1.4. Company. **Pavilion-THS, LLC**, a Tennessee limited liability company.

1.5. Managers. The Managers of the Company that will have the authority and powers set forth in Article 6.

1.6. Member. **TOTAL HEALTHCARE SYSTEMS, LLC.**

1.7. Membership Interest. As to the Member, its capital account, percentage interest, right to distributions, right to profits and losses, right to manage the Company, and any other rights which such Member has in the Company pursuant to this Agreement or otherwise.

1.8. Person. A natural person or an entity, such as, but not limited to, a corporation, general partnership, joint venture, limited partnership, trust or business trust.

ARTICLE 2.

GENERAL

2.1. Registered Office and Agent. The registered office of the Company in the State of Tennessee and the Company's registered agent for service of process in the State of Tennessee shall be: **Jere N. McCulloch, 109 North Castle Heights Avenue, Lebanon, TN 37087.**

2.2. Character of Business of Company. **The purpose of the Company is to conduct or engage in ownership and operation of nursing homes, assisted living facilities and any lawful act or activity permitted under applicable law.**

2.3. Term. The Company shall continue until the Company is dissolved under Article 8.

ARTICLE 3.

CAPITAL

3.1. Capital Contributions. Within thirty (30) days of the execution and delivery of this Agreement, the Member shall make a Capital Contribution of cash in an amount not less than $1,000.00. The Member may make, but shall not be required to make, any additional capital contribution to the Company.

ARTICLE 4.

DISTRIBUTIONS

4.1. Distributions. Except as otherwise provided in this Agreement, the Company's Available Cash shall be distributed to the Member at such times and in such amounts as the Managers may determine.

ARTICLE 5.

TAX STATUS

5.1. Tax Status. The Member intends that the Company be disregarded for federal, state and local income tax purposes and that any income or loss of the Company will be treated as the income or loss of the Member for all such tax purposes.

ARTICLE 6.

MEMBERS: MANAGEMENT OF COMPANY

6.1. Managers. The Managers of the Company shall be a President and a Secretary, each of whom shall be elected by the Member. Such other Managers and assistant Managers as may be deemed necessary may be elected or appointed from time to time by the Member. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary. The Managers need not be Members or residents of the State of Tennessee. Each Manager shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign or shall have been removed in the manner hereinafter provided.

6.2 Removal; Resignation; Vacancies. The Member may remove a Manager, at any time by written notice to such Manager. Any Manager may resign at any time by giving written notice to the Member. Any such resignation or removal shall take effect on the date of or specified in such notice or, if such notice is not dated and the date of resignation is not specified in such notice, on the date of the receipt of such notice by the Member or Manager, as applicable. No acceptance of a resignation shall be necessary to make it effective. In the event of a vacancy in any office because of death, resignation or removal, the Member shall elect a successor to such office.

6.3 Remuneration. Each Manager shall be entitled to such compensation for his services as Manager as may be approved in writing by the Member.

6.4. President. The President shall be the principal executive officer of the Company and shall supervise and control all of the business and affairs of the Company. The President shall see that all orders and resolutions of the Member shall be carried into effect. The President shall sign and deliver in the name of the Company any deeds, mortgages, bonds, contracts or other instruments pertaining to the business of the Company, except in cases in which the authority to sign and deliver is required by law to be exercised by another person or is expressly delegated by the Company's Certificate of Formation or this Agreement. The President shall perform any other duties prescribed by the Member. In the event that the Company has a vacancy in the office of Secretary, any notices, documents or other matters that otherwise are required to go to the Secretary may be delivered to the President.

6.5 Secretary. The Secretary shall keep accurate membership records for the Company and shall maintain records of and, whenever necessary, certify all proceedings of the Member. The Secretary shall also receive notices required to be sent to the Secretary and to keep a record of such notices in the records of the Company and shall perform such other duties as are prescribed by the Member or by the President.

6.6 Role of Member.

(a) Unless the Member shall appoint itself as a Manager, the Member shall not have any right or power to take part in the management or control of the Company or its business and affairs or to act for or bind the Company in any way. Notwithstanding the foregoing, the Member shall have all of the rights and powers specifically set forth in this Agreement and, to the extent not inconsistent with this Agreement, the Act.

(b) The Member shall have voting rights solely with respect to matters for which the approval of the Member is affirmatively required by the Act.

ARTICLE 7.

STANDARD OF CONDUCT; INDEMNIFICATION

7.1. Standard of Conduct. The Member and each of the Managers of the Company shall discharge his duties in good faith, in a manner the Manager or Member reasonably believes to be in the best interests of the Company and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. In discharging his duties, a Manager or Member is entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, if prepared or presented by one or more Managers or employees of the Company whom the Manager or Member reasonably believes to be reliable and competent in the matters presented or legal counsel, public accountants or other Persons as to matters the Manager or Member reasonably believes are within the Person's professional or expert competence. A Manager or Member is not acting in good faith if he has knowledge concerning the matter in question that makes reliance otherwise permitted unwarranted. A Manager or Member is not liable for action taken as a Manager or Member, or any failure to take any action, if he performed his duties in compliance with this section. A Person exercising the principal functions of an office or to whom some or all of the duties and powers of an office are delegated is considered a Manager for purposes of this section.

7.2. Indemnification of Member and Managers. The Company shall indemnify any Person who was or is a party or is threatened to be made a party to any threatened, pending or completed claim, action, suit or proceeding, whether civil, criminal, administrative or investigative, including appeals (other than an action by or in the right of the Company), by reason of the fact that such Person is or was a Member or Manager, employee or agent of the Company, or is or was serving at the request of the Company as a member, manager, director, officer, partner, employee or agent of another limited liability

company, corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such Person in connection with such claim, action, suit or proceeding if such Person acted in good faith and in a manner such Person reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such Person's conduct was unlawful. The termination of any claim, action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Person did not act in good faith and in a manner which such Person reasonably believed to be in or not opposed to the best interests of the Company, or that, with respect to any criminal action or proceeding, the Person did not have reasonable cause to believe that such Person's conduct was unlawful.

7.3. Indemnification in Actions by or in Right of the Company. The Company shall indemnify any Person who was or is a party or is threatened to be made a party to any threatened, pending or completed claim, action or suit by or in the right of the Company to procure a judgment in its favor by reason of the fact that such Person is or was a Member, Manager, employee or agent of the Company, or is or was serving at the request of the Company as a member, manager, director, officer, partner, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such Person in connection with the defense or settlement of such action or suit if such Person acted in good faith and in a manner such Person reasonably believed to be in or not opposed to the best interests of the Company; provided, however, that no indemnification shall be made in respect of any claim, issue or matter as to which such Person shall have been adjudged to be liable for negligence or misconduct in the performance of such Person's duty to the Company unless and only to the extent that the court in which such claim, action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such Person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

7.4. Indemnification When Successful on Merits or Otherwise. To the extent that a Member, Manager, employee or agent of the Company has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 7.2 and 7.3 of this Article 7, or in defense of any claim, issue or matter therein, such Person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such Person in connection therewith, notwithstanding that such Person has not been successful on any other claim, issue or matter in any such action, suit or proceeding.

7.5. Determination of Meeting Applicable Standard. Any indemnification under Sections 7.2 and 7.3 of this Article 7 (unless ordered by a court) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of the Member, Manager, employee or agent is proper in the circumstances because such Person has met the applicable standards of conduct set forth in Sections 7.2 and 7.3 of this Article 7.

7.6. Payment of Expenses in Advance of Disposition of Action. Expenses (including attorneys' fees) incurred in defending a civil or criminal claim, action, suit or proceeding may be paid by the Company in advance of the final disposition of such claim, action, suit or proceeding upon receipt of an undertaking by or on behalf of the Member, Manager, employee or agent to repay such amount if and to the extent that it shall be ultimately determined that such Person is not entitled to be indemnified by the Company as authorized in this Article 7.

7.7. Non-Exclusivity of Article. The indemnification authorized in and provided by this Article 7 shall not be deemed exclusive of and shall be in addition to any other right to which those indemnified may be entitled under any statute, rule of law, provision of articles of organization, operating agreement, other agreement, vote or action of the Member or otherwise, both as to actions in such Person's official capacity and as to actions in another capacity while holding such office, and shall continue as to a Person who has ceased to be a Member, Manager, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such Person.

7.8. Insurance. The Company may purchase and maintain insurance on behalf of any Person who is or was a Member, Manager, employee or agent of the Company, or is or was serving at the request of the Company as a member, manager, director, officer, partner, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such Person or incurred by such Person in any such capacity arising out of such Person's status as such, whether or not the Company is required or permitted to indemnify such Person against such liability under the provisions of this Article 7 or any statute.

7.9. Amendment or Repeal. Any repeal or modification of this Article 7 by the Member shall not adversely affect any right or protection hereunder of any Person, which right or protection existed at the time of such repeal or modification.

ARTICLE 8.

DISSOLUTION OF THE COMPANY

8.1. Events of Dissolution. The Company shall be dissolved and terminated upon the earliest to occur of the following events of dissolution:

(a) The death or bankruptcy of the Member;

(b) The entry of a decree of judicial dissolution under the Act; or

(c) The consent of the Member.

8.2. Winding Up. If any of the events set forth in Section 8.1 hereof occur, then the Company shall be dissolved and any assets shall be applied in the following order of priority:

(a) To payment of the debts and liabilities of the Company (other than to the Member) in the order of priority provided by law;

(b) To the establishment of reserves that are reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company;

(c) To the payment of debts and liabilities of the Company to the Member; and

(d) The remaining assets shall be distributed to the Member.

ARTICLE 9.

NOTICES AND ADDRESSES

9.1. Manner of Notices. All notices or other communications given or made under this Agreement shall be in writing and, whether addressed to the Company or the Member, sent to Harold Gordon Bone, Jr., 838 Carthage Highway, Lebanon, TN 37087.

ARTICLE 10.

MISCELLANEOUS

10.1. Amendments. This Agreement shall be amended only with the written consent of the parties hereto.

10.2. Severability. If any portion of this Agreement is declared by a court of competent jurisdiction to be void or unenforceable, such portion shall be deemed severed from this Agreement and the balance of this Agreement shall remain in effect.

10.3. Construction. This Agreement shall be interpreted, construed and enforced in accordance with the laws of the State of Tennessee.

10.4. Entire Agreement. This Agreement, together with any instruments incorporated into this Agreement by reference, constitutes the entire agreement with respect to this Company.

IN WITNESS WHEREOF, this instrument has been executed by or on behalf of the parties hereto as of the date first written above.

MEMBER:
TOTAL HEALTHCARE SYSTEMS, LLC

BY: _____

ITS: President

EXHIBIT A

TO THE OPERATING AGREEMENT OF

PAVILION-THS, LLC

Member	Capital Contribution	Membership Percentage
TOTAL HEALTHCARE SYSTEMS, LLC		100%

TOTAL HEALTHCARE SYSTEMS, LLC

OPERATING AGREEMENT
OF

TOTAL HEALTHCARE SYSTEMS, LLC

THIS OPERATING AGREEMENT ("Agreement") is made and adopted as of the 24th day of December, 2010, as the Operating Agreement of **TOTAL HEALTHCARE SYSTEMS**, LLC, a Tennessee limited liability company, by and among each person named as a Member on Exhibit "A" attached hereto and all other persons who may hereafter become Members (as defined below).

ARTICLE I

DEFINITIONS

As used in this Agreement, unless the context otherwise requires, the following terms shall have the meanings set forth below:

"Act" shall mean the Tennessee Limited Liability Company Act, T.C.A. §§ 48-201-101 et seq., as amended from time to time.

"Affiliate" shall mean, as to a specific person or entity, a person or entity that directly, or indirectly, controls, is controlled by, or under common control with, such person or entity.

"Agreement" shall mean this Operating Agreement, as amended or restated from time to time.

"Articles" shall mean the Articles of Organization of the Company, as filed with the Secretary of State of Tennessee, as amended or restated from time to time.

"Assignee" shall mean a transferee of a Membership Interest who has not been admitted to the Company as a Member.

"Capital Account" shall mean, with respect to each Member, the Capital Account maintained for such Member to which there shall be credited such Member's Capital Contributions, such Member's distributive share of Net Profits and any items in the nature of income or gain which are specially allocated pursuant to Section 7.4 or Section 7.5 hereof, and the amount of any Company liabilities assumed by such Member or which are secured by any Property distributed to such Member, and to which there shall be debited the amount of cash and the value of any Property distributed to such Member pursuant to any provision of this Agreement, such Member's distributive share of Net Losses and any items in the nature of

expenses or losses which are specially allocated pursuant to Section 7.4 or Section 7.5 hereof, and the amount of any liabilities of such Member assumed by the Company or which are secured by any property contributed by such Member to the Company.

In the event all or a portion of a Membership Interest is transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred Membership Interest.

In determining the amount of any liability for purposes of the foregoing, there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

The foregoing and other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such Regulations. In the event the Company shall determine that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto (including, without limitation, debits or credits relating to liabilities which are secured by contributed or distributed property or which are assumed by the Company or any Member), are computed in order to comply with such Regulations, the Company may make such modification, provided that it is not likely to have a material effect on the amounts distributable to any Member pursuant to Section 16.3 hereof upon the dissolution of the Company. The Chief Manager also shall (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Members and the amount of Company capital reflected on the Company's balance sheet, as computed for book purposes, in accordance with Regulations Section 1.704-1(b)(2)(iv)(g), and (ii) make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b).

"Capital Contribution" shall mean, with respect to any Member, the amount of money and the value of any property (other than money) contributed to the Company with respect to the Membership Interest held by such Member. The principal amount of a promissory note which is not readily traded on an established securities market and which is contributed to the Company by the maker of the note (or a Member related to the maker of the note within the meaning of Regulations Section 1.704-1(b)(2)(ii)(c)) shall not be included in the Capital Account of any Member until the Company makes a taxable disposition of the note or until (and to the extent) principal payments are made on the note, all in accordance with Regulations Section 1.704-1(b)(2)(iv)(d)(2).

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Company" shall mean , LLC, the limited liability company formed under this Agreement pursuant to the Act.

"Financial Rights" shall mean a Member's rights to share in profits and losses, distributions, and to receive interim distributions and liquidation distributions as provided in this Agreement and the Act.

"Fiscal Year" shall mean the twelve-month period selected by the Company as its annual accounting period.

"Governance Rights" shall mean all of a Member's rights as a member in the Company other than Financial Rights and the right to assign Financial Rights.

"Gross Asset Value" shall mean, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

(i) The initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset, as determined by the contributing Member and the Board of Governors;

(ii) The Gross Asset Values of all Company assets shall be adjusted to equal their respective gross fair market values, as determined by the Board of Governors, from time to time as required by Regulation Section 1.704-1(b).

"Immediate Family" shall mean, with respect to a Member his spouse, children (including natural, adopted and stepchildren), grandchildren, and parents.

"Majority in Interest" shall mean the Percentage Interest(s) of one or more Members which (taken together if more than one) exceed fifty percent (50%) of all Percentage Interests.

"Managers" shall mean, collectively, the Chief Manager, the Secretary, and each other manager elected by the Members. "Manager" shall mean, individually, any such person.

"Member" shall mean each of the Members identified on Exhibit "A" attached hereto and made a part hereof by this reference who have executed this Agreement and each of the parties who may hereafter become Members.

"Membership Interest" shall mean, with respect to each Member, such Member's interest in the Company consisting of such Member's Financial Rights and right to assign Financial Rights as provided herein, and such Member's Governance Rights, and right to assign Governance Rights as provided herein.

"Net Cash Flow" means the gross cash proceeds of the Company less the portion thereof used to pay or establish reserves for all Company expenses, debt payments, capital improvements, replacements, and contingencies, all as determined by the Members. "Net

Cash Flow" shall not be reduced by depreciation, amortization, cost recovery deductions, or similar allowances, but shall be increased by any reductions of reserves previously established pursuant to the preceding sentence.

"Net Profits" or "Net Losses" shall mean, for each fiscal year of the Company, an amount equal to the Company's taxable income or loss for such year determined in accordance with Code Section 703(a), including, for such purpose, all items of income, gain, loss or deduction required to be separately stated pursuant to Code Section 703(a)(1).

"Percentage Interest" means, with respect to any Member, as of any date, the ratio (expressed as a percentage) of such Member's Capital Account on such date to the aggregate Capital Accounts of all Members on such date, such Capital Accounts to be determined after giving effect to all contributions, distributions, and allocations for all periods ending on or prior to such date. The initial Percentage Interest of each Member is set forth on Exhibit A hereto. In the event all or any portion of a Membership Interest is transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Percentage Interest of the transferor to the extent it relates to the transferred Membership Interest.

"Permitted Transferee" shall mean any member of a Member's Immediate Family, or an Affiliate of such Member or such Member's Immediate Family.

"Property" shall mean all property, real or personal, tangible or intangible, including money and any legal or equitable interest in property owned by the Company.

"Regulations" shall mean the Income Tax Regulations, including Temporary Regulations, promulgated under the Code, as such regulations may be amended from time to time.

"Related Person" shall mean a person having a relationship to a Member that is described in §1.752-4(b) of the Regulations.

ARTICLE II

FORMATION

Section 2.1 **Articles of Organization**. The date of formation and existence of the Company shall be the later of the date of filing of the Articles with the Secretary of State of Tennessee or the occurrence of the future date of formation or the happening of the specific event described in the Articles.

Section 2.2 **Name**. The name of the Company is **TOTAL HEALTHCARE SYSTEMS, LLC.** All business of the Company shall be conducted under that name or under any other name adopted by the Members in accordance with the Act.

Section 2.3 **Principal Place of Business**. The principal place of business of the Company within the State of Tennessee shall be 680 Tennessee Boulevard, Lebanon, TN 37087 . The Company may locate to, and have such other, places of business and registered office as the Members or the Chief Manager shall, from time to time, deem advisable.

Section 2.4 **Term**. The Company shall be dissolved and its affairs wound up in accordance with the Act and this Agreement on December 21, 2050, unless the term shall be extended by amendment to the Articles, or unless the Company shall be sooner dissolved and its affairs wound up in accordance with the Act or this Agreement.

ARTICLE III

BUSINESS OF COMPANY

Section 3.1 **Permitted Business**. The business of the Company shall be to: own, operate, manage, lease, engage in and develop nursing home, assisted living, medical and associated facilities for the care and well being of the elderly.

Section 3.2 **No Limitation**. Except as specifically limited in the Articles, the Company may engage in the specific activities set forth in Section 3.1 and any and all other lawful business activities whatsoever, or which shall be conducive to or expedient for the protection or benefit of the Company or its Property, and the Company may exercise all powers necessary to, connected with, or incident to the accomplishment of any business that may lawfully be conducted by limited liability companies under the Act.

ARTICLE IV

ACCOUNTING, RECORDS AND REPORTS

Section 4.1 **Books and Records**. Proper and complete books and records of account shall be kept by the Company. The records and information required under Section 48-228-101 of the Act shall at all times be maintained at the principal executive office of the Company. Each Member, or his agent or attorney, shall be entitled to inspect and copy, during regular business hours, all such required records, upon written notice of such demand given at least five (5) days before the date such Member wishes to inspect and/or copy such records. The Company shall furnish a list of the names and addresses of, and Membership Interests held by, all Members to any Member who requests such a list in writing for any proper purpose. The cost of furnishing such list shall be borne by the requesting Member.

Section 4.2 **Tax Information**. Within ninety (90) days after the end of each fiscal year, the Company shall send to each holder of a Membership Interest in the Company at any time during the fiscal year then ended such tax information as shall be necessary for the

preparation by such holder of his federal income tax return, and state income and other tax returns with regard to jurisdictions in which the Company is formed or qualified.

Section 4.3 **Financial Statements**. Each of the Members shall have access to true and full information regarding the status of the Company's business and financial condition, to the full extent provided for in Section 48-228-202 of the Act.

Section 4.4 **Tax Matters Member**. The Tax Matters Member is responsible for all administrative and judicial proceedings for the assessment and collection of tax deficiencies or the refund of tax overpayments arising out of a Member's distributive share of items of income, deduction, credit and/or of any other Company item (as that term is defined in the Code or in regulations issued by the Internal Revenue Service) allocated to the Members affecting any Member's tax liability.

The Tax Matters Member shall promptly give notice to all Members of any administrative or judicial proceeding pending before the Internal Revenue Service involving any Company item and the progress of any such proceeding. Such notice shall be in compliance with such regulations as are issued by the Internal Revenue Service.

The Tax Matters Member shall have all the powers provided to a tax matters partner in Sections 6221 through 6233 of the Code, including the specific power to extend the statute of limitations with respect to any matter which is attributable to any Company item or affecting any item pending before the Internal Revenue Service and to select the forum to litigate any tax issue or liability arising from Company items.

The Tax Matters Member shall be the Member designated as such on Exhibit A. The Tax Matters Member may resign his position by giving thirty (30) days written notice to all Members, whereupon the Members shall designate a new Tax Matters Member.

The Tax Matters Member shall be entitled to reimbursement for any and all reasonable expenses incurred with respect to any administrative and/or judicial proceedings affecting the Company.

ARTICLE V

MEMBERSHIP INTERESTS

The (a)(i) identity of all of the Members and the Membership Interests held by each, and (ii) the identity of all persons or entities bound by a contribution agreement or the owner of a contribution allowance agreement and the Membership Interest that will be acquired upon the satisfaction of the terms of such agreements, and (b) the amount of cash and a description and statement of the agreed value of any other Property or services contributed for each Membership Interest, or the amount and value of any contributions which any Member or potential Member has agreed to contribute and the time or times or events on the happening of which such contributions will be made pursuant to any contribution agreement or contribution allowance agreement, are as reflected on Exhibit A attached hereto and by this reference made a part hereof as if set forth fully herein, which shall be promptly amended as necessary, under the Act, to reflect any changes in such information.

ARTICLE VI

CONTRIBUTIONS AND CAPITAL ACCOUNTS

Section 6.1 **Initial Contributions**. Each Member has made, or shall make, the initial Capital Contribution described for that Member on Exhibit A at the time and on the terms specified on Exhibit A. If no time for contribution is specified, such initial Capital Contributions shall be made upon the filing of the Articles of Organization with the Secretary of State.

Section 6.2 **No Interest on or Demand for Return of Contributions**. No Member shall be entitled to receive any interest on his or its Capital Contributions or Capital Account balance, or to have the right to demand the return of his or its contribution to the capital of the Company. No Member shall have the right to demand receipt of Property other than cash in return for such Member's Capital Contribution.

Section 6.3 **Contribution Allowance Agreement**. The amount and value of any contributions which any Member or potential Member has the right pursuant to a contribution allowance agreement to contribute and the time or times at which (or events on the happening of which) such contribution must be made or the right lapses are as set forth in Exhibit A.

Section 6.4 **Additional Funds and Adjustments**.

(a) **Call for Funds**. The Members recognize that the Company may require additional funds to pay the costs of conducting its business and operating its properties. If, in the judgment of all of the Members, additional capital funds are required to pay such costs,

the additional funds shall be called for by the Company (the "Call for Funds") and shall be contributed by the Members in proportion to their Percentage Interests. As used above, the term "costs" shall include, without limitation: principal and interest payments on Company loans, whether or not secured by mortgages on Company properties; additional capital investments; costs of construction, development and maintenance of improvements; insurance premiums; and real estate or other taxes, assessments, and other **governmental charges.**

(b) **Default by Members.** In the event a Member is unable or unwilling to make any or all of his proportionate contribution upon a Call for Funds (the "Defaulting Member"), upon notice to such Defaulting Member from the Company of such default and the lapse of thirty (30) days from the date of such notice without the Defaulting Member curing the default, then, in addition to such other rights and remedies as may otherwise be available to the Company or the nondefaulting Member(s), the nondefaulting Member(s) may, at his/her/their election (exercisable at any time subsequent to thirty (30) days from the date of the aforedescribed notice), do one (or none) of the following:

(i) The nondefaulting Member(s) may acquire the entire interest of the Defaulting Member in the Company in exchange for (A) the assumption by the nondefaulting Member(s) of the defaulted obligation of the Defaulting Member, and all further obligations of the Defaulting Member to contribute to the Company, and (B) the payment to the Defaulting Member of the value of such Defaulting Member's Capital Contribution to the Company (as reflected in the Company's records) less the defaulted obligation(s) of the Defaulting Member assumed hereunder or previously advanced pursuant to paragraph (ii) hereof and less the cumulative amount of money and value of any Property (other than money) distributed to such Member pursuant to Section 8.1 hereof as of such date (as reflected in the Company's records), such payment to be made in cash within ninety (90) days after the election of the nondefaulting Members to acquire the interest of the Defaulting Member hereunder.

(ii) The nondefaulting Member(s) may advance to the Company the funds required of the Defaulting Member pursuant to the Call for Funds as a personal loan by the nondefaulting Member(s) to the Defaulting Member. Such loan shall bear interest at a rate equal to the highest prime rate as published in the "Money Rates" section of the Wall Street Journal from time to time. In such event, all distributions or other payments from the Company which would otherwise be distributed to the Defaulting Member shall be distributed first in order to reduce interest and then principal under such loan. If such loan is not repaid, together with all accrued interest thereon, within six (6) months of the date such funds are advanced by the nondefaulting Member(s) for the benefit of the Defaulting Member, then the nondefaulting Member(s) shall have the option to acquire the entire interest of the Defaulting Member in the Company upon giving five (5) days' written notice to that effect to the Defaulting Member. This option shall exist until such time as (A) the

Defaulting Member is no longer in default as provided in this Section 6.4(b) and (B) all loans advanced by the nondefaulting Member(s) are paid in full together with all interest accrued thereon. The consideration for such purchase and the payment terms shall be as provided in paragraph (i) above.

(iii) The nondefaulting Member(s) may make a contribution in excess of [his] [their] Percentage Interest(s), in which event the Percentage Interest of the Defaulting Member in Company capital, profits, losses and all other attributes shall be reduced to that portion which the Capital Account balance of the Defaulting Member, including any Call for Funds paid by such Defaulting Member, bears to the aggregate of all Capital Account balances, including Calls for Funds paid by all Members to the Company. The Capital Account balances of the Members shall, for this purpose, include any adjustment to the Capital Accounts following a revaluation of partnership property as required by Section 7.4 hereof.

(c) **Restricted Authority.** During any period in which a Member is a Defaulting Member, such Member shall not have the authority to act on behalf of the Company and all management powers of the Company shall be vested in the nondefaulting Member(s).]

ARTICLE VII

ALLOCATIONS

Section 7.1 **Net Profits.** After giving effect to the special allocations set forth in Sections 7.4 and 7.5 hereof, Net Profits for any Fiscal Year shall be allocated among the Members in accordance with their Percentage Interests.

Section 7.2 **Net Losses.** After giving effect to the special allocations set forth in Sections 7.4 and 7.5 hereof, Net Losses for any Fiscal Year shall be allocated among the Members in accordance with their Percentage Interests.

Section 7.3 **Other Allocation Rules.**

(a) In the event additional Members are admitted to the Company on different dates during any Fiscal Year, the Net Profits (or Net Losses) allocated to the Members for each such Fiscal Year shall be allocated among the Members in proportion to the relative Capital Accounts each holds from time to time during such Fiscal Year in accordance with Code Section 706, using any convention permitted by law and selected by the Chief Manager.

(b) For purposes of determining the Net Profits, Net Losses or any other items allocable to any period, Net Profits, Net Losses, and any such other items shall be determined

on a daily, monthly, or other basis, as determined by the Chief Manager using any permissible method under Code Section 706 and the Regulations thereunder.

Section 7.4 **Tax Allocations: Code Section 704(c)**. In accordance with Code Section 704(c) and the Regulations thereunder, income, gain, loss, and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial Gross Asset Value. In the event the Gross Asset Value of any Company asset is adjusted, subsequent allocations of income, gain, loss, and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under Code Section 704(c) and the Regulations thereunder. Any elections or other decisions relating to such allocations shall be made by the Chief Manager in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this section are solely for purposes of federal, state, and local taxes and shall not affect, or in any way be taken into account in computing, any person's Capital Account or share of Net Profits, Net Losses, other items, or distributions pursuant to any provision of this Agreement.

Section 7.5 **Distributions and Allocations in Respect to Transferred Interest**. If any interest in the Company is sold, assigned, or transferred during any Fiscal Year in compliance with the provisions of this Agreement, Net Profits, Net Losses, each item thereof, and all other items attributable to such interest for such Fiscal Year shall be divided and allocated between the transferor and the transferee by taking into account their varying interests during such Fiscal Year in accordance with Code Section 706(d), using any conventions permitted by law and selected by the Chief Manager.

ARTICLE VIII

DISTRIBUTIONS

Section 8.1 **Net Cash Flow**. Except as otherwise provided in Section 15.3 hereof, Net Cash Flow, if any, shall be distributed at such time(s) as the Members may determine in accordance with the Percentage Interests of Members.

Section 8.2 **Amounts Withheld**. All amounts withheld pursuant to the Code or any provision of any state or local tax law with respect to any payment, distribution, or allocation to the Company or the Members shall be treated as amounts distributed to the Members pursuant to this Article VIII for all purposes under this Agreement. The Company is authorized to withhold from distributions, or with respect to allocations, to the Member and to pay over to any federal, state, or local government any amounts required to be so withheld pursuant to the Code or any provisions of any other federal, state, or local law, and shall allocate any such amounts to the Member with respect to which such amount was withheld.

ARTICLE IX

MEMBERS

Section 9.1 **Special Meetings**. Unless otherwise provided in the Articles, Special Meetings of the Members may be called by, the Secretary, the Chief Manager or Members holding, in the aggregate, not less than Fifty-one (51%) of the Governance Interests by signing, dating, and delivering to the Secretary written demand for the meeting describing the purpose or purposes for which it is to be held. Special Meetings may be held in or out of the State of Tennessee at such place as the demanding party or parties may designate, or, in the absence of such designation, at the Company's principal office; provided, that a meeting called by a Member must be held in the county where the Company's principal executive office is located or, if there is no principal executive office, in the county where the registered office is located.

Section 9.2 **Notice of Meetings**. Written notice of the date, time, and place of each meeting and, in the case of a Special Meeting, a statement of the purpose or purposes of the meeting, shall be given to each Member entitled to notice of such meeting not less than ten (10) days nor more than two (2) months before the meeting date; provided, however, that notice of a special meeting shall in any event be given within seven (7) days after the date that written demand(s) for such meeting by any Member is delivered to the Secretary. Unless otherwise required under the Act, the Company shall give notice only to Members entitled to vote at the meeting. Notice shall be in writing and shall be communicated by mail or private carrier. If mailed, written notice by the Company to the Members, if in a comprehensible form, shall be effective when mailed, if mailed postpaid and correctly addressed to the Member's address shown in the Company's current record of Members. If not mailed, written notice, if in a comprehensible form, shall be effective when received. If a meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, or place if the new date, time, or place is announced at the time of adjournment. However, if a new record date for the adjourned meeting is or must be fixed, notice of the adjourned meeting must be given to persons who are Members as of the new record date.

Section 9.3 **Actions Without a Meeting.**

(a) Unless the Articles provide otherwise, any action required or permitted to be taken at a meeting of the Members may be taken without a meeting. Any action taken pursuant to Sections (b) or (c) hereof, shall have the effect of a meeting and vote and may be described as such in any document. Any requirement under the Act or this Agreement for action at a meeting will be satisfied by an action taken in accordance with Sections (b) and/or (c) hereof. If any provision of the Act, the Articles or this Agreement requires that notice of proposed action be given to nonvoting Members and the action is to be taken by voting Members pursuant to Sections (b) or (c) hereof, then the Company must give its nonvoting Members written notice of the proposed action at least ten (10) days before action on written consent is taken or at the same time notice is given to Members under Section (c) hereof. The notice must contain or be accompanied by the same material that would have been required to be sent to nonvoting Members in a notice of meeting at which the proposed action would have been submitted to the Members for action.

(b) To take action on written consent, a written waiver of acting at a meeting must be signed by all of the Members, and a written consent must be signed by Members who own Membership Interests with voting power equal to the voting power that would be required to take the same action at a meeting of the Members at which all Members are present. The action must be evidenced by one (1) or more instruments evidencing the waiver and consent, which shall be delivered to the Secretary for inclusion in the records of the Company. All such instruments may be signed in counterparts. If not otherwise determined under Section 9.5 of this Agreement or the Act, the record date for determining Members entitled to take action without a meeting is the date the first Member signs the consent.

(c) Except with respect to dissolution avoidance consent, the Chief Manager may, acting on his own initiative, make a proposal to the Members to take an action without a meeting. All Members entitled to vote shall be given written notice of such proposal. Such notice shall require a written response within a specified time but not less than thirty (30) days from the effective date of the notice and shall contain the recommendation of the Chief Manager. The failure of a Member to respond within the time specified in the notice shall constitute a vote in favor of the recommendation of the Chief Manager. The notice shall contain a statement concerning the voting effect of the failure of a Member to timely respond to the proposal. Except as provided in the last sentence of this section, if the voting power of the Members responding in favor of the recommendation as to the proposal, combined with the voting power of the Members failing to respond, is equal to the voting power that would be required to take the same action at a meeting of the Members at which all Members are present, then such proposal shall become the action of the Members of the Company effective as of the expiration of the notice period. Notwithstanding the above, if Members with twenty percent (20%) of the aggregate voting power of the Company or the class, series, or group of the Members entitled to vote on the specific matter, notify the Secretary in writing within fifteen (15) days of the giving of the notice, that a meeting should be called to consider one

(1) or more of the matters on which the Chief Manager has made recommendation, the vote may not be taken as provided in this section but a meeting of the Members shall be called to consider and to take action on such matter.

Section 9.4 **Waiver of Notice**. A Member may waive any notice required by the Articles, this Agreement or the Act. A waiver of notice by a Member entitled thereto is effective, whether given before or after the meeting or other balloting, if the notice is in writing. If a written waiver is given, the Secretary shall place such written waiver in the records of the Company. A Member's attendance at a meeting is a waiver of notice of that meeting, unless the Member objects at the beginning of the meeting (or promptly upon his arrival) to the transaction of business because the meeting is not lawfully called or convened, or objects before a vote on an item of business because the item may not lawfully be considered at that meeting and does not participate in the consideration of the item at that meeting. The Secretary shall note the objection in the minutes of the meeting.

Section 9.5 **Fixing of Record Date**. The Chief Manager may fix the record date for one (1) or more voting groups in order to determine the Members entitled to notice of a Members' meeting, to demand a special meeting, to vote, or to take any other action. (As used in this Agreement, "voting group" shall mean all Membership Interests of one (1) or more classes or series that under the Company's Articles or the provisions of the Act are entitled to vote and be counted together collectively on a matter at a meeting of Members.) However, a record date shall not be more than seventy (70) days before the meeting or action requiring a determination of Members. If not otherwise fixed hereunder, the record date for determining Members entitled to notice of and to vote at a special Members' meeting shall be the close of business on the business day before the first notice is delivered to Members, and the record date for determining Members entitled to demand a special meeting shall be the date the first Member signs the demand. A determination of Members entitled to notice of or vote at a Members' meeting shall be effective for any adjournment of the meeting unless the Chief Manager fixes a new record date, which he must do if the meeting is adjourned to a date more than four (4) months after the date fixed for the original meeting.

Section 9.6 **Quorum**. Except as otherwise provided in the Act, Members holding a majority of the voting power of Membership Interests entitled to vote at a meeting are a quorum for the transaction of business. Once a Membership Interest is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting.

Section 9.7 **Proxies**. A Member may vote in person or by proxy. A Member may appoint a proxy to vote or otherwise act for him by signing an appointment form, either personally or by his attorney-in-fact. An appointment of proxy shall be effective when received by the Secretary or other officer or agent authorized to tabulate votes. An appointment shall be valid for eleven (11) months unless another period is expressly

provided in the appointment form. An appointment of a proxy shall be revocable by the Member unless the appointment form conspicuously states that it is irrevocable and the appointment is coupled with an interest.

Section 9.8 **Members' List for Meeting**. After fixing a record date for a meeting, the Secretary of the Company shall prepare an alphabetical list of the names of all Members who are entitled to vote at the meeting of the Members or to take such other action on the subject of the notice. The list shall be arranged by voting group, if applicable, (and within each voting group by class or series of Membership Interests) and show the address of and Membership Interest(s) held by each Member as reflected in the records of the Company. The Members' list must be available for inspection and copying by any Member, beginning two (2) business days after notice of the meeting is given for which the list was prepared and continuing through the meeting, at the Company's principal executive office or at a place identified in the meeting notice in the city where the meeting will be held.

Section 9.9 **Voting Entitlement to Membership Interests**. Unless the Articles provide otherwise, each outstanding Membership Interest, regardless of class, shall be entitled to exercise a percentage voting power equal to that Member's Percentage Interest on each matter voted on at a Members' meeting. Only Membership Interests shall be entitled to vote. However, absent special circumstances, Membership Interests of the Company shall not be entitled to vote if they are owned, indirectly or directly, by a subsidiary of the Company, and no such Membership Interests shall be counted in determining the number of outstanding Membership Interests of the Company at any given time for all purposes related to voting on the existence of a quorum. Redeemable Membership Interests shall not be entitled to vote after notice of redemption is mailed to the holders and a sum sufficient to redeem the Membership Interests has been deposited with a bank, trust company, or other financial institution under an irrevocable obligation to pay the holders the redemption price on surrender of the Membership Interests, and no such Membership Interests shall be counted in determining the total number of outstanding Membership Interests of the Company at any given time. Membership Interests standing in the name of another corporation or limited liability company, domestic or foreign, may be voted by such officer, agent, manager or proxy as the By-Laws or operating agreement of such corporation or limited liability company may prescribe or, in the absence of a By-Law or operating agreement provision, as the Board of Directors or Governors of such corporation or limited liability company may determine, as applicable. The Company may rely on the representation of such officer, agent, manager or proxy as to the authority unless such authority is questioned. Except where the Act requires a larger proportion, the Members shall take action by the affirmative vote of the Members holding a majority of the voting power present and entitled to vote on that item of business in a meeting in which a quorum is present.

Section 9.10 **Discharge of Duties**. A Member shall discharge his duties as a Member in good faith, in a manner the Member reasonably believes to be in the best interests of the

Company, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. A Member shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by one (1) or more Managers or employees of the Company whom the Member reasonably believes to be reliable and competent in the matters presented; legal counsel, public accountants, or other persons as to matters the Member reasonably believes are within the person's professional or expert competence; or a committee of the Members of which the Member is not a member, if the Member reasonably believes the committee merits confidence. A Member is not acting in good faith if the Member has knowledge concerning the matter in question that makes reliance otherwise permitted by this provision unwarranted. A Member shall not be liable for any action taken as a Member, or any failure to take action, if the Member has performed the duties of the position of Member in compliance with this provision.

ARTICLE X

MANAGERS

Section 10.1 Powers. The day to day management and control of the Company, and its business and affairs, shall be conducted or exercised by, or under the direction and authority of, the Managers. The Managers shall have the rights, powers and duties which may be possessed by managers under the Act, and such other rights, powers and duties specified in this Agreement or designated by the Members, or which are necessary, advisable or convenient to the discharge of their duties under this Agreement.

Section 10.2 Election and Term. At any special meeting of the Members called for that purpose, the Members shall elect a Chief Manager and a Secretary and such other Managers as the Members may determine, who may include one or more vice presidents, a treasurer, a controller and one or more assistant treasurers, and assistant secretaries. Each Manager shall serve until his successor is elected and qualified or until his earlier resignation or removal. Any number of offices may be held by the same person, except the offices of Chief Manager and Secretary.

Section 10.3 Duties. The duties and powers of the Managers shall be as follows:

(a) **Chief Manager.** The Chief Manager shall be the chief executive officer of the Company, and, as such, shall be primarily responsible for the general management of the business of the Company and for implementing the policies and directives of the Members. The Chief Manager shall have authority to make contracts on behalf of the Company in the ordinary course of the Company's business, shall be responsible to effect all orders and resolutions of the Members, shall sign and deliver in the name of the Company any deeds, mortgages, bonds, contracts or other instruments pertaining to the business of the Company except as otherwise delegated or provided by law, and shall perform such other duties as

from time to time may be assigned by the Members.

(b) **Vice Presidents**. The Vice President (or, if more than one, in the order designated by the Members) shall exercise the functions of the Chief Manager during the absence or disability of the Chief Manager and shall perform such other duties as may be assigned by the Chief Manager or the Members.

(c) **Treasurer**. The Treasurer shall be the chief financial officer of the Company, and, as such, shall have general supervision over the funds of the Company and the investment or deposit thereof, shall advise the Managers and, if requested, the Members regarding the financial condition of the Company, and perform such other duties as may be assigned by the Chief Manager or the Members.

(d) **Secretary**. The Secretary shall attend all meetings of the Members and shall prepare and maintain minutes or records of proceedings of all such meetings in a book to be kept for that purpose. The Secretary shall give, or cause to be given, such notice as may be required of all meetings of the Members, shall authenticate and certify records and proceedings of the Company, shall keep accurate membership records for the Company, and shall perform such other duties as may be assigned by the Chief Manager or the Members.

Section 10.4 Standard of Conduct. A Manager shall discharge the duties of an office in good faith, in a manner the Manager reasonably believes to be in the best interest of the Company and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. In discharging his duties, a Manager is entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, if prepared or presented by one (1) or more Managers or employees of the Company whom the Manager reasonably believes to be reliable and competent in the matters presented; or legal counsel, public accountants, or other persons as to matters the Manager reasonably believes are within the person's professional or expert competence. A Manager is not acting in good faith who has knowledge concerning the matter in question that makes reliance otherwise permitted by this provision unwarranted. A Manager shall not be liable for any action taken as a Manager, or any failure to take any action, if the Manager has performed the duties of the office in compliance with this provision.

Section 10.5 Compensation. The salaries and other compensation of the Managers shall be as determined by the Members from time to time.

Section 10.6 Removal. The Members may remove any Manager at any time, with or without cause, but no such removal shall affect the contract rights, if any, of the person so removed.

Section 10.7 Resignation. A Manager may resign at any time by delivering written notice to the Company. A resignation is effective without acceptance when the notice is

delivered to the Company, unless the notice specifies a later effective date. If a resignation is made effective at a later date and the Company accepts the future effective date, the Members may fill the pending vacancy before the effective date if it provides that the successor does not take office until the effective date. A Manager's resignation does not affect the Company's contract rights, if any, with the Manager.

ARTICLE XI

INDEMNIFICATION

Subject to any limitations set forth in the Articles of the Company, the Company shall indemnify and advance expenses to each present and future Member or Manager of the Company (and, in either case, his heirs, estate, executors or administrators) to the full extent allowed by the laws of the State of Tennessee, both as now in effect and as hereafter adopted. The Company may indemnify and advance expenses to any employee or agent of the Company who is not a Member or Manager (and his heirs, estate, executors or administrators) to the same extent as to a Member or Manager, if the Members determine that it is in the best interests of the Company to do so. The Company shall also have the power to contract with any individual Member, Manager, employee, or agent for whatever additional indemnification the Members shall deem appropriate.

ARTICLE XII

DISPOSITION OF MEMBERSHIP INTERESTS

Section 12.1 Disposition. No Member or Assignee may sell, assign, pledge, hypothecate, give, bequeath or otherwise transfer or dispose of (the foregoing are hereinafter collectively referred to as a "Transfer") all or a portion of the Member's or Assignee's Membership Interest unless such Transfer complies with the provisions of this Agreement and the Act, including without limitation the provisions of this Article XII. No Transfer of a Membership Interest may be made (a) if such Transfer, alone or when combined with other transactions, would result in a termination of the Company within the meaning of §708 of the Code; and (b) without an opinion of counsel satisfactory to the Members that such Transfer is subject to an effective registration under, or exempt from the registration requirements of, the applicable state and federal securities laws; and (c) unless and until the Company receives from the Assignee the information and agreements that the Members may reasonably require, including but not limited to any taxpayer identification number and any agreement that may be required by any taxing jurisdiction; and (d) unless and until the Transfer is approved by a Majority in Interest of the Members and parties to contribution agreements, in accordance with the voting power that would exist if such parties to contribution agreements were Members and exclusive of the voting power held by the Member seeking to make the Transfer (in the event of a Transfer of Governance Rights to a person or entity not already a Member of, or party to a contribution agreement with, the Company); and (e) unless and until the Member or Assignee seeking to

make the disposition has complied with the buy-sell provisions set forth in Section 12.2.

Section 12.2 Right of First Refusal.

(a) If a Member (the "Transferring Member") desires to Transfer all or any portion of his Membership Interest (the "Option Interest") to any person (the "Offeree"), the Transferring Member shall give notice ("Transfer Notice") to the Company and the other Members ("Other Members") of his desire to Transfer such Option Interest. The Transfer Notice shall, in addition to stating the desire to Transfer such Option Interest, state: (i) the name and address of the Offeree and (ii) the provisions and conditions of the proposed Transfer, including but not limited to the proposed Transfer price of the Option Interest, if any, and the provisions for payment for the Option Interest. For purposes of this Agreement, any provisions for payment requiring non-cash or non-note consideration and any security therefor and any ancillary agreement shall be null, void and of no effect. Upon receipt of the Transfer Notice, the Company shall have an option, in its discretion, to purchase all of the Option Interest owned by the Transferring Member at the Transfer Option Price as defined in Section 12.2(d) and on the same payment terms set forth in the Transfer Notice (expressly excluding any provisions and conditions relating to non-cash or non-note consideration for the Option Interest and any security therefor).

(b) In the event that the Company desires to purchase all of the Option Interest owned by the Transferring Member, then the Company may exercise its option by giving written notice ("Company Purchase Notice") thereof to the Other Members and the Transferring Member at any time within thirty (30) days following the receipt of the Transfer Notice. The Transferring Member shall not vote regarding any determination by the Company concerning the exercise of the Company's option, and such determination shall be made by those Members holding a Majority in Interest of all Membership Interests excluding the Membership Interest held by the Transferring Member. If the Company exercises its option to purchase such Option Interest, then the Transferring Member shall sell and the Company shall purchase such Option Interest at the Transfer Option Price, and otherwise pursuant to the provisions set forth in Section 12.2 and Section 12.5 of this Agreement.

(c) In the event the Company fails or determines not to exercise its option set forth herein within the time allowed, it shall deliver written notice of the same to all the Other Members within said thirty-day period and the Other Members shall then have the right and option to purchase all, but not less than all, of the Option Interest as hereinafter set forth:

(i) Each of the Other Members shall have the right and option (subject to the provisions of Section 12.2(d), for a period of fifteen days after delivery of such notice, to purchase his proportionate share (but not less than his proportionate share) of the Option Interest (assuming all Other Members will purchase such Option Interest) upon the terms and at the purchase price per share stated in the Transfer Notice. Such acceptance shall be made by delivering a written notice of acceptance

("Member Purchase Notice") to the Transferring Member and the Company within the fifteen-day period. For purposes of this Section 12.2(c), an Other Member's "proportionate share" shall equal a fraction, the numerator of which is such Other Member's Percentage Interest, and the denominator of which is the aggregate Percentage Interests of all the Other Members.

(ii) If one or more Other Members declines to purchase his proportionate share of the Option Interest, the Company shall deliver written notice to the remaining Other Members of the amount of Option Interest remaining available to be purchased, and such remaining Other Members shall have fifteen days following delivery of the Company's notice within which to purchase all, but not less than all, of the remaining available Option Interest by delivering their Member Purchase Notices as to their proportionate shares (or such other amounts as all the Other Members may agree upon) of such remaining available Option Interest (treating declining Other Members as Transferring Members for purposes of determining proportionate shares). A Member may decline to purchase under this Section 12(c)(ii) without prejudice to such Member's right to purchase under Section 12(c)(i) hereof.

(d) In the event that the Company and Other Members fail or determine not to exercise their option set forth herein to purchase all, but not less than all, of the Option Interest within the time periods allowed, then at any time within thirty (30) days after expiration of the last such time period permitted herein for delivery of a Company Purchase Notice or Member Purchase Notice, as appropriate, the Transferring Member may Transfer the Option Interest described in the Transfer Notice to the Offeree upon the precise terms and conditions contained in the Transfer Notice. If such Transfer to the Offeree is not effected within said thirty (30) day period, or if the provisions of the proposed Transfer as described in the Transfer Notice are changed in any respect, then such Transfer shall be null, void and of no effect, and the Transfer of the Option Interest described in the Transfer Notice shall continue to be subject to the Transfer restrictions contained in this Agreement and may not be Transferred without again first being offered to the Company and Other Members pursuant to the provisions of this Section 12.2.

(e) The Transfer Option Price of Option Interest proposed to be Transferred to an Offeree shall be equal to the Transfer price as set forth in the bona fide offer of the Offeree (after adjustment by excluding any non-cash or non-note consideration).

Section 12.3 **Certain Transferees**. Subject to Section(s) 12.6 and 12.7, a Transfer of one Member's Membership Interest to another Member shall be deemed to be in compliance with Sections 12.1 and 12.2 if all Members not a party to the transfer have signed a written waiver whereby they waive the rights and options designated therein.

Section 12.4 **Involuntary Transfers**. Subject to Section(s) 12.6 and 12.7, upon the incapacity of a Member, his Membership Interest shall pass to his executor, administrator,

guardian, conservator, trustee or other legal representative ("Representative"), as the case may be. The Representative shall have the same power and ability the incapacitated Member possessed under this Agreement to transfer such Member's Membership Interest.

Section 12.5 Closing. Any purchase and sale to be effected hereunder shall be closed in accordance with the following procedures:

(a) The date of closing shall be specified in the Company Purchase Notice (or as otherwise mutually agreed upon by the Other Members and Transferring Member, for Transfers pursuant to Section 12.2(c)) and shall be a regular banking business day not less than thirty (30) nor more than ninety (90) days after the giving of the Company Purchase Notice or the last Member Purchase Notice, as applicable, and (b) the place of closing shall be the offices of the Company, unless the Company or Other Members, as applicable, and the Transferring Member shall mutually agree to another place of closing.

(b) On the date of closing, (i) such documents as may reasonably be deemed necessary by the attorneys for the Company or Other Members, as applicable, to Transfer the Option Interest being Transferred shall be delivered to the Company or Other Members, as applicable, (ii) the Company or Other Members, as applicable, shall deliver as payment to the seller its or their cashier's check(s) or promissory note(s), as the case may be, in an amount equal to the price of the Option Interest being Transferred.

Section 12.6 Miscellaneous.

(a) In the event of any Transfer of all or any portion of a Member's Membership Interest pursuant to the provisions of this Agreement, and as a condition to recognizing one or more of the effectiveness and binding nature of any such transfer, the Chief Manager may require the Transferring Member and the proposed Transferee Member to execute, acknowledge and deliver to the Company such instruments of transfer, assignment, and assumption and such other certificates, representations, and documents, and to perform all the other acts that the Company may deem necessary or desirable to:

(i) Preserve the Company after the completion of such sale, transfer, assignment, or substitution under the laws of each jurisdiction in which the Company is qualified, organized, or does business;

(ii) Maintain the status of the Company as a partnership for federal tax purposes; and

(iii) Assure compliance with any applicable state and federal laws including securities laws and regulations.

(b) Anything to the contrary herein notwithstanding, if the Company is to

purchase the Membership Interest of any Member pursuant to the provisions of this Agreement, the Company may assign its obligations to so purchase to another person or entity of its choice; provided, however, Company shall remain liable as a guarantor or otherwise with respect to the purchase price due such Member for his Membership Interest. Any decision to make such assignment shall be made by those Members holding a Majority in Interest of the Membership Interests, excluding the Membership Interest of the Member whose Membership Interest is being purchased.

Section 12.7 **Death of Member.** The death of a member shall not constitute grounds for dissolution, and the surviving members hereby consent to continue existence and business under the terms of this Agreement, so long as at least two (2) members survive. Pursuant to Tennessee Code Annotated §48-219-101 and §48-216-101, the Membership Interest and appurtenant rights and powers of the deceased member shall be treated as if that member had rightfully withdrawn, and the terms of the above-noted sections shall apply in settling the Company's obligations with the decedent member's estate.

ARTICLE XIII

ADMISSION OF ASSIGNEES AND ADDITIONAL MEMBERS

Section 13.1 **Rights of Assignees.** The Assignee of all or any portion of a Membership Interest has no right to participate in the management of the business and affairs of the Company or to become a Member. The Assignee is only entitled to receive the distributions and return of capital, and to be allocated the Net Profits and Net Losses attributable to the Membership Interest, to the extent assigned.

Section 13.2 **Admission of New Members.** An Assignee of a Membership Interest shall be admitted as a new Member and admitted to all the rights of the Member who initially assigned the Membership Interest only with the approval of all of the other Members and parties to contribution agreements (treating parties to contribution agreements as if they were Members]. The Members and parties to contribution agreements may grant or withhold the approval of such admission for any reason, in their sole and absolute discretion. If so admitted, the substituted Member has all the rights and powers and is subject to all the restrictions and liabilities of the Member originally assigning the Membership Interest. The admission of a substituted Member, without more, shall not release the Member originally assigning the Membership Interest from any liability to the Company that may have existed prior to the approval. No Assignee shall be admitted as a Member until he or she accepts, ratifies, and agrees to be bound by the terms and conditions of the Articles and this Agreement.

Section 13.3 **Admission of Additional Members.** All Members must approve the admission of additional Members and determine the Membership Interests and Capital Contributions of such Members.

ARTICLE XIV

DISSOLUTION AND WINDING UP

Section 14.1 **Dissolution**. The Company shall be dissolved and its affairs wound up, upon the first to occur of the following events (which, unless the Members agree to continue the business, shall constitute Dissolution Events):

(a) the expiration of the Term, unless the business of the Company is continued with the consent of a Majority in Interest of the Members;

(b) by affirmative vote of a Majority in Interest of the Members entitled to vote;

(c) the occurrence of any event that terminates the continued membership of a Member pursuant to the Act, unless there are at least two (2) remaining Members and the existence and business of the Company is continued by the consent of not less than a Majority in Interest of the Members if so provided in the Articles within 90 days after such termination; or

(d) as otherwise may be required by law.

Section 14.2 **Effect and Notice of Dissolution**.. If dissolution occurs pursuant to Section 14.1(a), (b), or (c), the Company shall deliver a notice of dissolution to the Secretary of State for filing, in accordance with the Act.. Upon dissolution, the Company shall cease carrying on the Company business, except insofar as may be necessary for the winding up of its business, but the Company is not terminated, and continues until the winding up of the affairs of the Company is completed and articles of termination have been accepted by the Secretary of State for filing.

Section 14.3 **Distribution of Assets on Dissolution**. Upon the winding up of the Company, the Company Property shall be distributed:

(a) to creditors, including Members who are creditors, to the extent and in the order permitted by law, in satisfaction of the Company's liabilities; and

(b) to Members in accordance with positive Capital Account balances taking into account all Capital Account adjustments for the Company's taxable year in which the liquidation occurs. Liquidation proceeds shall be paid within 60 days of the end of the Company's taxable year or, if later, within 90 days after the date of liquidation. Such distributions shall be in cash or Property (which need not be distributed proportionately) or partly in both, as determined by the Board of Governors.

Section 14.4 **Winding Up and Articles of Termination**. The winding up of the

Company shall be completed when all debts, liabilities, and obligations of the Company have been paid and discharged or reasonably adequate provision therefor has been made, and all of the remaining property and assets of the Company have been distributed to the Members. Upon the completion of winding up of the Company, articles of termination shall be delivered to the Secretary of State for filing. The articles of termination shall set forth the information required by the Act.

ARTICLE XV

MISCELLANEOUS PROVISIONS

Section 15.1 **Entire Agreement**. This Agreement represents the entire agreement among all the Members and between the Members and the Company.

Section 15.2 **No Partnership Intended for Nontax Purposes**. The Members have formed the Company under the Act, and expressly do not intend hereby to form a partnership under either the Tennessee Uniform Partnership Act or the Tennessee Revised Uniform Limited Partnership Act. The Members do not intend to be partners one to another, or partners as to any third party. To the extent any Member, by word or action, represents to another person that any other Member is a partner or that the Company is a partnership, the Member making such wrongful representation shall be liable to any other Member who incurs personal liability by reason of such wrongful representation.

Section 15.3 **Rights of Creditors and Third Parties**. The Agreement is entered into among the Members for the exclusive benefit of the Company, its Members, and their successors and assignees. This Agreement is expressly not intended for the benefit of any creditor of the Company or any other Person. Except and only to the extent provided by applicable statute, no such creditor or third party shall have any rights under this Agreement or any agreement between the Company and any Member with respect to any Capital Contribution or otherwise.

Section 15.4 **Notices.** All notices, consents, waivers, directions, requests, votes or other instruments or communications required or permitted to be given or made hereunder shall be in writing and (a) delivered personally, (b) sends by an international express courier service, or (c) sent by facsimile transmission to the intended recipient thereof, at its address or facsimile number. Any such notice, consent, waiver, direction, request, vote or other instrument or communication shall be deemed to have been duly given immediately if delivered personally or given or made by confirmed facsimile when actually received, or seven (7) days after delivery to an international express courier service, and in proving the same it shall be sufficient to show that the envelope containing the notice was delivered to the international express courier service or that the receipt of the facsimile was confirmed by the recipient.

Section 15.5 **Choice of law; Forum.** This Agreement shall be construed and governed by the law of the State of Tennessee, and any action brought to enforce or construe this Agreement or any term or provision contained herein shall be brought in the courts of Wilson County, Tennessee.

Section 15.6 **Severability.** In case any one or more of the provisions or any application thereof shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and any other application thereof shall not in any way be affected or impaired thereby.

IN WITNESS WHEREOF, we have hereunto set our hand and seals on the date set forth beside our names.

MEMBER

MEMBER

MEMBER

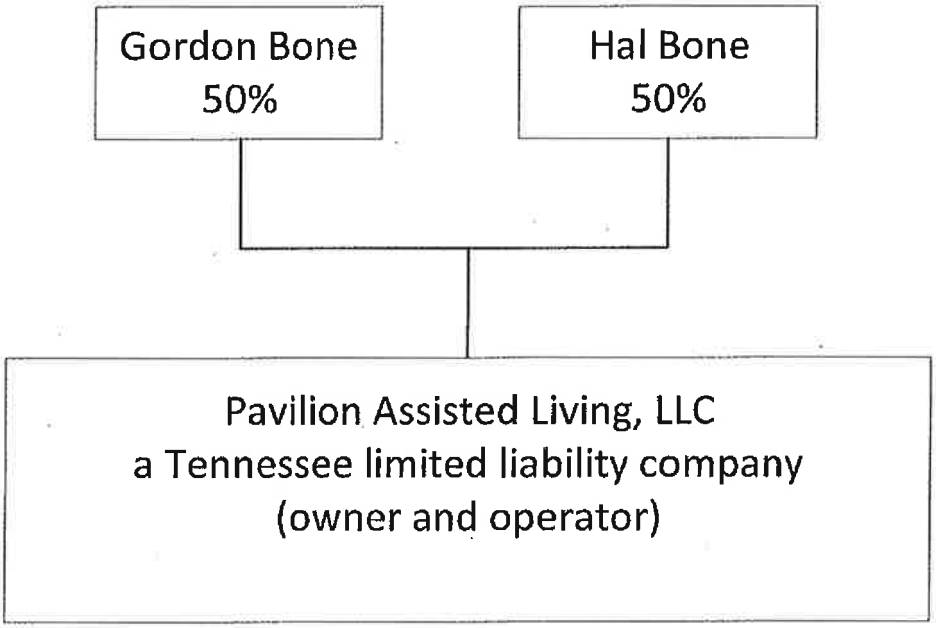
EXHIBIT A

MEMBERS (INCLUDING TAX MATTERS MEMBER)	MEMBERSHIP INTERESTS	AMOUNT OF CASH/ AGREED VALUE OF OTHER PROPERTY/ SERVICES CONTRIBUTED
Hal Bone	24 Units	$100
Gordon Bone	52 Units	$100
Suanne Bone	24 Units	$100

PARTIES TO CONTRIBUTION AGREEMENTS	MEMBERSHIP INTERESTS TO BE ACQUIRED	AMOUNT OF CASH/ AGREED VALUE OF OTHER PROPERTY/ SERVICES TO BE CONTRIBUTED AND TIMING OF/ CONDITIONS TO SUCH CONTRIBUTIONS
None		

PAVILION ASSISTED LIVING, LLC

The Pavilion Senior Living
(Assisted Living and Memory Care)



Attachment Section A-5

Copy of Management Agreement with Stein & Associates, LLC

Stein & Associates, LLC Experience

Since 1999, Stein & Associates has been providing long term care management solutions and consulting services, specializing in the management of nursing facilities. Stein & Associates has provided management services to the Applicant since 2009.

MANAGEMENT AGREEMENT

THIS AGREEMENT made and effective as of the 1st day of February, 2014 by and between STEIN AND ASSOCIATES, LLC, a Mississippi Limited Liability Company having its address at 8520 South 36th Terrace, Fort Smith, Arkansas, 79208, ("Manager") and PAVILION - THS, LLC, a Tennessee limited liability company, having its address at 680 Tennessee Blvd, Lebanon, Tennessee 37087 ("Owner"). This Agreement shall supersede and replace any prior Management Agreement between the parties relating to the Facility.

WITNESSETH

WHEREAS, Owner is the owner and licensee of an intermediate long term care nursing home known as The Pavilion, located at 1406 Medical Center Drive in Lebanon, Tennessee (the "Facility"), and

WHEREAS, Manager is experienced in managing and operating facilities similar to, the Facility; and

WHEREAS, Owner desires Manager to manage and operate the Facility and Manager is willing to do so, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual promises herein contained and intending to be legally bound hereby, the parties hereto agree as follows:

1. **Retention of Manager.** Owner hereby engages Manager, and Manager hereby agrees, to manage and operate the Facility upon the terms and conditions hereinafter set forth during the term of this Agreement so that the Facility will be operated and maintained in a quality manner in substantial compliance with applicable rules and regulations established by any governmental authority having jurisdiction over the Facility.

2. **Term.** The term (the "Term") of this Agreement shall commence on the date hereof and shall end at midnight on November 18, 2014. Thereafter, this Agreement shall renew annually for one (1) year terms until one party gives the other written notice of its intent not to renew at least sixty (60) days prior to the end of the existing term. Either party hereto may terminate this Agreement for Just Cause (as defined in Paragraph 11 hereof) prior to the expiration of the Term by giving the other party thirty (30) days, written notice of the intent to terminate, which notice shall state the reason for which this Agreement is being terminated. In addition, the Owner and/or the Manager shall each have the right to terminate this Agreement for any reason and without penalty on each of the second and fourth anniversaries of the date hereof upon 120 days prior written notice to the other.

3. **Responsibilities and authority of Manager.** During the Term and during any renewal term, Manager shall have the following responsibilities and authority:

(a) Employees . Manager shall select, hire, discharge and replace, on behalf of Owner, all supervisory and non-supervisory personnel necessary to operate and maintain the

Facility. All such persons employed at the Facility shall be hired as employees of the Owner and compensation for such persons shall be the responsibility of the Owner; including the full-time administrator ("Administrator") of the Facility. Notwithstanding anything herein to the contrary, Owner shall have the right to approve the selection of the Administrator. Manager shall at the request of Owner, provide assistance to persons negotiating on Owner's behalf, and at Owner's expense, with any labor union lawfully entitled to represent any or all employees of the Facility, provided that any collective bargaining agreement, or labor contract resulting from such negotiations shall be approved in writing by Owner before it will become binding on Owner and shall so provide. Owner does hereby assume liability for and does hereby indemnify and hold Manager harmless from and against, and does hereby agree to pay, all liabilities, obligations, losses, damages, claims, actions, suits, costs, expenses and disbursements, including legal fees and expenses, of whatsoever kind or nature, whether seen or unforeseen, imposed upon, incurred by or asserted against Manager in any way relating to or arising out of the employment or discharge of persons at the Facility, except in the case of gross negligence or intentional misconduct on the part of Manager.

(b) Rates and Collections of Charges. Manager shall recommend to Owner rates or changes in existing rate structures for the services provided to residents of the Facility and, on behalf of Owner and subject to the provisions of the Loan (as hereinafter defined), shall request, demand, collect and receive any and all such charges, rents or payments as they become due. Manager shall, on behalf of and in the name of Owner, at Owner's expense, evict residents or take other legal action against residents who are delinquent in the payment of any charges, rents or other payments due Owner. Owner does hereby assume liability for, and does hereby agree to and does hereby indemnify and hold Manager harmless from and against, and does hereby agree to pay, all liabilities, obligations, losses, damages, claims, actions, suits, costs, expenses and disbursements, including legal fees and expenses, of whatsoever kind or nature, whether seen or unforeseen, imposed upon, incurred by or asserted against Manager in any way relating to or arising out of the eviction of, or legal action against residents of the Facility by Manager in connection with payment delinquencies, except in the case of gross negligence or intentional misconduct on the part of the Manager.

(c) Computer Services. Manager shall provide to Owner limited computer services required for the operation and management of the Facility through the use of equipment located at Manager's central office. Manager shall be responsible for the design, programming and implementation of all such computer services, as well as the necessary training of employees of the Facility. The fee for such services is included as part of the Management Fee (as hereinafter defined). However, Owner shall retain all software used in operation of the facility upon termination of the agreement.

(d) Improvements to facility. Owner and Manager jointly shall negotiate and contract with contractors and suppliers for the making of improvements, renovations and/or additions to the Facility as may be necessary or advisable for the operation and maintenance of the Facility. All costs of any such improvements, renovations or additions shall be borne solely by Owner.

(e) Books and Records; Accounting Responsibility.

Manager shall maintain a system of office records and books of account for the Facility. Such books and records shall be maintained in accordance with standard accounting practices, under generally accepted accounting principles consistently applied. All such records shall be maintained at the Facility. Without limiting the scope of the foregoing, Manager shall be responsible for the following office and administrative duties:

i. The maintenance of all records for resident billing, billing for all accounts receivable, and collection of same;

ii. The maintenance of all records for accounts payable and the payment of same;

iii. The maintenance of all payroll functions, including, but not limited to, the preparation of payroll checks, establishment of depository accounts for withholding taxes, the filing of payroll reports and returns, the payment of all such taxes, and the issuance of W-2 forms to all employees;

iv. The preparation of all third party insurance forms, if appropriate;

v. The preparation of all reports and returns for all sales, use, and occupancy taxes, to the extent applicable;

vi. The maintenance of a complete general ledger recording and summarizing the transactions of the Facility;

vii. The preparation of the State of Tennessee Cost Reports; and

viii. Other reports as reasonably requested by Owner in conjunction with the Facility or its employees.

(f) Financial Reports and Information.

At the end of each month during the term of this Agreement, Manager shall prepare or cause to be prepared and shall review and submit to Owner (1) a statement of the income and expenses of the Facility, showing the results of operations during the month; (2) a statement of cash receipts and disbursements of Owner in connection with the Facility; and (3) a balance sheet. The cost of preparing the aforesaid financial reporting data shall be included within the Management Fee paid by Owner to Manager. To the extent that Owner requests or any Loan related to the Facility requires that the financial statements of the Facility be audited, Manager agrees to provide any requested information to an auditor approved by Owner. Any audit fees shall be expenses of the Facility.

(g) Budget. Manager shall assist Owner in the preparation of an annual budget for the Facility. Except in the case of emergencies or other circumstances outside the control of Manager, Manager shall operate the Facility subject to, and in substantial accordance with, such budget.

(h) Insurance. Manager shall obtain and maintain, on behalf of Owner and at the expense of Owner, such policies of insurance as Owner shall direct. Such insurance policies shall include, but shall be limited to, the following:

(i) Property insurance against loss or damage by fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles, smoke and such other risks as are now or hereafter included in the uniform standard extended coverage endorsement in use for similar structures (including vandalism and malicious mischief) in an amount covering the full replacement cost of the; Facility;

(ii) Comprehensive general liability insurance providing insurance (with deductible provisions not to exceed $25,000) to the extent of not less than $1,000,000 combined single limit of Liability for personal injury and property damage, with excess coverage or "umbrella" insurance for claims under such coverage in the aggregate of not less than $3,000,000;

(iii) Professional liability insurance providing insurance (with deductible provisions not to exceed $25,000) extent of not less than $1,000,000 per occurrence for malpractice claims, with excess coverage or "umbrella" insurance for claims under such coverage in the aggregate of not less than $3,000,000; provided, however, that the actual minimum required for such coverage shall conform with applicable law, and;

(iv) Worker's compensation insurance.

(v) All insurance provided for under the foregoing provisions of this paragraph shall be effected by policies issued by insurance companies of good reputation and of sound and adequate financial responsibility. Subject to approval by Owner, any insurance of the character described in the foregoing provisions of this paragraph may be effected by Manager by policies of blanket insurance which may cover other properties or locations of Manager and its subsidiaries or affiliates, the premium for which will be prorated among the various properties, including the Facility, covered by said policies, and such allocated portion of said premium cost shall be borne by Owner. All liability insurance policies shall be carried in the name of Owner and Manager and any losses payable under such policies shall be payable to Owner and Manager, as their respective interests may appear. The Manager shall each be named as an additional insured under the policy of professional liability insurance described in (iii) above. Owner's lender that provides financing for the Facility (the "Loan") shall be named as mortgagee and additional insured on the property insurance and the comprehensive general liability insurance policies. All insurance policies shall be shown as an operating expense of the Facility and shall be paid by Owner. Notwithstanding the foregoing provisions of this paragraph, Manager shall not be liable to Owner or any other person if it fails to obtain and/or maintain any of such insurance policies if such failure is (a) the result of Owner's failure to make monies available to Manager to pay the premiums on any such insurance policies in the normal course of business or (b) the failure of Owner or its lender to approve any such insurance policies obtained by Manager or (c) any other act or omission of Owner.

(i) Owner is "Provider"; Control Retained by Owner. Notwithstanding anything herein to the contrary, Owner shall be the holder of all licenses, permits and contracts obtained with respect to the Facility, and shall be the "provider" within the meaning of all third-party payor contracts for the Facility. Specifically, and without limitation, Owner shall own and hold the Medicare and Medicaid provider numbers and provider agreements and shall directly contract with Medicare, Medicaid and all residents of the Facility. This Agreement shall not constitute an assignment (automatic or otherwise) by Owner to Manager of the licenses, permits, contracts, certifications or provider agreements with respect to the Facility. Although Manager, as part of Manager's services pursuant to this Agreement, shall make recommendations to Owner and perform services on Owner's behalf related to the Facility, Owner has and shall at all times retain under this Agreement such ultimate authority and control over the Facility as is required by law.

4. **Management Fee.** As compensation for the services to be performed hereunder by Manager, Owner shall pay to Manager a management fee (the "Management Fee") as follows:

(a) Beginning on the date of this Agreement and continuing for the Term hereof, the Management Fee will be a periodic fixed fee of $ **7,500** per month. The Management Fee is payable in advance on or before the first day of each calendar month, without setoff or deduction and shall be paid in addition to all costs and expenses incurred by Manager in connection with the operation of the Facility. Owner shall pay to Manager interest at the rate of 1-1/2% per month (or portion thereof) on any portion of the Management Fee not paid by the first day of the month to which the payment relates.

(b) Payment of the Management Fee shall be subordinate to the payment by Owner of regular monthly payments of principal and interest due and to become due by Owner under any financing arrangements, including the Loan. Provided, however, that nothing contained herein shall limit the accrual of interest on unpaid portions of the management Fee as set forth in subparagraph 4(a) and paragraph 5 hereof, the right of Manager to terminate this Agreement as set forth in paragraph 11(b) of this Agreement or, commencing three months after the date any unpaid portion of the Management Fee shall have first become due, all other rights and remedies available to Manager at law or in equity including without limitation the right of action to collect unpaid portions of the management Fee.

5. **Expenses.** All costs and expenses incurred in the operation of the Facilities shall be considered an operating expense of, and shall be paid by the Facility as hereinafter set forth. Owner shall provide sufficient working capital to meet the operating expenses of the Facility.

6. **Contracts and Purchases.** Manager shall enter into such contracts and shall make such purchases, in the name of and at the expense of Owner, as Manager, in the exercise of its professional judgment, determines to be necessary or advisable for the furnishing of all utilities, services, food, beverages, concessions and/or supplies for the maintenance and operation of the Facility. Purchase of capital assets in excess of Three Thousand Dollars ($3,000.00) that are not provided for in the annual budget shall be approved by Owner. Notwithstanding the foregoing, Manager shall not enter into any contract, the term of which

extends beyond one (1) year, without first obtaining the written consent of Owner, which consent shall not be unreasonably delayed or withheld.

7. Operating Procedures. In the operation of the Facility, manager shall utilize the procedures, systems and controls, together with associated forms, which have been developed by Manager for the purpose of providing effective management techniques and functions for the benefit of similar facilities. Manager also shall utilize such current techniques and directives which are appropriate, in the judgment of Manager, to maintain a high standard of resident care and operating efficiency at the Facility and to substantially satisfy all applicable local, state and federal regulations, procedures, systems and controls which may be developed from time to time by Manager, and shall do all other things determined by Manager in its sole judgment as reasonably necessary and proper to maintain the quality of resident care and service, the efficient operation of the Facility, and to substantially satisfy such local, state and federal laws, regulations, or ordinances governing the operation of the Facility.

8. Fidelity Bonds. The Administrator and any other employee of Manager *or* of Owner responsible for handling any of the funds of Owner or of the Facility shall be bonded by a fidelity bond.

9. Rights and Duties of Owner. Owner shall have the right to appoint an agent to consult with Manager on policies, procedures and practices to be established and maintained for the operation and maintenance of the Facility, and Manager shall have the right to rely on the decision or direction of such agent. Owner shall provide Manager with necessary facilities, equipment, funds and resources to enable Manager to perform the management services described herein. Owner or its nominee(s) shall have the right to enter upon any part of the Facility at any time without notice for purposes of inspecting the Facility. Owner shall have the right to enter the Facility at any time during normal business hours for the purposes of examining or inspecting or making extracts of the books and records of the Facility.

10. Standards of Performance. Anything in this Agreement to the contrary notwithstanding, in the performance of any of its obligations under this Agreement, Manager shall only be required to act in good faith and with reasonable diligence, providing the Facility with similar management services and techniques which it employs at similar facilities managed or operated by Manager and any such obligation and the performance thereof by Manager shall at all times be subject to and limited by (i) the availability to Manager of sufficient funds of the Facility, (ii) budgeting and other decisions and policies made, enacted or adopted by Owner and (iii) restrictions, limitations or constraints imposed by or resulting from the Loan. The determination of any breach hereunder or of the existence of any default or event of default by Manager under the provisions of Paragraph 11(a) hereof shall only be made after giving full effect and consideration to these standards of performance.

11. Just Cause.

(a) Termination by Owner. Owner may, in accordance with Paragraph 3 hereof, terminate this Agreement, under the following circumstances which circumstances shall constitute "Just Cause":

(i) An order, judgment, or decree shall be entered by any court of competent jurisdiction on the application of a creditor, adjudicating Manager as bankrupt or insolvent;

(ii) Manager shall, for reasons attributable to Manager, fail or be unable, to maintain those governmental licenses or approvals of the Facility necessary to admit new patients and to continuously qualify the Facility for Medicaid and Veterans Administration reimbursement programs;

(iii) Manager shall fail to keep, observe or perform any material covenant, agreement, term or provision of this Agreement required to be kept, observed or performed by Manager and such default shall continue for a period of thirty (30) days after notice thereof by Owner;

(iv) All or a substantial part of the Facility shall be damaged or destroyed by fire or other casualty or any other cause as to make it imprudent or unreasonable to use the remaining portion of the facility as a facility of the type existing immediately preceding such casualty or other cause;

(v) All or a substantial part of the Facility shall be condemned or taken in any eminent domain or condemnation proceeding; or

(vi) Manager shall fail to operate the facility substantially in accordance with the approved budget for reasons attributable to intentional misconduct or negligence by Manager.

(b) Termination by Manager. In addition to any other rights or remedies of Manager under this Agreement or otherwise available to Manager at law or in equity, Manager may, in accordance with Paragraph 3 hereof, terminate this Agreement, under the following circumstances which circumstances shall constitute "Just Cause",

(i) An order, judgment, or decree shall be entered by any court of competent jurisdiction on the application of a creditor, adjudicating Owner as bankrupt or insolvent or Owner shall file a petition or seek protection under the Federal Bankruptcy Code or any state insolvency statute;

(ii) Owner shall fail to keep, observe or perform any material covenant, agreement, term or provision of this Agreement required to be kept, observed or performed by Owner and such default shall continue for a period of thirty (30) days after notice thereof by Manager;

(iii) All or a substantial part of the Facility shall be damaged or destroyed by fire or other casualty or other cause as to make it imprudent or unreasonable to use the

remaining portion of the Facility as a facility of the type existing immediately preceding such casualty or other cause; or

(iv) All or a substantial part of the Facility shall be condemned or taken in any eminent domain or condemnation proceeding.

(v) Owner shall, fail to pay to Manager, when due, the Management Fee or any other fees or payments referred to in this Agreement. Provided, however, that in the event Owner should be unable to pay to Manager the Management Fee when the same shall have become due only by reason of the subordination of the Management Fee to the Loan, Manager may not terminate this Agreement as a result of such failure to pay the Management Fee until three months after any portion of the Management Fee shall have first become due; provided, further, that nothing contained in this provision shall affect the rights of Manager to terminate this Agreement if Owner should fail to pay the Management Fee for any other reason or should fail to pay any other fees or should fail to make any other payments referred to in this Agreement or for any other reason set forth in this Agreement,

(vi) An Event of Default, as defined in the Loan documents, shall have occurred or Owner shall have otherwise defaulted in connection with its financing for the Facility.

12. **Confidentiality.**

(a)(1) Manager agrees to hold as confidential any proprietary information it obtains from Owner, and any information regarding the operation and maintenance of the Facility including, without limitation, identities or lists of residents, residents' family members, doctors, nurses or other providers of services, suppliers, subcontractors, as well as all costs and expenses of operation and maintenance. Manager agrees not to disclose to others (except as required by law or regulation for maintenance of licenses and certifications), or use for itself, any proprietary, information obtained by Manager during the performance of services hereunder.

(2) Upon expiration or termination of this Agreement, Manager shall return to Owner all original documents and all copies thereof, except for one copy which Manager may maintain for record purposes only, which relate in any way to the performance of services hereunder, and the operation and maintenance of the Facility, including, without limitation, personnel records, resident records, purchase orders, material receiving reports, checks, vouchers, and all bills of account however maintained whether in written form or magnetic media.

(3) The restriction on non-use and non-disclosure shall continue to apply for a period of three years after expiration or termination of this Agreement.

(b)(1) Owner agrees that it shall at all times during the term of this Agreement utilize all of Manager's various forms, manuals and reporting systems.

(2) It is specifically agreed and understood that all such forms, manuals and systems of Manager shall be and remain the exclusive property and in the ownership of Manager, and shall not at any time during or subsequent to the Term of this Agreement be duplicated or distributed by Owner or subsequent to the Term of this Agreement be used by Owner. It being further understood and agreed that the contents or all such manuals, forms and systems shall be considered proprietary to Manager and confidential in nature and the dissemination of same or any information contained therein to third party shall be strictly prohibited.

13. **Miscellaneous.**

(a) Notices. Any notice or other communication by either party to the other shall be in writing and shall be given, and be deemed to have been duly given, if either delivered personally or mailed, postage prepaid, by registered or certified mail, addressed as follows:

To Owner: Pavilion - THS, LLC
c/o Total Healthcare Systems, LLC
680 Tennessee Blvd
Lebanon, Tennessee, 37087

To Manager: Stein & Associates, LLC

8520 South 36th Terrace
Fort Smith, AR 72908

or to such other address and to the attention of such other person or officer as either party may designate in writing.

(b) Successors and Assigns. This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns, but, neither Owner nor Manager may assign this Agreement or any of its rights or benefits hereunder, or delegate the performance of any of its responsibilities, duties or functions hereunder, without the specific prior written consent of the other.

(c) Modifications and Changes. This Agreement cannot be changed or modified except by another agreement in writing signed by the party sought to be charged therewith or by its duly authorized agent.

(d) Understanding and Agreement. This Agreement constitutes all of the understandings and agreements of whatsoever nature or kind existing between the parties with respect to Manager's managership of the Facility.

(e) Headings. The paragraph and subparagraph headings contained herein are for convenience of reference only and are not intended to define, limit, or describe the scope or intent of any provision of this Agreement.

(f) Governing Law: Jurisdiction and Venue. This Agreement shall be deemed to be an agreement under the laws of the State of Arkansas and for all purposes shall be governed by and construed in accordance with the laws of said State. Owner and Manager agree that any suit, action or other legal proceedings under or in connection with this Agreement shall be brought in the Courts of the State of Arkansas in Sebastain County, Arkansas. and Owner and Manager waive any objection to such jurisdiction and to the laying of the venue of any suit, action or other legal proceedings in any of such courts.

(g) Severability. Should any part of this Agreement be declared invalid for any reason, such decision shall not affect or impair the validity of the remaining part or parts hereof, and this Agreement shall remain in full force and effect as to all parts not declared invalid or unenforceable as if the same had been executed with the invalid or unenforceable portion(s) thereof eliminated.

(h) Independent Contractor. Nothing contained in this Agreement shall constitute or be construed to be or to create a partnership, joint venture or lease between Owner and Manager with respect to the Facility or any equity interest in the facility on the part of Manager. The relationship of Manager to Owner under this Agreement is that of an independent contractor.

14. HUD Addendum. The parties acknowledge that Owner desires to refinance existing debt secured by the Facility by borrowing funds pursuant to a Loan to be insured by the U.S. Department of Housing and Urban Development ("***HUD***") under the provisions of Section 232 of the National Housing Act and the regulations thereunder. Notwithstanding any clause or provision herein to the contrary and so long as HUD or a successor or assign of HUD is the insurer or holder of the Loan, the provisions set forth on Addendum A shall be effective and shall prevail over any conflicting term hereof.

[signatures on following page]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement effective as of February 1, 2014.

OWNER:

PAVILION - THS, LLC,
a Tennessee limited liability company

By: _____
H. Gordon Bone, Jr.
President

MANAGER:

STEIN & ASSOCIATES, LLC

By _____
James M. Stein, President

ADDENDUM A
TO
MANAGEMENT AGREEMENT

Section 15. HUD Requirements. Owner and Manager acknowledge that the owner of the Project, Pavilion - THS, LLC, a Tennessee limited liability company ("***Owner***"), is borrowing funds pursuant to a loan (the "***Loan***") from Lancaster Pollard Mortgage Company, LLC, a Delaware limited liability company (the "***Lender***"), which Loan is to be insured by the U.S. Department of Housing and Urban Development ("***HUD***") under the provisions of Section 232 of the National Housing Act, and the regulations thereunder. The Loan is to be secured by the Project. Notwithstanding any clause or provision herein to the contrary and so long as HUD or a successor or assign of HUD is the insurer or holder of the Loan, the following provisions shall prevail:

(a) Termination of Management Agreement.

(i) This Agreement shall terminate without penalty upon failure to comply with the provisions of Management Certification - Residential Care Facility (form HUD-9839-ORCF) from Manager to HUD, or for other good cause, including without limitation for violations of the Healthcare Regulatory Agreement - Borrower by and between Operator and HUD relating to the Project (the "***Borrower Regulatory Agreement***"), the Healthcare Regulatory Agreement - Operator by and between Operator and HUD relating to the Project (the "***Operator Regulatory Agreement***"), and, if applicable, any Healthcare Regulatory Agreement - Master Tenant relating to the Project (the "***Master Tenant Regulatory Agreement***") thirty (30) days after HUD has mailed the Operator a written notice of its desire to terminate the Management Agreement.

(ii) In the event that HUD determines that any of the Permits and Approvals (as defined in the above referenced Borrower Regulatory Agreement, Operator Regulatory Agreement or Master Tenant Regulatory Agreement, if one) reasonably necessary to operate the Project is at substantial and imminent risk of being terminated, suspended or otherwise restricted, if such termination, suspension or other restriction would have a material adverse effect on the Project, this Agreement shall terminate immediately without penalty upon HUD's issuance of a notice of termination to the Operator and Manager.

(iii) In the event of default under the Healthcare Facility Note executed by Operator in favor of Lender (the "Note"), the Borrower Regulatory Agreement, Operator Regulatory Agreement, and, if applicable, the Master Tenant Regulatory Agreement or any subsidy contract attributable to Manager, this Agreement shall be subject to the immediate termination without penalty upon written notice from HUD.

(iv) HUD has the right to terminate this Agreement if HUD becomes a Mortgagee-in-Possession ("MIP");

(v) If this Agreement is terminated the Manager will immediately, not later than ten (10) calendar days from the effective date of the termination, give to the Operator all of the real and personal property in the Manager's possession or control, including without limitation any of the Project's cash, trust accounts, investments, books and/or records.

(b) Assignment and Amendment. This Agreement may not be assigned or materially amended without the prior written approval of HUD, and any material amendments to this Agreement must be acceptable to HUD in accordance with Program Obligations.

(c) Books, Records and Accounts. The books, records, and accounts with respect to the operations of the Project, shall be kept in accordance with the requirements of Section 19 of the Borrower Regulatory Agreement and be available for examination by HUD or its authorized representatives after reasonable prior notice during customary business hours at the Project or other mutually agreeable location or, at HUD's request, the Manager shall provide legible copies of such documents to HUD or its authorized representatives within a reasonable time after HUD or its authorized representative makes the request.

(d) Program Obligations. If there is a conflict between the Management Agreement and Program Obligations (as defined in the above-referenced Management Certification), the Program Obligations shall control.

(e) Claims to Operator Funds. In no event shall the Manager have rights to or claims on funds owed to Operator.

(f) Subordination. This Agreement and all unaccrued, and accrued but unpaid, fees of any kind now or from time to time hereafter owing to Manager thereunder shall be subordinate to the Loan and all amounts payable from time to time from Operator to Lender, or any successor thereto, in connection with the Loan. For clarification purposes, the term "subordinate" as used above means that Manager shall be entitled to payment for services performed under this Agreement while it is in effect except for periods during which a payment default exists under the Loan.

(g) Management Fees. The management fees shall be computed and paid according to HUD requirements.

(h) Misc. Manager agrees to perform its duties and obligations under the Agreement consistent with the requirements and obligations of the Borrower Regulatory Agreement, Operator Regulatory Agreement, Note, and any other document executed in connection with the loan.

Attachment Section A-6A

Deed

NEW OWNER:

PAVILION-THS, LLC
838 Carthage Highway
Lebanon, TN 37087

SEND TAX BILLS TO:
NEW OWNER

THIS INSTRUMENT PREPARED BY:

Rochelle, McCulloch & Aulds, P.L.L.C.
Attorneys at Law
109 North Castle Heights Ave.
Lebanon, TN 37087

Map 058
Parcel 016.19

BK/PG: 1463/2190-2193
11457419
4 PGS : AL - DEED
JILL BATCH: 229368
11/22/2011 - 02:12 PM

VALUE	369700.00
MORTGAGE TAX	0.00
TRANSFER TAX	1367.89
RECORDING FEE	20.00
DP FEE	2.00
REGISTER'S FEE	1.00
TOTAL AMOUNT	1390.89

STATE OF TENNESSEE, WILSON COUNTY
JOHN B SPICKARD
REGISTER OF DEEDS

WARRANTY DEED

FOR AND IN CONSIDERATION of the sum of **THREE HUNDRED SIXTY-NINE THOUSAND SEVEN HUNDRED and 00/100 Dollars ($369,700.00)** cash in hand paid, the receipt of which is hereby acknowledged, **COMMUNITY PROGRESS COMMITTEE, INC. THE PAVILION-CPC**, a Tennessee not-for-profit corporation, ("Grantor") has this day bargained and sold and by these presents does hereby transfer and convey unto **PAVILION-THS, LLC**, a Tennessee limited liability company, ("Grantee"), its successors and assigns, forever, the following tract or parcel of land, situated and lying in the 3rd Civil District of **WILSON** County, Tennessee, bound and described as follows, to-wit:

> Land located in the 3rd Civil District of Wilson County, Tennessee, and being known and designated as all of Lot No. 6 on the Final Plat For Phase 2 UNIVERSITY BUSINESS CENTER, prepared by Couch Enterprises, LLC dated 10/28/08, as revised, and being of record in Plat Book 26, Page 956, in the Register's Office for Wilson County, Tennessee, to which plat reference is hereby made for a more complete description.
>
> Being part of the same property conveyed to Community Progress Committee, Inc. The Pavilion-CPC, a Tennessee not-for-profit corporation, by quitclaim deed from Community Progress Committee, Inc., a Tennessee not-for-profit corporation, dated September 12, 2008, of record in Book 1321, Page 2251, in the Register's Office for Wilson County, Tennessee, and by quitclaim deed from Harold Gordon Bone and Sam Stratton Bone, Jr. dated September 12, 2008 of record in Book 1321, Page 2253, and by quitclaim deed from Harold Gordon Bone and Sam Stratton Bone, Jr. dated July 1, 2009 of record in Book 1361, page

1924, said Register's Office. Reference is further made to deeds of record in Book 946, page 1044, and Book 1319, Page 541, said Register's Office.

This description is the same as in the prior deed.

THIS IS IMPROVED PROPERTY which has the address of 1406 MEDICAL CENTER DRIVE, LEBANON, TN 37087.

TO HAVE AND TO HOLD said property, together with any and all appurtenances and improvements thereunto, belonging to the said Grantee, its successors and assigns, in fee simple, forever.

GRANTOR covenants with said Grantee that Grantor is lawfully seized and possessed of said property; that Grantor has a good and lawful right to make this conveyance; that the same is free, clear and unencumbered, except for the matters noted in Exhibit "A" attached hereto and made a part hereof; and Grantor will forever warrant and defend the title thereto against the lawful claims of all persons whomsoever.

THIS CONVEYANCE is made subject to all visible easements, rights-of-way and matters shown on the plat of record at Plat Book 26, Page 956, matters shown on Exhibit "A" attached hereto, and any and all restrictions, existing roadways, easements and rights-of-way of record.

POSSESSION shall be given on the date of the deed.

PROPERTY TAXES for the current year shall be assumed by the Grantee as of date of the deed.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the undersigned have executed or caused this instrument to be executed by their duly authorized representative, this the 18th day of November, 2011.

COMMUNITY PROGRESS COMMITTEE, INC. THE PAVILION-CPC,
a Tennessee not-for-profit corporation

By: _____
HAROLD GORDON BONE, JR.
President

STATE OF TENNESSEE

COUNTY OF WILSON

Personally appeared before me, the undersigned authority, a notary public in and for the state and county aforesaid, **HAROLD GORDON BONE, JR.**, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), who acknowledged that he is **President of Community Progress Committee, Inc. The Pavilion-CPC, a Tennessee not-for-profit corporation**, and as such authorized officer, being given the authority to so do, executed the within instrument on behalf of the corporation by signing its name as such authorized officer.

WITNESS my hand and official seal at office, this 18th day of November, 2011.

_____
NOTARY PUBLIC

My commission expires: _____

MATTHEW H. RYAN
STATE OF TENNESSEE NOTARY PUBLIC
Comm. Exp. 7-8-2014
WILSON COUNTY

****

The actual consideration or value, whichever is greater, for this transfer is $369,700.00.

_____
AFFIANT

Sworn to and subscribed to before me this 18th day of November, 2011.

_____
NOTARY PUBLIC

My commission expires: _____

MATTHEW H. RYAN
STATE OF TENNESSEE NOTARY PUBLIC
Comm. Exp. 7-8-2014
WILSON COUNTY

EXHIBIT A
Permitted Exceptions

1. City and County Taxes for the year 2011 are a lien not yet due and payable. (Map 58, Parcel 16.19 & SI.)

2. Subject to any and all matters shown on the plats of record in Plat Book 26, Page 956.

3. Subject to any and all matters shown on the plat of record in Plat Book 24, Page 415, and at Plat Book 13, Page 38 and at Plat Book 16, Page 492.

4. Subject to any matters on the plat of record in Plat Book 13, Page 38, including but not limited to the exact location of railroad right-of-way.

5. Subject to any matters shown on the plat of record in Plat Book 16, Page 492; including but not limited to Texas Eastern Transmission Corporation easement as shown thereon and to the exact location of the L & N Railroad right-of-way.

6. Restrictive covenants of record in Deed Book 281, Page 397, but omitting any covenant or restrictions based on race, color, religion, sex, handicap, familial status or national origin unless and only to the extent that said covenant (a) is exempt under Chapter 42, Section 307 of the United States Code or (b) relates to handicap but does not discriminate against handicapped persons.

7. Subject to easement in favor of University Medical Center, Inc. or University Investors, LTD for ingress/egress, of record in Deed Book 344, Page 59.

8. Subject to power line easement in favor of Tennessee Electric Power of record in Deed Book 98, Page 137.

9. Subject to easement in favor of Texas Eastern Transmission Corporation of record at Trust Deed Book 150, Page 379; Deed Book 159, Page 616, as amended at Trust Deed Book 395, Page 292, Deed Book 404, Page 931.

10. Subject to right of way grant to Texas Eastern Transmission Corporation at Deed Book 160, Page 239 and 241; at Deed Book 167, Page 399; at Deed Book 134, Page 495 and at Deed Book 147, Page 231.

11. Subject to right of way for ingress and egress in favor of City of Lebanon of record at Deed Book 140, Page 369.

12. Subject to easement and right of way for ingress and egress in favor of USA at Deed Book 387, Page 506 and at Deed Book 393, Page 490.

13. Agreement for future connection to roadway of record at Book 1319, Page 876.

14. Grant of temporary construction and permanent drainage easement of record at Book 1319, Page 870.

15. Deed of Trust of record in Book 1321, Page 2255, dated September 15, 2008, from Community Progress Committee, Inc. The Pavilion-CPC, a Tennessee not-for-profit corporation, to Hugh M. Queener, Trustee, securing $4,100,000.00, to Pinnacle National Bank.

    Together with UCC Fixture Filing of record in Book 1321, Page 2273.

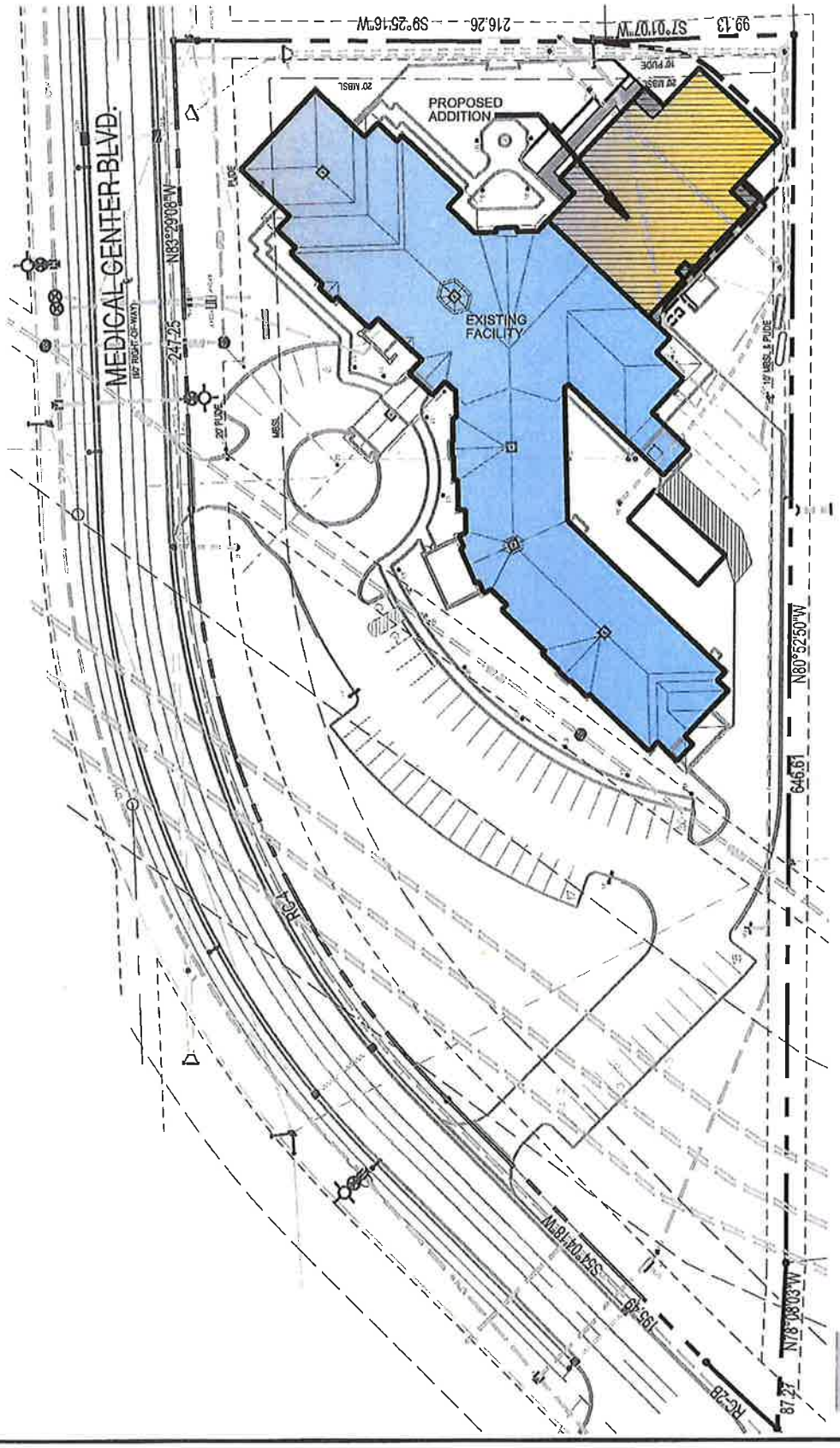
16. Deed of Trust of record in Book 1332, Page 1840, dated January 5, 2009, from Community Progress Committee, Inc. the Pavilion-CPC, a Tennessee not-for-profit corporation, to David B. Foutch, Trustee, securing $100,000.00, to Liberty Dollar Financial Services, Inc; as modified by Modification of Deed of Trust of record in Book 1332, Page 1840; Subordination of Deed of Trust of record in Book 1388, Page 1778.

17. Deed of Trust, Assignment of Leases and Security Agreement of record in Book 1388, Page 1759, dated February 26, 2010, from Community Progress Committee, Inc. The Pavilion-CPC, a Tennessee not-for-profit corporation, and Harold Gordon Bone, Sam Stratton Bone, Jr. and Walter Smithwick, III, to Robert L. McDonald, Trustee, securing $1,500,000.00, to Cedarstone Bank.

Attachment Section A-6B-1 (a-d)

Plot Plan

Attachment A,
Project Description-IV(A)
Pavilion Senior Living
(Site Plot Plan)



PROJECT DATA

SITE ACREAGE: 4.13 ACRES

ADDRESS: 1406 MEDICAL CENTER BLVD.
LEBANON, TENNESSEE 37087

Site Plot Plan

40 20 0 40 80
scale: 1"=80'-0"

MANOUS DESIGN
142 Public Square Lebanon, Tn. 37087
v:615.444.6207 f:615.444.0853
Michael L Manous, R.A. Mike@ManousDesign.com

LONG TERM CARE UNIT
THE PAVILION THS, LLC
1406 MEDICAL CENTER BLVD.
LEBANON, TENNESSEE

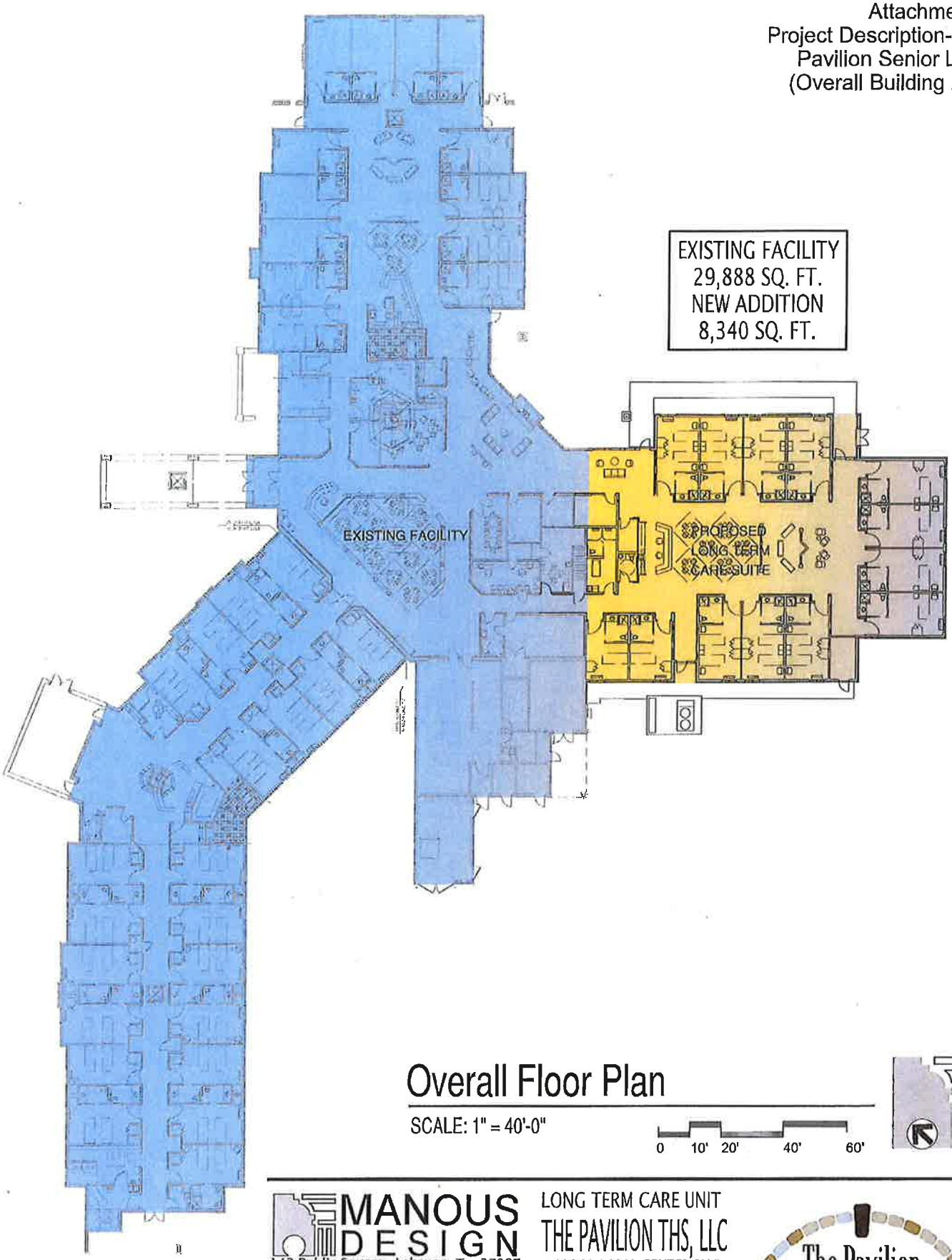
The Pavilion
SENIOR LIVING

ALL INFORMATION SUBJECT TO COPYRIGHT RESTRICTIONS. MANOUS DESIGN RETAINS THE RIGHTS TO ALL INTELLECTUAL PROPERTY DEPICTED ON THIS DOCUMENT

Attachment Section A-6B-2

Floor Plan

Attachment B,
Project Description-IV(B)
Pavilion Senior Living
(Overall Building Plan)



Overall Floor Plan

SCALE: 1" = 40'-0"

0 10' 20' 40' 60'

MANOUS DESIGN
142 Public Square Lebanon, Tn. 37087
v:615.444.6207 f:615.444.0853
Michael L Manous, R.A. Mike@ManousDesign.com

LONG TERM CARE UNIT
THE PAVILION THS, LLC
1406 MEDICAL CENTER BLVD.
LEBANON, TENNESSEE

The Pavilion
SENIOR LIVING

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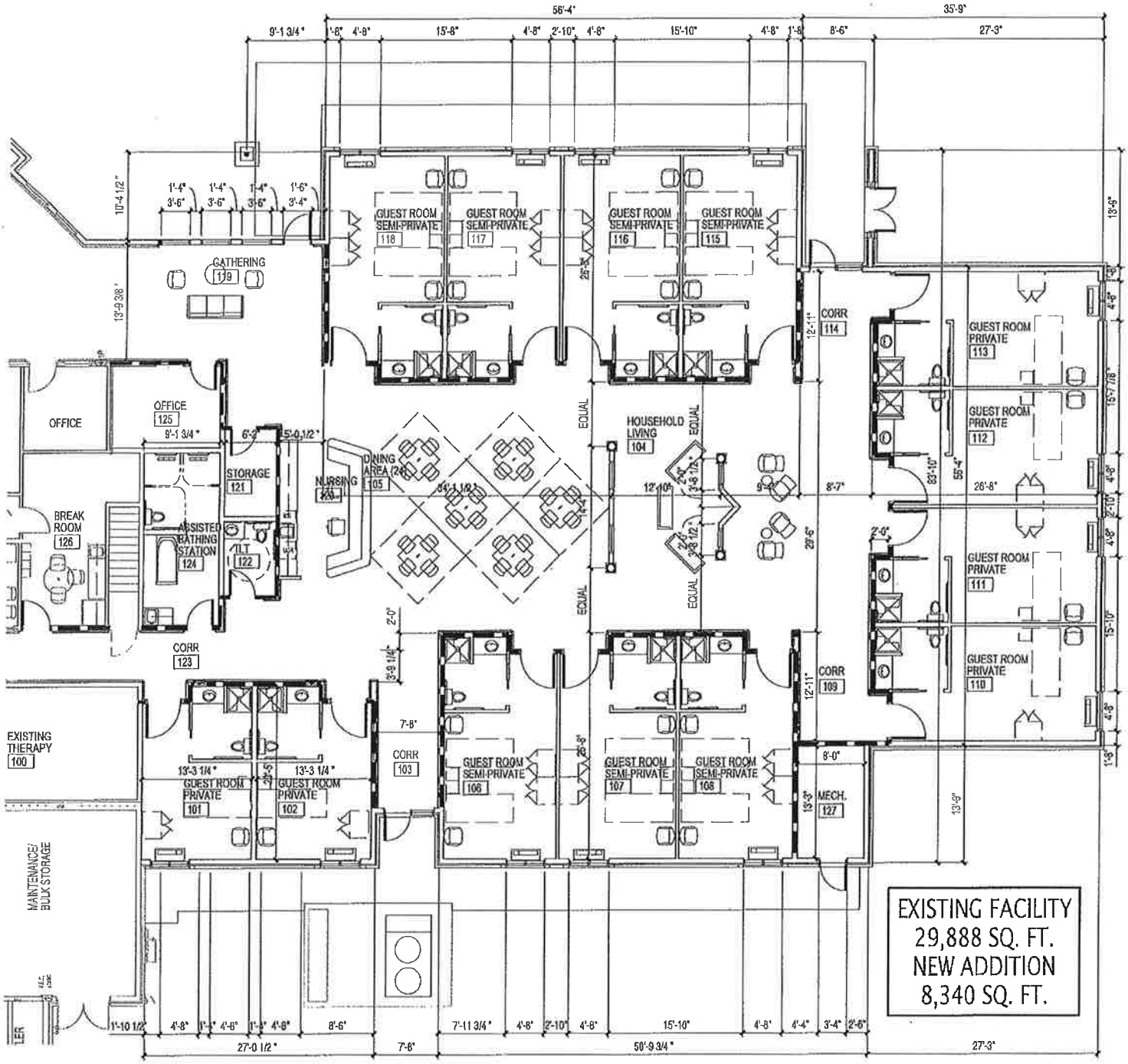
Attachment C, Project Description-IV(C)
(Pavilion Senior Living - Floor Plan)



Floor Plan

SCALE: 1/16" = 1'-0"

0 4' 8' 16' 24'

MANOUS DESIGN
142 Public Square Lebanon, Tn. 37087
v:615.444.6207 f:615.444.0853
Michael L Manous, R.A. Mike@ManousDesign.com

LONG TERM CARE UNIT
THE PAVILION THS, LLC
1406 MEDICAL CENTER BLVD.
LEBANON, TENNESSEE

The Pavilion
SENIOR LIVING

ALL INFORMATION SUBJECT TO COPYRIGHT RESTRICTIONS. MANOUS DESIGN RETAINS THE RIGHTS TO ALL INTELLECTUAL PROPERTY DEPICTED ON THIS DOCUMENT

Attachment Section A-6B-3

Accessibility

Attachment Section A-6B-3

Accessibility

Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

RESPONSE:

There is no public mass transportation in Lebanon. The Nursing Home is approximately 2.5 miles from the station for the Nashville Star commuter rail line. The Nursing Home is easily accessible by car, located approximately 3.8 miles from US Interstate 40 and off Baddour Parkway, a bypass road from Highway 70. The Nursing Home is less than .5 mile from Tennova Healthcare Center, the area hospital.

Attachment Section A-10

Attachment Section A-10

Describe the reasons for change in bed allocations and describe the impact the bed change will have on the applicant facility's existing services

The Applicant intends to add twenty (20) dually certified Medicare and Medicaid beds as a result of the proposed project. The additional beds are required to ensure the Applicant's ability to continue to meet the needs of the residents of Wilson County. The Nursing Home currently maintains near capacity occupancy.

The new assisted living and memory care facility (the "ALF") located just steps from the Nursing Home opening in August of 2017 and the independent living community ("ILF") opening in Summer 2018 will both be located just steps from the Nursing Home and will increase the bed need of the Nursing Home. The Applicant and the other Pavilion Entities want to assure residents of the ALF and ILF that they will be able to age in place.

Further, any ALF (and later, ILF) resident needing short-term post-acute (such as for a hip replacement) care will be more comfortable on the same campus as their permanent home and spouse and friends. The ability for ALF (and later, ILF) residents to access the Nursing Home in periods of post-acute care will ensure residents experience the least disruption in care.

The Applicant currently provides much needed health care services to its community and the development of a campus containing assisted living and memory care services and independent living will further benefit residents and future residents of the area. A campus offering residents the entire residential continuum -- from independent housing to assisted living to round-the-clock nursing services -- will be the first one of its kind in Wilson County.

The comprehensive continuum of services that will be offered on the campus will allow individuals to "age in place" in a community that they have chosen to call home. A comprehensive development concept avoids the relocation of individuals from their friends, spouses and greater community when they require additional healthcare services or care in residential health facility.

Residents of the ALF or ILF requiring sub-acute, short-term care following surgery can utilize the Nursing Home which will not only ensure the best continuity of care, but also the feel that they are still "at home" and close to spouses and other loved ones.

Attachment Section B
Need - General

Letters of Support

MARK PODY
STATE REPRESENTATIVE
46TH LEGISLATIVE DISTRICT
CANNON, DEKALB AND WILSON COUNTIES

203 WAR MEMORIAL BUILDING
NASHVILLE, TENNESSEE 37243-0146
(615) 741-7086
TOLL FREE: 1-800-449-8366 EXT. 1-7086
FAX (615) 253-0206

E-MAIL:
rep.mark.pody@capitol.tn.gov

House of Representatives
State of Tennessee

NASHVILLE

DISTRICT OFFICE:
113 South Cumberland Street
LEBANON, TENNESSEE
37087

Vice Chairman
Consumer & Human Resources Committee

Member of Committee
Insurance & Banking

Consumer & Human Resources Sub

June 5, 2017

Health Services & Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Members of Health Services & Development Agency,

As State Representative of District 46 and a resident of Lebanon, I am writing this letter of support for the Pavilion-THS,LLC CON application requesting 20 additional dually certified beds. The Pavilion continues to provide compassionate care for the residents of Wilson county needing skilled nursing services in our community. We owe it to our residents to be able to provide them a place to age in place at the standard they deserve.

One of my concerns has been the difficult task of my constituents from Wilson County to be admitted at The Pavilion for skilled nursing services due to their beds being full. There have been several constituents, their families request The Pavilion for skilled nursing, and when the time comes for admission, they have been denied due to no beds being available. The need for more beds in our community is imperative to keep our family and friends local and to give the care they want and deserve in our own community.

I support this CON request because we need more beds in Lebanon, Tennessee to meet the needs of our local residents. They truly are Senior Living You Can Trust. Please let me know if you have any questions.

Sincerely,

Mark A Pody

Mark A. Pody
State Representative

MAP:ds

CITY OF LEBANON

Office of the Mayor

200 North Castle Heights Avenue
Lebanon, TN 37087
bernie.ash@lebanontn.org
615-443-2839

Bernie Ash
Mayor

Debbie Jessen
Mayoral Assistant

June 1, 2017

Letter of Support:
State of Tennessee Department of Health & Development
For the Expansion of The Pavilion Senior Living, 1409 Medical Center Drive, Lebanon, TN

The City of Lebanon is fortunate to have an outstanding senior living facility, The Pavilion. I would ask that you consider The Pavilion's petition to expand.

The number of elderly and disabled Americans is dramatically increasing. The high demand for a quality living facility for our seniors has outgrown the available beds at The Pavilion. We are in need of adding more beds immediately. This inviting and well-run facility currently turns away residents to their second choice of skilled nursing facilities or even to other counties' facilities daily. The Pavilion plans to add more rooms, both private and semi-private. These rooms will serve two purposes, the rehabilitation needs of the residents of our community and the long-term care needs of our local residents.

The Pavilion offers a quality environment with service that fosters choice, dignity and independence. The support provided by the caring staff goes beyond physical care and healing to enrich the lives of the residents.

I would ask that you grant the request for The Pavilion's expansion. Please contact me if I can be of assistance in making this expansion a reality.

Sincerely,

Bernie Ash
Mayor

BA/daj

MAE BEAVERS
STATE SENATOR
17TH SENATORIAL DISTRICT
CANNON, CLAY, DEKALB, MACON, SMITH,
AND WILSON COUNTIES

LEGISLATIVE OFFICE
SUITE 6, LEGISLATIVE PLAZA
NASHVILLE, TN 37243-0223
PHONE: (615) 741-2421
FAX: (615) 253-0205

COMMITTEES
GOVERNMENT OPERATIONS COMMITTEE
SENATE TRANSPORTATION & SAFETY
COMMITTEE

EMAIL
sen.mae.beavers@capitol.tn.gov

Senate Chamber
State of Tennessee
Nashville

May 31, 2017

Health Services & Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Members of Health Services & Development Agency,

I am writing this letter of support for the Pavilion-THS, LLC CON application requesting 20 additional dually certified beds. The Pavilion continues to provide compassionate care for the residents of Wilson county needing skilled nursing services in our community. We owe it to our residents to be able to provide them a place to age in place at the standard they deserve.

One of my concerns has been the difficult task of my constituents from Wilson County to be admitted at The Pavilion for skilled nursing services due to their beds being full.

There have been several constituents, their families request The Pavilion for skilled nursing, and when the time comes for admission, they have been denied due to no beds being available. The need for more beds in our community is imperative to keep our family and friends local and to give the care they want and deserve in our own community.

I support this CON request because we need more beds in Lebanon, Tennessee to meet the needs of our local residents. They truly are Senior Living You Can Trust.

Sincerely,

Mae Beavers

Mae Beavers
State Senator

Susan Lynn
STATE REPRESENTATIVE
57TH LEGISLATIVE DISTRICT
Committees:
Ethics
Joint Fiscal Review
Finance, Ways, and Means
Consumer and Human Resources
Consumer and Human Resources
Subcommittee Chair

House of Representatives
State of Tennessee

NASHVILLE

104 WAR MEMORIAL BUILDING
301 6th Ave North
NASHVILLE, TENNESSEE 37243-0105
(615) 741-7462
FAX: (615) 253-0353
E-MAIL:
rep.susn.lynn@capitol.tn.gov

June 2, 2017

Health Services & Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Members of Health Services & Development Agency,

I am writing this letter of support for the Pavilion-THS,LLC CON application requesting 20 additional dually certified beds. The Pavilion continues to provide compassionate care for the residents of Wilson county needing skilled nursing services in our community. We owe it to our residents to be able to provide them a place to age in place at the standard they deserve.

One of my concerns has been the difficult task of my constituents from Wilson County to be admitted at The Pavilion for skilled nursing services due to their beds being full.

There have been several constituents, their families request The Pavilion for skilled nursing, and when the time comes for admission, they have been denied due to no beds being available. The need for more beds in our community is imperative to keep our family and friends local and to give the care they want and deserve in our own community.

I support this CON request because we need more beds in Lebanon, Tennessee to meet the needs of our local residents. They truly are Senior Living You Can Trust.

Sincerely,

Susan Lynn
State Representative District 57

MICHAEL F. NESBITT

Smith County Mayor

122 Turner High Circle • Carthage, TN 37030

Phone: 615-735-2294 Fax: 615-735-8240

June 2, 2017

Health Services & Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Members of Health Services & Development Agency,

I am writing this letter of support for the Pavilion-THS,LLC CON application requesting 20 additional dually certified beds. The Pavilion continues to provide compassionate care for the residents of Wilson and Smith counties needing skilled nursing services in our community. We owe it to our residents to be able to provide them a place to age in place at the standard they deserve.

One of my concerns has been the difficult task of my constituents from Smith County to be admitted at The Pavilion for skilled nursing services due to their beds being full.

There have been several constituents, their families request The Pavilion for skilled nursing, and when the time comes for admission, they have been denied due to no beds being available. The need for more beds in our community is imperative to keep our family and friends local and to give the care they want and deserve in our own community.

I support this CON request because we need more beds in Middle Tennessee to meet the needs of our local residents. They truly are Senior Living You Can Trust.

Sincerely;

Michael F. Nesbitt

Michael F Nesbitt
Smith County Mayor

RANDALL HUTTO
County Mayor

WILSON COUNTY GOVERNMENT

May 31, 2017

Health Services & Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Members of Health Services & Development Agency,

I am writing this letter of support for the Pavilion-THS,LLC CON application requesting 20 additional dually certified beds. The Pavilion provides excellent, compassionate care for the residents of Wilson County who are in need of skilled nursing services. We owe it to our residents to provide the opportunity to age in the facility of their choice.

As Wilson County Mayor, one of my concerns is ensuring that citizens of all ages and backgrounds have access to housing and medical care. This includes the seniors in our community as well. One of the obstacles my constituents face is getting admitted to a local facility. This is due to the lack of available beds.

There have been several constituents face denial at time of admission due to the lack of available beds. The need for more beds in our community is imperative to keep our family and friends local and to give each resident the care they deserve in our own community.

I support this CON request because we need more beds in Lebanon, Tennessee to meet the needs of our local residents.

Sincerely,

Randall Hutto
Wilson County Mayor

228 E. Main Street, Room 104 • Lebanon, TN 37087 • (615) 444-1383 • Fax (615) 443-1714 • huttor@wilsoncountytn.com

Andrew Farmer

STATE REPRESENTATIVE
17th LEGISLATIVE DISTRICT

PART OF JEFFERSON AND SEVIER COUNTIES

House of Representatives

State of Tennessee

301 6th Avenue North

Nashville, TN 37243

(615) 741-4419

NASHVILLE

June 7, 2017

Health Services & Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Members of Health Services & Development Agency,

I am writing this letter of support for the Pavilion-THS, LLC CON application requesting 20 additional dually certified beds. The Pavilion continues to provide compassionate care for the residents of Wilson county needing skilled nursing services in our community. We owe it to our residents to be able to provide them a place to age in place at the standard they deserve.

One of my concerns has been the difficult task of citizens from Wilson County to be admitted at The Pavilion for skilled nursing services due to their beds being full.

There have been several constituents, their families request The Pavilion for skilled nursing, and when the time comes for admission, they have been denied due to no beds being available. The need for more beds in our community is imperative to keep our family and friends local and to give the care they want and deserve in our own community.

I support this CON request because they need more beds in Lebanon, Tennessee to meet the needs of local residents. They truly are Senior Living You Can Trust.

Sincerely,

Andrew E. Farmer
State Representative

Cumberland
UNIVERSITY
1 Cumberland Square
Lebanon, Tennessee 37087
615.444.2562
Toll Free: 1.800.467.0562
Fax: 615.444.2569
www.cumberland.edu

June 1, 2017

Health Services & Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Members of Health Services & Development Agency,

I am writing this letter of support for the Pavilion-THS, LLC CON application requesting 20 additional dually certified beds. The Pavilion continues to provide compassionate care for our residents needing skilled nursing services in our community.

The Pavilion has been a great partner in healthcare with our school. The employees from leadership to front-line staff have continued to support our mission to teach the caregivers of tomorrow the skills they need in healthcare.

Residents of The Pavilion share with our students how they love this facility and the staff. They are open to our students and special bonds are made between the residents and our students.

I support this CON request because they need more beds in this facility to meet the needs of our local residents. We owe it to our residents to be able to provide them a place for them to age in place in this community at the standard they deserve. They truly are Senior Living You Can Trust.

Sincerely,

Maggie Keil MSN, RN

Maggie Keil MSN, RN
Assistant Professor of Nursing
Director of Skills Labs
Cumberland University

Lebanon High School
M. Scott Walters

Executive Principal

500 Blue Devil Boulevard
Lebanon TN 37087
Tel: (615) 444-9610

Fax: (615) 443-1373

June 2, 2017

Health Services & Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Members of Health Services & Development Agency,

I am writing this letter of support for the Pavilion-THS, LLC CON application requesting 20 additional dually certified beds. The Pavilion continues to provide compassionate care for our residents needing skilled nursing services in our community.

The Pavilion has been a great partner in healthcare with our school. The employees from leadership to front-line staff have continued to support our mission to teach the caregivers of tomorrow the skills they need in healthcare.

Residents of The Pavilion share with our students how they love this facility and the staff. They are open to our students and special bonds are made between the residents and our students.

I support this CON request because they need more beds in this facility to meet the needs of our local residents. We owe it to our residents to be able to provide them a place for them to age in place in this community at the standard they deserve. They truly are Senior Living You Can Trust.

Sincerely,

Sarah Warde RN MSN

Sarah Warde RN MSN
Health Science Instructor/HOSA Advisor
Lebanon High School
500 Blue Devil Blvd
Lebanon, TN 37087
615-444-9610
wardes@wcschools.com

Wilson Central High School

419 Wildcat Way, Lebanon, TN 37090
(615)453-4600 (615)453-4610 (Fax)

Principal:
Travis Mayfield
Assistant Principals:
Chip Bevis
Jason Franklin
Missi Oakley
Kevin Dawson

Health Services & Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Members of Health Services & Development Agency,

I am writing this letter of support for the Pavilion-THS, LLC CON application requesting 20 additional dually certified beds. The Pavilion continues to provide compassionate care for our residents needing skilled nursing services in our community.

The Pavilion has been a great partner in healthcare with our school. The employees from leadership to front-line staff have continued to support our mission to teach the caregivers of tomorrow the skills they need in healthcare. The Pavilion is always our first choice when placing students because of their great care reputation and professionalism.

Residents of The Pavilion share with our students how they love this facility and the staff. They are open to our students and special bonds are made between the residents and our students.

I support this CON request because they need more beds in this facility to meet the needs of our local residents. We owe it to our residents to be able to provide them a place for them to age in place in this community at the standard they deserve. They truly are Senior Living You Can Trust.

Sincerely,

Sherry Vaught

Sherry Vaught, ATC
Health Science Instructor
Wilson Central High School

MY FUTURE. MY WAY.

Community Partnerships

June 1, 2017

Health Services & Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Members of Health Services & Development Agency,

I am writing this letter of support for the Pavilion-THS, LLC CON application requesting 20 additional dually certified beds. The Pavilion continues to provide compassionate care for our residents needing skilled nursing services in our community.

The Pavilion has been a great partner in healthcare with our school. The employees from leadership to front-line staff have continued to support our mission to teach the caregivers of tomorrow the skills they need in healthcare.

Residents of The Pavilion share with our students how they love this facility and the staff. They are open to our students and special bonds are made between the residents and our students.

I support this CON request because they need more beds in this facility to meet the needs of our local residents. We owe it to our residents to be able to provide them a place for them to age in place in this community at the standard they deserve. They truly are Senior Living You Can Trust.

Sincerely,

Shannon Crawford
Academy Principal

TENNESSEE COLLEGE
OF APPLIED TECHNOLOGY
HARTSVILLE

716 McMurry Boulevard, Hartsville, TN 37074
Phone (615) 374-2147 FAX (615) 374-2149 http://www.tcathartsville.edu

June 13, 2017

Health Services & Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Members of Health Services & Development Agency,

I am writing this letter of support for the Pavilion-THS, LLC CON application requesting 20 additional dually certified beds. The Pavilion continues to provide compassionate care for our residents needing skilled nursing services in our community.

The Pavilion has been a great partner in healthcare with our school. The employees from leadership to front-line staff have continued to support our mission to teach the caregivers of tomorrow the skills they need in healthcare.

Residents of The Pavilion share with our students how they love this facility and the staff. They are open to our students and special bonds are made between the residents and our students.

I support this CON request because they need more beds in this facility to meet the needs of our local residents. We owe it to our residents to be able to provide them a place for them to age in place in this community at the standard they deserve. They truly are Senior Living You Can Trust.

Sincerely,

Lou Ann Hall BSN,RN

Tennessee College of Applied Technology
Hartsville
Health Sciences Education Coordinator

100 Physicians Way, Suite 204 • Lebanon, TN 37087
Phone: 615.453.2532 • Fax: 615.547.7480
amedisys.com

Amedisys Home Health Care

June 5, 2017

Health Services & Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Members of Health Services & Development Agency,

I am writing this letter of support for the Pavilion-THS,LLC. CON application requesting 20 additional dually certified beds. The Pavilion continues to provide compassionate care for the residents of Wilson county needing skilled nursing services in our community.

The Pavilion is an asset to our community. The care, compassion and top-notch home like environment is second to none. They offer a place for our seniors to age in place in their own community, surrounded by loved one they know and a place they call home. I support their request so they can serve more seniors in Wilson County.

I support this CON request because we need to be able to serve more residents in our own county. They truly are Senior Living You Can Trust.

Sincerely,

Christina Bradshaw Williams RN CDP

Christina Williams, RN
Director of Operations
Amedisys Home Health of Lebanon

Amedisys
Home Health Services

Tennova Healthcare-Lebanon
1411 W. Baddour Parkway, Lebanon, TN 37087

June 27, 2017

Health Services & Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Members of Health Services & Development Agency,

I am writing this letter of support for the Pavilion-THS CON, LLC application requesting 20 additional dually certified beds. The Pavilion continues to provide compassionate care for our patients needing skilled nursing services.

My only concern has been the difficult task of placing my patients at The Pavilion for skilled nursing services due to their beds being full.

I have had several patients, and/or their families request The Pavilion for skilled nursing services. When the time comes for admission, they have been denied due to no beds being available. The need for more beds in our community is imperative to keep our patients local and to give the care they want and deserve in our own community.

I support this CON request because we need more beds in Lebanon, Tennessee to meet the needs of our local residents.

Sincerely,

Teresa Shelton

Teresa Shelton
Director Case Management
Tennova Healthcare Lebanon
615-453-4491

RUTLAND PLACE
A SENIOR COMMUNITY

Friday, June 2, 2017

Health Services & Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Members of Health Services & Development Agency,

I am writing this letter of support for the Pavilion-THS,LLC. CON application requesting 20 additional dually certified beds. The Pavilion continues to provide compassionate care for the residents of Wilson county needing skilled nursing services in our community.

The Pavilion is an asset to our community. The care, compassion and top-notch home like environment is second to none. They offer a place for our seniors to age in place in their own community, surrounded by loved one they know and a place they call home. Their outstanding reputation proves that there is a need for more beds in their facility.

Through the years, we have had residents try to get into The Pavilion but could not because they had no availability. Therefore, I support this CON request because we need to be able to serve more residents in our own county. They truly are Senior Living You Can Trust.

Sincerely,

Pam Barton
Marketing Director of Rutland Place Senior Living
435 NW Rutland Road, Mt. Juliet, TN 37122

ROBERT J. JANTZ, M.D. **KRISTIN E SORCE, PA-C**

FAMILY PRACTICE

Phone (615) 449-2472
FAX (615) 449-4709

706 Cadet Court
Lebanon, Tennessee 37087

Thursday, June 01, 2017

Health Services & Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Members of Health Services & Development Agency,

I am writing this letter of support for the Pavilion-THS CON, LLC application requesting 20 additional dually certified beds. The Pavilion continues to provide compassionate care for our patients needing skilled nursing services.

My only concern has been the difficult task of placing my patients at The Pavilion for skilled nursing services due to their beds being full.

I have had several patients, and/or their families request The Pavilion for skilled nursing services. When the time comes for admission, they have been denied due to no beds being available. The need for more beds in our community is imperative to keep our patients local and to give the care they want and deserve in our own community.

I support this CON request because we need more beds in Lebanon, Tennessee to meet the needs of our local residents.

Sincerely,

Robert J. Jantz, M.D.

Wayne O. Wells, M.D.

May 31, 2017

State of Tennessee
Health Services & Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

RE: Pavilion-THS CON, LLC application for 20 additional dually certified beds

My letter of support for additional beds for The Pavilion is as a result of the quality of care provided by this facility. The Pavilion has since its opening and continues to provide compassionate care for my patients needing skilled nursing services. The facility is limited in being able to provide this care to all my patients who need their care because they are continually full when a bed is requested. I have patients, and/or their families request The Pavilion for skilled nursing services frequently upon hospital discharge. When the time comes for admission, they have been denied due to lack of beds.

The need for more beds in our community is imperative to keep our patients local and to give the advanced care offered by the Pavilion and it's staff. The quality of care provided by the Pavilion helps to prevent costly hospital readmissions and enables the patient to return home following their treatment.

I support this CON request unreservedly because of the need for more beds in a quality facility in Lebanon, Tennessee to meet the needs of our local residents.

Sincerely,

Wayne O. Wells, M.D.

1430 Baddour Parkway, Suite A, Lebanon, TN 37087 Telephone: 615-443-0730 FAX: 615-443-0722

Family Medical P.C.
1407 Baddour Parkway, Lebanon, TN 37087
615-444-6203 / fax 615-444-6252

Roger E. McKinney, M.D.
George W. Robertson, M.D.
George W. (Bill) Robertson, M.D.

Samuel Crutcher, M.D.
Bernard Sy, M.D.
John Fisk, M.D.

June 6, 2017

Re: Pavilion

To Whom It May Concern:

I am writing this letter on behalf of the support of the Pavilion and their requesting application for additional duly certified beds for the State of Tennessee to provide skilled services. The Pavilion continues to provide excellent care for our patient in and around the Wilson County and surrounding county areas needing skilled nursing services.

The primary consideration is that it has been a difficult task of placing patients at The Pavilion for skilled services due to their high no vacancy rate and being full at most times. I have had several patients in the past and recently requesting Pavilion for skilled services and when time comes for their admission consideration they have been denied due to a lack of beds being available. Having additional beds in the community is important to keep our patients local and continue to give them the care they want and deserve in our own community.

I support this certificate of necessity because we could utilize additional beds here in Wilson County and especially in Lebanon, TN to further meet the needs of our local residents.

Sincerely,

Bill Robertson, M.D.
BR/cdl

Creating a Continuity of Care

Care Services Management, LLC
237 West Northfield Blvd.
Murfreesboro, TN 37129
(615) 796-5607

June 6, 2017

Health Services & Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Members of Health Services & Development Agency,

I am writing this letter of support for the Pavilion-THS CON, LLC application requesting 20 additional dually certified beds. The Pavilion continues to provide compassionate care for our patients needing skilled nursing services.

My only concern has been the difficult task of placing my patients at The Pavilion for skilled nursing services due to their beds being full.

I have had several patients, and/or their families request The Pavilion for skilled nursing services. When the time comes for admission, they have been denied due to no beds being available. The need for more beds in our community is imperative to keep our patients local and to give the care they want and deserve in our own community.

I support this CON request because we need more beds in Lebanon, Tennessee to meet the needs of our local residents.

Sincerely,

Mark Napper
CEO

LEBANON SENIOR CITIZENS CENTER
670 Coles Ferry Pike, Lebanon, TN 37087
(615)449-4600

Teresa Botts
Assistant Director

"WE CARE"

May 30, 2017

Health Services & Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Members of Health Services & Development Agency,

This letter is in support of The Pavilion-THS, LLC. Con application requesting 20 additional dually certified beds. Many of our members at the Lebanon Senior Citizens Center and the Senior Citizens in our community have benefitted from the care given at The Pavilion in their rehabilitation services and their long term care services.

The Pavilion continues to be an asset to our community with the excellent care that is provided. I support their request so that they can serve more Seniors in Wilson County without having to turn them away to other counties. The Pavilion is a strong support in our community for trustworthy senior care.

Sincerely,

Teresa Botts

Teresa Botts
Assistant Director

SCAN

Office (615) 444-1412 x 499

Senior Citizens Awareness Network of Wilson County, Inc.
105 East High Street • Lebanon, TN 37087

June 9th, 2017

Health Services & Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Members of Health Services & Development Agency,

I am writing this letter of support for the Pavilion-THS,LLC. CON application requesting 20 additional dually certified beds. The Pavilion continues to provide compassionate care for the residents of Wilson county needing skilled nursing services in our community.

The Pavilion is an asset to our community. The care, compassion and top-notch home like environment is second to none. They offer a place for our seniors to age in place in their own community, surrounded by loved one they know and a place they call home. I support their request so they can serve more seniors in Wilson County.

I support this CON request because we need to be able to serve more residents in our own county. They truly are Senior Living You Can Trust.

Sincerely,

Debbie Pare'

Debbie Pare'
Director
Wilson County Sheriff's Office
Senior Citizens Awareness Network of Wilson County Inc.

WANT FM 98.9
WCOR AM 1490

June 1, 2017

Health Services & Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Members of Health Services & Development Agency,

I am writing this letter of support for the Pavilion-THS,LLC. CON application requesting 20 additional dually certified beds. The Pavilion continues to provide compassionate care for the residents of Wilson county needing skilled nursing services in our community.

As a lifelong resident and business owner in Wilson County, I have had many friends and family members that have benefited from their stay at the Pavilion. The Pavilion's staff is compassionate and the level of care creates a top-notch home like environment. They offer a place for our seniors to age in place in our community, surrounded by loved ones they know and a place they call home.

I support this CON request because we need to be able to serve more residents in our own county. They truly are Senior Living You Can Trust.

Sincerely,

Susie James

Susie James, Owner/Gen. Manager
WANT FM 98.9 & WCOR AM 1490

510 Trousdale Ferry Pike ★ P.O. Box 399 ★ Lebanon, Tennessee 37088
615-449-3699 ★ FAX 615-443-4235 ★ www.wantfm.com

Doretha Wright
1600 E. Blairmont Drive
Lebanon, TN 37087
(615)444-8453
wrightdg@charter.net

June 2, 2017

Health Services Development Agency
Andrew Jackson Building Suite 850
500 Deadrick Street
Nashville, TN 37243

Dear Members of Health Services & Development Agency:

I am writing to you in regard to the possible expansion (20 dually certified beds) for The Pavilion-THS, LLC CON in Lebanon, Tennessee. As I have learned, skilled care facilities like The Pavilion are in great demand and can prove challenging to access. The potential this expansion has for providing skilled care for elderly and handicapped individuals in Wilson County and our state is critical.

For the past several years, I faced the challenge of providing care for my elderly mother who was legally blind, in declining health, and residing 100 miles away. As an only child, working full-time teaching, I did my best to keep both of us healthy and happy. Mother was hospitalized multiple times and required skilled care five times during this period. I investigated the possibility of placement for her at The Pavilion and found a dynamic facility with an extended waiting list. We were both disappointed.

Sadly, Mother passed away this past January at the age of 98. For the last four years, she resided in a skilled care facility where she received outstanding care. Though I faced a two- hour drive in each direction to visit and see to her needs, I am grateful for this special passage in our lives. On the other hand, had she been a resident at The Pavilion, she would be five minutes away in a caring and state-of-the-art facility where I could have visited her daily. For this reason, and for others facing similar situations, I enthusiastically encourage support for the application requesting additional skilled beds at The Pavilion in Lebanon.

Sincerely,

Doretha Wright

Doretha Wright
Lebanon Special School District—Retired Teacher

Connie P. Hamilton
1721 Orchard Drive
Lebanon, TN 37087

June 5, 2017

Health Services Development Agency
Andrew Jackson Building Suite 850
500 Deadrick Street
Nashville, TN 37243

Dear Members of Health Services & Development Agency:

The purpose of this letter is to express my support of your consideration for the Pavilion-THC, LLC CON application in pursuant of an additional 20 dually certified beds. It is my opinion that approval of this expansion, at The Pavilion, would have a great impact on the lives of local folks who need, desire and deserve residence at The Pavilion.

As a University of Tennessee Agricultural Extension Agent-- Adult Home Economics, my job assignment centered around working with women in Wilson County—many of them elderly. Although now retired, I remain in contact with several them. One issue that I hear from them is in regard to their desire or that of a family member to become a resident at The Pavilion. What they say is this, "We have lived in Lebanon all our lives and are unable to get placement at The Pavilion. We want to go there, but the waiting list is very long and physician referrals take precedence over our wish/need to acquire private pay residence". In addition, I served as the caregiver of my 92 year-old aunt and personally experienced the challenge of acquiring residency for her in a safe and caring skilled care facility such as The Pavilion.

Studies indicate that the rising demand for skilled care is projected to more than double within the next few years. For that reason and those stated above, I ask that you please consider this requested 20- bed expansion. I appreciate the opportunity to share my thoughts on the proposed expansion at The Pavilion and strongly encourage your approval.

Sincerely,

Connie P. Hamilton
UT Agricultural Extension Service-- Retired

Attachment Section B
Need - A-1

Need Calculation

Need Calculation

Wilson County Age - Formula/Year	2018 Pop	2018 Need	2019 Pop	2019 Need	2020 Pop	2020 Need	2021 Pop	2021 Need	2022 Pop	2022 Need
0-64 (x .0004)	111,752	44.7	112,976	45.2	114,150	45.6	115,241	46.1	116,373	46.5
65-74 (x .01)	13,793	137.9	14,391	143.9	15,076	150.7	15,838	158.3	16,260	162.6
75-84 (x .04)	6,223	248.9	6,670	266.8	7,046	281.8	7,400	296	8,079	323.1
85+ (x .15)	2,097	314.5	2,180	327	2,289	343.3	2,413	361.9	2,526	378.9
TOTAL NEED	*133,865*	**746**	*136,217*	**782.9**	*138,561*	**821.4**	*140,892*	**862.3**	*143,238*	**911.1**
Existing Wilson County										
Lebanon Health and Rehabilitation Center		60		60		60		60		60
Quality Care Health Center		280		280		280		280		280
Mt. Juliet Health Care Center		106		106		106		106		106
The Pavilion		60		60		60		60		60
Total Existing Beds		506		506		506		506		506
BED NEED		**240**		**276.9**		**315.4**		**356.3**		**405.1**
Net Bed Need Change				+36.9		+38.5		+40.9		+48.8

Source - University of Tennessee Center for Business and Economic Research Population Data Files, Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment

Attachment Section B
Need - A-12

Evidence of Quality Care

Medicare.gov | Nursing Home Compare

The Official U.S. Government Site for Medicare

General information

PAVILION-THS, LLC

Overall rating:
5 out of 5 stars
Much Above Average

1406 MEDICAL CENTER DRIVE
LEBANON, TN 37087
(615) 444-2882

Distance: 2.9 miles

Nursing home information

60 certified beds

Participates in: Medicare and Medicaid

Ownership: For profit - Corporation

Automatic sprinkler systems in all required areas: Yes

Not in a Continuing Care Retirement Community (CCRC)

Not in a hospital

Resident council only

Star rating categories

Health inspection	5 out of 5 stars **Much Above Average**
Staffing	4 out of 5 stars **Above Average**
Quality measures	4 out of 5 stars **Above Average**

Ownership information

Ownership: For profit - Corporation

Legal business name: PAVILION-THS, LLC

Get more ownership information

Health & fire safety inspections

PAVILION-THS, LLC

Overall rating:
5 out of 5 stars
Much Above Average

1406 MEDICAL CENTER DRIVE
LEBANON, TN 37087
(615) 444-2882

Distance: 2.9 miles

Nursing home information

60 certified beds

Participates in: Medicare and Medicaid

Health inspection

5 out of 5 stars
Much Above Average

Health inspection summary

Date of standard health inspection:	08/18/2016 View Full Report
Date(s) of complaint inspection(s) between 6/1/2016 - 5/31/2017:	No Complaint Inspections
Total number of health deficiencies:	0
Average number of health deficiencies in Tennessee:	5.2
Average number of health deficiencies in the United States:	7.3
View all health inspections	

Mistreatment: 0 deficiencies found

No Mistreatment deficiencies were found during this inspection period.

Quality Care: 0 deficiencies found

No Quality Care deficiencies were found during this inspection period.

Resident Assessment: 0 deficiencies found

No Resident Assessment deficiencies were found during this inspection period.

Resident Rights: 0 deficiencies found

No Resident Rights deficiencies were found during this inspection period.

Nutrition and Dietary: 0 deficiencies found

No Nutrition and Dietary deficiencies were found during this inspection period.

Pharmacy Services: 0 deficiencies found

No Pharmacy Services deficiencies were found during this inspection period.

Environmental: 0 deficiencies found

No Environmental deficiencies were found during this inspection period.

Administration: 0 deficiencies found

No Administration deficiencies were found during this inspection period.

Fire safety summary

Total number of Fire Safety Deficiencies for this nursing home:	NOT AVAILABLE
Average number of Fire Safety Deficiencies in Tennessee :	NOT AVAILABLE
Average number of Fire Safety Deficiencies in the United States:	NOT AVAILABLE

Range of Fire Safety Deficiencies in Tennessee :	NOT AVAILABLE
View All Fire Safety Inspections	

Building Construction: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Interior Finish: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Corridor Walls and Doors: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Vertical Openings: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Smoke Compartmentation and Control: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Hazardous Area: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Exit and Exit Access: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Exit and Egress: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Illumination and Emergency Power: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Emergency Plans and Fire Drills: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Fire Alarm Systems: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Automatic Sprinkler Systems: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Smoking Regulations: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Building Service Equipment: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Furnishing and Decorations: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Laboratories: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Medical Gases and Anesthetizing Areas: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Electrical: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Miscellaneous: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Complaints and Facility-Reported Incidents

This nursing home has not been cited for any deficiencies from incidents reported by the nursing home or complaints in the last 3 years.

Staffing

PAVILION-THS, LLC

Overall rating:
5 out of 5 stars
Much Above Average

1406 MEDICAL CENTER DRIVE
LEBANON, TN 37087
(615) 444-2882

Distance: 2.9 miles

Nursing home information

60 certified beds

Participates in: Medicare and Medicaid

Staffing 4 out of 5 stars **Above Average**

RN staffing 4 out of 5 stars **Above Average**

	PAVILION-THS, LLC	TENNESSEE AVERAGE	NATIONAL AVERAGE
Total number of residents	51	85.6	85.8
Total number of licensed nurse staff hours per resident per day	2 hours and 11 minutes	1 hour and 51 minutes	1 hour and 42 minutes
RN hours per resident per day	55 minutes	46 minutes	50 minutes
LPN/LVN hours per resident per day	1 hour and 16 minutes	1 hour and 5 minutes	51 minutes

	PAVILION-THS, LLC	TENNESSEE AVERAGE	NATIONAL AVERAGE
CNA hours per resident per day	2 hours and 52 minutes	2 hours and 14 minutes	2 hours and 27 minutes
Physical therapy staff hours per resident per day	5 minutes	7 minutes	6 minutes
How to read staffing charts | About staff roles			

Quality measures

PAVILION-THS, LLC

Overall rating:
5 out of 5 stars
Much Above Average

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LEBANON, TN 37087
(615) 444-2882

Distance: 2.9 miles

Nursing home information

60 certified beds

Participates in: Medicare and Medicaid

Quality measures

4 out of 5 stars
Above Average

Short-stay residents

Find out why these measures are important.

Get more information about the data.

Get the current data collection period.

	PAVILION-THS, LLC	TENNESSEE AVERAGE	NATIONAL AVERAGE
Percentage of short-stay residents who made improvements in function. *Higher percentages are better.*	73.2%	62.7%	64.5%

	PAVILION-THS, LLC	TENNESSEE AVERAGE	NATIONAL AVERAGE
Percentage of short-stay residents who were re-hospitalized after a nursing home admission. *Lower percentages are better.*	22.2%	20.5%	21.1%
Percentage of short-stay residents who have had an outpatient emergency department visit. *Lower percentages are better.*	5.2%	12.6%	11.9%
Percentage of short-stay residents who were successfully discharged to the community. *Higher percentages are better.*	57.1%	58.4%	57.0%
Percentage of short-stay residents who self-report moderate to severe pain. *Lower percentages are better.*	18.7%	13.1%	15.3%
Percentage of short-stay residents with pressure ulcers that are new or worsened. *Lower percentages are better.*	1.5%	0.7%	1.1%
Percentage of short-stay residents assessed and given, appropriately, the seasonal influenza vaccine. *Higher percentages are better.*	99.2%	80.0%	79.8%
Percentage of short-stay residents assessed and given, appropriately, the pneumococcal vaccine. *Higher percentages are better.*	72.2%	82.0%	82.1%
Percentage of short-stay residents who newly received an antipsychotic medication. *Lower percentages are better.*	0.3%	2.3%	2.1%

Long-stay residents

Find out why these measures are important.

Get more information about the data.

Get the current data collection period.

	PAVILION-THS, LLC	TENNESSEE AVERAGE	NATIONAL AVERAGE
Percentage of long-stay residents experiencing one or more falls with major injury. *Lower percentages are better.*	2.5%	3.3%	3.3%
Percentage of long-stay residents with a urinary tract infection. *Lower percentages are better.*	3.2%	5.3%	4.2%
Percentage of long-stay residents who self-report moderate to severe pain. *Lower percentages are better.*	5.2%	5.1%	6.8%
Percentage of long-stay high-risk residents with pressure ulcers. *Lower percentages are better.*	8.7%	5.2%	5.7%
Percentage of long-stay low-risk residents who lose control of their bowels or bladder. *Lower percentages are better.*	53.7%	55.5%	47.2%
Percentage of long-stay residents who have/had a catheter inserted and left in their bladder. *Lower percentages are better.*	3.4%	2.4%	2.4%
Percentage of long-stay residents who were physically restrained. *Lower percentages are better.*	0.0%	1.5%	0.6%
Percentage of long-stay residents whose ability to move independently worsened. *Lower percentages are better.*	23.6%	21.0%	18.1%
Percentage of long-stay residents whose need for help with daily activities has increased. *Lower percentages are better.*	17.5%	15.9%	15.1%
Percentage of long-stay residents who lose too much weight. *Lower percentages are better.*	10.1%	8.1%	7.0%

	PAVILION-THS, LLC	TENNESSEE AVERAGE	NATIONAL AVERAGE
Percentage of long-stay residents who have depressive symptoms. *Lower percentages are better.*	0.7%	2.3%	5.2%
Percentage of long-stay residents who received an antianxiety or hypnotic medication. *Lower percentages are better.*	33.1%	36.9%	23.3%
Percentage of long-stay residents assessed and given, appropriately, the seasonal influenza vaccine. *Higher percentages are better.*	100.0%	93.1%	94.6%
Percentage of long-stay residents assessed and given, appropriately, the pneumococcal vaccine. *Higher percentages are better.*	99.4%	91.5%	93.7%
Percentage of long-stay residents who received an antipsychotic medication. *Lower percentages are better.*	10.8%	18.1%	16.3%

Penalties

PAVILION-THS, LLC

Overall rating:
5 out of 5 stars
Much Above Average

1406 MEDICAL CENTER DRIVE
LEBANON, TN 37087
(615) 444-2882

Distance: 2.9 miles

Nursing home information

60 certified beds

Participates in: Medicare and Medicaid

Federal fines in the last 3 years	Date	Amount

This nursing home has not received any fines in the last 3 years. States may also impose penalties under state law. To search state websites click here.	
Federal payment denials in the last 3 years	**Date**
This nursing home has not received any payment denials in the last 3 years. States may also impose penalties under state law. To search state websites click here.	

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ahcancalED
https://educate.ahcancal.org/

Your Top-Line

Pavilion-Ths, Llc
1406 Medical Center Drive, Lebanon, TN 37087

Publication Number: 2017-Q2

Survey Rating

Currently ranked **1st out of 313 facilities** in Tennessee on weighted 3-cycle survey score.

For more on your survey score, see Page 2.

Staffing Rating

To gain a star in Staffing, increase your actual RN hours PPD by 0.186 (11.1 minutes) from 0.92 to 1.105, and increase your actual Total hours PPD by 0.129 (7.7 minutes) from 5.05 to 5.179.

For more on your staffing breakdown, see Page 3.

Quality Measure Rating

The greatest opportunity to improve your QM rating is on **LS Pressure Ulcers**, where you are currently earning 20 out of 100 points.

See your performance on all Quality Measures on Page 4.

Overall Rating

Your Overall Rating Calculation

+ 5 Stars (From your **Survey Rating** being 5 Stars)
+ 0 Stars (From your **Staffing Rating** being 4 Stars)
+ 0 Stars (From your **Quality Rating** being 4 Stars)

5 Stars is your Overall Rating

AHCA/NCAL Quality Initiative

No Quality Initiative targets have been met.

AHCA/NCAL Quality Awards

Your facility was a 2015 Bronze recipient. For information on continuing the journey click here

Your Survey Score Breakdown

	Score Breakdown				Deficiencies (#)		
	Initial Score	*Revisits* #	*Revisits* Score	Total Score	Standard Health	Complaint	Total
Cycle 1 on 08/18/16	0	0	0	0	0	0	0
Cycle 2 on 08/26/15	0	0	0	0	0	0	0
Cycle 3 on 05/29/14	0	0	0	0	0	0	0
Weighted 3-Cycles*	$\frac{0}{2}+\frac{0}{3}+\frac{0}{6}=\underline{0}$				★★★★★ Congratulations on Achieving 5 Stars		

Count of Deficiencies by Scope/Severity Code and Cycle

This figure shows for each of the last three survey cycles (1, 2, and 3), the number of deficiencies you received at each scope and severity level.

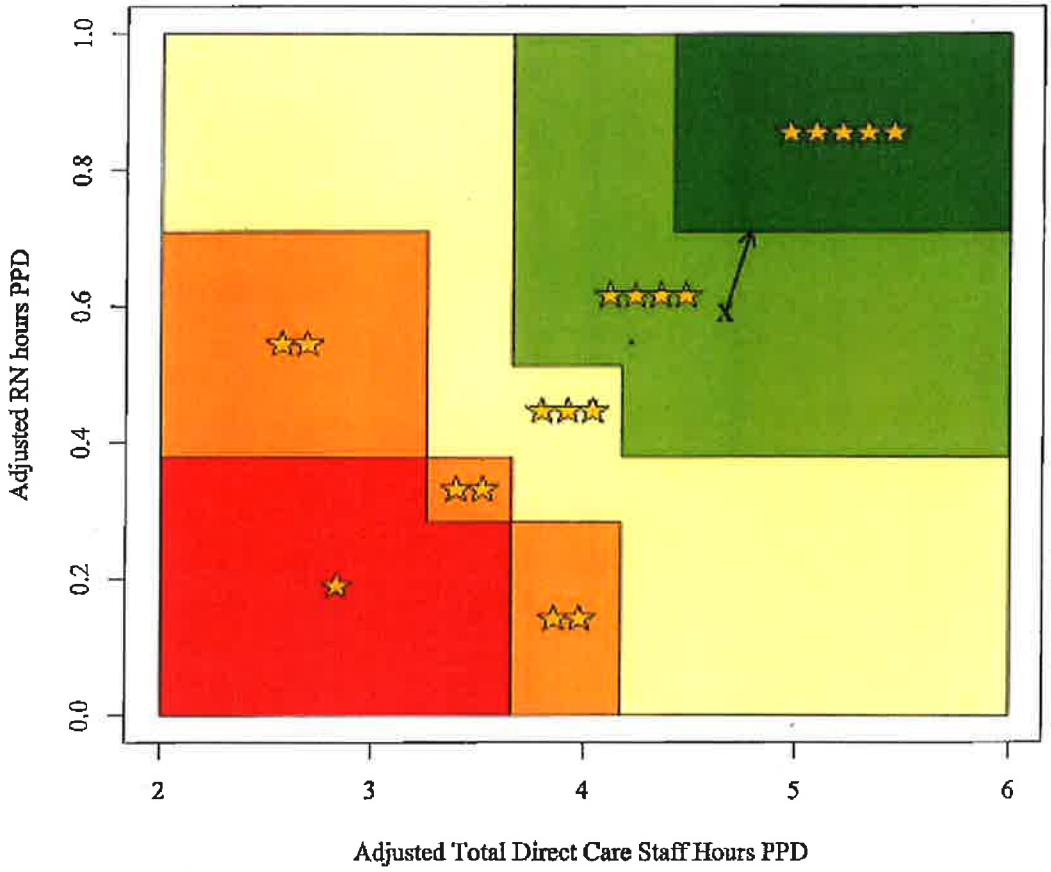
Severity	Scope: *Isolated*	Scope: *Pattern*	Scope: *Widespread*
Immediate jeopardy	J 1 - 2 - 3 -	K 1 - 2 - 3 -	L 1 - 2 - 3 -
Actual harm that is not immediate jeopardy	G 1 - 2 - 3 -	H 1 - 2 - 3 -	I 1 - 2 - 3 -
No actual harm with potential for more than minimal harm that is not immediate jeopardy	D 1 - 2 - 3 -	E 1 - 2 - 3 -	F 1 - 2 - 3 -
No actual harm with potential for minimal harm	A 1 - 2 - 3 -	B 1 - 2 - 3 -	C 1 - 2 - 3 -

Congratulations on Being Deficiency Free!

Your Staffing Rating Breakdown

To gain one star on your staffing rating (moving from 4-stars to 5-stars), you can increase your *adjusted* RN hours PPD from 0.591 to 0.710 PPD, and your DCS hours PPD from 4.66 to 4.78 PPD. This is equivalent to increasing your *actual* RN hours PPD by 0.186 (11.1 minutes), from 0.920 to 1.105 PPD; and increasing your *actual* DCS hours PPD by 0.13 (7.7 minutes), from 5.10 to 5.20 PPD.

The Figure below shows your current Five Star staffing rating based on your adjusted hours PPD, and the black arrow leading from the "X" indicates your current case-mix adjusted staffing levels and where you need to go to increase your staffing rating. The color graduation from red to green is increasing staffing ratings from 1 to 5.



The boundaries for hours PPD between the ratings are as follows:

Staff type	1 Star	2 Stars	3 Stars	4 Stars	5 Stars
RN	< 0.283	0.283-0.378	0.379-0.512	0.513-0.709	≥ 0.710
Total	< 3.262	3.262-3.660	3.661-4.172	4.173-4.417	≥ 4.418

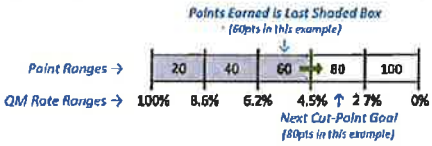
Your Quality Rating Breakdown

Your current Quality Measure (QM) rating of 4 Star can improve to 5 by gaining 65 total points. The table below shows the number of points you have earned on each QM and a goal rate to increase your points on each QM.

	Current Performance				Next Cut-Point Goal	
	Time Period	Rate	Points	Point Ranges	Rate	Points
LS Pressure Ulcers	2016q1-2016q4	8.7%	20	20 40 60 80 100 / 100% 8.6% 6.2% 4.5% 2.7% 0%	8.6%	40
LS Catheter	2016q1-2016q4	3.4%	40	20 40 60 80 100 / 100% 4.7% 3.2% 2.1% 1.1% 0%	3.2%	60
LS Mobility Decline	2016q1-2016q4	23.6%	40	20 40 60 80 100 / 100% 24.5% 19.3% 14.5% 8.0% 0%	19.3%	60
LS ADL Decline	2016q1-2016q4	17.5%	40	20 40 60 80 100 / 100% 20.8% 16.8% 13.5% 10.0% 0%	16.8%	60
SS Rehospitalizations	2015q3-2016q2	22.2%	40	20 40 60 80 100 / 100% 25.7% 21.9% 18.7% 13.8% 0%	21.9%	60
SS Pressure Ulcers	2016q1-2016q4	1.5%	50	25 50 75 100 / 100% 1.6% 0.7% 0% 0%	0.7%	75
SS Pain	2016q1-2016q4	18.7%	60	20 40 60 80 100 / 100% 26.0% 18.8% 13.2% 7.4% 0%	13.2%	80
SS Community Discharge	2015q3-2016q2	57.1%	60	20 40 60 80 100 / 0% 47.7% 54.9% 59.9% 66.4% 100%	59.9%	80
LS Pain	2016q1-2016q4	5.2%	60	20 40 60 80 100 / 100% 13.1% 8.3% 5.0% 2.2% 0%	5.0%	80
LS Injurious Falls	2016q1-2016q4	2.5%	60	20 40 60 80 100 / 100% 5.0% 3.5% 2.4% 1.3% 0%	2.4%	80
LS UTIs	2016q1-2016q4	3.2%	80	20 40 60 80 100 / 100% 7.6% 5.1% 3.4% 1.9% 0%	1.9%	100
LS Antipsychotics	2016q1-2016q4	10.8%	80	20 40 60 80 100 / 100% 24.0% 17.4% 12.7% 6.8% 0%	6.8%	100
SS Improved Function	2016q1-2016q4	73.2%	80	20 40 60 80 100 / 0% 52.0% 62.9% 71.0% 81.7% 100%	81.7%	100
SS Antipsychotics	2016q1-2016q4	0.3%	80	20 40 60 80 100 / 100% 3.5% 1.9% 1.0% 0% 0%	0.0%	100
LS Restraints	2016q1-2016q4	0.0%	100	20 60 100 / 100% 1.4% 0% 0%	0.0%	100
SS ED Visits	2015q3-2016q2	5.2%	100	20 40 60 80 100 / 100% 15.5% 11.7% 8.9% 5.5% 0%	0.0%	100
Five-Star QM Rating	May 2017	4 Stars	990	1★ 2★ 3★ 4★ 5★ / 325 790 890 970 1055 1600	5 Stars	1055

**N/R= Not Reported, QM points imputed if possible.* *Source: May 2017 Release of Nursing Home Compare*

Figure Legend:



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The AHCA/NCAL Quality Initiative

The 2015-2018 initiative challenges members to meet measurable targets in eight areas with a focus on three key priorities: improvements in organizational success, short-stay/post-acute care, and long-term/dementia care.

These areas are aligned with CMS's Quality Assurance /Performance Improvement (QAPI) program and federal mandates, such as Five-Star and the IMPACT Act.

Click on the measure names on the left for target-specific resources.

Long-Term/ Dementia Care	**Antipsychotics** *Current Rate* 15.0% *% Change (Goal -30%)* -4.5%	**Hospitalizations (LS)** *Current Rate (Goal 10%)* 11.2% *% Change (Goal -15%)* 85.6%	***Summary of Performance*** 0 of 8 Targets Achieved
Short-Stay/ Post-Acute	**Hospital Readmissions** *Current Rate (Goal 10%)* 14.0% *% Change (Goal -30%)* 125.0%	**Discharge to Community** *Current Rate (Goal 70%)* 67.0% *% Change (Goal +10%)* -2.0%	**Functional Improvement** *Current Rate (Goal 75%)* 65.4% *% Change (Goal +10%)* -19.4%
Organizational Success	**Staff Stability** *Current Rate (Goal 40%)* Not Uploaded *% Change (Goal -15%)* Not Uploaded	**Customer Satisfaction** *Goal: Upload CoreQ Data to LTC Trend Tracker* Not Uploaded	**Unintended Health Care Outcomes** *Coming Soon*

Icon Key

Achieved Target* ✓ Met Goal — Goal Not Met

** – Must meet at least one goal to achieve target. TBD – To Be Determined*

AHCA/NCAL Resources to Know

Emergency Preparedness

- Final Rule Webinar Series- Are you on track to be in compliance by November 2017?

Infection Preventionist Specialized Training (IPCO)

- This online, self-study program on ahcancalED with 23 hours of learning helps members with the recently expanded infection prevention and control training requirements

LTC Trend Tracker

- Resource Center - home of videos and guides on how to access and run reports

Data Sources

Survey, Staffing, and Five-Star Quality data (pages 1-4) from May 24, 2017 release of Nursing Home Compare. Quality Initiative data (page 5) from LTC Trend Tracker as of June 20, 2017.

If you have any questions, please email help@LTCTrendTracker.com

AHCA NCAL
AHCA | NCAL 68TH ANNUAL
Convention & EXPO
OCTOBER 15-18, 2017 | LAS VEGAS, NV | MANDALAY BAY RESORT

Early bird registration ends July 21, so register today and save!

AHCA NCAL

IMPROVING LIVES by DELIVERING SOLUTIONS for QUALITY CARE

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Your Top-Line

Pavilion-Ths, Llc
1406 Medical Center Drive, Lebanon, TN 37087

Publication Number: 2017-Q1

Survey Rating

Currently ranked **1st out of 311 facilities** in Tennessee on weighted 3-cycle survey score.

For more on your survey score, see Page 2.

Staffing Rating

To gain a star in Staffing, increase your actual RN hours PPD by 0.186 (11.1 minutes) from 0.92 to 1.105, and increase your actual Total hours PPD by 0.129 (7.7 minutes) from 5.05 to 5.179.

For more on your staffing breakdown, see Page 3.

Quality Measure Rating

The greatest opportunity to improve your QM rating is on **LS Mobility Decline,** where you are currently earning 20 out of 100 points.

See your performance on all Quality Measures on Page 4.

Overall Rating

Your Overall Rating Calculation

5 Stars	+	0 Stars	+	0 Stars	=	5 Stars
Survey		Staffing		Quality Measures		Overall

AHCA/NCAL Quality Initiative

See which three Quality Initiative targets your facility has met on Page 5.

AHCA/NCAL Quality Awards

Your facility was a 2015 Bronze recipient. For information on continuing the journey click here

Your Survey Score Breakdown

	Score Breakdown				Deficiencies (#)		
	Initial Score	*Revisits* #	*Revisits* Score	Total Score	Standard Health	Complaint	Total
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Cycle 2 on 08/26/15	0	0	0	0	0	0	0
Cycle 3 on 05/29/14	0	0	0	0	0	0	0
Weighted 3-Cycles*	$\frac{0}{2}+\frac{0}{3}+\frac{0}{6}=\underline{0}$				☆☆☆☆☆ Congratulations on Achieving 5 Stars		

Count of Deficiencies by Scope/Severity Code and Cycle

This figure shows for each of the last three survey cycles (1, 2, and 3), the number of deficiencies you received at each scope and severity level.

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Actual harm that is not immediate jeopardy	G 1 - 2 - 3 -	H 1 - 2 - 3 -	I 1 - 2 - 3 -
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Congratulations on Being Deficiency Free!

Your Staffing Rating Breakdown

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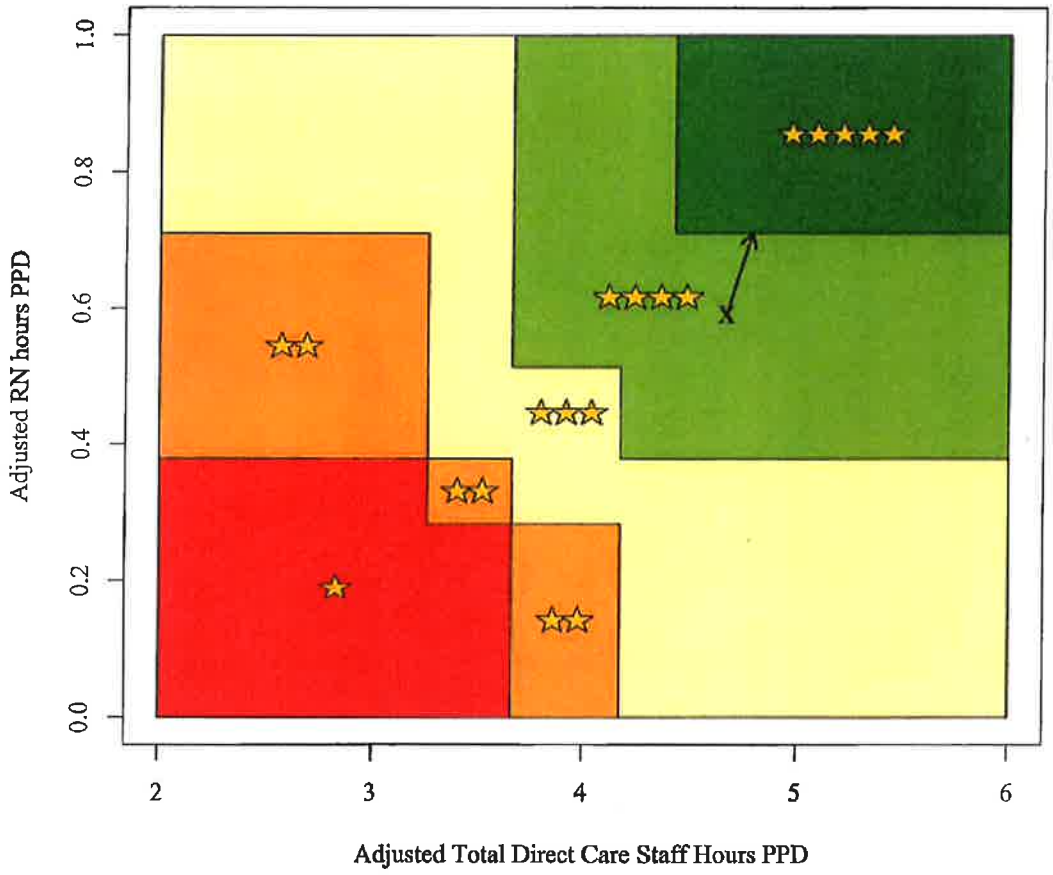

The boundaries for hours PPD between the ratings are as follows:

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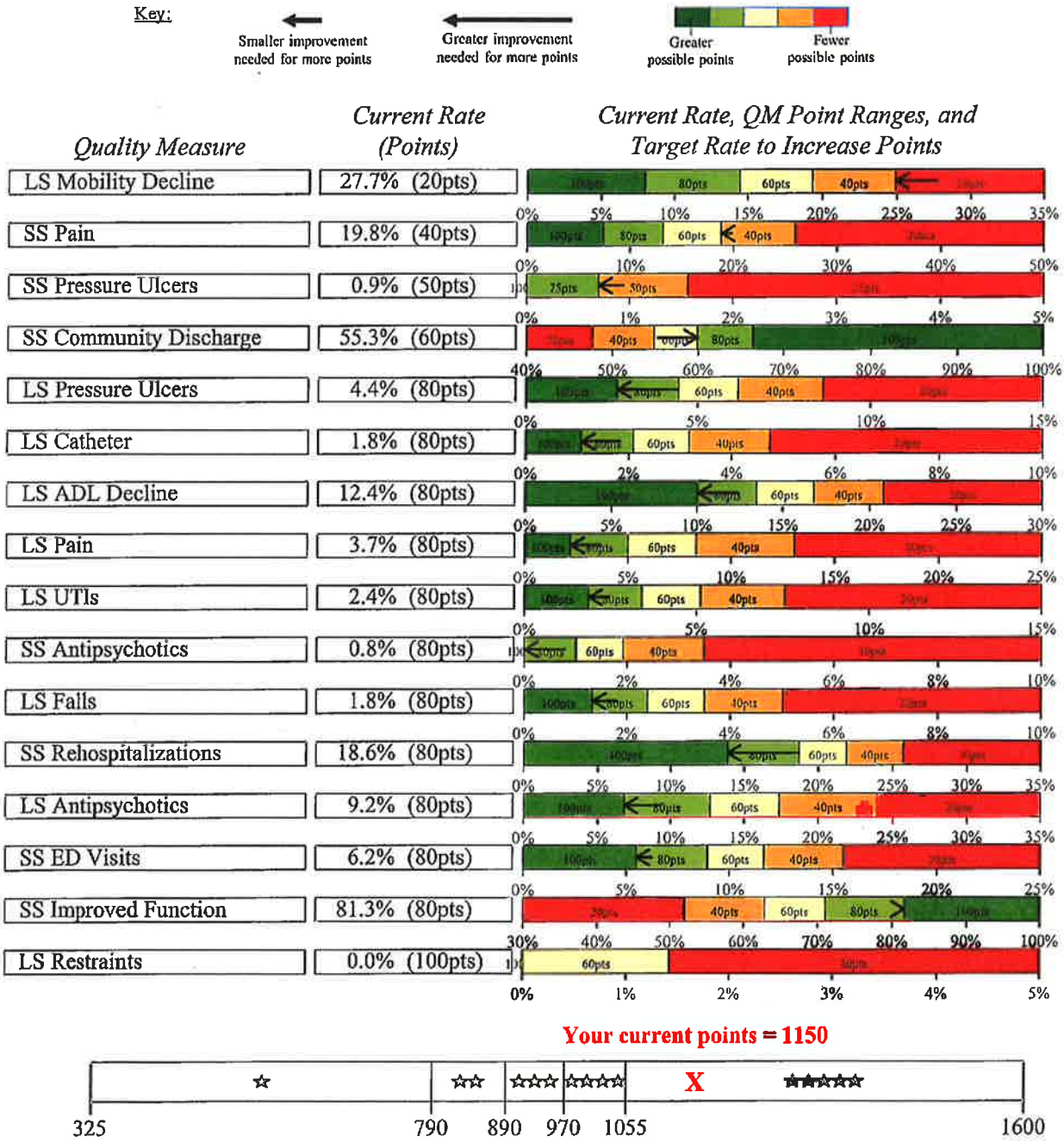
RN	< 0.283	0.283-0.378	0.379-0.512	0.513-0.709	≥ 0.710
Total	< 3.262	3.262-3.660	3.661-4.172	4.173-4.417	≥ 4.418

Your Quality Rating Breakdown

Congratulations on achieving a Quality Measure (QM) rating of 5 stars. You are currently 450 points from the highest possible points of 1600. The graphic below shows the number of points you have earned, on each QM, with the size of the black arrows showing how much your rate needs to improve on each QM and in which direction to earn more points.



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Long-Term/ Dementia Care	**Antipsychotics** *Current Rate* 10.3% *% Change (Goal -30%)* -34.7% ✓	**Hospitalizations (LS)** *Current Rate (Goal 10%)* 9.6% ✓ *% Change (Goal -15%)* 59.0% –	***Summary of Performance*** 3 of 8 Targets Achieved
Short-Stay/ Post-Acute	**Hospital Readmissions** *Current Rate (Goal 10%)* 15.5% – *% Change (Goal -30%)* 150.1% –	**Discharge to Community** *Current Rate (Goal 70%)* 64.7% – *% Change (Goal +10%)* -5.3% –	**Functional Improvement** *Current Rate (Goal 75%)* 76.6% ✓ *% Change (Goal +10%)* -5.6% –
Organizational Success	**Staff Stability** *Current Rate (Goal 40%)* Not Uploaded – *% Change (Goal -15%)* Not Uploaded –	**Customer Satisfaction** *Goal: Upload CoreQ Data to LTC Trend Tracker* Not Uploaded –	**Unintended Health Care Outcomes** *Coming Soon*

Icon Key

Achieved Target* ✓ Met Goal – Goal Not Met

** – Must meet at least one goal to achieve target. TBD – To Be Determined*

The AHCA/NCAL Quality Initiative

The 2015-2018 initiative challenges members to meet measurable targets in eight areas with a focus on three key priorities: improvements in organizational success, short-stay/post-acute care, and long-term/dementia care.

These areas are aligned with CMS's Quality Assurance /Performance Improvement (QAPI) program and federal mandates, such as Five-Star and the IMPACT Act.

Click on the target headings on the left for target-specific resources.

AHCA/NCAL Resources to Know

Staff Stability

- Quality Initiative Series- Part 4: Staff Stability (Recorded on 1/25/17)
- Updated Cost of Turnover Calculator

Rehospitalization

- Reducing Rehospitalization: Practical Strategies for Success

Requirements of Participation (RequirED on ahcancalED)

- Must View RoP Materials - RoP Checklist Overview, Playbook, Extracted Final Rule, Session PPT

Data Sources

Survey, Staffing, and Five-Star Quality data (pages 1-4) from January 30, 2017 release of Nursing Home Compare. Quality Initiative data (page 5) from LTC Trend Tracker as of Feb. 10, 2017.

If you have any questions, please email help@LTCTrendTracker.com

LTCtrendtracker
YOUR QUALITY & PERFORMANCE SOLUTION

TN Department of Health

August 23, 2016

Mr. Joseph Njezic, Administrator
The Pavilion-THS, LLC
1406 Medical Center Drive
Lebanon TN 37087

Provider # 44-5500

Dear Mr. Njezic:

The East Tennessee Regional Office of Health Care Facilities conducted a Health and Life Safety code recertification survey on August 15 - 18, 2016. This letter is to serve as notice that as a result of the survey completed August 18, 2016, your facility was found to be in compliance with the Health and Life Safety participation requirements for Medicare and/or Medicaid Programs.

Sincerely,

Tamra Turberville/afl

Tamra Turberville, R.N.
Regional Administrator
ETRO Health Care Facilities

TT: afl

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 08/18/2016
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____	(X3) DATE SURVEY COMPLETED
	445500		08/18/2016

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
PAVILION-THS, LLC	1406 MEDICAL CENTER DRIVE LEBANON, TN 37087

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
F 000	INITIAL COMMENTS A recertification survey was completed at The Pavilion on 8/15/16 through 8/18/16. No deficiencies were cited under CFR Part 483, Requirements for Long Term Care Facilities.	F 000		

ABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE TITLE (X6) DATE

.ny deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that t' ıafeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days ; ,ıg the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 ays following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued rogram participation.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 08/18/2016
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING B. WING	(X3) DATE SURVEY COMPLETED
	445500		08/15/2016

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
PAVILION-THS, LLC	1406 MEDICAL CENTER DRIVE LEBANON, TN 37087

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
K9999	FINAL OBSERVATIONS Based on observations, testing, and records review, it was determined the facility had no life safety deficiencies during the refortification survey conducted on 8/15/16.	K9999		

ABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

ny deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that ' ;afeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days . ng the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 ays following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued ogram participation.

PRINTED: 08/18/2016
FORM APPROVED

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION A. BUILDING: 01 - MAIN BUILDING B. WING _____	(X3) DATE SURVEY COMPLETED
	TN9507		08/15/2016

NAME OF PROVIDER OR SUPPLIER
PAVILION-THS, LLC

STREET ADDRESS, CITY, STATE, ZIP CODE
1406 MEDICAL CENTER DRIVE
LEBANON, TN 37087

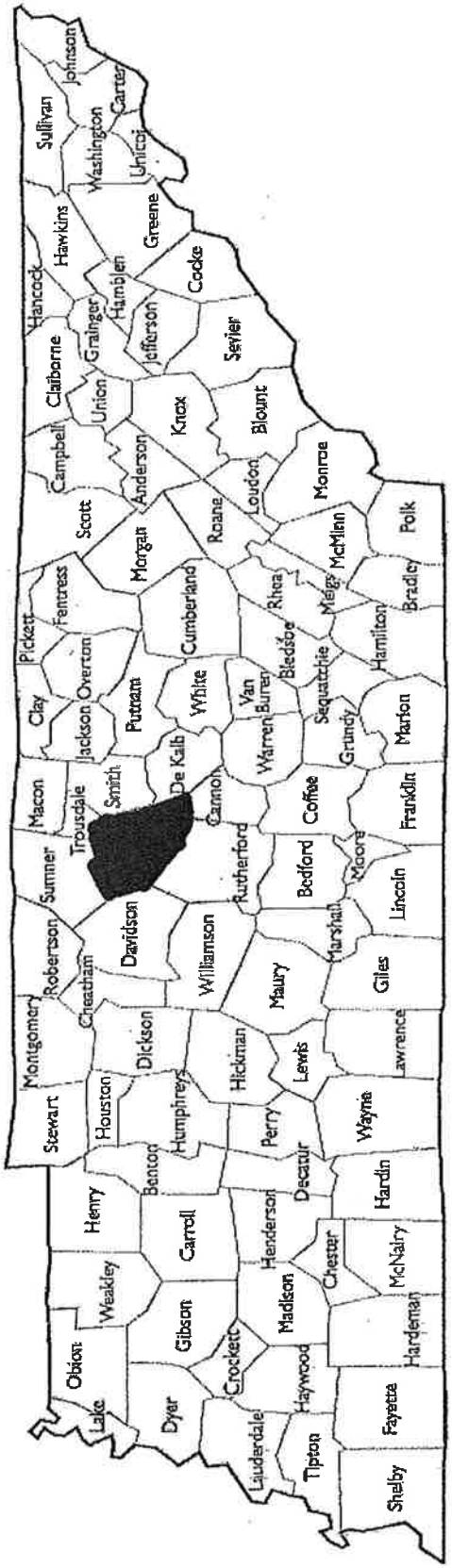
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
N 002	1200-8-6 No Deficiencies During the life safety portion of the annual licensure survey conducted on 8/15/16, no deficiencies were cited under 1200-08-06, Standards for Nursing Homes.	N 002		

Division of Health Care Facilities
LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

Attachment Section B
Need - C

Service Area

County Level Map



Attachment Section B
Need - D-1-b

Population Data Chart

Population Data Chart

Demographic Variable/ Geographic Area	Department of Health/Health Statistics							Bureau of the Census				TennCare	
	Total Population - 2017	Total Population - 2021	Total Population % Change	Target Population - 2017	Target Population - 2021	Target Population % Change	Target Population 2021 as % of Total	Median Age	Median Household Income	Person Below Poverty Level	Person Below Poverty Level as % of Total	TennCare Enrollees (April 2017)	TennCare Enrollees as % of Total Population
Wilson County	131,486	140,892	7.15%	20,997	25,651	22.16%	18.2%	40.1	$61,070	?	10.1%	18,977	14.43%
State of TN Total	6,887,572	7,179,512	4.23%	1,133,025	1,312,118	15.8%	18.27%	38.4	$45,219	?	17.6%	1,461,966	21.226%

Source: University of Tennessee Center for Business and Economic Research Population Data Files, Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment

Attachment Section B
Need - E-1

Service Area Utilization

Service Area Utilization

Facility	Admissions / Discharges			Average Length of Stay		Resident Days of Care			Occupancy		
	2013	2014	2015	2015		2013	2014	2015	2013	2014	2015
Pavilion Senior Living [[60 beds]] [[21,900 total RDCs]]	A = 195 D = 168	A = 204 D = 183	A = 260 D = 235	Less than 100 days	74	21577	21309	20946	98.5%	97.3%	95.6%
				100-180 days	44						
				181-364 days	84						
				1 year to < 2 years	21						
				1 year to < 2 years	16						
				1 year to < 2 years	5						
				4 or more years	16						
				TOTAL	**260**						
Lebanon Health and Rehabilitation [[60]] [[21,900 total RDCs]]	A = 617 D = 580	A = 481 D = 445	A = 444 D = 442	Less than 100 days	365	11974	11682	12426	54.7%	53.3%	56.7%
				100-180 days	31						
				181-364 days	16						
				1 year to < 2 years	16						
				1 year to < 2 years	16						
				1 year to < 2 years	-						
				4 or more years	-						
				TOTAL	**444**						
Mt. Juliet Health Care Center [[106]] [[38,690 total RDCs]]	A = 306 D = 296	A = 399 D = 373	A = 387 D = 362	Less than 100 days	1	30771	27901	26162	79.5%	72.1%	67.6%
				100-180 days	14						
				181-364 days	14						
				1 year to < 2 years	13						
				1 year to < 2 years	4						
				1 year to < 2 years	5						
				4 or more years	12						
				TOTAL	**63**						

Quality Care Health Center [[280]] [[102,200 total RDCs]]	A = 837 D = 708	A = 740 D = 629	A = 496 D = 446	Less than 100 days	288	85645	85290	89253	83.8%	83.4%	87.3%
				100-180 days	43						
				181-364 days	71						
				1 year to < 2 years	56						
				1 year to < 2 years	41						
				1 year to < 2 years	17						
				4 or more years	41						
				TOTAL	**557**						

Source: 2013 - 2015 Tennessee Joint Annual Reports

Attachment Section B
Economic Feasibility - A-5

Documentation Supporting Construction Costs

HORIZON
CONSTRUCTION & DEVELOPMENT

June 7, 2017

Health Services & Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

Dear Members of Health Services & Development Agency,

Horizon Construction has been retained to bid and build a fourth wing onto The Pavilion Senior Living building. We anticipate it costings $976,729 to build which does include a $50,000 contingency amount.

This budget will allow the wing to be up to current life safety codes.

Sincerely,

Bill Harmon
Director of Construction

615.453.0211

Attachment Section B
Economic Feasibility - F-1

Applicant's Financial Statements

PAVILION – THS, LLC
HUD PROJECT NO. 086-22042

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

PAVILION-THS, LLC

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
BALANCE SHEETS	3
STATEMENTS OF EARNINGS AND CHANGES IN MEMBERS' EQUITY	4
STATEMENTS OF CASH FLOWS	5
NOTES TO THE FINANCIAL STATEMENTS	6 - 11
SUPPLEMENTAL INFORMATION	
BALANCE SHEETS DATA	12
STATEMENT OF ACTIVITIES DATA	13
STATEMENT OF CASH FLOWS DATA	14
SCHEDULE OF 5300 AND 6900 ACCOUNTS	15
SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS	16
SCHEDULE OF NURSING HOME SUPPLEMENTAL DATA	17
ADDITIONAL INFORMATION	18
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	19
INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROLS	20 - 21
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR HUD PROGRAMS	22
SCHEDULE OF FINDINGS AND RESPONSE	23 - 24
CERTIFICATION OF MEMBERS	25
CERTIFICATION OF MANAGEMENT AGENT	26

DVF DEMPSEY VANTREASE & FOLLIS PLLC

INDEPENDENT AUDITORS' REPORT

To the Member of
Pavilion – THS, LLC

We have audited the accompanying financial statements of Pavilion – THS, LLC (a limited liability company) HUD Project No. 086-22042, which comprise the balance sheets as of December 31, 2016 and 2015 the related statements of earnings (deficit) and members equity and cash flows for the years then ended, and the related notes to the financial statements.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audits evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pavilion – THS, LLC as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole The accompanying supplementary information shown on pages 12 - 25 are presented for purposes of additional analysis as required by the Consolidated Audit Guide for Audits of HUD Programs issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General and are not a required part of the financial statements.

The accompanying supplementary information on pages 12 - 25 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information on pages 12 - 25 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2017 on our consideration of Pavilion – THS, LLC (a limited liability company) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering of Pavilion – THS, LLC's internal control over financial reporting and compliance.

Murfreesboro, TN
March 17, 2017

Dempsey Nantreau & Fallin PLLC

PAVILION-THS, LLC
HUD PROJECT NO. 086-22042
BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
Current assets		
Cash	$ 650,347	$ 197,154
Net patient receivables (less allowance for doubtful accounts of $119,248 and $73,807, respectively)	479,396	412,594
Due from affiliates	5,175	26,291
Inventory	10,566	11,182
Prepaid expenses	157,656	196,371
Total current assets	1,303,140	842,592
Restricted cash reserves		
Restricted patient trust	5,120	4,403
Restricted replacement reserves	68,087	123,660
Restricted escrow reserves	87,025	67,129
Total restricted cash reserves	160,232	195,092
Property and equipment, net	4,023,296	4,099,565
	$ 5,486,668	$ 5,137,249

LIABILITIES AND MEMBERS' EQUITY

Current liabilities		
Current maturities of long-term debt	$ 56,607	$ 60,700
Accounts payable	125,100	124,264
Accrued payroll related liabilities	146,799	135,257
Accrued other liabilities	120,031	70,057
Patient trust accounts	5,120	4,403
Accrued interest	13,709	13,709
Total current liabilities	467,366	408,390
Long-term debt	3,871,778	3,923,233
Total liabilities	4,339,144	4,331,623
Members' Equity	1,147,524	805,626
	$ 5,486,668	$ 5,137,249

See notes to financial statements.

PAVILION-THS, LLC
HUD PROJECT NO. 086-22042
STATEMENTS OF EARNINGS AND CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Operating revenue	$ 5,735,864	$ 5,451,561
Nursing home expenses	3,422,897	3,212,252
Income from operations	2,312,967	2,239,309
General administrative expenses	1,485,750	1,534,601
Net Income Before Other Income and Expenses	827,217	704,708
Other Income (Expense)		
Interest Income	-	118
Interest Expense	(166,319)	(169,974)
Total Other Income (Expense)	(166,319)	(169,856)
Net Income	660,898	534,852
Members' Equity December 31, 2015 and 2014	805,626	720,774
Members' withdrawals	(469,000)	(450,000)
Members' contributions	150,000	-
Members' Equity December 31, 2016 and 2015	$ 1,147,524	$ 805,626

See notes to financial statements.

PAVILION-THS, LLC
HUD PROJECT NO. 086-22042
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Net income	$ 660,898	$ 534,852
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	220,067	223,263
Amortization	5,153	6,496
Allowance for doubtful accounts	45,441	(18,686)
Decrease (increase) in operating assets:		
Patient receivables	(112,243)	(116,429)
Prepaid expenses	37,715	(75,919)
Security deposit account	(717)	4,604
Due from affiliates	21,116	(35,901)
Inventory	616	7,101
Increase (decrease) in liabilities:		
Accounts payable	836	49,382
Accrued payroll and withholdings	11,542	8,892
Accrued other liabilities	49,974	(765)
Patient trust	717	(4,604)
Net cash provided by operating activities	941,115	582,286
Cash flows from investing activities:		
Reserve for taxes and insurance	(19,896)	13,304
Replacement reserve	55,473	(33,045)
Additions to property and equipment	(143,798)	(41,869)
Net cash used in investing activities	(108,221)	(61,610)
Cash flows from financing activities:		
Principal payments on long-term debt	(60,701)	(58,388)
Net related party advance	-	(120,000)
Contributions received	150,000	-
Distributions paid	(469,000)	(450,000)
Net cash used in financing activities	(379,701)	(628,388)
Net increase (decrease) in cash and cash equivalents	453,193	(107,712)
Cash and cash equivalents at beginning of period	197,154	304,866
Cash and cash equivalents at end of period	$ 650,347	$ 197,154
Supplemental Disclosures of Cash Flow Information		
Interest paid	$ 161,166	$ 163,478

See notes to financial statements

PAVILION – THS, LLC
HUD PROJECT NO. 086-22042
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The financial statements include the accounts of Pavilion – THS, LLC, (the "Facility") a subsidiary of Total Health Systems, L.L.C. a limited liability company, located in Lebanon, Tennessee. The Facility is a 60 bed long-term care center located in Lebanon, Tennessee. The Facility was formed through an acquisition of the assets of Community Progress Committee, Inc. ("Community"), a Tennessee not-for-profit corporation on November 19, 2011.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment are reported at cost. Depreciation is provided for over the estimated useful lives of the assets using straight-line depreciation methods for vehicles, equipment, fixtures, buildings and improvements. Expenditures for maintenance, repairs and renewals that do not materially extend the life of an asset are charged to expense as incurred are charged to operations as incurred, and betterments greater than $1,000 are capitalized.

The estimated useful lives are as follows:

	Years
Furniture and office equipment	5 - 10 years
Transportation equipment	5 years
Building and improvements	10 - 40 years

Financing Costs

Financing costs are being amortized by the straight-line method over the term of the related long-term obligation. For the years ending December 31, 2016 and 2015 total amortization included in interest expense was $5,153 and $6,496, respectively.

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financing Costs (Continued)

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, "Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs" (ASU 2015-03), which resulted in the reclassification of debt issuance costs from "Other Assets" to inclusion as a reduction of the Facilities reportable "Long-Term Debt" balance on the Facilities' balance sheet.

Net Patient Revenues

The Facility is a 60 bed-long-term care-center managed by Stein and Associates, LLC under an annual renewable management agreement.

The Facility receives payments for services provided to certain patients under the state Medicaid program and Federal Medicare program. During the years ending December 31, 2016 and 2015 29% and 28%, respectively, of the net patient revenues were from participation in the state Medicaid program. Revenues under the federal Medicare program were approximately 30% and 28% during the years ending December 31, 2016 and 2015. Patient revenues under the Medicaid program are based in part on cost reimbursement principles which govern reimbursement of current year costs. Amounts earned under this program are subject to review by the third party payors. Revenues under the Medicare Program are based on the prospective payment system.

As of December 31, 2016 and 2015 approximately 57% and 34%, respectively, of the patient receivables are due from Medicare and Medicaid programs. The allowance for doubtful account is estimated and recorded based on the historical bad debt experience and management's judgment. In the opinion of management, adequate provision has been made for any adjustments that may result from reviews by the state Medicaid program. Differences between estimated provisions and final settlements are reflected in operations of the year finalized. The Facility considers all patient receivable accounts greater than 60 days old to be past due. The Facility does not charge interest on past due patient accounts. As of December 31, 2016 and 2015 the Company had recorded an allowance of doubtful accounts of $119,248 and $73,807, respectively.

Concentration of Credit Risks

The Facility's credit risk, also, relates to patient receivables. Patient receivables consist primarily of amounts due from patients, who receive funding through the Tennessee Medicaid program, Medicare program and private payers, in the state of Tennessee. The Facility performs continual credit evaluations of its patients. Management does not believe that there is significant credit risks associated with these governmental programs.

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Equivalents

For purposes of the statements of cash flows the Facility considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

The Facility's credit risks primarily relate to cash and equivalents and patient receivables. Cash and equivalents are primarily held in bank accounts. The Facility maintains several bank accounts at one bank. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 for December 31, 2016 and 2015. Cash at these institutions exceeded federally insured limits at times.

Income Taxes

No income tax provision has been included in the financial statements for the Company since the income or loss has been elected to be reported by the respective member on his individual tax return.

The Company accounts for uncertainties in income tax law under Financial Accounting Standards Board (FASB) Accounting Standards Codification 740-10. ASC 740-10 prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. ASC 740-10 requires that the tax effects of a position be recognized only if it is "more-likely-than-not" to be sustained by the taxing authority as of the reporting date. If the tax position is not considered "more-likely-than-not" to be sustained, then no benefits of the position are to be recognized. The Company has no unrecognized tax benefits for any of the periods presented. To the extent applicable in the future, interest and penalties related to income tax liabilities will be included in pre-tax income as interest expense and tax penalties. At December 31, 2016, the Company's tax returns related to fiscal years ended December 31, 2014 through December 31, 2016 remain open to examination by the tax authorities.

Provider Tax

The Facility is subject to a provider tax imposed by the state of Tennessee. This tax is calculated based on a flat rate per patient day as defined by the state of Tennessee as they relate to nursing services that are provided. The provider tax totaled $261,270 and $180,839 for the years ended December 31, 2016 and 2015, respectively.

Advertising

The Facility uses advertising to promote its programs and recruit contract employment. The production costs of advertising are expensed as incurred. Advertising costs totaled $27,901 and $39,369, respectively, during the years ended December 31, 2016 and 2015.

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory mainly consists of linens and dietary foods, supplies and supplements. Inventory is stated at the lower of cost or market; cost is determined using the first-in, first-out method.

NOTE B - RELATED PARTY TRANSACTIONS

The company is related through common ownership to similar facilities located West Virginia. This facility is managed by the same management company and will from time to time provide short term financing for the related entity. In addition, the company engaged a contractor owned by a related party for certain construction contracts. Total costs on the contract at December 31, 2016 were $131,868. At December 31, 2016 and 2015 the company had a receivable of $5,175 and $26,291, respectively, from the related parties.

NOTE C – RESTRICTED CASH AND EQUIVALENTS

Certain cash and equivalents are held for resident trust accounts which are restricted for resident use. As of December 31, 2016 and 2015 these restricted cash and equivalent balances totaled $160,232 and $195,092, respectively.

NOTE D - PROPERTY AND EQUIPMENT

Property and Equipment consists of the following as of December 31, 2016 and 2015:

	2016	2015
Building and improvements	$ 4,236,532	$ 4,220,913
Transportation equipment	31,600	31,600
Furniture and office equipment	550,294	553,983
	4,818,426	4,806,496
Less accumulated depreciation	1,092,198	872,131
	3,726,228	3,934,365
Construction in Progress	131,868	-
Land and land improvements	165,200	165,200
	$ 4,023,296	$ 4,099,565

Depreciation totaled $220,067 and $223,263 during the years ending December 31, 2016 and 2015, respectively.

NOTE E - COMMITMENTS AND CONTINGENCIES

Management Agreement

The company has entered into a management agreement with Stein and Associates, LLC to operate and manage the Facility. Payment of the management fee is subordinate to the regular monthly payments of debt service on the notes payable. During the year ended December 31, 2016 and 2015 the company incurred $90,000 in management fees under the agreement. At December 31, 2016 and 2015 no management fees were payable under the agreement.

Health Care Regulations

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government health care program participation requirements, reimbursement for patient services, and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Facility is in compliance with fraud and abuse regulations as well as other applicable government laws and regulations.

U.S. Department of Housing and Urban Development Regulations

The operations of the Company are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

NOTE F – LIMITED DISTRIBUTIONS TO MEMBER

In connection with the HUD refinance, in September 2014, management agreed to limited distributions payable to the member from funds provided by operations as limited by the regulatory agreement to "surplus cash" (as defined in the regulatory agreement) available at the end of each semiannual or annual fiscal period beginning on December 31, 2014. Distributions for the years ended December 31, 2016 and 2015 totaled $469,000 and $424,000, respectively.

"Surplus cash" available for distribution on December 31, 2016 and 2015 amounts to $614,882 and $107,170, respectively. The distributions for the year ended December 31, 2015 exceeded the amounts available for distribution by $147,996. The excess distributions were returned to the entity by the member on March 31, 2016.

NOTE G– LONG TERM DEBT

Long term debt is composed of the following as of December 31, 2016 and 2015:

	2016	2015
Note payable goverment insured; in the original amount of $4,238,600 with monthly principal and interest payments totaling $18,489. The note bears an interest rate of 3.89%. The note is schedule to mature in October 2049. The note is collateralized by certain real estate.	4,109,999	4,170,700
Less Unamortized issuance costs	(181,614)	(186,767)
Less: current portion	(56,607)	(60,700)
Long term debt, net of current portion	$ 3,871,778	$ 3,923,233

Aggregate maturities of notes payable are as follows as of December 31, 2016:

Year Ending December 31,	
2017	$ 56,607
2018	59,107
2019	61,705
2020	64,405
2021	67,213
Thereafter	3,800,962
	$ 4,109,999

NOTE H – RECLASSIFICATIONS

Certain amounts in the prior period financial statement have been reclassified to conform to current year presentation.

NOTE I – SUBSEQUENT EVENT

The Company has evaluated subsequent events through March 17, 2017, which is the date the financial statements were available to be issued. Based on the evaluation no significant subsequent events were noted.

SUPPLEMENTAL INFORMATION

Pavilion-THS, LLC
HUD PROJECT NO. 086-22042
BALANCE SHEETS DATA
December 31, 2016

Account No.			
	ASSETS		
	CURRENT ASSETS		
1120	Cash - operations	$	650,347
1137	Medicare/Medicaid/Other Insurance Receivable		479,396
1140-10	Due from affiliates		5,175
1180	Inventory		10,566
1200	Prepaid expenses		157,656
1100T	Total Current Assets		1,303,140
1191	Patient deposits held in trust		5,120
	RESTRICTED DEPOSITS		
1310	Escrow deposits		87,025
1320	Replacement reserve		68,087
1300T	Total Deposits		155,112
	PROPERTY AND EQUIPMENT		
1410	Land		165,200
1420	Building		4,236,532
1465	Furniture and Equipment		550,294
1480	Motor Vehicles		31,600
1490	Construction in Progress		131,868
1400T	Total Fixed Assets		5,115,494
1495	Accumulated depreciation		(1,092,198)
1400N	Net Fixed Assets		4,023,296
1000T	Total Assets	$	5,486,668
	LIABILITIES AND MEMBERS' EQUITY		
	CURRENT LIABILITIES		
2110	Accounts payable - operations	$	125,100
2120	Accrued wages payable		146,799
2131	Accrued interest payable - mortgage		13,709
2190-10	Accrued other liabilities		120,031
2170	Current portion of mortgage payable		56,607
2122T	Total Current Liabilities		462,246
2191	Patient deposits held in trust		5,120
2320	MORTGAGE PAYABLE, less current portion		3,871,778
2300T	Total long-term liabilities		3,871,778
2000T	Total Liabilities		4,339,144
3131	Members' Equity		1,147,524
3130	Members' Equity		1,147,524
2033T	Total Liabilities and Members' Equity	$	5,486,668

See notes to financial statements.

Pavilion-THS, LLC
HUD PROJECT NO. 086-22042
STATEMENT OF ACTIVITIES DATA
YEAR ENDED DECEMBER 31, 2016

Account No			
	REVENUES		
5300	Nursing Homes revenues	$	5,735,864
50001	Total Revenue		5,735,864
	EXPENSES		
6210	Advertising		27,901
6310	Office salaries		159,653
6320	Management fees		90,000
6350	Audit expense		14,500
6370	Bad debts		82,421
6263T	Total Administrative Expense		374,475
6450	Electricity		53,525
6451	Water		31,493
6400T	Total Utilities Expense		85,018
6510	Maintenance salaries		35,103
6515	Supplies		8,144
6525	Garbage and trash removal		6,881
6580	Lease expense		5,596
6590	Miscellaneous operating and maintenance expenses		122,917
6500T	Total Operating and Maintenance Expense		178,641
6711	Payroll taxes (project's share)		154,798
6720	Property and liability insurance (hazard)		90,311
6722	Workmen's compensation		67,606
6723	Health insurance and other employment benefits		201,256
6790	Miscellaneous, taxes, licenses, permits and insurance		87,016
6700T			600,987
6820	Interest on mortgage payable		166,319
6850	Mortgage insurance premium		26,562
6800T	Total Financial Expenses		192,881
6900	Nursing Homes expenses		3,422,897
6000T	Total cost of operations before depreciation and amortization		4,854,899
5060T	Operating profit before depreciation and amortization		880,965
6600	Depreciation expenses		220,067
5060N	Operating profit	$	660,898
S1000-010	Total mortgage principal payments required during the year	$	60,701
S1000-020	Total of monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement.	$	33,000
S1000-030	Replacement reserve or residual receipts releases which are included as expense items on this statement of activities	$	88,533

See notes to financial statements.

Pavilion-THS, LLC
HUD PROJECT NO. 086-22042
STATEMENT OF CASH FLOWS DATA
YEAR ENDED DECEMBER 31, 2016

Account No.			
Cash flows from operating activities:			
S1200-030	Other operating receipts	$	5,669,062
S1200-040	Total receipts		5,669,062
S1200-050	Administrative		214,822
S1200-090	Utilities		85,018
S1200-100	Salaries and wages		1,966,181
S1200-110	Operating and maintenance		2,205,003
S1200-140	Property insurance		90,311
S1200-170	Other operating expenses		(21,116)
S1200-180	Interest on first mortgage		161,166
S1200-220	Miscellaneous financial		26,562
S1200-230	Total disbursements		4,727,947
S1200-240	Net cash provided by operating activities		941,115
Cash flows from investing activities:			
S1200-330	Net purchase of fixed assets		(143,798)
S1200-245	Net escrow deposit		(19,896)
S1200-250	Net replacement reserve deposits		55,473
S1200-350	Net cash used in investing activities		(108,221)
Cash flows from financing activities:			
S1200-360	Principal payments - mortgage		(60,701)
S1200-430	Contributions		150,000
S1200-420	Distributions paid		(469,000)
S1200-460	Net cash used in financing activities		(379,701)
S1200-470	Net increase in cash - operations		453,193
S1200-480	Beginning of year cash - operations		197,154
S1200T	End of year cash - operations	$	650,347

Reconciliation of change in net assets to net cash provided by operating activities:

3250	Net income	$	660,898
Adjustments to reconcile net income to net cash provided by operating activities:			
6600	Depreciation expense		220,067
6610	Amortization expense		5,153
Decrease (increase) in:			
S1200-500	Patient receivable		(66,802)
S1200-520	Prepaid expenses		37,715
S1200-536	Inventory		
(Increase) (decrease) in:			
S1200-540	Accounts payable		836
S1200-560	Accrued liabilities		61,516
S1200-600	Other adjustments		21,732
S1200-610	Net cash provided by operating activities	$	941,115

See notes to financial statements

Pavilion-THS, LLC
HUD PROJECT NO. 086-22042
SCHEDULE OF 5300 AND 6900 ACCOUNTS
YEAR ENDED DECEMBER 31, 2016

Account No.			
5301	Private Pay Room & Board	$	1,364,402
5305	Medicare Room and Board		862,783
5306	Medicare Ancilliary		1,174,505
5307	Medicare Contractual Adjustments		(333,163)
5309	Medicaid Room and Board		1,966,977
5312	Medicaid Contractual Adjustments		(287,628)
5325	Other Public Room & Board		684,824
5326	Other Public Ancillary		162,535
5327	Other Public Adjustment		(214,803)
5360	Drugs/Medical Supplies and Pharmaceuticals		335,023
5365	Food Servicing		14,011
5390	Other service revenue		6,398
	Nursing Home Revenues	$	5,735,864
6931	Dietary Purchased Services		7,258
6932	Food		147,078
6933	Dietary Supplies		21,882
6940	Registered Nurses Payroll		125,209
6941	Licensed Practical Nurses Payroll		471,591
6942	Other Nursing Salaries		696,881
6943	Director of Nurses Salaries		85,097
6950	Housekeeping Salaries		277,459
6951	Housekeeping Supplies		30,287
6953	Housekeeping Purchased Services		8,464
6960	Drugs and Pharmaceuticals		249,058
6961	Medical Salaries		4,004
6962	Other medical costs		324,526
6963	Medical Supplies		60,530
6964	Medical Purchased Services		62,331
6967	PharmacyPurchased Services		3,600
6971	Laundry Salaries		52,841
6973	Laundry Supplies		11,870
6975	Medical Records Salaries		34,149
6976	Medical Records Supplies		273
6980	Recreation and Rehabilitation		345,764
6983	Rehabilitation Salaries		35,736
6985	Rehabilitation Purchased Services		367,009
	Nursing Home Expenses	$	3,422,897

See notes to financial statements

PAVILION-THS, LLC
HUD PROJECT NO. 086-22042
SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS
YEAR ENDED DECEMBER 31, 2016

	Balance, Dec. 31, 2016	Accumulated Depreciation Dec. 31, 2015	Additions	Retires	Accumulated Depreciation Dec. 31, 2016	Net Book Value Dec. 31, 2016
Buildings	$ 4,236,532	$ 554,021	$ 135,427	$ -	$ 689,448	$ 3,547,084
Furniture	550,294	316,742	78,304	-	395,046	155,248
Motor Vehicles	31,600	1,368	6,336	-	7,704	23,896
Fixed Assets	4,818,426	872,131	220,067	-	1,092,198	3,726,228
Construction in Progress	131,868					131,868
Land	165,200		-	-	-	165,200
Total Fixed Assets Costs	$ 5,115,494	$ 872,131	$ 220,067	$	$ 1,092,198	$ 4,023,296

See notes to financial statements

Pavilion-THS, LLC
HUD PROJECT NO. 086-22042
SCHEDULE OF NURSING HOME SUPPLEMENTAL DATA
FOR THE DECEMBER 31, 2016

Account No.		
S1900-010	Total Licensed Beds	60
S1900-020	Capacity	21,960
S1900-030	Medicare Patient Days	4,292
S1900-040	Medicare Patient Days Percentage	20.98%
S1900-050	Medicaid Patient Days	9,188
S1900-060	Medicaid Patient Days Percentage	44.92%
S1900-070	Private Patient Days	5,355
S1900-080	Private Patient Days Percentage	26.18%
S1900-090	VA Pay Patient Days	-
S1900-100	VA Pay Patient DaysPercentage	0.00%
S1900-110	Other Pay Patient Days	1,621
S1900-120	Other Pay Patient DaysPercentage	7.92%
S1900-130	Actual Patient Days	20,456
S1900-140	Utilization	93.15%

See notes to financial statements.

Pavilion-THS, LLC
HUD PROJECT NO. 086-22042
ADDITIONAL INFORMATION
FOR THE DECEMBER 31, 2016

Reserve for Replacement

The reserve for replacement and repairs account, on deposit with the mortgage company, amounted to $68,087; activity for the year ended December 31, 2016 is as follows:

	Replacement Reserve	Repair Escrow	Total
Balance at December 31, 2015	$ 63,509	$ 60,051	$ 123,560
Monthly deposits required for replacements*	33,000	-	33,000
Authorized withdraws	(28,442)	(60,091)	(88,533)
Interest and other credits	20	40	60
Total confirmed by mortgagee at December 31, 2016	$ 68,087	$ -	$ 68,087

* Required deposits was $2,750 beginning in November 2014

Computation of Surplus Cash

	Dec. 31, 2016	June. 30, 2016	Dec. 31, 2015
Current Assets			
Cash	$ 655,467	$ 507,599	$ 201,557
Net Accounts receivable from Medicare and Medicaid	388,663	366,562	271,792
	1,044,130	874,161	473,349
Current obligations:			
Accrued mortgage interest payable	13,709	13,709	13,709
Current maturities of long-term debt; due within 30 days	18,489	18,489	18,489
Accounts payable	125,100	131,865	124,264
Accrued payroll related liabilities	146,799	133,639	135,257
Accrued other liabilities	120,031	33,809	70,057
Patient trust accounts	5,120	4,403	4,403
	429,248	335,914	366,179
	$ 614,882	$ 538,247	$ 107,170

See notes to financial statements

PAVILION – THS, LLC (A LIMITED LIABILITY COMPANY)
HUD PROJECT NO. 086-22042

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2016

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
Section 232 Mortgage Insurance for Nursing Homes And Section 223(f) Existing Multifamily Rental Housing	14.129	$4,109,999

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pavilion – THS, LLC (a limited liability company), HUD Project No. 086-22042, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

NONE

DVF DEMPSEY VANTREASE & POLLIS PLLC

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROLS

To the Member of
Pavilion – THS, LLC

We have audited the accompanying financial statements of Pavilion – THS, LLC (a limited liability company) HUD Project No. 086-22042, as of and for the for the years ended December 31, 2016 and 2015, and have issued our report thereon dated March 17, 2017. We have also audited the company's compliance with specific program requirements that could have a direct and material effect on each of its major U.S. Department of Housing and Urban Development (HUD)-assisted programs for the year ended December 31, 2016, and have issued our reports thereon, dated March 17, 2017.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Consolidated Audit Guide for Audits of HUD Programs* ("Guide"), issued by the HUD Office of the Inspector General. Those standards and the Guide require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether Crestview – THS, LLC complied with the compliance requirements referred to above that could have a direct and material effect on a major HUD-assisted program.

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting and internal control over compliance with the compliance requirements referred to above. In planning and performing our audits of the financial statements and compliance, we considered the Company's internal control over financial reporting and its internal control over compliance with the specific program requirements that could have a direct and material effect on a major HUD-assisted program to determine the auditing procedures for the purpose of expressing our opinions on the financial statements and compliance but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting and internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting and internal control over compliance.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct (1) misstatements of the entity's financial statements or (2) noncompliance with specific program requirements of a HUD-assisted program on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that (1) a material misstatement of the entity's financial statements or (2) material noncompliance with specific program requirements of a HUD-assisted program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described in the third paragraph of this report and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the Member, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Murfreesboro, Tennessee

Dempsey Nantreane + Fallis PLLC

March 17, 2017

DVF DEMPSEY VANTREASE & FOLLIS PLLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR HUD PROGRAMS

To the Member of
Pavilion – THS, LLC

We have audited Pavilion – THS, LLC (a limited liability company) HUD Project No. 086-22042, compliance, with the specific program requirements governing federal financial reports, mortgage status, replacement reserve, security deposits, cash receipts and disbursements, distributions to owners, management functions and tenant application that are applicable to each of its major HUD-assisted programs for the year ended December 31, 2016 Compliance with those requirements is the responsibility of the Partnership's management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide") issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a direct and material effect on a major HUD-assisted program occurred. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Company's compliance with those requirements.

As described in the accompanying schedule of findings and responses, Pavilion – THS, LLC did not comply with requirements regarding the HUD loan as further described in finding 2016-1 and 2016-2. Compliance with such requirements is necessary, in our opinion, for Pavilion – THS, LLC to comply with the requirements applicable to that program.

In our opinion, the Company complied, in all material respects, with the requirements referred to above, except as noted, that are applicable to its major HUD-assisted program for the year ended December 31, 2016.

This report is intended solely for the information and use of the Member, management, and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Murfreesboro, Tennessee

Dempsey Vantrease & Follis PLLC

March 17, 2017

PAVILION – THS, LLC
HUD PROJECT NO. 086-22042
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2016

Section I – Summary of Auditor Results

Type of report issued: unmodified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiencies identified that are not considered material weaknesses Yes

Noncompliance material to financial statements noted: No

Section II – Financial Statement Findings

None

Section III – Compliance Findings

Finding #2016-1

Criteria
Disbursements to the members should be made semiannual based on the HUD Regulatory agreement.

Condition
Disbursements to the members are made more frequently than semi annually.

Cause
There was a misinterpretation of the distribution rules during the initial period of HUD operations.

Effect
Disbursements to the members exceeded the allowable amount per the semiannual surplus cash calculations.

Recommendation
Management should limit disbursement to a semiannual basis.

Finding #2016-2

Criteria
Annual financial statements are to be submitted to the HUD Regulatory agreement.

Condition
Annual financial statements were not submitted to the HUD Regulatory agreement timely

Cause
There was a misinterpretation of the procedures to submit the HUD Annual financial statements through REAC.

Effect
Annual financial statements were not submitted to the HUD Regulatory agreement timely

Recommendation
Management should implement training procedures to ensure personnel are aware of HUD requirements and processes.

Comments on Prior Audit Findings and Related Resolutions

Finding #2015-1

Condition
Disbursements to the members are made monthly.

Recommendation
Management should limit disbursement to a semiannual basis.

Current year update - No changes noted during the current year audit.

Finding #2015-2

Condition
Disbursements to the members exceeded are being made based on review of monthly surplus cash calculations.

Recommendation
Management should limit disbursement to a semiannual basis.

Current year update - No changes noted during the current year audit; however draws were not in excess of the amount available based on the semiannual calculations.

PAVILION – THS, LLC (A LIMITED LIABILITY COMPANY)
HUD PROJECT NO. 086-22042

MEMBER'S CERTIFICATION

We hereby certify that we have examined the foregoing financial statements and supplemental data of Pavilion – THS, LLC (a limited liability company), HUD Project No. 086-22042 and, to the best of our knowledge and belief, they are complete and accurate.

General Member

Date: 3/22/17

Corporate Employer Identification Number: 45-3453806

CRESTVIEW – THS, LLC (A LIMITED LIABILITY COMPANY)
HUD PROJECT NO. 045-22037

CERTIFICATION BY MANAGEMENT AGENT

I hereby certify that I have examined the foregoing financial statements and additional information of Crestview – THS, LLC's (a limited liability company) HUD Project 045-22037 and, to the best of my knowledge and belief, they are complete and accurate.

Signature of Management Agent's Representative

James Stein President

Printed Name and Title

Stein and Associates, LLC
8520 South 36th Terrace
Fort Smith, Arkansas 79208
Corporate Employer Identification Number: 64-0913971

Attachment Section B
Contribution to the Orderly Development of Health Care - D-1

Board for Licensing Health Care Facilities

State of Tennessee

License No. 0000000300

No. Beds 0060

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

PAVILION-THS, LLC *to conduct*

and maintain a Nursing Home THE PAVILION

Located at 1406 MEDICAL CENTER DRIVE, LEBANON

County of WILSON *, Tennessee.*

This license shall expire MARCH 24 *,* 2018 *and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.*

In Witness Whereof, we have hereunto set our hand and seal of the State this 13TH *day of* JANUARY *,* 2017 *.*

By Vincent J. Davis, MPH

DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By [illegible]

COMMISSIONER

Proof of Publication

The newspapers of **Tennessee** make public notices from their printed pages available electronically in a single database for the benefit of the public. This enhances the legislative intent of public notice - keeping a free and independent public informed about activities of their government and business activities that may affect them. Importantly, Public Notices now are in one place on the web (www.PublicNoticeAds.com), not scattered among thousands of government web pages.

County: Wilson
Printed In: Lebanon Democrat, The
Printed On: 2017/08/10

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with TCA 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that The Pavilion Senior Living - Rehabilitation and Long Term Care at Lebanon, an existing licensed skilled nursing home facility, owned by Pavilion-THS, LLC, with an ownership type of Tennessee limited liability company and to be managed by Stein & Associates, LLC, intends to file an application for a Certificate of Need for the addition of twenty (20) Medicare skilled nursing facility beds at the Applicant's existing sixty (60) bed nursing home, The Pavilion Senior Living - Rehabilitation and Long Term Care at Lebanon. Upon completion of this CON project, The Pavilion Senior Living - Rehabilitation and Long Term Care at Lebanon nursing home will have 80 licensed skilled nursing home beds. The existing nursing home is located at 1406 Medical Center Drive, Lebanon (Wilson County), Tennessee 37087. The estimated project cost is $1,136,755. The Applicant will provide Medicare skilled nursing facility services in the proposed 20 nursing home beds. The anticipated filing date of the application is August 15, 2017. The contact person for this project is Hal Bone, the owner of Hal Bone Enterprises, LLC, who may be reached 680 Tennessee Boulevard, Lebanon, Tennessee 37087. Mr. Bone's telephone number is (615) 453-9912 and his e-mail address is halbone9912@gmail.com. Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to: Health Services and Development Agency Andrew Jackson Building, 9th Floor 502 Deaderick Street, Nashville, Tennessee 37243 Pursuant to T.C.A. 68-11-1607(c)(1), (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Public Notice ID:

AUG 15 '17 PM3:16

AFFIDAVIT

STATE OF TENNEESSEE

COUNTY OF WILSON

HAL BONE, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. §68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

SIGNATURE/TITLE

Sworn to and subscribed before me this 15 day of August (Month), 2017 (Year) a Notary

Public in and for the County/State of Wilson County TN.

NOTARY PUBLIC

PENNY BENTON STATE OF TENNESSEE NOTARY PUBLIC WILSON COUNTY

My commission expires 2-10 (Month/Day), 2020 (Year).

State of Tennessee
Health Services and Development Agency
Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

September 1, 2017

Mr. Hal Bone
Hal Bone Enterprises, Inc.
680 Tennessee Blvd.
Lebanon, TN 37087

RE: Certificate of Need Application – Pavilion-THS, LLC - CN1708-026
The addition of 20 Medicare skilled nursing home beds to The Pavilion Senior Living – Rehabilitation and Long Term Care at Lebanon's existing 60 bed nursing home. These beds are subject to the 125 Nursing Home Bed Pool for FY 2017-2018. The service area consists of Wilson County. The facility is owned by Pavilion – THS, LLC which is owned by Total Healthcare Systems, LLC. The estimated project cost is $1,151,755.

Dear Mr. Bone:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need. Please be advised that your application is now considered to be complete by this office.

Your application is being forwarded to Trent Sansing at the Tennessee Department of Health for Certificate of Need review by the Division of Policy, Planning and Assessment. You may be contacted by Mr. Sansing or someone from his office for additional clarification while the application is under review by the Department. Mr. Sansing's contact information is Trent.Sansing@tn.gov or 615-253-4702.

In accordance with Tennessee Code Annotated, §68-11-1607, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on September 1, 2017. The first 60 days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the 60-day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review. You will receive a copy of their findings. The Health Services and Development Agency will review your application on December 13, 2017.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

(3) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.

(4) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,

Melanie M. Hill
Executive Director

cc: Trent Sansing, TDH/Health Statistics, PPA

State of Tennessee
Health Services and Development Agency
Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

MEMORANDUM

TO: Trent Sansing, CON Director
Office of Policy, Planning and Assessment
Division of Health Statistics
Andrew Johnson Tower, 2nd Floor
710 James Robertson Parkway
Nashville, Tennessee 37243

FROM: Melanie M. Hill
Executive Director

DATE: September 1, 2017

RE: Certificate of Need Application
Pavilion-THS, LLC - CN1708-026

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on September 1, 2017 and end on November 1, 2017.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc: Hal Bone

State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

AUG 10 '17 AM 11:56

LETTER OF INTENT

The Publication of Intent is to be published in the **Lebanon Democrat** (Name of Newspaper) which is a newspaper of general circulation in Wilson (County), Tennessee, on or before August 10 (Month / day), 2017 (Year) for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

Pavilion-THS, LLC (Name of Applicant) nursing home (Facility Type-Existing)

owned by: **Total Healthcare Systems, LLC** with an ownership type of limited liability company

and to be managed by: **Stein & Associates, LLC** intends to file an application for a Certificate of Need

for [PROJECT DESCRIPTION BEGINS HERE]:

The addition of twenty (20) Medicare skilled nursing home beds to the Applicant's existing sixty (60) bed nursing home, The Pavilion Senior Living - Rehabilitation and Long Term Care, located at 1406 Medical Center Drive, Lebanon, TN 37087, for an eighty (80) bed nursing home upon completion of the project. The estimated project cost is $1,136,755. The Applicant will provide Medicare skilled nursing facility services in the proposed 20 nursing home beds.

The anticipated date of filing the application is: August 15, 2017

The contact person for this project is **Hal Bone** (Contact Name) Member (Title)

who may be reached at: **Hal Bone Enterprises, LLC** (Company Name) 680 Tennessee Blvd. (Address)

Lebanon (City) TN (State) 37087 (Zip Code) (615) 453-9912 (Area Code / Phone Number)

(Signature) 08/08/2017 (Date) halbone9912@gmail.com (E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Supplemental #1

Pavilion-THS, LLC

CN1708-026

SUPPLEMENTAL #1
August 28, 2017
11:27 am

PAVILION-THS, LLC
600 Tennessee Blvd.
Lebanon, Tennessee 37087

August 28, 2017

Mr. Mark Farber
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Via Hand Delivery

RE: Certificate of Need Application CN1708-026
Pavilion-THS, LLC (Applicant/Licensee)
The Pavilion Senior Living - Rehabilitation and Long Term Care at Lebanon (Facility)

Dear Mr. Farber:

Set forth below are the responses of Pavilion-THS, LLC, the applicant in Certificate of Need Application CN1708-026, to the request for information dated August 22, 2017. We have filed these in triplicate, as you directed, along with an affidavit regarding the responses. If you have any questions or need additional information, please advise.

1. Section A, Applicant Profile, A.1

The Letter of Intent identifies the applicant as Pavilion-THS, LLC while the application lists the name of the facility as The Pavilion Senior Living – Rehabilitation and Long Term Care at Lebanon.

Please address this discrepancy.

RESPONSE:

The Letter of Intent Form asks for (1) Name of Applicant and (2) owner *of Applicant*. The name of the Applicant is Pavilion-THS, LLC, which is the owner and operator/licensee of the Facility. The *owner of Applicant* is Total Healthcare Systems, LLC.

The Certificate of Need Application Form is slightly different in that it asks for (1) Name of Facility, Agency or Institution and (2) Owner *of the Facility, Agency or Institution.*

The Name of the Facility is The Pavilion Senior Living – Rehabilitation and Long Term Care at Lebanon and the owner of the facility is Pavilion-THS, LLC. Because Pavilion-THS, LLC is also the licensee of the facility, it is also the applicant. Total Healthcare Systems, LLC is the sole owner of Pavilion-THS, LLC. Please see the organizational chart attached hereto as Attachment A, Applicant Profile, A.1.

2. Section A, Executive Summary, Overview, A.1

Please explain why the applicant chose not to propose that all 20 additional beds be placed in private rooms.

RESPONSE:

Constructing an additional wing with 20 private bed rooms would not be consistent with the State's requirement that in order to obtain a certificate of need a project must contribute to the orderly development of adequate and effective health care in the service area. First, the existing land on which the applicant proposes to construct the new wing is not large enough to accommodate 20 private rooms, so additional resources would have to be spent to secure additional land. Second, an all private room wing is not economically feasible in that all rooms would not be fully occupied. While the applicant's desire is to accommodate the cultural shift to placing short-term residents in private rooms, it believes it has struck a balance by adding 6 private rooms included in the proposed 20 beds to the existing 8 private rooms such that the facility has 14 private rooms. This plan is still economically feasible while also allowing for additional private beds. As the projected data demonstrates, all private rooms will not be occupied by private-pay residents (and thus, applicant will not realize full revenue for all of the private beds). Notwithstanding this metric, the applicant feels it is important to provide a way for Wilson County residents to stay in the area for post-acute care so that their families and treating physicians are close by.

Please explain in more detail on how the nursing home addition will provide a residential home-like environment, while at the same time maximizing safety and independence.

RESPONSE:

The new wing, which is intended to be very similar to an existing wing in order to complement the facility, will provide the highest level of skilled care, but in a setting that does not look or feel like a traditional nursing home. As stated in the original application, the applicant chose to build a very different kind of facility in 2009 and that theme will carry through the construction of the proposed new wing.

By way of example, residents in the new wing (like the existing similar wing) would have the option to eat their meals at café tables in a common dining space with vaulted ceilings. That common area also has couches and big screen TVs for leisure time as well as a full kitchen that residents may use. Further, the entire nursing home is equipped with Wi-Fi.

3. Section A, Executive Summary, Overview, A.5.

On page 2 of the application there is reference to a cost per square foot of $136.30. On page 4 there is reference to project cost per square foot of $111.11. Please explain how these costs per square foot differ.

RESPONSE:

There are several references through the application regarding costs and costs per square foot, which are summarized in the chart below:

Cost Category	Cost	Cost per Square Foot
Construction Costs without Contingency Fund	$926,729	$111.11
Construction Costs including Contingency Fund	$976,729	$117.11
Estimated Project Cost (D from Project Cost Chart) (does not include CON Filing Fee)	$1,136,755	$136.30
Total Estimated Project Cost (F from Project Cost Chart) (includes CON Filing Fee)	$1,151,755	$138.10

4. Section A, Executive Summary, Rationale for Approval B.1. Need

In 2012, the applicant filed a CON application (CN1204-016) to add 24 nursing home beds. The application was heard at the September 2012 Agency meeting and was unanimously denied because the application did not meet the statutory criteria of need, economic feasibility, and contribution to the orderly development of healthcare.

What factors have changed between 2012 and 2017 that now makes adding 20 beds a needed project?

RESPONSE:

The most material change since 2012 is in connection with need due to population growth. As shown on Attachment Section A, Executive Summary, Rationale for Approval B.1. Need, the growth trend for the Nashville Metro Area predicts population of 2.6 million people by 2035. The bed need in Wilson County has increased dramatically since 2012 and will continue to increase through 2019 (when the 20 additional beds would be open) and into the foreseeable future.

As set forth in Attachment Section A, Executive Summary, Rationale for Approval B.1. Need (and summarized in the chart below), the net bed need in the Service Area of Wilson County in 2012 was 37 beds. The net bed need in the Service Area in 2017 is 202.7 bed (an increase of 448%). The net bed need in the Service Area in 2019 will be

277 beds. The bed need change from 2012 until 2019 (when the proposed wing would be open) is 240 beds, an increase of over 548%. From 2019 through 2029, the bed need continues to increase at rates between 19% and 28.8% every 2 years.

Wilson County Age - Formula/Year	**2012 Pop**	**2012 Need**	**2017 Pop**	**2017 Need**	**2019 Pop**	**2019 Need**
0-64 (x .0004)	103,441	41.37	110,489	44.2	112,976	45.2
65-74 (x .01)	9,889	98.89	13,229	132.3	14,391	143.9
75-84 (x .04)	4,298	171.92	5,755	230.2	6,670	266.8
85+ (x .15)	1,538	230.7	2,013	302	2,180	327
TOTAL POPULATION AND NEED	*119,166*	**542.88**	*131,486*	**708.7**	*136,217*	**782.9**
Existing Wilson County Beds		506		506		506
BED NEED		**37**		**202.7**		**277**
Net Bed Need Change		--		**165.7**		**74.3**
Ned Bed Need Percentage Increase		--		**448% increase from 2012**		**37% increase from 2017** **548.6% increase from 2012**

Source - University of Tennessee Center for Business and Economic Research Population Data Files, Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment

The chart set forth below also projects that the population growth from 2012 - 2019 and for the years following 2019 is concentrated in the 65+ age group -- the Wilson County citizens most likely to require the services of the nursing home.

Wilson County Age	**2012 Pop**	2019 Pop	Increase from 2012 - 2019	2021 Pop	Increase from 2019 - 2021	2023 Pop	Increase from 2021 - 2023	2025 Pop	Increase from 2023 - 2025
0-64	103,441	112,976	9,535	115,241	2,265	117,421	2180	119,452	2,031
			9.2%		2%		1.9%		1.7%
65-74	9,889	14,391	4502	15,838	1447	16,749	911	17,991	1,242
			45.5%		10%		5.75%		7.4%
75-84	ludes	6,670	2,372	7,400	730	8,711	1311	9,784	1073
			55.2%		10.9%		17.7%		12.3%
85+	1,538	2,180	642	2,413		2682	269	2,996	314
			41.7%		10.7%		11.1%		11.7%
TOTAL	**119,166**	**136,217**	17,051	**140,892**	4,675	**145,563**	4,671	**150,223**	4,660
			14.3%		3.4%		3.3%		3.2%

Source - University of Tennessee Center for Business and Economic Research Population Data Files, Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment

As set forth in the applicant's original application, Wilson County is the third-fastest growing county in Tennessee, and since 2012, companies including Amazon, Starbucks, CEVA Logistics Center, SO.F.TER and Hollisters' have located fulfillment, distribution

and manufacturing centers in Wilson County. Additionally, a number of ceramic tile facilities have located in Lebanon since 2012. In 2014, Tecnotiles, Inc., an Italian tile-finishing firm, announced a $3 million investment to launch its U.S. operations in Lebanon. In late 2015, Wonderful Group, a Chinese manufacturer of porcelain tiles, announced its intention to invest $150 million to build its first U.S. operations in Lebanon (which also represents the largest capital investment made by a Chinese-based project in Tennessee's history) (*https://www.cumberlandcenterlebanon.com/cumberland-center-lebanon-news/entry/150m-investment-in-lebanon-largest-ever-in-tennessee-for-a-china-based-company*). Currently, the Wonderful Porcelain plant has 50-60 employees and when it begins full production a workforce of 175-225 is anticipated (http://www.chinadaily.com.cn/business/2017-08/15/content_30622789.htm). Additional area-wide growth is demonstrated by the growth of Cumberland University which experienced record-breaking enrollment numbers in the fall of 2016 with 1,963 enrolled students, a 27% growth from the fall of 2015.

The other major factor that has prompted the applicant to seek a certificate of need for 20 additional beds is the opening of the new assisted living and memory care facility (the "ALF") owned and operated by an affiliate of the applicant across a private drive from the nursing home. The ALF officially opened on August 18th and has 38 deposits out of 46 licensed units. As of the date hereof, 20 residents have moved into the ALF. The applicant expects the ALF to generate nursing home residents from within the Pavilion Community. The statistical analysis supports the fact that the need in 2019 and beyond is much greater than the need in 2012.

5. Section A, Project Details, Item A. Ownership

In the Letter of Intent Total Healthcare Systems, LLC is identified as the owner and in the application Pavilion-THS, LLC is identified as the owner.

Please address this discrepancy.

RESPONSE:

The Letter of Intent Form asks for (1) Name of Applicant and (2) owner *of Applicant*. The name of the Applicant is Pavilion-THS, LLC, which is the owner and operator/licensee of the Facility. The *owner of Applicant* is Total Healthcare Systems, LLC.

The Certificate of Need Application Form is slightly different in that it asks for (1) Name of Facility, Agency or Institution and (2) Owner *of the Facility, Agency or Institution.*

The Name of the Facility is The Pavilion Senior Living – Rehabilitation and Long Term Care at Lebanon and the owner of the facility is Pavilion-THS, LLC. Because Pavilion-THS, LLC is also the licensee of the facility, it is also the applicant. Total Healthcare Systems, LLC is the sole owner of Pavilion-THS, LLC. Please see the organizational chart attached hereto as Attachment A, Applicant Profile, A.1.

6. Section A, Project Details, Item 5. Management/Operating Entity

Please provide a brief overview of Stein & Associates, LLC and their experience in managing nursing homes.

RESPONSE:

Stein & Associates has over 17 years of experience managing nursing homes in West Virginia, Tennessee, Arkansas and Texas. Stein and Associates currently manages nine (9) nursing homes.

Stein and Associates was founded by two individuals, Paul Stein and James Stein, whose mother served as a director of nursing and administrator of a long term care facility in Arkansas for thirty years. Paul and James formed their own management company to focus on providing a caring and quality environment for the communities served by Stein & Associates.

Paul is a licensed Nursing Home Administrator and has worked in the long term care industry for the past 15 years in several different capacities. Paul served as the administrator for a 244-bed skilled nursing facility with an average Medicare census of forty (40) residents in addition to a large out-patient therapy clinic attached to the facility. Paul also served for several years as a Regional Director with oversight of ten (10) facilities in Mississippi and Louisiana focusing on Medicare census development and therapy programs for those facilities. Paul's experience prior to forming Stein & Associates was serving for three (3) years as Director of Operations for a regional contract therapy company based in Tennessee to help grow their business and improve the company's relationships with their long term care clients by assisting them in maximizing Medicare reimbursement through an inter-disciplinary approach of care.

James is an Arkansas Tech University graduate and successfully completed the CPA exam in 1991. He has worked in public accounting and healthcare for over twenty years. James has experience in nursing home billing, accounting, cost reports, working as an accountant and CFO and has worked as a healthcare consultant assisting nursing homes with billing issues and maximizing revenue through clinical outcomes.

Paul and James have built a team of professionals including licensed nursing home administrators, registered nurses, certified MDS coders, certified public accounts and professionals trained to administer the new requirements from the Center of Medicare and Medicaid Services.

7. Section A, Project Details, Item 9

Please discuss why the applicant has chosen not to contract with TennCare Select.

RESPONSE:

The Applicant does not meet the requirements for participating in TennCare Select due to the fact that TennCare Select is a special statewide health plan that serves certain special populations as follows:

- Children under age 21 who receive SSI (Supplemental Security Income)
- Children under age 21 in State custody and children who have left State custody for six months post-custody as long as the children remain eligible
- Children under age 21 receiving long-term services and support
- TennCare members living in areas where there is insufficient capacity to serve them
- TennCare members temporarily living out of state

The Applicant's mission, as stated below, is to serve elderly and frail residents.

Mission Statement: "Pavilion Senior Living's mission is to provide high quality services to seniors. We are committed to improving the quality of life for those we serve. We focus on providing care tailored to meet the unique physical, emotional, and spiritual needs of our residents. We aim to be the most trusted provider of senior care services in our communities. See Mission Statement and Core Values in Attachment Section A, Project Details, Item 9.

The Applicant does participate in the managed care groups that service the TennCare population -- Amerigroup, UHC, and BlueCare (a BlueCross BlueShield product for adults). TennCare Select is also a BlueCross BlueShield product, but for children.

8. Section B, Need, Item A

Nursing Home Services Specific Criteria:

Item 1 Determination of Need

Please provide a copy of the latest standardized TDH bed need chart that indicates the results of the nursing home need formula for Wilson County.

RESPONSE:

Applicant has not yet been able to obtain this chart from Tennessee Department of Health but will supplement this response letter.

Item 8: Encouraging Facility Modernization

What is the age of the existing 60 bed nursing home? When was the last expansion or renovation?

RESPONSE:

The existing nursing home was constructed in 2009. There has not been an expansion or renovation since 2009.

Please discuss the square footage in the current private and semi-private rooms and how it compares to the square footage of the proposed private and semi-private rooms.

The square footage of the proposed private and semi-private rooms is very comparable to the square footage of the proposed private and semi-private rooms. The proposed additional wing was contemplated when the facility was built in 2009, it has been the applicant's desire to replicate an existing wing so that it has the same feel and touch as the existing wing. As stated in the original application, the kitchen and common areas are larger than required for the existing facility and can accommodate the proposed wing and additional beds. The construction of the proposed new wing meets the criteria for contribution to the orderly development of healthcare.

RESPONSE:

Item 11: Access

The application states that the "model targets individuals who are Medicare qualified beneficiaries seeking skilled nursing and rehabilitation services"; however, the applicant's proposed payor mix identities Medicare as 20% and TennCare/Medicaid as 50%.

Please discuss.

RESPONSE:

The applicant anticipates an increase in the patient mix for Medicare and Managed care residents requiring skilled and rehabilitation service and projects an increase in overall patient mix in those categories. However, the applicant recognizes that some of these residents may not be able to be discharged home after their Medicare stay is complete and may require short or long term placement in the nursing home. The Applicant's goal is to have more transitional beds available for hospitals and acute care facilities looking to place residents, although recognizing that the instability in such residents' medical conditions may not allow them to return home. The applicant has experienced a slight increase in its Medicaid census compared to private pay and estimates that more of these residents that convert to long term care will be Medicaid in the future.

Item 12: Quality Control and Monitoring

The full report for the applicant facility from Nursing Home Compare is noted. Please provide the same report for the other nursing homes in the service area.

SUPPLEMENTAL #1
August 28, 2017
11:27 am

RESPONSE:

Please see Attachment Section B, Need, Item A - Item 12 for the Nursing Home Compare reports for the other nursing homes in the service area.

9. **Section B, Need, Item E.**

Your response is noted. Please complete the following tables:

Wilson County Nursing Home Utilization-2015

Name	Lic. Beds	Beds-MCARE only-certified	Beds-Dually Certified	Beds Level 1 certified MCAID	Licensed Only Beds Non-Certified	SNF MCARE ADC*	Level 2 MCAID ADC	skilled All other Payors ADC	Non-skilled ADC	Total ADC
Lebanon Health & Rehab Cntr.	60	60	0	0	0	25.54	0	2.35	6.15	34.07
Mt. Juliet Health Care Center	106	0	106	0	0	12.43	0	0	59.25	71.68
Quality Center for Rehab and Healing	280	80	0	200	0	37.09	14.19	3.65	189.60	244.53
The Pavilion	60	0	60	0	0	15.18	0	0	42.2	57.39
Total	**506**	**140**	**166**	**200**	**0**	**90.24**	**14.19**	**6**	**297.2**	**407.64**

Source: Nursing Home JAR, 2015 (legend: Medicare=MCARE; TennCare/Medicaid=MCAID)
**Calculated by Total SNF MCare days / 365*

Wilson County Nursing Home UtilizationTrends-2013-2015

Facility	Licensed Beds	2013 Patient Days	2014 Patient Days	2015 Patient Days	'13- '15 % change	2013 % Occupancy	2014 % Occupancy	2015 % Occupancy
Lebanon Health & Rehab Cntr.	60 *(21,900)*	11,974	11,682	12,426	3.77%	54.67%	53.34%	56.74%
Mt. Juliet Health Care Center	106 *(38,690)*	30,771	27,901	21,162	-31.2%	79.5%	72.1%	54.7%
Quality Center for Rehab and Healing	280 *(102,200)*	85,645	85,290	89,253	4.2%	83.8%	83.5%	87.3%
The Pavilion	60 *(21,900)*	21,577	21,309	20,946	-2.9%	98.5%	97.3%	98.6%
Total	**506** *(184,690)*	**149,967**	**146,182**	**143,787**	**-4.1%**	**81.2%**	**79.1%**	**77.9%**

Source: Nursing Home JAR, 2013-2015

Service Area Patient Accommodation Mix-2015 JAR

Nursing Home	Licensed Beds	Total Private Beds	Total Semi-Private Beds	Total Companion Beds	Ward Beds
Lebanon Health & Rehab Cntr.	60	8	52	0	0
Mt. Juliet Health Care Center	106	1	105	0	0
Quality Center for Rehab and Healing	280	24	256	0	0
The Pavilion	60	8	52	0	0
Total	**506**	**41**	**465**	**0**	**0**

Source: Nursing Home JAR, 2015

10. Section C, Need, Item F.

Your response to this item is noted. Please complete the following charts:

Proposed 20 beds -Projected Utilization

Year	Licensed Beds	*Medicare - certified beds	SNF Medicare ADC	Level 2 Medicaid ADC	SNF All other Payors ADC	Non-Skilled ADC	Total ADC	Licensed Occupancy %
1 2019)	20	20	4.61	0	3.07	7.68	15.36	76.8%
2 (2020)	20	20	4.5	0	3.6	9.9	18	90%

* Includes dually-certified beds

80 Bed Facility-Projected Utilization

Year	Licensed Beds	*Medicare - certified beds	SNF Medicare ADC	Level 2 Medicaid ADC	SNF All other Payors ADC	Non-Skilled ADC	Total ADC	Licensed Occupancy %
1 (2019)	80	80	21.98	0	7.33	43.95	73.26	91.6%
2 (2020)	80	80	22.76	0	7.59	45.53	75.88	94.9%

* Includes dually-certified beds

Please discuss in detail how it was projected that average daily census will increase by 18 patients between 2018 and 2019.

RESPONSE:

The applicant anticipates that the addition will be completed at the end of 2018 and will fill up rapidly beginning in January 2019. The occupancy rate for the facility has been over 92% every year since 2014, so the applicant estimates that the 20 additional beds will result in an increase of 18 residents. The applicant believes the fill up will be rapid based on the current census and demand for beds experienced in the historical period beginning in 2014 combined with the addition of the assisted living facility across the private drive which will have residents that may require skilled care. During the middle of 2015, the applicant made the decision to try to keep more beds open for transitional residents which resulted in a slight decrease in overall census in the subsequent years. With the addition of the proposed 20 beds, the facility would have adequate beds to allow more transitional residents to be placed at the facility and provide a long term home for

some of the residents from the assisted living who may no longer be as independent and may require skilled care.

11. Section B, Economic Feasibility, Item B. Funding

The letter from Pinnacle Asset Management verifying the applicant has $1 million available for the proposed project is noted. However, please provide a revised letter that includes the expected interest rates, anticipated term of the loan, and any restrictions or conditions.

RESPONSE:

Please see Attachment Section B, Economic Feasibility, Item B. Funding for a revised letter from Pinnacle Asset Management.

12. Section B, Economic Feasibility, Item C - Historical Data Chart

The Historical Data Chart is noted. However, there is no thousands separator or digit group separator in the Historical Data Chart. Please include commas to assist the reader in viewing large numbers and submit a revised Historical Data Chart pages 31 (31R) and 32 (32R).

RESPONSE:

Please see revised pages 31 (31R) and 32 (32R) attached hereto as Attachment Section B, Economic Feasibility, Item C - Historical Data Chart.

There appears to be numerous calculation errors in the Years 2014, 2015, and 2016 in the Historical Data Chart. Please include the corrections in the revised pages 31 (31R) and 32 (32R).

RESPONSE:

Please see revised pages 31 (31R) and 32 (32R) attached hereto as Attachment Section B, Economic Feasibility, Item C - Historical Data Chart.

Please explain why there are no provisions for charity care.

RESPONSE:

Pursuant to T.C.A. 68-11-266, all licensed nursing home operators must develop a concise statement of its charity care policies and must post such statement. Applicant has posted that it does do not provide charity care under such regulation. However, like other similar facilities, the applicant experiences bad-debt write-offs for residents who are unable to pay for their care.

Please explain what is included in the rent expense.

RESPONSE:

The rent expense is for 2 storage units applicant historically rented for maintenance supplies and equipment and 1 climate-controlled unit for the storage of medical records. The annual cost for the rentals of those units has been approximately $3,000 for the prior 3 years. Applicant has now built a maintenance shed on the property so the only remaining storage unit will be for medical records, which is the remaining annual rental fee of $1,188 set forth in the Projected Data Charts.

Please explain why the management fee is only $9,000. According to the management agreement the annual fee is $90,000.

RESPONSE:

The original application contained typos in pages 31 and 32. Please see revised pages 31 (31R) and 32 (32R) attached hereto as Attachment Section B, Economic Feasibility, Item C - Historical Data Chart.

13. Section B, Economic Feasibility, Item D - Projected Data Chart

The Total Facility and Project Only Projected Data Charts are noted. However, there is no thousands separator or digit group separator in the figures in the charts. Please include commas to assist the reader in viewing large numbers and submit revised Projected Data Charts pages 34 (34R), 35 (35R), 36 (36R), and 37 (37R).

RESPONSE:

Please see revised pages 34 (34R), 35 (35R), 36 (36R), and 37 (37R) attached hereto as Attachment Section B, Economic Feasibility, Item D - Projected Data Chart.

Total Facility

Please explain why there are no provisions for charity care.

RESPONSE:

Pursuant to T.C.A. 68-11-266, all licensed nursing home operators must develop a concise statement of its charity care policies and must post such statement. Applicant has posted that it does do not provide charity care under such regulation. However, like other similar facilities, the applicant experiences bad-debt write-offs for residents who are unable to pay for their care.

Please explain what is included in the rent expense.

RESPONSE:

The rent expense is for 2 storage units applicant historically rented for maintenance supplies and equipment and 1 climate-controlled unit for the storage of medical records.

The annual cost for the rentals of those units has been approximately $3,000 for the prior 3 years. Applicant has now built a maintenance shed on the property so the only remaining storage unit will be for medical records, which is the remaining annual rental fee of $1,188 set forth in the Projected Data Charts.

Please explain why the management fee is $120,000. According to the management agreement the annual fee is $90,000.

RESPONSE:

Please see attached as Attachment Section B, Economic Feasibility, Item D - Projected Data Chart - Management Agreement Amendment an amendment to the Management Agreement which indicates that the Management Fee was increased effective as of January 1, 2017 for the existing facility, and that increase will carry through the addition of the proposed new wing. The management fee increase was required for Stein & Associates to begin consulting on the development of the proposed new wing.

Project Only

Please explain why there are no provisions for charity care.

RESPONSE:

Pursuant to T.C.A. 68-11-266, all licensed nursing home operators must develop a concise statement of its charity care policies and must post such statement. Applicant has posted that it does do not provide charity care under such regulation. However, like other similar facilities, the applicant experiences bad-debt write-offs for residents who are unable to pay for their care.

Please explain why no rent expense or management fees have been allocated to the bed addition.

RESPONSE:

The management fees increased effective as of January 1, 2017 for the existing facility, and that increase will carry through the addition of the proposed new wing. The management fee increase was required for Stein & Associates to begin consulting on the development of the proposed new wing.

The storage unit rental is needed in 2019 for the existing facility so that amount has been placed on the Projected Data Chart for the Total Facility.

The 2019 total for "other expenses" on page 37 appears to calculate to $918,173 rather than $939,973. The new figure will need to be placed in line D.6 for 2019 in the Projected Data Chart. The new figure will change the remaining figures in the Projected Data Chart. Please correct and submit a revised page 36 and 37 labeled as 36R and 37R.

RESPONSE:

Please see revised pages 36 (36R) and 37 (37R) attached hereto as Attachment Section B, Economic Feasibility, Item D - Projected Data Chart.

14. Section B. Economic Feasibility Item F.2 Net Operating Margin Ratio

The Net Operating Margin Ratios for 2015, 2016, Year One, and Year Two appears incorrect. Please revise to reflect corrected Historical Data Chart and Projected Data Chart and submit a revised page 40 labeled as "40R".

RESPONSE:

Please see revised page 40 (40R) attached hereto as Attachment Section B, Economic Feasibility, Item F.2 Net Operating Margin Ratio.

15. Section B. Economic Feasibility Item H. Staffing

The staffing chart on page 41 is noted. However, there appears to be a slight calculation error for total staff in 2017. It appears the total staff figure is 69.0. Please verify and submit a replacement labeled "41R".

RESPONSE:

Please see revised page 41 (41R) attached hereto as Attachment Section B, Economic Feasibility, Item H. Staffing.

16. Section B. Quality Measures

Please discuss the applicant's commitment to the proposal in meeting appropriate quality standards by addressing each of the following factors:

(a) Whether the applicant commits to maintaining an actual payor mix that is comparable to the payor mix projected in its CON application, particularly as it relates to Medicare, TennCare/Medicaid, Charity Care, and the Medically Indigent;

RESPONSE: The applicant commits to maintaining an actual payor mix that is comparable to the payor mix projected in its CON application, particularly as it relates to Medicare, TennCare/Medicaid, Charity Care, and the Medically Indigent;

(b) Whether the applicant commits to maintaining staffing comparable to the staffing chart presented in its CON application;

RESPONSE: The applicant used its proforma to project out the staff required for the nursing home with the addition of 20 beds. The applicant commits to maintaining staffing comparable to the staffing chart presented in its CON application;

(c) Whether the applicant will obtain and maintain all applicable state licenses in good standing;

RESPONSE: The applicant will obtain all approvals required by the state to add the proposed 20 beds, including approval of the plans, inspections and obtaining a new license reflecting all 80 beds. The applicant commits to maintaining all state licenses in good standing.

(d) Whether the applicant will obtain and maintain TennCare and Medicare certification(s), if participation in such programs was indicated in the application;

RESPONSE: The applicant will maintain its Medicare and TennCare certifications on the existing 60 beds and will apply for both Medicare and TennCare certification for the proposed additional 20 beds.

(e) Whether an existing healthcare institution applying for a CON has maintained substantial compliance with applicable federal and state regulation for the three years prior to the CON application. In the event of non-compliance, the nature of non-compliance and corrective action shall be considered;

RESPONSE: The applicant has maintained substantial compliance with applicable federal and state regulations for the three years prior to the CON application. The only deficiency applicant experienced in the last 3 years was a minor life safety code deficiency 2 years ago which was immediately fixed and the facility deemed in compliance by the life safety board.

(f) Whether an existing health care institution applying for a CON has been decertified within the prior three years. This provision shall not apply if a new, unrelated owner applies for a CON related to a previously decertified facility;

RESPONSE: The facility was not decertified in the prior three years.

(g) Whether the applicant will participate, within 2 years of implementation of the project, in self-assessment and external peer assessment processes used by health care organizations to accurately assess their level of performance in relation to established standards and to implement ways to continuously improve.

(h) Whether the applicant will participate, within 2 years of implementation of the project, in self-assessment and external peer assessment processes used by health care organizations to accurately assess their level of performance in relation to established standards and to implement ways to continuously improve.

1. This may include accreditation by any organization approved by Centers for Medicare and Medicaid Services (CMS) and other nationally recognized programs. The Joint Commission or its successor, for example, would be acceptable if applicable. Other acceptable accrediting organizations may include, but are not limited to, the following:

For Nursing Home projects, whether the applicant has documented its existing or proposed plan for data reporting, quality improvement, and outcome and process monitoring systems, including in particular details on its Quality Assurance and Performance Improvement program. As an alternative to the provision of third party accreditation information, applicants may provide information on any other state, federal, or national quality improvement initiatives.

RESPONSE: The applicant commits to participate, immediately upon implementation of the project, and on an ongoing basis, in self-assessment and external peer assessment processes used by health care organizations to accurately assess their level of performance in relation to established standards and to implement ways to continuously improve. The applicant currently uses, and will continue to use, the American Health Care Association's LTC Trend Tracker which provides one place for all reporting plus allows access to all government data collected by the Centers for Medicare and Medicaid Services (CMS) on skilled nursing centers. With LTC Trend Tracker, the applicant is able to monitor its progress on quality measures, Five-Star ratings, AHCA/NCAL Quality Initiative goals, hospital readmission rates and other standards. The applicant prides itself on its high quality standings, particularly its #1 ranking by AHCA and NCAL, and will continue to track quality measures and share that data to ensure it is meeting its goals with respect to quality of care.

The applicant currently implements a Quality Assurance and Performance Improvement (QAPI) Plan at the nursing home and will continue to do so.

17. Proof of Publication

Your response to this item is noted; however, please submit a copy of the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit which is supplied by the newspaper as proof of the publication of the letter of intent.

RESPONSE:

Please see Attachment - Proof of Publication.

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Thank you and please do not hesitate to contact me with further questions.

Sincerely,

Hal Bone

Attachments

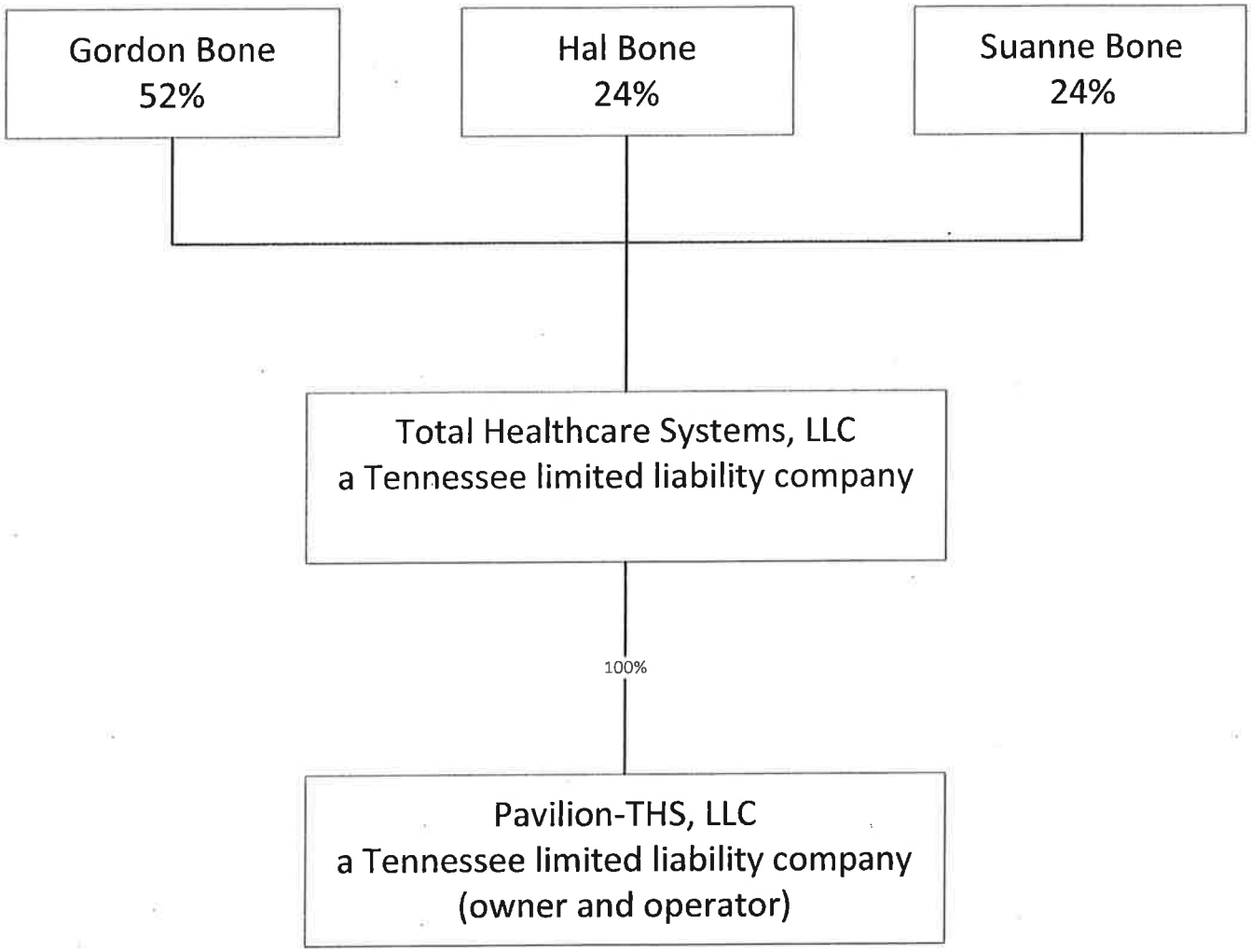
INDEX OF ATTACHMENTS

Attachment A, Applicant Profile, A.1	Organizational Chart
Attachment Section A, Executive Summary Rationale for Approval B.1. Need	Growth Trend Graph and Need Chart
Attachment Section A, Project Details, Item 9	Mission Statement and Core Values
Attachment Section B, Need, Item A, Item 12	Nursing Home Compare Reports
Attachment Section B, Economic Feasibility Item B. Funding	Pinnacle Asset Management Letter
Attachment Section B, Economic Feasibility Item C - Historical Data Chart	Historical Data Chart
Attachment Section B, Economic Feasibility Item D - Projected Data Chart	Projected Data Chart
Attachment Section B, Economic Feasibility Item D - Projected Data Chart	Management Agreement Amendment
Attachment Section B, Economic Feasibility Item F.2 Net Operating Margin Ratio	Net Operating Margin Ratio
Attachment Section B, Economic Feasibility Item H. Staffing	Staffing Chart
Attachment - Proof of Publication	Proof of Publication

Attachment A, Applicant Profile, A.1

Organizational Chart

The Pavilion Senior Living
Rehabilitation & Long Term Care Center



SUPPLEMENTAL #1
August 28, 2017
11:27 am

Attachment Section A, Executive Summary, Rationale for Approval
B.1. Need

Growth Trent Graph and Need Chart

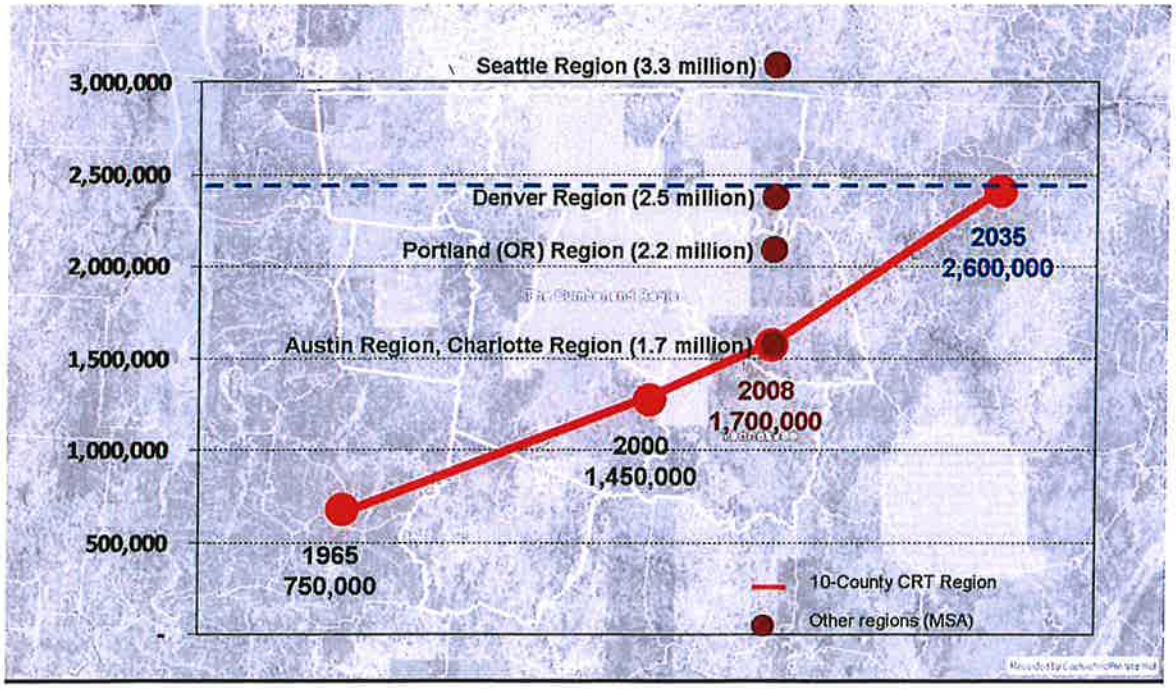
SUPPLEMENTAL #1
August 28, 2017
11:27 am

Regional Profile

The greater Nashville region is poised to grow by leaps and bounds over the next couple of decades. Across the 10-county Cumberland Region around Nashville, the MPO forecasts close to another million people by the year 2035. Where those people will live, work, and play and the socio-economic characteristics of those folks will significantly influence the need for investments into our region's roads, transit, and walking and bicycling infrastructure.

Growth Trend across the 10-County Cumberland Region

In planning for our future, we must realize that we will be different in the years to come. By 2035, our region will be larger than the size of the Denver region is today - that's the magnitude of growth for which we must plan.



SUPPLEMENTAL #1
August 28, 2017
11:27 am

Population & Employment Forecast for the Nashville Area MPO

	Year	MPO	Davidson	Maury	Robertson	Rutherford	Sumner	Williamson	Wilson
People	2006	1,394,928	613,856	77,550	61,708	230,980	148,534	159,094	103,206
	2015	1,637,000	654,879	89,371	73,949	288,734	172,232	229,052	128,783
	2025	1,904,300	702,871	101,595	87,563	349,083	197,500	308,328	157,360
	2035	2,174,914	752,326	114,005	101,324	409,986	223,124	387,970	186,179
Jobs	2006	983,074	559,435	44,773	29,573	131,831	57,236	108,904	51,322
	2015	1,128,118	618,891	50,722	34,251	155,284	64,282	143,628	61,060
	2025	1,316,029	687,059	58,019	40,223	187,195	73,129	196,539	73,865
	2035	1,536,746	755,684	65,964	47,049	226,453	83,053	269,755	88,788
Households	2006	557,156	262,173	30,295	23,196	86,816	57,539	57,805	39,332
	2015	675,667	289,632	36,218	28,874	112,778	70,052	86,646	51,467
	2025	799,466	316,455	41,962	34,884	139,114	82,970	119,252	64,829
	2035	913,442	338,140	47,182	40,511	163,719	95,226	150,917	77,747

Source: Woods & Pool Economics

Related Resources

Regional Profile

- Regional Demographic Profile
- Regional Indicators Report
- US Census Bureau
- American Community Survey

For More Information

Nicholas Lindeman
Economic & Systems Data Analyst
615-862-7198
lindeman@nashvillempo.org

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SUPPLEMENTAL #1
August 28, 2017
11:27 am

Need Calculation

Wilson County Age - Formula/Year	2012 Pop	2012 Need	2019 Pop	2019 Need	2021 Pop	2021 Need	2023 Pop	2023 Need	2025 Pop	2025 Need	2027 Pop	2027 Need	2029 Pop	2029 Need
0-64 (x .0004)	103,441	41.37	112,976	45.2	115,241	46.1	117,421	46.9	119,452	47.8	121,402	48.6	123,437	49.4
65-74 (x .01)	9,889	98.89	14,391	143.9	15,838	158.3	16,749	167.49	17,991	179.9	19,326	193.3	20,417	204.2
75-84 (x .04)	4,298	171.92	6,670	266.8	7,400	296	8,711	348.4	9,784	391.4	10,775	431	11,720	468.8
85+ (x .15)	1,538	230.7	2,180	327	2,413	361.9	2682	402.3	2,996	449.4	3,381	507.15	3,906	585.9
TOTAL POPULATION AND NEED	*119,166*	**542.88**	*136,217*	**782.9**	*140,892*	**862.3**	*145,563*	**965.1**	*150,223*	**1,068.5**	*154,884*	**1,180.0**	*159,480*	**1,308.3**
Existing Wilson County														
Lebanon Health and Rehabilitation Center		60		60		60		60		60		60		60
Quality Care Health Center		280		280		280		280		280		280		280
Mt. Juliet Health Care Center		106		106		106		106		106		106		106
The Pavilion		60		60		60		60		60		60		60
Total Existing Beds		506		506		506		506		506		506		506
BED NEED		**37**		**277**		**356.3**		**459.1**		**562.5**		**674**		**802.3**
Net Bed Need Change		--		**240**		79.3		102.8		103.4		147.4		128.3
Ned Bed Need Percentage Increase		--		**548.6%**		28.6%		28.8%		22.5%		28%		19%

Source - University of Tennessee Center for Business and Economic Research Population Data Files, Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment

Attachment Section A, Project Details, Item 9

Mission Statement and Core Values

SUPPLEMENTAL #1

August 28, 2017
11:27 am

Senior Living You Can Trust

Mission Statement

Pavilion Senior Living's mission is to provide high quality services to seniors. We are committed to improving the quality of life for those we serve. We focus on providing care tailored to meet the unique physical, emotional, and spiritual needs of our residents. We aim to be the most trusted provider of senior care services in our communities.

SUPPLEMENTAL #1

August 28, 2017
11:27 am

Core Values

- ***TRUST***: *We intend to earn your trust by caring for your family with care and compassion.*
- ***RESPECT***: *We promise to treat everyone with integrity and respect.*
- ***COMPASSION***: *We commit to providing compassion and understanding as our residents are faced with the daily challenges of aging.*
- ***PERSONALIZED CARE***: *We strive to protect our residents by providing the personalized level of care they need.*
- ***INTEGRITY***: *We always promise to do the right thing for our residents, their families and our staff.*

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Attachment Section B, Need, Item A, Item 12

Nursing Home Compare Reports

SUPPLEMENTAL #1

August 28, 2017
11:27 am

Lebanon Health and Rehabilitation Center

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Medicare.gov | Nursing Home Compare

The Official U.S. Government Site for Medicare

General information

LEBANON HEALTH AND REHABILITATION CENTER

Overall rating: 4 out of 5 stars **Above Average**

Learn more about the overall star ratings

731 CASTLE HEIGHTS COURT
LEBANON, TN 37087
(615) 444-4319

Distance: 1.4 miles

Nursing Home information

60 certified beds

Participates in: Medicare and Medicaid

Automatic sprinkler systems in all required areas: Yes

Not in a Continuing Care Retirement Community (CCRC)

Not in a hospital

Resident council only

Learn why these characteristics and services are important

Ownership information

Ownership: For profit - Corporation

Legal business name: SSC LEBANON OPERATING COMPANY LLC

Star rating categories

View Health & Fire-safety Inspections tab	3 out of 5 stars **Average**
Staffing rating	3 out of 5 stars **Average**
Quality measures rating	5 out of 5 stars **Much Above Average**
Quality of resident care rating	

Health & fire safety inspections

LEBANON HEALTH AND REHABILITATION CENTER

Nursing home information

60 certified beds

Overall rating: 4 out of 5 stars **Above Average**

Learn more about the overall star ratings

Participates in: Medicare and Medicaid

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Health inspection

3 out of 5 stars
Average

Health inspection summary

Date of standard health inspection:	09/14/2016 View Full Report
Date(s) of complaint inspection(s) between 8/1/2016 - 7/31/2017:	No Complaint Inspections
Total number of health deficiencies:	1
Average number of health deficiencies in Tennessee:	5.3
Average number of health deficiencies in the United States:	7.3

View all health inspections

Mistreatment: 0 deficiencies found

No Mistreatment deficiencies were found during this inspection period.

Quality Care: 0 deficiencies found

No Quality Care deficiencies were found during this inspection period.

SUPPLEMENTAL #1

August 28, 2017
11:27 am

Resident Assessment: 0 deficiencies found

No Resident Assessment deficiencies were found during this inspection period.

Resident Rights: 0 deficiencies found

No Resident Rights deficiencies were found during this inspection period.

Nutrition and Dietary: 1 deficiency found

Inspectors determined that the nursing home failed to:	Inspection Date	Date of Correction	Level of Harm	Residents Affected
Store, cook, and serve food in a safe and clean way	09/14/2016	10/15/2016	2 = Minimal harm or potential for actual harm	Many
How to Read a Deficiency Chart				
View All Health Inspections				

Pharmacy Services: 0 deficiencies found

No Pharmacy Services deficiencies were found during this inspection period.

Environment: 0 deficiencies found

No Environment deficiencies were found during this inspection period.

Administration: 0 deficiencies found

No Administration deficiencies were found during this inspection period.

Fire safety summary

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Total number of Fire Safety Deficiencies for this nursing home:	NOT AVAILABLE
Average number of Fire Safety Deficiencies in Tennessee :	NOT AVAILABLE
Average number of Fire Safety Deficiencies in the United States:	NOT AVAILABLE
Range of Fire Safety Deficiencies in Tennessee :	NOT AVAILABLE

View All Fire Safety Inspections

Building Construction: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Interior Finish: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Corridor Walls and Doors: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Vertical Openings: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Smoke Compartmentation and Control: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Hazardous Area: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Exit and Exit Access: NA deficiencies found

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Data currently not available for Fire Safety Inspections

Exit and Egress: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Illumination and Emergency Power: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Emergency Plans and Fire Drills: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Fire Alarm Systems: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Automatic Sprinkler Systems: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Smoking Regulations: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Building Service Equipment: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Furnishing and Decorations: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Laboratories: NA deficiencies found

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Data currently not available for Fire Safety Inspections.

Medical Gases and Anesthetizing Areas: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Electrical: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Miscellaneous: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Complaints and facility-reported incidents in the past 3 years

Inspectors determined that the nursing home failed to:	Inspection date	Date of correction	Level of harm	Residents affected
Provide necessary care and services to maintain the highest well being of each resident	03/31/2015	05/10/2015	3 = Actual harm	Few
Give residents proper treatment to prevent new bed (pressure) sores or heal existing bed sores.	03/31/2015	05/10/2015	3 = Actual harm	Few
Develop a complete care plan that meets all of a resident's needs, with timetables and actions that can be measured.	03/31/2015	05/10/2015	3 = Actual harm	Few

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Inspectors determined that the nursing home failed to:	Inspection date	Date of correction	Level of harm	Residents affected
Allow the resident the right to participate in the planning or revision of the resident's care plan.	03/31/2015	05/10/2015	2 = Minimal harm or potential for actual harm	Few
Have a program that investigates, controls and keeps infection from spreading	03/31/2015	05/10/2015	2 = Minimal harm or potential for actual harm	Few
Keep accurate, complete and organized clinical records on each resident that meet professional standards	03/31/2015	05/10/2015	2 = Minimal harm or potential for actual harm	Some

Staffing

LEBANON HEALTH AND REHABILITATION CENTER

Overall rating 4 out of 5 stars **Above Average**

Learn more about the overall star ratings

Staffing

Higher staffing levels in a nursing home may mean higher quality of care for residents. This section provides information about the different types of nursing home staff and the average amount of time per resident that they spend providing care.

Get more information about the staffing measures

Get more information about how to read the staffing chart

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Staffing

The information in this section includes registered nurses (RN), licensed practical/vocational nurses (LPN/LVN), certified nurse assistants (CNA), and physical therapists (PT). Physical therapists are not included in the "all staffing" star rating.

The "staffing" star rating takes into account that some nursing homes have sicker residents and may therefore need more staff than other nursing homes whose residents are not as sick.

	LEBANON HEALTH AND REHABILITATION CENTER	TENNESSEE AVERAGE	NATIONAL AVERAGE
Staffing rating	3 out of 5 stars **Average**		
Total number of residents	29	85.4	85.6
Total number of licensed nurse staff hours per resident per day	2 hours and 23 minutes	1 hour and 50 minutes	1 hour and 41 minutes
RN hours per resident per day	56 minutes	46 minutes	50 minutes
LPN/LVN hours per resident per day	1 hour and 27 minutes	1 hour and 4 minutes	51 minutes
CNA hours per resident per day	2 hours and 9 minutes	2 hours and 14 minutes	2 hours and 27 minutes
Physical therapy staff hours per resident per day	15 minutes	7 minutes	6 minutes

Registered Nurse (RN) staffing only

Registered nurses (RNs) are licensed healthcare professionals who are responsible for the coordination, management and overall delivery of care to the residents. Some nursing home residents who are sicker than others may require a greater level of care, and nursing homes that have more RN staff may be better able to meet the needs of those residents.

Registered Nurse (RN) staffing rating	3 out of 5 stars **Average**		
Total number of residents	29	85.4	85.6
RN hours per resident per day	56 minutes	46 minutes	50 minutes

How to read staffing charts | About staff roles

Quality of resident care

LEBANON HEALTH AND REHABILITATION CENTER

Quality of resident care

Overall rating: 4 out of 5 stars **Above Average**

Learn more about the overall star ratings

Nursing homes that are certified by Medicare and Medicaid regularly report clinical information for each of their residents to the Centers for Medicare & Medicaid Services (CMS). CMS assigns nursing homes a quality of resident care star rating based on their performance on 16 measures. These measures reflect, on average, how well nursing homes cares for their residents. Information is listed for 2 groups of residents:

Short-stay residents - those who spent 100 days or less in a nursing home

Long-stay residents - those who spent over 100 days in a nursing home

Learn more about what quality of resident care information can tell you about a nursing home

Short-stay residents

Learn why these short-stay measures are important

Current data collection period

	LEBANON HEALTH AND REHABILITATION CENTER	TENNESSEE AVERAGE	NATIONAL AVERAGE
Percentage of short-stay residents who improved in their ability to move around on their own. ***Higher*** *percentages are better.*	63.8%	63.8%	65.5%
Percentage of short-stay residents who were re-hospitalized after a nursing home admission. ***Lower*** *percentages are better.*	18.1%	20.5%	21.1%
Percentage of short-stay residents who have had an outpatient emergency department visit. ***Lower*** *percentages are better.*	7.1%	12.6%	11.9%

SUPPLEMENTAL #1
August 28, 2017
11:27 am

	LEBANON HEALTH AND REHABILITATION CENTER	TENNESSEE AVERAGE	NATIONAL AVERAGE
Percentage of short-stay residents who were successfully discharged to the community. ***Higher*** *percentages are better.*	64.7%	58.4%	57.0%
Percentage of short-stay residents who report moderate to severe pain. ***Lower*** *percentages are better.*	8.7%	12.6%	14.7%
Percentage of short-stay residents with pressure ulcers that are new or worsened. ***Lower*** *percentages are better.*	1.6%	0.7%	1.0%
Percentage of short-stay residents who needed and got a flu shot for the current flu season. ***Higher*** *percentages are better.*	75.3%	80.4%	80.2%
Percentage of short-stay residents who needed and got a vaccine to prevent pneumonia. ***Higher*** *percentages are better.*	83.0%	82.7%	82.5%
Percentage of short-stay residents who newly got an antipsychotic medication. ***Lower*** *percentages are better.*	1.0%	2.3%	2.0%

Long-stay residents

Learn why these long-stay measures are important

Current data collection period

SUPPLEMENTAL #1
August 28, 2017
11:27 am

	LEBANON HEALTH AND REHABILITATION CENTER	TENNESSEE AVERAGE	NATIONAL AVERAGE
Percentage of long-stay residents experiencing one or more falls with major injury. *Lower percentages are better.*	0.0%	3.2%	3.4%
Percentage of long-stay residents with a urinary tract infection. *Lower percentages are better.*	4.5%	5.2%	4.0%
Percentage of long-stay residents who report moderate to severe pain. *Lower percentages are better.*	NOT AVAILABLE	5.0%	6.3%
Percentage of long-stay high-risk residents with pressure ulcers. *Lower percentages are better.*	9.1%	5.4%	5.7%
Percentage of long-stay low-risk residents who lose control of their bowels or bladder. *Lower percentages are better.*	NOT AVAILABLE	56.3%	47.4%
Percentage of long-stay residents who have/had a catheter inserted and left in their bladder. *Lower percentages are better.*	6.7%	2.2%	2.2%
Percentage of long-stay residents who were physically restrained. *Lower percentages are better.*	0.0%	1.3%	0.5%
Percentage of long-stay residents whose ability to move independently worsened. *Lower percentages are better.*	NOT AVAILABLE	21.4%	18.3%
Percentage of long-stay residents whose need for help with daily activities has increased. *Lower percentages are better.*	5.0%	15.9%	15.1%

SUPPLEMENTAL #1
August 28, 2017
11:27 am

	LEBANON HEALTH AND REHABILITATION CENTER	TENNESSEE AVERAGE	NATIONAL AVERAGE
Percentage of long-stay residents who lose too much weight. *Lower percentages are better.*	9.1%	8.1%	7.1%
Percentage of long-stay residents who have symptoms of depression. *Lower percentages are better.*	NOT AVAILABLE	2.3%	5.1%
Percentage of long-stay residents who got an antianxiety or hypnotic medication. *Lower percentages are better.*	35.0%	36.8%	23.1%
Percentage of long-stay residents who needed and got a flu shot for the current flu season. *Higher percentages are better.*	97.1%	93.3%	94.7%
Percentage of long-stay residents who needed and got a vaccine to prevent pneumonia. *Higher percentages are better.*	100.0%	92.1%	93.9%
Percentage of long-stay residents who got an antipsychotic medication. *Lower percentages are better.*	NOT AVAILABLE	17.8%	16.1%

Penalties

LEBANON HEALTH AND REHABILITATION CENTER

Overall rating: 4 out of 5 stars **Above Average**

Learn more about the overall star ratings

Penalties

When a nursing home gets a serious citation or fails to correct a citation for a long period of time, this can result in a penalty. A penalty can be a fine against the nursing home or a denied payment from Medicare.

Search for penalties under state law.

Learn more about penalties.

SUPPLEMENTAL #1

August 28, 2017
11:27 am

Federal fines in the last 3 years	0
Amount(s) and date(s)	This nursing home has not received any fines in the last 3 years. States may also impose penalties under state law. To search state websites Click here.
Payment denials by Medicare in the last 3 years	0
Date(s)	This nursing home has not received any payment denials in the last 3 years. States may also impose penalties under state law. To search state websites click here.

Ownership information

SUPPLEMENTAL #1

August 28, 2017
11:27 am

Quality Center for Rehabilitation and Healing

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Medicare.gov | Nursing Home Compare

The Official U.S. Government Site for Medicare

General information

QUALITY CENTER FOR REHABILITATION AND HEALING LLC

Overall rating: 5 out of 5 stars **Much Above Average**

Learn more about the overall star ratings

932 BADDOUR PARKWAY
LEBANON, TN 37087
(615) 444-1836

Distance: 2.7 miles

Nursing Home information

280 certified beds

Participates in: Medicare and Medicaid

Automatic sprinkler systems in all required areas: Yes

Not in a Continuing Care Retirement Community (CCRC)

Not in a hospital

Has a Resident and Family Council

Learn why these characteristics and services are important

Ownership information

Ownership: For profit - Partnership

Legal business name: QUALITY CENTER FOR REHABILITATION AND HEALING

Star rating categories

View Health & Fire-safety Inspections tab	5 out of 5 stars **Much Above Average**
Staffing rating	3 out of 5 stars **Average**
Quality measures rating / **Quality of resident care rating**	4 out of 5 stars **Above Average**

Health & fire safety inspections

QUALITY CENTER FOR REHABILITATION AND HEALING LLC

Nursing home information

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Overall rating : 5 out of 5 stars **Much Above Average**

Learn more about the overall star ratings

280 certified beds

Participates in : Medicare and Medicaid

Health inspection 5 out of 5 stars **Much Above Average**

Health inspection summary

Date of standard health inspection:	03/29/2017 View Full Report
Date(s) of complaint inspection(s) between 8/1/2016 - 7/31/2017:	03/29/2017 View Full Report
Total number of health deficiencies:	1
Average number of health deficiencies in Tennessee:	5.3
Average number of health deficiencies in the United States:	7.3
View all health inspections	

Mistreatment: 1 deficiency found

Inspectors determined that the nursing home failed to:	Inspection Date	Date of Correction	Level of Harm	Residents Affected

SUPPLEMENTAL #1
August 28, 2017
11:27 am

1) Hire only people with no legal history of abusing, neglecting or mistreating residents; or 2) report and investigate any acts or reports of abuse, neglect or mistreatment of residents.	03/29/2017	04/27/2017	2 = Minimal harm or potential for actual harm	Few

How to Read a Deficiency Chart

View All Health Inspections

Quality Care: 0 deficiencies found

No Quality Care deficiencies were found during this inspection period.

Resident Assessment: 0 deficiencies found

No Resident Assessment deficiencies were found during this inspection period.

Resident Rights: 0 deficiencies found

No Resident Rights deficiencies were found during this inspection period.

Nutrition and Dietary: 0 deficiencies found

No Nutrition and Dietary deficiencies were found during this inspection period.

Pharmacy Services: 0 deficiencies found

No Pharmacy Services deficiencies were found during this inspection period.

Environment: 0 deficiencies found

No Environment deficiencies were found during this inspection period.

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Administration: 0 deficiencies found

No Administration deficiencies were found during this inspection period.

Fire safety summary

Total number of Fire Safety Deficiencies for this nursing home:	NOT AVAILABLE
Average number of Fire Safety Deficiencies in Tennessee :	NOT AVAILABLE
Average number of Fire Safety Deficiencies in the United States:	NOT AVAILABLE
Range of Fire Safety Deficiencies in Tennessee :	NOT AVAILABLE

View All Fire Safety Inspections

Building Construction: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Interior Finish: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Corridor Walls and Doors: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Vertical Openings: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Smoke Compartmentation and Control: NA deficiencies found

Data currently not available for Fire Safety Inspections.

SUPPLEMENTAL #1

August 28, 2017
11:27 am

Hazardous Area: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Exit and Exit Access: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Exit and Egress: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Illumination and Emergency Power: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Emergency Plans and Fire Drills: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Fire Alarm Systems: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Automatic Sprinkler Systems: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Smoking Regulations: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Building Service Equipment: NA deficiencies found

Data currently not available for Fire Safety Inspections.

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Furnishing and Decorations: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Laboratories: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Medical Gases and Anesthetizing Areas: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Electrical: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Miscellaneous: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Complaints and facility-reported incidents in the past 3 years

Inspectors determined that the nursing home failed to:	Inspection date	Date of correction	Level of harm	Residents affected
1) Hire only people with no legal history of abusing, neglecting or mistreating residents; or 2) report and investigate any acts or reports of abuse, neglect or mistreatment of residents.	01/22/2015	02/15/2015	2 = Minimal harm or potential for actual harm	Few

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Inspectors determined that the nursing home failed to:	Inspection date	Date of correction	Level of harm	Residents affected
1) Hire only people with no legal history of abusing, neglecting or mistreating residents; or 2) report and investigate any acts or reports of abuse, neglect or mistreatment of residents.	03/29/2017	04/27/2017	2 = Minimal harm or potential for actual harm	Few
Provide necessary care and services to maintain the highest well being of each resident	03/28/2016	03/31/2016	2 = Minimal harm or potential for actual harm	Few

Staffing

QUALITY CENTER FOR REHABILITATION AND HEALING LLC

Overall rating 5 out of 5 stars **Much Above Average**

Learn more about the overall star ratings

Staffing

Higher staffing levels in a nursing home may mean higher quality of care for residents. This section provides information about the different types of nursing home staff and the average amount of time per resident that they spend providing care.

Get more information about the staffing measures

Get more information about how to read the staffing chart

Staffing

SUPPLEMENTAL #1
August 28, 2017
11:27 am

The information in this section includes registered nurses (RN), licensed practical/vocational nurses (LPN/LVN), certified nurse assistants (CNA), and physical therapists (PT). Physical therapists are not included in the staffing star rating.

The "staffing" star rating takes into account that some nursing homes have sicker residents and may therefore need more staff than other nursing homes whose residents are not as sick.

	QUALITY CENTER FOR REHABILITATION AND HEALING LLC	TENNESSEE AVERAGE	NATIONAL AVERAGE
Staffing rating	3 out of 5 stars **Average**		
Total number of residents	217	85.4	85.6
Total number of licensed nurse staff hours per resident per day	1 hour and 35 minutes	1 hour and 50 minutes	1 hour and 41 minutes
RN hours per resident per day	37 minutes	46 minutes	50 minutes
LPN/LVN hours per resident per day	58 minutes	1 hour and 4 minutes	51 minutes
CNA hours per resident per day	1 hour and 58 minutes	2 hours and 14 minutes	2 hours and 27 minutes
Physical therapy staff hours per resident per day	3 minutes	7 minutes	6 minutes

Registered Nurse (RN) staffing only

Registered nurses (RNs) are licensed healthcare professionals who are responsible for the coordination, management and overall delivery of care to the residents. Some nursing home residents who are sicker than others may require a greater level of care, and nursing homes that have more RN staff may be better able to meet the needs of those residents.

Registered Nurse (RN) staffing rating	3 out of 5 stars **Average**		
Total number of residents	217	85.4	85.6
RN hours per resident per day	37 minutes	46 minutes	50 minutes

How to read staffing charts | About staff roles

Quality of resident care

QUALITY CENTER FOR REHABILITATION AND HEALING LLC

Quality of resident care

Nursing homes that are certified by Medicare and Medicaid regularly report clinical information for each

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Overall rating 5 out of 5 stars
Much Above Average

Learn more about the overall star ratings

of their residents to the Centers for Medicare & Medicaid Services (CMS). CMS assigns nursing homes a quality of resident care star rating based on their performance on 16 measures. These measures reflect, on average, how well nursing homes cares for their residents. Information is listed for 2 groups of residents:

Short-stay residents - those who spent 100 days or less in a nursing home

Long-stay residents - those who spent over 100 days in a nursing home

Learn more about what quality of resident care information can tell you about a nursing home

Short-stay residents

Learn why these short-stay measures are important

Current data collection period

	QUALITY CENTER FOR REHABILITATION AND HEALING LLC	TENNESSEE AVERAGE	NATIONAL AVERAGE
Percentage of short-stay residents who improved in their ability to move around on their own. *Higher percentages are better.*	59.8%	63.8%	65.5%
Percentage of short-stay residents who were re-hospitalized after a nursing home admission. *Lower percentages are better.*	15.3%	20.5%	21.1%
Percentage of short-stay residents who have had an outpatient emergency department visit. *Lower percentages are better.*	5.6%	12.6%	11.9%

SUPPLEMENTAL #1
August 28, 2017
11:27 am

	QUALITY CENTER FOR REHABILITATION AND HEALING LLC	TENNESSEE AVERAGE	NATIONAL AVERAGE
Percentage of short-stay residents who were successfully discharged to the community. *Higher percentages are better.*	69.4%	58.4%	57.0%
Percentage of short-stay residents who report moderate to severe pain. *Lower percentages are better.*	28.7%	12.6%	14.7%
Percentage of short-stay residents with pressure ulcers that are new or worsened. *Lower percentages are better.*	0.1%	0.7%	1.0%
Percentage of short-stay residents who needed and got a flu shot for the current flu season. *Higher percentages are better.*	76.9%	80.4%	80.2%
Percentage of short-stay residents who needed and got a vaccine to prevent pneumonia. *Higher percentages are better.*	69.1%	82.7%	82.5%
Percentage of short-stay residents who newly got an antipsychotic medication. *Lower percentages are better.*	2.7%	2.3%	2.0%

Long-stay residents

Learn why these long-stay measures are important

Current data collection period

SUPPLEMENTAL #1
August 28, 2017
11:27 am

	QUALITY CENTER FOR REHABILITATION AND HEALING LLC	TENNESSEE AVERAGE	NATIONAL AVERAGE
Percentage of long-stay residents experiencing one or more falls with major injury. *Lower percentages are better.*	3.4%	3.2%	3.4%
Percentage of long-stay residents with a urinary tract infection. *Lower percentages are better.*	2.9%	5.2%	4.0%
Percentage of long-stay residents who report moderate to severe pain. *Lower percentages are better.*	10.0%	5.0%	6.3%
Percentage of long-stay high-risk residents with pressure ulcers. *Lower percentages are better.*	3.9%	5.4%	5.7%
Percentage of long-stay low-risk residents who lose control of their bowels or bladder. *Lower percentages are better.*	79.1%	56.3%	47.4%
Percentage of long-stay residents who have/had a catheter inserted and left in their bladder. *Lower percentages are better.*	2.1%	2.2%	2.2%
Percentage of long-stay residents who were physically restrained. *Lower percentages are better.*	0.6%	1.3%	0.5%
Percentage of long-stay residents whose ability to move independently worsened. *Lower percentages are better.*	21.8%	21.4%	18.3%

SUPPLEMENTAL #1
August 28, 2017
11:27 am

	QUALITY CENTER FOR REHABILITATION AND HEALING LLC	TENNESSEE AVERAGE	NATIONAL AVERAGE
Percentage of long-stay residents whose need for help with daily activities has increased. *Lower percentages are better.*	13.1%	15.9%	15.1%
Percentage of long-stay residents who lose too much weight. *Lower percentages are better.*	6.8%	8.1%	7.1%
Percentage of long-stay residents who have symptoms of depression. *Lower percentages are better.*	1.9%	2.3%	5.1%
Percentage of long-stay residents who got an antianxiety or hypnotic medication. *Lower percentages are better.*	32.6%	36.8%	23.1%
Percentage of long-stay residents who needed and got a flu shot for the current flu season. *Higher percentages are better.*	99.1%	93.3%	94.7%
Percentage of long-stay residents who needed and got a vaccine to prevent pneumonia. *Higher percentages are better.*	97.8%	92.1%	93.9%
Percentage of long-stay residents who got an antipsychotic medication. *Lower percentages are better.*	21.9%	17.8%	16.1%

Penalties

QUALITY CENTER FOR REHABILITATION AND HEALING LLC	**Penalties**

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Overall rating 5 out of 5 stars
Much Above Average

Learn more about the overall star ratings

When a nursing home gets a serious citation or fails to correct a citation for a long period of time, this can result in a penalty. A penalty can be a fine against the nursing home or a denied payment from Medicare.

Search for penalties under state law.

Learn more about penalties.

Federal fines in the last 3 years	1
Amount(s) and date(s)	$178,782 on 08/24/2016
Payment denials by Medicare in the last 3 years	0
Date(s)	This nursing home has not received any payment denials in the last 3 years. States may also impose penalties under state law. To search state websites click here.

Ownership information

SUPPLEMENTAL #1

August 28, 2017
11:27 am

Mt. Juliet Health Care Center

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Medicare.gov | Nursing Home Compare

The Official U.S. Government Site for Medicare

General information

MT JULIET HEALTH CARE CENTER

Overall rating: 3 out of 5 stars **Average**

Learn more about the overall star ratings

2650 NORTH MT JULIET ROAD
MOUNT JULIET, TN 37122
(615) 758-4100

Distance: 15.7 miles

Nursing Home information

106 certified beds

Participates in: Medicare and Medicaid

Automatic sprinkler systems in all required areas: Yes

Not in a Continuing Care Retirement Community (CCRC)

Not in a hospital

Has a Resident and Family Council

Learn why these characteristics and services are important

Ownership information

Ownership: For profit - Corporation

Legal business name: MT JULIET HEALTH CARE CENTER INC

Star rating categories

View Health & Fire-safety Inspections tab	3 out of 5 stars **Average**
Staffing rating	2 out of 5 stars **Below Average**
Quality measures rating	4 out of 5 stars **Above Average**
Quality of resident care rating	

Health & fire safety inspections

MT JULIET HEALTH CARE CENTER

Nursing home information

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Overall rating: 3 out of 5 stars **Average**

Learn more about the overall star ratings

106 certified beds

Participates in: Medicare and Medicaid

Health inspection 3 out of 5 stars **Average**

Health inspection summary

Date of standard health inspection:	11/30/2016	View Full Report
Date(s) of complaint inspection(s) between 8/1/2016 - 7/31/2017:	06/07/2017	View Full Report
	01/25/2017	View Full Report
	10/11/2016	View Full Report
Total number of health deficiencies:	7	
Average number of health deficiencies in Tennessee:	5.3	
Average number of health deficiencies in the United States:	7.3	

View all health inspections

Mistreatment: 3 deficiencies found

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Inspectors determined that the nursing home failed to:	Inspection Date	Date of Correction	Level of Harm	Residents Affected
1) Hire only people with no legal history of abusing, neglecting or mistreating residents; or 2) report and investigate any acts or reports of abuse, neglect or mistreatment of residents.	10/11/2016	11/11/2016	2 = Minimal harm or potential for actual harm	Few
1) Hire only people with no legal history of abusing, neglecting or mistreating residents; or 2) report and investigate any acts or reports of abuse, neglect or mistreatment of residents.	01/25/2017	03/10/2017	2 = Minimal harm or potential for actual harm	Few
Develop policies that prevent mistreatment, neglect, or abuse of residents or theft of resident property.	10/11/2016	11/11/2016	2 = Minimal harm or potential for actual harm	Few

How to Read a Deficiency Chart

View All Health Inspections

Quality Care: 0 deficiencies found

No Quality Care deficiencies were found during this inspection period.

Resident Assessment: 0 deficiencies found

No Resident Assessment deficiencies were found during this inspection period.

SUPPLEMENTAL #1
August 28, 2017
11:27 am

▼ Resident Rights: 1 deficiency found

Inspectors determined that the nursing home failed to:	Inspection Date	Date of Correction	Level of Harm	Residents Affected
Immediately tell the resident, the resident's doctor and a family member of the resident of situations (injury/decline/room, etc.) that affect the resident.	06/07/2017	07/20/2017	2 = Minimal harm or potential for actual harm	Few

How to Read a Deficiency Chart

View All Health Inspections

▼ Nutrition and Dietary: 1 deficiency found

Inspectors determined that the nursing home failed to:	Inspection Date	Date of Correction	Level of Harm	Residents Affected
Store, cook, and serve food in a safe and clean way	11/30/2016	01/13/2017	2 = Minimal harm or potential for actual harm	Many

How to Read a Deficiency Chart

View All Health Inspections

▼ Pharmacy Services: 1 deficiency found

Inspectors determined that the nursing home failed to:	Inspection Date	Date of Correction	Level of Harm	Residents Affected

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Maintain drug records and properly mark/label drugs and other similar products according to accepted professional standards.	06/07/2017	07/20/2017	2 = Minimal harm or potential for actual harm	Few

How to Read a Deficiency Chart

View All Health Inspections

Environment: 0 deficiencies found

No Environment deficiencies were found during this inspection period.

Administration: 1 deficiency found

Inspectors determined that the nursing home failed to:	Inspection Date	Date of Correction	Level of Harm	Residents Affected
Keep accurate, complete and organized clinical records on each resident that meet professional standards	06/07/2017	07/20/2017	2 = Minimal harm or potential for actual harm	Few

How to Read a Deficiency Chart

View All Health Inspections

Fire safety summary

Total number of Fire Safety Deficiencies for this nursing home:	NOT AVAILABLE

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Average number of Fire Safety Deficiencies in Tennessee :	NOT AVAILABLE
Average number of Fire Safety Deficiencies in the United States:	NOT AVAILABLE
Range of Fire Safety Deficiencies in Tennessee :	NOT AVAILABLE

View All Fire Safety Inspections

Building Construction: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Interior Finish: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Corridor Walls and Doors: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Vertical Openings: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Smoke Compartmentation and Control: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Hazardous Area: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Exit and Exit Access: NA deficiencies found

Data currently not available for Fire Safety Inspections.

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Exit and Egress: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Illumination and Emergency Power: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Emergency Plans and Fire Drills: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Fire Alarm Systems: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Automatic Sprinkler Systems: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Smoking Regulations: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Building Service Equipment: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Furnishing and Decorations: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Laboratories: NA deficiencies found

Data currently not available for Fire Safety Inspections.

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Medical Gases and Anesthetizing Areas: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Electrical: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Miscellaneous: NA deficiencies found

Data currently not available for Fire Safety Inspections.

Complaints and facility-reported incidents in the past 3 years

Inspectors determined that the nursing home failed to:	Inspection date	Date of correction	Level of harm	Residents affected
1) Hire only people with no legal history of abusing, neglecting or mistreating residents; or 2) report and investigate any acts or reports of abuse, neglect or mistreatment of residents.	10/11/2016	11/11/2016	2 = Minimal harm or potential for actual harm	Few
1) Hire only people with no legal history of abusing, neglecting or mistreating residents; or 2) report and investigate any acts or reports of abuse, neglect or mistreatment of residents.	01/25/2017	03/10/2017	2 = Minimal harm or potential for actual harm	Few
Develop policies that prevent mistreatment, neglect, or abuse of residents or theft of resident property.	10/11/2016	11/11/2016	2 = Minimal harm or potential for actual harm	Few

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Inspectors determined that the nursing home failed to:	Inspection date	Date of correction	Level of Harm	Residents affected
Immediately tell the resident, the resident's doctor and a family member of the resident of situations (injury/decline/room, etc.) that affect the resident.	06/07/2017	07/20/2017	2 = Minimal harm or potential for actual harm	Few
Maintain drug records and properly mark/label drugs and other similar products according to accepted professional standards.	06/07/2017	07/20/2017	2 = Minimal harm or potential for actual harm	Few
Make sure that the nursing home area is free from accident hazards and risks and provides supervision to prevent avoidable accidents	08/01/2014	09/05/2014	3 = Actual harm	Few
Keep accurate, complete and organized clinical records on each resident that meet professional standards	06/07/2017	07/20/2017	2 = Minimal harm or potential for actual harm	Few

Staffing

MT JULIET HEALTH CARE CENTER

Overall rating: 3 out of 5 stars **Average**

Learn more about the overall star ratings

Staffing

Higher staffing levels in a nursing home may mean higher quality of care for residents. This section provides information about the different types of nursing home staff and the average amount of time per resident that they spend providing care.

Get more information about the staffing measures

SUPPLEMENTAL #1

Get more information about how to read the staffing chart

August 28, 2017
11:27 am

Staffing

The information in this section includes registered nurses (RN), licensed practical/vocational nurses (LPN/LVN), certified nurse assistants (CNA), and physical therapists (PT). Physical therapists are not included in the "all staffing" star rating.

The "staffing" star rating takes into account that some nursing homes have sicker residents and may therefore need more staff than other nursing homes whose residents are not as sick.

	MT JULIET HEALTH CARE CENTER	TENNESSEE AVERAGE	NATIONAL AVERAGE
Staffing rating	2 out of 5 stars **Below Average**		
Total number of residents	66	85.4	85.6
Total number of licensed nurse staff hours per resident per day	1 hour and 29 minutes	1 hour and 50 minutes	1 hour and 41 minutes
RN hours per resident per day	33 minutes	46 minutes	50 minutes
LPN/LVN hours per resident per day	56 minutes	1 hour and 4 minutes	51 minutes
CNA hours per resident per day	1 hour and 51 minutes	2 hours and 14 minutes	2 hours and 27 minutes
Physical therapy staff hours per resident per day	5 minutes	7 minutes	6 minutes

Registered Nurse (RN) staffing only

Registered nurses (RNs) are licensed healthcare professionals who are responsible for the coordination, management and overall delivery of care to the residents. Some nursing home residents who are sicker than others may require a greater level of care, and nursing homes that have more RN staff may be better able to meet the needs of those residents.

Registered Nurse (RN) staffing rating	3 out of 5 stars **Average**		
Total number of residents	66	85.4	85.6
RN hours per resident per day	33 minutes	46 minutes	50 minutes

How to read staffing charts | About staff roles

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Quality of resident care

MT JULIET HEALTH CARE CENTER

Overall rating: 3 out of 5 stars **Average**

Learn more about the overall star ratings

Quality of resident care

Nursing homes that are certified by Medicare and Medicaid regularly report clinical information for each of their residents to the Centers for Medicare & Medicaid Services (CMS). CMS assigns nursing homes a quality of resident care star rating based on their performance on 16 measures. These measures reflect, on average, how well nursing homes cares for their residents. Information is listed for 2 groups of residents:

Short-stay residents - those who spent 100 days or less in a nursing home

Long-stay residents - those who spent over 100 days in a nursing home

Learn more about what quality of resident care information can tell you about a nursing home

Short-stay residents

Learn why these short-stay measures are important

Current data collection period

	MT JULIET HEALTH CARE CENTER	TENNESSEE AVERAGE	NATIONAL AVERAGE
Percentage of short-stay residents who improved in their ability to move around on their own. *Higher percentages are better.*	74.1%	63.8%	65.5%
Percentage of short-stay residents who were re-hospitalized after a nursing home admission. *Lower percentages are better.*	27.3%	20.5%	21.1%

SUPPLEMENTAL #1
August 28, 2017
11:27 am

	MT JULIET HEALTH CARE CENTER	TENNESSEE AVERAGE	NATIONAL AVERAGE
Percentage of short-stay residents who have had an outpatient emergency department visit. *Lower percentages are better.*	10.4%	12.6%	11.9%
Percentage of short-stay residents who were successfully discharged to the community. *Higher percentages are better.*	55.6%	58.4%	57.0%
Percentage of short-stay residents who report moderate to severe pain. *Lower percentages are better.*	6.4%	12.6%	14.7%
Percentage of short-stay residents with pressure ulcers that are new or worsened. *Lower percentages are better.*	0.4%	0.7%	1.0%
Percentage of short-stay residents who needed and got a flu shot for the current flu season. *Higher percentages are better.*	84.0%	80.4%	80.2%
Percentage of short-stay residents who needed and got a vaccine to prevent pneumonia. *Higher percentages are better.*	88.9%	82.7%	82.5%
Percentage of short-stay residents who newly got an antipsychotic medication. *Lower percentages are better.*	2.1%	2.3%	2.0%

Long-stay residents

Learn why these long-stay measures are important

Current data collection period

SUPPLEMENTAL #1
August 28, 2017
11:27 am

	MT JULIET HEALTH CARE CENTER	TENNESSEE AVERAGE	NATIONAL AVERAGE
Percentage of long-stay residents experiencing one or more falls with major injury. *Lower percentages are better.*	1.3%	3.2%	3.4%
Percentage of long-stay residents with a urinary tract infection. *Lower percentages are better.*	3.6%	5.2%	4.0%
Percentage of long-stay residents who report moderate to severe pain. *Lower percentages are better.*	2.5%	5.0%	6.3%
Percentage of long-stay high-risk residents with pressure ulcers. *Lower percentages are better.*	4.6%	5.4%	5.7%
Percentage of long-stay low-risk residents who lose control of their bowels or bladder. *Lower percentages are better.*	67.0%	56.3%	47.4%
Percentage of long-stay residents who have/had a catheter inserted and left in their bladder. *Lower percentages are better.*	1.4%	2.2%	2.2%
Percentage of long-stay residents who were physically restrained. *Lower percentages are better.*	0.0%	1.3%	0.5%
Percentage of long-stay residents whose ability to move independently worsened. *Lower percentages are better.*	24.7%	21.4%	18.3%
Percentage of long-stay residents whose need for help with daily activities has increased. *Lower percentages are better.*	14.6%	15.9%	15.1%

SUPPLEMENTAL #1
August 28, 2017
11:27 am

	MT JULIET HEALTH CARE CENTER	TENNESSEE AVERAGE	NATIONAL AVERAGE
Percentage of long-stay residents who lose too much weight. *Lower percentages are better.*	7.3%	8.1%	7.1%
Percentage of long-stay residents who have symptoms of depression. *Lower percentages are better.*	1.0%	2.3%	5.1%
Percentage of long-stay residents who got an antianxiety or hypnotic medication. *Lower percentages are better.*	22.3%	36.8%	23.1%
Percentage of long-stay residents who needed and got a flu shot for the current flu season. *Higher percentages are better.*	100.0%	93.3%	94.7%
Percentage of long-stay residents who needed and got a vaccine to prevent pneumonia. *Higher percentages are better.*	99.1%	92.1%	93.9%
Percentage of long-stay residents who got an antipsychotic medication. *Lower percentages are better.*	18.8%	17.8%	16.1%

Penalties

MT JULIET HEALTH CARE CENTER

Overall rating: 3 out of 5 stars **Average**

Learn more about the overall star ratings

Penalties

When a nursing home gets a serious citation or fails to correct a citation for a long period of time, this can result in a penalty. A penalty can be a fine against the nursing home or a denied payment from Medicare.

Search for penalties under state law.

Learn more about penalties.

SUPPLEMENTAL #1

August 28, 2017
11:27 am

Federal fines in the last 3 years	0
Amount(s) and date(s)	This nursing home has not received any fines in the last 3 years. States may also impose penalties under state law. To search state websites Click here.
Payment denials by Medicare in the last 3 years	0
Date(s)	This nursing home has not received any payment denials in the last 3 years. States may also impose penalties under state law. To search state websites click here.

Ownership information

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Attachment Section B, Economic Feasibility, Item B. Funding

Pinnacle Asset Management Letter

SUPPLEMENTAL #1

August 28, 2017

Pinnacle
ASSET MANAGEMENT
An affiliate of Pinnacle Bank

111 10th Avenue South
Suite 300
Nashville, TN 37203

Phone (615) 773-6618

RAYMOND JAMES
FINANCIAL SERVICES, INC.
Member FINRA/SIPC

Joe Comer
Registered Principal, RJFS
Senior Vice President, PNFP

August 25, 2017

Mr. Harold G. Bone
P.O. Box 1194
Lebanon, TN 37088

Dear Mr. Bone

Regarding your request for verification of your ability to borrow up to $1 million, please consider this letter as of August 25, 2017 regarding the assets held In your Raymond James brokerage account. xxxx5978.

Your account currently has "Margin Availability" of $1.5 million.
The current interest rate for outstanding balances is 5.00 %.

Your total account value as reflected in your last statement date, July 31, 2017 was in excess of $4.5 million dollars.

Should you have additional questions regarding these facts please do not hesitate to contact me at (615) 773-6618.

Sincerely,

Joe Comer
Registered Principal
Pinnacle Asset Management

Securities offered through Raymond James Financial Services, Inc. Member FINRA/SIPC, and are • Not deposits • Not insured by FDIC or other governmental agency • Not guaranteed by Pinnacle Bank • Subject to risk, may lose value. Pinnacle Asset Management and Pinnacle Bank are independent of RJFS

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Attachment Section B, Economic Feasibility, Item C - Historical Data Chart

Historical Data Chart

SUPPLEMENTAL #1

August 28, 2017
11:27 am

☒ Total Facility
☐ Project Only

HISTORICAL DATA CHART

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in January (Month).

	Year 2014	Year 2015	Year 2016
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)	21,309	20,946	20,456
B. Revenue from Services to Patients			
1. Inpatient Services	4,291,143	4,594,409	4,569,187
2. Outpatient Services	0	0	0
3. Emergency Services	0	0	0
4. Other Operating Revenue (Specify) therapy, medical supplies, drug revenue	1,332,470	1,451,397	1,692,446
Gross Operating Revenue	**$5,623,613**	**$6,045,806**	**$6,261,633**
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	654,134	611,892	525,795
2. Provision for Charity Care	0	0	0
3. Provisions for Bad Debt	40,284	78,236	82,421
Total Deductions	**$694,418**	**$690,128**	**$608,216**
NET OPERATING REVENUE	**$4,929,195**	**$5,355,678**	**$5,653,417**
D. Operating Expenses			
1. Salaries and Wages			
a. Direct Patient Care	149,2966	1,488,710	1,515,219
b. Non-Patient Care	713,988	698,529	683,868
2. Physician's Salaries and Wages	54,652	49,890	52,219
3. Supplies	172,277	196,610	190,284
4. Rent			
a. Paid to Affiliates	0	0	0
b. Paid to Non-Affiliates	3,006	3,146	3,182
5. Management Fees:			
a. Paid to Affiliates	0	0	0
b. Paid to Non-Affiliates	90,000	90,000	90,000
6. Other Operating Expenses	1,306,271	1,825,618	1,989,498
Total Operating Expenses	**$3,833,160**	**$4,352,503**	**$4,524,270**
E. Earnings Before Interest, Taxes and Depreciation	**$1,096,035**	**$1,003,175**	**$1,129,147**
F. Non-Operating Expenses			
1. Taxes	90,516	81,579	87,016
2. Depreciation	21,550	223,263	220,067
3. Interest	145,424	163,478	161,166
4. Other Non-Operating Expenses	0	0	0
Total Non-Operating Expenses	**$451,490**	**$468,320**	**$4,68,249**
NET INCOME (LOSS)	**$644,545**	**$534,855**	**$660,898**
Chart Continues Onto Next Page			

	Year 2014	Year 2015	Year 2016
NET INCOME (LOSS)	**$644,545**	**$534,855**	**$660,898**
G. Other Deductions			
1. Annual Principal Debt Repayment	156,564	60,700	56,610
2. Annual Capital Expenditure		146,026	-
Total Other Deductions	**$156,564**	**$206,726**	**$56,610**
NET BALANCE	**$478,981**	**$328,129**	**$604,288**
DEPRECIATION	**$215,550**	**$223,263**	**$220,067**
FREE CASH FLOW (Net Balance + Depreciation)	**$703,531**	**$551,392**	**$824,355**

X Total Facility
☐ Project Only

HISTORICAL DATA CHART-OTHER EXPENSES

	Year 2014	Year 2015	Year 2016
OTHER EXPENSES CATEGORIES			
Professional Services Contract	$ 463,273	$ 629,249	$ 724,236
Contract Labor	$ -	$ -	$ -
Imaging Interpretation Fees	$ 7,413	$ 9,820	$ 14,885
Drugs	$ 174,191	$ 229,396	$ 242,327
Equipment Rental	$ 11,910	$ 11,513	$ 15,669
Equipment Purchase	$ 14,539	$ 39,773	$ 9,035
Training	$ 5,969	$ 2,129	$ 2,769
Travel	$ 328	$ 491	$ 531
Raw Food	$ 137,785	$ 150,379	$ 147,078
Maintenance & Repairs	$ 26,701	$ 27,725	$ 25,959
Utilities	$ 115,534	$ 119,832	$ 108,669
Lawn Care	$ 3,850	$ 1,639	$ 6,394
Non-Emergency Transportation	$ 414	$ 766	$ 4,841
Lab Fees	$ 11,662	$ 8,307	$ 9,220
Ins - Health, work comp, GL, vehicle, etc.	$ 154,156	$ 368,929	$ 373,324
Software support & exp	$ 16,042	$ 16,260	$ 10,779
Dues/Membership/Subscriptions	$ 8,271	$ 10,611	$ 14,319
Advertising	$ 2,047	$ 1,503	$ 2,122
Quality Assurance Fee	$ 127,659	$ 180,839	$ 261,270
Amortization Expense	$ 16,654	$ 6,496	$ 5,153
Employee Benefits	$ 7,873	$ 9,861	$ 10,868
Contributions	$ 0	$ 100	$ 50
TOTAL	**$1,306,271**	**$1,825,618**	**$1,989,498**

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Attachment Section B, Economic Feasibility, Item D - Projected Data Chart

Projected Data Charts

SUPPLEMENTAL #1

August 28, 2017
11:27 am

☒ Total Facility
☐ Project Only

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year 2019	Year 2020
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)	26,737	27,697
B. Revenue from Services to Patients		
1. Inpatient Services	6,020,968	6,462,304
2. Outpatient Services	0	0
3. Emergency Services	0	0
4. Other Operating Revenue (Specify) _____	2,055,274	2,205,314
Gross Operating Revenue	**$8,076,242**	**$8,667,618**
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	635,599	679,917
2. Provision for Charity Care	0	0
3. Provisions for Bad Debt	113,899	106,987
Total Deductions	**$749,498**	**$786,904**
NET OPERATING REVENUE	**$7,326,744**	**$7,880,714**
D. Operating Expenses		
1. Salaries and Wages		
a. Direct Patient Care	1,901,009	2,012,711
b. Non-Patient Care	800,610	818,146
2. Physician's Salaries and Wages	52,875	52,875
3. Supplies	242,827	255,139
4. Rent		
a. Paid to Affiliates	0	0
b. Paid to Non-Affiliates	1188	1188
5. Management Fees:		
a. Paid to Affiliates	0	0
b. Paid to Non-Affiliates	120,000	120,000
6. Other Operating Expenses	2,963,050	3,279,767
Total Operating Expenses	**$6,081,559**	**$6,539,826**
E. Earnings Before Interest, Taxes and Depreciation	**$1,245,185**	**$1,340,888**
F. Non-Operating Expenses		
1. Taxes	101,261	108,090
2. Depreciation	269,373	269,373
3. Interest	209,234	207,784
4. Other Non-Operating Expenses	0	0
Total Non-Operating Expenses	**$579,868**	**$585,247**
NET INCOME (LOSS)	**$665,317**	**$755,641**
Chart Continues Onto Next Page		

	Year 2019	Year 2020
NET INCOME (LOSS)	$665317	$755641
G. Other Deductions		
1. Estimated Annual Principal Debt Repayment	94,009	95,459
2. Annual Capital Expenditure	0	0
Total Other Deductions	**$94,009**	**$95,459**
NET BALANCE	**$571,308**	**$660,182**
DEPRECIATION	**$269,373**	**$269,373**
FREE CASH FLOW (Net Balance + Depreciation)	**$840,681**	**$929,555**

X Total Facility
☐ Project Only

PROJECTED DATA CHART-OTHER EXPENSES

	Year 2019	Year 2020
OTHER EXPENSES CATEGORIES		
Professional Services Contract	$ 1,243,688	$ 1,414,111
Contract Labor	$ -	$ -
Imaging Interpretation Fees	$ 14,780	$ 14,780
Drugs	$ 564,087	$ 653,226
Equipment Rental	$ 20,147	$ 21,514
Equipment Purchase	$ 11,370	$ 11,721
Training	$ 4,881	$ 6,427
Travel	$ -	$ -
Raw Food	$ 191,872	$ 204,809
Maintenance & Repairs	$ 23,160	$ 24,703
Utilities	$ 138,703	$ 146,995
Lawn Care	$ 5,500	$ 5,500
Non-Emergency Transportation	$ 5,000	$ 5,000
Lab Fees	$ 9,594	$ 9,594
Ins - Health, work comp, GL, vehicle, etc.	$ 359,138	$ 367,029
Software support & exp	$ 15,600	$ 15,600
Dues/Membership/Subscriptions	$ 15,452	$ 16,136
Advertising	$ 2,646	$ 2,804
Quality Assurance Fee	$ 328,219	$ 350,605
Amortization Expense	$ 5,153	$ 5,153
Employee Benefits	$ 3,460	$ 3,460
Contributions	$ 600	$ 600
Total Other Expenses	**$ 2,963,050**	**$ 3,279,767**

☐ Total Facility
X Project Only

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year 2019	Year 2020
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)	5,610	6,570
B. Revenue from Services to Patients		
1. Inpatient Services	1,420,968	1,862,304
2. Outpatient Services		
3. Emergency Services		
4. Other Operating Revenue (Specify) therapy,	443,527	593,567
Gross Operating Revenue	**$1,864,495**	**$2,455,871**
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	135,599	179,917
2. Provision for Charity Care		
3. Provisions for Bad Debt	33,899	26,987
Total Deductions	**$169,498**	**$206,904**
NET OPERATING REVENUE	**$1,694,997**	**$2,248,967**
D. Operating Expenses		
1. Salaries and Wages		
a. Direct Patient Care	270,365	382,067
b. Non-Patient Care	46,588	64,124
2. Physician's Salaries and Wages		
3. Supplies	58,010	70,322
4. Rent		
a. Paid to Affiliates		
b. Paid to Non-Affiliates		
5. Management Fees:		
a. Paid to Affiliates		
b. Paid to Non-Affiliates		
6. Other Operating Expenses	918,173	1,256,690
Total Operating Expenses	**$1,314,936**	**$1,773,203**
E. Earnings Before Interest, Taxes and Depreciation	**$380,061**	**$475,764**
F. Non-Operating Expenses		
1. Taxes	20,148	26,977
2. Depreciation	45,333	45,333
3. Interest	44,354	42,904
4. Other Non-Operating Expenses		
Total Non-Operating Expenses	**$109,835**	**$115,214**
NET INCOME (LOSS)	**$270,226**	**$360,550**
Chart Continues Onto Next Page		

	Year 2019	Year 2020
NET INCOME (LOSS)	$270,226	$360,550
G. Other Deductions		
1. Estimated Annual Principal Debt Repayment	31,564	33,014
2. Annual Capital Expenditure		
Total Other Deductions	**$31,564**	**$33,014**
NET BALANCE	**$238,662**	**$327,536**
DEPRECIATION	**$45,333**	**$45,333**
FREE CASH FLOW (Net Balance + Depreciation)	**$283,995**	**$372,869**

☐ Total Facility
X Project Only

PROJECTED DATA CHART-OTHER EXPENSES

	Year 2019	Year 2020
OTHER EXPENSES CATEGORIES		
Professional Services Contract	515,448	685,871
Contract Labor	-	-
Imaging Interpretations Fees	0	0
Drugs	263,505	352,644
Equipment Rental	4,042	5,409
Equipment Purchase	36	1,387
Training	81	2,427
Travel	-	-
Raw Food	38,243	51,180
Maintenance & Repairs	4,560	6,103
Utilities	4,511	32,803
Lawn Care	0	0
Non-Emergency Transportation	0	0
Lab Fees	0	0
Ins - Health, work comp, GL, vehicle, etc.	19,086	26,977
Software support & exp	0	0
Dues/Membership/Subscriptions	2,021	2,705
Advertising	466	624
Quality Assurance Fee	66,174	88,560
Amortization Expense	0	0
Employee Benefits	0	0
Contributions	0	0
Total Other Expenses	**$ 918,173**	**$ 1,256,690**

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Attachment Section B, Economic Feasibility, Item D - Projected Data Chart -

Management Agreement Amendment

SUPPLEMENTAL #1
August 28, 2017
11:27 am

AMENDMENT 1
TO
MANAGEMENT AGREEMENT

Effective 1st day of January 2017, the following amends Section 4(a), **Management Fee**, of the original Management Agreement made and effective 1st day of February 2014.

4. **Management Fee.** As compensation for the services to be performed hereunder by Manager, Owner shall pay to Manager a management fee (the "Management Fee") as follows:

(a) Beginning on the date of this Agreement and continuing for the Term hereof, the Management Fee will be a periodic fixed fee of **$ 10,000.00** per month. The Management Fee is payable in advance on or before the first day of each calendar month, without setoff or deduction and shall be paid in addition to all costs and expenses incurred by Manager in connection with the operation of the Facility. Owner shall pay to Manager interest at the rate of 1-1/2% per month (or portion thereof) on any portion of the Management Fee not paid by the first day of the month to which the payment relates.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement effective as of January 1, 2017.

OWNER:

PAVILION-THS, LLC,
a Tennessee limited liability company

By: _____
H. Gordon Bone, Jr.
President

MANAGER:

STEIN & ASSOCIATES, LLC

By: _____
James M. Stein
President

Attachment Section B, Economic Feasibility, Item F.2 Net Operating Margin Ratio

Net Operating Margin Ratio

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Year	2nd Year previous to Current Year (2015)	1st Year previous to Current Year (2016)	Current Year (2017 and 2018*)	Projected Year 1 (2019)	Projected Year 2 (2020)
Net Operating Margin Ratio [Earnings before interest, Taxes and Depreciation / Net Operating Revenue]	1,003,175 / 5,355,678 = 0.1873 **18.73%**	$1,129,147 / 5653417 = 0.1997 **19.97%**	N/A**	$1,245,185 / 7,326,744 = 0.1699 **16.99%**	$1,340,888 / 7,880,714 = 0.1701 **17.01%**

**2018 will be construction and fill-up, so projections are the same for 2017 and 2018*
***2016 is the latest year for which complete data are available in Historical Data Chart*

3) Capitalization Ratio (Long-term debt to capitalization) – Measures the proportion of debt financing in a business's permanent (Long-term) financing mix. This ratio best measures a business's true capital structure because it is not affected by short-term financing decisions. The formula for this ratio is: (Long-term debt/(Long-term debt+Total Equity (Net assets)) x 100).

For the entity (applicant and/or parent company) that is funding the proposed project please provide the capitalization ratio using the most recent year available from the funding entity's audited balance sheet, if applicable. The Capitalization Ratios are not expected from outside the company lenders that provide funding.

RESPONSE: The Capitalization Ratio of the Applicant as based on the most recent financials is 49.4, calculated as follows: Long-Term Debt [$3,928,385] / (Long-Term Debt [$3,928,385] + Total Equity (Net assets) [$4,023,296] x 100) = 49.4.

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Attachment Section B, Economic Feasibility, Item H. Staffing

Staffing Chart

Provide the projected staffing for the project in Year 1 and compare to the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTEs) positions for these positions. Additionally, please identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources.

	Existing FTEs (2017)	Projected FTEs Year 1 (2019)	Average Wage (Contract Rate)	Area Wide/Statewide Average Wage
A. Direct Patient Care Positions				
Certified NA	23	30	12.69	11.46
LPN	12	15	19.84	18.91
RN	2	2		
Nurse Manager	2	2		
DNS	1	1		
MDS	1.5	1.5		
Total Direct Patient Care Positions	41.5	51.5		
B. Non-Patient Care Positions				
Quality Coordinator	0	0		
Administrator	1	1		
Resource Development	0	0		
Nurse Educator	.5	.5		
Receptionist	1.5	1.5		
Drivers	0	0		
Human Resources	0	0		
Sales Professional	.5	.5		
Social Services	1	1		
HIM	0	0		
Activity Director	1	1		
Admission	0	1		
Laundry	3	4	8.31	8.39
Housekeeping	4	5	9.31	9.41
Cook	4	4		
Dietary Aid	3	3		
Maintenance Director	1	1		
Maintenance Tech	0	0		
Office Managers	1	1		
Total Non- Patient Care Positions	21.5	24.5		
Total Employees (A+B)	63	76		
C. Contractual Staff				
Therapy Staff	6	9.5		
Total Staff (A+B+C)	69	85.5		

SUPPLEMENTAL #1
August 28, 2017
11:27 am

Attachment - Proof of Publication

SUPPLEMENTAL #1
August 28, 2017
11:27 am

ATTN:

To: PAVILION-THS, LLC

(Advertising) NOTICE OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

PUBLISHER'S AFFIDAVIT

State of Tennessee)
s.s
County of Wilson)

Before me, the undersigned, a Notary Public in and for said county, this day personally came Tammy Williams first duly sworn, according to law, says that he/she is a duly authorized representative of the *Lebanon Democrat*, a newspaper published at Lebanon, Tennessee Tuesday through Saturday, in said county and state, and that the advertisement of The Notification of Intent to Apply for a Certificate of Need

of which the annexed is a copy, was published in said newspaper on the following date:

August 10, 2017

and that the statement of account herewith is correct to the best of his/her knowledge, information, and belief.

Tammy Williams

Subscribed and sworn to before me this 15 day of August, 2017.

Notary Public

My commission expires 2/11, 2019.

TAMMY WILLIAMS
STATE OF TENNESSEE NOTARY PUBLIC
WILSON COUNTY

SUPPLEMENTAL #1

August 28, 2017

11:27 am

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with TCA § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that The Pavilion Senior Living - Rehabilitation and Long Term Care at Lebanon, an existing licensed skilled nursing home facility, owned by Pavilion-THS, LLC, with an ownership type of Tennessee limited liability company and to be managed by Stein & Associates, LLC, intends to file an application for a Certificate of Need for the addition of twenty (20) Medicare skilled nursing facility beds at the Applicant's existing sixty (60) bed nursing home, The Pavilion Senior Living - Rehabilitation and Long Term Care at Lebanon. Upon completion of this CON project, The Pavilion Senior Living - Rehabilitation and Long Term Care at Lebanon nursing home will have 80 licensed skilled nursing home beds. The existing nursing home is located at 1406 Medical Center Drive, Lebanon (Wilson County), Tennessee 37087. The estimated project cost is $1,136,755. The Applicant will provide Medicare skilled nursing facility services in the proposed 20 nursing home beds.

The anticipated filing date of the application is August 15, 2017.

The contact person for this project is Hal Bone, the owner of Hal Bone Enterprises, LLC, who may be reached 680 Tennessee Boulevard, Lebanon, Tennessee 37087. Mr. Bone's telephone number is (615) 453-9912 and his e-mail address is halbone9912@gmail.com.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street, Nashville, Tennessee 37243

Pursuant to T.C.A. § 68-11-1607(c)(1), (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

SUPPLEMENTAL #1

August 28, 2017

11:27 am

166770

LEBANON PUBLISHING CO., INC.

402 N. CUMBERLAND ST.
LEBANON, TN 37087
(615) 444-3952

PAVILION REHAB
HEATHER SADLER
1406 MEDICAL CENTER DRIVE
LEBANON TN 37087

I hereby certify that the attached advertisement of NOTIFICATION OF INTENT T
in space of 110.46 lines was published in the THE LEBANON DEMOCRAT
On :

08/10/2017

Signed _____
representative of publisher

Total Cost of Publication: $162.00

Subscribed and sworn to before me this

10th day of August, 2017

.....
notary public
Tammy Williams

TAMMY WILLIAMS
STATE OF TENNESSEE NOTARY PUBLIC
WILSON COUNTY

02/11/2019

SUPPLEMENTAL #1

August 28, 2017
11:27 am

Ad text : NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with TCA ^ 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that The Pavilion Senior Living - Rehabilitation and Long Term Care at Lebanon, an existing licensed skilled nursing home facility, owned by Pavilion-THS, LLC, with an ownership type of Tennessee limited liability company and to be managed by Stein & Associates, LLC, intends to file an application for a Certificate of Need for the addition of twenty (20) Medicare skilled nursing facility beds at the Applicant's existing sixty (60) bed nursing home, The Pavilion Senior Living - Rehabilitation and Long Term Care at Lebanon. Upon completion of this CON project, The Pavilion Senior Living - Rehabilitation and Long Term Care at Lebanon nursing home will have 80 licensed skilled nursing home beds. The existing nursing home is located at 1406 Medical Center Drive, Lebanon (Wilson County), Tennessee 37087. The estimated project cost is $1,136,755. The Applicant will provide Medicare skilled nursing facility services in the proposed 20 nursing home beds.

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Andrew Jackson Building, 9th Floor
502 Deaderick Street, Nashville, Tennessee 37243

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SUPPLEMENTAL #1
August 28, 2017
11:27 am

AUG 28 '17 PM 1:29

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF WILSON

NAME OF FACILITY: The Pavilion Senior Living - Rehabilitation and Long Term Care at Lebanon

I, HAL BONE, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

HAL BONE,
MEMBER OF TOTAL HEALTHCARE SYSTEMS, LLC, THE SOLE MEMBER OF PAVILION-THS, LLC

Sworn to and subscribed before me, a Notary Public, this the 28 day of August, 2017, witness my hand at office in the County of Wilson, State of Tennessee.

PENNY BENTON
STATE OF TENNESSEE NOTARY PUBLIC
WILSON COUNTY

NOTARY PUBLIC

My commission expires 2-16, 2020.

HF-0043

Revised 7/02

Supplemental #2

Pavilion- THS, LLC

CN1708-026

2017 AUG 31 AM 11:26

SUPPLEMENTAL #2
August 31, 2017
11:26 am

PAVILION-THS, LLC
600 Tennessee Blvd.
Lebanon, Tennessee 37087

August 31, 2017

Mr. Mark Farber
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Via Hand Delivery

RE: Certificate of Need Application CN1708-026
Pavilion-THS, LLC (Applicant/Licensee)
The Pavilion Senior Living - Rehabilitation and Long Term Care at Lebanon (Facility)

Dear Mr. Farber:

Set forth below are the responses of Pavilion-THS, LLC, the applicant in Certificate of Need Application CN1708-026, to the request for information dated August 30, 2017 and received by the applicant on August 29, 2017. We have filed these in triplicate, as you directed, along with an affidavit regarding the responses. If you have any questions or need additional information, please advise.

1. Section A, Executive Summary, Overview, A.1

The explanation on how the proposed project will provide a residential home-like environment is noted; however please explain the part of the statement where you have stated that you will provide the home-like environment "while at the same time maximizing safety and independence".

RESPONSE:

The applicant plans to maximize safety by minimizing incidents at the nursing home. One way to minimize incidents is to appropriately staff the new wing. The applicant plans to have a licensed nurse on all shifts plus Certified NAs on the first and second shifts to meet a 10:1 resident to CNA ratio. The third shift would have 1 Certified NA and 1 licensed nurse. The applicant will continuously review staffing levels to ensure that they are adequate to keep all residents safe and minimize incidents.

It has been the mission of the applicant to maximize the independence of residents by encouraging them to perform, as they are able, all activities of daily living in a safe and monitored setting. The applicant believes that residents who can do more things for themselves will experience a better quality of life. By way of example, the proposed

project has a fully equipped kitchen in the common area as well as an assisted bathing station for residents, both of which encourage independence.

2. **Section B, Need, Item A**

Nursing Home Services Specific Criteria:

Item 1 Determination of Need

Your response regarding the TDH Bed Need Chart is noted. HSDA will await the submittal of the TDH Bed Need Chart.

RESPONSE: The TDH Bed Need Chart is attached as Attachment Section B, Need, Item A, Item 1. We note that this chart uses the old ratio standards methodology but does indicate a bed need in Wilson County of 909.

Item 8: Encouraging Facility Modernization

Your response to this item is noted. What is the actual square footage in the semi-private and private rooms?

RESPONSE: As shown in the depiction attached hereto as Attachment Section B, Need, Item A, Item 8, the actual square footage of rooms 101 and 102 (both private rooms) is 247 square feet. All other rooms (4 private rooms and 7 semi-private (double occupancy) rooms) are 332 square feet.

3. **Section B, Economic Feasibility, Item B. Funding**

The revised letter from Pinnacle Asset Management identifies the availability of borrowing up to $1,000,000 and an expected interest rate of 5.00%; however there is no mention of the anticipated term of the loan and if there are any restrictions or condition.

Please address these factors and/or submit a revised letter addressing these factors from Pinnacle Asset Management.

RESPONSE: The account held by Harold G. Bone with Pinnacle Asset Management / Raymond James is a margin account. Margin accounts allow clients to borrow funds at competitive rates using their securities as collateral. Mr. Bone has margin availability of $1.5M, meaning he can borrow $1.5M from the margin account. The estimated project cost is $1,136,755.

The interest rate on margin accounts fluctuates. As of August 24, 2017, the base rate of interest is 6.5%; however, Mr. Bone has been given a discount on the base rate making his current rate for this account 5.0%. There is no anticipated term of the loan at this time. The only restriction or condition that could occur is that upon market depreciation there could be a margin call, which could cause the account to fall below the minimum

equity requirement. *However*, as stated in the letter dated as of August 25, 2017 from Pinnacle Asset Management / Raymond James, Mr. Bone has a liquid net worth in this account in excess of $4.5M, which is much greater than the project cost. Mr. Bone is also providing herewith a Margin Account Analysis received from Pinnacle Asset Management/Raymond James (attached as Attachment Section B, Economic Feasibility, Item B, Funding).

Please also note from the original application that the applicant also has cash reserves that can be utilized for construction per the letter from Benita Woodard, Director of Finance and Administration, dated June 9, 2017 (attached as Attachment Section B, Economic Feasibility, Item B, Funding).

4. **Section B, Economic Feasibility, Item C - Historical Data Chart**

The revised Historical Data Chart is noted; however there are calculation errors in the Year 2014 column.

Please make the necessary changes and submit a revised Historical Data Chart.

RESPONSE: Attached as Attachment Section B, Economic Feasibility, Item D - Historical Data Chart, please find a revised version of the Historical Data Chart labeled as 31R and 32R.

5. **Section B, Economic Feasibility, Item D - Projected Data Chart (Project Only)**

The revised Projected Data Chart for the Project Only is noted; however there are calculation errors in the Year 2019 column.

Please make the necessary changes and submit a revised Projected Data Chart (Project Only).

RESPONSE: Attached as Attachment Section B, Economic Feasibility, Item D - Projected Data Chart, please find a revised version of the Projected Data Chart (Project Only) labeled as 36R and 37R.

Thank you, and please feel free to contact me with any questions.

Sincerely,

Hal Bone

Attachments

SUPPLEMENTAL #2
August 31, 2017
11:26 am

INDEX OF ATTACHMENTS

Attachment Section B, Need, Item A, Item 1	TDH Nursing Home Bed Need Chart
Attachment Section B, Need, Item A, Item 8	Floor Plan with Square Footage
Attachment Section B, Economic Feasibility, Item B. Funding	Margin Account Analysis and Letter from Director of Finance regarding Cash Reserves
Attachment Section B, Economic Feasibility Item C - Historical Data Chart	Historical Data Chart
Attachment Section B, Economic Feasibility Item D - Projected Data Chart	Projected Data Chart

SUPPLEMENTAL #2
August 31, 2017
11:26 am

Attachment Section B, Need, Item A, Item 1
TDH Nursing Home Bed Need Chart

SUPPLEMENTAL #2

August 31, 2017
11:26 am

NURSING HOME BED NEED BASED UPON THE OLD RATIO STANDARDS
METHODOLOGY USED FOR MEDICARE BEDS NEED CALCULATIONS,
BY COUNTY AND STATE TOTAL, 2018 (Based on 2015 UTCBER Projection Series*)

COUNTY	TOTAL POP	BED NEED
STATE	6,962,031	51,598
ANDERSON	78,387	802
BEDFORD	51,672	352
BENTON	16,711	179
BLEDSOE	13,394	115
BLOUNT	136,505	1,242
BRADLEY	107,651	850
CAMPBELL	41,654	382
CANNON	14,658	134
CARROLL	28,298	282
CARTER	58,274	566
CHEATHAM	41,269	255
CHESTER	18,633	158
CLAIBORNE	34,263	297
CLAY	7,876	88
COCKE	37,335	340
COFFEE	56,909	493
CROCKETT	14,982	141
CUMBERLAN	63,778	927
DAVIDSON	698,061	3,799
DECATUR	12,029	144
DEKALB	19,936	172
DICKSON	54,959	400
DYER	39,607	315
FAYETTE	46,608	381
FENTRESS	19,082	174
FRANKLIN	42,395	414
GIBSON	51,934	478
GILES	29,787	277
GRAINGER	24,244	210
GREENE	73,620	708
GRUNDY	13,379	129
HAMBLEN	66,195	589
HAMILTON	362,471	3,048
HANCOCK	6,981	64
HARDEMAN	27,284	212
HARDIN	26,680	279
HAWKINS	59,311	547
HAYWOOD	18,274	143
HENDERSON	29,836	238
HENRY	33,771	360
HICKMAN	26,876	207
HOUSTON	9,014	87
HUMPHREYS	19,090	181
JACKSON	12,251	118
JEFFERSON	57,073	502
JOHNSON	18,952	178
KNOX	477,780	3,465
LAKE	8,441	60
LAUDERDALE	28,930	187
LAWRENCE	43,518	396
LEWIS	12,912	127
LINCOLN	35,104	319
LOUDON	56,118	686
MCMINN	55,100	526
MCNAIRY	27,486	255
MACON	23,838	184
MADISON	104,799	803
MARION	28,627	253
MARSHALL	33,885	246
MAURY	90,666	681
MEIGS	12,345	109
MONROE	49,048	447
MONTGOMERY	211,602	884
MOORE	6,923	71
MORGAN	23,848	178
OBION	31,625	297
OVERTON	23,885	214
PERRY	8,362	85
PICKETT	5,237	68
POLK	17,627	161
PUTNAM	81,972	670
RHEA	34,582	302
ROANE	55,990	596
ROBERTSON	76,231	492
RUTHERFORD	337,990	1,533
SCOTT	23,058	175
SEQUATCHIE	16,399	139
SEVIER	104,829	879
SHELBY	970,212	5,488
SMITH	20,534	151
STEWART	14,210	127
SULLIVAN	159,393	1,696
SUMNER	184,532	1,293
TIPTON	69,239	409
TROUSDALE	8,564	61
UNICOI	19,003	216
UNION	20,124	150
VAN BUREN	5,668	52
WARREN	41,167	349
WASHINGTON	137,400	1,174
WAYNE	17,551	156
WEAKLEY	36,300	318
WHITE	28,037	281
WILLIAMSON	225,526	1,323
WILSON	133,865	909

PREPARED BY: TENNESSEE DEPARTMENT OF HEALTH, DIVISION OF POLICY, PLANNING AND ASSESSMENT Dec 2015

*Projections Data Source: The University of Tennessee Center for Business and Economic Research Population Projection Data Files, Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment.
Note: These data will not match the University of Tennessee Data exactly due to rounding.

SUPPLEMENTAL #2
August 31, 2017
11:26 am

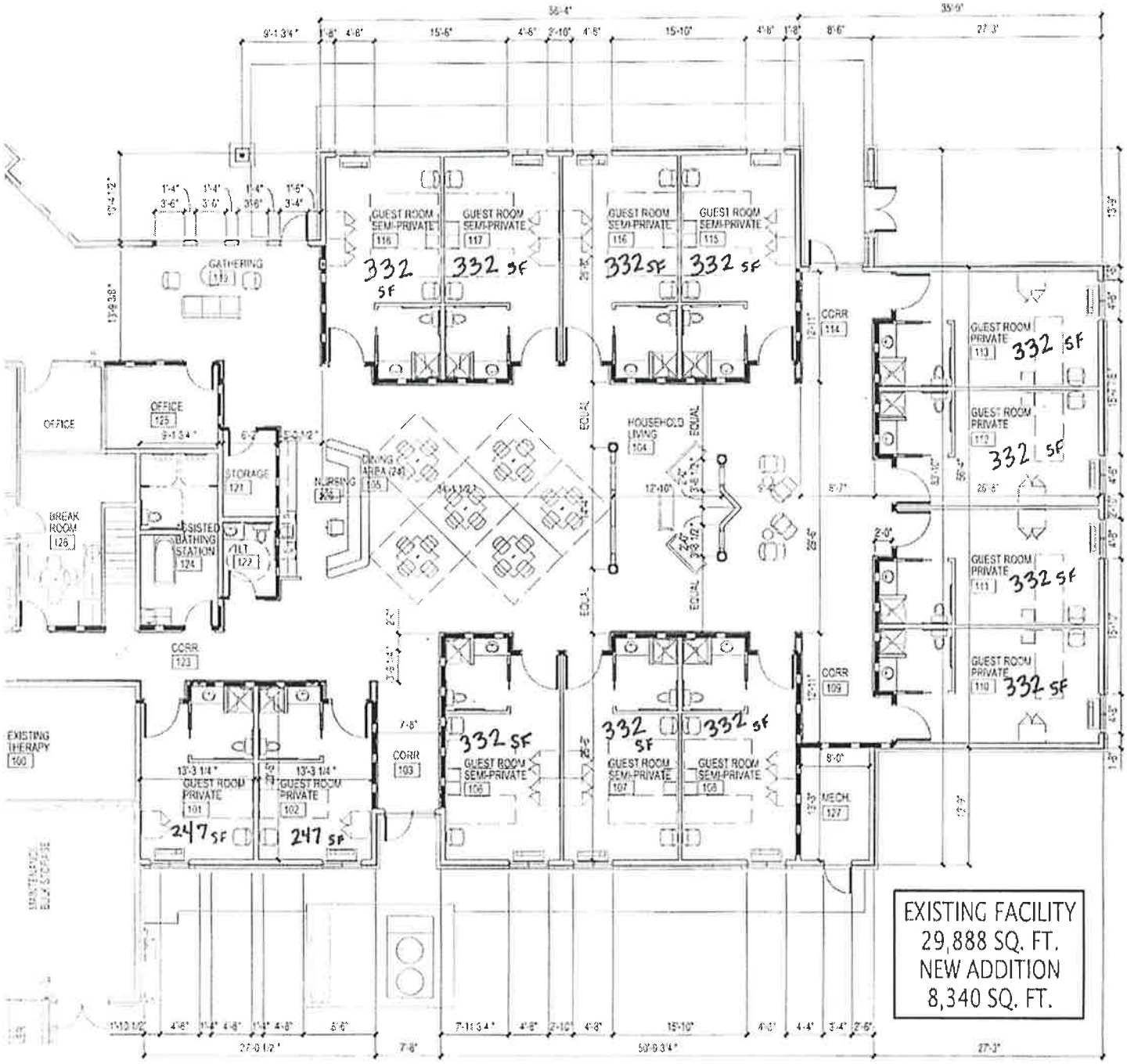
Attachment Section B, Need, Item A, Item 8
Floor Plan with Square Footage

SUPPLEMENTAL #2

August 31, 2017

11:26 am

Attachment C, Project Description-IV(C)
(Pavilion Senior Living - Floor Plan)



Floor Plan

Square Feet = SF

SCALE: 1/16" = 1'-0"

0 4' 8' 16' 24'

MANOUS DESIGN
142 Public Square Lebanon, Tn. 37087
v:615.444.6207 f:615.444.0853
Michael L. Manous, R.A. Mike@ManousDesign.com

LONG TERM CARE UNIT
THE PAVILION THS, LLC
1406 MEDICAL CENTER BLVD.
LEBANON, TENNESSEE

The Pavilion
SENIOR LIVING

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SUPPLEMENTAL #2
August 31, 2017
11:26 am

Attachment Section B, Economic Feasibility, Item B. Funding

Margin Account Analysis and Letter fromDirector of Finance regarding Cash Reserves

Margin Account Analysis

RAYMOND JAMES

Account Information			
Account Number	20765978	Account Name	BONE HAROLD
Trade Date Balance Type 2	317,502.59	Trade Date Balance Type 3	0.00
Borrowing Power	-1,496,155.00	Minimum Equity Req %	40.00
House Call Excess	1,540,335.00	Equity %	89.70
Liquidation Value	2,778,891.00		

Positions

Acct Type	Loc	Symbol	Shares	Match	Option Premium	Market Price	Market Value	Initial Requirement	House Requirement	Maint Requirement
2	00A	PNFP	6167.00	AO		60.750	374,645.00	187,322.00	149,858.00	93,661.00
2	00S	PNFP	43024.00	AO		60.750	2,613,708.00	1,306,854.00	1,045,483.00	653,427.00
2	00A	STI	1240.00	AO		56.330	69,849.00	34,924.00	27,939.00	17,462.00
2	00S	STI	678.00	AO		56.330	38,191.00	19,095.00	15,276.00	9,547.00
						Totals	**3,096,394.00**	**1,548,195.00**	**1,238,556.00**	**774,097.00**

analysis performed on 08/24/17 at 10:46:42

Print

The Raymond James Margin Analysis information obtained through the Margin Analysis system is the private property of Raymond James Financial, Inc. ("Raymond James"). Without limitation, you are not authorized to make the information available on any web site or otherwise reproduce, distribute, copy, store, use or sell the information without the express written consent of Raymond James. This system only provides you with a snapshot of your margin account reflecting the dollar and equity percentage, including today's activity at the time this document was printed. Any activity or changes in equity values that has taken place since then will not be reflected on the document. This information is not intended as a tool to calculate margin calls previously issued. Values are based on the previous day's closing prices and may have changed. Margin rules are governed by Federal Reserve Board regulation T. Use of this information is a personal service provided to account holders by Raymond James and is not assignable.

Any access or use that is inconsistent with these terms is strictly prohibited.
If you have any questions, please contact your Financial Advisor.
Inquiries from FA only should be directed to the branch liaison.

APPROVED FOR CLIENT USE

SUPPLEMENTAL #2

August 31, 2017
11:26 am

August 31, 2017

Melanie M. Hill, Executive Director
Tennessee Health Services & Development Agency
502 Deaderick Street, Suite 850
Andrew Jackson Building, 9th Floor
Nashville, TN 37243

Dear Ms. Hill,

Pavilion-THS, LLC anticipates spending $1,136,755 to construct an additional wing to The Pavilion Senior Living Rehabilitation and Long Term Care located at 1406 Medical Center Drive, Lebanon, Tennessee. It will consist of adding 13 rooms as well as a shared living area.

Pavilion-THS, LLC plans to use $200,000 of cash currently on hand toward this construction. The remainder of the project costs will be loaned to Pavilion-THS, LLC by Harold G. Bone, who holds an ownership interest in Total Healthcare Systems, LLC, the sole owner of Pavilion-THS, LLC. Raymond James Financial Services, Inc., where Mr. Bone has his brokerage account, has confirmed by its letter attached hereto that, as of August 25, 2017, Mr. Bone's account has margin availability of $1.5 million.

Please call me at 615-453-9912 with any questions you may have.

Sincerely,

Benita Woodard
Director of Finance and Administration for Pavilion-THS, LLC.

SUPPLEMENTAL #2
August 31, 2017
11:26 am

Attachment Section B, Economic Feasibility, Item C - Historical Data Chart

Historical Data Chart

☒ Total Facility
☐ Project Only

HISTORICAL DATA CHART

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in January (Month).

	Year 2014	Year 2015	Year 2016
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)	21,309	20,946	20,456
B. Revenue from Services to Patients			
1. Inpatient Services	4,291,143	4,594,409	4,569,187
2. Outpatient Services	0	0	0
3. Emergency Services	0	0	0
4. Other Operating Revenue (Specify) therapy, medical supplies, drug revenue	1,332,470	1,451,397	1,692,446
Gross Operating Revenue	**$5,623,613**	**$6,045,806**	**$6,261,633**
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	654,134	611,892	525,795
2. Provision for Charity Care	0	0	0
3. Provisions for Bad Debt	40,284	78,236	82,421
Total Deductions	**$694,418**	**$690,128**	**$608,216**
NET OPERATING REVENUE	**$4,929,195**	**$5,355,678**	**$5,653,417**
D. Operating Expenses			
1. Salaries and Wages			
a. Direct Patient Care	1,492,966	1,488,710	1,515,219
b. Non-Patient Care	713,988	698,529	683,868
2. Physician's Salaries and Wages	54,652	49,890	52,219
3. Supplies	172,277	196,610	190,284
4. Rent			
a. Paid to Affiliates	0	0	0
b. Paid to Non-Affiliates	3,006	3,146	3,182
5. Management Fees:			
a. Paid to Affiliates	0	0	0
b. Paid to Non-Affiliates	90,000	90,000	90,000
6. Other Operating Expenses	1,306,271	1,825,618	1,989,498
Total Operating Expenses	**$3,833,160**	**$4,352,503**	**$4,524,270**
E. Earnings Before Interest, Taxes and Depreciation	**$1,096,035**	**$1,003,175**	**$1,129,147**
F. Non-Operating Expenses			
1. Taxes	90,516	81,579	87,016
2. Depreciation	215,550	223,263	220,067
3. Interest	145,424	163,478	161,166
4. Other Non-Operating Expenses	0	0	0
Total Non-Operating Expenses	**$451,490**	**$468,320**	**$4,68,249**
NET INCOME (LOSS)	**$644,545**	**$534,855**	**$660,898**
Chart Continues Onto Next Page			

SUPPLEMENTAL #2

August 31, 2017
11:26 am

	Year 2014	Year 2015	Year 2016
NET INCOME (LOSS)	$644,545	$534,855	$660,898
G. Other Deductions			
1. Annual Principal Debt Repayment	156,564	60,700	56,610
2. Annual Capital Expenditure		146,026	-
Total Other Deductions	$156,564	$206,726	$56,610
NET BALANCE	$487,981	$328,129	$604,288
DEPRECIATION	$215,550	$223,263	$220,067
FREE CASH FLOW (Net Balance + Depreciation)	$703,531	$551,392	$824,355

X Total Facility
☐ Project Only

HISTORICAL DATA CHART-OTHER EXPENSES

	Year 2014	Year 2015	Year 2016
OTHER EXPENSES CATEGORIES			
Professional Services Contract	$ 463,273	$ 629,249	$ 724,236
Contract Labor	$ -	$ -	$ -
Imaging Interpretation Fees	$ 7,413	$ 9,820	$ 14,885
Drugs	$ 174,191	$ 229,396	$ 242,327
Equipment Rental	$ 11,910	$ 11,513	$ 15,669
Equipment Purchase	$ 14,539	$ 39,773	$ 9,035
Training	$ 5,969	$ 2,129	$ 2,769
Travel	$ 328	$ 491	$ 531
Raw Food	$ 137,785	$ 150,379	$ 147,078
Maintenance & Repairs	$ 26,701	$ 27,725	$ 25,959
Utilities	$ 115,534	$ 119,832	$ 108,669
Lawn Care	$ 3,850	$ 1,639	$ 6,394
Non-Emergency Transportation	$ 414	$ 766	$ 4,841
Lab Fees	$ 11,662	$ 8,307	$ 9,220
Ins - Health, work comp, GL, vehicle, etc.	$ 154,156	$ 368,929	$ 373,324
Software support & exp	$ 16,042	$ 16,260	$ 10,779
Dues/Membership/Subscriptions	$ 8,271	$ 10,611	$ 14,319
Advertising	$ 2,047	$ 1,503	$ 2,122
Quality Assurance Fee	$ 127,659	$ 180,839	$ 261,270
Amortization Expense	$ 16,654	$ 6,496	$ 5,153
Employee Benefits	$ 7,873	$ 9,861	$ 10,868
Contributions	$ 0	$ 100	$ 50
TOTAL	$1,306,271	$1,825,618	$1,989,498

SUPPLEMENTAL #2
August 31, 2017
11:26 am

Attachment Section B, Economic Feasibility, Item D - Projected Data Chart
Projected Data Charts

☐ Total Facility
X Project Only

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year 2019	Year 2020
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)	5,610	6,570
B. Revenue from Services to Patients		
1. Inpatient Services	1,420,968	1,862,304
2. Outpatient Services		
3. Emergency Services		
4. Other Operating Revenue (Specify) therapy,	443,527	593,567
Gross Operating Revenue	**$1,864,495**	**$2,455,871**
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	135,599	179,917
2. Provision for Charity Care		
3. Provisions for Bad Debt	33,899	26,987
Total Deductions	**$169,498**	**$206,904**
NET OPERATING REVENUE	**$1,694,997**	**$2,248,967**
D. Operating Expenses		
1. Salaries and Wages		
a. Direct Patient Care	270,365	382,067
b. Non-Patient Care	46,588	64,124
2. Physician's Salaries and Wages		
3. Supplies	58,010	70,322
4. Rent		
a. Paid to Affiliates		
b. Paid to Non-Affiliates		
5. Management Fees:		
a. Paid to Affiliates		
b. Paid to Non-Affiliates		
6. Other Operating Expenses	939,973	1,256,690
Total Operating Expenses	**$1,314,936**	**$1,773,203**
E. Earnings Before Interest, Taxes and Depreciation	**$380,061**	**$475,764**
F. Non-Operating Expenses		
1. Taxes	20,148	26,977
2. Depreciation	45,333	45,333
3. Interest	44,354	42,904
4. Other Non-Operating Expenses		
Total Non-Operating Expenses	**$109,835**	**$115,214**
NET INCOME (LOSS)	**$270,226**	**$360,550**
Chart Continues Onto Next Page		

SUPPLEMENTAL #2

August 31, 2017

11:26 am

	Year 2019	Year 2020
NET INCOME (LOSS)	$270,226	$360,550
G. Other Deductions		
1. Estimated Annual Principal Debt Repayment	31,564	33,014
2. Annual Capital Expenditure		
Total Other Deductions	$31,564	$33,014
NET BALANCE	$238,662	$327,536
DEPRECIATION	$45,333	$45,333
FREE CASH FLOW (Net Balance + Depreciation)	$283,995	$372,869

☐ Total Facility
X Project Only

PROJECTED DATA CHART-OTHER EXPENSES

	Year 2019	Year 2020
OTHER EXPENSES CATEGORIES		
Professional Services Contract	515,448	685,871
Contract Labor	-	-
Imaging Interpretations Fees	0	0
Drugs	263,505	352,644
Equipment Rental	4,042	5,409
Equipment Purchase	1036	1,387
Training	881	2,427
Travel	-	-
Raw Food	38,243	51,180
Maintenance & Repairs	4,560	6,103
Utilities	24,511	32,803
Lawn Care	0	0
Non-Emergency Transportation	0	0
Lab Fees	0	0
Ins - Health, work comp, GL, vehicle, etc.	19,086	26,977
Software support & exp	0	0
Dues/Membership/Subscriptions	2,021	2,705
Advertising	466	624
Quality Assurance Fee	66,174	88,560
Amortization Expense	0	0
Employee Benefits	0	0
Contributions	0	0
Total Other Expenses	$ 939,973	$ 1,256,690

AUG 31 '17 AM 11:26

SUPPLEMENTAL #2

August 31, 2017
11:26 am

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF WILSON

NAME OF FACILITY: THE PAVILION SENIOR LIVING - REHABILITATION AND LONG TERM CARE AT LEBANON

APPLICANT: PAVILION-THS, LLC

I, Hal Bone, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 31 day of August, 2017, witness my hand at office in the County of Wilson, State of Tennessee.

PENNY BENTON STATE OF TENNESSEE NOTARY PUBLIC WILSON COUNTY

NOTARY PUBLIC

My commission expires 2-10, 2020.

HF-0043

Revised 7/02