Original

Trustpoint Hospital

CN1502-006

CERTIFICATE OF NEED
APPLICATION

for

The Addition of 33 Beds
(28 Adult Psych + 8 Geriatric Psych + 8 Detox – 11 Rehab)

by

TrustPoint Hospital, LLC
(formerly SeniorHealth of Rutherford, LLC)
1009 North Thompson Lane
Murfreesboro (Rutherford County), Tennessee 37129

STATE OF TENNESSEE
HEALTH SERVICES AND DEVELOPMENT AGENCY
500 Deaderick Street
Suite 850
Nashville, Tennessee 37243
615/741-2364

FILING: February 13, 2015

SECTION A: APPLICANT PROFILE

1. Name of Facility, Agency or Institution

TrustPoint Hospital, LLC
Name

1009 North Thompson Lane — Rutherford
Street or Route — County

Murfreesboro, — TN — 37129
City — State — Zip Code

2. Contact Person Available for Responses to Questions

E. Graham Baker, Jr. — Attorney
Name — Title

Anderson and Baker — graham@grahambaker.net
Company Name — e-mail address

2021 Richard Jones Road, Suite 120 — Nashville, — TN — 37215
Street or Route — City — State — Zip Code

Attorney — 615/370-3380 — 615/221-0080
Association with Owner — Phone Number — Fax Number

3. Owner of the Facility, Agency, or Institution

FenX Healthcare, LLC — 615/867-1111
Name — Phone Number

1009 North Thompson Lane — Rutherford
Street or Route — County

Murfreesboro, — TN — 37129
City — State — Zip Code

4. Type of Ownership of Control (Check One)

A.	Sole Proprietorship	____	F.	Governmental (State of Tenn. or Political Subdivision)	____
B.	Partnership	____	G.	Joint Venture	____
C.	Limited Partnership	____	H.	Limited Liability Company	X
D.	Corporation (For-Profit)	____	I.	Other (Specify)	
E.	Corporation (Not-for-Profit)	____			

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS. See *Attachment A.4.*

SECTION A:

APPLICANT PROFILE

Please enter all Section A responses on this form. All questions must be answered. If an item does not apply, please indicate "N/A". ***Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment.***

Section A, Item 1: Facility Name must be applicant facility's name and address must be the site of the proposed project.

Response: The Applicant for this Certificate of Need Application is TrustPoint Hospital, LLC (formerly SeniorHealth of Rutherford, LLC, name changed January 31, 2013), 1009 North Thompson Lane, Murfreesboro (Rutherford County), Tennessee 37129. The Applicant is 100% owned by FENX Healthcare, LLC, 1009 North Thompson Lane, Murfreesboro (Rutherford County), Tennessee 37129. FENX Healthcare, LLC is 100% owned by Polaris Hospital Company, LLC.

The Facility Name is TrustPoint Hospital, LLC, which is the applicant facility's name, and 1009 North Thompson Lane, Murfreesboro (Rutherford County), Tennessee 37129 is the site of the proposed project.

Section A, Item 3: Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence, if applicable, from the Tennessee Secretary of State.

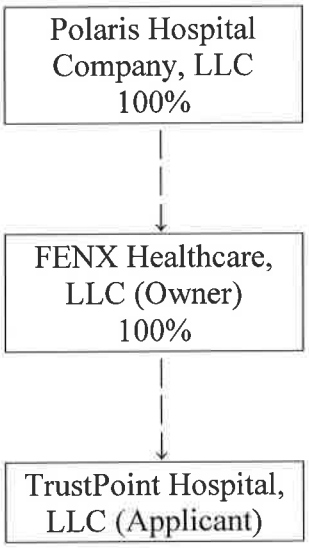
Response: The requested documents for the Applicant are included in the application as *Attachment A.4*.

Section A, Item 4: 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% or more ownership interest. In addition, please document the financial interest of the applicant, and the applicant's parent company/owner in any other health care institution as defined in Tennessee Code Annotated, §68-11-1602 in Tennessee. At a minimum, please provide the name, address, current status of licensure/certification, and percentage of ownership for each health care institution identified.

Response: The Applicant for this Certificate of Need Application is TrustPoint Hospital, LLC (formerly SeniorHealth of Rutherford, LLC, name changed January 31, 2013), 1009 North Thompson Lane, Murfreesboro (Rutherford County), Tennessee 37129. The Applicant is 100% owned by FENX Healthcare, LLC, 1009 North Thompson Lane, Murfreesboro (Rutherford County), Tennessee 37129. FENX Healthcare, LLC is 100% owned by Polaris Hospital Company, LLC.

The Applicant does not own any other health care institutions as defined above.

See the following chart:



Section A, Item 5: 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.

Please describe the management entity's experience in providing management services for the type of the facility, which is the same or similar to the applicant facility. Please describe the ownership structure of the management entity.

Response: The Applicant is managed by Polaris Hospital Management, Inc. (the "Manager"), 1009 North Thompson Lane, Murfreesboro (Rutherford County), Tennessee 37129, (615) 848-5703. While there are no other hospitals directly owned by either the Applicant or its owner, the Manager partially owns a hospital in Lubbock, Texas (North Quaker), which it also manages.

As to management experience of key personnel at the Manager, this company has been managing both the referenced Texas hospital and the Applicant for several years, and fully understands the delivery of mental health services, as evidenced by the success of the Applicant's facility.

Please see *Attachment A.5* for a copy of the management agreement, and *Attachment A.5.A* for curriculum vitae of key personnel in the management company.

Section A, Item 6: 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.

Response: The Applicant is currently licensed for 96 beds at its location on North Thompson Lane, Murfreesboro. Originally, TrustPoint Hospital, LLC (formerly, SeniorHealth of Rutherford, LLC) was approved (CN0610-089AE) as a 60 bed general hospital, providing 9 Medical Detox beds, 24 Psychiatric beds (12 adult + 12 geriatric), and 27 Rehab beds.

The land is under lease with NHI-REIT of Tennessee, LLC. A copy of the lease is included as *Attachment A.6*. A letter from the owner of the realty showing the terms of the existing lease is included as *Attachment A.6 Overview*, and a copy of the title to the property is included as *Attachment A.6. Title*.

Please note that *Attachment A.6.Overview*, while written in 2012 and submitted with a prior application of the Applicant, still states the facts as are currently in place. The lease has been executed, and the basic terms and conditions of the lease are correct as stated in this attachment.

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

Polaris Hospital Management, Inc.
Name

1009 North Thompson Lane — Rutherford
Street or Route — County

Murfreesboro, — TN — 37129
City — State — Zip Code

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS. See *Attachment A.5.*

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

A.	Ownership	____	D.	Option to Lease	____
B.	Option to Purchase	____	E.	Other (Specify)	
C.	Lease of __X__ Years	__15__		_____	____

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

A.	Hospital	__X__	I.	Nursing Home	____
B.	Ambulatory Surgical Treatment Center (Multi-Specialty)	____	J.	Outpatient Diagnostic Center	____
C.	ASTC	____	K.	Recuperation Center	____
D.	Home Health Agency	____	L.	Rehabilitation Facility	____
E.	Hospice	____	M.	Residential Hospice	____
F.	Mental Health Hospital	____	N.	Non-Residential Methadone Facility	____
G.	Mental Health Residential Treatment Facility	____	O.	Birthing Center	____
H.	Mental Retardation Institutional Habilitation Facility (ICF/MR)	____	P.	Other Outpatient Facility (Specify) _____	____
			Q.	Other (Specify) _____	____

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

A.	New Institution	____	H.	Change In Bed Complement (Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation)	__X *__
B.	Replacement/Existing Facility	____			
C.	Modification/Existing Facility	__X__			
D.	Initiation of Health Care Service as defined in TCA §68-11-1607(4)				
E.	Specify _____	____			
			I.	Change of Location	____
F.	Discontinuance of OB Services	____	J.	Other (Specify) _____	____
G.	Acquisition of Equipment	____		_____	____

* various departments will change bed counts and locations, as discussed in the application

9. Bed Complement Data

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

Response: Except for Licensed and Total line, the chart below represents STAFFED beds.

	Current Beds Licensed	Current Beds CON*	Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A. Medical (Detox)	10			+8	18
B. Surgical					
C. Long-Term Care Hospital					
D Obstetrical					
E. ICU/CCU					
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric	31			+28	59
I. Geriatric Psychiatric	28			+8	36
J. Child/Adolescent Psychiatric					
K. Rehabilitation	27			-11	16
L. Nursing Facility (non-Medicaid Certified)					
M. Nursing Facility Level 1 (Medicaid only)					
N. Nursing Facility Level 2 (Medicare only)					
O. Nursing Facility Level 2 (dually-certified)					
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child & Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
TOTAL	96			+33	129

* CON Beds approved but not yet in service

10. **Medicare Provider Number** 440231
Certification Type Hospital

Medicare Provider Number 44S231
Certification Type Psychiatric Distinct Unit

Medicare Provider Number 44T231
Certification Type Rehab Distinct Unit

11. **Medicaid Provider Number** 0440231
Certification Type Hospital

Medicaid Provider Number 044S231
Certification Type Psychiatric Distinct Unit

Medicaid Provider Number 044T231
Certification Type Rehab Distinct Unit

12. If this is a new facility, will certification be sought for Medicare and/or Medicaid?

Response: This is not a new application, and the Applicant already provides Medicare and/or Medicaid.

13. ***Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.*** **Will this project involve the treatment of TennCare participants? Yes If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted** ***or plans to contract. Discuss any out-of-network relationships in place with MCOs/BHOs in the area.***

Response: Please see *Attachment A.13*.

NOTE: ***Section B is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. Section C addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.***

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

Response: TrustPoint Hospital, LLC (formerly SeniorHealth of Rutherford, Inc.), 1009 North Thompson Lane, Murfreesboro, TN 37129 ("Applicant"), owned by FENX Healthcare, LLC, 1009 North Thompson Lane, Murfreesboro, TN 37129 and managed Polaris Hospital Management, Inc., files this Certificate of Need application for the addition of thirty-three (33) beds, as follows: Adult Psychiatric Beds will increase from thirty-one (31) beds to fifty-nine (59) beds; Geriatric Psychiatric Beds will increase from twenty-eight (28) beds to thirty-six (36) beds; Medical Detoxification beds will increase from ten (10) beds to eighteen (18) beds; and Physical Rehabilitation beds will decrease from twenty-seven (27) beds to sixteen (16) beds; with total beds at the Applicant increasing from ninety-six (96) beds to one hundred twenty-nine (129) beds. There will be no new construction, and all bed increases will occur within existing space at the Applicant's hospital. The requested beds will be licensed as hospital beds, as are the already-approved beds at the Applicant's hospital. There is no major medical equipment involved with this project. No other health services will be initiated or discontinued. It is proposed that the Applicant will continue to serve Medicare, Medicaid, commercially insured, and private-pay patients, and the Applicant will continue to be licensed by the Tennessee Department of Health. The estimated project cost is anticipated to be $935,000.00, including filing fee.

The Applicant is the only provider of psychiatric services in its primary service area of Rutherford and Bedford County. The closest psychiatric beds are located in Cannon, Davidson, Williamson, and Wilson Counties. *Attachment B.I.A* lists inpatient psychiatric beds contiguous to our service area. Rehab bed utilization for the same facilities contiguous to our service area is reported on *Attachment B.I.B*. Please note that due to inconsistencies in Joint Annual Reports, some of these utilization figures are our best estimate of utilization at these nine facilities.

The Applicant can add the proposed beds without additional construction. Plans for the original hospital contemplated the possibility of future bed increases by converting private rooms to semi-private rooms, and this addition will be completed using that framework. There will be minimal renovation costs, and extra (beds, stands, chairs, etc.) will be purchased. It is typical for psychiatric hospitals to use semi-private rooms, and the Applicant's original floor plans were approved by the Department of Health as such in September, 2010.

The total cost of this project ($932,000) amounts to an average total cost of $28,243 per bed. Construction (renovation) costs of $627,000 results in an average cost of $19,000 per bed. Patient charges will not increase as a result of the approval of this application. The Applicant has sufficient funds for this project. As there is no actual construction, the cost of adding these beds is relatively minor.

Hospital-wide, the Applicant anticipates the following payor sources, based on listed historic payor sources:

House-wide Payer Mix		
Payer	**Number of Admissions**	**Percentage by Payer**
BCR	1,958	28%
COM	1,398	20%
MCD	574	8%
MCR	2,202	32%
MGD	625	9%
SEL	120	2%
WRK	10	0%
Total Admissions	**6,887**	**100%**

Legend	
BCR	Blue Cross Blue Shield
COM	Commercial
MCD	Medicaid
MCR	Medicare
MGD	Managed Medicare
SEL	Self
WRK	Workers Comp

However, please see *Attachment B.I.C* for payor sources by category. This Attachment illustrates both the house-wide and service line percentages of each payer source that we have served from inception through December 31, 2014. The service line percentages are not expected to change significantly as a result of this project. We do expect the percentage of Medicaid and Self Pay/Unfunded admissions to increase on a house-wide basis due to the relative growth in psychiatric services resulting from this proposed bed conversion.

The Applicant was originally approved for 60 beds, then approved for an addition 16 beds through CON, and has increased beds two more times (using the "10 bed rule" for small hospitals) since opening due to the need for these beds. Please see Bed Progression Chart (*Attachment B.I.D*). Since there are no other psychiatric beds located in the service area and no other providers have applied for such beds in the service area, the approval of this application will contribute to the orderly development of health care in the area.

Initial staffing is available, and additional staff can be secured through the Applicant's affiliations, including Belmont University, Eastern Tennessee State University, Middle Tennessee State University, Motlow College, Tennessee State University, and Volunteer State Community College.

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of $5 million) and other facility projects (construction cost in excess of $2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

Response: TrustPoint Hospital, LLC (formerly SeniorHealth of Rutherford, Inc.), 1009 North Thompson Lane, Murfreesboro, TN 37129 ("Applicant"), owned by FENX Healthcare, LLC, 1009 North Thompson Lane, Murfreesboro, TN 37129 and managed Polaris Hospital Management, Inc., files this Certificate of Need application for the addition of thirty-three (33) beds, as follows: Adult Psychiatric Beds will increase from thirty-one (31) beds to fifty-nine (59) beds; Geriatric Psychiatric Beds will increase from twenty-eight (28) beds to thirty-six (36) beds; Medical Detoxification beds will increase from ten (10) beds to eighteen (18) beds; and Physical Rehabilitation beds will decrease from twenty-seven (27) beds to sixteen (16) beds; with total beds at the Applicant increasing from ninety-six (96) beds to one hundred twenty-nine (129) beds. There will be no new construction, and all bed increases will occur within existing space at the Applicant's hospital. The requested beds will be licensed as hospital beds, as are the already-approved beds at the Applicant's hospital. There is no major medical equipment involved with this project. No other health services will be initiated or discontinued. It is proposed that the Applicant will continue to serve Medicare, Medicaid, commercially insured, and private-pay patients, and the Applicant will continue to be licensed by the Tennessee Department of Health. The estimated project cost is anticipated to be $935,000.00, including filing fee.

The Applicant was originally approved for 60 beds, then approved for an addition 16 beds through CON, and has increased beds two more times (using the "10 bed rule" for small hospitals) since opening due to the need for these beds. Please see Bed Progression Chart (*Attachment B.I.D*). Since there are no other psychiatric beds located in the service area and no other providers have applied for such beds in the service area, the approval of this application will contribute to the orderly development of health care in the area.

Based on the *Guidelines for Growth*, there is a need for 103 total and 78 adult psychiatric beds in 2014, and 115 total and 87 adult psychiatric beds in 2018 in our service area (Rutherford and Bedford Counties). Currently, we operate 59 psychiatric beds (31 Adult plus 28 Geriatric) at our hospital, resulting in an unmet need of 19 adult beds in 2014 and an unmet need of 28 adult beds by 2018. This

application, if approved, will add 36 adult psychiatric beds to our hospital. There are no other psychiatric beds in our service area. The closest psychiatric beds are located in Davidson, Cannon, Williamson, and Wilson Counties. *Attachment B.I.A* lists inpatient psychiatric beds contiguous to our service area. It is important to note that patient origin data indicates that approximately 45% of our patients originate from outside our primary service area. Taking this into consideration, the unmet need for adult inpatient psychiatric beds will increase, as explained later in this application.

Based on the *Guidelines for Growth*, there is a need for 35 rehabilitation ("rehab") beds in 2014, and 39 rehab beds in 2018 in our service area (Rutherford and Bedford Counties). Currently, we operate 27 rehab beds at our hospital, resulting in an unmet need of 8 beds in 2014 and an unmet need of 12 beds by 2018. That said, our experience since opening has indicated that the need is greater for psychiatric beds than for rehab beds. This application, if approved, will decrease our rehab beds from 27 to 16. The closest rehabilitation beds are located in Davidson, Cannon and Wilson Counties. *Attachment B.I.B* lists inpatient rehabilitation beds contiguous to our service area.

Please note that due to inconsistencies in Joint Annual Reports, some of the utilization figures on both *Attachment B.I.A* and *Attachment B.I.B* are our best estimate of utilization at these nine facilities.

The Applicant can add the proposed beds without additional construction. Plans for the original hospital contemplated the possibility of future bed increases by converting private rooms to semi-private rooms, and this addition will be completed using that framework. There will be minimal renovation costs, and extra furnishings (beds, stands, chairs, etc.) will be purchased. It is typical for psychiatric hospitals to use semi-private rooms, and the Applicant's original floor plans were approved by the Department of Health as such in September, 2010.

The total cost of this project ($932,000, not including filing fee) amounts to an average total cost of $28,243 per bed. Construction (renovation) costs of $627,000 results in an average cost of $19,000 per bed. Cost per GSF, based on Total Project Costs, amounts to $28.70, and, based on just the Renovation Costs only, amounts to $19.31. Patient charges will not increase as a result of the approval of this application. The Applicant has sufficient funds for this relatively minor project (Please see *Attachment C.EF.2*). As there is no actual construction, the cost of adding these beds is relatively minor.

According to the HSDA website, Hospital Renovation Cost Per Square Foot Years: 2011 – 2013 indicates that 1st, Median, and 3rd Quartile amounts average $107.15, $179.00, and $249.00. Our cost of either $28.70 (based on total project costs) or $19.31 (based on renovation costs, only) show that our project is financially feasible. Please see *Attachment B.II.A*.

PLEASE NOTE: The standard Square Footage and Cost Per Square Footage Chart, apparently not needed for this project due to cost thresholds, did not lend itself to the unique nature of this project. There is no actual construction, but there will be renovation. As some of the departments are changing their respective bed counts and square footage usage, some space will require renovation and some will not. This application includes an amended chart that indicates that costs per square foot, based on total project costs, will be $28.70 per GSF, and costs per square foot, based on the renovation costs only, will be $19.31 per GSF. Please see Attachment B.II.B.

B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

Response: This application is for the addition of thirty-three (33) beds, as follows: Adult Psychiatric Beds will increase from thirty-one (31) beds to fifty-nine (59) beds; Geriatric Psychiatric Beds will increase from twenty-eight (28) beds to thirty-six (36) beds; Medical Detoxification beds will increase from ten (10) beds to eighteen (18) beds; and Physical Rehabilitation beds will decrease from twenty-seven (27) beds to sixteen (16) beds; with total beds at the Applicant increasing from ninety-six (96) beds to one hundred twenty-nine (129) beds. There will be no new construction, and all bed increases will occur within existing space at the Applicant's hospital. The requested beds will be licensed as hospital beds, as are the already-approved beds at the Applicant's hospital. There is no major medical equipment involved with this project. No other health services will be initiated or discontinued. It is proposed that the Applicant will continue to serve Medicare, Medicaid, commercially insured, and private-pay patients, and the Applicant will continue to be licensed by the Tennessee Department of Health. The estimated project cost is anticipated to be $935,000.00, including filing fee.

In consideration of this project and how varying types of beds/services are being requested, the Applicant has considered: (1) utilization history at the hospital since opening; (2) the time periods of increasing patient volumes in various departments at the hospital; (3) the indicated need for psychiatry beds in accordance with the primary service area population and *Guidelines for Growth*; and (4) interviews with multiple individuals, including management personnel at Middle Tennessee Medical Center (Murfreesboro), Heritage Medical Center (Shelbyville), two psychiatrists with established practices in Murfreesboro, several primary care physicians, and counselors at Middle Tennessee State University. Of prime importance was the trending and ramp-up progression that has occurred at TrustPoint Hospital since opening.

The Applicant was originally approved for 60 beds, then approved for an addition 16 beds through CON, and has increased beds two more times (using the "10 bed rule" for small hospitals) since opening due to the need for these beds. Please see Bed Progression Chart (*Attachment B.I.D*). Since there are no other psychiatric beds located in the service area and no other providers have applied for such beds in the service area, the approval of this application will contribute to the orderly development of health care in the area.

Based on the *Guidelines for Growth*, there is a need for 103 total and 78 adult psychiatric beds in 2014, and 115 total and 87 adult psychiatric beds in 2018 in our service area (Rutherford and Bedford Counties). Currently, we operate 59 psychiatric beds (31 Adult plus 28 Geriatric) at our hospital, resulting in an unmet need of 19 adult beds in 2014 and an unmet need of 28 adult beds by 2018. This application, if approved, will add 36 adult psychiatric beds to our hospital. There are no other psychiatric beds in our service area. The closest psychiatric beds are located in Davidson, Cannon, Williamson, and Wilson Counties. *Attachment B.I.A* lists inpatient psychiatric beds contiguous to our service area. It is important to note that patient origin data indicates that approximately 45% of our patients originate from outside our primary service area. Taking this into consideration, the unmet need for adult inpatient psychiatric beds will increase, as explained later in this application.

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closest rehabilitation beds are located in Davidson, Cannon and Wilson Counties. *Attachment B.I.B* lists inpatient rehabilitation beds contiguous to our service area.

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PLEASE NOTE: The standard Square Footage and Cost Per Square Footage Chart, apparently not needed for this project due to cost thresholds, did not lend itself to the unique nature of this project. There is no actual construction, but there will be renovation. As some of the departments are changing their respective bed counts and square footage usage, some space will require renovation and some will not. This application includes an amended chart that indicates that costs per square foot, based on total project costs, will be $28.70 per GSF, and costs per square foot, based on the renovation costs only, will be $19.31 per GSF. Please see Attachment B.II.B.

Population and other demographic data for the service area and for Tennessee is listed in *Attachment B.II.Demographics*.

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20 Rehabilitation Services
21. Swing Beds

Response: Adult Psychiatric and Rehabilitation Services: Response: This application is for the addition of thirty-three (33) beds, as follows: Adult Psychiatric Beds will increase from thirty-one (31) beds to fifty-nine (59) beds; Geriatric Psychiatric Beds will increase from twenty-eight (28) beds to thirty-six (36) beds; Medical Detoxification beds will increase from ten (10) beds to eighteen (18) beds; and Physical Rehabilitation beds will decrease from twenty-seven (27) beds to sixteen (16) beds; with total beds at the Applicant increasing from ninety-six (96) beds to one hundred twenty-nine (129) beds. There will be no new construction, and all bed increases will occur within existing space at the Applicant's hospital. The requested beds will be licensed as hospital beds, as are the already-approved beds at the Applicant's hospital. There is no major medical equipment involved with this project. No other health services will be initiated or discontinued. It is proposed that the Applicant will continue to serve Medicare, Medicaid, commercially insured, and private-pay patients, and the Applicant will continue to be licensed by the Tennessee Department of Health. The estimated project cost is anticipated to be $935,000.00, including filing fee.

There are no similar services in Rutherford or Bedford Counties. TrustPoint Hospital is the sole provider for adult and geriatric psychiatry, physical medicine/rehabilitation and medical psychiatry/detox for Rutherford and Bedford Counties.

Current Adult Psychiatry Service: The adult psychiatry program is comprised of a single 31 bed treatment unit providing inpatient mental health and substance abuse services for adults age 18 to 65 with a primary acute psychiatric diagnosis as defined by the Diagnostic and Statistical Manual of Mental Disorders, 5th Edition (American Psychiatric Association, 2013). Patients are treated in a mixed milieu without differentiation by diagnostic presentation or symptom severity.

Proposed Adult Psychiatry Service: The adult psychiatry program would comprise two treatment units with a combined 59 beds providing inpatient mental health and substance abuse services for adults age 18 to 65. The first treatment unit will be 31 beds (existing Adult Psychiatry unit), specializing in the care of adult psychiatric patients with severe mental illness (e.g., psychosis, thought disorders, developmental disabilities, imminent risk of danger to self or others and psychiatric detainment pursuant to Tennessee Code 33-6-404). The second treatment unit will be 28 beds (re-purposed use of the existing Geriatric Psychiatry unit), specializing in the care of adult psychiatric patients with serious mental illness (e.g., depression, mood disorders, and admission under voluntary status).

By separating the adult patient populations by major diagnostic classifications and severity of illness, the Hospital will be better able to provide care that is tailored to the individual needs of the patients in an environment that is safe, efficient and reliable. This change will also allow the Hospital to expand its reach to serve a broader cross section of the community. Currently, significant numbers of adult psychiatric patients are denied access to care due to lack of bed availability, lack of clinically appropriate bed availability, clinical acuity of the patient population and timing of bed availability related to discharge and admission patterns (Chart 1: Admission and Denial Statistics Psychiatry 2014).

ADMISSION AND DENIAL STATISTICS PSYCHIATRY 2014

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TLS
Referrals	**388**	**317**	**372**	**388**	**352**	**397**	**382**	**493**	**449**	**373**	**359**	**362**	**4,632**
Admissions	**156**	**141**	**151**	**158**	**152**	**159**	**151**	**165**	**160**	**172**	**155**	**159**	**1,879**
Adult Psychiatry	97	98	103	97	96	103	99	113	117	119	106	118	1,266
Geriatric Psychiatry	59	43	48	61	56	56	46	52	43	53	49	41	607
Non-Admissions	**232**	**176**	**221**	**230**	**200**	**238**	**231**	**328**	**289**	**201**	**204**	**203**	**2,753**
Not Medically Necessary	107	123	128	138	107	127	162	164	139	99	98	131	1,523
Denied Admissions	**125**	**53**	**93**	**92**	**93**	**111**	**69**	**164**	**150**	**102**	**106**	**72**	**1,230**
No Bed	83	12	22	17	7	39	13	71	64	21	15	13	377
Clinically Appropriate Bed	15	16	26	34	29	23	22	13	9	16	15	12	230
Clinical Acuity	22	25	44	28	48	39	34	71	73	63	64	47	558
Timing of Bed Availability	5	0	1	13	9	10	0	9	4	2	12	0	65

Please note that in 2014, 377 patients were denied admission due to beds being unavailable, 230 patients were denied admissions because the clinically appropriate bed was not available, and another 65 patients were denied admission based on the timing of bed availability. It is anticipated that all 672 of these patients could have been admitted were the instant CON application already in place.

Researchers Hankin, Bronstone and Koran (2011) found that psychiatric patients with psychosis and other forms of thought disorder present a high risk for acts of violence against themselves and others. The nature of the patient's illness, together with the potential triggers resulting in risk for harm, support the need for a treatment unit specific to the needs of this population (Hankin et al., 2011).

Further, this change will support the long-term population growth in Rutherford and Bedford Counties, and the needs of surrounding counties that rely on TrustPoint Hospital for inpatient psychiatric services (Chart 2a: Rutherford County Population Census Growth and Projections; Chart 2b: Bedford County Population Growth and Projections).

Chart 2a: Rutherford County Population Census Growth and Projections (Nielson, 2013)

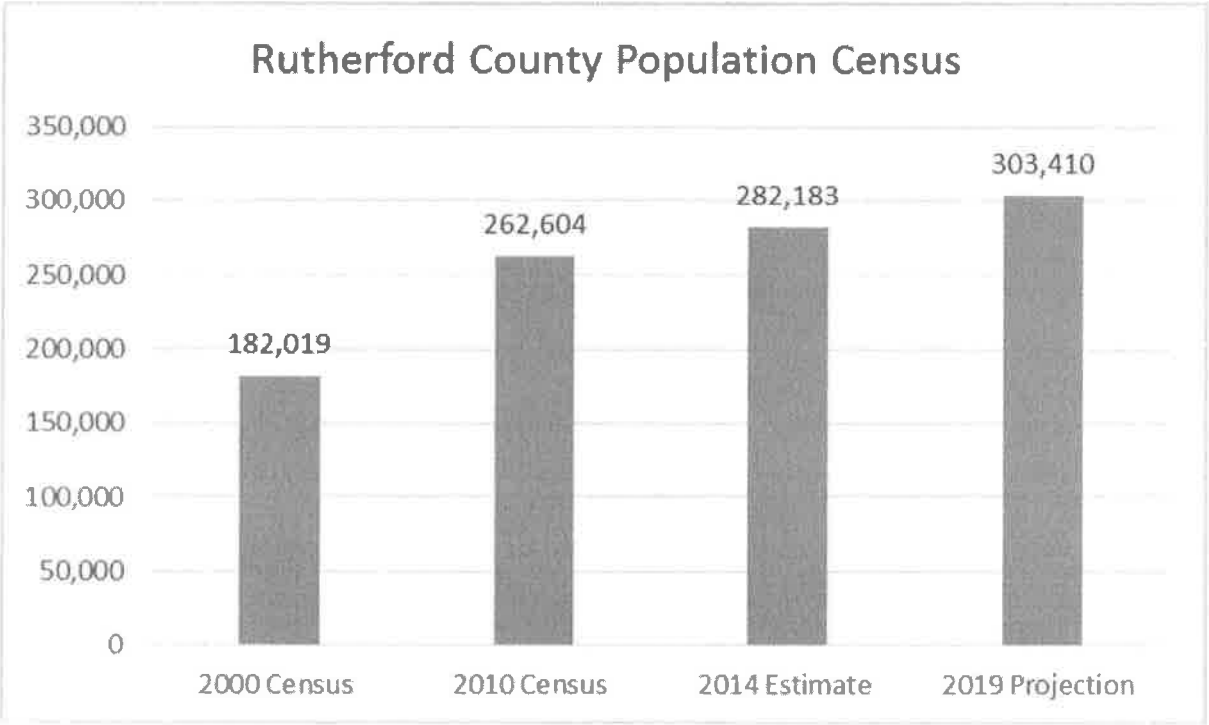
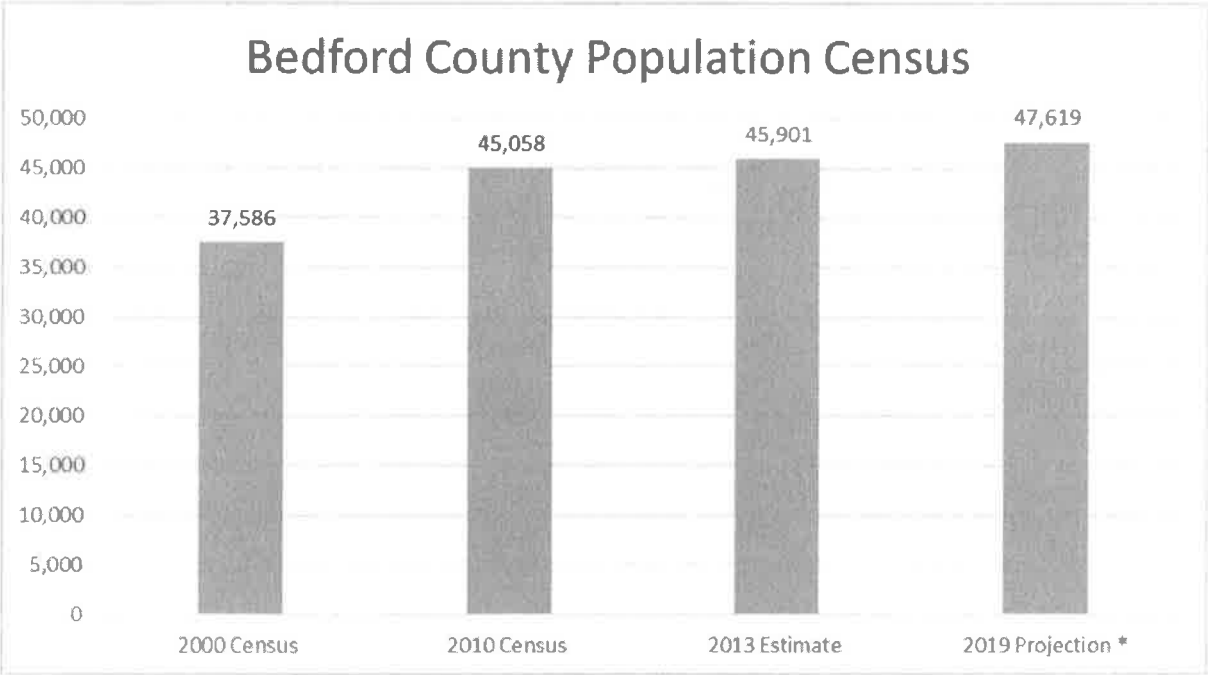


Chart 2b: Bedford County Population Census Growth and Projections



* Bedford County projection extrapolated from 2000 – 2013 census data per www.census.gov

As explained elsewhere, there are minimal facility costs associated with this change. Costs will relate to cosmetic improvement and updated furnishings.

Current Geriatric Psychiatry Service: The geriatric psychiatry program is comprised of a single 28 bed treatment unit providing inpatient mental health and substance abuse services for adult patients age 65 and over with a primary acute psychiatric diagnosis as defined by the Diagnostic and Statistical Manual of Mental Disorders, 5th Edition (American Psychiatric Association, 2013). The majority of patients present for admission with the primary psychiatric disorder and one or more physical medicine co-morbidities (e.g., dehydration, diabetes, hypertension, limited mobility, physical de-conditioning, etc.) requiring internal medicine evaluation and management. The geriatric psychiatry unit is on the Hospital's second floor, adjacent to the existing 31 bed adult psychiatry unit.

Proposed Geriatric Psychiatry Service: The geriatric psychiatry program will be relocated to the first floor of the Hospital, occupying an 18 bed wing currently occupied by the Physical Medicine/ Rehabilitation service. This 18 bed wing will be modified from private to semi-private rooms, creating a total of 36 beds.

Moving the geriatric psychiatry program to the first floor of the Hospital will eliminate risk associated with moving this frail population between floors. In addition, the Hospital will be better able to rapidly meet the internal medicine needs of the geriatric patient population through improved access to medical surgical nurses, doctors and physical therapy services (Manu, Grudnikoff, Khan, Kremen, Greenwald … Correll, 2014). As previously mentioned, the majority of patients admitted to geriatric psychiatry suffer co-morbid medical conditions, including but not limited to, diminished physical capacity, mobility and reduced strength/endurance (Millán-Calenti, Maseda, Rochette, Vázquez, Sánchez and Lorenzo, 2011). Relocating the program to the first floor will provide this vulnerable population with direct access to the physical medicine/rehabilitation gym and facilities to support physical reconditioning of these patients and promoting generally improved physical functioning (Heyn, Abreu, and Ottenbacher, 2004).

The ability to integrate comprehensive physical medicine care with psychiatric treatment will improve patient recovery and sustained health (Bartels, 2004). This integrated model of physical medicine and psychiatric care will be unique in Tennessee and should serve as a best-practice model for comprehensive care of the geriatric psychiatry patient.

Costs associated with this change are minimal and constitute cosmetic changes to the treatment unit, including the addition of a second call light and wall oxygen/suction in each room and two additional sets of hallway doors that will define the treatment environment and provide for its privacy and security.

Current Physical Medicine/Rehabilitation Service: The physical medicine/rehabilitation program is comprised of a single 27 bed treatment unit on the first floor of the Hospital. The unit consists of two wings. The first wing has 18 beds and the second wing has 9 beds. Patients admitted to this program suffer a range of physical disabilities and/or traumas that require acute inpatient medical and rehabilitation care to restore functioning and optimal independence. Typical reasons for admission include, but are not limited to, stroke, motor vehicle accident, traumatic brain injury, spinal cord injury, multiple traumas, etc. These patients require complex medical care and active physical, occupational and speech therapies to support their recovery.

Proposed Physical Medicine/Rehabilitation Service: The physical medicine/rehabilitation program will occupy the existing 8 bed wing, converted to 16 semi-private beds.

Costs associated with this change are minimal and constitute cosmetic changes to the treatment unit, including the addition of a second call light and wall oxygen/suction in each room.

Current Medical Psychiatry/Detox: The medical psychiatry/detox program is comprised of 10 beds on the first floor of the Hospital. Patients admitted to this program suffer a primary medical condition and an active psychiatric illness and/or substance abuse condition requiring medical treatment to stabilize and resolve the co-morbid conditions. Patients are medically co-managed by a primary care physician and psychiatrist/addictionologist. The treatment team consists of physicians, medical-surgical nurses with additional training in psychiatry, social workers, therapists and other multi-disciplinary clinical team members. The medical psychiatry/detox program is unique in Tennessee as a service that seeks to join the skills of medicine and psychiatry to care for individuals with complex health needs in an integrated and safe environment. The medical psychiatry/detox program accepts patients on a voluntary basis or on psychiatric detainment pursuant to Tennessee Code §33-6-404.

Proposed Medical Psychiatry/Detox: The medical psychiatry/detox program will expand from 10 to 18 beds. Costs associated with this change are minimal and constitute cosmetic changes to the treatment unit, including the addition of a second call light and wall oxygen/suction in each room.

In consideration of this project and how varying types of beds/services are being requested, the Applicant has considered: (1) historic utilization at the hospital since opening; (2) the time periods of increasing patient volumes in various departments at the hospital; (3) the indicated need for psychiatry beds in accordance with the primary service area population and *Guidelines for Growth*; and (4) interviews with multiple individuals, including management personnel at Middle Tennessee Medical Center (Murfreesboro), Heritage Medical Center (Shelbyville), two psychiatrists with established practices in Murfreesboro, several primary care physicians, and counselors at Middle Tennessee State University. Of prime importance was the trending and ramp-up progression that has occurred at TrustPoint Hospital since opening.

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American Psychiatric Association. (2013). Diagnostic and statistical manual of mental disorders (5th ed.). Arlington, VA: American Psychiatric Publishing.

Bartels, S. J. (2004). Caring for the whole person: Integrated health care for older adults with severe mental illness and medical comorbidity. Journal of the American Geriatrics Society, 52, S249-S257.

Heyn, P., Abreu, B. C. and Ottenbacher, K. J. (2004). The effects of exercise training on elderly persons with cognitive impairment and dementia: A meta-analysis. Archives of Physical Medicine and Rehabilitation, 85, 1694-1704.

Hankin, C. S., Bronstone, A. and Koran, L. M. (2011). Agitation in the inpatient psychiatric setting: A review of clinical presentation, burden and treatment. Journal of Psychiatric Practice, 17(3), 170-185.

Manu, p., Grudnikoff, E., Khan, S., Kremen, N. J., Greenwald, B. S. ... Correll, C. U. (2014). Medical outcome of patients with dementia in a free-standing psychiatric hospital. Journal of Geriatric Psychiatry and Neurology, 26(1), 29-33. doi: 10.1177/0891988712473799.

Millán-Calenti, J. C., Maseda, A., Rochette, S., Vázquez, Sánchez, G. A. and Lorenzo, T. (2011). Mental and psychological conditions, medical comorbidity and functional limitation: differential associations in older adults with cognitive impairment, depressive symptoms and co-existence of both. International Journal of Geriatric Psychiatry, 26, 1071-1079. doi: 10.1002/gps.2646.

The Applicant was originally approved for 60 beds, then approved for an addition 16 beds through CON, and has increased beds two more times (using the "10 bed rule" for small hospitals) since opening due to the need for these beds. Please see Bed Progression Chart (*Attachment B.I.D*). Since there are no other psychiatric beds located in the service area and no other providers have applied for such beds in the service area, the approval of this application will contribute to the orderly development of health care in the area.

Based on the *Guidelines for Growth*, there is a need for 103 total and 78 adult psychiatric beds in 2014, and 115 total and 87 adult psychiatric beds in 2018 in our service area (Rutherford and Bedford Counties). Currently, we operate 59 psychiatric beds (31 Adult plus 28 Geriatric) at our hospital, resulting in an unmet need of 19 adult beds in 2014 and an unmet need of 28 adult beds by 2018. This application, if approved, will add 36 adult psychiatric beds to our hospital. There are no other psychiatric beds in our service area. The closest psychiatric beds are located in Davidson, Cannon, Williamson, and Wilson Counties. *Attachment B.I.A* lists inpatient psychiatric beds contiguous to our service area. It is important to note that patient origin data indicates that approximately 45% of our patients originate from outside our primary service area. Taking this into consideration, the unmet need for adult inpatient psychiatric beds will increase, as explained later in this application.

Based on the *Guidelines for Growth*, there is a need for 35 rehabilitation ("rehab") beds in 2014, and 39 rehab beds in 2018 in our service area (Rutherford and Bedford Counties). Currently, we operate 27 rehab beds at our hospital, resulting in an unmet need of 8 beds in 2014 and an unmet need of 12 beds by 2018. That said, our experience since opening has indicated that the need is greater for psychiatric beds than for rehab beds. This application, if approved, will decrease our rehab beds from 27 to 16. The closest rehabilitation beds are located in Davidson, Cannon and Wilson Counties. *Attachment B.I.B* lists inpatient rehabilitation beds contiguous to our service area.

Please note that due to inconsistencies in Joint Annual Reports, some of the utilization figures on both *Attachment B.I.A* and *Attachment B.I.B* are our best estimate of utilization at these nine facilities.

The Applicant can add the proposed beds without additional construction. Plans for the original hospital contemplated the possibility of future bed increases by converting private rooms to semi-private rooms, and this addition will be completed using that framework. There will be minimal renovation costs, and extra furnishings (beds, stands, chairs, etc.) will be purchased. It is typical for psychiatric hospitals to use semi-private rooms, and the Applicant's original floor plans were approved by the Department of Health as such in September, 2010.

The total cost of this project ($932,000, not including filing fee) amounts to an average total cost of $28,243 per bed. Construction (renovation) costs of $627,000 results in an average cost of $19,000 per bed. Cost per GSF, based on Total Project Costs, amounts to $28.70, and, based on just the Renovation Costs only, amounts to $19.31. Patient charges will not increase as a result of the approval of this application. The Applicant has sufficient funds for this relatively minor project (Please see *Attachment C.EF.2*). As there is no actual construction, the cost of adding these beds is relatively minor.

According to the HSDA website, Hospital Renovation Cost Per Square Foot Years: 2011 – 2013 indicates that 1st, Median, and 3rd Quartile amounts average $107.15, $179.00, and $249.00. Our cost of either $28.70 (based on total project costs) or $19.31 (based on renovation costs, only) show that our project is financially feasible. Please see *Attachment B.II.A*.

PLEASE NOTE: The Applicant wanted to submit renovation information about this project, but the standard Square Footage and Cost Per Square Footage Chart, apparently not needed for this project due to cost thresholds, did not lend itself to the unique nature of this project. There is no actual construction, but there will be renovation. As some of the departments are changing their respective bed counts and square footage usage, some space will require renovation and some will not. This application includes an amended chart that indicates that costs per square foot, based on total project costs, will be $28.70 per GSF, and costs per square foot, based on the renovation costs only, will be $19.31 per GSF. Please see Attachment B.II.B.

Population and additional demographic data for the service area and for Tennessee is listed in *Attachment B.II.Demographics*.

With any discussion of bed need for our hospital, it is important to note historical patient origin data. TrustPoint Hospital began operations with the admission of its first patient on September 4, 2012. From its opening through December 31, 2014, the Hospital has admitted 6,887 patients. Chart 3 illustrates total admissions to the Hospital for all service lines, delineated by county of origin. For the inclusive period, 65% of patients identify their residence within Rutherford or Bedford County. Davidson and Coffee Counties comprise the next largest segment of the population seeking treatment at TrustPoint Hospital, with 12% of total admissions. The remaining patients self-report their residence in other counties. However, like Davidson and Coffee Counties, many of those patients are referred to TrustPoint Hospital from other health care providers or service agencies within Rutherford and Bedford County.

Chart 3: Total Admissions by County from Inception through December 31, 2014

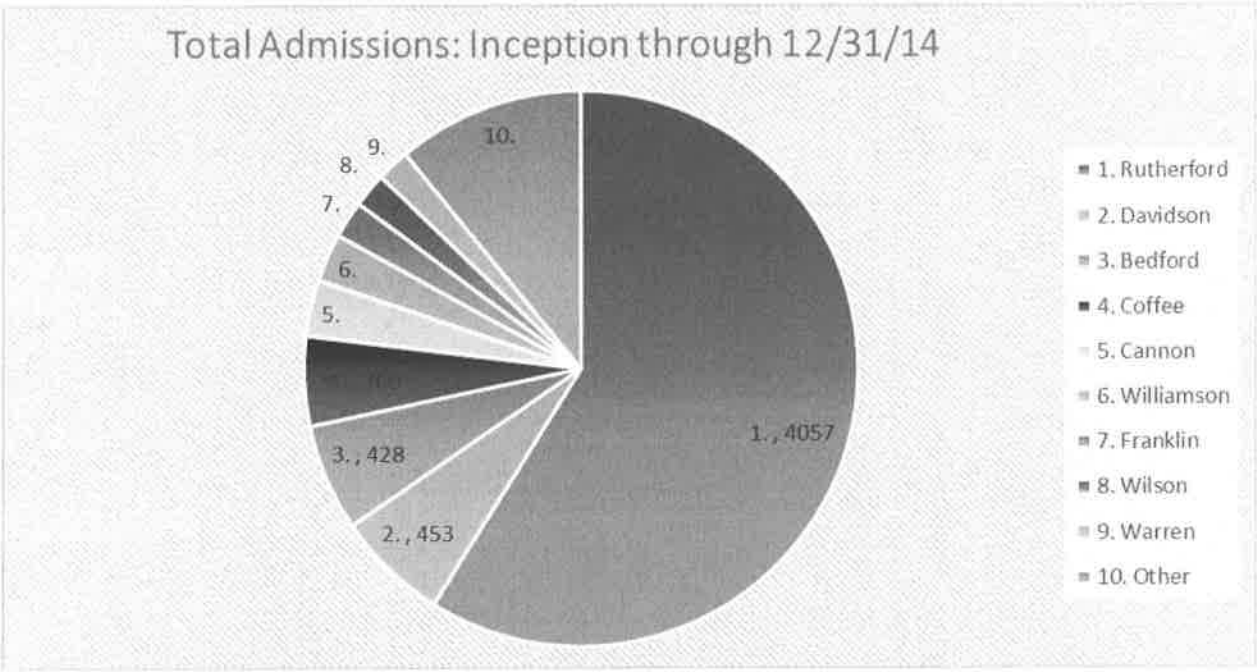


Chart 4 illustrates total admissions to adult psychiatry, delineated by county of origin. For the inclusive period of September 4, 2012 through December 31, 2014, adult psychiatry admitted 2,043 patients, with 55% of patients identifying their residence as Rutherford or Bedford County. Consistent with total Hospital admissions, Davidson and Coffee Counties comprise the next largest segment of the population seeking adult psychiatric care at TrustPoint Hospital, with 16% of total admissions. Adult psychiatry admissions routinely cross county lines for, but not limited to, the following reasons: patient choice, facility diversion in other counties, insurance contract requirements, placement by State of Tennessee Mandatory Pre-Screeners pursuant to Tennessee Code §33-6-404, patient's preferred physician, and the transient nature of the mentally ill population.

Chart 4: Total Adult Psychiatry Admissions by County from September 4, 2012 through December 31, 2014.

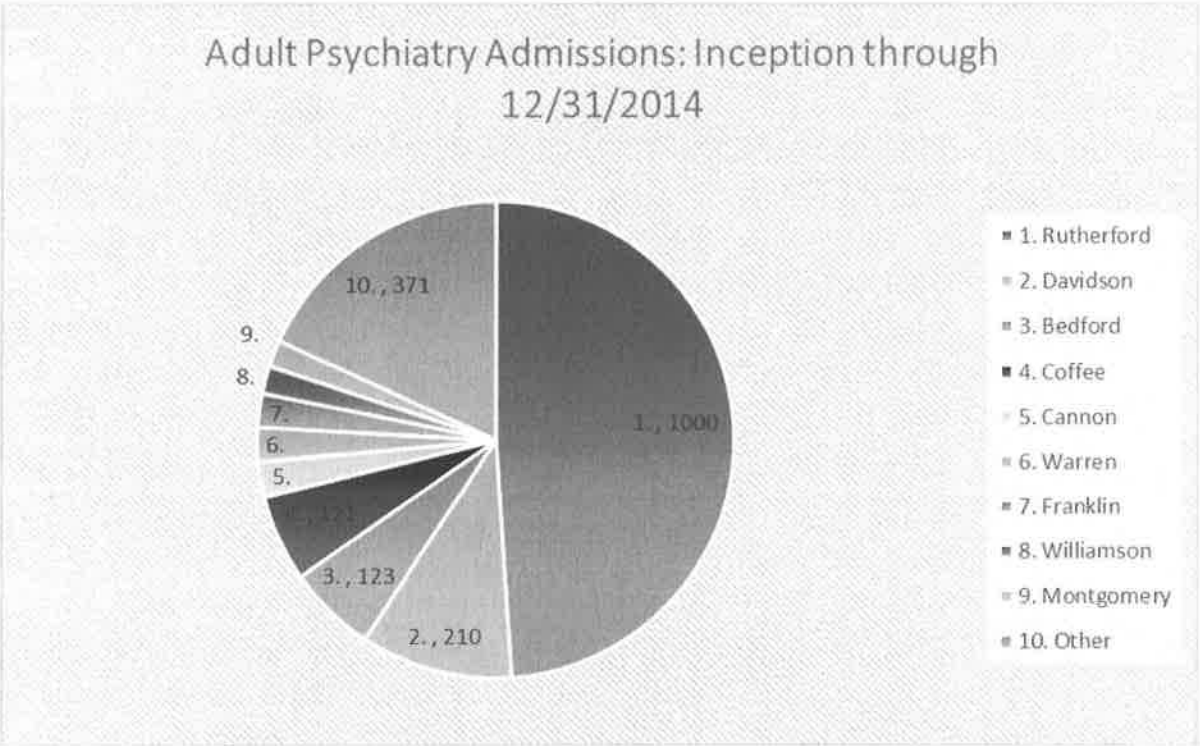


Chart 5 illustrates total admissions to geriatric psychiatry, delineated by county of origin. For the inclusive period of September 4, 2012 through December 31, 2014, geriatric psychiatry admitted 1,187 patients, with 55% of patients identifying their residence as Rutherford or Bedford County. Consistent with total Hospital admissions, Davidson and Coffee Counties comprise the next largest segment of the population seeking geriatric psychiatry care at TrustPoint Hospital, with 16% of total admissions. Geriatric psychiatry admissions routinely cross county lines for, but not limited to, the following reasons: patient choice, facility diversion in other counties, insurance contract requirements, placement by Mandatory Pre-Screeners pursuant to Tennessee Code §33-6-404, family preference to be close to loved one, nursing home physician affiliations and the transient nature of the mentally ill population.

Chart 5: Total Geriatric Psychiatry Admissions by County from September 4, 2012 through December 31, 2014.

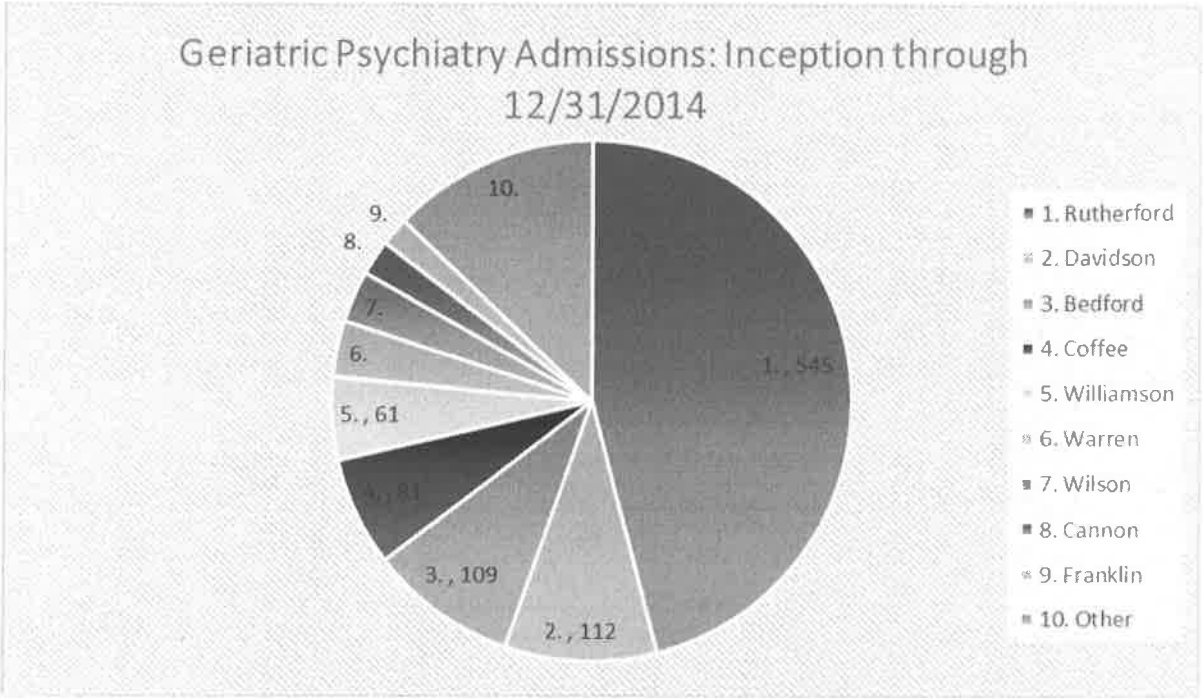


Chart 6 illustrates total admissions to physical medicine/rehabilitation, delineated by county of origin. For the inclusive period of September 4, 2012 through December 31, 2014, physical medicine/rehabilitation admitted 981 patients, with 72% of patients identifying their residence as Rutherford or Bedford County. Coffee and Williamson Counties comprise the next largest segment of the population seeking physical medicine/rehabilitation care at TrustPoint Hospital, with 9% of total admissions. Physical medicine/rehabilitation admissions routinely cross county lines for, but not limited to, the following reasons: patient and family choice, insurance contract requirements, physician affiliations, and service provision that best meets the patient's clinical profile.

Chart 6: Total Physical Medicine/Rehabilitation Admissions by County from September 4, 2012 through December 31, 2014.

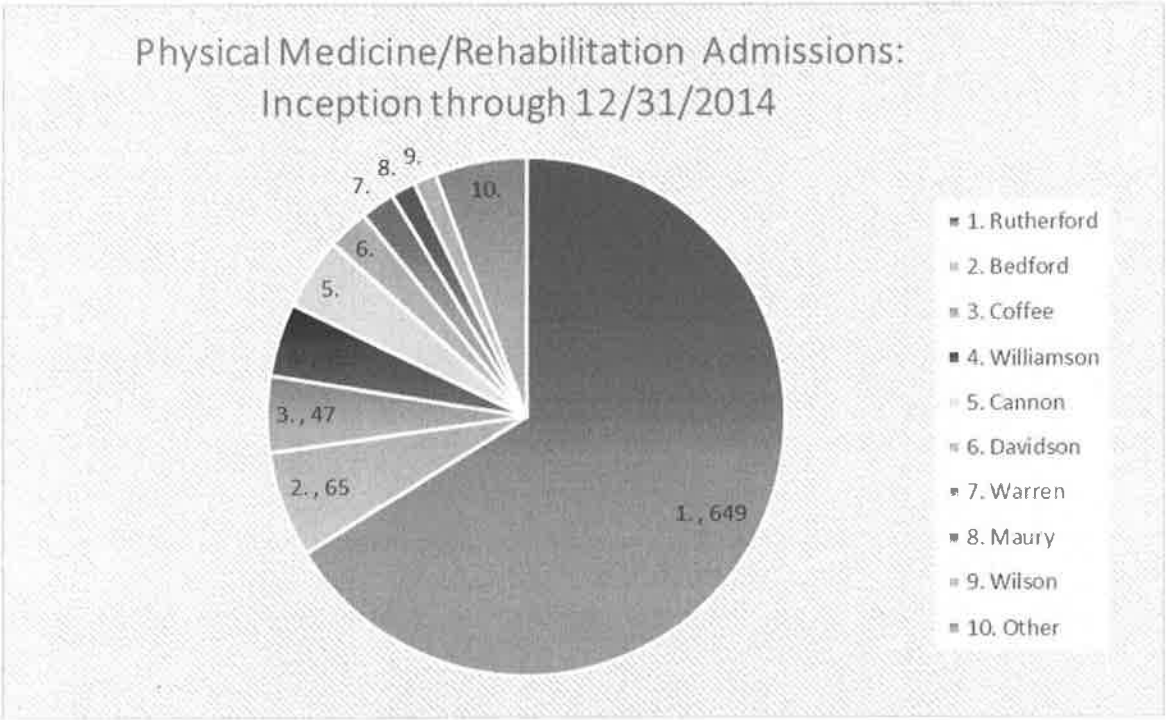
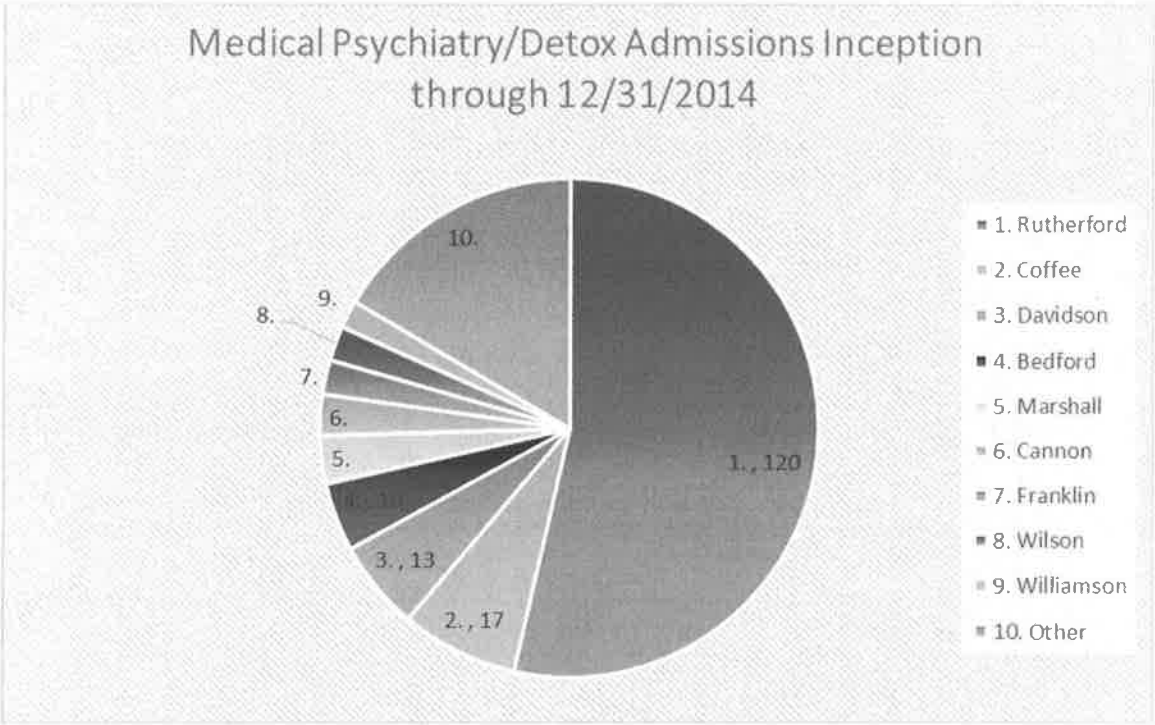


Chart 7 illustrates total admissions to medical psychiatry/detox, delineated by county of origin. For the inclusive period of July 27, 2014 through December 31, 2014, medical psychiatry/detox admitted 224 patients, with 58% of patients identifying their residence as Rutherford or Bedford County. Consistent with total Hospital admissions, Davidson and Coffee Counties comprise the next largest segment of the population seeking medical psychiatry/detox care at TrustPoint Hospital, with 13% of total admissions. Medical psychiatry/detox admissions routinely cross county lines for, but not limited to, the following reasons: patient choice, no similar service available in Middle Tennessee, insurance contract requirements, placement by Mandatory Pre-Screeners pursuant to Tennessee Code §33-6-404, family preference to be close to loved one, and the transient nature of the mentally ill population.

Chart 7: Total Medical Psychiatry/Detox Admissions by County from July 27, 2012 through December 31, 2014.



Charts 8 through 11 illustrate total admissions by month for psychiatry (Chart 8), total admissions by month for adult and geriatric psychiatry (Chart 9), trended admissions by month through December 2017 for psychiatry (Chart 10) and trended admissions by month for adult and geriatric psychiatry through December 2017 (Chart 11).

Chart 8: *Total Psychiatric Admissions by Month from Inception through December 2014.*

Chart 9: *Total Adult and Geriatric Psychiatry Admissions by Month from Inception through December 2014.*

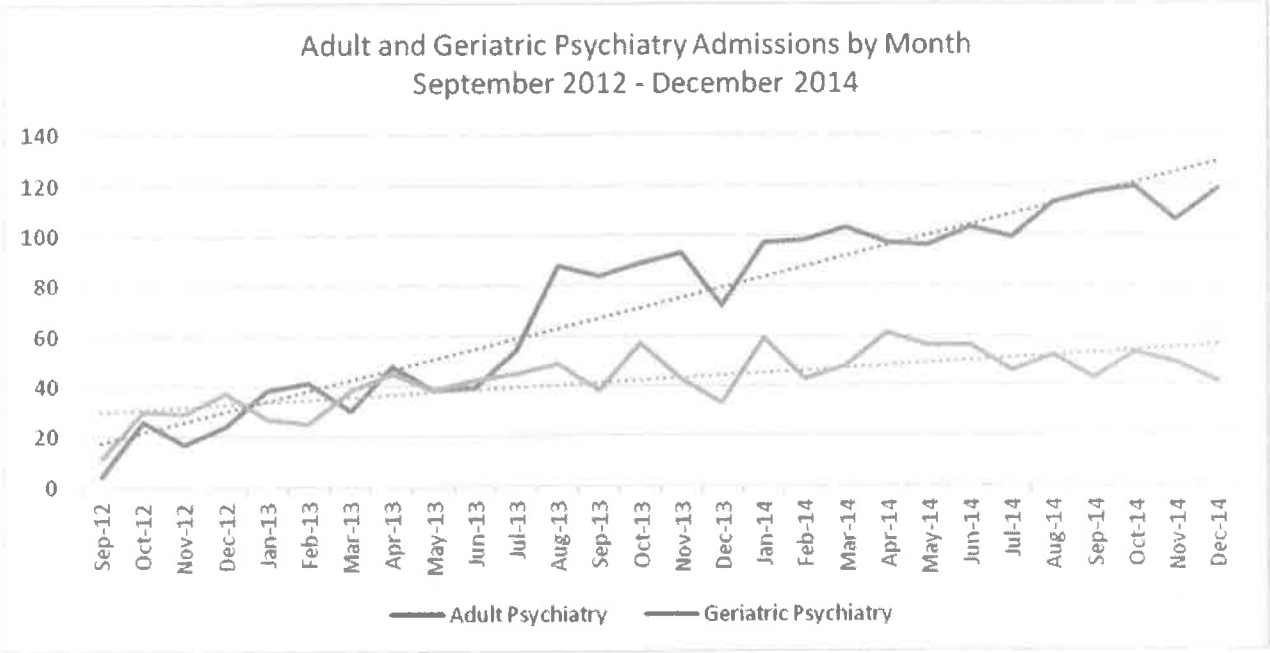
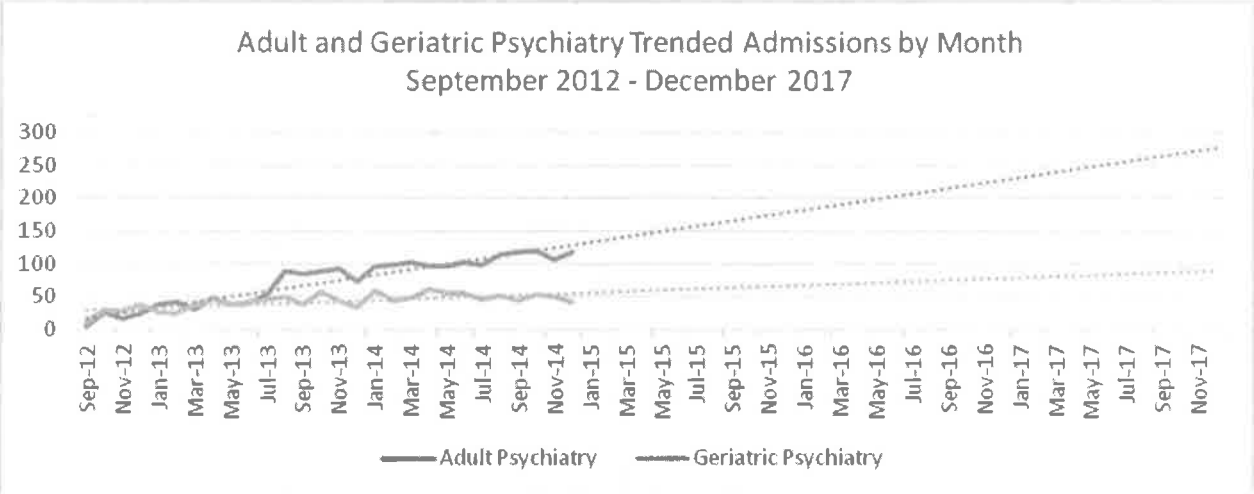


Chart 10: *Total Psychiatry Admissions Trended by Month from Inception through December 2017.*

Chart 11: *Total Adult and Geriatric Psychiatry Admissions Trended by Month from Inception through December 2017.*



Charts 12 and 13 illustrate total admissions by month for physical medicine/rehabilitation (Chart 12) and trended admissions by month for physical medicine/rehabilitation through December 2017 (Chart 13).

Chart 12: *Total Physical Medicine/Rehabilitation Admissions by Month from Inception through December 2014.*

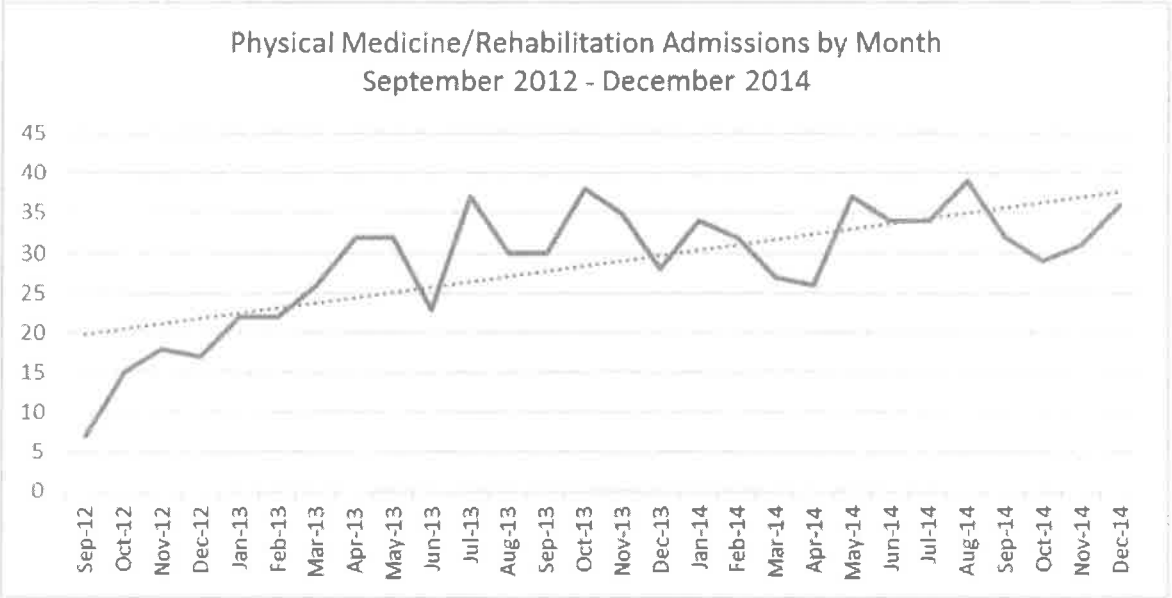
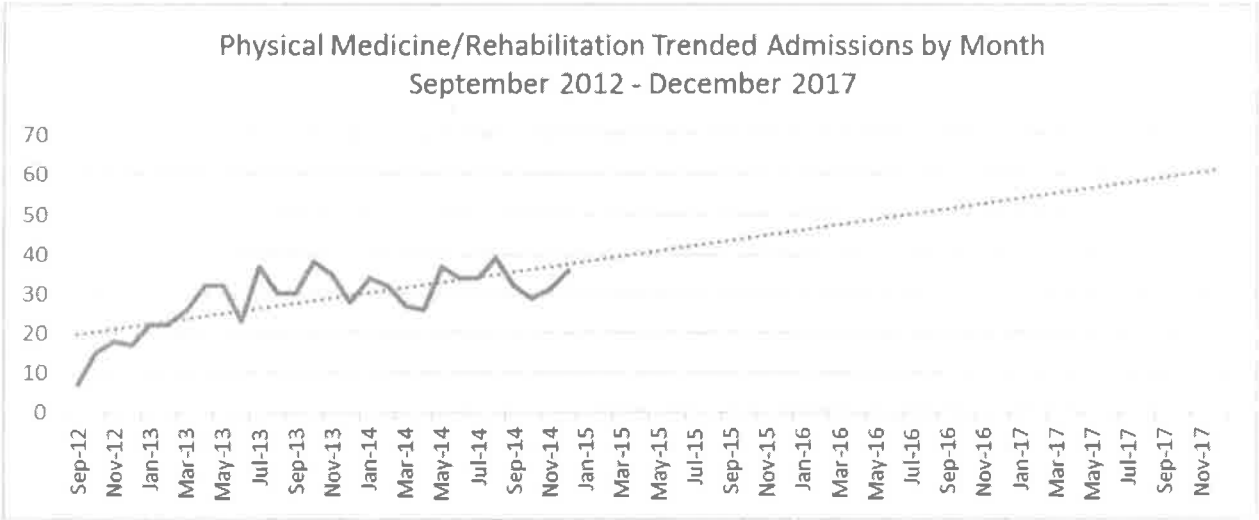


Chart 13: *Total Physical Medicine/Rehabilitation Admissions Trended by Month from Inception through December 2017.*



Charts 14 and 15 illustrate total admissions by month for medical psychiatry/detox (Chart 14) and trended admissions by month for medical psychiatry/detox through December 2017 (Chart 15).

Chart 14: Total Medical Psychiatry/Detox Admissions Trended by Month from Inception through December 2014.

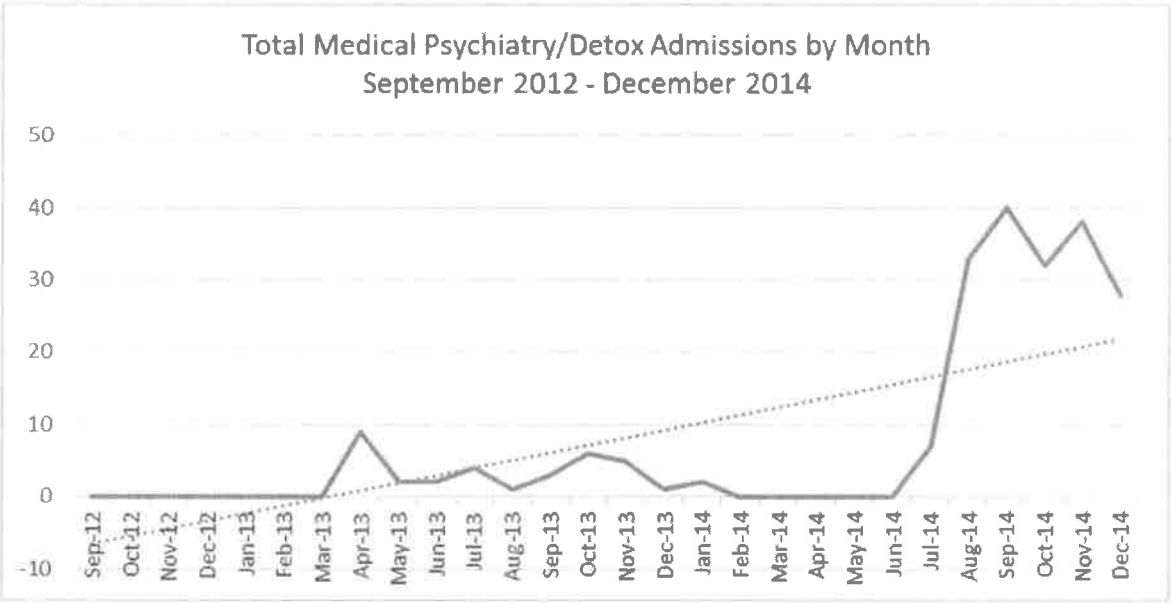


Chart 15: Total Medical Psychiatry/Detox Admissions Trended by Month from Inception through December 2017.

Charts 16 through 17 illustrate historical utilization/occupancy rates from inception through December 31, 2014.

Chart 16: Psychiatry Average Daily Census from Inception through December 31, 2014.

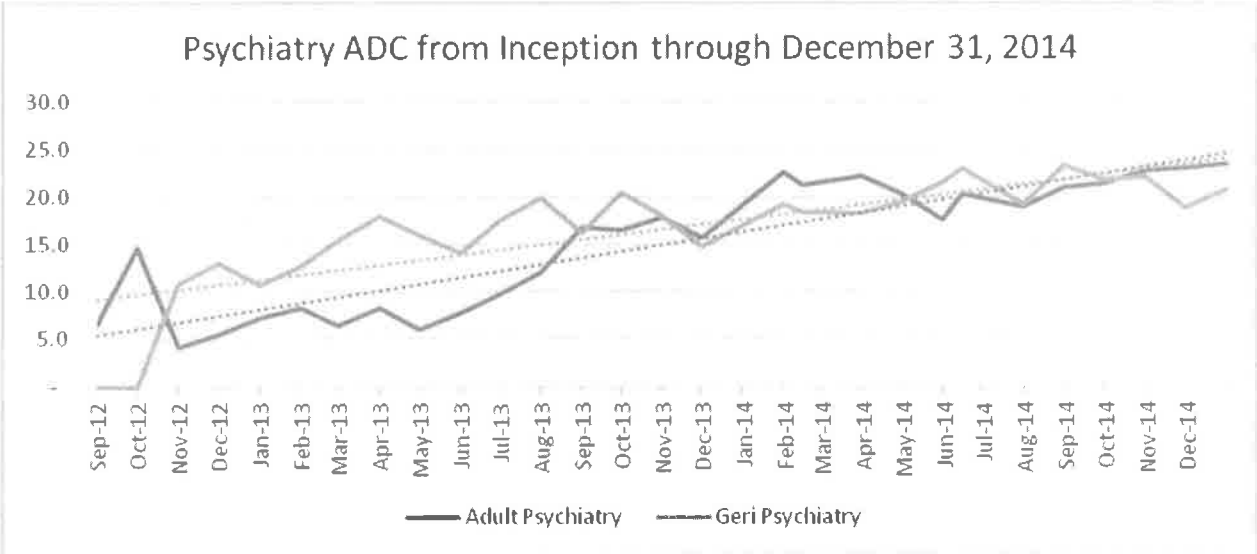
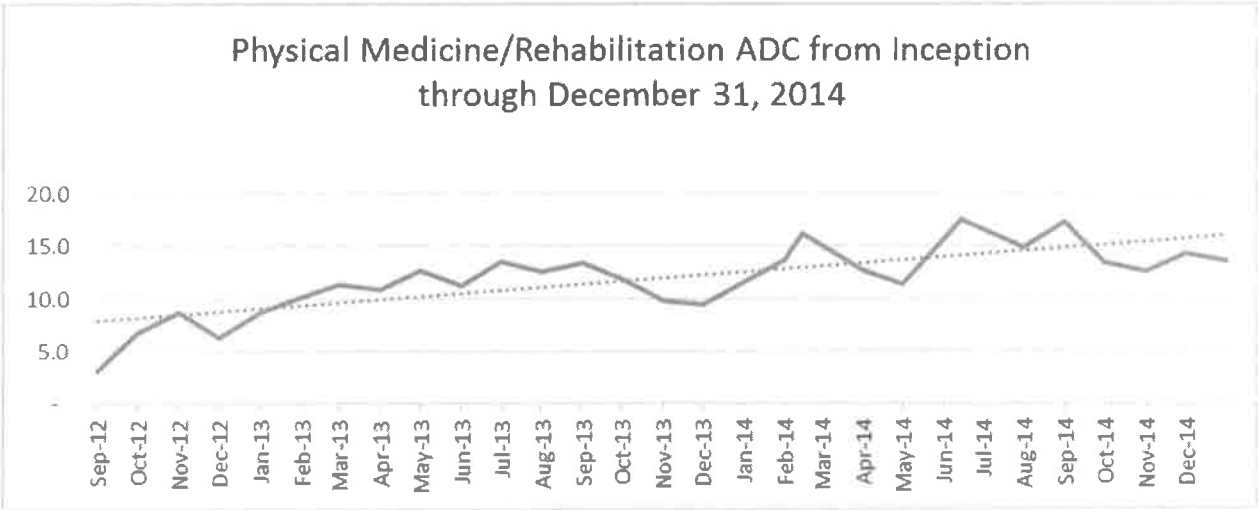


Chart 17: Physical Medicine/Rehabilitation Average Daily Census from Inception through December 31, 2014.



Charts 18 through 21 illustrate historical utilization/occupancy rates from inception through December 31, 2014 and straight-line projections of utilization/occupancy through December 2017. Projections are statistically derived from historical data creating a prospective trend line and do not account for the expected immediate growth related to increased capacity to serve the adult psychiatric population.

Chart 18: *Medical Psychiatry/Detox Average Daily Census from Inception through December 31, 2014.*

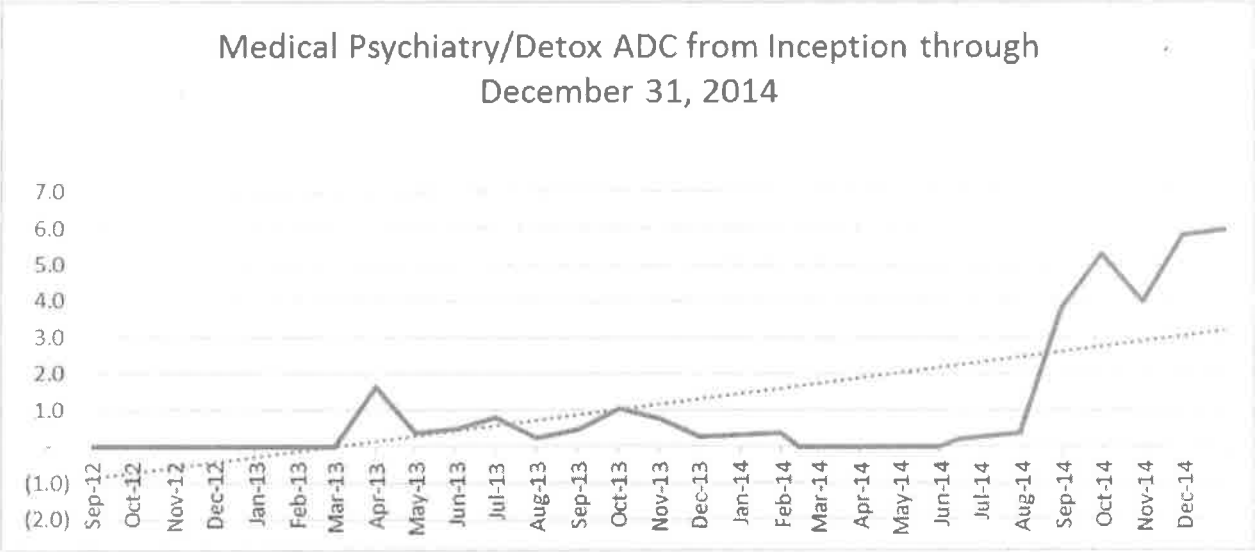


Chart 19: *Psychiatry Average Daily Census from Inception through December 31, 2014 with Straight-line Projection through December 2017.*

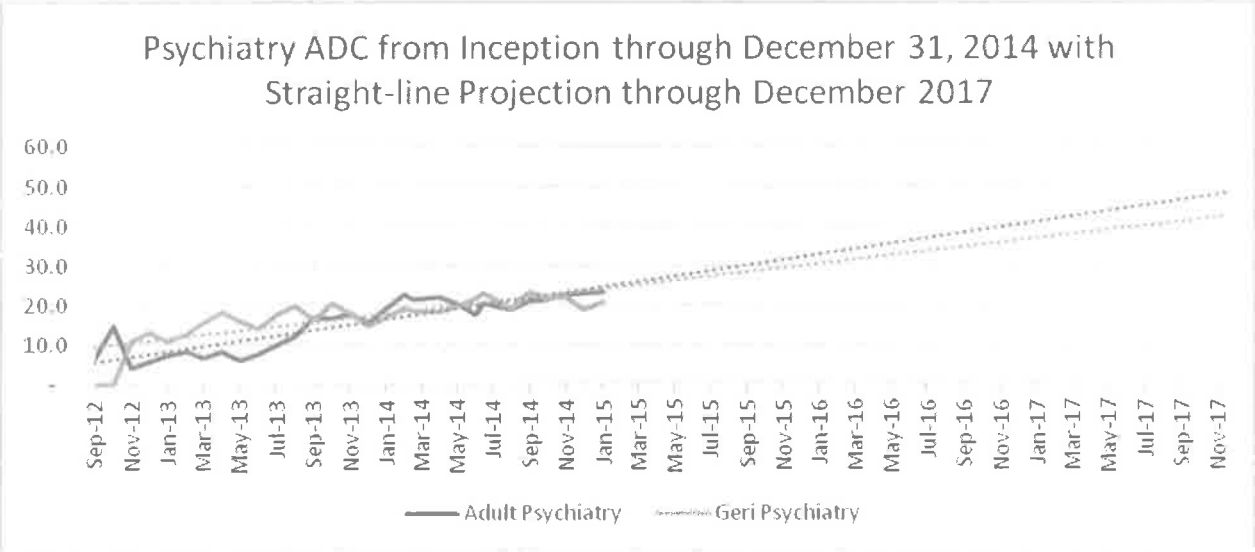


Chart 20: *Physical Medicine/Rehabilitation Average Daily Census from Inception through December 31, 2014 with Straight-line Projection through December 2017.*

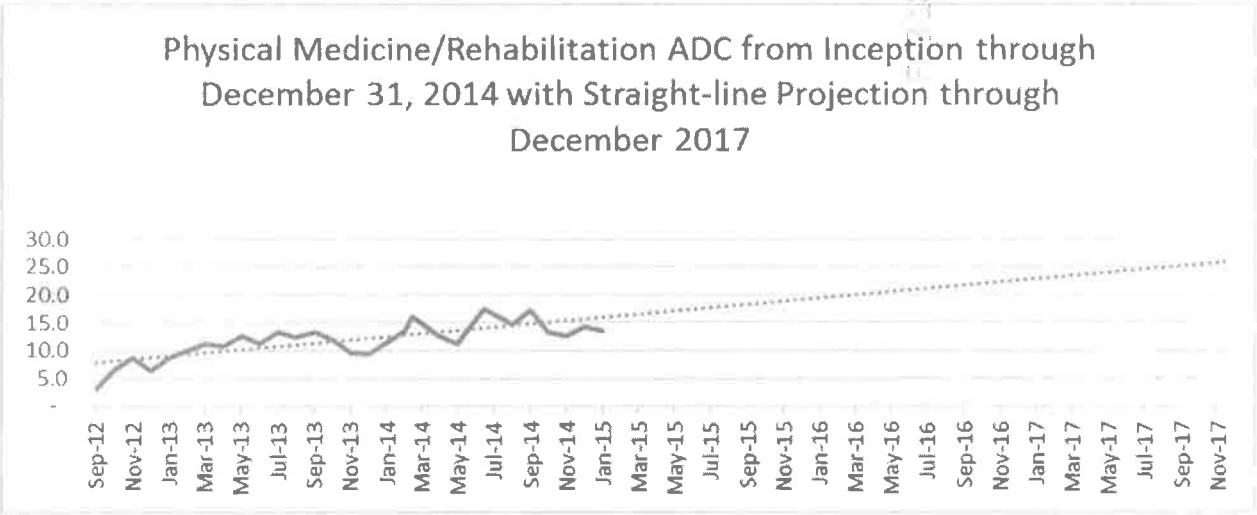
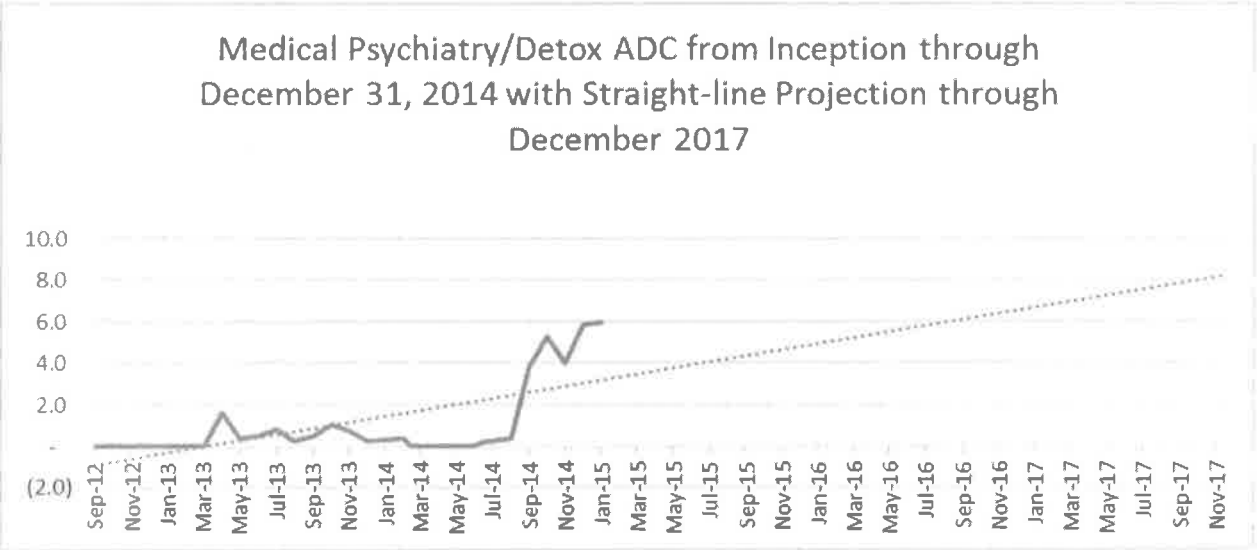


Chart 21: *Medical Psychiatry/Detox Average Daily Census from Inception through December 31, 2014 with Straight-line Projection through December 2017.*



Note: Medical Psychiatry/Detox began formal operations at the end of July 2014. Actual anticipated utilization is expected to be higher than the trend line suggests based on early demand for the service from patients and other health care facilities.

D. Describe the need to change location or replace an existing facility.

Response: N/A.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of $1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):

a. Describe the new equipment, including:

1. Total cost; (As defined by Agency Rule).
2. Expected useful life;
3. List of clinical applications to be provided; and
4. Documentation of FDA approval.

b. Provide current and proposed schedules of operations.

Response: N/A.

2. For mobile major medical equipment:
a. List all sites that will be served;
b. Provide current and/or proposed schedule of operations;
c. Provide the lease or contract cost.
d. Provide the fair market value of the equipment; and
e. List the owner for the equipment.

Response: N/A.

3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

Response: N/A.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which <u>must</u> include:

1. **Size of site (*in acres*)**
2. **Location of structure on the site; and**
3. **Location of the proposed construction.**
4. **Names of streets, roads or highway that cross or border the site.**

Please note that the drawings do not need to be drawn to scale. Plot plans are required for <u>all</u> projects.

Response:

1. The size of the medical complex approximates 6.09 Acres. Please see attached plot plan (*Attachment B.III.A.1*).

2. Please see *Attachment B.III.A.2.* This attachment indicates the location of the existing building on the site.

3. There is no proposed construction for this project as the space already exists, as noted on *Attachment B.III.A.2.*

4. The main entrance to Trustpoint Hospital is on Thompson Lane, and the site is bounded by Wilkinson Pike (formerly known as Manson Pike).

(B) 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: The main entrance to Trustpoint Hospital is on Thompson Lane, and the site is bounded by Wilkinson Pike (formerly known as Manson Pike). Thompson Lane is an area of major construction and expansion in the Murfreesboro area, and the site is across the street from the new Middle Tennessee Medical Center. The site is 2 miles from I-24, 0.8 miles from US-41, 0.4 miles from Medical Center Parkway, and is readily accessible for patients, their families and friends, and providers.

IV. 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" x 11" sheet of white paper.

NOTE: *DO NOT SUBMIT BLUEPRINTS*. Simple line drawings should be submitted and need not be drawn to scale.

Response: Please see *Attachment B.IV* (4 pages) for a footprint of floors 1 & 2 (two of the pages show enhanced views of each respective floor).

V. For a Home Health Agency or Hospice, identify:

1. **Existing service area by County;**
2. **Proposed service area by County;**
3. **A parent or primary service provider;**
4. **Existing branches; and**
5. **Proposed branches.**

Response: N/A.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 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, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) 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*. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (N/A)."

QUESTIONS

NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.

a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

Response: Please see *Attachment Rehab Services* and *Attachment Renovation.*

Further, the State Health Plan lists the following Five Principles for Achieving Better Health, and are based on the Division's enacting legislation:

1. The purpose of the State Health Plan is to improve the health of Tennesseans;
2. Every citizen should have reasonable access to health care;
3. The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies, and the continued development of the state's health care system;
4. Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers; and
5. The state should support the development, recruitment, and retention of a sufficient and quality health care workforce.

Responses to these five Principles are as follows:

1. The Applicant provides inpatient psychiatric care to an area that previously had no such services. According to the state formula, there continues to be a need for psychiatric beds in the service area. Due to decreased need/demand for rehabilitation beds, that department will decrease in size. The

Applicant's goal of continuing to provide these appropriate and needed services is consistent with the State Health Plan, and this project will improve the health of Tennesseans.

2. The Applicant will continue to provide a service currently not provided by other facilities in the service area, thereby increasing reasonable access to this type of health care for all citizens in the service area.

3. The development of services by the Applicant has always been the result of attempts to meet the needs of Tennesseans. There is an unmet need for inpatient adult psychiatric services in the service area. Therefore, the approval of this application will enhance the "development" of inpatient psychiatric services in the proposed service area.

4. Tennessee is fortunate to have an excellent licensing division of the Department of Health. The Board of Licensing Health Care Facilities provides standards for and monitoring of licensed health care providers. This Applicant will continue to be licensed by the Department of Health and will be certified by Medicare, Medicaid (TennCare), and the Joint Commission on Accreditation of Healthcare Organizations (JCAHO).

5. The Applicant is committed to providing its staff both safe working conditions and continuing education.

b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c).

Response: N/A.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

Response: This Certificate of Need proposal will maximize existing capacity at TrustPoint Hospital. Additional development would require acquisition of new land and/or feasibility studies to determine potential for vertical expansion. There are no development plans anticipated beyond the scope of this Certificate of Need proposal for the next 5 years. Future aspirations may include additional land or vertical build to support expanded outpatient psychiatry services and outpatient physical medicine/rehabilitation services. However, no such plans have been formulated or formally contemplated.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).

Response: The Applicant's primary service area is Rutherford and Bedford Counties. Adults in the two-county service area who require psychiatric services have had difficulty accessing services in the past. First, distances to psychiatric facilities in counties outside Bedford and Rutherford counties are often a problem since significant portions of the service area are an hour or more driving time from the existing providers located outside our service area. Secondly, many citizens in Bedford and Rutherford counties do not have the economic means or abilities to travel such distances for acute psychiatric care. Patients to be admitted involuntarily usually require public-provided transportation, and that is not practical for many patients and their families, so they often do not receive needed acute psychiatric care. The Applicant's facility has provided much-needed services in the service area.

Over time, it has become obvious that the provision of psychiatric services at our hospital needed to be enhanced, but rehab services were not being utilized to the extent shown in the Guidelines for Growth. Therefore, this application is being filed to allow Trustpoint Hospital to continue to provide needed services to patients in need of such services.

Please see *Attachment C.Need.3* for a map of the service area.

4. A. Describe the demographics of the population to be served by this proposal.

Response: Our primary service area is Rutherford and Bedford Counties. The projected total population (2014 & 2018, respectively), according to the TN Department of Health, is as follows:

Rutherford	293,582 and 329,446
Bedford	47,368 and 30,566
Service Area	340,950 and 380,012

In addition, U.S. Census Bureau data for the U.S., State and our service area is supplied as *Attachment C.Need.4.A.*

B. 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: According to the U.S. Department of Health and Human Services, all of Bedford County is a Medically Underserved Area, and one tract in Rutherford County is a Medically Underserved Area. Further, both Rutherford County and Bedford County have health professional shortage areas. The approval of this project will bring more health care resources to the service area. See *Attachment C.Need.4.B.*

The Applicant will care for all persons who are in need of inpatient psychiatric care, without regard to race, gender, or the patient's ability to pay.

In addition, TrustPoint Hospital is licensed as an acute care general hospital with three distinct service lines: adult and geriatric inpatient psychiatry, inpatient physical medicine/rehabilitation and inpatient medical psychiatry/detox. All service lines treat adults age 18 and over. Adult and geriatric psychiatry and medical psychiatry/detox serve patients with commercial, managed care, Medicare, Tri-Care, and TennCare forms of payment. Physical medicine/rehabilitation serves patients with commercial, managed care, Medicare, and Tri-Care forms of payment. All service lines accept charity/unfunded patients as a function of our mission to serve the broader community in Rutherford and Bedford Counties.

Patients coming to TrustPoint Hospital represent the full cultural, social, economic and racial cross-section of citizens in Rutherford, Bedford and surrounding counties. The adult and geriatric psychiatry and medical psychiatric/detox populations represent the most vulnerable patients. The United States Department of Health and Human Services (USDHHS) identifies disparity in access to care, care that is safe, efficient and reliable and stigma associated with mental illness as primary obstacles to improved mental health and general health outcomes nationally (USDHHS, 2014). According to USDHHS (2014), one in seventeen adults suffer a serious and debilitating mental illness that substantial compromises health, wellness, ability to engage in productive living, increased risk of morbidity and premature mortality. For Rutherford and Bedford Counties, these statistics inform that by 2019 nearly 21,000 adult residents will be suffering a serious and debilitating mental illness. As a highly vulnerable segment of our community, the ability to reach these individuals and provide access to care is essential to their well-being and the well-being of our community now and in the future. The USDHHS (2014) addresses the impact of serious mental illness on communities. Among other things, twenty-five percent of all lost time from work due to disability and premature death are directly tied to serious mental illness (USDHHS,

2014). The impact on the individual, their families, businesses and communities is staggering and resonates as a call-to-action to ensure high quality mental health services are available to meet the needs of this at-risk population.

As a leader in health care delivery that considers the whole person, mind, body and spirit, TrustPoint Hospital provides or arranges a full spectrum of inpatient and outpatient services to meet the clinical needs of its patients, their loved ones and professional colleagues. In support of this mission, TrustPoint Hospital actively participates with and supports the local chapters of the American Heart Association, Alzheimer's Association and a host of other important partners that seek to strengthen the health and wellbeing of our community. Additionally, TrustPoint Hospital sponsors various support groups for patients, families and caregivers to ensure best outcomes and sustained wellness. Located adjacent to St. Thomas Rutherford Hospital, TrustPoint Hospital and St. Thomas Rutherford Hospital have developed a very close and collaborative relationship in which we share best practices, policy development, interventions, staff training, shared medical staff, and community response and action planning in the event of a natural or other disaster. Importantly, the services provided at TrustPoint Hospital are a direct and natural complement to the important and life sustaining services provided at St. Thomas Rutherford Hospital. TrustPoint Hospital and St. Thomas Rutherford Hospital do not, *in any way*, compete for services.

References

Nielsen. (2013). Rutherford County Tennessee Demographics and Statistics. Nielsen Solution Center. Retrieved from http://www.rutherfordchamber.org/CWT/EXTERNAL/WCPAGES/ECONOMIC-DEVELOPMENT/RUTHERFORD%20COUNTY,%20TENNESSEE%20(2014).PDF.

USDHHS. United States Department of Health and Human Services. Office of Disease Prevention and Health Promotion. Healthy People 2020. Washington, DC. Retrieved from https://www.healthypeople.gov/2020/topics-objectives/topic/mental-health-and-mental-disorders.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions 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. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

Response: There are no inpatient psychiatric services available in our primary service area, except what is provided at our hospital. Please note that it is impossible to obtain utilization and charge information from a general hospital that also offers inpatient psychiatric care. Therefore, *Attachment B.I.A* simply gives a breakdown of existing beds. The chart below, on the other hand, lists those facilities that offer only inpatient psychiatric care, so utilization and patient charge information is available and reported.

There will be no negative impact on existing services, as inpatient psychiatric services are non-existent except for what has already been approved for the Applicant. The closest inpatient psychiatric services to the Applicant are in Davidson, Cannon and Williamson Counties, and this project should not affect those facilities.

Psychiatric Beds Contiguous to Service Area
Average Patient Charges, Per Diem, in Nearest Dollars
Average Occupancy Rate, Rounded to Nearest Percent

Year	Facility	County	Occ	Avg Gross	Avg Deduct	Avg Net
2008	Mid TN Mental Health Inst	Davidson	77%	609	388	221
	Rolling Hills	Williamson	(not in business)			
2009	Mid TN Mental Health Inst	Davidson	68%	475	293	182
	Rolling Hills	Williamson	42%	1,442	704	737
2010	Mid TN Mental Health Inst	Davidson	59%	714	621	93
	Rolling Hills	Williamson	69%	1,526	757	769
2011	Mid TN Mental Health Inst	Davidson	54%	686	545	141
	Rolling Hills	Williamson	74%	1,524	761	763
2012	Mid TN Mental Health Inst	Davidson	85%	853	716	137
	Rolling Hills	Williamson	100%	1,551	783	768
2013	Mid TN Mental Health Inst	Davidson	85%	867	744	123
	Rolling Hills	Williamson	(no report filed)			

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) 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: Very specific occupancy data, by service, from opening through December, 2014 is provided in Charts 8 through 18 in this Application. Additionally, specific projections, by service, through 2017 are given in Charts 19 through 21.

Hospital-wide, TrustPoint Hospital has historic utilization as follows:

2012 26.3% (Hospital opened in September, 2012 with 76 beds);
2013 45.3% (Hospital added 10 beds in August, 2013, increasing to 86 beds);
2014 60.4% (Hospital added 10 beds in October, 2014, increasing t0 96 beds); and

TrustPoint projects utilization following implementation of this project as follows:

Yr-1 66.7% (based on 129 beds); and
Yr-2 72.1% (again, based on 129 beds).

In determining the number of beds requested in this application, the Applicant has considered: (1) its management team's experiences in developing psychiatric hospitals; (2) the time periods of increasing patient volumes in previously underserved areas; (3) the indicated need for psychiatry beds in accordance with the primary service area population and *Guidelines for Growth*; and (4) interviews with multiple individuals, including management personnel at Middle Tennessee Medical Center (Murfreesboro), Heritage Medical Center (Shelbyville), two psychiatrists with established practices in Murfreesboro, several primary care physicians, and counselors at Middle Tennessee State University. Of prime importance was the trending and ramp-up progression that has occurred at TrustPoint Hospital since opening.

The adult (18 + years old) population projections for the service area, both current and projected in 2018, are given below:

Adult Population Estimates: Rutherford and Bedford Counties
2014 and 2018
Resultant Psychiatric Bed Need

County	2014	2018
Rutherford	221,513	249,934
Bedford	35,504	38,151
Total	257,017	288,085
Bed Need	78	87

Source: Tennessee Population Projections, 2010 – 2020, Division of Health Statistics, Tennessee Department of Health; Bed Need based on 30 beds/100,000 population.

Using the adult population figures above, the *Guidelines for Growth* formula shows that there currently exists a need for 78 beds, and the need will be 87 beds by 2018. TrustPoint currently operates 59 total psychiatric beds (31 Adult, plus 28 Geriatric). There are no other hospitals in our primary service area that provide the types of care we provide. Therefore, the approval of this application will have no effect on any other facilities in our primary service area.

Statistics from credible reports can be used to measure psychiatric bed need in a given service area. According to a 2010 Substance Abuse and Mental Health Services Administration report on mental health, the use of inpatient treatment for mental health conditions had averaged 0.9% of the U.S. adult population during recent years. Using that percentage and applying it to the 2014 service area adult population of 257,017, there would be 2,314 admissions made to psychiatric hospitals or psychiatric hospital units, and this amount does not include recidivism. In 2018, estimated admissions would total 2,593, not including recidivism.

Further, recidivism and average lengths of stay are considered in order to calculate bed needs. According to the most recent *Medicare Payment Advisory Commission Report (June, 2010)*:

* regarding recidivism, for individuals funded in the Medicare program, those who are admitted to a psychiatric hospital or hospital unit are admitted an average 1.5 times per year;

* the admission rate per 1,000 of population admitted to psychiatric hospitals for Medicare patients is approximately 1.2 times the admission rate of the remainder of the population; and

* the average length of stay ("ALOS") for 431,276 Medicare psychiatric cases was 13.1 days.

Further, according to the most recent applicable report from the Centers for Disease Control & Prevention, there were 1,559,000 cases of adults being admitted to inpatient psychiatric care for psychoses in 2009, for which the ALOS was 7.5 days. The psychoses diagnosis accounts for approximately 73% of all psychiatric admissions, and other diagnoses vary around the 7.5 ALOS average.

Based on these statistics, the applicant's average length of stay ("ALOS") should be applied to determine the projected number of hospital days projected to be used. The Applicant anticipates an ALOS for adult patients of 8 days, and an ALOS for geriatric patients of 13 days.

Utilizing a projected admission rate of 2,314 in 2014 and 2,593 in 2018, coupled with the anticipated ALOS rates given above, the Applicant could expect to operate the following number of beds at 100% occupancy, based on the mix of patients (adult or geriatric):

Number of Beds at 100% Occupancy
2014 and 2018

Year	Admissions	Adult Patient Days	Adult Beds	Geriatric Patient Days	Geriatric Beds
2014	2,314	18,512	50	30,082	84
2018	2,593	20,744	58	33,709	93

The chart above shows that if all 2,314 anticipated admissions in 2014 were for adult psychiatric patients and the ALOS was 8 days, there would be 18,512 patient days, which equates to needing 50 beds at 100% occupancy. In the same year, if all admissions were geriatric patients and the ALOS was 13 days, there would be 30,082 patient days, which equates to needing 84 beds at 100% occupancy. The 2018 projections are for between 58 and 93 beds, based on admissions.

As stated earlier, it is important to note that patient origin data indicates that approximately 45% of our patients originate from outside our primary service area. Taking patient origin into consideration, the unmet need for adult inpatient psychiatric beds at TrustPoint increases, as shown in the following chart:

Need for Psychiatric Beds at 100% Occupancy
2014 and 2018
Taking Patient Origin Into Consideration

(1) Year	(2) Current Beds (Adult & Geriatric)	(3) Total Beds (+ This CON)	(4) Need (Primary Svc Area)	(5) Need (Secondary Svc Area)	(6) Total Need	(7) Unmet Need
2014	59	95	78	58	136	41
2018	59	95	87	71	158	63

The above chart takes into consideration: (a) the approval of this CON, which will result in a total of 95 beds that can be used for both Adult and Geriatric Psychiatric Services (Column 3); (b) the need for psychiatric beds in only Rutherford and Bedford County, based on the *Guidelines for Growth* formula for adult psychiatric beds (Column 4); (c) the addition of another 45% need, based on historic patient origin data at TrustPoint (Column 5); (d) the total need for adult/geriatric psychiatric beds, adding primary service area need plus historic TrustPoint patient origin from secondary service area (Column 6); and (e) the unmet need for adult/geriatric psychiatric beds subtracting Column 3 (anticipated number of beds if this application is approved) from the Total Need for such beds (Column 6). This chart shows that there will remain an unmet need for adult psychiatric services even with the approval of this application. It is evident by the above chart that the beds requested in this application are clearly needed.

This application is to increase the total number of psychiatric beds (both adult and geriatric) from 59 to 95. The Applicant anticipates operating all 95 inpatient psychiatric beds at 69% and 74% for Years 1 and 2, respectively, and the entire facility at 66.7% and 72.1% for Years 1 and 2, respectively.

There will be no negative impact on existing services, as inpatient psychiatric services are non-existent except for what has already been approved for the Applicant. The closest inpatient psychiatric services to the Applicant are in Davidson, Cannon and Williamson Counties, and this project should not affect those facilities.

ECONOMIC FEASIBILITY

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

-- **All projects should have a project cost of at least $3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)**

-- **The cost of any lease 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.**

-- **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.**

-- **For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.**

Response: The Project Costs Chart is completed.

The filing fee amount has been inserted and added.

There is no FMV or lease payments since this building/land has been approved in a prior CON application.

The cost for moveable equipment is included.

There is no construction, but there will be costs for renovation.

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PROJECT COSTS CHART

A. Construction and equipment acquired by purchase.

1.	Architectural and Engineering Fees	75,000
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant	50,000
3.	Acquisition of Site	0
4.	Preparation of Site	0
5.	Construction Costs (Renovation)	570,000
6.	Contingency Fund	57,000
7.	Fixed Equipment (Not included in Construction Contract)	0
8.	Moveable Equipment (List all equipment over $50,000)*	180,000
9.	Other (Specify)	
	Subsection A Total	**932,000**

B. Acquisition by gift, donation, or lease.

1.	Facility (Inclusive of Building and Land) (FMV)	0
2.	Building Only	
3.	Land Only	
4.	Equipment (Specify)	
5.	Other (Specify)	
	Subsection B Total	**0**

C. Financing costs and fees

1.	Interim Financing	
2.	Underwriting Costs	
3.	Reserve for One Year's Debt Service	
4.	Other (Specify)	
	Subsection C Total	**0**

D.	Estimated Project Cost (A + B + C)		**$ 932,000**
E.	CON Filing Fee		**$ 3,000**
F.	Total Estimated Project Cost (D + E)	TOTAL	**$ 935,000**

2. **Identify the funding sources for this project.**

   a. **Please 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 C, Economic Feasibility-2.)***

___ **A. 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;**

___ **B. 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;**

___ **C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.**

___ **D. Grants--Notification of intent form for grant application or notice of grant award; or**

_X_ **E. Cash Reserves--Appropriate documentation from Chief Financial Officer.**

___ **F. Other—Identify and document funding from all other sources.**

Response: This project will be financed by cash reserves. The financials of the Applicant indicate that funds are available. In addition, the Applicant has furnished a letter attesting that the Applicant has sufficient assets to implement this project (see *Attachment C.EF.2*).

3. **Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.**

Response: The total cost of this project ($932,000, not including filing fee) amounts to an average total cost of $28,243 per bed. Construction (renovation) costs of $627,000 results in an average cost of $19,000 per bed. Cost per GSF, based on Total Project Costs, amounts to $28.70, and, based on just the Renovation Costs only, amounts to $19.31. Patient charges will not increase as a result of the approval of this application. The Applicant has sufficient funds for this relatively minor project (Please see *Attachment C.EF.2*). As there is no actual construction, the cost of adding these beds is relatively minor.

According to the HSDA website, Hospital Renovation Cost Per Square Foot Years: 2011 – 2013 indicates that 1st, Median, and 3rd Quartile amounts average $107.15, $179.00, and $249.00. Our cost of either $28.70 (based on total project costs) or $19.31 (based on renovation costs, only) show that our project is financially feasible. Compare our costs with those shown on *Attachment B.II.A.*

4. Complete Historical and Projected 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 for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. 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).

Response: Historical and Projected Data Charts are completed.

HISTORICAL DATA CHART – ENTIRE HOSPITAL

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).

Response:

		Yr-3	Yr-2	Yr-1
A.	Utilization/Occupancy Rate	N/A	58 ADC	39ADC
B.	Revenue from Services to Patients			
	1. Inpatient Services		38,784,819	26,357,276
	2. Outpatient Services		1,197,222	276,280
	3. Emergency Services		0	0
	4. Other Operating Revenue (Physician Billings)		585,337	41,694
	Gross Operating Revenue		**40,567,378**	**26,675,250**
C.	Deductions from Operating Revenue			
	1. Contractual Adjustments		20,254,888	13,421,286
	2. Provision for Charity Care		214,898	153,464
	3. Provision for Bad Debt		270,838	285,700
	Total Deductions		**20,740,624**	**13,860,450**
	NET OPERATING REVENUE		**19,826,754**	**12,814,800**
D.	Operating Expenses			
	1. Salaries and Wages		7,821,859	6,419,751
	2. Physician's Salaries and Wages		1,277,965	138,170
	3. Supplies		1,381,016	1,004,480
	4 . Taxes		1,033,214	1,011,174
	5 . Depreciation		1,546,841	1,360,626
	6. Rent		1,332,779	930,754
	7. Interest, other than Capital		1,604,334	1,754,543
	8. Management Fees:			
	a. Fees to Affiliates		0	0
	b. Fees to Non-Affiliates		0	0
	9. Other Expenses (attached)		4,216,128	3,396,670
	Total Operating Expenses		**20,214,136**	**16,016,168**
E.	Other Revenue (Expenses)-Net (E.H.R. incentives/dietary)		979,794	1,744,091
	NET OPERATING INCOME (LOSS)		**592,412**	**(1,457,277)**
F.	Capital Expenditures			
	1. Retirement of Principal (Paid in Cash)		274,357	320,614
	2. Interest			
	Total Capital Expenditure		**274,357**	**320,614**
	NET OPERATING INCOME (LOSS) LESSCAPITAL EXPENDITURES		**318,055**	**(1,777,891)**

Other Expenses
Historical Data Chart

Item D.9.	Yr-2	Yr-1
Employee Benefits	$1,086,906	$ 730,965
Contract Services	2,019,930	1,347,486
Professional Fees	431,478	618,150
Insurance	303,207	382,253
Other	374,607	317,815
Total	$4,216,128	$3,396,670

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this project. The fiscal year begins in October (month)

		Yr-1	Yr-2
A.	Utilization/Occupancy (Patient Days)	86 ADC	93 ADC
B.	Revenue from Services to Patients		
	1. Inpatient Services	57,414,500	62,141,250
	2. Outpatient Services	1,148,400	1,148,400
	3. Emergency Services	0	0
	4. Other Operating Revenue (Physician Billings)	2,445,421	2,579,525
	Gross Operating Revenue	**61,008,321**	**65,869,175**
C.	Deductions from Operating Revenue		
	1. Contractual Adjustments	33,809,032	36,510,130
	2. Provision for Charity Care	355,377	383,738
	3. Provision for Bad Debt	585,035	632,303
	Total Deductions	**34,749,444**	**37,526,171**
	NET OPERATING REVENUE	**26,258,877**	**28,343,004**
D.	Operating Expenses		
	1. Salaries and Wages	10,370,000	11,117,000
	2. Physician's Salaries and Wages (Contracted)	1,460,000	1,472,000
	3. Supplies	1,981,000	2,160,000
	4. Taxes	1,285,000	1,345,000
	5. Depreciation	1,624,493	1,643,609
	6. Rent	1,373,000	1,373,000
	7. Interest, other than Capital	379,459	315,090
	8. Management Fees:		
	a. Fees to Affiliates	1,008,000	1,008,000
	b. Fees to Non-Affiliates		
	8. Other Expenses (Specify) Attached	5,038,000	5,266,000
	Total Operating Expenses	**24,518,952**	**25,699,699**
E.	Other Revenue (Expenses)-Net (Dietary)	36,000	36,000
	NET OPERATING INCOME (LOSS)	**1,775,925**	**2,679,305**
F.	Capital Expenditures		
	1. Retirement of Principal (Paid in Cash)	475,000	525,000
	2. Interest		
	Total Capital Expenditure	**475,000**	**525,000**
	NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	**1,300,925**	**2,154,305**

Other Expenses
Projected Data Chart

Item D.9.	Yr-1	Yr-2
Employee Benefits	$1,451,000	$1,543,000
Contract Services	2,504,000	2,619,000
Professional Fees	459,000	480,000
Insurance	300,000	300,000
Other	324,000	324,000
Total	$5,038,000	$5,266,000

5. **Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.**

Response: Chart 22 illustrates the project's average gross charges, average deductions from operating revenue, and resulting average net charge per patient day (PPD) for each service line offered by TrustPoint Hospital. Please note that these charges/deductions reflect historic data for TrustPoint, and these charges/deductions are not expected to change as a result of this project.

Chart 22: Service Line charges, adjustments, and net revenue.

Service Line	Average Charge PPD	Average Adjustment	Average Net Revenue
Adult Psychiatry	1,484	784	700
Geriatric Psychiatry	1,653	853	800
Medical Psychiatry/Detox	2,232	1,397	835
Physical Medicine & Rehabilitation	3,263	2,067	1196

(Note: The comparable overall Hospital numbers would be $1,905, $974, and $931.)

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

Response: Chart 22 illustrates both the current and proposed charge schedules for the proposal. Please note that these charges/deductions reflect historic data for TrustPoint, and these charges/deductions are not expected to change as a result of this project.

Chart 22: Service Line charges, adjustments, and net revenue.

Service Line	Average Charge PPD	Average Adjustment	Average Net Revenue
Adult Psychiatry	1,484	784	700
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Physical Medicine & Rehabilitation	3,263	2,067	1196

(Note: The comparable overall Hospital numbers would be $1,905, $974, and $931.)

B. 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: There are no inpatient psychiatric services available in our primary service area, except what is provided at our hospital. Please note that it is impossible to obtain utilization and charge information from a general hospital that also offers inpatient psychiatric care. Therefore, *Attachment B.I.A* simply gives a breakdown of existing beds. The chart below, on the other hand, lists those facilities that offer only inpatient psychiatric care, so utilization and patient charge information is available and reported.

There will be no negative impact on existing services, as inpatient psychiatric services are non-existent except for what has already been approved for the Applicant. The closest inpatient psychiatric services to the Applicant are in Davidson, Cannon and Williamson Counties, and this project should not affect those facilities.

Psychiatric Beds Contiguous to Service Area
Average Patient Charges, Per Diem, in Nearest Dollars
Average Occupancy Rate, Rounded to Nearest Percent

Year	Facility	County	Occ	Avg Gross	Avg Deduct	Avg Net
2008	Mid TN Mental Health Inst	Davidson	77%	609	388	221
	Rolling Hills	Williamson		(not in business)		
2009	Mid TN Mental Health Inst	Davidson	68%	475	293	182
	Rolling Hills	Williamson	42%	1,442	704	737
2010	Mid TN Mental Health Inst	Davidson	59%	714	621	93
	Rolling Hills	Williamson	69%	1,526	757	769
2011	Mid TN Mental Health Inst	Davidson	54%	686	545	141
	Rolling Hills	Williamson	74%	1,524	761	763
2012	Mid TN Mental Health Inst	Davidson	85%	853	716	137
	Rolling Hills	Williamson	100%	1,551	783	768
2013	Mid TN Mental Health Inst	Davidson	85%	867	744	123
	Rolling Hills	Williamson		(no report filed)		

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

Response: We anticipate high utilization rates will be sufficient to maintain cost-effectiveness of our hospital. It is important to keep in mind the tremendous unmet need for psychiatric care that currently exists, and will probably continue to exist following approval of this application.

The Projected Data Chart indicates sufficient utilization rates to maintain positive cash flow for two years following implementation of this project.

Based on the *Guidelines for Growth*, there is a need for 103 total and 78 adult psychiatric beds in 2014, and 115 total and 87 adult psychiatric beds in 2018 in our service area (Rutherford and Bedford Counties). Currently, we operate 59 psychiatric beds (31 Adult plus 28 Geriatric) at our hospital, resulting in an unmet need of 19 adult beds in 2014 and an unmet need of 28 adult beds by 2018. This application, if approved, will add 36 adult psychiatric beds to our hospital. There are no other psychiatric beds in our service area. The closest psychiatric beds are located in Davidson, Cannon, Williamson, and Wilson Counties. *Attachment B.I.A* lists inpatient psychiatric beds contiguous to our service area. It is important to note that patient origin data indicates that approximately 45% of our patients originate from outside our primary service area. Taking this into consideration, the unmet need for adult inpatient psychiatric beds will increase, as explained in this application.

Based on the *Guidelines for Growth*, there is a need for 35 rehabilitation ("rehab") beds in 2014, and 39 rehab beds in 2018 in our service area (Rutherford and Bedford Counties). Currently, we operate 27 rehab beds at our hospital, resulting in an unmet need of 8 beds in 2014 and an unmet need of 12 beds by 2018. That said, our experience since opening has indicated that the need is greater for psychiatric beds than for rehab beds. This application, if approved, will decrease our rehab beds from 27 to 16. The closest rehabilitation beds are located in Davidson, Cannon and Wilson Counties. *Attachment B.I.B* lists inpatient rehabilitation beds contiguous to our service area.

It is important for the Applicant to operate a cost-effective facility in order to have sufficient funds to provide care for those who cannot afford needed care.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

Response: We anticipate high utilization rates will be sufficient to maintain cost-effectiveness of our hospital. It is important to keep in mind the tremendous unmet need for psychiatric care that currently exists, and will probably continue to exist following approval of this application.

The Projected Data Chart indicates sufficient utilization rates to maintain positive cash flow for two years following implementation of this project.

Based on the *Guidelines for Growth*, there is a need for 103 total and 78 adult psychiatric beds in 2014, and 115 total and 87 adult psychiatric beds in 2018 in our service area (Rutherford and Bedford Counties). Currently, we operate 59 psychiatric beds (31 Adult plus 28 Geriatric) at our hospital, resulting in an unmet need of 19 adult beds in 2014 and an unmet need of 28 adult beds by 2018. This application, if approved, will add 36 adult psychiatric beds to our hospital. There are no other psychiatric beds in our service area. The closest psychiatric beds are located in Davidson, Cannon, Williamson, and Wilson Counties. *Attachment B.I.A* lists inpatient psychiatric beds contiguous to our service area. It is important to note that patient origin data indicates that approximately 45% of our patients originate from outside our primary service area. Taking this into consideration, the unmet need for adult inpatient psychiatric beds will increase, as explained in this application.

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It is important for the Applicant to operate a cost-effective facility in order to have sufficient funds to provide care for those who cannot afford needed care.

9. **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. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.**

Response: Chart 23 illustrates the house-wide and service line percentages of each payer source that we have served from inception through December 31, 2014. The service line percentages are not expected to change significantly as a result of the bed conversion. We expect the percentage of Medicaid and Self Pay/Unfunded admissions to increase on a house-wide basis due to the relative growth in psychiatric services resulting from the proposed bed conversion.

Chart 23: Payer Mix from Inception through December 31, 2014

House-wide Payer Mix		
Payer	**Number of Admissions**	**Percentage by Payer**
BCR	1,958	28%
COM	1,398	20%
MCD	574	8%
MCR	2,202	32%
MGD	625	9%
SEL	120	2%
WRK	10	0%
Total Admissions	**6,887**	**100%**

*includes sub-acute admissions

Legend	
BCR	Blue Cross Blue Shield
COM	Commercial
MCD	Medicaid
MCR	Medicare
MGD	Managed Medicare
SEL	Self
WRK	Workers Comp

Using the above chart, the Applicant anticipates approximately 40% of its total patients will be Medicare patients (MCR + MGD) house wide. With Net Operating Income of $1,775,925 anticipated in Year 1 for this project, the impact on Medicare will be $710,370 (Net times 40%).

The Applicant anticipates approximately 8% of its total patients will be Medicaid/TennCare patients (MCD) house wide. With Net Operating Income of $1,775,925 anticipated in Year 1 for this project, the impact on Medicaid will approximate $42,623 (Net times 8% times 30% state share).

The impact on these two reimbursement programs may vary by service, as reimbursement mechanisms are impacted to a greater or lesser degree, based on the type of service. Following are charts showing anticipated payor percentages for various departments at the hospital:

Adult Psychiatry Payer Mix		
Payer	**Number of Admissions**	**Percentage by Payer**
BCR	527	26%
COM	427	21%
MCD	329	16%
MCR	520	25%
MGD	208	10%
SEL	32	2%
Total Admissions	**2,043**	**100%**

Geriatric Psychiatry Payer Mix		
Payer	Number of Admissions	Percentage by Payer
BCR	98	8%
COM	62	5%
MCD	28	2%
MCR	778	66%
MGD	219	18%
SEL	2	0%
Total Admissions	**1,187**	**100%**

Physical Medicine & Rehabilitation Payer Mix		
Payer	Number of Admissions	Percentage by Payer
BCR	209	21%
COM	108	11%
MCD	6	1%
MCR	537	55%
MGD	105	11%
SEL	7	1%
WRK	9	1%
Total Admissions	**981**	**100%**

Medical Psychiatry/Detox Payer Mix		
Payer	Number of Admissions	Percentage by Payer
BCR	48	21%
COM	28	13%
MCD	17	8%
MCR	99	44%
MGD	16	7%
SEL	16	7%
Total Admissions	**224**	**100%**

10. 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 new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

Response: See *Attachment C.EF.10.*

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

a. A discussion regarding 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, the applicant should justify why not; including reasons as to why they were rejected.

Response: In reality, only two real alternatives were considered by the Applicant: (1) applying for a Certificate of Need to increase bed capacity within existing hospital and to meet the needs of patients, or (2) doing nothing and failing to meet our commitment to serve the sick and vulnerable in Rutherford and Bedford Counties and environs. The second alternative was rejected as inconsistent with the values and intent of the Hospital's leadership team and clinical staff. Moreover, no similar services exist to meet the demand for care in Rutherford and Bedford Counties.

b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

Response: This project complies, as there is no construction, and "sharing arrangements" will occur when private rooms are transformed into semi-private rooms. TrustPoint Hospital is one of the most modern hospitals in Tennessee, having opened in September, 2012.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., 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, e.g., transfer agreements, contractual agreements for health services.

Response: We currently have contracts with AmeriGroup, BlueCare, United Healthcare Community Plan, and TennCare Select, in addition to others. Please see *Attachment A.13*.

We also have a Patient Transfer Agreement with St. Thomas Rutherford Hospital, and a Mutual Aid Memorandum of Understanding with Rolling Hills Hospital in Franklin. Both of these documents are included as *Attachment C.OD.1*.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition 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: The approval of this project will only result in positive outcomes. First, there are no other providers of inpatient psychiatric care in our service area, so the approval of this project will have no negative effects on the existing health care system. Second, no other providers have applied to provide such care. And, third, there will remain an unmet need for inpatient psychiatric care even with the approval of this project.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

Response: Comparable clinical staff in the service area as published by the Tennessee Department of Labor & Workforce Development are included in *Attachment C.OD.3*.

The proposed services will be initially staffed by existing employees. Additional employees will be hired as census demand increases. Current and proposed staffing and salary/wage data are an average of cost by category of employee. The following staffing matrices reflect current staffing and proposed staffing based on bed allocation changes requested in this Certificate of Need proposal:

Adult and Geriatric Psychiatry:

ADULT AND GERIATRIC PSYCHIATRY STAFFING AND WAGE MATRIX

ADULT PSYCHIATRY							Salary/Wage	Current FTEs	Proposed FT
	CENSUS	1-10	11-15	16-20	21-25	26-31			
	DIRECTOR	1	1	1	1	1	$96,000/YR	1	1
	NRS MGR	1	1	1	1	1	$70,000/YR	1	1
DAYS/EVENINGS	RN/LPN	1	2	2	3	3	Avg $25-32/hr	8.4	16.8
	PCT	1	1	2	2	3	Avg $14-16/hr	4.2	8.4
	CLERICAL	1	1	1	1	1	Avg $14-16/hr	1	2
NIGHTS	RN/LPN	1	1	1	2	2	Avg $25-32/hr	2.8	5.6
	PCT	1	1	1	1	1	Avg $14-16/hr	1.4	2.8
GERIATRIC PSYCHIATRY							Salary/Wage	Current FTEs	Proposed FT
	CENSUS	0-10	11-15	16-20	21-28	29-36			
	DIRECTOR	1	1	1	1	1	$96,000/YR	1	1
	NRS MGR	1	1	1	1	1	$70,000/YR	1	1
DAYS/EVENINGS	RN/LPN	1	1	3	4	5	Avg $25-32/hr	11.2	14
	PCT	2	2	2	2	3	Avg $14-16/hr	5.6	8.4
	CLERICAL	1	1	1	1	1	Avg $14-16/hr	1	1
NIGHTS	RN/LPN	1	2	2	3	4	Avg $25-32/hr	4.2	5.6
	PCT	1	1	2	2	3	Avg $14-16/hr	2.9	4.2

At least one RN must be scheduled each shift on both units.

NRS MGR = Nurse Manager

PCT = Patient Care Technician, e.g., CNA/equivalent

Physical Medicine/Rehabilitation:

PHYSICAL MEDICINE AND REHABILITATION STAFFING AND WAGE MATRIX

PHYSICAL MEDICINE/REHABILITATION - 12 HOUR SHIFTS						Salary/Wage	Current FTEs	Proposed FTEs
	CENSUS	1-7	8-14	15-21	22-26			
	DIRECTOR	1	1	1	1	$100,000/YR	1	1
	NRS MGR	1	1	1	1	$83,000/YR	1	1
DAYS	RN/LPN	2	2	3	4	Avg $25-32/hr	8.4	8.4
	PCT	0	2	3	3	Avg $14-16/hr	6.3	6.3
	CLERICAL	1	1	1	1	Avg $14-16/hr	1	1
	PT	1.5	2.5	4	5	Avg $32/hr	10.5	10.5
	OT	1.5	2.5	4	5	Avg $39/hr	7	7
	SPEECH	1	1	2	2	Avg $37/hr	2.8	2.8
NIGHTS	RN/LPN	2	2	3	4	Avg $25-32/hr	8.4	8.4
	PCT	0	2	3	3	Avg $14-16/hr	6.3	6.3

At least one RN must be scheduled each shift on both units.
NRS MGR = Nurse Manager
PCT = Patient Care Technician (e.g., CNA or equiv.)
PT = Physical Therapist
OT = Occupational Therapist

Medical Psychiatry/Detox:

MEDICAL PSYCHIATRY/DETOX

MEDICAL PSYCHIATRY/DETOX - 12 HOUR SHIFTS						Salary/Wage	Current FTEs	Proposed FTEs
	CENSUS	1-4	5-9	10-15	16-18			
	DIRECTOR	1	1	1	1	$100,000/YR	1	1
	NRS MGR	1	1	1	1	$83,000/YR	1	1
DAYS	RN/LPN	1	2	3	3	Avg $25-32/hr	4.2	6.3
	PCT	1	1	1	3	Avg $14-16/hr	2.1	6.3
NIGHTS	RN/LPN	1	2	3	3	Avg $25-32/hr	4.2	6.3
	PCT	1	1	1	3	Avg $14-16/hr	2.1	6.3

At least one RN must be scheduled each shift on both units.
NRS MGR = Nurse Manager
PCT = Patient Care Technician (e.g., CNA or equivalent)
PT/OT = Physical Therapy/Occupational Therapy
PTA = Physical Therapy Assistant

4. **Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.**

Response: Upon full implementation of this Certificate of Need proposal, additional clinical staff will be required to meet the anticipated demand by patients. All clinical staff will be recruited consistent with the Hospital's existing Human Resource practices, which include: advertisement in local and regional newspapers, recruitment web sites, work fairs, universities, colleges and direct applications from prospective employees.

As our facility is located only miles from the geographic center of Tennessee, our hospital will be readily accessible for employees throughout Middle Tennessee. Further, many professional schools other than Belmont and MTSU are graduating nurses, social workers, etc. in the Middle Tennessee area. We have training relationships with a number of these facilities, as noted in the response to question 6 of this section of the Application.

5. **Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.***

Response: The Applicant is familiar with all licensing certification requirements for medical/clinical staff.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (*e.g.,* internships, residencies, etc.).

Response: TrustPoint Hospital is dedicated to delivering high quality care to patients that is safe, efficient and reliable. As an organization committed to these qualities in health care delivery, TrustPoint Hospital embraces its duty to develop and train future clinical staff to care for the sick, poor and vulnerable in our community. To accomplish this mission, TrustPoint Hospital affiliates with the following colleges, universities and programs for on-site clinical training and practicum to train aspiring health care professionals.

- Belmont University
  - Nursing
  - Occupational Therapy
  - Pharmacy
  - Physical Therapy
- Eastern Tennessee State University
  - Nursing
- Middle Tennessee State University
  - Nursing
  - Speech Therapy
- Motlow College
  - Nursing
- Tennessee State University
  - Occupational Therapy
  - Physical Therapy
- Volunteer State Community College
  - Physical Therapy

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

Response: The Applicant is familiar with all licensure requirements of the regulatory agencies of the State.

(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Response:

Licensure:	Tennessee Department of Health
Accreditation:	Medicare, Medicaid/TennCare, JCAHO

(c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

Response: Both the current license and a copy of JCAHO certification are included as Attachment C.OD.7.c.

(d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

Response: The Applicant has never been surveyed by Licensure, following our opening. Therefore, we have no reported deficiencies and no POC.

8. **Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.**

Response: There have been no final orders or judgments as are contemplated by this question.

9. **Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project**

Response: There have been no final orders or judgments as are contemplated by this question.

10. **If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.**

Response: The Applicant will provide all data contemplated by this question.

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 as proof of the publication of the letter of intent.

Response: Please see attached tear sheet. If the requested documentation is not attached, it will be submitted once received.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 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.

1. **Please 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.**
2. **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.**

Form HF0004
Revised 05/03/04
Previous Forms are obsolete

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in Rule 68-11-1609(c): 05/2015.

Assuming the CON approval becomes the final agency action on that date; indicate the number of day **from the above agency decision date** to each phase of the completion forecast.

Phase	DAYS REQUIRED	Anticipated Date (MONTH/YEAR)
1. Architectural and engineering contract signed	30	06/2015
2. Construction documents approved, TDOH	60	08/2015
3. Construction contract signed	30	09/2015
4. Building permit secured	21	10/2015
5. Site preparation completed	N/A	N/A
6. Building construction commenced	7	11/2015
7. Construction 40% complete	72	01/2016
8. Construction 80% complete	72	03/2016
9. Construction 100% complete (app., occupancy)	36	05/2016
10. *Issuance of license	60	07/2016
11. *Initiation of service	30	08/2016
12. Final Architectural Certification of Payment	30	09/2016
13. Final Project Report Form (HF0055)	30	10/2016

*** For projects that do NOT involve construction or renovation : Please complete items 10 and 11 only.**

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

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

E. Graham Baker, Jr., 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 to the best of his knowledge.

E. Graham Baker, Jr.

SIGNATURE/TITLE

Sworn to and subscribed before me this 13th day of February, 2015, a
(month) (year)

Notary Public in and for the County/State of Davidson/Tennessee.

Robert A. Anderson

NOTARY PUBLIC

My commission expires 5/3/14.
(Month/Day) (Year)

ROBERT A. ANDERSON
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY, TENN.

LIST OF ATTACHMENTS

Attachment Psychiatric Inpatient Services

A.4	Organization Documents
A.5	Management Agreement
A.5.A	Curriculum Vitae
A.6	Lease
A.6.Overview	Lease Synopsis
A.6.Title	Title to Property
A.13	MCO List
B.I.A	Psychiatric Bed Utilization, Contiguous County Providers
B.I.B	Rehab Bed Utilization, Contiguous County Providers
B.I.C	Payor Sources, Historic
B.I.D	TrustPoint Bed Progression Chart
B.II.A	HSDA Cost/GSF Chart
B.II.B	Applicant's Square Footage Chart
B.II.Demographics	Primary Service Area Demographics
B.III.A.1	Plot Plan
B.III.A.2	Existing Structure
B.IV	Floor Plans
C.Need.3	Service Area Map
C.Need.4.A	US Census Bureau QuickFacts
C.Need.4.B	MUA/P
C.EF.2	Funds Commitment Letter
C.EF.10	Financials
C.OD.1	Transfer Agreement & Mutual Aid Memorandum
C.OD.3	Workforce Occupational Wages
C.OD.7.c	License and JCAHO Accreditation

PSYCHIATRIC INPATIENT SERVICES

A. Need

1. **The population-based estimate of the total need for psychiatric inpatient services is 30 beds per 100,000 general population (using population estimates prepared by the Department of Health and applying the data in Joint Annual Reports).**

Response: The *Guidelines for Growth* 30 beds per 100,000 formula was utilized.

2. **For adult programs, the age group of 18 years and older should be used in calculating the estimated total number of beds needed.**

Response: The *Guidelines for Growth* 30 beds per 100,000 formula was utilized. The age bracket in the Department's estimates for ages 15-19 was estimated at being half adult. While this estimate is not exact, it is statistically defendable when consistently used, as it was.

The adult (18 + years old) population projections for the service area, both current and projected in 2018, are given below:

Adult Population Estimates: Rutherford and Bedford Counties
2014 and 2018
Resultant Psychiatric Bed Need

County	2014	2018
Rutherford	221,513	249,934
Bedford	35,504	38,151
Total	257,017	288,085
Bed Need	78	87

Source: Tennessee Population Projections, 2010 – 2020, Division of Health Statistics, Tennessee Department of Health; Bed Need based on 30 beds/100,000 population.

Using the adult population figures above, the *Guidelines for Growth* formula shows that there currently exists a need for 78 beds, and the need will be 87 beds by 2018. TrustPoint currently operates 59 total psychiatric beds (31 Adult, plus 28 Geriatric). There are no other hospitals in our primary service area that provide the types of care we provide. Therefore, the approval of this application will have no effect on any other facilities in our primary service area.

Statistics from credible reports can be used to measure psychiatric bed need in a given service area. According to a 2010 Substance Abuse and Mental Health Services Administration report on mental health, the use of inpatient treatment for mental health conditions had averaged 0.9% of the U.S. adult population during recent years. Using that percentage and applying it to the 2014 service area adult population of 257,017, there would be 2,314 admissions made to psychiatric hospitals or psychiatric hospital units, and this amount does not include recidivism. In 2018, estimated admissions would total 2,593, not including recidivism.

Further, recidivism and average lengths of stay are considered in order to calculate bed needs. According to the most recent *Medicare Payment Advisory Commission Report (June, 2010)*:

* regarding recidivism, for individuals funded in the Medicare program, those who are admitted to a psychiatric hospital or hospital unit are admitted an average 1.5 times per year;

* the admission rate per 1,000 of population admitted to psychiatric hospitals for Medicare patients is approximately 1.2 times the admission rate of the remainder of the population; and

* the average length of stay ("ALOS") for 431,276 Medicare psychiatric cases was 13.1 days.

Further, according to the most recent applicable report from the Centers for Disease Control & Prevention, there were 1,559,000 cases of adults being admitted to inpatient psychiatric care for psychoses in 2009, for which the ALOS was 7.5 days. The psychoses diagnosis accounts for approximately 73% of all psychiatric admissions, and other diagnoses vary around the 7.5 ALOS average.

Based on these statistics, the applicant's average length of stay ("ALOS") should be applied to determine the projected number of hospital days projected to be used. The Applicant anticipates an ALOS for adult patients of 8 days, and an ALOS for geriatric patients of 13 days.

Utilizing a projected admission rate of 2,314 in 2014 and 2,593 in 2018, coupled with the anticipated ALOS rates given above, the Applicant could expect to operate the following number of beds at 100% occupancy, based on the mix of patients (adult or geriatric):

Number of Beds at 100% Occupancy
2014 and 2018

Year	Admissions	Adult Patient Days	Adult Beds	Geriatric Patient Days	Geriatric Beds
2014	2,314	18,512	50	30,082	84
2018	2,593	20,744	58	33,709	93

The chart above shows that if all 2,314 anticipated admissions in 2014 were for adult psychiatric patients and the ALOS was 8 days, there would be 18,512 patient days, which equates to needing 50 beds at 100% occupancy. In the same year, if all admissions were geriatric patients and the ALOS was 13 days, there would be 30,082 patient days, which equates to needing 84 beds at 100% occupancy. The 2018 projections are for between 58 and 93 beds, based on admissions.

As stated earlier, it is important to note that patient origin data indicates that approximately 45% of our patients originate from outside our primary service area. Taking patient origin into consideration, the unmet need for adult inpatient psychiatric beds at TrustPoint increases, as shown in the following chart:

Need for Psychiatric Beds at 100% Occupancy
2014 and 2018
Taking Patient Origin Into Consideration

(1) Year	(2) Current Beds (Adult & Geriatric)	(3) Total Beds (+ This CON)	(4) Need (Primary Svc Area)	(5) Need (Secondary Svc Area)	(6) Total Need	(7) Unmet Need
2014	59	95	78	58	136	41
2018	59	95	87	71	158	63

The above chart takes into consideration: (a) the approval of this CON, which will result in a total of 95 beds that can be used for both Adult and Geriatric Psychiatric Services (Column 3); (b) the need for psychiatric beds in only Rutherford and Bedford County, based on the *Guidelines for Growth* formula for adult psychiatric beds (Column 4); (c) the addition of another 45% need, based on historic patient origin data at TrustPoint (Column 5); (d) the total need for adult/geriatric psychiatric beds, adding primary service area need plus historic TrustPoint patient origin from secondary service area (Column 6); and (e) the unmet need for adult/geriatric psychiatric beds subtracting Column 3 (anticipated number of beds if this application is approved) from the Total Need for such beds (Column 6). This chart shows that there will remain an unmet need for adult psychiatric services even with the approval of this application. It is evident by the above chart that the beds requested in this application are clearly needed.

This application is to increase the total number of psychiatric beds (both adult and geriatric) from 59 to 95. The Applicant anticipates operating all 95 inpatient psychiatric beds at 69% and 74% for Years 1 and 2, respectively, and the entire facility at 66.7% and 72.1% for Years 1 and 2, respectively.

There will be no negative impact on existing services, as inpatient psychiatric services are non-existent except for what has already been approved for the Applicant. The closest inpatient

psychiatric services to the Applicant are in Davidson, Cannon and Williamson Counties, and this project should not affect those facilities.

3. **For child inpatient under age 13, and if adolescent program the age group of 13-17 should be used.**

Response: Not applicable.

4. **These estimates for total need should be adjusted by the existent staffed beds operating in the area as counted by the Department of Health in the Joint Annual Reports.**

Response: The Applicant has been approved for, and currently operates 59 psychiatric beds. There are no other psychiatric beds located in the service area. Thirty-one (31) of the existing psychiatric beds are currently utilized for adult patients, and 28 are utilized for geriatric patients. This application is to add 28 adult psychiatric beds and 8 geriatric beds.

(Note: This project also requests the approval of 8 additional Medical Psychiatry/Detox beds, plus a reduction of rehabilitation beds from 27 to 16).

B. Service Area

1. **The geographic service area should be reasonable and based on an optimal balance between population density and service proximity or the Community Service Agency.**

Response: The requested beds will be located at TrustPoint Hospital, LLC in Murfreesboro (Rutherford County), Tennessee. The main entrance to Trustpoint Hospital is on Thompson Lane, and the site is bounded by Wilkinson Pike (formerly known as Manson Pike). Thompson Lane is an area of major construction and expansion in the Murfreesboro area, and the site is across the street from the new Middle Tennessee Medical Center. The site is 2 miles from I-24, 0.8 miles from US-41, 0.4 miles from Medical Center Parkway, and is readily accessible for patients, their families and friends, and providers.

As discussed in the *Mental Health Issues and Needs of Older Adults*, Tennessee Department of Mental Health and Developmental Disabilities, Tennessee Mental Health Planning Council, Older Adult Committee, October 2000, access to mental health services is one of the identified difficulties in providing mental health services to older adults.

2. **The relationship of the socio-demographics of the service area, and the projected population to receive services, should be considered. The proposal's sensitivity**

to and responsiveness to the special needs of the service area should be considered including accessibility to consumers, particularly women, racial and ethnic minorities, low income groups, and those needing services involuntarily.

Response: Prior to the opening of TrustPoint Hospital, adults in the two-county service area who require psychiatric services often had difficulty accessing services. First, distances to psychiatric facilities in counties outside Bedford and Rutherford counties are often a problem since significant portions of the service area are an hour or more driving time from the existing providers located outside our service area. Secondly, many citizens in Bedford and Rutherford counties do not have the economic means or abilities to travel such distances for acute psychiatric care. Patients to be admitted involuntarily usually require public-provided transportation, and that is not practical for many patients and their families, so they often do not receive needed acute psychiatric care. TrustPoint admits individuals deemed by a court to require inpatient psychiatric care (i.e., involuntary admissions).

Much of the population have special needs, and many individuals are living alone without transportation, or the ability to self-transport, to specialized services such as psychiatric services within a practical time frame.

Please see *Attachment C.Need.3* for a map of the service area.

C. Relationship to Existing Applicable Plans

1. **The proposal's relationship to policy as formulated in state, city, county, and/or regional plans and other documents should be a significant consideration.**

Response: The State of Tennessee Health Services and Development Agency philosophy states: It "strongly favors those institutions that provide services to the elderly." Over one-third of the psychiatric patients treated by the Applicant's hospital are elderly.

The elderly have the highest need for mental health services of any segment of the population. The National Institute of Health reported that depressed older adults have the highest risk of suicide (18.5 per 100,000) of any age group. As many as 40% of nursing home residents have co-morbidity and co-existing psychiatric illnesses. TrustPoint Hospital provides improved accessibility and cost effectiveness by offering a continuum of inpatient services in close proximity to the patients' homes.

2. **The proposal's relationship to underserved geographic areas and underserved population groups as identified in state, city, county and/or regional plans and other documents should be a significant consideration.**

Response: TrustPoint Hospital is the only psychiatric facility located in Bedford and Rutherford Counties.

According to the U.S. Department of Health and Human Services, all of Bedford County is a Medically Underserved Area, and one tract in Rutherford County is a Medically Underserved Area. Further, both Rutherford County and Bedford County have health professional shortage areas. The approval of this project will bring more health care resources to the service area. See *Attachment C.Need.4.B.*

The Applicant will care for all persons who are in need of inpatient psychiatric care, without regard to race, gender, or the patient's ability to pay. In fact, this application targets the elderly, as about half of the beds will be for geriatric patients if this application is approved.

3. **The impact of the proposal on similar services supported by state appropriations should be assessed and considered.**

Response: There are no other psychiatric health care providers supported by State appropriations in the service area of Bedford and Rutherford counties.

4. **The proposal's relationship to whether or not the facility takes voluntary and/or involuntary admissions, and whether the facility serves acute and/or long-term patients, should be assessed and considered.**

Response: The Applicant's hospital admits all patients requiring inpatient psychiatric care, whether the admission is voluntary or involuntary. The involuntary admissions are important in the service area, given those individuals are usually more acutely ill than other patients, and they need acute psychiatric care closer to their home and attending physician(s).

Although the Applicant's psychiatry service is designed for acute psychiatric care, with average lengths of stay of 10 to 12 days for adults aged 18 through 64, and 12 to 14 days for elderly patients, the Applicant occasionally admits a patient who needs longer term care. The Applicant's hospital will stabilize those patients in the acute setting, and will work with other providers to find the most clinically appropriate long-term setting for those individuals.

5. **The degree of projected financial participation in the Medicare and TennCare programs should be considered.**

Response: Chart 23 illustrates the house-wide and service line percentages of each payer source that we have served from inception through December 31, 2014. The service line percentages are not expected to change significantly as a result of the bed conversion. We expect the percentage of Medicaid and Self Pay/Unfunded admissions to increase on a house-wide basis due to the relative growth in psychiatric services resulting from the proposed bed conversion.

Chart 23: Payer Mix from Inception through December 31, 2014

House-wide Payer Mix		
Payer	**Number of Admissions**	**Percentage by Payer**
BCR	1,958	28%
COM	1,398	20%
MCD	574	8%
MCR	2,202	32%
MGD	625	9%
SEL	120	2%
WRK	10	0%
Total Admissions	**6,887**	**100%**

*includes sub-acute admissions

Legend	
BCR	Blue Cross Blue Shield
COM	Commercial
MCD	Medicaid
MCR	Medicare
MGD	Managed Medicare
SEL	Self
WRK	Workers Comp

Using the above chart, the Applicant anticipates approximately 40% of its total patients will be Medicare patients (MCR + MGD) house wide. With Net Operating Income of $1,775,925 anticipated in Year 1 for this project, the impact on Medicare will be $710,370 (Net times 40%).

The Applicant anticipates approximately 8% of its total patients will be Medicaid/TennCare patients (MCD) house wide. With Net Operating Income of $1,775,925 anticipated in Year 1 for this project, the impact on Medicaid will approximate $42,623 (Net times 8% times 30% state share).

The impact on these two reimbursement programs may vary by service, as reimbursement mechanisms are impacted to a greater or lesser degree, based on the type of service. Following are charts showing anticipated payor percentages for various departments at the hospital:

Adult Psychiatry Payer Mix		
Payer	**Number of Admissions**	**Percentage by Payer**
BCR	527	26%
COM	427	21%
MCD	329	16%
MCR	520	25%
MGD	208	10%
SEL	32	2%
Total Admissions	**2,043**	**100%**

Geriatric Psychiatry Payer Mix		
Payer	Number of Admissions	Percentage by Payer
BCR	98	8%
COM	62	5%
MCD	28	2%
MCR	778	66%
MGD	219	18%
SEL	2	0%
Total Admissions	**1,187**	**100%**

Physical Medicine & Rehabilitation Payer Mix		
Payer	Number of Admissions	Percentage by Payer
BCR	209	21%
COM	108	11%
MCD	6	1%
MCR	537	55%
MGD	105	11%
SEL	7	1%
WRK	9	1%
Total Admissions	**981**	**100%**

Medical Psychiatry/Detox Payer Mix		
Payer	Number of Admissions	Percentage by Payer
BCR	48	21%
COM	28	13%
MCD	17	8%
MCR	99	44%
MGD	16	7%
SEL	16	7%
Total Admissions	**224**	**100%**

D. Relationship to Existing Similar Services in the Area.

1. The area's trends in occupancy and utilization of similar services should be considered.

Response: There are no similar services in the service area.

2. Accessibility to specific special need groups should be an important factor.

Response: TrustPoint is located on Thompson Lane in Murfreesboro (Rutherford County), Tennessee, and is accessible by major roads to all residents in Bedford and Rutherford counties. The site is two miles from the Medical Center Parkway exit of Interstate Highway 24, which is the major transportation artery through the service area. Middle Tennessee Medical Center, the largest general hospital in the service area, is across the street from the Applicant's new hospital. Two other general hospitals are in the service area: 1) Stonecrest Medical Center, in Smyrna, is approximately 14 miles to the north and is adjacent to I-24, and 2) Heritage Medical Center is approximately 28 miles to the south on Highway 231, in Shelbyville.

Due to the proximity to major highways and local providers of inpatient medical care, the Applicant's hospital is accessible with reasonable travel time to all residents of the service area.

E. Feasibility

The ability of the applicant to meet Tennessee Department of Mental Health licensure requirements (related to personnel and staffing for psychiatric inpatient facilities) should be considered.

Response: Several key members of the Applicant's staff have extensive experience in developing and operating psychiatric hospitals. The Applicant's management team opened the Lubbock hospital in 2008, and that hospital provides services similar to those provided at TrustPoint Hospital.

Some members of the Applicant's management team have worked in other psychiatric facilities in Tennessee. The Applicant's management team understands Tennessee Department of Mental Health licensure requirements, and has experience in recruiting and training staff for psychiatric services.

Please see *Attachment A.5.A.*

ATTACHMENT A.4

State of Tennessee

Department of State
Corporate Filings
312 Eighth Avenue North
6th Floor, William R. Snodgrass Tower
Nashville, TN 37243

ARTICLES OF ORGANIZATION
(LIMITED LIABILITY COMPANY)

(For use on or after 7/1/2006)

For Office Use Only

RECEIVED
STATE OF TENNESSEE
2006 OCT -5 PM 4:30
RILEY DARNELL
SECRETARY OF STATE

5869.2523

The Articles of Organization presented herein are adopted in accordance with the provisions of the Tennessee Revised Limited Liability Company Act.

1. The name of the Limited Liability Company is: SeniorHealth of Rutherford, LLC

   (NOTE: Pursuant to the provisions of TCA §48-249-106, each limited Liability Company name must contain the words "Limited Liability Company" or the abbreviation "LLC" or "L.L.C.")

2. The name and complete address of the Limited Liability Company's initial registered agent and office located in the state of Tennessee is:
   Kevin D. Lee
   (Name)
   49 Music Square West Suite 502, Nashville, TN 37203
   (Street address) *(City)* *(State/Zip Code)*
   Davidson
   (County)

3. The Limited Liability Company will be: ***(NOTE: PLEASE MARK APPLICABLE BOX)***
   ☑ Member Managed ☐ Manager Managed ☐ Director Managed

4. Number of Members at the date of filing, if more than six (6): 1 .

5. If the document is not to be effective upon filing by the Secretary of State, the delayed effective date and time is: (Not to exceed 90 days)
   Date: _____ , _____ Time: _____

6. The complete address of the Limited Liability Company's principal executive office is:
   49 Music Square West Suite 502, Nashville, TN 37205 Davidson County
   (Street Address) *(City)* *(State/County/Zip Code)*

7. Period of Duration if not perpetual: perpetual

8. Other Provisions:

9. THIS COMPANY IS A NONPROFIT LIMITED LIABILITY COMPANY (Check if applicable) ☐

10/4/2006
Signature Date

Signature

Vice President
Signer's Capacity (if other than individual capacity)

Jeffrey D. Vosel
Name (printed or typed)

SS-4270 (Rev. 05/06) Filing Fee: $50 per member (minimum fee = $300, maximum fee = $3,000 RDA 2458

State of Tennessee

Department of State
Corporate Filings
312 Eighth Avenue North
6th Floor, William R. Snodgrass Tower
Nashville, TN 37243

CHANGE OF REGISTERED AGENT/OFFICE (BY A LIMITED LIABILITY COMPANY)

For Office Use Only

RECEIVED
STATE OF TENNESSEE
2008 JAN 29 AM 12:01
RILEY DARNELL
SECRETARY OF STATE

Pursuant to the provisions of §48-208-102(a) of the Tennessee Limited Liability Company Act or §48-249-110(a) of the Tennessee Revised Limited Liability Company Act, the undersigned Limited Liability Company hereby submits this application:

1. The name of the Limited Liability Company is: SeniorHealth of Rutherford, LLC

2. The street address of its current registered office is:

   49 Music Square West, Suite 502, Nashville, TN 37203

3. If the current registered office is to be changed, the street address of the new registered office, the zip code of such office, and the county in which the office is located is:

   800 S. Gay Street, Suite 2021, Knoxville, TN 37929 (County of Knox)

4. The name of the current registered agent is: Kevin D. Lee

5. If the current registered agent is to be changed, the name of the new registered agent is:

   C T Corporation System

6. After the change(s), the street addresses of the registered office and the business office of the registered agent will be identical.

RECEIVED
STATE OF TENNESSEE
2008 JAN 28 PM 1:12
RILEY DARNELL
SECRETARY OF STATE

1/21/08
Signature Date

SeniorHealth of Rutherford, LLC
Name of Limited Liability Company

Secretary
Signer's Capacity

Kerri Kelley Frye
Signature

Kerri Kelley Frye
Name (typed or printed)

SS-4225 (Rev. 01/06) Filing Fee: $20 RDA 2458

TN048 - 1/25/06 C T System Online

6188.2315

5188-2281

LIMITED LIABILITY COMPANY ANNUAL REPORT

Annual Report Filing Fee Due:
$50 per member, with a minimum fee of $300 and a maximum fee of $3000. There is an additional fee of $20 if any changes are made in block #6 to the registered agent/office.

Please return completed form to:
TENNESSEE SECRETARY OF STATE
Attn: Annual Report
312 Eighth Avenue N. 6th Floor
William R. Snodgrass Tower
Nashville, TN 37243

CURRENT FISCAL YEAR CLOSING MONTH: 06

THIS REPORT IS DUE ON OR BEFORE: 10/01/08

(1) SECRETARY OF STATE CONTROL Number: 0531382

(2A.) NAME AND MAILING ADDRESS OF COMPANY

SENIORHEALTH OF RUTHERFORD, LLC

49 MUSIC SQUARE WEST
SUITE 502
NASHVILLE, TN 37203

(2B.) STATE OR COUNTRY OF FORMATION

(2C.) ADD OR CHANGE MAILING ADDRESS:

7113 Peach Court
Suite 204
Brentwood, TN 37027

(3) A. PRINCIPAL ADDRESS INCLUDING CITY, STATE, ZIP CODE:
49 MUSIC SQUARE WEST, SUITE 502, NASHVILLE, TN 37203

B. CHANGE OF PRINCIPAL ADDRESS:

STREET 7113 Peach Court, Suite 204 CITY Brentwood STATE TN ZIP CODE + 4 37027

(4) This LLC is ☐ BOARD MANAGED ☐ DIRECTOR MANAGED ☐ MANAGER MANAGED ☒ MEMBER MANAGED (check one box)
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. Attach an additional sheet if necessary.

NAME	BUSINESS ADDRESS	CITY, STATE, ZIP CODE + 4

(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. Attach an additional sheet if necessary.

NAME	BUSINESS ADDRESS	CITY, STATE, ZIP CODE + 4
Senior Health Incorporated	7113 Peach Ct. Ste 204	Brentwood TN 37027

(6) A. NAME OF REGISTERED AGENT AS APPEARS ON SECRETARY OF STATE RECORDS:
C T CORPORATION SYSTEM
B. REGISTERED ADDRESS AS APPEARS ON SECRETARY OF STATE RECORDS:
800 S. GAY STREET, SUITE 2021, KNOXVILLE, TN 37929
C. INDICATE BELOW ANY CHANGES TO THE REGISTERED AGENT NAME AND/OR REGISTERED OFFICE.

(i.) CHANGE OF REGISTERED AGENT: _____

(ii.) CHANGE OF REGISTERED OFFICE (Street Address): _____

(City) _____ (State) TN (Zip Code + 4) _____ (County) _____

2008 OCT -7 AM 9:17
SECRETARY OF STATE

(7) Number of members on the date the annual report is executed if there are more than six (6) members: _____
☐ This LLC is prohibited from engaging in business in Tennessee (check box if applicable).

(8) SIGNATURE: Kerri Kelley Frye

(9) DATE: 9/25/08

(10) TYPE/PRINT NAME OF SIGNER: Kerri Kelley Frye

(11) TITLE OF SIGNER: Corp Secretary

* * THIS REPORT MUST BE DATED AND SIGNED * *

SS-4253 (Rev. 01-06) INSTRUCTIONS: www.state.tn.us/sos/ or 615-741-2286 RDA 1678

6387.0744

Tennessee Limited Liability Company Annual Report Form

AR Filing #: 02070765
Status: Unsubmitted

File online at: http://www.tennesseeanytime.org/sosannual/

Due on/Before:10/01/2009

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
312 Rosa L. Parks Avenue
6th Floor, William R. Snodgrass Tower
Nashville, TN 37243
Phone: (615) 741-2286

6612.3059

SOS Control Number: 531382
Limited Liability Company - Domestic Date Formed: 10/05/2006 Formation Locale: Davidson County

(1) Name and Mailing Address:
SENIORHEALTH OF RUTHERFORD, LLC
5500 Maryland Way
Suite 200
BRENTWOOD, TN 37027-0000 USA

(2) Principal Office Address:
5500 Maryland Way
Suite 200
BRENTWOOD, TN 37027-0000 USA

(3) Registered Agent (RA) and Registered Office (RO) Address:
CT CORPORATION SYSTEM
800 S GAY ST
STE 2021
KNOXVILLE, TN 37929 USA

(4) This LLC is (change if incorrect): X Director Managed, ____Manager Managed, ____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
Kevin D Lee	5500 Maryland Way Suite 200	Brentwood, TN 37027
Kevin D Lee	5500 Maryland Way Suite 200	Brentwood, TN 37027

(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
Kevin D Lee	5500 Maryland Way Suite 200	Brentwood, TN 37027

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

(7) Signature: Kevin D. Lee (8) Date: 10/16/2009 7:47 PM

(9) Type/Print Name: Kevin D. Lee (10) Title: President & Director

Instructions: Legibly complete the form above. **Enclose a check made payable to the Tennessee Secretary of State.** 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

Tennessee Limited Liability Company Annual Report Form

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

Due on/Before:10/01/2010

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
312 Rosa L. Parks Avenue
6th Floor, William R. Snodgrass Tower
Nashville, TN 37243
Phone: (615) 741-2286

6793.0739

SOS Control Number: 531382
Limited Liability Company - Domestic Date Formed: 10/05/2006 Formation Locale: Davidson County

Name and Mailing Address:
SENIORHEALTH OF RUTHERFORD, LLC
5500 Maryland Way
Suite 200
Brentwood, TN 37027 USA

(1) Add or Change Mailing Address:

Principal Office Address:
5500 Maryland Way
Suite 200
Brentwood, TN 37027 USA

(2) Change Principal Office Address:

Registered Agent (RA) and Registered Office (RO) Address:
CT CORPORATION SYSTEM
800 S GAY ST
STE 2021
KNOXVILLE, TN 37929 USA

(3) Change RA and/or RO Address ($20 fee):

Note: The Registered Office address must be a physical Tennessee address (no postal box).

(4) This LLC is (change if incorrect): X Director Managed, ____Manager Managed, ____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. Attach additional sheet if necessary.

Name	Business Address	City, State, Zip
Kevin D. Lee	5500 Maryland Way, Suite 200	Brentwood, TN 37027
Winfield C. Dunn	" " "	" "
Charles R. F. Treadway, M.D.	" " "	" "

(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. Attach additional sheet if necessary.

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: ____
____This LLC is prohibited from doing business in Tennessee (check if applicable)

(7) Signature: Kevin D. Lee (8) Date: Nov. 5, 2010

(9) Type/Print Name: Kevin D. Lee (10) Title: President

Instructions: Legibly complete the form above. **Enclose a check made payable to the Tennessee Secretary of State.** 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

STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
William R. Snodgrass Tower
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

CFS
992 DAVIDSON DRIVE
SUITE B
NASHVILLE, TN 37205

Request Type: Certified Copies
Request #: 47727

Issuance Date: 09/21/2011
Copies Requested: 1

Document Receipt

Receipt # : 543909

Filing Fee: $20.00

Payment-Account - CFS, NASHVILLE, TN $20.00

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that **SENIORHEALTH OF RUTHERFORD, LLC**, Control # 531382 was formed or qualified to do business in the State of Tennessee on 10/05/2006. SENIORHEALTH OF RUTHERFORD, LLC has a home jurisdiction of Davidson County and is currently in an Active status.

Tre Hargett
Secretary of State

Processed By: Nichole Hambrick

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

Reference #	Date Filed	Filing Description
5869-2523	10/05/2006	Initial Filing
6188-2315	01/28/2008	Registered Agent Change (by Entity)
6387-0744	10/07/2008	2008 Annual Report (Due 10/01/2008)
6612-3059	10/20/2009	2009 Annual Report (Due 10/01/2009)
6793-0739	11/16/2010	2010 Annual Report (Due 10/01/2010)

STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
William R. Snodgrass Tower
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

TrustPoint Hospital LLC
1009 N THOMPSON LN
MURFREESBORO, TN 37129-4351

January 31, 2013

Filing Acknowledgment

Please review the filing information below and notify our office immediately of any discrepancies.

Control # : 531382 Status: Active
Filing Type: Limited Liability Company - Domestic

Document Receipt

Receipt # : 895385 Filing Fee: $20.00
Payment-Check/MO - POLARIS HOSPITAL COMPANY LLC, BRENTWOOD, TN $20.00

Amendment Type: Articles of Amendment Image # : 7139-1910
Filed Date: 01/31/2013 9:21 AM

This will acknowledge the filing of the attached articles of amendment with an effective date as indicated above. When corresponding with this office or submitting documents for filing, please refer to the control number given above.

You must also file this document in the office of the Register of Deeds in the county where the entity has its principal office if such principal office is in Tennessee.

Tre Hargett
Secretary of State

Processed By: Carol Dickerson

Field Name	Changed From	Changed To
Filing Name	SENIORHEALTH OF RUTHERFORD, LLC	TrustPoint Hospital LLC
Principal Address 1	10 CADILLAC DR	1009 N THOMPSON LN
Principal Address 2	STE 470	No value
Principal City	BRENTWOOD	MURFREESBORO
Principal Postal Code	37027-1045	37129-4351
Principal County	WILLIAMSON COUNTY	RUTHERFORD COUNTY
Mail Address 1	10 CADILLAC DR	1009 N THOMPSON LN
Mail Address 2	STE 470	No value
Mail City	BRENTWOOD	MURFREESBORO
Mail Postal Code	37027-1045	37129-4351

DEVELOPMENT AND MANAGEMENT AGREEMENT

THIS DEVELOPMENT AND MANAGEMENT AGREEMENT (this "Agreement") is made to be effective this 29th day of September, 2011 (the "Effective Date"), by and between SeniorHealth of Rutherford, LLC ("SeniorHealth"), a Tennessee Limited Liability Company, and Polaris Hospital Management, Inc., a Tennessee corporation ("Polaris"). SeniorHealth and Polaris are referred to collectively herein as the "Parties" and individually as a "Party."

RECITALS:

WHEREAS, SeniorHealth leases a hospital property (the "Property"), located in Murfreesboro, Tennessee that is scheduled to be opened for a hospital operation in July 2012;

WHEREAS, SeniorHealth expects the State of Tennessee to license the Property's hospital operation as a "general hospital." SeniorHealth will own such licensed hospital operation which will be referred to herein as "the Hospital." The Hospital will provide psychiatric services, physical medicine/rehabilitation services, and acute care services such as medical detoxification;

WHEREAS, Polaris is in the business of developing, administering, and operating psychiatric hospitals and rehabilitation hospitals and related acute care services within such hospitals; and

WHEREAS, SeniorHealth desires to avail itself of Polaris' services and Polaris desires to provide such services to SeniorHealth as set forth herein.

NOW, THEREFORE, the Parties agree as follows:

1. Term. The term of this Agreement shall commence on the Effective Date and shall continue for a term of ten (10) years (the "Initial Term"). Thereafter, this Agreement shall automatically renew for successive five (5) year terms unless either Party provides written notice to the other Party of non-renewal at least 180 days prior to the end of the Initial Term or any renewal term, whereupon this Agreement shall terminate at the end of the Initial Term or renewal term in which notice was given (the Initial Term, together with any 5-year renewal term, the "Term").

2. Appointment. SeniorHealth does hereby appoint and designate Polaris as the sole manager to manage and operate the day-to-day functions and services of the Hospital, and Polaris does hereby accept such appointment and designation. Polaris shall have no right, authority or duty to act for SeniorHealth or the Hospital with respect to any business of SeniorHealth or the Hospital not directly related to the management and administration of the Hospital. By entering into this Agreement, SeniorHealth does not delegate to Polaris any of the powers, duties and responsibilities vested in SeniorHealth by law or by the Hospital's agreements. SeniorHealth shall retain, throughout the Term, the ultimate governing authority and shall exercise ultimate control over the business, policies, operation and assets of the Hospital. Polaris is a special and limited agent of the Hospital for the purposes of carrying out its duties under this Agreement.

3. Covenants of Polaris. Polaris agrees to perform the following services for SeniorHealth and the Hospital, at the expense of Polaris, except as otherwise expressly set forth in this Agreement. The services provided for the Hospital as described below are provided for the benefit of SeniorHealth.

(a) Development Services.

(i) Polaris will schedule meetings with and inspections by appropriate governmental agencies in order to obtain all licenses, permits, provider numbers and other regulatory approvals for the opening and operation of the Hospital and to qualify the Hospital as a Medicare provider.

(ii) Polaris will assist in the planning for and purchase of all equipment and medical instruments, at the expense of the Hospital, to be installed and used at the Hospital and will coordinate the installation of such equipment.

(iii) Polaris will arrange for and take all appropriate actions for the Hospital to be surveyed and accredited by the Joint Commission and/or other accrediting agencies specified by SeniorHealth.

(iv) Polaris will develop appropriate medical staff by-laws, subject to approval by SeniorHealth, and assist in the establishment and functions of the medical staff of the Hospital.

(v) Polaris will prepare operating manuals, train or arrange for the training of the Hospital personnel and establish appropriate operating support systems for the Hospital.

(vi) Polaris will provide other development services reasonably requested by SeniorHealth.

(b) Management Services. Polaris shall furnish or cause to be furnished comprehensive management services necessary to operate the Hospital as further described herein, subject to the review and approval of such services by SeniorHealth and the limitations set forth in this Agreement, so as to provide quality patient care.

(c) Personnel. Polaris shall provide health management professionals to serve as Administrator/CEO, Chief Nursing Officer/CNO and Chief Financial Officer of the Hospital. Polaris shall provide or arrange for the necessary training to operate the Hospital in an efficient, legally compliant and effective manner. The Hospital will retain supervisory authority over Polaris personnel as may be required by applicable law. The personnel provided by Polaris shall be responsible to Polaris' chief operating officer or other designated officer, and Polaris shall be solely liable to its personnel for their wages, compensation and employee benefits. Polaris shall not knowingly employ or contract with (with or without compensation) any individual or entity listed by a federal agency as excluded, debarred, suspended or otherwise ineligible to participate in federally funded healthcare programs.

(d) Medical Co-Directors. Polaris shall assist the Hospital in contracting with two or more physicians acceptable to SeniorHealth who are members of the Hospital's medical staff to serve as "medical co-directors" to oversee clinical aspects of the Hospital.

(e) Licensure and Accreditation. Polaris shall assist SeniorHealth in the development and operation of the Hospital to meet or exceed applicable state and federal licensure, registration or certification requirements, including, but not limited to, the Medicare Conditions of Participation and Joint Commission standards. Such assistance shall consist of the development, implementation and maintenance of a comprehensive set of procedures and policies for the Hospital (the "Policy Manual"), preparation for and assistance during accreditation surveys and responding to requirements to be taken in response to such accreditation surveys. The Policy Manual, and periodic additions, deletions or amendments thereto, shall be submitted to SeniorHealth for its approval pursuant to Paragraph 6(a).

(f) Community Education Plan. Polaris shall provide an annual community education plan for review and approval by SeniorHealth. Polaris shall provide written copy and assistance in the planning, design and production of community liaison and educational literature. SeniorHealth shall be given the opportunity to provide input and recommendations with respect to such activities. Polaris shall pay the costs of its staff development program and other Polaris-sponsored training programs. Polaris shall be responsible for the travel and out-of-pocket expenses for its administrative personnel and any regional or corporate personnel that are above the monthly allowance described in Paragraph 5(.

(g) Maintenance of Business Records. Polaris shall provide or arrange for the provision of business records services, including preparing and maintaining custody and supervision of business records and documents including ledgers, journals and financial reports relating to operations of the Hospital. All Business Records shall be and remain the property of the Hospital. The Hospital's duly authorized representatives shall have the right during regular business hours of Polaris and upon the giving of reasonable prior notice to review and copy the Business Records.

(h) Bank Accounts and Cash Management. Polaris shall arrange for banking and cash management services, including establishing on behalf of the Hospital, bank accounts acceptable to the Hospital. Polaris will arrange for short-term investment/management of cash on hand in bank accounts as acceptable to the Hospital.

(i) Supplies. Polaris shall arrange for the provision, at the expense of the Hospital, of medical and office supplies reasonably required by the Hospital in connection with Hospital operations. To the extent available to Polaris directly or through an affiliate of Polaris, and subject to applicable regulatory constraints, Polaris will use reasonable efforts to obtain supplies through group purchasing organization or organizations in which Polaris, the Hospital or their affiliates may participate.

(j) Maintenance. Polaris shall arrange for provision, at the expense of the Hospital, of maintenance, repair, cleanliness and security of the Hospital premises, including the Hospital's assets.

(k) Financial Reporting and Planning. Polaris shall provide or arrange for provision of financial reporting and planning services, including preparing and submitting to the Hospital periodic financial reports reflecting financial results and status of business operations of the Hospital, and shall prepare an annual budget acceptable to the Hospital.

(l) General Services and supplies. Polaris shall arrange, at the expense of the Hospital, for necessary utilities, laundry, linen service, uniforms, printing, stationary, forms, and other services and supplies reasonably required in day-to-day operations of the Hospital.

(m) Employment-Related Services. Polaris will prepare and file, at the expense of the Hospital, all employment related forms, reports and returns required by law in connection with the Hospital's employees and contractors, including those forms, reports or returns required in connection with unemployment insurance, workers compensation coverage, employment taxes, social security and employee benefits.

(n) Supervision and Training of Personnel. Polaris shall arrange for training for personnel employed by or contracted to the Hospital who perform clinical, administrative or business functions as may be reasonably necessary for the proper and efficient business operations of the Hospital.

(o) Insurance. Polaris shall arrange during the Term, at the expense of the Hospital, for property and casualty and liability insurance for the Hospital of such kind and nature that Polaris considers appropriate to protect the Hospital against reasonably anticipated loss in connection with operation of the Hospital. All such insurance shall be obtained on commercially reasonable terms, as approved by the Hospital.

(p) Polaris Insurance. Prior to commencement of the Term of this Agreement, Polaris shall provide evidence to the Hospital of general liability insurance, through an insurance company acceptable to the Hospital, covering Polaris, its employees, agents or representatives. Polaris shall request its insurance carrier to notify the Hospital of any change or cancellation of Polaris's insurance policy. Polaris shall furnish satisfactory certificates of such insurance upon reasonable request. Polaris shall also provide and maintain workers' compensation insurance or other legally permissible plan coverage for its personnel working on the Hospital premises for amounts of compensation and liability specified under the laws of the State of Texas.

(q) Consulting and Advisory Services. Polaris shall arrange for the provision, at the expense of the Hospital, of consulting and advisory services needed by the Hospital upon Polaris's determination of a need therefor and prior notification to the Hospital of the need and intent to so provide.

(r) Compliance Program. Polaris shall assist the Hospital with establishing and maintaining a set of regulatory and accreditation compliance policies and procedures for the Hospital and conducting a compliance program in accordance therewith.

4. Covenants of the Hospital. The Hospital agrees that, at the expense of the Hospital, it shall provide or cause the following to occur:

(a) Licensure/Certification. The Hospital shall be licensed in the name of the Hospital with all appropriate authorities. The Hospital shall, at all times, be the owner and holder of all licenses, certificates, registration, Medicare/Medicaid and other appropriate governmental health care program certifications and accreditations needed to operate the Hospital. The Hospital shall be the contracting party for the Hospital and shall be the "Provider" within the meaning of all contracts and agreements for services with all patients of the Hospital and all third-party payors.

(b) Personnel. The Hospital shall provide all clinical and administrative personnel necessary to operate the Hospital, other than for those provided by Polaris as stated herein.

(c) Operating Items. The Hospital shall provide or arrange, at the expense of the Hospital, the facilities, equipment, furnishings, supplies and all other items necessary to operate the Hospital.

(d) Medical Records Ownership. All medical records shall be the property of the Hospital. The Hospital shall promptly notify Polaris of any third-party payor request for records information or any request regarding a Hospital patient.

(e) Hospital Insurance. Prior to commencement of the Term of this Agreement and upon Polaris's request from time to time thereafter, the Hospital shall provide evidence to Polaris of professional and general liability insurance, through an insurance company or structured self-insurance plan, for occurrences during the term hereof, providing limits of at least Three Million Dollars ($3,000,000) per occurrence, Five Million Dollars ($5,000,000) annual aggregate with respect to the Hospital, its employees, agents or representatives. If insurance is written on a claims-made basis, the Hospital agrees, upon termination of a claims-made policy or a change in carriers, to purchase and maintain "tail coverage" covering the appropriate retro period so coverage is in place for all occurrences during the entire Term of this Agreement. During the Term of this Agreement, the Hospital shall provide and maintain workers compensation coverage for each of its employees for the amounts of compensation and liability specified in the laws of the State of Texas. The Hospital shall furnish to Polaris satisfactory certificates of such insurance upon reasonable request. The Hospital shall request its insurance carrier notify Polaris of any change in or cancellation of the Hospital's insurance policies.

(f) Actions or Claims. The Hospital agrees to notify Polaris of any legal action claiming liability on the part of the Hospital or the Hospital, including medical malpractice related to services provided to the Hospital's patients, threatened or filed against it or any physician, or if the Hospital has knowledge of such a potential action, covering the period during which this Agreement is or was in effect. In the event any legal claim is made against Polaris, Polaris's representatives and the Hospital's representatives shall be allowed, subject to laws of confidentiality, to examine and receive photocopies of the relevant medical records, personnel files, credentials files and related supported documents regarding such malpractice claim that are not otherwise privileged and protected from discovery.

(g) Billing and Collection. The Hospital, with the assistance of Polaris as its duly authorized agent, shall have the exclusive and sole right to invoice and collect all charges for health care services rendered at the Hospital to the Hospital's patients. The Hospital is responsible for putting in place and overseeing a billing and collections function for the Hospital, including the preparation, submission to payors and other responsible parties and collection of billing statements for services provided by the Hospital, in the name of and for the account of the Hospital or the Hospital, of whatever kind and nature arising from or in connection with the operations of the Hospital.

(h) Contracting for Services. The Hospital will be responsible for negotiating with third party payors, including, without limitation, HMOs, PPOs, governmental payors and employer-sponsored welfare benefit plans; provided that Polaris agrees to assist the Hospital in entering into payor agreements.

(i) Admissions; Charges. The Hospital shall have the sole right to determine the eligibility for admission of all patients. The rates at which the Hospital will charge Program patients shall be established by the Hospital after consultation with Polaris.

5. Polaris Compensation and Fees.

Management Fee. In consideration of the management services provided by Polaris as set forth in this Agreement, it is mutually agreed that proper, fair and competitive compensation to Polaris for services to be rendered shall equal Forty-Two Thousand Dollars ($42,000) per month for the first six months of Hospital operation, and Eighty-Three Thousand Eight Hundred and One Thousand Dollars per month thereafter, or One Million and Five Thousand Six Hundred Thirteen Dollars ($1,005,613) per year, beginning with the commencement of the Hospital's operations (the "Management Fee"). The Management Fee amounts are based on Polaris's resources required to provide its services.

Except as follows, the Hospital agrees to pay Polaris the Management Fee within fifteen (15) days following the end of each month. The Management Fee for the first four full months of Hospital operation shall be due and payable in the fifth

full month of Hospital operation. In the event this Agreement is terminated for any reason, all Management Fees accrued through the effective date of the termination shall be immediately due and payable.

(a) Out-of Pocket Fees. In addition to the Management Fee, in consideration for travel expenses and related ancillary expenses incurred by Polaris staff that are reimbursable by Polaris to its staff, SeniorHealth shall pay Polaris a monthly fee of ($3,000), and such fee shall be due and payable at the same time as the Management Fee. In recognition of the expenses incurred by Polaris during the Hospital construction and development period, a fee of Thirty Thousand Dollars ($30,000) shall be payable within ninety (90) days of the Hospital achieving Joint Commission accreditation.

(b) Late Payment Penalties. If any amount due to Polaris is not paid within thirty (30) days of the date due, the amounts not paid shall bear simple interest from the date due at an annualized rate of the lesser of fifteen percent (15%) or the maximum allowed by law until such amount is paid in full. Any payment paid to Polaris thereafter shall be applied first to interest accrued but unpaid and then to unpaid amounts outstanding the longest period of time. In addition, the Parties agree that a failure by SeniorHealth to pay any amount due to Polaris hereunder within thirty (30) days of the date due hereunder shall be a material breach of this Agreement by SeniorHealth which shall give Polaris the right to terminate this Agreement after giving SeniorHealth written notice and at least ten (10) days to cure the breach.

(c) Annual prescribed adjustment. Effective October 1, 2013 and continuing as of each October 1 thereafter throughout the Term of this Agreement, the monthly Management Fee amounts (both percentage and base dollar amounts) shall be adjusted by any increase (but not a decrease) in the Rehabilitation, Psychiatric and Long Term Care ("RPL") market basket rate as determined annually by the Centers for Medicare and Medicaid Services, or its successor.

6. Coordination of the Hospital Programs/Communications. Both Parties agree and understand that:

(a) Day-to-Day Operations. Polaris shall be responsible for the supervision of the daily operations of the Hospital, and shall conduct its activities in compliance with all rules, regulations, policies and procedures of the Hospital, its medical staff, medical staff bylaws and all applicable state, federal and other governmental statutes and ordinances. Polaris shall cause all its employees to comply to the extent applicable with all terms and conditions of this Agreement and with the Policy Manual, as amended and approved by SeniorHealth. It is understood that daily patient care including diagnosis, development of the treatment plan, determining changes in the care plan and discharge planning shall be provided and supervised by the licensed physicians constituting the Hospital's medical staff practicing in the Hospital.

(b) Personnel Credentialing. The Hospital will recruit, select, train and evaluate all medical and non-medical personnel for operation of the Hospital. SeniorHealth shall consult with Polaris in the credentialing of staff for the Hospital, and Polaris and its employees participating in the credentialing process shall be considered to be engaging in peer review activity as an agent of the Hospital.

(c) Medical Staff Membership. Each of the medical co-directors, and other clinical personnel engaged in performing services hereunder, must qualify for and be at all times members in good standing of the medical and allied health professionals staff of the Hospital, as applicable. If the membership in good standing of a medical co-director or other clinical personnel is suspended, revoked or terminated, then that medical co-director or clinical personnel shall not be permitted to render services in the Hospital until his or her good-standing with the medical or allied health professional staff has been restored.

(d) Changes in Law. The Parties acknowledge that applicable laws, rules, and regulations may change at any time during the Term of this Agreement and that such change may require a modification of this Agreement. The Parties agree to give each other immediate notice of such change in applicable laws, rules, or regulations, whereupon the Parties shall in good faith negotiate a modification of this Agreement such that it complies with such changes in applicable laws, rules, or regulations.

(e) Governmental Notices. The Parties hereby agree to give each other a copy of any notice or contact received from any governmental or regulatory entity having jurisdiction with respect to the Hospital that any activity of such Party is in violation of any applicable law, rule, or regulation and to continue to promptly inform the other Party of all responses and procedures taken as a result of such notice or contact until the alleged violations is cured, or dismissed and to provide the other Party with evidence of the successful cure or dismissal of the event.

(f) Notice. All notices and other communications and all legal process in regard hereto shall be validly given or served if in writing and delivered personally or sent by registered, overnight mail, or certified mail, postage prepaid, return receipt requested or commercial courier delivery service, to the address set forth below or such address as either Party may designate to the other in writing:

If to the Hospital:
Attn: Administrator/CEO

With a copy to:

If to Polaris Hospital Management, Inc.:
Attn: Kevin D. Lee
President
c/o Polaris Hospital Company
5500 Maryland way, Suite 200
Brentwood, Tennessee 37027

7. Recruitment of Employees and Independent Contractors. SeniorHealth acknowledges that Polaris will expend substantial time, effort, and money in recruiting and training its personnel engaged in the operation of the Hospital. This paragraph applies to individuals Polaris recruits who were not employed or contracted with the Hospital prior to the Hospital commencing its operations. Hospital personnel who will operate the Hospital will have access to and possess Confidential Information (defined below) of Polaris. The Hospital agrees that during the Term of this Agreement and for one (1) year thereafter, it will not, in Rutherford County, Tennessee, and contiguous counties, knowingly employ, solicit the employment of, or in any way retain the services of any Polaris administrative personnel if such individual has been employed or retained by Polaris in Rutherford County or contiguous counties at any time during the immediately preceding one (1) year unless Polaris gives its prior written consent thereto. Polaris agrees that during the Term of this Agreement and for one (1) year thereafter, it will not employ, solicit the employment of, or in any way retain the services of any employee of the Hospital whether as an employee, consultant or independent contractor to Polaris if such individual was employed by the Hospital at any time during the immediately preceding one (1) year, unless the Hospital gives its prior written consent thereto.

8. Mutual Confidentiality/Access to Books and Records.

(a) The Parties agree that "Confidential Information" shall include, by way of illustration and not limitation, all materials provided by either Party to the other Party which are not already in the general public domain, including, but not limited to, medical records, financial information, books and records, treatment procedures, devices, equipment, memoranda, manuals, handbooks, production books, audio and visual recordings, and all models, techniques, and procedures used to provide treatment services to patients in the Hospital which are not readily available through sources in the public domain.

(b) Both Parties agree and acknowledge that the Confidential Information is disclosed to them in confidence and with the understanding that it constitutes valuable business information developed by either Party at great expenditures of time, effort, and money, provided, however, that the Party wishing to disclose Confidential Information may disclose such Confidential Information if so required by law, regulation, or court order, or it can reasonably show that it previously had general knowledge on the matters contained in the Confidential

Information. Each Party further agrees that it shall not, without the express prior written consent of the other Party, use or disclose such Confidential Information for any purpose other than in connection with the services to be rendered hereunder. Each Party further agrees:

(i) to keep strictly confidential and hold in trust all Confidential Information and not disclose such Confidential Information to any third party without the express prior written consent of the other Party; and

(ii) to use its reasonable best efforts to impose this obligation of confidentiality on its employees and independent contractors.

(c) Each Party acknowledges that the disclosure of Confidential Information to it by the other Party is done in reliance upon each party's representations and covenants in this Agreement. Upon expiration or termination of this Agreement by either Party for any reason whatsoever, each party shall immediately return and shall cause affiliates to immediately return to the other Party all Confidential Information and each Party will not, and will cause affiliates not to, thereafter use, appropriate, or reproduce such Confidential Information.

(d) Both Parties agree that the other Party shall be entitled to enjoin any breach of the provisions of this Paragraph 8, pending a final ruling or judgment on the matter.

(e) Until the expiration of four (4) years after the furnishing of the services called for by this Agreement, Polaris shall, upon request, make available to the Secretary of the Centers for Medicare and Medicaid Services or the Comptroller General, and any of their duly-authorized representatives, this Agreement and all other books, documents and records as are necessary to certify the nature and extent of the costs incurred by the Hospital in purchasing services under this Agreement. If Polaris provides such services through a subcontract worth Ten Thousand Dollars ($10,000.00) or more over a twelve-month period with a related organization, the subcontract shall also contain a clause permitting access by the Secretary, Comptroller General, and their representatives to the books and records of the related organization.

The provisions of this subparagraph are effective only to the extent that the provisions of Section 1861(v)(i)(I) of the Social Security Act [42 U.S.C. Section 1395x(v)(i)(I)] are applicable to this Agreement. The provisions of this subparagraph shall not operate as a waiver to prevent a challenge to the applicability of those provisions to this Agreement or to prevent a challenge to requests for access to specific records.

9. Health Information Confidentiality.

(a) Definitions. A defined term used in this Paragraph 9, but not otherwise defined in this Agreement, shall have the same meaning as given to the term in Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 ("HIPAA") and the regulations promulgated thereunder, including, without limitation, the Standards for Privacy of Individually Identifiable Health

Information, C.F.R. at Title 45, Parts 160 and 164 (the "Privacy Rule") and the Standards for the Security of Electronic Protected Health Information, C.F.R. at Title 45, Parts 160 and 164 (the "Security Rule"); (the Privacy Rule and the Security Rule, and other applicable laws, in each case, as amended from time to time are collectively referred to hereinafter as the "HIPAA Regulations").

(b) General. In the performance of the services called for by this Agreement, Polaris is acting in the capacity of a Business Associate and shall conform strictly with applicable federal and state laws related to the confidentiality and/or privilege of medical/Health Information, particularly as related to the Hospital. In this regard, Polaris agrees not to use or further disclose any Protected Health Information, other than as permitted by this Agreement or permitted or required by HIPAA Regulations. Protected Health Information may be used or disclosed under this Agreement as set forth below in this Paragraph 9.

(c) Permitted Uses and Disclosures of Protected Health Information. Except as otherwise limited in this Agreement, Polaris may use and/or disclose Protected Health Information to perform the functions, activities, or services specified in this Agreement, including but not necessarily limited to the services, for or on behalf of the Hospital and the operation of the Program, provided that such use and/or disclosure would not violate the HIPAA Regulations if done by the Hospital.

(d) Responsibilities of Polaris with Respect to Protected Health Information. With regard to the use and/or disclosure of Protected Health Information, Polaris hereby agrees to do the following:

(i) work with designated representatives of the Hospital to make appropriate disclosures and to obtain authorizations from individuals as necessary to comply with the HIPAA Regulations.

(ii) not to use and/or disclose Protected Health Information other than as permitted or required by this Agreement or as Required by Law.

(iii) to implement administrative, physical, and technical safeguards that (i) reasonably and appropriately protect the confidentiality, integrity, and availability of Protected Health Information that it creates, receives, maintains or transmits on behalf of the Hospital, and (ii) prevent the use or disclosure of PHI other than as contemplated by this Agreement.

(iv) to report to the Hospital a Security Incident and/or any use or disclosure of PHI other than as contemplated by this Agreement within a reasonable time of becoming aware of such Security Incident and/or use or disclosure, in accordance with the notice provisions set forth herein.

(v) to the extent Polaris uses one or more subcontractors or agents to provide services under this Agreement, to ensure that such subcontractors or agents to whom Polaris provides Protected Health Information received from, or created or received by, Polaris on behalf of the Hospital agree in

writing to the same restrictions and conditions on the use and/or disclosure of Protected Health Information that apply to Polaris pursuant to this Agreement.

(vi) to provide reasonable access to the Hospital to Protected Health Information in a Designated Record Set in order to meet the requirements under 45 CFR 164.524 (at the request of the Hospital, with prior written notice and during normal business hours of Polaris). This provision shall be applicable only if Polaris has Protected Health Information in a Designated Record Set.

(vii) to make any amendment(s) to Protected Health Information in a Designated Record Set that the Hospital directs pursuant to 45 CFR 164.526 (at the written request of the Hospital). This provision shall be applicable only if Polaris has Protected Health Information in a Designated Record Set.

(viii) to make internal practices, books, and records relating to the use and/or disclosure of Protected Health Information received from, or created or received by Polaris on behalf of the Hospital available to the Hospital (with prior written notice and during normal business hours of Polaris) or at the written request of the Hospital, to the Secretary of the federal Department of Health and Human Services or his/her designee (the "Secretary"), in a time and manner designated by the Secretary, for purposes of determining the Hospital's compliance with the Federal Privacy Regulations and Polaris's compliance with this Agreement.

(ix) to document such disclosures of Protected Health Information and information related to such disclosures as would be required for the Hospital to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 CFR 164.528.

(x) to provide to the Hospital information collected in accordance with Paragraph 9(d) (ix) of this Agreement, to permit the Hospital to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 CFR 164.528 (with prior written notice and during normal business hours of Polaris).

(e) Responsibilities of the Hospital with Respect to Protected Health Information. The Hospital shall:

(i) provide Polaris with the notice of privacy practices that the Hospital produces in accordance with 45 CFR 164.520, as well as any changes to such notice.

(ii) provide Polaris with any changes in, or revocation of, permission by an Individual to the use and/or disclose Protected Health Information, if such

changes affect Polaris's permitted or required uses and/or disclosures under this Agreement.

(iii) notify Polaris of any restriction to the use and/or disclosure of Protected Health Information that the Hospital has agreed to in accordance with 45 CFR 164.522.

(f) Specific Use and Disclosure of Protected Health Information by Polaris. Except as otherwise limited in this Agreement, Polaris may:

(i) use Protected Health Information for the proper management and administration of the Hospital as well as of Polaris and to carry out the legal responsibilities of Polaris.

(ii) disclose Protected Health Information for the proper management and administration of the Hospital as well as of Polaris, provided that the disclosures are Required by Law, or Polaris obtains reasonable assurances from the person to whom Protected Health Information is disclosed that it will remain confidential and used or further disclosed only as Required by Law or for the purpose for which it was disclosed to the person, and the person notifies Polaris of any instances of which it is aware in which the confidentiality of Protected Health Information has been breached.

(iii) use Protected Health Information to provide Data Aggregation services to the Hospital as permitted by 45 CFR 164.504(e)(2)(i)(B).

(iv) use Protected Health Information to report violations of law to appropriate federal and state authorities, consistent with 45 CFR 164.502(j)(l).

(g) Effect of Termination. Upon termination of this Agreement, if feasible, Polaris shall return or destroy, at the Hospital's discretion, all Protected Health Information received from, or created or received by Polaris on behalf of, the Hospital that Polaris still maintains in any form and retain no copies of such Protected Health Information. This Paragraph shall also apply to Protected Health Information that is in the possession of agents or subcontractors of Polaris. To the extent necessary to carry out the intent of this Paragraph, the restrictions on use and disclosure contained in this Agreement shall survive the termination of this Agreement.

10. Service Mark.

(a) Polaris, or its parent company, has and/or intends to seek trademark and/or service mark protection and copyright protection of its materials used in performing its services. Polaris agrees, upon receipt of such protection, to grant to SeniorHealth and the Hospital, for the Term of this Agreement, a non-exclusive license to use the trademarks and/or service marks and to copy those materials of Polaris.

(b) SeniorHealth recognizes that any such trademark protection and/or service mark protection granted as referenced in Paragraph 10(a) and the copyrighted materials

provided by Polaris to the Hospital are valuable assets of Polaris and SeniorHealth agrees not to use those assets in any manner which would disparage those assets or bring them into dispute or disrepute. SeniorHealth further agrees that it will not cause any materials to bear such service marks without an accompanying mark indicating that such service marks are registered service marks, if so instructed in writing by Polaris, or common law service marks.

(c) Upon expiration or termination of this Agreement by either Party for any reason whatsoever, SeniorHealth:

(i) Shall immediately discontinue all further use of Polaris' service marks, trademarks, tradenames or materials unless a separate written license agreement, expressly authorizing continued use, is entered into by the Parties hereto at that time; and

(ii) Agrees to dispose of all material, advertising, promotional matter, signs, labels, and all other written materials bearing the Polaris service marks, trademarks, tradenames or materials which are then in its possession or subject to its control.

11. Termination.

(a) Events of Termination. This Agreement may be terminated upon the occurrence of any one of the following events:

(i) Either Party shall have the right to terminate this Agreement prior to expiration of the specified term, upon written notice to the other Party, if the other Party has defaulted in the performance of any of the terms of or breached a covenant of that other Party in, this Agreement and such default has continued uncured for more than thirty (30) business days after receipt of written notice of default specifying the provision or term of the Agreement forming the basis for the default or the Parties have been unable to negotiate a modification of the Agreement within thirty (30) business days of the notice required in Paragraph 6(d). Within thirty (30) business days of receipt of notice issued pursuant to this Paragraph 11(a)(i), SeniorHealth and Polaris shall meet and use their best reasonable efforts to determine a solution to the problem with respect to which such notice was sent. Notwithstanding such meeting, the timetable for termination of the Agreement as set forth above shall remain in effect unless agreed otherwise in writing. A business day is a week day (Monday through Friday) on which national banks are open for transacting business with the general public in the City of Rutherford, Tennessee.

(ii) SeniorHealth may terminate this Agreement upon at least thirty (30) business days prior written notice and immediate payment of any and all fees due Polaris, if Polaris (1) files a petition in bankruptcy court or is adjudicated bankrupt; (2) institutes or suffers to be instituted in bankruptcy court for reorganization or rearrangement of its financial affairs; (3) has a

receiver of its assets appointed because of its insolvency; or (4) makes a general assignment for the benefit of creditors.

(iii) Polaris may terminate this Agreement upon written notice effective immediately, if SeniorHealth (1) files a petition in bankruptcy court or is adjudicated bankrupt; (2) institutes or suffers to be instituted in bankruptcy court for reorganization or rearrangement of its financial affairs; (3) has a receiver of its assets appointed because of its insolvency; or (4) makes a general assignment for the benefit of creditors.

(iv) The Parties may terminate this Agreement at any time by mutual, written agreement.

(v) This Agreement may be terminated as set forth in Paragraphs 5(b) or 11(b).

(vi) In the event of termination, it is expressly understood that SeniorHealth shall have sole responsibility for the continuing delivery of services to patients at the Hospital.

(b) Legislative or Regulatory Changes. In the event (i) Medicare, Medicaid, or any federal or state regulatory authority adopts any law, regulation, policy, procedure or interpretation thereof which establishes a material change in the method or amount of reimbursement or payment for services under this Agreement, or if (ii) any or all such payers/authorities impose requirements which require a material change in the manner of either Party's performance of its responsibilities under this Agreement and/or costs related thereto, then, upon the request of either Party materially affected by any such change in circumstances, the Parties shall enter into good faith negotiations for the purpose of establishing such amendments or modifications as may be appropriate in order to accommodate the new requirements and change of circumstances while preserving the original intent of this Agreement to the greatest extent possible. If, after thirty (30) days of such negotiations, the Parties are unable to reach an agreement as to how or whether this Agreement shall continue, then either Party may terminate this Agreement upon at least thirty (30) days' prior written notice.

(c) Effect of Termination; Liquidated Damages. The termination of this Agreement shall not affect or negate any obligations of either Party to the other Party arising prior to the date of termination. In the event SeniorHealth terminates this Agreement during the Initial Term, other than as expressly provided for in Paragraph 1 or 11(a) of this Agreement, SeniorHealth agrees to pay to Polaris, within five (5) business days of termination, an amount equal to 24 months of compensation based on the average Management Fee paid by SeniorHealth to Polaris during the six (6) full calendar months most recently preceding SeniorHealth's notice or election to terminate, which average shall not be less than Polaris' minimum monthly compensation of Forty-Two Thousand Dollars ($42,000). Each Party agrees that the amount set forth in this Paragraph 11(c) as liquidated damages is reasonable compensation to Polaris for SeniorHealth's early

termination of this Agreement in violation of this Agreement. Any termination of this Agreement shall be without prejudice to any additional rights or remedies to which the terminating Party may be entitled either at law, or in equity, or under this Agreement.

12. Representations and Warranties. Both Parties acknowledge that no warranties or representations other than those contained herein have been made or given by either Party.

13. Covenant Not to Compete.

(a) The Hospital represents, covenants, warrants, and agrees that during the Term of this Agreement, the Hospital shall not contract with another outside company to manage or operate the Hospital or any portion thereof without the express written consent of Polaris.

(b) The Hospital recognizes that the foregoing provision is reasonable as to time, territory and scope of activity to be restrained and properly required for the adequate protection of the business and goodwill of Polaris.

(c) Polaris represents, covenants, warrants and agrees that during the Term of this Agreement, Polaris shall neither directly nor indirectly own, manage, operate or control any inpatient psychiatric, rehabilitation or acute care hospital or unit within a thirty (30) mile radius of the Hospital, without the express written consent of the Hospital. This restriction shall not apply to Polaris affiliates.

(d) Hospital and Polaris acknowledge and agree that since a remedy at law for any breach or attempted breach of the provisions of this Paragraph 13 would be inadequate, each Party may be entitled to specific performance and injunctive or other equitable relief in case of any such breach or attempted breach, in addition to whatever other remedies may exist. If any restriction contained in this Agreement is held by any court of competent jurisdiction to be unenforceable, such court shall reform such restriction or element to the extent necessary to render it enforceable and then enforce it as so reformed.

14. Independent Contractor. No relationship of employer and employee or joint venture between Polaris and SeniorHealth or the Hospital is created by this Agreement, it being mutually understood and acknowledged that Polaris is at all times acting and performing as an independent contractor hereunder. SeniorHealth shall neither have nor exercise any control or direction over the methods by which Polaris or its employees perform their administrative functions. No employee of Polaris shall have any claim under this Agreement or otherwise against SeniorHealth or the Hospital for salary or other compensation, vacation or sick pay, sick leave, retirement benefits, social security, workers' compensation, disability or unemployment insurance benefits or any other employee benefits of any kind.

15. Governing Law. The validity, enforceability and interpretation of any of the clauses of this Agreement shall be determined and governed by the laws of the State of Tennessee, except as preempted by applicable federal law.

16. Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties and their successors and assigns. SeniorHealth may not assign this Agreement or any rights or obligations hereunder without the prior written consent of Polaris. Polaris may assign its rights and obligations under this Agreement to an entity that gains control over the ownership or assets of Polaris or to an affiliate of Polaris.

17. Miscellaneous.

(a) Waiver. The waiver by either Party of a breach of any term or provision of this Agreement shall not operate or be construed as a waiver of a subsequent breach to the same provision by any Party or of the breach of any other term or provision of this Agreement. The delay or failure of a Party to transmit any written notice hereunder shall not constitute a waiver by such Party of any default hereunder or of any other further default under this Agreement.

(b) Dispute Resolution. **NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, EACH PARTY SHALL INDEMNIFY AND HOLD THE OTHER PARTY HARMLESS FROM ANY AND ALL CLAIMS, DAMAGES AND LIABILITIES ARISING OUT OF THAT PARTY'S NEGLIGENCE IN THE PERFORMANCE OR NON-PERFORMANCE OF ITS DUTIES HEREUNDER.** The Parties agree that any disputes that can not be resolved between them shall first be submitted to non-binding mediation. Any lawsuits brought to enforce any provision of this Agreement shall be brought in a court of competent jurisdiction in Rutherford County, Tennessee.

(c) Entire Agreement. This Agreement constitutes the entire agreement of the Parties and supersedes all prior agreements and representations with respect to the subject matter hereof.

(d) Amendment. No amendment, modification or supplement of any provision of this Agreement shall be effective unless in writing, signed by the Parties hereto; and no waiver of any Party's obligations under this Agreement, or consent to any departure therefrom, shall be effective unless in writing, signed by the Parties hereto and then only in the specific instance and for the specific purpose given.

(e) Severability. If any provision of this Agreement is held to be inoperative, unenforceable or invalid under present or future laws effective during the Term of this Agreement, that provision shall be inoperative, unenforceable or invalid without affecting the remaining provisions. This Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and, to that end, the provisions of this Agreement are declared to be severable.

(f) Context. Whenever the context of this Agreement requires, the singular shall include the plural and the masculine gender shall include the feminine.

(g) Force Majeure. If either of the Parties is delayed or prevented from fulfilling any of its obligations under this Agreement by force majeure, said Party shall not be liable under this Agreement for said delay or failure. "Force Majeure" means any

cause beyond the reasonable control of a Party, including but not limited to act of God, act of civil or military authorities of a state or nation, fire, flood, riot, terrorism, or war.

(h) No Referral Requirements. Nothing in this Agreement or in connection herewith (1) contemplates, requires or shall require or contemplate the referral of any patient or the purchase, order or lease of any item or service by one Party or any affiliate of such Party to the other Party or any affiliate of the other Party; or (2) shall be construed as an offer or payment by one Party or any affiliate of such Party to the other Party or any affiliate of the Party of any cash or other remuneration, whether directly or indirectly, overtly or covertly, specifically for patient referrals or for recommending or arranging the purchase, lease or order of any item or service. The Parties intend and agree that all amount paid under this Agreement are intended to reflect and do reflect fair market value for the services rendered. No amount paid or to be paid hereunder is intended to be, nor shall it be construed to be, an inducement or payment for the referral of patients or for recommending or arranging the purchase, lease or order of any item or service.

The Parties acknowledge that referrals that result between the Parties and any of their personnel will be based solely on the assessment of each patient's health care needs and on the expressed preferences of each patient.

(i) No Discrimination. The Parties agree that there shall be no discrimination in the performance of this Agreement against any employee, patient, or other person as the result of that individual's race, color, disability, religion, sex, sexual preference, age or national origin or in violation of applicable federal, state or local law and regulation.

(j) Counterparts. This Agreement may be executed in any number of counterparts, each of which when taken together shall be an original, and all of which shall together constitute one agreement.

(k) Headings. Paragraph headings are for convenience of reference only and shall not be used to construe the meaning of any provision of this Agreement.

(l) Additional Documents. The Parties agree to execute any document or documents that may be requested from time to time by the other Party to implement or complete such Party's obligations pursuant to this Agreement and to cooperate fully with such Party in connection with the performance of such Party's obligations under this Agreement. The Parties also agree to take such further actions as may be necessary or appropriate in order to carry out the purposes of this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed through their duly authorized representatives as of the Effective Date.

(Signature Page Follows)

SENIORHEALTH:

SeniorHealth of Rutherford, LLC, a Tennessee Limited Liability Company

By: _____
Name: Kevin D. Lee
Its: President

POLARIS:

Polaris Hospital Management, Inc., a Tennessee Corporation

By: _____
Name: Kevin D. Lee
Its: President

WAIVER

THIS WAIVER (this "Waiver") is made to be effective this 11th day of December, 2012 (the "Effective Date"), by and between SeniorHealth of Rutherford, LLC ("SeniorHealth"), and Polaris Hospital Management, Inc. ("Polaris"). All capitalized terms used herein but not defined shall have the meanings set forth in the Management Agreement (as defined below).

RECITALS

WHEREAS, SeniorHealth of Rutherford, LLC ("SeniorHealth") and Polaris Hospital Management, Inc. ("Polaris") have entered into that certain Development and Management Agreement, dated as of September 29, 2011 (as the same may be amended, amended and restated, supplemented or otherwise modified from time to time, the "Management Agreement");

WHEREAS, pursuant to Section 5 of the Management Agreement, SeniorHealth is obligated to, among other things, pay a monthly Management Fee to Polaris in consideration of the management services provided by Polaris under the Management Agreement;

WHEREAS, SeniorHealth has requested a waiver of its obligations under Section 5 of the Management Agreement and Polaris has agreed to such wavier pursuant to the terms set forth herein;

WHEREAS, pursuant to Section 17(d) of the Management Agreement, no waiver of any Party's obligations under the Management Agreement shall be effective unless in writing, signed by both SeniorHealth and Polaris and then only in the specific instance and for the specific purpose given;

NOW, THEREFORE, in consideration of the premises set forth above and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Waiver. Effective immediately, SeniorHealth's obligations under Section 5 of the Management Agreement are hereby waived until SeniorHealth receives a written notice from Polaris, which states that such waiver has been terminated. The termination of this Waiver shall be in the sole discretion of Polaris.

2. Limitation of Waiver. The Waiver set forth above shall be limited precisely as written and relates solely to the provisions of Section 5 of the Management Agreement in the manner and to the extent described above and nothing in this Waiver shall be deemed to:

a) constitute a waiver of compliance by SeniorHealth with respect to any other term, provision or condition of the Management Agreement, or any other instrument or agreement referred to therein; or

b) prejudice any right or remedy that Polaris may now have or may have in the future under or in connection with the Management Agreement, or any other instrument or agreement referred to therein.

3. No Amendment. Unless expressly set forth herein, nothing contained in this Waiver shall be deemed or construed to amend or supplement the Management Agreement, or otherwise affect the rights and obligations of any party thereto, all of which remain in full force and effect.

4. Governing Law. This Waiver shall be governed by, and construed in accordance with, the laws of the State of Tennessee.

5. Counterparts. This Waiver may be executed in any number of counterparts, all of which shall constitute one and the same agreement, and any party hereto may execute this Waiver by signing and delivering one or more counterparts. Delivery of an executed counterpart of this Waiver electronically or by facsimile shall be effective as delivery of an original executed counterpart of this Waiver.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Waiver as of the date first above written.

SeniorHealth of Rutherford, LLC

By: _____
Name: Kevin D. Lee
Title: President

Polaris Hospital Management, Inc.

By: _____
Name: Kevin D. Lee
Title: President

Mark R. Russell

Mark R. Russell, chairman and chief executive officer, has over 40 years of healthcare experience. For a fifteen year period he held senior executive positions with two tertiary systems, Washington University School of Medicine, St. Louis, Missouri and The University of Medicine and Dentistry of New Jersey, Voorhees, New Jersey. Mark developed, operated and regionally supervised behavioral hospitals for a 16 year period in over twenty six states for Hospital Affiliates International, Psychiatric Institutes of America and Hospital Group of America. Through two companies that he founded, Aeries Health and Webster Management, Marked owned and operated the largest private behavioral health hospital in the country, subsequently divested to Psychiatric Solutions, owned a home health care company in New Jersey, subsequently divested to a mid-atlantic provider, provided direction and operations support to a vascular surgical company and directed manufacturing and distributions for durable medical equipment and supplies. Mark has held teaching assignments in health administration at Washington University Medical School, Southern Illinois University, The Strategic Airlift Military Command, and Rutgers University. He has additionally facilitated house staff education in primary service areas through testimony before the Senate Finance Committee, Chaired by Robert Dole. Mark holds a Master's Degree in Health Administration from Washington University School of Medicine and obtained additional post graduate education at Cornell University.

Victor L. Maruri

Mr. Maruri, director, is a co-founder of HCP, with over 30 years' experience as a private equity investor, investment banker, financial advisor and capital markets specialist. His experience encompasses strategic portfolio company management and a broad range of financial products expertise, including structuring and executing public and private equity transactions worldwide, designing and placing new mezzanine products, providing advisory services to private and publicly held companies, as well as capital raising for governments and agencies in over thirty countries.

Prior to co-founding HCP, Mr. Maruri worked at Banque Paribas (New York) from 1993 to 1999 as Regional Head for Latin America. He also built the Bank's investment-banking department for the region, eventually consolidating this unit with the commercial banking offices in Latin America. In 1996, Mr. Maruri was appointed to the Board of Directors of Paribas North America.

From 1987 to 1993, Mr. Maruri worked at CS First Boston (London), where he became a Managing Director and member of the Managing Board of the UK subsidiary CS First Boston. While at CS First Boston, he was in charge of private placements in Europe and investment banking for Spain and Portugal. From 1983 to 1987, Mr. Maruri worked at JP Morgan (London) where he established a sales, trading and new issue team for money market products and improved JP Morgan's ranking from 12th to 2nd in the Eurobond league tables. From 1976 to 1983, Mr. Maruri worked at Chemical Bank where he managed an international portfolio of loans and securities for a Chemical Bank affiliate. He started his career as an equity analyst monitoring the Chemical Bank's Latin American equity investments.
Mr. Maruri earned a BS in economics from the University of Miami and pursued graduate studies in business administration at New York University. He is a Board member of the New America Alliance.

Jason F. Shafer

Mr. Shafer, director, joined HCP in 2007 from Northwestern University's Kellogg School of Management. Prior to business school, Mr. Shafer worked from 2004 to 2006 at Chicago Growth

Partners, a $275 million lower-middle market private equity firm, where he focused on acquiring and managing growth buyout investments in the business services, education, industrial growth and technology industries. Before Chicago Growth Partners, he worked at William Blair Capital Partners, a middle market private equity firm with $1 billion under management, where he focused primarily on growth equity investments. Mr. Shafer started his career as an investment banker at Thomas Weisel Partners in San Francisco and New York, where he completed public and private mergers & acquisitions, public equity offerings and private placements.

Mr. Shafer earned a BA in economics, with honors, from Vanderbilt University and an MBA at Northwestern University's Kellogg School of Management.

Craig Bragg

Craig Bragg, director and vice president of rehabilitation services and chief executive officer of Trustpoint Hospital (Lubbock, TX), has 14 years of healthcare experience. Prior to joining Polaris Hospital Company, he served as Director of Inpatient Rehabilitation at University Medical Center of Lubbock from 2004 – 2008. From 2000– 2004, he was a staff physical therapist at University Medical Center. He attained recognition as a Certified Wound Specialist in 2003, through his work with burn and wound management. Mr. Bragg holds a master's in physical therapy from Texas Tech University.

Jeffrey D Woods

Jeffrey D. Woods, Chief Executive Officer of Trustpoint Hospital, has more than 25 years' experience as a healthcare executive and licensed clinician. Mr. Woods began his career serving as a commissioned officer in the United States Army. Following his military service, Mr. Woods served in a number of progressively responsible senior leadership positions within for-profit and not-for-profit health systems. In addition, Mr. Woods founded and operated a multi-state health care consulting firm for more than 10 years. Prior to joining Trustpoint Hospital, Mr. Woods served five years as an executive responsible for psychiatry and medicine areas at an Ascension Hospital located in Indianapolis, Indiana. Mr. Woods holds undergraduate degrees in psychology and nursing, advanced degrees in public health administration, counseling psychology and nursing, he is now completing his doctoral education in nursing practice with an emphasis on executive leadership. Mr. Woods is licensed in Tennessee as a Registered Nurse.

Brian Lohrding

Brian Lohrding is chief financial officer and vice president of finance for Polaris Hospital Company, LLC. He is responsible for oversight and direction of financial matters at existing and planned hospitals and the corporate entity. Prior to joining Polaris Hospital Company, LLC in early 2009, Mr. Lohrding served as Chief of Staff and Director of Operations at Highland Capital Management, L.P., a large alternative investment manager. Prior to his time in the investment industry, Mr. Lohrding was a financial auditor at both Arthur Andersen and KPMG and a graduate of Baylor University with a BBA in Accounting. He has successfully completed the Certified Public Accountant Examination.

ATTACHMENT A.6

LEASE

between

NHI-REIT OF TENNESSEE, LLC,
a Tennessee limited liability company

"Landlord"

and

SENIORHEALTH OF RUTHERFORD, LLC,
a Tennessee limited liability company

"Tenant"

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LEASE

THIS LEASE (herein the "Lease") is executed this 30th day of September, 2011, by and between SeniorHealth of Rutherford, LLC, a Tennessee limited liability company, having its principal office at 5500 Maryland Way, Suite 200, Brentwood, TN 37027, as Tenant (the "Tenant"), and NHI-REIT of Tennessee, LLC a Tennessee limited liability company, having its principal office at 222 Robert Rose Drive, Murfreesboro, Tennessee 37129, as Landlord (the "Landlord").

RECITALS

WHEREAS, Landlord owns certain real property located in Murfreesboro, Rutherford County, Tennessee, as more particularly described on Schedule 1 attached hereto (the "Land"); and

WHEREAS, Landlord desires to lease the hereinafter described Leased Property to Tenant, and Tenant desires to lease the same from Landlord, upon the terms, covenants and conditions hereinafter set forth; and

WHEREAS, Landlord has agreed to provide construction funds and Tenant has agreed to construct, furnish, and equip certain improvements on the Land so as to qualify the improvements for licensure by the Tennessee Department of Health ("TDH") as a sixty (60)-bed general hospital (the "Facility").

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties to this Lease hereby covenant and agree as follows:

ARTICLE 1. DEFINITIONS

For all purposes of this Lease, unless otherwise expressly provided in this Lease or unless the context in which such term is used indicates a contrary intent, (a) the terms defined in this Article 1 shall have the meanings ascribed to them in this Article 1, and the terms defined elsewhere in this Lease shall have the meanings ascribed to them herein, (b) all accounting terms not otherwise defined in this Article 1 shall have the meanings ascribed to them in accordance with generally accepted accounting principles at the time applicable to the accrual method of accounting, applied on a consistent basis, (c) all references in this Lease to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Lease, (d) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision, and (e) words used in the singular also include the plural, and vice versa, as the context may require:

"Additional Charges" shall have the meaning ascribed to such term in Section 5.2.

"Affiliate" shall mean (a) with respect to Tenant, any individual, corporation, business trust, association, company, partnership, joint venture, or other entity which, directly or indirectly, controls, or is controlled by, or is under common control with, Tenant, and (b) with respect to Landlord, any corporation, business trust, association, company, partnership, joint venture, or other entity which, directly or indirectly, controls, or is controlled by, or is under common control with, Landlord. As used in this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any entity, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such entity, through the ownership of voting securities, partnership interests or other equity interests, or through any other means, including the right to act as managing member.

"Architect" means Davis Stokes Collaborative.

"Assignment of Contracts and Leases" means for the Property the Assignment and Assumption of Contracts and Leases in the form of Exhibit A attached hereto and incorporated herein by this reference pursuant to which Tenant shall assign all of its right, title and interest in the Contracts and Leases (including real property leases and personal property leases) to Landlord (or to Landlord's successor in title to the Property) effective upon the termination of this Lease to the extent the same are assignable in this manner.

"Authority" shall mean the United States of America, the State, the county, the city or any other political subdivision in which any portion of the Property is located, and any other political subdivision, agency, instrumentality, department, commission, board, court, authority, official, officer, accreditation authority or any other Person, domestic or foreign, exercising jurisdiction or control over Landlord, Tenant, and/or any portion of the Property.

"Award" means all compensation, sums and any other value awarded, paid or received on a total or partial condemnation of any portion of the Property and shall specifically exclude any separate award made to Tenant as allowed in Article 17 below.

"Base Rent" shall mean the monthly installments of Base Rent payable under this Lease in the amounts set forth in Article 5, as increased as provided herein.

"Bill of Sale" means the instrument in the form of Exhibit B attached hereto and incorporated herein by this reference, pursuant to which Tenant will convey to Landlord (or to Landlord's successor in title to the Property), effective upon the termination of this Lease, all of the property described in Article 31 that is to be transferred to Landlord to the extent that same are transferable in this manner.

"Business" shall mean any business, whether healthcare related or not, which is conducted by Tenant or an Affiliate on the Property.

"Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which federally chartered banks located in the State of Tennessee, are authorized, or obligated, by law or executive order, to close.

"Cap Ex Account" shall have the meaning ascribed to such term in Section 8.2.

"Capital Additions" shall mean (a) a material expansion of the Property, (b) the material renovation of any portion of the Property, or (c) the construction of an addition to or new wing on, or conversion of, the Property, in each case, in order to (i) increase the unit, bed or service capacity, or (ii) improve, add or change any material services, both medical and non-medical, so as to include services not previously offered at that Property or expand existing services, or (iii) subject to the provisions of Section 9.3, change the purpose for which the Property is utilized.

"Capital Expenditures" shall have the meaning ascribed to such term in Section 8.1.

"Capital Improvement Reserve Agreement" shall mean the agreement between Landlord and Tenant as to the Property in the form attached as Exhibit C under which Tenant shall from time to time deposit applicable funds for future use to pay for Capital Additions.

"Cash Equivalents" means certificates of deposit, money market funds, and United States Treasury bills.

"Citation" means any operational or physical plant deficiency set forth in writing with respect to the Facility by any governmental body or agency, or Medicaid or Medicare intermediary, having regulatory oversight over the Facility, with respect to which the scope and severity of the penalty for such deficiency, if not cured, is one or more of the following: Loss of licensure or certificate of need, decertification of beds or of the Facility from participation in the Medicare and/or Medicaid programs, appointments of a temporary manager or denial of payment for new admissions.

"Commencement Date" shall mean the date of this Lease.

"Completion" means that (i) such portion of the Improvements are completed in substantial accordance with the Contract Documents (notwithstanding Punch List items which remain to be performed), as approved by Landlord, as amended by all change orders as set forth in the Development Agreement, and in accord with the Certificate of Need paid for in full, free of all mechanics', laborers', materialmens' and other similar lien claims, and completion has been certified by the Architect and approved by the Landlord's Consultant and such completion complies with all applicable requirements of the CON; (ii) a certificate of substantial completion for such Improvements has been signed by Tenant and the Architect and delivered to Landlord; (iii) Landlord has received acceptable evidence that all Governmental Requirements and all private restrictions and covenants relating to such Improvements have been complied with or satisfied and that one or more certificates of occupancy, as applicable, for such Improvements have been issued by all appropriate governmental authorities without material conditions; and (iv) the license from TDH to operate the Facility has been issued.

"Completion Date" means the date that Completion occurs.

"CON" means that certain certificate of need issued March 28, 2007 (CN0610-089A) by the Tennessee Health Services and Development Agency in the name of SeniorHealth of Rutherford, LLC.

"Condemnation" means (a) the exercise of any governmental power, whether by legal proceedings or otherwise, by a Condemnor, the purpose and intent of which is to effect a Taking,

or (b) a voluntary sale or transfer by Landlord with Tenant's consent (only required if no Event of Default has occurred and is continuing) to any Condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending.

"Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of condemnation.

"Construction Funds" shall have the meaning ascribed to such term in the Development Agreement.

"Contract Documents" shall have the meaning ascribed to such term in that certain Standard Form of Agreement Between Owner and Contractor dated September 30, 2011 between Tenant and General Contractor.

"Contracts" means collectively those agreements (other than the Operating Leases and Healthcare Permits) under which Tenant conducts the business of the Property.

"Control" means the power to direct or cause the direction of the management and policies of a Person, through the ownership of voting securities, ownership interests or other equity interests.

"Current Ratio" means the ratio of Tenant's current assets, excluding intercompany and related party receivables, to Tenant's current liabilities, excluding intercompany and related party liabilities and income taxes, determined in accordance with generally accepted accounting principles consistently applied.

"Date of Taking" means the first date the Condemnor has the right to immediate possession of the property being condemned.

"Default" means any of the events detailed in Article XVIII for which any notice or cure period, to the extent applicable, has not run.

"Development Agreement" means that certain agreement of even date herewith between Landlord and Tenant and attached hereto as Exhibit D.

"Development Budget" means the detailed budget for the cost of the construction and development of the Improvements as agreed upon by Landlord and Tenant and containing such budget information as Landlord and Tenant may request and approve [attached hereto as Exhibit E].

"Development Costs" means all costs and expenses of construction and development of the Improvements, in accordance with the Contract Documents up to the total amount set forth in the Development Budget. Without limiting the foregoing, it is intended that Development Costs include all amounts funded, advanced or accrued by Tenant hereunder in the development of the Leased Property in accordance with the Development Budgets and the Contract Documents, including without limitation, ($1,262,051.87) of advances made by the Tenant prior to the

Commencement Date as detailed on Schedule 2, up to but not to exceed without the approval of both Landlord and Tenant, the total amount set forth in the Development Budget.

"Draw Request" shall mean a request for Construction Funds in the form show on Exhibit F hereto.

"Encumbrance" shall have the meaning ascribed to such term in Article 24.

"Event of Default" shall have the meaning ascribed to such term in Section 18.1 and elsewhere throughout this Lease.

"Facility" means the sixty (60)-bed (and any additional beds allowed pursuant to Section 8.4) general hospital operated on the Property.

"Facility FF&E" means the equipment, machinery, furnishings, furniture, appliances and other items of personal property necessary, appropriate or required for the operation and occupancy of the Facility as a general hospital providing medical detoxification, psychiatric-adult and geriatric, and medical rehabilitation services identified in the Contract Documents, with vendors and items to be selected by Tenant, and to be initially installed in the Facility by Tenant in substantial accordance with the Contract Documents.

"Fair Market Value" shall be determined in accordance with the procedures described in Article 31.

"Fiscal Year" shall mean Tenant's Fiscal Year, which now ends December 31 in each calendar year, with the new Fiscal Year beginning on the following January 1. If Tenant changes its Fiscal Year at any time during the Term, Tenant shall promptly give Landlord Notice specifying such change. If any such change is made, all reporting and accounting procedures set forth in this Lease shall continue to be made in accordance with generally accepted accounting principles, consistently applied. Any appropriate adjustments to such procedures as a result of such change shall be made upon the reasonable mutual consent of Landlord and Tenant. No such change or adjustment shall alter the Term, and Tenant shall bear any accounting costs reasonably incurred by Landlord as a result of any such change or adjustment.

"Fixed Charge Coverage Ratio" means the ratio of Net Operating Income of the Facility to aggregate Base Rent for the period then ending, any lease payments or payments of interest or principal for Facility FF&E, interest payments on any line of credit of Tenant, and payments of interest or principal on secured debt of Tenant. Provided however, in calculating Net Operating Income for this ratio, interest expense shall be excluded from Operating Expenses.

"General Contractor" means Batten & Shaw, Inc.

"Governmental Authority" means the United States, the state, county, city and political subdivisions in which the Land is located or which exercise jurisdiction over the Land or the construction or operation of the Improvements thereon, and any court administrator, agency, department, commission, board, bureau or instrumentality of any of them which exercises jurisdiction over the Land or the construction or operation of the Improvements thereon, specifically including, without limitation, TDH.

"Governmental Requirement" means any law, ordinance, order, rule, regulation, decree or similar edict of a Governmental Authority, including environmental, occupational, health, safety, zoning and other land use ordinances and regulations.

"Guarantors" shall mean Dr. Richard N. Schott, Kevin D. Lee, Dr. Charles R. F. Treadway, Polaris Hospital Company, LLC, FēnX Healthcare, Inc. and Polaris Hospital Management, Inc.

"Hazardous Substances" shall mean any hazardous or toxic substances, materials or wastes listed in the United States Department of Transportation Table (49 CFR 172.101) or by the Environmental Protection Agency as hazardous substances (40 CFR Part 302) and amendments thereto, or such substances, materials and wastes which are or become regulated under any applicable local, state or federal law, including any materials, wastes or substances which are (a) hydrocarbons, petroleum and petroleum products, (b) asbestos, (c) polychlorinated biphenyls, (d) formaldehyde, (e) radioactive substances, (f) flammables and explosives, (g) described as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. Section 1251 et seq., 33 U.S.C. Section 1321 or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. Section 1317), (h) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et sea. (42 U.S.C. Section 6903), or (i) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et sea. (42 U.S.C. Section 9601), as the same may be amended from time to time or toxic mold, fungi, bacteria or other microorganism or any related etiologic agents or materials (living or nonliving).

"Healthcare Laws" means all applicable Laws relating to the operation of medical facilities (such as, but not limited to, hospitals, critical care facilities, patient healthcare, patient healthcare information, patient abuse, the quality and adequacy of medical care, rate setting, equipment, personnel, operating policies, fee splitting, including, without limitation, (a) all federal and state fraud and abuse laws, including, without limitation, the federal Anti-Kickback Statute (42 U.S.C. §1320a-7b(6)), the Stark Law (42 U.S.C. §1395nn), the civil False Claims Act (31 U.S.C. §3729 et seq.), the Patient Protection and Affordable Care Act (P.L. 111-1468), the Health Care and Education Reconciliation Act of 2010 (P.L. 111-152), the Emergency Medical Treatment and Active Labor Act (42 U.S.C. §1395 dd), (b) HIPAA; (c) TRICARE, (d) Medicare; (e) Medicaid; (f) quality, safety and accreditation standards and requirements of all applicable state laws or regulatory bodies; (g) all laws, policies, procedures, requirements and regulations pursuant to which Healthcare Permits are issued; and (h) any and all other applicable health care laws, regulations, manual provisions, policies and administrative guidance, each of (a) through (h) as may be amended from time to time.

"Healthcare Permit" means a License (a) issued or required under Healthcare Laws to operate a general hospital providing medical detoxification, psychiatric – adult and geriatric, and medical rehabilitation services or necessary in the distribution or delivery of goods or services under Healthcare Laws applicable to the business of Tenant, (b) issued by any Person from which Tenant has, as of the Closing Date, received an accreditation (including, without limitation, JCAHO), and/or (c) issued or required under Healthcare Laws applicable to the ownership, leasing and/or operation of the Facility.

"Impositions" shall mean, as to the Property, all taxes (including, without limitation, (a) all real property taxes imposed upon the Property, (b) all other real property taxes and personal property taxes imposed upon the Property, and (c) all ad valorem, sales, use, single business, gross receipts, transaction privilege, rent or similar taxes applicable to or imposed upon Tenant, Tenant's property or its business (including, but not limited to, payroll taxes) conducted upon any portion of the Property or from within the Property), assessments (including, without limitation, all supplemental real property tax assessments or assessments for public improvements or benefit, whether or not commenced or completed prior to the date hereof and whether or not to be completed within the Term), water, sewer or other rents and charges, excises, tax levies, fees (including, without limitation, license, permit, franchise, inspection, authorization and similar fees and any and all connection charges, guaranteed revenues, contributions-in-aid of construction or other charges under any developer agreement existing on the date hereof or other like agreement of record) and all other governmental charges, in each case whether general or special, ordinary or extraordinary, foreseen or unforeseen, of every character or nature whatsoever imposed with respect to or connected with the Property or the business thereon or therein by Tenant (including all interest and penalties thereon due to any failure or delay in payment thereof) which at any time prior to, during or with respect to the Term hereof may be assessed or imposed on or with respect to, or may be a lien upon (i) Landlord's interest in the Property, (ii) the Property or any part thereof or any rent therefrom or any estate, right, title or interest therein or (iii) any occupancy, operation, use or possession of, or sales from, or activity conducted on or in connection with the Property or the leasing or use of the Property or any part thereof by Tenant. For the purposes of this definition, the term "real property tax" shall mean for the Property all taxes which are imposed, levied or assessed upon or with respect to the Property, or any portion thereof (including increases in real property taxes which are caused by reason of any new construction in or to the Property). Notwithstanding the foregoing, Impositions shall not include (1) any tax based on income (whether denominated as a franchise, capital stock or other tax) imposed upon Landlord or any other person, (2) any transfer or revenue tax imposed upon Landlord or any other person (including any tax imposed as a result of a transfer, either partial or total, of Landlord's interest in the Property or which are added to a tax or charge hereinbefore included within the definition of real property tax by reason of such transfer or which are imposed by reason of this transaction, any modifications hereto, or any transfers hereof), (3) any tax imposed with respect to the sale, exchange, mortgage or other disposition by Landlord of any property (including the Property) or the proceeds thereof, or (4) any franchise tax, license tax or other like tax or fee imposed on Landlord as an entity.

"Improvements" means the Facility and other improvements to be constructed in substantial accordance with the Contract Documents, including any and all site preparation, landscaping and drainage work necessary to construct and operate the Facility as a sixty (60)-bed general hospital providing medical detoxification, psychiatric-adult and geriatric, and medical rehabilitation services.

"Initial Term" shall mean the period commencing on the Commencement Date and, unless terminated earlier or extended in accordance with the provisions of this Lease, expiring on the last day of the calendar month in which the fifteenth (15th) anniversary of the Rent Commencement Date occurs.

"Insurance Requirements" shall mean all terms and conditions of any insurance policy required by this Lease and all requirements of the issuer of any such insurance policy.

"Inventory" means the operating supply of consumable supplies, including food, drugs, medicines, materials and other supplies used in connection with the operation of the Property.

"JCAHO" means the Joint Commission on Accreditation of Healthcare Organizations.

"Land" means that certain tract of land consisting of 6.09 acres in Murfreesboro, Rutherford County, Tennessee as more particularly shown on Schedule 1 attached hereto.

"Landlord's Consultant" shall mean Walker & Associates, Inc.

"Lease" shall mean this document, as the same may be amended from time to time in accordance herewith.

"Lease Coverage Ratio" means the ratio of the Net Operating Income of the Facility to the aggregate Base Rent for the period then ending.

"Lease Guaranties" shall have the meaning ascribed to such term in Section 12.5.

"Lease Term" or "Term" shall mean the Initial Term and, if applicable, the Renewal Terms.

"Lease Year" shall mean the period starting on the Rent Commencement Date (or if the Rent Commencement Date is not on the first day of the month then on the first day of the first full month following the Rent Commencement Date) through each twelve (12) consecutive month period throughout the Term.

"Legal Requirements" shall mean all federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, common law, decrees and injunctions affecting the Property or the maintenance, construction, use, alteration, occupancy or operation thereof (including but not limited to the Permitted Use), whether now or hereafter enacted and in force (including any of the foregoing which may require repairs, modifications or alterations in or to the Property and further including all federal and state statutes relating to hospitals including but not limited to Healthcare Laws), all Licenses, land use entitlements, zoning and regulations relating thereto, and all covenants, conditions, agreements, restrictions, obligations and encumbrances contained in any instruments, either of record or known to Tenant.

"Licenses" shall mean all Healthcare Permits, and all other permits (including building permits), licenses, franchises, certificates (including certificates of occupancy), certificates of need, provider agreements with governmental entities necessary to participate in governmental programs (including, but not limited to, Medicare, Medicaid or Tricare), or other governmental approvals and similar authorizations and entitlements applicable to the Property or otherwise required under any and all Legal Requirements to perform any and all of Tenant's obligations under this Lease, and to operate the Property for the Permitted Use(s).

"Liquidity" means the sum of cash and Cash Equivalents.

"Manager" means Polaris Hospital Management, Inc.

"Management Agreement" means the Management Agreement between Tenant and Manager dated September 29, 2011 attached hereto as Exhibit G.

"Materially Adverse Effect" means any occurrence of whatsoever nature (including, without limitation, any adverse determination in any litigation, arbitration or governmental investigation or proceeding) which would have a material adverse effect on the then present or prospective financial condition or operations of Tenant or any Guarantor, the value of the Improvements or any other material collateral securing the Lease, or substantially impair the ability of Tenant or any Guarantor to perform its obligations as and when required under the Lease or Guaranty, respectively.

"Net Operating Income" means for the applicable measuring period, the net revenue of Tenant from the operation of the Facility less: Operating Expenses for the Facility (excluding management fees, and Tenant base rent liability to Landlord under the Lease Agreement); an assumed annual two and one-half percent (2.5%) management fee; and beginning with the fourth anniversary of the Rent Commencement Date, assumed annual capital expenditures in the amount of One Thousand Dollars ($1,000) per licensed bed.

"Net Worth" means total assets minus total liabilities in accordance with generally accepted accounting principles.

"NHI" means National Health Investors, Inc., a Maryland corporation.

"Notice" shall mean any notice required under this Lease, all of which shall be given pursuant to Section 32.8.

"Officer's Certificate" shall mean a certificate of Tenant or Landlord, as applicable, signed by the chief executive officer, chief financial officer, chief accounting officer or other duly authorized officer of Tenant or Landlord, as applicable.

"Operating Expenses" shall mean the total consolidated costs and expenses incurred by Tenant in the ownership, operation, maintenance, repair and management of the Property, including property taxes, insurance expense, and interest expenses to third parties, but excluding depreciation and amortization expense.

"Operating Leases" means collectively those leases of any personal property used by Tenant in connection with the operation of the Property.

"Outside Date" shall mean December 31, 2012.

"Overdue Rate" means on any date, a rate of interest equal to twelve percent (12%) per annum.

"Permitted Encumbrances" shall mean the matters set forth in Schedule 3, attached hereto and incorporated herein by this reference.

"Permitted Use" shall mean the use and operation of the Property and all parts thereof as a sixty (60)-bed (and any additional beds permitted pursuant to Section 8.4) general hospital providing medical detoxification (9 beds), psychiatric – adult and geriatric (24 beds), and medical rehabilitation services (27 beds) as licensed by the TDH, and, in connection therewith, the provision of banking and other support service uses, food services, and other ancillary services, all in full compliance with all applicable Legal Requirements.

"Person" shall mean any person, firm, limited liability company, corporation, partnership, trust or other entity.

"Property" shall mean the Land as described on Schedule 1 attached hereto, and the building and the fixtures of the Landlord, and any furniture and equipment financed by Landlord located thereon.

"Punch List Items" means minor details of construction, mechanical adjustments or decorations which remain to be completed following the Completion Date that do not (i) prevent the issuance of a certificate of use and occupancy (or the local equivalent thereof) for the Improvements and/or (ii) materially interfere with the use of the Improvements for the Permitted Use.

"Quarterly Compliance Certificate" shall have the meaning ascribed to such term in Section 23.4.

"Records" means files and records, including, but not limited to, correspondence with patients, tenants, or suppliers, books of account, employment records, patient files, records pertaining to supplies, advertising records, files, the paperless record system and all items recorded therein, and literature and other written materials of Tenant relating to the Property.

"Renewal Term" shall have the meaning ascribed to such term in Section 3.2.

"Rent" shall mean the Base Rent and Additional Charges.

"Rent Commencement Date" shall have the meaning ascribed to it in Section 3.1.

"State" shall mean the state in which the Property is located.

"Sworn Construction Cost Statement" means an itemized, certified statement of actual and estimated costs of the construction of the Improvements, in the form of Exhibit H attached hereto signed and sworn to by Tenant and Architect.

"Taking" shall mean a taking or voluntary conveyance during the Term hereof of all or any part of the Property, or any interest therein, right with respect thereto or use thereof, as a result of, incidental to, or in settlement of any Condemnation or other eminent domain proceedings affecting the Property, regardless of whether such proceedings shall have actually been commenced.

"Targeted Expenditure Amount" shall have the meaning ascribed to such term in Section 8.1.

"Term"; "Term of this Lease"; "Lease Term"; "Term hereof" shall each mean as and when used in this Lease and include the Initial Term of this Lease as defined in Article 3 hereof, and, to the extent this Lease is extended and renewed as provided herein, the Renewal Term of this Lease as defined in Article 3 hereof.

"TDH" means the Tennessee Department of Health.

"Third Party Occupant" means any tenant, sublessee, licensee, concessionaire or other occupant of the Property.

"Third Party Payor" means Medicare, Medicaid, TRICARE, and other state or federal health care program, Blue Cross and/or Blue Shield, private insurers, managed care plans and any other Person or entity which presently or in the future maintains Third Party Payor Programs.

"Unavoidable Delays" shall mean delays due to strikes, lockouts, inability to procure materials, power failures, acts of God, governmental restrictions, enemy action, civil commotion, unavoidable casualty and other causes beyond the control of the party responsible for performing an obligation hereunder, provided that lack of funds shall not be deemed a cause beyond the control of either party hereto.

ARTICLE 2. LEASE OF PROPERTY.

2.1 Letting. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, subject to the terms, covenants, conditions and provisions hereinafter set forth, all of Landlord's right, title and interest in and to the Property.

2.2 Warranty by Landlord. Landlord warrants that except for the Permitted Encumbrances, the Property is free and unencumbered by any mortgage, deed of trust, security interest, pledge, lien or encumbrance arising by, through or under Landlord, which mortgage, deed of trust, security interest, pledge, lien or encumbrance would have priority over the leasehold estate granted to Tenant by this Lease. Tenant accepts the leasehold estate granted by this Lease. Landlord retains the rights to place Encumbrances (as hereinafter defined) on the Property as provided in Article 24 hereof.

2.3 As Is/Where Is. Tenant is familiar with each and every aspect of the Property, including the condition of the Land and all Improvements thereon, and hereby accepts same on an AS IS/WHERE IS BASIS WITH ALL FAULTS and without reliance upon any representations or warranties of Landlord of any kind or nature whatsoever except as set out in Section 2.2 above or in any other provisions of this Lease, whether express or implied, and subject to all matters of every kind and description including, without limitation, (a) the existing state of title as of the date hereof, including all covenants, conditions, restrictions, ground leases, easements, Legal Requirements, mortgages, fixture filings, security agreements, financing statements and other financing instruments, including matters known to Tenant, all matters of record, and (b) matters which would be disclosed by an inspection of the Property or by an

accurate survey of each parcel of the Land and (c) all other matters which should reasonably have been known to Tenant (but excluding any matters created or caused by any acts or omissions of Landlord). Except for matters arising by, through or under Landlord (or any acts or omissions of Landlord), Tenant waives any and all claims, demands and cause or causes of action heretofore or hereafter arising against Landlord with respect to the condition of the Property or the ability of Tenant to conduct any business from the Property.

WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, LANDLORD MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROPERTY OR ANY PART THEREOF, EITHER AS TO ITS DESIGN, CONDITION, HABITABILITY, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR USE OR PURPOSE (INCLUDING, WITHOUT LIMITATION, THE PERMITTED USES) OR AS TO THE QUALITY THEREOF OR THE PRESENCE OR ABSENCE OF DEFECTS IN THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT. TENANT ACKNOWLEDGES AND AGREES THAT, AS OF THE COMMENCEMENT DATE FOR THE PROPERTY, THE PROPERTY SHALL BE CONCLUSIVELY DEEMED TO HAVE BEEN INSPECTED BY TENANT AND SHALL BE CONCLUSIVELY DEEMED TO BE SATISFACTORY TO IT IN ALL RESPECTS.

2.4 Fees. At closing, Tenant shall pay Landlord a fee of Two Hundred Fifteen Thousand Dollars ($215,000) as consideration for Landlord entering into this transaction, which at Tenant's request shall be initially advanced by Landlord as a portion of the Construction Funds.

ARTICLE 3. TERM OF LEASE

3.1 Term; Commencement Date. The Initial Term shall commence on the Commencement Date and the payment of the Rent due hereunder shall commence on the Rent Commencement Date (as herein defined) and shall remain in effect for a period of Fifteen (15) years from the Rent Commencement Date, unless terminated sooner pursuant to the provisions of this Lease. The term "Rent Commencement Date" shall mean the first day of the month following the date on which the last of the following conditions occurs or is satisfied (a) the construction of the Facility has been completed as evidenced by a Certificate of Substantial Completion by the Architect and the Facility FF&E for the Facility has been installed, (b) all means of access, ingress and egress to and from the Facility has been substantially completed, are in good working order and are available for use by Tenant, (c) a final and permanent certificate of occupancy for the Facility permitting the legal use and occupancy of the Leased Property a sixty (60)-bed general hospital providing medical detoxification (9 beds), psychiatric – adult and geriatric (24 beds) has been obtained from the applicable local governmental authority having jurisdiction; and (d) all physical plant inspections and regulatory approvals of the Facility from the applicable governmental authorities necessary for the Facility to be licensed by TDH as a sixty (60)-bed general hospital providing medical detoxification (9 beds), psychiatric – adult and geriatric (24 beds), and medical rehabilitation services (27 beds) have been obtained. In all events, the Rent Commencement Date shall be no later than the Outside Date. The parties agree that an addendum to this Lease, in the form attached as Exhibit I, shall be executed evidencing the Rent Commencement Date and the amount of Landlord's investment once the same has been established as provided in Section 5.1.

3.2 Renewal. Provided that no Event of Default hereunder has occurred and is continuing at the time of the exercise by Tenant of its option to extend, Tenant shall have the option and right to renew and extend the Term of this Lease for Five (5) additional periods of Ten (10) years each (each such Ten (10) year renewal period is referred to herein as a "Renewal Term"). Tenant shall exercise this option and right to renew and extend the Term of this Lease by giving Landlord written notice of its intent and election to do so not less than twelve (12) months prior to the expiration of the Initial Term or any applicable prior Renewal Term. Tenant's leasing of the Property during each such Renewal Term shall be upon and subject to the same terms, covenants and conditions set forth in this Lease. This Lease will be deemed extended for each Renewal Term upon Tenant giving the foregoing notice on a timely basis without the necessity of the execution by the parties of any confirmatory instrument.

ARTICLE 4. CONSTRUCTION

The construction of the Facility shall be governed by the Development Agreement attached hereto as Exhibit D and made a part hereof. To the extent that during the construction process there is any conflict between the terms of this Lease and the Development Agreement, the terms of the Development Agreement shall control.

ARTICLE 5. RENT

During the Term, Tenant shall pay the Rent, including the Base Rent and all Additional Charges due hereunder, together with any applicable State sales tax thereon, to NHI on behalf of Landlord, in lawful money of the United States of America, in immediately available funds, without right of offset other than as expressly provided herein, by wire transfer in accordance with the following instructions:

Pinnacle National Bank
Nashville, Tennessee
ABA #064008637
to credit National Health Investors, Inc.
Account #5003254

or to such other account, address, place, or person or entity, or by such other method of payment, as Landlord may designate from time to time in a Notice. The Base Rent and Additional Charges shall be paid in accordance with this Article 5.

5.1 Base Rent. Base Rent shall be paid in twelve equal monthly installments beginning on the Rent Commencement Date and on the first (1st) day of each succeeding month thereafter. The initial annual base rent shall be determined by taking ten percent (10%) of the amount of the "Landlord's Invested Amount in the Property." For purposes of determining "Landlord's Invested Amount in the Property," Landlord shall produce to Tenant a certificate verified by Landlord, that itemizes Landlord's investment, including (a) the purchase price of the Property and the amount of Construction Funds disbursed or otherwise invested by Landlord, (b) adding interest from the dates of disbursements, calculated at the rate of ten percent (10%) per annum; but less (c) Tenant's due diligence fee and/or Landlord's fee, if not disbursed from Construction Funds. Landlord's proposed Invested Amount shall be provided to Tenant in a certificate

together with Landlord's calculations and accounting detail, and said amount shall be deemed to be correct unless Landlord, within ten (10) days of providing such notice to Tenant, receives a written notice from Tenant disputing such amount and providing the basis for such disagreement. Landlord and Tenant shall in good faith cooperate to resolve such dispute. In the event such dispute is not resolved within ten (10) days, then Landlord and Tenant shall agree on an arbitrator to resolve such matter. Provided however, Base Rent in the amount determined above by Landlord shall continue to be paid until such matter is resolved. The certificate will be provided after the issuance of the certificate of occupancy for the Facility and after Tenant has submitted its final Draw Request. Beginning with the payment due on the second anniversary of the Rent Commencement Date, and continuing with the payment due on each one-year anniversary thereafter (including during the first Renewal Term), Base Rent shall increase to an amount which is one hundred two percent (102%) of the Base Rent for the year just ended. Monthly installments of Base Rent shall be prorated for any period shorter than the number of days in a whole month.

5.2 Additional Charges/Late Payments. Except for property taxes for which funds may be escrowed and paid out as described in Section 6.4 hereof and subject to Tenant's rights of contest pursuant to the provisions of Article 14, Tenant shall pay and discharge prior to delinquency all Impositions directly to the persons to whom such Impositions are owed. If Tenant fails or refuses to pay any Impositions, Tenant shall promptly pay and discharge every fine, penalty, interest and cost which may arise or accrue for the non-payment or late payment of such items. The aforementioned amounts, liabilities, obligations, Impositions, fines, penalties, interest and costs and any and all other amounts which Tenant may owe to Landlord or any other party pursuant to the terms of this Lease are referred to herein as "Additional Charges." The Additional Charges shall constitute rent hereunder. Any payment by Tenant of Additional Charges to Landlord pursuant to any requirement of this Lease shall relieve Tenant of its obligation to pay such Additional Charges to the entity to which such payment would otherwise be paid as Landlord is required to pay such Additional Charges to the Person(s) to whom such Additional Charges are owed out of the monies paid by Tenant to Landlord for such Additional Charges.

5.3 Base Rent During Renewal Terms. The Base Rent for the any Renewal Term shall be one hundred two percent (102%) times the Base Rent for the final year of the prior term. The Base Rent for each Renewal Term shall increase each subsequent year by two percent (2%).

5.4 Late Payments. Tenant hereby acknowledges that late payment by Tenant to Landlord of any Rent due under this Lease will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Landlord by the terms of any Encumbrance covering the Property. Accordingly, if any Rent (but as to Additional Charges, only those which are payable directly to Landlord) shall not be paid on or before its due date, Tenant shall pay Landlord on demand, as an Additional Charge as provided below, a late charge (to the extent permitted by law) equal to five percent (5%) of the amount of such overdue Rent and, in such event, the parties hereby agree that such late charge will represent a fair and reasonable estimate of the costs Landlord will incur by reason of the late payment by Tenant. Tenant acknowledges and agrees that there is a ten (10) calendar day grace period for payment of Base Rent and that if payments are not made on or

before the eleventh (11th) day of the month, then the late charge shall be imposed. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any other rights and remedies to which it may be entitled hereunder. If Tenant fails to pay any Rent by the due date or within any applicable grace period, such Rent shall thereafter bear interest at the Overdue Rate until paid.

5.5 Triple Net Lease. It is the purpose and intent of Landlord and Tenant that the Rent shall be absolutely net to Landlord so that Tenant shall pay or discharge, as Additional Charges hereunder, any and all Impositions, charges, costs, interest, reimbursements, liabilities, expenses and obligations of any nature whatsoever in connection with the ownership, operation and maintenance of the Property, excepting only (a) any payments for principal, interest, premiums and other costs under any mortgage, security agreement, deed of trust or other Encumbrance Landlord may place upon all or any portion of the Property, and (b) any costs actually incurred by Landlord for its own benefit with respect to the Property, such as costs for attorneys, consultants or advisers retained by Landlord, provided that such costs (i) are not otherwise payable by Tenant hereunder, and (ii) do not, directly or indirectly, arise or grow out of or in connection with Tenant's nonperformance and/or noncompliance with any obligation, covenant, term or provision of this Lease and (c) those items specifically excluded from the Impositions.

5.6 No Set-off. Landlord shall receive all Rent (but as to Additional Charges, only those which are payable directly to Landlord) due hereunder and Rent shall be due and payable by Tenant in all events, without notice or demand and without any set-off, counterclaim, abatement, suspension, deduction or defense whatsoever. In addition to the Rent reserved by this Article 5 Tenant shall pay to the parties respectively entitled thereto all Impositions (subject to Tenant's rights to contest pursuant to the provisions of Article 14), insurance premiums (as provided in Article 15), operating charges, maintenance charges, construction costs and any other charges, costs, interest (except as set forth in the foregoing paragraph), reimbursements, liabilities (except as set forth in the foregoing paragraph), expenses and obligations which arise with respect to the Property or which otherwise may be contemplated under any provisions of this Lease during the Term hereof. All of such charges, costs, interest, reimbursements, liabilities, expenses and obligations shall constitute Additional Charges, and upon the failure of Tenant to pay any such costs, charges, interest, reimbursements, liabilities, expenses or obligations and if such failure is not cured within the applicable cure period described in Section 18.1 hereof, Landlord shall have the rights and remedies provided in this Lease for the failure of Tenant to pay Rent. It is the intention of the parties hereto that, except as herein expressly provided, this Lease shall not be terminable for any reason by Tenant. To the fullest extent permitted by applicable law, any present or future law to the contrary shall not alter this agreement of the parties.

5.7 Release of Additional Funds; Increase in Rent. If the entire $21,500,000 is not funded for the construction of the Project, then Tenant, within the first two years of this Lease, and provided no Defaults or Events of Defaults hereunder have occurred or are continuing, may request disbursement of the remaining unfunded amounts. Any such disbursement shall be made only on the first day of each month. The annual Base Rent payable under this Lease shall be increased, effective as of the date the disbursement of such remaining funds, by an amount equal to (i) the amount of the remaining funds disbursed to tenant multiplied by (ii) ten percent (10.0

%) and such amount shall be and become a part of the Base Rent payable under this Lease and subject to annual adjustment for Base Rent as this Lease. As a condition to receiving such disbursement, Tenant shall execute an Addendum to this Lease setting forth the increased amount of Base Rent payable and subject to annual adjustment for the remainder of the Term as a result of the amount disbursed to Tenant hereunder.

ARTICLE 6. IMPOSITIONS

6.1 Payment of Impositions. Subject to Tenant's rights of contest pursuant to the provisions of Article 14, Tenant shall pay, or cause to be paid, all Impositions due or becoming due during the Term from and after the Commencement Date as and when such Impositions become due and payable and directly to the parties to whom such Impositions are payable prior to the date on which any fine, penalty, interest or cost may be added for non-payment. Upon request by Landlord, Tenant shall furnish to Landlord prior to the date on which any such fine, penalty, interest or cost may be added for non-payment, copies of receipts or other reasonably satisfactory evidence of such payments. Such payments shall be made directly to the authorities levying or to the other persons entitled to such Impositions, if possible. Upon Tenant's request, Landlord will advance the cost of Impositions, to the extent included in the Development Budget, payable during construction from Construction Funds.

Tenant's obligation to pay Impositions shall be deemed absolutely fixed upon the date such Impositions become due to the authority or person entitled thereto. If any such Imposition may, at the option of the payor, lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Tenant may pay the same (and shall pay any accrued interest on the unpaid balance of such Imposition) in installments, and in such event shall pay such installments (subject to Tenant's right of contest pursuant to the provisions of Article 14) as the same become due and before any fine, penalty, premium, further interest or cost is added thereto. Impositions for which escrowed funds are held by Landlord or its lender under Section 6.4 hereof shall be paid as provided in Section 6.4 and the timely payment by Tenant of any amount to be paid to Landlord under Section 6.4 or its lender shall be deemed to satisfy the Tenant's obligation to pay the Imposition for which funds are escrowed.

Landlord shall, at its expense and to the extent required or permitted by applicable laws and regulations, prepare and file (and pay at its sole cost all applicable amounts with respect to) all returns with respect to Landlord's net income, gross receipts, sales, use, single business, transaction privilege, rent, ad valorem and franchise taxes, and with respect to taxes on Landlord's capital stock. Tenant shall, at its expense, and to the extent required or permitted by applicable laws and regulations, prepare and file (and pay at its sole cost all applicable amounts with respect to) all other tax returns and reports with respect to any Imposition as may be required by governmental agencies, authorities or other persons entitled to the receipt of the Impositions.

If any refund shall be due from any taxing authority or other persons entitled to the receipt of the Impositions with respect to any Imposition paid by Tenant, the same shall be paid over to and retained by Tenant unless an Event of Default shall have occurred hereunder and be continuing, in which case such refund shall be paid over to and retained by Landlord. Any such funds retained by Landlord due to an Event of Default shall be applied as provided in

Article 18. Landlord and Tenant shall, each upon a request by the other, provide such information as is maintained by the party to whom the request is made with respect to the Property as may be reasonably necessary to prepare any required returns or reports.

If any governmental agency or authority classifies any property covered by this Lease as personal property, Tenant shall file all personal property tax returns in such jurisdictions where it may legally so file. Landlord, to the extent it possesses the same, and Tenant, to the extent it possesses the same, will provide to the other party, promptly upon request, cost and depreciation records reasonably necessary for filing returns for any property so classified as personal property. If Landlord is legally required to file any personal property tax returns, Landlord shall provide Tenant with copies of any assessment notices with respect thereto in sufficient time for Tenant to file a protest with respect thereto if it so elects pursuant to Article 14.

6.2 Notice of Impositions. Landlord shall give prompt Notice to Tenant of all Impositions payable by Tenant hereunder of which Landlord at any time has knowledge. Notwithstanding the foregoing, however, Landlord's failure to give any such Notice shall in no way diminish Tenant's obligations hereunder to pay such Impositions, but Landlord shall be responsible for any fine, penalty or interest resulting from its failure to give such Notice and any default by Tenant hereunder shall be obviated for a reasonable time after Tenant receives Notice of any Imposition which it is obligated to pay.

6.3 Adjustment of Impositions. Impositions imposed with respect to the tax period during which the Term commences or expires or terminates shall be adjusted and prorated between Landlord and Tenant, whether or not such Imposition is imposed before or after such commencement date or expiration or termination, so that Tenant is only obligated to pay that portion of such Imposition(s) pertaining to the tax period within the Term. The obligation of Tenant to pay its prorated share of Impositions shall survive expiration or earlier termination of this Lease. Likewise any refund of any Imposition paid with respect to any tax period within the Term which refund is received by Landlord during or after the expiration or termination of this Lease shall be prorated and shared with Tenant. The obligation of Landlord to pay Tenant's prorated share of any such refund shall survive expiration or earlier termination of the Lease.

6.4 Escrow for Property Taxes and Insurance Premium. Upon the written demand of Landlord with respect to the Property or if required by a lender holding a first mortgage lien on the Property or from and after a breach by Tenant of its obligations with respect to the payment of real and personal property taxes and premiums for insurance coverage required to be maintained pursuant to Article 15, which breach is not cured within ten (10) days after receipt of written notice from Landlord, Tenant shall make monthly payments to Landlord or Landlord's lender, if so directed by Landlord, in escrow on the same day Base Rent is due in the amount of one twelfth of the annual ad valorem tax, plus an amount equal to one-twelfth (1/12) of the annual premiums for required insurance coverage as to the Property. The monthly tax and property insurance premium escrow payment shall be adjusted, as necessary, from time to time to reflect changes in the annual tax amount, tax rate or changes in the assessed value of the Property, or the premiums, Landlord or Landlord's lender, as applicable, shall hold the escrowed payments in a separate account with interest. Interest earned on the escrow shall be reported as income to Tenant and shall be paid to Tenant annually upon request, provided that there is no

monetary Event of Default then outstanding hereunder. To the extent that sufficient funds exists in the escrow account, Landlord shall release funds from the escrow account to pay to the tax authorities the installments of tax due on the Property or any part thereof, and to pay to the insurance companies or agents. If there are not sufficient funds in the escrow account to meet an installment when due, upon receipt of a written request from Landlord setting forth in reasonable detail the shortfall amount, the Tenant shall pay to Landlord the shortfall in order for the full payment then due to be paid. In the event that Tenant pays any payment to the taxing authority for which funds are held in the escrow account, Landlord shall reimburse Tenant for such payment upon Landlord's receipt of proof of full payment to the tax authority and insurance companies.

6.5 Utility Charges. Tenant shall pay or cause to be paid all charges (including any connection charges and deposits) for all utilities, including, but not limited to, electricity, power, gas, oil and water, used at or for the Property during the Term.

6.6 Insurance Premiums. Tenant shall pay or cause to be paid all premiums for insurance coverage required to be maintained pursuant to Article 15.

ARTICLE 7. TERMINATION OR ABATEMENT OF LEASE

7.1 No Termination. Tenant, to the fullest extent permitted by law and unless specifically provided herein, shall remain bound by this Lease in accordance with its terms in all events. Except as expressly provided in Articles 16 or 17, Tenant shall not take any action without the prior written consent of Landlord to modify, surrender or terminate this Lease.

7.2 No Abatement. The obligations of Landlord and Tenant hereunder shall be separate and independent covenants and agreements, and Rent and all other sums shall continue to be payable by Tenant hereunder in any event. Without limiting the generality of the immediately preceding sentence Tenant shall not seek or be entitled to any abatement, deduction, deferment or reduction of Rent, or set-off against Rent, nor shall the respective obligations of Landlord and Tenant be otherwise affected by reason of (i) any damage to, or destruction of, all or any portion of the Property from whatever cause or any Taking of all or any portion of the Property; (ii) the lawful or unlawful prohibition of, or restriction upon, Tenant's use of all or any portion of the Property or the interference with such use or with Tenant's quiet enjoyment of the Property by any person or entity, unless such prohibition, restriction or interference is caused by any act or omission of Landlord, its agents, servants, employees or contractors; (iii) the eviction of Tenant from the Property or any portion thereof by any person whose rights or interest arise other than by, through or under Landlord, whether by paramount title or otherwise; (iv) any claim which Tenant has or may have against Landlord by reason of any default or breach of any warranty by Landlord under this Lease or any other agreement between Landlord and Tenant or to which Landlord and Tenant are parties; (v) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceeding affecting Landlord or any assignee or transferee of Landlord; or (vi) any other cause, whether similar or dissimilar to any of the foregoing. Provided however, to the extent Tenant uses proceeds of Business Interruption Insurance to pay monthly Rent or proceeds of Rent Loss Insurance maintained by Tenant are paid to Landlord as monthly Rent then Landlord will not be entitled to collect Rent for that month.

7.3 Waiver. Except as aforesaid, Tenant hereby specifically waives all rights, arising from any occurrence whatsoever, which (i) may now or hereafter be conferred upon it by law or otherwise to modify, surrender or terminate this Lease or quit or surrender all or any portion of the Property or (ii) entitle Tenant to any abatement, reduction, suspension or deferment of Rent or other sums payable by Tenant hereunder.

ARTICLE 8. FACILITY FF&E AND OTHER CAPITAL IMPROVEMENTS

8.1 Minimum Capital Expenditures. Beginning with the fourth anniversary of the Rent Commencement Date (prorated for any period less than a year), Tenant agrees that during each calendar year thereafter Tenant will incur expenditures at the Property, which expenditures are either (a) accounted for as capitalized expenditures under generally accepted accounting principles or (b) made for Facility FF&E ("Capital Expenditures") in the amount of One Thousand Dollars ($1,000) per licensed bed (the "Targeted Expenditure Amount"). With respect to the final calendar year during which this Lease expires or is terminated (except if terminated pursuant to Articles 16 or 17), Tenant shall pay to Landlord any shortage in required Capital Expenditures based upon the Targeted Expenditure Amount; provided, however, the Targeted Expenditure Amount shall be prorated on a daily basis for any period of less than a full calendar year. The Targeted Expenditure Amount shall also be prorated on a daily basis for the first year this Section applies. Notwithstanding any provision contained herein to the contrary, Tenant may incur amounts in any calendar year in excess of the Targeted Expenditure Amount and the excess shall be credited in reduction of the Targeted Expenditure Amount for the next calendar year; compliance shall be measured on a rolling two (2) year basis. At the Completion Date, Tenant will provide Landlord with a list of the Facility FF&E purchased by Tenant. In addition, during the term of the Lease, Tenant shall, within fifteen (15) days of acquisition, give Landlord notice of any Facility FF&E which has been financed by Landlord. Such Facility FF&E financed by Landlord shall be deemed to be the property of the Landlord.

8.2 Capital Improvement Reserve. If the report furnished to Landlord under Section 23.6 shows that Tenant failed during the applicable period to make (or cause to be made) the required Capital Expenditures under Section 8.1 with respect to the Property or Facility FF&E or if required by Landlord's lender, Tenant shall at such time fund a separate escrow account therefor with Landlord under the control of Landlord (the "Cap Ex Account") in the amount of such shortfall. Provided that no uncured monetary Event of Default exists at the time of any requested withdrawal and provided further that Tenant is not in default under the Capital Improvement Reserve Agreement, Tenant shall have the right during the Term to request withdrawals from the Cap Ex Account from time to time solely for the purpose of seeking reimbursement for Capital Expenditures incurred by Tenant in maintaining, replacing, restoring and repairing the Property or, if the cost of such item exceeds Twenty-Five Thousand Dollars ($25,000), making payment directly to the contractor or material supplier for such Capital Expenditures, after receipt of customary lien waivers. The mere use of the funds in the Cap Ex Account shall not alone be sufficient evidence of Tenant's compliance with its obligations under Section 8.1. To the extent not otherwise specifically provided for in this Section 8.2, the Cap Ex Account shall be governed by the Capital Improvement Reserve Agreement attached hereto as Exhibit C, which shall be executed herewith.

8.3 Cap Ex Account Withdrawals. Upon expiration or termination of this Lease or termination of Tenant's right to possession of the Property pursuant to Article 18, the funds in the Cap Ex Account shall automatically and immediately become the property of Landlord, and Tenant shall not thereafter be permitted to make any further withdrawals from the Cap Ex Account.

8.4 Alterations. Tenant, either directly or indirectly, may not make any material structural alteration or Capital Additions to the Property, without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. For the avoidance of doubt, landscaping, painting, floor and wallcovering replacements and any other non-structural alterations or improvements shall not be deemed to be alterations within the meaning of this provision. Provided further, the addition of 36 additional beds for psychiatric care shall be permitted hereunder on the condition that: (i) such change is approved by the TDH and is pursuant to a valid certificate of need; (ii) such addition does not necessitate any construction, demolition or other physical change to the Facility; (iii) the additional beds are to serve existing programs and services; and (iv) the additional beds are not transferable to other facililities.

8.5 Consent by Landlord. Landlord's consent to any material structural alteration under Section 8.4 or Capital Expenditures shall be deemed granted if it does not provide Tenant written notice of its objection to such proposed expenditures within 30 days of its receipt of notice of the proposed expenditures (or not less than 48 hours in case of emergencies where such Alterationsare necessary to protect or preserve any Improvements). In the event Landlord does provide an objection to any material structural alteration or Capital Additions under Section 8.4 or a Capital Expenditure on a timely basis, Tenant shall be entitled to revise the request to take into consideration Landlord's objection. In such event Tenant shall be entitled to resubmit the request for Landlord's consent and the provisions of this Section shall again apply to each such resubmittal. The process shall continue until the Landlord's consent is obtained or deemed given or Tenant withdraws the request.

ARTICLE 9. OWNERSHIP AND USE OF PROPERTY

9.1 Ownership of the Property. The Property is, and throughout the Term shall continue to be, the property of Landlord. Tenant has only the right to the exclusive possession and use of the Property, upon the terms and subject to the conditions set forth in this Lease. Tenant acknowledges and agrees that to the extent and only to the extent permitted by law, title to (i) any zoning or building approvals, or other governmental approvals (the "Approvals") which, by their nature, pertain to the Property, its ownership and its use and occupancy and (ii) all Licenses and permits (excluding Healthcare Permits) which, by their nature, pertain specifically to the Property, its ownership and its use and occupancy shall, in every respect, be owned by Landlord and are not and shall not be the property of Tenant. Tenant shall take no action and shall have no right, power or authority to encumber same or to sell, assign or transfer same, either during the Term or upon any termination of this Lease, or to use, in any manner which would impair or adversely affect the use of such Approvals.

9.2 Healthcare Laws and Permits.

(a) Upon commencement of operations of the Facility as a sixty (60)-bed general hospital providing medical detoxification, psychiatric – adult and geriatric, and medical rehabilitation services and at all times thereafter, Tenant will:

(i) maintain in full force and effect, and free from restrictions, probations, conditions or known conflicts which would materially impair the use or operation of the Facility for its current use, all Healthcare Permits necessary under Healthcare Laws (A) to carry on the business of Tenant as a sixty (60)-bed general hospital providing medical detoxification, psychiatric – adult and geriatric, and medical rehabilitation services, and (B) to receive reimbursement under Medicare and Medicaid in substantial compliance with all requirements for participation in, and for the licensure required to provide the services that are reimbursable under, Medicare and Medicaid, including, without limitation, the Medicare and Medicaid Patient Protection Act of 1987, as the same may be amended, and such other Third Party Payor Programs which Tenant has contracted with;

(ii) not suffer or permit to occur any of the following:

(A) any transfer of a Healthcare Permit or rights thereunder to any Person or to any other location;

(B) any pledge or hypothecation of any Healthcare Permit as collateral security for any indebtedness other than hereunder;

(C) any rescission, withdrawal, revocation, amendment or modification of or other alteration to the nature, tenor or scope of any Healthcare Permit, including, without limitation, (I) any change to the authorized units/beds capacity (other than as provided by Section 8.4) of the Facility and/or the number of units/beds (other than as provided by Section 8.4) approved by the applicable Governmental Authority, and (II) any transfer all or any part of the Facility's authorized units or beds to another site or location;

(D) without Landlord's prior written consent, which shall not be unreasonably withheld, the provision by Tenant of regulated services in addition to those required by Healthcare Permits; or

(E) any fact, event or circumstance which has or will have a Material Adverse Effect on Tenant;

(iii) cause all Healthcare Permits and any other agreements necessary for the use and operation of the Facility or as may be necessary for participation in Third Party Payor Programs under contract with Tenant to remain in effect without reduction in the number of licensed beds or beds authorized for use in applicable programs of Third Party Payors, unless arising from changes in applicable law affecting all similarly situated facilities or arising from new or additional uses of the Facility, as long as consistent with Permitted Uses;

(iv) provide to Landlord upon reasonable request, an accurate, complete and current list of all participation agreements with Third Party Payors with respect to the business of Tenant; and

(v) maintain a corporate health care regulatory compliance program ("CCP") which includes at least the following components and allow Landlord and/or any outside consultants from time to time to review such CCP: (A) standards of conduct and procedures that describe compliance policies regarding laws with an emphasis on prevention of fraud and abuse; (B) specific officer within high-level personnel identified as having overall responsibility for compliance with such standards and procedures; (C) training and education programs which effectively communicate the compliance standards and procedures to employees and agents, including, without limitation, fraud and abuse laws and illegal billing practices; (D) auditing and monitoring systems and reasonable steps for achieving compliance with such standards and procedures including, without limitation, publicizing a report system to allow employees and other agents to anonymously report criminal or suspect conduct and potential compliance problems; (E) disciplinary guidelines and consistent enforcement of compliance policies including, without limitation, discipline of individuals responsible for the failure to detect violations of the CCP; and (F) mechanisms to immediately respond to detected violations of the CCP.

(b) Beginning on the one-year anniversary of the Rent Commencement Date and at all times thereafter, the Facility shall be accredited by JCAHO and Tenant shall (i) maintain such accreditation in good standing and without limitation or impairment, (ii) promptly submit to JCAHO a plan of correction for any deficiencies listed on any JCAHO accreditation survey report, and (iii) cure all such deficiencies within such time frame as is necessary to preserve and maintain in good standing and without limitation or impairment such JCAHO accreditation.

(c) Upon commencement of operations of the Facility and issuance of the license by TDH to operate the Facility as a sixty (60)-bed general hospital providing medical detoxification (9 beds), psychiatric – adult and geriatric (24 beds), and medical rehabilitation services (27 beds) (the "TDH License") and at all times thereafter, Tenant has and shall maintain in full force and effect the TDH License for no less than sixty (60) licensed beds (unless modified with the prior consent to Landlord), and free from restrictions or known conflicts which would materially impair the use or operation of the Facility for its current use, and shall not permit TDH License to become provisional, probationary or restricted in any way.

9.3 Use of the Property. Throughout the entire Term and subject to Tenant's due contest right as set forth in Article 14, Tenant shall use the Property solely in accordance with its Permitted Use(s) in full compliance with all applicable Legal Requirements and all other terms, covenants, provisions and conditions of this Lease. Tenant shall not permit or consent to the cancellation, lapse or amendment of any License or permit required to operate the Property for its Permitted Use other than amendments arising from changes in applicable law affecting all similarly situated facilities arising from new or additional uses of the Property as long as such

uses are consistent with the Permitted Use. Tenant may not use the Property or the Facility for other than the Permitted Use without the prior written consent of Landlord. Tenant shall not commit or suffer to be committed any waste nor shall Tenant cause or permit any nuisance on the Property.

Tenant shall neither suffer nor permit all or any portion of the Property or the Facility, including any Capital Addition, whether or not financed or paid for by Landlord, to be used in such a manner as (i) may impair the Landlord's title to the Property or to any portion thereof or (ii) may make possible a claim or claims of adverse use, adverse possession or implied dedication of all or any portion of the Property to the public.

9.4 Continuous Operations. Once the Facility is operational, Tenant shall maintain continuous operations of the sixty (60)-bed (other than as may be increased pursuant to Section 8.4) general hospital providing medical detoxification (9 beds), psychiatric – adult and geriatric (24 beds), and medical rehabilitation services (27 beds) on the Property in accordance with the provisions of this Lease and shall not cease such operations other than a temporary cessation caused by Unavoidable Delays. Tenant shall not voluntarily reduce the number of beds for which the Facility has licenses to operate, and Tenant shall not permanently close any units or beds in the Facility without the prior written consent of Landlord, which shall not be unreasonably withheld. Notwithstanding any provision contained herein to the contrary, Tenant shall have the right, with the prior written consent of the Landlord, not to be unnecessarily withheld, to increase the number of licensed beds at any time, and establish a separately licensed psychiatric hospital or other licensed provider on the Property.

9.5 Hazardous Substances. For the purposes of this Section only, the term "Real Property" shall refer to the real property and Improvements which are part of the broader defined term Property and all air, soil, groundwater, surface water or soils vapor at, on, about, under or within any portion of such real property and Improvements.

(a) Tenant will keep the Real Property free and clear of all Hazardous Substances other than those Hazardous Substances which are required for the operation of the Real Property (which Hazardous Substances shall be handled, used and disposed of in strict compliance with the Legal Requirements and Insurance Requirements) and Tenant shall pay all costs required to properly use, handle, remediate and dispose of all Hazardous Substances introduced by Tenant or its Agents (as defined below) or otherwise discovered or arising on the Real Property as and when due and Tenant will keep the Real Property free and clear of any lien relating to Hazardous Substances discovered or arising on the Real Property which may be imposed pursuant to the Legal Requirements and imposed as a result of the presence of such Hazardous Substance on the Real Property.

(b) All operations or activities upon, or any use or occupancy of the Real Property, or any portion thereof, by Tenant, or any agent, contractor or employee, or subtenant of Tenant (any of the foregoing being defined herein as Tenant's "Agent") shall at all times during the Term be in all respects in strict compliance with any and all Legal Requirements relating to Hazardous Substances, including, but not limited to, the discharge and removal of Hazardous Substances.

(c) Tenant will not, nor will Tenant permit, any agent, contractor or employee or subtenant of Tenant, to allow the manufacture, storage, voluntary transmission or presence of any Hazardous Substances over or upon the Real Property or any portion thereof (except in strict compliance with the Legal Requirements). Landlord shall have the right at any time to conduct, at its cost, an environmental audit of the Real Property or any portion thereof and Tenant shall reasonably cooperate in the conduct of such environmental audit. Furthermore, Tenant will not, nor will Tenant permit any Agent to, install or permit to be installed (except in strict compliance with applicable Legal Requirements), in or on the Real Property or any portion thereof, friable asbestos or any substance containing asbestos or similarly deemed hazardous by governmental authorities or the Legal Requirements respecting such materials.

(d) Tenant shall promptly notify Landlord in writing of any order, receipt of any notice of violation or noncompliance with any applicable law, rule, regulation, standard or order, any threatened or pending action by any regulatory agency or other governmental authority, or any claims made by any third party, in each case relating to Hazardous Substances on, emanations of Hazardous Substances on or from, releases of Hazardous Substances on or from, or threats of releases on or from any of the Real Property; and shall promptly furnish the Landlord with copies of any correspondence, notices, or legal pleadings in connection therewith. Landlord shall have the right, but shall not be obligated, to notify any governmental authority of any state of facts which may come to its attention with respect to Hazardous Substances on, released from or emanating from any part of the Real Property which Landlord reasonably believes may cause harm to any persons or Real Property.

(e) Without limiting Section 21.1, Tenant agrees to indemnify, protect, defend (with counsel reasonably approved by Landlord) and hold Landlord, and the directors, officers, shareholders, employees and agents of Landlord, harmless from any claims (including, without limitation, third party claims for personal injury or real or personal Real Property damage, or natural resources damage), actions, administrative proceedings (including informal proceedings), judgments, damages, punitive damages, penalties, fines, costs, liabilities (including sums paid in settlements of claims), interest or losses, including reasonable attorneys' and paralegals, fees and expenses (including any such fees and expenses incurred in enforcing the environmental covenants and obligations of Tenant under this Lease or collecting any sums due hereunder), consultant fees, and expert fees, together with all other costs and expenses of any kind or nature that arise directly or indirectly from or in connection with the presence, suspected presence, release or threatened release of any Hazardous Substance in or into or at, on, about, under or within the Real Property, or any portion thereof, whether or not as a result of the acts or omissions of Tenant or its Agents during the Term of this Lease (collectively, the "Costs"). Costs include only Landlord's actual damages but not consequential damages. The indemnification provided in this subsection shall specifically apply to and include claims or actions brought by or on behalf of employees of Tenant, or contractors, or employees of contractors of Tenant and, as between Landlord and Tenant, Tenant hereby expressly waives any immunity to which Tenant may otherwise be entitled under any industrial or worker's compensation laws.

In the event Landlord shall suffer or incur any such documented Costs, Tenant shall pay to Landlord the total of all such Costs suffered or incurred by Landlord upon demand therefor by Landlord. Without limiting the generality of the foregoing, the indemnification provided by this subsection shall specifically cover Costs, including capital, operating and maintenance costs, incurred in connection with any investigation or monitoring of site conditions, any clean-up, containment, remedial, removal or restoration work required or performed by any Federal, state or local governmental agency or political subdivision or performed by any non-governmental entity or person because of the presence, suspected presence, release or suspected release of any Hazardous Substance in or into the air, soil, groundwater, surface water or soil vapor at, on, about, under or within the Real Property (or any portion thereof), and any claims of third parties for loss or damage due to such Hazardous Substance. In addition, the indemnification provided by this subsection shall include, without limitation, all loss or damage sustained by Landlord or any third party due to any Hazardous Substance that migrates, flows, percolates, diffuses or in any way moves onto, into or under the air, soil, groundwater, surface water or soil vapor at, on, about, under or within the Real Property (or any portion thereof).

(f) In the event any investigation or monitoring of site conditions or any clean-up, containment, restoration, removal or other remedial work is required under any applicable Legal Requirement, any judicial order, or any order of any governmental entity, or in order to comply with any agreements affecting all or any portion of the Real Property because of, or in connection with, any occurrence or event described in subsection (e) above (collectively, the "Remedial Work"), Tenant shall perform or cause to be performed the Remedial Work in compliance with such law, regulation, order or agreement and subject to the final review and reasonable approval of Landlord for compliance with Legal Requirements; provided, that Tenant may withhold such compliance pursuant to a good faith dispute regarding the application, interpretation or validity of the law, regulation, order, or agreement, subject to the requirements of subsection (g) below; provided, however, that Landlord shall reasonably cooperate with Tenant to the extent necessary to deliver such authorization as may be required in order for Tenant to perform its obligations under this subsection.

All Remedial Work shall be performed by one or more contractors, selected by Tenant and reasonably approved in advance in writing by Landlord in its reasonable discretion, and under the supervision of a consulting engineer, selected by Tenant and reasonably approved in advance in writing by Landlord in its reasonable discretion. All reasonable costs and expenses of such Remedial Work shall be paid by Tenant, including, without limitation, the reasonable charges of such contractor(s) and/or the consulting engineer and reasonable costs incurred by Landlord "in house" (such as photocopying charges and travel costs for Landlord's employees) in connection with monitoring or review of such Remedial Work. In the event Tenant shall fail timely to commence, or cause to be commenced, or fail diligently to prosecute, or cause to be prosecuted, to completion, or fail to complete, or cause to be completed, to Landlord's reasonable satisfaction, such Remedial Work in compliance with Legal Requirements, Landlord may, but shall not be required, to cause such Remedial Work to be performed, and all reasonable documented costs and expenses thereof, or incurred in connection

therewith, shall be Costs within the meaning of subsection (e) above. All such Costs payable pursuant to the foregoing sentence shall be due and payable upon demand therefor by Landlord. If Tenant fails to perform its obligations hereunder, Landlord shall be subrogated to any rights Tenant may have under any indemnifications from any present, future or former owners, tenants or other occupants or users of the Real Property (or any portion thereof), relating to the matters covered by this Section.

(g) Notwithstanding any provision of this Section to the contrary, but without limiting the provisions of Article 14 or Tenant's obligations of protection, defense and indemnification under Section 9.5(e), Tenant will be permitted to contest or cause to be contested, subject to compliance with the requirements of this subsection (g) and Article 14, by appropriate action any Remedial Work requirement, and Landlord shall not perform such requirement on its behalf, so long as Tenant has given Landlord Notice that Tenant is contesting or shall contest or cause to be contested the same, and Tenant actually contests or causes to be contested the application, interpretation or validity of the governmental law, regulation, order or agreement pertaining to the Remedial Work by appropriate proceedings conducted in good faith with due diligence; provided, such contest shall not subject Landlord to civil liability and does not jeopardize Landlord's interest in the Real Property or affect in any way the payment of any sums to be paid under this Lease. Tenant shall give such security or assurances as may be reasonably required by Landlord to insure compliance with the legal requirements pertaining to the Remedial Work (and payment of all costs, expenses, interest and penalties in connection therewith) and to prevent any sale, forfeiture or loss by reason of such nonpayment or noncompliance.

(h) The obligations of Tenant under this Section shall survive expiration or earlier termination of this Lease. Any costs and other payments required to be paid by Tenant to Landlord under this Section which are not paid within sixty (60) days after a written demand therefor, shall thereupon be considered delinquent. Tenant shall pay to Landlord immediately upon demand therefor interest on such overdue amounts, from the date when due until paid, at the Overdue Rate.

ARTICLE 10. LEGAL REQUIREMENTS AND INSURANCE REQUIREMENTS

10.1 Compliance with Legal Requirements, Insurance Requirements and Instruments. Subject to the rights of Tenant as provided in Article 14 relating to permitted contests, Tenant, at its sole cost and expense, shall promptly (a) comply with all applicable Legal Requirements and Insurance Requirements with respect to the use, operation, maintenance, repair and restoration of the Property, whether or not compliance therewith shall require the construction of any additional parking spaces or the structural change in the Property or interfere with the use and enjoyment of the Property, and (b) procure, maintains and comply with all Healthcare Permits necessary for the Permitted Use and procure, maintain and comply in all material respects with all other appropriate Licenses necessary for any use of the Property for the Permitted Use(s), and any other use conducted on the Property by Tenant and any Third Party Occupants or as otherwise permitted by Landlord hereunder, and for the proper erection, installation, operation and maintenance of the Property or any part thereof, including, without limitation, any Capital

Additions. Tenant shall notify Landlord within five (5) days of Tenant's obtaining knowledge or notice of action by any federal, state or local agency (or the staff thereof) to revoke, withdraw or suspend any License, or an action of any other type, which would have a materially adverse effect on Tenant's operations at the Property. All sublease agreements entered into after the date of this Lease will require compliance with all of the above.

10.2 Landlord's Cooperation. Landlord shall cooperate, as reasonably necessary or required, with Tenant in applying for and maintaining all appropriate Licenses necessary to operate the Property for the Permitted Use(s) in accordance with the provisions of this Lease and to otherwise comply with applicable Legal Requirements, provided that such cooperation is in conformance with all Legal Requirements. Tenant shall promptly advance to Landlord such amounts as are reasonably necessary to pay for all reasonable costs and expenses incident to such cooperation. Tenant agrees to indemnify, defend, protect, save and hold Landlord harmless from and against any and all reasonable costs, expenses, losses, demands, claims, obligations and liabilities against or incurred by Landlord in connection with such cooperation, except in any cases of fraud, misrepresentation, gross negligence, willful misconduct, or intentional non-compliance with Legal Requirements on the part of Landlord. Such indemnity shall survive the expiration or termination of this Lease.

ARTICLE 11. CONDITION OF THE PROPERTY

11.1 Maintenance and Repair. Tenant, at its sole cost and expense, shall keep the Property in good order, condition and repair; provided, however, Tenant may abandon or sell Facility FF&E that is obsolete, in need of replacement, or no longer used provided that Tenant replaces such Facility FF&E with Facility FF&E of similar quality and utility (unless such Facility FF&E is no longer used). Any such replacement Facility FF&E purchased with funds provided by Landlord will be deemed property of the Landlord. Provided however, Facility FF&E purchased with funds from the Cap Ex Account shall be deemed to be the property of the Tenant. Except as may otherwise be expressly provided to the contrary in Articles 8, 15, 16, or 17, Tenant shall with reasonable promptness, at Tenant's sole cost and expense, make all necessary and appropriate maintenance, repairs and replacements thereto of every kind and nature, whether interior or exterior, structural or nonstructural, ordinary or extraordinary, patent or latent, foreseen or unforeseen, and regardless of the cause necessitating repair. Tenant's duty to maintain the Property and the Facility FF&E shall include such actions as are needed in the reasonable judgment of Tenant to be consistent with standards and practices in the industry to prevent the deterioration of the Property. Tenant shall also be obligated at its expense to make all repairs, modifications and renovations necessary to comply with all licensing, safety and health and building codes and regulations applicable to the Property so that the Property can be legally operated for its Permitted Use(s). Tenant shall be obligated to repair at Tenant's sole cost and expense any damage to any portion of the Property, caused by cave-ins, collapse of subsurface support, subsidence of the surface of the Property). All repairs by Tenant shall be made in a good and workmanlike manner using materials of good quality. Tenant shall not take or omit to take any action, the taking or omission of which would materially impair the value or the usefulness of all or any portion of the Property for the Permitted Use(s).

11.2 Landlord Not Obligated. Landlord shall not under any circumstances be required to build or rebuild the Property, or to make any repairs, replacements, alterations, restorations or

renewals of any nature or description to the Property, whether interior or exterior, structural or nonstructural, ordinary or extraordinary, patent or latent, foreseen or unforeseen, or to make any expenditure whatsoever with respect thereto, in connection with this Lease, nor shall Landlord under any circumstances be required to maintain the Property or any portion thereof in any way or manner whatsoever. Tenant hereby waives, to the fullest extent permitted by law, the right to make repairs at the expense of Landlord pursuant to any law or equitable principle in effect at the time of the execution of this Lease or hereafter enacted. Landlord shall have the right to give, record and post, at the Property and otherwise, as appropriate, notices of non-responsibility under any construction or mechanic's lien laws now or hereafter existing, and any other notices of a similar nature that Landlord may reasonably elect to give, record or post from time to time during the Term. Use of casualty insurance proceeds held by Landlord shall be handled as provided in Article 16.

11.3 No Consent. Nothing contained in this Lease, and no action or inaction by Landlord, shall be deemed or construed in any manner as (i) constituting the consent or request of Landlord, expressed or implied, to any contractor, subcontractor, laborer, materialman or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alteration, addition, repair or demolition of or to all or any portion of the Property or (ii) giving Tenant any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such a manner as would permit the making of any claim against Landlord or Landlord's interest in any portion of the Property with respect thereto, or to make any agreement that may create, or in any way may be the basis for the assertion of any right, title, interest, lien, claim or other encumbrance upon the estate of Landlord in all or any portion of the Property. This section shall not be effective until the Rent Commencement Date.

11.4 Surrender of Property. Tenant shall, upon the expiration or earlier termination of this Lease, vacate and surrender the Property to Landlord in the condition in which the Property was originally received from Landlord, except as repaired, rebuilt, restored, altered, abandoned or added to as permitted or required by the provisions of this Lease, and except for casualty, condemnation or ordinary wear and tear (but subject to the obligation of Tenant under this Section to maintain the Property in good order, condition and repair during the entire Term of this Lease) and subject to the provisions of this Lease with respect to casualties, insurance proceeds and condemnation and containing such Inventory to operate the Property in the ordinary course of business for a period of no less than seven (7) days after the expiration or earlier termination of this Lease.

11.5 Encroachments. If any portion of the Property at any time during the Term shall impair the rights of others under any easement or right-of-way burdening the Land, provided that such restriction or easement does not exist prior to the Commencement Date and has been created by Tenant without the consent of Landlord, then promptly upon the request of Landlord, and, in the event of an adverse final determination, Tenant shall, at Tenant's sole cost and expense, but in conjunction with Landlord, obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting from each such encroachment, violation or impairment, whether the same shall affect Landlord or Tenant, subject to Landlord's consent to all such settlements or waivers. In any event Tenant shall, subject to Landlord's reasonable consent, take all such actions as may be necessary in order to be able to continue the operation of

the Property for the then existing use substantially in the manner and to the extent the Property was operated prior to the assertion of such violation or impairment. Notwithstanding the provisions of this Section 11.5 to the contrary, Tenant shall not be responsible for any claims to the extent such claims are covered by Landlord's or Tenant's title insurance policy, if any, and Landlord agrees that any proceeds recovered under any such title insurance policy, if any, shall be made available to remedy the claimed violation or restriction.

ARTICLE 12. SECURITY/FINANCIAL COVENANTS

12.1 Security Agreement. Tenant shall execute in favor of Landlord a security agreement in the form attached as Exhibit J hereto (the "Security Agreement"), granting to Landlord a security interest in all Tenant's now or hereafter existing or arising personal property, including, but not limited to, all equipment, fixtures, the Facility FF&E, licenses, accounts, chattel paper, documents, instruments, investment property, deposit accounts, letter of credit rights, commercial tort claims, inventory, general intangibles, contract rights, healthcare insurance receivables (to the extent permitted by applicable law) and books and records, and other interests of Tenant, which security interest shall secure the payment of all Rent and the performance of all other obligations of the Tenant under this Lease. Tenant shall cooperate and be responsible for costs associated with the filing of all financing statements needed to perfect such security interests throughout the Lease Term, which, at Tenant's request, shall be initially advanced or reimbursed upon request of Tenant by Landlord as a portion of the Construction Funds provided such expenses are part of the Development Budget. Landlord will have first priority interest in all such collateral. Provided however, notwithstanding the foregoing, Landlord shall agree to subordinate (a) its security interest in the healthcare insurance receivables of Tenant to a line of credit secured by accounts not to exceed Three Million Dollars ($3,000,000) and (b) its interest in leased or purchased Facility FF&E to purchase money loans used to acquire or lease such Facility FF&E.

12.2 Collateral Assignment/Pledge of Ownership Interests. FēnX's obligations under the Guaranty shall be secured by the collateral assignment to or pledge in favor of Landlord in and unto its ownership interest in Tenant, which at no time will be less than one hundred percent (100%) of ownership interest in Tenant.

12.3 Compliance with Minimum Financial Covenants. The Tenant will operate the Property and during the term of this Lease in order to meet the following minimum financial standards:

(a) *Current Ratio*. Commencing with the quarter ending June 30, 2013 and measured each quarter thereafter, the Current Ratio shall not be less than 1.15 to 1.00.

(b) *Lease Coverage Ratio*. Beginning with the sixth full quarter after the issuance of the TDH License and continuing for each twelve (12) month period thereafter (testing to be on a rolling twelve (12) months basis with the first year of the testing to be cumulative and build to twelve (12) months), Tenant shall maintain the following Lease Coverage Ratio: Year1 – 1.25 to 1; Year 2 – 1.65 to 1; Year 3 through termination of the Lease – 1.85 to 1. Notwithstanding the foregoing, Tenant shall not be deemed in violation of the terms of the Lease Coverage Ratio as at the end of any quarter on a

twelve month basis if the Lease Coverage Ratio is less than the amounts set forth above and Tenant deposits in an escrow account under Landlord's control, within thirty (30) days after the end of such quarter, additional cash collateral in an amount equal to the Lease Coverage Shortfall Amount for such period. Thereafter, Tenant and Landlord shall adjust the amount of such cash collateral so that it equals the Lease Coverage Shortfall Amount as at the end of the then most recently ended fiscal quarter. Landlord shall promptly release such Lease Coverage Shortfall Amount back to Tenant upon receipt of an Officer's Certificate which reflects compliance with the covenant set forth above. As used herein, the term "Lease Coverage Shortfall Amount" is the amount of cash required to cause Tenant to be in compliance with the Lease Coverage Ratio set forth above. Any cash collateral provided by Tenant to fund the Lease Coverage Shortfall Amount under this paragraph shall apply and be accounted for as necessary to fund the "Fixed Charge Shortfall Amount" described below.

(c) *Fixed Charge Coverage Ratio.* Beginning with the sixth full quarter after the issuance of the TDH License and continuing for each twelve (12) month period thereafter (testing to be on a rolling twelve (12) months basis with the first year of the testing to be cumulative and build to twelve (12) months), and continuing for each twelve (12) month period thereafter, Tenant shall maintain the following Fixed Charge Coverage Ratio: Year 1 – 1 to 1; Year 2 – 1.15 to 1; Year 3 through termination of the Lease – 1.40 to 1. Notwithstanding the foregoing, Tenant shall not be deemed in violation of the terms of the Fixed Charge Coverage Ratio if at the end of any quarter on a twelve month basis the Fixed Charge Coverage Ratio is less than the amounts set forth above and Tenant deposits in an escrow account under Landlord's control, within thirty (30) days after the end of such quarter, additional cash collateral in an amount equal to the Fixed Charge Shortfall Amount for such period. Thereafter, Tenant and Landlord shall adjust the amount of such cash collateral so that it equals the Fixed Charge Shortfall Amount as at the end of the then most recently ended fiscal quarter. Landlord shall promptly release any excess Fixed Charge Shortfall Amount back to Tenant upon receipt of an Officer's Certificate which reflects compliance with the covenant set forth above. As used herein, the term "Fixed Charge Shortfall Amount" is the amount of cash required to cause Tenant to be in compliance with the Fixed Charge Coverage Ratio set forth above. Any cash collateral provided by Tenant to fund the "Fixed Charge Shortfall Amount" under this paragraph shall apply and be accounted for as necessary to fund the "Lease Coverage Shortfall Amount" described above.

12.4 Compliance with Minimum Covenants (Polaris). Polaris Hospital Company LLC will meet the following minimum financial standards on a consolidated basis:

(a) *Net Worth Covenant.* Commencing on the Commencement Date and measured each quarter thereafter, maintain a minimum Net Worth of Two Million Dollars ($2,000,000). The Preferred equity investment in Polaris Hospital Company, LLC by HCP Polaris Investment Corporation shall be considered owner's equity.

(b) *Liquidity Covenant.* Commencing on the Commencement Date and measured each quarter thereafter, Polaris will maintain a minimum Liquidity of One Million Dollars ($1,000,000).

12.5 Lease Guaranty. The performance of Tenant's obligations under this Lease shall be jointly and severally guaranteed by the Guarantors, pursuant to unlimited Lease Guaranties (the "Lease Guaranties") in form and substance acceptable to Landlord. Provided however, the following Lease Guaranties shall be limited as follows: Kevin Lee – Five Million Dollars ($5,000,000); Dr. Richard N. Schott – Two Million Dollars ($2,000,000); Dr. Charles R.F. Treadway – One Million Dollars ($1,000,000). Mr. Lee's guaranty shall remain throughout the lease term. Once the Facility achieves a 1.85 to 1 Lease Coverage Ratio ("LCR") for two (2) consecutive years based on audited financial statements then the guaranty amount shall be reduced by fifty percent (50%) for Drs. Schott and Treadway. The guarantees shall be removed in full for Dr. Richard N. Schott and Dr. Charles R.F. Treadway once the Facility achieves a 2 to 1 LCR for a 2-year period based on audited financial statements. If the Facility achieves a 2 to 1 LCR in the first 2-year period, then the guarantees shall be removed at that time with no fifty percent (50%) reduction.

12.6 Letters of Credit. On the Commencement Date, as a condition to Landlord's requirement to advance any Construction Funds, Tenant shall obtain letters of credit (the "Letters of Credit") in favor of and in a form reasonably acceptable to Landlord and issued by Harris Bank or a bank reasonably acceptable to Landlord in the aggregate amount of Four Million Five Hundred Thousand Dollars ($4,500,000).

One of the Letters of Credit shall be in the amount of Two Million Dollars ($2,000,000) which may be drawn on by Landlord at any time Tenant fails to make a rent payment due under this Lease or for any other sums due and payable under the Lease (which failure is not cured prior to the expiration of the applicable cure period). The Letter of Credit shall permit partial draws and be fully transferable by Landlord without any transfer fees and shall irrevocably and unconditionally obligate the issuing bank to immediately reimburse Landlord for any amounts up to the then appropriate amount of said Letter of Credit upon issuing bank's receipt of a written statement from Landlord certifying the amount owing.

The other Letter of Credit shall be in the amount of Two Million Five Hundred Thousand Dollars ($2,500,000) which may be drawn on at the discretion of Landlord. The draws will be to provide working capital to Tenant and will be based on a working capital needs budget provided by Tenant to Landlord. To request a draw (a "Draw Request"), Tenant shall supply Tenant's reasonable, detailed projections of Operating Expenses and Lease expenses or other debt expenses with respect to the Facility for the next operating month, together with appropriate evidence to support each expense item. Landlord shall disburse such draw within 7 days of receipt of such Draw Request. Thereafter, prior to submitting the next draw, Tenant shall provide cancelled checks, invoices and other evidence of payment of the expenses contained in the Draw Request. If such supporting documentation shows an amount less than the amount of such Draw Request, then such shortfall shall be deducted from the amount of the next Draw Request. The Letter of Credit shall permit partial draws and be fully transferable by Landlord without any transfer fees and shall irrevocably and unconditionally obligate the issuing bank to immediately reimburse Landlord for any amounts up to the then appropriate amount of said Letter of Credit upon issuing bank's receipt of a written statement from Landlord certifying the above requests from Tenant. Tenant may request that Landlord fully draw on such Letter of Credit in which case such funds shall be deposited in an account controlled by Landlord and subject to the draw

procedures provided above. Landlord shall relinquish control of such bank account upon Tenant's attainment of a 1:1 Lease Service Coverage Ratio for two consecutive quarters.

Both Letters of Credit shall also provide that they may be drawn on if not renewed on or before thirty (30) days from their respective expiry dates. Upon any such draw by Landlord upon such Letter of Credit due to Tenant's failure to renew same, the proceeds shall be held by Landlord in an interest-bearing escrow account controlled by Landlord and may be drawn upon at any time provided above. Notwithstanding the foregoing, however, Tenant shall be entitled to provide a replacement letter of credit at a subsequent date in the amount drawn upon as aforesaid, provided such replacement letter of credit is issued by a bank reasonably acceptable to Landlord and is in the amount of the prior letter of credit (less any amounts drawn upon by Landlord) and the form of the replacement letter of credit is otherwise consistent in all material respects with the original letter of credit. In such event, Tenant shall be entitled to obtain a refund of the monies in escrow (less any amounts drawn upon by the Landlord as aforesaid) upon Tenant's tendering the replacement letter of credit to the Landlord. Upon expiration of the Term of the Lease or upon a Permitted Assignment, Landlord shall surrender the outstanding Letters of Credit to Tenant.

ARTICLE 13. RESTRICTION AGAINST OTHER LIENS

13.1 No Liens on Property. Subject to the provisions of Article 14 relating to permitted contests, Tenant shall not directly or indirectly create or allow to remain and shall promptly discharge at its expense any lien, encumbrance, attachment, title retention agreement or claim upon any portion of the Property or on Tenant's accounts receivable or on Facility FF&E or any attachment, levy, claim or encumbrance in respect of Rent, excluding, however: (a) this Lease, (b) Permitted Encumbrances, if any, (c) liens for those taxes not yet due and payable which Tenant is not then currently required to pay hereunder, (d) liens for Impositions or for sums resulting from noncompliance with Legal Requirements so long as the same are not yet payable or are payable without the addition of any fine or penalty or are in the process of being contested as permitted by Article 14, (e) liens in favor of Landlord, (f) liens of mechanics, laborers, materialmen, suppliers or vendors for sums not yet due, (g) any Encumbrances which are the responsibility of Landlord pursuant to the provisions of Article 24 or which arise from the acts or omissions of Landlord and/or its officers, agents or employees, (h) purchase money liens on acquired Facility FF&E, and (i) that certain line of credit not to exceed Three Million Dollars ($3,000,000) secured by accounts receivable of Tenant.

13.2 No Liens on Landlord's Interest. To the fullest extent permitted by applicable laws, in no event shall the interest of Landlord be subject to liens for improvements made by Tenant, whether under Article 11 or this Article 13. Tenant shall notify any and all contractors making any improvements, repairs or additions to any portion of the Property that any lien to which such contractor may be entitled pursuant to the laws of the State shall not extend to the interest of Landlord in the Property.

13.3 No Liens on Leasehold Interests. Tenant shall not allow, cause, permit or suffer, whether by operation of law or otherwise, any lien, mortgage, pledge, charge, security interest or other encumbrance upon any right, title, interest or estate of Tenant in this Lease.

ARTICLE 14. CONTESTS

Tenant, on its own or with the prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed) of Landlord on Landlord's behalf (or in Landlord's name), but at Tenant's sole cost and expense, may contest, by appropriate legal proceedings conducted in good faith and with due diligence, the amount, validity or application, in whole or in part, of any Imposition, Legal Requirement, Insurance Requirement, lien, attachment, levy, encumbrance, charge or claim not otherwise permitted by Article 13, provided that: (a) in the case of mechanics liens, Tenant shall remove any such lien from record title to any interest in the Property (including, without limitation, Tenant's interest under this Lease), at Tenant's sole cost and expense, within thirty (30) days after such lien arises, by depositing with the appropriate public authority a sum of money, or filing in such forum a bond executed as surety by a surety insurer licensed to do business in the State, in the amount and in the manner required by applicable law of the State and otherwise in a manner sufficient to effectively remove such lien from record title to the Property or to allow a title insurance company to affirmatively insure over same within thirty (30) days after completion of the action giving rise to such lien, (b) in case of an unpaid Imposition, lien (other than mechanics liens), attachment, levy, encumbrance, charge or claim, the commencement and continuation of such proceedings shall suspend the collection thereof from Landlord or Tenant and from the portion of the Property subject to such contest, (c) neither such Property nor any Rent therefrom nor any part thereof nor interest therein would be subject to any risk of being sold, forfeited, attached, foreclosed, or lost as a result of such non-payment or non-compliance, (d) in the case of a Legal Requirement, Landlord would not be in any danger of civil or criminal liability for failure to comply therewith pending the outcome of such proceedings, (e) in the event that any such contest shall involve a sum of money or potential loss in excess of One Hundred Thousand Dollars ($100,000) then, in any such event, Tenant shall deliver to Landlord an Officer's Certificate to the effect set forth in clauses (b) and (c), to the extent applicable, (f) in the case of a Legal Requirement or an Imposition, lien (other than mechanics liens), encumbrance or charge, Tenant shall give such reasonable security as may be demanded by Landlord to insure ultimate payment of the same and to prevent any sale or forfeiture of the affected portion of the Property or the Rent by reason of such non-payment or non-compliance, (g) in the case of an Insurance Requirement, the coverage required by Article 15 shall be maintained, and (h) if such contest be finally resolved against Landlord or Tenant, Tenant shall, as Additional Charges due hereunder, promptly pay the amount required to be paid, together with all interest and penalties accrued thereon, or comply with the applicable Legal Requirement or Insurance Requirement.

Notwithstanding any express or implied provision of this Article 14 to the contrary, the provisions of this Article 14 shall not be construed to permit Tenant to contest the payment of Rent or any other sums payable by Tenant to Landlord hereunder. Landlord, at Tenant's expense, shall execute and deliver to Tenant such authorizations and other documents as may reasonably be required in any such contest and, if reasonably requested by Tenant or if Landlord so desires, Landlord shall join as a party therein. Tenant shall indemnify, defend and save Landlord harmless against any liability, cost or expense of any kind that may be imposed upon Landlord in connection with any such contest and any loss resulting therefrom.

ARTICLE 15. INSURANCE

15.1 General Insurance Requirements. During the Term, Tenant shall at all times keep or cause to be kept the Property, and all other personal property located in or on the Property, whether owned by Landlord or Tenant insured with the kinds and amounts of insurance described below. Each element of the insurance described in this Article 15 shall be maintained with respect to the Property, and all personal property located at the Property, and operations thereon. This insurance shall be written by companies authorized to do insurance business in the State in which the Property is located. All liability and medical malpractice type policies (except workers compensation) must name Landlord as an "additional insured." All property, loss of rental and business interruption type policies shall also name Landlord as a named insured or as a loss payee to the extent of Landlord's insurable interest therein as respects property required to be insured by Tenant. Losses shall be adjusted with the named insured and loss payee, in their capacity as building owner, and Losses shall be payable to Landlord and/or Tenant as provided in Article 16.

In addition, the policies, as appropriate, shall name as an "additional insured" or "loss payee" the holder of any mortgage, deed of trust or other security agreement ("Property Mortgagee") securing any indebtedness or any other Encumbrance placed on the Property in accordance with the provisions of Article 24 ("Property Mortgage") by way of a standard form of mortgagee's loss payable endorsement; provided that Landlord delivers the name and address and insurance requirements of the Property Mortgagee to Tenant.

Evidence of insurance shall be deposited with Landlord and, if requested, with the Property Mortgagee(s). The policies shall insure against the following risks with respect to the Property:

(a) Commercial Property insurance covering the full replacement cost value of all insurable real and personal property at the Property, whether owned by Tenant or Landlord, and including but not limited to building or structures, improvements, machinery or equipment servicing buildings or structures, and all personal property, furniture, fixtures, machinery, equipment, stock and inventory owned, leased, rented, borrowed or in the care, custody or control of Tenant, or any of their agents, employees or subcontractors. Such coverage shall contain an agreed amount endorsement with no coinsurance. Coverage shall be written on an "All Risk" or "special perils" policy form basis subject to standard policy terms, conditions, limitations and exclusions. The term "replacement cost" shall mean the actual replacement cost at the time and place of loss of the insured property from time to time with new materials and workmanship of like kind and quality. If Tenant has made improvements to the Property, Landlord may at Tenant's expense have the replacement cost redetermined at any time after such improvements are made, regardless of when the replacement cost was last determined. The following coverage or perils shall be additionally included unless Landlord otherwise provides in writing:

(i) "All Risk" or "Special Perils" coverage, including flood, earth movement, mechanical breakdown, electrical injury, back-up of sewers or drains, explosion of boilers or pressure vessels, sinkhole and windstorm

(ii) Policy limit applicable to Property shall be the completed value of all insurable improvements

(iii) Loss valuation shall be the full cost to replace or repair, with no deduction for depreciation

(iv) Policy must name Landlord as owner as respects the Property

(v) Policy must permit or allow waiver of rights of subrogation in favor of Landlord

(vi) Fire resulting from any cause (except nuclear war) must be covered

(vii) Standard exclusion applicable to faulty design, specifications, materials, workmanship, etc. shall not apply to resultant damage to otherwise sound property

(viii) No specific exclusions relating to the peril of collapse

(ix) No specific exclusions relating to demolition of undamaged portions of the project, as may be required by building ordinance or laws

(x) No coinsurance requirements / provisions – policy must be "agreed amount"

(xi) Debris removal limit of insurance must be at least 25% of limit of insurance

(xii) Policy must cover temporary structures, false-work, etc (at least $50,000)

(xiii) Policy must cover premises pollution clean-up and removal emanating from covered loss (at least $50,000)

(xiv) Policy deductible shall not exceed 1% of project value (3% for named windstorm, earth movement or flood)

(xv) Tenant business interruption and landlord rent replacement coverages including extra expense with limits sufficient to provide for an indemnity period of not less than 12 months, or the actual time necessary to repair or rebuild the damaged Property, whichever is longer, plus an additional 12 month extended period of indemnity.

(b) Commercial General Liability Insurance, including follow form umbrella or excess liability insurance covering bodily injury (including sickness, disease or death) and third-party property damage including loss of use, on an occurrence coverage form, with coverage at least as broad as the Insurance Services Offices Commercial General Liability Policy form CG 0001, current edition, insuring Landlord and Tenant against

claims for personal injury, including bodily injury, death or property damage, arising from tenant's operations, or tenant's use, occupancy or maintenance of the leased Property, or from independent contractors.

Total primary commercial general liability and umbrella or excess liability limits shall be not less than the following:

Primary and Umbrella / Excess Liability Limits:	Limits Required:
Primary CGL limit - each occurrence	$1,000,000
Primary CGL policy aggregate – applicable per location	$3,000,000
If allocated loss adjustment expenses (including defense costs) are "inside" policy limits	Add $1,000,000 to Primary & Umbrella
Claims-made coverage, must have 36 mo ERP option and cover "incidents reported" during policy period	Add $1,000,000 to Primary & Umbrella

Such insurance requirements may be satisfied by layering of commercial general liability, umbrella and excess liability policies. Other than standard exclusions applicable to pollution, asbestos, lead, mold, employment practices, ERISA and professional liability, there shall be no additional limitations or exclusions beyond those contained in the above referenced policy form.

(c) Professional Liability insurance on an occurrence coverage form in the amount of not less than One Million Dollars ($1,000,000) per incident, with a policy aggregate of not less than Three Million Dollars ($3,000,000).

(d) Automobile Liability insurance (including follow form umbrella liability insurance if necessary) covering liability arising from the use or operation of any auto. The coverage shall be at least as broad as the current edition of the Insurance Services Office Business Automobile Policy, CA 0001 ©.

(e) Statutory Workers' Compensation and Employer's Liability insurance (including follow form umbrella liability insurance (if necessary) as is required by any state or federal statute or law, or as may be available on a voluntary basis.

The Commercial Property Insurance described above must be in place on the earlier of the Completion or the date the project is no longer covered by the Builders Risk policy required in the Development Agreement. The Professional Liability Insurance described above shall be due on Completion.

Provided, however, any policies for which occurrence coverage is required may be written on a claims made basis if prepaid thirty-six (36) months "tail coverage" is also provided.

15.2 Waiver of Subrogation. Tenant hereby waives any and all rights of recovery against Landlord, its officers, agents and employees, for all injury, loss or damage, howsoever caused, to persons or property, including loss of use, to the extent such injury, loss or damage is covered or should be covered by required insurance or any other insurance maintained by Tenant, including sums within deductibles, retentions or self-insurance applicable thereto. This

waiver applies to all first party property, business interruption, equipment, vehicle and workers compensation claims (unless prohibited under applicable state statutes), as well as all third party liability claims. This waiver shall be in addition to, and not in limitation or derogation of, any other waiver or release contained in this Lease with respect to loss of, or damage to, property of the parties hereto. Landlord hereby agrees to a similar release with respect to any insurance maintained by Landlord. Inasmuch as the above mutual waivers preclude the assignment of any aforesaid claim by way of subrogation to an insurance company, Tenant and Landlord, if applicable, agree immediately to give to each insurance company providing coverage under this Lease, written notice of the terms of said mutual waivers, and to have said insurance policies properly endorsed, if necessary, to prevent the invalidation of said insurance company by reason of said waivers. Tenant shall indemnify Landlord against any loss or expense, including reasonable attorneys' fees, resulting from the failure to obtain such waiver from Tenant's insurer, if required.

15.3 Policy Requirements. All of the policies of insurance referred to in this Article 15 in excess of Tenant's retained exposure or self-insurance program shall be written in form reasonably satisfactory to Landlord and by insurance companies with a financial strength rating of "A" or better and a financial size of "VI" or higher in the most recent version of Best's Key Rating Guide.

All insurance requirements applicable to commercial general liability insurance, including but not limited to naming Landlord as an additional insured, responsibility for funding deductibles or retentions and waiver of subrogation shall apply as though the Tenant were fully insured. If Tenant obtains and maintains any policies of insurance or insurance trusts referred to in this Article 15 on a "claims-made" basis, Tenant shall provide continuous liability coverage for claims arising during the Term either by obtaining an endorsement providing for an extended reporting period reasonably acceptable to Landlord in the event such policy is canceled or not renewed for any reason whatsoever, or by obtaining either (a) "tail" insurance coverage converting the policies to "occurrence" basis policies providing coverage for a period of at least three (3) years beyond the expiration of the Term, or (b) retroactive coverage back to the commencement date (which date shall be at least three (3) years prior to the expiration of the Term) for the policy in effect prior to the expiration of the Term and maintaining such coverage for a period of at least three (3) years beyond the expiration of the Term.

All policies of insurance including permitted self-insured programs required herein shall apply as, and be endorsed, if necessary, to be primary to all insurance available to Landlord, with Landlord's insurance (if any) being excess, secondary and non-contributing. Tenant shall pay all of the premiums. Tenant shall furnish Landlord with one or more certificates of insurance evidencing all required coverage. The certificates are to be signed by a person authorized by the insurer(s) to bind coverage on their behalf. Copies of endorsements (a) adding Landlord as a named insured or loss payee under the commercial property coverage and business interruption coverage; (b) adding Landlord as an additional insured under liability coverage; and (c) permitting waiver of subrogation in favor of Landlord shall be attached to the certificates of insurance. Renewal certificates are to be provided to Landlord prior to the expiration of the required insurance policies. In the event any insurance coverage required by this Article 15 is not renewed and not replaced with other coverage as required by this Lease,

without any gap in coverage, Tenant shall give Landlord immediate written notice of such non-renewal of coverage.

Failure of Landlord to request such certificates or other evidence of Tenant's compliance with the insurance requirements, or failure of Landlord to identify deficiencies from evidence that is provided, shall in no way limit or relieve Tenant of its obligations to maintain such insurance. In addition to certificates of insurance, Landlord may request true and certified copies of the required insurance policies, including endorsements necessary to affect coverage required by these specifications. In the event of the failure of Tenant either to effect such insurance in the names herein called for or to pay the premiums therefor, or to deliver certificates thereof to Landlord, at the times required and if Tenant fails to cure such default within ten (10) days after receipt of written notice from Landlord, Landlord shall be entitled, but shall have no obligation, to effect such insurance and pay the premiums therefor, in which event the cost thereof, together with interest thereon at the Overdue Rate, shall be repayable to Landlord upon demand therefor.

Each insurer shall agree, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Landlord, that Landlord will have no less than thirty (30) days' written notice before the policy or policies in question shall be materially altered, allowed to expire or canceled or non-renewed. Unless otherwise permitted hereunder each policy shall have a deductible or deductibles, if any, which are no greater than those normally maintained for similar operations in the State that are of similar size, character, financial condition, patient mix and number. Each party shall be responsible for funding deductibles or retentions under its own insurance policies. Tenant shall be responsible for funding all claims within self-insured retentions or programs or trusts, including claims applying to Landlord as an additional insured.

15.4 Blanket Policy. Notwithstanding anything to the contrary contained in this Article 15, Tenant's obligations to carry the insurance provided for herein may be brought within the coverage of a so-called blanket policy or policies of insurance carried and maintained by Tenant; provided, however, that the coverage afforded Landlord will not be reduced or diminished or otherwise be materially different from that which would exist under a separate policy meeting all other requirements hereof by reason of the use of the blanket policy, and provided further that the requirements of this Article 15 (including satisfaction of the Property Mortgagee's requirements and the approval of the Property Mortgagee, if applicable) are otherwise satisfied, and provided further that Tenant maintains specific allocations acceptable to Landlord. If the commercial general liability insurance required under Section 15.1(b) covers multiple locations and includes a general aggregate limit, the policy must be endorsed so that the general aggregate limit applies separately to each location.

ARTICLE 16. CASUALTY

16.1 Handling of Insurance Proceeds. Except as otherwise provided herein, all proceeds from any policy of property damage insurance required by Article 15 of this Lease shall be paid to and held in trust by Landlord; provided, however, that if the originally named Landlord is not then the Landlord hereunder, such payments shall be paid to and held in trust by a reputable insurance trustee having substantial experience operating in such capacity, which trustee shall be mutually acceptable to Landlord and Tenant and shall hold and disburse such funds as provided

herein or in accordance with written instructions executed by both Landlord and Tenant; and provided, further, that in the event the amount of such proceeds is less than One Hundred Thousand Dollars ($100,000) and there is no monetary Event of Default then outstanding under this Lease, such proceeds may be collected directly by Tenant from the insurance company to be applied by Tenant in the manner set forth in this Article 16. Provided that no Event of Default then exists, any such payments received by Landlord or the insurance trustee shall be made available by Landlord, or the trustee, for reconstruction or repair, as the case may be, of any damage to or destruction of all or any portion of the Property to which such proceeds relate, and shall be paid out by Landlord (or such insurance trustee) on a monthly basis in accordance with and subject to the provisions hereof for the cost of such reconstruction or repair, subject to reasonable and customary controls to ensure funds disbursed by Landlord (or such insurance trustee) are in fact used for such purpose. Tenant acknowledges that such insurance proceeds may not be used towards satisfaction of the minimum Capital Expenditures required pursuant to Section 8.1 of this Lease. Any unused portion shall be retained by Landlord upon completion of such repair and restoration to be held in an interest-bearing escrow account by Landlord and disbursed by Landlord to Tenant for further maintenance or repair of the Property as requested by Tenant and reasonably approved by Landlord. Provided, however, any such unused insurance proceeds which remain at the time this Lease expires or is terminated shall be refunded to Tenant upon Tenant's concurrent payment to Landlord of all amounts, if any, then due to Landlord from Tenant under other provisions of this Lease. All salvage resulting from any risk covered by insurance shall belong to Landlord.

16.2 Reconstruction in the Event of Damage or Destruction Covered by Insurance. Except as provided below, if during the Term, the Property is totally or partially destroyed by a risk covered by the insurance described in Article 15, Tenant shall use insurance proceeds hereunder to restore the Property to substantially the same condition as existed immediately before the damage or destruction, and this Lease shall continue in full force and effect, with the exception that Tenant shall not be required to satisfy the Capital Expenditures or minimum Financial Covenants obligations (other than the Liquidity Covenant) during the period of reconstruction. The insurance proceeds shall be paid as provided by Section 16.1 from time to time as necessary to pay for the costs of such restoration. If the cost of any such repair or restoration exceeds the amount of proceeds received by Landlord (or the insurance trustee described in Section 16.1) and paid over to Tenant from the insurance required under Article 15, Tenant shall contribute any and all excess amounts necessary to repair or restore the Property. In the event of a restoration as set forth in this Section 16.2, Base Rent shall be offset to the extent of any proceeds paid to Landlord under Tenant's rental interruption policy coverage.

16.3 Damage or Destruction Covered by Insurance in Final Twelve (12) Months. Notwithstanding the foregoing, in the event that either (i) more than seventy-five percent (75%) of the Property (by area or value) is substantially destroyed during the final twelve (12) months of the Term of this Lease as a result of a fully insured (subject to the deductible provision of the insurance coverage but including, but not limited to, business interruption coverage) casualty, or (ii) regardless of the extent of such damage or destruction, the repair or reconstruction of the affected Property is prohibited under applicable law, including, but not limited to, licensure law, zoning law and/or building code law, and such damage or destruction is the result of a fully insured (subject to the deductible provision of the insurance coverage but including, but not limited to, business interruption coverage) casualty, Tenant may elect, by giving written notice to

Landlord within thirty (30) days of the date of such casualty, to terminate this Lease effective as of the date such notice of termination is given. If the Lease is so terminated, all insurance proceeds including the business interruption coverage required in Section 15.1(a) above, shall be paid to Landlord up to the amount of the Rent owing under this Lease. In addition, Tenant shall pay to Landlord an amount equal to any deductible feature of the casualty insurance coverage. In such event, Base Rent shall be paid to the date of termination.

16.4 Reconstruction in the Event of Damage or Destruction Not Covered by Insurance. If during the Term, the Property is totally destroyed or materially damaged (i) from a risk not covered by insurance described in Article 15 or (ii) from a risk for which insurance coverage is voided due to any act or omission by Tenant, whether or not the Property is thereby rendered unsuitable for its Permitted Use(s), Tenant shall restore the Property to substantially the same condition as existed immediately prior to such damage or destruction, this Lease shall continue in full force and effect, and Tenant shall continue to pay Rent, in the manner and at the times herein specified, including the full amounts of Base Rent and Additional Charges.

16.5 Restoration of Capital Additions Paid by Tenant. Notwithstanding any provision contained herein to the contrary, all insurance proceeds payable solely by reason of any loss of or damage to any Capital Additions fully paid for by Tenant in their entirety shall be paid to Tenant and Tenant shall hold such insurance in trust to pay the cost of repairing or replacing such damaged Capital Additions.

16.6 No Abatement of Rent. In the event of any damage or destruction of the Property, this Lease shall remain in full force and effect (except as provided in Section 16.3) and Tenant's obligation to make rental payments and to pay all other charges required by this Lease shall not be abated by reason of any damage or destruction to the Property.

16.7 Waiver. Tenant hereby waives any rights at law or in equity and any statutory rights of termination which may arise by reason of any damage or destruction of the Property which Landlord is obligated to restore or may restore under any of the provisions of this Lease.

ARTICLE 17. CONDEMNATION

17.1 Parties' Rights and Obligations. If during the Term there is any Taking of all or any part of the Property or of any interest in this Lease by Condemnation, the rights and obligations of the parties shall be determined by this Article 17.

17.2 Total Taking; Partial Taking Rendering Use Unsuitable. If title to the fee of the whole of the Property shall be the subject of any Condemnation by any Condemnor, this Lease shall cease and terminate as of the Date of Taking. If title to the fee of less than the whole of the Property shall be so taken or condemned, which nevertheless renders the Property unsuitable for its Permitted Use(s) (taking into account all relevant factors, including, but not limited to, the number of useable units and beds, the amount of square footage reasonably available for use by Tenant, and the type and amount of revenue lost), Tenant and Landlord each shall have the option by Notice to the other, to terminate this Lease as of the Date of Taking. In either of such events, all Rent paid or payable by Tenant hereunder shall be apportioned as of the date the Lease shall have been so terminated with respect to the Property.

17.3 Other Partial Taking/Election Not To Terminate. If title to the fee of less than the whole of the Property shall be the subject of a Taking or Condemnation, and the Property is still suitable for its then existing use, or if Tenant or Landlord shall be entitled, but shall not elect, to terminate this Lease with respect to the Property as provided in Section 17.2 hereof, Tenant at its own cost and expense shall with all reasonable diligence restore the untaken portion of the Property so that the Property shall constitute a complete architectural unit of the same general character and condition (as nearly as may be possible under the circumstances) as existing immediately prior to such Condemnation or Taking. Landlord shall contribute up to the entire amount of the Award to the cost of restoration. The proceeds of any Award shall be held and distributed in the same manner as provided by Section 16.1 for insurance proceeds. Any remaining balance of such proceeds after such restoration is completed shall be retained by or paid to Landlord.

17.4 Temporary Taking. If the whole or any part of any portion of the Property or of Tenant's interest under this Lease shall be the subject of a Taking or Condemnation by any Condemnor for its temporary use or occupancy, this Lease shall not terminate, and Tenant shall continue to pay, in the manner and at the times herein specified, the full amounts of Rent. Except to the extent Tenant may be prevented from so doing pursuant to the terms of any order for the benefit of the Condemnor, Tenant shall continue to perform and observe all of the other terms, covenants, conditions and obligations hereof on the part of the Tenant to be performed and observed as though such Taking or Condemnation had not occurred. Upon any such Taking or Condemnation described in this Section, the entire amount of any such Award made for such Taking or Condemnation allocable to the Term of this Lease, whether paid by way of damages, Rent or otherwise, shall be paid to Tenant. If any part of such Award is allocable for a period beyond the Term of this Lease, that part shall be paid to Landlord. Tenant covenants that upon the termination of any such period of temporary use or occupancy as set forth in this Section 17.4, Tenant will, at its sole cost and expense (subject to any contribution by Landlord as set forth in Section 17.3), restore the Property as nearly as may be reasonably possible to the condition in which the same was immediately prior to such Taking or Condemnation, unless such period of temporary use or occupancy shall extend beyond the expiration of the Term, in which case Tenant shall not be required to make such restoration but shall pay to Landlord from the Award received by Tenant (and not applied by Tenant to satisfy its Rent obligations during the period of such Taking), the costs of such restoration work.

17.5 Allocation of Award. In the event of a Taking, Landlord and Tenant shall reasonably cooperate with each other in order to maximize (and not reduce) the amount of the Award to the extent it does not reduce or impair the Award available to Landlord. Tenant shall have the right to seek damages or a separate condemnation award for Tenant's loss of any Capital Additions paid for by Tenant or any third party occupant of the Property, loss of its leasehold and business and relocation expenses and any such award that be the sole property of Tenant. Subject to the rights of the Property Mortgagee, the remainder of the Award shall be allocated entirely to Landlord.

ARTICLE 18. DEFAULTS AND REMEDIES

18.1 Events of Default. Any one or more of the following events shall be deemed an "Event of Default" hereunder:

(a) Tenant shall fail to pay Rent payable by Tenant under this Lease as and when the same becomes due and payable and such failure is not cured within ten (10) days; The foregoing notwithstanding, upon failure of Tenant to pay the rent, Landlord will notify Guarantors and Guarantors shall have an additional ten (10) days to cure such Default.

(b) Tenant shall fail to observe or perform any other material term, covenant or condition of this Lease and such failure is not cured by Tenant within a period of thirty (30) days after Notice thereof from Landlord, unless such failure cannot with due diligence be cured within a period of thirty (30) days, in which case such failure shall not be deemed to continue if Tenant proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof;

(c) Any representation or warranty made by the Tenant in connection with this Lease, or in any report, certificate, financial statement or other instrument furnished in connection herewith or therewith, from time to time, under of this Lease or otherwise, shall prove to be false or misleading in any material respect;

(d) Tenant shall (i) admit in writing its inability to pay its debts generally as they become due (provided, the foregoing shall not apply to any statements made solely in connection with a negotiation of a trade payable in the ordinary course of business), (ii) file a petition in bankruptcy or a petition to take advantage of any insolvency law, (iii) make a general assignment for the benefit of its creditors, (iv) consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or (v) file a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any State thereof;

(e) Tenant shall, on a petition in bankruptcy filed against it, be adjudicated bankrupt or have an order for relief thereunder entered against it or a court of competent jurisdiction shall enter an order or decree appointing, without the consent of Tenant; receiver of Tenant; or of the whole or substantially all of its property; or approving a petition filed against Tenant seeking reorganization or arrangement of Tenant under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; and such judgment, order or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof;

(f) Tenant shall be liquidated or dissolved (except for an involuntary dissolution due to a failure to file an annual report or other filing with the Secretary of State or other officer or department of any municipality, county or state government so long as such failure is cured within 30 days of any notice thereof to Tenant, whether from the State or otherwise), or shall begin proceedings toward such liquidation or dissolution;

(g) The estate or interest of Tenant in the Property or any material part thereof shall be levied upon or attached in any proceeding and the same shall not be vacated or discharged within sixty (60) days after commencement thereof;

(h) Tenant voluntarily ceases operations on the Property, except as a result of damage, destruction or a partial, temporary or complete Condemnation and except as otherwise permitted by Section 9.4;

(i) The occurrence of an Event of Default under the Security Agreement, the Capital Improvement Reserve Agreement, the Development Agreement, any Guaranty Agreement or any other agreement executed by Tenant and Landlord in connection with this Lease; or

(j) If any Healthcare Permits or other Licenses necessary to Tenant's Permitted Use are revoked, terminated, expire or are no longer in good standing.

18.2 Damages. Upon the occurrence and during the continuance of any Event of Default, Landlord shall have the right: (a) to terminate this Lease and Tenant's right to possession of the Property by any lawful means, upon ten (10) business days' Notice of such termination (during which time Tenant shall have the opportunity to cure any such Event of Default) in which case, if Tenant shall fail to cure all Events of Default within the foregoing ten (10) day period, this Lease shall terminate and all of Tenant's rights hereunder shall cease and Tenant shall immediately surrender possession of the Property to Landlord and, in such event, Landlord shall be entitled to recover from Tenant all damages incurred by reason of such Event of Default determined in the manner set forth in Section 18.3, (b) to terminate Tenant's right to possession of the Property without thereby terminating this Lease and/or relet the same for Tenant's account, and (c) to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the damages provided for in this Section. Neither the termination of this Lease or of Tenant's right to possession of the Property pursuant this Section 18.2 the repossession of the Property, the failure of Landlord, notwithstanding reasonable good faith efforts, to relet the same, nor the reletting of all or any portion of the Property, shall relieve Tenant of its liability and obligations hereunder, all of which shall survive any such termination, repossession or reletting until Landlord has collected from Tenant the damages due hereunder. Notwithstanding any provision contained herein to the contrary, Landlord shall mitigate its damages by making commercially reasonable efforts to relet the Facility to a hospital operator on reasonable terms.

18.3 Amount of Damages. Upon any such termination of this Lease or of Tenant's right of possession of the Property, Tenant shall, forthwith pay to Landlord the amount of Landlord's damages suffered by reason of such Event of Default in an amount equal to the sum of:

(a) the amount of all unpaid Rent due and payable to and including the date of such termination, repossession or reletting;

(b) the worth at the time of payment, of the amount by which the unpaid Rent which would have been earned after termination until the time of payment exceeds the amount of such rental loss that could have been reasonably avoided;

(c) the worth at the time of payment of the amount by which the unpaid Rent for the balance of the Term after the time of payment exceeds the amount of such rental loss that could be reasonably avoided; and

(d) any other amount reasonably necessary to compensate Landlord for the reasonable costs incurred in regaining possession and reletting the Property, including, but not limited to, brokerage fees and commissions, construction costs, rent concessions, and all legal costs and expenses.

(e) The "worth at the time of payment" of the amounts referred to in subparagraphs (b) and (c) above shall be computed by allowing interest at the Overdue Rate. The "worth at the time of payment" of the amount referred to in subparagraph (d) above shall be computed by discounting such amount at the discount rate of Federal Reserve Bank of Atlanta at the time of award plus 1%.

18.4 Application of Funds. Any payments normally made to Tenant hereunder which are made to and received by Landlord under any of the provisions of this Lease during the continuance of any Event of Default shall be applied to Tenant's obligations in the order which Landlord may determine or as may be prescribed by applicable laws.

18.5 Landlord's Right to Cure Tenant's Default. If an Event of Default occurs under this Lease and is not cured within the time provided under this Lease with respect to such Event of Default, Landlord, without waiving or releasing any obligation of Tenant, and without waiving any such Event of Default, may (but shall be under no obligation to) at any time thereafter cure such Event of Default for the account and at the expense of Tenant, and may, to the extent permitted by law, enter upon any portion of the Property for such purpose and take all such action thereon as, in Landlord's reasonable judgment, may be necessary or appropriate with respect thereto. No such entry by Landlord on any portion of the Property shall be deemed an eviction of Tenant. All reasonable sums so paid by Landlord and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses, in each case to the extent permitted by law) so reasonably incurred, together with a late charge thereon (to the extent permitted by law) at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Landlord until paid, shall be paid by Tenant to Landlord on demand. The obligations of Tenant and rights of Landlord contained in this Article 18 shall survive the expiration or earlier termination of this Lease.

18.6 Waiver. If this Lease is terminated pursuant to the provisions of this Article 18, Tenant waives, to the extent permitted by applicable law, (a) any right of redemption, re-entry or repossession, (b) any right to trial by jury in the event of summary proceedings to enforce the remedies set forth in this Article 18, and (c) the benefit of any laws now or hereafter in force exempting Tenant's property from liability for rent or for debt.

ARTICLE 19. CURE BY TENANT OF LANDLORD DEFAULTS

19.1 Landlord Default. Landlord shall be in default of its obligations under this Lease if Landlord shall fail to observe or perform any term, covenant or condition of this Lease on its part to be performed, and such failure shall continue for a period of thirty (30) days after Notice thereof from Tenant (or such shorter time as may be necessary in order to cure or correct any condition, the presence of which substantially or materially interferes with Tenant's conduct of its usual business for the Permitted Use(s) or to protect the health or welfare of any patient or other patient of the Property or to ensure the ongoing compliance of the Property with applicable law), unless such failure cannot be cured with due diligence within a period of thirty (30) days (or the above-described shorter time period), in which case such failure shall not be deemed to continue if Landlord, within such thirty (30) days (or the above-described shorter time period), promptly commences its attempt to cure the failure and diligently attempts to complete the curing thereof. The time within which Landlord shall be obligated to cure any such failure shall also be subject to extension of time due to the occurrence of any Unavoidable Delay. If Landlord fails to commence such cure as provided herein, Tenant may cure such default, and so long as Tenant continues to pay Rent, Tenant shall have the right (subject to Section 7.1), as Tenant's sole remedy, by separate and independent action to pursue any claim it may have against Landlord for monetary damages caused by Landlord's failure to cure such default.

19.2 Mortgagee Cure. Should Landlord fail to observe or perform any of the covenants or conditions contained in this Lease, before taking any action, Tenant shall comply with the requirements of any subordination agreement to which it may then be a party with respect to the granting of notice and an opportunity to cure to any such Landlord default. All payments made, and all acts performed by such lenders in order to cure shall be effective to prevent a forfeiture of the rights of Landlord under this Lease and a termination of this Lease as if the payments and acts were performed by Landlord instead of by the lenders.

ARTICLE 20. HOLDING OVER

If Tenant for any reason remains in possession of any portion of the Property after the expiration of the Term or earlier termination of the Term, such possession shall be a tenancy at sufferance during which time Tenant shall pay to Landlord as rental each month (i) one hundred fifty percent (150%) of the monthly Base Rent for the Property payable with respect to the last 12 calendar months of the Term just expired, and (ii) all Additional Charges accruing during the month with respect to which such payment relates, and (iii) all other sums, if any, payable by Tenant pursuant to the provisions of this Lease with respect to the Property. During such period of month-to-month tenancy at sufferance, Tenant shall be obligated to perform and observe all of the terms, covenants and conditions of this Lease. Nothing contained herein shall constitute the consent, express or implied, of Landlord to the holding over of Tenant after the expiration or earlier termination of this Lease.

ARTICLE 21. LIABILITY OF PARTIES

21.1 Indemnification by Tenant. Notwithstanding the existence of any insurance provided for in Article 15, and notwithstanding the policy limits of any such insurance, Tenant shall indemnify, defend, protect, save and hold Landlord (and its owners, directors, officers,

managers, employees, agents, Affiliates, successors and assigns and any successor person who is the owner of the Property or who holds the licenses to operate the Property) harmless from and against any and all liabilities, losses, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) (collectively a "Claim") imposed upon, incurred by or asserted against Landlord arising out of, connected with or incidental to the following and arising from events discovered or occurring during the Term:

(a) Any Claim arising from the construction of the Facility;

(b) Any Claim arising from any Hazardous Substance located in, on or under the Property;

(c) any accident, injury to or death of persons, or loss of or damage to property, occurring on or about the Property including, without limitation, any claims of malpractice, except for any such accident, injury, death, loss or damage proximately caused by Landlord's gross negligence or willful misconduct and not resulting from Tenant's failure to perform and comply with the terms, covenants, conditions and provisions of this Lease;

(d) any past, present or future use, misuse, non-use, condition, management, maintenance or repair by Tenant or its agents of the Property, and any litigation, proceeding or claim by governmental entities or other third parties relating thereto to which Landlord is made a party;

(e) any Impositions which are the obligations of Tenant to pay pursuant to the applicable provisions of this Lease if the same are not paid when due or within any cure period provided for herein;

(f) any failure on the part of Tenant to perform or comply with any of the terms of this Lease when due or within any cure period provided for in this Lease;

(g) the non-performance of any of the terms and provisions of any and all existing and future subleases of the Property to be performed by Tenant thereunder;

(h) any claims by state or federal governmental agencies for repayment of claims for reimbursement of costs incurred by Tenant in providing care or services to patients under government supported healthcare or government supported residential programs; and

(i) any failure of Tenant or any subtenant to comply with any Legal Requirements.

Any amounts payable by Tenant under this Section shall be paid within ten (10) days after Tenant's liability therefor is determined by litigation or otherwise. If such amounts are not timely paid, they shall bear a late charge at the Overdue Rate from the date of such determination to the date paid. Tenant, at its expense, shall contest, resist and defend any such claim, action or proceeding asserted or instituted against Landlord, or may, with Landlord's prior written

consent, compromise or otherwise dispose of the same as Tenant sees fit. If Tenant shall have fully paid to Landlord any and all amounts due under this Section 21.1, Tenant shall be entitled to receive any insurance proceeds relating to such indemnified matter. Nothing herein shall be construed as indemnifying Landlord against its own gross negligence or willful misconduct.

Notwithstanding the foregoing, the indemnity obligation of Tenant set forth in this Section 21.1 shall be offset by the amount of insurance proceeds received by Landlord related to such Claim.

21.2 Indemnification by Landlord. Landlord shall indemnify, defend, save and hold Tenant (and its owners, directors, officers, managers, employees, agents, Affiliates, successors and assigns) harmless from and against any and all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys, fees and expenses) imposed upon, incurred by or asserted against Tenant arising out of, connected with or incidental to the gross negligence or willful misconduct of Landlord; provided, however, that Tenant's right to indemnification as provided herein shall be subject to the limitation set forth in Article 25.

21.3 Continuing Liability. Tenant's and Landlord's liability hereunder shall survive any termination of this Lease or Tenant's right to possession of the Property for a period of one (1) year following the expiration or termination of this Lease with the exception of liabilities related to medical malpractice or breaches of environmental covenants or inaccuracies of any environmental representations or warranties, all of which excepted matters shall survive indefinitely.

ARTICLE 22. ASSIGNMENT AND SUBLETTING/LIENS

22.1 Assignment. Landlord's prior written consent, which shall be at its sole discretion, shall be required for an assignment or transfer of any of Tenant's right, title and interest in and to this Lease. Provided however, an assignment or transfer to an entity (i) with a net worth of $50 Million or more pursuant to audited financial statements or (ii) with a net worth of $25 Million or more pursuant to audited financial statements that also provides cash collateral or a letter of credit equal to the amount of two years of Rent for such period, shall not require the consent of Landlord hereunder. For purposes of this Lease, any change in the Control of Tenant by stock transfers, transfers of partnership interests, transfers of membership interests or other means of transferring control of Tenant, or a merger of Tenant with any other entity, or the transfer or conveyance of a substantial portion of the assets of Tenant, shall constitute an assignment hereunder. An assignment or transfer permitted hereunder is hereinafter referred to as a "Permitted Assignment." An assignment which does not receive Landlord's consent shall be an Event of Default hereunder. In the event of a Permitted Assignment, any Lease Guarantor's obligations and covenants under the Lease Guaranties shall be terminated.

22.2 Subletting. Tenant shall not allow, cause, permit or suffer any portion of the Property to be leased, subleased (other than subleases to persons providing ancillary services to the Facility) or licensed to, or used or occupied (other than patients of the Facility and persons permitted temporarily to enter upon the Property from time to time solely for the purpose of rendering services or providing products to such patients) by any other person or party. Landlord

may, in Landlord's sole discretion, grant, withhold or place conditions on such consent. The form of sublease shall be approved by Landlord.

22.3 Attornment. Tenant shall insert in any sublease executed by Tenant, provisions reasonably satisfactory to Landlord which provide for the benefit of Landlord that (a) such sublease is subject and subordinate to all of the terms and provisions of this Lease (b) in the event this Lease shall terminate before the expiration of such sublease, the sublessee thereunder will attorn to Landlord and waive any right the sublessee may have to terminate the sublease or surrender possession under such sublease, and (c) in the event the sublessee receives a notice from Landlord or Landlord's assignees, if any, stating that an Event of Default has occurred under this Lease, the sublessee shall thereafter be obligated to pay all rentals accruing under such sublease directly to the party giving such notice, or as such party may otherwise direct. All rentals received from the sublessee by Landlord or Landlord's assignees, if any, as the case may be, shall be credited against the amounts owed to Landlord under this Lease.

22.4 Sublease Conditions. Notwithstanding anything contained in this Lease to the contrary, upon the expiration or termination of this Lease, Landlord shall succeed to all of the rights and obligations contained in the subleases subject to and with the benefit of the Sublease Conditions (as that term is hereinafter defined). As used herein, the term "Sublease Conditions" shall mean the following:

(a) Landlord shall not be liable for any act or omission of any prior landlord;

(b) Landlord shall not be bound by any rent or additional rent which any subtenant may have prepaid more than one (1) month in advance under the sublease;

(c) Landlord shall not be subject to any offsets, claims or defenses which any subtenant might have against any prior landlord under the sublease;

(d) Landlord shall not be bound by any amendment to the sublease entered into without Landlord's consent which would have a material adverse effect on Landlord's rights, or by any agreement in the sublease to construct or complete any subtenant premises or any improvement thereof for any subtenant, or to indemnify any subtenant for any loss resulting from a failure to timely deliver any subtenant premises; and

(e) Landlord shall not be personally liable for any term, covenant, provision, liability or obligation under the sublease with the recourse of each subtenant being limited to Landlord's interest in the Property (with such non-recourse provision to apply to all partners, directors, officers, members, shareholders, trustees and other owners).

22.5 Assignment of Sublease. Tenant agrees to assign and transfer to Landlord all of the subleases in effect at the time of the expiration or termination of this Lease (such assignment and transfer not to be effective until the expiration or termination of this Lease). Tenant shall execute, acknowledge and deliver to Landlord such further reasonable assignments and transfers as may be necessary to vest in Landlord the then existing subleases.

ARTICLE 23. INFORMATION FROM TENANT

23.1 Tenant Estoppel Certificates. At any time and from time to time, upon not less than twenty (20) days' Notice by Landlord which notice shall make specific reference to this Section 23.1, Tenant shall furnish to Landlord or to Landlord's lenders and to any persons intending to purchase the Property an estoppel certificate (which shall be an Officer's Certificate) certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications); the date to which the Rent has been paid; whether, to Tenant's actual knowledge and belief, there exists any Event of Default or any situation which, with the giving of notice, passage of time, or both, would constitute an Event of Default hereunder, whether to Tenant's actual knowledge, contends that Landlord is in default hereunder or that there exists any situation which, with the giving of notice, passage of time, or both, would constitute an Event of Default by Landlord hereunder, and if Tenant so contends, the basis (in general detail) for such contention, the date upon which the Term terminates; and such other information as Landlord reasonably may request including, but not limited to, matters relating to operations of the Property. The failure by Tenant to deliver such estoppel certificate to Landlord within twenty (20) days of Landlord's request therefor shall be conclusively deemed to be Tenant's certification (i) that this Lease is in full force and effect, without modification except as represented by Landlord; (ii) that there are no uncured defaults in Landlord's performance hereunder, (iii) that not more than one month's Rent has been paid in advance; and (iv) that all reports previously given to Landlord are true and correct. Any such certificate furnished pursuant to this Section 23.1 shall be addressed to Landlord and to any prospective purchaser of the Property, the Property Mortgagee and/or Landlord Lender as Landlord may request, and may be relied upon by the parties to whom such certificate is addressed.

23.2 Landlord Estoppel Certificates. At any time and from time to time, upon not less than twenty (20) days' Notice by Tenant, which notice shall make specific reference to this Section 23.2, Landlord shall furnish to Tenant an estoppel certificate (which shall be an Officer's Certificate) certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications), the date to which the Base Rent has been paid, and whether to Landlord's actual knowledge and belief there exists any Event of Default or any situation which with the giving of notice, passage of time, or both, would constitute an Event of Default hereunder, and if Landlord so contends, the basis for such contention, the date upon which the Term terminates; and such other information as Tenant reasonably may request. In the event Landlord should fail to provide an estoppel certificate within the time allowed after the Tenant's request therefore duly made, such failure to respond shall be conclusively deemed to constitute Landlord's certification that (i) this Lease is in full force and effect, without modification except as represented by Tenant in its request to Landlord, (ii) that there are no uncured defaults in Tenant's performance and (iii) that not more than one month's rent has been paid in advance. Any such certificate may be relied upon by Tenant and any assignee (so long as such assignee is approved and consented to by Landlord in accordance with Article 22) or lender of Tenant to whom such certificate is addressed.

23.3 Annual Financials of Tenant. As soon as available and in any event within one hundred twenty (120) days after the end of each Fiscal Year of Tenant, Tenant shall furnish to Landlord a copy of an annual audit for such Fiscal Year of Tenant, including therein the balance

sheet of Tenant as of the end of such Fiscal Year and statement of earnings and statements of cash flow of Tenant for such Fiscal Year, in each case certified in a manner reasonably acceptable to Landlord by independent certified public accountants of recognized standing in any State selected by Tenant and reasonably acceptable to Landlord. Provided however, audited consolidated financials of Polaris shall be acceptable as a replacement for the requirement of Tenant audited financials hereunder so long as such financials include supporting schedules setting forth the operations of Tenant.

23.4 Quarterly Financials of Tenant. As soon as available and in any event within forty-five (45) days of the end of each of the calendar quarters (including the fourth quarter) of each Fiscal Year of Tenant, Tenant shall furnish to Landlord balance sheets of Tenant as of the end of such quarter and statements of earnings and statements of cash flow of Tenant for such quarter and for the Fiscal Year to date setting forth in comparative form and details the figures for the corresponding period of the previous Fiscal Year, certified by an officer of Tenant, and a Certificate of Compliance in the form attached hereto as Exhibit K and signed by an officer of Tenant (the "Quarterly Compliance Certificate"). The Quarterly Compliance Certificate shall provide evidence of compliance with the financial ratios and such backup documentation as reasonably required by Landlord.

23.5 Monthly Financial Statements and Other Property Information of Tenant. As soon as available after the end of each month but in any event no later than thirty (30) days after the end of the preceding month, Tenant shall furnish to Landlord: (i) an itemized operating statement for the Property by month and year to date showing all revenues and operating costs of the Property, (ii) a schedule for the Property, in form reasonably satisfactory to the Landlord but excluding such information as Tenant reasonably determines is required to be deleted in order for Tenant and Landlord to comply with their obligations under Section 23.14 of this Lease, setting forth information regarding patient mix, patient census, and patient days and (iii) a monthly occupancy summary showing percentage occupancy and payor source.

23.6 Capital Expenditure Compliance Certificate. Within ninety-five (95) days after the end of each Calendar Year, Tenant shall furnish to Landlord a certificate of compliance certified by an officer of Tenant stating with respect to the Property (i) the amount of Capital Expenditures made at the Property during the prior year, (ii) whether the Targeted Expenditure Amount has been met for the prior year, and (iii) stating the amount, if any, to be deposited into the Cap Ex Account.. Tenant shall provide to Landlord copies of invoices, cancelled checks or other reasonable supporting documentation for the Capital Expenditures and reflected in each such annual certificate of compliance.

23.7 Event of Default Notices. Promptly after Tenant obtains actual knowledge thereof, Tenant shall furnish to Landlord notice of the occurrence of any Event of Default, or event which, after notice or lapse of time (or both), would constitute an Event of Default, together with a statement of an officer of Tenant setting forth details of such Event of Default or event and the action that Tenant has taken and proposes to take with respect thereto.

23.8 Notice to Authorities. Concurrently with any material notice from Tenant to any Authority, Tenant shall furnish to Landlord copies of such notice.

23.9 Notice of Violation. Promptly upon Tenant's receipt of a Citation or any material notice from, or the taking of any other action by, any Authority with respect to a claimed violation of a Legal Requirement, Tenant shall furnish to Landlord a reasonably detailed statement by Tenant specifying the notice given or other action taken by such Authority, the nature of the claimed violation and what action Tenant is taking or proposes to take with respect thereto.

23.10 Malpractice Matters. Promptly upon Tenant's receipt, Tenant shall furnish to Landlord written notice of the filing of any medical malpractice action against Tenant with respect to the Property seeking damages in excess of One Hundred Thousand Dollars ($100,000).

23.11 Guarantors' Reports. Guarantor shall furnish a current financial statement and tax returns of Guarantors, as required by any Lease Guaranty.

23.12 Other Information. Tenant shall furnish such other information about Tenant, and the operations at the Property as Landlord, any person holding a mortgage on the Property or any successor owner of the Property may reasonably request from time to time.

23.13 Licensing Information. Tenant shall promptly furnish to Landlord for the Property upon request complete copies of all Tenant's cost reports, if any, and all surveys, examinations, inspections, compliance certificates and similar reports of any kind issued to Tenant by any governmental agencies or authorities having jurisdiction over the licensing of the operation of the Property which are material to the Property or its ownership or operation.

23.14 Confidentiality of Protected Health Information. For purposes of this Section of this Lease, "protected health information", or PHI, shall have the meaning defined by the Standards for Privacy of Individually Identifiable Health Information, 45 C.F.R. Part 160 and Subparts A and E of Part 164 (the "Privacy Standards"), as promulgated by the Department of Health and Human Services ("HHS") pursuant to the Administrative Simplification provisions of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). Tenant agrees to reasonably safeguard PHI, if any, from any intentional or unintentional disclosure in violation of the Privacy Standards by implementing appropriate administrative, technical and physical safeguards to protect the privacy of PHI. Tenant further agrees to implement as required by law appropriate administrative, technical and physical safeguards to limit incidental disclosures of PHI, if any, including disclosures to Landlord, its subcontractors and agents. The parties agree that neither the Landlord nor its contractors, subcontractors or agents shall need access to, nor shall they use or disclose, any PHI of Tenant. However, in the event PHI is disclosed by Tenant or its agents to Landlord, its contractors, subcontractors or agents, regardless as to whether the disclosure is inadvertent or otherwise, Landlord agrees to take reasonable steps to maintain, and to require its contractors, subcontractors and agents to maintain, the privacy and confidentiality of such PHI. The parties agree that the foregoing does not create, and is not intended to create, a "business associate" relationship between the parties as that term is defined by the Privacy Standards.

ARTICLE 24. PROPERTY MORTGAGES

Without the consent of Tenant, Landlord may, subject to the terms and conditions set forth below in this Article 24, from time to time, directly or indirectly, create or otherwise cause to exist upon the Property (or any portion thereof or interest therein) any mortgage, lien, deed of trust or other like encumbrance ("Encumbrance"), whether to secure any borrowing or other means of financing or refinancing. Any such Encumbrance (i) shall contain the right to prepay (whether or not subject to a prepayment penalty), (ii) shall provide that it is subject to the rights of Tenant under this Lease (including Tenant's rights to insurance proceeds, condemnation awards, letters of credit, escrows, option to purchase pursuant to Article 27 and the Property as provided in this Lease) and (iii) shall not increase the obligations imposed on, or reduce the rights granted to, Tenant under this Lease; provided, however, that Tenant agrees that, subject to the foregoing provisions, its interest under this Lease is subordinate to any mortgage that may now or hereafter from time to time be recorded on the Property, and to any and all advances made or to be made thereunder, and to renewals, replacements and extensions thereof. Notwithstanding the foregoing, any such subordination, however, shall be subject to the condition precedent that the mortgagee under such mortgage enter into a written non-disturbance and attornment agreement with Tenant, in form and content reasonably satisfactory to such lender (but consistent with the foregoing provisions), whereunder it is agreed that in the event of a deed in lieu of foreclosure, sale or foreclosure under such mortgage or deed of trust, the purchaser of the Property (including the mortgagee or beneficiary under such mortgage), shall acquire or hold the Property subject to this Lease and Tenant's rights hereunder so long as no Event of Default exists.

Tenant hereby agrees to recognize such purchaser as the landlord under this Lease and agrees to attorn to such purchaser and, if instructed to do so by such purchaser, to make rental payments directly to it. Upon such attornment, this Lease shall become a direct lease between Tenant and such Purchaser. Such subordination agreement may also include an acknowledgment by Tenant that any purported cancellation of this Lease, except by its terms, or any sublease, reduction in its effective rate of rent, shortening of its term or extension of its term at a reduced effective rate of rent, shall not be binding upon any Encumbrancer (as hereinafter defined) or any other person, firm or corporation acquiring the Property at any sale or other proceedings, or pursuant to the exercise of any rights, powers or remedies under any Encumbrance, without such Encumbrancer's prior written consent.

Notwithstanding anything contained herein to the contrary, each Encumbrance shall contain a provision which obligates the mortgagee or other applicable lienholder (the "Encumbrancer") to release and discharge such Encumbrance on the Property upon the payment to the Encumbrancer of the net sales proceeds to be paid by the Tenant under Article 27 hereof (or such lesser amount as is payable under the Encumbrance) in order that Tenant may acquire fee simple record title pursuant to Article 27 free and clear of all Encumbrances and as otherwise provided in Article 27.

ARTICLE 25. LIMITATION OF LANDLORD'S LIABILITY

Tenant specifically agrees that neither Landlord, nor any officer, shareholder, employee or agent of Landlord, shall be held to any personal liability, jointly or severally, for any

obligation of, or claims against Landlord. Notwithstanding any other provisions of this Lease which may be to the contrary, Tenant agrees to look solely to Landlord's equity interest in the Property for recovery of any judgment under this Lease. The provisions of this Section shall not limit any right that Tenant might otherwise have under this Lease for specific performance or other injunctive relief against Landlord. In no event shall Landlord (original or successor) or any Affiliate of Landlord be required to respond in monetary damages from Landlord's assets other than Landlord's equity interest in any portion of the Property. Furthermore, except as otherwise expressly provided herein, in no event shall Landlord or any Affiliate of Landlord (original or successor) ever be liable to Tenant for any indirect or consequential damages suffered by Tenant from whatever cause.

ARTICLE 26. NONCOMPETITION PROVISIONS.

Tenant covenants and agrees that, at all times during the Term of this Lease neither Tenant nor any Affiliate of Tenant, will directly or indirectly, own, manage, lease or operate a healthcare property providing inpatient or outpatient services or other similar services as provided at the Facility within a fifteen (15) mile radius of the Property that competes or would reasonably be expected to compete with the Property. In addition for a period of one year after expiration of the Term, neither Tenant nor any Affiliate of Tenant, will commence construction of a property within the respective protective radius stated above, which newly developed property would compete or be reasonably expected to compete with the Property. The provisions of this Article 26 shall survive the expiration or termination of this Lease. Tenant understands and acknowledges that the violation of this covenant not to compete by Tenant, or any Affiliate of Tenant, would cause irreparable harm to Landlord and Landlord would be entitled to seek an injunction from any court of competent jurisdiction enjoining and restraining Tenant, or any Affiliate of Tenant, from any act prohibited by this Article 26. Tenant and Landlord recognize and acknowledge that the area and time limitations contained in this Article 26 are reasonable. In addition, Tenant and Landlord recognize and acknowledge that the area and time limitations are properly required for the protection of the business interests of Landlord due to the status and reputation of Tenant in the industry. The parties agree that nothing in this Article 26 shall be construed as prohibiting Landlord from pursuing any other remedies available to it for any breach or threatened breach of this covenant not to compete, including the recovery of damages from Tenant or any other person or entity acting in concert with Tenant. Tenant agrees that, in the event that Tenant, or any subsidiary thereof, breaches this covenant not to compete, Tenant will pay reasonable attorney's fees and expenses incurred by Landlord in enforcing this covenant not to compete.

It is further agreed that if at any time it shall be determined that this covenant not to compete is unreasonable as to time or area, or both, by any court of competent jurisdiction, Landlord shall be entitled to enforce this covenant for such period of time and within such area as such court may determine to be reasonable.

ARTICLE 27. PURCHASE OPTION

27.1 Purchase Option. Landlord hereby grants to Tenant the one-time right and option to purchase the Property (the "Purchase Option") at any time during the period commencing on the first day of the seventh (7th) Lease Year and expiring on the last day of the ninth (9th) Lease

Year (the applicable option periods are referred to herein as the "Option Period") on the terms set forth herein.

(a) There shall be no Default that remain uncured, or Events of Defaults hereunder.

(b) Tenant may exercise the Option by giving Landlord Notice thereof at any time during the Option Period, and the closing of the sale and purchase shall occur on the date which is six (6) months after Tenant gives such Notice of the exercise of the Purchase Option, unless such closing day is a Saturday, Sunday or legal holiday, in which event the closing shall be on the next business day thereafter ("Closing Date").

(c) Tenant shall have the right to assign this Purchase Option upon the assignment of this Lease permitted by the terms hereof or to any Affiliate of Tenant.

(d) In the event Tenant gives notice of its election to purchase the Property but fails to close the purchase of the Property within the time allowed herein, this Lease shall remain in full force and effect (without the Purchase Option) and Tenant shall be liable for all of Landlord's documented costs and expenses relating to the Tenant's election to exercise the Purchase Option, including, but not limited to, the fees and expenses of the Landlord's appraiser and reasonable attorney's fees.

(e) The Purchase Price shall be determined by taking the Base Rent for the next twelve months (including any escalations that occur during such period) and dividing it by a capitalization rate of nine percent (9%).

27.2 Closing. The applicable Purchase Price shall be paid in full at the closing although Tenant may, at its option, use all or any portion of the Purchase Price as may be necessary to discharge any mortgages or other monetary liens or encumbrances affecting Landlord's interest in the Property. In the event that the aggregate amount required to pay and discharge all such mortgages, liens and encumbrances exceeds the Purchase Price, Landlord shall pay or reimburse Purchaser all such additional sums and obtain full release and discharge of such deeds of trust, mortgages, liens and encumbrances.

(a) At the closing, Landlord shall convey to Tenant or its nominee by special warranty deed, bill of sale and assignment, all of Landlord's right, title and interest to the Property (including, without limitation, all Licenses, to the extent assignable), but free and clear of all mortgages, deeds of trust, liens and other encumbrances whatsoever, excepting real estate taxes not yet due and payable, easements, restrictive covenants and other matters encumbering the Property on the Commencement Date or otherwise approved by Tenant. Upon such conveyance neither party shall have any further rights or obligations hereunder except those expressly stated to survive termination. Tenant shall, however, cure any monetary Event of Default as of the closing date.

(b) The closing costs and expenses in connection with the transfer of the Property to Tenant or its nominee, including, but not limited to, real property conveyance or transfer fees or deed stamps, title search fees, title insurance commitment fees, and title insurance premiums, survey fees, environmental assessment fees, recording fees and

the fees of any escrow agent shall be paid by Tenant. Tenant shall be solely responsible for Tenant's and Landlord's respective reasonable legal fees incurred in connection with the transfer of the Property to Tenant. Notwithstanding the foregoing provision relating to legal fees, Landlord shall be solely responsible for Landlord's legal fees incurred in clearing any encumbrances or exceptions to title to any portion of the Property which title matter Landlord is required to have cleared or removed pursuant to this Section.

(c) If the Property is damaged to such an extent that Tenant exercises its right to terminate under Article 16, the Tenant may terminate its obligation to purchase the Property if the Tenant has exercised the Purchase Option. The Tenant shall be entitled to all insurance proceeds, if the Tenant purchases the Property. If the Tenant elects not to purchase the Property, the applicable Lease provisions shall apply.

(d) If Landlord shall be unable to give title and make conveyance as required hereunder for any reason beyond Landlord's control (after Landlord uses reasonable efforts to perform) and without such inability being a default by Landlord, the obligations of both parties under this Purchase Option shall terminate and the remaining terms and conditions of this Lease shall continue in full force and effect; provided, however, that Tenant may, at Tenant's election, accept such title as Landlord is able to convey, without warranty as to known defects and without reduction of the Purchase Price.

(e) In the event any portion of the Property is taken by eminent domain after the Tenant exercises the Purchase Option, the Tenant shall have the option to either (i) terminate the exercise of the Purchase Option and the provisions of this Article 27 shall become null and void or (ii) consummate the purchase of the Property and pay the full Purchase Price and receive an assignment and transfer of all condemnation awards paid or payable with respect to such taking. In addition, if the taking occurs prior to Tenant's exercise of the Purchase Option, Tenant may exercise the Purchase Option and the foregoing provisions shall apply.

(f) In the event of a default by either party hereunder, the other party shall have the right to seek specific performance.

(g) Landlord and Tenant agree that there shall be no adjustment for real estate taxes or assessments constituting a lien on the Property. Rent and other amounts due and payable hereunder shall be prorated up to the closing date. The Tenant shall pay the cost of the documentary tax stamps to record the deed and all other adjustments shall be made in accordance with Tennessee law and custom.

(h) To enable Landlord to make conveyance as herein provided, Landlord may, on the closing date, use the purchase money or any portion thereof to clear the title of any or all encumbrances or interests.

(i) Upon the recording of the aforesaid deed, all of the Landlord's right, title and interest in this Lease will be deemed to have been conveyed and transferred to the grantee in the deed.

(j) The Tenant acknowledges that Landlord may structure the disposition of the Property as a like kind exchange under Section 1031 (a "1031 Exchange") of the Internal Revenue Code of 1986, as amended (the "Code"), at the Landlord's sole cost and expense. The Tenant has agreed to cooperate in all reasonable respects with Landlord to effectuate such 1031 Exchange, and Landlord acknowledges and agrees that:

(i) The Closing shall not be extended or delayed by reason of such 1031 Exchange, unless the Tenant has breached its obligations to Landlord under this subsection;

(ii) The Tenant shall not be required to incur any additional cost or expense as a result of such 1031 Exchange. Landlord covenants and agrees that it shall, on demand, reimburse the Tenant for any additional cost or expense (including, but not limited to, reasonable attorneys' fees) incurred by the Tenant which is directly attributable to the 1031 Exchange; and

(iii) Tenant shall incur no personal liability under any document or agreement required in connection with such 1031 Exchange, and the Tenant shall not be required to execute any such document or agreement that does not expressly exculpate and release the Tenant, its successors, assigns, affiliates, officers, employees, agents and representatives from any liability or obligation arising out of, or in connection with, the 1031 Exchange.

ARTICLE 28. REPRESENTATIONS AND WARRANTIES

28.1 Representations and Warranties of Landlord. Landlord hereby warrants and represents to Tenant that as of the date hereof:

(a) Landlord has full right, power and capacity to enter into this Lease and to carry out the transactions contemplated hereby, and the execution and delivery of this Lease and the consummation of the transactions contemplated hereby has not resulted, and will not result, (with or without the lapse of time, the giving of notice, or both) in a conflict with or constitute a default under any agreement, contract or other instrument to which Landlord is a party.

(b) Landlord is a duly organized and validly existing limited liability company under the laws of the State of Delaware; the execution and delivery of this Lease and the consummation of the transactions contemplated hereby has been authorized by all necessary action and has not resulted and will not result (with or without the lapse of time, the giving of notice or both) in any breach of, or in a conflict with any of the terms or provisions of the limited liability company agreement or other organizational documents of Landlord; and this Lease is binding and enforceable against Landlord in accordance with its terms subject to bankruptcy, insolvency and other similar debtors' rights laws.

28.2 Representations and Warranties of Tenant. Tenant hereby warrants and represents to Tenant that as of the date hereof:

(a) Tenant has full right, power and capacity to enter into this Lease and to carry out the transactions contemplated hereby, and the execution and delivery of this Lease and the consummation of the transactions contemplated hereby has not resulted, and will not result, (with or without the lapse of time, the giving of notice, or both) in a conflict with or constitute a default under any agreement, contract or other instrument to which Tenant is a party.

(b) Tenant is a duly organized and validly existing limited liability company under the laws of the State of Tennessee; the execution and delivery of this Lease and the consummation of the transactions contemplated hereby has been authorized by all necessary action and has not resulted and will not result (with or without the lapse of time, the giving of notice or both) in any breach of, or in a conflict with any of the terms or provisions of the limited liability company agreement or other organizational documents of Tenant; and this Lease is binding and enforceable against Tenant in accordance with its terms subject to bankruptcy, insolvency and other similar debtors' rights laws.

ARTICLE 29. BANKRUPTCY.

29.1 Generally. Tenant covenants and agrees that it will remain obligated under this Lease in accordance with its terms, and that Tenant will not take any action to terminate, rescind, or avoid this Lease, notwithstanding the bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding-up or other proceeding affecting Tenant or any assignee of Tenant in any such proceeding and notwithstanding any action with respect to this Lease which may be taken by any trustee or receiver of Tenant or any such assignee in any such proceeding or by any court in any such proceeding.

29.2 Assumption of the Lease. In the event that Tenant shall file a petition, or an order for relief is entered against the Tenant, under Chapter 7, 9 or 11 of the Bankruptcy Code 11 U.S.C. § 101 et seq. (the "Bankruptcy Code"), and Tenant or the trustee of Tenant shall elect to assume this Lease whether or not for the purpose of assigning the same, and subject to the applicable provisions of Section 365 of the Bankruptcy Code, to the fullest extent permitted by applicable law, such assumption and assignment may only be made if all of the terms and conditions of subsections (a) and (b) hereof are satisfied.

(a) No election to assume this Lease shall be effective unless in writing and addressed to Landlord and unless all of the following conditions have been satisfied.

(i) The trustee or the debtor-in-possession has cured or has provided Landlord "adequate assurance" (as defined hereunder) that within ten (10) days from the date of such assumption, the trustee (or debtor-in-possession) will cure all monetary defaults under this Lease; and within thirty (30) days from the date of such assumption, the trustee (or debtor-in possession) will cure all non-monetary defaults under this Lease (to the extent curable within said thirty (30) day period).

(ii) The trustee or the debtor-in-possession has compensated, or has provided to Landlord adequate assurance that within ten (10) days from the date of assumption Landlord will be compensated, for any actual pecuniary loss incurred by Landlord arising from the default of the Tenant, the trustee, or the debtor-in possession, as recited in Landlord's written statement of pecuniary loss sent to the trustee or debtor-in-possession.

(iii) The trustee or the debtor-in-possession has provided Landlord with "adequate assurance" of the future performance of each of Tenant's obligations under the Lease with respect to the Property; provided, however, that the trustee or debtor-in-possession shall also deposit with Landlord, as security for the timely payment of Rent, an amount equal to three (3) months of the then current Base Rent; and the obligations imposed upon the trustee or debtor-in-possession shall continue with respect to Tenant after the completion of bankruptcy proceedings.

(iv) Landlord has determined that the assumption of this Lease will not breach any provision in any agreement by which Landlord is bound relating to the Property or Landlord has obtained any consents or waivers required to ensure that no such breach occurs; or disrupt, in Landlord's reasonable judgment, the reputation and profitability of the Property.

(v) "Adequate assurance" shall mean:

(A) Landlord shall determine that the trustee or the debtor-in-possession has and will continue to have sufficient unencumbered assets (other than by liens in favor of Landlord) after the payment of all secured obligations and administrative expenses to assure Landlord that the trustee or debtor-in possession will have sufficient funds to fulfill the obligations of Tenant under this Lease; and

(B) an order shall have been entered segregating sufficient cash payable to Landlord and/or there shall have been granted a valid and perfected first lien and security interest in property of the Tenant, trustee or debtor-in-possession, acceptable as to value and kind to Landlord, to secure to Landlord the obligation of the Trustee or debtor-in-possession to cure the monetary and/or non-monetary defaults under this Lease within the time periods set forth above.

(b) If the trustee or debtor-in-possession has assumed this Lease for the purpose of assigning (or election to assign) the Tenant's interest under this Lease or the estate created thereby, to any other person, such interest or estate may be so assigned only if Landlord shall acknowledge in writing that the intended assignee has provided "adequate assurance". The term "adequate assurance" shall mean that Landlord shall have ascertained that each of the following conditions has been satisfied:

(i) The assignee has submitted a current financial statement audited by independent certified public accountants of recognized standing selected by

Tenant and reasonably acceptable to Landlord which shows a net worth and working capital in amounts determined to be sufficient by Landlord to assure the future performance by such assignee of the Tenant's obligations under this Lease;

(ii) Landlord has obtained all consents or waivers from any third parties required under any lease, mortgage, financing arrangement or other agreement by which Landlord is bound to enable Landlord to permit such assignment;

(iii) The assignee has deposited six months of Base Rent as an adequate security deposit with Landlord; and

(iv) The assignee has demonstrated to the reasonable satisfaction of Landlord that its intended use of the Property is consistent with the terms of this Lease and will not diminish the reputation of the Property.

(c) Neither Tenant's interest in the Lease, nor any lesser interest of Tenant herein, nor any estate of Tenant hereby created, shall pass to any trustee, receiver, assignee for the benefit of creditors, or any other person or entity, or otherwise by operation of law under the laws of any state having jurisdiction of the person or property of the Tenant ("state law") unless Landlord shall consent to such transfer in writing. No acceptance by Landlord of Rent or any other payments from any such trustee, receiver, assignee, person or other entity shall be deemed to have waived, nor shall it waive the need to obtain Landlord's consent or Landlord's right to terminate this Lease for any transfer of Tenant's interest under this Lease without such consent.

(d) Any person or entity to which this Lease is assigned pursuant to the provisions of the Bankruptcy Code shall be deemed without further act or deed to have assumed all of the obligations arising under this Lease relating to the Property on or after the date of such assignment. Any such assignee shall, upon demand, execute and deliver to Landlord an instrument confirming such assumption.

29.3 Charges. When, pursuant to the Bankruptcy Code, the trustee or debtor-in-possession shall be obligated to pay reasonable use and occupancy charges for the use of the Property or any portion thereof, such charges shall not be less than the then current Base Rent and any Additional Charges which may become due and other monetary obligations of Tenant.

ARTICLE 30. MANAGEMENT OF PROPERTY BY MANAGER.

Landlord consents to the management of the Property by Manager pursuant to the Management Agreement on the following terms contained herein:

30.1 Subordination. Any management fees due to Manager shall be subordinated to the Tenant's obligations to make lease payments to Landlord pursuant to a subordination agreement in form and substance acceptable to Landlord. Tenant shall not terminate or amend its Management Agreement with Manager nor permit any replacement of Manager under any Management Agreement without the prior written consent of Landlord, which consent shall not be unreasonably withheld. Landlord acknowledges that Polaris Hospital Management, Inc. is the

current Manager and is approved to charge a management fee of two and one-half percent (2.5%). Provided further, certain other compensation amounts detailed in such Management Agreement shall be deemed part of the management fee and the aggregate of all amounts paid thereunder shall not exceed five percent (5%).

30.2 Future Agreements. Tenant agrees that it will not enter into any other Management Agreement (or similar arrangement) under which the right to manage the operations of the Property is granted to a third party without first obtaining Landlord's consent, which consent shall not be unreasonably withheld, conditioned or delayed. Tenant may enter into a Management Agreement with an Affiliate of Tenant if Landlord gives its consent thereto as aforesaid and provided that:

(a) the Management Agreement is in writing and a complete copy thereof is delivered to Landlord prior to its effective date;

(b) the Management Agreement provides for total compensation, including, but not limited to, management fees, salaries and benefits, to the manager not to exceed five percent (5%) of the gross revenues of the Property; and

(c) the Manager shall have entered into an agreement with Landlord acknowledging that the Management Agreement and such manager's rights to payment of fees thereunder is subordinate to this Lease and to the rights and interests of Landlord in the Property under management.

ARTICLE 31. EXPIRATION OR TERMINATION OF LEASE; TENANT'S COOPERATION.

At the expiration or termination of this Lease, the following provisions shall apply:

31.1 Current Inventory. Tenant shall, for no additional consideration, sell, transfer and convey to Landlord or Landlord's designee, seven (7) days worth of Inventory (the "Current Inventory") owned by Tenant as of the termination date.

31.2 Remaining Inventory/Personal Property. Tenant shall sell, transfer and convey to Landlord or Landlord's designee, and Landlord or Landlord's designee shall purchase, the remaining Inventory and any Facility FF&E not owned by the Landlord (collectively the "Remaining Property") for an amount equal to the Fair Market Value of such remaining property. In the event the parties are unable for any reason to agree in writing to the Fair Market Value of such remaining property by the date which is one hundred eighty (180) days prior to expiration date of the Term (including all exercised Renewal Terms), the Fair Market Value of such remaining property shall be determined pursuant to Section 31.4. Provided however, if the Lease is terminated due to an Event of Default, the Facility FF&E shall be conveyed to Landlord for One Dollar ($1.00).

31.3 Tenant's Proprietary Property. At the End of the Term of the Lease, Landlord shall not succeed to the ownership of either the accounts receivable of Tenant or any proprietary property of Tenant, including but not limited to, printed materials (such as operating manuals,

policies, procedures, and training manuals), computer software (unless used for administration of patient records or operations) developed by Tenant.

31.4 Appraisal Process. The following provisions shall apply in the event Landlord and Tenant are unable for any reason to agree in writing after negotiating for a period of thirty (30) days after the termination or expiration of this Lease as to the Fair Market Value of the Remaining Property:

(a) The Fair Market Value of the Remaining Property shall be determined by two (2) independent appraisal firms, in which one or more of the members, officers or principals of such firm are Members of the Appraisal Institute (or any successor organization thereto), as may be selected by Landlord and Tenant. Landlord and Tenant shall give to the other Notice of the identity of such appraiser (the "Appraiser") selected by each party as provided below. The written joint determination of such Appraisers shall be final and binding upon the parties. A written report of the Appraisers as to such Fair Market Value as provided in clause (g) hereof shall be delivered and addressed to each of Landlord and Tenant. This provision for determination by appraisal shall be specifically enforceable to the extent such remedy is available, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law.

(b) Within fifteen (15) days after the other party receives Notice of the appointment of the first Appraiser, the other party shall by Notice to the other party appoint a second Appraiser meeting the requirements set forth above to act on its behalf. In such event, the Appraisers thus appointed shall, within thirty (30) days after the date of the appointment of the second Appraiser, proceed to determine in writing the Fair Market Value as of the relevant date.

(c) If the two Appraisers shall have been appointed and shall have made their written determinations within the respective requisite periods set forth above and if the difference between the amounts so determined shall not exceed ten percent (10%) of the lesser of such amounts, then the Fair Market Value of the Remaining Property shall be an amount equal to average of the two appraisals. If the difference between the amounts so determined shall exceed ten percent (10%) of the lesser of such amounts, then such two Appraisers shall have fifteen (15) days to appoint a third Appraiser meeting the above requirements, but if such Appraisers fail to do so, then either party may request the American Arbitration Association (the "AAA") or any successor organization thereto to appoint an Appraiser meeting the above requirements within fifteen (15) days of such request, and both parties shall be bound by any appointment so made within such fifteen (15) day period.

(d) If no such Appraiser shall have been appointed within such fifteen (15) day period or within one hundred twenty (120) days of the termination or expiration of the Lease, whichever is earlier, either Landlord or Tenant may apply to any court having jurisdiction to have such appointment made by such court.

(e) Any Appraiser appointed by the original Appraisers, by the AAA or by such court shall be instructed to make its determination of the Fair Market Value of the Remaining Property within thirty (30) days after appointment of such Appraiser in accordance with the methodologies and approaches set forth herein.

(f) Following the written determination by the third Appraiser described above (if applicable), the determination of the Appraiser which differs most in terms of dollar amount from the determinations of the other two Appraisers shall be excluded, and the average of the remaining two determinations shall be final and binding upon Landlord and Tenant as the Fair Market Value of the Remaining Property. This provision for determination by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law.

Landlord and Tenant shall each pay the fees and expenses of the Appraiser appointed by it and each shall pay one-half (1/2) of the fees and expenses of any third Appraiser.

31.5 Records. Subject to Section 23.14 and any applicable Legal Requirements, Tenant shall transfer and convey the Records to Landlord or Landlord's designee.

31.6 Bill of Sale. Tenant shall execute a Bill of Sale in favor of Landlord in the form of Exhibit B with respect to the assets being conveyed to Landlord or Landlord's designee pursuant to this Article 31 .

31.7 Licenses. To the extent not then prohibited by applicable Legal Requirements, unless otherwise directed by Landlord, upon the expiration or termination of the Term, Tenant shall use reasonable good faith efforts to (i) transfer to Landlord or Landlord's nominee (or to cooperate with Landlord or Landlord's nominee in connection with the processing by Landlord or Landlord's nominee of any applications for) all Licenses then in effect which relate to the operation of the Property or any Business and/or cooperate with Landlord or its nominee in their efforts to secure Licenses for which Landlord or its nominee wishes to apply and which may be required by Landlord or Landlord's nominee relating to the ownership and operation of the Property or any Business (provided, however, that the costs and expenses of any such transfer or the processing of any such application shall be paid by Landlord or Landlord's nominee), and (ii) file all final cost reports, if any, relating to Tenant's operation of the Property or any Business.

31.8 Assignment of Contracts and Leases. Upon the expiration or earlier termination of the Term, Tenant shall execute in favor of the Landlord as to the Property, the Assignment of Contracts and Leases.

31.9 Cooperation. In addition, Tenant shall cooperate with Landlord in order to ensure a smooth transfer without interruption of the operation of the Businesses to Landlord or Landlord's nominee. Such cooperation shall include, without limitation, turning over (i) all Records and other information with respect to patients of the Businesses which are in the possession of Tenant or any Affiliate of Tenant (subject to applicable Legal Requirements governing confidentiality of patient and employment records, Tenant agreeing, however, that Tenant's cooperation under this subparagraph (c) shall include cooperation in facilitating

requests to the patients of the Businesses to consent to the transfer of such patient records), and (ii) a cash amount equal to all prepaid income, rents, and revenues of any kind with respect to the Property, including, but not limited to, security deposits, rents and other sums paid by patients covering any period from and after the date of such expiration or termination, but reduced to the extent and amount any such prepaid items must be, and are, refunded to the payor(s) by Tenant.

31.10 Operations Transfer Agreement. Upon the expiration or earlier termination of the Term, at the request of Landlord or its nominee, Tenant shall enter into an Operations Transfer Agreement (an "O.T.A.") with the successor operator of any Business in form and substance as requested by Landlord as customary in the industry. The O.T.A. shall define responsibility and liability for matters relating to the continuing operation of any Business arising prior to the date operations of any Business are transferred from Tenant to the successor licensed operator of the any Business (herein the "Operations Transfer Date") and for matters and liabilities relating to the Business or Property arising on or after the Operations Transfer Date. The O.T.A. shall address as of the Operations Transfer Date and without limitation the proration of periodic fees due under continuing service contracts; utility charges and deposits; employee salaries, wages and other employment benefits for employees whose employment is to continue beyond the Operations Transfer Date; and mutual indemnities. The O.T.A. shall include applicable indemnity provisions for which Tenant is liable under Article 21 of this Lease and shall provide for indemnification of Tenant by any successor operator of the Business or Property for liabilities related to operations of the Business or Property after the Operations Transfer Date. To the extent not then prohibited by applicable Legal Requirements, unless otherwise directed by Landlord, upon the expiration or termination of the Term, Tenant shall use reasonable good faith efforts to (i) transfer to Landlord or Landlord's nominee (or to cooperate with Landlord or Landlord's nominee in connection with the processing by Landlord or Landlord's nominee of any applications for) all Licenses then in effect which relate to the operation of the Property or any Business and/or cooperate with Landlord or its nominee in their efforts to secure Licenses for which Landlord or its nominee wishes to apply and which may be required by Landlord or Landlord's nominee relating to the ownership and operation of Property or any Business (provided, however, that the costs and expenses of any such transfer or the processing of any such application shall be paid by Landlord or Landlord's nominee), and (ii) file all final cost reports, if any, relating to Tenant's operation of the Businesses.

ARTICLE 32. MISCELLANEOUS

32.1 Landlord's Status as a REIT. Tenant acknowledges that Landlord intends to elect to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code. Tenant shall not do anything which would adversely affect Landlord's status as a REIT. Tenant hereby agrees to modifications of this Lease which do not materially adversely affect Tenant's rights and liabilities if such modifications are required to retain or clarify Landlord's status as a REIT.

32.2 USA PATRIOT ACT AND ANTITERRORISM LAWS. Tenant represents and warrants to, and covenants with, Landlord that neither Tenant nor any of its respective constituent owners or affiliates currently are, or shall be at any time during the Lease Term, in violation of any laws relating to terrorism or money laundering (collectively, the "Anti-Terrorism Laws"), including without limitation Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 and relating to Blocking Property and Prohibiting

Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (the "Executive Order") and/or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56) (the "USA Patriot Act"). Tenant covenants with Landlord that neither Tenant nor any of its respective constituent owners or affiliates is or shall be during the Lease Term a "Prohibited Person," which is defined as follows: (i) a person or entity that is listed in the Annex to, or is otherwise subject to, the provisions of the Executive Order; (ii) a person or entity owned or controlled by, or acting for or on behalf of, any person or entity that is listed in the Annex to, or is otherwise subject to the provisions of, the Executive Order; (iii) a person or entity with whom Landlord is prohibited from dealing with or otherwise engaging in any transaction by any Anti-Terrorism Law, including without limitation the Executive Order and the USA Patriot Act; (iv) a person or entity who commits, threatens or conspires to commit or support "terrorism" as defined in Section 3(d) of the Executive Order; (v) a person or entity that is named as a "specially designated national and blocked person" on the then-most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website, http://www.treas.gov/offices/eotffc/ofac/sdn/tllsdn.pdf , or at any replacement website or other replacement official publication of such list; and (vi) a person or entity who is affiliated with a person or entity listed in items (i) through (v), above. At any time and from time-to-time during the Lease Term, Tenant shall deliver to Landlord, within ten (10) days after receipt of a written request therefor, a written certification or such other evidence reasonably acceptable to Landlord evidencing and confirming Tenant's compliance with this Section 25.

32.3 Landlord's Right to Inspect. Landlord and its authorized representatives may, at any time and from time to time, upon reasonable notice to Tenant, inspect the Property during usual business hours subject to any security, health, safety or patient business confidentiality requirements of Tenant or any governmental agency, or created by any Insurance Requirement or Legal Requirement relating to the Property.

32.4 No Waiver. No failure by Landlord or Tenant to insist upon the strict performance of any term hereof or to exercise any right, power or remedy provided hereunder, and no acceptance of full or partial payment of Rent during the continuance of any such breach, shall constitute a waiver of any such breach or of any such term. To the extent permitted by applicable law, no waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

32.5 Remedies Cumulative. To the extent permitted by law, each legal, equitable or contractual right, power and remedy of Landlord or Tenant now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy. The exercise or beginning of the exercise by Landlord or Tenant of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Landlord or Tenant of any or all of such other rights, powers and remedies. The provisions of this Section are subject in all respects to the provisions of Article 25. Notwithstanding the foregoing, both parties waive the right to recover any indirect or consequential damages.

32.6 Acceptance of Surrender. No surrender to Landlord of this Lease or of all or any portion of or interest in the Property prior to expiration of the Term shall be valid or effective

unless agreed to and accepted in writing by Landlord, and no act by Landlord or any representative or agent of Landlord, other than such a written acceptance by Landlord, shall constitute an acceptance of any such surrender by Tenant.

32.7 No Merger of Title. There shall be no merger of this Lease or of the leasehold estate created hereby if the same person, firm, corporation or other entity acquires, owns or holds, directly or indirectly, this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate, and the fee estate in the Property.

32.8 Conveyance by Landlord. If Landlord or any successor owner of the Property conveys the Property in accordance with the terms hereof (other than as security for a debt), and the grantee or transferee of the Property expressly assumes all obligations of Landlord hereunder arising or accruing from and after the date of such conveyance or transfer, Landlord or such successor owner, as the case may be, thereupon shall be released from all liabilities and obligations of Landlord under this Lease arising after such conveyance or transfer.

32.9 Quiet Enjoyment. So long as Tenant pays all Rent as the same becomes due and fully complies with all of the terms of this Lease and fully performs its obligations hereunder when due, in each case within any cure period provided for herein, Tenant shall peaceably and quietly have, hold and enjoy the Property for the Term hereof, free of any claim or other action by Landlord or anyone claiming by, through or under Landlord, but subject to the Permitted Encumbrances and/or any liens and encumbrances of record hereafter consented to by Tenant in writing. Except as otherwise provided in this Lease, no failure by Landlord to comply with the foregoing covenant shall give Tenant any right to cancel or terminate this Lease or abate, reduce or make a deduction from or offset against the Rent or any other sum payable under this Lease, or to fail or refuse to perform any other obligation of Tenant hereunder. Notwithstanding the foregoing, Tenant shall have the right, by separate and independent action, to pursue any claim it may have against Landlord as a result of a breach by Landlord of the covenant of quiet enjoyment contained in this Section.

32.10 Notices. All notices, demands, requests, consents, approvals and other communications ("Notice" or "Notices") hereunder shall be in writing and shall be deemed to have been duly given when delivered in person (provided a signed receipt is obtained) or received by telegraphic or other electronic means (including telecopy and telex) or, if mailed, three (3) days after being deposited in the United States mail, certified or registered mail, postage prepaid, or if sent via Federal Express or similar courier service via overnight delivery, the next business day following receipt, addressed to the respective parties as follows (or to such other address as a party may hereafter designate):

If to Tenant:

SeniorHealth of Rutherford, LLC
5500 Maryland Way, Suite 200
Brentwood, TN 37027
Attention: Kevin Lee
Telephone: 615-973-3500
Facsimile: _____

With a copy to:

Kramer Rayson LLP
Post Office Box 629
Knoxville, TN 37901-0628
Physical: 800 S. Gay Street, Ste. 2500
Knoxville, Tennessee 37929
Attention: Shannon Coleman and George Arrants
Telephone: 865-522-5134
Facsimile: 865-522-5132

If to Landlord:

NHI-REIT of Tennessee, LLC
222 Robert Rose Drive
Murfreesboro, TN 37129
Attention: Kristin S. Gaines
Telephone: (615) 890-9100
Facsimile: (615) 225-3030

With a copy to:

Harwell Howard Hyne Gabbert & Manner, P.C.
315 Deaderick Street, Suite 1800
Nashville, Tennessee 37238
Attention: John Brittingham
Telephone: (615) 251-1074
Facsimile: (615) 251-1056

32.11 Survival of Terms; Applicable Law. Anything contained in this Lease to the contrary notwithstanding, all claims against, and liabilities of, Tenant or Landlord arising prior to any date of termination of this Lease shall survive such termination. If any term or provision of this Lease or any application thereof shall be invalid or unenforceable for any reason whatsoever, the remainder of this Lease and any other application of such term or provisions shall not be affected thereby. If any late charge or any interest rate provided for in any provision of this Lease based upon a rate in excess of the maximum rate permitted by applicable law, such charges shall be fixed at the maximum permissible rate. Subject to any limitations on assignment contained in this Lease, all the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The headings in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. The Recitals to this Lease are incorporated herein by this reference. This Lease as to the Property shall be governed by and construed in accordance with the laws of the State, but not including its conflicts of laws rules.

32.12 Exculpation of Officers and Agents. This Lease is made on behalf of Landlord and Tenant by an officer of each, not individually, but solely in his capacity in such office as

authorized by the directors of each, pursuant to their respective bylaws or operating agreement. The obligations of this Lease are not binding upon, nor shall resort be had to the private property of, any of the directors, shareholders, officers, members, employees or agents of Landlord or Tenant.

32.13 Memorandum of Lease. Landlord and Tenant shall, concurrently with the execution of this Lease, enter into a short form memorandum of this Lease for the Property in form suitable for recording under the laws of the State. Tenant shall pay all costs and expenses of recording such memorandum of this Lease.

32.14 Disputes. It is agreed that if at any time a dispute shall arise as to any amount or sum of money to be paid by one party to the other party under the provisions hereof, the party against whom the obligation to pay the money is asserted shall have the right to make payment with notice that such payment is made "under protest," such payment not being regarded as a voluntary payment and there shall survive the right on the part of said party to institute suit for recovery of such sum and if it shall be adjudged that there was no legal obligation on the part of said party to pay such sum or any part thereof, said party shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of this Lease; and if at any time a dispute shall arise between the parties hereto as to any work to be performed by either of them under the provisions hereof, the party against whom the obligation to perform the work is asserted may perform such work and pay the cost thereof with notice that such work is being performed and the cost thereof paid "under protest" and the performance of such work shall in no event be regarded as a voluntary performance, and there shall survive the right on the part of said party to perform the same or any part thereof, said party shall be entitled to recover the cost of such work or the cost of so much thereof as said party was not legally required to perform under the provisions of this Lease.

32.15 Attorneys' Fees. During the Term each party shall pay all reasonable legal fees and other out-of-pocket costs of the other incurred in connection with any event which would after due notice and the passage of time would constitute an Event of Default or a Landlord default if not cured; and in the event either party brings an action to enforce any of the terms hereof or in connection herewith, the prevailing party in such action shall be entitled to and the losing party agrees to pay the reasonable attorneys' fees and expenses, including reasonable attorneys' fees and expenses of appellate proceedings, of the prevailing party. Upon the occurrence of an Event of Default hereunder, Tenant shall be responsible for Landlord's reasonable attorneys' fees and expenses in connection with the enforcement of this Lease, including without limitation, any renewals or extensions of this Lease, and the review of any documents related to Landlord consents. Tenant shall be responsible for Landlord's reasonable attorneys' fees and expenses in the event the Lease should be amended, modified, or extended, or in connection with the grant of an easement over the Property or the execution and delivery of an estoppel certificate. Tenant shall reimburse Landlord for all recording fees for financing statements and continuation statements required to perfect Landlord's security interests under the Security Agreements described in Section 12.1.

32.16 Time is of the Essence. Time is hereby expressly made of the essence with respect to each and every term and provision of this Lease, including, but in no way limiting the generality of the foregoing, with respect to each and every time constraint and deadline imposed

by the terms of this Lease. The parties intend that they be strictly bound by the provisions concerning the timing performance of their respective obligations contained in this Lease. Further, if any attempt is made by either party to perform an obligation required by it to be performed or comply with a provision of this Lease required by it to be complied with, in any manner, other than in strict compliance with the time constraints applicable thereto, even if such purported attempt is but one day late, then such purported attempt at performance or compliance shall be deemed (i) violative of this "Time is of the Essence" clause, (ii) in contravention of the intent of the parties thereto and (iii) null and void and of no force and effect.

32.17 Submission to Jurisdiction. Landlord and Tenant each hereby irrevocably:

(a) submits, in any legal proceeding related to this Lease, to the non-exclusive in personam jurisdiction of the State or Tennessee or any United States court of competent jurisdiction sitting in any such State and agree to suit being brought in any such court;

(b) waives any objection that it may now or hereafter have to the venue of such proceeding in any such court located in any county in which the Property involved in such litigation is located, or Davidson County, Tennessee or Rutherford County, Tennessee or that such proceeding was brought in any inconvenient court; and

(c) agrees that nothing herein shall affect the right of either party to bring any legal proceedings (including a proceeding for enforcement of a judgment entered by any of the aforementioned courts) against the other party in any other court or jurisdiction in accordance with applicable law.

32.18 Waiver of Jury Trial. EACH OF LANDLORD AND TENANT HEREBY SEVERALLY, VOLUNTARILY, KNOWINGLY AND INTELLIGENTLY WAIVES ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF OR IN CONNECTION WITH, OR IN ANY WAY RELATED TO, DIRECTLY OR INDIRECTLY, THIS LEASE, AND/OR ANY RELATIONSHIP, COURSE OF CONDUCT OR DEALINGS OR NEGOTIATIONS PERTAINING TO ANY OF THE FOREGOING. EACH OF LANDLORD AND TENANT SEVERALLY ACKNOWLEDGES THAT THIS WAIVER OF JURY TRIAL IS A MATERIAL INDUCEMENT TO LANDLORD TO ENTER INTO THIS LEASE, AND THAT EACH OF LANDLORD AND TENANT HAS BEEN REPRESENTED BY INDEPENDENT LEGAL COUNSEL, SELECTED BY SUCH PARTY'S OWN FREE WILL, AND HAS HAD AN OPPORTUNITY TO CONSULT WITH SUCH INDEPENDENT LEGAL COUNSEL CONCERNING THE LEGAL EFFECT OF THIS WAIVER.

32.19 Use of Counterparts. This Lease may be executed in two or more counterparts and each counterpart shall be deemed to be an original. Facsimile signatures shall be sufficient to evidence any party's agreement to this Lease and to bind such party hereto.

32.20 Calculation of Time Periods. Unless otherwise specified, in computing any period of time described herein, the day of the act or event on which the designated period of time begins to run shall not be included and the last day of the period so computed shall be included,

unless such last day is a Saturday, Sunday or legal holiday, in which event the period shall run until the 5:00 PM Central Time on the next day which is not a Saturday, Sunday or a legal holiday.

32.21 Entire Agreement; Modifications. This Lease contains the entire agreement between Landlord and Tenant regarding the subject matter hereof and supersedes any and all other prior oral or written agreements, communications, covenants, representations or warranties between the parties regarding the subject matter hereof. No provision of this Lease may be waived, amended, supplemented or otherwise modified except by an agreement in writing signed by the parties hereto or their respective successors in interest.

[Remainder of this page is blank]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease on the dates shown below to become effective as of September 30, 2011.

TENANT:

SENIORHEALTH OF RUTHERFORD, LLC,
a Tennessee limited liability company

By: _____
Name: Kevin D. Lee
Title: President

STATE OF Tennessee :
: ss
COUNTY OF Davidson :

On this, the 30 day of September, 2011, before me, the undersigned officer, personally appeared Kevin D. Lee, who acknowledged himself to be the President of SeniorHealth of Rutherford, LLC (the "Company"), and being duly sworn according to law deposes and says that he, as such officer, being authorized to do so, executed the foregoing Instrument for the purposes therein contained, by signing the name of the Company by himself as _____.

IN WITNESS WHEREOF, I hereunto set my hand and official seal the day and year first above written.

Shanna Adams
Notary Public

My Commission Expires: 9-8-2013

SHANNA ADAMS
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY

442987-08

LANDLORD:

NHI-REIT OF TENNESSEE, LLC,
a Tennessee limited liability company

By: National Health Investors, Inc.
Its: Sole Member

By: _____
Name: J. Justin Hutchens
Title: President

STATE OF Tennessee :
: ss
COUNTY OF Rutherford :

On this, the 30th day of September, 2011, before me, the undersigned officer, personally appeared J. Justin Hutchens, who acknowledged himself to be the President of National Health Investors, Inc. the Sole Member of NHI-REIT of Tennessee, LLC (the "Company"), and being duly sworn according to law deposes and says that he, as such officer, being authorized to do so, executed the foregoing Instrument for the purposes therein contained, by signing the name of the Company by himself as President.

IN WITNESS WHEREOF, I hereunto set my hand and official seal the day and year first above written.

JESSICA S. MURPHY
STATE OF TENNESSEE NOTARY PUBLIC
RUTHERFORD COUNTY

Jessica S. Murphy
Notary Public

My Commission Expires: 7.21.13

442987-08

EXHIBIT A

FORM OF ASSIGNMENT AND ASSUMPTION OF CONTRACTS AND OPERATING LEASES

THIS ASSIGNMENT AND ASSUMPTION OF CONTRACTS AND OPERATING LEASES (this "Assignment") is made and entered into as of the ____ day of _____ (the "Effective Date") by and between the undersigned tenant, a _____ ("Tenant"), and _____, a _____ ("Landlord").

RECITALS:

WHEREAS, Landlord and Tenant entered into a Lease dated _____, 2011 (the "Agreement") for the lease of certain improved real property having a legal description as set forth on **Exhibit A** attached hereto and incorporated herein by this reference and known generally as [Name of Property], together with certain personal property located upon and used in connection with such improved real property, all as more particularly described in the Agreement and identified on **Exhibit B** to this Agreement (collectively the "Project"); and,

WHEREAS, the Agreement requires that upon the termination thereof, Tenant shall deliver this Assignment to Landlord pursuant to which Tenant will convey to Landlord all of Tenant's right, title and interest in the Contracts and Operating Leases; and

WHEREAS, the Agreement has been terminated effective as of the Effective Date.

NOW, THEREFORE, in consideration of the foregoing premises, for the consideration as set forth in the Agreement, and for other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do covenant and agree as follows:

1. Defined Terms. Capitalized terms not otherwise defined in this Assignment, including without limitation these recitals and the exhibits, shall have the meanings set forth in the Agreement.

2. Contracts and Operating Leases. Tenant hereby grants, bargains, sells, assigns, transfers and conveys unto Landlord to the extent assignable all of Tenant's right, title and interest in and to all of the Contracts and Operating Leases set forth on **Exhibit C** attached hereto and incorporated herein by reference (herein the "Assigned Rights").

3. Cancellation and Indemnification. Tenant agrees to cancel any and all Contracts and Operating Leases except those listed in **Exhibit C** hereto (the "Assumed Contracts and Operating Leases") and those listed on **Exhibit D** hereto (the "Master Contracts and Operating Leases") and to indemnify and hold Landlord harmless against any claims under such cancelled Contracts and Operating Leases related to causes occurring prior to the Effective Date, it being the intention of the parties that Landlord will not assume Tenant's obligations under any Contract or Operating Lease except those listed in **Exhibit C**, if any. With respect to the Master

Contracts and Operating Leases, Tenant shall not be required to terminate the same but shall be required to remove the Project from any continuing benefits or obligations thereunder from and after the Effective Date consistent with the provisions of such Master Contract or Operating Lease.

4. Assumption. Landlord accepts the assignment of all of the Assigned Rights and Landlord does hereby assume and undertake to abide by the same according to their respective terms and conditions insofar as they pertain to the Project as such obligations arise on or after the Effective Date and are not related to causes occurring prior to the Effective Date. Landlord hereby agrees to indemnify and hold Tenant harmless from any and all expenses, charges, claims and liabilities, including costs and attorneys' fees relating to the Assigned Rights arising as a result of any action or omission of Landlord from and after the Effective Date not related to causes occurring prior to the Effective Date. Tenant agrees to indemnify and hold Landlord harmless from any and all expenses, charges, claims and liabilities, including costs and attorneys' fees, associated with the Assigned Rights or related thereto arising as a result of any action or omission of Tenant prior to the Effective Date.

5. Limitation. To the extent that any of the assignments or assumptions under this Agreement are now or are hereafter deemed to be in violation of the terms of any of the Contracts and Operating Leases, such assignment and assumption shall be deemed to be retracted and null and void.

6. Counterparts. This Assignment may be executed in counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute but one and the same instrument.

7. Entirety. This Assignment represents the entire and final agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior discussions or writings with respect thereto.

IN WITNESS WHEREOF, the parties have caused this Assignment to be executed as of the Effective Date.

TENANT:

By: _____

Name: Kevin D. Lee

Title: President

LANDLORD:

By: _____

Name: J. Justin Hutchens

Title: President

[Assignment and Assumption of Contracts and Operating Leases]

EXHIBIT A

Legal Description

[Assignment and Assumption of Contracts and Operating Leases]

EXHIBIT B

Personal Property

[Assignment and Assumption of Contracts and Operating Leases]

EXHIBIT C

Assumed Contracts and Operating Leases

[Assignment and Assumption of Contracts and Operating Leases]

EXHIBIT D

Master Contracts and Operating Leases

EXHIBIT B

FORM OF BILL OF SALE

This BILL OF SALE (this "Bill of Sale") is executed as of the ____ day of _____ (the "Effective Date") by the undersigned tenant, a _____ ("Tenant"), to _____, a _____ ("Landlord").

RECITALS:

WHEREAS, Tenant and Landlord entered into a Lease dated _____, 2011 (the "Agreement") for the lease of certain improved real property having a legal description as set forth on **Exhibit A** attached hereto and incorporated herein by this reference and known generally as [Name of Property], together with certain personal property located upon and used in connection with such improved real property, all as more particularly described in the Agreement; and,

WHEREAS, the Agreement requires that upon the termination thereof, Tenant shall deliver to Landlord a Bill of Sale pursuant to which Tenant will convey to Landlord all of Tenant's right, title and interest in the Remaining Property, the Current Inventory and the Records; and

WHEREAS, the Agreement has been terminated effective as of the Effective Date.

NOW, THEREFORE, in consideration of the foregoing premises, the consideration set forth in the Agreement, and for other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, Tenant hereby agrees as follows:

1. Defined Terms. Capitalized terms not otherwise defined in this Bill of Sale, including without limitation these recitals and the exhibits, shall have the meanings set forth in the Agreement.

2. Conveyance. Tenant hereby sells, assigns, conveys, transfers and delivers to Landlord the following described assets and property (the " Transferred Property"): (a) the Remaining Property; (b) the Current Inventory; and (c) the Records, all to the extent of Tenant's interest therein. A non-exhaustive list of the Transferred Property is set forth on **Exhibit B** attached hereto and incorporated herein by this reference. The sale and assignment of the Records shall be subject to all applicable rules and regulations..

IN WITNESS WHEREOF, Tenant has caused this Bill of Sale to be executed as of the date first above written.

TENANT:

By:_____

Name: _____

Title: _____

[Bill of Sale]

EXHIBIT A

Real Property Description

[Bill of Sale]

EXHIBIT B

Property Description

EXHIBIT C

CAPITAL IMPROVEMENT RESERVE AGREEMENT

THIS CAPITAL IMPROVEMENT RESERVE AGREEMENT (as it may be amended and/or restated from time to time, this "Agreement") is executed September 30, 2011 by and among SeniorHealth of Rutherford, LLC, a Tennessee limited liability company ("Tenant"), and NHI-REIT of Tennessee, LLC, a Tennessee limited liability company ("Landlord").

RECITALS:

WHEREAS, Landlord has entered into a Development Agreement (the "Development Agreement") and Lease (the "Lease") with Tenant on or about the date of this Security Agreement, pursuant to which Landlord will provide construction funds to Tenant to construct a 70,000 square foot general hospital (the "Facility") in Murfreesboro, Tennessee, which Landlord will then lease to Tenant;

WHEREAS, the Lease requires that the Tenant maintain the Facility during the term of the Lease and, commencing with the fourth anniversary of the Rent Commencement Date, further requires that the Tenant, under Section 8.1 of the Lease, make Capital Expenditures at the Facility in an amount equal to $1,000 per licensed bed, which is the "Targeted Expenditure Amount;"

WHEREAS, Section 8.2 of the Lease further requires that if Tenant fails to make Capital Expenditures in an amount equal to or greater than the Targeted Expenditure Amount, Tenant is to deposit into an escrow account held or controlled by Landlord the difference in the Targeted Expenditure Amount for the period in question and the amount actually spent by Tenant on Capital Expenditures for the Facility for that period (the "Shortage");

WHEREAS, Landlord shall hold the Shortage in escrow in a separate deposit account (the "CapEx Account"), including, without limitation, all such property or type of property presently existing and hereafter acquired or arising and all proceeds (including insurance proceeds) or products attributable to or arising from any of such property and all replacements thereof and additions thereto, including without limitation any Permitted Cash Investments (the "Capital Improvement Reserve"). The parties hereto hereby agree that the CapEx Account may not be opened on the Effective Date and that the parties covenant to supply any information required by the depository bank to open the CapEx Account; and

WHEREAS, for their mutual convenience, Tenant and Landlord desire to enter into this Agreement to evidence their agreement that Landlord hold and distribute the Capital Improvement Reserve as set forth herein.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of are hereby acknowledged, the parties hereto agree as follows:

1. Defined Terms.

(a) Capitalized terms used in this Agreement shall have the following meanings:

"Agreement" means this Capital Improvement Reserve Agreement.

"Approved Costs" has the meaning set forth in Section 5(b) hereof.

"Capital Expenditure Documentation" has the meaning set forth in Section 5(a) hereof.

"Capital Expenditures" means, for any period, the aggregate amount (without duplication) of all expenditures made by Tenant during that period in connection with the Facility, whether paid in cash or other consideration, to acquire fixed or capital assets or make repairs or renovations that, in accordance with GAAP, would be classified as capital expenditures.

"Capital Improvement Reserve" has the meaning set forth in the Recitals hereof.

"Certificate" has the meaning set forth in Section 6 hereof.

"Facility" has the meaning set forth in the Recitals hereof.

"Permitted Cash Investments" means (a) securities issued or fully guaranteed or insured by the United States Government or any agency thereof and backed by the full faith and credit of the United States maturing not more than one year from the date of acquisition; (b) certificates of deposit, time deposits or Eurodollar time deposits having in each case a remaining term to maturity of not more than one year, which are either (i) fully insured by the Federal Deposit Insurance Corporation, or (ii) issued by any commercial bank under the laws of any State or any national banking association that has combined capital and surplus of not less than $500,000,000 and whose short-term securities are rated at least A-1 by S&P or P-1 by Moody's; (c) commercial paper that is rated at least A-1 by S&P or P-1 by Moody's, issued by a company that is incorporated under the laws of the United States or of any State and directly issues its own commercial paper, and has a remaining term to maturity of not more than one year; (d) a repurchase agreement with a maturity date of no more than thirty (30) days with (i) any commercial bank that is organized under the laws of any State or any national banking association and that has net worth or capital and surplus of at least $500,000,000, or (ii) any investment bank that is organized under the laws of any State and that has net worth or capital and surplus of at least $500,000,000, which agreement is secured by any one or more of the securities and obligations described in clauses (a), (b) or (c) of this definition of Permitted Cash Investments, which shall have a market value (exclusive of accrued interest and valued at least monthly) at least equal to the principal amount of such investment; and (e) and money market or other investment funds the investment of which are limited to investments described in clauses (a), (b), (c) and (d) of this definition of Permitted Cash Investments and which is managed by (i) a commercial bank that is organized under the laws of any state or any national banking association and that has net worth or capital and surplus of at least $500,000,000, or (ii) an investment bank that is organized under the laws of any state and that has a net worth or capital and surplus of at least $500,000,000.

"Requested Amount" has the meaning set forth in Section 5(a) hereof.

"Shortage" has the meaning set forth in the Recitals hereof.

(b) Other Capitalized Words. All other capitalized terms not otherwise defined in this Agreement, including its preamble, recitals and exhibits, shall have the meanings set forth in the Lease. All capitalized terms shall be equally applicable to the singular and plural forms thereof and to any gender form thereof.

2. Capital Improvements for Facility. Tenant agrees to maintain and preserve the Facility in good and up-to-date condition as required by of any regulatory authorities and as required under the Lease.

(a) Actual Capital Expenditures. Tenant agrees that it will incur and spend for Capital Expenditures in each calendar year,(prorated on a daily basis for any period less than a year due to the fourth anniversary of the Rent Commencement Date occurring on a date other than January 1), an amount of no less than the Targeted Expenditure Amounts provided in the Recitals hereof. Compliance shall be measured on a rolling two- year basis.

(b) Required Deposit Payments. If any Certificate provided under Section 6 shows that for the period to which the Certificate applies, Tenant spent less on Capital Expenditures than the applicable Targeted Expenditure Amount, the resulting Shortage shall be paid to Landlord concurrently with the delivery of the Certificate and shall be deposited and held in the CapEx Account pursuant to the terms of this Agreement. In the event that Tenant should fail to provide a Certificate as required by Section 6 hereof, Tenant shall pay to Landlord for deposit in the CapEx Account as the Shortage for that year the amount of the applicable Targeted Expenditure Amount.

3. Capital Improvement Reserve. Upon the creation of the CapEx Account in accordance with the terms of this Agreement, Landlord shall invest the Capital Improvement Reserve in Permitted Cash Investments. The CapEx Account shall be established under the tax identification number of Tenant. Earnings on the Capital Improvement Reserve shall remain in and become a part of the Capital Improvement Reserve. Tenant shall be responsible for preparation and filing of all tax returns and payment of all income and other taxes imposed in connection with earnings on the Capital Improvement Reserve.

4. Use of Funds. Subject to the terms of Section 5 hereof, and provided that no uncured monetary Event of Default exists under the Lease, after Tenant meets the Capital Expenditure Target for a given period, to the extent of funds available in the CapEx Account , Tenant may draw funds from the CapEx Account from time-to-time for the purpose of (i) seeking reimbursement for any additional Capital Expenditures made that same year, or (ii) if the Capital Expenditure exceeds $25,000, making payment directly to the contractor or material supplier. In the event the Capital Expenditures withdrawn from the CapEx Account are insufficient to pay for the Capital Expenditures, Tenant shall expend such additional funds as shall be necessary to pay such costs.

5. Release of Capital Improvement Reserve to Tenant.

(a) Whenever Tenant desires to request a withdrawal from the CapEx Account permitted by Section 4 hereof, an officer of Tenant shall deliver to Landlord the following: (A) a written request that Landlord withdraw from the CapEx Account a stated amount (the "Requested Amount"), and (B) either; (i) invoices dated on or after the date hereof "paid in full" for which Tenant is seeking reimbursement in the amount of the Requested Amount, along with cancelled checks and such other certifications and documentation as Landlord shall reasonably require to evidence the Capital Expenditures for which Tenant is seeking reimbursement under clause (i) of Section 4 hereof, or (ii) invoices dated on or after the date hereof for which Tenant seeks payment directly to the contractor or material supplier submitting such invoice(s) and such other certifications and documentation as Landlord shall reasonably require to evidence the Capital Expenditure for which Tenant is seeking payment if under clause (ii) of Section 4 hereof (the "Capital Expenditure Documentation").

(b) All Capital Expenditure Documentation shall be subject to Landlord's reasonable review and approval. Landlord shall, within fifteen (15) days after receipt of the Capital Expenditure Documentation, either approve the Capital Expenditure Documentation as submitted to Landlord, or advise Tenant of the basis for Landlord's disapproval of the Capital Expenditure Documentation submitted to Landlord or any part thereof and a statement of the costs set forth in such Capital Expenditure Documentation that Landlord approves as being reimbursable from the CapEx Account (the "Approved Costs"). If Landlord does not approve or deny the Capital Expenditure Documentation within the fifteen (15) days permitted herein, and provided such Capital Expenditure Documentation satisfies the requirements of Section 5(a) above, such Capital Expenditure Documentation shall be deemed approved and shall be an "Approved Cost".

(c) Landlord shall release funds in the amount of the Approved Costs from the CapEx Account upon Landlord's receipt from time to time of Capital Expenditure Documentation. In no event shall Landlord release funds from the CapEx Account unless such release is expressly permitted by this Section 5. Tenant may make repeated demands for payment from the CapEx Account in accordance with this Section 5, but not more frequently than once per calendar month.

6. Compliance. Within ninety-five (95) days after the end of each calendar year and continuing during the term of the Lease, Tenant shall furnish or cause to be furnished to Landlord a certificate of compliance (the "Certificate") certified by an Authorized Officer of Tenant stating with respect to the Facility (i) the amount of Capital Expenditures made at the Facility during the prior year, (ii) whether the Targeted Expenditure Amount has been met for the prior year, and (iii) if the Targeted Expenditure Amount has not been met, stating the amount of the Shortage paid to Landlord for deposit in the CapEx Account .

7. Termination. This Agreement shall terminate upon the expiration of the Lease. All amounts, if any, then remaining in the Capital Improvement Reserve, including all remaining earnings thereon, shall become the property of Landlord.

8. Event of Default. In the event Tenant fails to make any payment required under Section 2(b) hereof when due, such nonpayment shall constitute an Event of Default hereunder and under the Lease. Effective immediately but exercisable by Landlord (or by any Person designated by Landlord) only upon the occurrence and during the continuation of an Event of Default, Tenant hereby irrevocably appoints Landlord (or any Person designated by Landlord) as Tenant's true and lawful attorney-in-fact, which appointment is hereby coupled with an interest, with full power of substitution, in Tenant's name or otherwise, for Landlord's sole use and benefit, but at Tenant's cost and expense, to exercise at any time and from time to time any and all powers of Tenant under the terms of this Agreement with respect to all or any of the Capital Improvement Reserve that Tenant could have exercised as fully and effectively as if Landlord were Tenant under the terms of this Agreement; provided, however, the exercise by Landlord of or failure to so exercise any such authority shall in no manner affect Tenant's liability to Landlord hereunder or in connection with the Obligations (as defined in that certain Security Agreement by and between Tenant and Landlord, dated of even date herewith); and provided further, that Landlord shall be under no obligation or duty to exercise any of the powers hereby conferred upon Landlord and Landlord shall have no liability for any act or failure to act in connection with the Capital Improvement Reserve.

9. Release of Capital Improvement Reserve to Landlord

(a) Upon the occurrence and continuation of an Event of Default, the Capital Improvement Reserve may be used by Landlord at Landlord's sole election in accordance with the terms of Section 5 hereof to pay for Capital Expenditures at the Facility.

(b) During the term of the Lease, should Tenant (i) fail to make any repair or replacement at any Facility, or otherwise have breached any covenant to maintain the Facility, and (ii) fail to cure such failure or breach within the applicable cure period provided under the Lease, then Landlord on behalf of Tenant, but at Landlord's sole discretion and without any obligation to do so, may elect to withdraw funds from the Capital Improvement Reserve to pay for repairs or Capital Expenditures on the Facility incurred at the direction of Landlord. If Landlord makes such use of funds from the Capital Improvement Reserve to cure Tenant's failure or breach, Landlord will give Tenant concurrent written notice thereof.

(c) Landlord may withdraw from the Capital Improvement Reserve the amount of any past due Obligation when the following conditions shall have been satisfied: (i) an Event of Default has occurred and is continuing, (ii) Landlord has given Tenant notice and opportunity to cure, if any, required under the Lease, (iii) certain of the Obligations are due and owing and Tenant has failed to pay same, and (iv) Landlord has notified Tenant in writing that Landlord intends to make a withdrawal from the Capital Improvement Reserve. Landlord may make repeated withdrawals from the Capital Improvement Reserve in accordance with this Section 9(c).

10. Notice. The notice provisions of Section 32.10 of the Lease shall apply to this Agreement.

11. Other. The provisions of Sections 32.4, 32.5, 32.11, 32.15, 32.16, 32.17, 32.19, 32.20, and 32.21 of the Lease are incorporated herein by reference.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

Tenant:

SENIORHEALTH OF RUTHERFORD, LLC

By: _____

Name: Kevin D. Lee

Title: President

Landlord:

NHI-REIT OF TENNESSEE, LLC

By: _____

Name: J. Justin Hutcheson

Title: President

EXHIBIT D

DEVELOPMENT AGREEMENT

This Development Agreement (the "Development Agreement") made this 30th day of September, 2011 by and between NHI-REIT of Tennessee, LLC, a Tennessee limited liability company ("Landlord") and SeniorHealth of Rutherford, LLC, a Tennessee limited liability company ("Tenant").

Tenant and Landlord sign this Development Agreement to evidence their agreement for the construction (the "Project") of a general hospital providing medical detoxification, psychiatric and rehabilitation services having sixty (60) licensed beds on the Property. The hospital will be constructed pursuant to the following terms which are hereby deemed a part of the lease of even date herewith (the "Lease") between the parties hereto. Landlord will advance (each advance is hereinafter referred to as an "Advance") the funds (the "Construction Funds") hereunder provided there is no Default or Event of Default under the Lease or a breach of any lease terms or a breach of any terms of this Development Agreement. Provided however, in no event shall the monies advanced hereunder exceed Twenty-One Million Five Hundred Thousand Dollars ($21,500,000). Terms not defined herein shall have the definition provided by the Lease.

1. Pre-Funding Requirements. Prior to Landlord funding any sums (the "Construction Funds") hereunder, Tenant shall provide to Landlord each of the following, in form and substance reasonably acceptable to Landlord.

(a) The final budget (as more fully detailed on Schedule 1 hereto) for constructing the Project according to the Contract Documents (as such term is defined in the General Contractor's Agreement) approved by the Tennessee Department of Health ("TDH") will be prepared and submitted by Tenant and agreed to by Landlord, which agreement shall not be unreasonably withheld or delayed (the "Development Budget"). The 'Development Budget may be amended by addendums or change orders agreed to by both Landlord and Tenant.

(b) Two (2) complete sets of the Contract Documents and specifications (collectively the "Contract Documents") as approved by the Tennessee Department of Health ("TDH"). All mechanical, electrical, structural and other specialized drawings for the Improvements shall be signed by licensed engineers of the respective disciplines normally responsible for such drawings. All portions of such Contract Documents prepared by Davis Stokes Collaborative, P.C. (the "Architect") shall be signed by the Architect.

(c) Those certain agreements between Tenant and Batten & Shaw, Inc. (the "General Contractor") dated September 30, 2010 and supplemented (collectively, the "General Contractor's Agreement"); that certain agreement between Tenant and Architect dated May 11, 2010 (the "Architect's Agreement"); a schedule listing all subcontracts signed to date relating to the construction of the Improvements on the Property; and, such other contracts, subcontracts and schedules relating to the Property as Landlord may reasonably require to the extent then executed.

(d) Three (3) copies of a current, certified ALTA/ACSM land title survey of the Property prepared in accordance with Landlord's standard requirements therefore, which shall be timely supplied to Tenant, and satisfactory to Landlord in form and substance.

(e) Soil reports on the Land, showing that the soil will adequately support the Improvements.

(f) A Phase 1 environmental study of the Property (and a followup Phase 2 environmental study if reasonably deemed necessary by Landlord) running to the benefit of Landlord and in form and substance satisfactory to Landlord.

(g) Copies of insurance policies, with endorsements, for Tenant and the General Contractor and subcontractors (or alternatively, copies of the General Contractor's builders risk insurance declarations and coverages, and also its form of contract with the subcontractors which form shall contain insurance requirements acceptable to the Landlord), complying with the terms of this Development Agreement and the Lease as are applicable to construction of the Improvements.

(h) Tenant's estimated schedules for construction of the Improvements and for disbursement of the Construction Funds along with a sworn statement of construction costs (the "Sworn Construction Cost Statement").

(i) Copies of all permits required for the then current stage of construction of the Improvements, and a schedule of all other necessary certificates of need, licenses and permits which must be obtained in order to commence construction and to occupy and operate the Property.

(j) Letters addressed to Landlord from the suppliers confirming the availability of water, storm and sanitary sewer, gas, electric, cable television, and telephone utilities for the Improvements, prepared in accordance with Landlord's standard requirements therefor, which shall be timely supplied to Tenant.

(k) A Certificate of the Architect (the "Architect's Certificate") addressed to Landlord, with respect to its review of the Contract Documents, Development Budget and Sworn Construction Cost Statement, acceptable to Landlord.

(l) UCC lien searches from the Tennessee Secretary of State ("TSOS") as to the Tenant and from the Delaware Secretary of State as to Polaris Hospital Company, LLC.

(m) A Certificate of Good Standing for Tenant, currently issued by TSOS, copies of Tenant's Limited Liability Company Operating Agreement and Articles of Formation, with Articles currently certified by TSOS, and resolutions of Tenant authorizing the transaction described herein.

(n) Certificates of Good Standing for Polaris Hospital Management, Inc. and FēnX Healthcare, Inc., currently issued by their respective states of formation; copies of Articles of Incorporation for Polaris Hospital Management, Inc. and FēnX Healthcare, Inc., currently certified by their respective states of formation; and copies of the Bylaws for Polaris Hospital

Management, Inc. and FēnX Healthcare, Inc., all currently certified by Polaris Hospital Management, Inc. and FēnX Healthcare, Inc.

(o) A copy of the executed Management Agreement relating to the management of the Facility.

(p) The most current available annual financial statements for Tenant and Guarantors on a consolidated basis, as well as financial statements on a consolidated basis for each of the three (3) full fiscal years of Tenant and Guarantors immediately preceding the time period covered by said current financial statements.

(q) Copies of the most recent real property tax assessment and confirmation of prior years payment of property taxes.

(r) A flood zone certification indicating that the portion of the Property on which the Improvements are located is not located in a flood plain or any other flood prone area, as designated by any Governmental Authority; provided, however, that if the portion of the Property containing the Improvements are so located, Tenant shall obtain and deliver to Landlord evidence of flood insurance acceptable to Landlord.

(s) A copy of the subdivision plat and site plan for the Property.

(t) A performance and payment bond in the full amount of General Contractor's Agreement and in a form and issued by sureties reasonably acceptable to Landlord in its sole discretion.

(u) Payment of the Two Hundred Fifteen Thousand Dollars ($215,000) origination fee and the Seventy Five Thousand Dollars ($75,000) due diligence fee to Landlord; and the premium cost of the construction performance and payment bond (if not delivered by the General Contractor pursuant to the General Contractor's Agreement) provided however, upon request of Tenant, Landlord may pay itself such fees from the Construction Funds.

(v) An opinion letter from counsel for Tenant and Guarantors, in form and substance acceptable to Landlord.

(w) Collateral Assignments to Landlord of both the General Contractor's Agreement and the Architect's Agreement.

(x) Supporting documentation, including invoices and receipts, for the reimbursement of all pre-construction work paid by Tenant to be funded on the date hereof.

(y) Landlord's reasonable satisfaction that all issues raised in the Murfreesboro Planning Commission document entitled Staff Comments, July 21, 2010 have been addressed to the satisfaction of the Murfreesboro Planning Commission.

(z) Such other agreements, documents and exhibits, without limitation, which may be required, in Landlord's reasonable judgment to assure compliance with the requirements of this Development Agreement.

Landlord shall not be required to make any advances hereunder until the Pre-Funding Requirements, conditions and other requirements set forth above have been completed and fulfilled to the satisfaction of Landlord, at Tenant's sole cost and expense. It is agreed, however, that Landlord may, in its discretion, make advances prior to completion and fulfillment of any or all of such pre-closing requirements, conditions and requirements, without waiving its right to require such completion and fulfillment before any additional advances are made.

2. Contracting for Construction. Tenant will engage the General Contractor to construct the Improvements. Tenant is entitled to exercise its discretion in the allocation and apportionment of the work on the Improvements and to engage such other contractors as Tenant deems necessary and appropriate to construct the Improvements in a timely and cost-efficient manner. Tenant will negotiate and obtain the construction contracts, and will fulfill all of the responsibilities of the owner under such contracts.

3. Insurance. Tenant will or will cause the General Contractor or Architect to at all times maintain the insurance shown on Schedule 2.

4. Casualty Loss. If the Improvements are totally or partially destroyed from a risk/hazard covered by insurance, the section in the Lease entitled "Casualty" shall govern the use of insurance proceeds, notwithstanding anything to the contrary herein.

5. Construction of Improvements. Tenant shall commence construction of the Improvements no later than thirty (30) days following the Commencement Date. Tenant shall become a party to no contract, other than the General Contractor's Agreement and the Architect's Agreement, for the performance of any work on the Property or for the supplying of any labor, materials or services for construction of the Improvements involving sums in excess of the amounts reflected in the Development Budget without the approval of Landlord. Such work shall be performed by Tenant on a turnkey basis pursuant to a guaranteed maximum price contract with the General Contractor being responsible for any and all cost overruns. If and to the extent the total amount of development costs exceeds the budgeted cost for the Project shown in the Development Budget (the "Total Project Costs"), Tenant shall pay such excess amount and such excess amount shall not be included as a part of the Total Project Costs for purposes of determining the amount of Rent under Section 5.1 of the Lease or the amount of the Purchase Price under Section 27.1 of the Lease. No approval by Landlord of any contract or change order, if and to the extent the consent of Landlord is required for any such change order under the terms of this Development Agreement, shall make Landlord responsible for the adequacy, form or content of such contract or change order. Tenant shall expeditiously complete and fully pay for the development and construction of the Project in a good and workmanlike manner and in accordance with the Contract Documents as the same may be modified pursuant to addendums and change orders authorized by the terms of this Development Agreement, and in compliance with all applicable Governmental Requirements, and any covenants, conditions, restrictions and reservations applicable thereto so that Completion of the Improvements occurs on or before December 31, 2012 (the "Outside Date"). Tenant assumes full responsibility for the compliance of the Contract Documents and the Project with all Governmental Requirements, covenants, conditions, restrictions and renovations, and with sound building and engineering practices, and, notwithstanding any approvals by Landlord, the Landlord shall have no obligation or responsibility whatsoever for the Contract Documents or any other matter incident to the Project

or the construction of the Improvements. Tenant shall correct or cause to be corrected (a) any defect in the Improvements, (b) any unauthorized departure in the construction of the Improvements from the Contract Documents or Governmental Requirements, and (c) any encroachment by any part of the Improvements or any other structure located on the Land on any building line, easement, property line or restricted area other than where such encroachment is pursuant to a written license, easement or other permissive use agreement approved by Landlord. Tenant shall cause all roads and drives necessary for the utilization of the Project for its intended purposes to be completed and dedicated (if dedication thereof is required by any Governmental Authority), and the bearing capacity of the soil on the Land to be made sufficient to support the Improvements, and local utilities sufficient (by volume) and satisfactory to serve the Project for its primary intended use to be made available to the Project and installed at costs (if any) set out in the Budget, on or before the Completion Date.

6. Advance Procedures.

(a) Prior to obtaining an Advance of Construction Funds, Tenant shall submit to Landlord a copy of the Sworn Construction Cost Statement for the Property, and shall advise Landlord of the names of each subcontractor providing goods or services in connection with the development and construction of the Improvements. If requested by Landlord, Tenant shall also furnish to Landlord a copy of each contract with each of the contractors. Tenant shall keep the Landlord advised at all times of the names of all contractors, and of the type of work, material or services and of the dollar amount covered by each of their respective contracts with Tenant or with the General Contractor. It is understood that only contractors whose names, contract descriptions and, after a request therefor, contracts have been furnished to Landlord shall be entitled to receive disbursements of Construction Funds under this Development Agreement. Tenant shall also provide or cause to be provided to Landlord a datedown of the Title Policy.

(b) Subject to the provisions of this Section, Tenant may obtain advances for disbursement to Contractors only to the extent of the amount of the contract work satisfactorily completed or materials actually incorporated into the Property by each such contractor in accordance with his contract, less retainage determined and held in accordance with the terms of the General Contractor's Agreement. Tenant may not obtain advances for disbursement to contractors for the cost of materials acquired for the Property and stored on-site but not yet incorporated therein, unless Landlord has received and approved (i) such financing statements and other documents and evidence as Landlord may reasonably require sufficient to create, perfect and protect a first lien on said materials (including, but not limited to, lien searches) which such documents and evidence Landlord shall request, to the extent Landlord determines them to be necessary, promptly after receipt of the applicable Draw Request Form, (ii) evidence that upon payment therefor Tenant has acquired title to the same and that the same are covered by all risk insurance covering 100% of the total value of said materials, with Landlord, Tenant and the General Contractor as named insureds under the policy; (iii) such materials are reasonably protected against theft or damage as determined by the Landlord's Consultant; (iv) the Landlord's Consultant has viewed and inspected such materials; and (v) in the opinion of the Landlord's Consultant, the stored materials are physically secured and can be incorporated into the Improvements within ninety (90) days. Each request for an advance of Construction Funds for materials to be stored on-site shall constitute Tenant's representation to Landlord that the conditions set forth in items (i) through (v) above in this paragraph have been satisfied. Tenant

may not obtain advances for disbursement to contractors for the cost of materials acquired for the Property and stored off-site but not yet incorporated therein,

(c) Whenever Tenant desires to obtain an advance of Construction Funds, Tenant shall submit a signed Draw Request (including the supporting detail provided pursuant hereto), in the form of Exhibit A hereto or such other form as Landlord may reasonably require, to Landlord and to the Landlord's Consultant at least ten (10) Business Days prior to the date on which the requested advance is to be made ("Advance Date"). Tenant shall also simultaneously submit to Landlord the following:

(i) A certificate (which may be incorporated in or attached to the Draw Request) relating to each contractor who is to receive a disbursement from the advance, signed by the Project Architect, or by another construction supervisor approved by Landlord (provided that in the case of contractors engaged directly by Tenant, such certification shall be made by Tenant), stating that each such contractor has satisfactorily completed the work for which disbursement (less any required retainage) is requested in such Draw Request. Such certificate shall be provided on AIA Form G702/703.

(ii) An unconditional waiver of mechanic's lien and/or materialman's lien, executed by the General Contractor and each direct subcontractor of the General Contractor to which any portion of the immediately preceding advance ("Prior Advance") of Construction Funds was paid, covering liens for all work done and materials supplied for which disbursement was made from the Prior Advance, in the form required by Landlord and, if appropriate, the Title Company. Such waivers shall be submitted in each case, unless the Landlord determines that such Advance does not include payment for any lienable work. Landlord hereby approves the form of lien waiver attached hereto as Exhibit B.

(iii) If any significant dispute arises between or among Tenant, General Contractor or any contractor and/or material supplier or any party to a material contract, a written summary of the nature of such dispute.

(iv) Such other supporting evidence as may be reasonably requested by the Landlord to establish the cost or value of the Improvements for which disbursement is to be and has been made.

(d) No more than two (2) draw requests for Advances of Construction Funds may be made in any thirty (30) day period.

Tenant shall provide notice to Chicago Title Insurance Company (the "Title Company") when Landlord has determined that a requested Advance is approved, at which time the Title Company shall date down its examination of title. The Title Company shall (i) give Landlord immediate notice by telephone if any intervening liens are disclosed (other than those expressly listed in the Title Company's owner's policy of title insurance or subsequent amendments thereto previously given to Landlord), and (ii) on the date of each Advance, deliver to Landlord a written continuation of said owner's policy of title insurance, dated as of the relevant Advance Date. If any such intervening liens are not bonded over by Tenant or otherwise permitted by this Development Agreement then upon demand of Landlord, Tenant shall

promptly cause any such liens or other matters to be satisfied of record or bonded, or shall make other arrangements with respect to the discharge thereof or other protection with respect thereto reasonably satisfactory to Landlord, prior to any Advance being made by Landlord.

On each Advance Date, if all the terms and conditions of this Development Agreement have been complied with by Tenant, to the satisfaction of Landlord, if no default or Event of Default exists hereunder, Landlord shall advance to Tenant (or, at Tenant's direction, to the General Contractor) in a manner reasonably satisfactory to the Landlord, the principal amount of the requested advance (less any required retainage).

(e) Landlord shall not be obligated to make any Advance of Construction Funds unless and until Tenant has provided Landlord with evidence, reasonably acceptable to Landlord, that the Project is "in Balance." For purposes of this Development Agreement, the term "in Balance" means that (a) as to any line item in the Development Budget, the sum of the amounts previously advanced by Landlord with respect thereto plus the amounts not yet advanced by Landlord with respect thereto do not exceed the remaining unpaid costs of completing such line item after taking into account any savings reallocated by Tenant to or from such line item in accordance with the terms of this Development Agreement plus any applicable amounts shown as "Owner Contingency in the Development Budget"; and (b) as to the Project, all remaining unpaid costs of construction of the Project, as reasonably determined by Landlord do not exceed the sum of the amount of the Construction Funds not yet advanced by Landlord, including any retainage.

Notwithstanding any provision of this Development Agreement to the contrary, in the event that Landlord determines, in the exercise of its reasonable discretion, that any line item of the Development Budget, as amended or as revised pursuant to approved change orders, is not in Balance, it shall notify the Tenant of such determination, and Tenant shall, within ten (10) Business Days following demand made to Tenant, deposit with Landlord funds equal to said insufficiency in order to bring said line item into Balance, or satisfactorily establish to Landlord the Development is in Budget. All sums so deposited shall be advanced by Landlord to pay costs of the Project in the same manner as, and prior to, further Advances of Construction Funds hereunder.

(f) The provisions of this Development Agreement requiring submission of the Architect's Certificate and related documents and the required retainage shall not apply with respect to Construction Funds to be disbursed for the items listed below, which, to the extent included in the Development Budget, may be disbursed in full upon submission of a Draw Request listing such items signed by Tenant or Landlord and/or the following special documentation, if any, to Landlord or as otherwise provided by this Development Agreement:

ITEM	SPECIAL DOCUMENTATION
Attorneys' fees (including Landlord's counsel) and Landlord's Consultant's fees	Copies of Statements providing general description of work for total amount of each request
Other indirect (non-construction) soft costs	As reasonably specified by Landlord and, if appropriate, the Title Company, including but not limited, to invoices and cancelled checks

If Tenant directly pays certain costs of construction, the Landlord may disburse Construction Funds, advanced for payment of such construction costs, directly to Tenant, as a reimbursement for such payment; provided that all of the other requirements of this Development Agreement with respect to Advances, including, but not limited to, the presentation of waivers of lien with respect thereto, are fulfilled.

(g) Landlord may take such steps as it may deem appropriate, at its option, to verify the application of Construction Funds to work done and material furnished for the Property, and to vary the disbursement procedures herein set forth, if the same becomes necessary or desirable, in Landlord's sole discretion exercised in good faith, to assure the proper application of Construction Funds and, including, but not limited to, making disbursements directly to subcontractors after the occurrence of an Event of Default and for so long as such Event of Default exists. However, Landlord shall not be obligated to conduct any such verification or to so vary said procedures.

(h) The Tenant shall keep records showing the names of all contractors and other payees to whom disbursements of Construction Funds are made, the date of each disbursement, and the amount of each disbursement, which records shall be available for inspection by Landlord upon prior notice.

(i) In the event that the Landlord shall determine, in its reasonable judgment, that proper documentation to support a given disbursement, as required by this Development Agreement, has not been furnished, the Landlord shall withhold payment of all or such portion of such disbursement as shall not be so supported by proper documentation, and shall promptly notify Tenant of the discrepancy in or omission of such documentation. Such funds shall remain available for advancement under this Development Agreement if the requirements hereof with respect thereto are later met.

(j) Tenant shall be responsible for making inspections of the Property during the course of construction, and shall determine to its own satisfaction that the work done or material supplied by the Contractors to whom disbursements are to be made out of each advance has been properly done or supplied in accordance with applicable contracts with such Contractors. The Title Company and the Landlord shall not be required to conduct any inspections of the Property.

(k) Landlord reserves the right, exercisable after the occurrence of an Event of Default and for so long as such Event of Default exists, to make advances of amounts which are allocated to any of the designated items in the Sworn Construction Cost Statement for such other purposes or in such different proportions as Landlord may, in its sole discretion exercised in good faith, deem necessary or advisable.

No Advance shall constitute a waiver of any condition precedent to the obligation of the Landlord to make any further Advance. All conditions precedent to the obligation of the Landlord to make any Advance are imposed hereby solely for the benefit of Landlord, and no other party may require satisfaction of any such condition precedent or shall be entitled to assume that Landlord will make or refuse to make any Advance in the absence of strict compliance with such condition precedent.

After the occurrence of an Event of Default under the Lease or a breach of the terms of this Development Agreement, Landlord may advance all other sums then due under this Development Agreement, including but not limited to fees, attorneys' fees, Landlord's Consultant's fees and all out-of-pocket expenses incurred by Landlord in connection with this Development Agreement.

7. Changing Costs, Scope or Timing of Work. Tenant shall deliver to Landlord a revised Sworn Construction Cost Statement showing changes in or variations from the original Sworn Construction Cost Statement, involving net changes in the same cost category of the greater of 10% of the amount allocated to such cost category or $15,000, as soon as such changes are known to Tenant. Tenant shall deliver to Landlord a revised construction schedule if and when any target date set forth therein has been delayed by twenty (20) consecutive days or more, or when the aggregate of all such delays equals thirty (30) days or more.

Tenant shall not make or consent to any change or modification in such Contract Documents, Contractor's Agreement or any subcontract, and no work shall be performed with respect to any such change or modification, without the prior written consent of Landlord, which shall not be unreasonably withheld, if (i) such change or modification would alter the design or structure of the Project or change the rentable area thereof in any material way, or (ii) increase or decrease the Project cost by Sixty Thousand Dollars ($60,000) or more for any single change or modification, or if less than Sixty Thousand Dollars ($60,000), such change or modification would cause the Project costs to exceed the Guaranteed Maximum Price under the General Contractor's Agreement or (iii) the aggregate amount of all changes and modifications exceeds the contingency line item in the General Contractor's Agreement. In the event Landlord's consent is required for any change or modification to the Contract Documents, Landlord shall be required to grant or deny such consent within five (5) Business Days of its receipt of a request for consent from Tenant, with Landlord's failure to deny such consent within such five (5) Business Day period being deemed to be Landlord's approval of Tenant's change request. To the extent the change or modification falls into category (ii) or (iii) above and Landlord does not consent, Tenant may fund such change or modification and upon Completion seek reimbursement from Landlord to the extent the disbursements have not exceeded Twenty-One Million Five Hundred Thousand Dollars ($21,500,000).

Tenant shall promptly furnish Landlord with two (2) copies of all changes or modifications in the Contract Documents, the General Contractor's Agreement or subcontracts for the Project, whether or not Landlord's consent to such change or modification is required hereby.

Nothing in this Section is meant to alter or waive the requirement in Section 6(c) that the Project remain "in balance".

8. Inspection. Landlord will, at Tenant's expense (payable from the Construction Funds as set forth in Development Budget), retain an independent inspector (the "Landlord's Consultant") to review the Contract Documents and approve specifications and completed construction and all requests for disbursement, which approvals shall be conditions precedent to release of Construction Funds as work progresses.

Landlord, the Title Company, the Landlord's Consultant and their representatives shall have access to the Property at all reasonable times and shall have the right to enter the Property and to conduct such inspections thereof as they shall reasonably deem necessary or desirable for the protection of the interests of Landlord. Landlord may request the Landlord's Consultant, before any advance of Construction Funds is made, to inspect all work and materials for which payment is requested and all other work upon the Property, review the current Draw Request, approve such work and Draw Request and/or submit to Landlord a progress inspection report. Landlord may also retain such other consultants (the "Consultants") as Landlord reasonably deems necessary or convenient to perform such services as may, from time to time, be required by Landlord.

Neither Tenant nor any third party shall have the right to use or rely upon the reports of the Landlord's Consultant or any other construction inspection reports generated by Landlord or its Consultants for any purpose whatsoever, whether made prior to or after commencement of construction. Tenant shall be responsible for making its own inspections of the Property during the course of construction and shall determine to its own satisfaction that the work done and materials supplied are in accordance with applicable contracts with its contractors. By advancing funds after any inspection of the Property by Landlord or the Landlord's Consultant, Landlord shall not be deemed to waive any Event of Default, waive any right to require construction defects to be corrected, or acknowledge that all construction conforms with the Contract Documents.

Notwithstanding any provision of this Development Agreement to the contrary, in the event that Landlord should determine in good faith that the actual quality or value of the work performed or the materials furnished does not correspond with the quality or value of the work required by the Contract Documents, Landlord shall notify Tenant of its objections thereto, and, as soon as reasonably practicable, Tenant shall correct the conditions to which Landlord objects if such conditions are not in accordance with the Contract Documents. Said corrective work may or may not be funded by Landlord, in its sole discretion.

9. Providing Updated Surveys. Upon completion of the foundations of the Improvements and at such other times as Landlord may reasonably deem appropriate, Tenant shall furnish to Landlord, at Tenant's expense, three (3) copies of a certified as-built to date

ALTA survey of the Project, certifying that the Improvements are constructed within the property lines of the Land, do not encroach upon any easement affecting the Land, other than where such encroachment is permitted pursuant to a written encroachment agreement approved by Landlord, and do comply with all applicable Governmental Requirements, along with an endorsement to the Title Policy bringing forth the effective date thereof to the date of said survey without exception therefor.

10. Retainage.

(a) The amount of each disbursement of Construction Funds hereunder shall be subject to retainage in accordance with the provisions of the General Contractor's Agreement, which retainage shall be five percent (5%) of costs incurred under the General Contractor's Agreement.

(b) Unless sooner required by applicable law or waived in the sole discretion of Landlord, Landlord shall authorize the release of the retainage only upon the fulfillment of the following conditions (provided, however, that Landlord may authorize the early release of retainage on completed trades so long as Tenant has provided Landlord with a final lien release from the applicable subcontractor and evidence that the surety that has bonded the General Contactor has consented to such release, if applicable):

(i) All other conditions for disbursement shall continue to be met;

(ii) Landlord shall have received a certificate of the Architect and General Contractor to the effect, inter alia, that the Improvements have been completed (except for punch list items for which a holdback reasonably acceptable to Landlord shall have been established) in accordance with the Contract Documents, all applicable Governmental Requirements [(excluding any non-construction Governmental Requirements with respect to the licensure of the Project, which shall not be the subject of such certification)], and the matters in such certificate shall have been verified by the Landlord's Consultant;

(iii) Landlord shall have received a copy of the final certificate of occupancy for the Improvements and satisfactory evidence of compliance with all other Governmental Requirements required for the use and occupancy of the Improvements (excluding any non-construction Governmental Requirements with respect to the licensure of the Project, which shall not be the subject of such certification);

(iv) Landlord shall have received an endorsement to the Title Policy, in a form reasonably approved by Landlord, insuring that no encroachments exist over any building, zoning, right of way or property boundary lines, other than Permitted Encumbrances and endorsing the amount of the Title Policy up to Twenty-One Million Five Hundred Thousand Dollars ($21,500,000) at the cost of Tenant;

(v) Landlord and the Title Company shall have received an as-built ALTA survey, showing the location of all applicable Improvements, easements (including that certain waterline easement required by the City of Murfreesboro), rights-of-way and other matters affecting the Land;

(vi) Landlord shall have received final lien releases from the General Contractor, and all subcontractors with respect to the work performed in connection with the construction and equipping of the Improvements;

(vii) Landlord shall have received tax receipts evidencing the payment of the current year's real estate taxes and assessments to the extent such taxes and assessments are then due and payable and have not been escrowed in accordance with Section 6.4 of the Lease;

(viii) Landlord shall have received the written consent, if required, of the surety which issued the payment and performance bonds required hereunder;

(ix) Landlord shall have received a letter from Tenant whereby Tenant represents and warrants that Tenant has inspected the Improvements and, to its knowledge, such Improvements, have been completed in accordance with the applicable Contract Documents;

(x) If required by Landlord, Landlord shall have received a detailed inventory certified by an authorized signatory of Tenant, showing the owner, make, model and valuation of all furniture, fixtures and equipment (the "Facility FF&E") used in the operation or maintenance of any part of the Improvements or located on the Facility;

(xi) Evidence of the insurance required under the Lease;

(xii) Copies of all warranties covering materials, equipment and appliances included within the Project; copies of all certificates, licenses and permits required for operation of the Project (including without limitation any and all certificates, permits, or licenses required by any applicable Governmental Authority to operate a medical detoxification, psychiatric and rehabilitation facility); and

(xiii) Photographs of the completed Improvements as well as evidence that such Improvements have been fully completed, including all punch-list items.

(c) General Contractor shall pay all retainages due any subcontractor within ten (10) days after its receipt from Landlord.

11. Books and Records. Tenant will keep accurate and complete books and records relating to the construction of the Improvements. Landlord will have access thereto during normal business hours upon 24 hours advance notice. Tenant will furnish or cause to be furnished to Landlord from time to time, promptly upon request, (i) copies and lists of all paid and unpaid invoices for labor and materials with respect to the Improvements, (ii) construction budgets and revisions thereof showing the estimated cost of the Improvements, and the source of the funds required at any given time to complete and pay for the same, (iii) receipted bills, releases and waivers of liens, or other evidence of payment with respect to the cost of the Improvements, and (iv) such other information establishing the payment and satisfaction of Tenant's obligations relating to the construction of the Improvements as Landlord may reasonably request.

12. Liens. Tenant shall ensure that no construction or contractor liens or other liens or encumbrances shall be filed or recorded against or shall otherwise affect the Property or any part thereof, or the Tenant's or Landlord's interest therein, in respect of materials supplied or work done or to be done in connection with the construction of the Improvements and installation of the Facility FF&E by Tenant hereunder other than "true lease" or purchase money filings on such Facility FF&E which only encumber the Facility FF&E financed by such purchase money lender. If any such lien is filed against the Property, or any part thereof, or Tenant's interest therein, in respect of materials supplied or work done or to be done in connection with the construction of the Improvements and installation of the Facility FF&E by Tenant, then Tenant shall be responsible for the prompt payment and/or discharge of such lien, unless contested by Tenant pursuant to Article 14 of the Lease. If the Tenant fails to discharge or cause any such lien to be discharged (by filing any bond required by law, payment or otherwise) within thirty (30) days after receipt of notice from Landlord of the filing or recording of the lien, then, in addition to any other rights or remedies of Landlord under the Lease and this Development Agreement or applicable law, Landlord may (but shall not be obligated to) discharge the lien by paying the amount claimed into court and the amount so paid, and all costs and expenses (including attorneys costs and expenses) plus interest at the Overdue Rate from the date paid, shall be immediately due and payable by the Tenant to Landlord upon demand.

13. Progress of Construction; Access to Improvements. Tenant shall consult with designated representatives of Landlord during construction of the Improvements and with respect to furnishing and installing the Facility FF&E. Tenant shall be responsible for selecting the vendors and items of, and ordering, financing or leasing separately, the Facility FF&E to be paid for and installed by Tenant. The cost of the Facility FF&E are not part of the costs funded hereunder by Landlord.

Prior to the date hereof, Tenant has provided Landlord with a complete set of stamped blueprints and the project manual for the construction of the Improvements, stamped by the Architect, and written confirmation or other acknowledgement from TDH of its approval of the final Contract Documents. Tenant and its General Contractor will be available to meet with Landlord or its designated representatives (which may at Landlord's option, be by telephone conference call) not less often than monthly, or as needed, and will provide Landlord with updates concerning the development and construction of the Improvements). Upon reasonable request by Landlord from time to time, Tenant will provide Landlord a written report concerning the development and construction of the Improvements and addressing any specific questions or concerns raised by Landlord. Tenant shall provide Landlord with copies of (a) all architect's certificates submitted to Tenant and (b) all approvals, permits, inspection reports, and other governmental consents required to commence, perform and complete the work to be performed by Tenant when and as obtained by or submitted to Tenant.

Landlord and its agents and representatives shall, at all reasonable times, have access to the Land and the Improvements in order to inspect the progress and performance of the construction of the Improvements to determine compliance with the Contract Documents and to conduct such other investigations and inspections as Landlord deems reasonably necessary. Tenant will cause its General Contractor to cooperate with Landlord and its designated representative during such inspections. If Landlord shall in good faith give Tenant Notice of defective construction, unauthorized changes in the scope of work, substitution of inferior

materials or methods of construction, or other material deviation from the Contract Documents Tenant agrees to cause its contractors to promptly make any necessary corrections; provided, however, that the exercise or non-exercise by Tenant of its rights hereunder shall not operate as a waiver of any right of Landlord to require good and workmanlike construction of the Improvements in accordance with the Contract Documents.

In the event Tenant shall dispute the substance of Landlord's notice, Tenant and Landlord shall submit the matter to a mutually acceptable third party architect for determination, whose decision shall be binding on both parties.

On or before the Completion Date, Tenant shall provide Landlord with a complete set of the as-built blueprints of the Improvements as constructed by Tenant.

14. Tenant Furniture, Furnishings and Equipment. Except for those items which are required by the Contract Documents to be installed by the General Contractor, Tenant shall be responsible for equipping the Facility with the Facility FF&E, which shall be installed in consultation with Landlord's designated representative. Tenant shall also be responsible for furnishing and equipping the Facility with such consumable inventory and supplies, and such other furniture, furnishings, equipment and other personal property in addition to the Facility FF&E, if any, as may be necessary, appropriate or required for the operation and occupancy of the Facility as a general hospital providing medical detoxification, psychiatric and rehabilitation services. Any such inventory, supplies, furniture, furnishings and equipment shall fully conform to the requirements of TDH for occupancy of a general hospital providing medical detoxification, psychiatric and rehabilitation services and shall be timely installed on the Leased Property so as not to delay the Completion Date.

15. Commencement of Construction; Delay of Rent Commencement Date; Termination by Landlord. Construction of the Improvements will commence within thirty (30) days of the date hereof pursuant to the Development Budget and Contract Documents, and will be diligently prosecuted to Completion in a timely manner so that the Rent Commencement Date (as defined in the Lease) shall occur on a date that is on or before one year from the date hereof (the "Anticipated Rent Commencement Date") but not later than the Outside Date. Such Anticipated Rent Commencement Date and Outside Date may be extended for each day of delay as a result of any strikes, lockouts, inability to procure materials, power failures, acts of God, governmental restrictions, enemy action, civil commotion, unavoidable casualty and other causes beyond the control of the party responsible for performing an obligation hereunder, provided that lack of funds shall not be deemed a cause beyond the control of either party hereto (the "Unavoidable Delays") not the fault of Tenant or Landlord. If construction of the Improvements has not commenced on or before thirty (30) days from the Commencement Date hereof and such delay is not due to any fault on the part of Landlord or Unavoidable Delays, then Landlord shall have the right to terminate the Lease and this Development Agreement by giving Tenant Notice of its intent to terminate the Lease and this Development Agreement and the Lease and this Development Agreement shall be terminated and shall be null and void with no further obligations between the parties. If the Rent Commencement Date has not occurred on or before the Outside Date then pursuant to the Lease, the Outside Date shall be the Rent Commencement Date.

16. Compliance with Governmental Requirements; Inspection by Licensing Authority. Tenant will ensure that all aspects of the Facility fully comply in all respects with all Governmental Requirements and all other requirements, including but not limited to the requirements of the applicable Governmental Authority for the issuance of any certificate, license or permit required for the operation of a general hospital providing medical detoxification, psychiatric and rehabilitation services on the Land, and the requirements of all federal and state health and life safety code agencies. Tenant will coordinate all necessary interim and final inspections and approvals by TDH as well as all necessary interim and final inspections and approvals by any other authorities required to inspect and approve the Facility. Applications for and the procurement of all licenses, permits, and certificates (specifically including, but not limited to, building permits and certificates of occupancy) that are required to develop and construct or to occupy the Improvements or operate a general hospital providing medical detoxification, psychiatric and rehabilitation services are the responsibility of Tenant.

17. Condition of Premises; Acceptance. Tenant shall provide Landlord with not less than ten (10) Business Days advance notice of the date of the Completion Date of the construction and equipping of the Facility in accordance with the Contract Documents. Within ten (10) Business Days after such Completion Date, Tenant and Landlord or its consultant will conduct a walk-through inspection of the Improvements and Landlord shall prepare and deliver a written list of any asserted defects, omissions or other items not constructed or furnished in conformance with the Contract Documents. Landlord shall be entitled to and Tenant shall provide copies of any inspections required by TDH upon Completion of the Facility. Landlord shall be entitled to be present when such inspection is made. Except for Punch List Items, Tenant shall cause all defects, omissions or other items noted by Tenant and Landlord (as well as any defects noted by the applicable Government Authority, including TDH) to be promptly completed or repaired prior to the Rent Commencement Date. Upon Tenant curing the noted defects and/or omissions, or if no defects and/or omissions have been pointed out as herein provided, Landlord shall be deemed to have accepted the Facility in its then condition on the Completion Date subject to Tenant's repair or correction of the Punch List Items and any defect that is not readily apparent on the Completion Date. All Punch List Items, other than those reasonably requiring more than thirty (30) days to complete due to long scheduling or ordering time or other reasonable factors, shall be completed within thirty (30) days after the Completion Date. Any Punch List Items reasonably requiring more than thirty (30) days to complete or delayed due to any contractor, shall be diligently pursued and completed by Tenant as promptly as practicable but in any event, no longer than sixty (60) days after the Completion Date.

18. Representations and Warranties of Tenant. As a material inducement to Landlord to enter into this Development Agreement, Tenant represents and warrants to Landlord that as of the Commencement Date:

(a) Nothing that would constitute visible commencement of construction pursuant to T.C.A. 66-11-104 has occurred and all work that has occurred to date has been paid in full by Tenant; or Tenant has obtained a waiver of lien from the applicable contractor or materialman.

(b) There is no physical condition of the Land of which Tenant is aware that could reasonably be expected to have a material adverse effect on Tenant or Landlord's ability to

use and operate the Leased Property as a general hospital providing medical detoxification, psychiatric and rehabilitation services.

(c) The Land is zoned or classified under applicable zoning ordinances or other land use regulations to permit the use and occupancy of the Leased Property as a general hospital providing medical detoxification, psychiatric and rehabilitation services.

(d) Tenant is a single asset entity.

19. Covenants of Tenant. As a material inducement to Landlord to enter into the Lease and this Development Agreement, Tenant covenants as follows:

(a) The Improvements will be constructed in a good and workmanlike manner, using first class quality materials and equipped in accordance with the Contract Documents, as amended or supplemented with the provisions of this Section, and the Improvements will be in compliance in all material respects with Governmental Requirements of applicable Government Authorities having jurisdiction over the Improvements and its operation, including without limitation the Americans with Disabilities Act, and the building code requirements of the city, county or other political subdivision in which the Facility is located.

(b) The Improvements will be free from any material structural, electrical or mechanical defects and there will be no physical condition of the Improvements that could reasonably be expected to have a Materially Adverse Effect on the Tenant's ability to use and operate the Leased Property for Permitted Uses as a general hospital providing medical detoxification, psychiatric and rehabilitation services.

(c) There is no physical condition of the Improvements of which Tenant is aware that could reasonably be expected to have a material adverse effect on Tenant's ability to use and operate the Facility as a general hospital providing medical detoxification, psychiatric and rehabilitation services.

(d) The Improvements will be located and constructed in compliance with all zoning or other land use regulations, public health, building code or other similar laws applicable thereto.

(e) At all times during the Term of the Lease, Tenant shall maintain its status as a single asset entity and shall not acquire or own any material assets other than the Property or engage in any business or activity other than the ownership, operation and maintenance of the Property and activities incidental thereto, (except that Tenant shall not be restricted by this provision from performing or developing outpatient services on the Property.)

(f) There will be no encroachments of any Improvements onto adjacent property. None of the Improvements will violate setback, building or side lines, nor will they encroach on any easements located on the Property. All utilities serving the Facility will be in accordance with the Contract Documents.

(g) Tenant shall provide and deliver to Landlord, prior to the Commencement Date, for Landlord's use and benefit in determining the accuracy of the representations,

warranties and covenants of Tenant set forth in this Section, copies of any surveys, title insurance commitments, title insurance policies or title reports, environmental assessments, engineering reports, evidence of compliance with zoning, building codes and other land use laws or regulations, and evidence of utility availability with respect to the Property issued or obtained in connection with Tenant's construction of the Facility or otherwise in the possession or control of Tenant; provided, however, such materials will be delivered "as is" for informational purposes only, without representation or warranty of any nature from Tenant.

20. Failure to Construct. If Tenant fails to construct or cause construction of the Improvements in accordance with the Contract Documents to be completed by the Outside Date, then Landlord, at Landlord's option and after written notice to Tenant, shall have the right (but shall not be obligated) to complete the Improvements in accordance with the Contract Documents and expend such sums as Landlord reasonably deems proper in order so to complete the Improvements. The amount of any and all expenditures made by Landlord pursuant to this Section which are in excess of the respective Development Budget line items for such incomplete improvements shall be immediately due and payable by Tenant to Landlord, and Tenant agrees to pay the same to Landlord, promptly upon written demand therefor, together with interest thereon from the date of such expenditure to the date paid by Landlord at an annual rate equal to the Overdue Rate. The amount of such expenditures made by Landlord shall not be deemed to be or included as a part of the Total Project Costs. Landlord's decision to complete any such Improvements shall not be deemed a waiver of any breach of the terms of this Agreement or the Lease. Upon any assumption by Landlord of the obligation to complete the Improvements as provided herein, Tenant shall forthwith surrender and deliver to Landlord, or Landlord's designee, any Construction Funds which have been received by Tenant but have not been disbursed by Tenant, and all records, plans, specifications, permits and other governmental approvals, purchase agreements, contracts, receipts for deposits, unpaid bills and all other records, papers and documents in the possession of Tenant relating to the Improvements.

21. Responsibility of Landlord. It is expressly understood and agreed that Landlord will timely and faithfully perform its obligation hereunder, but does not assume any liability or responsibility for the sufficiency of the Construction Funds to complete the Property, for protection of the Property, for the satisfactory Completion of the Project, for inspection during construction, for the adequacy or accuracy of the Sworn Construction Cost Statement, for any representations made by Tenant, or for any acts on the part of Tenant or its contractors to be performed in the construction of the Project.

22. No Waiver. No failure by Landlord or Tenant to insist upon the strict performance of any term hereof or to exercise any right, power or remedy provided hereunder, shall constitute a waiver of any such breach or of any such term. To the extent permitted by applicable law, no waiver of any breach shall affect or alter this Development Agreement, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

23. Notices. All notices, demands, requests, consents, approvals and other communications ("Notice" or "Notices") hereunder shall be in writing and shall be deemed to have been duly given when delivered in person (provided a signed receipt is obtained) or received by telegraphic or other electronic means (including telecopy and telex) or, if mailed, three (3) days after being deposited in the United States mail, certified or registered mail, postage

prepaid, or if sent via Federal Express or similar courier service via overnight delivery, the next business day following receipt, addressed to the respective parties as follows (or to such other address as a party may hereafter designate):

If to Tenant:

SeniorHealth of Rutherford, LLC
5500 Maryland Way, Suite 200
Brentwood, TN 37027
Attention: Kevin Lee
Telephone: (615) 973-3500
Facsimile: _____

With a copy to:

Kramer Rayson LLP
Post Office Box 629
Knoxville, TN 37901-0628
Physical: 800 S. Gay Street, Ste. 2500
Knoxville, Tennessee 37929
Attention: Shannon Coleman and George Arrants
Telephone: (865) 525-5134
Facsimile: (865) 522-5723

If to Landlord:

NHI-REIT of Tennessee, LLC
222 Robert Rose Drive
Murfreesboro, TN 37129
Attention: Kristin S. Gaines
Telephone: (615) 890-9100
Facsimile: (615) 225-3030

With a copy to:

Harwell Howard Hyne Gabbert & Manner, P.C.
315 Deaderick Street, Suite 1800
Nashville, Tennessee 37238
Attention: John Brittingham
Telephone: (615) 251-1074
Facsimile: (615) 251-1056

24. Survival of Terms; Applicable Law. Anything contained in this Development Agreement to the contrary notwithstanding, all claims against, and liabilities of, Tenant or Landlord arising prior to any date of termination of this Development Agreement shall survive such termination. If any term or provision of this Development Agreement or any application thereof shall be invalid or unenforceable for any reason whatsoever, the remainder of this

Development Agreement and any other application of such term or provisions shall not be affected thereby. If any late charge or any interest rate provided for in any provision of this Development Agreement based upon a rate in excess of the maximum rate permitted by applicable law, such charges shall be fixed at the maximum permissible rate. Subject to any limitations on assignment contained in this Development Agreement, all the terms and provisions of this Development Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The headings in this Development Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Development Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee, but not including its conflicts of laws rules.

25. Attorneys' Fees. In the event either party brings an action to enforce any of the terms hereof or in connection herewith, the prevailing party in such action shall be entitled to and the losing party agrees to pay the reasonable attorneys' fees and expenses, including reasonable attorneys' fees and expenses of appellate proceedings, of the prevailing party.

26. No Assignment. Neither party hereunder may assign their rights under this Development Agreement.

27. Time is of the Essence. Time is hereby expressly made of the essence with respect to each and every term and provision of this Development Agreement, including, but in no way limiting the generality of the foregoing, with respect to each and every time constraint and deadline imposed by the terms of this Development Agreement.

28. Submission to Jurisdiction. Landlord and Tenant each hereby irrevocably:

(a) submits, in any legal proceeding related to this Development Agreement, to the non-exclusive in personam jurisdiction of the State or Tennessee or any United States court of competent jurisdiction sitting in any such State and agree to suit being brought in any such court;

(b) waives any objection that it may now or hereafter have to the venue of such proceeding in any such court located in any county in which the Property involved in such litigation is located, or Davidson County, Tennessee or Rutherford County, Tennessee or that such proceeding was brought in any inconvenient court; and

(c) agrees that nothing herein shall affect the right of either party to bring any legal proceedings (including a proceeding for enforcement of a judgment entered by any of the aforementioned courts) against the other party in any other court or jurisdiction in accordance with applicable law.

29. Waiver of Jury Trial. NOTWITHSTANDING THE BINDING DISUPTE RESOLUTION CONTAINED BELOW, EACH OF LANDLORD AND TENANT HEREBY SEVERALLY, VOLUNTARILY, KNOWINGLY AND INTELLIGENTLY WAIVES ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF OR IN CONNECTION WITH, OR IN ANY WAY RELATED TO, DIRECTLY OR INDIRECTLY, THIS DEVELOPMENT AGREEMENT, AND/OR ANY RELATIONSHIP, COURSE OF CONDUCT OR DEALINGS OR NEGOTIATIONS

PERTAINING TO ANY OF THE FOREGOING. EACH OF LANDLORD AND TENANT SEVERALLY ACKNOWLEDGES THAT THIS WAIVER OF JURY TRIAL IS A MATERIAL INDUCEMENT TO LANDLORD TO ENTER INTO THIS DEVELOPMENT AGREEMENT, AND THAT EACH OF LANDLORD AND TENANT HAS BEEN REPRESENTED BY INDEPENDENT LEGAL COUNSEL, SELECTED BY SUCH PARTY'S OWN FREE WILL, AND HAS HAD AN OPPORTUNITY TO CONSULT WITH SUCH INDEPENDENT LEGAL COUNSEL CONCERNING THE LEGAL EFFECT OF THIS WAIVER.

30. Binding Dispute Resolution. If any matters in dispute hereunder remain unresolved after submission of such matters to mediation, the Parties shall submit such matters to arbitration using the current Construction Industry Arbitration Rules of the American Arbitration Association or the Parties may mutually agree to select another set of arbitration rules. The administration of the arbitration shall be as mutually agreed by the Parties.

31. Use of Counterparts. This Development Agreement may be executed in two or more counterparts and each counterpart shall be deemed to be an original. Facsimile signatures shall be sufficient to evidence any party's agreement to this Development Agreement and to bind such party hereto.

32. Calculation of Time Periods. Unless otherwise specified, in computing any period of time described herein, the day of the act or event on which the designated period of time begins to run shall not be included and the last day of the period so computed shall be included, unless such last day is a Saturday, Sunday or legal holiday, in which event the period shall run until the 5:00 PM Central Time on the next day which is not a Saturday, Sunday or a legal holiday.

33. Entire Agreement; Modifications. This Development Agreement contains the entire agreement between Landlord and Tenant regarding the subject matter hereof and supersedes any and all other prior oral or written agreements, communications, covenants, representations or warranties between the parties regarding the subject matter hereof. No provision of this Development Agreement may be waived, amended, supplemented or otherwise modified except by an agreement in writing signed by the parties hereto or their respective successors in interest.

IN WITNESS WHEREOF the parties hereto have executed this Development Agreement this 30th day of September, 2011.

TENANT:

SENIOR HEALTH OF RUTHERFORD, LLC

By: _____

Name: Kevin D. Lee

Title: President

LANDLORD:

NHI-REIT OF TENNESSEE, LLC

By: National Health Investors, Inc.
Its: Sole Member

By: _____
J. Justin Hutchens, CEO

461899-04

POLARIS HOSPITAL COMPANY LLC	Budget	Changes	Final	Full Entry Closing	Pre-Closing Expense	Draw #1	Draw #2	Drawn to Date	% Complete	Remaining Balance
				Feb-11	Feb/Mar11	Mar/Apr11		through	(C/D+E)/G	(C-D-E)
Category Title/Description										
Land Cost (D)	3,387,523	-	3,387,523	2,287,523	100,000	475,000	-	2,862,523	84.5%	525,000
Land Down Payment (part used to buy 73% of FenX	100,000		100,000	100,000				100,000	100.0%	-
Land	2,287,523		2,287,523	2,287,523				2,287,523	100.0%	-
Due Diligence (E)	1,750	-	1,750	1,750	1,750			1,750	100.0%	-
Environmental Study update (Phase I)	1,750		1,750	1,750	1,750			1,750	100.0%	-
Environmental Study update (Phase I)-new 9/11	1,750	-	1,750	1,750	1,750			1,750	100.0%	-
Survey update-SEC	960	-	960	960				960	100.0%	-
S & ME for geotech exploration (Sept 10)	3,100		3,100	3,100	3,100			3,100	100.0%	-
S & ME for geotech exploration (9/11)-reliance letter	300		300					-	0.0%	300
Title Insurance ($21.8M) and subsequent reports	65,000		65,000					30,608	47.1%	34,392
John Gilliland consulting	7,100		7,100	7,100				7,100	100.0%	-
Water Line Easement	6,250		6,250					6,250	100.0%	-
Fees (F)	-		-					-	#DIV/0!	#DIV/0!
Development Fee	-		-	-	-	-	-	-	#DIV/0!	-
Permits (G)	750		750	750				750	100.0%	-
City of Murfreesboro	750		750	750				750	100.0%	-
Tennessee Dept of Health	21,200		21,200	21,200				21,200	100.0%	-
Civil Fee per SEC, Inc. (to TEDC)-Storm Water Permit	1,000		1,000	1,000				1,000	100.0%	-
Soft Cost (H)	300,000		300,000	300,000				-	0.0%	300,000
Soft Cost Contingency	300,000		300,000					-	0.0%	300,000
Add'l amt to fund to $21.8M	385,339		385,339							
Architectural & Engineering Fees	939,220		939,220	939,220				760,202	80.9%	179,018
NHI commitment fee	215,000		215,000	215,000				215,000	100.0%	-
Batten & Shew Fee to GC for Start-Up	40,000		40,000	40,000				40,000	100.0%	-
Construction Period Interest	1,400,000		1,400,000					-	0.0%	1,400,000
HSGM legal	150,000		150,000					-	0.0%	150,000
Kramer & Rason legal	25,000		25,000					-	0.0%	25,000
Brian Lubben (invest and during construction)	45,000		45,000			12,900		12,900	28.7%	32,100
David Liner	3,000		3,000					-	0.0%	3,000
Kroll Background	1,018		1,018	1,018				1,018	100.0%	-
Real Estate Closing Costs	15,474		15,474						0.0%	15,474
Other closing costs/post closing legal	25,000		25,000					-	0.0%	25,000
Property Taxes	23,000		23,000					(17,226)	-74.9%	40,226
UCC Recording and TN Indebtedness Tax	39,500		39,500					24,738	62.6%	14,762
Fees to Capital Hospital Finance Group	413,700		413,700			413,700		413,700	100.0%	-
Fee to BeaterRE	50,000		50,000			50,000		50,000	100.0%	-
Hard Costs	11,190,000	0	11,190,000	0	0	0	0	6,816,651	60.9%	4,373,349
Site Work (I)	697,088		697,088					25,536	3.7%	671,552
General Conditions	697,088		697,088	25,536				25,536	3.7%	671,552
Building (J)	2,504,344		2,504,344					-	0.0%	2,504,344
Earthwork & Utilities	416,661		416,661					-	0.0%	416,661
Site Prep	378,490		378,490					87,428	23.1%	291,062
Permeable Paving	395,300		395,300					-	0.0%	395,300
Curb & Gutter	45,720		45,720					-	0.0%	45,720
Landscaping/Irrigation	266,095		266,095					-	0.0%	266,095
Concrete (K)	606,291		606,291					-	0.0%	606,291
Concrete	606,291		606,291					-	0.0%	606,291
Masonry	517,122		517,122					-	0.0%	517,122
Structural Steel (L)	965,162		965,162					296,152	30.7%	669,010
Structural Steel Misc Metal	965,162		965,162					-	0.0%	965,162
Wood & Plastics (M)	160,468		160,468					-	0.0%	160,468
Wood & Plastics	160,468		160,468					-	0.0%	160,468
Cabinets/Casework/Countertops	225,182		225,182					-	0.0%	225,182
Thermal & Moisture Protection (N)	71,550		71,550					-	0.0%	71,550
Thermal & Moisture Protection	71,550		71,550					-	0.0%	71,550
Insulation	276,415		276,415					-	0.0%	276,415
Roofing	282,723		282,723					-	0.0%	282,723
Doors & Windows (O)	304,849		304,849					-	0.0%	304,849
Doors	304,849		304,849					-	0.0%	304,849
Coiling Doors	19,044		19,044					-	0.0%	19,044
Composite Metal Panels	78,850		78,850					-	0.0%	78,850
Aluminum Entries/Glazing/Curtain Wall	403,904		403,904					-	0.0%	403,904
Finishes (P)	1,230,523		1,230,523					-	0.0%	1,230,523
EIFS	85,150		85,150					-	0.0%	85,150
Gypsum Wall Systems	1,230,523		1,230,523					-	0.0%	1,230,523
Tile Work	211,124		211,124					-	0.0%	211,124
Acoustical Ceiling	136,214		136,214					-	0.0%	136,214
Flooring	284,637		284,637					-	0.0%	284,637
Painting	125,070		125,070					-	0.0%	125,070

SCHEDULE 1

ADLARIS HOSPITAL COMPANY LLC	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]										
Specialties	139,318		139,318					-	0.0%	139,318
[illegible]										
Installation of FFE (equity)	49,200	(49,200)	-							
Kitchen Equipment	362,000		362,000					-	0.0%	362,000
[illegible]										
Blinds	34,107		34,107					-	0.0%	34,107
Pedi Treds	2,828		2,828					-	0.0%	2,828
[illegible]										
	-		-					-	#DIV/0!	-
[illegible]										
Elevator	104,788		104,788					-	0.0%	104,788
[illegible]										
Fire Protection	143,818		143,818					-	0.0%	143,818
Mechanical - HVAC/Plumbing/Med Gas	3,081,265		3,081,265					-	0.0%	3,081,265
[illegible]										
Electrical	1,429,951		1,429,951					-	0.0%	1,429,951
Nurse Call	94,000		94,000					-	0.0%	94,000
Security System	69,000		69,000					-	0.0%	69,000
Vocis/Data/CATV Systems	82,103		82,103					-	0.0%	82,103
[illegible]										
Building Permit/Development Fees	94,205		94,205					-	0.0%	94,205
Sewer assessment (8.09 ac @ $9k/ac)	54,810		54,810							
Water Meter permit	10,000		10,000							
Water connection fee	17,820		17,820							
Sewer connect fee	26,400		26,400							
Land disturbance permit	450		450							
Batten & Shaw Contingency	281,134		281,134					-	0.0%	281,134
Subcontractor Bonding	75,000		75,000					-	0.0%	75,000
Performance and Payment bond	85,241		85,241					-	0.0%	85,241
Batten & Shaw Fee to GC for Construction	559,176		559,176					15,956	2.9%	543,220
Retainage Withheld								(4,371)	#DIV/0!	4,371
[illegible]										
[illegible]										
[illegible]										
Detail to be Inserted	3,500,000		3,500,000						0.0%	3,500,000
			-						#DIV/0!	-
			-						#DIV/0!	-
			-						#DIV/0!	-
			-						#DIV/0!	-
			-						#DIV/0!	-
[illegible]										
FFE Budget	1,742,914		1,742,914					-	0.0%	1,742,914
Equipment (incl in GMP)	-	49,200	49,200					-	0.0%	49,200
[illegible]										
										$13,799,019
										$5,202,114
		Budget Changes	$0						Budget Changes	$ -
		Total Equity	$5,202,114						Total Equity	########

Draw Amount	1,476,068.87	########
Plus Refund of fee	-	########
NHI Fee	(215,000.00)	-
Less Kroll Fee pd by NHI)	(1,016.00)	-
Total to Pay	$ 1,262,051.87	########

SCHEDULE 2

INSURANCE REQUIREMENTS

Prior to commencing construction or development work, Tenant and Architect and General Contractor, shall procure and continuously maintain at their sole cost and expense, the following required insurance with insurers' financially acceptable and lawfully authorized to do business in all states where work or operations are being performed. Such coverage shall protect Landlord and Tenant and others whom Landlord or Tenant has agreed to protect under written contract or agreement, for liabilities arising from work or operations performed by or on behalf of Tenant, the General Contractor, the Architect or their agents, representatives, employees or subcontractors.

Tenant's Minimum Scope of Insurance

Tenant's insurance coverage shall include the following minimum limits and coverage:

1. **Commercial General Liability** insurance (including follow form umbrella liability insurance if necessary) on an occurrence coverage form, with coverage at least as broad as that provided under the current edition of the Insurance Services Office Commercial General Liability Policy, CG 0001 ©. Such coverage shall include but not be limited to liabilities arising from real estate development property and independent contractors.

2. **Automobile Liability** insurance (including follow form umbrella liability insurance if necessary) covering liability arising from the use or operation of any auto, including those owned, hired or otherwise operated or used by or on behalf of the General Contractor. The coverage shall be at least as broad as the current edition of the Insurance Services Office Business Automobile Policy, CA 0001 ©.

3. **Statutory Workers' Compensation and Employer's Liability** insurance (including follow form umbrella liability insurance (if necessary) as is required by any state or federal statute or law, or as may be available on a voluntary basis.

4. **Professional Liability** insurance on an occurrence coverage form must be required from Architects or engineers performing professional services before, during or after construction.

5. **Builders Risk** insurance covering the Property during course of construction until final acceptance, or 30 days after the Property are put to their intended use and the casualty policy required under the Lease is in place, whichever is later. The Tenant is responsible for determining that the Builder's Risk policy or policies meet the following requirements, regardless of whether the policy is placed by Tenant or the General Contractor. Such coverage shall include the following:

    a. "All Risk" or "Special Perils" coverage, including flood, earth movement, mechanical breakdown and electrical injury

b. Policy limit applicable to Property shall be the completed value of all insurable improvements

c. Loss valuation shall be the full cost to replace or repair, with no deduction for depreciation

d. Policy must name Landlord as owner as respects the Property

e. Policy must permit or allow waiver of rights of subrogation in favor of Landlord

f. Fire resulting from any cause (except nuclear / war) must be covered

g. All building materials, machinery, equipment, etc. to be incorporated into the Project must be covered wherever located, including while in temporary (off-site) storage or in transit to or from the Project site

h. Standard exclusion applicable to faulty design, specifications, materials, workmanship, etc. shall not apply to resultant damage to otherwise sound property

i. No specific exclusions relating to the peril of collapse

j. No specific exclusions relating to demolition of undamaged portions of the project, as may be required by building ordinance or laws

k. No coinsurance requirements / provisions – policy must be "agreed amount"

l. Debris removal limit of insurance must be at least 25% of limit of insurance

m. Policy must cover temporary structures, false-work, etc (at least $50,000)

n. Policy must cover the fees of architects and engineers (at least $50,000)

o. Policy must cover premises pollution clean-up and removal emanating from covered loss (at least $50,000)

p. Policy must grant permission for testing and limited occupancy (30 days) prior to final acceptance by owner.

q. Policy shall be endorsed to provide 30 days written notice to Landlord, by registered or certified mail, of insurer's intent to terminate, cancel or non-renew coverage

r. Policy deductible shall not exceed 1% of project value (3% for named windstorm, earth movement or flood)

s. Delayed opening insurance (business interruption insurance) in an amount sufficient to cover Tenant's and General Contractor's delayed profits and additional or ongoing expenses which arise from a delayed opening as a result of a covered loss under the builder's risk policy during the course of construction. Such coverage shall specifically include Tenant's required lease payments to Landlord.

Provided however, any policies for which occurrence coverage is required may be written on a claims made basis if prepaid thirty-six (36)-months "tail coverage" is also provided.

General Contractor or (Project) Contractor's Minimum Scope of Insurance

Tenant shall require General Contractor to maintain the following minimum insurance coverage:

1. **Commercial General Liability** insurance (including follow form umbrella liability insurance if necessary) on an occurrence coverage form, with coverage at least as broad as that provided under the current edition of the Insurance Services Office Commercial General Liability Policy, CG 0001 ©. Other than standard exclusions applicable to pollution, asbestos, lead, mold, employment practices, ERISA and professional liability, there shall be no limitations or exclusions beyond those contained in the standard policy forms which apply to property damage, products and completed operations, contractual liability or construction defects. In addition to procuring and maintaining this insurance during the duration of the contract, General Contractor agrees to continue to procure and maintain products and completed operations liability insurance coverage for a minimum of two (2) years after the date the contract is completed or terminated.

2. **Automobile Liability** insurance (including follow form umbrella liability insurance if necessary) covering liability arising from the use or operation of any auto, including those owned, hired or otherwise operated or used by or on behalf of the General Contractor. The coverage shall be at least as broad as the current edition of the Insurance Services Office Business Automobile Policy, CA 0001 ©. If General Contractor's scope of services includes the transportation of hazardous materials to or from the project site, as determined by Tenant or Architect, General Contractor shall be required to include pollution coverage by procuring and maintaining current editions of endorsements MCS-90 and CA 9948, or their equivalents.

3. **Statutory Workers' Compensation and Employer's Liability** insurance (including follow form umbrella liability insurance (if necessary) as is required by any state or federal statute or law, or as may be available on a voluntary basis.

4. **Contractor's Professional Liability** insurance on an occurrence coverage form covering claims arising from General Contractor's professional services, including but not limited to construction means and methods, incidental engineering performed by or on behalf of General Contractor, professional consulting or construction management.

Provided however, any policies for which occurrence coverage is required may be written on a claims made basis if prepaid thirty-six (36)-months "tail coverage" is also provided.

Tenant's Minimum Limits of Insurance:

Tenant shall maintain the following minimum limits of insurance (unless higher limits required by law or statute):

1. **Commercial General Liability** (including follow form umbrella or excess liability if necessary) $3,000,000 per occurrence, bodily injury and property damage liability; $3,000,000 per offense, personal and advertising injury liability; $3,000,000 products and completed operations policy aggregate and $5,000,000 general aggregate applicable to claims other than products and completed operations.

2. **Automobile Liability**: $1,000,000 (including follow form umbrella or excess liability if necessary) combined bodily injury and property damage liability per accident for bodily injury and property damage.

3. **Employer's Liability**: $1,000,000 (including follow form umbrella or excess liability if necessary) per accident for bodily injury by accident or disease, including $1,000,000 disease aggregate.

4. **Architects and Engineers Professional Liability**: $2,000,000 each wrongful act, $4,000,000 policy aggregate.

5. **Builder's Risk**: The per occurrence limit of liability shall be the 100% completed value of the insurable improvement being constructed and constituting the Property.

General Contractor's Minimum Limits of Insurance:

Owner shall require the General Contractor to maintain the following minimum limits of insurance (unless higher limits required by law or statute):

1. **Commercial General Liability** (including follow form umbrella or excess liability if necessary) $10,000,000 per occurrence, bodily injury and property damage liability; $10,000,000 per offense, personal and advertising injury liability; $10,000,000 products and completed operations policy aggregate and $10,000,000 general aggregate applicable to claims other than products and completed operations.

2. **Automobile Liability**: $1,000,000 (including follow form umbrella or excess liability if necessary) combined bodily injury and property damage liability per accident for bodily injury and property damage.

3. **Employer's Liability**: $1,000,000 (including follow form umbrella or excess liability if necessary) per accident for bodily injury by accident or disease, including $1,000,000 disease aggregate

4. **Contractor's Professional Liability**: $1,000,000 each wrongful act, $1,000,000 policy aggregate.

Deductibles, Self-insured Retentions or Self-Insured Programs

The funding of deductibles, self-insured retentions or programs maintained by shall be the sole responsibility of the party placing the insurance or self-insurance programs. Self-insured retentions or deductibles in excess of $100,000 must be declared to and approved by Tenant.

Other Insurance Provisions

The insurance required of Tenant and General Contractor shall each contain the following additional provisions:

1. **ADDITIONAL INSURED** – Landlord, including its directors, officers and employees, in its capacity of Owner of the Property to be constructed, shall be included as an additional insured under the Commercial General Liability of both Tenant and General Contractor, for claims arising from work, operations or completed operations performed by or on behalf of Tenant or General Contractor.

2. **PRIMARY COVERAGE** – Tenant's and General Contractor's commercial general and umbrella or excess liability insurance coverage shall be sole primary insurance, and any insurance or self-insurance maintained by Landlord shall be excess of and non-contributory with Landlords insurance. If necessary Tenant and General Contractor agree they will amend the other insurance clauses in the required insurance, including umbrella or excess liability, to specifically be primary and non-contributory when required under written contract or agreement

3. **SEVERABILITY OF INTEREST** - Except with respect to the limits of insurance, Tenant's and General Contractors' required insurance shall apply separately to each insured or additional insured.

4. **WAIVER OF SUBROGATION** – To the fullest extent permitted by law, Tenant and General Contractor agrees to waive all rights of subrogation against Landlord, including directors, officers and employees in the scope of employment, and shall cause each of its subcontractors to waive all their rights of subrogation against Landlord, including directors, officers and employees in the scope of employment, for all costs or expenses, losses, damages, claims, suits or demands, howsoever caused:

   a. To real or personal property, vehicles, equipment, tools, etc. owned, leased or used by Tenant or General Contractor or General Contractor's employees, agents or subcontractors; and

b. To the extent such loss, damage, claims, suits or demands are covered, or should be covered, by the required or any other insurance (except professional liability to which this requirement does not apply) maintained by the Tenant or General Contractor or subcontractors. This waiver shall apply to all first party property, equipment, vehicle and workers compensation claims (unless prohibited under applicable state statutes), and all third party liability claims. This waiver shall apply to all deductibles, retentions or self-insured layers applicable to the required or any other insurance (except professional liability to which this requirement does not apply) maintained by Tenant or General Contractor. If necessary, Tenant and General Contractor agree to endorse their respective insurance policies to permit waivers of subrogation in favor of Landlord as required hereunder. Tenant and General Contractor further agrees to hold harmless and indemnify Landlord for any loss or expense incurred as a result of Tenant's or General Contractor's failure to obtain such waivers of subrogation from Tenant's or General Contractors insurers.

5. **NOTICE OF CANCELLATION** – all required Property and Commercial General Liability and Umbrella or Excess liability policies shall be endorsed, to the extent necessary, to provide thirty (30) days' written notice to Landlord, or in the event of non-payment of premium (ten (10) days written notice to Landlord, by certified mail, return receipt requested, prior to any termination, suspension, cancellation or non-renewal of the required insurance.

Acceptability of Insurers

Insurance is to be placed with insurers with a current A.M. Best's rating of not less than A- VII, unless otherwise approved by Landlord.

Verification of Coverage / Compliance

Tenant and General Contractor shall each furnish Landlord with copies of policies prior to closing confirming coverage and certificates of insurance evidencing the required coverage prior to closing. The certificates are to be signed by a person authorized by the insurer(s) to bind coverage on their behalf. Copies of endorsements providing coverage for Landlord as an additional insured, notice of cancellation and permission to waive subrogation shall be attached to the certificate of insurance. Renewal certificates are to be provided to Landlord prior to the expiration of the required insurance policies.

Tenant and General Contractor agree to provide true and certified copies of the required builder's risk and liability policies within 15 days of written request from Landlord. In the event renewal policies have not been issued by insurer(s), Tenant and General Contractor agree to provide complete copies of insurance binders issued to evidence coverage required by these specifications until such time as the actual policies are received from insurer(s).

Failure of Tenant or General Contractor to request certificates or identify deficiencies shall in no way limit or relieve Tenant or General Contractor of its obligations to maintain such insurance.

Subcontractors Flow-Down Clause

All Subcontractors engaged by General Contractor are subject to the same insurance requirements as General Contractor except a) liability limits of insurance may be lower (not less than $1,000,000 per occurrence / $2,000,000 aggregate applicable per project) and Subcontractors shall not be required to maintain professional liability insurance, unless specifically required by Landlord. In addition all Subcontractors shall require each Sub-Subcontractor employed by Subcontractor to purchase and maintain such insurance and promptly furnish General Contractor with copies of certificates of insurance evidencing coverage for Subcontractor and Sub-subcontractors. General Contractor shall voluntarily provide workers compensation coverage for proprietors, partners or others not statutorily required to maintain workers compensation insurance.

No Representation of Coverage Adequacy

In specifying minimum General Contractor insurance requirements, Tenant and Architect do not represent that such insurance is adequate to protect General Contractor for loss, damage or liability arising from its work. General Contractor is solely responsible to inform itself of the types or amounts of insurance it may need beyond these requirements to protect itself. The insurance requirements set forth in minimum amounts shall not be construed to relieve General Contractor for liability in excess of such coverage, nor shall it preclude Tenant from taking such other actions as is available to it under any other provision of the contract.

EXHIBIT A

FORM OF DRAW REQUEST

AIA® Document G702™ – 1992

Application and Certificate for Payment

TO OWNER:	PROJECT: Polaris Hospital	APPLICATION NO: 002	Distribution to:
		PERIOD TO:	OWNER: ☐
		CONTRACT FOR: General Construction	ARCHITECT: ☐
FROM	VIA	CONTRACT DATE:	CONTRACTOR: ☐
CONTRACTOR:	ARCHITECT:	PROJECT NOS: / /	FIELD: ☐
			: ☐

CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract.
Continuation Sheet, AIA Document G703, is attached.

1. ORIGINAL CONTRACT SUM $0.00
2. NET CHANGE BY CHANGE ORDERS $0.00
3. CONTRACT SUM TO DATE (Line 1 ± 2) $0.00
4. TOTAL COMPLETED & STORED TO DATE (Column G on G703) $0.00
5. RETAINAGE:
   a. 0 % of Completed Work (Column D + E on G703: $0.00)= $0.00
   b. 0 % of Stored Material (Column F on G703: $0.00)= $0.00

   Total Retainage (Lines 5a + 5b or Total in Column I of G703) $0.00
6. TOTAL EARNED LESS RETAINAGE $0.00
   (Line 4 Less Line 5 Total)
7. LESS PREVIOUS CERTIFICATES FOR PAYMENT $0.00
   (Line 6 from prior Certificate)
8. CURRENT PAYMENT DUE $0.00
9. BALANCE TO FINISH, INCLUDING RETAINAGE
   (Line 3 less Line 6) $0.00

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by Owner	$0.00	$0.00
Total approved this Month	$0.00	$0.00
TOTALS	$0.00	$0.00
NET CHANGES by Change Order		$0.00

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR:

By: _____ Date: _____

State of:
County of:
Subscribed and sworn to before me this day of
Notary Public:
My Commission expires:

ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising this application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED $0.00

(Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and on the Continuation Sheet that are changed to conform with the amount certified.)

ARCHITECT:

By: _____ Date: _____

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

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User Notes:

(1177975205)

AIA® Document G703™ – 1992

Continuation Sheet

AIA Document, G702™–1992, Application and Certification for Payment, or G736™–2009, Project Application and Project Certificate for Payment, Construction Manager as Adviser Edition, containing Contractor's signed certification is attached.
In tabulations below, amounts are in US dollars.
Use Column I on Contracts where variable retainage for line items may apply.

APPLICATION NO: 001
APPLICATION DATE:
PERIOD TO:
ARCHITECT'S PROJECT NO:

A	B	C	D	E	F	G		H	I
			WORK COMPLETED						
ITEM NO.	DESCRIPTION OF WORK	SCHEDULED VALUE	FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD	MATERIALS PRESENTLY STORED (NOT IN D OR E)	TOTAL COMPLETED AND STORED TO DATE (D + E + F)	% (G ÷ C)	BALANCE TO FINISH (C - G)	RETAINAGE (IF VARIABLE RATE)
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
	GRAND TOTAL	0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00

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User Notes:

(1211397713)

EXHIBIT B

STATE OF _____

COUNTY OF _____

AFFIDAVIT AND WAIVER OF LIEN

WHEREAS, the undersigned, (hereinafter referred to as the "Undersigned"), has furnished or has contracted to furnish labor, services and/or material (hereinafter collectively referred to as the "Work") in connection with the improvement of certain real property located in Rutherford County, Tennessee (said real property being more particularly described on Exhibit A attached hereto and by this reference made part hereof, and being hereinafter referred to as the "Property"); and

WHEREAS, _____ has made, or is about to make or cause to be made, a disbursement(s) to the Undersigned under its contract for the Work;

NOW THEREFORE, for and in consideration of the sum of TEN AND NO/100 DOLLARS ($10.00) in hand paid by _____ to the Undersigned, and other good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, and in order to induce the making of the above-mentioned disbursements, the Undersigned does hereby:

(a) Waive and release any lien or right to lien of the Undersigned on or against said Property on account of the Work furnished by the Undersigned for the improvement of said Property on or before the date hereof; and

(b) Warrant and represent that any and all parties who have supplied Work to the Undersigned for the improvement of said Property, including without limitation all subcontractors who have furnished services, labor or materials, all laborers employed by the Undersigned and all suppliers of materials from whom the Undersigned has purchased materials, have been paid in full all amounts accrued by virtue of such Work through and including the date hereof and that there are no claims or demands outstanding with respect to the Work which would entitle the holder or owner thereof to claim a lien against the Property; and

(c) Warrant and represent that the Undersigned (or the individual executing this instrument on behalf of the Undersigned) has personal knowledge of the matters herein stated, and is authorized and fully qualified to execute this instrument as or on behalf of the Undersigned; and

(d) Covenant and agree that this instrument is made in consideration of the payment of the aforesaid sums to the Undersigned, and pursuant to the statutes of the State of Tennessee with respect to the liens of contractors, subcontractors, laborers, mechanics and materialmen.

(e) Acknowledge and agree that this Affidavit and Waiver will be relied upon by the owner of the Property in disbursing additional construction funds in connection with the improvements described above.

WITNESS the hand and seal of the Undersigned, this _____ day of _____, _____.

_____

By: _____

Its: _____

ACKNOWLEDGMENT

STATE OF _____

COUNTY OF _____

Before me, a Notary Public in and for said State and County, duly commissioned and qualified, personally appeared _____, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence) and who, upon oath acknowledged himself to be the _____, of _____, the within named bargainor, a corporation, and that he as such _____, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as such _____.

WITNESS MY HAND AND SEAL at the office in _____, this _____, this _____ day of _____, _____.

_____
Notary Public

_____
Notary Execution Date

My Commission Expires
On: _____

[NOTARIAL SEAL]

458748-01

EXHIBIT E

DEVELOPMENT BUDGET

Category	Title/Description										
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]											
	Land Down Payment (part used to buy 73% of FenX	100,000		100,000	[illegible]					100,000	100.0%	-
	Land	2,287,523		2,287,523	[illegible]					2,287,523	100.0%	-
[illegible]											
	Environmental Study update (Phase I)	1,750		1,750						1,750	100.0%	-
	Environmental Study update (Phase I-new 9/11	1,750	-	1,750						1,750	100.0%	-
	Survey update-SEC	990	-	990						990	100.0%	-
	S & ME for geotech exploration (Sept 10)	3,100		3,100						3,100	100.0%	-
	S & ME for geotech exploration (9/11)-reliance letter	300		300						-	0.0%	300
	Title Insurance ($21.5M) and subsequent reports	65,000		65,000						30,608	47.1%	34,292
	John Gifford consulting	7,100		7,100						7,100	100.0%	-
	Water Line Easement	6,250		6,250						6,250	100.0%	-
[illegible]											
	Development Fee	-		-		-	-	-	-	-	#DIV/0!	-
[illegible]											
	City of Murfreesboro	750		750						750	100.0%	-
	Tennessee Dept of Health	21,200		21,200						21,200	100.0%	-
	CMI Fee per SEC, Inc. (to TEDC)-Storm Water Permit	1,000		1,000						1,000	100.0%	-
[illegible]											
	Soft Cost Contingency	300,000		300,000						-	0.0%	300,000
	Add'l amt to fund to $21.5M	386,339		386,339								
	Architectural & Engineering Fees	939,220		939,220						760,202	80.9%	179,018
	NHI commitment fee	215,000		215,000						215,000	100.0%	-
	Bellen & Shaw Fee to GC for Start-Up	40,000		40,000						40,000	100.0%	-
	Construction Period Interest	1,400,000		1,400,000						-	0.0%	1,400,000
	H3GM legal	150,000		150,000						-	0.0%	150,000
	Kramer & Rason legal	25,000		25,000						-	0.0%	25,000
	Brian Lubben (initial and during construction)	45,000		45,000						12,900	28.7%	32,100
	David Liner	3,000		3,000						-	0.0%	3,000
	Kroll Background	1,018		1,018						1,018	100.0%	-
	Real Estate Closing Costs	15,474		15,474						-	0.0%	15,474
	Other closing costs/post closing legal	25,000		25,000						-	0.0%	25,000
	Property Taxes	23,000		23,000						(17,220)	-74.9%	40,220
	UCC Recording and TN Indebtedness Tax	39,500		39,500						24,738	62.6%	14,762
	Fees to Capital Hospital Finance Group	413,700		413,700						413,700	100.0%	-
	Fee to BankRiE	50,000		50,000						50,000	100.0%	-
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]											
	General Conditions	697,088		697,088						25,536	3.7%	671,552
[illegible]											
	Earthwork & Utilities	418,661		418,661						-	0.0%	418,661
	Site Prep	378,490		378,490						97,429	25.7%	281,062
	Permeable Paving	395,300		395,300						-	0.0%	395,300
	Curb & Gutter	45,720		45,720						-	0.0%	45,720
	Landscaping/Irrigation	266,095		266,095						-	0.0%	266,095
[illegible]											
	Concrete	605,291		605,291						-	0.0%	605,291
	Masonry	517,122		517,122						-	0.0%	517,122
[illegible]											
	Structural Steel Misc Metal	995,162		995,162						298,162	30.0%	697,000
[illegible]											
	Woods & Plastics	160,466		160,466						-	0.0%	160,466
	Cabinets/Casework/Countertops	225,162		225,162						-	0.0%	225,162
[illegible]											
	Thermal & Moisture Protection	71,550		71,550						-	0.0%	71,550
	Insulation	278,415		278,415						-	0.0%	278,415
	Roofing	282,723		282,723						-	0.0%	282,723
[illegible]											
	Doors	304,849		304,849						-	0.0%	304,849
	Ceiling Doors	19,044		19,044						-	0.0%	19,044
	Composite Metal Panels	78,850		78,850						-	0.0%	78,850
	Aluminum Entries/Glazing/Curtain Wall	403,904		403,904						-	0.0%	403,904
[illegible]											
	EIFS	85,150		85,150						-	0.0%	85,150
	Gypsum Wall Systems	1,230,523		1,230,523						-	0.0%	1,230,523
	Tile Work	211,124		211,124						-	0.0%	211,124
	Acoustical Ceiling	136,214		136,214						-	0.0%	136,214
	Flooring	284,637		284,637						-	0.0%	284,637
	Painting	125,070		125,070						-	0.0%	125,070

POLARIS HOSPITAL COMPANY, LLC												
Specialties	130,318		130,318							-	0.0%	130,318
Installation of FFE (equity)	49,200	(49,200)	-									
Kitchen Equipment	362,000		362,000							-	0.0%	362,000
Blinds	34,107		34,107							-	0.0%	34,107
PestTreda	2,826		2,826							-	0.0%	2,826
	-		-							-	#DIV/0!	-
Elevator	104,768		104,768							-	0.0%	104,768
Fire Protection	143,818		143,818							-	0.0%	143,818
Mechanical - HVAC/Plumbing/Med Gas	3,081,285		3,081,285							-	0.0%	3,081,285
Electrical	1,429,951		1,429,951							-	0.0%	1,429,951
Nurse Call	94,000		94,000							-	0.0%	94,000
Security System	69,000		69,000							-	0.0%	69,000
Voice/Data/CATV Systems	82,103		82,103							-	0.0%	82,103
Building Permit/Development Fees	94,206		94,206							-	0.0%	94,206
Sewer assessment (8.00 ac @ $9k/ac)	54,810		54,810									
Water Meter permit	10,000		10,000									
Water connection fee	17,820		17,820									
Sewer connect fee	28,400		28,400									
Land disturbance permit	450		450									
Batten & Shaw Contingency	281,134		281,134							-	0.0%	281,134
Subcontractor Bonding	75,000		75,000							-	0.0%	75,000
Performance and Payment bond	85,241		85,241							-	0.0%	85,241
Batten & Shaw Fee to GC for Construction	559,176		559,176							15,666	2.9%	543,510
Retainage Withheld										(4,371)	#DIV/0!	4,371
TOTAL BUILDING COST (DRAW AMOUNT)	$ 21,445,398	$ (49,200)	$ 21,396,198							$ 4,478,000	21.0%	$ 16,918,198
Detail to be Inserted	3,500,000		3,500,000								0.0%	3,500,000
			-								#DIV/0!	-
			-								#DIV/0!	-
			-								#DIV/0!	-
			-								#DIV/0!	-
			-								#DIV/0!	-
FFE Budget	1,742,914		1,742,914							-	0.0%	1,742,914
Equipment (incl in GMP)	-	49,200	49,200							-	0.0%	49,200
TOTAL COMPLETE PROJECT COST	$ 26,688,312	$ -	$ 26,688,312	$ 243,822	$ 2,418,000	$ 476,600	$ 1,480,651			$ 4,478,000	17.0%	$ 22,210,312
												$13,798,019
												$5,222,114
		Budget Changes	$0								Budget Changes	$ -
		Total Equity	##########		Draw Amount	1,478,000.87	########## ####				Total Equity	########## #####
					Plus Refund of fee	-	########## #####					
					NHI Fee	(215,000.00)	-					
					Less Kroll Fee (pd by NHI)	(1,018.00)	-					
					Total to Pay	$ 1,262,051.87	########## ###					

NHI will own this FFE

Installation of FFE that NHI does not own

EXHIBIT F

FORM OF DRAW REQUEST

AIA® Document G702™ – 1992

Application and Certificate for Payment

TO OWNER:	PROJECT: Polaris Hospital	APPLICATION NO: 002	Distribution to:
			OWNER: ☐
		PERIOD TO:	ARCHITECT: ☐
		CONTRACT FOR: General Construction	CONTRACTOR: ☐
FROM	VIA	CONTRACT DATE:	FIELD: ☐
CONTRACTOR:	ARCHITECT:	PROJECT NOS: / /	: ☐

CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract. Continuation Sheet, AIA Document G703, is attached.

1. ORIGINAL CONTRACT SUM $0.00
2. NET CHANGE BY CHANGE ORDERS $0.00
3. CONTRACT SUM TO DATE (Line 1 ± 2) $0.00
4. TOTAL COMPLETED & STORED TO DATE (Column G on G703) $0.00
5. RETAINAGE:
   a. 0 % of Completed Work (Column D + E on G703: $0.00)= $0.00
   b. 0 % of Stored Material (Column F on G703: $0.00)= $0.00

   Total Retainage (Lines 5a + 5b or Total in Column I of G703) $0.00
6. TOTAL EARNED LESS RETAINAGE ..... $0.00 (Line 4 Less Line 5 Total)
7. LESS PREVIOUS CERTIFICATES FOR PAYMENT ..... $0.00 (Line 6 from prior Certificate)
8. CURRENT PAYMENT DUE $0.00
9. BALANCE TO FINISH, INCLUDING RETAINAGE (Line 3 less Line 6) $0.00

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by Owner	$0.00	$0.00
Total approved this Month	$0.00	$0.00
TOTALS	$0.00	$0.00
NET CHANGES by Change Order		$0.00

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR:

By: _____ Date: _____

State of:
County of:
Subscribed and sworn to before me this day of
Notary Public:
My Commission expires:

ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising this application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED $0.00

(Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and on the Continuation Sheet that are changed to conform with the amount certified.)

ARCHITECT:

By: _____ Date: _____

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

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User Notes:

(1)[illegible]

AIA® Document G703™ – 1992

Continuation Sheet

AIA Document, G702™–1992, Application and Certification for Payment, or G736™–2009, Project Application and Project Certificate for Payment, Construction Manager as Adviser Edition, containing Contractor's signed certification is attached.
In tabulations below, amounts are in US dollars.
Use Column I on Contracts where variable retainage for line items may apply.

APPLICATION NO:	001
APPLICATION DATE:	
PERIOD TO:	
ARCHITECT'S PROJECT NO:	

A	B	C	D	E	F	G		H	I
			WORK COMPLETED						
ITEM NO.	DESCRIPTION OF WORK	SCHEDULED VALUE	FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD	MATERIALS PRESENTLY STORED (NOT IN D OR E)	TOTAL COMPLETED AND STORED TO DATE (D + E + F)	% (G ÷ C)	BALANCE TO FINISH (C - G)	RETAINAGE (IF VARIABLE RATE)
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
	GRAND TOTAL	0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00

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User Notes:

EXHIBIT G

DEVELOPMENT AND MANAGEMENT AGREEMENT

THIS DEVELOPMENT AND MANAGEMENT AGREEMENT (this "Agreement") is made to be effective this 29th day of September, 2011 (the "Effective Date"), by and between SeniorHealth of Rutherford, LLC ("SeniorHealth"), a Tennessee Limited Liability Company, and Polaris Hospital Management, Inc., a Tennessee corporation ("Polaris"). SeniorHealth and Polaris are referred to collectively herein as the "Parties" and individually as a "Party."

RECITALS:

WHEREAS, SeniorHealth leases a hospital property (the "Property"), located in Murfreesboro, Tennessee that is scheduled to be opened for a hospital operation in July 2012;

WHEREAS, SeniorHealth expects the State of Tennessee to license the Property's hospital operation as a "general hospital." SeniorHealth will own such licensed hospital operation which will be referred to herein as "the Hospital." The Hospital will provide psychiatric services, physical medicine/rehabilitation services, and acute care services such as medical detoxification;

WHEREAS, Polaris is in the business of developing, administering, and operating psychiatric hospitals and rehabilitation hospitals and related acute care services within such hospitals; and

WHEREAS, SeniorHealth desires to avail itself of Polaris' services and Polaris desires to provide such services to SeniorHealth as set forth herein.

NOW, THEREFORE, the Parties agree as follows:

1. Term. The term of this Agreement shall commence on the Effective Date and shall continue for a term of ten (10) years (the "Initial Term"). Thereafter, this Agreement shall automatically renew for successive five (5) year terms unless either Party provides written notice to the other Party of non-renewal at least 180 days prior to the end of the Initial Term or any renewal term, whereupon this Agreement shall terminate at the end of the Initial Term or renewal term in which notice was given (the Initial Term, together with any 5-year renewal term, the "Term").

2. Appointment. SeniorHealth does hereby appoint and designate Polaris as the sole manager to manage and operate the day-to-day functions and services of the Hospital, and Polaris does hereby accept such appointment and designation. Polaris shall have no right, authority or duty to act for SeniorHealth or the Hospital with respect to any business of SeniorHealth or the Hospital not directly related to the management and administration of the Hospital. By entering into this Agreement, SeniorHealth does not delegate to Polaris any of the powers, duties and responsibilities vested in SeniorHealth by law or by the Hospital's agreements. SeniorHealth shall retain, throughout the Term, the ultimate governing authority and shall exercise ultimate control over the business, policies, operation and assets of the Hospital. Polaris is a special and limited agent of the Hospital for the purposes of carrying out its duties under this Agreement.

3. Covenants of Polaris. Polaris agrees to perform the following services for SeniorHealth and the Hospital, at the expense of Polaris, except as otherwise expressly set forth in this Agreement. The services provided for the Hospital as described below are provided for the benefit of SeniorHealth.

(a) Development Services.

(i) Polaris will schedule meetings with and inspections by appropriate governmental agencies in order to obtain all licenses, permits, provider numbers and other regulatory approvals for the opening and operation of the Hospital and to qualify the Hospital as a Medicare provider.

(ii) Polaris will assist in the planning for and purchase of all equipment and medical instruments, at the expense of the Hospital, to be installed and used at the Hospital and will coordinate the installation of such equipment.

(iii) Polaris will arrange for and take all appropriate actions for the Hospital to be surveyed and accredited by the Joint Commission and/or other accrediting agencies specified by SeniorHealth.

(iv) Polaris will develop appropriate medical staff by-laws, subject to approval by SeniorHealth, and assist in the establishment and functions of the medical staff of the Hospital.

(v) Polaris will prepare operating manuals, train or arrange for the training of the Hospital personnel and establish appropriate operating support systems for the Hospital.

(vi) Polaris will provide other development services reasonably requested by SeniorHealth.

(b) Management Services. Polaris shall furnish or cause to be furnished comprehensive management services necessary to operate the Hospital as further described herein, subject to the review and approval of such services by SeniorHealth and the limitations set forth in this Agreement, so as to provide quality patient care.

(c) Personnel. Polaris shall provide health management professionals to serve as Administrator/CEO, Chief Nursing Officer/CNO and Chief Financial Officer of the Hospital. Polaris shall provide or arrange for the necessary training to operate the Hospital in an efficient, legally compliant and effective manner. The Hospital will retain supervisory authority over Polaris personnel as may be required by applicable law. The personnel provided by Polaris shall be responsible to Polaris' chief operating officer or other designated officer, and Polaris shall be solely liable to its personnel for their wages, compensation and employee benefits. Polaris shall not knowingly employ or contract with (with or without compensation) any individual or entity listed by a federal agency as excluded, debarred, suspended or otherwise ineligible to participate in federally funded healthcare programs.

(d) Medical Co-Directors. Polaris shall assist the Hospital in contracting with two or more physicians acceptable to SeniorHealth who are members of the Hospital's medical staff to serve as "medical co-directors" to oversee clinical aspects of the Hospital.

(e) Licensure and Accreditation. Polaris shall assist SeniorHealth in the development and operation of the Hospital to meet or exceed applicable state and federal licensure, registration or certification requirements, including, but not limited to, the Medicare Conditions of Participation and Joint Commission standards. Such assistance shall consist of the development, implementation and maintenance of a comprehensive set of procedures and policies for the Hospital (the "Policy Manual"), preparation for and assistance during accreditation surveys and responding to requirements to be taken in response to such accreditation surveys. The Policy Manual, and periodic additions, deletions or amendments thereto, shall be submitted to SeniorHealth for its approval pursuant to Paragraph 6(a).

(f) Community Education Plan. Polaris shall provide an annual community education plan for review and approval by SeniorHealth. Polaris shall provide written copy and assistance in the planning, design and production of community liaison and educational literature. SeniorHealth shall be given the opportunity to provide input and recommendations with respect to such activities. Polaris shall pay the costs of its staff development program and other Polaris-sponsored training programs. Polaris shall be responsible for the travel and out-of-pocket expenses for its administrative personnel and any regional or corporate personnel that are above the monthly allowance described in Paragraph 5(.

(g) Maintenance of Business Records. Polaris shall provide or arrange for the provision of business records services, including preparing and maintaining custody and supervision of business records and documents including ledgers, journals and financial reports relating to operations of the Hospital. All Business Records shall be and remain the property of the Hospital. The Hospital's duly authorized representatives shall have the right during regular business hours of Polaris and upon the giving of reasonable prior notice to review and copy the Business Records.

(h) Bank Accounts and Cash Management. Polaris shall arrange for banking and cash management services, including establishing on behalf of the Hospital, bank accounts acceptable to the Hospital. Polaris will arrange for short-term investment/management of cash on hand in bank accounts as acceptable to the Hospital.

(i) Supplies. Polaris shall arrange for the provision, at the expense of the Hospital, of medical and office supplies reasonably required by the Hospital in connection with Hospital operations. To the extent available to Polaris directly or through an affiliate of Polaris, and subject to applicable regulatory constraints, Polaris will use reasonable efforts to obtain supplies through group purchasing organization or organizations in which Polaris, the Hospital or their affiliates may participate.

(j) Maintenance. Polaris shall arrange for provision, at the expense of the Hospital, of maintenance, repair, cleanliness and security of the Hospital premises, including the Hospital's assets.

(k) Financial Reporting and Planning. Polaris shall provide or arrange for provision of financial reporting and planning services, including preparing and submitting to the Hospital periodic financial reports reflecting financial results and status of business operations of the Hospital, and shall prepare an annual budget acceptable to the Hospital.

(l) General Services and supplies. Polaris shall arrange, at the expense of the Hospital, for necessary utilities, laundry, linen service, uniforms, printing, stationary, forms, and other services and supplies reasonably required in day-to-day operations of the Hospital.

(m) Employment-Related Services. Polaris will prepare and file, at the expense of the Hospital, all employment related forms, reports and returns required by law in connection with the Hospital's employees and contractors, including those forms, reports or returns required in connection with unemployment insurance, workers compensation coverage, employment taxes, social security and employee benefits.

(n) Supervision and Training of Personnel. Polaris shall arrange for training for personnel employed by or contracted to the Hospital who perform clinical, administrative or business functions as may be reasonably necessary for the proper and efficient business operations of the Hospital.

(o) Insurance. Polaris shall arrange during the Term, at the expense of the Hospital, for property and casualty and liability insurance for the Hospital of such kind and nature that Polaris considers appropriate to protect the Hospital against reasonably anticipated loss in connection with operation of the Hospital. All such insurance shall be obtained on commercially reasonable terms, as approved by the Hospital.

(p) Polaris Insurance. Prior to commencement of the Term of this Agreement, Polaris shall provide evidence to the Hospital of general liability insurance, through an insurance company acceptable to the Hospital, covering Polaris, its employees, agents or representatives. Polaris shall request its insurance carrier to notify the Hospital of any change or cancellation of Polaris's insurance policy. Polaris shall furnish satisfactory certificates of such insurance upon reasonable request. Polaris shall also provide and maintain workers' compensation insurance or other legally permissible plan coverage for its personnel working on the Hospital premises for amounts of compensation and liability specified under the laws of the State of Texas.

(q) Consulting and Advisory Services. Polaris shall arrange for the provision, at the expense of the Hospital, of consulting and advisory services needed by the Hospital upon Polaris's determination of a need therefor and prior notification to the Hospital of the need and intent to so provide.

(r) Compliance Program. Polaris shall assist the Hospital with establishing and maintaining a set of regulatory and accreditation compliance policies and procedures for the Hospital and conducting a compliance program in accordance therewith.

4. Covenants of the Hospital. The Hospital agrees that, at the expense of the Hospital, it shall provide or cause the following to occur:

(a) Licensure/Certification. The Hospital shall be licensed in the name of the Hospital with all appropriate authorities. The Hospital shall, at all times, be the owner and holder of all licenses, certificates, registration, Medicare/Medicaid and other appropriate governmental health care program certifications and accreditations needed to operate the Hospital. The Hospital shall be the contracting party for the Hospital and shall be the "Provider" within the meaning of all contracts and agreements for services with all patients of the Hospital and all third-party payors.

(b) Personnel. The Hospital shall provide all clinical and administrative personnel necessary to operate the Hospital, other than for those provided by Polaris as stated herein.

(c) Operating Items. The Hospital shall provide or arrange, at the expense of the Hospital, the facilities, equipment, furnishings, supplies and all other items necessary to operate the Hospital.

(d) Medical Records Ownership. All medical records shall be the property of the Hospital. The Hospital shall promptly notify Polaris of any third-party payor request for records information or any request regarding a Hospital patient.

(e) Hospital Insurance. Prior to commencement of the Term of this Agreement and upon Polaris's request from time to time thereafter, the Hospital shall provide evidence to Polaris of professional and general liability insurance, through an insurance company or structured self-insurance plan, for occurrences during the term hereof, providing limits of at least Three Million Dollars ($3,000,000) per occurrence, Five Million Dollars ($5,000,000) annual aggregate with respect to the Hospital, its employees, agents or representatives. If insurance is written on a claims-made basis, the Hospital agrees, upon termination of a claims-made policy or a change in carriers, to purchase and maintain "tail coverage" covering the appropriate retro period so coverage is in place for all occurrences during the entire Term of this Agreement. During the Term of this Agreement, the Hospital shall provide and maintain workers compensation coverage for each of its employees for the amounts of compensation and liability specified in the laws of the State of Texas. The Hospital shall furnish to Polaris satisfactory certificates of such insurance upon reasonable request. The Hospital shall request its insurance carrier notify Polaris of any change in or cancellation of the Hospital's insurance policies.

(f) Actions or Claims. The Hospital agrees to notify Polaris of any legal action claiming liability on the part of the Hospital or the Hospital, including medical malpractice related to services provided to the Hospital's patients, threatened or filed against it or any physician, or if the Hospital has knowledge of such a potential action, covering the period during which this Agreement is or was in effect. In the event any legal claim is made against Polaris, Polaris's representatives and the Hospital's representatives shall be allowed, subject to laws of confidentiality, to examine and receive photocopies of the relevant medical records, personnel files, credentials files and related supported documents regarding such malpractice claim that are not otherwise privileged and protected from discovery.

(g) Billing and Collection. The Hospital, with the assistance of Polaris as its duly authorized agent, shall have the exclusive and sole right to invoice and collect all charges for health care services rendered at the Hospital to the Hospital's patients. The Hospital is responsible for putting in place and overseeing a billing and collections function for the Hospital, including the preparation, submission to payors and other responsible parties and collection of billing statements for services provided by the Hospital, in the name of and for the account of the Hospital or the Hospital, of whatever kind and nature arising from or in connection with the operations of the Hospital.

(h) Contracting for Services. The Hospital will be responsible for negotiating with third party payors, including, without limitation, HMOs, PPOs, governmental payors and employer-sponsored welfare benefit plans; provided that Polaris agrees to assist the Hospital in entering into payor agreements.

(i) Admissions; Charges. The Hospital shall have the sole right to determine the eligibility for admission of all patients. The rates at which the Hospital will charge Program patients shall be established by the Hospital after consultation with Polaris.

5. Polaris Compensation and Fees.

Management Fee. In consideration of the management services provided by Polaris as set forth in this Agreement, it is mutually agreed that proper, fair and competitive compensation to Polaris for services to be rendered shall equal Forty-Two Thousand Dollars ($42,000) per month for the first six months of Hospital operation, and Eighty-Three Thousand Eight Hundred and One Thousand Dollars per month thereafter, or One Million and Five Thousand Six Hundred Thirteen Dollars ($1,005,613) per year, beginning with the commencement of the Hospital's operations (the "Management Fee"). The Management Fee amounts are based on Polaris's resources required to provide its services.

Except as follows, the Hospital agrees to pay Polaris the Management Fee within fifteen (15) days following the end of each month. The Management Fee for the first four full months of Hospital operation shall be due and payable in the fifth

full month of Hospital operation. In the event this Agreement is terminated for any reason, all Management Fees accrued through the effective date of the termination shall be immediately due and payable.

(a) Out-of Pocket Fees. In addition to the Management Fee, in consideration for travel expenses and related ancillary expenses incurred by Polaris staff that are reimbursable by Polaris to its staff, SeniorHealth shall pay Polaris a monthly fee of ($3,000), and such fee shall be due and payable at the same time as the Management Fee. In recognition of the expenses incurred by Polaris during the Hospital construction and development period, a fee of Thirty Thousand Dollars ($30,000) shall be payable within ninety (90) days of the Hospital achieving Joint Commission accreditation.

(b) Late Payment Penalties. If any amount due to Polaris is not paid within thirty (30) days of the date due, the amounts not paid shall bear simple interest from the date due at an annualized rate of the lesser of fifteen percent (15%) or the maximum allowed by law until such amount is paid in full. Any payment paid to Polaris thereafter shall be applied first to interest accrued but unpaid and then to unpaid amounts outstanding the longest period of time. In addition, the Parties agree that a failure by SeniorHealth to pay any amount due to Polaris hereunder within thirty (30) days of the date due hereunder shall be a material breach of this Agreement by SeniorHealth which shall give Polaris the right to terminate this Agreement after giving SeniorHealth written notice and at least ten (10) days to cure the breach.

(c) Annual prescribed adjustment. Effective October 1, 2013 and continuing as of each October 1 thereafter throughout the Term of this Agreement, the monthly Management Fee amounts (both percentage and base dollar amounts) shall be adjusted by any increase (but not a decrease) in the Rehabilitation, Psychiatric and Long Term Care ("RPL") market basket rate as determined annually by the Centers for Medicare and Medicaid Services, or its successor.

6. Coordination of the Hospital Programs/Communications. Both Parties agree and understand that:

(a) Day-to-Day Operations. Polaris shall be responsible for the supervision of the daily operations of the Hospital, and shall conduct its activities in compliance with all rules, regulations, policies and procedures of the Hospital, its medical staff, medical staff bylaws and all applicable state, federal and other governmental statutes and ordinances. Polaris shall cause all its employees to comply to the extent applicable with all terms and conditions of this Agreement and with the Policy Manual, as amended and approved by SeniorHealth. It is understood that daily patient care including diagnosis, development of the treatment plan, determining changes in the care plan and discharge planning shall be provided and supervised by the licensed physicians constituting the Hospital's medical staff practicing in the Hospital.

(b) Personnel Credentialing. The Hospital will recruit, select, train and evaluate all medical and non-medical personnel for operation of the Hospital. SeniorHealth shall consult with Polaris in the credentialing of staff for the Hospital, and Polaris and its employees participating in the credentialing process shall be considered to be engaging in peer review activity as an agent of the Hospital.

(c) Medical Staff Membership. Each of the medical co-directors, and other clinical personnel engaged in performing services hereunder, must qualify for and be at all times members in good standing of the medical and allied health professionals staff of the Hospital, as applicable. If the membership in good standing of a medical co-director or other clinical personnel is suspended, revoked or terminated, then that medical co-director or clinical personnel shall not be permitted to render services in the Hospital until his or her good-standing with the medical or allied health professional staff has been restored.

(d) Changes in Law. The Parties acknowledge that applicable laws, rules, and regulations may change at any time during the Term of this Agreement and that such change may require a modification of this Agreement. The Parties agree to give each other immediate notice of such change in applicable laws, rules, or regulations, whereupon the Parties shall in good faith negotiate a modification of this Agreement such that it complies with such changes in applicable laws, rules, or regulations.

(e) Governmental Notices. The Parties hereby agree to give each other a copy of any notice or contact received from any governmental or regulatory entity having jurisdiction with respect to the Hospital that any activity of such Party is in violation of any applicable law, rule, or regulation and to continue to promptly inform the other Party of all responses and procedures taken as a result of such notice or contact until the alleged violations is cured, or dismissed and to provide the other Party with evidence of the successful cure or dismissal of the event.

(f) Notice. All notices and other communications and all legal process in regard hereto shall be validly given or served if in writing and delivered personally or sent by registered, overnight mail, or certified mail, postage prepaid, return receipt requested or commercial courier delivery service, to the address set forth below or such address as either Party may designate to the other in writing:

If to the Hospital:
Attn: Administrator/CEO

With a copy to:

If to Polaris Hospital Management, Inc.:
Attn: Kevin D. Lee
President
c/o Polaris Hospital Company
5500 Maryland way, Suite 200
Brentwood, Tennessee 37027

7. Recruitment of Employees and Independent Contractors. SeniorHealth acknowledges that Polaris will expend substantial time, effort, and money in recruiting and training its personnel engaged in the operation of the Hospital. This paragraph applies to individuals Polaris recruits who were not employed or contracted with the Hospital prior to the Hospital commencing its operations. Hospital personnel who will operate the Hospital will have access to and possess Confidential Information (defined below) of Polaris. The Hospital agrees that during the Term of this Agreement and for one (1) year thereafter, it will not, in Rutherford County, Tennessee, and contiguous counties, knowingly employ, solicit the employment of, or in any way retain the services of any Polaris administrative personnel if such individual has been employed or retained by Polaris in Rutherford County or contiguous counties at any time during the immediately preceding one (1) year unless Polaris gives its prior written consent thereto. Polaris agrees that during the Term of this Agreement and for one (1) year thereafter, it will not employ, solicit the employment of, or in any way retain the services of any employee of the Hospital whether as an employee, consultant or independent contractor to Polaris if such individual was employed by the Hospital at any time during the immediately preceding one (1) year, unless the Hospital gives its prior written consent thereto.

8. Mutual Confidentiality/Access to Books and Records.

(a) The Parties agree that "Confidential Information" shall include, by way of illustration and not limitation, all materials provided by either Party to the other Party which are not already in the general public domain, including, but not limited to, medical records, financial information, books and records, treatment procedures, devices, equipment, memoranda, manuals, handbooks, production books, audio and visual recordings, and all models, techniques, and procedures used to provide treatment services to patients in the Hospital which are not readily available through sources in the public domain.

(b) Both Parties agree and acknowledge that the Confidential Information is disclosed to them in confidence and with the understanding that it constitutes valuable business information developed by either Party at great expenditures of time, effort, and money, provided, however, that the Party wishing to disclose Confidential Information may disclose such Confidential Information if so required by law, regulation, or court order, or it can reasonably show that it previously had general knowledge on the matters contained in the Confidential

Information. Each Party further agrees that it shall not, without the express prior written consent of the other Party, use or disclose such Confidential Information for any purpose other than in connection with the services to be rendered hereunder. Each Party further agrees:

(i) to keep strictly confidential and hold in trust all Confidential Information and not disclose such Confidential Information to any third party without the express prior written consent of the other Party; and

(ii) to use its reasonable best efforts to impose this obligation of confidentiality on its employees and independent contractors.

(c) Each Party acknowledges that the disclosure of Confidential Information to it by the other Party is done in reliance upon each party's representations and covenants in this Agreement. Upon expiration or termination of this Agreement by either Party for any reason whatsoever, each party shall immediately return and shall cause affiliates to immediately return to the other Party all Confidential Information and each Party will not, and will cause affiliates not to, thereafter use, appropriate, or reproduce such Confidential Information.

(d) Both Parties agree that the other Party shall be entitled to enjoin any breach of the provisions of this Paragraph 8, pending a final ruling or judgment on the matter.

(e) Until the expiration of four (4) years after the furnishing of the services called for by this Agreement, Polaris shall, upon request, make available to the Secretary of the Centers for Medicare and Medicaid Services or the Comptroller General, and any of their duly-authorized representatives, this Agreement and all other books, documents and records as are necessary to certify the nature and extent of the costs incurred by the Hospital in purchasing services under this Agreement. If Polaris provides such services through a subcontract worth Ten Thousand Dollars ($10,000.00) or more over a twelve-month period with a related organization, the subcontract shall also contain a clause permitting access by the Secretary, Comptroller General, and their representatives to the books and records of the related organization.

The provisions of this subparagraph are effective only to the extent that the provisions of Section 1861(v)(i)(I) of the Social Security Act [42 U.S.C. Section 1395x(v)(i)(I)] are applicable to this Agreement. The provisions of this subparagraph shall not operate as a waiver to prevent a challenge to the applicability of those provisions to this Agreement or to prevent a challenge to requests for access to specific records.

9. Health Information Confidentiality.

(a) Definitions. A defined term used in this Paragraph 9, but not otherwise defined in this Agreement, shall have the same meaning as given to the term in Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 ("HIPAA") and the regulations promulgated thereunder, including, without limitation, the Standards for Privacy of Individually Identifiable Health

Information, C.F.R. at Title 45, Parts 160 and 164 (the "Privacy Rule") and the Standards for the Security of Electronic Protected Health Information, C.F.R. at Title 45, Parts 160 and 164 (the "Security Rule"); (the Privacy Rule and the Security Rule, and other applicable laws, in each case, as amended from time to time are collectively referred to hereinafter as the "HIPAA Regulations").

(b) General. In the performance of the services called for by this Agreement, Polaris is acting in the capacity of a Business Associate and shall conform strictly with applicable federal and state laws related to the confidentiality and/or privilege of medical/Health Information, particularly as related to the Hospital. In this regard, Polaris agrees not to use or further disclose any Protected Health Information, other than as permitted by this Agreement or permitted or required by HIPAA Regulations. Protected Health Information may be used or disclosed under this Agreement as set forth below in this Paragraph 9.

(c) Permitted Uses and Disclosures of Protected Health Information. Except as otherwise limited in this Agreement, Polaris may use and/or disclose Protected Health Information to perform the functions, activities, or services specified in this Agreement, including but not necessarily limited to the services, for or on behalf of the Hospital and the operation of the Program, provided that such use and/or disclosure would not violate the HIPAA Regulations if done by the Hospital.

(d) Responsibilities of Polaris with Respect to Protected Health Information. With regard to the use and/or disclosure of Protected Health Information, Polaris hereby agrees to do the following:

(i) work with designated representatives of the Hospital to make appropriate disclosures and to obtain authorizations from individuals as necessary to comply with the HIPAA Regulations.

(ii) not to use and/or disclose Protected Health Information other than as permitted or required by this Agreement or as Required by Law.

(iii) to implement administrative, physical, and technical safeguards that (i) reasonably and appropriately protect the confidentiality, integrity, and availability of Protected Health Information that it creates, receives, maintains or transmits on behalf of the Hospital, and (ii) prevent the use or disclosure of PHI other than as contemplated by this Agreement.

(iv) to report to the Hospital a Security Incident and/or any use or disclosure of PHI other than as contemplated by this Agreement within a reasonable time of becoming aware of such Security Incident and/or use or disclosure, in accordance with the notice provisions set forth herein.

(v) to the extent Polaris uses one or more subcontractors or agents to provide services under this Agreement, to ensure that such subcontractors or agents to whom Polaris provides Protected Health Information received from, or created or received by, Polaris on behalf of the Hospital agree in

writing to the same restrictions and conditions on the use and/or disclosure of Protected Health Information that apply to Polaris pursuant to this Agreement.

(vi) to provide reasonable access to the Hospital to Protected Health Information in a Designated Record Set in order to meet the requirements under 45 CFR 164.524 (at the request of the Hospital, with prior written notice and during normal business hours of Polaris). This provision shall be applicable only if Polaris has Protected Health Information in a Designated Record Set.

(vii) to make any amendment(s) to Protected Health Information in a Designated Record Set that the Hospital directs pursuant to 45 CFR 164.526 (at the written request of the Hospital). This provision shall be applicable only if Polaris has Protected Health Information in a Designated Record Set.

(viii) to make internal practices, books, and records relating to the use and/or disclosure of Protected Health Information received from, or created or received by Polaris on behalf of the Hospital available to the Hospital (with prior written notice and during normal business hours of Polaris) or at the written request of the Hospital, to the Secretary of the federal Department of Health and Human Services or his/her designee (the "Secretary"), in a time and manner designated by the Secretary, for purposes of determining the Hospital's compliance with the Federal Privacy Regulations and Polaris's compliance with this Agreement.

(ix) to document such disclosures of Protected Health Information and information related to such disclosures as would be required for the Hospital to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 CFR 164.528.

(x) to provide to the Hospital information collected in accordance with Paragraph 9(d) (ix) of this Agreement, to permit the Hospital to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 CFR 164.528 (with prior written notice and during normal business hours of Polaris).

(e) Responsibilities of the Hospital with Respect to Protected Health Information. The Hospital shall:

(i) provide Polaris with the notice of privacy practices that the Hospital produces in accordance with 45 CFR 164.520, as well as any changes to such notice.

(ii) provide Polaris with any changes in, or revocation of, permission by an Individual to the use and/or disclose Protected Health Information, if such

changes affect Polaris's permitted or required uses and/or disclosures under this Agreement.

(iii) notify Polaris of any restriction to the use and/or disclosure of Protected Health Information that the Hospital has agreed to in accordance with 45 CFR 164.522.

(f) Specific Use and Disclosure of Protected Health Information by Polaris. Except as otherwise limited in this Agreement, Polaris may:

(i) use Protected Health Information for the proper management and administration of the Hospital as well as of Polaris and to carry out the legal responsibilities of Polaris.

(ii) disclose Protected Health Information for the proper management and administration of the Hospital as well as of Polaris, provided that the disclosures are Required by Law, or Polaris obtains reasonable assurances from the person to whom Protected Health Information is disclosed that it will remain confidential and used or further disclosed only as Required by Law or for the purpose for which it was disclosed to the person, and the person notifies Polaris of any instances of which it is aware in which the confidentiality of Protected Health Information has been breached.

(iii) use Protected Health Information to provide Data Aggregation services to the Hospital as permitted by 45 CFR 164.504(e)(2)(i)(B).

(iv) use Protected Health Information to report violations of law to appropriate federal and state authorities, consistent with 45 CFR 164.502(j)(l).

(g) Effect of Termination. Upon termination of this Agreement, if feasible, Polaris shall return or destroy, at the Hospital's discretion, all Protected Health Information received from, or created or received by Polaris on behalf of, the Hospital that Polaris still maintains in any form and retain no copies of such Protected Health Information. This Paragraph shall also apply to Protected Health Information that is in the possession of agents or subcontractors of Polaris. To the extent necessary to carry out the intent of this Paragraph, the restrictions on use and disclosure contained in this Agreement shall survive the termination of this Agreement.

10. Service Mark.

(a) Polaris, or its parent company, has and/or intends to seek trademark and/or service mark protection and copyright protection of its materials used in performing its services. Polaris agrees, upon receipt of such protection, to grant to SeniorHealth and the Hospital, for the Term of this Agreement, a non-exclusive license to use the trademarks and/or service marks and to copy those materials of Polaris.

(b) SeniorHealth recognizes that any such trademark protection and/or service mark protection granted as referenced in Paragraph 10(a) and the copyrighted materials

provided by Polaris to the Hospital are valuable assets of Polaris and SeniorHealth agrees not to use those assets in any manner which would disparage those assets or bring them into dispute or disrepute. SeniorHealth further agrees that it will not cause any materials to bear such service marks without an accompanying mark indicating that such service marks are registered service marks, if so instructed in writing by Polaris, or common law service marks.

(c) Upon expiration or termination of this Agreement by either Party for any reason whatsoever, SeniorHealth:

(i) Shall immediately discontinue all further use of Polaris' service marks, trademarks, tradenames or materials unless a separate written license agreement, expressly authorizing continued use, is entered into by the Parties hereto at that time; and

(ii) Agrees to dispose of all material, advertising, promotional matter, signs, labels, and all other written materials bearing the Polaris service marks, trademarks, tradenames or materials which are then in its possession or subject to its control.

11. Termination.

(a) Events of Termination. This Agreement may be terminated upon the occurrence of any one of the following events:

(i) Either Party shall have the right to terminate this Agreement prior to expiration of the specified term, upon written notice to the other Party, if the other Party has defaulted in the performance of any of the terms of or breached a covenant of that other Party in, this Agreement and such default has continued uncured for more than thirty (30) business days after receipt of written notice of default specifying the provision or term of the Agreement forming the basis for the default or the Parties have been unable to negotiate a modification of the Agreement within thirty (30) business days of the notice required in Paragraph 6(d). Within thirty (30) business days of receipt of notice issued pursuant to this Paragraph 11(a)(i), SeniorHealth and Polaris shall meet and use their best reasonable efforts to determine a solution to the problem with respect to which such notice was sent. Notwithstanding such meeting, the timetable for termination of the Agreement as set forth above shall remain in effect unless agreed otherwise in writing. A business day is a week day (Monday through Friday) on which national banks are open for transacting business with the general public in the City of Rutherford, Tennessee.

(ii) SeniorHealth may terminate this Agreement upon at least thirty (30) business days prior written notice and immediate payment of any and all fees due Polaris, if Polaris (1) files a petition in bankruptcy court or is adjudicated bankrupt; (2) institutes or suffers to be instituted in bankruptcy court for reorganization or rearrangement of its financial affairs; (3) has a

receiver of its assets appointed because of its insolvency; or (4) makes a general assignment for the benefit of creditors.

(iii) Polaris may terminate this Agreement upon written notice effective immediately, if SeniorHealth (1) files a petition in bankruptcy court or is adjudicated bankrupt; (2) institutes or suffers to be instituted in bankruptcy court for reorganization or rearrangement of its financial affairs; (3) has a receiver of its assets appointed because of its insolvency; or (4) makes a general assignment for the benefit of creditors.

(iv) The Parties may terminate this Agreement at any time by mutual, written agreement.

(v) This Agreement may be terminated as set forth in Paragraphs 5(b) or 11(b).

(vi) In the event of termination, it is expressly understood that SeniorHealth shall have sole responsibility for the continuing delivery of services to patients at the Hospital.

(b) Legislative or Regulatory Changes. In the event (i) Medicare, Medicaid, or any federal or state regulatory authority adopts any law, regulation, policy, procedure or interpretation thereof which establishes a material change in the method or amount of reimbursement or payment for services under this Agreement, or if (ii) any or all such payers/authorities impose requirements which require a material change in the manner of either Party's performance of its responsibilities under this Agreement and/or costs related thereto, then, upon the request of either Party materially affected by any such change in circumstances, the Parties shall enter into good faith negotiations for the purpose of establishing such amendments or modifications as may be appropriate in order to accommodate the new requirements and change of circumstances while preserving the original intent of this Agreement to the greatest extent possible. If, after thirty (30) days of such negotiations, the Parties are unable to reach an agreement as to how or whether this Agreement shall continue, then either Party may terminate this Agreement upon at least thirty (30) days' prior written notice.

(c) Effect of Termination; Liquidated Damages. The termination of this Agreement shall not affect or negate any obligations of either Party to the other Party arising prior to the date of termination. In the event SeniorHealth terminates this Agreement during the Initial Term, other than as expressly provided for in Paragraph 1 or 11(a) of this Agreement, SeniorHealth agrees to pay to Polaris, within five (5) business days of termination, an amount equal to 24 months of compensation based on the average Management Fee paid by SeniorHealth to Polaris during the six (6) full calendar months most recently preceding SeniorHealth's notice or election to terminate, which average shall not be less than Polaris' minimum monthly compensation of Forty-Two Thousand Dollars ($42,000). Each Party agrees that the amount set forth in this Paragraph 11(c) as liquidated damages is reasonable compensation to Polaris for SeniorHealth's early

termination of this Agreement in violation of this Agreement. Any termination of this Agreement shall be without prejudice to any additional rights or remedies to which the terminating Party may be entitled either at law, or in equity, or under this Agreement.

12. Representations and Warranties. Both Parties acknowledge that no warranties or representations other than those contained herein have been made or given by either Party.

13. Covenant Not to Compete.

(a) The Hospital represents, covenants, warrants, and agrees that during the Term of this Agreement, the Hospital shall not contract with another outside company to manage or operate the Hospital or any portion thereof without the express written consent of Polaris.

(b) The Hospital recognizes that the foregoing provision is reasonable as to time, territory and scope of activity to be restrained and properly required for the adequate protection of the business and goodwill of Polaris.

(c) Polaris represents, covenants, warrants and agrees that during the Term of this Agreement, Polaris shall neither directly nor indirectly own, manage, operate or control any inpatient psychiatric, rehabilitation or acute care hospital or unit within a thirty (30) mile radius of the Hospital, without the express written consent of the Hospital. This restriction shall not apply to Polaris affiliates.

(d) Hospital and Polaris acknowledge and agree that since a remedy at law for any breach or attempted breach of the provisions of this Paragraph 13 would be inadequate, each Party may be entitled to specific performance and injunctive or other equitable relief in case of any such breach or attempted breach, in addition to whatever other remedies may exist. If any restriction contained in this Agreement is held by any court of competent jurisdiction to be unenforceable, such court shall reform such restriction or element to the extent necessary to render it enforceable and then enforce it as so reformed.

14. Independent Contractor. No relationship of employer and employee or joint venture between Polaris and SeniorHealth or the Hospital is created by this Agreement, it being mutually understood and acknowledged that Polaris is at all times acting and performing as an independent contractor hereunder. SeniorHealth shall neither have nor exercise any control or direction over the methods by which Polaris or its employees perform their administrative functions. No employee of Polaris shall have any claim under this Agreement or otherwise against SeniorHealth or the Hospital for salary or other compensation, vacation or sick pay, sick leave, retirement benefits, social security, workers' compensation, disability or unemployment insurance benefits or any other employee benefits of any kind.

15. Governing Law. The validity, enforceability and interpretation of any of the clauses of this Agreement shall be determined and governed by the laws of the State of Tennessee, except as preempted by applicable federal law.

16. Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties and their successors and assigns. SeniorHealth may not assign this Agreement or any rights or obligations hereunder without the prior written consent of Polaris. Polaris may assign its rights and obligations under this Agreement to an entity that gains control over the ownership or assets of Polaris or to an affiliate of Polaris.

17. Miscellaneous.

(a) Waiver. The waiver by either Party of a breach of any term or provision of this Agreement shall not operate or be construed as a waiver of a subsequent breach to the same provision by any Party or of the breach of any other term or provision of this Agreement. The delay or failure of a Party to transmit any written notice hereunder shall not constitute a waiver by such Party of any default hereunder or of any other further default under this Agreement.

(b) Dispute Resolution. **NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, EACH PARTY SHALL INDEMNIFY AND HOLD THE OTHER PARTY HARMLESS FROM ANY AND ALL CLAIMS, DAMAGES AND LIABILITIES ARISING OUT OF THAT PARTY'S NEGLIGENCE IN THE PERFORMANCE OR NON-PERFORMANCE OF ITS DUTIES HEREUNDER.** The Parties agree that any disputes that can not be resolved between them shall first be submitted to non-binding mediation. Any lawsuits brought to enforce any provision of this Agreement shall be brought in a court of competent jurisdiction in Rutherford County, Tennessee.

(c) Entire Agreement. This Agreement constitutes the entire agreement of the Parties and supersedes all prior agreements and representations with respect to the subject matter hereof.

(d) Amendment. No amendment, modification or supplement of any provision of this Agreement shall be effective unless in writing, signed by the Parties hereto; and no waiver of any Party's obligations under this Agreement, or consent to any departure therefrom, shall be effective unless in writing, signed by the Parties hereto and then only in the specific instance and for the specific purpose given.

(e) Severability. If any provision of this Agreement is held to be inoperative, unenforceable or invalid under present or future laws effective during the Term of this Agreement, that provision shall be inoperative, unenforceable or invalid without affecting the remaining provisions. This Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and, to that end, the provisions of this Agreement are declared to be severable.

(f) Context. Whenever the context of this Agreement requires, the singular shall include the plural and the masculine gender shall include the feminine.

(g) Force Majeure. If either of the Parties is delayed or prevented from fulfilling any of its obligations under this Agreement by force majeure, said Party shall not be liable under this Agreement for said delay or failure. "Force Majeure" means any

cause beyond the reasonable control of a Party, including but not limited to act of God, act of civil or military authorities of a state or nation, fire, flood, riot, terrorism, or war.

(h) No Referral Requirements. Nothing in this Agreement or in connection herewith (1) contemplates, requires or shall require or contemplate the referral of any patient or the purchase, order or lease of any item or service by one Party or any affiliate of such Party to the other Party or any affiliate of the other Party; or (2) shall be construed as an offer or payment by one Party or any affiliate of such Party to the other Party or any affiliate of the Party of any cash or other remuneration, whether directly or indirectly, overtly or covertly, specifically for patient referrals or for recommending or arranging the purchase, lease or order of any item or service. The Parties intend and agree that all amount paid under this Agreement are intended to reflect and do reflect fair market value for the services rendered. No amount paid or to be paid hereunder is intended to be, nor shall it be construed to be, an inducement or payment for the referral of patients or for recommending or arranging the purchase, lease or order of any item or service.

The Parties acknowledge that referrals that result between the Parties and any of their personnel will be based solely on the assessment of each patient's health care needs and on the expressed preferences of each patient.

(i) No Discrimination. The Parties agree that there shall be no discrimination in the performance of this Agreement against any employee, patient, or other person as the result of that individual's race, color, disability, religion, sex, sexual preference, age or national origin or in violation of applicable federal, state or local law and regulation.

(j) Counterparts. This Agreement may be executed in any number of counterparts, each of which when taken together shall be an original, and all of which shall together constitute one agreement.

(k) Headings. Paragraph headings are for convenience of reference only and shall not be used to construe the meaning of any provision of this Agreement.

(l) Additional Documents. The Parties agree to execute any document or documents that may be requested from time to time by the other Party to implement or complete such Party's obligations pursuant to this Agreement and to cooperate fully with such Party in connection with the performance of such Party's obligations under this Agreement. The Parties also agree to take such further actions as may be necessary or appropriate in order to carry out the purposes of this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed through their duly authorized representatives as of the Effective Date.

(Signature Page Follows)

SENIORHEALTH:

SeniorHealth of Rutherford, LLC, a Tennessee Limited Liability Company

By: _____
Name: Kevin D. Lee
Its: President

POLARIS:

Polaris Hospital Management, Inc., a Tennessee Corporation

By: _____
Name: Kevin D. Lee
Its: President

EXHIBIT H

APPLICATION FOR PAYMENT AND SWORN STATEMENT FOR CONTRACTOR AND SUBCONTRACTOR TO OWNER

Development Title_____ Date_____ Page No._____ of _____

Building_____ Payment Application #_____

Owner_____ Period From_____

Architect_____ Change Orders #_____

Contractor_____ IHDA No._____

1	2	3	4	5	6	7
Contractor Work/Material Contracted For	Adjusted Total Contract Including Change Orders	Work Completed & Materials Stored (% & $)	Total Retained Including This Application	Previously Paid	Net Amount Now Due Col 3 – Col 4&5	Balance Become Due Col 2 – Col 5&6

Amount of Original Contract $_____

Extras to Contract $ $_____

Total Contract & Extras $ $_____

Credits to Contract $ $_____

Adjusted Total Contract $ $_____

Work Completed (Col. 3) $_____

Total Retained (Col. 4) $_____

Net Amt Earned (Col. 3 - Col. 4) $_____

Previously Paid (Col. 5) $_____

Net Amt Due (Col. 6) $_____

EXHIBIT I

ADDENDUM TO LEASE

THIS ADDENDUM TO LEASE (herein the "Addendum") is executed this ___ day of _____, 2012, by and between SeniorHealth of Rutherford, LLC, a Tennessee limited liability company, having its principal office at 5500 Maryland Way, Suite 200, Brentwood, TN 37027, as Tenant (the "Tenant"), and NHI-REIT of Tennessee, LLC a Tennessee limited liability company, having its principal office at 222 Robert Rose Drive, Murfreesboro, Tennessee 37129, as Landlord (the "Landlord").

RECITALS:

WHEREAS, Landlord and Tenant entered into that certain Lease dated September 30, 2011 (the "Lease") regarding certain real property located in Murfreesboro, Rutherford County, Tennessee); and

WHEREAS, the Lease provides that after the completion of construction of the hospital on the above-described property that Landlord and Tenant agree on the "Rent Commencement Date" and "Landlord's Invested Amount in the Property", as such terms are defined in the Lease.

NOW THEREFORE, Landlord and Tenant hereby agree as follows:

1. The Rent Commencement Date is _____.

2. Landlord's Invested Amount in the Property is $_____.

3. The Base Rent is $_____.

(Signature Page to Follow)

IN WITNESS WHEREOF, Landlord and Tenant have executed this Addendum to Lease.

TENANT:

SENIORHEALTH OF RUTHERFORD, LLC,
a Tennessee limited liability company

By: _____
Name: _____
Title: _____

STATE OF _____ :
: ss
COUNTY OF _____ :

On this, the _____ day of _____, 2012, before me, the undersigned officer, personally appeared _____, who acknowledged himself to be the _____ of SeniorHealth of Rutherford, LLC (the "Company"), and being duly sworn according to law deposes and says that he, as such officer, being authorized to do so, executed the foregoing Instrument for the purposes therein contained, by signing the name of the Company by himself as _____.

IN WITNESS WHEREOF, I hereunto set my hand and official seal the day and year first above written.

_____
Notary Public

My Commission Expires: _____

LANDLORD:

NHI-REIT OF TENNESSEE, LLC,
a Tennessee limited liability company

By: National Health Investors, Inc.
Its: Sole Member

By:_____
Name: J. Justin Hutchens
Title: President

STATE OF _____ :
: ss
COUNTY OF _____ :

On this, the _____ day of _____, 2012, before me, the undersigned officer, personally appeared J. Justin Hutchens, who acknowledged himself to be the President of National Health Investors, Inc. the Sole Member of NHI-REIT of Tennessee, LLC (the "Company"), and being duly sworn according to law deposes and says that he, as such officer, being authorized to do so, executed the foregoing Instrument for the purposes therein contained, by signing the name of the Company by himself as President.

IN WITNESS WHEREOF, I hereunto set my hand and official seal the day and year first above written.

_____
Notary Public

My Commission Expires: _____

465159-01

EXHIBIT J

SECURITY AGREEMENT

Tenant:
SeniorHealth of Rutherford, LLC
5500 Maryland Way, Suite 200
Brentwood, TN 37027

Landlord:
NHI-REIT of Tennessee, LLC
222 Robert Rose Drive
Murfreesboro, TN 37129

THIS SECURITY AGREEMENT (as amended and/or restated from time to time, this "Agreement") is entered into as of September 30, 2011 (the "Effective Date") between SeniorHealth of Rutherford, LLC, a Tennessee limited liability company, having its chief executive office at the address shown above, and its successors and assigns ("Tenant"), and NHI-REIT of Tennessee, LLC, a Tennessee limited liability company, having its chief executive office at the address shown above, and its successors and assigns ("Landlord").

RECITALS:

WHEREAS, Landlord has entered into a Development Agreement (the "Development Agreement") and Lease (the "Lease") with Tenant on or about the date of this Security Agreement, pursuant to which Landlord will provide construction funds to Tenant to construct a 60-bed, approximately 70,000 square foot hospital (the "Facility") in Murfreesboro, Tennessee, which Landlord will then lease to Tenant; and

WHEREAS, Landlord is requiring that Tenant secure the payment and performance of its obligations to Landlord under the Lease and Development Agreement with a security interest in all of Tenant's personal property.

NOW, THEREFORE, in consideration of the premises and the mutual promises and covenants hereinafter set forth, the parties hereby agree as follows:

1. Definitions. Capitalized terms not otherwise defined herein shall have the meaning given such terms in the Lease.

2. Security Interest. As security for the repayment of its Obligations, as defined below, Tenant hereby assigns and grants to Landlord a security interest ("Security Interest") in and to all of its rights in and to the property described on Exhibit A (collectively, the "Collateral").

3. Obligations. The Security Interest granted herein by Tenant secures and shall secure the payment and performance of all obligations (the "Obligations") under the Lease and Development Agreement, including but not limited to all reasonable costs and expenses incurred by Landlord in enforcing the Lease and Development Agreement, provided that the amount of such Obligations secured hereunder shall not exceed Twenty-One Million Five Hundred Thousand Dollars ($21,500,000).

4. Tenant's Representations and Warranties to Landlord. Tenant hereby represents and warrants to Landlord that the following facts are true and correct as of the Effective Date:

(a) Tenant is the true and lawful owner of the respective Collateral as now existing;

(b) Tenant has good right to grant a Security Interest in such Collateral and to execute this Agreement;

(c) Except Permitted Liens, as defined hereafter, no liens, security interests or encumbrances exist against the Collateral.

5. Tenant's Covenants to Landlord. Tenant hereby covenants and agrees that until the Obligations shall have been performed and paid in full or unless Tenant shall have received the prior written consent of Landlord:

(a) Tenant will keep the Collateral free from any adverse lien, security interest or encumbrance and in good order and repair and will not waste or impair or reduce the value of the Collateral or any part thereof; Tenant will not use the Collateral in violation of any Legal Requirements.

(b) Tenant will not sell or offer to sell or otherwise transfer, dispose of or encumber the Collateral, or any interest therein, or otherwise dispose of any material asset for less than its reasonable fair market value, in such manner as to materially diminish the value of the Collateral, or in any other manner impair any of its assets so as to substantially diminish the value of the Collateral.

(c) Landlord's security interest in the Collateral is now and at all times hereafter shall be perfected and have a first priority except with respect to its security interest in the accounts receivable of Tenant, in which Landlord has agreed to subordinate to an accounts receivable line not to exceed Three Million Dollars ($3,000,000), and with respect to purchase money loans or leases to Tenant to acquire equipment and hereafter acquired Collateral that is equipment (in each case a "Permitted Lien").

(d) The office where Tenant keeps the Collateral and Tenant's books and records concerning the Collateral is at the address listed above for Tenant or, once constructed, the Facility, and Tenants shall not remove such books and records and/or the Collateral therefrom and shall not keep any of such books and records and/or the Collateral at any other office or location unless Tenant gives Landlord written notice thereof at least thirty (30) days prior thereto and the same is within the continental United States of America. The address of Tenant specified above is Tenant's chief executive office and is Tenant's office and place of business. Tenant, by written notice delivered to Landlord at least thirty (30) days prior thereto, shall advise Landlord of Tenant's changing its state of incorporation.

(e) Landlord (by any of its officers, employees and/or agents) shall have the right at any reasonable time or times during Tenant's usual business hours upon prior notice to inspect the Collateral and all related records (and the premises upon which they are located) and all financial records and to verify the amount, title and condition of, and the absence of any liens (other than Permitted Liens) on, the Collateral or any other matter, whether or not relating to the Collateral. After the occurrence and during the continuation of an Event of Default, all costs, fees

and expenses incurred by Landlord, or for which Landlord has become obligated, in connection with such inspection and/or verification shall be payable immediately by Tenant to Landlord.

(f) Tenant agrees to pay all taxes, charges, transfer fees and assessments against the Collateral and to do all things necessary to preserve and maintain the value and collectibility thereof.

(g) In its sole and absolute discretion without waiving or releasing any obligation, liability or duty of Tenant under this Agreement or waiving any Event of Default, Landlord may at any time or times hereafter, but shall be under no obligation to do so, pay, acquire and/or accept an assignment of any security interest, lien, encumbrance or claim asserted by a Person against the Collateral. All sums paid by Landlord in respect thereof and all costs, fees and expenses, including attorneys' fees, court costs, expenses and other charges relating thereto incurred by Landlord on account thereof shall be payable immediately by Tenant to Landlord.

(h) Landlord may file any financing statement needed to perfect its security interest hereunder. Tenant will sign any document or procure any document and pay all necessary costs to protect the Security Interest under this Agreement against the interest of third Persons. Tenant will pay the cost of filing the same in all public offices wherever filing is deemed by Landlord to be necessary or desirable. Tenant further agrees to pay all costs and fees for filing any amendment or termination statements. In connection with the foregoing, it is agreed and understood between the parties hereto (and Landlord is hereby authorized to carry out and implement the following agreements and understandings and Tenant hereby agrees to pay the costs thereof) that Landlord may, at any time or times, file as a financing statement any counterpart of this Agreement signed by Tenant if Landlord shall elect so to file.

(i) Tenant will defend the Collateral against any claims and demands of all Persons at any time claiming the same or any interest therein except with respect to any Permitted Lien.

(j) Tenant shall comply in all material respects with all laws, statutes, ordinances, orders, rules or regulations applicable to Tenant.

(k) Tenant will permit Landlord and its agents, representatives and employees to enter upon or into any premises where the Collateral and/or the records concerning the Collateral may be located without being guilty of a trespass. Tenant will transmit to Landlord promptly all information that it may have or receive with respect to the Collateral that might in any material way affect the value of the Collateral or Landlord's rights or remedies with respect thereto.

(l) If any documented security, certificate of title or similar document is, at any time and pursuant to the laws of any jurisdiction, issued or outstanding with respect to the Collateral or any part thereof, Tenant shall promptly advise Landlord thereof, and Tenant shall promptly cause the interest of Landlord to be properly noted thereon; and Tenant will further promptly deliver to Landlord any such certificate of title or similar document issued or outstanding at any time with respect to such Collateral. If any instruments, chattel paper, money

or negotiable documents are, at any time or times, included in the Collateral, whether as proceeds or otherwise, Tenant will promptly deliver the same to Landlord upon demand therefor by Landlord.

(m) The Tenant will enter into control agreements, as requested by Landlord, in order to perfect security interests granted herein with respect to any Collateral of a type with respect to which such an agreement is required to perfect the security interest granted hereunder.

6. Assignment of Licenses. To the extent legally permissible and enforceable, Tenant hereby assigns to Landlord as Collateral all licenses and permits necessary to operate the Facility in the State of Tennessee. However, any legal impermissibility or unenforceability of this assignment shall not alone constitute a default hereunder

7. Events of Default. The term "Event of Default" whenever used in this Agreement shall mean the occurrence of any of the following:

(a) The failure of Tenant to pay any of the Obligations, as and when due and payable in accordance with the terms thereof, following the expiration of any notice and right of cure period.

(b) The failure of Tenant to perform, observe or comply, in any respect, with any of the provisions of Section 5 of this Agreement.

(c) If any representation and warranty contained herein or any statement or representation made in any certificate or any other information at any time given by or on behalf of Tenant or furnished in connection with this Agreement, the Development Agreement or the Lease (collectively with the Development Agreement, the Lease, and this Agreement, the "Lease Documents") shall prove to be false, incorrect or misleading in any material respect on the date as of which made.

(d) The occurrence of a breach or default under any of the Lease Documents which is not cured within applicable cure periods, if any, or waived in writing by Landlord.

(e) If Tenant or Polaris Hospital Company LLC ("Polaris") shall liquidate, dissolve or terminate its existence.

(f) One or more judgments or decrees shall be entered against Tenant or Polaris, Kevin D. Lee, Dr. Richard N. Schott or Dr. Charles R. F. Treadway (collectively the "Guarantors") involving in the aggregate a liability (to the extent not covered by insurance) of Two Hundred Fifty Thousand Dollars ($250,000), and all such judgments or decrees shall not have been vacated, discharged, or stayed or bonded pending appeal within thirty (30) days after the entry thereof.

(g) If Tenant or any Guarantor shall admit its inability to pay its debts as they mature or shall make any assignment for the benefit of any of its creditors.

(h) If proceedings in bankruptcy, or for reorganization of Tenant or Guarantor, or for the readjustment of any of the debts of Tenant, or any Guarantor, under the

United States Bankruptcy Code (as amended) or any part thereof, or under any other applicable laws, whether state or federal, for the relief of debtors, now or hereafter existing, shall be commenced against or by Tenant or any Guarantor and, except with respect to any such proceedings instituted by Tenant or any Guarantor, shall not be discharged within sixty (60) days of their commencement.

(i) A receiver or trustee shall be appointed for Tenant or any Guarantor or for any substantial part of the assets of Tenant or any Guarantor, or any proceedings shall be instituted for the dissolution or the full or partial liquidation of Tenant or any Guarantor and, except with respect to any such appointments requested or instituted by Tenant or any Guarantor, such receiver or trustee shall not be discharged within sixty (60) days of his or her appointment, and, except with respect to any such proceedings instituted by Tenant or any Guarantor, such proceedings shall not be discharged within sixty (60) days of their commencement.

(j) If Tenant or any Guarantor shall notify the Landlord in writing or otherwise that it does not intend to comply with or repudiates any of its Obligations hereunder or under any of the other Lease Documents to which it is a party.

8. Remedies. Landlord shall have the following remedies hereunder:

(a) Upon the occurrence and during the continuation of any Event of Default, at the option of Landlord, any and all Obligations shall become immediately due and payable without presentment or demand or any notice to Tenant or any other Person obligated thereon, and Landlord shall have and may exercise any or all of the rights and remedies of a secured party under the Uniform Commercial Code, and as otherwise contractually granted herein or under any applicable law or under any other agreement executed by Tenant in favor of Landlord, including, without limitation, the right and power to sell, at public or private sale or sales, or otherwise dispose of or utilize such portion of the Collateral and any part or parts thereof in any manner authorized or permitted under the Uniform Commercial Code after the occurrence of an Event of Default, and to apply the proceeds thereof toward payment of any costs and expenses and attorneys' fees and legal expenses thereby incurred by Landlord in connection with the Event of Default, and thereafter, toward payment of the Obligations in such order or manner as Landlord may elect in its sole discretion.

(b) Tenant agrees that if such notice of a sale is delivered in accordance with the terms of this Agreement at least ten (10) days before the time of the proposed sale or disposition, such notice shall be deemed reasonable and shall fully satisfy any requirement of giving of notice, and the proposed sale may take place any time after such ten (10) day period without the necessity of sending another notice to Tenant. Landlord may postpone and reschedule any proposed sale at its option without the necessity of giving Tenant further notice of such fact as long as the rescheduled sale occurs within sixty (60) days of the originally scheduled sale.

(c) The right of Landlord to take possession or control of the Collateral upon the occurrence and during the continuation of an Event of Default may be exercised without resort to any court proceeding or judicial process whatever and without any hearing whatever thereon.

(d) All recitals in any instrument of assignment or any other document or paper executed by Landlord incident to sale, transfer, assignment or other disposition or utilization of the Collateral or any part thereof hereunder shall be sufficient to establish full legal propriety of the sale or other action taken by Landlord or of any fact, condition or thing incident thereto, and all prerequisites of such sale or other action shall be presumed conclusively to have been performed or to have occurred.

(e) Upon disposition by Landlord of any property in which Landlord has a security interest granted hereunder, Tenant shall be and remain liable for any deficiency; and Landlord shall account to Tenant for any surplus, but Landlord shall have the right to apply all or any part of such surplus to (or to hold the same as a reserve against) all or any of the Obligations, whether or not they or any of them be then due, and in such order of application as Landlord may from time to time elect.

(f) All right to marshalling of assets of Tenant, including any such right with respect to the Collateral, is hereby waived by Tenant.

(g) In addition to the foregoing provisions, upon the occurrence and during the continuation of an Event of Default, and upon Landlord's demand, Tenant agrees to assemble the Collateral as maintained and used at its usual place of business and make same available to Landlord immediately.

9. Landlord's Powers and Duties with Respect to Collateral.

(a) Landlord shall be under no duty to pursue collection of any amount that may be or become due in connection with any of the Collateral now or hereafter pledged hereunder, to realize on the Collateral, to keep the same insured, or to do anything for the enforcement and collection of the Collateral or the protection thereof.

(b) NOT LIMITING THE GENERALITY OF ANY OF THE FOREGOING BUT IN AMPLIFICATION OF THE SAME, LANDLORD SHALL NOT BE IN ANY WAY LIABLE TO OR RESPONSIBLE FOR ANY DIMINUTION IN THE VALUE OF, OR REDUCTION IN THE PROCEEDS REALIZED FROM, THE COLLATERAL FROM ANY CAUSE WHATSOEVER.

10. Expenses and Indemnity. Tenant will, upon demand, pay to Landlord forthwith the amount of all expenses, including reasonable attorneys' fees and legal expenses, incurred by Landlord upon the occurrence of an Event of Default in seeking to collect or enforce any rights in the Collateral. Tenant agrees to indemnify Landlord from and against any and all claims, losses and liabilities growing out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses or liabilities resulting solely and directly from the gross negligence or willful misconduct of Landlord.

11. General Authority. Effective immediately but exercisable by Landlord (or by any Person designated by Landlord) only upon the occurrence and during the continuation of an Event of Default, Tenant hereby irrevocably appoints Landlord (or any Person designated by Landlord) as Tenant's true and lawful attorney in fact, which appointment is hereby coupled with an interest, with full power of substitution, in the name of Landlord or the name of Tenant or

otherwise, for Landlord's sole use and benefit, but at Tenant's cost and expense, to exercise at any time and from time to time all or any of the following powers with respect to all or any of the Collateral:

(a) To sell, transfer, assign or otherwise deal in or with the Collateral as fully and effectually as if Landlord were the absolute owner thereof;

(b) To retain, collect, demand, sue for collection, receive and give acquittance for any and all monies due or to become due upon or by virtue thereof;

(c) To receive, take, endorse, assign and/or deliver in Landlord's name or Tenant's name any and all checks, notes, drafts, documents, instruments and other property relating to the Collateral;

(d) To transmit to the account debtors of Tenant (the "Receivable Debtors") notice of Landlord's interest in Accounts (as defined in the Uniform Commercial Code) and to request from Receivable Debtors at any time, in Tenant's name or in Landlord's name or the name of Landlord's designee, information concerning the Accounts and the amounts owing thereon;

(e) To receive and open all mail addressed to Tenant and to retain all mail pertaining to the Collateral;

(f) To take or bring, in Tenant's name or Landlord's name, all steps, actions, suits or proceedings deemed by Landlord necessary or desirable in connection with the Collateral;

(g) To sign Tenant's name on any invoice or bill of lading relating to any Collateral, drafts against Tenant's customers, notices of assignment, financing statements (including UCC-1 and UCC-3), other public records and notices to Tenant's customers;

(h) To notify Receivable Debtors to make payment directly to Landlord or to any bank designated by Landlord;

(i) To take or bring, in Tenant's name or Landlord's name, all steps, actions, suits or proceedings deemed by Landlord necessary or desirable to effect collection of the Accounts, to compromise with any Receivable Debtor and give acquittance for any and all Accounts;

(j) In general, to do all things necessary to perform the terms of this Agreement, including, without limitation, to take any action or proceedings that Landlord deems necessary or appropriate to protect and preserve the Security Interest of Landlord in the Collateral;

PROVIDED, HOWEVER, THE EXERCISE BY LANDLORD OF OR FAILURE TO EXERCISE ANY SUCH AUTHORITY SHALL IN NO MANNER AFFECT TENANT'S LIABILITY TO LANDLORD HEREUNDER OR IN CONNECTION WITH THE OBLIGATIONS; AND PROVIDED FURTHER, THAT LANDLORD SHALL NOT BE

UNDER ANY OBLIGATION OR DUTY TO EXERCISE ANY OF THE POWERS HEREBY CONFERRED UPON LANDLORD AND LANDLORD SHALL HAVE NO LIABILITY FOR ANY ACT OR FAILURE TO ACT IN CONNECTION WITH ANY OF THE COLLATERAL. LANDLORD SHALL NOT BE BOUND TO TAKE ANY STEPS NECESSARY TO PRESERVE RIGHTS IN ANY COLLATERAL.

12. Other Collateral. The execution and delivery of this Agreement in no manner shall impair or affect any other security (by endorsement or otherwise) for the payment of the Obligations and no security taken hereafter as security for payment of any part or all of the Obligations shall impair in any manner or affect this Agreement, all such present and future additional security to be considered as cumulative security. Any of the Collateral may be released from this Agreement without altering, varying or diminishing in any way the force, effect, lien, security interest or charge of this Agreement as to the Collateral not expressly released, and this Agreement shall continue as a security interest and charge on all of the Collateral not expressly released until all sums and Obligations have been paid and performed in full. Any future assignment or attempted assignment or transfer of the interest of any Assignor in and to any of the Collateral shall not deprive Landlord of the right to sell or otherwise dispose of or utilize all of the Collateral as above provided or necessitate the sale or disposition thereof in parcels or in severalty.

13. Notice. Notices will be sent to the addresses shown above.

14. Miscellaneous. This document shall be governed by the laws of the State of Tennessee.

[signature page follows]

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the Effective Date.

Tenant:

SENIORHEALTH OF RUTHERFORD, LLC

By: _____

Name: Kevin D. Lee

Title: President

Landlord:

NHI-REIT OF TENNESSEE, LLC

By: _____

Name: Justin Hutchens

Title: President

EXHIBIT A

Collateral

The Collateral shall consist of all of the personal property of Tenant, wherever located and whether now owned or hereafter acquired, and now in existence or hereafter arising, including:

1. Accounts, including Health Care Insurance Receivables;
2. Chattel Paper;
3. Commercial Tort Claims;
4. Documents;
5. Deposit Accounts;
6. Equipment;
7. Fixtures;
8. General Intangibles, including Payment Intangibles;
9. Instruments;
10. Inventory;
11. Investment Property;
12. Letter of Credit Rights;
13. Supporting Obligations;
14. books and records; and
15. Proceeds and products of the foregoing.

Capitalized terms used in this Exhibit A, not defined in the Security Agreement, shall have the meaning given by Article 9 of the Uniform Commercial Code as adopted in the State of Tennessee.

EXHIBIT K

QUARTERLY COMPLIANCE CERTIFICATE

National Health Investors, Inc. (herein "NHI")
222 Robert Rose Drive
Murfreesboro, TN 37130

Re: Lease among NHI-REIT of Tennessee, LLC (the "Landlord"), and SeniorHealth of Rutherford, LLC (the "Tenant") dated as of _____ __, 2011 (as it may be amended and/or restated from time to time, the "Lease")

Tenant hereby certifies that for the _____ months ended _____:

1. Capitalized terms not otherwise defined in this Certificate shall have the meanings set forth in the Lease. All capitalized terms shall be equally applicable to the singular and plural forms thereof and to any gender form thereof.

2. To Tenant's knowledge, no Event of Default under the Lease, or event which, after lapse of time, would constitute such an Event of Default, has occurred or exists, except:

_____

_____.

3. The Lease Coverage Ratio for the preceding twelve (12) months (or such shorter period, annualized, if the Lease has been in effect for less than a period of twelve (12) months) through the end of such period was:

(a)	Net Revenue of Facility	$_____
(b)	Less allowed management fees (2.5% of net revenue)	$_____
(c)	Less Operating Expenses (including property taxes, interest expense and insurance expense, but excluding management fees and Tenant's Base Rent Obligation)	$_____
(d)	Less Targeted Capital Expenditures ($1,000 per licensed bed) beginning with the fourth (4th) anniversary of the Rent Commencement Date	$_____
(e)	Plus Tenant's Base Rent Obligation	$_____
(f)	Plus Tenant's depreciation expense	$_____
(g)	Plus Tenant's amortization expense	$_____

TOTAL NET OPERATING INCOME (sum of (a) through (g)) $_____

TOTAL BASE RENT $_____

LEASE COVERAGE RATIO:

Actual _____
Required 1.25

CURRENT RATIO

Actual _____
Required 1.15_____

FIXED CHARGE COVERAGE RATIO

Actual _____
Required 1.0

4. Occupancy Information: Year-to-Date as of _____/_____/_____

Attach current rent roll

5. Annual Information Requirements:

(a) Insurance: Date Last Paid (enclosed Certificate of Insurance when renewed)

_____

(b) Property Taxes: Date Last Paid (enclosed receipt when paid)

_____

(c) Copy of Annual License/Certification Survey:

_____

6. Borrowing Base Certificate from _____ line of credit (attach most recent certificate)

7. All information provided herein and in the attached financial statement is true and correct.

Date:_____ Certified by:_____ Title:_____

EXHIBIT K-1

QUARTERLY COMPLIANCE CERTIFICATE

NHI
222 Robert Rose Drive
Murfreesboro, TN 37130

Polaris hereby certifies that for the _____ months ended _____:

MINIMUM LIQUIDITY:

Actual	_____
Required	$1,000,000.00

NET WORTH:

Actual	_____
Required	$2,000,000.00

Date: _____

POLARIS HOSPITAL COMPANY, LLC

By: _____

Name: _____

Title: _____

SCHEDULE 1

LEGAL PROPERTY DESCRIPTION

Being a tract of land in the 13th Civil District, City of Murfreesboro, Rutherford County, Tennessee. Said tract known as Parcel 27.21 of Property Map 92, of the Rutherford County Property Assessor's Mapping System, and bounded as follows: on the north by the lands of Fred and Annie Mae Johnson, Deed Book 93, page 247 (parcel 73), and the lands of Annie Mae Johnson, Deed Book 90, page 324; on the east by the western right-of-way of North Thompson Lane; on the south by the lands of Shearer Ann and Mary E. Brown, Record Book 466, page 196 and Record Book 827, page 2710; and on the west by the lands of Shearer Ann Brown, et al, Record Book 466, page 196, the lands of Linda M. Murphy, Deed Book 287, page 709, the lands of Miller H. and Nancy Z. Lanier, Deed Book 167, page 345, and the lands of Fred and Annie Mae Johnson, Deed Book 156, page 274 (parcel 76). All references made herein are of the Register's Office, Rutherford County, Tennessee. Said tract more particularly described as follows:

Beginning at an iron pin found in the western right-of-way of North Thompson Lane, said pin being the southeast corner of Annie Mae Johnson, and the northeast corner of this tract, thence with said western right-of-way, S 31° 02' 08" W, 225.40 feet to an iron pin set, said pin being the northeast corner of Shearer A. and Mary E. Brown, and the southeast corner of this tract; thence leaving said right-of-way and with the north line of Shearer A. and Mary E. Brown, N 84° 35' 30" W, 624.30 feet to an iron pin set, said pin being a break in the east line of Shearer Ann Brown, et al and the southwest corner of this tract; thence with the east line of Brown, N 03° 44' 26" E, 89.82 feet to an iron pin found, said pin being the northeast corner of Brown and the southeast corner of Murphy; thence with the east line of Murphy, N 03° 11' 52" E, 150.08 feet to an iron pipe found, said pipe being the northeast corner of Murphy and the southeast corner of Lanier; thence with the east lines of Lanier and Johnson (parcel 76), N 03° 46' 27" E, 315.06 feet to an iron pin found, said pin being the southwest corner of Johnson (parcel 73), and the northwest corner of this tract; thence with the south line of Johnson (parcel 73), S 59° 07' 35" E, 618.81 feet to a cedar fence post found, said fence post being the southeast corner of Johnson (parcel 73) and the southwest corner of Annie Mae Johnson; thence with the south line of Annie Mae Johnson, S 59° 16' 19" E, 199.67 feet to the point of beginning, containing 265,411 square feet, or 6.093 acres, more or less, according to field survey performed by Site Engineering Consultants, Inc. on July 28, 2010 as updated on September 18, 2011.

SCHEDULE 2

ADVANCE BY TENANT PRIOR TO COMMENCEMENT DATE

Title/Description	Pre-Closing Expense Paid 9/30/11
Third Party Reports:	$ 18,200
Environmental Study update (Phase I)	1,750
S & ME for geotech exploration (Sept 10)	3,100
John Gifford consulting	7,100
Water Line Easement	6,250
Fees & Permits:	$ 22,950
City of Murfreesboro	750
Tennessee Dept of Health	21,200
Civil Fee per SEC, Inc. (to TEDC)-Storm Water Permit	1,000
Other Soft Costs:	$ 1,016,220
Architectural & Engineering Fees	760,202
NHI commitment fee	215,000
Batten & Shaw Fee to GC for Start-Up	40,000
Kroll Background	1,018
GENERAL REQUIREMENTS	$ 25,536
General Conditions	25,536
SITE CONSTRUCTION	$ 87,428
Site Prep	87,428
METALS	$ 296,152
Structural Steel/ Misc Metal	296,152
ADDITIONAL COSTS	$ 11,584
Batten & Shaw Fee to GC for Construction	15,956
Retainage Withheld	(4,371)
Draw Amount	1,478,069.87
Plus Refund of fee	-
NHI Fee	(215,000.00)
Less Kroll Fee pd by NHI	(1,018.00)
Total paid	**$ 1,262,051.87**

SCHEDULE 3

PERMITTED ENCUMBRANCES

1. 2011 City of Murfreesboro and County of Rutherford property taxes, and subsequent years, not yet due and payable.

2. Easement to Middle Tennessee Electric Membership Corporation of record in Deed Book 82, page 531, in the Register's Office of Rutherford County, Tennessee.

3. Any and all matters as shown on ALTA/ACSM Land Title Survey of Elgin Oliver, Jr. Property dated September 14, 2010, and updated September 21, 2011.

4. Utility easements to City of Murfreesboro shown as Easement No. 2 of record in Deed Book 599, page 154, in the Register's Office of Rutherford County, Tennessee.

5. Subject to Battlefield Protection Overlay District, Gateway Overlay District, and Thompson Lane Sanitary Sewer Special Assessment District.

June 26, 2012

Kevin D. Lee
President
SeniorHealth of Rutherford, LLC
1009 North Thompson Lane
Murfreesboro, Tennessee 37129

Re: Lease of hospital facility

Dear Mr. Lee

This letter confirms to you that a subsidiary of National Health Investors, NHI-REIT of Tennessee, LLC, acquired the land on September 30, 2011 and on which we are having a 60-bed hospital constructed for operation by SeniorHealth of Rutherford, LLC. The acquisition of the land is evidenced by the copy of the attached deed of trust.

On September 30, 2011, NHI-REIT of Tennessee, LLC and SeniorHealth of Rutherford entered into a lease of the hospital. The lease period is 15 years, and at the option of the lessee SeniorHealth of Rutherford, the lease may be extended for five additional periods of ten years each. The initial annual lease rate will be approximately $2,050,000. The lease term will commence soon after completion of construction of the hospital facility. The construction will be completed in early August 2012.

Sincerely,

Kristi Gaines
Chief Credit Officer

222 Robert Rose Drive, Murfreesboro, Tennessee 37129 • Phone: 615-890-9100 Fax: 615-225-3030

This Instrument Prepared By
Murfree & Murfree, PLLC, Attorneys
805 S. Church Street, Suite 21
Murfreesboro, Tennessee 37130
From information furnished by the parties

Record Book
1084 Pg 3906

Name and Address of New Owner:

NHI-REIT of Tennessee, LLC
222 Robert Rose Boulevard
Murfreesboro, TN 37129

Send Tax Bills To:

same

Tax Map 092; Parcel 02721

STATE OF TENNESSEE
COUNTY OF RUTHERFORD

FOR AND IN THE CONSIDERATION of TEN AND NO/100 ($10.00) DOLLARS, cash in hand paid, and other good and valuable consideration, the receipt of which is hereby acknowledged, I, the undersigned, **ELGIN OLIVER, JR.**, have this day bargained and sold and do hereby transfer and convey unto **NHI-REIT OF TENNESSEE, LLC**, a Tennessee limited liability company, its successors and assigns, forever, the following described real estate situated in the 13th Civil District of Rutherford County, Tennessee, to-wit:

Being a tract of land in the 13th Civil District, City of Murfreesboro, Rutherford County, Tennessee. Said tract known as Parcel 27.21 of Property Map 92, of the Rutherford County Property Assessor's Mapping System, and bounded as follows: on the north by the lands of Fred and Annie Mai Johnson, Deed Book 93, page 247 (parcel 73), and the lands of Annie Mai Johnson, Deed Book 90, page 324; on the east by the western right-of-way of North Thompson Lane; on the south by the lands of Shearer Ann and Mary E. Brown, Record Book 466, page 196 and Record Book 827, page 2710; and on the west by the lands of Shearer Ann Brown, et al, Record Book 466, page 196, the lands of Linda M. Murphy, Deed Book 287, page 709, the lands of Miller H. and Nancy Z. Lanier, Deed Book 167, page 345, and the lands of Fred and Annie Mai Johnson, Deed Book 156, page 274 (parcel 76). All references made herein are of the Register's Office, Rutherford County, Tennessee. Said tract more particularly described as follows:

Beginning at an iron pin found in the western right-of-way of North Thompson Lane, said pin being the southeast corner of Annie Mai Johnson, and the northeast corner of this tract, thence with said western right-of-way, S 31° 02' 08" W, 225.40 feet to an iron pin set, said pin being the northeast corner of Shearer A. and Mary E. Brown, and the southeast corner of this tract; thence leaving said right-of-way and with the north line of Shearer A. and Mary E. Brown, N 84° 35' 30" W, 624.30 feet to an iron pin set, said pin being a break in the east line of Shearer Ann Brown, et al and the southwest corner of this tract; thence with the east line of Brown, N 03° 44' 26" E, 89.82 feet to an iron pin found, said pin being the northeast corner of Brown and the southeast corner of Murphy; thence with the east line of Murphy, N 03° 11' 52" E, 150.08 feet to an

iron pipe found, said pipe being the northeast corner of Murphy and the southeast corner of Lanier; thence with the east lines of Lanier and Johnson (parcel 76), N 03° 46' 27" E, 315.06 feet to an iron pin found, said pin being the southwest corner of Johnson (parcel 73), and the northwest corner of this tract; thence with the south line of Johnson (parcel 73), S 59° 07' 35" E, 618.81 feet to a cedar fence post found, said fence post being the southeast corner of Johnson (parcel 73) and the southwest corner of Annie Mai Johnson; thence with the south line of Annie Mai Johnson, S 59° 16' 19" E, 199.67 feet to the point of beginning, containing 265,411 square feet, or 6.093 acres, more or less, according to field survey performed by Site Engineering Consultants, Inc. on July 28, 2010, as updated on September 21, 2011.

Being the same property conveyed to Elgin Oliver, Jr. by trustee's quitclaim deed of record in Record Book 601, page 1940, in the Register's Office of Rutherford County, Tennessee.

This conveyance is made subject to all restrictions, covenants, easements and setback lines that are applicable to the above-described property, and of record, and to all zoning restrictions of the appropriate governmental body.

TO HAVE AND TO HOLD said real estate, together with all of the appurtenances, estate and title thereunto belonging unto the said grantee, its successors and assigns, forever.

I covenant with the said grantee that I am lawfully seized and possessed of said real estate; that I have a good and lawful right to convey the same and that the same is unencumbered, except the 2011 property taxes, which have been prorated between the parties.

I further covenant and bind myself, my heirs and representatives, to forever warrant and defend the title to said real estate unto the said grantee, its successors and assigns, against the lawful claims of all persons, whomsoever.

The undersigned, DOROTHY M. OLIVER, hereby joins in the execution of this instrument for the purposes of and does hereby convey to the grantee all of her right, title, claim and interest in and to the above-described real estate, including but not limited to her homestead, dower, and any and all other marital rights.

WITNESS OUR HANDS on this the 30th day of Sept., 2011.

Elgin Oliver Jr.
ELGIN OLIVER, JR.

Dorothy M. Oliver
DOROTHY M. OLIVER

STATE OF TENNESSEE
COUNTY OF RUTHERFORD

Personally appeared before me, the undersigned authority, a Notary Public in and for the State and County aforesaid, the within named ELGIN OLIVER, JR. and

wife, DOROTHY M. OLIVER, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who acknowledged that they executed the within instrument (DEED) for the purposes therein contained.

WITNESS MY HAND and official seal at my office on this the 30th day of Sept, 2011.

Janice M. Smith
Notary Public

JANICE M. SMITH STATE OF TENNESSEE NOTARY PUBLIC RUTHERFORD COUNTY, TENN.

My commission expires: 9-23-2014

STATE OF TENNESSEE
COUNTY OF RUTHERFORD

I hereby swear or affirm that the actual consideration for this transfer or value of the property transferred, whichever is greater, is $2,387,523.00, which amount is equal to or greater than the amount which the property transferred would command at a fair and voluntary sale.

Affiant

Sworn to and subscribed before me,
this 30th day of Sept, 2011.

Janice M. Smith
Notary Public

My commission expires: 9-23-2014

JANICE M. SMITH STATE OF TENNESSEE NOTARY PUBLIC RUTHERFORD COUNTY, TENN.

Record Book
1084 Pg 3908

Heather Dawbarn, Register
Rutherford County Tennessee

Rec #: 669929
Rec'd: 15.00
State: 8833.75
Clerk: 1.00
Other: 2.00
Total: 8851.75

Instrument #: 1745783

Recorded
10/3/2011 at 12:05 PM
in
Record Book 1084 Pgs 3906-3908

REGISTER OF DEEDS of Rutherford County Tennessee.
Heather Dunburn, Register
Murfreesboro, TN

*** OFFICIAL DUPLICATE RECEIPT ***

Receipt Number: 669929
Receipt Date: 10/3/2011
Receipted By: Joan Henley, Chief Deputy
Cash Drawer: deeark10

1745783	Warranty Deed 10/3/2011 12:05 PM RECORD 1084-3906 OLIVER ELGIN, JR/MHI-REIT OF TENNESSEE LLC	3 Pages	$8851.75
		Recording Fee	$15.00
		EDP Fee	$2.00
		Register's Fee	$1.00
	Transfer tax on $2387523.00 consideration		$8833.75
		AMOUNT DUE:	$8851.75
CK 3261	MURFREE & MURFREE PLLC		$8852.12
		AMOUNT PAID:	$8852.12
		LESS AMOUNT DUE:	$8851.75
		OVERAGE RETAINED:	$0.37

If Paid By Check, This Receipt
Is Not Valid Until Check Is Paid By Bank.

Middle Tennessee TennCare Managed Care Organizations:

Middle Tennessee Health Plans

Health Plan	Member Services
AMERIGROUP www.amerigroupcorp.com Community Care Three Lakeview Place 22 Century Blvd., Suite 310 Nashville, TN 37214	1-800-600-4441
BlueCare BlueCare 1 Cameron Hill Circle, Suite 0002 Chattanooga, TN 37402-0002 Fax 800-357-0453	1-800-468-9698
UnitedHealthcare Community Plan UnitedHealthcare Community Plan 8 Cadillac Dr., Suite 100 Brentwood, TN 37027	1-800-690-1606
TennCare*Select* TennCare Select 1 Cameron Hill Circle, Suite 0002 Chattanooga, TN 37402-0002 FAX: 800-218-3190	1-800-263-5479
Counties: Bedford, Cannon, Cheatham, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson, Fentress, Giles, Hickman, Houston, Humphreys, Jackson, Lawrence, Lewis, Lincoln, Macon, Marshall, Maury, Montgomery, Moore, Overton, Perry, Pickett, Putnam, Robertson, Rutherford, Smith, Stewart, Sumner, Trousdale, Van Buren, Warren, Wayne, White, Williamson and Wilson	

http://www.tn.gov/tenncare/mem-mcos.shtml

Contracts:
Amerigroup – In Network Psychiatry
BlueCare – In Network Psychiatry & Physical Rehabilitation
TennCare Select – In Network Psychiatry & Physical Rehabilitation
United Healthcare Community Plan – Trustpoint Hospital has attempted to establish a contract with no success. The provider has informed us that their network is closed at this time.

Rutherford County Mental Health Organizations:

LifeCare Family Services*
Volunteer Behavioral Health Care System*

Both of these organizations provide Outpatient Behavioral Health Services. Although no contract exists, we routinely collaborate with both facilities in the care of inpatients and outpatients.

*www.tamho.org/service.php

Utilization

2011		Psychiatric Beds								
Facility	Co.	Youth	Geriatric	Other	Total	Pts Days	Occ. Rate	A&D	Pts Days	Occ. Rate
Stones River	Cannon	0	22	0	22	2,378	29.6%	0	39	0.0%
Middle TN Mental Health Institute	Davidson	0	0	195	195	59,577	83.7%	0	0	0.0%
Centennial*	Davidson	0	40	75	115	30,149	71.8%	17	1,478	23.8%
Skyline-Madison	Davidson	10	20	66	96	22,177	63.3%	14	3,490	68.3%
St. Thomas*	Davidson	0	0	15	15	3,332	60.9%	8	289	9.9%
Summit	Davidson	0	0	20	20	4,708	64.5%	0	218	0.0%
Vanderbilt	Davidson	0	0	60	60	25,425	116.1%	28	2,656	26.0%
Rolling Hills	Williamson	13	7	48	68	21,739	87.6%	12	0	0.0%
McFarland	Wilson	0	0	49	49	17,571	98.2%	0	16	0.0%

2012		Psychiatric Beds								
Facility	Co.	Youth	Geriatric	Other	Total	Pts Days	Occ. Rate	A&D	Pts Days	Occ. Rate
Stones River	Cannon	0	22	0	22	2,545	31.7%	0	18	0.0%
Middle TN Mental Health Institute	Davidson	0	0	195	195	60,614	85.2%	0	0	0.0%
Centennial*	Davidson	0	16	99	115	30,460	72.6%	17	1,998	32.2%
Skyline-Madison	Davidson	10	20	61	91	21,456	64.6%	19	3,876	55.9%
St. Thomas*	Davidson	0	0	15	15	3,656	66.8%	8	367	12.6%
Summit	Davidson	0	0	20	20	4,061	55.6%	0	224	0.0%
Vanderbilt	Davidson	0	0	60	60	27,138	123.9%	28	2,245	22.0%
Rolling Hills	Williamson	17	10	41	68	22,705	91.5%	12	0	0.0%
McFarland	Wilson	0	0	49	49	8,100	45.3%	0	47	0.0%

2013		Psychiatric Beds								
Facility	Co.	Youth	Geriatric	Other	Total	Pts Days	Occ. Rate	A&D	Pts Days	Occ. Rate
Stones River	Cannon	0	22	0	22	1,613	20.1%	0	246	0.0%
Middle TN Mental Health Institute	Davidson	0	0	195	195	60,819	85.4%	0	0	0.0%
Centennial*	Davidson	0	16	99	115	29,480	70.2%	17	2,595	41.8%
Skyline-Madison	Davidson	16	20	58	94	25,841	75.3%	14	3,127	61.2%
St. Thomas*	Davidson	0	0	15	15	3,465	63.3%	8	251	8.6%
Summit	Davidson	0	0	20	20	2,481	34.0%	0	239	0.0%
Vanderbilt	Davidson	0	0	60	60	26,208	119.7%	28	2,370	23.2%
Rolling Hills	Williamson	x	x	x	x	x	x	x	x	x
McFarland	Wilson	0	0	49	49	7,179	40.1%	0	0	0.0%

* Best Guess, Based on JAR Inaccuracies

x NO JAR

ATTACHMENT B.I.A

Rehab Inpatient Utilization

	2011				2012				2013			
Facility	O/T	P/T	S/T		O/T	P/T	S/T		O/T	P/T	S/T	
Stones River	45	296	28	0	30	290	15	0	0	1,587	221	0
Middle TN Mental Health Institute	800	0	0	80	52	0	0	84	60	0	0	92
Centennial*	3,337	5,135	2,209	0	3,622	5,382	2,227	0	4,530	6,921	2,226	0
Skyline-Madison	386	194	73	3,612	155	223	75	3,660	0	268	52	3,414
St. Thomas*	3,497	7,558	1,446	0	3,315	7,455	1,401	0	3,130	7,597	1,418	0
Summit	1,600	2,220	446	0	1,806	2,438	621	0	2,155	683	2,738	0
Vanderbilt	8,794	11,174	3,733	0	8,950	11,140	3,941	0	9,555	11,639	4,093	0
Rolling Hills	0	0	0	0	0	0	0	0	0	0	0	0
McFarland	206	206	175	0	0	0	0	0	0	195	0	0

ATTACHMENT B.I.B

ATTACHMENT B.I.C

Payer Mix from Inception through December 31, 2014

House-wide Payer Mix		
Payer	Number of Admissions	Percentage by Payer
BCR	1,958	28%
COM	1,398	20%
MCD	574	8%
MCR	2,202	32%
MGD	625	9%
SEL	120	2%
WRK	10	0%
Total Admissions	**6,887**	**100%**

*includes sub-acute admissions

Legend	
BCR	Blue Cross Blue Shield
COM	Commercial
MCD	Medicaid
MCR	Medicare
MGD	Managed Medicare
SEL	Self
WRK	Workers Comp

Adult Psychiatry Payer Mix		
Payer	Number of Admissions	Percentage by Payer
BCR	527	26%
COM	427	21%
MCD	329	16%
MCR	520	25%
MGD	208	10%
SEL	32	2%
Total Admissions	**2,043**	**100%**

Geriatric Psychiatry Payer Mix		
Payer	Number of Admissions	Percentage by Payer
BCR	98	8%
COM	62	5%
MCD	28	2%
MCR	778	66%
MGD	219	18%
SEL	2	0%
Total Admissions	**1,187**	**100%**

Physical Medicine & Rehabilitation Payer Mix		
Payer	Number of Admissions	Percentage by Payer
BCR	209	21%
COM	108	11%
MCD	6	1%
MCR	537	55%
MGD	105	11%
SEL	7	1%
WRK	9	1%
Total Admissions	**981**	**100%**

Medical Psychiatry/Detox Payer Mix		
Payer	Number of Admissions	Percentage by Payer
BCR	48	21%
COM	28	13%
MCD	17	8%
MCR	99	44%
MGD	16	7%
SEL	16	7%
Total Admissions	**224**	**100%**

ATTACHMENT B.I.D

Bed Progression Chart

Trustpoint Hospital, LLC
(formerly SeniorHealth of Rutherford, Inc.)

	Adult	Geri	Detox	Rehab	Total
SeniorHealth of Rutherford, Inc. CN0610-089AE (total beds)	12	12	9	27	60
SeniorHealth of Rutherford, Inc. CN1207-031A	+8	+8	0	0	+16
(total beds)	20	20	9	27	76
10 Bed Increase August, 2013	+5	+5	0	0	+10
(total beds)	25	25	9	27	86
10 Bed Increase Oct, 2014	+6	+3	+1	0	+10
(total beds)	31	28	10	27	96
Trustpoint Hospital LLC Requesting	+28	+8	+8	-11	+33
(total beds)	59	36	18	16	129

Ambulatory Surgical Treatment Center Construction Cost Per Square Foot

Years: 2011 – 2013

	Renovated Construction	New Construction	Total Construction
1st Quartile	$95.04/sq ft	$174.88/sq ft	$113.55/sq ft
Median	$113.55/sq ft	$223.62/sq ft	$162.00/sq ft
3rd Quartile	$150.00/sq ft	$269.76/sq ft	$223.62/sq ft

Source: CON approved applications for years 2011 through 2013

Hospital Construction Cost Per Square Foot

Years: 2011 – 2013

	Renovated Construction	New Construction	Total Construction
1st Quartile	$107.15/sq ft	$235.00/sq ft	$151.56/sq ft
Median	$179.00/sq ft	$274.63/sq ft	$227.88/sq ft
3rd Quartile	$249.00/sq ft	$324.00/sq ft	$274.63/sq ft

Source: CON approved applications for years 2011 through 2013

Nursing Home Construction Cost Per Square Foot

Years: 2011 – 2013

	Renovated Construction	New Construction	Total Construction
1st Quartile	$25.00/sq ft	$152.80/sq ft	$94.55/sq ft
Median	$55.00/sq ft	$167.31/sq ft	$152.80/sq ft
3rd Quartile	$101.00/sq ft	$176.00/sq ft	$167.61/sq ft

Source: CON approved applications for years 2011 through 2013

Outpatient Diagnostic Center Construction Cost Per Square Foot

Years: 2011 – 2013

Due to insufficient sample size, Construction ranges are not available.

ATTACHMENT B.II.B

Square Footage and Cost Per Square Footage Chart

Unit/Dept	Current	Change	Proposed	Renovated	Cost/GSF
Adult Psychiatry	12,077	+12,050	24,127	12,050	
Geriatric Psychiatry	12,050	-1,767	10,283	10,283	
Rehabilitation	16,832	-10,283	6,549	6,549	
Medical Detox	3,600	0	3,600	3,600	
Admin	28,062	0	28,062	0	
TOTAL	72,621	0	72,621	32,482	

Renovation Cost/GSF based on Total Project Costs ($932,000)	$28.70
Renovation Cost/GSF based on Renovation Costs ($627,000)	$19.31

Demographic Variable/Geographic Area	Bedford	Rutherford	Svc Area	TN Total
Total Pop. 2014	47,368	293,582	340,950	6,588,698
Total Pop. 2018	50,566	329,446	380,012	6,833,509
Total Pop. % Change	6.8%	12.2%	11.5%	3.7%
20-64 Pop. 2014	27,055	183,911	210,966	3,930,128
20-64 Pop. 2018	28,792	205,418	234,210	4,023,506
20-64 Pop.- % change	6.4%	11.7%	11.0%	2.4%
20-64 Pop. As %of Total Pop. 2014	57%	63%	62%	60%
65+ Pop. 2014	6,804	27,218	34,022	981,984
65+ Pop. 2018	7,595	33,222	40,817	1,102,413
65+ % change	11.6%	22.1%	20.0%	6.1%
65+ Pop. As % of Total 2018	15%	10%	11%	16%
Median Age	36.0	32.0		38.0
Median Household Income	39,635	55,105		44,140
TennCare Enrollees	11,025	38,869	49,894	1,241,028
TennCare Enrollees as % of Total	23.3%	13.2%	14.6%	18.8%
Persons Below Poverty Level	8,953	38,166	47,118	1,139,845
Persons Below Poverty Level as a % of Total	18.9%	13.0%	13.8%	17.3%

Notes: 2014 and 2018 Population Data from TDOH, Office of Policy, Planning and Assessment, Division of Health Statistics

Median Age from City-Data.com

TennCare Enrollees from Tennessee Bureau of TennCare, Enrollees, as of April 2014.

Persons Below Poverty Level as a % of Total and Median Household Income from US Census Bureau, State and County QuickFacts, 2008-2012.

Persons below Poverty Level from (Total Population of 2014) times (Persons Below Poverty as % of Total 2008-2012).

ATTACHMENT B.II.Demographics

TRUSTPOINT HOSPITAL PLOT PLAN

6.09 Acre

EXISTING ON-SITE CONDITIONS

COVER	SCS CLASSIFICATION	AREA (Ac)
TREES, BRUSH, SURFACE ROCK, GRASS	WOODS–GRASS COMBINATION: POOR CONDITION D SOILS, CN=86	[illegible]
		COMPOSITE CN=86

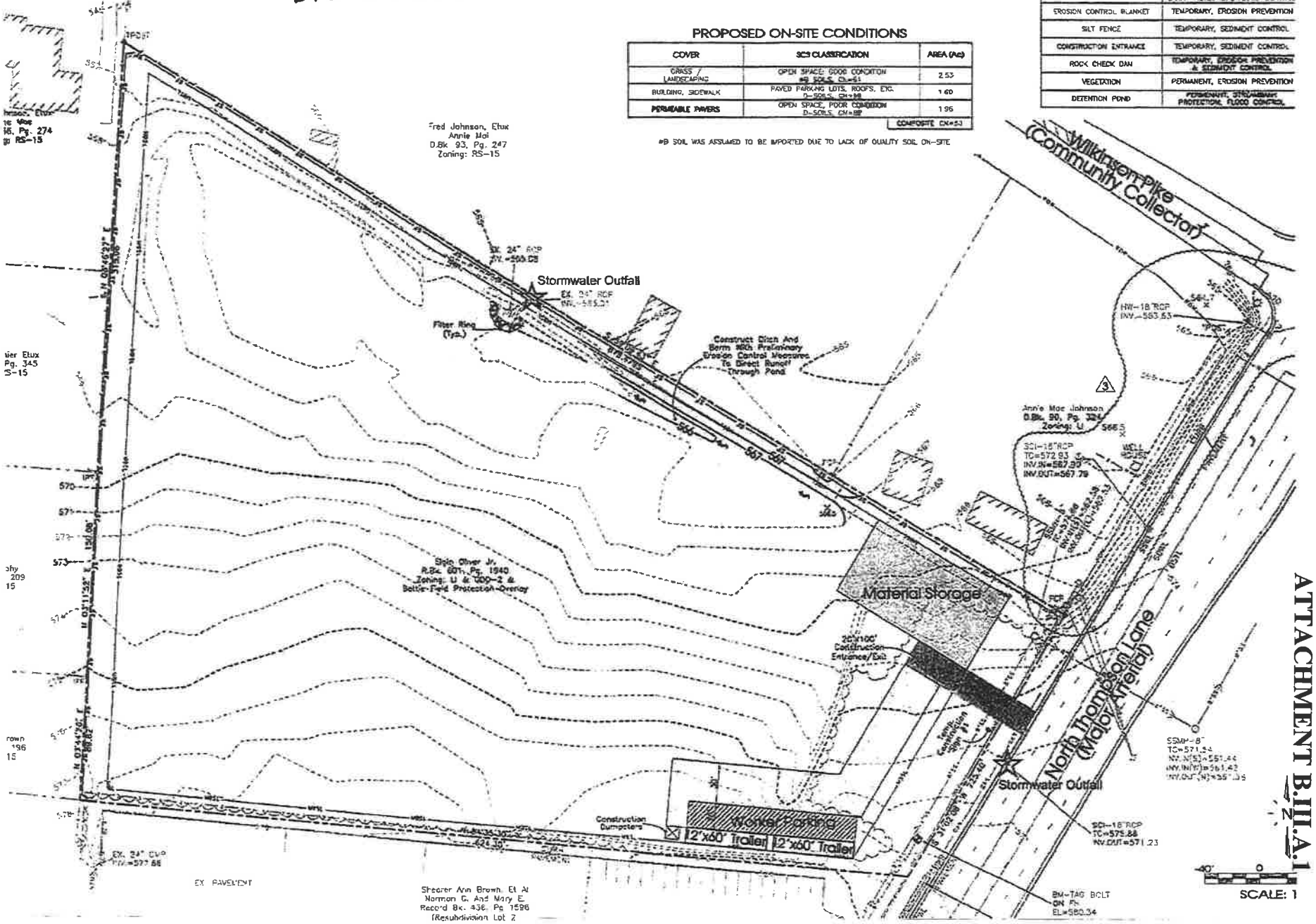
PROPOSED ON-SITE CONDITIONS

COVER	SCS CLASSIFICATION	AREA (Ac)
GRASS / LANDSCAPING	OPEN SPACE: GOOD CONDITION #B SOILS, CN=61	2.53
BUILDING, SIDEWALK	PAVED PARKING LOTS, ROOFS, ETC. D-SOILS, CN=98	1.60
PERMEABLE PAVERS	OPEN SPACE, POOR CONDITION D-SOILS, CN=89	1.96
		COMPOSITE CN=53

#B SOIL WAS ASSUMED TO BE IMPORTED DUE TO LACK OF QUALITY SOIL ON-SITE

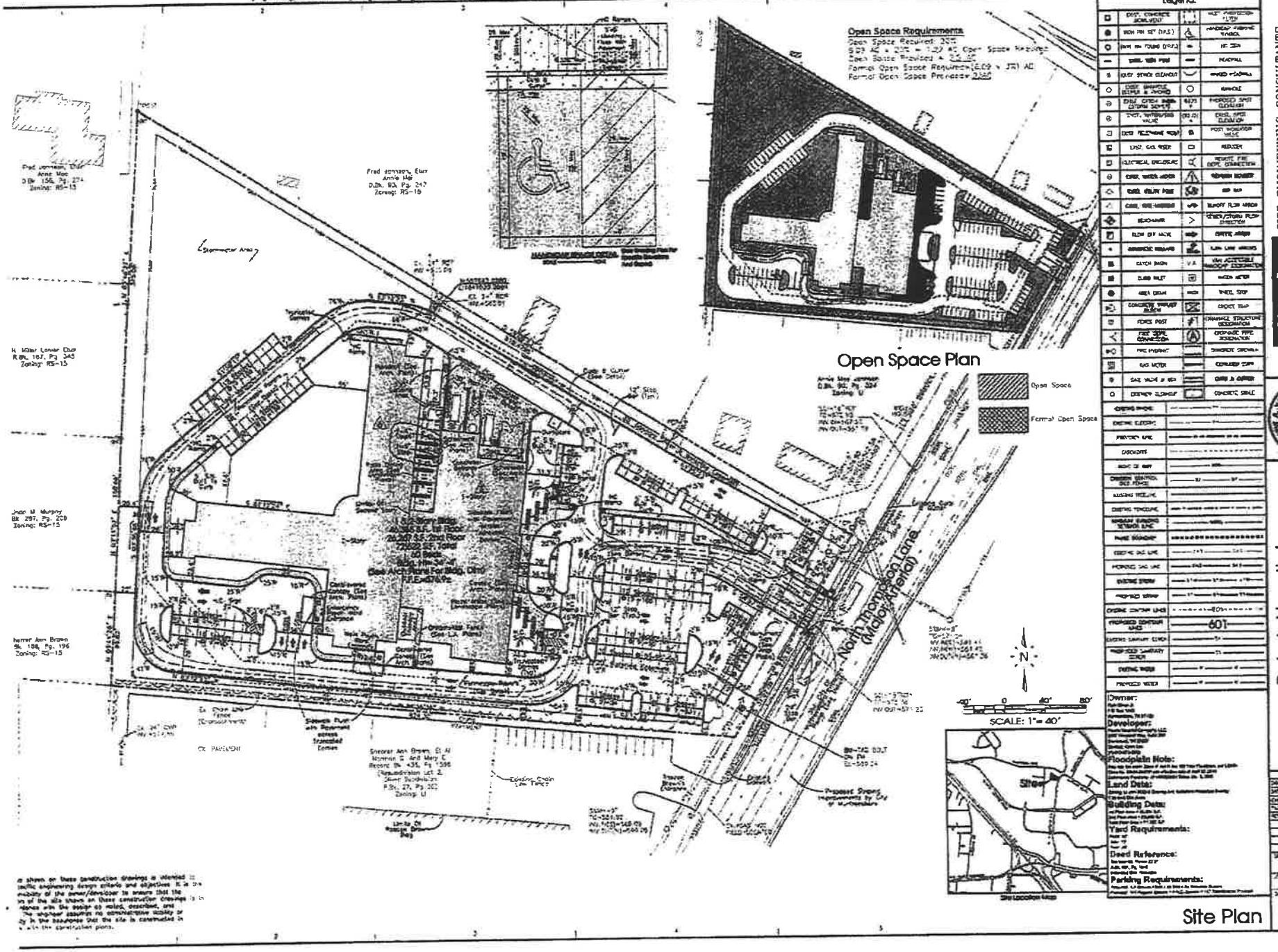
PROPOSED BMP'S

BMP	TYPE
PERMEABLE PAVERS (SEE DETAIL)	PERMANENT, WATER QUALITY, STREAM BANK PROTECTION, FLOOD CONTROL
EROSION CONTROL BLANKET	TEMPORARY, EROSION PREVENTION
SILT FENCE	TEMPORARY, SEDIMENT CONTROL
CONSTRUCTION ENTRANCE	TEMPORARY, SEDIMENT CONTROL
ROCK CHECK DAM	TEMPORARY, EROSION PREVENTION & SEDIMENT CONTROL
VEGETATION	PERMANENT, EROSION PREVENTION
DETENTION POND	PERMANENT, STREAMBANK PROTECTION, FLOOD CONTROL

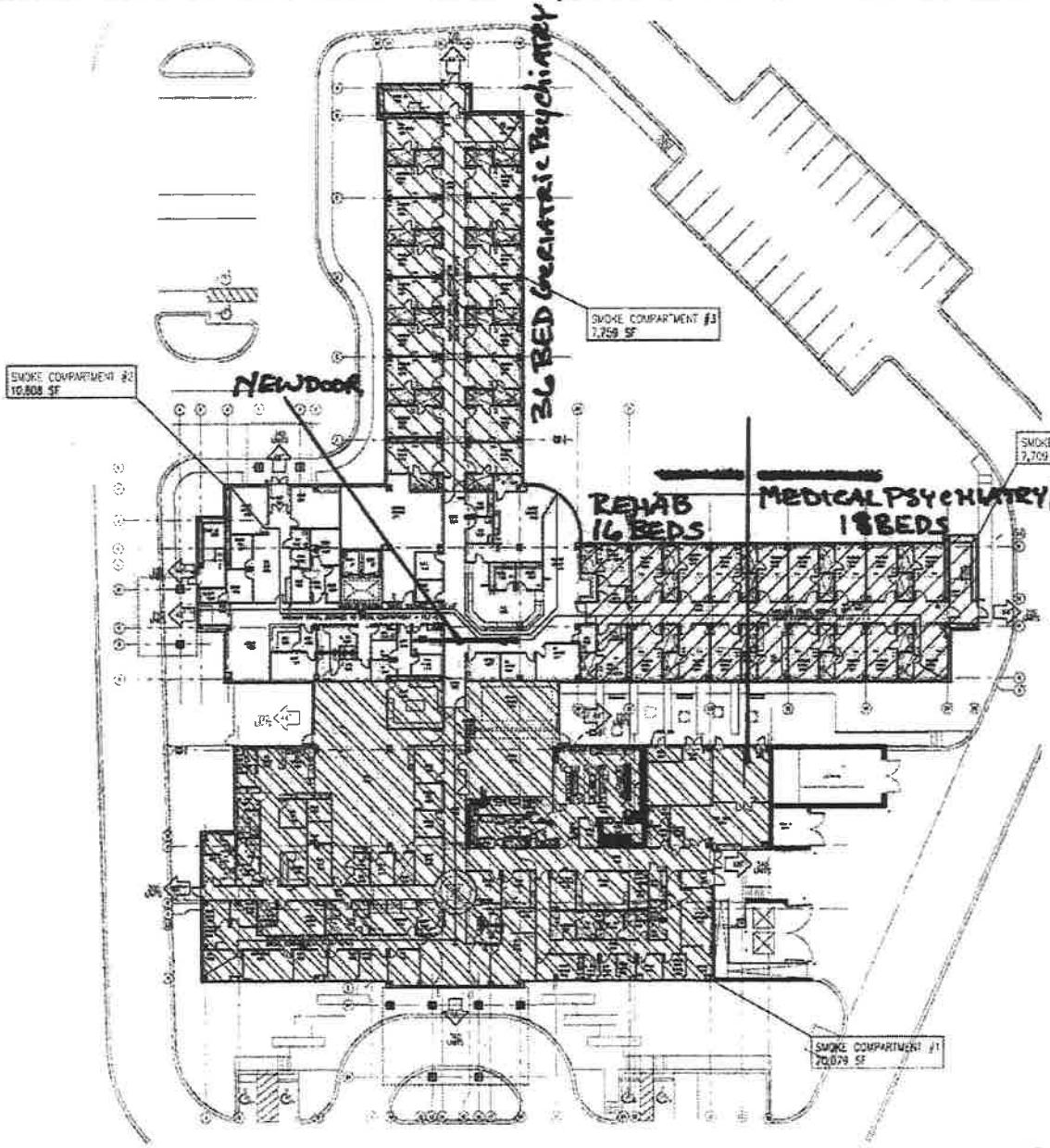


ATTACHMENT B.III.A.1

TRUSTPOINT HOSPITAL PLOT PLAN WITH EXISTING STRUCTURES



FIRST FLOOR HOSPITAL



SMOKE COMPARTMENT INFORMATION

EXIT UNIT LEGEND

EQUIPMENT LEGEND

WALL LEGEND

LIFE SAFETY PLAN
FIRST FLOOR

POLARIS HOSPITAL COMPANY
POLARIS HOSPITAL OF MURFREESBORO
MURFREESBORO, TENNESSEE

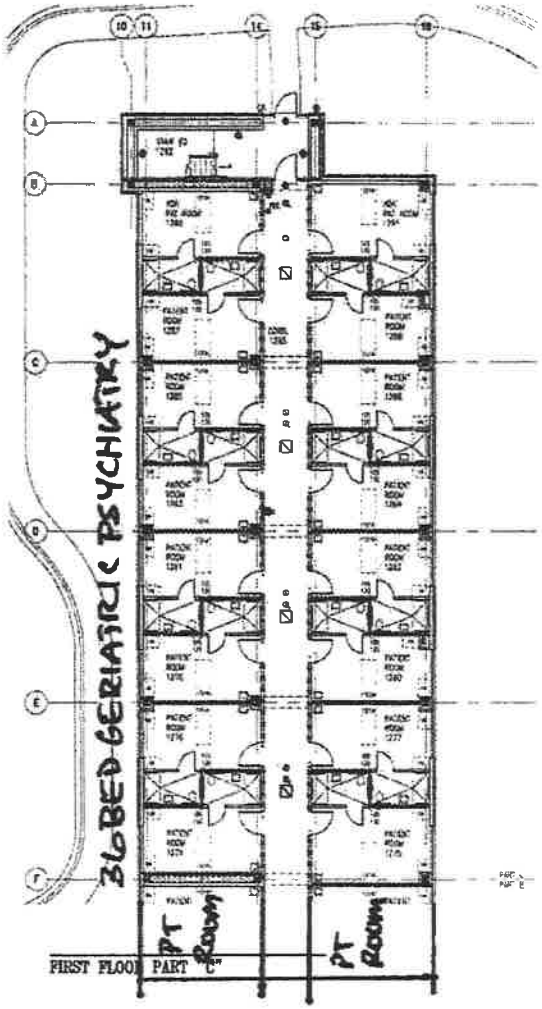
DAVIS · STOKES
COLLABORATIVE, P.C.
A · R · C · H · I · T · E · C · T · S

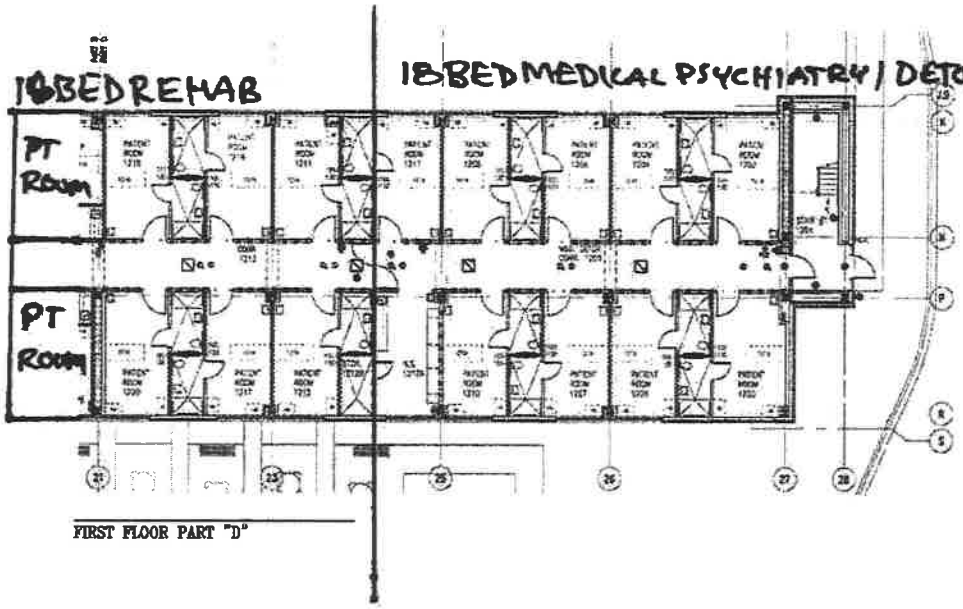
REVISION

LS1.01

ATTACHMENT B.IV

FIRST FLOOR EXPANDED VIEW





LIFE SAFETY LEGEND

- EMERGENCY 2H LIGHTING
- EMERGENCY 2HS LIGHTING
- EMERGENCY 1HS LIGHTING
- EMERGENCY STRIP LIGHTING
- EMERGENCY NONDECODE LIGHTING
- EMERGENCY WALL MOUNTED LIGHTING
- EMERGENCY WALL PACK LIGHTING
- EXIT LIGHTS
- WALL MOUNTED EXIT MOVE
- SMOKE DETECTOR
- FIRE EXTINGUISHERS / CABINETS
- FIRE PULL STATION
- FIRE ALARM STROBE
- FIRE ALARM CHIME / STROBE

NOTE: ALL SYMBOLS MAY NOT BE USED

EQUIPMENT LEGEND

- OWNER FURNISHED / CONTRACTOR INSTALLED
- CONTRACTOR FURNISHED / INSTALLED

WALL LEGEND

DIP. SC.	CMU	WALL CONSTRUCTION TYP.
		EXISTING PARTITION
		GYPSUM WALLBOARD PARTITION TO ABOVE S.L.S.
		GYPSUM WALLBOARD PARTITION TO DECK
		SMOKE RESISTANT PARTITION
		ONE HOUR FIRE PARTITION
		ONE HOUR FIRE - SMOKE PARTITION
		TWO HOUR FIRE PARTITION
		TWO HOUR FIRE - SMOKE PARTITION
		TWO HOUR SHAFT WALL
		FOUR HOUR FIRE WALL

LIFE SAFETY FLOOR PLAN
FIRST FLOOR PART "C" & "D"

POLARIS HOSPITAL COMPANY
POLARIS HOSPITAL OF MURFREESBORO
MURFREESBORO, TENNESSEE

DAVIS · STOKES
COLLABORATIVE, P.C.
A · R · C · H · I · T · E · C · T · S
7121 GRODSDALES BLVD BRENTWOOD, ILLINOIS 60017 TEL: 815-756-0010 FAX: 815-756-0190

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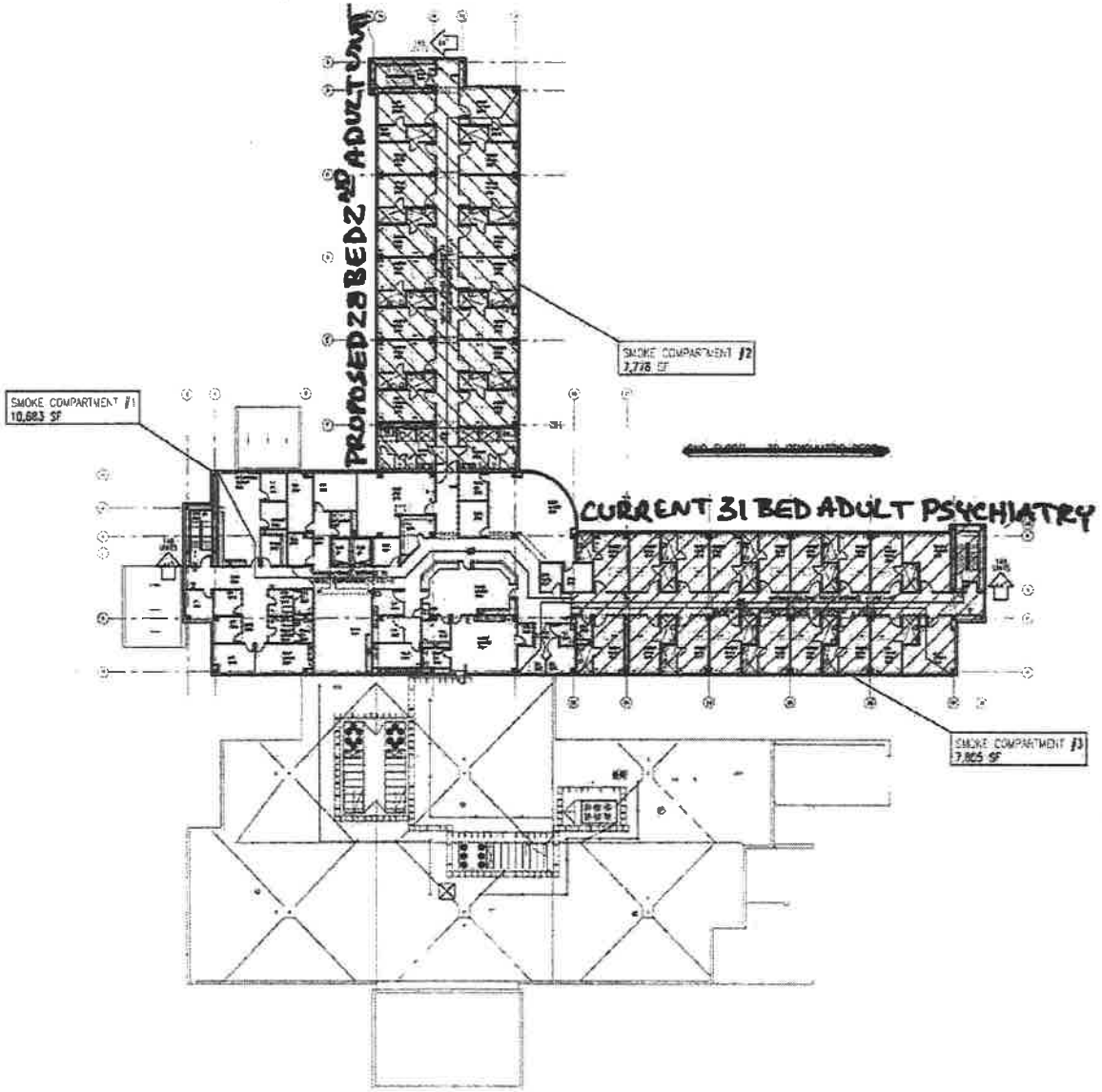
SECOND FLOOR TOTAL HOSPITAL



SMOKE COMPARTMENT INFORMATION

EXIT UNIT LEGEND

EQUIPMENT LEGEND

WALL LEGEND

LIFE SAFETY PLAN
SECOND FLOOR

POLARIS HOSPITAL COMPANY
POLARIS HOSPITAL OF MURFREESBORO
MURFREESBORO, TENNESSEE

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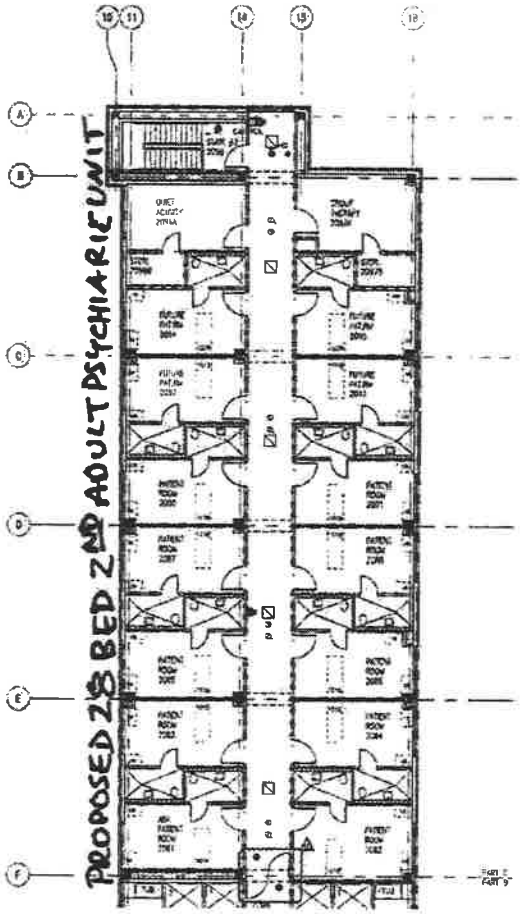
COLLABORATIVE, P.C.
A · R · C · H · I · T · E · C · T · S

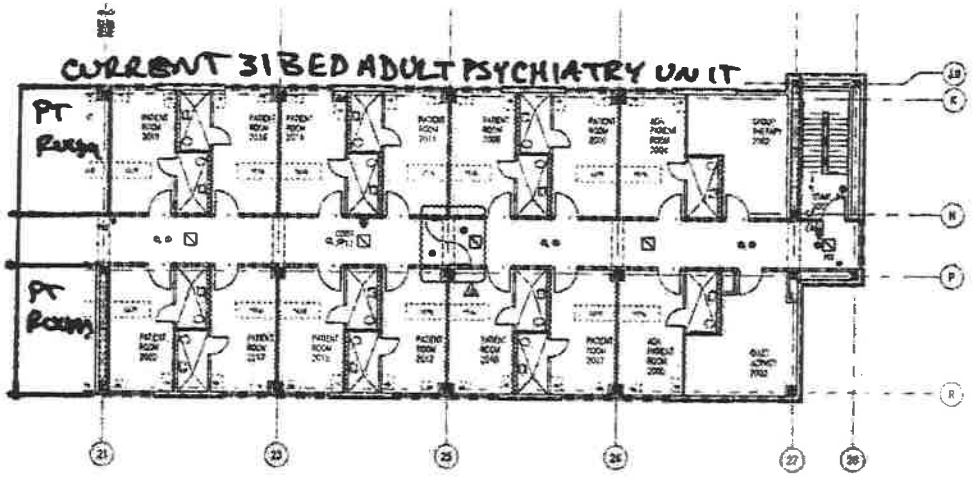
REVISION

LS1.02

SECOND FLOOR EXPANDED VIEW



SECOND FLOOR PART "C"



SECOND FLOOR PART "D"

LIFE SAFETY LEGEND

- EMERGENCY 2X4 LIGHTING
- EMERGENCY 2X2 LIGHTING
- EMERGENCY 1X4 LIGHTING
- EMERGENCY STRIP LIGHTING
- EMERGENCY INCANDESCENT LIGHTING
- EMERGENCY WALL MOUNTED LIGHTING
- EMERGENCY WALL PACK LIGHTING
- EXIT LIGHTS
- WALL MOUNTED EXIT LIGHTS
- SMOKE DETECTOR
- FIRE EXTINGUISHERS / CABINETS
- FIRE PULL STATION
- FIRE ALARM STROBE
- FIRE ALARM CHIME / STROBE

NOTE: ALL SYMBOLS MAY NOT BE USED

EQUIPMENT LEGEND

- OWNER FURNISHED
- CONTRACTOR FURNISHED

WALL LEGEND

- TYP. EXT. WALL CONSTRUCTION TYP.
- EXISTING PARTITION
- SMOKE PARTITION TO ABOVE CLG.
- UNRATED PARTITION TO DECK
- SMOKE RESISTANT PARTITION
- ONE HOUR FIRE PARTITION
- ONE HOUR FIRE - SMOKE PARTITION
- TWO HOUR FIRE PARTITION
- TWO HOUR FIRE - SMOKE PARTITION
- TWO HOUR SHAFT WALL
- FOUR HOUR FIRE WALL

LIFE SAFETY FLOOR PLAN
SECOND FLOOR PART "C" & "D"

POLARIS HOSPITAL COMPANY
POLARIS HOSPITAL OF MURFREESBORO
MURFREESBORO, TENNESSEE

DAVIS · STOKES
COLLABORATIVE, P.C.
A · R · C · H · I · T · E · C · T · S

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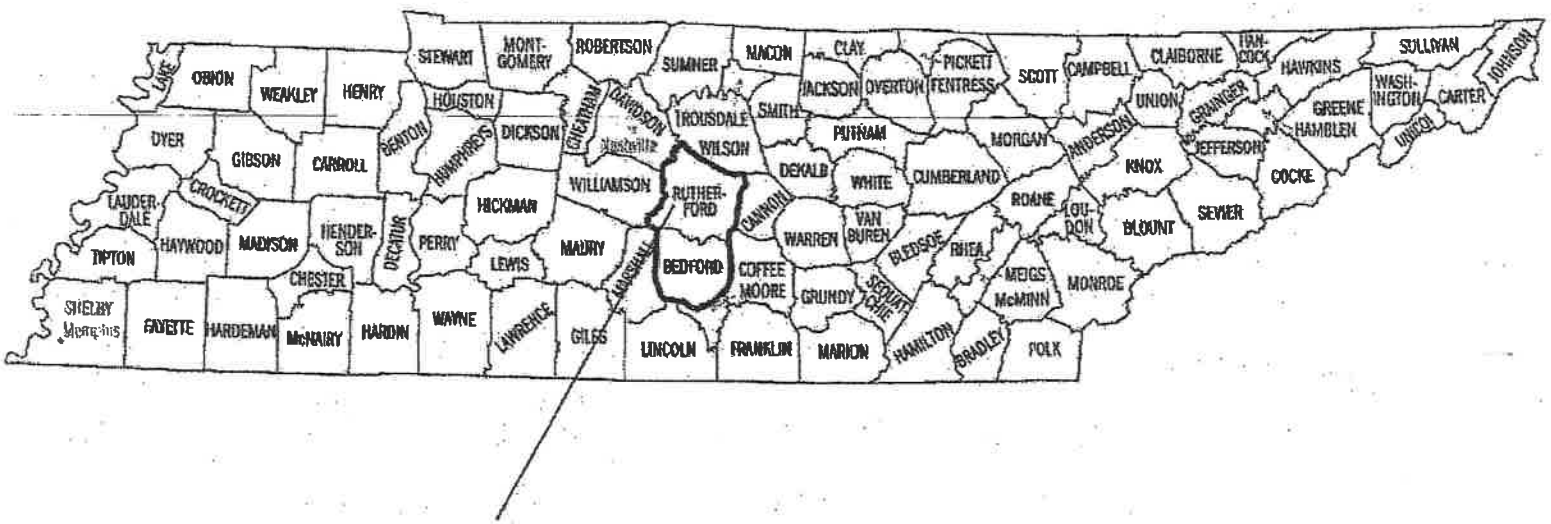
Service Area

Bedford and Rutherford Counties



SeniorHealth of Rutherford

Attachment C.Need.3

ATTACHMENT C.Need.4.A

Rutherford County, Tennessee

People QuickFacts	Rutherford County	Tennessee
Population, 2014 estimate	NA	6,549,352
Population, 2013 estimate	281,029	6,497,269
Population, 2010 (April 1) estimates base	262,604	6,346,275
Population, percent change - April 1, 2010 to July 1, 2014	NA	3.2%
Population, percent change - April 1, 2010 to July 1, 2013	7.0%	2.4%
Population, 2010	262,604	6,346,105
Persons under 5 years, percent, 2013	6.7%	6.2%
Persons under 18 years, percent, 2013	25.3%	23.0%
Persons 65 years and over, percent, 2013	9.3%	14.7%
Female persons, percent, 2013	50.7%	51.2%
White alone, percent, 2013 (a)	80.4%	79.1%
Black or African American alone, percent, 2013 (a)	13.5%	17.0%
American Indian and Alaska Native alone, percent, 2013 (a)	0.5%	0.4%
Asian alone, percent, 2013 (a)	3.2%	1.6%
Native Hawaiian and Other Pacific Islander alone, percent, 2013 (a)	0.1%	0.1%
Two or More Races, percent, 2013	2.3%	1.7%
Hispanic or Latino, percent, 2013 (b)	7.0%	4.9%
White alone, not Hispanic or Latino, percent, 2013	74.3%	74.9%
Living in same house 1 year & over, percent, 2009-2013	81.2%	84.6%
Foreign born persons, percent, 2009-2013	7.0%	4.6%
Language other than English spoken at home, pct age 5+, 2009-2013	9.9%	6.6%
High school graduate or higher, percent of persons age 25+, 2009-2013	89.7%	84.4%
Bachelor's degree or higher, percent of persons age 25+, 2009-2013	28.3%	23.8%
Veterans, 2009-2013	19,043	484,901
Mean travel time to work (minutes), workers age 16+, 2009-2013	26.9	24.3
Housing units, 2013	106,433	2,840,914
Homeownership rate, 2009-2013	67.6%	67.8%
Housing units in multi-unit structures, percent, 2009-2013	20.6%	18.3%
Median value of owner-occupied housing units, 2009-2013	$159,100	$139,200
Households, 2009-2013	96,731	2,475,195
Persons per household, 2009-2013	2.73	2.52
Per capita money income in past 12 months (2013 dollars), 2009-2013	$25,077	$24,409
Median household income, 2009-2013	$55,401	$44,298
Persons below poverty level, percent, 2009-2013	13.0%	17.6%

Business QuickFacts	Rutherford County	Tennessee
Private nonfarm establishments, 2012	4,602	130,592[1]
Private nonfarm employment, 2012	86,256	2,344,047[1]
Private nonfarm employment, percent change, 2011-2012	4.4%	1.9%[1]
Nonemployer establishments, 2012	17,993	471,026
Total number of firms, 2007	20,939	545,348
Black-owned firms, percent, 2007	6.1%	8.4%
American Indian- and Alaska Native-owned firms, percent, 2007	S	0.5%
Asian-owned firms, percent, 2007	2.6%	2.0%

Native Hawaiian and Other Pacific Islander-owned firms, percent, 2007	F	0.1%
Hispanic-owned firms, percent, 2007	2.7%	1.6%
Women-owned firms, percent, 2007	25.3%	25.9%
Manufacturers shipments, 2007 ($1000)	11,304,846	140,447,760
Merchant wholesaler sales, 2007 ($1000)	6,226,284	80,116,528
Retail sales, 2007 ($1000)	2,804,294	77,547,291
Retail sales per capita, 2007	$11,588	$12,563
Accommodation and food services sales, 2007 ($1000)	386,963	10,626,759
Building permits, 2013	3,057	23,816

Geography QuickFacts	**Rutherford County**	**Tennessee**
Land area in square miles, 2010	619.36	41,234.90
Persons per square mile, 2010	424.0	153.9
FIPS Code	149	47
Metropolitan or Micropolitan Statistical Area	Nashville-Davidson--Murfreesboro--Franklin, TN Metro Area	

1: Includes data not distributed by county.

(a) Includes persons reporting only one race.
(b) Hispanics may be of any race, so also are included in applicable race categories.

D: Suppressed to avoid disclosure of confidential information
F: Fewer than 25 firms
FN: Footnote on this item for this area in place of data
NA: Not available
S: Suppressed; does not meet publication standards
X: Not applicable
Z: Value greater than zero but less than half unit of measure shown

Source U.S. Census Bureau: State and County QuickFacts. Data derived from Population Estimates, American Community Survey, Census of Population and Housing, State and County Housing Unit Estimates, County Business Patterns, Nonemployer Statistics, Economic Census, Survey of Business Owners, Building Permits
Last Revised: Thursday, 05-Feb-2015 13:16:55 EST

ABOUT US FIND DATA BUSINESS & INDUSTRY PEOPLE & HOUSEHOLDS SPECIAL TOPICS NEWSROOM

Bedford County, Tennessee

People QuickFacts	Bedford County	Tennessee
Population, 2014 estimate	NA	6,549,352
Population, 2013 estimate	45,901	6,497,269
Population, 2010 (April 1) estimates base	45,058	6,346,275
Population, percent change - April 1, 2010 to July 1, 2014	NA	3.2%
Population, percent change - April 1, 2010 to July 1, 2013	1.9%	2.4%
Population, 2010	45,058	6,346,105
Persons under 5 years, percent, 2013	6.8%	6.2%
Persons under 18 years, percent, 2013	26.3%	23.0%
Persons 65 years and over, percent, 2013	14.2%	14.7%
Female persons, percent, 2013	50.6%	51.2%
White alone, percent, 2013 (a)	87.7%	79.1%
Black or African American alone, percent, 2013 (a)	8.2%	17.0%
American Indian and Alaska Native alone, percent, 2013 (a)	1.0%	0.4%
Asian alone, percent, 2013 (a)	1.2%	1.6%
Native Hawaiian and Other Pacific Islander alone, percent, 2013 (a)	0.2%	0.1%
Two or More Races, percent, 2013	1.8%	1.7%
Hispanic or Latino, percent, 2013 (b)	11.7%	4.9%
White alone, not Hispanic or Latino, percent, 2013	77.9%	74.9%
Living in same house 1 year & over, percent, 2009-2013	87.3%	84.6%
Foreign born persons, percent, 2009-2013	7.2%	4.6%
Language other than English spoken at home, pct age 5+, 2009-2013	11.6%	6.6%
High school graduate or higher, percent of persons age 25+, 2009-2013	77.5%	84.4%
Bachelor's degree or higher, percent of persons age 25+, 2009-2013	12.3%	23.8%
Veterans, 2009-2013	3,106	484,901
Mean travel time to work (minutes), workers age 16+, 2009-2013	26.6	24.3
Housing units, 2013	18,435	2,840,914
Homeownership rate, 2009-2013	70.0%	67.8%
Housing units in multi-unit structures, percent, 2009-2013	10.1%	18.3%
Median value of owner-occupied housing units, 2009-2013	$114,600	$139,200
Households, 2009-2013	16,402	2,475,195
Persons per household, 2009-2013	2.73	2.52
Per capita money income in past 12 months (2013 dollars), 2009-2013	$19,303	$24,409
Median household income, 2009-2013	$40,759	$44,298
Persons below poverty level, percent, 2009-2013	20.0%	17.6%

Business QuickFacts	Bedford County	Tennessee
Private nonfarm establishments, 2012	752	130,592[1]
Private nonfarm employment, 2012	12,019	2,344,047[1]
Private nonfarm employment, percent change, 2011-2012	0.8%	1.9%[1]
Nonemployer establishments, 2012	2,889	471,026
Total number of firms, 2007	3,958	545,348
Black-owned firms, percent, 2007	S	8.4%
American Indian- and Alaska Native-owned firms, percent, 2007	S	0.5%
Asian-owned firms, percent, 2007	F	2.0%

Native Hawaiian and Other Pacific Islander-owned firms, percent, 2007	F	0.1%
Hispanic-owned firms, percent, 2007	2.7%	1.6%
Women-owned firms, percent, 2007	20.6%	25.9%
Manufacturers shipments, 2007 ($1000)	1,047,294	140,447,760
Merchant wholesaler sales, 2007 ($1000)	D	80,116,528
Retail sales, 2007 ($1000)	340,609	77,547,291
Retail sales per capita, 2007	$7,649	$12,563
Accommodation and food services sales, 2007 ($1000)	35,265	10,626,759
Building permits, 2013	73	23,816

Geography QuickFacts	**Bedford County**	**Tennessee**
Land area in square miles, 2010	473.64	41,234.90
Persons per square mile, 2010	95.1	153.9
FIPS Code	003	47
Metropolitan or Micropolitan Statistical Area	Shelbyville, TN Micro Area	

1: Includes data not distributed by county.

(a) Includes persons reporting only one race.
(b) Hispanics may be of any race, so also are included in applicable race categories.

D: Suppressed to avoid disclosure of confidential information
F: Fewer than 25 firms
FN: Footnote on this item for this area in place of data
NA: Not available
S: Suppressed; does not meet publication standards
X: Not applicable
Z: Value greater than zero but less than half unit of measure shown

Source U.S. Census Bureau: State and County QuickFacts. Data derived from Population Estimates, American Community Survey, Census of Population and Housing, State and County Housing Unit Estimates, County Business Patterns, Nonemployer Statistics, Economic Census, Survey of Business Owners, Building Permits
Last Revised: Thursday, 05-Feb-2015 13:16:54 EST

U.S. Department of Health & Human Services

ATTACHMENT C.Need.4.B

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HRSA U. S. Department of Health and Human Services
Health Resources and Services Administration

Enter Keywords SEARCH
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Find Shortage Areas: MUA/P by State and County

- Shortage Designation Home
- **Find Shortage Areas**
- HPSA & MUA/P by Address
- HPSA by State & County
- HPSA Eligible for the Medicare Physician Bonus Payment

Criteria:
State: Tennessee
County: Bedford County
ID #: All

Results: 1 records found.

Name	ID#	Type	Score	Designation Date	Update Date
Bedford County					
Bedford Service Area	03173	MUA	59.80	1978/11/01	

NEW SEARCH MODIFY SEARCH CRITERIA

U.S. Department of Health & Human Services

HRSA Data Warehouse | HRSA.gov

HRSA U. S. Department of Health and Human Services
Health Resources and Services Administration

Enter Keywords SEARCH
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Find Shortage Areas: MUA/P by State and County

- Shortage Designation Home
- **Find Shortage Areas**
- HPSA & MUA/P by Address
- HPSA by State & County
- HPSA Eligible for the Medicare Physician Bonus Payment

Criteria:
State: Tennessee
County: Rutherford County
ID #: All

Results: 2 records found.

Name	ID#	Type	Score	Designation Date	Update Date
Rutherford County					
Christiana Division Service Area	03259	MUA	56.90	1994/05/12	
MCD (91100) District 6					

NEW SEARCH MODIFY SEARCH CRITERIA

ATTACHMENT C.EF.2

TrustPoint
HOSPITAL

February 2, 2015

Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

Re: Proposed reallocation of service bed capacity

Dear Madam/Sir:

Trustpoint Hospital, LLC has in excess of $935,000 in cash reserves available and earmarked to fund the furnishings and renovation necessary to implement the proposed reallocation of service beds.

Sincerely,

Brian Lohrding
Chief Financial Officer

ATTACHMENT C.EF.10

Trustpoint Hospital, LLC
Balance Sheet

ASSETS	December 31, 2014
Current Assets:	
Cash	1,806,704
Restricted Cash	
Accounts receivable, net	3,203,386
Due from (to) Medicare	(621,426)
Pre-paid expenses and other	164,302
Total Current Assets	4,552,966
Fixed Assets:	
Equipment and furnishings	698,911
Less: accumulated depreciation	(132,591)
Equipment and furnishings, net	566,320
Building	20,163,828
Less: accumulated depreciation	(3,113,592)
Building, net	17,050,236
TOTAL ASSETS	22,169,522
LIABILITIES AND OWNERS' EQUITY	
Current Liabilities:	
Accounts payable	1,071,795
Accrued compensation	695,576
Accrued taxes	24,817
Intercompany payable, net	5,039
AR-based Line of Credit	4,423
Total Current Liabiliites	1,801,650
Total Long-term Liabilities	20,306,265
Owners' Equity:	
Contributions, net	3,968,252
Accumulated retained loss	(3,906,646)
Total Owners' Equity	61,606
TOTAL LIABILITIES AND EQUITY	22,169,522

Trustpoint Hospital, LLC

	2014
REVENUES:	
Net In-patient revenues	18,531,269
Net Out-Patient Revenue	710,147
Net Physician Revenue	585,337
Other revenues	979,794
TOTAL REVENUES	20,806,548
EXPENSES:	
Salaries and wages	9,099,824
Benefits	1,086,906
Payroll Taxes	773,058
Personnel Subtotal	10,959,788
Contract Services	2,021,195
Supplies	1,381,016
Facilities	1,332,779
Insurance	303,207
Taxes	260,156
Other Operating Expenses	804,821
Interest	1,604,334
Depreciation	1,546,841
TOTAL EXPENSES	20,214,136
NET INCOME (LOSS)	592,412

PATIENT TRANSFER AGREEMENT

THIS PATIENT TRANSFER AGREEMENT (this "Agreement") is made as of March 5, 2012 by and between **MIDDLE TENNESSEE MEDICAL CENTER, INC.** ("Hospital") and **SENIORHEALTH OF RUTHERFORD, LLC d/b/a TrustPoint Hospital** ("Transferor").

RECITALS:

A. Hospital and Transferor each operate health care entities located in Middle Tennessee.

B. The parties desire to assure a continuity of care and appropriate medical treatment for the needs of each patient in their respective facilities, and have determined that, in the interest of patient care, the parties should enter into an agreement to provide for the transfer of patients from Transferor to Hospital on the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the mutual promises herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows.

1. Term and Termination.

(a) The Agreement shall have a two (2) year term commencing on **August 1, 2012** (the "Initial Term"). Upon the expiration of the Initial Term, this Agreement shall automatically renew for up to three additional one-year renewal terms ("Renewal Term") unless either party provides written notice of its intent not to renew to the other party at least sixty (60) days prior to the end of the then current term (the Initial Term and any Renewal Terms are collectively referred to herein as the "Term").

(b) This Agreement may be teminated by either party:

(i) upon ninety (90) days prior written notice to the other party, or

(ii) immediately should the other party fail to maintain the licenses, certifications or accreditations, including Medicare certification, required to operate its facility as it is currently being operated.

2. Transfer.

(a) Upon such time that a patient's physician determines that the patient needs to be transferred from Transferor to Hospital pursuant to Transferor's physician's order, Hospital agrees to admit the patient as promptly as possible and provide healthcare services as necessary, provided all conditions of eligibility are met. Transferor agrees to send the following with each patient at the time of transfer, or as soon thereafter as possible in emergency situations:

(i) an abstract of pertinent medical and other information necessary to continue the patient's treatment without interruption; and

(ii) essential identifying and administrative information.

(b) Transferor shall also perform the following:

(i) notify Hospital of the impending transfer;

(ii) receive confirmation that Hospital can accept the patient, and that a Hospital medical staff physician has done so;

(iii) obtain patient's consent to the transfer; and

(iv) arrange for the transportation of the patient, including mode of transportation and the provision of one or more health care practitioners as necessary.

3. Relationship of the Parties.

(a) Nothing in this Agreement shall in any way affect the autonomy of either party. Each party shall have exclusive control of its management, assets and affairs. Neither party assumes any liability for the debts or obligations of the other party.

(b) Neither party shall be responsible, financially or otherwise, for the care and treatment of any patient while that patient is admitted to, or is under the care of, the other party's facility.

(c) Each party may contract or affiliate with other facilities during the term of this Agreement.

4. EMTALA. The parties agree that any patient transfers made pursuant to this Agreement shall be in compliance with 42 U.S.C. § 1395dd, et seq. and any amendments thereto ("EMTALA"), EMTALA's implementing regulations, such other requirements as may be imposed by the Secretary of Health and Human Services, and any other applicable Federal or State patient transfer laws.

5. Indemnification. Transferor agrees to indemnify, defend and hold Hospital, its officers, trustees, employees and agents harmless, to the extent permitted by applicable law, from or against any loss, injury, damage or liability incurred by reason of any act or failure to act by Transferor, its officers, employees or agents in connection with the performance of this Agreement.

Hospital agrees to indemnify, defend and hold Transferor, its officers, employees and agents harmless, to the extent permitted by applicable law, from or against any loss, injury, damages or liability incurred by reason of any act or failure to act by Hospital, its officers, trustees, employees and agents in connection with the performance of this Agreement.

6. Compliance. In compliance with federal law, including the provisions of Title IX of the Education Amendments of 1972, Section 503 and 504 of the Rehabilitation Act of 1973, the Age Discrimination in Employment Act of 1967 and 1975 and the Americans with Disabilities Act of 1990, and Title VI of the Civil Rights Act of 1964 each party hereto will not discriminate on the basis of race, sex, religion, color, national or ethnic origin, age, disability, or military service, AIDS and AIDS related conditions in its administration of its policies, including admissions policies, employment, or program activities.

7. Record Availability. Transferor agrees that, until the expiration of four (4) years after the furnishing of any goods and services pursuant to this Agreement, it will make available, upon written

request of the Secretary of Health and Human Services or the Comptroller General of the United States or any of their duly authorized representatives, copies of this Agreement and any books, documents, records and other data of Transferor that are necessary to certify the nature and extent of the costs incurred by Hospital in purchasing such goods and services. If Transferor carries out any of its duties under this Agreement through a subcontract with a related organization involving a value or cost of ten thousand dollars ($10,000) or more over a twelve-month period, Transferor will cause such subcontract to contain a clause to the effect that, until the expiration of four (4) years after the furnishing of any good or service pursuant to said contract, the related organization will make available upon written request of the Secretary of Health and Human Services or the Comptroller General of the United States or any of their duly authorized representatives, copies of this Agreement and any books, documents, records and other data of said related organization that are necessary to certify the nature and extent of costs incurred by Transferor for such goods or services. Transferor shall give Hospital notice immediately upon receipt of any request from the Secretary of Health and Human Services or the Comptroller General of the United States or any of their duly authorized representatives for disclosure of such information.

Transferor agrees to indemnify, defend and hold Hospital harmless from and against any loss, liability, judgment, penalty, fine, damages (including punitive and/or compounded damages), costs (including reasonable attorneys' fees and expenses) suffered or incurred by Hospital as a result of, in connection with, or arising from Transferor 's failure to comply with this Section 6.

8. Exclusion from Federal Health Care Programs. Transferor represents and warrants that it has not been nor is it about to be excluded from participation in any Federal Healthcare Program. Transferor agrees to notify Hospital within one (1) business day of Transferor's receipt of a notice of intent to exclude or actual notice of exclusion from any such program. The listing of Transferor or any Transferor-owned subsidiary on the Office of Inspector General's exclusion list (OIG website) or the General Services Administration's Lists of Parties Excluded from Federal Procurement and Nonprocurement Programs (GSA website) for excluded individuals and entities shall constitute "exclusion" for purposes of this paragraph. In the event that Transferor is excluded from any Federal Healthcare Program, this Agreement shall immediately terminate. For the purposes of this paragraph, the term "Federal Healthcare Program" means the Medicare program, the Medicaid program, the Maternal and Child Health Services Block Grant program, the Block Grants for State for Social Services program, any state Children's Health Insurance program, or any similar program. Further, Transferor agrees to indemnify and hold Hospital harmless from and against any loss, liability, judgment, penalty, fine, damages (including punitive and/or compounded damages), costs (including reasonable attorneys' fees and expenses) incurred by Hospital as a result of Transferor's failure to notify the Hospital of its exclusion from any Federal Healthcare Program.

9. Corporate Compliance. Hospital has in place a Corporate Responsibility Plan, which has as its goal to ensure that Hospital complies with federal, state and local laws and regulations. The plan focuses on risk management, the promotion of good corporate citizenship, including a commitment to uphold a high standard of ethical and legal business practices, and the prevention of misconduct. Transferor acknowledges Hospital's commitment to corporate responsibility. Transferor agrees to conduct its business transactions with Hospital in accordance with the principles of good corporate citizenship and a high standard of ethical and legal business practices.

10. Miscellaneous.

(a) The parties agree to provide each other with information regarding the resources each has available and the type of patients or health conditions that each is able to accept.

(b) Neither party shall use the name of the other in any promotional or advertising material unless the other party has been given the opportunity to review the material and prior written approval for the material and its use has been obtained.

(c) This Agreement supersedes all prior agreements, whether written or oral, between the parties with respect to its subject matter and constitutes a complete and exclusive statement of the terms of the agreement between the parties with respect to its subject matter. This Agreement may not be amended, supplemented, or otherwise modified except by a written agreement executed by the party to be charged with the amendment.

(d) If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

(e) This Agreement shall be governed by and construed and enforced in accordance with the laws and in the courts of the State of Tennessee.

(f) Hospital may assign this Agreement, without the consent of Transferor, to an entity that directly or indirectly controls, is controlled by, or is under common control with, Hospital. For the purposes of this paragraph, the terms "control" means, with respect to a person, the authority, directly or indirectly, to (i) act as controlling member, shareholder or partner or such person, (ii) appoint, elect or approve at least a majority of the individual members, shareholders or partners of such person, or (iii) appoint, elect or approve at least a majority of the governing body of such person. Except as set forth above, neither party may assign this Agreement or any obligation hereunder without first obtaining the written consent of the other party. Any attempted delegation or assigning in violation of this paragraph shall be null and void. Subject to the foregoing, this Agreement shall be binding on and inure to the benefit of the parties and their respective heirs, administrators, successors and permitted assigns. Nothing expressed or referred to in this Agreement will be construed to give any person other than the parties to this Agreement any legal or equitable right, remedy or claim under or with respect to this Agreement or any provision of this Agreement, except such rights as shall inure to a successor or permitted assignee pursuant to this paragraph.

(g) In the event that any legal action or other proceedings, including arbitration, is brought for the enforcement of this Agreement or because of an alleged dispute of breach, the prevailing party shall be awarded its costs of suit and reasonable attorney's fees.

(h) All notices, consents, waivers and other communications required or permitted by this Agreement shall be in writing and shall be deemed given to a party when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid); or (b) received or rejected by the addressee, if sent by certified mail, return receipt requested, in each case to the following addresses and marked to the attention of the person (by name or title) designated below (or to such other address or person as a party may designate by notice to the other parties):

If to Hospital: Middle Tennessee Medical Center, Inc.
1700 Medical Center Parkway
Murfreesboro, TN 37129

MUTUAL AID MEMORANDUM OF UNDERSTANDING

I. Introduction and Background

Healthcare facilities located within Tennessee are susceptible to a man-made or natural disaster that could exceed the resources of any one individual facility. Disasters can result from incidents generating an overwhelming number of patients, or smaller groups of patients whose specialized medical requirements exceed the resources of the impacted facility (e.g., hazmat injuries, pulmonary, trauma surgery, etc.), or from incidents such as building or plant problems, natural disasters, terrorist acts, bomb threats, etc., that impact a facility's operational capability.

II. Purpose of Mutual Aid Memorandum of Understanding

The purpose of this mutual aid agreement is to assist Rolling Hills Hospital (2014 Quail Hollow Circle, Franklin, TN 37067) and Trust Point Hospital of Murfreesboro (1009 North Thompson Lane, Murfreesboro, TN, 37129) (hereafter "the Parties" or "healthcare facilities") achieve an effective level of disaster medical preparedness by detailing in advance the voluntary exchange of personnel, pharmaceuticals, supplies, equipment, and/or information. In addition, the MOU will serve to potentiate the Parties' desire to assist each other to the extent practical with transfer and receipt of patients in the event a facility is rendered incapable of patient care and must relocate its patients. This Mutual Aid Memorandum of Understanding (MOU) is a voluntary agreement between the Parties. **It is understood that this MOU is not a legally binding document, but rather signifies the belief and commitment of the Parties that in a disaster, whether natural or man-made, the medical needs of the community will be best met if they cooperate and coordinate their response efforts.**

This MOU is intended to enhance, not replace, the Parties' disaster program and emergency operations plan. Each Party has the responsibility for maintaining its own emergency management plan that includes, at a minimum, provisions for the care of patients in an emergency or disaster situation, maintenance of disaster equipment, appropriate training of staff and the implementation of an internal incident command system based on the principles of the National Incident Management System and the Incident Command System.

III. Definition of Terms

Command Center: An area established within a healthcare facility during an emergency that is the facility's primary source of administrative authority and decision-making.

Donor Healthcare Facility: The healthcare facility that provides personnel, pharmaceuticals, supplies, equipment, and/or information to the Emergency Operations Center (EOC) or a facility experiencing a medical disaster.

Impacted Healthcare Facility: A healthcare facility that has exceeded its capability to manage a disaster with its own internal resources. This is also referred to as the recipient healthcare facility when pharmaceuticals, supplies, equipment, and/or information are requested or as the patient transferring healthcare facility when the evacuation of patients is required.

Medical Disaster: An event that a facility cannot appropriately resolve solely by using its own resources and may involve temporarily utilizing medical and support personnel, pharmaceuticals, supplies, or equipment, and/or information from another facility. This type of event may also necessitate the need for transport of patients to other participating healthcare facilities.

Emergency Operations Center (EOC): A communication center with network capabilities allowing for the immediate determination of available healthcare facility resources at the time of a disaster. The EOC is operational 24-hours a day and requires daily maintenance. The EOC may assume a command/control function during a disaster. Logistics coordinated by the EOC include identifying the number and specific location where personnel, pharmaceuticals, supplies, equipment, patients, and/or information should be sent, how to enter the security perimeter; estimated time interval between arrivals and estimated return dates of borrowed supplies, etc.

Patient Accepting Healthcare Facility: The healthcare facility that accepts transferred patients from a facility Healthcare Facility: experiencing a medical disaster. When patients are evacuated, the receiving facility is referred to as the patient accepting healthcare facility.

Patient Transferring Healthcare Facility: The healthcare facility that evacuates patients to a Patient Accepting Healthcare Facility in response to a medical disaster.

Recipient Healthcare Facility: The healthcare facility that receives personnel or materials from another facility when evacuating and/or transferring patients during a medical Disaster. Alternate Care Site (ACS): A location designated by the patient transferring healthcare facility or local/state/federal Emergency Management officials where patients will be sent for treatment and/or observation should the disaster overwhelm capacity of participating healthcare facilities of this MOU.

IV. General Terms of this Agreement

1. **Agreement to Share Resources:** To the best of their ability, each Party agrees to share the following resources during a disaster: Personnel (that have been appropriately credentialed); Equipment; Supplies; Pharmaceuticals; and Information.

2. **Implementation of Mutual Aid Memorandum of Understanding:** Only the Incident Commander at each healthcare facility has the authority to begin implementing the Mutual Aid MOU. The Healthcare Facility's Incident Commander or designee is responsible for requesting personnel, pharmaceuticals, supplies, equipment, information or authorizing the evacuation of patients. The healthcare facility's Incident Commander or designee will coordinate, both internally and with the donor/patient-accepting healthcare facility, all of the logistics involved in implementing this Mutual Aid MOU.

3. **Alternate Care Site:** Each healthcare facility agrees to assist in the operations of alternate care sites as a regional medical response.

4. **Patient Information:** During disasters each healthcare facility agrees to provide relevant patient information as necessary to assist with the public health function response.

V. Transfer/Evacuation of Patients

1. This MOU is entered into by and between the Parties to set forth guidelines under which each facility will transfer or accept patients in the event of a partial or total facility evacuation in an emergency situation. Evacuation of any of the participating healthcare facilities would occur only in extreme emergencies, which would render the healthcare facility or a portion of the healthcare facility unusable for patient care. (Examples of such situations requiring evacuation and transfer

of patients to other healthcare facilities would include but not be limited to a major fire, building damage, environmental hazard, etc.)

2. If an emergency incident or disaster occurs that forces a partial or complete evacuation of one of the signatory health care facilities, the other signatory health care facility agrees to participate in the distribution of patients from the affected facility, even if this requires activating emergency response plans at the receiving facility. In order to aid this voluntary cooperative effort, the signatories agree in principle to the following procedures:

   a. Subject to medical capability and space availability, each healthcare facility agrees to accept a transferring facility's emergent patients in the event of an emergency evacuation.
   b. The receiving healthcare facility will provide applicable medically necessary healthcare services as may be required by patients transported to the receiving healthcare facility. Each of the healthcare facilities will follow its standard procedures for admission of patients and its standard protocols for providing care to patients.
   c. The transferring healthcare facility will be responsible for arranging for transportation of any evacuated patients to the receiving healthcare facility. The transferring healthcare facility is responsible for arranging transportation of patients from the receiving facility back to the originating facility.
   d. The transferring healthcare facility will provide the receiving healthcare facility with as much advance notice as possible of any patients requiring evacuation to a receiving healthcare facility.
   e. The transferring healthcare facility will send to the receiving healthcare facility at the time of transfer such identifying administrative medical and related information as may be necessary for the proper care of the transferred patient.
   f. The transferring healthcare facility will send with each patient at the time of transfer (or as soon thereafter as possible) all of the patient's personal effects and any information relevant thereto. In the event that the personal effects cannot be sent with an alert and competent patient, the transferring healthcare facility may elect to secure such personal effects until the crisis is over. The transferring healthcare facility will remain responsible for such items until receipt thereof is acknowledged by the receiving healthcare facility.
   g. This MOU does not require a transferring healthcare facility to transfer patients to any healthcare facility. The transferring healthcare facility may transfer patients to facilities other than the signatory healthcare facilities.
   h. The receiving healthcare facility may discharge patients in accordance with its standard processes.
   i. The transferring healthcare facility agrees to readmit patients when capability and capacity are restored at the transferring healthcare facility. The receiving healthcare facility agrees to transfer the patients back to the transferring healthcare facility upon such notification.

VI. Transfer of Pharmaceuticals, Supplies or Equipment

1. In the event that needed supplies are in surplus at one of the signatory health care facilities and lacking at another, the signatory health care facility with the surplus will share supplies to help ensure patients in the region receive necessary treatment during a disaster.

2. The Incident Commander or designee of the recipient facility must authorize the request for pharmaceuticals, supplies or equipment. The request for the transfer of pharmaceuticals, supplies, or equipment initially can be made verbally to the Incident Commander or designee of

the donor healthcare facility. The request must be followed up with written documentation before pharmaceuticals, supplies or equipment will be released or verbal communication in the event of a technological failure and this will be followed by a written requisition form at the earliest possible time and prior to demobilization.

3. The recipient healthcare facility will identify to the donor healthcare facility the following:

    a. The quantity and exact type of requested items.
    b. An estimate of how quickly the requested items are needed.
    c. Estimated time period for which reusable supplies or equipment will be needed.
    d. Location to which, and to whom, the items should be delivered.
    e. Transportation method.

4. The recipient healthcare facility will identify how long it will take them to fulfill the request. The receipt of supplies, equipment, and pharmaceuticals will be the responsibility of a designated individual within the recipient healthcare facility. The recipient healthcare facility's designee will confirm the receipt of the material resources. The documentation will detail the following:

    a. The items delivered.
    b. The condition of the equipment received (if applicable).
    c. The recipient healthcare facility's contact person for durable medical equipment or reusable supplies.

5. The recipient facility is responsible for tracking the borrowed inventory and is responsible for appropriate use and maintenance of all borrowed pharmaceuticals, supplies, or equipment.

6. The recipient healthcare facility is responsible for the cleaning, maintenance, and prompt return of the borrowed equipment to the donor healthcare facility. It is expected that the equipment will be returned in good working order. Once the equipment is no longer in use, or upon resumption of normal operations, every reasonable effort will be made to replace the borrowed equipment or return it to the donor healthcare facility in a timeframe that is acceptable to both institutions.

VII. Loaning Patient Care Staff

In an emergency incident or disaster, when patient care staff is in surplus at one of the signatory health care facilities and lacking at the other, the signatory health care facility with the surplus will make all reasonable efforts to share staff to help ensure that the available health care facility beds are adequately staffed during a disaster. Personnel who are dispatched to the affected facility shall be limited to staff who are certified, licensed, privileged and/or credentialed at the assisting facility, as appropriate, given such staffs' professional scope of practice.

VIII. Payment for Supplies, Transportation, Staff and Equipment

The recipient healthcare facility will assume responsibility for the supplies, transportation, staff and equipment from the donor healthcare facility during the time the personnel, equipment and supplies are at the recipient healthcare facility. If the donor facility requests reimbursement for salaries or expenses, the recipient facility shall reimburse the donor facility, to the extent permitted by federal law, for all of the

With a copy to: Saint Thomas Health
102 Woodmont Blvd., Suite 700
Nashville, TN 37205
Attn: Contract Administration

If to Transferor: SeniorHealth of Rutherford, LLC
TrustPoint Hospital
1009 North Thompson Lane
Murfreesboro, TN 37129

(i) The headings of the various sections of this Agreement are inserted merely for convenience and do not expressly or by implication limit, define or extend the specific terms of the sections so designated. Any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any party shall not apply to any construction or interpretation hereof.

(j) This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by facsimile transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties transmitted by facsimile shall be deemed to be their original signatures for all purposes.

IN WITNESS WHEREOF, the parties have executed this Patient Transfer Agreement as of the date first above written.

HOSPITAL:

Middle Tennessee Medical Center, Inc.

By: _____
Name: Gordon Ferguson
Title: President & CEO

TRANSFEROR:

SeniorHealth of Rutherford, LLC d/b/a TrustPoint Hospital

By: _____
Name: Kevin D. Lee
Title: President

donor facility's costs determined by the donor facility and the recipient facility working together to determine the appropriate costs. Costs include all use, breakage, damage, replacement and return costs of borrowed materials. Staff wages, benefits, taxes, insurance, or other compensation is always paid by their home facility (employer). Reimbursement will be made within a mutually agreed timeframe between the donor facility and the recipient facility following receipt of the invoice.

IX. Term and Termination

As to each participating healthcare facility, the terms of this Agreement will commence on the date of its signature of this MOU, and will continue in full force and effect for five (5) years from the date of the Agreement unless terminated or modified by mutual written agreement by all participating healthcare facilities. An individual facility may elect to terminate its participation in this MOU by providing thirty (30) days written notice to other participating healthcare facilities of its intent to terminate.

IN WITNESS WHEREOF, the undersigned have executed this Agreement on behalf of:

Rolling Hills Hospital

By: _____ Date: 4/1/2014

Trust Point of Murfreesboro

By: _____ Date: 7/7/2014

Occupational Wages

ATTACHMENT C.OD.3

All industries

Nashville-Davidson--Murfreesboro, TN MSA

Healthcare Practitioners and Technical Occupations

Occupation Job Description	Occ. code	Est. empl.	Mean Hourly Wage	Entry wage	Exp. wage	25th pct	Median wage	75th pct
Healthcare Practitioners and Technical Occupations	29-0000	53,470	66,604 32.00	33,118 15.90	83,348 40.05	38,822 18.65	53,866 25.90	72,941 35.05
Chiropractors	29-1011	100	90,897 43.70	64,159 30.85	104,266 50.15	78,315 37.65	87,353 42.00	123,638 59.45
Dentists, General	29-1021	220	201,462 96.85	113,438 54.55	245,474 118.00	144,905 69.65	187,275 90.05	187,676 90.25
Oral and Maxillofacial Surgeons	29-1022	N/A	263,927 126.90	N/A	N/A	187,200 90.00	187,200 90.00	187,200 90.00
Dentists, All Other Specialists	29-1029	N/A	250,569 120.45	N/A	N/A	187,200 90.00	187,200 90.00	187,200 90.00
Dietitians and Nutritionists	29-1031	380	50,144 24.10	38,708 18.60	55,861 26.85	41,258 19.85	47,301 22.75	60,200 28.95
Optometrists	29-1041	110	101,645 48.85	55,061 26.45	124,937 60.05	69,334 33.35	111,830 53.75	136,555 65.65
Pharmacists	29-1051	2,320	121,251 58.30	95,305 45.80	134,225 64.55	107,336 51.60	122,312 58.80	138,859 66.75
Anesthesiologists	29-1061	120	239,415 115.10	190,391 91.55	N/A	187,200 90.00	187,200 90.00	187,200 90.00
Family and General Practitioners	29-1062	590	135,727 65.25	51,725 24.85	177,728 85.45	54,552 26.25	112,313 54.00	187,358 90.10
Internists, General	29-1063	N/A	174,529 83.90	77,496 37.25	223,046 107.25	128,517 61.80	172,773 83.05	187,555 90.15
Obstetricians and Gynecologists	29-1064	80	210,021 100.95	140,005 67.30	245,029 117.80	163,506 78.60	187,338 90.05	187,744 90.25
Pediatricians, General	29-1065	180	175,251 84.25	122,264 58.80	201,744 97.00	155,235 74.65	172,619 83.00	187,345 90.05
Psychiatrists	29-1066	50	206,329 99.20	144,467 69.45	237,261 114.05	169,413 81.45	187,315 90.05	187,792 90.30
Surgeons	29-1067	50	259,083 124.55	N/A	N/A	187,391 90.10	187,620 90.20	187,849 90.30
Physicians and Surgeons, All Other	29-1069	1,930	223,282 107.35	154,264 74.15	N/A	177,115 85.15	187,526 90.15	187,911 90.35
Physician Assistants	29-1071	320	86,479 41.60	59,417 28.55	100,010 48.10	69,412 33.35	85,044 40.90	104,883 50.40
Podiatrists	29-	60	144,729	72,711	180,739	76,738	101,085	187,200

	1081		69.60	34.95	86.90	36.90	48.60	90.00
Occupational Therapists	29-1122	470	77,746	60,947	86,146	65,891	76,530	89,213
			37.40	29.30	41.40	31.70	36.80	42.90
Physical Therapists	29-1123	1,240	75,262	58,700	83,543	64,574	76,372	88,007
			36.20	28.20	40.15	31.05	36.70	42.30
Radiation Therapists	29-1124	70	70,699	52,668	79,715	57,516	68,710	80,881
			34.00	25.30	38.30	27.65	33.05	38.90
Recreational Therapists	29-1125	N/A	51,765	33,465	60,915	37,088	53,647	67,776
			24.90	16.10	29.30	17.85	25.80	32.60
Respiratory Therapists	29-1126	870	50,991	39,471	56,752	42,466	50,870	58,836
			24.50	19.00	27.30	20.40	24.45	28.30
Speech-Language Pathologists	29-1127	550	59,333	40,672	68,663	45,717	56,047	71,150
			28.55	19.55	33.00	22.00	26.95	34.20
Exercise Physiologists	29-1128	40	48,410	35,717	54,756	37,788	45,663	57,543
			23.25	17.15	26.30	18.15	21.95	27.65

Entry and Experienced Wages represent the mean of the lower third and the mean of the upper two-thirds of the wage distribution respectively. The OES survey does not collect information for entry or experienced workers. Tennessee Department of Labor & Worforce Development, Labor Market Information. Publish date June 2014.

Occupational Wages

All industries

Nashville-Davidson--Murfreesboro, TN MSA

Healthcare Support Occupations

Occupation Job Description	Occ. code	Est. empl.	Mean Hourly Wage	Entry wage	Exp. wage	25th pct	Median wage	75th pct
Healthcare Support Occupations	31-0000	21,230	27,520 13.25	18,867 9.05	31,846 15.30	20,689 9.95	25,868 12.45	32,479 15.60
Home Health Aides	31-1011	3,740	19,327 9.30	16,785 8.05	20,599 9.90	17,192 8.25	19,020 9.15	21,890 10.50
Psychiatric Aides	31-1013	N/A	27,274 13.10	20,352 9.80	30,734 14.80	21,696 10.45	25,642 12.35	30,393 14.60
Nursing Assistants	31-1014	6,910	24,680 11.85	18,941 9.10	27,550 13.25	20,483 9.85	24,208 11.65	28,551 13.75
Orderlies	31-1015	310	24,910 12.00	21,048 10.10	26,841 12.90	22,511 10.80	24,561 11.80	26,878 12.90
Occupational Therapy Assistants	31-2011	90	52,843 25.40	38,708 18.60	59,911 28.80	44,528 21.40	54,391 26.15	62,613 30.10
Physical Therapist Assistants	31-2021	390	51,471 24.75	37,212 17.90	58,600 28.15	44,031 21.15	53,244 25.60	60,267 28.95
Physical Therapist Aides	31-2022	270	22,372 10.75	17,210 8.25	24,953 12.00	18,886 9.10	21,757 10.45	24,554 11.80
Massage Therapists	31-9011	320	40,190 19.30	27,466 13.20	46,551 22.40	31,976 15.35	35,908 17.25	44,184 21.25
Dental Assistants	31-9091	1,940	35,112 16.90	27,757 13.35	38,790 18.65	30,860 14.85	35,287 16.95	40,874 19.65
Medical Assistants	31-9092	4,560	31,636 15.20	25,467 12.25	34,721 16.70	26,773 12.85	30,566 14.70	35,910 17.25
Medical Equipment Preparers	31-9093	130	31,054 14.95	24,182 11.65	34,489 16.60	26,054 12.55	31,297 15.05	35,968 17.30
Medical Transcriptionists	31-9094	N/A	45,460 21.85	27,963 13.45	54,209 26.05	30,264 14.55	34,485 16.60	38,458 18.50
Pharmacy Aides	31-9095	370	20,256 9.75	16,884 8.10	21,942 10.55	17,958 8.65	20,134 9.70	22,514 10.80
Veterinary Assistants and Laboratory Animal Caretakers	31-9096	530	28,165 13.55	21,694 10.45	31,400 15.10	24,407 11.75	28,254 13.60	32,920 15.85
Phlebotomists	31-9097	1,010	25,575 12.30	19,577 9.40	28,574 13.75	20,682 9.95	23,521 11.30	30,930 14.85
Healthcare Support Workers, All Other	31-9099	N/A	33,916 16.30	22,497 10.80	39,626 19.05	23,703 11.40	34,903 16.80	43,041 20.70

Entry and Experienced Wages represent the mean of the lower third and the mean of the upper two-thirds of the wage distribution respectively. The OES survey does not collect information for entry or experienced workers. Tennessee Department of Labor & Worforce Development, Labor Market Information. Publish date June 2014.

Board for Licensing Health Care Facilities

State of Tennessee

0000000184

No. of Beds 0096

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

TRUSTPOINT HOSPITAL, LLC to conduct and maintain a

Hospital TRUSTPOINT HOSPITAL

Located at 1009 NORTH THOMPSON LANE, MURFREESBORO

County of RUTHERFORD, *Tennessee.*

This license shall expire AUGUST 06, 2015, 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 6TH day of AUGUST, 2014.

In the Distinct Category(ies) of: GENERAL HOSPITAL
PEDIATRIC BASIC HOSPITAL

By Vincent J. Davis, MPH
DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By John J. Dreyzehner, MD
COMMISSIONER

DCF011

ATTACHMENT C.OD.7.c

SeniorHealth of Rutherford, LLC

Murfreesboro, TN

has been Accredited by

The Joint Commission

Which has surveyed this organization and found it to meet the requirements for the

Hospital Accreditation Program

September 18, 2012

Accreditation is customarily valid for up to 36 months.

Isabel V. Hoverman, MD, MACP
Chair, Board of Commissioners

Organization ID #528362
Print/Reprint Date: 10/1/12

Mark R. Chassin, MD, FACP, MPP, MPH
President

The Joint Commission is an independent, not-for-profit, national body that oversees the safety and quality of health care and other services provided in accredited organizations. Information about accredited organizations may be provided directly to The Joint Commission at 1-800-994-6610. Information regarding accreditation and the accreditation performance of individual organizations can be obtained through The Joint Commission's web site at www.jointcommission.org.

0000298714

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 T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Trustpoint Hospital, LLC, 1009 North Thompson Lane, Murfreesboro, TN 37129 ("Applicant"), owned by FenX Healthcare, Inc., 1009 North Thompson Lane, Murfreesboro, TN 37129 and managed by Polaris Hospital Management, Inc., intends to file a Certificate of Need application for the addition of thirty-three (33) beds, as follows: Adult Psychiatric Beds will increase from thirty-one (31) beds to fifty-nine (59) beds; Geriatric Psychiatric Beds will increase from twenty-eight (28) beds to thirty-six (36) beds; Medical Detoxification beds will increase from ten (10) beds to eighteen (18) beds; and Physical Rehabilitation beds will decrease from twenty-seven (27) beds to sixteen (16) beds; with total beds of the Applicant increasing from ninety-six (96) beds to one hundred twenty-nine (129) beds. There will be no new construction, and all bed increases will occur within existing space at the Applicant's hospital. The requested beds will be licensed as hospital beds, as are the already-approved beds at the Applicant's hospital. There is no major medical equipment involved with this project. No other health services will be initiated or discontinued. It is proposed that the Applicant will continue to serve Medicare, Medicaid, commercially insured, and private-pay patients, and the Applicant will continue to be licensed by the Tennessee Department of Health. The estimated project cost is anticipated to be approximately $1,000,000.00.

The anticipated date of filing the application is: February 13, 2015.

The contact person for this project is E. Graham Baker, Jr., Attorney who may be reached at 2021 Richard Jones Road, Suite 120, Nashville, TN 37215, 615/370-3380.

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
500 Deaderick Street, Suite 850
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.

PRIORITY OF ANY FIXTURE FILING. IF THE U.S. DEPARTMENT OF THE TREASURY, INTERNAL REVENUE SERVICE, THE STATE OF TENNESSEE DEPARTMENT OF REVENUE, OR THE STATE OF TENNESSEE DEPARTMENT OF LABOR AND WORK FORCE DEVELOPMENT ARE LISTED AS INTERESTED PARTIES IN THE ADVERTISEMENT, THEN THE NOTICE OF THIS FORECLOSURE IS BEING GIVEN TO THEM, AND THE SALE WILL BE SUBJECT TO THE APPLICABLE GOVERNMENTAL ENTITIES RIGHT TO REDEEM THE PROPERTY, ALL AS REQUIRED BY 26 U.S.C. 7425 AND T.C.A. 67-1-1433. THE NOTICE REQUIREMENTS OF T.C.A. 35-5-101 ET SEQ. HAVE BEEN MET.

THE RIGHT IS RESERVED TO ADJOURN THE DAY OF THE SALE TO ANOTHER DAY, TIME AND PLACE CERTAIN WITHOUT FURTHER PUBLICATION, UPON ANNOUNCEMENT AT THE TIME AND PLACE FOR THE SALE SET FORTH ABOVE. THE TRUSTEES/SUBSTITUTE TRUSTEE RESERVES THE RIGHT TO RESCIND THE SALE.

IF YOU PURCHASE A PROPERTY AT THE FORECLOSURE SALE, THE ENTIRE PURCHASE PRICE IS DUE AND PAYABLE AT THE CONCLUSION OF THE AUCTION IN THE FORM OF A CERTIFIED/BANK CHECK MADE PAYABLE TO OR ENDORSED TO LAW OFFICE OF J. PHILLIP JONES. NO PERSONAL CHECKS WILL BE ACCEPTED. TO THIS END, YOU MUST BRING SUFFICIENT FUNDS TO OUTBID

440 RICE STREET

930 West College Street

1221 NW BROAD STREET
CUMBERLAND BUILDING
Suite 102
Suite 202
Suite 203-205
Suite 304
Suite 306-310
Suite 312

520 WEST LYTLE STREET
Suite B
Suite C

819 A SPUR ST

523 W. BURTON

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Install & Repair Faucets, Drains, Water Lines, Toilets, Disposals, Water Heaters.
Licensed & Insured.

Home Improvement
PAINTING
Over 4 generations.
Want a clean, neat high quality job? Custom, Residential, Commercial Specializing in Victorian Refinishing.
Ref's avail. Lic. & Ins.
28+ Years Experience

Home Improvement
ROSEBORO'S TREEWORKS
Quality WORK
at affordable prices.
Emergency Storm Work.
Lot Clearing, Stump Grinding
FIREWOOD FOR SALE
FREE ESTIMATES
Insured.

LETTER OF INTENT
TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the *Daily News Journal* which is a newspaper of general
(Name of Newspaper)

circulation in Rutherford County, Tennessee, on or before February 10, 2015 for one day.
(County) (Month / day) (Year)

==========

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 Trustpoint Hospital, LLC, 1009 North Thompson Lane, Murfreesboro, TN 37129 ("Applicant"), owned by FenX Healthcare, Inc., 1009 North Thompson Lane, Murfreesboro, TN 37129 and managed by Polaris Hospital Management, Inc., intends to file a Certificate of Need application for the addition of thirty-three (33) beds, as follows: Adult Psychiatric Beds will increase from thirty-one (31) beds to fifty-nine (59) beds; Geriatric Psychiatric Beds will increase from twenty-eight (28) beds to thirty-six (36) beds; Medical Detoxification beds will increase from ten (10) beds to eighteen (18) beds; and Physical Rehabilitation beds will decrease from twenty-seven (27) beds to sixteen (16) beds; with total beds at the Applicant increasing from ninety-six (96) beds to one hundred twenty-nine (129) beds. There will be no new construction, and all bed increases will occur within existing space at the Applicant's hospital. The requested beds will be licensed as hospital beds, as are the already-approved beds at the Applicant's hospital. There is no major medical equipment involved with this project. No other health services will be initiated or discontinued. It is proposed that the Applicant will continue to serve Medicare, Medicaid, commercially insured, and private-pay patients, and the Applicant will continue to be licensed by the Tennessee Department of Health. The estimated project cost is anticipated to be approximately $1,000,000.00.

The anticipated date of filing the application is: February 13, 2015.

The contact person for this project is E. Graham Baker, Jr. (Contact Name) Attorney (Title)

who may be reached at: his office at (Company Name) 2021 Richard Jones Road, Suite 120 (Address)

Nashville (City) TN (State) 37215 (Zip Code) 615/370-3380 (Area Code / Phone Number)

E. Graham Baker, Jr. (Signature) 02/10/15 (Date) graham@grahambaker.net (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
500 Deaderick Street, Suite 850
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.

==========

* The project description must address the following factors:

1. General project description, including services to be provided or affected.
2. Location of facility: street address, and city/town.
3. Total number of beds affected, licensure proposed for such beds, and intended uses.
4. Major medical equipment involved.
5. Health services initiated or discontinued.
6. Estimated project costs.
7. For home health agencies, list all counties in proposed/licensed service area.

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

March 2, 2015

E. Graham Baker, Jr., Esq.
2021 Richard Jones Road, Suite 120
Nashville, TN 372115

RE: Certificate of Need Application -- Trustpoint Hospital, LLC - CN1502-006
The net increase of 33 inpatient psychiatric beds licensed by the Tennessee Department of Health as follows: Adult Psychiatric Beds will increase from 28 beds to 36; Medical Detoxification beds will increase from 10 to 18 beds, Physical Rehabilitation Beds will decrease from 27 beds to 16 beds; with total beds increasing from 96 to 129 beds. There will be no new construction, and all bed increases will occur within existing space at the applicant's hospital. Project cost is $935,000.00.

Dear Mr. Baker:

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 the Tennessee Department of Health and/or its representative for review.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on March 1, 2015. The first sixty (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 sixty (60) day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on May 28, 2015.

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):

(1) 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.

(2) 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, CON Director, Division of Health Statistics

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: March 2, 2015

RE: Certificate of Need Application
Trustpoint Hospital, LLC - CN1502-006

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 March 1, 2015 and end on May 1, 2015.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc: E. Graham Baker, Jr., Esq.

COPY
SUPPLEMENTAL-1

TrustPoint Hospital
CN1502-006

SUPPLEMENTAL
FEB 25 '15 AM 9:10

ANDERSON & BAKER
An Association of Attorneys
2021 RICHARD JONES ROAD, SUITE 120
NASHVILLE, TENNESSEE 37215-2874

ROBERT A. ANDERSON
Direct: 615-383-3332
Facsimile: 615-383-3480

E. GRAHAM BAKER, JR.
Direct: 615-370-3380
Facsimile: 615-221-0080

February 25, 2015

Phillip Earhart
Health Services Examiner
Tennessee Health Services & Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Supplemental Information: Certificate of Need Application CN1501-006
TrustPoint Hospital

Dear Phillip:

Enclosed are three (3) copies of responses to your supplemental questions regarding the referenced Certificate of Need application. If you have any additional questions, please contact me.

Sincerely,

Graham

E. Graham Baker, Jr.
/np

Enclosures as noted

SUPPLEMENTAL

AFFIDAVIT

STATE OF TENNESSEE
COUNTY OF DAVIDSON

NAME OF FACILITY: TrustPoint Hospital (CN1501-006)

I, E. Graham Baker, Jr., 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 to the best of my knowledge, information and belief.

E. Graham Baker, Jr. Attorney at Law
Signature/Title

Sworn to and subscribed before me, a Notary Public, this 25th day of February, 2015; witness my hand at office in the County of Davidson, State of Tennessee.

NOTARY PUBLIC
My Commission expires: 3/6/2018

ANNE T. McLAURIN
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY, TENN.

1. Section A, Applicant Profile, Item 3

Please update ownership changes by Fenex (sic) since last CON (CN1207-031A).

Response: In August, 2012, Polaris Hospital Company purchased the remaining 9% of FenX Healthcare from Seniorhealth, Inc., thereby acquiring 100% ownership of this entity.

2. Section A, Applicant Profile, Item 9

The applicant did not complete the staffed bed column in the bed complement chart. Please revise.

Response: Please see Replacement Page 8.

3. Section A, Applicant Profile, Item 13

Please clarify if the applicant is contracted with United Healthcare Community Plan.

Response: We do not contract with United Healthcare Community Plan. Please see replacement page 65 for the CON Application. The contracts mentioned in Attachment A.13 are correct.

Please clarify why the applicant is not contracted with AmeriGroup for Physical Rehabilitation Services.

Response: AmeriGroup does not consider Inpatient Rehabilitation Services for patients 21 and older to be a covered service.

4. Section B, Project Description, Item I

Please identify the age ranges that will define patients as adult and geriatric.

Response: Adult: 18-65; Geriatric: 65+. Note: Geriatric designation will be further refined based on the clinical presentation of the patient (i.e., a 65+ year old patient who functions as an adult physically and cognitively may be designated "adult" for treatment purposes)

What will be the process for adult and geriatric psychiatric patients who will be housed on the 1st floor with the hospital's medical rehabilitation patients? Locked access? Security?

Response: No adult psychiatric patients will be housed on the first floor. The geriatric patient area will be separated from medical rehabilitation patients by locked access doors.

Please provide a brief bed history that identifies when beds went into service beginning with the original Certificate of Need.

Response: The original Certificate of Need was for 60 beds (24 psychiatric, 9 medical and 27 rehabilitation). The original beds were licensed in August, 2012 and Accredited in September of 2012.

Sixteen (16) psychiatric beds were added to the facility via approved CON effective November, 2012. This addition increased our total licensed bed count to 76 beds (40 psychiatric, 9 medical and 27 rehabilitation).

Ten (10) beds were added to the facility effective August, 2013. All of the additional beds were allocated to the psychiatric service. Total licensed beds grew to 86 (50 psychiatric, 9 medical and 27 rehabilitation).

Ten (10) were added to the facility effective October, 2014. Nine (9) of the additional beds were allocated to the psychiatric service and 1 was allocated to the medical service. Total licensed beds grew to 96 (59 psychiatric, 9 medical and 27 rehabilitation).

There appears to be no child and adolescent beds in Rutherford and Bedford Counties. Please clarify why the applicant is not considering opening a child and adolescent unit. Are there plans to do so in the future?

Response: At this time, the hospital configuration does not allow for a separate treatment space, schools services, and support services for child and adolescent treatment. Demand for child and adolescent services are minimal. Current service providers meet that demand. In the future, if the hospital acquires additional land or is permitted to build vertically, child and adolescent services could be considered.

Please clarify if the applicant provides partial hospitalization and intensive outpatient services. If so, please describe. If not, where are those patients referred?

Response: Beginning October 2013, the hospital began an Intensive Outpatient Program (IOP) for psychiatric patients. There is insufficient space in the hospital to support a Partial Hospital Program (PHP). The IOP operates 5 days per week in two 3 hour sessions. Patients attend the program an average of 3 days per week. IOP is used as a step-down from inpatient or as an alternative to inpatient for individuals who can be safely treated in a less intensive environment (i.e., inpatient). Patients in need of PHP are referred to other service providers (i.e., Rolling Hills, Parthenon Pavilion, and Vanderbilt). In the future, TrustPoint Hospital intends to provide PHP services. However, to do so will require acquisition of additional land, off-site lease arrangement and/or vertical build to the existing hospital.

Please describe the psychiatric continuum of care (outpatient, intensive outpatient, partial hospitalization, inpatient) in the proposed service area.

Response: TrustPoint Hospital currently provides inpatient psychiatric services for adults, geriatrics, and medical psychiatry/detox. In addition, TrustPoint Hospital provides IOP services for psychiatric patients and traditional out-patient services (i.e., doctor office visits) for all service lines.

Please clarify if there are any inpatient substance abuse and/or detox providers in the service area. If so, please list.

Response: There are none.

The House-wide payer mix table on page 11 is noted. Please describe the category "managed care".

Response: "Managed Medicare" plans are offered by a private company that contracts with Medicare to provide Medicare beneficiaries with all Part A and Part B Benefits. These plans are also known as Medicare Advantage plans.

Please clarify if the applicant hospital has an Emergency Room. If so, please describe.

Response: TrustPoint Hospital does not operate an Emergency Room. However, a triage room is provided for assessment of patients. Patients in need of more sophisticated emergency medicine services are cared for at the St. Thomas Rutherford Hospital emergency department, located across the street from TrustPoint Hospital.

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It appears the applicant is serviced by The Guidance Center's mobile crisis team. Please discuss their role and where patient interviews are conducted at Trustpoint Hospital by the mobile crisis team.

Response: The Guidance Center, under the auspices of Volunteer Behavioral Health, is the primary mobile crisis team servicing TrustPoint Hospital. However, several other crisis teams under Volunteer Behavioral Health interact with TrustPoint Hospital. Further, other agencies not affiliated with Volunteer Behavioral Health also interact with TrustPoint Hospital (e.g., Centerstone, Mental Health Co-Op, etc.). When patients with TennCare insurance present to TrustPoint Hospital seeking mental health and/or substance abuse services, the Guidance Center is contacted by TrustPoint Hospital to facilitate assessment. TrustPoint Hospital operates a 24 hour/7 day a week mental health Access Center. The Access Center is staffed by masters prepared licensed counselors, social workers and mental health professionals. When Guidance Center staff arrive to conduct the assessment, they are provided one of several consult rooms that are a part of the Access Center. The Guidance Center Mandatory Pre-Screener makes a determination whether the patient presents with symptoms sufficient to warrant inpatient treatment. If that decision is made, the Guidance Center Mandatory Pre-Screener authorizes the admission at TrustPoint Hospital or another hospital of their choosing. The role of the Guidance Center Mandatory Pre-Screener is collaborative with the Access Center staff to ensure the patient received care that is reasonably intended to result in clinical improvement.

Please clarify if there is a Crisis Stabilization Unit in the proposed service area.

Response: There is not a Crisis Stabilization Unit in the proposed service area.

Please clarify if the applicant has a pharmacy. If so, where is it located?

Response: TrustPoint Hospital has an in-house pharmacy located on the first floor.

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5. Section B, Project Description, Item II

Please complete the following chart showing room changes from current to proposed:

Private/Semi-Private Room and Bed Mix

Bed Type	Current Private Rooms/Beds	Current Semi-Private Rooms/Beds	Proposed Private	Proposed Semi-Private
Adult Psych	1/1	15/30	1/1	29/58
Geriatric Psych	0/0	14/28	0/0	18/36
Medical detox	8/8	1/2	0/0	9/18
Physical rehab	26/26	0/0	0/0	8/16
TOTAL	35/35	30/60	1/1	64/128

Many facility projects heard by the Agency in the recent past have requested an increase in the mix of private beds. Please discuss the pros and cons in terms of therapeutic value by adult psychiatric patients in increasing the mix of semi-private beds.

Response: There is a long therapeutic history of semi-private beds in psychiatry. Among other things, semi-private rooms encourage socialization for withdrawn patients, promotes safety through peer interaction and reduces potential for isolation, which is contraindicated for most psychiatric disorders. In some instances, private rooms may be employed for specific therapeutic effect. For example, a highly agitated patient with psychosis would likely be too disruptive for another patient to share a room. In these instances, the clinical team, who are in the best position to assess and determine, may make the decision to utilize a semi-private room as private. In the industry, we refer to this as a "blocked" room. Researchers Papoulias, Csipke, Rose, McKellar, and Wykes, (2014) extensively studied the issue of space design, utilization and bed allocation (private versus semi-private) in the treatment, care and experience of psychiatric patients. The authors' concluded that space design, utilization and private versus semi-private rooms has no apparent causal link to patient outcome or well-being (Papoulias et al., 2014). Instead, Papoulias et al. (2014) found the design, utilization and use of private versus semi-private rooms was a highly subjective experience unique to the individual. The goal of treatment for inpatient psychiatry is rapid stabilization of acute symptoms with return to the community and home. In order to accomplish this aim, inpatient psychiatric units seek to create a therapeutic milieu that resembles the "real world" with opportunities to be exposed, in a clinically safe environment, to stressors that test response to treatment (Papoulias et al., 2014). The impact of a mixed milieu, including shared space, models the real world where individuals must be able to adapt and cope with those around them. Part of inpatient psychiatric care and treatment is to build those coping mechanisms and strategies.

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References: Papoulias, C., Csipke, E., Rose, D., McKellar, S. and Wykes, T. (2014). The psychiatric ward as a therapeutic space: systematic review. British Journal of Psychiatry, 205(3), 171-176. Doi: 10.1192/bjp.bp.114.144873.

Do the private rooms have enough square footage to meet square footage code requirements of a semi-private room?

Response: All rooms in Adult, Geriatric and Medical Psychiatry/Detox have enough square footage to meet the code requirement of a semi-private room. The Physical Medicine/ Rehabilitation rooms are short 8 inches according to code. This can be overcome by (1) waiver and (2) movement of internal walls between rooms which is contemplated in our project cost analysis.

What would the applicant do if a patient specifically requested a private psychiatric or rehab room?

Response: Following our current practice, requests for private rooms would be considered on a case-by-case basis. We routinely provide private rooms in psychiatry based on the clinical needs of the patient. The plan for physical medicine/rehabilitation is to maintain two private rooms for this purpose. Should we be unable to meet the square footage requirement for physical medicine/rehabilitation, we would leave the rooms as private.

6. Section B, Project Description, Item II.C

It appears the applicant is developing a unit to specialize in involuntary admissions. Please describe how the unit will provide services/security/and staff to handle more acute psychiatric patients.

Response: From its inception, TrustPoint Hospital has provided care to a very substantial population of involuntary patients. For this population, we staff at ratios (4-5:1) to meet the acuity demands of the patients. In addition, one-on-one staffing is applied as needed for more seriously acute patients. All staff are trained on hire and annually in Prevention and Management of Aggressive Behavior (PMAB). This training provides the framework for ensuring patient and staff safety. The hospital also utilizes an overhead page (Code Orange) when additional staff support may be required. Like a medical code, teams of staff respond to the area making the page to assist in management of potentially harmful circumstances. TrustPoint Hospital contracts with a security company to provide additional safety coverage evenings, nights and weekends.

Please clarify if all units are locked and separate from each other.

Response: All psychiatric units are locked and separated from each other.

Please clarify if the proposed 1st floor geriatric psychiatric unit and rehab unit will be self-contained. Please clarify if each unit will have a dedicated nursing station.

Response: The proposed first floor geriatric unit and physical medicine/rehabilitation unit will be self-contained. The existing nursing station, which serves two distinct wings, will continue to serve both wings.

The chart on page 17 is noted. Please clarify what the difference in a non-admission that is "not medically necessary" and a denied admission based on "clinical acuity". In addition, please provide a definition for each of the 4 categories under denied admissions.

Response: A non-admission that is "not medically necessary" represents a patient that does not have symptoms requiring acute inpatient services. Denied admissions based on "clinical acuity" falls into two categories. In the first instance, the patient could not be admitted because the intensity of the existing inpatient population may be counter-therapeutic for the patient. For example, we may decline an admission under our current space allocation for adult services if the referred patient presented with severe depression and the in-house patient population was largely psychotic and agitated. The mix of these two populations can be overwhelming for a depressed individual seeking care. This example supports our proposal to expand adult services to two units in order to better customize the care according to diagnostic and behavioral needs. In the second instance, the referred patient may not be admitted due to immediate threat of extreme

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violence. For example, we may decline an admission under our current space allocation for adult services if the referred patient presented with extreme agitation, psychosis and violence and the in-house population was largely mood disorders (i.e., depression, anxiety, etc.). To introduce a highly volatile patient to the milieu would be counter-therapeutic and likely damage the treatment goals of the remaining patients. Again, this example supports our proposal to expand adult services to two units in order to better customize the care according to diagnostic and behavioral needs.

Definitions (from Chart 1):

1. No Bed: All inpatient beds for psychiatry are occupied or blocked.

2. Clinically Appropriate Bed: The presenting symptoms for the patient are incompatible with the treatment milieu at the time the request for admission is made. This may include behavioral and/or medical considerations.

3. Clinical Acuity: Either the referred patient or the existing patient population are sufficiently volatile as to present a real and imminent danger to the referred patient or the existing patient population.

4. Timing of Bed Availability: At the time admission is requested, there may not be a bed available. This often occurs when patients being discharged have not left the hospital and the hospital is unable to admit to that bed until it is cleared.

It is noted there were 1,523 patients who were not admitted due to not being medically necessary. Where were those patients referred to for lower levels of care (partial, IOP)?

Response: Patients determined not to require acute inpatient psychiatric services as a function of medical necessity are referred to a variety of outpatient services. These services include, primary care physician, community mental health center, IOP, PHP, traditional office setting with a psychiatrist and/or therapist, clergy, etc. All patients receive at least one referral for additional support services as indicated by their symptoms, history and presentation.

Were any of the denied admissions in 2014 due to the applicant not being able to accept an involuntary admission? If so, how many?

Response: From its inception, TrustPoint Hospital has been able to accept involuntary admissions. No patient has been denied services based on legal status (i.e., voluntary/involuntary)

Please clarify if the Trustpoint Hospital has ever been completely full.

Response: The hospital has never been completely full because the rehabilitation service has never been full. The psychiatric and medical services are routinely full.

7. Section B, Project Description, Item B.IV

The drawings included in the application are just too small to be legible and permit the Agency a clear understanding of what the applicant is proposing. Please provide larger, more detailed images with legible room labels of your project.

Response: See attached additional floor plan and legend (*Supplemental B.IV*).

Please submit revised floor plans that clearly identify where the 28 additional proposed adult beds, 8 additional proposed geriatric beds and 8 additional medical detox beds are in the facility. Please identify the number of beds increasing in each room to account for these 44 additional beds. Please show the location and use of the 11 beds that will be re-classed from the physical rehabilitation bed service. Please also show the location of ancillary rooms and services such as rooms for counseling, lounge/recreation, dining, isolation, etc.

Response: See attached additional floor plan and legend (*Supplemental B.IV*). Also, please note that we are decreasing the number of rehabilitation beds by 11, thereby resulting in a total bed increase at the hospital of only 33 beds (not 44).

The floor plan for the 18 bed medical detox unit and 16 bed rehabilitation units are noted. However, please clarify where the nursing stations are located that will provide medical services to these units. Where are medications kept for these units?

Response: See attached floor plan and legend (*Supplemental B.IV*). Medications are stored in the hospital pharmacy and unit-based MedDispense machines.

It appears staff/patients/visits must first go through the physical rehabilitation unit to gain access to the 18 bed medical detox unit. Please clarify.

Response: There is a common corridor from the front of the hospital that leads to physical medicine/rehabilitation and medical psychiatry/detox. Staff, patients and visitors use this corridor to access both units. Staff accompany patients and visitors.

Where are group and individual therapy rooms located?

Response: See attached floor plan and legend (*Supplemental B.IV*).

Is there a seclusion and restraint room? If so where are they located and how many are there?

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Response: There are three seclusion/quiet and/or restraint rooms on the second floor. An additional seclusion/quiet room will be provided on the first floor.

What common areas will be shared with the different units?

Response: No common areas will be shared simultaneously between units. Geriatric psychiatry will share, at different times, access to the physical medicine gym for groups and physical activity and the IOP group rooms for the 6-10 hours per day that IOP is not in session.

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8. Section C, Need, Item 1. (Service Specific Criteria-Psychiatric Inpatient Services)

The applicant applied population statistics to the Psychiatric Criterion using 2014 and 2018 population numbers. Please revise all responses using more current population statistics for the years 2015 and 2019.

Response: Please see replacement pages 1, 2, and 3 for *Attachment Psychiatric Inpatient Services*. In addition, please see replacement pages 44, 45, 46, and 47 for the CON application, where the same information is reported.

Your response is noted. Please complete the following chart:

Response: Please note that, as shown below, our primary service area continues to be Bedford and Rutherford Counties. We have provided services only since the fall of 2012, and do not have sufficient information to formally state a secondary service area. As noted on page 23 of the application, total patient admissions, by county, from date of opening until the end of 2014 were from (in ranked order): Rutherford (4,057), Davidson (2,453), Bedford (428), Coffee (360), Cannon, Williamson, Franklin, Wilson, and Warren Counties.

For the same period of time, page 24 shows adult psychiatric admissions by county, as follows: Rutherford (1,000), Davidson (210), Bedford (123), Coffee (121), Cannon, Williamson, Franklin, Wilson, and Warren Counties.

Finally, again for the same period of time, page 25 shows geriatric psychiatric admissions by county, as follows: Rutherford (545), Davidson (112), Bedford (109), Coffee (81), Williamson, Warren, Wilson, Cannon, and Franklin Counties.

A comparison of the above-referenced charts on pages 23 - 25 of the CON application indicate that Rutherford, Davidson, Bedford and Coffee Counties, in that order, are the top 4 counties of patient origin for all three admission categories (*admission numbers are noted above for these four Counties by all three admission categories*). Also, note that Bedford County had almost as many geriatric psychiatric admissions (109) as did Davidson County (112), even though the Davidson County population is over 13 times larger than that of Bedford County.

Requested information for our primary service area is below.

Bed Need in Applicant's Primary and Secondary (sic) Service Area, CY2019

County	Current Adult Beds	Adult Psych Bed Need	Shortage or (surplus)	Current Geri Psych Beds	Geri Psych Bed Need	Shortage or (surplus)
Bedford	0	12	12	0	3	3
Rutherford	31	77	58	28	11	-17
PSA-Subtotal	31	89	58	28	14	-14
Cannon	0	4	4	22	1	-21
Davidson		157			27	
Williamson		52			9	
Wilson		32			7	
SSA-(sic) Subtotal		245			44	
Grand Total		343			58	

As to the 4 additionally requested counties, it is all but impossible to complete the chart as requested due to anomalies on the Joint Annual Reports, as follows:

Cannon County:
Stones River Hospital lists 22 Geri Psych beds, but no adult beds, even though care for both are reported on the JAR.

Davidson County:
Centennial Medical Center lists 115 total Psych beds, and 16 Geri Psych beds.
Middle Tennessee Mental Health Institute lists 195 total Psych beds.
St. Thomas lists 23 total Psych beds, with no indication of adult/geri status.
Skyline Madison lists 94 total Psych beds, 20 Geri beds, and 16 Children and Youth beds.
Summit Medical Center lists 20 total Psych beds, with no indication of adult/geri status.
Vanderbilt University Medical Center lists 88 total Psych beds, again, with no indication of adult/geri status.

Williamson County:
Rolling Hills 2012 JAR shows 10 Geri, 17 C&Y, and 27 Adolescent beds.

Wilson County:
McFarland Hospital shows 49 total Psych beds.

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In all of the above examples, the JAR information on most of these hospitals does not distinguish the types of services. For example, are any of the 99 non-Geri psych beds at Centennial Medical Center adult beds, or adolescent beds, etc.? Also, which beds at McFarland Hospital are used for Geri, which for general adult, etc., if at all? We know what Rolling Hills reported in 2012, but do not know 2013 data (No JAR). And Middle Tennessee Mental Health Institute does not differentiate any services at all, just reporting a total of 195 psychiatric beds.

We can, however, report on Total Psychiatric Bed Need in our primary service area and the four counties requested, as follows:

Bed Need in Applicant's Primary and Secondary (sic) Service Area, CY2019

County	Current Psych Beds	Psych Bed Need	Shortage or (surplus)
Bedford	0	16	16
Rutherford	59	102	43
PSA-Subtotal	**59**	**118**	**59**
Cannon	22	5	-17
Davidson	535	207	-328
Williamson	54	69	15
Wilson	49	41	-8
SSA-(sic) Subtotal	**660**	**322**	**-338**
Grand Total	**719**	**440**	**-279**

What the above chart shows is that there is a growing need for psychiatric beds within our primary service area. This application, if approved, may not even meet the need for psychiatric beds in our primary service area by 2019.

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9. Section C, Need, Item 1. (Service Specific Criteria-Psychiatric Inpatient Services,)

Item B.1 (Service Area): The applicant states 45% of admissions occurred outside of the applicant's service area. In addition, the applicant notes a secondary service area in a table on page 46. Please breakout by county the patient origin for those admission for 2014.

Response: For purposes of both this application and our internal forecasting, we know the counties of origin for all services provided at our hospital. We consider our primary service area to continue to be Bedford and Rutherford Counties. We have provided services only since the fall of 2012, and do not have sufficient information to formally state a secondary service area. As noted on page 23 of the application, total patient admissions, by county, from date of opening until the end of 2014 were from (in ranked order): Rutherford (4,057), Davidson (2,453), Bedford (428), Coffee (360), Cannon, Williamson, Franklin, Wilson, and Warren Counties.

For the same period of time, page 24 shows adult psychiatric admissions by county, as follows: Rutherford (1,000), Davidson (210), Bedford (123), Coffee (121), Cannon, Williamson, Franklin, Wilson, and Warren Counties.

Finally, again for the same period of time, page 25 shows geriatric psychiatric admissions by county, as follows: Rutherford (545), Davidson (112), Bedford (109), Coffee (81), Williamson, Warren, Wilson, Cannon, and Franklin Counties.

A comparison of the above-referenced charts on pages 23 - 25 of the CON application indicate that Rutherford, Davidson, Bedford and Coffee Counties, in that order, are the top 4 counties of patient origin for all three admission categories (*admission numbers are noted above for these four Counties by all three admission categories*). Also, note that Bedford County had almost as many geriatric psychiatric admissions (109) as did Davidson County (112), even though the Davidson County population is over 13 times larger than that of Bedford County.

Please clarify why the applicant did not declare a secondary service area even though almost 45% of admissions were from that area in 2014.

Response: We have provided services only since the fall of 2012, and do not have sufficient information to formally state a secondary service area. We do acknowledge that some of the following Counties may evolve into a secondary service area over time: Davidson, Coffee, Cannon, Williamson, Franklin, Wilson, and Warren Counties. The definition of "that area" (mentioned in the question above) changes somewhat from service to service, in that various Counties move up and down on the list according to what service is under consideration. However, the top four Counties for all of our services are as listed above.

Please define the applicant's secondary service area?

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Response: We have provided services only since the fall of 2012, and do not have sufficient information to formally state a secondary service area. We do acknowledge that some of the following Counties may evolve into a secondary service area over time: Davidson, Coffee, Cannon, Williamson, Franklin, Wilson, and Warren Counties.

Item B.2 (Service Area) The applicant notes patients do not have the economic means to travel distances for inpatient voluntary and psychiatric care. Please verify that involuntary admissions are provided transportation by law enforcement or via ambulance, and that voluntary admissions are provided transportation by TennCare. Please also verify that involuntary admissions in Rutherford County may be transported via ambulance per Title 33 law at the discretion of the County mayor.

Response: Involuntary admissions are transported via law enforcement or ambulance. Voluntary patients are transported via ambulance, family, and TennCare services (if the patient is a TennCare recipient). Involuntary admissions in Rutherford County may be transported via ambulance.

Item C.1-(Relationship to applicable plans) The response is noted. Please include a brief description of how the project supports The Department of Mental Health and Substance Abuse's philosophy of providing care as close as possible to an individual's home community in order to increase the potential involvement of family, the individual's support system, and aftercare providers in the treatment process.

Response: The proposed increase in adult and geriatric psychiatric beds supports the Department of Mental Health and Substance Abuse's philosophy of providing care as close as possible to the patient's home community in order to increase potential family involvement, support systems and engagement by aftercare providers in the treatment process. The additional proposed beds will address immediate need for care in Rutherford and Bedford Counties, thereby reducing the incidence of care being required in more distant locales. Also, it is important to emphasize that patient families may have transportation problems in visiting their loved ones. This is another reason to provide care as close as possible to an individual's home community.

Item C.3 (Impact on similar Institutions supported by state appropriations): It appears the applicant will increase involuntary admissions that may otherwise go to Middle Tennessee Mental Health Institute (MTMHI). Review of the hospital's 2013 JAR revealed that residents of Bedford and Rutherford Counties accounted for 11 and 316 admissions, respectively, or 10% of MTMHI's total admissions in calendar year 2013. As such, please assess the impact the proposed additional 33 adult/geri psychiatric beds will have on this state supported mental health institute.

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Response: The Middle Tennessee Mental Health Institute (MTMHI) serves as a critical provider of mental health services to the most vulnerable population. As a state supported hospital, MTMHI has traditionally provided essential safety-net care for individuals with severe and persistent mental illness. One of the roles of the private health care community is to collaborate with one another and the State to ensure all citizens receive access to care that is safe, efficient and reliable. TrustPoint Hospital is committed to this vision and continued collaboration with other health care providers and MTMHI. As a critical service provider, MTMHI is often impacted by demand that exceeds capacity. As a result, patients may wait hours to days in an acute medical hospital or emergency department for a bed at MTMHI. This Certificate of Need application will increase TrustPoint Hospital's ability to absorb pressure impacting MTMHI. Through continued collaboration with Volunteer Behavioral Health and its crisis team, the Guidance Center, TrustPoint Hospital believes the increased number of adult and geriatric psychiatry beds will have a material impact on access to care, continuity and positive outcomes for patients.

Item C.4 (Involuntary Admissions): Please clarify if the applicant currently accepts involuntary admissions for all psychiatric units, not just the medical detox unit as mentioned on page 20.

Response: From inception, TrustPoint Hospital has accepted involuntary admission for adult and geriatric psychiatry and medical psychiatry/detox.

How many involuntary admissions were admitted during the year 2014 in each unit? How many are projected in Year One and Year Two of the proposed project?

Response: For calendar year 2014, Adult psychiatry admitted 605 involuntary patients, or approximately 48% of admissions. Geriatric psychiatry admitted 221 involuntary patients, or approximately 36% of admissions. Medical Psychiatry/Detox admitted 103 involuntary patients, or approximately 53% of admissions. Total involuntary admissions hospital-wide for 2014 was 929, or approximately 45% of admissions. TrustPoint would expect Year One and Year Two projections to follow a similar pattern with approximately 45-50% of admissions being involuntary. Based on volume assumptions for Year One and Year Two, Adult psychiatry would see approximately 1,132 and 1,186 involuntary admissions respectively. Geriatric psychiatry would see approximately 263 and 284 involuntary admissions respectively. Medical Psychiatry/Detox would see approximately 430 and 559 involuntary admissions respectively.

How is Trustpoint Hospital equipped to handle involuntary admissions that are different from other acute providers?

Response: From its inception, TrustPoint Hospital has provided acute inpatient services to involuntary psychiatric patients. All staff are trained on hire and annually in Prevention and Management of Aggressive Behavior (PMAB). This training provides the framework for ensuring patient and staff safety. The hospital also utilizes an overhead page (Code Orange)

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when additional staff support may be required. Like a medical code, teams of staff respond to the area making the page to assist in management of potentially harmful circumstances. TrustPoint Hospital contracts with a security company to provide additional safety coverage evenings, nights and weekends. Unlike many other acute providers, TrustPoint Hospital operates a 24 hour/7 day a week mental health Access Center. The Access Center is staffed by masters prepared licensed counselors, social workers and mental health professionals. The Access Center allows TrustPoint Hospital to immediately respond to the needs of patients, families, referral sources and other hospitals. In addition, TrustPoint Hospital is uniquely positioned to meet the legal needs and due process rights of patients on an involuntary commitment. Through an arrangement with the Rutherford County Mental Health Court, the Presiding Judge conducts his Court and hearings at the hospital, thereby preventing the need to transport patients to the County Court House. This accommodation by the Court increases patient and staff safety. Finally, non-psychiatric acute care hospitals are not equipped to provide the 24 hour care required of the psychiatric patient. Historically, many patients needing inpatient psychiatric care in Rutherford County were admitted to inpatient medical beds awaiting placement in the State hospital system or a private psychiatric facility in some other county. These patients would often wait days to weeks for disease specific treatment in a proper psychiatric facility. Since TrustPoint Hospital began providing services, there has been a dramatic decrease in the number of psychiatric patients boarding in acute medical hospitals waiting for inpatient psychiatric care in Rutherford County.

10. Section C, Need, Item 4

Please complete the following chart:

	Bedford County	Rutherford County	Total Service Area	State of TN Total
Total Population-Current Year -2015	48,099	302,237	350,336	6,649,438
Total Population-Projected Year -2019	51,495	338,904	390,399	6,894,997
Total Population-% change	7.1%	12.1%	11.4%	3.7%
Age 20-64 Population – 2015	34,452	217,786	252,238	4,965,696
Age 20-64 Population – 2019	37,126	245,971	283,097	5,181,190
Age 20-64 Population - % change	7.8%	12.9%	12.2%	4.3%
Age 20-64 Population as % of Total Population (19)	72.1%	72.6%	72.5%	75.1%
Age 65+ Population – 2015	7,002	28,650	35,652	1,012,937
Age 65+ Population – 2019	7,778	34,874	42,652	1,134,565
Age 65+ Population - % change	11.1%	21.7%	19.6%	12.0%
Age 65+ Population as % of Total Population ('19)	15.1%	10.3%	10.9%	16.5%
Median Age	36.0	32.0	n/a	38.0
Median Household Income	$40,759	$55,401	n/a	$44,298
TennCare Enrollees	11,025	38,869	49,894	1,241,028
TennCare Enrollees as % of Total	22.9%	12.9%	14.2%	18.7%
Persons Below Poverty Level	*	*	n/a	*
Persons Below Poverty Level as % of Total	17.2%	12.9%	n/a	17.8%

The Tennessee Department of Health's Population Projections 2010-2020 should be used for the TN population projections, the US Census Bureau and the State of Tennessee Bureau of TennCare websites will be helpful in gathering the other demographic statistics.

-- 2015 and 2019 Population Data from TDOH, Division of Health Statistics
-- Median Age from City-Data.com
-- TennCare Enrollees from TN Bureau of TennCare, Enrollees, as of April, 2014
-- Median Household Income from US Census Bureau, QuickFacts
** Persons Below Poverty Level given as a percentage only, also from QuickFacts.*

11. Section C, Need, Item 5

Please complete the following chart showing historical utilization of the primary and secondary (sic) service area.

Your response to this item is noted however Rutherford County residents are currently seeking inpatient psychiatric care at inpatient services in surrounding counties. Please complete the following chart: (Note: Psychiatric patient day information by age cohort can be found on page 32 of the JAR.)

Response: We continue to take issue with the HSDA's request to designate certain specific Counties as our "secondary service area." We have no exact secondary service area, as stated in greater detail in both the Application and in these responses.

The requested chart has been completed, as best we can do so. There are so many inaccuracies in the Joint Annual Reports that we believe the numbers in the following chart are apropos to nothing. For example, the 22 beds at Stones River are supposed to be all Geriatric beds, but the JARs show that both Geriatric and Adult Psychiatric care was delivered in 2011 through 2013. The Centennial Medical Center JARs show that their Geriatric bed utilization was 231.5%, 223.0%, and 321.9% for the 3 years. The same JARs show that their respective Adult bed utilization was 61.2%, 49.1%, and 76.8% for the same 3 years. Further, Skyline Madison's JARs show differing licensure numbers for Adult beds in the various years, none of which match the designations given in the following chart. St. Thomas JARs showed care being delivered to both Adult and Geriatric patients, but there is only one designation noted in the chart – "all adult." Vanderbilt is shown as having only 38 adult beds, but their combined adult and geriatric utilization is 146.4%, 143.9% and 198.0% in 2011 through 2013, respectively. Finally, Rolling Hills shows 101.9% utilization in 2012, which should not be plausible, and we have no 2013 JAR for Rolling Hills.

Further, there is no way to arrive at total average utilizations for all psychiatric beds, since some totals are just that – totals – while other "totals" include only adult, others include only geriatric, some include child and adolescent care, and still others combine these classifications. Finally, many of the JARS change from year to year regarding the number of beds allocated for specific services, and the utilization reported in the JARS is quite different from what was given to us on the chart (e.g., we were advised that Stones River had an occupancy of 68% in 2013, but the JAR reported only 34.7% utilization; and there are many more examples on the chart itself, which still contains the information provided to the Applicant by the HSDA). With all of that said, please see following chart.

Inpatient Adult/Geriatric Psychiatric Utilization Trends, 2011-13

County	Facility	2013 Licensed Beds	**Licensed adult/psych Psych Beds	**Current Designated Adult/Geriatric-Psych Beds	2011 ADC (occupancy)	2012 ADC (occupancy)	2013 ADC (occupancy)	% Change 11'-'13
Cannon	Stones River	60	22	22 (all Geri)	70.2%	65.1%	34.7% 15/day 68%	-50.6%
Davidson	Middle TN Mental Health Institute	300	300	195	83.7%	85.2%	85.5% 167/day 55%	+2.2%
Davidson	Centennial	657	115	15 Geri 99 adult	231.5% 61.2%	223.0% 49.1%	321.9% 76.8% 81/day 70.4%	+39.0% +25.5%
Davidson	Skyline-Madison	172	94	60 adult 20 Geri 14 adolescent	67.5% 56.5% Not app.	19.3% 35.6% Not app.	74.6% 60.4% Not app. 62/day 66.2%	+10.5% +6.9%
Davidson	St. Thomas (West campus)	541	23	23 (all adult)	90.9%	68.6%	93.0% 9/day 39%	+2.3%
Davidson	Summit	188	20	20	68.5%	60.9%	34.0% 6/day 30.7%	-50.4%
Davidson	Vanderbilt	1,019	88	38*	146.4%	143.9%	198.0% 71/day 82%	+35.2%
Williamson	Rolling Hills		80	40	98.3%	101.9%	No JAR On TDH link	n/a
Wilson	McFarland	75	49	49	77.0%	47.5%	40.5% 20/day 40%	-47.4%
Total		3,012	791	581	n/a	n/a	n/a	n/a

*Website reports 22 beds are child/adolescent
**As reported in 2013 JAR

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Also, as for the following chart, none of the general hospitals segregate mental disease and disorder patient discharges by county; all discharge reporting data is for the hospital at large; therefore, while we can track hospital discharges by county of origin, we have absolutely no idea why that patient was institutionalized (psychiatric disorder, or kidney stones, for example). As a result, the only hospital listed which has usable data is Middle Tennessee Mental Health:

2013 Service Area Mental Disease and Disorder Patient Discharges at Hospitals in Surrounding Area

Hospital	*Service Area Patients*	*Total Patients*	*Service Area Patients as a % of Total*
Stones River	*n/a*	*691*	*n/a*
Skyline Madison	*n/a*	*3,414*	*n/a*
Saint Thomas	*n/a*	*21,386*	*n/a*
Vanderbilt	*n/a*	*57,768*	*n/a*
Centennial	*n/a*	*30,620*	*n/a*
Summit	*n/a*	*11,702*	*n/a*
McFarland	*n/a*	*1,065*	*n/a*
****MTHMI***	*327*	*3,159*	*10.4%*
******Rolling Hills***	*No JAR*	*No JAR*	*No JAR*

Source: 2013 Hospital Data Discharge System
***Source for MTHMI is JAR**
****Source for Rolling Hills is JAR and includes child/adolescent patients**

12. Section C, Need, Item 6

It is noted the applicant's occupancy was at 60.4% in 2014 in lieu of the 90.1% projected occupancy in 2014 and 91% in 2015 as identified in CN1207-031A for the addition of 16 beds resulting in 76 total beds. It appears the applicant did not meet the occupancy projections. Why were prior projections not met?

Response: The occupancy projections identified in CN1207-031A have been exceeded.

Please note we are reporting average daily census for the hospital as a whole in the current filing, whereas CN1207-031A projected the psychiatric service only. Please also note that percentage occupancy is not readily comparable between the two filings due to intervening increases in licensed beds. In effect, the two planned "10 bed" increases precluded our hospital from becoming full to capacity.

The entire hospital had an average daily census of 58 in 2014 as is reported in the current application. Of that total, the psychiatric service represents an average daily census of 41.8. The 41.8 actual 2014 average daily psychiatric census compares to a 34 average daily census (12,410 patient days) and a 36 average daily census (13,140 patient days) projected for 2014 and 2015, respectively, in CN 1207-031A.

Please clarify the need for additional beds at this time with occupancy of 60.4% in 2014.

Response: We have reported occupancy for the entire hospital. The 2014 hospital average daily census of 58 is 67% of beginning capacity (86) and 60% of ending capacity (96). The underlying service level statistics demonstrate the need to re-allocate underutilized rehabilitation beds to the capacity-constrained psychiatric and medical services:

The psychiatric service 2014 average daily census of 41.8 is 84% of beginning capacity (50) and 71% of ending capacity (59). The nine incremental beds were licensed in August and became fully operational in October.

The medical service 2014 average daily census of 2.2 is only 24% of beginning capacity (9) and 22% of ending capacity because the service did not become fully operational until July of 2014. The 10 licensed medical beds were 40%, 56% and 60% occupied for October, November and December of 2014, respectively.

The rehabilitation service 2014 average daily census of 14.4 is 53% of beginning and ending licensed bed capacity (27).

Please complete the following chart for Trustpoint Hospital:

Historical and Projected Inpatient Utilization ADC

Variable	2012*	2013	2014	% Change '12-'14	Year 1	Year 2
Adult Psych Licensed Beds (Beginning of year)	12	20	25	108%	59	59
Adult Psych. Admissions	71	704	1268	1686%	2358	2471
Adult Psych. Pat. Days	945	4042	7751	720%	15330	16060
Adult Psych ALOS	6.4	5.9	6.4	0%	6.5	6.5
Adult Psych ADC	8	11	21	175%	42	44
Adult Psych % Lic. Occ.	64%	56%	85%	32%	71%	75%
Geriatric Psych. Lic. Beds (Beginning of year)	12	20	25	108%	36	36
Geriatric Psych. Admissions	107	474	606	466%	730	791
Geriatric Psych. Pat. Days	730	5912	7490	926%	8760	9490
Geriatric Psych. ALOS	11.7	12.4	11.6	-1%	12.0	12.0
Geriatric Psych. ADC	6	16	21	242%	24	26
Geriatric Psych. % Lic. Occ.	50%	81%	82%	64%	67%	72%
Total Psych. Licensed Beds (Beginning of year)	24	40	50	108%	95	95
Total Psych. Admissions	178	1178	1874	953%	3088	3262
Total Psych. Pat. Days	1675	9954	15241	810%	24090	25550

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Total Psych. ALOS	**9.6**	**8.5**	**8.1**	**-15%**	**8.5**	**8.5**
Total Psych. ADC	**14**	**27**	**42**	**204%**	**66**	**70**
Total Psych. % Lic. Occ.	**57%**	**68%**	**83%**	**46%**	**69%**	**74%**
Rehab. Lic. Beds (Beginning of year)	**27**	**27**	**27**	**0%**	**16**	**16**
Rehab. Admissions	**57**	**316**	**389**	**582%**	**281**	**281**
Rehab. Pat. Days	**758**	**4121**	**5252**	**593%**	**3650**	**3650**
Rehab. ALOS	**13.2**	**13.5**	**13.2**	**0%**	**13.0**	**13.0**
Rehab. ADC	**6**	**11**	**14**	**132%**	**10**	**10**
Rehab. % Lic. Occ.	**23%**	**42%**	**53%**	**132%**	**63%**	**63%**
Medical Lic. Beds (Beginning of year)	**9**	**9**	**9**	**0%**	**18**	**18**
Medical Admissions	**0**	**31**	**193**	**N/A**	**811**	**1054**
Medical Pat. Days	**0**	**187**	**792**	**N/A**	**3650**	**4745**
Medical ALOS	**0**	**6.5**	**4.1**	**N/A**	**4.5**	**4.5**
Medical ADC	**0**	**.5**	**2**	**N/A**	**10**	**13**
Medical % Lic. Occ.	**0%**	**6%**	**24%**	**N/A**	**56%**	**72%**
TOTAL Lic. Beds (Beginning of year)	**60**	**76**	**86**	**43%**	**129**	**129**
TOTAL Admissions	**235**	**1525**	**2456**	**945%**	**4180**	**4597**
TOTAL Pat. Days	**2433**	**14262**	**21285**	**775%**	**31390**	**33945**
TOTAL ALOS	**10.5**	**9.5**	**8.6**	**-18%**	**8.6**	**8.5**
TOTAL ADC	**20**	**39**	**58**	**193%**	**86**	**93**
TOTAL % Lic. Occ.	**33%**	**51%**	**68%**	**104%**	**67%**	**72%**

*** Note that the facility opened for business September of 2012.**

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Did the applicant file a Joint Annual Report in 2013 or 2014?

Response: Yes. The 2013 Joint Annual Report was filed June 9, 2014. The 2014 Joint Annual Report will be filed by May 30, 2015.

13. Section C, Economic Feasibility, Item 4 (Historical and Projected Data Charts)

What calendar years correspond with Year 1 and Year 2 in the Historical Data Chart?

Response: Year 1 of the Historical Data Chart represents calendar 2013. Year 2 of the Historical Data Chart represents calendar 2014.

Revenue – Line B.4 - for both charts, other gross revenue is noted as Physician Billings. What accounts for the 4 fold increase in this category from $585,337 in Year 2 of the Historical Data Chart (FY2014?) to $2,445,421 in Year 1 of the Projected Data Chart?

Response: Line B.4 of the Projected Data Chart represents gross physician revenue before contractual adjustments, while line B.4 of the Historical Data Chart listed the net revenue realized by our outside physician billing firm.

This inconsistency has been corrected in the table below where 2014 gross physician billings and contractual adjustments are shown next to Year 1 of the Projected Data Chart for ease of comparability.

	Year 2 of the Historical Data Chart (2014)	Year 1 of the Projected Data Chart
Gross Physician Billings	1,075,710	2,445,421
Adjustments	490,373	815,140
Net Physician Billings	585,337	1,630,281

The increase in gross physician billings is projected based on an increased number of employed physicians and increased patient volumes.

Expenses –
Line D.9 - professional fees expense is included in Other Expenses of both charts. It appears that professional fees accounted for $431,478 or 74% of physician billing revenue in Year 2 of the Historical Data Chart (FY2014?) compared to only $459,000 or 19% of $2,445,421 of physician billing revenue in Year 1 of the Projected Data Chart. Are the professional fees in error in the Projected Data Chart? Please explain.

Response: Line B.4 of the Projected Data Chart represents gross physician revenue before contractual adjustments while line B.4 of the Historical Data Chart listed the net revenue realized by our outside physician billing firm.

This inconsistency has been corrected in the table below where 2014 gross physician billings and contractual adjustments are shown relative to professional fees.

	Year 2 of the Historical Data Chart (2014)	Year 1 of the Projected Data Chart
Gross Physician Billings	1,075,710	2,445,421
Professional Fees Expense	431,478	459,000
Professional Fees as a % of Gross Physician Billings	40%	19%

The increase in gross physician billings is projected based on an increased number of employed physicians and increased inpatient volumes.

The professional fee expense line includes legal, accounting and consulting fees in addition to medical administrative fees. It is therefore largely unrelated to gross physician billings.

Line F.1 - Since the project is entirely funded from cash reserves, what accounts for the 73% increase from $274,357 in FY2014 to $475,000 in Year 1 of the project? Please explain.

Response: Line F.1 represents routine ("maintenance") capital expenditures for both the Historical and Projected periods. The increase is projected based on increasing age and utilization of the building and original equipment.

What is the difference in contracted Physician's Fees in the amount of $1,460,000 and contract services in the amount of $2,504,000 itemized as "Other expenses" in Year One?

Response: Line D.2 of the Projected Data Chart represents salary and wages to employed physicians. The Contract Services line of the Other Expense detail represents fees paid to vendors for non-physician services such as pharmacy, information technology, coding, medical transcription, transportation and laboratory services.

Revenue changed from Year One to Year Two by (sic) management fees remained the same. Please clarify.

Response: Management fees, which have been waived to date, are set on a flat monthly basis under the Development and Management Agreement.

Please explain Item E. in the Historical Data Chart listed as "E.H.R. incentives/dietary" in the amount of $1,745,543 in Year 1 and $979,794 in Year Two. Please clarify why there is no designation in the Projected Data Chart for "E.H.R. incentives/dietary"

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Response: Item E. of the Historical Data Chart primarily consists of revenues earned for implementing and meaningfully using a qualified Electronic Health Record ("E.H.R") under the Medicare and Medicaid E.H.R. Incentive Program. Additional E.H.R. incentives are not expected in the projection period.

Dietary revenues earned for food sold in the hospital cafeteria are also included in Item E. of both the Historical Data Chart and the Projected Data Chart.

14. Section C, Economic Feasibility, Item 10

In the financial statements submitted with CN1207-031A, Polaris Hospital Company, LLC and its subsidiaries reported a net loss of $673,957. Please discuss in terms of the financial feasibility of the proposed project.

Response: The financial results of the applicant and the consolidated parent company, Polaris Hospital Company, LLC, were in line with expectations for the periods reported under both the current application and CN1207-031A. The Projected Data Chart anticipates positive cash flow in both years following approval and implementation of this project.

The financials in Attachment E.F.10 (sic) is noted. Please document if the provided financial statements are audited.

Response: The financial statements attached as Attachment C.EF.10 are not audited. They are currently being audited as part of the annual audit of Polaris Hospital Company, LLC and subsidiaries.

The applicant is not audited on a standalone basis.

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15. Section C, Contribution to Orderly Development, Item 2

As the applicant has pointed out it is difficult to track inpatient psychiatric patient origin in acute care hospitals because admissions by county are only present for total hospital patients. For the two facilities that provide primarily inpatient psychiatric services, Rolling Hills Hospital and Middle Tennessee Health Institute, Bedford and Rutherford County patients account for 15.6% and 9.2% of their patients, respectively. It is likely that other area inpatient psychiatric providers also have some dependence on these service area patients. Please discuss further the impact of this project on surrounding area inpatient psychiatric service providers.

Response: As described in this application, TrustPoint Hospital has insufficient beds in adult and geriatric psychiatry to meet the immediate, near and long term demand by patients. The data collected indicates Rolling Hills and Middle Tennessee Mental Health Institute (MTMHI) operate at, near, or above capacity. It is our opinion that as mental health literacy (i.e., citizens becoming increasingly informed about services available to meet their mental health needs locally) increases in Rutherford and Bedford Counties, the demand for services will only increase for all providers. Therefore, we do not expect Rolling Hills to experience a decrease in its census as a result of increased capacity at TrustPoint Hospital. It is our hope that MTMHI will see a reduction in demand as a result of TrustPoint Hospital's increased adult and geriatric beds. As previously described, the critically important work and services provided by MTMHI are very consistently impacted by demand that exceeds capacity. In that regard, TrustPoint Hospital expects to be able to share that burden for the good of all citizens in Rutherford and Bedford Counties.

16. Section C, Contribution to Orderly Development, Item 7

Please provide a copy of the results of the applicant's Joint Commission survey.

Response: Please see attachment *Supplemental JCAHO*.

9. **Bed Complement Data**

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

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Response: Except for Licensed and Total line, the chart below represents STAFFED beds.

	Current Beds Licensed	Current Beds CON*	Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A. Medical (Detox)	10		10	+8	18
B. Surgical					
C. Long-Term Care Hospital					
D Obstetrical					
E. ICU/CCU					
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric	31		31	+28	59
I. Geriatric Psychiatric	28		28	+8	36
J. Child/Adolescent Psychiatric					
K. Rehabilitation	27		26	-11	16
L. Nursing Facility (non-Medicaid Certified)					
M. Nursing Facility Level 1 (Medicaid only)					
N. Nursing Facility Level 2 (Medicare only)					
O. Nursing Facility Level 2 (dually-certified)					
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child & Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
TOTAL	96		95	+33	129

* CON Beds approved but not yet in service

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

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1. List all existing health care providers (e.g., 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, e.g., transfer agreements, contractual agreements for health services.

Response: We currently have contracts with AmeriGroup, BlueCare, TennCare Select, in addition to others. Please see *Attachment A.13*.

We also have a Patient Transfer Agreement with St. Thomas Rutherford Hospital, and a Mutual Aid Memorandum of Understanding with Rolling Hills Hospital in Franklin. Both of these documents are included as *Attachment C.OD.1*.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition 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: The approval of this project will only result in positive outcomes. First, there are no other providers of inpatient psychiatric care in our service area, so the approval of this project will have no negative effects on the existing health care system. Second, no other providers have applied to provide such care. And, third, there will remain an unmet need for inpatient psychiatric care even with the approval of this project.

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6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology <u>must include</u> detailed calculations or documentation from referral sources, and identification of all assumptions.

Response: Very specific occupancy data, by service, from opening through December, 2014 is provided in Charts 8 through 18 in this Application. Additionally, specific projections, by service, through 2017 are given in Charts 19 through 21.

Hospital-wide, TrustPoint Hospital has historic utilization as follows:

2012 26.3% (Hospital opened in September, 2012 with 76 beds);
2013 45.3% (Hospital added 10 beds in August, 2013, increasing to 86 beds);
2014 60.4% (Hospital added 10 beds in October, 2014, increasing t0 96 beds); and

TrustPoint projects utilization following implementation of this project as follows:

Yr-1 66.7% (based on 129 beds); and
Yr-2 72.1% (again, based on 129 beds).

In determining the number of beds requested in this application, the Applicant has considered: (1) its management team's experiences in developing psychiatric hospitals; (2) the time periods of increasing patient volumes in previously underserved areas; (3) the indicated need for psychiatry beds in accordance with the primary service area population and *Guidelines for Growth*; and (4) interviews with multiple individuals, including management personnel at Middle Tennessee Medical Center (Murfreesboro), Heritage Medical Center (Shelbyville), two psychiatrists with established practices in Murfreesboro, several primary care physicians, and counselors at Middle Tennessee State University. Of prime importance was the trending and ramp-up progression that has occurred at TrustPoint Hospital since opening.

The *Guidelines for Growth* 30 beds per 100,000 formula was utilized. The age bracket in the Department's estimates for ages 15-19 was estimated at being 40% adult (ages 18 and 19, or 2 of the 5 years reported in that bracket). While this estimate is not exact, it is statistically defendable when consistently used, as it was.

The adult (18 + years old) population projections for the service area, both current and projected in 2019, are given below:

Adult Population Estimates: Rutherford and Bedford Counties
2015 and 2019
Resultant Psychiatric Bed Need

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County	2015	2019
Rutherford	237,540	255,155
Bedford	35,792	38,538
Total	273,332	293,693
Bed Need	82	89

Source: Tennessee Population Projections, 2010 – 2020, Division of Health Statistics, Tennessee Department of Health; Bed Need based on 30 beds/100,000 population.

Using the adult population figures above, the *Guidelines for Growth* formula shows that there currently exists a need for 82 beds, and the need will be 89 beds by 2019. TrustPoint currently operates 59 total psychiatric beds (31 Adult, plus 28 Geriatric). There are no other hospitals in our primary service area that provide the types of care we provide. Therefore, the approval of this application will have no effect on any other facilities in our primary service area.

Statistics from credible reports can be used to measure psychiatric bed need in a given service area. According to a 2010 Substance Abuse and Mental Health Services Administration report on mental health, the use of inpatient treatment for mental health conditions had averaged 0.9% of the U.S. adult population during recent years. Using that percentage and applying it to the 2015 service area adult population of 273,332, there would be 2,461 admissions made to psychiatric hospitals or psychiatric hospital units, and this amount does not include recidivism. In 2019, estimated admissions would total 2,644, not including recidivism.

Further, recidivism and average lengths of stay are considered in order to calculate bed needs. According to the most recent *Medicare Payment Advisory Commission Report (June, 2010)*:

* regarding recidivism, for individuals funded in the Medicare program, those who are admitted to a psychiatric hospital or hospital unit are admitted an average 1.5 times per year;

* the admission rate per 1,000 of population admitted to psychiatric hospitals for Medicare patients is approximately 1.2 times the admission rate of the remainder of the population; and

* the average length of stay ("ALOS") for 431,276 Medicare psychiatric cases was 13.1 days.

Further, according to the most recent applicable report from the Centers for Disease Control & Prevention, there were 1,559,000 cases of adults being admitted to inpatient psychiatric care for psychoses in 2009, for which the ALOS was 7.5 days. The psychoses diagnosis accounts for approximately 73% of all psychiatric admissions, and other diagnoses vary around the 7.5 ALOS average.

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Based on these statistics, the applicant's average length of stay ("ALOS") should be applied to determine the projected number of hospital days projected to be used. The Applicant anticipates an ALOS for adult patients of 8 days, and an ALOS for geriatric patients of 13 days.

Utilizing a projected admission rate of 2,461 in 2015 and 2,644 in 2019, coupled with the anticipated ALOS rates given above, the Applicant could expect to operate the following number of beds at 100% occupancy, based on the mix of patients (adult or geriatric):

Number of Beds at 100% Occupancy
2015 and 2019

Year	Admissions	Adult Patient Days	Adult Beds	Geriatric Patient Days	Geriatric Beds
2015	2,461	19,688	54	31,993	90
2019	2,644	21,152	60	34,372	95

The previous chart shows that if all 2,461 anticipated admissions in 2015 were for adult psychiatric patients and the ALOS was 8 days, there would be 19,688 patient days, which equates to needing 54 beds at 100% occupancy. In the same year, if all admissions were geriatric patients and the ALOS was 13 days, there would be 31,993 patient days, which equates to needing 90 beds at 100% occupancy. The 2019 projections are for between 60 and 95 beds, based on admissions.

As stated earlier, it is important to note that patient origin data indicates that approximately 45% of our patients originate from outside our primary service area. Taking patient origin into consideration, the unmet need for adult inpatient psychiatric beds at TrustPoint increases, as shown in the following chart:

Need for Psychiatric Beds at 100% Occupancy
2015 and 2019
Taking Patient Origin Into Consideration

(1) Year	(2) Current Beds (Adult & Geriatric)	(3) Total Beds (+ This CON)	(4) Need (Primary Svc Area)	(5) Need (Secondary Svc Area)	(6) Total Need	(7) Unmet Need
2015	59	95	82	61	143	48
2019	59	95	89	73	162	67

The above chart takes into consideration: (a) the approval of this CON, which will result in a total of 95 beds that can be used for both Adult and Geriatric Psychiatric Services (Column 3); (b) the need for psychiatric beds in only Rutherford and Bedford County, based on the *Guidelines for Growth* formula for adult psychiatric beds (Column 4); (c) the addition of another 45% need, based on historic patient origin data at TrustPoint (Column 5); (d) the total need for adult/geriatric psychiatric beds, adding primary service area need plus historic TrustPoint patient origin from secondary service area (Column 6); and (e) the unmet need for adult/geriatric psychiatric beds subtracting Column 3 (anticipated number of beds if this application is approved) from the Total Need for such beds (Column 6). This chart shows that there

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will remain an unmet need for adult psychiatric services even with the approval of this application. It is evident by the above chart that the beds requested in this application are clearly needed.

This application is to increase the total number of psychiatric beds (both adult and geriatric) from 59 to 95. The Applicant anticipates operating all 95 inpatient psychiatric beds at 69% and 74% for Years 1 and 2, respectively, and the entire facility at 66.7% and 72.1% for Years 1 and 2, respectively.

There will be no negative impact on existing services, as inpatient psychiatric services are non-existent except for what has already been approved for the Applicant. The closest inpatient psychiatric services to the Applicant are in Davidson, Cannon and Williamson Counties, and this project should not affect those facilities.

PSYCHIATRIC INPATIENT SERVICES

A. Need

1. **The population-based estimate of the total need for psychiatric inpatient services is 30 beds per 100,000 general population (using population estimates prepared by the Department of Health and applying the data in Joint Annual Reports).**

Response: The *Guidelines for Growth* 30 beds per 100,000 formula was utilized.

2. **For adult programs, the age group of 18 years and older should be used in calculating the estimated total number of beds needed.**

Response: The *Guidelines for Growth* 30 beds per 100,000 formula was utilized. The age bracket in the Department's estimates for ages 15-19 was estimated at being 40% adult (ages 18 and 19, or 2 of the 5 years reported in that bracket). While this estimate is not exact, it is statistically defendable when consistently used, as it was.

The adult (18 + years old) population projections for the service area, both current and projected in 2019, are given below:

Adult Population Estimates: Rutherford and Bedford Counties
2015 and 2019
Resultant Psychiatric Bed Need

County	2015	2019
Rutherford	237,540	255,155
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Total	273,332	293,693
Bed Need	82	89

Source: Tennessee Population Projections, 2010 – 2020, Division of Health Statistics, Tennessee Department of Health; Bed Need based on 30 beds/100,000 population.

Using the adult population figures above, the *Guidelines for Growth* formula shows that there currently exists a need for 82 beds, and the need will be 89 beds by 2019. TrustPoint currently operates 59 total psychiatric beds (31 Adult, plus 28 Geriatric). There are no other hospitals in our primary service area that provide the types of care we provide. Therefore, the approval of this application will have no effect on any other facilities in our primary service area.

Statistics from credible reports can be used to measure psychiatric bed need in a given service area. According to a 2010 Substance Abuse and Mental Health Services Administration report on mental health, the use of inpatient treatment for mental health conditions had averaged 0.9% of the U.S. adult population during recent years. Using that percentage and applying it to the 2015 service area adult population of 273,332, there would be 2,461 admissions made to psychiatric hospitals or psychiatric hospital units, and this amount does not include recidivism. In 2019, estimated admissions would total 2,644, not including recidivism.

Further, recidivism and average lengths of stay are considered in order to calculate bed needs. According to the most recent *Medicare Payment Advisory Commission Report (June, 2010)*:

* regarding recidivism, for individuals funded in the Medicare program, those who are admitted to a psychiatric hospital or hospital unit are admitted an average 1.5 times per year;

* the admission rate per 1,000 of population admitted to psychiatric hospitals for Medicare patients is approximately 1.2 times the admission rate of the remainder of the population; and

* the average length of stay ("ALOS") for 431,276 Medicare psychiatric cases was 13.1 days.

Further, according to the most recent applicable report from the Centers for Disease Control & Prevention, there were 1,559,000 cases of adults being admitted to inpatient psychiatric care for psychoses in 2009, for which the ALOS was 7.5 days. The psychoses diagnosis accounts for approximately 73% of all psychiatric admissions, and other diagnoses vary around the 7.5 ALOS average.

Based on these statistics, the applicant's average length of stay ("ALOS") should be applied to determine the projected number of hospital days projected to be used. The Applicant anticipates an ALOS for adult patients of 8 days, and an ALOS for geriatric patients of 13 days.

Utilizing a projected admission rate of 2,461 in 2015 and 2,644 in 2019, coupled with the anticipated ALOS rates given above, the Applicant could expect to operate the following number of beds at 100% occupancy, based on the mix of patients (adult or geriatric):

Number of Beds at 100% Occupancy
2015 and 2019

Year	Admissions	Adult Patient Days	Adult Beds	Geriatric Patient Days	Geriatric Beds
2015	2,461	19,688	54	31,993	90
2019	2,644	21,152	60	34,372	95

The previous chart shows that if all 2,461 anticipated admissions in 2015 were for adult psychiatric patients and the ALOS was 8 days, there would be 19,688 patient days, which equates to needing 54 beds at 100% occupancy. In the same year, if all admissions were geriatric patients and the ALOS was 13 days, there would be 31,993 patient days, which equates to needing 90 beds at 100% occupancy. The 2019 projections are for between 60 and 95 beds, based on admissions.

As stated earlier, it is important to note that patient origin data indicates that approximately 45% of our patients originate from outside our primary service area. Taking patient origin into consideration, the unmet need for adult inpatient psychiatric beds at TrustPoint increases, as shown in the following chart:

Need for Psychiatric Beds at 100% Occupancy
2015 and 2019
Taking Patient Origin Into Consideration

(1) Year	(2) Current Beds (Adult & Geriatric)	(3) Total Beds (+ This CON)	(4) Need (Primary Svc Area)	(5) Need (Secondary Svc Area)	(6) Total Need	(7) Unmet Need
2015	59	95	82	61	143	48
2019	59	95	89	73	162	67

The above chart takes into consideration: (a) the approval of this CON, which will result in a total of 95 beds that can be used for both Adult and Geriatric Psychiatric Services (Column 3); (b) the need for psychiatric beds in only Rutherford and Bedford County, based on the *Guidelines for Growth* formula for adult psychiatric beds (Column 4); (c) the addition of another 45% need, based on historic patient origin data at TrustPoint (Column 5); (d) the total need for adult/geriatric psychiatric beds, adding primary service area need plus historic TrustPoint patient origin from secondary service area (Column 6); and (e) the unmet need for adult/geriatric psychiatric beds subtracting Column 3 (anticipated number of beds if this application is approved) from the Total Need for such beds (Column 6). This chart shows that there will remain an unmet need for adult psychiatric services even with the approval of this application. It is evident by the above chart that the beds requested in this application are clearly needed.

This application is to increase the total number of psychiatric beds (both adult and geriatric) from 59 to 95. The Applicant anticipates operating all 95 inpatient psychiatric beds at 69% and 74% for Years 1 and 2, respectively, and the entire facility at 66.7% and 72.1% for Years 1 and 2, respectively.

SUPPLEMENTAL B.IV

TrustPoint Hospital
Certificate of Need Application
Supplemental Response
Floor Plan and Room Legend

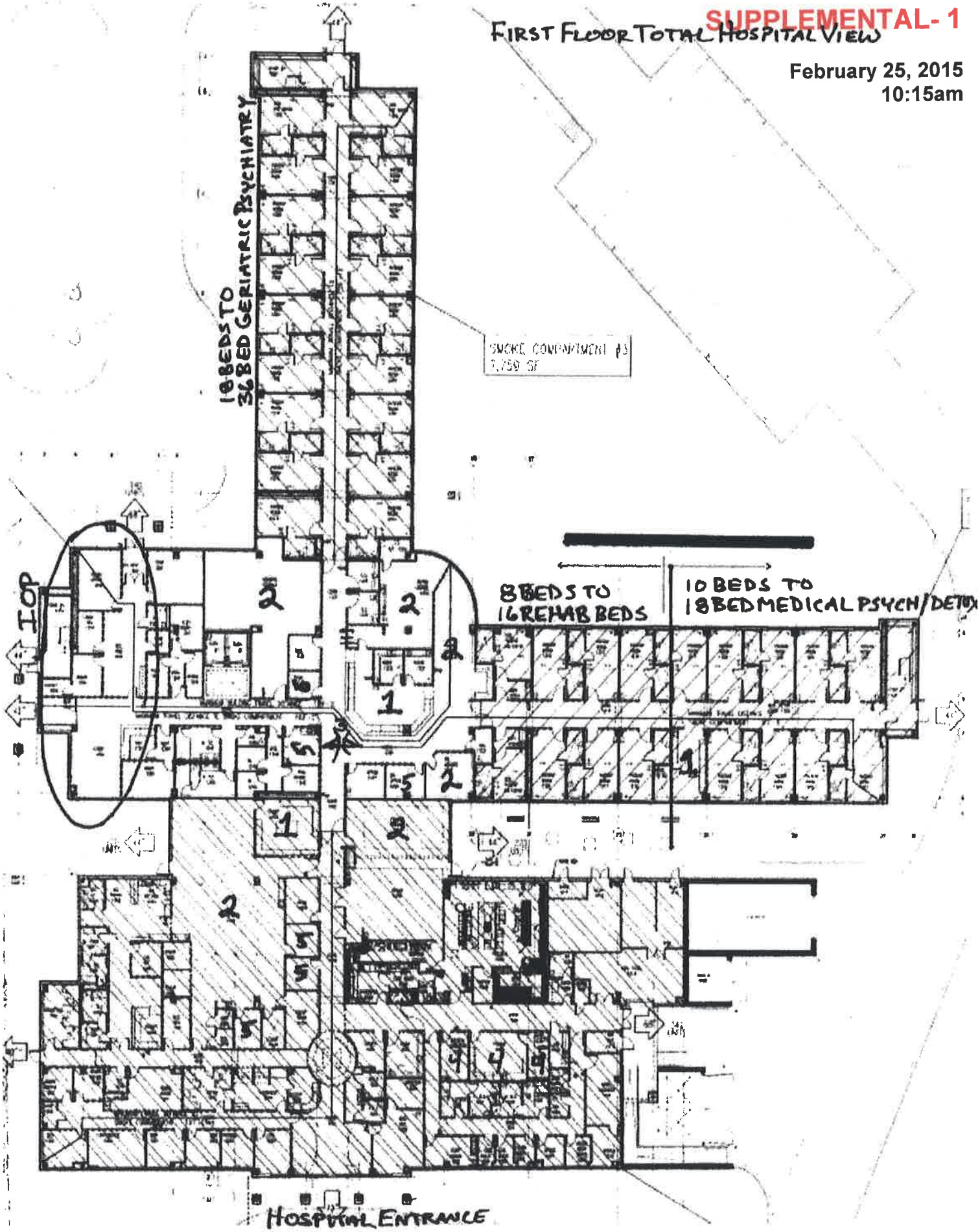
February 25, 2015
10:15am

Each number corresponds with a number on the floor plans submitted:

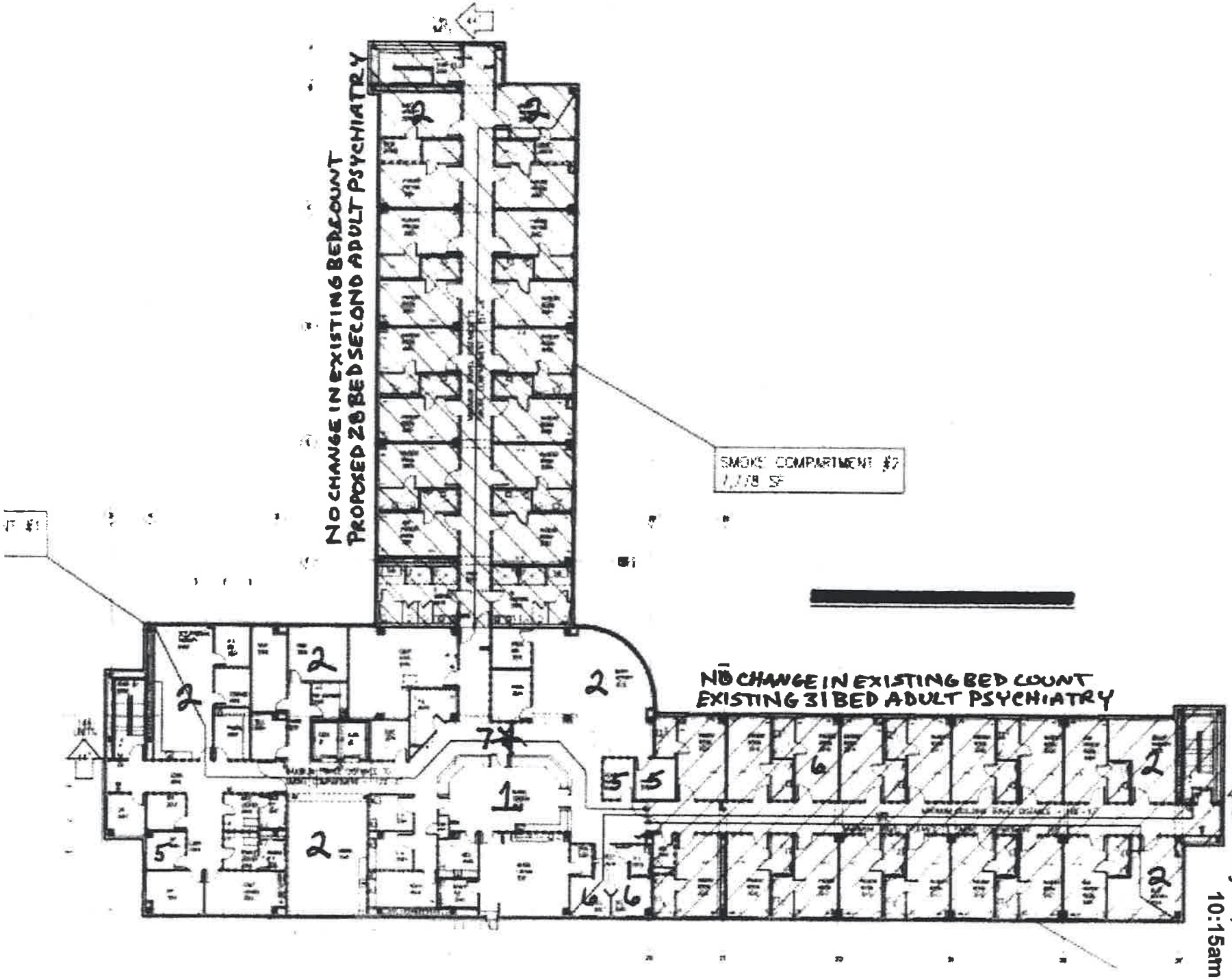
1. **Nursing Stations**
2. **Common rooms for groups, activities, dining, leisure and visitation**
3. **New secure door leading to geriatric psychiatry**
4. **Pharmacy**
5. **Consult rooms**
6. **Seclusion and/or quiet rooms**
7. **Existing secure door between second floor units.**

SUPPLEMENTAL- 1

February 25, 2015
10:15am



SECOND FLOOR TOTAL HOSPITAL VIEW



February 25, 2015
10:15am

SUPPLEMENTAL-1

February 25, 2015
10:15am

SeniorHealth of Rutherford, LLC
1009 N. Thompson Ln.
Murfreesboro, TN 37129

Organization Identification Number: 528362

Program(s)	**Survey Date(s)**
Hospital Accreditation	09/13/2012-09/14/2012

Executive Summary

As a result of the survey conducted on the above date(s), the following survey findings have been identified. Your official report will be posted to your organization's confidential extranet site. It will contain specific follow-up instructions regarding your survey findings.

If you have any questions, please do not hesitate to contact your Account Executive.

Thank you for collaborating with The Joint Commission to improve the safety and quality of care provided to patients.

SUPPLEMENTAL- 1

February 25, 2015
10:15am

The Joint Commission
Summary of Findings

DIRECT Impact Standards:

Program:	Hospital Accreditation Program	
Standards:	EC.02.04.03	EP2

INDIRECT Impact Standards:

Program:	Hospital Accreditation Program	
Standards:	LS.02.01.10	EP9
	LS.02.01.35	EP4
	MS.06.01.01	EP1
	PC.01.02.01	EP3
	RC.01.01.01	EP19

The Joint Commission
Summary of CMS Findings

February 25, 2015
10:15am

CoP: §482.24 **Tag:** A-0431 **Deficiency:** Standard

Corresponds to: HAP

Text: §482.24 Condition of Participation: Medical Record Services

The hospital must have a medical record service that has administrative responsibility for medical records. A medical record must be maintained for every individual evaluated or treated in the hospital.

CoP Standard	Tag	Corresponds to	Deficiency
§482.24(c)(1)	A-0450	HAP - RC.01.01.01/EP19	Standard

CoP: §482.28 **Tag:** A-0618 **Deficiency:** Standard

Corresponds to: HAP

Text: §482.28 Condition of Participation: Food and Dietetic Services

The hospital must have organized dietary services that are directed and staffed by adequate qualified personnel. However, a hospital that has a contract with an outside food management company may be found to meet this Condition of Participation if the company has a dietician who serves the hospital on a full-time, part-time, or consultant basis, and if the company maintains at least the minimum standards specified in this section and provides for constant liaison with the hospital medical staff for recommendations on dietetic policies affecting patient treatment.

CoP Standard	Tag	Corresponds to	Deficiency
§482.28(b)(2)	A-0630	HAP - PC.01.02.01/EP3	Standard

CoP: §482.41 **Tag:** A-0700 **Deficiency:** Standard

Corresponds to: HAP

Text: §482.41 Condition of Participation: Physical Environment

The hospital must be constructed, arranged, and maintained to ensure the safety of the patient, and to provide facilities for diagnosis and treatment and for special hospital services appropriate to the needs of the community.

CoP Standard	Tag	Corresponds to	Deficiency
§482.41(c)(2)	A-0724	HAP - EC.02.04.03/EP2	Standard
§482.41(b)(1)(i)	A-0710	HAP - LS.02.01.10/EP9, LS.02.01.35/EP4	Standard

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February 25, 2015
10:15am

The Joint Commission
Findings

Chapter: Environment of Care

Program: Hospital Accreditation

Standard: EC.02.04.03

Standard Text: The hospital inspects, tests, and maintains medical equipment.

Primary Priority Focus Area: Physical Environment

Element(s) of Performance:

2. The hospital inspects, tests, and maintains all life-support equipment. These activities are documented. (See also EC.02.04.01, EPs 3 and 4; PC.02.01.11, EP 2) 3

Scoring Category : A
Score : Insufficient Compliance

Observation(s):

EP 2
§482.41(c)(2) - (A-0724) - (2) Facilities, supplies, and equipment must be maintained to ensure an acceptable level of safety and quality.
This Standard is NOT MET as evidenced by:
Observed in Building Tour at SeniorHealth of Rutherford LLC (1009 North Thompson Lane, Murfreesboro, TN) site for the Hospital deemed service.
During the building tour it was observed that the Medtronic Lifepak 20e located at the Rehabilitation Nursing station had no tag to verify it had been checked by Clinical Engineering prior to use.

Chapter: Life Safety

Program: Hospital Accreditation

Standard: LS.02.01.10

Standard Text: Building and fire protection features are designed and maintained to minimize the effects of fire, smoke, and heat.

Primary Priority Focus Area: Physical Environment

Element(s) of Performance:

9. The space around pipes, conduits, bus ducts, cables, wires, air ducts, or pneumatic tubes that penetrate fire-rated walls and floors are protected with an approved fire-rated material. 4
Note: Polyurethane expanding foam is not an accepted fire-rated material for this purpose. (For full text and any exceptions, refer to NFPA 101-2000: 8.2.3.2.4.2)

Scoring Category : C
Score : Partial Compliance

Observation(s):

The Joint Commission
Findings

EP 9
§482.41(b)(1)(i) - (A-0710) - (i) The hospital must meet the applicable provisions of the 2000 edition of the Life Safety Code of the National Fire Protection Association. The Director of the Office of the Federal Register has approved the NFPA 101®2000 edition of the Life Safety Code, issued January 14, 2000, for incorporation by reference in accordance with 5 U.S.C. 552(a) and 1 CFR part 51. A copy of the Code is available for inspection at the CMS Information Resource Center, 7500 Security Boulevard, Baltimore, MD or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call 202-741-6030, or go to: http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html.

Copies may be obtained from the National Fire Protection Association, 1 Batterymarch Park, Quincy, MA 02269. If any changes in this edition of the Code are incorporated by reference, CMS will publish notice in the Federal Register to announce the changes.
This Standard is NOT MET as evidenced by:
Observed in Building Tour at SeniorHealth of Rutherford LLC (1009 North Thompson Lane, Murfreesboro, TN) site for the Hospital deemed service.
During the building tour it was observed that a conduit fire penetration in the sprinkler riser room next to the boiler/mechanical room was not properly sealed or protected with an approved fire-rated material as required by NFPA 101-2000.

Observed in Building Tour at SeniorHealth of Rutherford LLC (1009 North Thompson Lane, Murfreesboro, TN) site for the Hospital deemed service.
During the building tour it was observed that a piping fire penetration in the sprinkler riser room next to the boiler/mechanical room was not properly sealed or protected with an approved fire-rated material as required by NFPA 101-2000.

Chapter: Life Safety

Program: Hospital Accreditation

Standard: LS.02.01.35

Standard Text: The hospital provides and maintains systems for extinguishing fires.

Primary Priority Focus Area: Physical Environment

Element(s) of Performance:

4. Piping for approved automatic sprinkler systems is not used to support any other item. (For full text and any exceptions, refer to NFPA 25-1998: 2-2.2)

Scoring Category : C
Score : Partial Compliance

Observation(s):

EP 4
§482.41(b)(1)(i) - (A-0710) - (i) The hospital must meet the applicable provisions of the 2000 edition of the Life Safety Code of the National Fire Protection Association. The Director of the Office of the Federal Register has approved the NFPA 101®2000 edition of the Life Safety Code, issued January 14, 2000, for incorporation by reference in accordance with 5 U.S.C. 552(a) and 1 CFR part 51. A copy of the Code is available for inspection at the CMS Information Resource Center, 7500 Security Boulevard, Baltimore, MD or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call 202-741-6030, or go to: http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html.

Copies may be obtained from the National Fire Protection Association, 1 Batterymarch Park, Quincy, MA 02269. If any changes in this edition of the Code are incorporated by reference, CMS will publish notice in the Federal Register to announce the changes.
This Standard is NOT MET as evidenced by:
Observed in Building Tour at SeniorHealth of Rutherford LLC (1009 North Thompson Lane, Murfreesboro, TN) site for the Hospital deemed service.
During the building tour it was observed that CAT 5 cable was being supported by the sprinkler pipe in the ceiling by the smoke doors across from the Rehabilitation unit Nursing Station, contrary to the requirements of NFPA 25-1998.

Observed in Building Tour at SeniorHealth of Rutherford LLC (1009 North Thompson Lane, Murfreesboro, TN) site for the Hospital deemed service.
During the building tour it was observed that electrical conduit was being supported by the sprinkler pipe in the ceiling by the smoke doors on the second floor "C" wing, contrary to the requirements of NFPA 25-1998.

Chapter: Medical Staff

Program: Hospital Accreditation

Standard: MS.06.01.01

Standard Text: Prior to granting a privilege, the resources necessary to support the requested privilege are determined to be currently available, or available within a specified time frame.

Primary Priority Focus Area: Credentialed Practitioners

Element(s) of Performance:

1. There is a process to determine whether sufficient space, equipment, staffing, and financial resources are in place or available within a specified time frame to support each requested privilege.

Scoring Category : A
Score : Insufficient Compliance

Observation(s):

EP 1
Observed in Leadership Session at SeniorHealth of Rutherford LLC (1009 North Thompson Lane, Murfreesboro, TN) site. During review of credential files, it was identified that privileges had been granted for items and procedures that the organization did not have the space, equipment, staffing, and financial resources in place or available. Example: radiologist who only do interpretation had been granted privileges for CT, MRI and other interventional procedures.

Chapter: Provision of Care, Treatment, and Services

Program: Hospital Accreditation

Standard: PC.01.02.01

The Joint Commission
Findings

February 25, 2015
10:15am

Standard Text: The hospital assesses and reassesses its patients.

Primary Priority Focus Area: Assessment and Care/Services

Element(s) of Performance:

3. The hospital has defined criteria that identify when nutritional plans are developed. (See also PC.01.02.03, EP 7)

Scoring Category : A
Score : Insufficient Compliance

Observation(s):

EP 3
§482.28(b)(2) - (A-0630) - (2) Nutritional needs must be met in accordance with recognized dietary practices and in accordance with orders of the practitioner or practitioners responsible for the care of the patients.
This Standard is NOT MET as evidenced by:
Observed in Individual Tracer at SeniorHealth of Rutherford LLC (1009 North Thompson Lane, Murfreesboro, TN) site for the Hospital deemed service.
Observed during individual tracer activity and record review in the rehab and psych departments. During a review of the four inpatients in the rehab unit, it was noted that three of the patients' diagnoses and assessments identified special dietary needs. The patients' were noted to have co-morbidities including, but not limited to, diabetes and lactose intolerance, as well as a need for special dietary considerations. A review of each of the patients' medical records noted no involvement in coordination of the patients' nutritional needs by the registered dietician. These observations were also noted in the inpatient psych department. In further discussion with staff regarding the referral process for including the registered dietician in the patients' care, treatment, and services, it was identified that the hospital did not have defined criteria to identify/trigger when the registered dietician would be consulted and when nutritional plans would in turn be developed.

Chapter: Record of Care, Treatment, and Services

Program: Hospital Accreditation

Standard: RC.01.01.01

Standard Text: The hospital maintains complete and accurate medical records for each individual patient.

Primary Priority Focus Area: Information Management

Element(s) of Performance:

19. For hospitals that use Joint Commission accreditation for deemed status purposes: All entries in the medical record, including all orders, are timed.

Scoring Category : C
Score : Insufficient Compliance

Observation(s):

FEB 25 '15 AM 10:11

SUPPLEMENTAL- 1

The Joint Commission
Findings

February 25, 2015
10:15am

EP 19
§482.24(c)(1) - (A-0450) - (1) All patient medical record entries must be legible, complete, dated, timed, and authenticated in written or electronic form by the person responsible for providing or evaluating the service provided, consistent with hospital policies and procedures.
This Standard is NOT MET as evidenced by:
Observed in Individual Tracer at SeniorHealth of Rutherford LLC (1009 North Thompson Lane, Murfreesboro, TN) site for the Hospital deemed service.
During individual patient tracer, record # 1 contained multiple authentications by the staff that had not been timed as per facility policy and procedure.

Observed in Individual Tracer at SeniorHealth of Rutherford LLC (1009 North Thompson Lane, Murfreesboro, TN) site for the Hospital deemed service.
During individual patient tracer, record # 2 contained multiple authentications by the staff that had not been timed as per facility policy and procedure.

Observed in Document Review at SeniorHealth of Rutherford LLC (1009 North Thompson Lane, Murfreesboro, TN) site for the Hospital deemed service.
During review of twenty (20) closed medical records, multiple issues were identified with dating and timing of signatures and authentication. Examples: Forms without a place for either a date and time. Forms with place for date and no time. Patient ID stickers covering date and time.

Observed in Record Review at SeniorHealth of Rutherford LLC (1009 North Thompson Lane, Murfreesboro, TN) site for the Hospital deemed service.
Observed during record review. The discharge summary was signed by the physician's assistant but was not dated and not timed.

AFFIDAVIT OF PUBLICATION

SUPPLEMENTAL- 1

February 25, 2015
10:15am

0000298714

Newspaper Daily News Journal

TEAR SHEET ATTACHED

State of Tennessee

Account Number NAS-60645765

Advertiser **ANDERSON & BAKER (DNJ)**

RE: NOI - TRUSTPOINT HOSPITAL, LLC

V Perry Sales Assistant for the above mentioned newspaper, hereby certify that the attached advertisement appeared in said newspaper on the following dates:

✓
02/10/15

V Perry

Subscribed and sworn to before me this 11 day of Feb 2015

Sela Baker
Notary Public

ORIGINAL SUPPLEMENTAL-2

TrustPoint Hospital
CN1502-006

SUPPLEMENTAL- 2

February 26, 2015
2:55pm

ANDERSON & BAKER

An Association of Attorneys

2021 RICHARD JONES ROAD, SUITE 120
NASHVILLE, TENNESSEE 37215-2874

ROBERT A. ANDERSON
Direct: 615-383-3332
Facsimile: 615-383-3480

E. GRAHAM BAKER, JR.
Direct: 615-370-3380
Facsimile: 615-221-0080

February 26, 2015

Phillip Earhart
Health Services Examiner
Tennessee Health Services & Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Supplemental Information 2: Certificate of Need Application CN1501-006
TrustPoint Hospital

Dear Phillip:

Enclosed are three (3) copies of responses to your second supplemental questions regarding the referenced Certificate of Need application. If you have any additional questions, please contact me.

Sincerely,

Graham

E. Graham Baker, Jr.
/np

Enclosures as noted

SUPPLEMENTAL- 2

February 26, 2015
2:55pm

AFFIDAVIT

STATE OF TENNESSEE
COUNTY OF DAVIDSON

NAME OF FACILITY: TrustPoint Hospital (CN1501-006)

I, E. Graham Baker, Jr., 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 to the best of my knowledge, information and belief.

E. Graham Baker, Jr. Attorney at Law
Signature/Title

Sworn to and subscribed before me, a Notary Public, this 26th day of February, 2015; witness my hand at office in the County of Davidson, State of Tennessee.

Timothy Allan Beekman II
NOTARY PUBLIC
My Commission expires: 01-07-17

TIMOTHY ALLAN BEEKMAN II
STATE OF TENNESSEE NOTARY PUBLIC
COUNTY OF WILLIAMSON
My Commission Expires January 7, 2017

SUPPLEMENTAL- 2

February 26, 2015
2:55pm

1. **Section A, Applicant Profile, Item 13**

It is noted applicant is not contracted with United Healthcare Community Plan. However, please clarify where UHC TennCare members who present at Trustpoint Hospital are referred for treatment. If possible, please indicate the number of UHC TennCare members who unknowingly presented for treatment at Trustpoint in 2014?

Response: For calendar year 2014, approximately 1 – 2 walk-in patients per month presented at Trustpoint Hospital with UHC Community Plan. All of these patients were referred to either Skyline, Rolling Hills, or McFarland, which are all UHC TennCare contracted facilities.

SUPPLEMENTAL- 2

February 26, 2015
2:55pm

2. Section B, Project Description, Item I

The applicant states no adult psych patients will be housed on the first floor. However, there is a 10 bed medical detox/psych unit located next to the 16 rehab bed unit. The applicant states the medical detox/psych unit accepts involuntary admissions. Please clarify the following:

If patients admitted to the 10 bed medical detox/psych unit must have a primary psychiatric diagnosis.

Response: The Medical Psychiatry/Detox unit is a general medicine floor that treats patients who present with a primary medical condition and secondary psychiatric condition. The primary diagnosis is medical and the secondary diagnosis is psychiatric. For example, a patient requiring medical detox may be at risk for seizures or other serious and/or life threatening conditions that require internal medicine management, including IV drug therapy, medical monitoring, etc. These patients cannot be safely treated in a traditional ambulatory psychiatric setting. Therefore, they are admitted to medical psychiatry/detox for their care. The psychiatric condition may include criteria requiring a temporary commitment under T.C.A. §33-6-404. In contrast, a patient who presents with a simple substance abuse condition would be admitted to general psychiatry based on the assessment that their condition does not pose a greater risk of medical complications.

Why is there not a locked door between the rehab unit and the medical psych unit?

Response: There is a locked door between the two units.

Why is there not a seclusion room located in the medical detox/psych unit?

Response: Medical Psychiatry/Detox is a short stay medical unit. In the unlikely event that restraints are required, they would be applied in the patient's room, the same as any other medical unit.

Why does it appear that patients requiring seclusion must go through the 16 bed rehabilitation unit past common areas to the seclusion room located on the other side of another nursing station?

Response: This is not the case. As previously stated, the Medical Psychiatry/Detox unit is not an ambulatory psychiatric program. It is licensed as acute medical beds. All treatment and services are delivered at the bedside in the same way as any other medical unit in the State.

Please clarify if the proposed unit arrangement of locating a rehab and medical detox together in a locked unit would meet licensure standards.

Response: As stated previously, medical psychiatry/detox is a separate and locked unit. This arrangement has previously been approved by Licensure.

SUPPLEMENTAL- 2

February 26, 2015
2:55pm

Since there has not been a licensure survey since Trust Point opened in 2012, please clarify if the Division of Health Licensure and Regulation, Department of Health was consulted or has reviewed any changes in the proposed unit arrangements.

Response: The licensing division did perform an onsite review last fall when the hospital converted one of the Medical Psychiatry/Detox patient rooms to semi-private and installed the lock to the door separating Medical Psychiatry/Detox from Physical Medicine/Rehabilitation. We had a conversation with the licensing board staff regarding the 8 inch space deficit in the Physical Medicine/Rehabilitation rooms that are proposed to convert to semi-private. The licensing division staff provided a courtesy review of the proposed space and advised that we would be required to request a waiver, which we were also advised would probably not be a high hurdle.

The brief bed history that identifies when beds went into service beginning with the original Certificate of Need is noted. However, the applicant states in the last sentence of the response that total licensed beds grew to 96 (59 psychiatric, 9 medical, and 27 rehabilitation). Please recheck the total beds in parenthesis that adds to 95 beds.

Response: There was a typo in our original response regarding the number of medical beds. Please note the corrected current licensed bed breakdown is 59 psychiatric, 27 rehabilitation and 10 medical, as noted on Page 8 of the Application.

3. Section B, Project Description, Item II

The Private/Semi-Private Room and Bed Mix chart showing room changes is noted. It is noted the applicant is going from a 35 private bed mix to 1 private bed. Please respond to the following:

Please discuss how increasing to 100% semi-private medical detox and rehabilitation beds are better than having the current 100% private beds.

Response: As previously stated, semi-private rooms in psychiatry have a long tradition as a therapeutic tool. It is also the standard in the industry considering the patients do not utilize their rooms except during hours of sleep. At other times, the patients are engaged in therapeutic activities. Physical Medicine/Rehabilitation hospitals and services vary between private and semi-private. For example, Vanderbilt Stallworth Rehabilitation Hospital in Nashville is a nearly total semi-private facility. The expansion of our facility by offering semi-private rooms allow TrustPoint Hospital to better ensure its ability to care for patients within our service area.

Please clarify if the applicant has changed the bed complement in the same fashion in other owned inpatient facilities.

Response: Polaris Hospital Company, the applicant's parent company, has changed the bed complement in a similar fashion at its other owned inpatient facility, North Quaker Hospital, LP d/b/a TrustPoint Hospital of Lubbock Texas.

The Texas facility was developed to provide inpatient medical, psychiatric and rehabilitation services. Licensed beds were initially allocated between the three services based on an estimate of initial need and forecasted growth rates. The bed complement was adjusted in the facility's second year of operations (2010) when need for two of the services exceeded capacity while occupancy of the third service consistently approximated 50%.

Actual construction costs of changing the bed complement of the Texas hospital were minimal and consisted of remodeling existing square footage. All licensing and regulatory requirements were satisfied and the facility has consistently and efficiently met the needs of its service area ever since.

On page 8 the applicant states the plan for physical medicine/rehabilitation is to maintain 2 private rooms. However, this is not indicated on the bed mix chart on the previous page. Please clarify.

Response: I apologize, as this was an error. All Physical Medicine/Rehabilitation rooms will be semi-private. That question/response should have read as follows:

"What would the applicant do if a patient specifically requested a private psychiatric or rehab room?

SUPPLEMENTAL- 2

February 26, 2015
2:55pm

Response: Following our current practice, requests for private rooms would be considered on a case-by-case basis. We routinely provide private rooms in psychiatry based on the clinical needs of the patient. The plan for physical medicine/rehabilitation is to maintain two semi-private rooms for this purpose. Should we be unable to meet the square footage requirement for physical medicine/rehabilitation, we would leave the rooms as private."

It is noted the applicant has restraint and seclusion rooms. Please clarify if the restraint rooms and seclusion room are one in the same.

Response: The hospital has one restraint room on the second floor. However, the hospital maintains a goal to be restraint free. Our utilization of restraints as a function of patient hours is nearly zero. The restraint room is also used as a seclusion/quiet room. In the unlikely event restraints are required, the devices are brought to the room and applied to the bed at the time of use. In all other respects, the room resembles a standard patient room.

SUPPLEMENTAL- 2

February 26, 2015
2:55pm

4. Section C, Need, Item 1. (Service Specific Criteria-Psychiatric Inpatient Services,)

The applicant references admissions charts on page 23 and 24 of the original application. However, please clarify the reason Wilson County is listed in chart 3, but not in chart 4.

Response: TrustPoint Hospital provides four types of services: Medical Detox; Adult Psychiatric; Geriatric Psychiatric; and Rehabilitation. Historically, we track our admissions in several ways: by total admissions, and by admissions according to the particular service being provided for our patients.

We have provided several charts in the CON Application that indicate County of Origin for our admissions. Due to space limitations, each chart lists only the top 9 Counties of origin, with the 10th ranking being "Other" places of origin.

Chart 3 (page 23 of the CON Application) shows Total Admissions by County of patient origin. This is every patient, irrespective of service offered. By total admissions, the "ranking" counties of origin were, starting with the highest number of patients: Rutherford, Davidson, Bedford, Coffee, Cannon, Williamson, Franklin, Wilson, and Warren. As to ranking, Wilson County residents represented the 8th highest number (by County) of total admissions to our hospital, and it was listed as such.

Chart 4 (page 24 of the CON Application) shows only Adult Psychiatry Admissions by County of patient origin. This chart represents ONLY adult psychiatric admissions. Therefore, medical detox admissions, geriatric psychiatry admissions, and rehabilitation admissions are NOT reflected on this chart. By total adult psychiatric admissions, the "ranking" counties of origin were, starting with the highest number of adult psychiatric patients: Rutherford, Davidson, Bedford, Coffee, Cannon, Warren, Franklin, Williamson, and Montgomery Counties. As to ranking, Wilson County residents did not represent one of the top nine Counties in adult psychiatry admissions, and Wilson County was not listed.

SUPPLEMENTAL- 2

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5. Section C, Need, Item 5

The chart showing historical utilization of the primary and secondary (sic) service area on page 23, and discharge chart on page 24 are noted. However, please revise and resubmit the charts with 2013 Rolling Hills JAR data.

Response: We continue to take issue with the HSDA's request to designate certain specific Counties as our "secondary service area." We have no exact secondary service area, as stated in greater detail in both the Application and in these responses.

The requested chart has been completed, as best we can do so. There are so many inaccuracies in the Joint Annual Reports that we believe the numbers in the following chart are apropos to nothing. For example, the 22 beds at Stones River are supposed to be all Geriatric beds, but the JARs show that both Geriatric and Adult Psychiatric care was delivered in 2011 through 2013. The Centennial Medical Center JARs show that their Geriatric bed utilization was 231.5%, 223.0%, and 321.9% for the 3 years. The same JARs show that their respective Adult bed utilization was 61.2%, 49.1%, and 76.8% for the same 3 years. Further, Skyline Madison's JARs show differing licensure numbers for Adult beds in the various years, none of which match the designations given in the following chart. St. Thomas JARs showed care being delivered to both Adult and Geriatric patients, but there is only one designation noted in the chart – "all adult." Vanderbilt is shown as having only 38 adult beds, but their combined adult and geriatric utilization is 146.4%, 143.9% and 198.0% in 2011 through 2013, respectively. Finally, Rolling Hills shows 101.9% utilization in 2012, which should not be plausible. The Rolling Hills 2013 JAR was only made available late February 25, 2015, and it is included on the chart.

Further, there is no way to arrive at total average utilizations for all psychiatric beds, since some totals are just that – totals – while other "totals" include only adult, others include only geriatric, some include child and adolescent care, and still others combine these classifications. Finally, many of the JARS change from year to year regarding the number of beds allocated for specific services, and the utilization reported in the JARS is quite different from what was given to us on the chart (e.g., we were advised that Stones River had an occupancy of 68% in 2013, but the JAR reported only 34.7% utilization; and there are many more examples on the chart itself, which still contains the information provided to the Applicant by the HSDA). With all of that said, please see following chart.

Inpatient Adult/Geriatric Psychiatric Utilization Trends, 2011-13

County	Facility	2013 Licensed Beds	**Licensed adult/psych Psych Beds	**Current Designated Adult/Geriatric-Psych Beds	2011 ADC (occupancy)	2012 ADC (occupancy)	2013 ADC (occupancy)	% Change 11'-'13
Cannon	Stones River	60	22	22 (all Geri)	70.2%	65.1%	34.7% 15/day 68%	-50.6%
Davidson	Middle TN Mental Health Institute	300	300	195	83.7%	85.2%	85.5% 167/day 55%	+2.2%
Davidson	Centennial	657	115	15 Geri 99 adult	231.5% 61.2%	223.0% 49.1%	321.9% 76.8% 81/day 70.4%	+39.0% +25.5%
Davidson	Skyline-Madison	172	94	60 adult 20 Geri 14 adolescent	67.5% 56.5% Not app.	19.3% 35.6% Not app.	74.6% 60.4% Not app. 62/day 66.2%	+10.5% +6.9%
Davidson	St. Thomas (West campus)	541	23	23 (all adult)	90.9%	68.6%	93.0% 9/day 39%	+2.3%
Davidson	Summit	188	20	20	68.5%	60.9%	34.0% 6/day 30.7%	-50.4%
Davidson	Vanderbilt	1,019	88	38*	146.4%	143.9%	198.0% 71/day 82%	+35.2%
Williamson	Rolling Hills		80	50	98.3%	101.9%	82.7%	-15.9%
Wilson	McFarland	75	49	49	77.0%	47.5%	40.5% 20/day 40%	-47.4%
Total		3,012	791	581	n/a	n/a	n/a	n/a

*Website reports 22 beds are child/adolescent
**As reported in 2013 JAR

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Also, as for the following chart, none of the general hospitals segregate mental disease and disorder patient discharges by county; all discharge reporting data is for the hospital at large; therefore, while we can track hospital discharges by county of origin, we have absolutely no idea why that patient was institutionalized (psychiatric disorder, or kidney stones, for example). As a result, the only hospitals listed which have usable data are McFarland, Middle Tennessee Mental Health, and now Rolling Hills:

2013 Service Area Mental Disease and Disorder Patient Discharges at Hospitals in Surrounding Area

Hospital	*Service Area Patients*	*Total Patients*	*Service Area Patients as a % of Total*
Stones River	*n/a*	*691*	*n/a*
Skyline Madison	*n/a*	*3,414*	*n/a*
Saint Thomas	*n/a*	*21,386*	*n/a*
Vanderbilt	*n/a*	*57,768*	*n/a*
Centennial	*n/a*	*30,620*	*n/a*
Summit	*n/a*	*11,702*	*n/a*
McFarland	*44*	*1,055*	*4.2%!!*
**MTHMI*	*327*	*3,158*	*10.4%*
***Rolling Hills*	*437*	*3058*	*14.3%!!*

Source: 2013 Hospital Data Discharge System
***Source for MTHMI is JAR**
****Source for Rolling Hills is JAR and includes child/adolescent patients**

!! The total of 4.2% of Bedford and Rutherford patients at McFarland is misleading. The 2013 McFarland JAR reports service utilization by patient days. Page 32 of the JAR shows that 73.9% of total patient days were for adult and geriatric psychiatric care (other services, on page 24 of the JAR, include Factors Influencing Health Status and Other 199 Contacts with Health Services). Since only 73.9% of McFarland's patients were either adult or geriatric psychiatric patients, it is statistically defendable to assume that only 73.9% of Bedford and Rutherford County patients were at McFarland for either adult or geriatric psychiatric care. As a result, only 3.1% of McFarland adult and/or geriatric psychiatric care admissions were from Bedford and Rutherford County.

Likewise, the total of 14.3% of Bedford and Rutherford patients at Rolling Hills is misleading. The 2013 Rolling Hills JAR reports service utilization by patient days. Page 32 of the JAR shows that 66.6% of total patient days were for adult and geriatric psychiatric care (other services include Children and Youth Psychiatric Care and Chemical Dependency Care). Since only 66.6% of Rolling Hill's patients were either adult or geriatric psychiatric patients, it is statistically defendable to assume that only 66.6% of Bedford and Rutherford County patients were at Rolling Hills for either adult or geriatric psychiatric care. As a result, only 9.5% of Rolling Hills adult and/or geriatric psychiatric care admissions were from Bedford and Rutherford County.

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In addition, the release yesterday of the Rolling Hills JAR for 2013 necessitates changes in other charts already submitted. Our responses and the updated charts are listed below.

Please note that, as shown below, our primary service area continues to be Bedford and Rutherford Counties. We have provided services only since the fall of 2012, and do not have sufficient information to formally state a secondary service area. As noted on page 23 of the application, total patient admissions, by county, from date of opening until the end of 2014 were from (in ranked order): Rutherford (4,057), Davidson (2,453), Bedford (428), Coffee (360), Cannon, Williamson, Franklin, Wilson, and Warren Counties.

For the same period of time, page 24 shows adult psychiatric admissions by county, as follows: Rutherford (1,000), Davidson (210), Bedford (123), Coffee (121), Cannon, Williamson, Franklin, Wilson, and Warren Counties.

Finally, again for the same period of time, page 25 shows geriatric psychiatric admissions by county, as follows: Rutherford (545), Davidson (112), Bedford (109), Coffee (81), Williamson, Warren, Wilson, Cannon, and Franklin Counties.

A comparison of the above-referenced charts on pages 23 - 25 of the CON application indicate that Rutherford, Davidson, Bedford and Coffee Counties, in that order, are the top 4 counties of patient origin for all three admission categories (*admission numbers are noted above for these four Counties by all three admission categories*). Also, note that Bedford County had almost as many geriatric psychiatric admissions (109) as did Davidson County (112), even though the Davidson County population is over 13 times larger than that of Bedford County.

Requested information for our primary service area is below.

Bed Need in Applicant's Primary and Secondary (sic) Service Area, CY2019

County	Current Adult Beds	Adult Psych Bed Need	Shortage or (surplus)	Current Geri Psych Beds	Geri Psych Bed Need	Shortage or (surplus)
Bedford	0	12	12	0	3	3
Rutherford	31	77	58	28	11	-17
PSA-Subtotal	31	89	58	28	14	-14
Cannon	0	4	4	22	1	-21
Davidson		157			27	
Williamson	36	52	16	14	9	-5
Wilson*	39	33	-16	2	8	6
SSA-(sic) Subtotal		245			44	
Grand Total		343			58	

** Wilson County, by population formula, shows a total need of 41 Psychiatric beds (33 Adult plus 8 Geri). We do not know bed allocation at McFarland as to adult/geri, but we do know utilization. As reported on the 2013 JAR, 95% of the psychiatric patients were adult and the remaining 5% were geri. Therefore, we altered the need chart above to reflect those totals (e.g., if 95% of the current utilization is for adult beds, we estimated the current adult beds as being 39 beds, or 95% of the total need of 41 beds, and the remaining 2 beds must be geri beds).*

As to the 4 additionally requested counties, it is all but impossible to complete the chart as requested due to anomalies on the Joint Annual Reports, as follows:

Cannon County:

Stones River Hospital lists 22 Geri Psych beds, but no adult beds, even though care for both types of service is reported on the JAR.

Davidson County:

Centennial Medical Center lists 115 total Psych beds, and 16 Geri Psych beds.
Middle Tennessee Mental Health Institute lists 195 total Psych beds.
St. Thomas lists 23 total Psych beds, with no indication of adult/geri status.
Skyline Madison lists 94 total Psych beds, 20 Geri beds, and 16 Children and Youth beds.
Summit Medical Center lists 20 total Psych beds, with no indication of adult/geri status.
Vanderbilt University Medical Center lists 88 total Psych beds, again, with no indication of adult/geri status.

Williamson County:

Rolling Hills 2012 JAR shows 10 Geri, 17 C&Y, and 27 Adolescent beds, but their 2013 JAR shows 68 total Psychiatric Beds, with 18 being C&Y and 14 being Geri beds.

Wilson County:

McFarland Hospital shows 49 total Psych beds, with no differentiation of adult or geri.

In all of the above examples, the JAR information on most of these hospitals does not distinguish the types of services. For example, are any of the 99 non-Geri psych beds at Centennial Medical Center adult beds, or adolescent beds, etc.? Also, which beds at McFarland Hospital are used for Geri, which for general adult, etc., if at all? We now have both the 2012 and 2013 JARS for Rolling Hills, but the bed allocations are different. And Middle Tennessee Mental Health Institute does not differentiate any services at all, just reporting a total of 195 psychiatric beds.

We can, however, report on Total Psychiatric Bed Need in our primary service area and the four counties requested, as follows:

Bed Need in Applicant's Primary and Secondary (sic) Service Area, CY2019

County	Current Psych Beds	Psych Bed Need	Shortage or (surplus)
Bedford	0	16	16
Rutherford	59	102	43
PSA-Subtotal	**59**	**118**	**59**
Cannon	22	5	-17
Davidson	535	207	-328
Williamson	54	69	15
Wilson	49	41	-8
SSA-(sic) Subtotal	**660**	**322**	**-338**
Grand Total	**719**	**440**	**-279**

What the above chart shows is that there is a growing need for psychiatric beds within our primary service area. This application, if approved, may not even meet the need for psychiatric beds in our primary service area by 2019.

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6. Section C, Economic Feasibility, Item 11.A

The applicant is shifting from a majority of private rooms to a majority of proposed semi-private rooms. Please clarify at what point the applicant would consider constructing an addition that would accommodate a mix of private and semi-private rooms in addition to housing a psychiatric partial hospitalization unit.

Response: The Applicant might consider such construction if the need/demand justified the expense associated with the construction. In response to Section C, Need, Question 2 of the original application, we stated the following:

> "This Certificate of Need proposal will maximize existing capacity at TrustPoint Hospital. Additional development would require acquisition of new land and/or feasibility studies to determine potential for vertical expansion. There are no development plans anticipated beyond the scope of this Certificate of Need proposal for the next 5 years. Future aspirations may include additional land or vertical build to support expanded outpatient psychiatry services and outpatient physical medicine/rehabilitation services. However, no such plans have been formulated or formally contemplated."

To repeat, in order to construct additional space, the hospital would be required to determine if a vertical build was structurally possible on the existing hospital. Otherwise, the hospital would be required to purchase additional land for new construction. There may be opportunities adjacent to the existing hospital to acquire land. The hospital does not have a current timeline for such a plan, but in any event, such expansion is not anticipated within the next 5 years.

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:615/532-9940

February 24, 2015

E. Graham Baker, Jr.
Anderson and baker
2021 Richard Jones Road, Suite 120
Nashville, TN 37215

RE: Certificate of Need Application CN1501-006
Trustpoint Hospital

Dear Mr. Baker:

This will acknowledge our February 13, 2015 receipt of your application for the net increase of 33 psychiatric beds to the existing 96 bed hospital.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 12:00 PM, Thursday, February 26, 2015. If the supplemental information requested in this letter is not submitted by or before this time, consideration of this application may be delayed into a later review cycle.

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1. **Section A, Applicant Profile, Item 3**

   Please update ownership changes by Fenex since last CON (CN1207-031A).

2. **Section A, Applicant Profile, Item 9**

   The applicant did not complete the staffed bed column in the bed complement chart. Please revise.

3. **Section A, Applicant Profile, Item 13**

   Please clarify if the applicant is contracted with United Healthcare Community Plan.

   Please clarify why the applicant is not contracted with AmeriGroup for Physical Rehabilitation Services.

4. Section B, Project Description, Item I

Please identify the age ranges that will define patients as adult and geriatric.

What will be the process for adult and geriatric psychiatric patients who will be housed on the 1st floor with the hospital's medical rehabilitation patients? Locked access? Security?

Please provide a brief bed history that identifies when beds went into service beginning with the original Certificate of Need.

There appears to be no child and adolescent beds in Rutherford and Bedford Counties. Please clarify why the applicant is not considering opening a child and adolescent unit. Are there plans to do so in the future?

Please clarify if the applicant provides partial hospitalization and intensive outpatient services. If so, please describe. If not, where are those patients referred?

Please describe the psychiatric continuum of care (outpatient, intensive outpatient, partial hospitalization, inpatient) in the proposed service area.

Please clarify if there are any inpatient substance abuse and/or detox providers in the service area. If so, please list.

The House-wide payer mix table on page 11 is noted. Please describe the category "managed care".

Please clarify if the applicant hospital has an Emergency Room. If so, please describe.

It appears the applicant is serviced by The Guidance Center's mobile crisis team. Please discuss their role and where patient interviews are conducted at Trustpoint Hospital by the mobile crisis team.

Please clarify if there is a Crisis Stabilization Unit in the proposed service area.

Please clarify if the applicant has a pharmacy. If so, where is it located?

5. Section B, Project Description, Item II

Please complete the following chart showing room changes from current to proposed:

Private/Semi-Private Room and Bed Mix

Bed Type	Current Private Rooms/Beds	Current Semi-Private Rooms/Beds	Proposed Private	Proposed Semi-Private
Adult Psych				
Geriatric Psych				
Medical detox				
Physical rehab				
TOTAL				

Many facility projects heard by the Agency in the recent past have requested an increase in the mix of private beds. Please discuss the pros and cons in terms of therapeutic value by adult psychiatric patients in increasing the mix of semi-private beds.

Do the private rooms have enough square footage to meet square footage code requirements of a semi-private room?

What would the applicant do if a patient specifically requested a private psychiatric or rehab room?

6. **Section B, Project Description, Item II.C**

It appears the applicant is developing a unit to specialize in involuntary admissions. Please describe how the unit will provide services/security/and staff to handle more acute psychiatric patients.

Please clarify if all units are locked and separate from each other.

Please clarify if the proposed 1st floor geriatric psychiatric unit and rehab unit will be self-contained. Please clarify if each unit will have a dedicated nursing station.

The chart on page 17 is noted. Please clarify what the difference in a non-admission that is "not medically necessary" and a denied admission based on "clinical acuity". In addition, please provide a definition for each of the 4 categories under denied admissions.

It is noted there were 1,523 patients who were not admitted due to not being medically necessary. Where were those patients referred to for lower levels of care (partial, IOP)?

Were any of the denied admissions in 2014 due to the applicant not being able to accept an involuntary admission? If so, how many?

Please clarify if the Trustpoint Hospital has ever been completely full.

7. **Section B, Project Description, Item B.IV**

The drawings included in the application are just too small to be legible and permit the Agency a **clear** understanding of what the applicant is proposing. Please provide larger, more detailed images with **legible room labels** of your project.

Please submit revised floor plans that clearly identify where the 28 additional proposed adult beds, 8 additional proposed geriatric beds and 8 additional medical detox beds are in the facility. Please identify the number of beds increasing in each room to account for these 44 additional beds. Please show the location and use of the 11 beds that will be re-classed from the physical rehabilitation bed service. Please also show the location of ancillary rooms and services such as rooms for counseling, lounge/recreation, dining, isolation, etc.

The floor plan for the 18 bed medical detox unit and 16 bed rehabilitation units are noted. However, please clarify where the nursing stations are located that will provide medical services to these units. Where are medications kept for these units?
It appears staff/patients/visits must first go through the physical rehabilitation unit to gain access to the 18 bed medical detox unit. Please clarify.

Where are group and individual therapy rooms located?

Is there a seclusion and restraint room? If so where are they located and how many are there?

What common areas will be shared with the different units?

8. **Section C, Need, Item 1. (Service Specific Criteria-Psychiatric Inpatient Services)**

The applicant applied population statistics to the Psychiatric Criterion using 2014 and 2018 population numbers. Please revise all responses using more current population statistics for the years 2015 and 2019.

Your response is noted. Please complete the following chart:

Bed Need in Applicant's Primary and Secondary Service Area, CY2019

County	Adult Psych Bed Need	Shortage or (surplus)	Geri Psych Bed Need	Shortage or (surplus)
Bedford				
Rutherford				
PSA-Subtotal				
Cannon				
Davidson				
Williamson				
Wilson				
SSA-Subtotal				
Grand Total				

9. **Section C, Need, Item 1. (Service Specific Criteria-Psychiatric Inpatient Services,)**

Item B.1 (Service Area)-The applicant states 45% of admissions occurred outside of the applicant's service area. In addition, the applicant notes a secondary service area in a table on page 46. Please breakout by county the patient origin for those admission for 2014.

Please clarify why the applicant did not declare a secondary service area even though almost 45% of admissions were from that area in 2014.

Please define the applicant's secondary service area?

Item B.2 (Service Area) The applicant notes patients do not have the economic means to travel distances for inpatient voluntary and psychiatric care. Please verify that involuntary admissions are provided transportation by law enforcement or via ambulance, and that voluntary admissions are provided transportation by TennCare. Please also verify that involuntary admissions in Rutherford County may be transported via ambulance per Title 33 law at the discretion of the County mayor.

Item C.1-(Relationship to applicable plans) The response is noted. Please include a brief description of how the project supports The Department of Mental Health and Substance Abuse's philosophy of providing care as close as possible to an individual's home community in order to increase the potential involvement of family, the individual's support system, and aftercare providers in the treatment process.

Item C.3 (Impact on similar Institutions supported by state appropriations): It appears the applicant will increase involuntary admissions that may otherwise go to Middle Tennessee Mental Health Institute (MTMHI). Review of the hospital's 2013 JAR revealed that residents of Bedford and Rutherford Counties accounted for 11 and 316 admissions, respectively, or 10% of MTMHI's total admissions in calendar year 2013. As such, please assess the impact the proposed additional 33 adult/geri psychiatric beds will have on this state supported mental health institute.

Item C.4 (Involuntary Admissions): Please clarify if the applicant currently accepts involuntary admissions for all psychiatric units, not just the medical detox unit as mentioned on page 20.

How many involuntary admissions were admitted during the year 2014 in each unit? How many are projected in Year One and Year Two of the proposed project?

How is Trustpoint Hospital equipped to handle involuntary admissions that are different from other acute providers?

10. Section C, Need, Item 4

Please complete the following chart:

	Bedford County	Rutherford County	Total Service Area	State of TN Total
Total Population-Current Year -2015				
Total Population-Projected Year -2019				
Total Population-% change				
Age 20-64 Population – 2015				
Age 20-64 Population – 2019				
Age 20-64 Population - % change				
Age 20-64 Population as % of Total Population				
Age 65+ Population – 2015				
Age 65+ Population – 2019				
Age 65+ Population - % change				
Age 65+ Population as % of Total Population				
Median Age				
Median Household				

Income				
TennCare Enrollees				
TennCare Enrollees as % of Total				
Persons Below Poverty Level				
Persons Below Poverty Level as % of Total				

The Tennessee Department of Health's Population Projections 2010-2020 should be used for the TN population projections, the US Census Bureau and the State of Tennessee Bureau of TennCare websites will be helpful in gathering the other demographic statistics.

11. Section C, Need, Item 5

Please complete the following chart showing historical utilization of the primary and secondary service area.

Inpatient Adult/Geriatric Psychiatric Utilization Trends, 2011-13

County	*Facility*	*2013 Licensed Beds*	***Licensed adult/psych Psych Beds*	***Current Designated Adult/Geriatric-Psych Beds*	*2011 ADC (occupancy)*	*2012 ADC (occupancy)*	*2013 ADC (occupancy)*	*% Change 11'-'13*
Cannon	*Stones River*	*60*	*22*	*22 (all geri)*			*15/day 68%*	
Davidson	*Middle TN Mental Health Institute*	*300*	*300*	*195*			*167/day 55%*	
Davidson	*Centennial*	*657*	*115*	*15 geri 99 adult*			*81/day 70.4%*	
Davidson	*Skyline-Madison*	*172*	*94*	*60 adult 20 geri 14 adolescent*			*62/day 66.2%*	
Davidson	*St. Thomas (West campus)*	*541*	*23*	*23 (all adult)*			*9/day 39%*	
Davidson	*Summit*	*188*	*20*	*20*			*6/day 30.7%*	
Davidson	*Vanderbilt*	*1,019*	*88*	*38**			*71/day 82%*	
Williamson	*Rolling Hills*		*80*	*40*			*No JAR On TDH link*	
Wilson	*McFarland*	*75*	*49*	*49*			*20/day 40%*	
Total								

*Website reports 22 beds are child/adolescent
**As reported in 2013 JAR

Your response to this item is noted however Rutherford County residents are currently seeking inpatient psychiatric care at inpatient services in surrounding counties. Please complete the following chart: (Note: Psychiatric patient day information by age cohort can be found on page 32 of the JAR.)

***2013** Service Area Mental Disease and Disorder Patient Discharges at Hospitals in Surrounding Area*

Hospital	*Service Area Patients*	*Total Patients*	*Service Area Patients as a % of Total*
Stones River			
Skyline Madison			
Saint Thomas			
Vanderbilt			
Centennial			
Summit			
McFarland			
****MTHMI***			
*****Rolling Hills***			

Source: 2013 Hospital Data Discharge System
***Source for MTHMI is JAR**
****Source for Rolling Hills is JAR and includes child/adolescent patients**

12. Section C, Need, Item 6

It is noted the applicant's occupancy was at 60.4% in 2014 in lieu of the 90.1% projected occupancy in 2014 and 91% in 2015 as identified in CN1207-031A for the addition of 16 beds resulting in 76 total beds. It appears the applicant did not meet the occupancy projections. Why were prior projections not met?

Please clarify the need for additional beds at this time with occupancy of 60.4% in 2014.

Please complete the following chart for Trustpoint Hospital:

Historical and Projected Inpatient Utilization ADC

Variable	**2012**	**2013**	**2014**	**% Change '12-'14**	**Year 1**	**Year 2**
Adult Psych Licensed Beds						
Adult Psych. Admissions						
Adult Psych. Pat. Days						
Adult Psych ALOS						
Adult Psych						

ADC						
Adult Psych % Lic. Occ.						
Geriatric Psych. Lic. Beds						
Geriatric Psych. Admissions						
Geriatric Psych. Pat. Days						
Geriatric Psych. ALOS						
Geriatric Psych. ADC						
Geriatric Psych. % Lic. Occ.						
Total Psych. Licensed Beds						
Total Psych. Admissions						
Total Psych. Pat. Days						
Total Psych. ALOS						
Total Psych. ADC						
Total Psych. % Lic. Occ.						
Rehab. Lic. Beds						
Rehab. Admissions						
Rehab. Pat. Days						
Rehab. ALOS						
Rehab. ADC						
Rehab. % Lic. Occ.						
Detox. Lic. Beds						
Detox. Admissions						

Detox. Pat. Days						
Detox. ALOS						
Detox. ADC						
Detox. % Lic. Occ.						
TOTAL Lic. Beds						
TOTAL Admissions						
TOTAL Pat. Days						
TOTAL ALOS						
TOTAL ADC						
TOTAL % Lic. Occ.						

Did the applicant file a Joint Annual Report in 2013 or 2014?

13. Section C, Economic Feasibility, Item 4 (Historical and Projected Data Charts)

What calendar years correspond with Year 1 and Year 2 in the Historical Data Chart?

Revenue – Line B.4 - for both charts, other gross revenue is noted as Physician Billings. What accounts for the 4 fold increase in this category from $585,337 in Year 2 of the Historical Data Chart (FY2014?) to $2,445,421 in Year 1 of the Projected Data Chart?

Expenses –
Line D.9 - professional fees expense is included in Other Expenses of both charts. It appears that professional fees accounted for $431,478 or 74% of physician billing revenue in Year 2 of the Historical Data Chart (FY2014?) compared to only $459,000 or 19% of $2,445,421 of physician billing revenue in Year 1 of the Projected Data Chart. Are the professional fees in error in the Projected Data Chart? Please explain.

Line F.1 - Since the project is entirely funded from cash reserves, what accounts for the 73% increase from $274,357 in FY2014 to $475,000 in Year 1 of the project? Please explain.

What is the difference in contracted Physician's Fees in the amount of $1,460,000 and contract services in the amount of $2,504,000 itemized as "Other expenses" in Year One?

Revenue changed from Year One to Year Two by management fees remained the same. Please clarify.

Please explain Item E. in the Historical Data Chart listed as "E.H.R. incentives/dietary" in the amount of $1,745,543 in Year 1 and $979,794 in Year Two. Please clarify why there is no designation in the Projected Data Chart for "E.H.R. incentives/dietary".

14. Section C, Economic Feasibility, Item 10

In the financial statements submitted with CN1207-031A, Polaris Hospital Company, LLC and its subsidiaries reported a **net loss of $673,957**. Please discuss in terms of the financial feasibility of the proposed project.

The financials in Attachment E.F.10 is noted. Please document if the provided financial statements are audited.

15. Section C, Contribution to Orderly Development, Item 2

As the applicant has pointed out it is difficult to track inpatient psychiatric patient origin in acute care hospitals because admissions by county are only present for total hospital patients. For the two facilities that provide primarily inpatient psychiatric services, Rolling Hills Hospital and Middle Tennessee Health Institute, Bedford and Rutherford County patients account for 15.6% and 9.2% of their patients, respectively. It is likely that other area inpatient psychiatric providers also have some dependence on these service area patients. Please discuss further the impact of this project on surrounding area inpatient psychiatric service providers.

16. Section C, Contribution to Orderly Development, Item 7

Please provide a copy of the results of the applicant's Joint Commission survey.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60th) day after written notification is April 24, 2015. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first

day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. э 68-11-1607(d):

(1) 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.

(2) 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 any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

Phillip Earhart
HSD Examiner

PME
Enclosure

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:615/532-9940

February 26, 2015

E. Graham Baker, Jr.
Anderson and Baker
2021 Richard Jones Road, Suite 120
Nashville, TN 37215

RE: Certificate of Need Application CN1501-006
Trustpoint Hospital

Dear Mr. Baker:

This will acknowledge our February 25, 2015 receipt of your supplemental response for the net increase of 33 psychiatric beds to the existing 96 bed hospital.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 12:00 PM, Friday, February 27, 2015. If the supplemental information requested in this letter is not submitted by or before this time, consideration of this application may be delayed into a later review cycle.

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1. **Section A, Applicant Profile, Item 13**

   It is noted applicant is not contracted with United Healthcare Community Plan. However, please clarify where UHC TennCare members who present at Trustpoint Hospital are referred for treatment. If possible, please indicate the number of UHC TennCare members who unknowingly presented for treatment at Trustpoint in 2014?

2. **Section B, Project Description, Item I**

   The applicant states no adult psych patients will be housed on the first floor. However, there is a 10 bed medical detox/psych unit located next to the 16 rehab bed unit. The applicant states the medical detox/psych unit accepts involuntary admissions. Please clarify the following:

- If patients admitted to the 10 bed medical detox/psych unit must have a primary psychiatric diagnosis.
- Why is there not a locked door between the rehab unit and the medical psych unit?
- Why is there not a seclusion room located in the medical detox/psych unit?
- Why does it appear that patients requiring seclusion must go through the 16 bed rehabilitation unit past common areas to the seclusion room located on the other side of another nursing station?
- Please clarify if the proposed unit arrangement of locating a rehab and medical detox together in a locked unit would meet licensure standards.
- Since there has not been a licensure survey since Trust Point opened in 2012, please clarify if the Division of Health Licensure and Regulation, Department of Health was consulted or has reviewed any changes in the proposed unit arrangements.

The brief bed history that identifies when beds went into service beginning with the original Certificate of Need is noted. However, the applicant states in the last sentence of the response that total licensed beds grew to 96 (59 psychiatric, 9 medical, and 27 rehabilitation). Please recheck the total beds in parenthesis that adds to 95 beds.

3. Section B, Project Description, Item II

The Private/Semi-Private Room and Bed Mix chart showing room changes is noted. It is noted the applicant is going from a 35 private bed mix to 1 private bed. Please respond to the following:

- Please discuss how increasing to 100% semi-private medical detox and rehabilitation beds are better than having the current 100% private beds.
- Please clarify if the applicant has changed the bed complement in the same fashion in other owned inpatient facilities.

On page 8 the applicant states the plan for physical medicine/rehabilitation is to maintain 2 private rooms. However, this is not indicated on the bed mix chart on the previous page. Please clarify.

It is noted the applicant has restraint and seclusion rooms. Please clarify if the restraint rooms and seclusion room are one in the same.

4. Section C, Need, Item 1. (Service Specific Criteria-Psychiatric Inpatient Services,)

The applicant references admissions charts on page 23 and 24 of the original application. However, please clarify the reason Wilson County is listed in chart 3, but not in chart 4.

5. **Section C, Need, Item 5**

   The chart showing historical utilization of the primary and secondary service area on page 23, and discharge chart on page 24 are noted. However, please revise and resubmit the charts with 2013 Rolling Hills JAR data.

6. **Section C, Economic Feasibility, Item 11.A**

   The applicant is shifting from a majority of private rooms to a majority of proposed semi-private rooms. Please clarify at what point the applicant would consider constructing an addition that would accommodate a mix of private and semi-private rooms in addition to housing a psychiatric partial hospitalization unit.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60th) day after written notification is April 24, 2015. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

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Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

Phillip Earhart
HSD Examiner

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