Original Application

LP Johnson City, LLC

CN1609-032

LP JOHNSON CITY, LLC

CERTIFICATE OF NEED APPLICATION

CONSTRUCTION OF A FORTY-SEVEN (47) BED REPLACEMENT NURSING HOME

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

CERTIFICATE OF NEED APPLICATION

SECTION A: APPLICANT PROFILE

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

LP Johnson City, LLC
Name

401 Princeton Road — Washington
Street or Route — County

Johnson City — TN — 37601
City — State — Zip Code

Website address: _____

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

2. *Contact Person Available for Responses to Questions*

Christopher C. Puri — Attorney
Name — Title

Bradley Arant Boult Cummings, LLP — cpuri@bradley.com
Company Name — Email address

1600 Division Street, Suite 700 — Nashville — TN — 37203
Street or Route — City — State — Zip Code

Attorney for Project — 615-252-4643 — 615-252-4706
Association with Owner — Phone Number — Fax Number

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

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

3. SECTION A: EXECUTIVE SUMMARY

A. Overview

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

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

2) Ownership structure;

3) Service area;

4) Existing similar service providers;

5) Project cost;

6) Funding;

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

8) Staffing.

RESPONSE:

1) Description:

LP Johnson City, LLC (Applicant) was created by a joint venture between affiliates of Signature HealthCARE (SHC) and Mountain States Health Alliance (MSHA). LP Johnson City, LLC seeks approval from the Health Services and Development Agency (HSDA) for a Certificate of Need to construct a forty-seven (47) bed replacement nursing home to be located at 401 Princeton Road, Johnson City, TN 37601 (Washington County). The new nursing home will be located on the campus of what was formerly Northside Hospital. The applicant proposes to replace two (2) currently licensed facilities (both within Washington County) with a single replacement facility pursuant to T.C.A. §68-11-1627. The facilities being replaced are the thirty-four (34) bed Princeton Transitional Care (PTC) and the thirteen (13) bed Franklin Transitional Care (FTC). Both facilities are currently owned by and licensed to MSHA, but will be transferred to the Applicant as part of the joint venture agreement. PTC is Medicare certified and is currently managed by LP Johnson City, LLC (as described above in Section A). FTC has not operated since July 1, 2012 and is currently on inactive licensure status. The proposed replacement skilled nursing facility will be part of a campus that offers an overall continuum of long term care, including assisted care living. The applicant has no other outstanding but unimplemented certificates of need.

The new skilled nursing facility will be part of a modernized, state-of-the-art building and campus on the now closed Northside Hospital site. A newly constructed single-story, seventy-three thousand one hundred sixty-eight (73,168) square foot building will include both forty-seven (47) beds dedicated to the Skilled Nursing Facility (SNF), as well as sixty (60) assisted care living facility (ACLF) beds. The square footage for the building will be apportioned with the SNF occupying thirty-three thousand thirty-seven (33,037) square feet of the total seventy-three thousand one hundred sixty-eight (73,168) square feet proposed, or approximately forty-five (45%) percent of the space. The SNF is designed to have all private rooms and state of the art support spaces (i.e., lounges, activity/craft rooms, therapy gym, resident dining, etc.). The building will be fully air conditioned and sprinkled. In addition, the facility will be technologically advanced, with wireless internet throughout the

facility and abundant access to the internet and other web-based services. Other special features include outdoor walking spaces for therapy and treatment, a chapel/movie theater, bank, post-office, coffee bistro, ice cream parlor, activity/craft area and covered patios. The facility will also include large and expansive therapy gym spaces as well as three outdoor courtyards. One courtyard each specifically for the SNF and ALF and one shared as a meditation garden courtyard. The preliminary design for the facility calls for modern finishes throughout, including wood (VCP) flooring, full furnished electric beds, flat screen televisions and a vaulted entry.

In order to meet the changing physical, psychological and medical requirements of the residents, this facility will be conceptualized from the onset with an interdisciplinary team including, but not limited to, designers, technicians, health care managers, practitioners and construction specialists. Collectively, the framework for this built environment is approached with a flexible and creative attitude designed to enhance and extend the quality of life, health, well-being, safety, employee effectiveness and patient care. Patient safety, privacy, comfort, handling, movement and infection control are core considerations that are paramount to the planning phase and are carefully considered in every step of the process. The facility shall promote socialization, dignity, and independence while minimizing the negative aspects of an institutional environment. In addition to the required services necessary for complete operation of the facility, the applicant is implementing additional components and services through creative planning, layout, systems design and environment control in order to enhance the physical environment.

2) Ownership Structure:

The Applicant, LP Johnson City, LLC, a Delaware limited liability company, is a joint venture between its two parent entities. SHC LP Holdings III, LLC, and affiliate of Signature HealthCARE, LLC (SHC) and Blue Ridge Medical Management Corporation, an affiliate of Mountain States Health Alliance (MSHA) own, fifty-five and one half percent (55.50%) and forty-four and one half percent (44.50%) of the Applicant, respectively. A copy of the executed Joint Venture Agreement between the parties at Attachment Section A-4B-2.

The proposed project will be built and developed through a development agreement with Ramsey Development, LLC (discussed below and at See Attachment Section A-6A. To facilitate the Agency's understanding of the development of the project and the joint venture nature of the arrangement between MSHA and SHC, we have provided an ownership and control flow chart, and letter agreements documenting the joint venture contributions at See Attachment Section A-6A. This cooperative approach represents sound healthcare planning and a novel approach to the alignment of acute and post-acute providers. As discussed below, MSHA will contribute to the Joint Venture the licensure and operating rights of the two existing facilities, PTC and FTC, as well as the control of the real estate for the proposed facility site. SHC is contributing various cash and other equivalents, including furniture, fixtures, and equipment (FF&E). SHC, through its related management companies, will operate the facility once constructed and operating. Both MSHA and SHC will collaborate on the oversight of the project once developed including continuing opportunities for clinical integration.

Founded in 1998, MSHA has historical community roots in the Johnson City Medical Center (JCMC) (1980-Present), Memorial Hospital (1951-1980), and Appalachian Hospital (1911-1951). The hospital system includes fourteen (14) hospitals providing a core of acute care, hospital-based services, and an array of supporting services. In addition, MSHA operates urgent care centers, outpatient facilities, laboratory and radiology services, physician practices, long term care and rehabilitation facilities, and community-based prevention and educational activities to a population of over 1.1 million residents of southern and central Appalachia. The twenty-nine (29) county service area consists of counties from Tennessee, Virginia, Kentucky and North Carolina. With respect to ownership in other health care

institutions, the Applicant has no such interests. Its parent entities involved in the joint venture do, however. Mountain States Health Alliance (MSHA) [https://www.mountainstateshealth.com/] formed in 1998, is the largest healthcare system in Northeast Tennessee and Southwest Virginia. It operates thirteen (13) hospitals within that service area and employs approximately 10,000 team members and associated physicians in those facilities.

SHC [http://ltcrevolution.com/] is a long term health care and rehabilitation company with one hundred forty-four (144) locations (with 130 being SNFs) in eleven (11) states and nearly twenty-four thousand (24,000) employees. SHC's organizational culture is founded on three pillars: Learning, Spirituality, and Intra-preneurship. The applicant is LP Johnson City LLC. LP Johnson City LLC is a Delaware limited liability company who will be the future licensee of the new facility. This LLC is wholly owned through a joint venture structure between affiliates of MSHA and SHC, fifty-five and one half percent (55.50%) and forty-four and one half percent (44.50%), respectively.

SHC owns and operates skilled nursing facilities in multiple states (Alabama, Florida, Georgia, Indiana, Kentucky, Maryland, North Carolina, Ohio, Pennsylvania, Tennessee, and Virginia.), including thirty (30) locations in Tennessee. SHC's stated mission and vision is "to radically change the landscape of healthcare forever." Learning, Spirituality, and Intra-preneurship are the organizational pillars upon which SHC is built. These pillars form the foundation of the Company's commitment to revolutionizing nursing home care in the U.S. SHC is committed to advancing resident care through award-winning programs, dedicated staff development, and innovative partnerships that address the needs of our changing healthcare system. Its facilities have maintained a long standing reputation for quality and care of individuals along the entire spectrum of long term care.

3) Service Area:

The new construction will be five (5) miles from the current site of the one operating facility (PTC) with a primary service area of Washington County. The new nursing home will be located on the campus of what was formerly Northside Hospital. As a replacement project, the proposed project does not request new nursing home beds and will not increase or decrease the number of licensed nursing home beds within Washington County. As discussed below, the project is needed because it proposes to more efficiently and effectively deliver post-acute and long term care services than is currently being done within the existing facilities (PTC and FTC). The project meets applicable need guidelines for a replacement facility.

3) Existing similar service providers:

There are eight (8) other operating nursing homes in Washington County with 791 beds, besides two facilities controlled by the Applicant. One additional facility, ElderReed is closed and has been on inactive status for over one year.

The Applicant's project does not seek to increase the available supply of nursing home beds in the service area and therefore should have little to no impact on other providers. Existing need guidelines show a current need for 190 beds, increasing to 360 beds by the year 2020.

5-6) Project cost and Funding:

The estimated total project cost for the skilled nursing facility is $8,571,736.00. The projected per square foot construction cost is $185.18. The costs are below the third-quartile and compare favorably to similar projects recently approved by the HSDA. Funding

for this project will be through the use of existing cash reserves of the affiliated entities, SHC and MSHA. The included project data charts demonstrate that the new SNF will be financially feasible within twenty-four (24) months of opening

The Joint Venture (collectively through LP Johnson City, LLC and JCRNC RE, LLC) will accomplish construction of the project (the combined SNF and ALF) through a development agreement with Ramsey Development, LLC. See Attachment Section A-6A. The developer will design, build and lease the combined facility, a forty-seven (47) bed sub-acute nursing facility and sixty (60) bed assisted care living facility on the proposed site. JCRNC RE, LLC will pay rent to developer through a lease agreement, and then, between month 13 and month 24 of operation of the Facility. These terms are fixed by the terms of the lease agreement and require a purchase of the Facility from the developer for a purchase price of $6,117,973 (the amount allocated to the skilled nursing facility of the total project acquisition price of $13,549,494).

7) Financial Feasibility (including when the proposal will realize a positive financial margin):

The Applicant conducted a detailed market and pro-forma analysis to assure the financial viability of the project. Revenue and expense information for this proposal for Years 1 and 2 following project completion is included in the Projected Data Chart. Per the projected data chart, the SNF will show an operating profit in the first year of operations, and is projected to be positive in cash flow by month four (4) of operations. These conservative projections are based upon the initial movement of the existing PTC patients into the new facility upon completion, and then a projected increase in average census based on fill rates experienced at other SHC facilities after opening. For example, another SHC project in Tennessee experienced an increase in census of 67% percent upon take over to the end of year 2. This projection reflects a cash need in Year 1 of $966,000. SHC will provide $314,000 of that funding through a cash equity contribution to LP Johnson City, LLC and the cash remaining will be provided through a third party borrowing line against accounts receivables of LP Johnson City LLC. All borrowing will be fully paid back by month 27 of the project.

8) Staffing:

The facility will be organized and staffed to meet the needs of all patients with a particular emphasis on providing highly qualified staff needed to take care of residents with complex conditions and rehabilitation needs. With experience and resources to provide ongoing recruitment of staff, the Applicant's staffing projections are consistent with the resources needed to provide high quality, high level post-acute rehabilitation services. These services are very much in demand from consumers within the long term care market. Because existing staff will move with the opening of the new facility, the applicant anticipates the need to recruit few additional employees.

The Applicant proposes to provide skilled nursing services from the skilled facility. These services will include Medicare-covered skilled nursing facility services. The facility will accept most forms of private long term care insurance. In addition to skilled nursing facility, SHC will also provide home and community services (HCBS) as part of its service compliment through its affiliate organization, Silver Angels. Silver Angels is a large provider of HCBS in Tennessee, including participating in the Medicaid CHOICES program. Finally, assisted living services will be provided within the larger combined facility that the SNF is a portion thereof.

B. Rationale for Approval

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

1) Need;

2) Economic Feasibility;

3) Appropriate Quality Standards; and

4) Orderly Development to adequate and effective health care.

RESPONSE:

1) Need:

The project stems from an opportunity to enhance the post-acute care continuum available in the Washington County market. SHC and MSHA are partnering to enhance the provision of post-acute care services in the community and elevate the quality and continuity of care provided locally. MSHA has struggled over the years to maximize the effectiveness of its two skilled nursing facilities (PTC and FTC). As such, MSHA decided to seek an external partnership with SHC, who has expertise in long term care services and supports. The long term intention of this partnership is to develop a senior care campus which will provide a continuum of care for the older population – including skilled nursing care, assisted living, and independent/retirement living options.

While this project does not seek to increase the available supply of nursing home beds and is not strictly evaluated based on the need formula in T.C.A. §68-11-1622, that methodology more than demonstrates an existing and future need for these skilled nursing facility beds exists, evidencing demand for the proposed project. The projections for Washington County under existing need guidelines show a current need for 190 beds, increasing to 360 beds by the year 2020.

The Applicant also notes the project is aligned with recently revised standards for Nursing Home Services in the 2014 State Health Plan which encouraging facility modernization. These criteria were revised with the goal to provide support for an existing nursing home to modernize/update its facilities. At criteria 8, those standards encourage projects that modernize out of date facilities through replacement of the same existing facilities without increasing beds in the service area. The criteria state in part, "In particular, the HSDA should give preference to replacement facility applications that are consistent with the standards described in TCA §68-11-1627, such as facilities that seek to replace physical plants that have building and/or life safety problems ...."

2) Economic Feasibility;

The project will be funded from existing cash reserves of the joint venture's ownership. Both partners have documented their availability of funds to complete the project.

The SNF will show an operating profit in the first year of operations, and is projected to be positive in cash flow by month four (4) of operations. These conservative projections

are based upon the initial movement of the existing PTC patients into the new facility upon completion, and then a projected increase in average census based on fill rates experienced at other SHC facilities after opening.

3) Appropriate Quality Standards; and

As a Medicare certified skilled nursing facility the proposed facility will be surveyed both at the State and Federal level. The previous operating history of both FTC and PTC have demonstrated that quality care is being provided by the Applicant. SHC has one hundred forty-four (144) locations with 130 being SNFs in eleven (11) states and over twenty-four thousand (24,000) employees. The majority (approximately 55%) of SHC's facilities are above a 3-star rating from the federal Centers for Medicare & Medicaid Services, and thirty (30%) have 4-star or 5-star rating.

MSHA also serves as a key acute and post-acute care provider in the Upper East Tennessee area, and this partnership will allow it to continue to improve those services to residents. MSHA also serves as a key resource in the development of physicians in the area, and operates several programs to develop and support the medical and nursing workforce.

4) Orderly Development to adequate and effective health care.

The proposed project addresses a major concern for MSHA and SHC which has been the effectiveness of post-acute care resources in Washington County. Given the changing health care landscape and the vital role that post-acute care has in effective population health management, it is critical for a reorganization of this service offering. The partnership between SHC and MSHA seeks to enhance the continuity of care and improve operational efficiency for skilled nursing care in Washington County. Operating two small SNFs within the community has and will continue to be operationally inefficient without a reorganization of the use of the SNF beds. SHC's significant resources and expertise in providing quality care will serve to improve the post-acute arena within Washington County.

In November of 2014, the HSDA approved CN1409-039, a CON application by MSHA to relocate the current thirty-four (34) licensed beds of PTC from James & Cecile Quillen Rehab Hospital at 2511 Wesley Street (37601) to 400 N. State of Franklin Rd., Johnson City (37601). Johnson City Medical Center designated space within its facility to temporarily house PTC's thirty-four (34) skilled nursing beds during construction of the new elder care campus to be constructed at the former Northside Hospital location (401 Princeton Road, Johnson City). Both SHC and MSHA felt it essential for the community to have continued access to these existing SNF services during the twelve (12) to eighteen (18) month construction phase. SHC is currently managing PTC (which is the current unit within JCMC). In the long term, JCMC and MSHA have determined that operating the thirty-four (34) bed SNF within JCMC will continue to have a negative impact to JCMC's existing bed capacity. Especially during peak census periods, JCMC believes utilization of the space within the hospital as medical surgical space more effectively fits with the needs of its service area.

Relocating the forty-seven (47) beds to the former Northside Hospital location provides the opportunity to create a dedicated senior care living community/campus with a continuum of services and a state of the art facility demanded by long term care consumers. At this location, there will be SNF, ALF, and independent/retirement living available with acute rehab services within walking distance. This campus will allow seniors to age in place with access to an abundance of senior care and post-acute

services. Additionally, consolidation of the beds improves operational efficiency and the orderly delivery of health care within the community.

C. Consent Calendar Justification

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

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

RESPONSE: The applicant does not seek consent calendar consideration.

4. SECTION A: PROJECT DETAILS

A. ***Owner of the Facility, Agency or Institution***

LP Johnson City, LLC — Name
502-568-7800 — Phone Number

401 Princeton Road — Street or Route
Washington — County

Johnson City — City
TN — State
37601 — Zip Code

B. ***Type of Ownership of Control (Check One)***

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

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

RESPONSE: Please reference Attachment Section A-4A for the copies of the Certificate of Formation (DE) and Certificate of Authorization (TN) for the Applicant, LP Johnson City, LLC, as well as proof of active status from the Tennessee.

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

RESPONSE: The Applicant, LP Johnson City, LLC, a Delaware limited liability company, is a joint venture between its two parent entities. SHC LP Holdings III, LLC, and affiliate of Signature HealthCARE, LLC (SHC) and Blue Ridge Medical Management Corporation, an affiliate of Mountain States Health Alliance (MSHA) own, fifty-five and one half percent (55.50%) and forty-four and one half percent (44.50%) of the Applicant, respectively. Please reference Attachment Section A-4B-1 for the organizational chart of the applicant. Also attached is a copy of the executed Joint Venture Agreement between the parties at Attachment Section A-4B-2.

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

Signature Healthcare Clinical Consulting Services, LLC and Signature Healthcare Consulting Services, LLC — Name

12201 Bluegrass Parkway — Street or Route
Jefferson — County

Louisville	KY	40299
City	State	Zip Code

Website address: http://ltcrevolution.com/

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

RESPONSE: As of July 1, 2016, LP Johnson City LLC executed a management agreement with MSHA for the management and operation of PTC. LP Johnson City LLC has, in turn, contracted with Signature Healthcare Consulting Services, LLC and Signature Healthcare Clinical Consulting Services, LLC (SCS/SCCS) to provide certain of the management services that it is providing to MSHA and PTC.

SCS/SCCS will provide all operational and clinical staff and support for the new facility proposed by LP Johnson City, LLC. SCS/SCCS is part of SHC which has one hundred forty-four (144) locations in eleven (11) states and employs nearly twenty-four thousand (24,000) employees. SHC's organizational culture is founded on three pillars: Learning, Spirituality, and Intra-preneurship.

SCCS provides oversight of all aspects of resident care, compliance with state and federal regulations, and support for facility directors of nursing and their clinical staff. It partners with rehabilitation therapists, chaplains, activities, and all care team members to provide the very best comprehensive, person-centered care for SHC's residents and their families. A strong educational focus, tailored to meet individual career goals, provides the opportunity for staff to excel and become confident, competent care givers. SCS/SCCS' leadership includes a Chief Nursing Officer, a Chief Medical Officer, and a Director of Compliance.

Please reference Attachment Section A-5 that includes copies of the requested management agreements.

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

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

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

RESPONSE: MSHA owns and holds good title to the site for the proposed new facility. MSHA will contribute the real estate for the location of the proposed project site to JCRNC RE, LLC. JCRNC RE, LLC is a Delaware limited liability company that is a real estate holding entity controlled by the MSHA-SHC Joint Venture, which will hold the real estate for the new facility. Included with Attachment Section A-6A (p1) is a copy of the deed for the proposed site.

Please note that the proposed new facility will also be the subject of a development agreement between the Applicant and the developer. A copy of the development agreement is at Attachment Section A-6A (p2). Under the terms of that Development Agreement, the developer will lease the proposed site for the new facility from JCRNC RE, LLC. After construction of the new facility, the developer will then lease the facility to LP Johnson City, LLC for the operation of the new facility. LP Johnson City LLC shall purchase ownership of the building during the period between month 13 and month 24 of operation of the new facility, as provided for in the facility lease agreement.

To facilitate the Agency's understanding of the development of the project and the joint venture nature of the arrangement between MSHA and SHC, we have provided an ownership and control flow chart, and letter agreements documenting the joint venture contributions at Attachment Section A-6A (p3).

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

1) Plot Plan **must include**:
   a. Size of site (***in acres***);
   b. Location of structure on the site;
   c. Location of the proposed construction/renovation; and
   d. Names of streets, roads or highway that cross or border the site.

RESPONSE: Included in Attachment Section A-6B-1(a-d) is the plot plan for 401 Princeton Road, Johnson City. The size of the campus is 10.09 acres.

2) Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. On an 8 ½ by 11 sheet of paper or as many as necessary to illustrate the floor plan.

RESPONSE: Floor plans for the project are provided in Attachment Section A-6B-2.

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

RESPONSE: The facility location, 401 Princeton Road, Johnson City, TN 37601, is close to two (2) bus stop stations operated by Johnson City Transit. The first station is located at the corner of Wesley Street and Princeton Road which is a five (5) minute walk from the station to the facility. The other station is at Quillen Rehab and Wesley Avenue which is an 8 minute walk from the station to the facility. The site is also easily accessible by car as it lies just north of I-26 and is on Princeton Road, a major local street. Please see display maps attached at Attachment Section A-6B-3.

The facility is centrally located in Johnson City, TN; it is only one and one-tenth (1.1) miles from I-26. The facility is located on the campus with Quillen Rehab Center and within four (4) miles of the two primary care hospitals in the community. The facility is three and five-hundredths (3.05) miles from Franklin Woods Community Hospital and three and three-fourths (3.75) miles from Johnson City Medical Center.

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

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

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

Check appropriate lines(s).

8. Purpose of Review *(Check appropriate lines(s) – more than one response may apply)*

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

9. Medicaid/TennCare, Medicare Participation

MCO Contracts [Check all that apply]

___AmeriGroup ___United Healthcare Community Plan ___BlueCare ___TennCare Select

Medicare Provider Number 44-5356 for Princeton Transitional Care. Franklin Transitional Care is currently licensed but not certified for either Medicare or Medicaid

Medicaid Provider Number N/A (neither facility is currently Medicaid certified)

Certification Type Skilled Nursing Facility

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

Medicare X Yes __No __N/A Medicaid/TennCare __Yes X No __N/A

10. Bed Complement Data

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

	Current Licensed	Beds Staffed	Beds Proposed	*Beds Approved	**Beds Exempted	TOTAL Beds at Completion
1) Medical						
2) Surgical						
3) ICU/CCU						
4) Obstetrical						
5) NICU						
6) Pediatric						
7) Adult Psychiatric						
8) Geriatric Psychiatric						
9) Child/Adolescent Psychiatric						
10) Rehabilitation						
11) Adult Chemical Dependency						
12) Child/Adolescent Chemical Dependency						
13) Long-Term Care Hospital						
14) Swing Beds						
15) Nursing Home – SNF (Medicare only)	34	34	47	0	0	47
16) Nursing Home – NF (Medicaid only)						
17) Nursing Home – SNF/NF (dually certified Medicare/Medicaid)						
18) Nursing Home – Licensed (non-certified)	13	0	0	0	0	0
19) ICF/IID						
20) Residential Hospice						
TOTAL	47	34	47	0	0	47

*Beds approved but not yet in service

**Beds exempted under 10% per 3 year provision

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

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

CON Number(s)	CON Expiration Date	Total Licensed Beds Approved

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

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

12. Square Footage and Cost Per Square Footage Chart

Unit/Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage		
					Renovated	New	Total
Patient Rooms				13,278		$185.18	$2,458,864.28
Activities				601		$185.18	$111,295.18
Lounge/Lobby Sitting Area				813		$185.18	$150,554.05
Dining				1,258		$185.18	$232,960.63
Patient Care Support				1,503		$185.18	$278,330.55
Rehab				2,899		$185.18	$536,846.48
Other Common				6,205		$185.18	$1,149,042.46
Mechanical/Electrical				296		$185.18	$ 54,905.99
Circulation/Structure				6,184		$185.18	$ 1,145,173.72
Unit/Department GSF Sub-Total				26,557		$185.18	$4,917,893.62
Other GSF Total				6,480		$185.18	$ 54,905.99
Total GSF				33.037		$185.18	$ 6,117,973.34
*Total Cost							$ 6,117,973.34
**Cost Per Square Foot						$185.18	
Cost per Square Foot Is Within Which Range *(For quartile ranges, please refer to the Applicant's Toolbox on www.tn.gov/hsda)*					☐ Below 1st Quartile ☐ Between 1st and 2nd Quartile ☐ Between 2nd and 3rd Quartile ☐ Above 3rd Quartile	☐ Below 1st Quartile ☐ Between 1st and 2nd Quartile ☒ Between 2nd and 3rd Quartile ☐ Above 3rd Quartile	☐ Below 1st Quartile ☐ Between 1st and 2nd Quartile ☒ Between 2nd and 3rd Quartile ☐ Above 3rd Quartile

* The Total Construction Cost should equal the Construction Cost reported on line A5 of the Project Cost Chart. ** Cost per Square Foot is the construction cost divided by the square feet. Please do not include contingency costs.

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

1. Describe the acquisition of any Magnetic Resonance Imaging (MRI) scanner that is adding a MRI scanner in counties with population less than 250,000 or initiation of pediatric MRI in counties with population greater than 250,000 and/or
2. Describe the acquisition of any Positron Emission Tomographer (PET) or Linear Accelerator if initiating the service by responding to the following:

A. Complete the chart below for acquired equipment.

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

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

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

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

RESPONSE: Not Applicable.

D. Schedule of Operations:

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

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

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

RESPONSE: Not Applicable.

SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED

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

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

QUESTIONS

NEED

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

Responses to Criteria for Construction, Renovation, Expansion, and Replacement of Health Care Institutions

1. **Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.**

   RESPONSE: Not applicable to this project. The Applicant is requesting CON approval to build a new replacement facility and this project does not involve the addition of beds, services or major medical equipment.

2. **For relocation or replacement of an existing licensed health care institution:**

   a. **The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.**

   RESPONSE: The replacement, renovation and relocation of the PTC and FTC skilled nursing facilities has been an operational goal of MSHA for several years, since the realization that the operational efficiencies of each of the separate units were not sustainable. As noted, the FTC facility was closed by MSHA several years ago because the facility was not operationally feasible and efficient.

   The current site of PTC was approved by HSDA in CN1409-039 with the express purpose of serving as an interim location until the construction of a new modern, comprehensive campus designed to meet the needs of the elderly population through the provision of skilled care and assisted living services could be completed. As stated above, this new site will be on the

former Northside Hospital property. The advantage of that site is its proximity to the current campus of Quillen Rehab Hospital, further enhancing the ability of the MSHA and SHC partnership to deliver a complete continuum of post-acute and long term care services and support.

Renovation at the current site has not been considered, because the existing site of PTC has been intended as an interim step towards the development of a modern post-acute/long term care campus with the ability to support a continuum of residents with such needs. Bringing such a plan to existence, at the existing site, is not feasible in the out-of-date physical plants that exist for these skilled nursing facilities. The existing space within the hospital is needed for medical/surgical services to meet the community's need.

Additionally, the construction of a new modern facility allows the existing SNF to continue to operate and provide services to the MSHA patient community while the new facility is constructed. This provides an operational advantage over a proposal that would perform limited renovations on an existing facility, because patient care would inevitably be interrupted.

b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

RESPONSE:

While this project does not seek to increase the available supply of nursing home beds and is not strictly evaluated based on the need formula in T.C.A. §68-11-1622, that methodology more than demonstrates an existing and future need for these skilled nursing facility beds exists. The projections for Washington County are as follows:

WASHINGTON COUNTY Age-Formula/Year	Factor	2016 Pop.	2016 Need	2017 Pop.	2017 Need	2018 Pop.	2018 Need	2019 Pop.	2019 Need	2020 Pop.	2020 Need
0-64 (x .0005)	0.0005	109,586	55	110,439	55	111,294	56	112,030	56	113,300	57
65-74 (x .0120)	0.012	14,238	171	14,807	178	15,219	183	15,780	189	16,318	196
75-84 (x .0600)	0.06	7,061	424	7,326	440	7,749	465	8,135	488	8,517	511
85 + (x .1500)	0.15	2,932	440	3,039	456	3,138	471	3,215	482	3,302	495
Projected Need											
Total Existing Beds			899		899		899		899		899
Total Outstanding Beds			0		0		0				0
BED NEED			**190**		**229**		**275**		**317**		**360**

As the table demonstrates, existing and future need for skilled nursing facility beds is acceptable and is projected to become even more acute, evidencing demand for the proposed project.

Those numbers demonstrate how the aging baby boomer population is requiring an ever increasing demand for post-acute care. Tennessee's recently revised 2014 State Health Plan

recognizes this increasing demand as a result of patients leaving a hospital setting and requiring skilled nursing assistance in hopes of re-acclimating to the lifestyle accustomed prior to the acute care setting. In the recently revised Nursing Home Services Standards, the Health Plan states:

> *Research published by the Henry J. Kaiser Family Foundation in 2013 (http ://kff.org/Medicaid/fact-sheet/overview-of-nursing-facility-capacity-financing-and-ownership-in-the-united-states-in-2011) shows that a majority of people over the age of 65 will need long term care services for an average of three years, and 20 percent of people will need more than five years of services. The percentage of the population over the age of 65 is expected to increase as the "baby boom" generation ages, and specifically the number of people 85 and older is expected to grow significantly. Tennessee's population projections are in-line with those reported nationally, if not slightly higher, for these age groups.*

The plan goes on to state,

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

There has been renewed focus in the opportunity to better maximize skilled nursing facilities and other post-acute care resources as bundled payments, Accountable Care Organizations (ACO), and other payment reform mechanisms continue to be implemented across the country. It is essential patients receive the most appropriate care in the lowest cost setting and post-acute care is considered a significant opportunity to lower costs, improve quality through enhanced coordination of care, reduce hospital readmissions, and so forth. These very reasons are why MSHA and SHC formed a partnership.

Outlined below are the historical trends for SNF volumes at PTC.

Princeton Transitional Care Volumes
FY2010 – FY2015

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	TTM 10/15
Admissions	889	705	692	706	813	723	739
Patient Days	11,131	10,173	8,622	8,950	8,839	8,261	8,880
Average Length of Stay	12.5	14.4	12.5	12.7	10.9	11.4	12.0
Licensed Beds	34	34	34	34	34	34	34
Occupancy	89.70%	81.90%	69.50%	72.10%	71.20%	66.57%	71.56%

Sources: Joint Annual Reports; MSHA Internal Data

The need for skilled nursing facility services will continue in the service area, especially given the higher than national rates of elderly. The ultimate goal of the joint venture is to develop a

senior care campus which will provide coordinated care options for those requiring skilled care, assisted living and/or independent/retirement living options to help meet this increasing need. It will also allow the development of a cutting edge senior focus continuum of care community, which is needed in the service area.

3. **For renovation or expansions of an existing licensed health care institution:**

   a. **The applicant should demonstrate that there is an acceptable existing demand for the proposed project.**

Not applicable because the project is not renovating nor expanding an existing facility.

   b. **The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.**

Not applicable because the project is not renovating nor expanding an existing facility.

Responses to Criteria for Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards and 2014 State Health Plan Criteria for Nursing Home Beds

(4) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, the Commission may consider, in addition to the foregoing factors, the following factors:

(a) Need. The applicant should show the proposed new site will serve the healthcare needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.

The Applicant notes the project is aligned with recently revised standards for Nursing Home Services in the 2014 State Health Plan. These criteria were revised with the goal to provide support for an existing nursing home to modernize/update its facilities. At criteria 8, those standards encourage projects that modernize out of date facilities through replacement of the same existing facilities without increasing beds in the service area, stating:

> *Encouraging Facility Modernization: The HSDA may give preference to an application that:*
>
> *a. Proposes a replacement facility to modernize an existing facility;*
>
> *b. Seeks a certificate of need for a replacement facility on or near its existing facility operating location. The HSDA should evaluate whether the replacement facility is being located as closely as possible to the location of the existing facility and, if not, whether the need for a new, modernized facility is being impacted by any shift in the applicant's market due to its new location within the Service Area; and*
>
> *c. Does not increase its number of operating beds.*

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

The Applicant's proposed site is located approximately five (5) miles from Johnson City Medical Center. Because of the proximity of the two facilities, the skilled nursing care needs in the community will be just as well-served as at the current site. The current site was approved by HSDA in CN1409-039 with the express purpose of serving as an interim location until the construction of a new modern, comprehensive campus designed to meet the needs of the elderly population through the provision of skilled care and assisted living services could be completed. This new senior care campus will be on the former Northside Hospital property which is adjacent to the current campus of Quillen Rehab Hospital. There is no ability to combine the two (2) existing facilities into a single efficiently operating skilled nursing facility other than on a new site. Consistent with the above criteria, there will be no increase in the number of licensed beds from the approval of a new facility and the new site is as close as feasible to the existing location. The continuum of services from independent living through acute hospital rehabilitation (i.e., Quillen) will increase the services to the target population above what is currently being offered.

The proposed new site will serve the healthcare needs in the area to be served at least as well as the original site As noted above, the new location is a minimal distance (4 miles) from the existing location, and will provide significantly more space that allows for dedicated focus on long term care

(b) Economic factors. The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

RESPONSE: Approval of this project will enhance the provision of post-acute care services within Washington County. The construction of a senior care campus that will contain access to skilled nursing care, assisted living and retirement living options will better meet the needs of the community. Enhancement of valued post-acute care services will improve cost efficiencies for the overall healthcare delivery system as the cost of care for patients in an acute care setting is almost forty percent (40%) to sixty percent (60%) more compared to the post-acute care settings (i.e., skilled nursing, rehabilitation, and so forth). Improving access to these vital services in a senior friendly environment that leverages the expertise of a national, multi-state organization such as SHC will be very beneficial to this patient population.

(c) Contribution to the orderly development of health care facilities and/or services. The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

RESPONSE: Not applicable. Services will be provided at the existing location of PTC (at JCMC) until the new facility is constructed and licensed. Patients will be transferred to the new facility after the Certification process is completed. Enhanced services, both for acute care at JCMC and post-acute services (for current PTC patients) will be a direct result of the change of site.

The new skilled nursing facility will also directly benefit acute care services by allowing the current PTC space within JCMC to be transitioned back into medical/surgical beds and expanded services.

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

RESPONSE: The proposed project is consistent with the long-range plans of both partners, MSHA and SHC. As the healthcare delivery and reimbursement models have been changing in response to healthcare reform, there has been increased focus and attention given to post-acute care services. While MSHA has multiple resources in Washington County skilled nursing facilities, the system has not necessarily maximized the potential opportunities to completely leverage these resources. Recognizing their limited expertise in these areas, MSHA sought regional and national experts as potential partners. Following a very thorough and methodical process, MSHA chose a partnership with SHC for skilled nursing care and other senior care services.

SHC, is a growing long term care, rehabilitation and health care provider with one hundred forty-four (144) locations in eleven (11) states and over twenty-four thousand (24,000) employees. In 2013, the company was named one of Modern Healthcare's "Best Places to Work" for the third time. SHC's culture is built on three organizational pillars: Learning, Spirituality and Intra-preneurship.

This will be an advantageous partnership of MSHA's culture and SHC's regional expertise in skilled nursing care. Together it will be a tremendous value-add for the local community. SHC operates multiple locations within a geographic region to improve economies of scale and to ensure they are valuable partners in bundled payments, ACOs, and other payment reform mechanisms as they continue to be implemented across the country to improve health care delivery while reducing costs. Tennessee is one of the largest markets for SHC, currently operating thirty (30) facilities with five (5) in upper northeast Tennessee. Part of the Applicant's long term development plan is to move its services to meet the demands of the current market. Both private and governmental payors increasingly demand skilled nursing facilities to focus their efforts on post-acute care. The proposed patient-friendly campus will provide a range of senior care options, including skilled nursing care, assisted living and independent/retirement living. This will greatly expand services to the senior population within the service area. Additionally, the Applicant will operate a state-of-the-art facility that will be a leader in the market, providing high level post-acute care for the service area.

The partnership will enhance the quality of post-acute care services in the local community in a coordinated design with the existing acute care resources. The senior care campus that MSHA and SHC will develop includes forty-seven (47) skilled beds and sixty (60) assisted living beds. SHC has been managing the thirty-four (34) bed unit (PTC) since HSDA's approval of the relocation to Johnson City Medical Center; thus providing immediate benefit to the community as they leverage their expertise in skilled nursing care.

The new skilled nursing facility will also directly benefit acute care services by allowing the current PTC space within JCMC to be transitioned back into medical/surgical beds and expanded services.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map for the Tennessee portion of the service area using the map on the following

page, clearly marked to reflect the service area as it relates to meeting the requirements for CON criteria and standards that may apply to the project. Please include a discussion of the inclusion of counties in the border states, if applicable. **Attachment – Section – Need-3.**

Please complete the following tables, if applicable:

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

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

RESPONSE: The proposed service area is Washington County. The service area is justified because this is the facility in which the existing facilities being replaced are located, the majority of patients are projected to come from the county, and the service area is within a 30 minute travel time to and from the proposed facility.

County Level Map

4. A. 1) Describe the demographics of the population to be served by the proposal.

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

RESPONSE: The following tables show the total population for Washington County, the project's service area. Analysis of the data predicts Washington County expects a six and seven tenths percent (6.7%) growth over the next five (5) years.

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

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

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

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

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

Variable	*Washington*	*Tennessee*
Current Year (2015), Age 65+	***23,398***	***1,051,862***
Projected Year (2019), Age 65+	***27,130***	***1,219,696***
Age 65+, % Change	***16.00%***	***16%***
Age 65+, % Total (PY)	***19.50%***	***16.50%***
CY, Total Population	***132,015***	***6,735,706***

Variable	*Washington*	*Tennessee*
PY, Total Population	***139,160***	***7,035,572***
Total Pop. % Change	***5.41%***	***4.45%***
TennCare Enrollees	***23,163***	***1,422,720***
TennCare Enrollees as a % of Total Population	***17.55%***	***21.12%***
Median Age (2010)	***40***	***38***
Median Household Income	***$42,075***	***$44,298***
Population % Below Poverty Level	***18.30%***	***17.60%***

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: The population in the project's primary service area has a higher concentration of individuals than state and national trends. In 2015, twenty percent (20%) of the project's service area will be ages of sixty-five (65) years and above, compared to sixteen percent (16%) in Tennessee and fifteen percent (15%) of the United States. Over the next five years, the population over sixty-five (65) years of age within the primary service area is projected to increase sixteen percent (16%), far exceeding general population growth of three percent (3%) percent. This growth substantiates the continued demand for services highly utilized by the elder population, including skilled nursing care, assisted living, and retirement living. The table below details the service area's age distribution.

Primary Service Area Population Distribution by Age Group

				Percent of Total	
Age Cohort	2015	2020	% Growth	2015	2020
0 to 19	78,111	78,113	0%	22%	22%
20 to 44	103,867	103,930	0%	30%	29%
45 to 64	97,899	97,307	-1%	28%	27%
65+	68,869	79,679	16%	20%	22%
Total	348,746	359,029	3%	100%	100%

Source: Tennessee Advisory Commission on Intergovernmental Relations; University of Tennessee Center for Business and Economic Research

The primary service area demographics are similar to the United States in gender (fifty-one percent (51%) female, forty-nine percent (49%) male). The primary service area counties have a much lower median household income compared to the national average ($40,216 versus $51,371). The racial mix in the primary service area is predominately Caucasian, as they account for more than ninety-two percent (92%) of the population.

The Applicant and its ownership are committed to meeting the needs of the community and the region, as stated in their mission statements.

***MSHA**: "to identify and respond to the health care needs of individuals and communities in our region and to assist them in attaining their highest possible level of health".*

***SHC**: "to radically change the landscape of healthcare forever". SHC's family-based organization will revolutionize the healthcare industry through a culture of resident-centered healthcare services, personalized spirituality, real quality of life initiatives, and stakeholder education and empowerment, to earn the trust of every resident, family, and community we serve.*

The proposed site is accessible to all consumers, including women, racial and ethnic minorities, and low-income groups. SHC has a long-standing reputation for a devotion to assisting residents who are in need of rehabilitation services. The strong post-acute, post hospital market will be well served by the project's enhanced ability to deliver higher level rehab and post-acute care. Staffing patterns are indicative of a dedication to extensive services by therapists and other clinical personnel. The facility will provide services to Medicare, private insurance and private pay patients. Services will include physical, occupational and speech therapy services along with care given or supervised by registered nurses. Nurses provide direct care; manage, observe, and evaluate a patient's care; and teach the patient and his or her family caregiver. Examples include: giving IV drugs, shots, or tube feedings; changing dressings; and teaching about diabetes care.

The Applicant will continue to monitor and review its business plans and policies to take into consideration that business plans are built upon meeting the needs of the current and next generation of health care consumer.

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

RESPONSE: The proposed project is for the construction of a forty-seven (47) bed skilled nursing facility in Washington County, which is a combined replacement of two existing facilities

The bed accommodation mix by nursing home in the service area is as follows:

Nursing Home	County	2014 Lic.'d Beds	2012 Patient Days	2013 Patient Days	2014 Patient Days	2012 % Occ.	2013 % Occ.	2014 % Occ.	2015 % Occ.	'12-'14 % Patient Days
Asbury Place at Johnson City	Washington	84	26,638	23,962	7,664	85.70%	85.70%	65.50%		-71.20%
Agape Nursing and Rehabilitation Center, LLC	Washington	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available		Not Available
Appalachian Christian Village	Washington	103	34,394	33,568	32,696	84.50%	84.50%	84.50%		-4.90%

Christian Care Center of Johnson City, Inc.	Washington	84	22,515	26,992	27,042	94.00%	78.60%	89.30%		20.10%
Four Oaks Health Care Center	Washington	84	27,990	28,216	27,200	89.30%	91.70%			-2.80%
John M. Reed Health & Rehab	Washington	63	17,742	14,934	18,600	60.30%	76.20%	85.70%		4.80%
Lakebridge Health Care Center	Washington	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available		Not Available
Life Care Center of Gray	Washington	125	40,849	38,269	36,015	82.70%	78.40%			-11.80%
NHC Healthcare, Johnson City	Washington	160	52,382	49,922	47,867	89.40%				-8.60%
Princeton Transitional Care	Washington	32	8,622	8,950	3,858	2067.60%	2020.60%	68.80%		-55.30%

Nursing Home	**County**	**Licensed Beds**	**Total Private Beds**	**Total Semi Private Beds**	**Total Companion Beds**	**Ward Beds**
The Applicant *	Washington	47	47			
Agape Nursing and Rehabilitation Center, LLC (fka Asbury Place JC)	Washington	84	Not Available	Not Available	N/A	N/A
Appalachian Christian Village	Washington	103	41	62	N/A	N/A
Christian Care Center of Johnson City, Inc.	Washington	84	12	72	N/A	N/A
Four Oaks Health Care Center	Washington	84	1	80	N/A	3
John M. Reed Health & Rehab **(CLOSED)**	Washington	63	3	60	N/A	N/A
Lakebridge Health Care Center	Washington	109	Not Available	Not Available	N/A	N/A
Life Care Center of Gray	Washington	125	10	109	N/A	6
Life Care Center of Gray	Washington	125	10	109	N/A	6
NHC Healthcare, Johnson City	Washington	160	60	100	N/A	N/A

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

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.
   A. All projects should have a project cost of at least $15,000 (the minimum CON Filing Fee). (See Application Instructions for Filing Fee)
   B. The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
   C. 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.
   D. Complete the Square Footage Chart on page 8 and provide the documentation. Please note the Total Construction Cost reported on line 5 of the Project Cost Chart should equal the Total Construction Cost reported on the Square Footage Chart.
   E. For projects that include new construction, modification, and/or renovation—**documentation must be** provided from a licensed architect or construction professional that support the estimated construction costs. Provide a letter that includes the following:
      1) A general description of the project;
      2) An estimate of the cost to construct the project;
      3) A description of the status of the site's suitability for the proposed project; and
      4) Attesting the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in current use by the licensing authority.

RESPONSE: Because the project will be purchased in the 13th month after opening, the purchase of the Facility from the developer is $6,117,973 (the amount of the total project acquisition price of $13,549,494 allocated to the new forty-seven (47) bed SNF). Total "construction only" costs are $5,508,410.78, but those costs do not reflect the purchase price or project costs reflective of the project. As requested, documentation supporting the reasonableness of the cost estimate of the various phases of the project is included from the project architect, along with the statement the project will be completed according to all applicable codes, are provided at Attachment Section Economic Feasibility-1.

Note: Given the arrangement for the project, the amounts from lines 1,4,5, and 6 were used for the cost per square foot chart, as those numbers reflect the developer's price for the of the facility at the time of acquisition.

PROJECT COST CHART

A.	Construction and equipment acquired by purchase:		
	1.	Architectural and Engineering Fees	135,458.34
	2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	31,000
	3.	Acquisition of Site	-
	4.	Preparation of Site	338,645.86
	5.	Total Construction Costs	5,508,410.78
	6.	Contingency Fund	135,458.34
	7.	Fixed Equipment (Not included in Construction Contract)	945,642
	8.	Moveable Equipment (List all equipment over $50,000 as separate attachments)	-
	9.	Other (Specify) _____	-
B.	Acquisition by gift, donation, or lease:		
	1.	Facility (inclusive of building and land)	-
	2.	Building only	-
	3.	Land only	539,576
	4.	Equipment (Specify)_____	-
	5.	Other (Specify) Facility Licenses	705,000
C.	Financing Costs and Fees:		
	1.	Interim Financing	-
	2.	Underwriting Costs	-
	3.	Reserve for One Year's Debt Service	-
	4.	Other (Specify) Closing costs	183,539
D.	Estimated Project Cost (A+B+C)		**8,522,730**
E.	CON Filing Fee		49,005.70
F.	Total Estimated Project Cost (D+E)	**TOTAL**	**8,571,736**

2. Identify the funding sources for this project.

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

X E. Cash Reserves – Appropriate documentation from Chief Financial Officer of the organization providing the funding for the project and audited financial statements of the organization; and/or

__ F. Other – Identify and document funding from all other sources.

RESPONSE: The project will be funded from existing cash reserves of the joint venture's ownership. Both partners have documented their availability of funds to complete the project. See Attachment C, Economic Feasibility (2).

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

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

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

RESPONSE: The following two (2) pages contain the Historical Data Chart and the Projected Data Chart. The historical data chart profiles JCMC's performance between FY2012 and FY2014. The projected data chart profiles PTC's estimated performance for the first two complete fiscal years of operation (FY2016 and FY2017).

Please note, because FTC has not been operational for the over this period, we have not included any information from the Facility and the historical data chart reflects only Princeton Transitional Care.

X Total Facility
□ Project Only

HISTORICAL DATA CHART

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

		Year - 2013	Year - 2014	Year - 2015
A.	**Utilization Data *(Adjusted Patient Days)***	8,731	8,921	8,261
B.	**Revenue from Services to Patients**			
1.	Inpatient Services	$ 20,353,145	$ 22,171,719	$ 21,252,604
2.	Outpatient Services	$ -	$ -	
3.	Emergency Services	$ -	$ -	
4.	Other Operating Revenue (Specify - _____)	$ -	$ -	
	Gross Operating Revenue	**$ 20,353,145**	**$ 22,171,719**	**$ 21,252,604**
C.	**Deductions from Gross Operating Revenue**			
1.	Contractual Adjustments	$ 16,012,178	$ 18,109,384	$ 18,399,668
2.	Provisions for Charity Care	$ 1,250,437	$ 666,675	$ 102,857
3.	Provisions for Bad Debt	$ 692,530	$ 827,009	$ 176,598
	Total Deductions	**$ 17,955,145**	**$ 19,603,068**	**$ 18,679,123**
	NET OPERATING REVENUE	**$ 2,398,000**	**$ 2,568,651**	**$ 2,573,481**
D.	**Operating Expenses**	$ -	$ -	$ -
1.	Salaries and Wages	$ 2,113,034	$ 2,186,496	$ 1,903,593
	a. Direct Patient Care			
	b. Non-Direct Patient Care			
2.	Physician's Salaries and Wages			
3.	Supplies	$ 854,846	$ 637,340	$ 756,087
4.	Rent			
	a. Paid to Affiliates			
	b. Paid to Non-Affiliates			
5.	Management Fees			
	a. Paid to Affiliates			
	b. Paid to Non-Affiliates			
6.	Other Operating Expenses	$ 784,968	$ 743,888	$ 803,834
	Total Operating Expenses	**$ 3,752,848**	**$ 3,567,724**	**$ 3,463,514**
E.	**Earnings Before Interest, Taxes, and Depreciation**	**$ (1,354,848)**	**$ (999,073)**	**$ (890,033)**
F.	**Non-Operating Expenses**			
1.	Taxes	$ 75,710	$ 69,346	$ 40,922
2.	Depreciation	$ 20,345	$ 18,555	$ 11,462
3.	Interest, Other than Capital			
4.	Other Non-Operating Expenses			
	Total Non-Operating Expenses	**$ 96,055**	**$ 87,901**	**$ 52,384**
	NET OPERATING INCOME (LOSS)	**$ (1,450,903)**	**$ (1,086,974)**	**$ (942,417)**
G.				
1.	Estimated Annual Principal Debt Repayment	$ -	$ -	
2.	Annual Capital Expenditure	$ -	$ -	
	Total Other Deductions	**$ -**	**$ -**	

NET BALANCE			
DEPRECIATION			
FREE CASH FLOW (Net Balance + Depreciation)			

PROJECTED DATA CHART - OTHER EXPENSES

	OTHER EXPENSES CATEGORIES	Year - 2013	Year - 2014	Year - 2015
1.	Fees, License & Permits, Rental Equipment, Indirect Expense Allocations	$ 784,968.00	$ 743,888.00	$ 803,834.00
2.				
3.				
4.				
5.				
6.				
7.				
	Total Other Expenses	$ 784,968.00	$ 743,888.00	$ 803,834.00

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

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

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

X Total Facility
X Project Only

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this project. The fiscal year begins in December - FOR PROJECT & FACILITY

	Year - 2018	Year - 2019
A. Utilization Data *(=patient days)*	**12,091**	**15,087**
B. Revenue from Services to Patients		
1. Inpatient Services	$ 5,097,760	$ 6,277,242
2. Outpatient Services	$ -	$ -
3. Emergency Services	$ -	$ -
4. Other Operating Revenue (Specify - _____)	$ -	$ -
Gross Operating Revenue	**$ 5,097,760**	**$ 6,277,242**
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	$ -	$ -
2. Provisions for Charity Care	$ -	$ -
3. Provisions for Bad Debt	$ 50,978	$ 62,772
Total Deductions	**$ 50,978**	**$ 62,772**
NET OPERATING REVENUE	**$ 5,046,783**	**$ 6,214,469**
D. Operating Expenses	$ -	$ -
1. Salaries and Wages	$ 1,635,611	$ 1,947,682
a. Direct Patient Care	$ 1,422,336	$ 1,751,138
b. Non-Direct Patient Care	$ 213,275	$ 235,274
2. Physician's Salaries and Wages		
3. Supplies	$ 568,939	$ 688,808
4. Rent	$ 581,353	$ 691,259
a. Paid to Affiliates	$ -	$ 691,259
b. Paid to Non-Affiliates	$ 581,353	$ -
5. Management Fees	$ 254,888	$ 313,862
a. Paid to Affiliates	$ 254,888	$ 313,862
b. Paid to Non-Affiliates		
6. Other Operating Expenses	$ 1,485,917	$ 1,675,287
Total Operating Expenses	**$ 4,526,708**	**$ 5,355,629**
E. Earnings Before Interest, Taxes, and Depreciation	**$ 520,075**	**$ 858,841**
F. Non-Operating Expenses		
1. Taxes	$ 375,392	$ 405,210
2. Depreciation	$ 58,985	$ 63,218
3. Interest, Other than Capital	$ 22,793	$ 11,596
4. Other Non-Operating Expenses		
Total Non-Operating Expenses	**$ 457,171**	**$ 480,023**
NET OPERATING INCOME (LOSS)	**$ 62,904**	**$ 378,817**

G. Other Deductions _____

1.	Estimated Annual Principal Debt Repayment	$ -	$ -
2.	Annual Capital Expenditure	$ 59,400	$ 102,264
	Total Other Deductions	**$ 59,400**	**$ 102,264**
	NET BALANCE	**$ 3,533**	**$ 276,533**
	DEPRECIATION	**$ 58,985**	**$ 63,218**
	FREE CASH FLOW (Net Balance + Depreciation)	**$ 62,518**	**$ 339,771**

PROJECTED DATA CHART - OTHER EXPENSES

	OTHER EXPENSES CATEGORIES	Year - 2018	Year - 2019
1.			
2.			
3.			
4.			
5.			
6.			
7.			
	Total Other Expenses	**$ -**	**$ -**

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

RESPONSE: The Applicant has provided this information in the Projected Data Chart and the project's charge information is as follows:

	Previous Year (2014)	Current Year (2015)	Year One	Year Two	% Change (Current Year to Year 2)
Gross Charge *(Gross Operating Revenue/Utilization Data)*	$2,485	$2,573	$421.61	$416.06	n/a
Deduction from Revenue *(Total Deductions/Utilization Data)*	$2,197	$2,261	$4.22	$4.16	n/a
Average Net Charge *(Net Operating Revenue/Utilization Data)*	$287.93	$311.52	$417.39	$411.94	n/a

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

RESPONSE: The Applicant has used the following average daily rates in its projections. The charges reflect the estimated rates that the applicant intends to receive during its first two (2) years of operation.

Projected SNF Private Room Rates (Net)

Projected SNF Private Room Rates (Net)

Description	FY2017	FY 2018
Medicare/Skilled Care	$ 447.19	$ 453.90
Managed Care	$ 390	$ 397.80
Private Pay	$ 282.92	$ 288.58

Because of the nature of the nursing home reimbursement system, the facility is paid a daily rate by Medicare under the Skilled Nursing Facility Prospective Payment System. As such, the facility must accept the rate from each governmental payor as payment in full. Note also that the lower managed and private rates pulls the total average down below the Medicare daily rate.

The Projected Data Chart does allocate an amount for bad debt. There are no other significant deductions from operating revenue and the Applicant's rate equates to its net charge with no significant difference between the gross and net charges. Year two rates for Private Pay and Managed Care are projected to increase by two percent (2%), and Medicare by one and one-half percent (1.5%), respectively.

The estimated revenue and payor mix for years one and two is as follows:

Revenue/Payor Mix	Year 1 Projected Revenue	% of Total	Year 2 Projected Revenue	% of Total
Medicare	$ 3,200,182	62.80%	$ 3,679,422	58.60%
Managed Medicare/Managed Care	$ 1,818,208	35.70%	$ 2,071,586	33.00%
Self Pay	$ 79,370	1.50%	$ 526,234	8.40%
	$ 5,097,760		$ 6,277,242	

After the initial census build up period of two (2) years, the revenue payor mix is expected to be fifty-eight percent (58%) Medicare, thirty-two percent (32%) Managed Care, and ten percent (10%) Private due to more private pay residents from the Assisted Living transitioning to the SNF.

C, 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: The charges associated with skilled nursing services provided at PTC, which are reasonable in comparison to rates of other providers in the area, will not change as a result of this project. A table of with charge information for Washington County nursing homes from the most current 2014 Joint Annual Reports is listed below

Nursing Home	Agape Nursing and Rehabilitation Center, LLC (fka Asbury Place at Johnson City)	Appalachian Christian Village	Christian Care Center of Johnson City, Inc.	Four Oaks Health Care Center	John M. Reed Health & Rehab	Lakebridge Health Care Center	Life Care Center of Gray	NHC Healthcare, Johnson City
Medicare Skilled	$ 205.00	$ 402.00	$ 218.00	$ 409.00	$ 390.00	N/A	$ 380.00	$ 443.00
TennCare Level 1	$ 205.00	$ 188.00	$ 218.00	$ -	$ 173.00	N/A	$ -	$ 199.00
TennCare Level 2	$ 205.00	$ 173.00	$ 238.00	$ 149.00	$ 151.00	N/A	$ 150.00	$ 156.00
Private Level 2	-	$ 262.00	$ 238.00	$ -	$ -	N/A	$ 28.00	$ 278.00
Private Level 1	-	$ 223.00	$ 218.00	$ 185.00	$ -	N/A	$ 208.00	$ 200.00
Semi-Private Level 2	$ 205.00	$ 243.00	$ 218.00	$ -	$ 173.00	N/A	$ 181.00	$ 234.00
Semi-Private Level 1	$ 205.00	$ 243.00	$ 218.00	$ -	$ 156.00	N/A	$ 181.00	$ 193.00

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

RESPONSE: The applicant conducted a detailed market and pro-forma analysis to assure the financial viability of the project. Please see the Projected Data Chart located earlier in the application showing a two (2) year projection of revenue and expenses. The Applicant has specifically projected a conservative fill rate. Even with these conservative projections the project will have a positive cash flow by the second year of operation. SHC has had similar experience with only a 20- bed skilled nursing unit, which experienced a Year 1 ADC of 14, and Year 2 ADC of 15.

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

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

Year	2nd Year previous to Current Year	1st Year previous to Current Year	Current Year	Projected Year 1	Projected Year 2
Net Operating Margin Ratio	-37%	-39%	-35%	10%	14%

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

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

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

RESPONSE: The estimated revenue and payor mix for years one and two is as follows:

Revenue/Payor Mix	Year 1 Projected Revenue	% of Total	Year 2 Projected Revenue	% of Total
Medicare	$ 3,200,182	62.80%	$ 3,679,422	58.60%
Managed Medicare/Managed Care	$ 1,818,208	35.70%	$ 2,071,586	33.00%
Self Pay	$ 79,370	1.50%	$ 526,234	8.40%
	$ 5,097,760		$ 6,277,242	

After the initial census build up period of two (2) years, the revenue payor mix is expected to be fifty-eight percent (58%) Medicare, thirty-two percent (32%) Managed Care, and ten percent (10%) Private due to more private pay residents from the Assisted Living transitioning to the SNF.

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

RESPONSE: The table below demonstrates the staffing pattern used by the Applicant to model the projections for years one and two. Based on the actual mix, there may be some adjustments

to the skill level profile of the staff to ensure the most efficient delivery model. The therapists are contracted from an affiliated entity.

Position Classification	Existing FTEs (enter year)	Projected FTEs Year 1	Average Wage (Contractual Rate)	Area Wide/Statewide Average Wage
A. Direct Patient Care Positions				
RNs		4.0	$27.10	$28.84
LPNs		6.9	$19.54	$18.41
Nurse Aides (CAN)		14.5	$12.94	$11.55
Total Direct Patient Care Positions		25.4		
B. Non-Patient Care Positions				
Administrative		10.6		
Facility Services		8.3		
Total Non-Patient Care Positions		18.9		
Total Employees *(A+B)*		44.3		
C. Contractual Staff				
Total Staff *(A+B+C)*				

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

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

      RESPONSE: The Applicant has considered an option to continue to operate PTC at its temporary location in JCMC. However, this is not feasible. The physical space in the current PTC location is not sufficiently large enough to allow any expansion to accept and reactivate FTC's additional thirteen (13) beds. Additionally, the space within JCMC is optimally used to accommodate acute hospital services and beds, and therefore the intent has continued to be to move the SNF services to a new permanent location within a new campus. The existing facilities are small facilities and are in space that is over thirty (30) years old. The existing rooms are, in many cases, too small to accommodate certain specialized beds or services, such as geriatric patients. Moreover, MSHA has struggled over the years to maximize the effectiveness of both of the units.

      SHC and MSHA determined, after examination of various options, that an option other than a new location would put constraints on MSHA's long term plans to enhance post-acute services in Washington County. SHC and MSHA engaged in an extensive market analysis and feasibility study prior to filing the current application. However, after detailed review, its analysis provided the clear conclusion that operating PTC in JCMC was not the best option

for the orderly delivery of health care. The financial projections could not support the revenues necessary to operate a facility that small within JCMC.

Therefore, rather than allowing healthcare services to discontinue operations creating a loss of jobs and lower tax revenues, the Applicant favorably considered and presents the combined project as outlined in the application. The proposed project, or second option, involves constructing a new one hundred seven (107) bed facility comprised of forty-seven (47) private skilled nursing rooms and sixty (60) assisted living rooms. The facility is viably based on the pro-forma completed by the Applicant and promotes the orderly delivery of health care. MSHA's and SHC's commitment to the continued provision of skilled nursing care in Washington County will ensure that the community has access to an expanded variety of services for this population.

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

RESPONSE: As stated above, SHC and MSHA engaged in an extensive market analysis prior to filing the current application. The location of the two (2) existing facilities (within JCMC and Quillen Rehab) did not present viable renovation or expansion opportunities. With Quillen Rehab's acute rehab program expansion and JCMC's peak season occupancy levels, neither location presented a geographically nor financially feasible option to modernize or expand to utilize all forty-seven (47) beds in one (1) location. The approach discussed in the CON proposal before the HSDA to build a replacement SNF with accompanying assisted and independent living campus was determined to be the most orderly and economical alternative.

The former Northside Hospital site will provide the SHC and MSHA the opportunity to build a state of the art facility within a community that will offer a unique continuum of post-acute services.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

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

RESPONSE: As a proposed facility, LP Johnson City, LLC does not currently have contracts with any of the above parties. Once completed and licensed, the Applicant intends to establish contractual arrangements, including transfer agreements, with all relevant health care providers in the community including, but not limited to, the following: MSHA hospitals, affiliate hospitals in the MSHA Network, East Tennessee State University and the James H. Quillen College of Medicine, local nursing homes, clinics and other healthcare providers. The East Tennessee State University affiliation calls for JCMC to provide clinical training for medical students and residents in the areas of family medicine and psychiatric services. In addition to relationships with other health care providers, the facility intends to have operating relationships through contracts with the following: Medical Director, Dentists, Specialized Physicians, and Licensed Pharmacist. It is intended that the facility will also enter into agreements with the respective MCOs operating within the service area.

1.	AETNA/US HEALTHCARE	Indemnity, PPO, POS, HMO, PFFS
2.	ANCI-CARE ANCILLARY CARE SOLUTIONS	HealthSmart Preferred Care, Interplan Health Group, Emerald Health Network, Preferred Plan, The Health Payors Organization
3.	BEECH STREET	PPO, Worker's Compensation, LTC Ins
4.	BLUE CROSS AND BLUE SHIELD	BLUECARE, TENNCARE, SELECT, BPN, MC BLUE ADVANTAGE, LLPO, SAPPHIRE & DIAMOND BLUE NTWK, P,C,K,V,S BLUE ADV PFFS, BASIC, VALUE, CLASSIC 2010, SNP, BLUE ADVANTAGE
5.	BLUEGRASS FAMILY HEALTH	HMO, PPO, POS, TPA
6.	CHAMP VA	PPO
7.	CIGNA	ALL PRODUCTS
8.	COVENTRY HEALTH PLANS [First Health Network, Focus and CCN]	PPO, HMO, PFFS
9.	EVOLUTIONS HEALTH CARE SYSTEMS	PPO
10.	FEDMED	PPO NETWORK, THIRD PARTY
11.	HUMANA	HMO MC AND MD, COMMERCIAL, PPO, PFFS
12.	NOVA NET PPO	PPO
13.	NPPN (PLAN VISTA)	PPO, Medicare Risk
14.	PRIME HEALTH SERVICES	PPO
15.	PYRAMID LIFE	PPO, PFFS
16.	STERLING LIFE INS CO	MC HMO, MC PPO, PFFS
17.	THREE RIVERS PROVIDER NETWORK	PPO
18.	TRICARE/HUMANA MILITARY SRVS./ HEALTHNET	Primary STANDARD, PRIME, EXTRA, Tricare for Life, Co-Pay
19.	UNIVERSAL	MC HMO, MD HMO, LTC DIVERSION, SNP, RESPITE, PFFS
20.	UNITED HEALTH CARE	Medicare, HMO & PPO, Commercial HMO & PPO, UMR(United Choice Product line)
21.	UNITED MINE WORKERS	PPO, HMO
22.	WINDSOR HEALTH PLAN	MC HMO

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

A. Positive Effects

RESPONSE: The proposed project is beneficial to the health care system and will result in no negative effects from unnecessary duplication of services or competition. The focus of the project is to enhance the overall post-acute care continuum in Washington County by securing experienced partners who will elevate the quality of care and expand the scope of services available to the elderly population (i.e., assisted living and retirement living).

The proposed project provides economic and clinical efficiencies very well because it derives from a forward looking joint venture between acute and post-acute providers. The significant focus on re-hospitalizations and associated costs, along with ACO and bundled payment arrangements, are making the coordinate between acute and post-acute more important. With an eye to economic efficiencies and competitive markets, the State's health care system is beginning to reshape itself to better serve the needs of the patient, exactly in the way this project is designed to do. This project assures the appropriate level of care and supply of skilled nursing facility beds are available, when

needed, so that acute and post-acute costs can be maintained at their lowest level possible. This is done by making sure patients utilize services at the lowest intensity and cost possible.

B. Negative Effects

RESPONSE: Most importantly, there will be no negative effects from the new facility because 1) the project will not increase the number of skilled nursing facility beds in the service area and 2) current methodologies already identify a significant current and future need for nursing home beds within the county.

The proposal will not have any negative impacts on other providers as it is not seeking additional licensed beds. In addition, the proposal is not seeking the initiation of any new services and will result in a much improved environment to serve the post-acute care needs of the population. The project will simply provide a level of facility with amenities and services meeting the market demand of Washington County residents.

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

RESPONSE: The Applicant's parent affiliations both have experience in the market. SHC has a dedicated recruiting department along with an ongoing recruitment process in Tennessee. Given that SHC is currently managing the operations of the thirty-four (34) beds at JCMC, the training and transition of the staff to the new facility will be seamless. SHC recruits and retains staff by offering salary and benefit packages appropriate for the market.

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

RESPONSE: The Applicant so verifies. SHC has policies and procedures in place governing regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.

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

RESPONSE: Both partners advocate the importance of training and education. The principle of learning and education of its employees is one of SHC's three corporate value pillars. SHC's leadership recognizes that, in a rapidly changing world, educational advancement for our employees and, how new knowledge can change and impacts the lives around us, is a core element of being a successful company. The Learning pillar drives positive change, provides organizational confidence, impacts resident care and offers personal growth for all employees. SHC is focused on becoming an organization of learning by providing a broad venue of learning opportunities, and has established effective teaching as a required management skill to foster lifelong learning for all. SHC intends to enter into clinical affiliation agreements with the universities to support their nursing programs and offer the facility as a clinical training site for their RN, LPN and other health care students (i.e., Pharmacy, allied health, and health care administration).

MSHA works extensively with local colleges and universities and is affiliated with the James H. Quillen College of Medicine, East Tennessee State University, located in Johnson City, Tennessee. MSHA

has the largest number of medical residents in the Tri-Cities area, and this affiliation allows Johnson City Medical Center to provide clinical training for medical students and residents in the areas of family medicine and psychiatric services.

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

   Licensure: Tennessee Department of Health, Board for Licensing Tennessee Health Care Facilities as a nursing home.

   Certification Type (e.g. Medicare SNF, Medicare LTAC, etc.): The facility will maintain the certification of Princeton Transitional Care and be certified from the Centers for Medicare and Medicaid Services (CMS) as a Medicare participating skilled nursing facility (SNF).

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

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

      RESPONSE: The proposed facility will be a replacement facility for two (2) currently licensed nursing homes. Copies of the current licenses for FTC and PTC are included at Attachment (III.) Contribution To The Orderly Development Of Health Care – 4(A). In addition, PTC is currently certified by CMS as a skilled nursing facility. Franklin Transitional Care is licensed, but has been granted an inactive status waiver by the Tennessee Board for Licensing Health Care Facilities.

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

      RESPONSE: A copy of the most recent Statement of Deficiencies for PTC are included at Attachment (III.) Contribution To The Orderly Development Of Health Care – 4(B). All cited deficiencies have been corrected.

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

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

         RESPONSE: During the last three survey cycles Princeton Transitional Care has not had any survey deficiencies that have resulted in any events listed in C.1.

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

   A. Has any of the following:

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

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

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

B. Been subjected to any of the following:

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

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

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

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

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

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

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

8) Is presently subject to a corporate integrity agreement.

RESPONSE: With respect to Question 5 above, the Applicant states that as an entity affiliated with both a hospital system and long term care company, it and all affiliates of its joint venture parents are routinely subject to investigations, regulatory actions, and are parties in various civil action as a normal course of business within the regulated health care industry. To the best of the Applicant's knowledge and based on the interpretation of the events listed in B(1-8) the Applicant states that no person(s) or entity listed within the scope of 5(A)(1)-(3) above has been subject to any of the events or sanctions listed in 5(B)(1)-(8) above, except as follows:

ITEM B(7):

- With respect to Item B(7), as an entity affiliated with both a hospital system and long term care company, it and all affiliates of its joint venture parents are routinely subject to investigations, regulatory actions, and are parties in various civil action as a normal course of business within the regulated health care industry.

- With respect to Signature HealthCARE specifically, due to the nature of the long term care industry, its skilled nursing facilities are routinely involved with investigations from various state and/or federal agencies, including those related to annual or complaint surveys (CMS and state, sometimes law enforcement) as well as the EEOC, local state and city human rights commissions, and from time to time, the Department of Labor.

- Beyond those routine investigations, SHC therapy services has received a civil investigative demand (CID) from the Middle District of Tennessee office of the Department of Justice requesting information and patient records related to various SHC skilled nursing facilities. SHC believes that the demands are part of an extended

investigation of most large therapy companies affiliated with skilled nursing facility companies that has been going on for several years, and also believes this investigation may be related to time periods when recently acquired facilities were purchased from another provider. A recent meeting with the government resulted in an agreement essentially to stay further inquiries and information production for purposes of SHC's internal review.

6. Outstanding Projects:

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

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

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

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

RESPONSE: The applicant has no outstanding projects.

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

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

   B. If yes, have you submitted their registration to HSDA? If you have, what was the date of submission?_____

   C. If yes, have you submitted your utilization to Health Services and Development Agency? If you have, what was the date of submission? _____

QUALITY MEASURES

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

RESPONSE: If approved, the Applicant will provide the Tennessee Health Services and Development Agency, and any other state agency when required, with information concerning the number of patients treated, the number and type of procedures performed, proscribed quality measures, and other data as required or requested. The Applicant also intends to provide all information requested by applicable regulations, including but not limited to the information provided through the yearly Joint Annual Report for Nursing Homes to the Department of Health.

STATE HEALTH PLAN QUESTIONS

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

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

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

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

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

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

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

RESPONSE:

Five Principles for Achieving Better Health

The following Five Principles for Achieving Better Health serve as the basic framework for the State Health Plan.

1. Healthy Lives: *The purpose of the State Health Plan is to improve the health of Tennesseans.*

While this principle focuses mainly on the goals and strategies that support health policies and programs at the individual, community, and state level that will help improve the health status of Tennesseans, the proposed new SNF project is consistent with this goal because it seeks to create a long term care focus campus that will create a continuum of care model where individuals who need additional transition from an acute care stay will be able to receive intensive skilled nursing care and rehabilitative services at a significantly lower cost and in a more home like environment than in an acute care setting. The proposed facility will have as its goal that all patients return home to the least restrictive and least costly option available where that individual can live the healthiest life possible.

2. Access to Care: *Every citizen should have reasonable access to health care.*

The proposed SNF's model will focus on patients that are Medicare qualified beneficiaries seeking skilled nursing and rehabilitation services following a prior hospital stay. A majority of all patients placed in nursing homes from the acute care setting are Medicare beneficiaries. Access to long term care Medicare beds is directly tied to the availability of Medicare skilled nursing facility beds in the service area. The new modern skilled nursing facility will help to improve access to post-acute care, and avoid decreasing access to care by the loss of these beds within the market. Maintaining (and not increasing available beds) ensures no increase in patient days in acute care beds while waiting for a Medicare bed to become available, which can be costly to the system and creates access problems for acute care providers. As mentioned above, this project will also free the appropriate development of hospital acute care space to meet community needs. Furthermore, accountable care organizations (ACO's) and bundled payment networks are helping to shape and dictate where patients coming from hospitals are directed to receive their post-acute care services; this project will allow joint discussion of how those models best develop between acute and post-acute care.

3. Economic Efficiencies: *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.*

The proposed project addresses this principle very well because it derives from a forward looking joint venture between acute and post-acute providers. ACO and bundled payment arrangements are making the coordinate between acute and post-acute more important. With an eye to economic efficiencies and competitive markets, the State's health care system is beginning to reshape itself to better serve the needs of the patient, exactly in the way this project is designed to do. This project assures the appropriate level of care and supply of skilled nursing facility beds are available, when needed, so that acute and post-acute costs can be maintained at their lowest level possible. This is done by making sure patients utilize services at the lowest intensity and cost possible.

4. Quality of Care: *Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers.*

As a Medicare certified skilled nursing facility the proposed facility will be surveyed both at the State and Federal level. The previous operating history of both FTC and PTC have demonstrated that quality care is being provided by the Applicant. SHC has one hundred forty-four (144) locations with 130 being SNFs in eleven (11) states and over twenty-four thousand (24,000) employees. The majority (approximately 55%) of SHC's facilities are above a 3-star rating from the federal Centers for Medicare & Medicaid Services, and thirty (30%) have 4-star or 5-star rating.

5. Health Care Workforce: *The state should support the development, recruitment, and retention of a sufficient and quality health care workforce.*

The parent entities to the Applicant joint venture both have a long history of developing, recruitment and retention of a quality health care workforce.

SHC supports this goal having developed a culture built on three (3) organizational pillars that are foundational to everything we do. More than just ideologies, the SHC Pillars are functioning departments with their own staffs and programs. Put simply, the Pillars are the embodiment of our mission – to radically change the landscape of healthcare forever. SHC promotes lifelong learning across its organization. It operates a GED to PhD program to help employees change their lives through education through a partnership to provide the opportunity for individuals to earn their GED through a self-paced, online program at no cost to them. Also, through SHC's Partner Perks program, stakeholders interested in continuing their education with more advanced degrees can take advantage of special discounts on tuition for certifications, Bachelor's, or Master's degrees with select educational institutions.

In 2013, SHC was named one of Modern Healthcare's "Best Places to Work" for the third time. It also runs several of its own training programs to educate long term care health care workers such as a two (2) year administrator in training program, a dietetic internship program, certified nursing assistant program, and advanced geriatric therapy program.

MSHA also serves as a key resource in the development of physicians in the Upper East Tennessee area and operates several programs to develop and support the medical and nursing workforce.

In addition, the Applicant provides the following additional responses to describe the relationship of the Applicant's proposal project and in consistency with 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.**

Responses to Criteria for Construction, Renovation, Expansion, and Replacement of Health Care Institutions

3. **Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.**

RESPONSE: Not applicable to this project. The Applicant is requesting CON approval to build a new replacement facility and this project does not involve the addition of beds, services or major medical equipment.

4. **For relocation or replacement of an existing licensed health care institution:**

    a. **The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.**

RESPONSE: The replacement, renovation and relocation of the PTC and FTC skilled nursing facilities has been an operational goal of MSHA for several years, since the realization that the operational efficiencies of each of the separate units were not sustainable. As noted, the FTC facility was closed by MSHA several years ago because the facility was not operationally feasible and efficient.

The current site of PTC was approved by HSDA in CN1409-039 with the express purpose of serving as an interim location until the construction of a new modern, comprehensive campus designed to meet the needs of the elderly population through the provision of skilled care and assisted living services could be completed. As stated above, this new site will be on the former Northside Hospital property. The advantage of that site is its proximity to the current campus of Quillen Rehab Hospital, further enhancing the ability of the MSHA and SHC partnership to deliver a complete continuum of post-acute and long term care services and support.

Renovation at the current site has not been considered, because the existing site of PTC has been intended as an interim step towards the development of a modern post-acute/long term care campus with the ability to support a continuum of residents with such needs. Bringing such a plan to existence, at the existing site, is not feasible in the out-of-date physical plants that exist for these skilled nursing facilities. The existing space within the hospital is needed for medical/surgical services to meet the community's need.

Additionally, the construction of a new modern facility allows the existing SNF to continue to operate and provide services to the MSHA patient community while the new facility is constructed. This provides an operational advantage over a proposal that would perform limited renovations on an existing facility, because patient care would inevitably be interrupted.

    b. **The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.**

RESPONSE:

While this project does not seek to increase the available supply of nursing home beds and is not strictly evaluated based on the need formula in T.C.A. §68-11-1622, that methodology more than demonstrates an existing and future need for these skilled nursing facility beds exists. The projections for Washington County are as follows

As the

WASHINGTON COUNTY Age-Formula/Year	Factor	2016 Pop.	2016 Need	2017 Pop.	2017 Need	2018 Pop.	2018 Need	2019 Pop.	2019 Need	2020 Pop.	2020 Need
0-64 (x .0005)	0.0005	109,586	55	110,439	55	111,294	56	112,030	56	113,300	57
65-74 (x .0120)	0.012	14,238	171	14,807	178	15,219	183	15,780	189	16,318	196
75-84 (x .0600)	0.06	7,061	424	7,326	440	7,749	465	8,135	488	8,517	511
85 + (x .1500)	0.15	2,932	440	3,039	456	3,138	471	3,215	482	3,302	495
Projected Need											
Total Existing Beds			899		899		899		899		899
Total Outstanding Beds			0		0		0				0
BED NEED			**190**		**229**		**275**		**317**		**360**

table demonstrates, existing and future need for skilled nursing facility beds is acceptable and is projected to become even more acute, evidencing demand for the proposed project.

Those numbers demonstrate how the aging baby boomer population is requiring an ever increasing demand for post-acute care. Tennessee's recently revised 2014 State Health Plan recognizes this increasing demand as a result of patients leaving a hospital setting and requiring skilled nursing assistance in hopes of re-acclimating to the lifestyle accustomed prior to the acute care setting. In the recently revised Nursing Home Services Standards, the Health Plan states:

> *Research published by the Henry J. Kaiser Family Foundation in 2013 (http ://kff.org/Medicaid/fact-sheet/overview-of-nursing-facility-capacity-financing-and-ownership-in-the-united-states-in-2011) shows that a majority of people over the age of 65 will need long term care services for an average of three years, and 20 percent of people will need more than five years of services. The percentage of the population over the age of 65 is expected to increase as the "baby boom" generation ages, and specifically the number of people 85 and older is expected to grow significantly. Tennessee's population projections are in-line with those reported nationally, if not slightly higher, for these age groups.*

The plan goes on to state,

> *"When considering replacement facility or renovation applications that do not alter the bed component within the Service Area, the HSDA* ***should consider as the primary factor whether a replacement facility's own***

***occupancy rate could support its economic feasibility**, instead of the occupancy rates of other facilities in the Service Area." (Emphasis added)*

There has been renewed focus in the opportunity to better maximize skilled nursing facilities and other post-acute care resources as bundled payments, Accountable Care Organizations (ACO), and other payment reform mechanisms continue to be implemented across the country. It is essential patients receive the most appropriate care in the lowest cost setting and post-acute care is considered a significant opportunity to lower costs, improve quality through enhanced coordination of care, reduce hospital readmissions, and so forth. These very reasons are why MSHA and SHC formed a partnership.

Outlined below are the historical trends for SNF volumes at PTC.

Princeton Transitional Care Volumes
FY2010 – FY2015

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	TTM 10/15
Admissions	889	705	692	706	813	723	739
Patient Days	11,131	10,173	8,622	8,950	8,839	8,261	8,880
Average Length of Stay	12.5	14.4	12.5	12.7	10.9	11.4	12.0
Licensed Beds	34	34	34	34	34	34	34
Occupancy	89.70%	81.90%	69.50%	72.10%	71.20%	66.57%	71.56%

Sources: Joint Annual Reports; MSHA Internal Data

The need for skilled nursing facility services will continue in the service area, especially given the higher than national rates of elderly. The ultimate goal of the joint venture is to develop a senior care campus which will provide coordinated care options for those requiring skilled care, assisted living and/or independent/retirement living options to help meet this increasing need. It will also allow the development of a cutting edge senior focus continuum of care community, which is needed in the service area.

4. For renovation or expansions of an existing licensed health care institution:

c. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

RESPONSE: Not applicable because the project is not renovating nor expanding an existing facility.

d. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

RESPONSE: Not applicable because the project is not renovating nor expanding an existing facility.

Responses to Criteria for Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards and 2014 State Health Plan Criteria for Nursing Home Beds

(4) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, the Commission may consider, in addition to the foregoing factors, the following factors:

(a) Need. The applicant should show the proposed new site will serve the healthcare needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.

RESPONSE: The Applicant notes the project is aligned with recently revised standards for Nursing Home Services in the 2014 State Health Plan. These criteria were revised with the goal to provide support for an existing nursing home to modernize/update its facilities. At criteria 8, those standards encourage projects that modernize out of date facilities through replacement of the same existing facilities without increasing beds in the service area, stating:

> *Encouraging Facility Modernization: The HSDA may give preference to an application that:*
>
> *a. Proposes a replacement facility to modernize an existing facility;*
> *b. Seeks a certificate of need for a replacement facility on or near its existing facility operating location. The HSDA should evaluate whether the replacement facility is being located as closely as possible to the location of the existing facility and, if not, whether the need for a new, modernized facility is being impacted by any shift in the applicant's market due to its new location within the Service Area; and*
> *c. Does not increase its number of operating beds.*
>
> *In particular, the HSDA should give preference to replacement facility applications that are consistent with the standards described in TCA §68-11-1627, such as facilities that seek to replace physical plants that have building and/or life safety problems, and/or facilities that seek to improve the patient-centered nature of their facility by adding home-like features such as private rooms and/or home-like amenities.*

The Applicant's proposed site is located approximately five (5) miles from Johnson City Medical Center. Because of the proximity of the two facilities, the skilled nursing care needs in the community will be just as well-served as at the current site. The current site was approved by HSDA in CN1409-039 with the express purpose of serving as an interim location until the construction of a new modern, comprehensive campus designed to meet the needs of the elderly population through the provision of skilled care and assisted living services could be completed. This new senior care campus will be on the former Northside Hospital property which is adjacent to the current campus of Quillen Rehab Hospital. There is no ability to combine the two (2) existing facilities into a single efficiently operating skilled nursing facility other than on a new site. Consistent with the above criteria, there will be no increase in the number of licensed beds from the approval of a new facility and the new site is as close as feasible to the existing location. The continuum of services from independent living through acute hospital rehabilitation (i.e., Quillen) will increase the services to the target population above what is currently being offered.

The proposed new site will serve the healthcare needs in the area to be served at least as well as the original site As noted above, the new location is a minimal distance (4 miles) from the existing location, and will provide significantly more space that allows for dedicated focus on long term care

(b) Economic factors. The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

RESPONSE: Approval of this project will enhance the provision of post-acute care services within Washington County. The construction of a senior care campus that will contain access to skilled nursing care, assisted living and retirement living options will better meet the needs of the community. Enhancement of valued post-acute care services will improve cost efficiencies for the overall healthcare delivery system as the cost of care for patients in an acute care setting is almost forty percent (40%) to sixty percent (60%) more compared to the post-acute care settings (i.e., skilled nursing, rehabilitation, and so forth). Improving access to these vital services in a senior friendly environment that leverages the expertise of a national, multi-state organization such as SHC will be very beneficial to this patient population.

(c) Contribution to the orderly development of health care facilities and/or services. The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

RESPONSE: Not applicable. Services will be provided at the existing location of PTC (at JCMC) until the new facility is constructed and licensed. Patients will be transferred to the new facility after the Certification process is completed. Enhanced services, both for acute care at JCMC and post-acute services (for current PTC patients) will be a direct result of the change of site.

The new skilled nursing facility will also directly benefit acute care services by allowing the current PTC space within JCMC to be transitioned back into medical/surgical beds and expanded services.

PROOF OF PUBLICATION

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

NOTIFICATION REQUIREMENTS

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

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

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

Please provide documentation of these notifications.

DEVELOPMENT SCHEDULE

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

1. **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.**

PROJECT COMPLETION FORECAST CHART

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

Phase	Days Required	Anticipated Date [Month/Year]
1. Initial HSDA decision date		December 14, 2016
2. Architectural and engineering contract signed	0	Jan-2016
3. Construction documents approved by the Tennessee Department of Health	20	Feb-2017
4. Construction contract signed	21	Aug-2016
5. Building permit secured	81	Apr-2017
6. Site preparation completed	111	May-2017
7. Building construction commenced	112	May-2017
8. Construction 40% complete	262	Oct-2017
9. Construction 80% complete	372	Feb-2018
10. Construction 100% complete (approved for occupancy	477	May-2018
11. *Issuance of License	507	Jun-2018
12. *Issuance of Service	512	Jun-2018
13. Final Architectural Certification of Payment	522	Jul-2018
14. Final Project Report Form submitted (Form HR0055)	532	Jul-2018

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

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

AFFIDAVIT

STATE OF _____

COUNTY OF _____

_____, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. §68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

_____
SIGNATURE/TITLE

Sworn to and subscribed before me this _____ day of _____ (Month), _____ (Year) a Notary

Public in and for the County/State of _____.

_____
NOTARY PUBLIC

My commission expires _____ (Month/Day), _____ (Year).

Attachment Section A-4A

Corporate Charter/Articles of Incorporation
and
Proof of Active Status from the
TN Secretary of State
for LP Johnson City, LLC

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF FORMATION OF "LP JOHNSON CITY, LLC", FILED IN THIS OFFICE ON THE ELEVENTH DAY OF MAY, A.D. 2016, AT 1:55 O`CLOCK P.M.

Jeffrey W. Bullock, Secretary of State

6039844 8100
SR# 20163085544

Authentication: 202303926
Date: 05-11-16

You may verify this certificate online at corp.delaware.gov/authver.shtml

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

Filing Information

Name: LP Johnson City, LLC

General Information

SOS Control #	000858697	Formation Locale:	DELAWARE
Filing Type:	Limited Liability Company - Foreign	Date Formed:	05/11/2016
	07/25/2016 11:26 AM	Fiscal Year Close	12
Status:	Active	Member Count:	2
Duration Term:	Perpetual		
Managed By:	Member Managed		

Registered Agent Address
CORPORATION SERVICE COMPANY
2908 POSTON AVE
NASHVILLE, TN 37203-1312

Principal Address
12201 BLUEGRASS PKWY
LOUISVILLE, KY 40299-2361

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

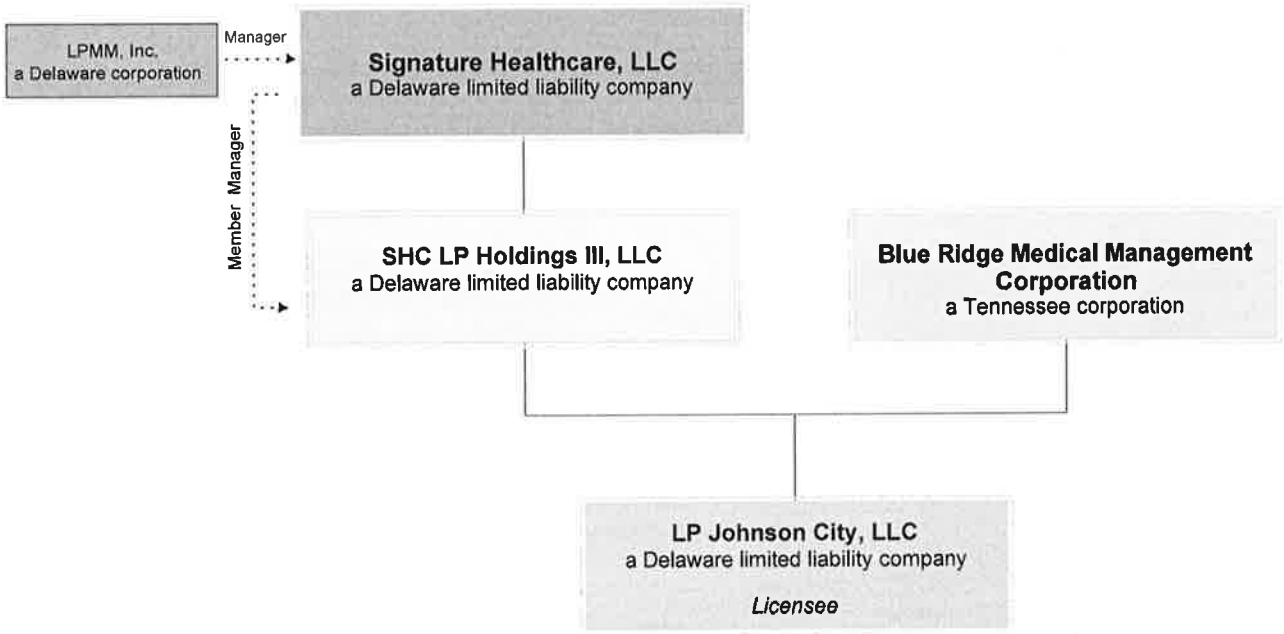
Date Filed	Filing Description	Image #
07/25/2016	Initial Filing	B0270-7742

Active Assumed Names (if any)	Date	Expires

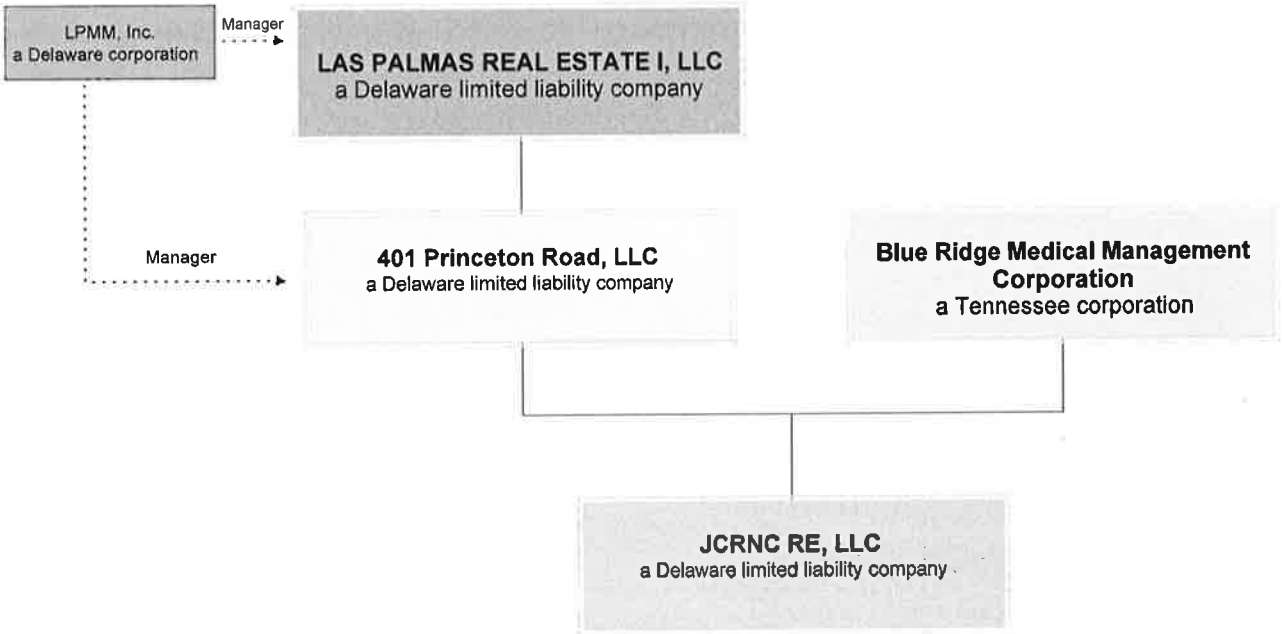
Attachment Section A-4B–1

Ownership Organizational Chart for Applicant

MOUNTAIN STATES HEALTH ALLIANCE PARTNERSHIP
Operations Org Chart



MOUNTAIN STATES HEALTH ALLIANCE
PARTNERSHIP
Real Estate Org Chart



Attachment Section A-4B–2

Executed Joint Venture Agreement between Signature Health Care and Mountain States Health Alliance

JOINT VENTURE AGREEMENT

THIS JOINT VENTURE AGREEMENT (the "JV Agreement") is made and entered into effective as of July 1, 2016 (the "Effective Date"), by and between Blue Ridge Medical Management Corporation, a Tennessee corporation ("Blue Ridge"), and SHC LP Holdings III, LLC, a Delaware limited liability company, 401 Princeton Road, LLC, a Delaware limited liability company (collectively, "SHC"). Blue Ridge and SHC shall be referred to individually as a "Party" and collectively as the "Parties."

RECITALS

A. Blue Ridge and its affiliates are in the business of provided inpatient and outpatient hospital and other healthcare related services.

B. SHC and its affiliates own, operate, and manage long term care facilities and affiliated service providers.

C. The Parties desire to establish a joint venture(s) to (i) manage an existing skilled nursing unit located at Johnson City Medical Center in Johnson City, Tennessee, commonly known as Princeton Transitional Care (the "Existing Unit"), and (ii) build, manage and operate a new skilled nursing and assisted living facility (the "Facility") in Johnson City, Tennessee ("Business Purpose") and set forth the terms under which they will organize one or more limited liability companies under the laws of the State of Delaware (the "Company") through which they will accomplish the Business Purpose.

NOW, THEREFORE, in consideration of the above Recitals, which are incorporated herein by this reference, and the mutual promises, agreements and covenants set forth in this JV Agreement, the Parties agree as follows:

ARTICLE 1

DEFINITIONS AND INTERPRETATIONS

In this JV Agreement, unless otherwise clearly indicated by the context, the following terms, whether used in singular or plural forms, shall have the following meanings:

1.1 "Affiliates" means a person or business entity that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person or business entity specified.

1.2 "Certificate of Formation" means the certificate of formation to be filed with the Delaware Secretary of State's office for purposes of legally organizing the Companies, in the form attached hereto as Exhibit 1.2.

1.3 "Effective Date" has the meaning ascribed thereto above.

1.4 "Governmental Authority" means the United States of America, any state, commonwealth territory or possession thereof and any political subdivision or quasi-governmental authority of any of the same, including but not limited to courts, tribunals, departments, commissions, boards, bureaus, agencies, counties, municipalities, and other instrumentalities.

1.5 "Operating Agreement" means the operating agreements of the Companies by and among Blue Ridge, SHC and the Companies, in the forms attached hereto as Exhibit 1.5-A and Exhibit 1.5-B, to be executed on the Effective Date, subject to the provisions of this Agreement.

1.6 "Third Party" means any person or legal entity other than Blue Ridge, SHC or the Companies or its/their Affiliates.

1.7 "Member," "Interest," "Executive Committee" and "Executive Committee Member" shall have the meanings set forth in the Operating Agreement.

1.8 In this JV Agreement, except to the extent that the context otherwise requires (i) whenever the words "include," "includes" or "including" are used they are deemed to be followed by the words "without limitation," and (ii) the definitions contained in this JV Agreement are applicable to the singular as well as the plural of such terms.

ARTICLE 2

ORGANIZATIONAL MATTERS OF REAL PROPERTY COMPANY AND OPERATING COMPANY

2.1 (a) Subject to the terms and conditions of this JV Agreement, on or before the Effective Date, the Parties shall organize a limited liability company (the "Real Property Company") under the laws of the State of Delaware by filing the Certificate of Formation with the Delaware Secretary of State's office. The date on which such filing is made is referred to as the "Real Property Filing Date." On the Real Property Filing Date, the Parties shall enter into the Real Property Operating Agreement.

(b) The name of the Real Property Company shall be JCRNC RE, LLC.

(c) The purpose of the Real Property Company will be to (i) own and lease the real property located at 401 Princeton Road, Johnson City, Tennessee (the "Real Property") on which the Facility will be constructed, and (ii) engage in all activities necessary, customary, convenient, or incident to the activities described herein.

2.2 (a) Subject to the terms and conditions of this JV Agreement, on or before the Effective Date, the Parties shall organize a second limited liability company (the "Operating Company") under the laws of the State of Delaware by filing the Certificate of Formation with the Delaware Secretary of State's office. The date on which such filing is made is referred to as the "Operator Filing Date." On the Operator Filing Date, the Parties shall enter into the Operator Operating Agreement.

(b) The name of the Operating Company shall be LP Johnson City, LLC. The Real Property Company and the Operating Company shall sometimes be referred to herein as the "Companies."

(c) The purpose of the Operating Company will be to (i) manage the Existing Unit; and (ii) manage and operate the Facility, and (ii) engage in all activities necessary, customary, convenient, or incident to the activities described herein.

ARTICLE 3

OWNERSHIP AND MANAGEMENT

3.1 The membership interests of the Real Property Company shall be owned Forty-Four and One-Half percent (44.5%) by Blue Ridge and Fifty-Five and One-Half percent (55.5%) by SHC, such percentages to be adjusted in accordance with other provisions of this Agreement; provided, however, in no event shall SHC own less than Fifty-One Percent (51%) of the membership interests of the Real Property Company. The transfer of membership interests and the issuance of new membership interests shall be governed by the terms of the Real Property Operating Agreement.

3.2 (a) The membership interests of the Operating Company shall be owned Forty-Four and One-Half percent (44.5%) by Blue Ridge and Fifty-Five and One-Half percent (55.5%) by SHC, such percentages to be adjusted in accordance with other provisions of this Agreement; provided, however, in no event shall SHC own less than Fifty-One Percent (51%) of the membership interests of the Operating Company. The transfer of membership interests and the issuance of new membership interests shall be governed by the terms of the Operating Company Operating Agreement.

(b) On the Effective Date, the Operating Company or the Real Property Company, as applicable, will enter into the following Agreements with affiliates of SHC (the "Ancillary Agreements"):

(1) Consulting Services Agreement, in substantially the form of Exhibit 3.2(b)-1;

(2) Consulting Services Agreement (Clinical), in substantially the form of Exhibit 3.2(b)-2;

(3) Employee Services Agreement, in substantially the form of Exhibit 3.2(b)-3; and

(4) Therapy Services Agreement, in substantially the form of Exhibit 3.2(b)-4.

The Parties acknowledge and agree that the annual aggregate fees payable under the Ancillary Agreements shall not exceed five percent (5%) of the annual gross receipts of the Existing Unit or the Facility, as applicable. Notwithstanding the foregoing, the parties acknowledge and agree that compensation paid by Operating Company to the applicable affiliates of SHC under the Employee Services Agreement and Therapy Services Agreement shall not exceed the expenses such affiliates incur in connection with the provision of services under such agreements.

(c) On the Effective Date, the Operating Company will enter into a Management Services Agreement for the Existing Unit with Mountain States Health Alliance ("MSHA"), in substantially the form of Exhibit 3.2(c) (the "Management Agreement").

3.3 The Parties acknowledge and agree that it is their mutual intention and desire that (i) Blue Ridge holds an identical percentage ownership in both the Real Property Company and the Operating Company, and (ii) SHC holds an identical percentage ownership in both the Real Property Company and the Operating Company.

ARTICLE 4

GOVERNANCE

4.1 (a) The Real Property Company will have a Real Property Executive Committee consisting of five (5) individuals. Blue Ridge shall designate two (2) members of the Real Property Executive Committee. SHC shall designate three (3) members of the Real Property Executive Committee.

(b) Either Party may replace the Real Property Executive Committee Members of the Real Property Executive Committee designated by it at any time and from time to time. The relationship of the Real Property Executive Committee Members and the Real Property Executive Committee shall be governed by the Real Property Operating Agreement.

4.2 (a) The Operating Company will have an Operating Executive Committee consisting of five (5) individuals. Blue Ridge shall designate two (2) members of the Operating Executive Committee. SHC shall designate three (3) members of the Operating Executive Committee.

(b) Either Party may replace the Operating Executive Committee Members of the Operating Executive Committee designated by it at any time and from time to time. The relationship of the Operating Executive Committee Members and the Operating Executive Committee shall be governed by the Operator Operating Agreement.

ARTICLE 5

OBLIGATIONS OF THE PARTIES

5.1 (a) The primary responsibilities of Blue Ridge, upon and subject to receipt of all necessary governmental approvals, will be the following:

(1) to contribute or cause to be contributed to the Operating Company cash in an amount equal to Forty-Four and One-Half percent (44.5%) of any amounts due and owing by the Operating Company under the Management Agreement that are not otherwise funded by the Operating Company through a line of credit or other form of financing.

(2) to contribute or cause to be contributed the Real Property to Real Property Company. The Parties agree and acknowledge that the fair market value of the Real Property as of the Effective Date is One Million One Hundred Ninety-Five Thousand Dollars ($1,195,000). The Real Property will be contributed by Blue Ridge to Real Property Company as a clear site suitable for constructing the Facility (with the existing improvements on the Real Property having been demolished by Blue Ridge at Blue Ridge's sole cost and expense prior to the contribution).

(3) to contribute or cause to be contributed all of its rights associated with forty-seven (47) skilled nursing beds to the Operating Company. The Parties agree and acknowledge that the fair market value of such rights as of the Effective Date is Seven Hundred and Five Thousand Dollars ($705,000).

(4) subject to obtaining all necessary approvals and consents, to provide a guarantee

for the payment and performance of the obligations of the Real Property Company and the Operating Company under any financing arrangement or leasing arrangement entered into by the Real Property Company and the Operating Company with respect to transactions contemplated in this JV Agreement. Each such guaranty shall be proportionate based on Blue Ridge's percentage ownership interest in the Real Property Company and the Operating Company, respectively, and shall not exceed Blue Ridge's respective percentage ownership interests in the Real Property Company and the Operating Company; provided, however, that in the event any lender or lessor requires such guaranty to be joint and several, Blue Ridge shall have a right of contribution from SHC for a proportionate amount based on SHC's percentage ownership interest in the Real Property Company and the Operating Company, respectively, and the parties shall enter into a cross-indemnification and contribution agreement evidencing the same.

(b) In addition to the other obligations set forth in this JV Agreement, subject to the terms and conditions of this Agreement, Blue Ridge agrees that it shall:

(1) use commercially reasonable efforts to cooperate in implementing the objectives set forth in this JV Agreement; and

(2) take any further actions as may be reasonably necessary to complete and implement the transactions contemplated by this JV Agreement, including but not limited to cooperating with SHC and the Companies in seeking and obtaining approval of all governmental agencies or authorities having jurisdiction over the Facility, including approval of the Tennessee Health Services Development Agency, and consent by any financial institution, as may be required.

5.2 (a) The primary responsibilities of SHC, upon and subject to receipt of all necessary governmental and other approvals, will be the following:

(1) to contribute or cause to be contributed to the Operating Company cash in an amount equal to Fifty-Five and One-Half percent (55.5%) of any amounts due and owing by the Operating Company under the Management Agreement that are not otherwise funded by the Operating Company through a line of credit or other form of financing (the "SHC Phase I Operating Company Contributions").The obligations of SHC to make such SHC Phase I Operating Company Contributions shall be secured by a Letter of Credit dated February 1, 2016, as amended, issued by First Republic Bank in favor of Blue Ridge (the "Letter of Credit"). In the event SHC fails to make any of the SHC Phase I Operating Company Contributions, Blue Ridge shall have the sole and exclusive right to draw upon the Letter of Credit up to the amount of any such deficiency (or accrued deficiencies) in the SHC Phase I Operating Company Contribution. Any such amounts drawn on the Letter of Credit shall be advanced to Operating Company in satisfaction of the SHC Phase I Operating Company Contribution. The parties acknowledge that in the event Blue Ridge draws on the Letter of Credit for this purpose, Blue Ridge shall have the right to dissolve the Operating Company and the Real Property Company under the Operating Agreements, in which event the Management Agreement shall terminate. In addition, in the event Blue Ridge receives notice of the non-renewal of the Letter of Credit during the term of the Management Agreement, Blue Ridge shall have the right to dissolve the Operating Company and the Real Property Company under the Operating Agreements, in which event the Management Agreement shall

terminate.

(2) to contribute cash or property to the Real Property Company in the amount of One Million Four Hundred Ninety Thousand One Hundred Thirty-One Dollars ($1,490,131) (the "SHC Real Property Contribution"). Any property contributed to the Real Property Company shall be contributed free and clear of any and all liens or other encumbrances; provided, however, the parties acknowledge and agree that SHC may purchase any such property from its supplier under a financing arrangement with such supplier wherein the property is paid for by SHC over a period of time. The SHC Real Property Contribution is projected to equal an ownership percentage by SHC of Fifty-Five and One-Half Percent (55.5%) in the Real Property Company; provided, however, such percentage may be reduced if the actual costs incurred in the construction and development of the Facility and/or the purchase of the furniture, fixture and equipment for the Facility are less than the amounts projected on the date of this Agreement for such expenses. Any such reduction in SHC's ownership percentage shall in no event be less than Fifty-One Percent (51%) in the Real Property Company. SHC will contribute such cash or property in installments as needed for the development activities and/or operations of the Real Property Company. The obligations of SHC to make such contributions shall be secured by the Letter of Credit. In the event SHC fails to (i) make any of the SHC Real Property Contribution, (ii) fully and timely discharge any financing arrangement of property with a supplier, or (iii) contribute any property otherwise free and clear of any and all liens and other encumbrances, Blue Ridge shall have the sole and exclusive right to draw upon the Letter of Credit. Any such amounts drawn on the Letter of Credit shall be advanced to the Real Property Company in satisfaction of the SHC Real Property Contribution. In the event Blue Ridge receives notice of the non-renewal of the Letter of Credit, Blue Ridge shall have the authority to draw upon the Letter of Credit for the full amount of the unpaid SHC Real Property Contribution and/or to discharge any outstanding financing arrangement or lien or other encumbrances relating to any property contributed by SHC to the Real Property Company.

(3) to contribute cash or property to the Operating Company for the Facility in the amount of Eight Hundred Seventy-Nine Thousand One Hundred Fifteen Dollars ($879,115), (the "SHC Phase II Operating Company Contributions"). Any property contributed to the Operating Company shall be contributed free and clear of any and all liens or other encumbrances; provided, however, the parties acknowledge and agree that SHC may purchase any such property from its supplier under a financing arrangement with such supplier wherein the property is paid for by SHC over a period of time. The aggregate SHC Phase II Operating Company Contributions are projected to equal an ownership percentage by SHC of Fifty-Five and One-Half Percent (55.5%) in the Operating Company; provided, however, such percentage may be reduced effective as of the date of the opening of the Facility if the actual costs incurred in the construction and development of the Facility, regulatory approvals and/or the purchase of the furniture, fixture and equipment for the Facility are less than the amounts projected on the date of this Agreement for such expenses. Any such reduction in SHC's ownership percentage shall in no event be less than Fifty-One Percent (51%) in the Operating Company, and SHC shall in any event make an SHC Phase II Operating Company Contribution equal to Fifty-One Percent (51%) of all capital contributions to the Operating Company with respect to the Facility. Such obligations shall be separate and apart from the SHC Phase I Operating Company Contributions. SHC will make such SHC Phase II Operating Company Contributions in cash or property in installments as needed for the development activities and/or operations of the Operating

Company with respect to the Facility. The obligations of SHC to make such SHC Phase II Operating Company Contributions shall be secured by the Letter of Credit. In the event SHC fails to (i) make any of the SHC Phase II Operating Company Contributions, (ii) fully and timely discharge any financing arrangement of property with a supplier, or (iii) contribute any property otherwise free and clear of any and all liens and other encumbrances, Blue Ridge shall have the sole and exclusive right to draw upon the Letter of Credit. Any such amounts drawn on the Letter of Credit shall be advanced to the Operating Company in satisfaction of the SHC Phase II Operating Company Contributions. In the event Blue Ridge receives notice of the non-renewal of the Letter of Credit, Blue Ridge shall have the authority to draw upon the Letter of Credit for the full amount of the unpaid SHC Phase II Operating Company Contributions and/or to discharge any outstanding financing arrangement or lien or other encumbrances relating to any property contributed by SHC to the Operating Company. The projected amounts and anticipated timing of the SHC Real Property Contribution and the SHC Phase II Operating Company Contributions are set forth on Schedule 1 hereto.

(3) subject to obtaining all necessary approvals and consents, to use its best efforts to provide a guarantee for the payment and performance of the obligations of the Real Property Company and the Operating Company under any financing arrangement or leasing arrangement entered into by the Real Property Company and the Operating Company with respect to transactions contemplated in this JV Agreement. Each such guaranty shall be proportionate based on SHC's percentage ownership interest in the Real Property Company and the Operating Company, respectively, and shall not exceed SHC's respective percentage ownership interests in the Real Property Company and the Operating Company; provided, however, that in the event any lender or lessor requires such guaranty to be joint and several, SHC shall have a right of contribution from Blue Ridge for a proportionate amount based on Blue Ridge's percentage ownership interest in the Real Property Company and the Operating Company, respectively, and the parties shall enter into a cross-indemnification and contribution agreement evidencing the same.

(b) In addition to the other obligations set forth in this JV Agreement, subject to the terms and conditions of this Agreement, SHC agrees that it shall:

(1) use commercially reasonable efforts to cooperate in implementing the objectives set forth in this JV Agreement;

(2) take any further actions as may be reasonably necessary to complete and implement the transactions contemplated by this JV Agreement, including but not limited to obtaining in the name of the Operating Company and Real Property Company, as applicable, approval of all governmental agencies or authorities having jurisdiction over the Facility, including approval of the Tennessee Health Services Development Agency, and consent by any financial institution, lessor and/or other lender as may be required. All third party costs associated therewith shall be borne by the Operating Company or the Real Property Company, as appropriate.

5.3 Both parties will use their best efforts and work cooperatively to secure an accounts receivable line of credit to fund the obligations of the Operating Company under the Management Agreement with respect to the Existing Unit and to fund the operations of the Facility, including, if

necessary and requested by the lender, modifying any provision of the Operating Agreements in order to secure such financing.

5.4 The Parties will jointly request and obtain Phase I environmental and survey and title reports on the Real Property and resolve or remediate any exceptions or deficiencies uncovered therein to the reasonable satisfaction of both Parties. All costs in connection therewith shall be borne by the Real Property Company.

5.5 MSHA will provide the Operating Company with a letter, the form and substance of which shall be mutually agreed to by the Parties, consenting to the transfer to the Operating Company of all of its rights associated with 47 skilled nursing beds located in Washington County, Tennessee upon approval for such transfer by the Tennessee Health Services Development Agency. Notwithstanding any provision contained herein to the contrary, in the event that the Operating Company does not receive approval for such transfer by the Tennessee Health Services Development Agency on or before February 28, 2017 (unless such date is mutually extended, in writing, by Blue Ridge and SHC), or such approval is denied without right of further appeal, the Operating Company and the Real Property Company may be dissolved and terminated by either Blue Ridge or SHC, in which event the Management Agreement shall terminate, and neither Blue Ridge nor SHC shall have any further obligations with respect thereto.

5.6 The Facility will consist of an approximately 73,000 square foot, plus or minus, building on the Real Property in which the Operating Company will operate a 47-bed skilled nursing facility and a 60-bed assisted living facility. Subject to negotiation of a satisfactory development agreement, lease and related documents, the Parties will cause Real Property Company to use Ramsey Construction as the general contractor for the construction of the Facility.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES

6.1 Each Party represents and warrants to the other that it has the legal right, power and authority to enter into this JV Agreement and the Operating Agreements, and to fully perform its obligations hereunder and thereunder, and that the performance of such obligations shall not conflict with its charter or organizational documents or any agreements, contracts or other arrangements to which it is a party.

ARTICLE 7

TERM AND TERMINATION

7.1 This JV Agreement shall commence on the Effective Date and shall continue unless terminated by mutual written agreement of the Parties or as otherwise provided in this JV Agreement or the Operating Agreements.

7.2 This JV Agreement may be terminated and the transactions contemplated hereby abandoned by a Party sending written notice to other Party upon the occurrence of one or more of the following events:

(a) if the other Party shall commit a material breach of any of its obligations under this JV Agreement, which, if remediable, is not remedied within fifteen (15) business days from the giving of written notice requiring said breach to be remedied; and

(b) if the other Party, its creditor(s), or any Third Party shall file for the other Party's liquidation, bankruptcy, reorganization, or dissolution, or if the other Party is unable to pay any debts as they become due, or if the creditor(s) of the other Party have taken over its management; and

7.3 Termination of this JV Agreement shall be without prejudice to the accrued rights and liabilities of the Parties at the date of termination, unless waived in writing by mutual agreement of the Parties.

7.4 Upon termination of this JV Agreement, each Party shall discontinue use, cancel and return to the other Party, all confidential and/or proprietary information of the other Party that has been furnished or obtained in contemplation of the transactions contemplated hereunder or in connection with this JV Agreement and the Operating Agreements, together with all reproductions and copies thereof and other written documents related thereto retaining no reproductions or copies or other written documents relating to such confidential and/or proprietary information.

7.5 If this JV Agreement is terminated and the transactions contemplated hereby are abandoned, this JV Agreement shall become null and void, except for the provisions of this Article 7 and other provisions of this JV Agreement which, by their nature, are intended to survive.

ARTICLE 8

FORCE MAJEURE

8.1 The failure or delay of either Party to perform any obligation under this JV Agreement solely by reason of acts of God, acts of government (except as otherwise enumerated herein), riots, wars, embargoes, strikes, lockouts, accidents, or other causes beyond its control (each a "Force Majeure Event") shall not be deemed a breach of this JV Agreement; provided, however, that the Party so prevented from complying herewith shall not have procured such Force Majeure Event, shall have used all reasonable diligence to avoid such Force Majeure Event and ameliorate its effects, and shall continue to take all actions within its power to comply as fully as reasonably possible with the terms of this JV Agreement.

8.2 Except where the nature of the Force Majeure Event shall prevent it from doing so, the Party suffering such Force Majeure Event shall notify the other Party in writing within three (3) days after the occurrence of such Force Majeure Event and shall, in every instance to the extent possible and lawful under the circumstances, use its commercially best efforts to remove or remedy such Force Majeure Event with all reasonable dispatch.

ARTICLE 9

GOVERNING LAW AND WAIVER OF JURY TRIAL

9.1 The validity, performance, construction and effect of this JV Agreement shall be governed by the laws of the State of Delaware, without regard to conflict of law principles.

9.2 In the event that any dispute shall arise between the Parties hereto as to any matter or thing covered hereby or as to the meaning of this JV Agreement or to any state of facts which may arise, the same shall be settled by the agreement of the Parties, or if they are unable to agree, the same shall be settled by binding arbitration by a single arbitrator in accordance with the American Health Lawyers Association Alternative Dispute Resolution Service Rules of Procedure for Arbitration. The arbitrator shall be an individual with experience in health care industry disputes and, if possible, expertise in the area which is the subject of the dispute. If the Parties are unable to select an arbitrator, the arbitrator shall be selected in accordance with the Rules of Procedure for Arbitration of the American Health Lawyers Association Alternative Dispute Resolution Service. The arbitration will be conducted in Nashville, Tennessee or at another site convenient to the Parties, as determined by the arbitrator, and any judgment on the award rendered in such arbitration may be entered in any state or federal court having jurisdiction. The prevailing Party in any arbitration proceeding hereunder as determined by the arbitrator or in any legal proceedings or actions arising from or in connection with this Agreement shall be entitled to recover reasonable attorneys' fees and costs. Nothing herein shall prohibit a Party from seeking equitable relief in a court of law to maintain the status quo while an arbitration is pending hereunder. The Parties agree that the arbitrator shall not have the right to award punitive damages.

9.3 Refusal of one Party to arbitrate shall entitle the remaining Party to specifically enforce this JV Agreement in a court of competent jurisdiction, and, as a result of said refusal to arbitrate, the remaining Party shall be entitled to receive costs, reasonable attorneys' fees and its share of the arbitration fee.

9.4 If the Party against which a judgment is rendered in any arbitration (the "Defaulting Party") does not pay to the other Party the arbitration award within ten (10) days of written demand therefore, and the other Party shall institute suit in a court of competent jurisdiction to enforce said decision, the Defaulting Party shall pay the other Party the reasonable attorney's fees and court costs incurred in such action.

9.5 While any arbitration proceeding is pending, no Party is excused from the payment of monies due hereunder, but if it is determined by the arbitrator that monies paid during the Arbitration period were not due, the payee shall remit the amount of monies so paid, together with interest at the then prevailing prime rate as published in the Wall Street Journal from the date of receipt to the proper Party, within ten (10) days of the issuance of the arbitration award.

ARTICLE 10

NON-WAIVER AND OTHER REMEDIES

10.1 Failure of any Party to insist upon the strict and punctual performance of any provision hereof shall not constitute waiver of nor estoppel against asserting the right to require such performance, nor shall a waiver or estoppel in one instance constitute a waiver or estoppel with respect to a later breach whether of similar nature or otherwise.

10.2 Subject to Section 9.5 above, nothing in this JV Agreement shall prevent a Party from

enforcing its rights by such remedies as may be available in lieu of or in addition to termination.

ARTICLE 11

NOTICE

11.1 All notices, request, demands and other communications under this Agreement or in connection herewith shall be given by letter (delivered by hand or by air courier) or by facsimile transmission confirmed by such letter, and shall be addressed to the Parties as follows:

If to Blue Ridge:

Blue Ridge Medical Management Corporation
400 North State of Franklin
Johnson City, TN 37604
ATTN: Marvin Eichorn

With Copy to:

Mountain States Health Alliance
400 North State of Franklin
Johnson City, TN 37604
ATTN: General Counsel

If to SHC:

Signature HealthCARE, LLC
12201 Bluegrass Parkway
Louisville, KY 40299
ATTN: E. Joseph Steier, III, CEO

With Copy to:

Signature HealthCARE, LLC
12201 Bluegrass Parkway
Louisville, KY 40299
ATTN: Sandra Adams, VP and General Counsel

and

Fenigstein & Kaufman
1900 Avenue of the Stars
Suite 2300
Los Angeles, California 90067
Attn: S. Jack Fenigstein

11.2 Any notice, request, demand or other communication shall be effective (i) if given by facsimile, at the time such facsimile is transmitted and the appropriate confirmation is received (or, if such time is not during a normal business day, at the beginning of the following business day), or (ii) if given by air courier, when delivered at the applicable address specified above. Either Party may change its address at any time by written notice to the other Party given pursuant to this Article 11.

ARTICLE 12

MISCELLANEOUS

12.1. In the event that any provision of this JV Agreement becomes or is declared by a court or other tribunal of competent jurisdiction to be illegal, invalid, unenforceable or void, such provision(s) shall be limited or eliminated to the extent necessary so that this JV Agreement shall otherwise remain in full force and effect without said provision.

12.2 Each Party shall pay all costs and expenses that it incurs with respect to the negotiation, execution, delivery and performance of this JV Agreement.

12.3 Neither this JV Agreement nor any rights hereunder shall be assignable, directly or indirectly, by any Party hereto without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed; provided, however, that SHC may assign its rights and obligations under this Agreement to an affiliate of SHC.

12.4 This JV Agreement supersedes all previous and contemporaneous representations, understandings or agreements, oral, or written, between the Parties with respect to the subject understanding of the Parties as to the terms and conditions of their relationship. No changes, alterations, or modifications hereto shall be effective unless they are in writing and are signed by an authorized representative of each Party.

12.5 The headings in this JV Agreement are included for convenience of reference only and do not substantively affect the terms or interpretation of this JV Agreement.

12.6 This JV Agreement may be executed in one or more counterparts, each of which, when executed, shall be deemed to be an original and all of which together will be deemed to be one and the same instrument. Delivery of an executed counterpart of a signature page to this JV Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart of this JV Agreement. The Parties also agree and acknowledge that this JV Agreement may be kept in electronic form and that an electronic version of this JV Agreement will be just as valid and enforceable as the original.

IN WITNESS WHEREOF, the Parties have executed this JV Agreement as of the date first set forth above.

"Blue Ridge"

BLUE RIDGE MEDICAL MANAGEMENT CORPORATION

By: _____

Print Name: C Steven Kilgore

Title: Pres / CEO

APPROVED BY MSHA LEGAL DEPARTMENT RKS

"SHC"

SHC LP HOLDINGS III, LLC

By: _____

Print Name: _____

Title: _____

401 PRINCETON ROAD, LLC

By: _____

Print Name: Jacob Wintner

Title: Secretary of its Member's Manager

IN WITNESS WHEREOF, the Parties have executed this JV Agreement as of the date first set forth above.

"Blue Ridge"

BLUE RIDGE MEDICAL MANAGEMENT CORPORATION

By: _____

Print Name: _____

Title: _____

"SHC"

SHC LP HOLDINGS III, LLC

By: Sandra Adams

Print Name: Sandra Adams

Title: VP & General Counsel

401 PRINCETON ROAD, LLC

By: _____

Print Name: _____

Title: _____

EXHIBIT 1.2

CERTIFICATE OF FORMATION

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF FORMATION OF "LP JOHNSON CITY, LLC", FILED IN THIS OFFICE ON THE ELEVENTH DAY OF MAY, A.D. 2016, AT 1:55 O`CLOCK P.M.

6039844 8100
SR# 20163085544

Authentication: 202303926
Date: 05-11-16

You may verify this certificate online at corp.delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 01:55 PM 05/11/2016
FILED 01:55 PM 05/11/2016
SR 20163085544 - File Number 6039844

STATE *of* DELAWARE
LIMITED LIABILITY COMPANY
CERTIFICATE *of* FORMATION

First: The name of the limited liability company is LP Johnson City, LLC

Second: The address of its registered office in the State of Delaware is 2711 Centerville Road, Ste 400 in the City of Wilmington. Zip code 19808. The name of its Registered agent at such address is Corporation Service Company

Third: (Use this paragraph only if the company is to have a specific effective date of dissolution: "The latest date on which the limited liability company is to dissolve is _____.")

Fourth: (Insert any other matters the members determine to include herein.)

In Witness Whereof, the undersigned have executed this Certificate of Formation this 11th day of May, 2016.

By: Sandra Adams
Authorized Person (s)

Name: Sandra Adams, VP

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF FORMATION OF "JCRNC RE, LLC", FILED IN THIS OFFICE ON THE TWENTY-NINTH DAY OF JUNE, A.D. 2016, AT 4:43 O`CLOCK P.M.

Jeffrey W. Bullock, Secretary of State

6082642 8100
SR# 20164711894

Authentication: 202589064
Date: 06-30-16

You may verify this certificate online at corp.delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 04:43 PM 06/29/2016
FILED 04:43 PM 06/29/2016
SR 20164711894 - File Number 6082642

STATE *of* DELAWARE
LIMITED LIABILITY COMPANY
CERTIFICATE *of* FORMATION

First: The name of the limited liability company is JCRNC RE, LLC

Second: The address of its registered office in the State of Delaware is 2711 CENTERVILLE ROAD, STE 400 in the City of WILMINGTON. Zip code 19908. The name of its Registered agent at such address is CORPORATION SERVICE COMPANY

Third: (Use this paragraph only if the company is to have a specific effective date of dissolution: "The latest date on which the limited liability company is to dissolve is _____.")

Fourth: (Insert any other matters the members determine to include herein.)

In Witness Whereof, the undersigned have executed this Certificate of Formation this 29th day of JULY, 2016.

By: Victoria A Lee
Authorized Person (s)

Name: VICTORIA LEE

EXHIBIT 1.5-A

OPERATING AGREEMENT
OF OPERATING COMPANY

OPERATING AGREEMENT
OF
LP JOHNSON CITY, LLC

THIS OPERATING AGREEMENT (this "Agreement") is between SHC LP Holdings III, LLC, a Delaware limited liability company (the "Signature Participant"), and Blue Ridge Medical Management Corporation, a Tennessee corporation ("Blue Ridge Participant"). Capitalized terms used in this Agreement and not otherwise defined have the meanings provided in **Article 2** of this Agreement.

1. PURPOSE AND INTENT

1.1. Purpose and Legal Compliance. The Company has been formed for (i) the general purpose of managing and operating skilled nursing facilities and assisted living facilities; and (ii) the specific purposes of managing the Existing Unit and owning, managing and operating the Facility (as those terms are defined herein) (the "Business"). The Company may engage in any activities that are directly or indirectly related to the accomplishment of such purposes.

1.2. Intent. It is the intent of the Members that the Company will always be operated in a manner consistent with its treatment as a "partnership" for federal and state income tax purposes.

2. DEFINITIONS

Capitalized terms used in this Agreement and not otherwise defined shall have the following meanings:

2.1. "Act" means the Delaware Limited Liability Company Act, as amended from time to time.

2.2. "Acceptance Period" has the meaning provided in **Section 8.4.1.**

2.3. "Adjusted Capital Account Balance" means an amount with respect to a Member equal to the balance in such Member's Capital Account at the end of the relevant fiscal year, after increasing the balance in such Member's Capital Account by any amount which such Member is deemed obligated to restore pursuant to Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5).

2.4. "Affiliate" means, with respect to any Person, any other Person who controls, is controlled by or is under common control with such Person.

2.5. "Agreement" means this operating agreement as it may be amended, modified, restated, replaced or supplemented in writing and signed by both Members.

2.6. "Ancillary Agreements" means the following: (i) that certain Consulting Services Agreement by and between the Company and Signature HealthCARE Consulting

Services, LLC; (ii) that certain Consulting Services Agreement (Clinical) by and between the Company and Signature HealthCARE Clinical Consulting Services, LLC; (iii) that certain Employee Services Agreement by and between the Company and Signature Payroll Services, LLC; and (iv) that certain Therapy Services Agreement by and between the Company and Signature Rehab Services, LLC.

2.7. "Authorized Officer" means an officer of a Member who is authorized by such Member to represent the Member in all matters relating to the Member's Interest, including at all meetings of the Members or in connection with any action taken or approved/given by the Members in writing without a meeting of the Members.

2.8. "Bankruptcy" means, as to a Person, (a) the Person's taking or acquiescing to the taking of any action seeking relief under, or advantage of, any applicable debtor relief, liquidation, receivership, conservatorship, bankruptcy, moratorium, rearrangement, insolvency, reorganization or similar law affecting the rights or remedies of creditors generally, as in effect from time to time, or (b) the entry by a court of competent jurisdiction of a decree or order for relief in respect of the Person in any such action, or (c) the Person's making a general assignment for the benefit of its creditors, or (d) the Person's failure generally to pay its debts as such debts become due. For the purpose of this definition, the term "acquiescing" shall include, without limitation, the failure to file within the time specified by law, an answer or opposition to any proceeding against such Person under any such law or a failure to file, within thirty (30) days after its entry, a petition, answer or motion to vacate or to discharge any order, judgment or decree providing for any relief under any such law.

2.9. "Blue Ridge Committee Member" has the meaning provided in **Section 4.2**.

2.10. "Blue Ridge Sale Transaction" means the sale of substantially all of the assets or ownership interests of Blue Ridge, or a sale of ownership interests, merger, consolidation or other transaction, or one or more series of transactions, involving Blue Ridge in which the Board of Directors of the equity owner of the acquiring or surviving entity would be comprised of less than 50% of directors designated by MSHA in connection with such transaction, excluding directors designated as independent or at-large directors.

2.11. "Blue Ridge Terminating Event" means any of the following:

(a) Blue Ridge or any of its Affiliates has breached any of the material terms and conditions of this Agreement, including, without limitation, violating the restrictions with respect to ownership of an interest in a Competing Business or breaching the Transfer restrictions set forth in **Article 8**, after notice and opportunity to cure ;

(b) Bankruptcy of Blue Ridge or MSHA;

(c) A secured party takes possession of Blue Ridge's Interest or other interest in the Company, whether by foreclosure, assignment, judicial proceeding or otherwise;

(d) Involuntary exclusion of Blue Ridge or MSHA from participation in Medicare, Medicaid or other federal healthcare program; or

(e) A Blue Ridge Sale Transaction.

2.12. "Book Value" has the meaning provided in **Section 7.2.2**.

2.13. "Capital Account" means the capital accounts established and maintained for each Member in accordance with **Section 7.4** of this Agreement and applicable Treasury Regulations.

2.14. "Capital Contributions" means, with respect to a Member, the amount of money and the net fair market value of any property or services contributed to the Company by such Member, as such net fair market value shall be determined by Executive Committee Approval.

2.15. "Chairperson" means the chairperson of the Executive Committee, who shall be an Executive Committee Member appointed by the Signature Participant to serve in such capacity. The Chairperson shall have the duties specified in **Section 5.5.1**.

2.16. "Code" means the Internal Revenue Code of 1986, as amended.

2.17. "Company" means LP Johnson City, LLC, a Delaware limited liability company.

2.18. "Competing Business" means the business of providing skilled nursing services.

2.19. "Default Amount" has the meaning provided in **Section 3.1.2**.

2.20. "Effective Date" means the date specified on the signature page of this Agreement.

2.21. "Executive Committee" means the group of five individuals entrusted with responsibility for the management and operation of the Company in accordance with this Agreement and the provisions of the Act applicable to the management of a member-managed Delaware limited liability company; also may be referred to as the "Executive Committee".

2.22. "Executive Committee Approval" means the affirmative vote of at least three members of the Executive Committee taken at a duly and validly held meeting of the Executive Committee or evidenced by a written consent to action in lieu of a meeting signed by at least three members of the Executive Committee.

2.23. "Executive Committee Member" means an individual duly appointed and serving as a member of the Executive Committee.

2.24. "Existing Unit" means that certain 34-bed skilled nursing unit located in Johnson City Medical Center in Johnson City, Tennessee commonly known as Princeton Transitional Care.

2.25. "Facility" means the skilled nursing and assisted living facility to be located at 401 Princeton Road, Johnson City, Tennessee.

2.26. "Fiscal Year" means the Company's fiscal year, which begins on January 1st and ends on December 31st of each year, and also constitutes the taxable year of the Company.

2.27. "Indemnitee" has the meaning provided in **Section 6.2.1.**

2.28. "Interest" means a membership interest in the Company.

2.29. "Joint Venture Agreement" means that certain Joint Venture Agreement of even date herewith, by and between Signature Participant, 401 Princeton Road, LLC and Blue Ridge Participant.

2.30. "Letter of Credit" means that certain letter of credit dated February 1, 2016, as amended, issued by First Republic Bank in favor of the Blue Ridge Participant.

2.31. "Management Services Agreement" means that certain Management Services Agreement of even date herewith by and between the Company and MSHA.

2.32. "Mediation Period" has the meaning provided in **Section 9.3.**

2.33. "Meeting Period" has the meaning provided in **Section 9.3.**

2.34. "Members" means the Signature Participant and Blue Ridge Participant.

2.35. "MSHA" means Mountain States Health Alliance, a Tennessee not for profit corporation.

2.36. "Net Cash Flow" means gross cash proceeds from Company operations, or from sales or refinancing of all or any portion of the assets of the Company, less the portion of such cash used to pay Company expenses and debt payments or to make capital improvements or establish reserves, all as determined pursuant to Executive Committee Approval.

2.37. "Offer" has the meaning provided in **Section 8.4.**

2.38. "Offered Interest" has the meaning provided in **Section 8.4.**

2.39. "Offering Member" has the meaning provided in **Section 8.4.**

2.40. "Participation Percentages" means a Member's share, expressed as a percentage, of distributions and allocations of the Company's income, gains, losses, deductions or credits. The Participation Percentage of each Member is the percentage determined by dividing the net fair market value of Capital Contributions made by that Member by the net fair market value of Capital Contributions made by both Members and multiplying the result by 100%. The initial Participation Percentages of the Members are as follows: the Signature Participant, 55.5%; and Blue Ridge Participant, 44.5%.

2.41. "Person" means any individual, corporation, trust, limited liability company, partnership, or other entity recognized by applicable law.

2.42. "Profits" and "Losses" of the Company with respect to any Fiscal Year or other period of the Company means an amount equal to the Company's taxable income or loss for such year or period determined in accordance with Code Section 703(a), reduced by any items of income or gain subject to special allocation pursuant to this Agreement, and otherwise adjusted pursuant to the Unanimous Vote of the Members (on the advice of the Company's accountant) to comply with the Treasury Regulations.

2.43. "Receiving Member" has the meaning provided in **Section 8.4**.

2.44. "Signature" means SHC LP Holdings III, LLC, a Delaware limited liability company.

2.45. "Signature Committee Members" has the meaning provided in **Section 4.2**.

2.46. "Signature Parent" means Signature HealthCARE, LLC, a Delaware limited liability company.

2.47. "Signature Sale Transaction" means the sale of substantially all of the assets or ownership interests of Signature to a Person other than an Affiliate, or a sale of ownership interests, merger, consolidation or other transaction, or one or more series of transactions, involving Signature or Signature Parent and a Person other than an Affiliate in which the equity owners of Signature or Signature Parent immediately prior to such transaction would own, in the aggregate, less than 50% of the total combined voting power of all classes of ownership interests of the surviving entity normally entitled to vote for the election of directors of the surviving entity.

2.48. "Signature Terminating Event" means any of the following:

(a) Signature or any of its Affiliates has breached any of the material terms and conditions of this Agreement, including, without limitation, violating the restrictions with respect to ownership of an interest in a Competing Business or breaching the Transfer restrictions set forth in **Article 8,** after notice and opportunity to cure ;

(b) Bankruptcy of Signature or its Affiliate parent company;

(c) A secured party takes possession of Signature's Interest, whether by foreclosure, assignment, judicial proceeding or otherwise;

(d) Exclusion of Signature or its Affiliate parent company from participation in Medicare, Medicaid or any other federal healthcare program;

(e) A Signature Sale Transaction; or

(f) Signature or its Affiliates has breached any of the material terms and conditions of the Ancillary Agreements (as reasonably determined by the Blue Ridge Committee Members, after notice and opportunity to cure).

2.49. "Transfer" means any involuntary or voluntary means by which a Member may divest itself or be divested of record or beneficial ownership of all or any part of its Interest,

including without limitation, divestment by sale, assignment, pledge, mortgage (provided that the Members may pledge or mortgage their Interests in connection with any loan approved by both Members), exchange, gift, change of control, operation of law or otherwise.

2.50. "Treasury Regulations" means the regulations issued by the United States Department of the Treasury under the Code.

2.51. "Unanimous Executive Committee Approval" means the affirmative vote of all members of the Executive Committee taken at a duly and validly held meeting of the Executive Committee or evidenced by a written consent to action in lieu of a meeting signed by all members of the Executive Committee.

2.52. "Violations" has the meaning provided in **Section 12.1**.

3. CAPITAL CONTRIBUTIONS AND RIGHTS AND DUTIES OF MEMBERS

3.1. Capital Contributions.

3.1.1. Following the Effective Date, upon and subject to the terms and conditions contained in the Joint Venture Agreement and Management Services Agreement, each of the Blue Ridge Participant and the Signature Participant shall make Capital Contributions to the Company in amounts equal to their proportionate shares, based on their respective Participation Percentages, of the amounts due and owing by the Company under the Management Services Agreement, as and when due. Following the Effective Date, upon and subject to the terms and conditions contained in the Joint Venture Agreement, the Blue Ridge Participant shall make the additional Capital Contribution described on **Schedule 3.1.1.** Following the Effective Date, upon and subject to the terms and conditions contained in the Joint Venture Agreement, the Signature Participant shall make the additional Capital Contributions described on **Schedule 3.1.1** in installments pursuant to the terms of the Joint Venture Agreement. Notwithstanding the foregoing, the parties acknowledge and agree that the Blue Ridge Participant shall have the sole and exclusive right to draw upon the Letter of Credit in the event the Signature Participant fails to (i) make any required Capital Contribution, (ii) fully and timely discharge any financing arrangement of property included in a Capital Contribution with a supplier, or (iii) contribute any property included in a Capital Contribution otherwise free and clear of any and all liens and other encumbrances. Any such amounts drawn on the Letter of Credit shall be advanced to the Company in satisfaction of the Signature Participant's Capital Contributions. In the event the Blue Ridge Participant receives notice of the non-renewal of the Letter of Credit, the Blue Ridge Participant shall have the authority to draw upon the Letter of Credit for the full amount of the unpaid Capital Contributions of the Signature Participant and/or to discharge any outstanding financing arrangement or lien or other encumbrances relating to any property contributed.

3.1.2. Each Member shall make Capital Contributions according to its Participation Percentage in addition to the Capital Contributions specified in **Schedule 3.1.1** in such amounts and at such times as shall be approved by the Members. If a Member fails to pay a Capital Contribution when due, after twenty (20) days written notice and opportunity to cure (i) such Member shall be in default under this Agreement and, until payment in full of such delinquent Capital Contribution, plus interest thereon at six percent (6%) of the unpaid Capital Contribution plus interest thereon are referred to collectively as the "Default Amount"), all

distributions otherwise payable by the Company to such Member shall be applied to satisfy the Default Amount and (ii) such Member, and all Executive Committee Members appointed by such Member, shall have no right to vote on any matter to be decided by a vote of the Members or the Executive Committee under this Agreement until the Default Amount is paid or otherwise satisfied in full and, notwithstanding anything to the contrary contained in this Agreement, the Company shall be governed entirely by the other Member and the Executive Committee Members appointed by it, who shall have the right to make all decisions for and take all actions on behalf of the Company.

3.2. Voting Rights and Meetings.

3.2.1. The Members shall be entitled to vote upon and decide any matter required to be submitted to a vote of the Members based on their Participation Percentage in accordance with this Agreement. An Authorized Officer representing each Member must be present in order to constitute a quorum for the transaction of business at any meeting of the Members, and such Authorized Officer shall cast all votes on behalf of the Member that he or she represents at the meeting.

3.2.2. A meeting of the Members may be called by an Authorized Officer of either Member or the Chairperson. If another place has not been designated by the Executive Committee, the place of meetings shall alternate between the offices of the Members. At the discretion of the Executive Committee, meetings may be held by means of conference telephone, videoconference or similar communications equipment by means of which all persons participating in the meeting can hear each other. Any action that may be authorized or taken at a meeting of the Members may be taken without a meeting if authorized by a writing signed by the Authorized Officers of both Members.

3.2.3. Written notice of the time, place and purpose of any meeting of the Members must be given to each Member by the person calling the meeting. Notice of any meeting of the Members must be given not more than 60 days nor less than ten days before the day upon which the meeting is to be held by delivering the notice personally to each Member or by mailing the notice to the address of each Member as last shown upon the records of the Company.

3.2.4. Either Member may, either before or after any meeting, waive any notice of the meeting. The attendance of a Member at any meeting shall be deemed to be a waiver of notice of such meeting unless the Member protests the meeting at or prior to its commencement. Any waiver of notice, other than waiver by attendance described in this Section, must be in writing.

3.2.5. Each Member shall be represented at any meeting of the Members by its Authorized Officer.

3.3. No Liability for Company Debts. Except as otherwise provided by a separate written undertaking signed by the Member, no Member will be personally liable for any debts, losses or liabilities of the Company beyond the Member's Capital Contribution. The failure of the Company to observe any formalities or requirements relating to the exercise of its powers or

management of its business or affairs under this Agreement or the Act shall not be grounds for imposing personal liability on the Members for liabilities of the Company.

3.4. Authority of Members to Bind the Company. Only the officers and authorized agents of the Company have the authority to bind the Company. No Member may take any action to bind the Company, and each Member hereby indemnifies and agrees to hold harmless the Company and the other Member for any costs or damages incurred by the Company or the other Member as a result of the unauthorized action of such Member.

3.5. Powers Reserved to the Members. Notwithstanding any provision of this Agreement to the contrary, the following actions shall require the approval of both Members:

3.5.1. Issuing any membership interest in the Company or any granting of any right to purchase a membership interest from the Company.

3.5.2. Amending, supplementing or other modifying of this Agreement or the certificate of formation of the Company.

3.5.3. Causing the Company to lend any monies or assets of the Company or to guarantee the obligations of any other Person.

3.5.4. Effectuating any liquidation of the Company, any consolidation, merger or other business reorganization of the Company with or into another Person, or any sale or transfer of all or substantially all of the assets of the Company to another Person.

3.5.5. Causing the Company to incur any indebtedness (excluding trade payables) or enter into any lease or other contractual obligations, in each case requiring a Member guarantee.

3.5.6. Calling for additional Capital Contributions from the Members, provided, however that such approval shall not be required for any Capital Contributions pursuant to Section 3.1.1.

3.5.7. Forming any subsidiary of the Company or causing the Company to invest in any Person.

3.5.8. Any decision of the Company to enter into, terminate or amend any agreement with any party to this Agreement, or any Affiliate of any party.

3.5.9. Amending the charity care policy of the Company.

3.5.10. Significantly alter or change the nature, scope or character of the Business.

3.5.11. Agreeing to or obligating the Company to do any of the foregoing.

3.6. Compliance. The parties recognize and agree that it is essential for the Company to operate with careful attention to the complexities of governmental regulations, including, without limitation, the requirements resulting from participation as a provider under federal health care programs. Accordingly, the parties agree that either Member has the right to inquire

about and receive documentary or other information regarding the approach to such compliance by the Company. Either the Blue Ridge Participant or Signature Participant may, at its sole discretion, utilize its own selected professionals to conduct independent reviews of any aspects of such compliance, and the Company agrees to provide such Person and its representatives full access to all records, personnel, and other aspects of operations to permit and facilitate such reviews. If at any time there shall be a disagreement between MSHA or Blue Ridge Participant, on the one hand, and Signature or a Signature Affiliate, on the other hand, as to the appropriate compliance approach, and if a mutually acceptable compromise position cannot be reached, the Members agree to choose that approach which is the more conservative of the approaches being considered and to cause the Company to implement that approach.

4. EXECUTIVE COMMITTEE

4.1. Management Powers. Except as otherwise provided in this Agreement, the Company shall be governed by the Executive Committee. Except as reserved to the Members by this Agreement, the Executive Committee shall have all powers and authority possessed under the Act by members of a member-managed limited liability company.

4.2. Appointment, Removal and Resignation of Executive Committee Members. The Executive Committee must at all times consist of five individuals, three of whom shall be appointed by the Signature Participant (the "Signature Committee Members") and two by the Blue Ridge Participant (the "Blue Ridge Committee Members"). Any Executive Committee Member appointed by a Member may be removed and replaced at any time, with or without cause, by that Member. No meeting of the Members is required to appoint or remove an Executive Committee Member, provided the Member taking such actions gives notice of the appointment or removal, identifying the appointed or removed Executive Committee Member, to the Company. An Executive Committee Member appointed by a Member will serve until replaced by that Member. Any Executive Committee Member may resign at any time by giving notice to the Company and the Member who appointed such Executive Committee Member. Upon resignation or removal of an Executive Committee Member, the Member shall appoint a new Executive Committee Member within ten (10) days.

4.3. Meetings.

4.3.1. An annual meeting of the Executive Committee shall be held in the second calendar quarter of each year, and regular meetings of the Executive Committee shall be held at least quarterly, in each case at such time and place as the Executive Committee may specify. Special meetings of the Executive Committee may be called by the Authorized Officer of either Member. Any action of the Executive Committee may be taken without a meeting pursuant to a written consent signed by at least three Executive Committee Members. An Executive Committee Member unable to attend a meeting of the Executive Committee may designate, in writing, a Person to represent such Executive Committee Member at the meeting. The designee shall have the same powers and duties relative to such meeting as the designating Executive Committee Member. Any meeting of the Executive Committee may be held by means of conference telephone, videoconference or similar communications equipment by means of which all persons participating in the meeting can hear each other.

4.3.2. Written notice of the time and place of each meeting of the Executive Committee must be given to each Executive Committee Member either by personal delivery or by mail, email or facsimile at least five days before each meeting. Any Executive Committee Member may waive notice of the time and place of any meeting of the Executive Committee, either before or after the meeting is held. The attendance of an Executive Committee Member at a meeting shall be deemed to be a waiver of notice of such meeting unless the Executive Committee Member protests the meeting at or prior to its commencement.

4.3.3. The presence of at least three Executive Committee Members, including at least one (1) Signature Committee Member and one (1) Blue Ridge Committee Member, shall constitute a quorum for transaction of business at any meeting of the Executive Committee. Each Executive Committee Member shall have one vote upon all matters to be decided or authorized by the Executive Committee. Executive Committee Approval shall be required to authorize any action or to make any decision by the Executive Committee.

4.4. Actions Requiring Executive Committee Approval. Unless reserved to the Members or to the Signature Committee Members or the Blue Ridge Committee Members, or delegated by the Executive Committee to the officers of the Company, all non-routine decisions or actions on the part of the Company must be made or authorized by Executive Committee Approval. Specifically, but without limiting the foregoing, Executive Committee Approval is required for the following:

4.4.1. Adopting or amending the Company's annual operating and capital budgets.

4.4.2. Causing the Company to pay or incur any expense or obligation in excess of $25,000, unless such expense or obligation was included in a budget that was previously adopted with Executive Committee Approval.

4.4.3. Entering into any agreement or borrowing that obligates the Company in an amount in excess of $25,000, other than agreements that implement expenditures included in a budget that was previously adopted with Executive Committee Approval.

4.4.4. The engagement by the Company in any activity that is not consistent with the purposes of the Company as set forth in **Section 1.1**.

4.4.5. Applying for or consenting to the appointment of a receiver, trustee or liquidator of the Company or of all or a substantial part of its assets, the filing of a voluntary petition in bankruptcy, the making of a general assignment for the benefit of creditors, the filing of a petition or an answer seeking reorganization or similar arrangements with creditors, or the taking advantage of any insolvency law.

4.4.6. Retaining or terminating attorneys or auditors for the Company.

4.4.7. Changing the Company's policy regarding quarterly distributions of Net Cash Flow to the Members under **Section 7.1**.

4.4.8. Hiring or firing the executive officers of the Company.

4.4.9. Altering the business plan previously adopted with Executive Committee Approval.

The following actions shall require the Unanimous Executive Committee Approval, without which such actions shall not take place:

(a) Causing the Company to incur indebtedness in excess of twenty percent (20%) of the total assets of the Company;

(b) Entering into an agreement or amendment to an agreement between the Company and any Member or Affiliate of a Member whereby such Member or Affiliate provides services, goods or supplies to the Company; provided, however, that any such agreement entered into contemporaneously herewith, including without limitation the Ancillary Agreements, shall be deemed to have been approved by Unanimous Executive Committee Approval. For the avoidance of doubt, this Section 4.4.9(b) does not include entering into an agreement or amendment between Company and a Person that is not a Member or an Affiliate of a Member and Unanimous Executive Committee Approval is not required for such agreements;

(c) Approving an addition or discontinuance of a line of service or addition of a facility location;

(d) Other than as provided for in the approved capital budget, incur any capital expenditure in excess of $250,000; and

(e) Other than as provided for in the approved capital budget, enter into any leases or contracts involving annual payments to or by the Company in excess of $250,000 or aggregate payments over the term in excess of $500,000.

4.5. Committees. The Executive Committee may establish such committees as it deems appropriate, with each committee to have such authority between meetings of the Executive Committee as shall be specified by Executive Committee Approval.

4.6. Other Activities. Except as otherwise provided in this Agreement or the Act, Executive Committee Members may have other business interests and may engage in other activities in addition to those relating to the Company. Notwithstanding the foregoing, no Executive Committee Member shall participate in any meeting or decision of the Executive Committee that involves a personal or business conflict of interest, or that violates any conflict of interest policy adopted by the Executive Committee without first disclosing any such conflict or violation to the Executive Committee. The Members acknowledge that as of the Effective Date, each separately owns, manages or operates health care facilities separately from the Company and each other.

4.7. Charity Care and Community Benefit. The Executive Committee shall cause the Company to operate in a manner that promotes health for a broad cross section of the community, and the Executive Committee shall adopt MSHA's charity care policy for the Facility. Nothing contained herein shall be construed to supersede or modify the requirements for approval of Member Actions as set forth in **Section 3.5**.

5. OFFICERS

5.1. Officers. The officers of the Company shall be the Chairperson and the President, and such other officers or assistant officers as may be appointed from time to time by the Executive Committee. The Chairperson must be an Executive Committee Member.

5.2. Term of Office. The Chairperson and President shall be appointed by the Signature Committee Members and shall hold office until a successor is appointed by the Signature Committee Members.

5.3. Resignation. Any officer may resign at any time by giving written notice to the Executive Committee. Unless otherwise specified therein, a resignation shall become effective upon delivery. The acceptance of such resignation shall not be necessary to make it effective unless so specified in the resignation.

5.4. Removal. Any officer may be removed by Executive Committee Approval at any time, with or without cause. Any such removal shall be without prejudice to the contract rights, if any, of such officer.

5.5. Duties of the Officers.

5.5.1. Chairperson and President. The Chairperson shall preside at all meetings of the Members and the Executive Committee. The Chairperson shall provide leadership to the Executive Committee and its committees. The President shall serve as a liaison between the Members and the Executive Committee.

6. STANDARD OF CARE AND INDEMNIFICATION

6.1. Standard of Care. Each Member, Executive Committee Member, officer of the Company and any mediator or arbitrator described in **Article 9** shall perform his or her duties under this Agreement and the documents referred to in this Agreement that are exhibits hereto (i) in good faith, (ii) with such care as an ordinarily prudent person in a like position would use under similar circumstances, and (iii) in the best interests of the Company.

6.2. Indemnification.

6.2.1. Each Member, Executive Committee Member, and officer of the Company acting in such capacity (each such Person, an "Indemnitee") shall be fully protected in relying in good faith on information, opinions, reports or statements, including financial statements, books of account and other financial data, if prepared or presented by (i) one or more Executive Committee Members, officers, or employees or contractors of the Company, who the Indemnitee reasonably believes are reliable and competent in the matters prepared or presented, or (ii) counsel, public accountants or other persons as to matters that the Indemnitee reasonably believes are within the Person's professional or expert competence.

6.2.2. No Indemnitee shall be liable for damages to the Company or any present or former Member with respect to claims relating to his or her conduct for or on behalf of the Company, except to the extent that there is a final judicial determination that (i) his or her action was a breach of such Indemnitee's fiduciary duties to the Company or the Members, (ii) his or

her action or failure to act was not in good faith or involved intentional misconduct or a knowing violation of the law, or (iii) he or she derived an improper personal benefit.

6.2.3. The Company shall indemnify each Indemnitee (subject to any limitation in this Agreement or now or hereafter required by law) against any cost, expense (including legal or other expenses reasonably incurred in investigation or defense), amount paid in settlement, judgment or liability incurred by or imposed upon an Indemnitee in connection with any action, suit or proceeding (including civil, criminal, administrative or investigative proceedings) to which an Indemnitee may be a party or otherwise involved or with which an Indemnitee shall be threatened, arising out of or in connection with an Indemnitee's activities or involvement with the Company, or by reason of being or at any time having been, at the direction or the request of the Executive Committee, a director, Executive Committee Member, ex officio director, ex officio committee member, trustee, administrator, employee, member, advisor or other agent of or fiduciary for any other corporation, limited liability company, partnership, trust, venture or other entity or enterprise including any employee benefit plan; except that no Indemnitee shall be indemnified with respect to any matter as to which Indemnitee shall have failed to meet the standard set forth in this Article. Notwithstanding the foregoing, payments shall be made pursuant to this Section only to the extent that any Indemnitee has not been made whole by the proceeds of insurance maintained by the Company or any other entity with which any Indemnitee serves or served at the direction or the request of the Company.

6.2.4. Indemnification under this Section shall not be deemed exclusive of any other rights to which an Indemnitee may be entitled under any rule of law (whether common law or statutory), agreement or arrangement, whether as to action in an official capacity and as to action in another capacity while holding such position or while employed by or acting as agent for the Company. Indemnification under this Section shall continue as to an Indemnitee who has ceased to serve in any capacity on behalf of the Company and shall inure to the benefit of the heirs, successors, executors and administrators of such Indemnitee.

6.2.5. The Company may indemnify any employee or agent of the Company serving in any capacity on behalf or at the request of the Executive Committee upon such terms and conditions as the Executive Committee considers appropriate.

6.2.6. The Company may purchase and maintain insurance for the benefit of any Person entitled to indemnification under the Article against any liability asserted against and incurred by such Person or on his or her behalf in any such capacity, or arising out of his or her status as such, whether or not the Company would have the power to indemnify such Person against such liability under the provisions of this Section.

6.2.7. The provisions of this Section providing for indemnification of the Executive Committee Members shall also apply to each former Executive Committee Member, Member, committee member or officer acting in such capacity to the extent that an actual or alleged cause of action relates to the business of the Company during the period such individual held such office or to the performance or status of such individual in that capacity.

6.3. Subject to any mandatory requirements of law to the contrary, any costs and expenses for which indemnification shall be provided hereunder shall be paid by the Company in advance of the final disposition of any action, suit or proceeding upon receipt of an undertaking

by or on behalf of an Indemnitee to repay such costs and expenses if it should ultimately be determined that such person is not entitled to indemnification under this Section.

7. DISTRIBUTIONS AND ALLOCATIONS

7.1. Distributions. All Net Cash Flow shall be distributed to the Members in proportion to their respective Participation Percentages not less than quarterly, unless the frequency of such distributions is changed by Executive Committee Approval under **Section 4.4.7**.

7.2. General Allocation Rules.

7.2.1. General Allocation Rule. For each taxable year of the Company, after the application of **Section 7.3**, Profits and/or Losses shall be allocated to the Members in a manner which causes each Member's Adjusted Capital Account Balance to equal the amount that would be distributed to such Member pursuant to **Section 10.3.2** upon a hypothetical liquidation of the Company in accordance with **Section 7.2.2**.

7.2.2. Hypothetical Liquidation Defined. In determining the amounts distributable to the Members under **Section 10.3.2** upon a hypothetical liquidation, it shall be presumed that (i) all of the Company's assets are sold at their respective values reflected on the books of account of the Company, determined in accordance with Code Section 704(b) and Treasury Regulations thereunder ("Book Value"), without further adjustment, (ii) payments to any holder of a nonrecourse debt are limited to the Book Value of the assets securing repayment of such debt, and (iii) the proceeds of such hypothetical sale are applied and distributed in accordance with **Section 10.3.2**.

7.2.3. Special Loss Allocation. If the Company incurs Losses at any time when the Members' Adjusted Capital Account Balances have been reduced to or below zero, such Losses shall be allocated to the Members in proportion to their Participation Percentages.

7.2.4. Special Profits Allocation. If the Company incurs Profits at any time when the Members' Adjusted Capital Account Balances are less than zero and the hypothetical liquidation described in **Section 7.2.2** would not result in any distributions to the Members, Profits shall be allocated to the Members in proportion to their negative Adjusted Capital Account Balances, until such negative balances have been eliminated.

7.2.5. Item Allocations. To the extent the Executive Committee, upon the advice of the Company's accountant, reasonably determines that allocations of Profits and/or Losses over the term of the Company are not likely to produce the Adjusted Capital Account Balances required under **Section 7.2.1**, then special allocations of income, gain, loss and/or deduction shall be made as deemed appropriate to achieve the intended Adjusted Capital Account Balances.

7.3. Regulatory and Curative Allocations. The allocations set forth in **Section 7.2** are intended to comply with the requirements of Treasury Regulations Sections 1.704-1(b) and 1.704-2. If the Company incurs "nonrecourse deductions" or "partner nonrecourse deductions," or if there is any change in the Company's "minimum gain" or "partner nonrecourse debt minimum gain," as defined in such Treasury Regulations, or if the Executive Committee, upon the advice of the

Company's accountant, determines that the foregoing allocations fail for any reason to comply with the Treasury Regulations, the allocation of Profits, Losses and items thereof to the Members shall be modified in a reasonable manner deemed necessary or advisable to comply with the Treasury Regulations. In determining allocations to be made pursuant to this **Article 7**, the Executive Committee may take into account any requirements of Code Sections 704(c) and 706 (and any Treasury Regulations which require allocations to be made in a manner consistent with such Code Sections) and shall make such modifications to the allocations under this **Article 7** as are deemed appropriate to comply with the requirements of the Code and Treasury Regulation.

7.4. Capital Accounts. A Capital Account shall be maintained for each Member in accordance with the Treasury Regulations under uniform policies approved by the Executive Committee and upon the advice of the Company's accountants.

7.5. Deficit Capital Accounts. No Member shall have any obligation to contribute or advance funds or other property to the Company by reason of any negative or deficit balance in such Member's Capital Account during or upon completion of winding up or at any other time.

8. TRANSFERS AND PURCHASES OF INTERESTS

8.1. General. A Member may not voluntarily or involuntarily Transfer or otherwise dispose of its Interest, or any part thereof, or withdraw from the Company, except as expressly permitted in this Article.

8.2. Covered Transactions. Every transaction by which a Member Transfers an Interest, by operation of law or otherwise, is subject to this Article.

8.3. Prohibited Transfers Void. Any purported transfer in violation of this Article shall be null and void and shall constitute a breach of this Agreement. If, for any reason, any such transfer is not null and void, the assignee shall not be a substitute member of the Company and shall have no right to participate in the affairs or business of the Company as a member of the Company, but instead shall be entitled to receive only the share of distributions and allocations of Profits and Losses which the transferring Member would otherwise be entitled to receive in accordance with this Agreement.

8.4. Right of First Offer. At any time subsequent to the date that is thirty-six (36) months after the date on which the Facility admits its first resident, but in no event prior to such date, if a Member decides that it wants to sell its Member Interest, that Member (the "Offering Member") shall notify the other Member (the "Receiving Member") and offer (the "Offer") to transfer the Offering Member's Interest (the "Offered Interest") to the Receiving Member at the purchase based upon the fair market value and other purchase terms desired by the Offering Member subject to the following procedures:

8.4.1. The Receiving Member shall notify Offering Member whether Receiving Member accepts the Offer within 30 days after the Receiving Member's receipt of the Offer (the "Acceptance Period"). If the Receiving Member rejects the Offer or does not accept in writing the Offer within the Acceptance Period, the Offering Member shall be entitled to offer the Offered Interest to others based upon fair market value and the other terms offered to the Receiving Member.

8.4.2. If Receiving Member timely accepts the Offer, the parties shall commence to ascertain the fair market value for the Offered Interest as follows:

8.4.2.1. The parties shall attempt to agree upon the fair market value for the Offered Interest.

8.4.2.2. If the parties have not agreed upon the fair market value within thirty (30) days after the Acceptance by the Receiving Member, then each Member shall appoint a disinterested appraiser, who shall have at least ten years experience in valuing health care businesses, and those appraisers shall within thirty days make their appraisals which shall be shared between the Members. If the appraisals are within ten (10) percent of each other, the average between the two will be the fair market value of the Offered Interest.

8.4.2.3. If the two appraisals are more than ten (10) percent apart, the two appraisers shall appoint a third disinterested appraiser with the same qualifications who shall within thirty (30) days make his appraisal which shall be shared between the Members. If this appraisal is within ten (10) percent of both or either of the other appraisals, the following shall apply: (i) if within ten percent of both, all three shall be averaged to obtain the fair market value; (ii) if within ten (10) of only one of the appraisals those two shall be averaged to obtain the fair market value; (ii) if not within ten percent of either of the other appraisals, the two closest of the three appraisals shall be averaged to obtain the fair market value.

8.4.2.4. Once the fair market value has been determined the Receiving Member shall have five (5) business days to opt out of the purchase.

8.4.3. Once the fair market value has been determined and if the Receiving Member does not opt out as provided above, the closing of the purchase of the Offered Interest shall be held at the principal office of the Company at 10:00 a.m. on the ninetieth (90th) business day after determination of the fair market value as provided above, or at such other time and place as may be agreed upon by the Members. At the closing, the Offering Member shall deliver proper assignments of the Offered Interest in a form reasonably acceptable to the Receiving Member. The Offered Interest to be transferred shall be free and clear of all liens, claims, options, charges, encumbrances or rights of others, and the Offering Member shall so represent and warrant and shall further represent and warrant that the Offering Member is the record and beneficial owner of the Offered Interest, provided, further, that the foregoing representations and warranties shall be the only ones the Offering Member shall be required to give. At the closing, the Receiving Member shall pay the purchase price contained in the Offer. Following the closing, the Receiving Member, as the sole remaining Member, shall have the right to continue the Company as a single-member limited liability company, or to admit any Person as an additional member of the Company and, in any case, to amend or modify this Agreement in any manner deemed by it to be appropriate or desirable.

8.5. Transfer to Affiliates. Notwithstanding the foregoing restrictions on transfer of Interests, each of Blue Ridge Participant and the Signature Participant shall be entitled to transfer

their respective Interest to any Affiliate without triggering the purchase rights described herein above. The transferee must execute a counterpart signature page to this Agreement pursuant to which the transferee agrees to be bound by this Agreement.

8.6. Withdrawal of a Member. No Member shall voluntarily resign or withdraw as a Member from the Company nor take any other voluntary action that directly causes or results in a withdrawal from the Company. Unless otherwise approved by the other Member, a Member who resigns or attempts to voluntarily withdraw from the Company or whose interest as a Member is otherwise terminated, regardless of whether the attempt to withdraw was the result of a voluntary act by the Member shall thereafter be entitled only to such rights as are accorded a mere assignee of a limited liability company membership interest without any right to vote, participate in meetings, or exercise any other rights of a Member. If a Member withdraws in violation of this provision, the Company may recover damages from such withdrawing Member pursuant to Section 18-602 of the Act.

8.7. Rights of Remaining Member. Upon any transfer of the Interest of a Member under this Agreement to the other Member, or at such time as a Member withdraws, all Executive Committee Members appointed by the transferring or withdrawing Member shall automatically and without any further action be deemed to have resigned from the Executive Committee and the other Member shall have the right to appoint replacements for any such Executive Committee Member, and may unilaterally amend this Agreement in any manner deemed appropriate by the such remaining Member.

8.8. Signature Participant Call Rights.

8.8.1. Blue Ridge Participant shall give written notice to Signature Participant of the occurrence of a Blue Ridge Participant Termination Event pursuant to clause (b), (c), or (d) of the definition within thirty (30) days of such occurrence. By delivering written notice to Blue Ridge Participant within ninety (90) days following Signature Participant's knowledge of the occurrence of a Blue Ridge Participant Terminating Event, Signature Participant or another Affiliate of Signature Participant may require Blue Ridge Participant to sell all, but not less than all, of the Interests held by Blue Ridge Participant and its Affiliates to Signature Participant. The purchase price shall be the product determined pursuant to **Sections 8.4.2.2** and **8.4.2.3**. If Signature Participant fails to provide notice of the exercise of its rights pursuant to this **Section 8.8.1** within the ninety (90)-day period, Signature Participant's rights pursuant to this **Section 8.8.1** shall expire with respect to the applicable Blue Ridge Participant Terminating Event.

8.8.2. In the event that Signature Participant exercises its rights pursuant to **Section 8.8.1**, Blue Ridge Participant shall transfer to Signature Participant good and marketable title to the Interests free and clear from all liens and encumbrances.

8.8.3. No payment other than those specifically provided for herein shall be due or payable with respect to the Blue Ridge Participant interest being purchased pursuant to this Section. Any debt due by the Company to Blue Ridge Participant or by Blue Ridge Participant to the Company shall be repaid in full as a condition to closing the transaction.

8.8.4. The closing of the purchase of the Blue Ridge Participant's Interests pursuant to this **Section 8.8** shall be held at the principal office of the Company within ninety

(90) days following Signature Participant's provision of notice of exercise of its rights pursuant to this Section. In the event that Signature Participant has exercised its rights pursuant to this Section, at the closing, Signature Participant shall pay the entire purchase price in cash or immediately available funds.

8.9. Blue Ridge Put and Call Rights.

8.9.1. Put Right in the Event of Certain Signature Participant and Blue Ridge Participant Terminating Events. Signature Participant shall give written notice to Blue Ridge Participant of the occurrence of a Signature Terminating Event pursuant to clause (a), (e) or (f) of the definition within thirty (30) days of such occurrence. Blue Ridge Participant shall give written notice to Signature Participant of the occurrence of a Blue Ridge Terminating Event pursuant to clause (a), or (e) of the definition within thirty (30) days of such occurrence. By delivering written notice to Signature Participant within ninety (90) days following Blue Ridge Participant's knowledge of the occurrence a Signature Terminating Event or Blue Ridge Terminating Event as set forth above, Blue Ridge Participant may require Signature Participant to buy from Blue Ridge Participant all, but not less than all, of the Interests held by Blue Ridge Participant and its Affiliates. The purchase price shall be determined pursuant to **Sections 8.4.2.2** and **8.4.2.3**. If Blue Ridge Participant fails to provide notice of the exercise of its rights pursuant to this **Section 8.9.1** within the ninety (90)-day period, Blue Ridge Participant's rights pursuant to **Section 8.9.1** shall expire with respect to the applicable Signature Terminating Event or Blue Ridge Terminating Event.

8.9.2. Call Right in the Event of Certain Signature Participant Terminating Events. Signature Participant shall give Blue Ridge Participant written notice in the event of the occurrence of a Signature Terminating Event pursuant to clause (b), (c), (d) or (e) of the definition within thirty (30) days of such occurrence. By delivering written notice to Signature Participant within ninety (90) days following Blue Ridge Participant's receipt of notice of such event (and with respect to clause (e) of the definition of a Signature Terminating Event, in the event Blue Ridge does not exercise its option under Section 8.9.1 above), Blue Ridge Participant may require Signature Participant to sell to Blue Ridge Participant all, but not less than all, of the Interests held by Signature Participant. The purchase price shall be the product determined pursuant to **Sections 8.4.2.2** and **8.4.2.3**. If Blue Ridge Participant fails to provide notice of the exercise of its rights pursuant to this **Section 8.9.2** within the ninety (90)-day period, Blue Ridge Participant's rights pursuant to **Section 8.9.2** shall expire.

8.9.3. In the event that Blue Ridge Participant exercises its right to sell its Interest pursuant to **Section 8.9.1**, Blue Ridge Participant shall transfer to Signature Participant good and marketable title to the Interests free and clear from all liens and encumbrances. In the event that Blue Ridge Participant exercises its right to purchase Signature Participant's Interests pursuant to **Section 8.9.2**, Signature Participant shall transfer to Blue Ridge Participant good and marketable title to the Interests free and clear from all liens and encumbrances.

8.9.4. No payment other than those specifically provided for herein shall be due or payable with respect to the Interests being purchased pursuant to this **Section 8.9**. Any debt due by the Company to the "selling" Participant or by the "selling" Participant to the Company shall be repaid in full as a condition to closing the transaction.

8.9.5. The closing of the purchase of the interest pursuant to this **Section 8.9** shall be held at the principal office of the Company within ninety (90) days following Blue Ridge Participant's provision of notice of exercise of its rights pursuant to this **Section 8.9**. At the closing, the purchaser shall pay the entire purchase price in cash or immediately available funds.

9. DISPUTE RESOLUTION

9.1. In General. The Members acknowledge that disputes may arise between them or their Executive Committee representatives with respect to their respective rights, responsibilities, obligations and liabilities under this Agreement (a "claim or controversy") or relating to the business of the Company (a "business dispute"). In each instance, the Members or their Executive Committee representatives will attempt to resolve the dispute in good faith in a manner consistent with their goals and objectives in forming the Company. However, if the Members or their Executive Committee representatives are unable to resolve a business dispute, and one or more Members reasonably believe the issue in dispute is of a material and substantive nature, then the Members shall have the right to initiate the dispute resolution procedures contained in **Sections 9.2 through 9.4** by giving the other Member written notice. With respect to any alleged breach of a Member's obligations under this Agreement, the Member alleging the breach shall give the other Member written notice of the alleged breach and the Member allegedly in breach shall have 60 days to cure the alleged breach. If the Members or their Executive Committee representatives are unable to resolve a claim or controversy (following the cure period, if applicable), then either Member shall have the right to initiate the arbitration process described in **Section 9.5** by giving the other Member written notice.

9.2. Meeting. Not later than ten days after written notice is given, or such later date as the Members may mutually agree upon, the Member initiating the dispute resolution procedures or its Executive Committee representatives shall meet with the other Member or its Executive Committee representatives in an effort to resolve the business dispute.

9.3. Mediation. If the Members or their Executive Committee representatives cannot resolve the business dispute within ten days after they meet, or such later date as the Members may mutually agree upon (the "Meeting Period"), then either Member to the dispute may submit the business dispute to non-binding mediation by giving written notice to the other Member not later than ten days after the end of the Meeting Period. If submitted to mediation, the Members shall select a neutral mediator. The mediator shall be an individual with experience in health care industry disputes and, if possible, expertise in the area which is the subject of the dispute. If the Members are unable to select a mediator, the mediator shall be selected in accordance with the Rules of Procedure for Mediation of the American Health Lawyers Association Alternative Dispute Resolution Service. The mediation will be conducted at a site convenient to the Members, as determined by the mediator. Any cost of the mediation shall be paid by the Company. If the dispute is not resolved within 30 days after the selection of the mediator (but in any event within 60 days after the end of the unsuccessful negotiation between the Members) (the "Mediation Period"), then the Members agree that, in lieu of any other form of management deadlock resolution, either Member may submit the business dispute to binding arbitration by giving written notice to the other Member of its decision not later than ten days after the end of the Mediation Period.

9.4. Arbitration of Business Disputes. If the business dispute is submitted to arbitration, the arbitration shall be conducted in accordance with the American Health Lawyers Association Alternative Dispute Resolution Service Rules of Procedure for Arbitration, modified as follows. The arbitrator shall be (a) the same individual selected as mediator, if both Members agree; (b) another neutral individual selected by agreement of the Members; or (c) another neutral individual selected in accordance with the American Health Lawyers Association Alternative Dispute Resolution Service Rules of Procedure for Arbitration. Each Member in the dispute shall submit a proposed plan of action with respect to the business issue in dispute. The proposed plan of action cannot conflict with the terms of this Agreement. The arbitrator shall select one of the submitted plans of action, or a combination of the two plans, to resolve the business dispute and an order to implement the same may be entered in any state or federal court having jurisdiction. One-half of all costs of arbitration, including the fees of the arbitrator and reasonable attorneys' fees, shall be allocated to and payable by each Member.

9.5. Arbitration of Claims and Controversies. Upon the request of a Member pursuant to **Section 9.1**, all claims and controversies arising out of or in connection with this Agreement shall be subject to binding arbitration by a single arbitrator in accordance with the American Health Lawyers Association Alternative Dispute Resolution Service Rules of Procedure for Arbitration. The arbitrator shall be an individual with experience in health care industry disputes and, if possible, expertise in the area which is the subject of the dispute. If the Members to the dispute are unable to select an arbitrator, the arbitrator shall be selected in accordance with the Rules of Procedure for Arbitration of the American Health Lawyers Association Alternative Dispute Resolution Service. The arbitration will be conducted in Nashville, Tennessee or at another site convenient to the Members, as determined by the arbitrator and any judgment on the award rendered in such arbitration may be entered in any state or federal court having jurisdiction. The prevailing party in any arbitration proceeding hereunder as determined by the arbitrator or in any legal proceedings or actions arising from or in connection with this Agreement shall be entitled to recover reasonable attorneys' fees and costs. Nothing herein shall prohibit a party from seeking equitable relief in a court of law to maintain the status quo while an arbitration is pending hereunder. The parties agree that the arbitrator shall not have the right to award punitive damages.

10. DISSOLUTION AND TERMINATION

10.1. Dissolution.

10.1.1. The Company shall be dissolved upon (i) the consent of the Members or a sole remaining Member (ii) entry of a judgment of dissolution under Section 18-802 of the Act, (iii) at the election of the Blue Ridge Participant, in the event the Blue Ridge Participant draws upon the Letter of Credit to satisfy the Signature Participant's Capital Contributions under Section 3.1.1 with respect to obligations of the Company the Management Services Agreement, or (iv) by either the Signature Participant or the Blue Ridge Participant, pursuant to Section 5.5 of the Joint Venture Agreement. Until any such event occurs, the duration of the Company shall be perpetual.

10.1.2. As soon as possible following the Members' determination to dissolve the Company, the Members shall execute Articles of Dissolution pursuant to Section 18-802 of the Act and file same with the Delaware Division of Corporations.

10.2. Effect of Filing Articles of Dissolution. Upon the filing with the Delaware Division of Corporations of the Articles of Dissolution, the Company shall cease to carry on its business except insofar as may be necessary for the winding up of its business. This Agreement shall terminate upon the winding up of the affairs of the Company.

10.3. Winding Up, Liquidation, and Distribution of Assets. Upon winding up of the Company, the Company Property shall be distributed:

10.3.1. To creditors, including the Members if either is a creditor, in satisfaction of the Company's liabilities; and then

10.3.2. To the Members in accordance with their respective Participation Percentages.

10.4. Articles of Dissolution. When all debts, liabilities and obligations have been paid and discharged or adequate provisions have been made therefor and all of the remaining Property and assets have been distributed to the Members, the Company shall be deemed terminated and articles of dissolution shall be filed with the Delaware Division of Corporations. Upon the filing of the articles of dissolution, the existence of the Company shall cease, except for the purpose of suits, other proceedings and appropriate action as provided in the Act.

11. COVENANTS

11.1. Covenant Not to Compete.

11.1.1. Each of the Members acknowledges and agrees that it is a condition to its right to continue to own its Interest that, during the period of such ownership and for a period of twelve (12) months after such Member is no longer a Member, such Member and its Affiliates will not directly or indirectly, without the written consent of the other Member, which consent may be withheld or granted in the sole discretion of the other Member, as applicable, develop, acquire, promote, lease or own, or be a member, equity owner or a shareholder of or otherwise exercise management control over, finance, operate, or provide financial or management services to a Competing Business anywhere within (i) a five (5) mile radius of the Existing Unit (except for the Facility) or the Facility, for an existing facility or business that constitutes a Competing Business, and (ii) a ten (10) mile radius of the Existing Unit (except for the Facility) or the Facility, for the development of any new facility or business that would constitute a Competing Business (the "Restricted Area"). Notwithstanding the foregoing to the contrary, (i) a Member or any of its Affiliates, may own stock in any publicly held corporation listed on a national securities exchange or whose stock is regularly traded in the over the counter market as long as such holding at no time exceeds five percent (5%) of the total outstanding stock of such corporation; (ii) Blue Ridge Participant, MSHA or its other Affiliates may acquire, operate and manage a Competing Business that is acquired as part of a transaction involving the acquisition of one or more acute care hospital facilities; and (iii) Signature Participant or any of its Affiliates may, without the written consent of the Blue Ridge Participant, acquire, lease, operate and/or manage a Competing Business in the Restricted Area if such Competing Business is part of a transaction involving more than one skilled nursing facility and at least one such facility is located in the Restricted Area. Nothing in this **Section 11.1** is intended to prevent a Member or its Affiliates from acquiring any securities of or substantially all of the assets of or merging with

or being acquired by (whether stock or asset acquisition) any Person engaged in a business within the Restricted Area that is not primarily a Competing Business, but which may, as a portion of such business provide skilled nursing and/or inpatient rehabilitative therapy procedures and services.

11.1.2. Each Member hereby acknowledges that its agreement not to engage in the activities prohibited herein for the period of time and in the geographic area provided herein are reasonable and that such restrictions on the Member's activities are no greater than is required for the reasonable protection of the Company and the other Member in light of the substantial harm that the Company and the other Member will suffer should a Member breach any of the provisions of this **Section 11.1**. Each Member further agrees that the nature, kind and character of the activities prohibited herein are reasonably necessary to protect the interests of the Company and the other Member.

11.1.3. If a judicial determination is made that any of the provisions of this **Section 11.1** constitute an unreasonable or otherwise unenforceable restriction against a Member, the provisions of this **Section 11.1** shall be rendered void only to the extent that such judicial determination finds such provisions to be unreasonable or otherwise unenforceable. Any judicial authority construing this **Section 11.1** shall be empowered to sever any portion of the Restricted Area or prohibited activity from the coverage of this **Section 11.1** and to apply the provisions of this **Section 11.1** to the remaining portion of the Restricted Area or the remaining activities not so severed by such judicial authority. Each Member agrees and acknowledges that any violation of this **Section 11.1** by a Member may result in irreparable injury to the Company and the other Member, that a remedy at law for any breach or threatened breach of the covenants contained herein may be inadequate and that in the event of any such breach, the Company and the other Member, in addition to any other remedies or damages available to it at law or in equity, shall be entitled to temporary injunctive relief before trial from any court of competent jurisdiction as a matter of course and to permanent injunctive relief without the necessity of proving actual damages or securing or posting any bond.

11.1.4. In the event of any breach of this **Section 11.1** by a Member and in addition to an injunction, the Company and the other Member shall also be entitled to recover any damages a court of competent jurisdiction may find appropriate. The time period set forth in this **Section 11.1** shall be tolled and suspended for a period of time equal to the aggregate quantity of time during which a Member violates such prohibitions in any respect.

11.2. First Opportunity. In the event that a Member or its Affiliates (the "Developing Member") desire to develop, acquire, lease or own, or be a member, equity owner or a shareholder of or otherwise exercise management control over, finance, operate, or provide financial or management services to a Competing Business in the First Opportunity Area (the "Opportunity"), the Developing Member shall first offer to the other Member (the "Participating Member") the option in writing, which shall include all relevant terms and conditions of the Opportunity, to participate in the Opportunity through the Company pursuant to this Agreement or otherwise on terms and conditions (including but not limited to financial and governance rights) no less favorable than those set forth in this Agreement. The Participating Member shall have thirty (30) days from the date the Opportunity and all supporting information is fully and completely presented to the Participating Member to elect to participate in the Opportunity (the "Evaluation Period"). For purposes hereof, "First Opportunity Area" means any of the following

counties: Unicoi County, Tennessee; Washington County, Tennessee; and Smyth County, Virginia. The parties further agree as follows:

11.2.1. In evaluating the Opportunity, each Member shall review all of the relevant aspects of the Opportunity.

11.2.2. During the Evaluation Period, each Member shall negotiate in good faith with respect to commissioning any third-party reviews which either Member's legal counsel deems appropriate to be undertaken in connection with the Opportunity, including, without limitation, antitrust, fraud and abuse, self-referral laws and reimbursement issues. All costs of third-party reviews which are jointly commissioned by the parties shall be borne by the Company. No Member shall be entitled to reimbursement for the time expended by its own personnel or legal counsel, consultants or advisors in evaluating any Opportunity, nor for any costs of third-party reviews (including reviews by legal counsel) or other expenditures which are not jointly commissioned by the Members.

11.2.3. During the Evaluation Period, each Member shall negotiate in good faith with respect to the development of a Plan of Implementation. Notwithstanding anything in this Agreement to the contrary, neither Member nor any Affiliate of a Member shall have any obligation to enter into any Plan of Implementation if such party determines, in its sole discretion, not to proceed with the Opportunity.

11.2.4. Upon approval and execution by the parties of a Plan of Implementation, each party shall have such obligations, and such rights and remedies, as may be set forth in this Agreement as amended by any Plan(s) of Implementation or in a separate agreement with respect to such Opportunity.

11.2.5. Any Member may terminate the evaluation of, and the structuring of a Plan of Implementation for any Opportunity at any time after expiration of the Evaluation Period.

11.2.6. Upon completion of the Evaluation Period (or any termination or extension thereof) for each Opportunity, unless the Members shall have agreed in writing upon a Plan of Implementation, each Member and its Affiliates shall remain subject to the provisions of **Section 11.1**.

11.2.7. Nothing in this Section is intended to prevent a Member or any of its Affiliates from acquiring any securities of or substantially all of the assets of or merging with or being acquired by (by stock or asset acquisition) any Person engaged in a business within the Restricted Area that is not primarily a Competing Business, but which may, as a portion of such business, provide skilled nursing and/or inpatient rehabilitative therapy procedures and services. The parties agree that any such acquisition would not constitute an "Opportunity" subject to the provisions of this Section. The parties further agree that Blue Ridge Participant, MSHA or any of its other Affiliates may acquire, operate and manage a Competing Business that is acquired as part of the acquisition of one or more acute care hospital facilities, and that such transaction shall not constitute an "Opportunity" subject to the provisions of this Section.

11.3. Non-Solicitation Covenant. During the term of this Agreement and for a period of twelve (12) months after a Member is no longer a member of the Company, without the consent of the other Member, which may be withheld in the sole discretion of such other Member, no Member or its Affiliates shall, directly or indirectly, solicit (other than solicitations in the form of general employment advertisements placed in newspapers or other publications of general circulation or in periodical, the Internet and other media), entice, persuade or induce or attempt to solicit, entice, persuade or induce any employee of (a) the Existing Unit or the Facility (whether employed or leased by the Company or its Affiliates), (b) Blue Ridge Participant, MSHA and its Affiliates (the "Blue Ridge Participant Employer") or (c) Signature Participant and its Affiliates ("Signature Employer") to terminate such person's employment or other relationship with the Company, Blue Ridge Participant Employer or Signature Employer, as the case may be, or to become employed or retained by, or otherwise affiliated with such Member other than at the Existing Unit or the Facility, or approach any such employee for any of the foregoing purposes or authorize and assist in the taking of any such action by any third party.

11.4. Remedies. Each Member agrees that in addition to any other rights, the Company and the other Member may specifically enforce the provisions of **Section 11.1**, **11.2** and **11.3**. Each Member understands that these covenants are essential elements of this Agreement. Each Member acknowledges that these covenants are reasonable and appropriate in all respects. In the event of any violation or attempted violation of any of these covenants by a Member, the Company and the other Member would be irreparably harmed, their remedies at law would be inadequate and they shall be entitled to a temporary restraining order and other temporary or permanent injunctive relief, without any showing of irreparable harm or posting of any bond, in addition to any other rights or remedies which may then be available to them. In the event that a court of competent jurisdiction finally determines that any provision of **Section 11.1**, **11.2** and **11.3** is unenforceable, the parties hereto agree that such court shall have jurisdiction to reform any such provision so that it is enforceable to the maximum extent permitted by law, and the parties agree to abide by such court's determination.

12. MISCELLANEOUS PROVISIONS

12.1. Changes in Law and Regulations. Notwithstanding anything in this Agreement to the contrary, if either Member determines, in good faith, or receives general or specific notice from any governmental agency, that all or any provision of this Agreement, or of any other agreement between the Company and any Affiliate of a Member, or any activity of the Company: (i) violates or fails to comply with any state or federal law, regulation, rule, or administrative policy, including, without limitation, the Stark Law (42 U.S.C. § 1395 nn *et seq.*), the Anti-Kickback Statute (42 U.S.C. § 1320 a-7 *et seq.*), and all medical licensing requirements; (ii) jeopardizes such Member's or any of its Affiliates' participation in any federal or state health care program; or (iii) exposes any person employed by or affiliated with Company, Blue Ridge Participant, or the Signature Participant to the imposition of excise taxes under § 4958 of the Code; or (iv) exposes the Company, Blue Ridge Participant, the Signature Participant, any Affiliate of Blue Ridge Participant or the Signature Participant, or any person employed by or affiliated with Blue Ridge Participant, the Signature Participant or any of their respective Affiliates to any other sanctions imposed by any governmental agency (collectively, "Violations"), then such Member shall give notice of such determination to the other Member.

12.1.1. The Members shall engage in good faith negotiations for the purpose of entering into such amendments to this Agreement and any other agreement between the Company and any Affiliate of any Member as may be appropriate in order to permit the Company to conduct its business and operations in a manner that will not result in the continuance of the Violation. Such negotiations shall continue for a period of 90 days, or such shorter period as either Member or its respective Affiliates determines in good faith to be appropriate in light of the nature of the Violations and their potential for significant harm to such Member or its Affiliates.

12.1.2. If the Violations are not resolved under **Section 12.1.1** to the reasonable satisfaction of a Member, then the Members shall jointly retain the services of an independent healthcare lawyer reasonably acceptable to both Members (the "Independent Counsel"). If the Independent Counsel determines that the nature of the Violations are such that neither Member is capable of conducting the business and operations of the Company without continuing the Violations, then the Company shall be promptly liquidated pursuant to **Article 10** and all agreements between the Company and any Affiliate of a Member shall be promptly terminated.

12.1.3. If the Independent Counsel determines that the nature of the Violations are such that one of the Members, but not the other, is capable of continuing the conduct of the business and operations of the Company without continuing the Violations, the Member capable of continuing the conduct of the business and operations of the Company without continuing the Violations shall have the right to purchase the Interest of the other Member in the Company at its appraised fair market value based on the average of two business appraisals prepared by an appraiser selected by each Member. However, if the two appraisals differ by more than ten percent, the two appraisers will be asked to select a third appraiser who will prepare a separate appraisal, and the purchase price will be the average of the appraisal prepared by the third appraiser and the appraisal prepared by one of the other two appraisers that is closest in value to that of the third appraiser.

12.2. No Referral Obligation. The Members agree that the benefits to them under this Operating Agreement and with respect to their ownership of the Company do not require, and are not payment for, and are not in any way contingent upon the admission, referral, purchase, or any other arrangement for the provision of any item or service to or from any of the Members' patients in or from any medical facility or laboratory or from any other entity owned, operated, controlled or managed by any Member or its Affiliates.

12.3. Records, Audits and Reports. At the expense of the Company, the Executive Committee shall maintain the following records at the Company's principal place of business:

12.3.1. The full name and last known business, residence, or mailing address of the Members.

12.3.2. A copy of the articles of organization of the Company and all articles of amendment thereto.

12.3.3. Copies of the Company's federal, state, and local income tax returns (or the portions of the returns of others showing the taxable income, deductions, gain, loss and credits of the Company).

12.3.4. Copies of this Agreement, and all amendments thereto, and copies of any written operating agreements no longer in effect, and copies of any financial statements of the Company for the three most recent years. An independent audit of the Company's books shall be conducted annually in accordance with generally accepted auditing standards at the Company's cost and expense. The auditing firm that will conduct such audit shall be selected by the Operator subject to Executive Committee Approval. Any such audit shall be for the benefit of the Company and delivered to the Executive Committee and each Member.

12.3.5. Any other information required by Section 18-102 of the Act.

12.4. Confidentiality. Each Member shall keep confidential all, and shall not divulge to any other Person (other than an Affiliate thereof) any of the proprietary, confidential information of the Company, including information relating to such matters as finances, methods of operation and competition, pricing, marketing plans and strategies, equipment and operational requirements and information concerning suppliers, unless such information (a) is or becomes generally available to the public other than as a result of a disclosure by such Member, or (b) is required to be disclosed by law or by a judicial, administrative or regulatory authority. Additionally, each Member shall keep the terms of this Agreement strictly confidential.

12.5. Application of Delaware Law. This Agreement, and the application or interpretation hereof, shall be governed exclusively by its terms and by the laws of the State of Delaware.

12.6. Amendments. This Agreement may not be amended except by a written agreement executed by both Members.

12.7. Construction. Whenever the singular number is used in this Agreement and when required by the context, the same shall include the plural and vice versa, and the masculine gender shall include the feminine and neuter genders and vice versa.

12.8. Headings. The headings in this Agreement are for convenience only and are in no way intended to describe, interpret, define, or limit the scope, extent, or intent of this Agreement or any of its provisions.

12.9. Heirs, Successors, and Assigns. Each and all of the covenants, terms, provisions, and agreements contained in this Agreement shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Agreement, their respective heirs, legal representatives, successors, and assigns.

12.10. Creditors. This Agreement is entered into by the Members for the exclusive benefit of the Company, the Members, and their respective successors and assigns. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company. No creditor or other third party shall have any rights under this Agreement or any other agreement between the Company and the Members with respect to any Capital Contribution or otherwise.

12.11. Notices. Any notice, consent, approval, demand or other communication required or permitted to be given under this Agreement (a "Notice") be in writing, shall be delivered to

the addressee at the address set forth below (or at such other address as shall be designated hereunder by notice to the other parties) personally, by FedEx (or other equivalent national overnight courier) for next business day delivery or by registered or certified United States mail, return receipt requested, in each case with the cost of delivery prepaid or for the account of the sender and shall be deemed to have been given (a) when if delivered in person, (b) on the next business day, if sent by FedEx (or other equivalent national overnight courier) or (c) five (5) business days after mailing, if mailed by registered or certified United States mail.

The respective addresses of the parties for notice are as follows:

If to Blue Ridge Participant:

Blue Ridge Medical Management Corporation
400 North State of Franklin
Johnson City, TN 37604
Attn: Marvin Eichorn

with a copy to:

Mountain States Health Alliance
400 North State of Franklin
Johnson City, TN 37604
Attn: General Counsel

If to Signature Participant:

c/o Signature Healthcare, LLC
12201 Bluegrass Parkway
Louisville, Kentucky 40299
Attn: E. Joseph Steier, III, CEO

with a copy to:

Signature HealthCARE, LLC
12201 Bluegrass Parkway
Louisville, Kentucky 40299
Attn: Office of the General Counsel

and

Fenigstein & Kaufman
1900 Avenue of the Stars
Suite 2300
Los Angeles, California 90067
Attn: S. Jack Fenigstein

The failure to send a copy to any person designated to receive the same does not affect the validity of a notice duly given to a party.

12.12. Counterparts. This Agreement may be executed in counterparts each of which shall be deemed an original but all of which shall constitute one and the same instrument.

[Signatures on following page]

This Operating Agreement of LP Johnson City, L.L.C. is effective as of July 1, 2016.

SIGNATURE PARTICIPANT:

SHC LP Holdings III, LLC

By:_____
Name:_____
Its:_____

BLUE RIDGE PARTICIPANT:

Blue Ridge Medical Management Corporation

By:_____
Name:_____
Its:_____

SCHEDULE 3.1.1

Member		**Percentage Interest**	**Initial Cash and/or Non Cash Capital Contribution**
Blue Ridge Participant		**44.5%**	**On 7/1/2016, $445; thereafter, $705,000**
Signature Participant		**55.5%**	**On 7/1/2016, $555; thereafter, $879,115**

EXHIBIT 1.5-B

OPERATING AGREEMENT
OF REAL PROPERTY COMPANY

OPERATING AGREEMENT
OF
JCRNC RE, LLC

THIS OPERATING AGREEMENT (this "Agreement") is between 401 Princeton Road, LLC, a Delaware limited liability company (the "Signature Participant"), and Blue Ridge Medical Management Corporation, a Tennessee corporation ("Blue Ridge Participant"). Capitalized terms used in this Agreement and not otherwise defined have the meanings provided in **Article 2** of this Agreement.

1. PURPOSE AND INTENT

1.1. Purpose and Legal Compliance. The Company has been formed for the purpose of owning, managing and operating skilled nursing facilities and assisted living facilities (the "Business"). The Company may engage in any activities that are directly or indirectly related to the accomplishment of such purposes.

1.2. Intent. It is the intent of the Members that the Company will always be operated in a manner consistent with its treatment as a "partnership" for federal and state income tax purposes.

2. DEFINITIONS

Capitalized terms used in this Agreement and not otherwise defined shall have the following meanings:

2.1. "Act" means the Delaware Limited Liability Company Act, as amended from time to time.

2.2. "Acceptance Period" has the meaning provided in **Section 8.4.1.**

2.3. "Adjusted Capital Account Balance" means an amount with respect to a Member equal to the balance in such Member's Capital Account at the end of the relevant fiscal year, after increasing the balance in such Member's Capital Account by any amount which such Member is deemed obligated to restore pursuant to Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5).

2.4. "Affiliate" means, with respect to any Person, any other Person who controls, is controlled by or is under common control with such Person.

2.5. "Agreement" means this operating agreement as it may be amended, modified, restated, replaced or supplemented in writing and signed by both Members.

2.6. "Ancillary Agreement" means that that certain Consulting Services Agreement by and between the Company and Signature HealthCARE Consulting Services, LLC.

2.7. "Authorized Officer" means an officer of a Member who is authorized by such Member to represent the Member in all matters relating to the Member's Interest, including at all

meetings of the Members or in connection with any action taken or approved/given by the Members in writing without a meeting of the Members.

2.8. "Bankruptcy" means, as to a Person, (a) the Person's taking or acquiescing to the taking of any action seeking relief under, or advantage of, any applicable debtor relief, liquidation, receivership, conservatorship, bankruptcy, moratorium, rearrangement, insolvency, reorganization or similar law affecting the rights or remedies of creditors generally, as in effect from time to time, or (b) the entry by a court of competent jurisdiction of a decree or order for relief in respect of the Person in any such action, or (c) the Person's making a general assignment for the benefit of its creditors, or (d) the Person's failure generally to pay its debts as such debts become due. For the purpose of this definition, the term "acquiescing" shall include, without limitation, the failure to file within the time specified by law, an answer or opposition to any proceeding against such Person under any such law or a failure to file, within thirty (30) days after its entry, a petition, answer or motion to vacate or to discharge any order, judgment or decree providing for any relief under any such law.

2.9. "Blue Ridge Committee Member" has the meaning provided in **Section 4.2**.

2.10. "Blue Ridge Sale Transaction" means the sale of substantially all of the assets or ownership interests of Blue Ridge, or a sale of ownership interests, merger, consolidation or other transaction, or one or more series of transactions, involving Blue Ridge in which the Board of Directors of the equity owner of the acquiring or surviving entity would be comprised of less than 50% of directors designated by MSHA in connection with such transaction, excluding directors designated as independent or at-large directors.

2.11. "Blue Ridge Terminating Event" means any of the following:

(a) Blue Ridge or any of its Affiliates has breached any of the material terms and conditions of this Agreement, including, without limitation, violating the restrictions with respect to ownership of an interest in a Competing Business or breaching the Transfer restrictions set forth in **Article 8**, after notice and opportunity to cure ;

(b) Bankruptcy of Blue Ridge or MSHA;

(c) A secured party takes possession of Blue Ridge's Interest or other interest in the Company, whether by foreclosure, assignment, judicial proceeding or otherwise;

(d) Involuntary exclusion of Blue Ridge or MSHA from participation in Medicare, Medicaid or other federal healthcare program; or

(e) A Blue Ridge Sale Transaction.

2.12. "Book Value" has the meaning provided in **Section 7.2.2**.

2.13. "Capital Account" means the capital accounts established and maintained for each Member in accordance with **Section 7.4** of this Agreement and applicable Treasury Regulations.

2.14. "Capital Contributions" means, with respect to a Member, the amount of money and the net fair market value of any property or services contributed to the Company by such Member, as such net fair market value shall be determined by Executive Committee Approval.

2.15. "Chairperson" means the chairperson of the Executive Committee, who shall be an Executive Committee Member appointed by the Signature Participant to serve in such capacity. The Chairperson shall have the duties specified in **Section 5.5.1**.

2.16. "Code" means the Internal Revenue Code of 1986, as amended.

2.17. "Company" means JCRNC RE, LLC, a Delaware limited liability company.

2.18. "Competing Business" means the business of providing skilled nursing services.

2.19. "Default Amount" has the meaning provided in **Section 3.1.2**.

2.20. "Effective Date" means the date specified on the signature page of this Agreement.

2.21. "Executive Committee" means the group of five individuals entrusted with responsibility for the management and operation of the Company in accordance with this Agreement and the provisions of the Act applicable to the management of a member-managed Delaware limited liability company; also may be referred to as the "Executive Committee".

2.22. "Executive Committee Approval" means the affirmative vote of at least three members of the Executive Committee taken at a duly and validly held meeting of the Executive Committee or evidenced by a written consent to action in lieu of a meeting signed by at least three members of the Executive Committee.

2.23. "Executive Committee Member" means an individual duly appointed and serving as a member of the Executive Committee.

2.24. "Existing Unit" means that certain 34-bed skilled nursing unit located in Johnson City Medical Center in Johnson City, Tennessee commonly known as Princeton Transitional Care.

2.25. "Facility" means the skilled nursing and assisted living facility to be located at 401 Princeton Road, Johnson City, Tennessee.

2.26. "Fiscal Year" means the Company's fiscal year, which begins on January 1st and ends on December 31st of each year, and also constitutes the taxable year of the Company.

2.27. "Indemnitee" has the meaning provided in **Section 6.2.1**.

2.28. "Interest" means a membership interest in the Company.

2.29. "Joint Venture Agreement" means that certain Joint Venture Agreement of even date herewith, by and between Signature Participant, SHC LP Holdings III, LLC, and Blue Ridge Participant.

2.30. "Letter of Credit" means that certain letter of credit dated February 1, 2016, issued by First Republic Bank in favor of the Blue Ridge Participant.

2.31. "Management Services Agreement" means that certain Management Services Agreement of even date herewith between the Operating Company and MSHA.

2.32. "Mediation Period" has the meaning provided in **Section 9.3**.

2.33. "Meeting Period" has the meaning provided in **Section 9.3**.

2.34. "Members" means the Signature Participant and Blue Ridge Participant.

2.35. "MSHA" means Mountain States Health Alliance, a Tennessee not for profit corporation.

2.36. "Net Cash Flow" means gross cash proceeds from Company operations, or from sales or refinancing of all or any portion of the assets of the Company, less the portion of such cash used to pay Company expenses and debt payments or to make capital improvements or establish reserves, all as determined pursuant to Executive Committee Approval.

2.37. "Offer" has the meaning provided in **Section 8.4**.

2.38. "Offered Interest" has the meaning provided in **Section 8.4**.

2.39. "Offering Member" has the meaning provided in **Section 8.4**.

2.40. "Operating Company" means LP Johnson City, LLC.

2.41. "Operating Company Operating Agreement" means the Operating Agreement of the Operating Company, by and between the Signature Operating Company Participant and the Blue Ridge Participant.

2.42. "Participation Percentages" means a Member's share, expressed as a percentage, of distributions and allocations of the Company's income, gains, losses, deductions or credits. The Participation Percentage of each Member is the percentage determined by dividing the net fair market value of Capital Contributions made by that Member by the net fair market value of Capital Contributions made by both Members and multiplying the result by 100%. The initial Participation Percentages of the Members are as follows: the Signature Participant, 55.5%; and Blue Ridge Participant, 44.5%.

2.43. "Person" means any individual, corporation, trust, limited liability company, partnership, or other entity recognized by applicable law.

2.44. "Profits" and "Losses" of the Company with respect to any Fiscal Year or other period of the Company means an amount equal to the Company's taxable income or loss for such year or period determined in accordance with Code Section 703(a), reduced by any items of income or gain subject to special allocation pursuant to this Agreement, and otherwise adjusted pursuant to the Unanimous Vote of the Members (on the advice of the Company's accountant) to comply with the Treasury Regulations.

2.45. "Receiving Member" has the meaning provided in **Section 8.4**.

2.46. "Signature" means 401 Princeton Road, LLC, a Delaware limited liability company.

2.47. "Signature Committee Members" has the meaning provided in **Section 4.2**.

2.48. "Signature Operating Company Participant" means SHC LP Holdings, LLC, a Delaware limited liability company, which is a member of the Operating Company.

2.49. "Signature Parent" means LAS PALMAS REAL ESTATE I, LLC, a Delaware limited liability company.

2.50. "Signature Sale Transaction" means the sale of substantially all of the assets or ownership interests of Signature to a Person other than an Affiliate, or a sale of ownership interests, merger, consolidation or other transaction, or one or more series of transactions, involving Signature or Signature Parent and a Person other than an Affiliate in which the equity owners of Signature or Signature Parent immediately prior to such transaction would own, in the aggregate, less than 50% of the total combined voting power of all classes of ownership interests of the surviving entity normally entitled to vote for the election of directors of the surviving entity.

2.51. "Signature Terminating Event" means any of the following:

(a) Signature or any of its Affiliates has breached any of the material terms and conditions of this Agreement, including, without limitation, violating the restrictions with respect to ownership of an interest in a Competing Business or breaching the Transfer restrictions set forth in **Article 8,** after notice and opportunity to cure ;

(b) Bankruptcy of Signature or its Affiliate parent company;

(c) A secured party takes possession of Signature's Interest, whether by foreclosure, assignment, judicial proceeding or otherwise;

(d) Exclusion of Signature or its Affiliate parent company from participation in Medicare, Medicaid or any other federal healthcare program;

(e) A Signature Sale Transaction; or

(f) Signature or its Affiliates has breached any of the material terms and conditions of the Ancillary Agreements (as reasonably determined by the Blue Ridge Committee Members, after notice and opportunity to cure).

2.52. "Transfer" means any involuntary or voluntary means by which a Member may divest itself or be divested of record or beneficial ownership of all or any part of its Interest, including without limitation, divestment by sale, assignment, pledge, mortgage (provided that the Members may pledge or mortgage their Interests in connection with any loan approved by both Members), exchange, gift, change of control, operation of law or otherwise.

2.53. "Treasury Regulations" means the regulations issued by the United States Department of the Treasury under the Code.

2.54. "Unanimous Executive Committee Approval" means the affirmative vote of all members of the Executive Committee taken at a duly and validly held meeting of the Executive Committee or evidenced by a written consent to action in lieu of a meeting signed by all members of the Executive Committee.

2.55. "Violations" has the meaning provided in **Section 12.1**.

3. CAPITAL CONTRIBUTIONS AND RIGHTS AND DUTIES OF MEMBERS

3.1. Capital Contributions.

3.1.1. Following the Effective Date, upon and subject to the terms and conditions contained in the Joint Venture Agreement, the Blue Ridge Participant shall make the initial Capital Contribution described on Schedule 3.1.1. Following the Effective Date, upon and subject to the terms and conditions contained in the Joint Venture Agreement, the Signature Participant shall make the initial Capital Contributions described on Schedule 3.1.1 in installments pursuant to the terms of the Joint Venture Agreement. Notwithstanding the foregoing, the parties acknowledge and agree that the Blue Ridge Participant shall have the sole and exclusive right to draw upon the Letter of Credit in the event the Signature Participant fails to (i) make any required initial Capital Contribution, (ii) fully and timely discharge any financing arrangement of property included in the initial Capital Contribution with a supplier, or (iii) contribute any property included in the initial Capital Contribution otherwise free and clear of any and all liens and other encumbrances. Any such amounts drawn on the Letter of Credit shall be advanced to the Company in satisfaction of the Signature Participant's initial Capital Contributions. In the event the Blue Ridge Participant receives notice of the non-renewal of the Letter of Credit, the Blue Ridge Participant shall have the authority to draw upon the Letter of Credit for the full amount of the unpaid initial Capital Contributions of the Signature Participant and/or to discharge any outstanding financing arrangement or lien or other encumbrances relating to any property contributed. The parties acknowledge and agree that the Letter of Credit also shall secure the obligations of the Signature Operating Company Participant under Section 3.1.1 of the Operating Company Operating Agreement.

3.1.2. Each Member shall make Capital Contributions according to its Participation Percentage in addition to the Capital Contributions specified in **Schedule 3.1.1** in such amounts and at such times as shall be approved by the Members. If a Member fails to pay a Capital Contribution when due, after twenty (20) days written notice and opportunity to cure (i) such Member shall be in default under this Agreement and, until payment in full of such delinquent Capital Contribution, plus interest thereon at six percent (6%) of the unpaid Capital Contribution plus interest thereon are referred to collectively as the "Default Amount"), all distributions otherwise payable by the Company to such Member shall be applied to satisfy the Default Amount and (ii) such Member, and all Executive Committee Members appointed by such Member, shall have no right to vote on any matter to be decided by a vote of the Members or the Executive Committee under this Agreement until the Default Amount is paid or otherwise satisfied in full and, notwithstanding anything to the contrary contained in this Agreement, the Company shall be governed entirely by the other Member and the Executive Committee

Members appointed by it, who shall have the right to make all decisions for and take all actions on behalf of the Company.

3.2. Voting Rights and Meetings.

3.2.1. The Members shall be entitled to vote upon and decide any matter required to be submitted to a vote of the Members based on their Participation Percentage in accordance with this Agreement. An Authorized Officer representing each Member must be present in order to constitute a quorum for the transaction of business at any meeting of the Members, and such Authorized Officer shall cast all votes on behalf of the Member that he or she represents at the meeting.

3.2.2. A meeting of the Members may be called by an Authorized Officer of either Member or the Chairperson. If another place has not been designated by the Executive Committee, the place of meetings shall alternate between the offices of the Members. At the discretion of the Executive Committee, meetings may be held by means of conference telephone, videoconference or similar communications equipment by means of which all persons participating in the meeting can hear each other. Any action that may be authorized or taken at a meeting of the Members may be taken without a meeting if authorized by a writing signed by the Authorized Officers of both Members.

3.2.3. Written notice of the time, place and purpose of any meeting of the Members must be given to each Member by the person calling the meeting. Notice of any meeting of the Members must be given not more than 60 days nor less than ten days before the day upon which the meeting is to be held by delivering the notice personally to each Member or by mailing the notice to the address of each Member as last shown upon the records of the Company.

3.2.4. Either Member may, either before or after any meeting, waive any notice of the meeting. The attendance of a Member at any meeting shall be deemed to be a waiver of notice of such meeting unless the Member protests the meeting at or prior to its commencement. Any waiver of notice, other than waiver by attendance described in this Section, must be in writing.

3.2.5. Each Member shall be represented at any meeting of the Members by its Authorized Officer.

3.3. No Liability for Company Debts. Except as otherwise provided by a separate written undertaking signed by the Member, no Member will be personally liable for any debts, losses or liabilities of the Company beyond the Member's Capital Contribution. The failure of the Company to observe any formalities or requirements relating to the exercise of its powers or management of its business or affairs under this Agreement or the Act shall not be grounds for imposing personal liability on the Members for liabilities of the Company.

3.4. Authority of Members to Bind the Company. Only the officers and authorized agents of the Company have the authority to bind the Company. No Member may take any action to bind the Company, and each Member hereby indemnifies and agrees to hold harmless

the Company and the other Member for any costs or damages incurred by the Company or the other Member as a result of the unauthorized action of such Member.

3.5. Powers Reserved to the Members. Notwithstanding any provision of this Agreement to the contrary, the following actions shall require the approval of both Members:

3.5.1. Issuing any membership interest in the Company or any granting of any right to purchase a membership interest from the Company.

3.5.2. Amending, supplementing or other modifying of this Agreement or the certificate of formation of the Company.

3.5.3. Causing the Company to lend any monies or assets of the Company or to guarantee the obligations of any other Person.

3.5.4. Effectuating any liquidation of the Company, any consolidation, merger or other business reorganization of the Company with or into another Person, or any sale or transfer of all or substantially all of the assets of the Company to another Person.

3.5.5. Causing the Company to incur any indebtedness (excluding trade payables) or enter into any lease or other contractual obligations, in each case requiring a Member guarantee.

3.5.6. Calling for additional Capital Contributions from the Members, provided, however, that such approval shall not be required for any Capital Contributions pursuant to Section 3.1.1.

3.5.7. Forming any subsidiary of the Company or causing the Company to invest in any Person.

3.5.8. Any decision of the Company to enter into, terminate or amend any agreement with any party to this Agreement, or any Affiliate of any party.

3.5.9. Amending the charity care policy of the Company.

3.5.10. Significantly alter or change the nature, scope or character of the Business.

3.5.11. Agreeing to or obligating the Company to do any of the foregoing.

3.6. Compliance. The parties recognize and agree that it is essential for the Company to operate with careful attention to the complexities of governmental regulations, including, without limitation, the requirements resulting from participation as a provider under federal health care programs. Accordingly, the parties agree that either Member has the right to inquire about and receive documentary or other information regarding the approach to such compliance by the Company. Either the Blue Ridge Participant or Signature Participant may, at its sole discretion, utilize its own selected professionals to conduct independent reviews of any aspects of such compliance, and the Company agrees to provide such Person and its representatives full access to all records, personnel, and other aspects of operations to permit and facilitate such reviews. If at any time there shall be a disagreement between MSHA or Blue Ridge Participant,

on the one hand, and Signature or a Signature Affiliate, on the other hand, as to the appropriate compliance approach, and if a mutually acceptable compromise position cannot be reached, the Members agree to choose that approach which is the more conservative of the approaches being considered and to cause the Company to implement that approach.

4. EXECUTIVE COMMITTEE

4.1. Management Powers. Except as otherwise provided in this Agreement, the Company shall be governed by the Executive Committee. Except as reserved to the Members by this Agreement, the Executive Committee shall have all powers and authority possessed under the Act by members of a member-managed limited liability company.

4.2. Appointment, Removal and Resignation of Executive Committee Members. The Executive Committee must at all times consist of five individuals, three of whom shall be appointed by the Signature Participant (the "Signature Committee Members") and two by the Blue Ridge Participant (the "Blue Ridge Committee Members"). Any Executive Committee Member appointed by a Member may be removed and replaced at any time, with or without cause, by that Member. No meeting of the Members is required to appoint or remove an Executive Committee Member, provided the Member taking such actions gives notice of the appointment or removal, identifying the appointed or removed Executive Committee Member, to the Company. An Executive Committee Member appointed by a Member will serve until replaced by that Member. Any Executive Committee Member may resign at any time by giving notice to the Company and the Member who appointed such Executive Committee Member. Upon resignation or removal of an Executive Committee Member, the Member shall appoint a new Executive Committee Member within ten (10) days.

4.3. Meetings.

4.3.1. An annual meeting of the Executive Committee shall be held in the second calendar quarter of each year, and regular meetings of the Executive Committee shall be held at least quarterly, in each case at such time and place as the Executive Committee may specify. Special meetings of the Executive Committee may be called by the Authorized Officer of either Member. Any action of the Executive Committee may be taken without a meeting pursuant to a written consent signed by at least three Executive Committee Members. An Executive Committee Member unable to attend a meeting of the Executive Committee may designate, in writing, a Person to represent such Executive Committee Member at the meeting. The designee shall have the same powers and duties relative to such meeting as the designating Executive Committee Member. Any meeting of the Executive Committee may be held by means of conference telephone, videoconference or similar communications equipment by means of which all persons participating in the meeting can hear each other.

4.3.2. Written notice of the time and place of each meeting of the Executive Committee must be given to each Executive Committee Member either by personal delivery or by mail, email or facsimile at least five days before each meeting. Any Executive Committee Member may waive notice of the time and place of any meeting of the Executive Committee, either before or after the meeting is held. The attendance of an Executive Committee Member at a meeting shall be deemed to be a waiver of notice of such meeting unless the Executive Committee Member protests the meeting at or prior to its commencement.

4.3.3. The presence of at least three Executive Committee Members, including at least one (1) Signature Committee Member and one (1) Blue Ridge Committee Member, shall constitute a quorum for transaction of business at any meeting of the Executive Committee. Each Executive Committee Member shall have one vote upon all matters to be decided or authorized by the Executive Committee. Executive Committee Approval shall be required to authorize any action or to make any decision by the Executive Committee.

4.4. Actions Requiring Executive Committee Approval. Unless reserved to the Members or to the Signature Committee Members or the Blue Ridge Committee Members, or delegated by the Executive Committee to the officers of the Company, all non-routine decisions or actions on the part of the Company must be made or authorized by Executive Committee Approval. Specifically, but without limiting the foregoing, Executive Committee Approval is required for the following:

4.4.1. Adopting or amending the Company's annual operating and capital budgets.

4.4.2. Causing the Company to pay or incur any expense or obligation in excess of $25,000, unless such expense or obligation was included in a budget that was previously adopted with Executive Committee Approval.

4.4.3. Entering into any agreement or borrowing that obligates the Company in an amount in excess of $25,000, other than agreements that implement expenditures included in a budget that was previously adopted with Executive Committee Approval.

4.4.4. The engagement by the Company in any activity that is not consistent with the purposes of the Company as set forth in **Section 1.1**.

4.4.5. Applying for or consenting to the appointment of a receiver, trustee or liquidator of the Company or of all or a substantial part of its assets, the filing of a voluntary petition in bankruptcy, the making of a general assignment for the benefit of creditors, the filing of a petition or an answer seeking reorganization or similar arrangements with creditors, or the taking advantage of any insolvency law.

4.4.6. Retaining or terminating attorneys or auditors for the Company.

4.4.7. Changing the Company's policy regarding quarterly distributions of Net Cash Flow to the Members under **Section 7.1**.

4.4.8. Hiring or firing the executive officers of the Company.

4.4.9. Altering the business plan previously adopted with Executive Committee Approval.

The following actions shall require the Unanimous Executive Committee Approval, without which such actions shall not take place:

(a) Causing the Company to incur indebtedness in excess of twenty percent (20%) of the total assets of the Company;

(b) Entering into an agreement or amendment to an agreement between the Company and any Member or Affiliate of a Member whereby such Member or Affiliate provides services, goods or supplies to the Company; provided, however, that any such agreement entered into contemporaneously herewith, including without limitation the Ancillary Agreements, shall be deemed to have been approved by Unanimous Executive Committee Approval. For the avoidance of doubt, this Section 4.4.9(b) does not include entering into an agreement or amendment between Company and a Person that is not a Member or an Affiliate of a Member and Unanimous Executive Committee Approval is not required for such agreements;

(c) Approving an addition or discontinuance of a line of service or addition of a facility location;

(d) Other than as provided for in the approved capital budget, incur any capital expenditure in excess of $250,000; and

(e) Other than as provided for in the approved capital budget, enter into any leases or contracts involving annual payments to or by the Company in excess of $250,000 or aggregate payments over the term in excess of $500,000.

4.5. Committees. The Executive Committee may establish such committees as it deems appropriate, with each committee to have such authority between meetings of the Executive Committee as shall be specified by Executive Committee Approval.

4.6. Other Activities. Except as otherwise provided in this Agreement or the Act, Executive Committee Members may have other business interests and may engage in other activities in addition to those relating to the Company. Notwithstanding the foregoing, no Executive Committee Member shall participate in any meeting or decision of the Executive Committee that involves a personal or business conflict of interest, or that violates any conflict of interest policy adopted by the Executive Committee without first disclosing any such conflict or violation to the Executive Committee. The Members acknowledge that as of the Effective Date, each separately owns, manages or operates health care facilities separately from the Company and each other.

4.7. Charity Care and Community Benefit. The Executive Committee shall cause the Company to operate in a manner that promotes health for a broad cross section of the community, and the Executive Committee shall adopt MSHA's charity care policy for the Facility. Nothing contained herein shall be construed to supersede or modify the requirements for approval of Member Actions as set forth in **Section 3.5**.

5. OFFICERS

5.1. Officers. The officers of the Company shall be the Chairperson and the President, and such other officers or assistant officers as may be appointed from time to time by the Executive Committee. The Chairperson must be an Executive Committee Member.

5.2. Term of Office. The Chairperson and President shall be appointed by the Signature Committee Members and shall hold office until a successor is appointed by the Signature Committee Members.

5.3. Resignation. Any officer may resign at any time by giving written notice to the Executive Committee. Unless otherwise specified therein, a resignation shall become effective upon delivery. The acceptance of such resignation shall not be necessary to make it effective unless so specified in the resignation.

5.4. Removal. Any officer may be removed by Executive Committee Approval at any time, with or without cause. Any such removal shall be without prejudice to the contract rights, if any, of such officer.

5.5. Duties of the Officers.

5.5.1. Chairperson and President. The Chairperson shall preside at all meetings of the Members and the Executive Committee. The Chairperson shall provide leadership to the Executive Committee and its committees. The President shall serve as a liaison between the Members and the Executive Committee.

6. STANDARD OF CARE AND INDEMNIFICATION

6.1. Standard of Care. Each Member, Executive Committee Member, officer of the Company and any mediator or arbitrator described in **Article 9** shall perform his or her duties under this Agreement and the documents referred to in this Agreement that are exhibits hereto (i) in good faith, (ii) with such care as an ordinarily prudent person in a like position would use under similar circumstances, and (iii) in the best interests of the Company.

6.2. Indemnification.

6.2.1. Each Member, Executive Committee Member, and officer of the Company acting in such capacity (each such Person, an "Indemnitee") shall be fully protected in relying in good faith on information, opinions, reports or statements, including financial statements, books of account and other financial data, if prepared or presented by (i) one or more Executive Committee Members, officers, or employees or contractors of the Company, who the Indemnitee reasonably believes are reliable and competent in the matters prepared or presented, or (ii) counsel, public accountants or other persons as to matters that the Indemnitee reasonably believes are within the Person's professional or expert competence.

6.2.2. No Indemnitee shall be liable for damages to the Company or any present or former Member with respect to claims relating to his or her conduct for or on behalf of the Company, except to the extent that there is a final judicial determination that (i) his or her action was a breach of such Indemnitee's fiduciary duties to the Company or the Members, (ii) his or her action or failure to act was not in good faith or involved intentional misconduct or a knowing violation of the law, or (iii) he or she derived an improper personal benefit.

6.2.3. The Company shall indemnify each Indemnitee (subject to any limitation in this Agreement or now or hereafter required by law) against any cost, expense (including legal or other expenses reasonably incurred in investigation or defense), amount paid in settlement, judgment or liability incurred by or imposed upon an Indemnitee in connection with any action, suit or proceeding (including civil, criminal, administrative or investigative proceedings) to which an Indemnitee may be a party or otherwise involved or with which an Indemnitee shall be

threatened, arising out of or in connection with an Indemnitee's activities or involvement with the Company, or by reason of being or at any time having been, at the direction or the request of the Executive Committee, a director, Executive Committee Member, ex officio director, ex officio committee member, trustee, administrator, employee, member, advisor or other agent of or fiduciary for any other corporation, limited liability company, partnership, trust, venture or other entity or enterprise including any employee benefit plan; except that no Indemnitee shall be indemnified with respect to any matter as to which Indemnitee shall have failed to meet the standard set forth in this Article. Notwithstanding the foregoing, payments shall be made pursuant to this Section only to the extent that any Indemnitee has not been made whole by the proceeds of insurance maintained by the Company or any other entity with which any Indemnitee serves or served at the direction or the request of the Company.

6.2.4. Indemnification under this Section shall not be deemed exclusive of any other rights to which an Indemnitee may be entitled under any rule of law (whether common law or statutory), agreement or arrangement, whether as to action in an official capacity and as to action in another capacity while holding such position or while employed by or acting as agent for the Company. Indemnification under this Section shall continue as to an Indemnitee who has ceased to serve in any capacity on behalf of the Company and shall inure to the benefit of the heirs, successors, executors and administrators of such Indemnitee.

6.2.5. The Company may indemnify any employee or agent of the Company serving in any capacity on behalf or at the request of the Executive Committee upon such terms and conditions as the Executive Committee considers appropriate.

6.2.6. The Company may purchase and maintain insurance for the benefit of any Person entitled to indemnification under the Article against any liability asserted against and incurred by such Person or on his or her behalf in any such capacity, or arising out of his or her status as such, whether or not the Company would have the power to indemnify such Person against such liability under the provisions of this Section.

6.2.7. The provisions of this Section providing for indemnification of the Executive Committee Members shall also apply to each former Executive Committee Member, Member, committee member or officer acting in such capacity to the extent that an actual or alleged cause of action relates to the business of the Company during the period such individual held such office or to the performance or status of such individual in that capacity.

6.3. Subject to any mandatory requirements of law to the contrary, any costs and expenses for which indemnification shall be provided hereunder shall be paid by the Company in advance of the final disposition of any action, suit or proceeding upon receipt of an undertaking by or on behalf of an Indemnitee to repay such costs and expenses if it should ultimately be determined that such person is not entitled to indemnification under this Section.

7. DISTRIBUTIONS AND ALLOCATIONS

7.1. Distributions. All Net Cash Flow shall be distributed to the Members in proportion to their respective Participation Percentages not less than quarterly, unless the frequency of such distributions is changed by Executive Committee Approval under **Section 4.4.7**.

7.2. General Allocation Rules.

7.2.1. General Allocation Rule. For each taxable year of the Company, after the application of **Section 7.3**, Profits and/or Losses shall be allocated to the Members in a manner which causes each Member's Adjusted Capital Account Balance to equal the amount that would be distributed to such Member pursuant to **Section 10.3.2** upon a hypothetical liquidation of the Company in accordance with **Section 7.2.2**.

7.2.2. Hypothetical Liquidation Defined. In determining the amounts distributable to the Members under **Section 10.3.2** upon a hypothetical liquidation, it shall be presumed that (i) all of the Company's assets are sold at their respective values reflected on the books of account of the Company, determined in accordance with Code Section 704(b) and Treasury Regulations thereunder ("Book Value"), without further adjustment, (ii) payments to any holder of a nonrecourse debt are limited to the Book Value of the assets securing repayment of such debt, and (iii) the proceeds of such hypothetical sale are applied and distributed in accordance with **Section 10.3.2**.

7.2.3. Special Loss Allocation. If the Company incurs Losses at any time when the Members' Adjusted Capital Account Balances have been reduced to or below zero, such Losses shall be allocated to the Members in proportion to their Participation Percentages.

7.2.4. Special Profits Allocation. If the Company incurs Profits at any time when the Members' Adjusted Capital Account Balances are less than zero and the hypothetical liquidation described in **Section 7.2.2** would not result in any distributions to the Members, Profits shall be allocated to the Members in proportion to their negative Adjusted Capital Account Balances, until such negative balances have been eliminated.

7.2.5. Item Allocations. To the extent the Executive Committee, upon the advice of the Company's accountant, reasonably determines that allocations of Profits and/or Losses over the term of the Company are not likely to produce the Adjusted Capital Account Balances required under **Section 7.2.1**, then special allocations of income, gain, loss and/or deduction shall be made as deemed appropriate to achieve the intended Adjusted Capital Account Balances.

7.3. Regulatory and Curative Allocations. The allocations set forth in **Section 7.2** are intended to comply with the requirements of Treasury Regulations Sections 1.704-1(b) and 1.704-2. If the Company incurs "nonrecourse deductions" or "partner nonrecourse deductions," or if there is any change in the Company's "minimum gain" or "partner nonrecourse debt minimum gain," as defined in such Treasury Regulations, or if the Executive Committee, upon the advice of the Company's accountant, determines that the foregoing allocations fail for any reason to comply with the Treasury Regulations, the allocation of Profits, Losses and items thereof to the Members shall be modified in a reasonable manner deemed necessary or advisable to comply with the Treasury Regulations. In determining allocations to be made pursuant to this **Article 7**, the Executive Committee may take into account any requirements of Code Sections 704(c) and 706 (and any Treasury Regulations which require allocations to be made in a manner consistent with such Code Sections) and shall make such modifications to the allocations under this **Article 7** as are deemed appropriate to comply with the requirements of the Code and Treasury Regulation.

7.4. Capital Accounts. A Capital Account shall be maintained for each Member in accordance with the Treasury Regulations under uniform policies approved by the Executive Committee and upon the advice of the Company's accountants.

7.5. Deficit Capital Accounts. No Member shall have any obligation to contribute or advance funds or other property to the Company by reason of any negative or deficit balance in such Member's Capital Account during or upon completion of winding up or at any other time.

8. TRANSFERS AND PURCHASES OF INTERESTS

8.1. General. A Member may not voluntarily or involuntarily Transfer or otherwise dispose of its Interest, or any part thereof, or withdraw from the Company, except as expressly permitted in this Article.

8.2. Covered Transactions. Every transaction by which a Member Transfers an Interest, by operation of law or otherwise, is subject to this Article.

8.3. Prohibited Transfers Void. Any purported transfer in violation of this Article shall be null and void and shall constitute a breach of this Agreement. If, for any reason, any such transfer is not null and void, the assignee shall not be a substitute member of the Company and shall have no right to participate in the affairs or business of the Company as a member of the Company, but instead shall be entitled to receive only the share of distributions and allocations of Profits and Losses which the transferring Member would otherwise be entitled to receive in accordance with this Agreement.

8.4. Right of First Offer. At any time subsequent to the date that is thirty-six (36) months after the date on which the Facility admits its first resident, but in no event prior to such date, if a Member decides that it wants to sell its Member Interest, that Member (the "Offering Member") shall notify the other Member (the "Receiving Member") and offer (the "Offer") to transfer the Offering Member's Interest (the "Offered Interest") to the Receiving Member at the purchase based upon the fair market value and other purchase terms desired by the Offering Member subject to the following procedures:

8.4.1. The Receiving Member shall notify Offering Member whether Receiving Member accepts the Offer within 30 days after the Receiving Member's receipt of the Offer (the "Acceptance Period"). If the Receiving Member rejects the Offer or does not accept in writing the Offer within the Acceptance Period, the Offering Member shall be entitled to offer the Offered Interest to others based upon fair market value and the other terms offered to the Receiving Member.

8.4.2. If Receiving Member timely accepts the Offer, the parties shall commence to ascertain the fair market value for the Offered Interest as follows:

8.4.2.1. The parties shall attempt to agree upon the fair market value for the Offered Interest.

8.4.2.2. If the parties have not agreed upon the fair market value within thirty (30) days after the Acceptance by the Receiving Member, then each Member

shall appoint a disinterested appraiser, who shall have at least ten years experience in valuing health care businesses, and those appraisers shall within thirty days make their appraisals which shall be shared between the Members. If the appraisals are within ten (10) percent of each other, the average between the two will be the fair market value of the Offered Interest.

8.4.2.3. If the two appraisals are more than ten (10) percent apart, the two appraisers shall appoint a third disinterested appraiser with the same qualifications who shall within thirty (30) days make his appraisal which shall be shared between the Members. If this appraisal is within ten (10) percent of both or either of the other appraisals, the following shall apply: (i) if within ten percent of both, all three shall be averaged to obtain the fair market value; (ii) if within ten (10) of only one of the appraisals those two shall be averaged to obtain the fair market value; (ii) if not within ten percent of either of the other appraisals, the two closest of the three appraisals shall be averaged to obtain the fair market value.

8.4.2.4. Once the fair market value has been determined the Receiving Member shall have five (5) business days to opt out of the purchase.

8.4.3. Once the fair market value has been determined and if the Receiving Member does not opt out as provided above, the closing of the purchase of the Offered Interest shall be held at the principal office of the Company at 10:00 a.m. on the ninetieth (90th) business day after determination of the fair market value as provided above, or at such other time and place as may be agreed upon by the Members. At the closing, the Offering Member shall deliver proper assignments of the Offered Interest in a form reasonably acceptable to the Receiving Member. The Offered Interest to be transferred shall be free and clear of all liens, claims, options, charges, encumbrances or rights of others, and the Offering Member shall so represent and warrant and shall further represent and warrant that the Offering Member is the record and beneficial owner of the Offered Interest, provided, further, that the foregoing representations and warranties shall be the only ones the Offering Member shall be required to give. At the closing, the Receiving Member shall pay the purchase price contained in the Offer. Following the closing, the Receiving Member, as the sole remaining Member, shall have the right to continue the Company as a single-member limited liability company, or to admit any Person as an additional member of the Company and, in any case, to amend or modify this Agreement in any manner deemed by it to be appropriate or desirable.

8.5. Transfer to Affiliates. Notwithstanding the foregoing restrictions on transfer of Interests, each of Blue Ridge Participant and the Signature Participant shall be entitled to transfer their respective Interest to any Affiliate without triggering the purchase rights described herein above. The transferee must execute a counterpart signature page to this Agreement pursuant to which the transferee agrees to be bound by this Agreement.

8.6. Withdrawal of a Member. No Member shall voluntarily resign or withdraw as a Member from the Company nor take any other voluntary action that directly causes or results in a withdrawal from the Company. Unless otherwise approved by the other Member, a Member who resigns or attempts to voluntarily withdraw from the Company or whose interest as a

Member is otherwise terminated, regardless of whether the attempt to withdraw was the result of a voluntary act by the Member shall thereafter be entitled only to such rights as are accorded a mere assignee of a limited liability company membership interest without any right to vote, participate in meetings, or exercise any other rights of a Member. If a Member withdraws in violation of this provision, the Company may recover damages from such withdrawing Member pursuant to Section 18-602 of the Act.

8.7. Rights of Remaining Member. Upon any transfer of the Interest of a Member under this Agreement to the other Member, or at such time as a Member withdraws, all Executive Committee Members appointed by the transferring or withdrawing Member shall automatically and without any further action be deemed to have resigned from the Executive Committee and the other Member shall have the right to appoint replacements for any such Executive Committee Member, and may unilaterally amend this Agreement in any manner deemed appropriate by the such remaining Member.

8.8. Signature Participant Call Rights.

8.8.1. Blue Ridge Participant shall give written notice to Signature Participant of the occurrence of a Blue Ridge Participant Termination Event pursuant to clause (b), (c), or (d) of the definition within thirty (30) days of such occurrence. By delivering written notice to Blue Ridge Participant within ninety (90) days following Signature Participant's knowledge of the occurrence of a Blue Ridge Participant Terminating Event, Signature Participant or another Affiliate of Signature Participant may require Blue Ridge Participant to sell all, but not less than all, of the Interests held by Blue Ridge Participant and its Affiliates to Signature Participant. The purchase price shall be the product determined pursuant to **Sections 8.4.2.2** and **8.4.2.3**. If Signature Participant fails to provide notice of the exercise of its rights pursuant to this **Section 8.8.1** within the ninety (90)-day period, Signature Participant's rights pursuant to this **Section 8.8.1** shall expire with respect to the applicable Blue Ridge Participant Terminating Event.

8.8.2. In the event that Signature Participant exercises its rights pursuant to **Section 8.8.1**, Blue Ridge Participant shall transfer to Signature Participant good and marketable title to the Interests free and clear from all liens and encumbrances.

8.8.3. No payment other than those specifically provided for herein shall be due or payable with respect to the Blue Ridge Participant interest being purchased pursuant to this Section. Any debt due by the Company to Blue Ridge Participant or by Blue Ridge Participant to the Company shall be repaid in full as a condition to closing the transaction.

8.8.4. The closing of the purchase of the Blue Ridge Participant's Interests pursuant to this **Section 8.8** shall be held at the principal office of the Company within ninety (90) days following Signature Participant's provision of notice of exercise of its rights pursuant to this Section. In the event that Signature Participant has exercised its rights pursuant to this Section, at the closing, Signature Participant shall pay the entire purchase price in cash or immediately available funds.

8.9. Blue Ridge Put and Call Rights.

8.9.1. Put Right in the Event of Certain Signature Participant and Blue Ridge Participant Terminating Events. Signature Participant shall give written notice to Blue Ridge Participant of the occurrence of a Signature Terminating Event pursuant to clause (a), (e) or (f) of the definition within thirty (30) days of such occurrence. Blue Ridge Participant shall give written notice to Signature Participant of the occurrence of a Blue Ridge Terminating Event pursuant to clause (a), or (e) of the definition within thirty (30) days of such occurrence. By delivering written notice to Signature Participant within ninety (90) days following Blue Ridge Participant's knowledge of the occurrence a Signature Terminating Event or Blue Ridge Terminating Event as set forth above, Blue Ridge Participant may require Signature Participant to buy from Blue Ridge Participant all, but not less than all, of the Interests held by Blue Ridge Participant and its Affiliates. The purchase price shall be determined pursuant to **Sections 8.4.2.2** and **8.4.2.3**. If Blue Ridge Participant fails to provide notice of the exercise of its rights pursuant to this **Section 8.9.1** within the ninety (90)-day period, Blue Ridge Participant's rights pursuant to **Section 8.9.1** shall expire with respect to the applicable Signature Terminating Event or Blue Ridge Terminating Event.

8.9.2. Call Right in the Event of Certain Signature Participant Terminating Events. Signature Participant shall give Blue Ridge Participant written notice in the event of the occurrence of a Signature Terminating Event pursuant to clause (b), (c), (d) or (e) of the definition within thirty (30) days of such occurrence. By delivering written notice to Signature Participant within ninety (90) days following Blue Ridge Participant's receipt of notice of such event (and with respect to clause (e) of the definition of a Signature Terminating Event, in the event Blue Ridge does not exercise its option under Section 8.9.1 above), Blue Ridge Participant may require Signature Participant to sell to Blue Ridge Participant all, but not less than all, of the Interests held by Signature Participant. The purchase price shall be the product determined pursuant to **Sections 8.4.2.2** and **8.4.2.3**. If Blue Ridge Participant fails to provide notice of the exercise of its rights pursuant to this **Section 8.9.2** within the ninety (90)-day period, Blue Ridge Participant's rights pursuant to **Section 8.9.2** shall expire.

8.9.3. In the event that Blue Ridge Participant exercises its right to sell its Interest pursuant to **Section 8.9.1**, Blue Ridge Participant shall transfer to Signature Participant good and marketable title to the Interests free and clear from all liens and encumbrances. In the event that Blue Ridge Participant exercises its right to purchase Signature Participant's Interests pursuant to **Section 8.9.2**, Signature Participant shall transfer to Blue Ridge Participant good and marketable title to the Interests free and clear from all liens and encumbrances.

8.9.4. No payment other than those specifically provided for herein shall be due or payable with respect to the Interests being purchased pursuant to this **Section 8.9**. Any debt due by the Company to the "selling" Participant or by the "selling" Participant to the Company shall be repaid in full as a condition to closing the transaction.

8.9.5. The closing of the purchase of the interest pursuant to this **Section 8.9** shall be held at the principal office of the Company within ninety (90) days following Blue Ridge Participant's provision of notice of exercise of its rights pursuant to this **Section 8.9**. At the closing, the purchaser shall pay the entire purchase price in cash or immediately available funds.

9. DISPUTE RESOLUTION

9.1. In General. The Members acknowledge that disputes may arise between them or their Executive Committee representatives with respect to their respective rights, responsibilities, obligations and liabilities under this Agreement (a "claim or controversy") or relating to the business of the Company (a "business dispute"). In each instance, the Members or their Executive Committee representatives will attempt to resolve the dispute in good faith in a manner consistent with their goals and objectives in forming the Company. However, if the Members or their Executive Committee representatives are unable to resolve a business dispute, and one or more Members reasonably believe the issue in dispute is of a material and substantive nature, then the Members shall have the right to initiate the dispute resolution procedures contained in **Sections 9.2 through 9.4** by giving the other Member written notice. With respect to any alleged breach of a Member's obligations under this Agreement, the Member alleging the breach shall give the other Member written notice of the alleged breach and the Member allegedly in breach shall have 60 days to cure the alleged breach. If the Members or their Executive Committee representatives are unable to resolve a claim or controversy (following the cure period, if applicable), then either Member shall have the right to initiate the arbitration process described in **Section 9.5** by giving the other Member written notice.

9.2. Meeting. Not later than ten days after written notice is given, or such later date as the Members may mutually agree upon, the Member initiating the dispute resolution procedures or its Executive Committee representatives shall meet with the other Member or its Executive Committee representatives in an effort to resolve the business dispute.

9.3. Mediation. If the Members or their Executive Committee representatives cannot resolve the business dispute within ten days after they meet, or such later date as the Members may mutually agree upon (the "Meeting Period"), then either Member to the dispute may submit the business dispute to non-binding mediation by giving written notice to the other Member not later than ten days after the end of the Meeting Period. If submitted to mediation, the Members shall select a neutral mediator. The mediator shall be an individual with experience in health care industry disputes and, if possible, expertise in the area which is the subject of the dispute. If the Members are unable to select a mediator, the mediator shall be selected in accordance with the Rules of Procedure for Mediation of the American Health Lawyers Association Alternative Dispute Resolution Service. The mediation will be conducted at a site convenient to the Members, as determined by the mediator. Any cost of the mediation shall be paid by the Company. If the dispute is not resolved within 30 days after the selection of the mediator (but in any event within 60 days after the end of the unsuccessful negotiation between the Members) (the "Mediation Period"), then the Members agree that, in lieu of any other form of management deadlock resolution, either Member may submit the business dispute to binding arbitration by giving written notice to the other Member of its decision not later than ten days after the end of the Mediation Period.

9.4. Arbitration of Business Disputes. If the business dispute is submitted to arbitration, the arbitration shall be conducted in accordance with the American Health Lawyers Association Alternative Dispute Resolution Service Rules of Procedure for Arbitration, modified as follows. The arbitrator shall be (a) the same individual selected as mediator, if both Members agree; (b) another neutral individual selected by agreement of the Members; or (c) another neutral individual selected in accordance with the American Health Lawyers Association

Alternative Dispute Resolution Service Rules of Procedure for Arbitration. Each Member in the dispute shall submit a proposed plan of action with respect to the business issue in dispute. The proposed plan of action cannot conflict with the terms of this Agreement. The arbitrator shall select one of the submitted plans of action, or a combination of the two plans, to resolve the business dispute and an order to implement the same may be entered in any state or federal court having jurisdiction. One-half of all costs of arbitration, including the fees of the arbitrator and reasonable attorneys' fees, shall be allocated to and payable by each Member.

9.5. Arbitration of Claims and Controversies. Upon the request of a Member pursuant to **Section 9.1**, all claims and controversies arising out of or in connection with this Agreement shall be subject to binding arbitration by a single arbitrator in accordance with the American Health Lawyers Association Alternative Dispute Resolution Service Rules of Procedure for Arbitration. The arbitrator shall be an individual with experience in health care industry disputes and, if possible, expertise in the area which is the subject of the dispute. If the Members to the dispute are unable to select an arbitrator, the arbitrator shall be selected in accordance with the Rules of Procedure for Arbitration of the American Health Lawyers Association Alternative Dispute Resolution Service. The arbitration will be conducted in Nashville, Tennessee or at another site convenient to the Members, as determined by the arbitrator and any judgment on the award rendered in such arbitration may be entered in any state or federal court having jurisdiction. The prevailing party in any arbitration proceeding hereunder as determined by the arbitrator or in any legal proceedings or actions arising from or in connection with this Agreement shall be entitled to recover reasonable attorneys' fees and costs. Nothing herein shall prohibit a party from seeking equitable relief in a court of law to maintain the status quo while an arbitration is pending hereunder. The parties agree that the arbitrator shall not have the right to award punitive damages.

10. DISSOLUTION AND TERMINATION

10.1. Dissolution.

10.1.1. The Company shall be dissolved upon (i) the consent of the Members or a sole remaining Member, (ii) entry of a judgment of dissolution under Section 18-802 of the Act, (iii) at the election of the Blue Ridge Participant, in the event the Blue Ridge Participant elects to dissolve the Operating Company pursuant to Section 10.1.1(iii) of the Operating Company Operating Agreement, or (iv) by either the Signature Participant or the Blue Ridge Participant, pursuant to Section 5.5 of the Joint Venture Agreement. Until any such event occurs, the duration of the Company shall be perpetual.

10.1.2. As soon as possible following the Members' determination to dissolve the Company, the Members shall execute Articles of Dissolution pursuant to Section 18-802 of the Act and file same with the Delaware Division of Corporations.

10.2. Effect of Filing Articles of Dissolution. Upon the filing with the Delaware Division of Corporations of the Articles of Dissolution, the Company shall cease to carry on its business except insofar as may be necessary for the winding up of its business. This Agreement shall terminate upon the winding up of the affairs of the Company.

10.3. Winding Up, Liquidation, and Distribution of Assets. Upon winding up of the Company, the Company Property shall be distributed:

10.3.1. To creditors, including the Members if either is a creditor, in satisfaction of the Company's liabilities; and then

10.3.2. To the Members in accordance with their respective Participation Percentages.

10.4. Articles of Dissolution. When all debts, liabilities and obligations have been paid and discharged or adequate provisions have been made therefor and all of the remaining Property and assets have been distributed to the Members, the Company shall be deemed terminated and articles of dissolution shall be filed with the Delaware Division of Corporations. Upon the filing of the articles of dissolution, the existence of the Company shall cease, except for the purpose of suits, other proceedings and appropriate action as provided in the Act.

11. COVENANTS

11.1. Covenant Not to Compete.

11.1.1. Each of the Members acknowledges and agrees that it is a condition to its right to continue to own its Interest that, during the period of such ownership and for a period of twelve (12) months after such Member is no longer a Member, such Member and its Affiliates will not directly or indirectly, without the written consent of the other Member, which consent may be withheld or granted in the sole discretion of the other Member, as applicable, develop, acquire, promote, lease or own, or be a member, equity owner or a shareholder of or otherwise exercise management control over, finance, operate, or provide financial or management services to a Competing Business anywhere within (i) a five (5) mile radius of the Existing Unit (except for the Facility) or the Facility, for an existing facility or business that constitutes a Competing Business, and (ii) a ten (10) mile radius of the Existing Unit (except for the Facility) or the Facility, for the development of any new facility or business that would constitute a Competing Business (the "Restricted Area"). Notwithstanding the foregoing to the contrary, (i) a Member or any of its Affiliates, may own stock in any publicly held corporation listed on a national securities exchange or whose stock is regularly traded in the over the counter market as long as such holding at no time exceeds five percent (5%) of the total outstanding stock of such corporation; (ii) Blue Ridge Participant, MSHA or its other Affiliates may acquire, operate and manage a Competing Business that is acquired as part of a transaction involving the acquisition of one or more acute care hospital facilities; and (iii) Signature Participant or any of its Affiliates may, without the written consent of the Blue Ridge Participant, acquire, lease, operate and/or manage a Competing Business in the Restricted Area if such Competing Business is part of a transaction involving more than one skilled nursing facility and at least one such facility is located in the Restricted Area. Nothing in this **Section 11.1** is intended to prevent a Member or its Affiliates from acquiring any securities of or substantially all of the assets of or merging with or being acquired by (whether stock or asset acquisition) any Person engaged in a business within the Restricted Area that is not primarily a Competing Business, but which may, as a portion of such business provide skilled nursing and/or inpatient rehabilitative therapy procedures and services.

11.1.2. Each Member hereby acknowledges that its agreement not to engage in the activities prohibited herein for the period of time and in the geographic area provided herein are reasonable and that such restrictions on the Member's activities are no greater than is required for the reasonable protection of the Company and the other Member in light of the substantial harm that the Company and the other Member will suffer should a Member breach any of the provisions of this **Section 11.1**. Each Member further agrees that the nature, kind and character of the activities prohibited herein are reasonably necessary to protect the interests of the Company and the other Member.

11.1.3. If a judicial determination is made that any of the provisions of this **Section 11.1** constitute an unreasonable or otherwise unenforceable restriction against a Member, the provisions of this **Section 11.1** shall be rendered void only to the extent that such judicial determination finds such provisions to be unreasonable or otherwise unenforceable. Any judicial authority construing this **Section 11.1** shall be empowered to sever any portion of the Restricted Area or prohibited activity from the coverage of this **Section 11.1** and to apply the provisions of this **Section 11.1** to the remaining portion of the Restricted Area or the remaining

activities not so severed by such judicial authority. Each Member agrees and acknowledges that any violation of this **Section 11.1** by a Member may result in irreparable injury to the Company and the other Member, that a remedy at law for any breach or threatened breach of the covenants contained herein may be inadequate and that in the event of any such breach, the Company and the other Member, in addition to any other remedies or damages available to it at law or in equity, shall be entitled to temporary injunctive relief before trial from any court of competent jurisdiction as a matter of course and to permanent injunctive relief without the necessity of proving actual damages or securing or posting any bond.

11.1.4. In the event of any breach of this **Section 11.1** by a Member and in addition to an injunction, the Company and the other Member shall also be entitled to recover any damages a court of competent jurisdiction may find appropriate. The time period set forth in this **Section 11.1** shall be tolled and suspended for a period of time equal to the aggregate quantity of time during which a Member violates such prohibitions in any respect.

11.2. First Opportunity. In the event that a Member or its Affiliates (the "Developing Member") desire to develop, acquire, lease or own, or be a member, equity owner or a shareholder of or otherwise exercise management control over, finance, operate, or provide financial or management services to a Competing Business in the First Opportunity Area (the "Opportunity"), the Developing Member shall first offer to the other Member (the "Participating Member") the option in writing, which shall include all relevant terms and conditions of the Opportunity, to participate in the Opportunity through the Company pursuant to this Agreement or otherwise on terms and conditions (including but not limited to financial and governance rights) no less favorable than those set forth in this Agreement. The Participating Member shall have thirty (30) days from the date the Opportunity and all supporting information is fully and completely presented to the Participating Member to elect to participate in the Opportunity (the "Evaluation Period"). For purposes hereof, "First Opportunity Area" means any of the following counties: Unicoi County, Tennessee; Washington County, Tennessee; and Smyth County, Virginia. The parties further agree as follows:

11.2.1. In evaluating the Opportunity, each Member shall review all of the relevant aspects of the Opportunity.

11.2.2. During the Evaluation Period, each Member shall negotiate in good faith with respect to commissioning any third-party reviews which either Member's legal counsel deems appropriate to be undertaken in connection with the Opportunity, including, without limitation, antitrust, fraud and abuse, self-referral laws and reimbursement issues. All costs of third-party reviews which are jointly commissioned by the parties shall be borne by the Company. No Member shall be entitled to reimbursement for the time expended by its own personnel or legal counsel, consultants or advisors in evaluating any Opportunity, nor for any costs of third-party reviews (including reviews by legal counsel) or other expenditures which are not jointly commissioned by the Members.

11.2.3. During the Evaluation Period, each Member shall negotiate in good faith with respect to the development of a Plan of Implementation. Notwithstanding anything in this Agreement to the contrary, neither Member nor any Affiliate of a Member shall have any obligation to enter into any Plan of Implementation if such party determines, in its sole discretion, not to proceed with the Opportunity.

11.2.4. Upon approval and execution by the parties of a Plan of Implementation, each party shall have such obligations, and such rights and remedies, as may be set forth in this Agreement as amended by any Plan(s) of Implementation or in a separate agreement with respect to such Opportunity.

11.2.5. Any Member may terminate the evaluation of, and the structuring of a Plan of Implementation for any Opportunity at any time after expiration of the Evaluation Period.

11.2.6. Upon completion of the Evaluation Period (or any termination or extension thereof) for each Opportunity, unless the Members shall have agreed in writing upon a Plan of Implementation, each Member and its Affiliates shall remain subject to the provisions of **Section 11.1**.

11.2.7. Nothing in this Section is intended to prevent a Member or any of its Affiliates from acquiring any securities of or substantially all of the assets of or merging with or being acquired by (by stock or asset acquisition) any Person engaged in a business within the Restricted Area that is not primarily a Competing Business, but which may, as a portion of such business, provide skilled nursing and/or inpatient rehabilitative therapy procedures and services. The parties agree that any such acquisition would not constitute an "Opportunity" subject to the provisions of this Section. The parties further agree that Blue Ridge Participant, MSHA or any of its other Affiliates may acquire, operate and manage a Competing Business that is acquired as part of the acquisition of one or more acute care hospital facilities, and that such transaction shall not constitute an "Opportunity" subject to the provisions of this Section.

11.3. Non-Solicitation Covenant. During the term of this Agreement and for a period of twelve (12) months after a Member is no longer a member of the Company, without the consent of the other Member, which may be withheld in the sole discretion of such other Member, no Member or its Affiliates shall, directly or indirectly, solicit (other than solicitations in the form of general employment advertisements placed in newspapers or other publications of general circulation or in periodical, the Internet and other media), entice, persuade or induce or attempt to solicit, entice, persuade or induce any employee of (a) the Existing Unit or the Facility (whether employed or leased by the Company or its Affiliates), (b) Blue Ridge Participant, MSHA and its Affiliates (the "Blue Ridge Participant Employer") or (c) Signature Participant and its Affiliates ("Signature Employer") to terminate such person's employment or other relationship with the Company, Blue Ridge Participant Employer or Signature Employer, as the case may be, or to become employed or retained by, or otherwise affiliated with such Member other than at the Existing Unit or the Facility, or approach any such employee for any of the foregoing purposes or authorize and assist in the taking of any such action by any third party.

11.4. Remedies. Each Member agrees that in addition to any other rights, the Company and the other Member may specifically enforce the provisions of **Section 11.1**, **11.2** and **11.3**. Each Member understands that these covenants are essential elements of this Agreement. Each Member acknowledges that these covenants are reasonable and appropriate in all respects. In the event of any violation or attempted violation of any of these covenants by a Member, the Company and the other Member would be irreparably harmed, their remedies at law would be inadequate and they shall be entitled to a temporary restraining order and other temporary or permanent injunctive relief, without any showing of irreparable harm or posting of any bond, in

addition to any other rights or remedies which may then be available to them. In the event that a court of competent jurisdiction finally determines that any provision of **Section 11.1**, **11.2** and **11.3** is unenforceable, the parties hereto agree that such court shall have jurisdiction to reform any such provision so that it is enforceable to the maximum extent permitted by law, and the parties agree to abide by such court's determination.

12. MISCELLANEOUS PROVISIONS

12.1. Changes in Law and Regulations. Notwithstanding anything in this Agreement to the contrary, if either Member determines, in good faith, or receives general or specific notice from any governmental agency, that all or any provision of this Agreement, or of any other agreement between the Company and any Affiliate of a Member, or any activity of the Company: (i) violates or fails to comply with any state or federal law, regulation, rule, or administrative policy, including, without limitation, the Stark Law (42 U.S.C. § 1395 nn *et seq.*), the Anti-Kickback Statute (42 U.S.C. § 1320 a-7 *et seq.*), and all medical licensing requirements; (ii) jeopardizes such Member's or any of its Affiliates' participation in any federal or state health care program; or (iii) exposes any person employed by or affiliated with Company, Blue Ridge Participant, or the Signature Participant to the imposition of excise taxes under § 4958 of the Code; or (iv) exposes the Company, Blue Ridge Participant, the Signature Participant, any Affiliate of Blue Ridge Participant or the Signature Participant, or any person employed by or affiliated with Blue Ridge Participant, the Signature Participant or any of their respective Affiliates to any other sanctions imposed by any governmental agency (collectively, "Violations"), then such Member shall give notice of such determination to the other Member.

12.1.1. The Members shall engage in good faith negotiations for the purpose of entering into such amendments to this Agreement and any other agreement between the Company and any Affiliate of any Member as may be appropriate in order to permit the Company to conduct its business and operations in a manner that will not result in the continuance of the Violation. Such negotiations shall continue for a period of 90 days, or such shorter period as either Member or its respective Affiliates determines in good faith to be appropriate in light of the nature of the Violations and their potential for significant harm to such Member or its Affiliates.

12.1.2. If the Violations are not resolved under **Section 12.1.1** to the reasonable satisfaction of a Member, then the Members shall jointly retain the services of an independent healthcare lawyer reasonably acceptable to both Members (the "Independent Counsel"). If the Independent Counsel determines that the nature of the Violations are such that neither Member is capable of conducting the business and operations of the Company without continuing the Violations, then the Company shall be promptly liquidated pursuant to **Article 10** and all agreements between the Company and any Affiliate of a Member shall be promptly terminated.

12.1.3. If the Independent Counsel determines that the nature of the Violations are such that one of the Members, but not the other, is capable of continuing the conduct of the business and operations of the Company without continuing the Violations, the Member capable of continuing the conduct of the business and operations of the Company without continuing the Violations shall have the right to purchase the Interest of the other Member in the Company at its appraised fair market value based on the average of two business appraisals prepared by an appraiser selected by each Member. However, if the two appraisals differ by more than ten

percent, the two appraisers will be asked to select a third appraiser who will prepare a separate appraisal, and the purchase price will be the average of the appraisal prepared by the third appraiser and the appraisal prepared by one of the other two appraisers that is closest in value to that of the third appraiser.

12.2. No Referral Obligation. The Members agree that the benefits to them under this Operating Agreement and with respect to their ownership of the Company do not require, and are not payment for, and are not in any way contingent upon the admission, referral, purchase, or any other arrangement for the provision of any item or service to or from any of the Members' patients in or from any medical facility or laboratory or from any other entity owned, operated, controlled or managed by any Member or its Affiliates.

12.3. Records, Audits and Reports. At the expense of the Company, the Executive Committee shall maintain the following records at the Company's principal place of business:

12.3.1. The full name and last known business, residence, or mailing address of the Members.

12.3.2. A copy of the articles of organization of the Company and all articles of amendment thereto.

12.3.3. Copies of the Company's federal, state, and local income tax returns (or the portions of the returns of others showing the taxable income, deductions, gain, loss and credits of the Company).

12.3.4. Copies of this Agreement, and all amendments thereto, and copies of any written operating agreements no longer in effect, and copies of any financial statements of the Company for the three most recent years. An independent audit of the Company's books shall be conducted annually in accordance with generally accepted auditing standards at the Company's cost and expense. The auditing firm that will conduct such audit shall be selected by the Operator subject to Executive Committee Approval. Any such audit shall be for the benefit of the Company and delivered to the Executive Committee and each Member.

12.3.5. Any other information required by Section 18-102 of the Act.

12.4. Confidentiality. Each Member shall keep confidential all, and shall not divulge to any other Person (other than an Affiliate thereof) any of the proprietary, confidential information of the Company, including information relating to such matters as finances, methods of operation and competition, pricing, marketing plans and strategies, equipment and operational requirements and information concerning suppliers, unless such information (a) is or becomes generally available to the public other than as a result of a disclosure by such Member, or (b) is required to be disclosed by law or by a judicial, administrative or regulatory authority. Additionally, each Member shall keep the terms of this Agreement strictly confidential.

12.5. Application of Delaware Law. This Agreement, and the application or interpretation hereof, shall be governed exclusively by its terms and by the laws of the State of Delaware.

12.6. Amendments. This Agreement may not be amended except by a written agreement executed by both Members.

12.7. Construction. Whenever the singular number is used in this Agreement and when required by the context, the same shall include the plural and vice versa, and the masculine gender shall include the feminine and neuter genders and vice versa.

12.8. Headings. The headings in this Agreement are for convenience only and are in no way intended to describe, interpret, define, or limit the scope, extent, or intent of this Agreement or any of its provisions.

12.9. Heirs, Successors, and Assigns. Each and all of the covenants, terms, provisions, and agreements contained in this Agreement shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Agreement, their respective heirs, legal representatives, successors, and assigns.

12.10. Creditors. This Agreement is entered into by the Members for the exclusive benefit of the Company, the Members, and their respective successors and assigns. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company. No creditor or other third party shall have any rights under this Agreement or any other agreement between the Company and the Members with respect to any Capital Contribution or otherwise.

12.11. Notices. Any notice, consent, approval, demand or other communication required or permitted to be given under this Agreement (a "Notice") be in writing, shall be delivered to the addressee at the address set forth below (or at such other address as shall be designated hereunder by notice to the other parties) personally, by FedEx (or other equivalent national overnight courier) for next business day delivery or by registered or certified United States mail, return receipt requested, in each case with the cost of delivery prepaid or for the account of the sender and shall be deemed to have been given (a) when if delivered in person, (b) on the next business day, if sent by FedEx (or other equivalent national overnight courier) or (c) five (5) business days after mailing, if mailed by registered or certified United States mail.

The respective addresses of the parties for notice are as follows:

If to Blue Ridge Participant:

Blue Ridge Medical Management Corporation
400 North State of Franklin
Johnson City, TN 37604
Attn: Marvin Eichorn

with a copy to:

Mountain States Health Alliance
400 North State of Franklin
Johnson City, TN 37604
Attn: General Counsel

If to Signature Participant:

c/o Signature Healthcare, LLC
12201 Bluegrass Parkway
Louisville, Kentucky 40299
Attn: E. Joseph Steier, III, CEO

with a copy to:

Signature HealthCARE, LLC
12201 Bluegrass Parkway
Louisville, Kentucky 40299
Attn: Office of the General Counsel

and

Fenigstein & Kaufman
1900 Avenue of the Stars
Suite 2300
Los Angeles, California 90067
Attn: S. Jack Fenigstein

The failure to send a copy to any person designated to receive the same does not affect the validity of a notice duly given to a party.

12.12. Counterparts. This Agreement may be executed in counterparts each of which shall be deemed an original but all of which shall constitute one and the same instrument.

[Signatures on following page]

This Operating Agreement of JCRNC RE, L.L.C. is effective as of July 1, 2016.

SIGNATURE PARTICIPANT:

401 Princeton Road, LLC

By:_____
Name:_____
Its:_____

BLUE RIDGE PARTICIPANT:

Blue Ridge Medical Management Corporation

By:_____
Name:_____
Its:_____

SCHEDULE 3.1.1

Member		Percentage Interest	Initial Cash and/or Non Cash Capital Contribution
Blue Ridge Participant		44.5%	$1,195,000
Signature Participant		55.5%	$1,490,131

EXHIBIT 3.2(B)-1

CONSULTING SERVICES AGREEMENT

CONSULTING SERVICES AGREEMENT

THIS CONSULTING SERVICES AGREEMENT ("Agreement") is entered into and effective as of this 1st day of July, 2016, (the "Effective Date"), by and among Signature HealthCARE Consulting Services, LLC, a Delaware limited liability company ("Consultant"), LP Johnson City, LLC, a Delaware limited liability company ("Provider") and JCRNC RE, LLC, a Delaware limited liability company ("PropCo").

RECITALS

WHEREAS, Mountain States Health Alliance, a Tennessee non-profit corporation ("MSHA"), owns and operates a skilled nursing unit known as Princeton Transitional Care, located in Johnson City Medical Center in Johnson City, Tennessee ("Existing Unit");

WHEREAS, Provider is in the process of building a skilled nursing and assisted living facility to be located at 401 Princeton Road, Johnson City, Tennessee ("Facility") of which, once built and operational, Provider will be the licensed owner and operator;

WHEREAS, PropCo will own the real estate on which the Facility is located ("Real Estate");

WHEREAS, MSHA has entered into a Management Services Agreement, dated July 1, 2016, pursuant to which Provider will manage the operations of the Existing Unit ("Management Agreement") until such time as the Facility is prepared to commence operations;

WHEREAS, Provider wishes to subcontract certain services to Consultant in connection with its management of the Existing Unit, and upon the commencement of operations at the Facility, permit Consultant to provide such services in connection with the operation of the Facility and administration of the Real Estate; and

WHEREAS, the parties hereto wish to document their agreement with respect to the provision of such services by Consultant to Provider and to PropCo.

NOW, THEREFORE, in consideration of the facts referenced above and the covenants contained herein, and for other valuable consideration, **IT IS HEREBY AGREED AS FOLLOWS**:

ARTICLE I
SERVICES AND OBLIGATIONS OF CONSULTANT

A. **Services to Provider**. Consultant shall provide those services listed on **Exhibit A** attached hereto and incorporated herein, to Provider.

B. **Services to PropCo**. Consultant shall provide to PropCo certain administrative and accounting services, including without limitation collecting rent and filing tax returns, pursuant to an Administrative and Accounting Services Agreement between Consultant and The Arba Group, Inc, substantially in the form attached hereto as **Exhibit B**. Notwithstanding anything in this Agreement to the contrary, the Consultant shall not commence the provision services described in this Article I, Section B until such time as PropCo enters into a lease agreement to lease the Real Property.

ARTICLE II
COMPENSATION

A. **Consulting Fee**. As compensation for the services rendered by the Consultant pursuant to Article I, the Provider shall pay the Consultant a monthly fee in an amount equal to four and one-half percent (4.5%) of the gross revenues (net of contractual adjustments), of the Existing Unit or Facility (as applicable) ("Consulting Fee"). The Consulting Fee is due and payable within twenty (20) days after the end of each month in which the Consultant provides services.

ARTICLE III
RIGHTS AND OBLIGATIONS OF PROVIDER

A. **Provider Responsibilities**. Provider acknowledges and agrees that the following duties and responsibilities below are the duties of Provider and are not the duties or obligations of Consultant. Notwithstanding the foregoing, Provider's duties below with respect to the Existing Unit shall be subject to the Management Agreement:

1. Provider shall supervise and direct the management of the Existing Unit to assist MSHA in maintaining the Existing Unit in substantial compliance with the requirements of any applicable statute, ordinance, law, rule, regulation or order of any governmental or regulatory body having jurisdiction over the Existing Unit. Once operational, Provider shall supervise and direct the operation of the Facility in accordance with the foregoing sentence.

2. Provider shall supervise and manage the operation of the Existing Unit or Facility (as applicable), including, but not limited to, the provision of care to residents, staffing and general onsite administration. In connection therewith, Provider shall supervise the employees and other service providers providing services at the Existing Unit or Facility (as applicable).

3. Provider shall supervise and direct the day-to-day business activities, management and operation and repair of the Existing Unit or Facility (as applicable), and all phases of its operation; provided that, with respect to the Existing Unit, such authority has been delegated to Provider by MSHA pursuant to the Management Agreement.

4. Provider shall supervise and direct the obtaining and maintenance, all

licenses, certifications, permits, consents, approvals and certifications required for the operation of the Existing Unit or Facility (as applicable).

5. Provider shall supervise and direct the Existing Unit or Facility (as applicable) activities as may be required to maintain and preserve all necessary licenses, certifications, permits, consents and approvals to operate the Existing Unit or Facility (as applicable)so as to substantially comply with all applicable laws, rules and regulations.

6. Provider shall supervise and direct the institution of written standards and procedures for the operations of the Existing Unit or Facility (as applicable).

7. Provider shall supervise and direct the establishment and maintenance of policy and procedure manuals needed with reference to the operation of the Existing Unit or Facility (as applicable) so that the it complies with all applicable local, state, and federal laws, regulations and requirements.

8. Provider shall supervise and direct the selection, employment, compensation, supervision, and training an adequate staff, as required by law including an administrator for the Existing Unit or Facility (as applicable).

9. Provider shall supervise and direct the promotion, direction, assignment, and discharging all such employees.

10. Provider shall supervise and direct the contracting for all necessary services for the general operation and maintenance of the Existing Unit or Facility (as applicable).

B. During the Term, MSHA is and will remain the responsible licensee of the Existing Unit, and after the establishment of the Facility, Provider will be the licensee of the Facility. As such, subject to the terms of this Agreement, MSHA or Provider (as applicable) is fully liable and legally accountable at all times to all patients and governmental organizations for all patient care and funds.

ARTICLE IV
TERM / TERMINATION

A. **Term**. The term of this Agreement shall begin on the Effective Date and continue until terminated as provided herein.

B. **Termination**.

1. Without Cause. Any party may terminate this Agreement by providing thirty (30) days' written notice to the other parties.

2. Automatic Termination. This Agreement will terminate automatically upon the occurrence of the following events: (a) The termination of the Management

Agreement by MSHA pursuant to Section 10.5 of the Management Agreement; (b) Consultant is excluded from participation in any federal health care program as defined at U.S.C. § 1320a-7b(f); (c) The Operating Agreement of Provider between SHC LP Holdings III, LLC and Blue Ridge Medical Management Corporation is terminated and/or Provider is dissolved; or (d) the Operating Agreement of PropCo between 401 Princeton Road, LLC and Blue Ridge Medical Management Corporation is terminated and/or PropCo is dissolved.

3. Default. In the event of default by any party of any of its obligations hereunder and in the event such default shall continue for ten (10) days after receipt of written notice thereof, then the non-defaulting party may terminate this Agreement immediately and seek any remedy available hereunder, at law and/or in equity.

ARTICLE V
ATTORNEYS' FEES

A. **Prevailing Party**. If any party brings an action or proceeding to enforce or interpret the terms hereof or declare rights hereunder, the prevailing party (as hereinafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "prevailing party" shall include, without limitation, a party who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other party of its claim or defense. The attorneys' fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred.

ARTICLE VI
ADDITIONAL ACKNOWLEDGEMENTS

A. **Certification and Conduct**. For so long as services under this Agreement are provided at the Existing Unit, Consultant's employees, agents or representatives, shall complete MSHA's Vendor Certification Program, orientation and badging process. While performing services in the Existing Unit, Consultant's personnel shall wear appropriate Provider identification badges and shall not hold themselves out as employees or personnel of MSHA. While present on MSHA premises, or accessing MSHA IT resources, Consultant's personnel will be subject to the policies and procedures of MSHA. Provider may exercise its discretion and remove or bar any Consultant's personnel who poses an immediate risk of harm to self, others, or property or who is deemed to be conducting oneself contradictory to MSHA's mission.

B. **Debarment and Suspension**. Consultant hereby certifies that neither it, its subcontractors or its affiliates nor any of their respective personnel providing services at all times during the term of this Agreement (a) a listed vendor in the Federal General Services Administration's "List of Parties Excluded from Federal Procurement or

Nonprocurement Programs" in accordance with Presidential Executive Orders 12549 and 12689, "Debarment and Suspension;" (b) listed in the Office of Inspector General's "List of Excluded Individuals/Entities (LEIE)" pursuant to 42 U.S.C. 1320a-7; or (c) ever been convicted of a criminal offense related to healthcare. Consultant shall notify Provider immediately in the event that any of the aforementioned certifications becomes untrue or if Consultant is the subject of government investigation that could lead to one or more certifications being untrue. Consultant shall promptly remove any person from providing services on behalf of Provider hereunder in the event such certifications become untrue with respect to such person.

C. **Code of Ethics and Business Conduct**. Consultant acknowledges it has received and reviewed a copy of the Code of Ethics and Business Conduct of MSHA found at https://www.mountainstateshealth.com/sites/default/files/documents/MSHA-CODE-OF-ETHICS-MSHA-revised-1411-06212011_06212011_132847.pdf. For so long as services under this Agreement are provided at the Existing Unit, Consultant agrees that it will abide by its terms and provisions.

D. **Access to Records**. Upon the written request of the Secretary of Health and Human services or the Comptroller General or any of their duly authorized representatives, Consultant shall make available to the Secretary the contracts, books, documents and records that are necessary to verify the nature and extent of the cost of providing such services. Such inspection shall be available up to four (4) years after the rendering of such services.

E. **Insurance**. Each of Provider and Consultant shall, during the term of the Agreement, maintain at such party's own expense, (i) workers' compensation insurance coverage for its or its affiliates' employees; (ii) commercial general liability insurance; and (iii) professional liability insurance in the event that such party provides any professional services. Such general and professional liability insurance may be provided on either an occurrence or claims-made basis, and shall provide limits of liability in the minimum amount of one million dollars ($1,000,000) per occurrence with an annual aggregate of three million dollars ($3,000,000). If any liability insurance coverage required above is maintained on a claims made basis, such insurance shall continue throughout the term of the Agreement; and upon the termination, expiration or non-renewal of the Agreement, or the expiration or cancellation of the insurance, the party holding such policy shall purchase and maintain coverage for claims presented after the termination, expiration or non-renewal of the Agreement that arise from such party's acts or events occurring during the term of the Agreement. Upon request, either Provider or Consultant (as applicable) shall provide the other party with a copy of all applicable policies or certificates of insurance, evidencing the existence of all coverage required hereunder. Such party shall provide the other party with not less than thirty (30) days' prior written notice in the event of a material change in such policies affecting the Existing Unit or the Facility.

F. **Confidentiality**. During the term of this Agreement and surviving its expiration or termination, Consultant will regard and preserve as confidential all

information related to the business of MSHA, Provider, their affiliates and their respective clients and patients (each a "Disclosing Party") that may be obtained as the result of this Agreement. Consultant will not, without first obtaining such Disclosing Party's prior written consent, disclose to any person, firm or enterprise or use for its benefit any information relating to the business of such Disclosing Party, including but not limited to: pricing methods, processes, financial data, lists, apparatus, statistics, programs, research, development or related information of such Disclosing Party concerning their past, present or future business activities or plans, and results or terms of the sale of products or provision of services by Consultant under this Agreement. This confidentiality obligation does not apply to: (a) information that is publicly known prior to the disclosure or becomes publicly known through no wrongful act of the Consultant; (b) information that was in lawful possession of the Consultant prior to the disclosure and was not received as a result of any breach of confidentiality with respect to MSHA or its affiliates; or (c) information that was independently developed by Consultant outside the scope of this Agreement. In the event of a request for disclosure pursuant to court order or regulatory agency request, Consultant shall provide immediate notice to such Disclosing Party in order to provide an opportunity to oppose such request for disclosure or receive an appropriate protective order, and Consultant shall cooperate with such Disclosing Party in taking any reasonable steps to resist or narrow such request. If, in the absence of a protective order or the receipt of a waiver under this Agreement, Consultant is compelled to disclose any confidential information or be liable for contempt or suffer other censure or penalty, then Consultant may disclose only the portion of such confidential information as required by law.

G. **Protected Health Information**. Consultant and its personnel shall maintain the confidentiality of all patient records and data, including, without limitation, individually identifiable health information (the "Protected Health Information" or "PHI") and obtain appropriate authorization prior to any disclosure of such records and data. All title to medical records, charts, and patient files and data shall be and remain the sole property of MSHA. Notwithstanding any provision herein to the contrary, Provider acknowledges and agrees that neither it, nor any of its personnel shall receive access to any patient information beyond that minimum amount of information necessary to accomplish the intended purpose of this Agreement. Consultant agrees that the PHI shall only be used by Consultant and its personnel for the purposes of performing pursuant to this Agreement and shall not be used for marketing, or any other purposes whatsoever, and shall only be disclosed in accordance with the terms hereof. Consultant shall at all times comply with the Business Associate Addendum attached hereto as **Exhibit C**.

ARTICLE VII
INDEMNIFICATION; LIMITATION OF LIABILITY

A. Each Party ("Indemnifying Party") shall indemnify, defend and hold harmless the other Party, its affiliates and their respective officers, directors, employees, agents and contractors ("Indemnified Parties") from any and losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, including reasonable attorneys'

fees, that are incurred by any Indemnified Party (collectively, "Losses"), arising out of or relating to a breach of this Agreement by the Indemnifying Party.

B. Consultant shall indemnify and hold harmless Provider, PropCo, their affiliates and their respective officers, directors, employees, agents and contractors ("Provider Indemnified Parties") from any Losses arising out of or relating to the acts or omissions of the Consultant, its affiliates or their respective officers, directors, employees, agents or contractors during the term of this Agreement, except to the extent that such Losses are a direct result of the actions or omissions of the Provider Indemnified Parties.

C. Except for liability for breach of Article VI, Sections F and G, in no event shall either party be liable for consequential, indirect, incidental, special, exemplary, punitive or enhanced damages, arising out of, or relating to, or in connection with any breach of this Agreement regardless of (a) whether such damages were foreseeable, (b) whether or not the other party was advised of the possibility of such damages, and (c) the legal or equitable theory upon which the claim is based.

ARTICLE VIII
GENERAL PROVISIONS

A. **Compliance with Laws**. Consultant, and any of its personnel performing services hereunder, and Provider agree at all times during the existence of this Agreement to comply with all applicable federal, state and local laws, rules, ordinances and regulations as they relate to this Agreement.

B. Equal Employment. Each party hereto warrants that it does not and will not discriminate against any employee or applicant for employment because of race, creed, color, national origin, gender, veteran status, or handicap, or as otherwise may be prohibited by law. Each party hereto warrants that they are in full initial and ongoing compliance with all current applicable federal, state, and local laws, regulations, and ordinances, including but not limited to:

1. Civil Rights Act of 1964;
2. The Rehabilitation Act of 1973;
3. The Fair Labor Standards Act;
4. Equal Opportunity Clause (41 CFR 60.250.5(a); 41 CFR 60-300.5(a); and 41-CFR 60.741.5(a)
5. Affirmative Action Programs (41 CFR 60-1.40(a)(2)
6. Other laws that may apply from time to time as amended.

The parties also agree, where applicable, to comply with the regulations set forth under 29 CFR part 471, Appendix A to Subpart A, regarding NLRA compliance.

ARTICLE IX
MISCELLANOUS PROVISIONS

A. **Partial Invalidity**. The invalidity of one or more phrases, sentences, clauses, or sections contained in this Agreement shall not affect the validity of the remaining portions.

B. **Captions**. The headings to the various sanctions of this Agreement have been inserted for convenience only and shall not modify, define, limit, or expand express provisions of this Agreement.

C. **Amendments**. This Agreement contains the entire understanding between the parties with respect to the subject matter contained herein and may not be modified except by the written, mutual agreement of the parties. This Agreement supersedes all previous and contemporaneous agreements, written or oral, between the parties with respect to the subject matter contained herein.

D. **Waiver**. Failure of any party to insist upon compliance with any provision hereof shall not constitute a waiver thereof. No waiver of any provision of this Agreement shall be effective unless it is in writing and signed by the party against whom it is asserted. Any waiver of any provision of this Agreement shall only be applicable to the specific provision and instance to which it is related and shall not be deemed to be a continuing or future waiver as to such provision or as to any other provision.

E. **Notices**. Any notices or other communication permitted or required pursuant to this Agreement shall be made in writing and shall be delivered personally or sent by an overnight delivery or courier service, by certified or registered mail (postage prepaid) by telegraph, by telex or by facsimile transmission to the parties at the addresses set forth below. Notices shall be deemed given when personally served, telegraphed, telexed or sent by facsimile transmission, or, if sent by overnight delivery or courier service, the day after sent from within the United States, or if mailed, two (2) days after date of deposit in the United States mail.

To CONSULTANT:	Signature HealthCARE Consulting Services, LLC 12201 Bluegrass Parkway Louisville, KY 40299 Attn: Office of General Counsel
To PROVIDER or: PROPCO	LP Johnson City LLC 12201 Bluegrass Parkway Louisville, KY 40299

ATTN: E. Joseph Steier, III, CEO

F. **Governing Law**. This Agreement shall be governed by the laws of the State of Tennessee. Nashville, Tennessee shall be the sole and exclusive venue for any litigation, special proceeding, or other proceeding between the parties that may be brought or arise out of or in connection with or by reason of this Agreement.

G. **Successors and Assigns**. This Agreement shall inure to the benefit of and be binding upon the parties hereto, their successors and permitted assigns.

H. **Counterparts**. This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

I. **Language**. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identification of the person or persons, firm or firms, corporation or corporations may require.

J. **Execution**. Each of the parties agrees to execute such additional instruments and documents as may be necessary to implement the terms and provisions of this Agreement.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

CONSULTANT

Signature HealthCARE Consulting Services, LLC, a Delaware limited liability company

By: _____
John Harrison, Chief Financial Officer

PROVIDER

LP Johnson City, LLC,
a Delaware limited liability company

By:_____
_____

PROPCO

JCRNC RE, LLC
a Delaware limited liability company

By:_____
_____

EXHIBIT A
Consultant Services to Provider

1. Provide for the issuance of appropriate bills for services and materials furnished by the Existing Unit or the Facility (as applicable) and best efforts to collect accounts receivable and monies owed to the Existing Unit or the Facility (as applicable), assist in the design of and maintenance of billing, resident and collection records; and prepare and file insurance and any and all other necessary or desirable applications, reports and claims related to revenue production.

2. Provide for the orderly and timely payment of accounts payable, taxes, insurance premiums and all payments due from the Existing Unit or the Facility (as applicable).

3. Provide for the projection of cash receipts and disbursements for the Existing Unit or the Facility (as applicable).

4. Provide for the preparation of monthly bank reconciliation reports and schedules.

5. Provide for the preparation of unaudited financial statements.

6. Provide for the analysis and reporting of monthly financial and operational performance.

7. Provide for the preparation of tax and regulatory reports; provided, however, Consultant shall not be responsible for the preparation and filing of cost reports to CMS for the Existing Unit. Notwithstanding the foregoing, Consultant shall provide all data, information and other assistance that Provider reasonably requests to allow it to prepare and files such cost reports for the Existing Unit.

8. Provide for the preparation of additional reports as required by government regulatory and other agencies.

9. Assist the Provider in the negotiation and management of contracts relating to necessary services, equipment and supplies.

10. Assist the Provider in evaluating, from time to time, general salary scales, personnel policies and appropriate employee benefits for all employees.

11. Assist the Provider with general Human Resources management services including, but not limited to, consulting on employee grievances and employment issues, facilitating annual workers compensation insurance policy renewal and consulting on the defense of annual workers compensation insurance audits.

12. Assist the Provider in connection with general legal and risk management matters including, but not limited to, facilitating annual liability insurance policy renewal, consulting on liability insurance claims activity and consulting on resident and family grievances and concerns.

13. Assist the Provider in the evaluation of the performance of the various departments of the Existing Unit or the Facility (as applicable).

14. Consult regarding the maintenance of accounting and internal control systems using accounts and classifications consistent with those used in similar facilities, including suitable books of control and account as are necessary in order to comply with all state and federal standards, rules and regulations.

EXHIBIT B

Form of Administrative and Accounting Services Agreement

ADMINISTRATIVE AND ACCOUNTING SERVICES AGREEMENT

This Administrative and Accounting Services Agreement (this "Agreement") is made as of _____, by and between Signature HealthCARE Consulting Services, LLC ("Consultant") and The Arba Group, Inc. ("Service Provider").

WHEREAS, LP Johnson City, LLC ("Operator") is in the process of building a skilled nursing and assisted living facility to be located at 401 Princeton Road, Johnson City, Tennessee ("Facility") of which, once built and operational, Operator will be the licensed owner and operator;

WHEREAS, JCRNC RE, LLC ("RealCo") will own the real estate on which the Facility is located ("Real Estate");

WHEREAS, Operator intends to subcontract certain services to Consultant with respect to the Facility pursuant to a Consulting Services Agreement, dated July 1, 2016, by and among, Consultant, Operator and RealCo, and Consultant wishes to further subcontract certain services with respect to the Real Property and RealCo to Service Provider; and

WHEREAS, the parties hereto wish to document their agreement with respect to the provision of such services by Service Provider to Consultant.

NOW, THEREFORE, in consideration of the mutual promises herein contained, the parties hereto agree as follows:

1. Appointment of Service Provider. Consultant hereby appoints Service Provider and Service Provider agrees to act as Consultant's agent to conduct back-office and administrative duties in connection with the ownership of the Real Estate by RealCo (the "Business"), and to provide advice with regard to such Business, to the extent of and subject to the terms and conditions hereinafter set forth.

2. Tenant's Problems. Service Provider shall maintain businesslike relations with tenants who lease all or a portion of the Real Estate from RealCo. Problems of a serious nature that are reported by tenants to Service Provider shall, after thorough investigation, be reported to the Consultant by Service Provider with appropriate recommendations.

3. Collection of Rent and Revenue. Service Provider shall use its best efforts to collect all rents and revenues arising out of or relating to the operation of the Business.

4. Deposit of Collections. Service Provider shall establish and maintain, in a bank whose deposits are insured by the Federal Deposit Insurance Corporation, one or more accounts for the deposit of the moneys collected from the Business. Subject to prior written notice, Service Provider shall have the authority to draw on such accounts for any payments which Service Provider must make to discharge any liabilities or obligations incurred pursuant to this Agreement, for the payment of Service Provider's fee and for reimbursement of amounts Service Provider advanced on behalf of Consultant, all of which payments shall be subject to the

limitations of this Agreement. Service Provider shall not be responsible for any loss incurred because of insolvency of any bank in which the said funds were deposited if the deposit was insured by the Federal Deposit Insurance Corporation. All interest earned on such deposits shall be credited to the Consultant.

5. Authorized Expenditures. From the funds collected and deposited in the account or accounts referenced in Section 4 above, Service Provider shall cause to be regularly and punctually all expenses authorized in other sections of this Agreement. In addition, Service Provider shall cause to be disbursed punctually mortgage interest and amortization, real estate and other taxes, water and sewer rents, and all other expenses, charges, license fees, taxes, or assessments of every nature with respect to the Business, including Service Provider's compensation then due.

6. Controls on Disbursements. Service Provider shall organize and maintain a system of controls designed to insure the authenticity of bills paid, and the fairness of the price charged for services performed or goods purchased for the benefit of the Business. In furtherance of this goal, Service Provider shall authorize all purchasing and hiring of services only by supervisory personnel of Service Provider.

7. Records. Service Provider agrees to keep accurate, complete records, showing income and expenditures in connection with the operation of the Business, to the end that any accounts payable, other obligations, cash, accounts receivable, and other assets pertaining thereto can be identified and the amount determined at all times. Consultant shall have the right at any reasonable time, through its representatives, to inspect any record of Service Provider which in Consultant's opinion may verify the financial or monthly reports, including, but not limited to, all checks, bills, vouchers, statements, cash receipts, correspondence, and all other records in connection with the management of the Business. Consultant shall further have the right at its expense to cause an audit to be made of all account books and records connected with the management of the Business by Service Provider. Notwithstanding the foregoing, if the audit shows that the amount due Consultant was understated in the reports of Service Provider by at least five percent (5%), Service Provider shall reimburse Consultant for such audit and shall immediately pay to Consultant the understated amount. Service Provider shall also maintain copies of all leases, subleases, amendments thereto, service contracts and other documents and agreements relating to the use and operation of the Business.

8. Reports. Service Provider, at Consultant's expense, agrees to prepare on behalf of Consultant:

(a) Business tax forms;

(b) Personal property declarations; and

(c) All other similar forms and reports necessary for the operation of the Business.

9. Advice - Upon either oral or written request by Consultant, Service Provider shall provide advice to Consultant regarding the operation of the Business, including advice and assistance regarding the financing or sale of the Business or any other financial issues

relating to the management or ownership of the Business. Final decisions regarding said issues, however, shall be the sole responsibility of Consultant.

10. Compensation of Agent. As compensation for services under this Agreement, Consultant shall pay Service Provider a monthly fee in an amount equal to one-quarter percent (0.25%) of the gross revenues (net of contractual adjustments) of the Facility for the preceding month (the "Fee"). The Fee is due and payable within twenty-five (25) days after the end of the month in which the Service Provider provides services.

11. Term of Agreement. This Agreement shall become effective as of the date hereof, and shall be terminable at any time by Consultant upon thirty days' prior written notice.

12. Termination Upon Sale. Consultant shall notify Service Provider at least thirty (30) days before an anticipated transfer of title of the Real Estate. Upon such transfer of title, this Agreement shall automatically terminate.

13. Consequence of Termination. Upon termination of this Agreement:

(a) All of the records in the possession of Service Provider pertaining to the operation of the Business, together with any other property of Consultant in Service Provider's possession, shall be immediately delivered to Consultant.

(b) Service Provider's rights to compensation shall immediately cease, except for any amounts payable hereunder relating to the period prior to the date of termination.

(c) The agency created hereby shall immediately cease, and Service Provider shall have no further right to act for Consultant.

14. Notice. All notices required under this or any article of this Agreement shall be in writing, either: (1) delivered by registered or certified mail, postage prepaid, return receipt requested; or (2) by facsimile or by personal delivery. Notice shall be deemed communicated as of deposit in the United States mail, or upon facsimile or personal delivery, respectively. The place to which notices shall be addressed to each party appears after the signatures below; provided, however, that each party may change its address by notice in accordance with this Section.

15. The parties hereto acknowledge that Service Provider is an independent contractor and that Service Provider, its officers, directors and shareholders do or may engage in other businesses, including managing or owning other buildings in the immediate vicinity of the Business of Consultant. Nothing in this Agreement shall or is intended to restrict Service Provider, its officers, directors and shareholders from owning or managing other buildings, whether or not said buildings are in the immediate vicinity of, or in competition with Consultant's Business. Further, the parties acknowledge that Service Provider is not a partner, joint venturer or employee of Consultant and is acting solely as Consultant's agent.

16. If either party to this Agreement is in default (hereinafter referred to as the "Defaulting Party") under the terms of this Agreement, the other party (hereinafter referred to as the "Non-Defaulting Party") shall give the Defaulting Party written notice of such default and the

Defaulting Party shall have fifteen (15) days to correct such default. In the event that the default is not cured within the said fifteen (15) day period the Non-Defaulting Party may terminate this Agreement and/or pursue any other remedy now or hereafter available under the laws or judicial decisions of the State of California or the United States.

17. If either Consultant or Service Provider commences or engages in a legal action by or against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the losing party such actual attorneys' fees and other costs incurred in the action and in preparation for said action as the court may allow.

18. Service Provider shall comply with the limitations imposed on the Managing General Partner of Consultant as set forth in the limited partnership agreement of Consultant, or Manager/Managing Member as set forth in the limited liability company operating agreement of Consultant, as amended from time to time, as if Service Provider had been the Managing General Partner or Manager/Managing Member of Consultant, but only to the extent that such limitations relate to the duties and authority of Service Provider under this Agreement.

19. The parties acknowledge that Operator and RealCo shall be express third party beneficiaries of this Agreement. Subject to the foregoing, the provisions of this Agreement are solely for the benefit of the parties hereto and are not intended to confer upon any person, except the parties hereto, any rights or remedies hereunder.

(Signatures appear on following page)

"CONSULTANT"

Signature HealthCARE Consulting Services, LLC

By: _____
Its: VP and General Counsel

Notice Address:

12201 Bluegrass Parkway

Louisville, Kentucky 40299

"SERVICE PROVIDER"
The Arba Group, Inc.

By:_____
Its: President

Notice Address:

6300 Wilshire Blvd., Suite 1800
Los Angeles, CA 90048

EXHIBIT C

Business Associate Addendum

This Business Associate Addendum ("Addendum") is by and between LP Johnson City, LLC, a Delaware limited liability company ("Provider"), and Signature HealthCARE Consulting Services, LLC, a Delaware limited liability company ("Associate").

1. Purpose. This Addendum is incorporated into and made part of that Consulting Services Agreement between Provider and Associate. Provider and Associate agree to comply with the requirements of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), its implementing privacy regulations (45 C.F.R. Part 160 and Part 164, Subparts A and E) (the "Privacy Rule"), and its implementing security regulations (45 C.F.R. Part 160 and Part 164, Subpart C) (the "Security Rule"). It is the understanding of the parties that Associate is acting as a business associate (as defined under the Privacy Rule) of Provider when providing the Services, as defined below, that involve the receipt or creation of Protected Health Information.

2. Definitions. All capitalized terms not defined herein shall have the meanings set forth in the Privacy Rule and Security Rule. References to "PHI" refer to Protected Health Information created or received by Associate for or from Provider.

3. Services. Associate provides services that involve the use and/or disclosure of PHI ("Services") pursuant to the Management Services Agreement ("Service Agreement") between the parties.

4. Permitted Uses and Disclosures. Associate shall not use or disclose any PHI other than as permitted by this Addendum or as Required By Law. Associate may use and disclose PHI in order to provide the Services to Provider and to perform Associate's obligations under the Service Agreement, provided that such use or disclosure would not violate the Privacy Rule if done by Provider directly. Associate may also use or disclose PHI as required for Associate's proper management and administration, provided that if Associate discloses any PHI to a third party for such a purpose, Associate shall receive the agreement of such third party (i) to hold the PHI confidentially and not to use or further disclose the PHI except as Required By Law or for the purpose for which it was disclosed to such third party, and (ii) to notify Associate immediately of any instances of which it becomes aware in which the confidentiality of the PHI has been breached. Associate may also (a) use PHI to perform Data Aggregation services relating to the Health Care Operations of Provider; (b) use or disclose PHI to report violations of the law to federal or state authorities consistent with 45 C.F.R. § 164.502(j)(1); and (c) use PHI to create information that is de-identified consistent with the requirements set forth at 45 CFR §164.514.

5. Reporting. If Associate becomes aware of any use or disclosure of PHI by Associate in violation of this Addendum, Associate shall report promptly such information to Provider. Associate shall also report promptly to Provider any Security

Incidents involving electronic PHI of which Associate becomes aware. The parties acknowledge and agree that this section constitutes notice by Associate to Provider of the ongoing existence and occurrence of attempted but Unsuccessful Security Incidents (as defined below) for which no additional notice to Provider shall be required. "Unsuccessful Security Incidents" shall include, but not be limited to, pings and other broadcast attacks on Associate's firewall, port scans, unsuccessful log-on attempts, denials of service and any combination of the above, so long as no such incident results in unauthorized access, use or disclosure of electronic PHI.

6. Agents and Subcontractors. Associate shall require any agent or subcontractor that carries out any duties for Associate involving the use or disclosure of PHI to agree to comply with the same obligations as Associate as set forth in this Addendum.

7. Patient Rights. To the extent Associate maintains PHI in a Designated Record Set and to the extent necessary for Provider to comply with 45 C.F.R. §§ 164.524 and 164.526, Associate shall comply promptly with all Provider requests to amend or provide access to PHI in the custody or control of Associate, its agents or subcontractors. Further, Associate will record for each disclosure of PHI that Associate makes that is not excepted from disclosure accounting under 45 C.F.R. § 164.528 the information necessary for Provider to provide an accounting of disclosures in accordance with 45 C.F.R. § 164.528. Associate will make this accounting information available to Provider promptly upon Provider's request. Associate shall have available for Provider this accounting information for the period requested, up to six (6) years preceding Provider's request (except Associate need not have any accounting information for disclosures occurring before the effective date of this Addendum).

8. Safeguards. Associate shall use appropriate physical, technical, and administrative safeguards to prevent the use or disclosure of PHI other than as provided for by this Addendum. Associate agrees to implement administrative, technical and physical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of electronic PHI. Such safeguards for electronic PHI shall be consistent with the requirements applicable to Covered Entities under the Security Rule.

9. Audits and Inspections. Associate shall make its internal practices, books, and records relating to the use and disclosure of PHI available upon request to the Secretary of the U.S. Department of Health and Human Services to determine the Provider's compliance with the Privacy Rule and Security Rule. Notwithstanding the above, no attorney-client, accountant-client, or other legal privilege shall be deemed waived by Provider or Associate by virtue of this provision.

10. Term and Termination. This Addendum shall be effective as of the effective date of the Service Agreement. This Addendum shall remain in effect until the Service Agreement terminates or this Addendum is terminated as set forth below, whichever is earlier. Provider may terminate this Addendum and the Service Agreement upon written notice to Associate if Associate breaches any material provision of this Addendum and fails to cure such breach within 30 days following notice. Upon termination of this Addendum for any reason, Associate shall, if feasible, return or

destroy all PHI in the possession of Associate, its agents or its subcontractors. If return or destruction is not feasible, Associate may continue to maintain such PHI but still continue to abide by the terms and conditions of this Addendum with respect to such PHI and shall limit its further use or disclosure of such PHI to those purposes that make return or destruction of the information infeasible. Upon termination of this Addendum for any reason, all of Associate's obligations under this Addendum shall survive termination and remain in effect (a) until Associate has completed the return or destruction of PHI and (b) to the extent Associate retains any PHI pursuant to this section. Notwithstanding the foregoing, nothing in this Addendum shall limit any existing rights of the parties to terminate the Service Agreement.

11. Interpretation. Any ambiguity in this Addendum shall be resolved to permit Provider to comply with the Privacy Rule and Security Rule. To the extent there are any inconsistencies between this Addendum, the Service Agreement or any other agreement between the parties related to the Services, this Addendum will govern. Nothing in this Addendum shall be construed to create any rights or remedies in any third parties. This Addendum replaces and supersedes any prior business associate agreements between the parties.

EXHIBIT 3.2(B)-2

CONSULTING SERVICES AGREEMENT (CLINICAL)

CLINICAL CONSULTING SERVICES AGREEMENT

THIS AGREEMENT ("Agreement") is entered into and effective as of this 1st day of July, 2016, (the "Effective Date"), by and between Signature HealthCARE Clinical Consulting Services, LLC, a Delaware limited liability company ("Consultant"), and LP Johnson City, LLC, a Delaware limited liability company ("Provider").

RECITALS

WHEREAS, Mountain States Health Alliance, a Tennessee non-profit corporation ("MSHA"), owns and operates a skilled nursing unit known as Princeton Transitional Care, located in Johnson City Medical Center in Johnson City, Tennessee ("Existing Unit");

WHEREAS, Provider is in the process of building a skilled nursing and assisted living facility to be located at 401 Princeton Road, Johnson City, Tennessee ("Facility") of which once built and operational Provider will be the licensed owner and operator;

WHEREAS, MSHA has entered into a Management Services Agreement, dated July 1, 2016, pursuant to which Provider will manage the operations of the Existing Unit ("Management Agreement") until such time as the Facility is prepared to commence operations;

WHEREAS, Provider wishes to subcontract certain services to Consultant in connection with its management of the Existing Unit, and upon the commencement of operations at the Facility, provide such services in connection with the operation of the Facility; and

WHEREAS, the parties hereto wish to document their agreement with respect to the provision of such services by Consultant to Provider.

NOW, THEREFORE, in consideration of the facts referenced above and the covenants contained herein, and for other valuable consideration, **IT IS HEREBY AGREED AS FOLLOWS**:

ARTICLE I
SERVICES AND OBLIGATIONS OF CONSULTANT

A. **Services**. Consultant shall provide those services listed on **Exhibit A** attached hereto and incorporated herein, to Provider.

ARTICLE II
COMPENSATION

A. **Consulting Fee**. As compensation for the services rendered by the

Consultant, the Provider shall pay the Consultant a monthly fee in an amount equal to one-half percent (0.5%) of the gross revenues (net of contractual adjustments), of the Existing Unit or Facility (as applicable) ("Consulting Fee"). The Consulting Fee is due and payable within twenty (20) days after the end of each month in which the Consultant provides services.

ARTICLE III
RIGHTS AND OBLIGATIONS OF PROVIDER

A. **Provider Responsibilities**. Provider acknowledges and agrees that the following duties and responsibilities below are the duties of Provider and are not the duties or obligations of Consultant. Notwithstanding the foregoing, Provider's duties below with respect to the Existing Unit shall be subject to the Management Agreement:

1. Provider shall supervise and direct the management of the Existing Unit to assist MSHA in maintaining the Existing Unit in substantial compliance with the requirements of any applicable statute, ordinance, law, rule, regulation or order of any governmental or regulatory body having jurisdiction over the Existing Unit. Once operational, Provider shall supervise and direct the operation of the Facility in accordance with the foregoing sentence.

2. Provider shall supervise and manage the operation of the Existing Unit or Facility (as applicable), including, but not limited to, the provision of care to residents, staffing and general onsite administration. In connection therewith, Provider shall supervise the employees and other service providers providing services at the Existing Unit or Facility (as applicable).

3. Provider shall supervise and direct the day-to-day business activities, management and operation and repair of the Existing Unit or Facility (as applicable), and all phases of its operation; provided that, with respect to the Existing Unit, such authority has been delegated to Provider by MSHA pursuant to the Management Agreement.

4. Provider shall supervise and direct the obtaining and maintenance, all licenses, certifications, permits, consents, approvals and certifications required for the operation of the Existing Unit or Facility (as applicable).

5. Provider shall supervise and direct the Existing Unit or Facility (as applicable) activities as may be required to maintain and preserve all necessary licenses, certifications, permits, consents and approvals to operate the Existing Unit or Facility (as applicable)so as to substantially comply with all applicable laws, rules and regulations.

6. Provider shall supervise and direct the institution of written standards and

procedures for the operations of the Existing Unit or Facility (as applicable).

7. Provider shall supervise and direct the establishment and maintenance of policy and procedure manuals needed with reference to the operation of the Existing Unit or Facility (as applicable) so that the it complies with all applicable local, state, and federal laws, regulations and requirements.

8. Provider shall supervise and direct the selection, employment, compensation, supervision, and training an adequate staff, as required by law including an administrator for the Existing Unit or Facility (as applicable).

9. Provider shall supervise and direct the promotion, direction, assignment, and discharging all such employees.

10. Provider shall supervise and direct the contracting for all necessary services for the general operation and maintenance of the Existing Unit or Facility (as applicable).

B. During the Term, MSHA is and will remain the responsible licensee of the Existing Unit, and after the establishment of the Facility, Provider will be the licensee of the Facility. As such, subject to the terms of this Agreement, MSHA or Provider (as applicable) is fully liable and legally accountable at all times to all patients and governmental organizations for all patient care and funds.

ARTICLE IV
TERM / TERMINATION

A. **Term**. The term of this Agreement shall begin on the Effective Date and continue until terminated as provided herein.

B. **Termination**.

1. Without Cause. Either party may terminate this Agreement by providing thirty (30) days' written notice to the other party.

2. Automatic Termination. This Agreement will terminate automatically upon the occurrence of the following events: (a) The termination of the Management Agreement by MSHA pursuant to Section 10.5 of the Management Agreement; (b) Consultant is excluded from participation in any federal health care program as defined at U.S.C. § 1320a-7b(f); or (c) The Operating Agreement of Provider between SHC LP Holdings III, LLC and Blue Ridge Medical Management Corporation is terminated and/or Provider is dissolved.

3. Default. In the event of default by either party of any of its obligations hereunder and in the event such default shall continue for ten (10) days after receipt of

written notice thereof, then the non-defaulting party may terminate this Agreement immediately and seek any remedy available hereunder, at law and/or in equity.

ARTICLE V
ATTORNEYS' FEES

A. **Prevailing Party**. If any party brings an action or proceeding to enforce or interpret the terms hereof or declare rights hereunder, the prevailing party (as hereinafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "prevailing party" shall include, without limitation, a party who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other party of its claim or defense. The attorneys' fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred.

ARTICLE VI
ADDITIONAL ACKNOWLEDGEMENTS

A. **Certification and Conduct**. For so long as services under this Agreement are provided at the Existing Unit, Consultant's employees, agents or representatives, shall complete MSHA's Vendor Certification Program, orientation and badging process. While performing services in the Existing Unit, Consultant's personnel shall wear appropriate Provider identification badges and shall not hold themselves out as employees or personnel of MSHA. While present on MSHA premises, or accessing MSHA IT resources, Consultant's personnel will be subject to the policies and procedures of MSHA. Provider may exercise its discretion and remove or bar any Consultant's personnel who poses an immediate risk of harm to self, others, or property or who is deemed to be conducting oneself contradictory to MSHA's mission.

B. **Debarment and Suspension**. Consultant hereby certifies that neither it, its subcontractors or its affiliates nor any of their respective personnel providing services at all times during the term of this Agreement (a) a listed vendor in the Federal General Services Administration's "List of Parties Excluded from Federal Procurement or Nonprocurement Programs" in accordance with Presidential Executive Orders 12549 and 12689, "Debarment and Suspension;" (b) listed in the Office of Inspector General's "List of Excluded Individuals/Entities (LEIE)" pursuant to 42 U.S.C. 1320a-7; or (c) ever been convicted of a criminal offense related to healthcare. Consultant shall notify Provider immediately in the event that any of the aforementioned certifications becomes untrue or if Consultant is the subject of government investigation that could lead to one or more certifications being untrue. Consultant shall promptly remove any person from providing services on behalf of Provider hereunder in the event such certifications become untrue with respect to such person.

C. **Code of Ethics and Business Conduct**. Consultant acknowledges it has received and reviewed a copy of the Code of Ethics and Business Conduct of MSHA found at https://www.mountainstateshealth.com/sites/default/files/documents/MSHA-CODE-OF-ETHICS-MSHA-revised-1411-06212011_06212011_132847.pdf. For so long as services under this Agreement are provided at the Existing Unit, Consultant agrees that it will abide by its terms and provisions.

D. **Access to Records**. Upon the written request of the Secretary of Health and Human services or the Comptroller General or any of their duly authorized representatives, Consultant shall make available to the Secretary the contracts, books, documents and records that are necessary to verify the nature and extent of the cost of providing such services. Such inspection shall be available up to four (4) years after the rendering of such services.

E. **Insurance**. Each party shall, during the term of the Agreement, maintain at such party's own expense, (i) workers' compensation insurance coverage for its or its affiliates' employees; (ii) commercial general liability insurance; and (iii) professional liability insurance in the event that such party provides any professional services. Such general and professional liability insurance may be provided on either an occurrence or claims-made basis, and shall provide limits of liability in the minimum amount of one million dollars ($1,000,000) per occurrence with an annual aggregate of three million dollars ($3,000,000). If any liability insurance coverage required above is maintained on a claims made basis, such insurance shall continue throughout the term of the Agreement; and upon the termination, expiration or non-renewal of the Agreement, or the expiration or cancellation of the insurance, the party holding such policy shall purchase and maintain coverage for claims presented after the termination, expiration or non-renewal of the Agreement that arise from such party's acts or events occurring during the term of the Agreement. Upon request, each party shall provide the other party with a copy of all applicable policies or certificates of insurance, evidencing the existence of all coverage required hereunder. Each party shall provide the other party with not less than thirty (30) days' prior written notice in the event of a material change in such policies affecting the Existing Unit or the Facility.

F. **Confidentiality**. During the term of this Agreement and surviving its expiration or termination, Consultant will regard and preserve as confidential all information related to the business of MSHA, Provider, their affiliates and their respective clients and patients (each a "Disclosing Party") that may be obtained as the result of this Agreement. Consultant will not, without first obtaining such Disclosing Party's prior written consent, disclose to any person, firm or enterprise or use for its benefit any information relating to the business of such Disclosing Party, including but not limited to: pricing methods, processes, financial data, lists, apparatus, statistics, programs, research, development or related information of such Disclosing Party concerning their past, present or future business activities or plans, and results or terms of the sale of products or provision of services by Consultant under this Agreement.

This confidentiality obligation does not apply to: (a) information that is publicly known prior to the disclosure or becomes publicly known through no wrongful act of the Consultant; (b) information that was in lawful possession of the Consultant prior to the disclosure and was not received as a result of any breach of confidentiality with respect to MSHA or its affiliates; or (c) information that was independently developed by Consultant outside the scope of this Agreement. In the event of a request for disclosure pursuant to court order or regulatory agency request, Consultant shall provide immediate notice to such Disclosing Party in order to provide an opportunity to oppose such request for disclosure or receive an appropriate protective order, and Consultant shall cooperate with such Disclosing Party in taking any reasonable steps to resist or narrow such request. If, in the absence of a protective order or the receipt of a waiver under this Agreement, Consultant is compelled to disclose any confidential information or be liable for contempt or suffer other censure or penalty, then Consultant may disclose only the portion of such confidential information as required by law.

G. **Protected Health Information**. Consultant and its personnel shall maintain the confidentiality of all patient records and data, including, without limitation, individually identifiable health information (the "Protected Health Information" or "PHI") and obtain appropriate authorization prior to any disclosure of such records and data. All title to medical records, charts, and patient files and data shall be and remain the sole property of MSHA. Notwithstanding any provision herein to the contrary, Provider acknowledges and agrees that neither it, nor any of its personnel shall receive access to any patient information beyond that minimum amount of information necessary to accomplish the intended purpose of this Agreement. Consultant agrees that the PHI shall only be used by Consultant and its personnel for the purposes of performing pursuant to this Agreement and shall not be used for marketing, or any other purposes whatsoever, and shall only be disclosed in accordance with the terms hereof. Consultant shall at all times comply with the Business Associate Addendum attached hereto as **Exhibit B**.

ARTICLE VII
INDEMNIFICATION; LIMITATION OF LIABILITY

A. Each Party ("Indemnifying Party") shall indemnify, defend and hold harmless the other Party, its affiliates and their respective officers, directors, employees, agents and contractors ("Indemnified Parties") from any and losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, including reasonable attorneys' fees, that are incurred by any Indemnified Party (collectively, "Losses"), arising out of or relating to a breach of this Agreement by the Indemnifying Party.

B. Consultant shall indemnify and hold harmless Provider, its affiliates and their respective officers, directors, employees, agents and contractors ("Provider Indemnified Parties") from any Losses arising out of or relating to the acts or omissions of the Consultant, its affiliates or their respective officers, directors, employees, agents

or contractors during the term of this Agreement, except to the extent that such Losses are a direct result of the actions or omissions of the Provider Indemnified Parties.

C. Except for liability for breach of Article VI, Sections F and G, in no event shall either party be liable for consequential, indirect, incidental, special, exemplary, punitive or enhanced damages, arising out of, or relating to, or in connection with any breach of this Agreement regardless of (a) whether such damages were foreseeable, (b) whether or not the other party was advised of the possibility of such damages, and (c) the legal or equitable theory upon which the claim is based.

ARTICLE VIII
GENERAL PROVISIONS

A. **Compliance with Laws**. Consultant, and any of its personnel performing services hereunder, and Provider agree at all times during the existence of this Agreement to comply with all applicable federal, state and local laws, rules, ordinances and regulations as they relate to this Agreement.

B. Equal Employment. Each party hereto warrants that it does not and will not discriminate against any employee or applicant for employment because of race, creed, color, national origin, gender, veteran status, or handicap, or as otherwise may be prohibited by law. Each party hereto warrants that they are in full initial and ongoing compliance with all current applicable federal, state, and local laws, regulations, and ordinances, including but not limited to:

1. Civil Rights Act of 1964;
2. The Rehabilitation Act of 1973;
3. The Fair Labor Standards Act;
4. Equal Opportunity Clause (41 CFR 60.250.5(a); 41 CFR 60-300.5(a); and 41-CFR 60.741.5(a);
5. Affirmative Action Programs (41 CFR 60-1.40(a)(2);
6. Other laws that may apply from time to time as amended.

The parties also agree, where applicable, to comply with the regulations set forth under 29 CFR part 471, Appendix A to Subpart A, regarding NLRA compliance.

ARTICLE IX
MISCELLANOUS PROVISIONS

A. **Partial Invalidity**. The invalidity of one or more phrases, sentences, clauses, or sections contained in this Agreement shall not affect the validity of the remaining portions.

B. **Captions**. The headings to the various sanctions of this Agreement have been inserted for convenience only and shall not modify, define, limit, or expand express provisions of this Agreement.

C. **Amendments**. This Agreement contains the entire understanding between the parties with respect to the subject matter contained herein and may not be modified except by the written, mutual agreement of the parties. This Agreement supersedes all previous and contemporaneous agreements, written or oral, between the parties with respect to the subject matter contained herein.

D. **Waiver**. Failure of any party to insist upon compliance with any provision hereof shall not constitute a waiver thereof. No waiver of any provision of this Agreement shall be effective unless it is in writing and signed by the party against whom it is asserted. Any waiver of any provision of this Agreement shall only be applicable to the specific provision and instance to which it is related and shall not be deemed to be a continuing or future waiver as to such provision or as to any other provision.

E. **Notices**. Any notices or other communication permitted or required pursuant to this Agreement shall be made in writing and shall be delivered personally or sent by an overnight delivery or courier service, by certified or registered mail (postage prepaid) by telegraph, by telex or by facsimile transmission to the parties at the addresses set forth below. Notices shall be deemed given when personally served, telegraphed, telexed or sent by facsimile transmission, or, if sent by overnight delivery or courier service, the day after sent from within the United States, or if mailed, two (2) days after date of deposit in the United States mail.

To CONSULTANT:	Signature HealthCARE Clinical Consulting Services, LLC 12201 Bluegrass Parkway Louisville, KY 40299 Attn: Office of General Counsel
To PROVIDER:	LP Johnson City LLC 12201 Bluegrass Parkway Louisville, KY 40299 ATTN: E. Joseph Steier, III, CEO

F. **Governing Law**. This Agreement shall be governed by the laws of the State of Tennessee. Nashville, Tennessee shall be the sole and exclusive venue for any litigation, special proceeding, or other proceeding between the parties that may be brought or arise out of or in connection with or by reason of this Agreement.

G. **Successors and Assigns**. This Agreement shall inure to the benefit of and be binding upon the parties hereto, their successors and permitted assigns.

H. **Counterparts**. This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

I. **Language**. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identification of the person or persons, firm or firms, corporation or corporations may require.

J. **Execution**. Each of the parties agrees to execute such additional instruments and documents as may be necessary to implement the terms and provisions of this Agreement.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

CONSULTANT

Signature HealthCARE Clinical Consulting Services, LLC, a Delaware limited liability company

By: _____
John Harrison, Chief Financial Officer

PROVIDER

LP Johnson City, LLC,
a Delaware limited liability company

By:_____
_____

EXHIBIT A
Consultant Services

1. Recommend and provide to the Provider clinical policies and procedures in accordance with applicable law and the standard of care in the long term care industry, including updates as necessary.

2. Recommend and assist with the implementation of a regulatory compliance program for the Provider.

3. Assist with providing education and training to Provider's personnel on policies and procedures.

4. Review of quality indicator, certification and licensure, and life safety reports and provide recommendations for improvement to the Provider.

5. Conduct quality assurance surveys of the Provider's clinical operations and provide to the Provider recommendations for improvement.

6. Assist the Provider with plans of correction and responses to regulatory inquiries.

7. Tracking and reporting of regulatory performance for the Provider.

8. Assist the Provider with investigation and assessment of clinical services and incidents.

9. Serve as members of quality assurance committees and advisory boards as requested by the Provider.

EXHIBIT B

Business Associate Addendum

This Business Associate Addendum ("Addendum") is by and between LP Johnson City, LLC, a Delaware limited liability company ("Provider"), and Signature HealthCARE Clinical Consulting Services, LLC, a Delaware limited liability company ("Associate").

1. Purpose. This Addendum is incorporated into and made part of that Clinical Consulting Services Agreement between Provider and Associate. Provider and Associate agree to comply with the requirements of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), its implementing privacy regulations (45 C.F.R. Part 160 and Part 164, Subparts A and E) (the "Privacy Rule"), and its implementing security regulations (45 C.F.R. Part 160 and Part 164, Subpart C) (the "Security Rule"). It is the understanding of the parties that Associate is acting as a business associate (as defined under the Privacy Rule) of Provider when providing the Services, as defined below, that involve the receipt or creation of Protected Health Information.

2. Definitions. All capitalized terms not defined herein shall have the meanings set forth in the Privacy Rule and Security Rule. References to "PHI" refer to Protected Health Information created or received by Associate for or from Provider.

3. Services. Associate provides services that involve the use and/or disclosure of PHI ("Services") pursuant to the Management Services Agreement ("Service Agreement") between the parties.

4. Permitted Uses and Disclosures. Associate shall not use or disclose any PHI other than as permitted by this Addendum or as Required By Law. Associate may use and disclose PHI in order to provide the Services to Provider and to perform Associate's obligations under the Service Agreement, provided that such use or disclosure would not violate the Privacy Rule if done by Provider directly. Associate may also use or disclose PHI as required for Associate's proper management and administration, provided that if Associate discloses any PHI to a third party for such a purpose, Associate shall receive the agreement of such third party (i) to hold the PHI confidentially and not to use or further disclose the PHI except as Required By Law or for the purpose for which it was disclosed to such third party, and (ii) to notify Associate immediately of any instances of which it becomes aware in which the confidentiality of the PHI has been breached. Associate may also (a) use PHI to perform Data Aggregation services relating to the Health Care Operations of Provider; (b) use or disclose PHI to report violations of the law to federal or state authorities consistent with 45 C.F.R. § 164.502(j)(1); and (c) use PHI to create information that is de-identified consistent with the requirements set forth at 45 CFR §164.514.

5. Reporting. If Associate becomes aware of any use or disclosure of PHI by Associate in violation of this Addendum, Associate shall report promptly such

information to Provider. Associate shall also report promptly to Provider any Security Incidents involving electronic PHI of which Associate becomes aware. The parties acknowledge and agree that this section constitutes notice by Associate to Provider of the ongoing existence and occurrence of attempted but Unsuccessful Security Incidents (as defined below) for which no additional notice to Provider shall be required. "Unsuccessful Security Incidents" shall include, but not be limited to, pings and other broadcast attacks on Associate's firewall, port scans, unsuccessful log-on attempts, denials of service and any combination of the above, so long as no such incident results in unauthorized access, use or disclosure of electronic PHI.

6. Agents and Subcontractors. Associate shall require any agent or subcontractor that carries out any duties for Associate involving the use or disclosure of PHI to agree to comply with the same obligations as Associate as set forth in this Addendum.

7. Patient Rights. To the extent Associate maintains PHI in a Designated Record Set and to the extent necessary for Provider to comply with 45 C.F.R. §§ 164.524 and 164.526, Associate shall comply promptly with all Provider requests to amend or provide access to PHI in the custody or control of Associate, its agents or subcontractors. Further, Associate will record for each disclosure of PHI that Associate makes that is not excepted from disclosure accounting under 45 C.F.R. § 164.528 the information necessary for Provider to provide an accounting of disclosures in accordance with 45 C.F.R. § 164.528. Associate will make this accounting information available to Provider promptly upon Provider's request. Associate shall have available for Provider this accounting information for the period requested, up to six (6) years preceding Provider's request (except Associate need not have any accounting information for disclosures occurring before the effective date of this Addendum).

8. Safeguards. Associate shall use appropriate physical, technical, and administrative safeguards to prevent the use or disclosure of PHI other than as provided for by this Addendum. Associate agrees to implement administrative, technical and physical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of electronic PHI. Such safeguards for electronic PHI shall be consistent with the requirements applicable to Covered Entities under the Security Rule.

9. Audits and Inspections. Associate shall make its internal practices, books, and records relating to the use and disclosure of PHI available upon request to the Secretary of the U.S. Department of Health and Human Services to determine the Provider's compliance with the Privacy Rule and Security Rule. Notwithstanding the above, no attorney-client, accountant-client, or other legal privilege shall be deemed waived by Provider or Associate by virtue of this provision.

10. Term and Termination. This Addendum shall be effective as of the effective date of the Service Agreement. This Addendum shall remain in effect until the Service Agreement terminates or this Addendum is terminated as set forth below, whichever is earlier. Provider may terminate this Addendum and the Service Agreement upon written notice to Associate if Associate breaches any material provision of this Addendum and fails to cure such breach within 30 days following notice. Upon

termination of this Addendum for any reason, Associate shall, if feasible, return or destroy all PHI in the possession of Associate, its agents or its subcontractors. If return or destruction is not feasible, Associate may continue to maintain such PHI but still continue to abide by the terms and conditions of this Addendum with respect to such PHI and shall limit its further use or disclosure of such PHI to those purposes that make return or destruction of the information infeasible. Upon termination of this Addendum for any reason, all of Associate's obligations under this Addendum shall survive termination and remain in effect (a) until Associate has completed the return or destruction of PHI and (b) to the extent Associate retains any PHI pursuant to this section. Notwithstanding the foregoing, nothing in this Addendum shall limit any existing rights of the parties to terminate the Service Agreement.

11. Interpretation. Any ambiguity in this Addendum shall be resolved to permit Provider to comply with the Privacy Rule and Security Rule. To the extent there are any inconsistencies between this Addendum, the Service Agreement or any other agreement between the parties related to the Services, this Addendum will govern. Nothing in this Addendum shall be construed to create any rights or remedies in any third parties. This Addendum replaces and supersedes any prior business associate agreements between the parties.

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EXHIBIT 3.2(B)-3

EMPLOYEE SERVICES AGREEMENT

EMPLOYEE SERVICES AGREEMENT

THIS EMPLOYEE SERVICES AGREEMENT ("Agreement") is made and entered into as of this 1st day of July, 2016 (the "Effective Date"), by and between LP Johnson City, LLC, a Delaware limited liability company ("Recipient"), and Signature Payroll Services, LLC, a Delaware limited liability company ("SPS").

Mountain States Health Alliance, a Tennessee non-profit corporation ("MSHA"), owns and operates a skilled nursing unit known as Princeton Transitional Care, located in Johnson City Medical Center in Johnson City, Tennessee ("Existing Unit").

Recipient is in the process of building a skilled nursing and assisted living facility to be located at 401 Princeton Road, Johnson City, Tennessee ("Facility") of which, once established, Recipient will be the licensed owner and operator.

MSHA has entered into a Management Services Agreement, dated July 1, 2016, pursuant to which Recipient will manage the operations of the Existing Unit ("Management Agreement") until such time as the Facility is prepared to commence operations.

Pursuant to the Management Agreement, Recipient has the right to delegate certain of its obligations with respect to the Existing Unit to affiliates; and Recipient has the right to contract with third parties to provide certain services to the Facility.

Recipient wishes for SPS to provide personnel to Recipient to enable it to manage the Facility and SPS wishes to provide such personnel.

The parties agree as follows:

ARTICLE I – EMPLOYMENT ARRANGEMENT

Section 1.1 *General.* In accordance with the terms and subject to the provisions of this Agreement, SPS agrees to procure, employ and make available to Recipient at the Existing Unit or Facility (as applicable) such personnel as Recipient shall, from time to time, deem necessary to manage the operations of the Existing Unit, or operate the Facility (the "Provisioned Personnel"). SPS shall be responsible for the overall direction and control of the Provisioned Personnel and shall retain common law employer responsibilities for the Provisioned Personnel as stated in this Agreement and as may be required by law; *provided* that Recipient shall:

(i) undertake responsibilities pertaining to the operation of the core elements of the Existing Unit or Facility (as applicable), including direct supervision of the day to day activities of the Provisioned Personnel assigned to the Existing Unit or Facility (as applicable) in furtherance of Recipient's business; and

(ii) instruct the Provisioned Personnel as is necessary to conduct and manage the Existing Unit or Facility (as applicable), discharge any of Recipient's fiduciary responsibilities, or comply with any legal requirements applicable to Recipient.

Section 1.2 *Additional Provisioned Personnel.* Recipient shall be entitled to request and SPS shall as reasonably as practicable, provide and make available at the Existing Unit or Facility (as applicable) additional Provisioned Personnel. Recipient understands, agrees, and acknowledges that no person shall become employed by SPS, be covered by SPS's workers' compensation insurance or any other benefit or term or condition of employment, or be issued a payroll check by SPS unless that person has, prior to commencing such employment, completed SPS's W-4 withholding form and form I-9, all of which must be delivered to SPS before the person commences employment. SPS shall not be considered an employer for any person until that individual completes these forms and Recipient is notified that the person has been hired by SPS. In addition, SPS shall not be considered to be an employer of any person, for whom payroll information is not supplied during any payroll period, except as may be required by applicable law.

Section 1.3 *Employer Services.* SPS agrees to administer and/or provide the following employer services to the Provisioned Personnel for Recipient:

(a) paying payroll/wages;
(b) payroll processing;
(c) human resource compliance assistance;
(d) assignment of employees to the Existing Unit or Facility (as applicable);
(e) administering any non-statutory and non-compulsory employee benefits as selected by Recipient;
(f) administering required federal, state and local employee payments or withholdings from wages, as well as required employer remittances of employment taxes to federal, state and local taxing authorities; and
(g) such other services as may be mutually agreed upon.

ARTICLE II – CERTAIN RESPONSIBILITIES OF EACH PARTY

Section 2.1 *Responsibilities of SPS in Connection with Provision of Employment Services.* SPS shall be responsible for:

(a) *Provision of Personnel.* Recruiting, sourcing, interviewing and employing Provisioned Personnel.
(b) *Payment of Wages and Benefits.* Paying salaries, bonuses, severance payments, retirement allowances and other benefits to Provisioned Personnel from SPS's payroll and accounts; and providing benefits under employee welfare and benefit plans established or modified by SPS from time to time. All benefits to be provided and all taxes to be paid shall be reported under SPS's federal, state and local tax identification numbers during the term of this Agreement, except as otherwise required by applicable laws or regulations.
(c) *Satisfaction of Reporting and Withholding Obligations.* Compliance with all rules and regulations governing the reporting and payment of federal, state and local, if any, payroll taxes on wages paid under this Agreement, including, but not limited to:
    (i) federal income tax withholding provisions of the Internal Revenue Code of 1986, as amended, including the issuance of Forms W-2 to Provisioned Personnel for the purposes of withholding and paying all employment taxes in connection with the wages SPS pays to Provisioned Personnel;
    (ii) state and/or local income tax withholding provisions, if applicable;
    (iii) Federal Insurance Contributions Act (FICA);
    (iv) Federal and State Unemployment Tax Acts (FUTA and SUTA); and
    (v) applicable state disability tax provisions.
(d) *Compliance with Fair Labor Standards.* Compliance with the Fair Labor Standards Act and similar state legislation, to the extent not assumed by Recipient herein.
(e) *Compliance with Workers' Compensation Insurance Requirements.* Compliance with applicable workers' compensation laws and regulations for Provisioned Personnel, such as:
    (i) procuring and maintaining workers' compensation insurance for all Provisioned Personnel, naming Recipient as an additional insured on such coverage;
    (ii) providing, upon Recipient's written request, a certificate of insurance to Recipient showing workers' compensation coverage in effect for all Provisioned Personnel assigned to the Existing Unit or Facility (as applicable);
    (iii) completing and filing all required reports; and
    (iv) administering, managing, and otherwise processing claims and related procedures.
(f) *Compliance with COBRA Requirements.* Compliance with Internal Revenue Code § 4980B (COBRA) with respect to covered employees who participate in SPS's group coverage, payroll and to whom COBRA provisions apply during the term of or at the time of termination of this Agreement.

(g) *Providing Loss Control Services.* Monitoring and providing loss control services relating to workers' compensation.

(i) *Worker's Notification.* Providing notification to Provisioned Personnel of the inception and termination of this Agreement.

Section 2.2 Responsibilities of Recipient in Connection with Receipt of Employment Services. Recipient shall have the following responsibilities (which may be satisfied by the Provisioned Personnel in connection with the satisfaction of their duties under this Agreement):

(a) *Compliance with Safety Regulations.* Implementing appropriate safety employee procedures including, but not limited to:

(i) compliance with applicable federal, state and local health and safety laws, regulations and ordinances pertaining to the safety and health of residents at the Existing Unit or Facility (as applicable), including, but not limited to the Occupational Safety and Health Act (OSHA);

(ii) maintenance of all safety records and logs;

(iii) implementation of reasonable safety rules, programs or devices which may be required by SPS or SPS's loss control services or SPS's workers' compensation carrier;

(iv) providing and ensuring use of all personal protective equipment, as required by applicable federal, state or local law, regulation, ordinances, directives, or rules deemed necessary by SPS's loss control services and/or SPS's workers' compensation carrier;

(v) reporting all employee accidents and injuries to SPS within 24 hours of having actual knowledge of such injury and cooperating in conducting any investigation following the accident and, if required due to medical restrictions, permit the employee to work in a modified-duty capacity as requested or recommended by SPS or one of its authorized representatives until such time as the employee is no longer medically restricted from resuming duties performed prior to the accident and make reasonable accommodation(s) which may be required by the Americans With Disabilities Act or any similar federal or state requirements; and

(vi) providing access to the Existing Unit or Facility (as applicable) upon reasonable times to SPS and its loss control services and/or SPS's workers' compensation and liability insurance carriers for inspection to ensure that Provisioned Personnel are not exposed to an unsafe workplace. SPS's right to inspect shall be done in a nondisruptive manner and upon notice to the Recipient. Upon notification by SPS of an unsafe working condition or violation of any applicable law, Recipient shall take reasonable steps to rectify the unsafe condition or correct the violation.

(b) *Compliance with Contracting Requirements.* Satisfying government contracting requirements as regulated by applicable federal, state, county, or local laws, regulations, rules or ordinances.

(c) *Compliance with Employment Related Laws.* Compliance with the Fair Labor Standards Act, the Family Medical Leave Act of 1993, the Americans With Disabilities Act, the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, Equal Pay Act, Executive Order 11246 and any other federal, state or local laws, regulations, or ordinances which govern the employer-employee relationship, as may be amended from time to time, including any conduct, acts, or decisions occurring at the Existing Unit or Facility (as applicable).

(d) *Modification of Facilities.* Payment of all costs associated with physical compliance or facilities modification required to alter the Facility for compliance or for any other needed accommodation(s) to be in compliance with the Americans With Disabilities Act or any similar federal, state or local laws, regulations, rules or ordinances.

(e) *Licensure.* With respect to the Existing Unit, assisting MSHA in obtaining or causing to be obtained, and with respect to the Facility, obtaining any professional licenses or permits required to be obtained by any local, state or federal law or regulation and any other licenses or permits of Recipient or employees assigned to the Existing Unit or

Facility (as applicable). Recipient will, upon request, provide SPS with evidence of compliance with all applicable license and permit requirements.

(f) *Providing Required Supervision.* Providing any and all supervision of Provisioned Personnel required by any applicable local, state or federal law or regulation, including supervision by an individual or entity that is required to possess or maintain a special license or permit.

(g) *Training and Discipline of Provisioned Personnel.* Job training, work evaluation and recommending any discipline deemed necessary of any Provisioned Personnel. Recipient shall have the right to reject any Provisioned Personnel or to have any Provisioned Personnel reassigned; *provided, however*, Recipient agrees that in making such decisions it will at all times comply with applicable laws, regulations, rules or ordinances, and this obligation will survive termination of this Agreement.

(h) *Risk Management.* Bearing any losses resulting from, and implementing and enforcing any and all procedures of the Existing Unit or Facility (as applicable) that exist for the purpose of preventing, the misappropriation, theft or embezzlement of Recipient's personal, real, or intellectual property.

(i) *Maintenance of Insurance.* Maintaining comprehensive general liability insurance covering bodily injury, death and property damage, including, without limitation, unlicensed, specifically licensed and non-owned motor vehicles.

Section 2.3 *Maintenance of Records.*

(a) SPS shall: (i) maintain complete records of all wages and benefits paid by SPS and personnel files relating to the employees assigned to the Existing Unit or Facility (as applicable); (ii) retain control of such records at a location determined solely by SPS; and (iii) make such records available as required by applicable federal, state or local laws, regulations, rules or ordinances. With respect to all employees assigned to the Existing Unit or Facility (as applicable), Recipient retains the right to copy or review all records maintained by SPS.

(b) Recipient manages the Existing Unit or operates the Facility (as applicable) and the scheduling of the Provisioned Personnel's access to the Existing Unit or Facility (as applicable). Recipient therefore agrees to obtain and accurately report to SPS: (1) the total number of hours worked by each Provisioned Personnel, with the hours verified, in accordance with the requirements of the Fair Labor Standards Act and/or any other applicable federal, state or local law, regulation, rule or ordinance; (2) the number of vacation days, sick days and other hours and the reason, per pay period, that any Provisioned Personnel is absent from work; and (3) such other information relating to the Provisioned Personnel as is necessary for SPS to provide the services contemplated under this Agreement. Recipient assumes full responsibility for the accuracy and timeliness of all reports made to SPS.

Section 2.4 *Operation of the Existing Unit or Facility.* All strategic, operational and other business–related decisions with regard to the operation of the Existing Unit or Facility (as applicable) shall be the exclusive responsibility of Recipient, and SPS will have no responsibility, authority or liability for any actions or inactions taken by Recipient with regard to strategic, operational, errors and omissions or other business–related decisions with regard to the operation of the Existing Unit or Facility (as applicable). When implementing such decisions, whether or not the actions are implemented by Provisioned Personnel, Recipient shall be acting solely on its own volition and responsibility, including but not limited to Recipient's negotiation with any necessary party under an applicable collective bargaining agreement to which Recipient is a party. Recipient shall make all filings and reports, including tax returns, applicable to the non-employment aspects of the management of the Existing Unit or Facility (as applicable).

ARTICLE III – TERM AND TERMINATION

Section 3.1 *Term.* Once executed and effective, this Agreement shall remain in force until terminated by either party in accordance with Section 3.2.

Section 3.2 *Termination Upon Advanced Notice.* This Agreement may be terminated (a) by Recipient, upon thirty (30) days prior written notice to SPS by certified mail, or (b) by SPS, upon thirty (30) days prior written notice to Recipient by certified mail.

Section 3.3 *Termination for Breach.* Either party may terminate this agreement upon the other party's breach of any material term or condition of this Agreement, which breach has not been cured within thirty (30) days after written notice thereof.

Section 3.4 *Termination by SPS.* At SPS's option, this Agreement will immediately terminate upon SPS providing written notice to Recipient if:

(a) Subject to Section 3.3, Recipient fails to make payments in compliance with this Agreement;

(b) A voluntary or involuntary petition for reorganization or bankruptcy is filed by or against Recipient; or if Recipient is unable to pay its debts as they become due in the ordinary course of business; and/or

(c) Recipient closes the Existing Unit or Facility (as applicable) without giving thirty (30) days prior written notice to SPS.

Section 3.5 *Automatic Termination.* This Agreement will terminate automatically upon the occurrence of the following events: (a) the termination of the Management Agreement by MSHA pursuant to Section 10.5 of the Management Agreement; (b) SPS or the Provisioned Personnel is excluded from participation in any federal health care program as defined at U.S.C. § 1320a-7b(f); or (c) the Operating Agreement of Recipient between SHC LP Holdings III, LLC and Blue Ridge Medical Management Corporation is terminated and/or Recipient is dissolved.

Section 3.6 *Effect of Termination.* Termination of this Agreement shall not relieve Recipient of Recipient's obligations for any unpaid Fees under the terms of this Agreement or either party of any of its other obligations accruing hereunder prior to the date of such termination. Notwithstanding anything in this Agreement to the contrary, all obligations arising out of or relating to the Provisioned Personnel shall be solely the responsibility of SPS, and Recipient's only liability shall be for the accrued but unpaid Fees prior to the Effective Date.

ARTICLE IV – PAYMENT

Section 4.1 *Amount of Fees.* In consideration of SPS's performance under the terms of this Agreement, Recipient shall pay fees to SPS in an amount equal to SPS's Costs (as defined below) relating to the applicable reimbursement period. "Costs" means all direct costs actually incurred by SPS to perform SPS's obligations under this Agreement, including all out-of-pocket fees, expenses and costs; all wages and benefits paid or provided to Provisioned Personnel; directly incurred operating costs such as telephone, photocopy, overnight courier and postage charges; and any documented collateral required for SPS to maintain workers' compensation insurance solely with respect to the Provisioned Personnel.

Section 4.2 *Terms of Payment.* All undisputed Fees noticed to Recipient in writing shall be payable by Recipient within twenty (20) business days following Recipient's receipt of such notice. Any undisputed amounts not paid by Recipient to SPS when due are subject to a late penalty of 5% (or the maximum amount permitted by law if less than 5%) of the amount due per month or fraction thereof that remains outstanding. Recipient agrees to collect, verify, and transmit to SPS's designated administrative office, no less than three (3) business days before each payroll date, any information reasonably requested by SPS to determine correctly and accurately the amount of the payment due in accordance with SPS's rules and procedures, which have been provided to Recipient.

ARTICLE V – REPRESENTATIONS AND WARRANTIES

Section 5.1 *Mutual Representation.* Recipient and SPS mutually warrant to each other that neither will violate the Federal Fair Labor Standards Act or in any manner cause or seek to cause a violation of, any applicable federal, state or local law, ordinance, or regulation pertaining to the terms, conditions, and

services of this Agreement. Recipient further warrants that it shall not make any payment of any kind to any employee covered by the terms of this Agreement without the knowledge and consent of SPS, except (1) business-related expense reimbursements; or (2) profit sharing or pension plan distributions made pursuant to the terms of a qualified or non-qualified plan in existence prior to the execution of this Agreement.

Section 5.2 Reserved.

Section 5.3 *Non-Discrimination.* The parties warrant that they do not and will not discriminate against any person because of race, creed, color, national origin, gender, veteran status, or handicap, or as otherwise may be prohibited by law. Each party hereto warrants that they are in full initial and ongoing compliance with all current applicable federal, state, and local laws, regulations, and ordinances, included but not limited to:

1. Civil Rights Act of 1964;
2. The Rehabilitation Act of 1973;
3. The Fair Labor Standards Act;
4. Equal Opportunity Clause (41 CFR 60.250.5(a); 41 CFR 60-300.5(a); and 41-CFR 60.741.5(a));
5. Affirmative Action Programs (41 CFR 60-1.40(a)(2));
6. Other laws that may apply from time to time as amended.

The parties also agree, where applicable, to comply in all material respects with the regulations set forth under 29 CFR part 471, Appendix A to Subpart A regarding NLRA compliance.

ARTICLE VI – INDEMNIFICATION

Section 6.1 Mutual Indemnification. Each party ("Indemnifying Party") shall indemnify, defend and hold harmless the other party, its affiliates and their respective officers, directors, employees, agents and contractors ("Indemnified Parties") from any and losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, taxes, costs, or expenses of whatever kind, including reasonable attorneys' fees, that are incurred by any Indemnified Party (collectively, "Losses"), arising out of or relating to a breach of this Agreement by the Indemnifying Party. For purposes of this Agreement, the Provisioned Personnel shall be deemed employees of SPS, and shall not be deemed agents, employees or contractors of Recipient.

Section 6.2 Indemnification by SPS. SPS shall indemnify, defend and hold harmless Recipient, its affiliates and their respective officers, directors, employees, agents and contractors ("Recipient Indemnified Parties") from any Losses arising out of or relating to the actions or omissions of SPS or the Provisioned Personnel during the term of this Agreement, except to the extent that such Losses are a direct result of the actions or omissions of the Recipient Indemnified Parties.

Section 6.3 Limitation on Indemnification. In no event shall either party be liable for consequential, indirect, incidental, special, exemplary, punitive or enhanced damages, arising out of, or relating to, or in connection with any breach of this Agreement regardless of (a) whether such damages were foreseeable, (b) whether or not the other Party was advised of the possibility of such damages, and (c) the legal or equitable theory upon which the claim is based.

Section 6.4 Survival of Indemnification. All indemnification obligations shall survive the termination of this Agreement.

ARTICLE VII – ADDITIONAL ACKNOWLEDGEMENTS

Section 7.1 Certification and Conduct. SPS's employees (including the Provisioned Personnel), agents or representatives, shall complete MSHA's Vendor Certification Program, orientation and badging process. While performing services in the Existing Unit, the Provisioned Personnel shall wear appropriate

Recipient identification badges and shall not hold themselves out as employees or personnel of MSHA. While present on MSHA premises, or accessing MSHA IT resources, Provisioned Personnel will be subject to the policies and procedures of MSHA. Recipient may exercise its discretion and remove or bar any Provisioned Personnel who poses an immediate risk of harm to self, others, or property or who is deemed to be conducting oneself contradictory to MSHA's mission.

Section 7.2 Debarment and Suspension. SPS hereby certifies that neither it, the Provisioned Personnel, SPS's subcontractors or its affiliates nor any of their respective personnel providing services at all times during the term of this Agreement (a) a listed vendor in the Federal General Services Administration's "List of Parties Excluded from Federal Procurement or Nonprocurement Programs" in accordance with Presidential Executive Orders 12549 and 12689, "Debarment and Suspension;" (b) listed in the Office of Inspector General's "List of Excluded Individuals/Entities (LEIE)" pursuant to 42 U.S.C. 1320a-7; or (c) ever been convicted of a criminal offense related to healthcare. SPS shall notify Recipient immediately in the event that any of the aforementioned certifications becomes untrue or if SPS is the subject of government investigation that could lead to one or more certifications being untrue. SPS shall promptly remove any person from providing services on behalf of Recipient hereunder in the event such certifications become untrue with respect to such person.

Section 7.3 Code of Ethics and Business Conduct. SPS acknowledges it has received and reviewed a copy of the Code of Ethics and Business Conduct of MSHA found at https://www.mountainstateshealth.com/sites/default/files/documents/MSHA-CODE-OF-ETHICS-MSHA-revised-1411-06212011_06212011_132847.pdf. For so long as services under this Agreement are provided at the Existing Unit, SPS agrees that it will abide by its terms and provisions.

Section 7.4 Access to Records. Upon the written request of the Secretary of Health and Human services or the Comptroller General or any of their duly authorized representatives, SPS shall make available to the Secretary the contracts, books, documents and records that are necessary to verify the nature and extent of the cost of providing such services. Such inspection shall be available up to four (4) years after the rendering of such services.

Section 7.5 Confidentiality. During the term of this Agreement and surviving its expiration or termination, SPS will regard and preserve as confidential all information related to the business of MSHA, Recipient, their affiliates and their respective clients and patients (each a "Disclosing Party") that may be obtained as the result of this Agreement. SPS will not, without first obtaining such Disclosing Party's prior written consent, disclose to any person, firm or enterprise or use for its benefit any information relating to the business of such Disclosing Party, including but not limited to: pricing methods, processes, financial data, lists, apparatus, statistics, programs, research, development or related information of such Disclosing Party concerning their past, present or future business activities or plans, and results or terms of the sale of products or provision of services by SPS under this Agreement. This confidentiality obligation does not apply to: (a) information that is publicly known prior to the disclosure or becomes publicly known through no wrongful act of the SPS; (b) information that was in lawful possession of the SPS prior to the disclosure and was not received as a result of any breach of confidentiality with respect to MSHA or its affiliates; or (c) information that was independently developed by SPS outside the scope of this Agreement. In the event of a request for disclosure pursuant to court order or regulatory agency request, SPS shall provide immediate notice to such Disclosing Party in order to provide an opportunity to oppose such request for disclosure or receive an appropriate protective order, and SPS shall cooperate with such Disclosing Party in taking any reasonable steps to resist or narrow such request. If, in the absence of a protective order or the receipt of a waiver under this Agreement, SPS is compelled to disclose any confidential information or be liable for contempt or suffer other censure or penalty, then SPS may disclose only the portion of such confidential information as required by law.

Section 7.6 Protected Health Information. SPS and its personnel shall maintain the confidentiality of all patient records and data, including, without limitation, individually identifiable health information (the "Protected Health Information" or "PHI") and obtain appropriate authorization prior to any disclosure of such records and data. All title to medical records, charts, and patient files and data shall be and remain the sole property of Recipient. Notwithstanding any provision herein to the contrary, Recipient

acknowledges and agrees that neither it, nor any of its personnel shall receive access to any patient information beyond that minimum amount of information necessary to accomplish the intended purpose of this Agreement. SPS agrees that the PHI shall only be used by SPS and its personnel for the purposes of performing pursuant to this Agreement and shall not be used for marketing, or any other purposes whatsoever, and shall only be disclosed in accordance with the terms hereof. SPS shall at all times comply with the Business Associate Addendum attached hereto as **Exhibit A**.

ARTICLE VIII – MISCELLANEOUS

Section 8.1 Notices. All notices and other communications hereunder shall be in writing and shall be deemed duly given (a) on the date of delivery if delivered personally, (b) on the first business day following the date of dispatch if delivered by a nationally recognized next-day courier service, (c) on the fifth business day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid, or (d) if sent by facsimile transmission, when transmitted, and receipt is confirmed by telephone. All notices hereunder shall be delivered to the address set forth adjacent to the recipient's name on the signature page hereto. Any party may, by notice to the other party given in the form specified in this *Section 8.1*, change the address to which such notices are to be given.

Section 8.2 Assignability. This Agreement shall be binding upon and inure to the benefit of the parties hereto and thereto, respectively, and their respective successors and assigns; *provided, however*, that no party hereto or thereto may assign its respective rights or delegate its respective obligations under this Agreement without the express prior written consent of the other parties hereto or thereto.

Section 8.3 Third Party Beneficiaries. The parties acknowledge that, with respect to the Existing Unit, the Provisioned Personnel are being provided to allow Recipient to manage the Existing Unit pursuant to the Management Agreement, and for so long as services are provided at the Existing Unit pursuant to this Agreement, MSHA shall be an express third party beneficiary of this Agreement. The provisions of this Agreement are solely for the benefit of the parties hereto and are not intended to confer upon any Person, except the parties hereto, any rights or remedies hereunder.

Section 8.4 Independent Parties. This Agreement shall in no way be interpreted as creating a partnership or an employment contract, express or implied, between SPS, or the Recipient and any Provisioned Employee.

Section 8.5 Entire Agreement and Waiver. This Agreement, including the schedules and exhibits hereto, if any, constitutes the entire agreement between the parties with regard to this subject matter and supersedes any and all agreements, whether oral or written, between the parties with respect to its subject matter. Failure by either party at any time to require performance by the other party or to claim a breach of any provision of this Agreement will not be construed as a waiver of any subsequent breach nor affect the effectiveness of this Agreement, nor any part of this Agreement, nor prejudice either party as regards to any subsequent action.

Section 8.6 Attorneys Fees. In the event that any action is brought by either party as a result of a breach or default in any provision of this Agreement, the prevailing party in such action shall be awarded reasonable attorney's fees and costs in addition to any other relief to which the party may be entitled.

Section 8.7 Legal Matters and Duty to Cooperate. In the event that an employee or a government agency or entity files any type of claim, lawsuit or charge against SPS, Recipient or both, alleging violation(s) of any law or for failure to do something which is/was otherwise required by law, Recipient and SPS mutually agree to cooperate with each other in the defense of any such claim, lawsuit or charge. SPS and Recipient will make available to each other as required any and all documents that either party has in its possession which relate to any such claim, lawsuit or charge including the availability of persons to provide testimony. Otherwise, the parties mutually agree that this provision shall survive the termination of this Agreement and relates only to claims, lawsuits or charges that pertain or are related to this Agreement.

Section 8.8 *Survivorship.* The terms and conditions of *Section 3.5*, *Article IV, Article V, Article VI*, and all payment obligations shall survive termination of this Agreement.

Section 8.9 *Severability.* If any provision of this Agreement or the application thereof to any person, entity or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof or thereof, or the application of such provision to persons, entities or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby or thereby, as the case may be, is not affected in any manner adverse to any party. Upon such determination, the parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect the original intent of the parties.

Section 8.10 *Headings.* The captions in this Agreement are provided for convenience only and are not part of the terms and conditions of this Agreement.

Section 8.11 *Waivers of Default.* Waiver by any party of any default by the other party of any provision of this Agreement shall not be deemed a waiver by the waiving party of any subsequent or other default, nor shall it prejudice the rights of the other party.

Section 8.12 *Modifications and Implementation.* No provisions of this Agreement shall be deemed waived, amended, supplemented or modified by any party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the party against whom it is sought to enforce such waiver, amendment, supplement or modification; *provided, that* SPS may modify or implement new personnel or management procedures and policies pursuant to federal or state changes, amendments, or passages of new laws affecting same. Electronic mail shall not constitute a written agreement.

Section 8.13 *Governing Law.* This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of Tennessee irrespective of the choice of laws principles of the State of Tennessee, as to all matters, including matters of validity, construction, effect, enforceability, performance and remedies.

Section 8.14 *Force Majeure.* No party shall be deemed in default of this Agreement to the extent that any delay or failure in the performance of its obligations under this Agreement results from any cause beyond its reasonable control and without its fault or negligence, such as acts of God, acts of civil or military authority, acts of terrorism, embargoes, epidemics, war, riots, insurrections, fires, explosions, earthquakes, floods, unusually severe weather conditions, labor problems or unavailability of parts, or, in the case of computer systems, any failure in electrical or air conditioning equipment. In the event of any such excused delay, the time for performance shall be extended for a period equal to the time lost by reason of the delay.

Section 8.15 *Counterparts.* This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party.

Section 8.16 *Interpretation.* Words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other gender as the context requires. The terms "hereof," "herein," and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement. The word "including" and words of similar import when used in this Agreement shall mean "including, without limitation," unless otherwise specified. The word "or" shall not be exclusive.

Section 8.17 *Electronic-Recordkeeping.* The parties agree and acknowledge that this Agreement may be kept in electronic form and that an electronic version of this Agreement will be just as valid and enforceable as the original.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

SPS:

SIGNATURE PAYROLL SERVICES, LLC,
a Delaware limited liability company

By: _____
John Harrison
Chief Financial Officer

RECIPIENT:

LP JOHNSON CITY, LLC, a Delaware limited liability company

By: _____
_____
_____

EXHIBIT A

Business Associate Addendum

This Business Associate Addendum ("Addendum") is by and between LP Johnson City, LLC, a Delaware limited liability company ("Provider"), and Signature Payroll Services, LLC, a Delaware limited liability company ("Associate").

1. Purpose. This Addendum is incorporated into and made part of that Employer Services Agreement between Provider and Associate. Provider and Associate agree to comply with the requirements of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), its implementing privacy regulations (45 C.F.R. Part 160 and Part 164, Subparts A and E) (the "Privacy Rule"), and its implementing security regulations (45 C.F.R. Part 160 and Part 164, Subpart C) (the "Security Rule"). It is the understanding of the parties that Associate is acting as a business associate (as defined under the Privacy Rule) of Provider when providing the Services, as defined below, that involve the receipt or creation of Protected Health Information.

2. Definitions. All capitalized terms not defined herein shall have the meanings set forth in the Privacy Rule and Security Rule. References to "PHI" refer to Protected Health Information created or received by Associate for or from Provider.

3. Services. Associate provides services that involve the use and/or disclosure of PHI ("Services") pursuant to the Management Services Agreement ("Service Agreement") between the parties.

4. Permitted Uses and Disclosures. Associate shall not use or disclose any PHI other than as permitted by this Addendum or as Required By Law. Associate may use and disclose PHI in order to provide the Services to Provider and to perform Associate's obligations under the Service Agreement, provided that such use or disclosure would not violate the Privacy Rule if done by Provider directly. Associate may also use or disclose PHI as required for Associate's proper management and administration, provided that if Associate discloses any PHI to a third party for such a purpose, Associate shall receive the agreement of such third party (i) to hold the PHI confidentially and not to use or further disclose the PHI except as Required By Law or for the purpose for which it was disclosed to such third party, and (ii) to notify Associate immediately of any instances of which it becomes aware in which the confidentiality of the PHI has been breached. Associate may also (a) use PHI to perform Data Aggregation services relating to the Health Care Operations of Provider; (b) use or disclose PHI to report violations of the law to federal or state authorities consistent with 45 C.F.R. § 164.502(j)(1); and (c) use PHI to create information that is de-identified consistent with the requirements set forth at 45 CFR §164.514.

5. Reporting. If Associate becomes aware of any use or disclosure of PHI by Associate in violation of this Addendum, Associate shall report promptly such information to Provider. Associate shall also report promptly to Provider any Security Incidents involving electronic PHI of which Associate becomes aware. The parties acknowledge and agree that this section constitutes notice by Associate to Provider of the ongoing existence and occurrence of attempted but Unsuccessful Security Incidents (as defined below) for which no additional notice to Provider shall be required. "Unsuccessful Security Incidents" shall include, but not be limited to, pings and other broadcast attacks on Associate's firewall, port scans, unsuccessful log-on attempts, denials of service and any combination of the above, so long as no such incident results in unauthorized access, use or disclosure of electronic PHI.

6. Agents and Subcontractors. Associate shall require any agent or subcontractor that carries out any duties for Associate involving the use or disclosure of PHI to agree to comply with the same obligations as Associate as set forth in this Addendum.

7. Patient Rights. To the extent Associate maintains PHI in a Designated Record Set and to the extent necessary for Provider to comply with 45 C.F.R. §§ 164.524 and 164.526, Associate shall comply promptly with all Provider requests to amend or provide access to PHI in the custody or control of Associate, its agents or subcontractors. Further, Associate will record for each disclosure of PHI that Associate makes that is not excepted from disclosure accounting under 45 C.F.R. § 164.528 the information necessary for Provider to provide an accounting of disclosures in accordance with 45 C.F.R. § 164.528. Associate will make this accounting information available to Provider promptly upon Provider's request. Associate shall have available for Provider this accounting information for the period requested, up to six (6) years preceding Provider's request (except Associate need not have any accounting information for disclosures occurring before the effective date of this Addendum).

8. Safeguards. Associate shall use appropriate physical, technical, and administrative safeguards to prevent the use or disclosure of PHI other than as provided for by this Addendum. Associate agrees to implement administrative, technical and physical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of electronic PHI. Such safeguards for electronic PHI shall be consistent with the requirements applicable to Covered Entities under the Security Rule.

9. Audits and Inspections. Associate shall make its internal practices, books, and records relating to the use and disclosure of PHI available upon request to the Secretary of the U.S. Department of Health and Human Services to determine the Provider's compliance with the Privacy Rule and Security Rule. Notwithstanding the above, no attorney-client, accountant-client, or other legal privilege shall be deemed waived by Provider or Associate by virtue of this provision.

10. Term and Termination. This Addendum shall be effective as of the effective date of the Service Agreement. This Addendum shall remain in effect until the Service Agreement terminates or this Addendum is terminated as set forth below, whichever is earlier. Provider may terminate this Addendum and the Service Agreement upon written notice to Associate if Associate breaches any material provision of this Addendum and fails to cure such breach within 30 days following notice. Upon termination of this Addendum for any reason, Associate shall, if feasible, return or destroy all PHI in the possession of Associate, its agents or its subcontractors. If return or destruction is not feasible, Associate may continue to maintain such PHI but still continue to abide by the terms and conditions of this Addendum with respect to such PHI and shall limit its further use or disclosure of such PHI to those purposes that make return or destruction of the information infeasible. Upon termination of this Addendum for any reason, all of Associate's obligations under this Addendum shall survive termination and remain in effect (a) until Associate has completed the return or destruction of PHI and (b) to the extent Associate retains any PHI pursuant to this section. Notwithstanding the foregoing, nothing in this Addendum shall limit any existing rights of the parties to terminate the Service Agreement.

11. Interpretation. Any ambiguity in this Addendum shall be resolved to permit Provider to comply with the Privacy Rule and Security Rule. To the extent there are any inconsistencies between this Addendum, the Service Agreement or any other agreement between the parties related to the Services, this Addendum will govern. Nothing in this Addendum shall be construed to create any rights or remedies in any third parties. This Addendum replaces and supersedes any prior business associate agreements between the parties.

EXHIBIT 3.2(B)-4

THERAPY SERVICES AGREEMENT

THERAPY SERVICES AGREEMENT

THIS THERAPY SERVICES AGREEMENT ("Agreement") is effective as of this 1st day of July, 2016, by and between Signature Rehab Services, LLC, a Delaware limited liability company ("Company"), and LP Johnson City, LLC, a Delaware limited liability company ("Manager").

RECITALS

WHEREAS, Mountain States Health Alliance, a Tennessee non-profit corporation ("MSHA"), owns and operates a skilled nursing unit known as Princeton Transitional Care, located in Johnson City Medical Center in Johnson City, Tennessee ("Existing Unit");

WHEREAS, Manager is in the process of building a skilled nursing and assisted living facility to be located at 401 Princeton Road, Johnson City, Tennessee ("Facility") of which, once established, Manager will be the licensed owner and operator;

WHEREAS, MSHA has entered into a Management Services Agreement, dated July 1, 2016, pursuant to which Manager will manage the operations of the Existing Unit ("Management Agreement") until such time as the Facility is prepared to commence operations;

WHEREAS, Company is a rehab therapy provider that employs and/or otherwise engages qualified professional ("Therapists") who furnish physical and occupational therapy and speech-language pathology services ("Rehabilitation Services");

WHEREAS, Manager desires to engage Company to provide Rehabilitation Services on its behalf to the patients of the Existing Unit or Facility (as applicable) and Company desires to provide these Rehabilitation Services on the terms set forth herein.

NOW, THEREFORE, in consideration of the mutual promises, covenants and conditions contained herein, **IT IS HEREBY AGREED AS FOLLOWS**:

ARTICLE I
SERVICES

A. **Provision of Rehabilitation Services**. Company agrees to perform and/or provide in a timely and professional manner Rehabilitation Services for the benefit of the eligible residents of the Existing Unit or Facility (as applicable) as set forth in the **Rehabilitation Performance Commitment**, which is attached hereto as **Exhibit A** and incorporated by reference.

B. **Location of Rehabilitation Services**. Company shall provide Rehabilitation Services at the Existing Unit or Facility (as applicable). Unless otherwise agreed to by the parties in writing, Manager shall provide, at its sole cost, all space, equipment and supplies necessary for Company to conduct the Rehabilitation Services. Manager shall (i) set aside designated areas adequate for Company's provision of Rehabilitation Services (including, but not limited to, adequate storage space for equipment and supplies) and (ii) maintain such designated areas in accordance with applicable federal, state and local laws, rules and regulations. Without limiting the foregoing, Manager shall ensure that utilities, technical connectivity and support services (such as laundry and housekeeping) reasonably necessary to allow Company to provide Rehabilitation Services at the

Facility are provided. Company will use such space, utilities and support services solely for the purpose of fulfilling its duties under this Agreement.

ARTICLE II
DUTIES AND RESPONSIBILITIES OF COMPANY

A. **Certifications and Licenses.** At all times during the term of this Agreement, Company and its personnel (including the Therapists) shall be qualified and professionally competent to provide the Rehabilitation Services. Company shall provide Manager copies of credentials, if applicable (to include current licenses and/or certifications), and qualifications of any treating therapists who will provide such Rehabilitation Services at the Facility on behalf of Manager, prior to such individual rendering Rehabilitation Services. In addition, Company shall perform criminal background checks, reference checks, and health checks in accordance with applicable law and provide evidence of completion of these checks prior to the Company rendering Rehabilitation Services.

B. **Plan of Treatment**. Company agrees to provide Rehabilitation Services in accordance with professional standards of practice, applicable federal and state laws and regulations, Medicare and other third party payer requirements, and applicable Facility policies and procedures. All Rehabilitation Services shall be provided in accordance with the plan of treatment authorized and periodically reviewed by the resident's treating physician or other qualified health care professional, as permitted by law.

C. **Care Planning Conferences**. Company, will upon request of Manager, participate in conferences required to coordinate the care of an individual resident.

D. **Record Maintenance**. Company will provide timely documentation in the resident's medical record, notes that reflect the Rehabilitation Services provided in accordance with the requirements of Medicare and other third party payers and provide Manager with any records necessary for Manager to, or to assist MSHA to, submit claims for Rehabilitation Services provided by the Company.

ARTICLE III
DUTIES AND RESPONSIBILITIES OF FACILITY

A. **Administrative Responsibility**. Manager shall retain administrative responsibility for the management of the overall care of the residents and shall, at all times, retain administrative responsibility for, and oversight of, the Rehabilitation Services in all respects as required under federal, state or local law and regulation, and payer requirements. Manager's responsibilities include: (i) securing and timely placing in the applicable resident's medical record the required written physician's order for Rehabilitation Services which shall be obtained in accordance with accepted professional practices; (ii) determining proper patient classification utilizing the MDS classification systems, as applicable; and (iii) assuring compliance with the time limitations for completing the MDS assessment and electronically submitting the MDS in accordance with the requirements of the federal Medicare and/or state Medicaid program(s), as applicable, and as such time limitations relate to individual residents of the Facility.

B. **Clinical Record Maintenance**. Manager will maintain a complete and timely clinical record for each resident, including diagnosis, medical history, physicians' orders and progress notes

relating to all Rehabilitation Services rendered, including, as applicable, MDS assessments and resource utilization groups ("RUGS") classifications, relating to the provision of Rehabilitation Services. Manager shall make available to Company and its personnel for review and inspection the individual resident treatments records necessary for the proper evaluation, screening and treatment of Facility's residents. Company agrees to respect and abide by all federal, state and local laws, rules and regulations pertaining to the confidentiality of such medical records.

C. **Physician Orders for Rehabilitation Therapy Services**. Manager will obtain all required written orders, physician certifications, and re-certifications for the provision of Rehabilitation Services to residents from their attending physicians in accordance with accepted professional practices.

D. **Billing and Submission of Cost Reports**. Except as otherwise set forth in this Agreement, Manager shall be responsible for, and incur the costs associated with, preparation and submission of all bills, cost reports and other claims for reimbursement to residents and any government programs and other third party payors; provided, however, that the parties acknowledge that Manager is not responsible for the preparation and submission of cost reports with respect to services provided at the Existing Unit. Company will comply with Manager's billing and payment requirements. Upon request, Company will provide all required therapy billing information to Manager's business office. Manager must notify Company of any changes in a therapy resident's eligibility for third-party payor coverage or payor source. Manager must provide Company with any other information, assistance, documentation and cooperation which is required or appropriate for Company to fulfill its duties and responsibilities under this Agreement and any applicable federal and state laws.

ARTICLE IV
COMPENSATION AND BILLING

A. **Compensation**. Manager shall reimburse Company for the direct expenses it incurs in connection with the provision of the Rehabilitation Services by Company pursuant to this Agreement. As compensation for the Rehabilitation Services rendered by the Company, Manager shall pay the Company a monthly fee based on the following calculations:

([Direct Expenses] + [Regional Overhead] + [Home Office Overhead]) / Reimbursed Minutes = Fee Per Minute (all terms defined below)

- "Direct Expenses" means all direct therapy-related expenses actually incurred by the Company to provide Rehabilitation Services to the Existing Unit or Facility (as applicable) pursuant to this Agreement.

- "Regional Overhead" means all expenses incurred by the Company to provide for regional management of Rehabilitation Services provided to the Existing Unit or Facility (as applicable) pursuant to this Agreement. For clarity, the Regional Overhead shall allocated among all skilled nursing facilities in the "region" of the Existing Unit or Facility (as applicable) to which Company provides therapy services, and shall be calculated by multiplying (1) the sum of the applicable therapy management salaries, taxes, and benefits paid to the regional management team responsible for overseeing the Rehabilitation Services to the Existing Unit or Facility,

by (2) a fraction, the numerator of which is the reimbursed minutes of the Existing Unit or Facility (as applicable), and the denominator of which is the total reimbursed minutes of all skilled nursing facilities of the Company in the same region as the Existing Unit or Facility (as applicable).

- "Home Office Overhead" means all expenses incurred by the Company to provide for national management of Rehabilitation Services provided to the Existing Unit or Facility (as applicable) pursuant to this Agreement. For clarity, the Home Office Overhead shall be allocated among all skilled nursing facilities to which the Company provides therapy services and shall be calculated by multiplying (1) the sum of the applicable therapy management salaries, taxes, and benefits paid to the national management team, plus reasonable travel and other reasonable general and administrative overhead expenses arising out of or relating to Company's provision of the Rehabilitation Services, by (2) a fraction, the numerator of which is the reimbursed minutes of the Existing Unit or Facility (as applicable), and the denominator of which is the total reimbursed minutes of all Company's skilled nursing facilities.

- "Reimbursed Minutes" means the total minutes billed by the Existing Unit or Facility (as applicable) for the provision of Rehabilitation Services provided to its residents during the applicable financial period (as described below).

- "Total Expenses" means the sum of the Direct Expenses, plus the Regional Overhead, plus the Home Office Overhead allocated to the Existing Unit or Facility (as applicable).

The Fee Per Minute shall be reset as of the beginning of each calendar quarter. The Fee Per Minute shall be calculated using the Total Expenses and Reimbursed Minutes of the Existing Unit or Facility (as applicable) from the previous calendar quarter. Once the Fee Per Minute is determined at the beginning of a calendar quarter (typically within thirty (30) days of the close of the previous calendar quarter), the Fee Per Minute is multiplied by the actual monthly Reimbursed Minutes accrued by the Existing Unit or Facility during each billing month in the current calendar quarter to calculate the monthly Fee paid by the Manager to the Company.

For the calendar quarter beginning July 1, 2016 and ending September 30, 2016, the Facility's Fee Per Minute shall be $1.06; thereafter, it shall be recalculated quarterly based on the methodology set forth above.

B. **Payment for Rehabilitation Services**. Manager will pay Company for any undisputed amounts due and owing by Manager under this Agreement within twenty (20) days after the end of each month in which the Company provides Rehabilitation Services. The Company will not be responsible for billing residents and/or any third party payors for the Rehabilitation Services provided hereunder. Manager will directly bill residents and/or the appropriate third parties including, without limitation, governmental agencies and private insurers for all Rehabilitation Services provided hereunder.

C. **Charge Verification**. Company shall furnish Manager or its duly authorized representative with such documents or reports to verify the accuracy of Company's charges under

this Agreement. Manager shall have fifteen (15) days after the receipt of such reports or supporting documentation to dispute any of the fees charged by Company pursuant to this Article IV. The parties will cooperate in good faith to resolve any such disputes within fifteen (15) days after Manager provides Company with notice of such dispute.

D. **Denied Services**. Company will cooperate and assist Manager in appealing third-party denials of claims for Rehabilitation Services.

ARTICLE V
TERM AND TERMINATION

A. **Term**. This Agreement shall be and remain in full force and effect from and after the Effective Date set forth at the beginning of this Agreement and shall continue for an initial term of one (1) year ("Initial Term") unless terminated sooner. Following the Initial Term, this Agreement shall renew automatically for successive one (1) year terms (each a "Term") unless sooner terminated as provided herein.

B. **Termination.**

1. Without Cause. This Agreement may be terminated by either party without cause upon thirty (30) days prior written notice to the other party.

2. Automatic Termination. This Agreement will terminate automatically upon the occurrence of the following events: (a) The termination of the Management Agreement by MSHA pursuant to Section 10.5 of the Management Agreement; (b) Company is excluded from participation in any federal health care program as defined at U.S.C. § 1320a-7b(f); or (c) the Operating Agreement of Manager between SHC LP Holdings III, LLC and Blue Ridge Medical Management Corporation is terminated and/or Manager is dissolved.

ARTICLE VI
GENERAL PROVISIONS

A. **Indemnification**. Each party ("Indemnifying Party") shall indemnify, defend and hold harmless the other party, its affiliates and their respective officers, directors, employees, agents and contractors ("Indemnified Parties") from any and losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, taxes, costs, or expenses of whatever kind, including reasonable attorneys' fees, that are incurred by any Indemnified Party (collectively, "Losses"), arising out of or relating to a breach of this Agreement by the Indemnifying Party. For purposes of this Agreement, the Provisioned Personnel shall be deemed employees of SPS, and shall not be deemed agents or contractors of Recipient. Each Company shall be responsible for its own acts and omissions, including the actions and omissions of the Therapists, in the performance of their duties hereunder, and the acts and omissions of their own employees, contractors, officers, directors and agents and those of their affiliates, and shall indemnify and hold harmless the Manager and its affiliates and their employees, contractors, officers, agents and directors ("Manager Indemnified Parties") from and against any and all Losses incurred by the Manager Indemnified Party as a result of such acts or omissions. Except for liability for breach of Article VI, Section E, in no event shall either party be liable for consequential, indirect, incidental, special, exemplary, punitive or enhanced damages, arising out of, or relating to, or in connection with any breach of this Agreement regardless of (a) whether such damages were foreseeable, (b) whether

or not the other party was advised of the possibility of such damages, and (c) the legal or equitable theory upon which the claim is based. MSHA and its affiliated entities, other Blue Ridge Medical Management Corporation, shall not be deemed to be affiliates of Manager for purposes of this Agreement.

B. **Insurance**. Each party shall maintain, throughout the Term of this Agreement, comprehensive general and professional liability insurance and property damage insurance coverage in amounts reasonably acceptable to the other party, and shall provide evidence of such coverage upon request.

C. **Compliance with Laws**. Company, and any Company personnel performing services hereunder, and Manager agree at all times during the Initial Term or any Renewal Term of this Agreement to comply with all federal, state and local laws, rules, ordinances and regulations as they relate to this Agreement; and to comply with all professional and applicable policies, rules and regulations of Manager. The parties intend and in good faith believe this Agreement complies with the provisions of all Medicare and Medicaid statutes and all other federal and state laws (collectively "Laws"). Should either party express a reasonable belief this Agreement is contrary to any provision of said Laws, or the regulations promulgated thereunder, or any case law or other authority, then the parties agree to attempt in good faith to renegotiate the provision or provisions in question to the mutual satisfaction of all parties. If an agreement cannot be reached within thirty (30) days, this Agreement may be immediately terminated by either party.

D. **Deficit Reduction Act**. Manager does not condone any unlawful activity. Manager is a "covered entity" pursuant to Section 6032 of the Deficit Reduction Act of 2005 and has established policies for detecting fraud, waste and abuse in compliance with the Act. Company and its employees shall abide by such policies and shall cooperate with Manager in any review or audit of claims or services related to Manager.

E. **HIPAA Requirements**. Company, as a rehabilitation services provider, provides health care services directly to patients of the Facility. As such, Company is a "covered entity" under the HIPAA Privacy Rule. 45 C.F.R. §160.103. Manager shall at all times comply with the Business Associate Addendum attached hereto as **Exhibit B**.

F. **Access to Records**. Until the expiration of four years after the furnishing of the Rehabilitation Services provided under this Agreement, Company will make available to the Secretary, U.S. Department of Health and Human Services (the "Secretary"), and the U.S. Comptroller General, and their representatives, this Agreement and all books, documents, and records necessary to certify the nature and extent of the costs of the Rehabilitation Services. If Company carries out the duties of the Agreement through a subcontract worth $10,000 or more over a 12-month period with a related organization, the subcontract will also contain an access clause to permit access by the Secretary, the U.S. Comptroller General, and their representatives to the related organization's books and records.

G. **Certification and Conduct**. For so long as services under this Agreement are provided at the Existing Unit, Company's employees, agents or representatives, shall complete MSHA's Vendor Certification Program, orientation and badging process. While performing services in the Existing Unit, Company's personnel shall wear appropriate identification badges and shall not hold themselves out as employees or personnel of MSHA. While present on MSHA premises, or

accessing MSHA IT resources, Company's personnel will be subject to the policies and procedures of MSHA. Manager may exercise its discretion and remove or bar any Company's personnel who poses an immediate risk of harm to self, others, or property or who is deemed to be conducting oneself contradictory to MSHA's mission.

H. **Debarment and Suspension**. Company hereby certifies that neither it, its subcontractors or its affiliates nor any of their respective personnel providing services at all times during the term of this Agreement (a) a listed vendor in the Federal General Services Administration's "List of Parties Excluded from Federal Procurement or Nonprocurement Programs" in accordance with Presidential Executive Orders 12549 and 12689, "Debarment and Suspension;" (b) listed in the Office of Inspector General's "List of Excluded Individuals/Entities (LEIE)" pursuant to 42 U.S.C. 1320a-7; or (c) ever been convicted of a criminal offense related to healthcare. Company shall notify Manager immediately in the event that any of the aforementioned certifications becomes untrue or if Company is the subject of government investigation that could lead to one or more certifications being untrue. Company shall promptly remove any person from providing services on behalf of Manager hereunder in the event such certifications become untrue with respect to such person.

I. **Code of Ethics and Business Conduct**. Company acknowledges it has received and reviewed a copy of the Code of Ethics and Business Conduct of MSHA found at https://www.mountainstateshealth.com/sites/default/files/documents/MSHA-CODE-OF-ETHICS-MSHA-revised-1411-06212011_06212011_132847.pdf. For so long as services under this Agreement are provided at the existing Unit, Company agrees that it will abide by its terms and provisions.

J. **Confidentiality**. During the term of this Agreement and surviving its expiration or termination, Company will regard and preserve as confidential all information related to the business of MSHA, Manager, their affiliates and their respective clients and patients (each a "Disclosing Party") that may be obtained as the result of this Agreement. Company will not, without first obtaining such Disclosing Party's prior written consent, disclose to any person, firm or enterprise or use for its benefit any information relating to the business of such Disclosing Party, including but not limited to: pricing methods, processes, financial data, lists, apparatus, statistics, programs, research, development or related information of such Disclosing Party concerning their past, present or future business activities or plans, and results or terms of the sale of products or provision of services by Company under this Agreement. This confidentiality obligation does not apply to: (a) information that is publicly known prior to the disclosure or becomes publicly known through no wrongful act of the Company; (b) information that was in lawful possession of the Company prior to the disclosure and was not received as a result of any breach of confidentiality with respect to MSHA or its affiliates; or (c) information that was independently developed by Company outside the scope of this Agreement. In the event of a request for disclosure pursuant to court order or regulatory agency request, Company shall provide immediate notice to such Disclosing Party in order to provide an opportunity to oppose such request for disclosure or receive an appropriate protective order, and Company shall cooperate with such Disclosing Party in taking any reasonable steps to resist or narrow such request. If, in the absence of a protective order or the receipt of a waiver under this Agreement, Company is compelled to disclose any confidential information or be liable for contempt or suffer other censure or penalty, then Company may disclose only the portion of such confidential information as required by law.

K. **Representations and Warranties.** Each party represents and warrants to the other that it: i) is not currently excluded, debarred, or otherwise ineligible to participate in the Federal health care programs as defined in 42 U.S.C. Section 1320a-7b(f) (the "Federal health care programs"); (ii) is not convicted of a criminal offense related to the provision of health care items or services but has not yet been excluded, debarred, or otherwise declared ineligible to participate in the Federal health care programs; and (iii) is not under investigation or otherwise aware of any circumstances which may result in Manager being excluded from participation in the Federal health care programs. This shall be an ongoing representation and warranty during the term of this Agreement and Company shall immediately notify Manager of any change in the status of the representation and warranty set forth in this section. Any breach of this section shall give Manager the right to terminate this Agreement immediately for cause.

L. **Independent Contractors**. Both parties are independent contractors. Neither party is authorized or permitted to act as an agent or employee of the other. Nothing in this Agreement shall in any way alter the freedom enjoyed by either party, nor shall it in any way alter the control of the management, assets, and affairs of the respective party. Neither party, by virtue of this Agreement, assumes any liability for any debts or obligations of either a financial or legal nature incurred by the other party to this Agreement.

M. **Equal Employment**. Each party hereto warrants that it does not and will not discriminate against any employee or applicant for employment because of race, creed, color, national origin, gender, veteran status, or handicap, or as otherwise may be prohibited by law. Each party hereto warrants that it is in full initial and ongoing compliance with all current applicable federal, state, and local laws, regulations, and ordinances, included but not limited to:

1. Civil Rights Act of 1964;
2. The Rehabilitation Act of 1973;
3. The Fair Labor Standards Act;
4. Equal Opportunity Clause (41 CFR 60.250.5(a); 41 CFR 60-300.5(a); and 41-CFR 60.741.5(a);
5. Affirmative Action Programs (41 CFR 60-1.40(a)(2);
6. Other laws that may apply from time to time as amended.

N. **Elder Justice Act Abuse Reporting Requirements.** Each party agrees to comply with the reporting requirements under Section 6703(b)(3) of the Elder Justice Act ("EJA"), a reporting requirement mandated under Subtitle H of the Patient Protection and Affordable Care Act ("PPACA"), which provides that any owner, operator, employee, manager, agent, or contractor ("Covered Individual") of a long-term care facility that receives at least $10,000 in federal funds annually, must report any reasonable suspicion of a crime committed against any individual who is a resident of, or is receiving care from, the facility. Each covered individual shall report the suspected crime to one or more local law enforcement agencies and to the Secretary of the Department of Health and Human Services (Secretary) or to the agency designated by the Secretary to receive such reports.

The report must be made within two hours of forming a reasonable suspicion that a crime has occurred if there is a serious bodily injury and within 24 hours of forming a reasonable suspicion that a crime has occurred if there is no serious bodily injury. Covered individuals who fail to report shall be subject to a civil money penalty of up to $200,000 and may be excluded from participation in any Federal health care program. If a covered individual's failure to report a crime results in further

injury to the victim of the crime or results in harm to another individual, the civil monetary penalty may be increased to $300,000.

A long-term care facility may not retaliate against, discharge, demote, suspend, threaten, harass, or deny a promotion or other employment-related benefit to an employee, or in any other manner discriminate against an employee in the terms and conditions of employment; or file a complaint or a report against a nurse of other employee with a State professional disciplinary agency against the nurse or employee for making a report as required by the EJA. An employee has the right to file a complaint with the Secretary or the agency designated by the Secretary, against a long-term care facility that violates the reporting requirements of the EJA. A long-term care facility that violates the anti-retaliation provisions of the EJA shall be subject to a civil monetary penalty of up to $200,000 and may be excluded from participation in any Federal health care program for a period of two years.

O. **Criminal Background Checks**. Each party will furnish services in a safe and effective manner through qualified personnel. Each party will ensure that any their respective staff that renders services of any kind to residents are fully qualified, licensed, certified, and registered, as applicable, in accordance with applicable federal, state and local laws and must act only within the scope of their state license, certification, or registration in their respective disciplines and in compliance with professional standards. Each party must perform a criminal background check on each of its respective employees in accordance with state requirements before rendering services to residents or accessing any resident's medical records. In the absence of state requirements, criminal background checks must be obtained within three (3) months of the date of employment for all states that the individual has lived or worked in the past three (3) years. Upon request, each party will provide documentation necessary to substantiate the credentials of its staff to the other party's satisfaction.

P. **No Inducement**. The parties do not intend by this Agreement to induce directly or indirectly the referring of any individual to any other person or entity for the furnishing or arranging for the furnishing of any health services or the provision of any drug or health care device, including but not limited to services, drugs, or devices for which payment may be made in whole or in part under any Federal Health Care Program as defined in 42 U.S.C. 1320a-7(b)(f).

ARTICLE VII
MISCELLANEOUS PROVISIONS

A. **Entire Agreement; Amendments**. This Agreement contains the entire understanding between the parties with respect to the subject matter contained herein and may not be modified except by the written, mutual agreement of the parties. Electronic mail shall not constitute a written agreement. This Agreement supersedes all previous and contemporaneous agreements, written or oral, between the parties with respect to the subject matter contained herein.

B. **Assignment**. This Agreement cannot be assigned by either party without the prior written consent of the other party, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, Manager shall have the right to transfer this Agreement to its parent corporation, if any, or any of its subsidiaries or affiliates, or to a successor entity in the event of merger, consolidation, transfer, sale, stock purchase, or public offering as long as the surviving entity assumes all of Manager's obligations hereunder.

C. **Governing Law**. This Agreement shall be governed by the laws of the state in which the Facility is located.

D. **Supervening Law**. If any clause or provision herein shall be adjudged invalid or unenforceable by a court of competent jurisdiction or by operation of any applicable law, it shall not affect the validity of any other clause or provision, which shall remain in full force and effect.

E. **Waiver**. Failure of any party to insist upon compliance with any provision hereof shall not constitute a waiver thereof. No waiver of any provision of this Agreement shall be effective unless it is in writing and signed by the party against whom it is asserted. Any waiver of any provision of this Agreement shall only be applicable to the specific provision and instance to which it is related and shall not be deemed to be a continuing or future waiver as to such provision or as to any other provision.

F. **Force Majeure**. Neither party shall be liable nor deemed to be in default for any delay or failure in performance under this Agreement or other interruption of service or employment deemed resulting, directly or indirectly, from Acts of God, civil or military authority, acts of public enemy, war, accidents, fires, explosions, earthquakes, floods, failure of transportation, strikes or other work interruptions by either party's employees, or any similar or dissimilar cause beyond the reasonable control of either party.

G. **Advertising**. Neither party shall use the name of the other party in any promotional or advertising material without the prior written approval of the other party.

H. **Limiting Rights**. Nothing in this Agreement shall be construed as limiting the rights of either party to affiliate or contract with any other health services provider while this Agreement is in effect.

I. **Captions**. The headings to the various sanctions of this Agreement have been inserted for convenience only and shall not modify, define, limit, or expand express provisions of this Agreement.

J. **Partial Invalidity**. The invalidity of one or more phrases, sentences, clauses, or sections contained in this Agreement shall not affect the validity of the remaining portions.

K. **Notices**. Any notice, demand or consent required or permitted to be given hereunder shall be deemed given only if hand-delivered, if sent by registered or certified mail, return receipt requested or if by overnight mail delivery for which evidence of delivery is obtained by the sender at the address set forth below or such other address as either party may designate in writing:

To Company: Signature Rehab Services, LLC
12201 Bluegrass Parkway
Louisville, KY 40299
Attention: John Harrison, CFO

To Manager: LP Johnson City, LLC
12201 Bluegrass Parkway
Louisville, KY 40299
Attn: E. Joseph Steier, CEO

Electronic mail shall not constitute written notice.

L. **Successors and Assigns**. This Agreement shall inure to the benefit of and be binding upon the parties hereto, their successors and permitted assigns.

M. **Electronic Record-Keeping**. The parties agree and acknowledge that this Agreement may be kept in electronic form and that an electronic version of this Agreement will be just as valid and enforceable as the original.

[Signature pages to follow.]

Each signatory to this Agreement represents and warrants that he or she has all necessary capacity and authority to act for, sign on behalf of, and bind the respective entity.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

PROVIDER:

Signature Rehab Services, LLC

By: _____
John Harrison
Chief Financial Officer

MANAGER:

LP Johnson City, LLC

By: _____

EXHIBIT A
REHABILITATION PERFORMANCE COMMITMENT

The Rehab Department is committed to providing the following rehabilitation services per the terms and conditions of the contractual agreement:

- ► Provide billable skilled therapy services in accordance with the requirements of federal, state or local laws, rules, and/or regulations.
- ► Participate in a restorative program meeting up to 1 hour per month. (Not applicable to Existing Unit.)
- ► Participate in Manager meeting up to 30 minutes per work day.
- ► Complete a resident review/screening as appropriate to assist the IDT in determining rehabilitation needs of residents.
- ► Assist the facility in rehabilitation denial management.
- ► Provide 2 in-services (up to 1 hour each) per year as chosen by the Manager.
- ► Provide Rehabilitation Corporate Compliance program. (Not applicable to Existing Unit.)
- ► Periodically participate in facility planned and coordinated community awareness/marketing activities and customer focused quality initiatives.
- ► Participate in monthly close process.
- ► Monthly strategic planning meeting with Administrator.

At the request and approval of MSHA and Manager, the Rehab Department will provide the following value-added activities for a cost of the facility specific per minute price during the time period that the valued added activities are provided.

- ◄ Additional meeting attendance / participation_____
- ◄ Additional in-services_____
- ◄ Non-billable baseline assessments/screenings (e.g. contractures, falls, etc)_____
_____
- ◄ Survey Preparation_____
- ◄ Additional Community Awareness (Marketing)_____
- ◄ Other_____
- ◄ Other_____
- ◄ Other_____
- ◄ Other_____

Administrator Signature_____Date_____

RSM Signature_____Date_____

EXHIBIT B

BUSINESS ASSOCIATE ADDENDUM

This Business Associate Addendum ("Addendum") is by and between Signature Rehab Services, LLC, a Delaware limited liability company ("Provider"), and LP Johnson City, LLC, a Delaware limited liability company ("Associate").

1. Purpose. This Addendum is incorporated into and made part of that Therapy Services Agreement between Provider and Associate. Provider and Associate agree to comply with the requirements of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), its implementing privacy regulations (45 C.F.R. Part 160 and Part 164, Subparts A and E) (the "Privacy Rule"), and its implementing security regulations (45 C.F.R. Part 160 and Part 164, Subpart C) (the "Security Rule"). It is the understanding of the parties that Associate is acting as a business associate (as defined under the Privacy Rule) of Provider when providing the Services, as defined below, that involve the receipt or creation of Protected Health Information.

2. Definitions. All capitalized terms not defined herein shall have the meanings set forth in the Privacy Rule and Security Rule. References to "PHI" refer to Protected Health Information created or received by Associate for or from Provider.

3. Services. Associate provides services that involve the use and/or disclosure of PHI ("Services") pursuant to the Management Services Agreement ("Service Agreement") between the parties.

4. Permitted Uses and Disclosures. Associate shall not use or disclose any PHI other than as permitted by this Addendum or as Required By Law. Associate may use and disclose PHI in order to provide the Services to Provider and to perform Associate's obligations under the Service Agreement, provided that such use or disclosure would not violate the Privacy Rule if done by Provider directly. Associate may also use or disclose PHI as required for Associate's proper management and administration, provided that if Associate discloses any PHI to a third party for such a purpose, Associate shall receive the agreement of such third party (i) to hold the PHI confidentially and not to use or further disclose the PHI except as Required By Law or for the purpose for which it was disclosed to such third party, and (ii) to notify Associate immediately of any instances of which it becomes aware in which the confidentiality of the PHI has been breached. Associate may also (a) use PHI to perform Data Aggregation services relating to the Health Care Operations of Provider; (b) use or disclose PHI to report violations of the law to federal or state authorities consistent with 45 C.F.R. § 164.502(j)(1); and (c) use PHI to create information that is de-identified consistent with the requirements set forth at 45 CFR §164.514.

5. Reporting. If Associate becomes aware of any use or disclosure of PHI by Associate in violation of this Addendum, Associate shall report promptly such information to Provider. Associate shall also report promptly to Provider any Security Incidents involving electronic PHI of which Associate becomes aware. The parties acknowledge and agree that this section constitutes notice by Associate to Provider of the ongoing existence and occurrence of attempted but Unsuccessful Security Incidents (as defined below) for which no additional notice to

Provider shall be required. "Unsuccessful Security Incidents" shall include, but not be limited to, pings and other broadcast attacks on Associate's firewall, port scans, unsuccessful log-on attempts, denials of service and any combination of the above, so long as no such incident results in unauthorized access, use or disclosure of electronic PHI.

6. Agents and Subcontractors. Associate shall require any agent or subcontractor that carries out any duties for Associate involving the use or disclosure of PHI to agree to comply with the same obligations as Associate as set forth in this Addendum.

7. Patient Rights. To the extent Associate maintains PHI in a Designated Record Set and to the extent necessary for Provider to comply with 45 C.F.R. §§ 164.524 and 164.526, Associate shall comply promptly with all Provider requests to amend or provide access to PHI in the custody or control of Associate, its agents or subcontractors. Further, Associate will record for each disclosure of PHI that Associate makes that is not excepted from disclosure accounting under 45 C.F.R. § 164.528 the information necessary for Provider to provide an accounting of disclosures in accordance with 45 C.F.R. § 164.528. Associate will make this accounting information available to Provider promptly upon Provider's request. Associate shall have available for Provider this accounting information for the period requested, up to six (6) years preceding Provider's request (except Associate need not have any accounting information for disclosures occurring before the effective date of this Addendum).

8. Safeguards. Associate shall use appropriate physical, technical, and administrative safeguards to prevent the use or disclosure of PHI other than as provided for by this Addendum. Associate agrees to implement administrative, technical and physical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of electronic PHI. Such safeguards for electronic PHI shall be consistent with the requirements applicable to Covered Entities under the Security Rule.

9. Audits and Inspections. Associate shall make its internal practices, books, and records relating to the use and disclosure of PHI available upon request to the Secretary of the U.S. Department of Health and Human Services to determine the Provider's compliance with the Privacy Rule and Security Rule. Notwithstanding the above, no attorney-client, accountant-client, or other legal privilege shall be deemed waived by Provider or Associate by virtue of this provision.

10. Term and Termination. This Addendum shall be effective as of the effective date of the Service Agreement. This Addendum shall remain in effect until the Service Agreement terminates or this Addendum is terminated as set forth below, whichever is earlier. Provider may terminate this Addendum and the Service Agreement upon written notice to Associate if Associate breaches any material provision of this Addendum and fails to cure such breach within 30 days following notice. Upon termination of this Addendum for any reason, Associate shall, if feasible, return or destroy all PHI in the possession of Associate, its agents or its subcontractors. If return or destruction is not feasible, Associate may continue to maintain such PHI but still continue to abide by the terms and conditions of this Addendum with respect to such PHI and shall limit its further use or disclosure of such PHI to those purposes that make return or destruction of the information infeasible. Upon termination of this Addendum for any reason, all

of Associate's obligations under this Addendum shall survive termination and remain in effect (a) until Associate has completed the return or destruction of PHI and (b) to the extent Associate retains any PHI pursuant to this section. Notwithstanding the foregoing, nothing in this Addendum shall limit any existing rights of the parties to terminate the Service Agreement.

11. Interpretation. Any ambiguity in this Addendum shall be resolved to permit Provider to comply with the Privacy Rule and Security Rule. To the extent there are any inconsistencies between this Addendum, the Service Agreement or any other agreement between the parties related to the Services, this Addendum will govern. Nothing in this Addendum shall be construed to create any rights or remedies in any third parties. This Addendum replaces and supersedes any prior business associate agreements between the parties.

17232768.6

EXHIBIT 3.2(B)-5

ADMINISTRATIVE AND ACCOUNTING SERVICES AGREEMENT

ADMINISTRATIVE AND ACCOUNTING SERVICES AGREEMENT

This Administrative and Accounting Services Agreement (this "Agreement") is made as of _____, by and between Signature HealthCARE Consulting Services, LLC ("Consultant") and The Arba Group, Inc. ("Service Provider").

WHEREAS, LP Johnson City, LLC ("Operator") is in the process of building a skilled nursing and assisted living facility to be located at 401 Princeton Road, Johnson City, Tennessee ("Facility") of which, once built and operational, Operator will be the licensed owner and operator;

WHEREAS, JCRNC RE, LLC ("RealCo") will own the real estate on which the Facility is located ("Real Estate");

WHEREAS, Operator intends to subcontract certain services to Consultant with respect to the Facility pursuant to a Consulting Services Agreement, dated July 1, 2016, by and among, Consultant, Operator and RealCo, and Consultant wishes to further subcontract certain services with respect to the Real Property and RealCo to Service Provider; and

WHEREAS, the parties hereto wish to document their agreement with respect to the provision of such services by Service Provider to Consultant.

NOW, THEREFORE, in consideration of the mutual promises herein contained, the parties hereto agree as follows:

1. Appointment of Service Provider. Consultant hereby appoints Service Provider and Service Provider agrees to act as Consultant's agent to conduct back-office and administrative duties in connection with the ownership of the Real Estate by RealCo (the "Business"), and to provide advice with regard to such Business, to the extent of and subject to the terms and conditions hereinafter set forth.

2. Tenant's Problems. Service Provider shall maintain businesslike relations with tenants who lease all or a portion of the Real Estate from RealCo. Problems of a serious nature that are reported by tenants to Service Provider shall, after thorough investigation, be reported to the Consultant by Service Provider with appropriate recommendations.

3. Collection of Rent and Revenue. Service Provider shall use its best efforts to collect all rents and revenues arising out of or relating to the operation of the Business.

4. Deposit of Collections. Service Provider shall establish and maintain, in a bank whose deposits are insured by the Federal Deposit Insurance Corporation, one or more accounts for the deposit of the moneys collected from the Business. Subject to prior written notice, Service Provider shall have the authority to draw on such accounts for any payments which Service Provider must make to discharge any liabilities or obligations incurred pursuant to this Agreement, for the payment of Service Provider's fee and for reimbursement of amounts Service Provider advanced on behalf of Consultant, all of which payments shall be subject to the

limitations of this Agreement. Service Provider shall not be responsible for any loss incurred because of insolvency of any bank in which the said funds were deposited if the deposit was insured by the Federal Deposit Insurance Corporation. All interest earned on such deposits shall be credited to the Consultant.

5. Authorized Expenditures. From the funds collected and deposited in the account or accounts referenced in Section 4 above, Service Provider shall cause to be regularly and punctually all expenses authorized in other sections of this Agreement. In addition, Service Provider shall cause to be disbursed punctually mortgage interest and amortization, real estate and other taxes, water and sewer rents, and all other expenses, charges, license fees, taxes, or assessments of every nature with respect to the Business, including Service Provider's compensation then due.

6. Controls on Disbursements. Service Provider shall organize and maintain a system of controls designed to insure the authenticity of bills paid, and the fairness of the price charged for services performed or goods purchased for the benefit of the Business. In furtherance of this goal, Service Provider shall authorize all purchasing and hiring of services only by supervisory personnel of Service Provider.

7. Records. Service Provider agrees to keep accurate, complete records, showing income and expenditures in connection with the operation of the Business, to the end that any accounts payable, other obligations, cash, accounts receivable, and other assets pertaining thereto can be identified and the amount determined at all times. Consultant shall have the right at any reasonable time, through its representatives, to inspect any record of Service Provider which in Consultant's opinion may verify the financial or monthly reports, including, but not limited to, all checks, bills, vouchers, statements, cash receipts, correspondence, and all other records in connection with the management of the Business. Consultant shall further have the right at its expense to cause an audit to be made of all account books and records connected with the management of the Business by Service Provider. Notwithstanding the foregoing, if the audit shows that the amount due Consultant was understated in the reports of Service Provider by at least five percent (5%), Service Provider shall reimburse Consultant for such audit and shall immediately pay to Consultant the understated amount. Service Provider shall also maintain copies of all leases, subleases, amendments thereto, service contracts and other documents and agreements relating to the use and operation of the Business.

8. Reports. Service Provider, at Consultant's expense, agrees to prepare on behalf of Consultant:

(a) Business tax forms;

(b) Personal property declarations; and

(c) All other similar forms and reports necessary for the operation of the Business.

9. Advice - Upon either oral or written request by Consultant, Service Provider shall provide advice to Consultant regarding the operation of the Business, including advice and assistance regarding the financing or sale of the Business or any other financial issues

relating to the management or ownership of the Business. Final decisions regarding said issues, however, shall be the sole responsibility of Consultant.

10. Compensation of Agent. As compensation for services under this Agreement, Consultant shall pay Service Provider a monthly fee in an amount equal to one-quarter percent (0.25%) of the gross revenues (net of contractual adjustments) of the Facility for the preceding month (the "Fee"). The Fee is due and payable within twenty-five (25) days after the end of the month in which the Service Provider provides services.

11. Term of Agreement. This Agreement shall become effective as of the date hereof, and shall be terminable at any time by Consultant upon thirty days' prior written notice.

12. Termination Upon Sale. Consultant shall notify Service Provider at least thirty (30) days before an anticipated transfer of title of the Real Estate. Upon such transfer of title, this Agreement shall automatically terminate.

13. Consequence of Termination. Upon termination of this Agreement:

(a) All of the records in the possession of Service Provider pertaining to the operation of the Business, together with any other property of Consultant in Service Provider's possession, shall be immediately delivered to Consultant.

(b) Service Provider's rights to compensation shall immediately cease, except for any amounts payable hereunder relating to the period prior to the date of termination.

(c) The agency created hereby shall immediately cease, and Service Provider shall have no further right to act for Consultant.

14. Notice. All notices required under this or any article of this Agreement shall be in writing, either: (1) delivered by registered or certified mail, postage prepaid, return receipt requested; or (2) by facsimile or by personal delivery. Notice shall be deemed communicated as of deposit in the United States mail, or upon facsimile or personal delivery, respectively. The place to which notices shall be addressed to each party appears after the signatures below; provided, however, that each party may change its address by notice in accordance with this Section.

15. The parties hereto acknowledge that Service Provider is an independent contractor and that Service Provider, its officers, directors and shareholders do or may engage in other businesses, including managing or owning other buildings in the immediate vicinity of the Business of Consultant. Nothing in this Agreement shall or is intended to restrict Service Provider, its officers, directors and shareholders from owning or managing other buildings, whether or not said buildings are in the immediate vicinity of, or in competition with Consultant's Business. Further, the parties acknowledge that Service Provider is not a partner, joint venturer or employee of Consultant and is acting solely as Consultant's agent.

16. If either party to this Agreement is in default (hereinafter referred to as the "Defaulting Party") under the terms of this Agreement, the other party (hereinafter referred to as the "Non-Defaulting Party") shall give the Defaulting Party written notice of such default and the

Defaulting Party shall have fifteen (15) days to correct such default. In the event that the default is not cured within the said fifteen (15) day period the Non-Defaulting Party may terminate this Agreement and/or pursue any other remedy now or hereafter available under the laws or judicial decisions of the State of California or the United States.

17. If either Consultant or Service Provider commences or engages in a legal action by or against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the losing party such actual attorneys' fees and other costs incurred in the action and in preparation for said action as the court may allow.

18. Service Provider shall comply with the limitations imposed on the Managing General Partner of Consultant as set forth in the limited partnership agreement of Consultant, or Manager/Managing Member as set forth in the limited liability company operating agreement of Consultant, as amended from time to time, as if Service Provider had been the Managing General Partner or Manager/Managing Member of Consultant, but only to the extent that such limitations relate to the duties and authority of Service Provider under this Agreement.

19. The parties acknowledge that Operator and RealCo shall be express third party beneficiaries of this Agreement. Subject to the foregoing, the provisions of this Agreement are solely for the benefit of the parties hereto and are not intended to confer upon any person, except the parties hereto, any rights or remedies hereunder.

(Signatures appear on following page)

"CONSULTANT"

Signature HealthCARE Consulting Services, LLC

By: _____
Its: VP and General Counsel

Notice Address:

12201 Bluegrass Parkway

Louisville, Kentucky 40299

"SERVICE PROVIDER"
The Arba Group, Inc.

By:_____
Its: President

Notice Address:

6300 Wilshire Blvd., Suite 1800
Los Angeles, CA 90048

EXHIBIT 3.2(C)

MANAGEMENT SERVICES AGREEMENT

MANAGEMENT SERVICES AGREEMENT

MANAGEMENT SERVICES AGREEMENT, made and entered into as of July 1, 2016 (the "Effective Date"), by and between **LP JOHNSON CITY, LLC**, a Delaware limited liability company ("***Manager***"), and **MOUNTAIN STATES HEALTH ALLIANCE**, a Tennessee nonprofit corporation ("***Owner***").

W I T N E S S E T H:

A. WHEREAS, Owner is the licensed operator of that certain skilled nursing facility commonly known as Princeton Transitional Care (the "Facility") located at Johnson City Medical Center and currently operates the Facility;

B. WHEREAS, Manager has or has arrangements with entities having significant expertise in the management and operation of skilled nursing facilities; and

C. WHEREAS, Owner desires to engage Manager to provide assistance and guidance to Owner in the management of the operation of the Facility, and Manager is willing to be engaged in such capacity, upon and subject to the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the foregoing premises, and the mutual covenants and promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties to this Agreement, the parties hereby agree as follows:

1. MANAGEMENT AUTHORIZATION.

1.1 The parties to this Agreement shall be Mountain States Health Alliance and LP Johnson City, LLC, which may be referred to as "Party" or "Parties" herein.

1.2 Owner hereby engages Manager for the purpose of providing management, administrative, purchasing, financial, and all other management, support and administrative services needed for the operation of the Facility, for and on behalf of Owner, on the basis hereinafter set forth herein, and Manager hereby accepts such engagement; provided, however, that Manager shall carry out all of its duties and responsibilities hereunder subject to the ultimate authority, approval of, control of, and review by Owner.

1.3 Owner acknowledges Manager may accomplish its obligations under this Agreement by contracting with its affiliates, Signature HealthCARE Consulting Services, LLC and Signature HealthCARE Clinical Consulting Services, LLC, Signature Payroll Services, LLC and Signature Rehab Services, LLC ("Initial Affiliates") to provide the services that are within the scope of this Agreement, and for the purposes of the Agreement such contractual services shall be deemed to be services of Manager. Manager may delegate its obligations under this Agreement to affiliates who are not Initial Affiliates only upon prior written approval by Owner.

1.4 Subject to Owner's ultimate approval and authority, Owner authorizes Manager to (a) attend to the legal affairs of the Facility while under its operation by Manager, including the ability to prosecute or defend any litigation arising out of the operation of the

Facility, and (b) engage outside legal or other representation as needed to accomplish those purposes; provided, however, that Manager shall have no such authority with respect to legal affairs relating to or having the potential to affect Owner's tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, and further provided that Manager shall not have the authority to enter into any litigation or other settlement that would require the payment of funds by or the taking of any action by Owner without the prior written approval or Owner. Manager shall give prompt written notice to Owner of all actions taken pursuant to the foregoing provision. In addition, in the event any such litigation is material to Owner, taken as a whole, Owner shall have the right to directly control, prosecute and defend such litigation upon written notice to Manager.

2. SCOPE OF MANAGEMENT ENGAGEMENT.

2.1 Subject to Section 1.2, Manager shall provide management services for the operation of the Facility in a manner consistent with good business practices in the community served by the Facility and within the health care industry generally, and consistent with and subject to the responsibilities of Owner, specifically including, but not limited to, the delivery of quality care. Without limiting the generality of the foregoing, Manager shall utilize its corporate quality assurance programs to ensure that the consistent quality of services provided at the Facility.

2.2 Within sixty (60) days of the commencement of the Effective Date, and not less than sixty (60) days before the commencement of each fiscal year of the Facility thereafter, Manager shall present to Owner an annual plan outlining Manager's recommended operating goals and objectives for the Facility for the upcoming year.

2.3 In the performance of its services, as provided for in Sections 3 and 4 or otherwise pursuant to this Agreement, and subject to Section 1.2, Manager shall exercise the same standards and degree of care consistent with other facilities managed by Manager and its affiliates, but in no event less than a commercially reasonable standard of care. Manager shall act reasonably and in good faith to perform its obligations hereunder, and subject to Section 11.2, shall have no liability to Owner for any decisions made with respect to, or any actions taken in connection with, the Facility's operations so long as such decisions or actions were made or were taken reasonably and in good faith, or were made or taken pursuant to an express directive of Owner.

2.4 It is expressly understood and agreed by the Parties hereto that Manager, its employees, agents and contractors shall at all times during the performance of the services pursuant to this Agreement be acting as an independent contractor of Owner, and that no act, or commission or omission of any act, by any party hereto shall be construed to make the other Party a principal, agent, employee, joint venturer or associate of such Party. Furthermore, Mountain States Health Alliance and its affiliated entities, other than Blue Ridge Medical Management Corporation, shall not be deemed to be affiliates of Manager for purposes of this Agreement.

2.5 In performing its duties and obligations under this Agreement, Manager shall comply with all federal, state and local laws, rules and regulations now in force, or which may hereafter be in force, which are applicable to Owner, Manager or the Facility.

3. SCOPE AND SCHEDULE OF MANAGEMENT SERVICES

Subject to Owner's ultimate approval and authority, Manager will provide such services, direction, advice, and assistance as are necessary for the operation of the Facility for the benefit of Owner, including the following services as generally set forth in this Section 3, and specifically listed on the incorporated Exhibit A – Schedule of Services.

3.1 Advise and assist Owner in conducting and directing the day-to-day operations of the Facility to ensure that said operations are conducted in a business-like manner.

3.2 Advise and assist Owner in preparation of its annual budget for the Facility, including forecasting demand, revenue, staffing, expense and capital requirements.

3.3 Advise and assist Owner in selecting and maintaining appropriate equipment for the Facility.

3.4 Advise and assist Owner in developing or revising policies and operating procedures for the Facility.

3.5 Advise and assist Owner in developing and executing a business development plan for the Facility to ensure that physicians, case managers, and the health care community are aware of the services offered by the Facility.

3.6 Inform and advise Owner with respect to any regulatory compliance related issues involving the Facility that come to Manager's attention.

3.7 Assist Owner with the preparation and submission of all filings and reports required by Owner by regulatory bodies with oversight for the Facility.

3.8 Recruit qualified individuals who shall serve as the Administrator and Director of Nursing of Facility, provided that Manager shall not engage or otherwise employ such individuals without prior written approval by Owner. The selection, continued service and termination of the key personnel of the Facility shall be the responsibility of Manager, either directly or through its contracted service partners; provided that any employment or engagement of key personnel shall be subject to prior approval by Owner.

3.9 Obtain and maintain the licensure and accreditation of the Facility with the proper agencies (which licenses and accreditations shall be held in the name of Owner or the Facility), provided that Owner and all affiliates of Owner shall cooperate as necessary to secure all governmental approvals and all such licenses.

3.10 Arrange for and administer the employment, supervision, direction and discharge of all personnel of the Facility (with the exception of employees providing shared services furnished by Owner), and otherwise manage the personnel affairs of Facility consistent with the provisions of Section 5.

3.11 Set charges for services provided by the Facility.

3.12 Advise Owner with respect to the entering into, continuation, or termination of any payor contracts.

3.13 Provide for the submission and, if necessary, correction of bills for services provided by the Facility.

3.14 Assist and advise Owner with the management of the property and assets of the Facility including the development of maintenance, repair and replacement plans.

3.15 Coordinate the selection and installation of information technology and management information systems appropriate for operation of the Facility.

3.16 Contract for and coordinate the purchase or lease of all supplies and equipment used in the operation of the Facility.

3.17 Negotiate and enter into such contracts, agreements and leases as may be necessary for the operation of the Facility.

3.18 Conduct business development activities, physician and public education and other marketing services.

4. ACCOUNTING AND BOOKKEEPING SERVICES.

Subject to Owner's ultimate approval and authority, Manager will assist Owner in reviewing, directing and supervising all accounting and bookkeeping services related to the Facility, including, but not limited to, the following services as generally set forth in this Section 4, and specifically identified on the incorporated Exhibit A – Schedule of Services. Manager will supervise, advise and assist Owner with respect to the:

4.1 Investment of all funds received from the operation of the Facility and supervision of the disbursement of such funds for the operating expenses of the Facility and otherwise.

4.2 Maintenance of the Facility's books of account for and on behalf of Owner, including all journals and ledgers, check registers, and payroll records.

4.3 Posting of all patient and other charges of the Facility, including payments and adjustments.

4.4 Establishment and revision of accounts receivable, credit and collection policies and procedures for the Facility.

4.5 Processing of vendors' invoices and other accounts payable for the Facility.

4.6 Preparation of payroll checks for the Facility from time records prepared under Manager's supervision.

4.7 Preparation and submission of payroll tax returns for the Facility.

4.8 Preparation of monthly bank reconciliations for the Facility.

4.9 Preparation and submission of monthly financial statements to Owner including a balance sheet and income statement within fifteen (15) days after the end of each month and preparation and submission of annual financial statements to Owner within forty-five (45) days after the end of each fiscal year.

4.10 Establishment and implementation of patient insurance billing procedures.

4.11 Assist Owner with the preparation and submission of all filings and reports required of Owner for the Facility by regulatory bodies including, but not limited to the Centers for Medicare and Medicaid Services , and the Internal Revenue Service. Manager shall provide such services, data and information reasonably requested by Owner to assist it with the preparation of the reports; provided that, Owner is responsible for the preparation and submission of (i) its cost reports required to be filed with the Centers for Medicare and Medicaid Services and (ii) its joint annual report (JAR) required to be filed with the Tennessee Department of Health.

5. EMPLOYEE AND EMPLOYMENT MATTERS

5.1 Employees Generally.

(a) *Hired Employees.* Owner will have terminated, or caused the termination of, the employment of all the Hired Employees (defined below) effective 11:59:59 p.m., local time, on the day immediately preceding the Effective Date, and the Manager shall have caused Signature Payroll Services, LLC ("SPS") to have offered employment to all Hired Employees to provide services at the Facility, such employment to commence on the Effective Date. Manager shall cause SPS to honor the Hired Employees' prior service credit under Owner's current welfare plans for purposes of eligibility and satisfying pre-existing condition limitations in SPS's employee benefit plans. All Hired Employees will be provided with benefit plans currently in place for other employees of SPS. Manager shall cause SPS to honor prior length of service for purposes of eligibility in SPS's retirement benefit plans and other service-based plans such as paid time off, but shall not accrue benefits or make contributions to such plans with respect to prior service. "Hired Employees" means individuals employed by Owner prior to the Effective Date, and who (i) provide services exclusively or primarily to the Facility; (ii) satisfied SPS's hiring criteria and successful completion of SPS's employment processes, including a criminal background investigation and drug screening; and (iii) have accepted SPS' offer of employment. Owner shall provide SPS, upon request, copies of all personnel files and records of the Hired Employees to the extent permitted by law. Any offers of employment to Hired Employees will be subject to reasonable and satisfactory job performance by each Hired Employee, and no such offer will alter the status of any "at will" employee. To the extent applicable, Owner shall be responsible for any notification required under the WARN Act with respect to Employees not hired by SPS.

(b) *Retained Employees.* For a period of thirty (30) days following the Effective Date, and provided that in Manager's reasonable judgment the number of Hired Employees is not sufficient to operate the Facility and maintain a reasonable level of patient care, Owner will cooperate in good faith to provide Manager with the services of

the Retained Employees (defined below) or other individuals engaged by Owner through Blue Ridge Medical Management Corporation d/b/a HealthPro Staffing. After such thirty (30) day period, if there continues to be insufficient staff to maintain a reasonable level of patient care at the Facility, despite Manager's reasonable efforts to recruit and employ sufficient staff, then the Owner and Manager will work cooperatively to secure temporary staffing at the Facility to ensure that patient care at the Facility is maintained at a reasonable level. "Retained Employees" means individuals employed by Owner prior to the Effective Date, and who (i) provide services exclusively or primarily to the Facility; and (ii) are not hired by, or do not accept employment with, SPS pursuant to this Agreement.

(c) *Collective Bargaining Agreement.* Nothing in this Agreement shall be interpreted to require Manager and/or SPS to adopt any collective bargaining agreements, tentative agreements, or terms and conditions therein, entered into by Owner, or any of its affiliates, and any labor organization, except to the extent specifically set forth in this Agreement.

(d) *Non-Solicitation.* Owner agrees that the employment of the Hired Employees is important to the viability of operations at the Facility. Accordingly, Owner agrees that during the term of this Agreement and for a period of one (1) year following the termination of this Agreement ("Restricted Period"), it will not, and will cause its affiliates not to, directly or indirectly solicit the employment or engagement of any of such Hired Employees nor shall it take any action to directly or indirectly interfere with their employment relationship with the Manager of the Facility or to induce them in any manner to terminate their employment or contractual relationship with the Manager. During the Restricted Period, Manager shall not, and shall cause its affiliates (including SPS) not to, directly or indirectly solicit the employment or engagement of any individuals employed or otherwise engaged by Owner or its affiliates nor shall it take any action to directly or indirectly interfere with their employment or contractual relationship with the Owner or its affiliates or to induce them in any manner to terminate their employment or contractual relationship with such persons. The foregoing restrictions shall not apply to (i) general advertisements of employment and responses thereto; or (ii) any employee who has been terminated by either Party.

5.2 Employees and Benefits.

(a) Owner shall retain responsibility for all, and Owner acknowledges that Manager shall have no obligation or responsibility for any, liabilities or obligations relating to, except as expressly assumed by Manager hereunder, (i) any Owner employee who is not a Hired Employee, and (ii) any Hired Employee for any period prior to the Effective Date.

(b) Manager shall assume and be responsible for all, and Manager acknowledges that Owner shall have no obligation or responsibility for any, liabilities or obligations relating to Hired Employees arising from their employment from and after the Effective Date.

(c) Owner represents and warrants that, with respect to the Facility, it has complied with all applicable wage, hour, payroll, Family Medical Leave Act and all other

applicable employment law requirements and has funded pension liability under the plans to which the Hired Employees are entitled.

(d) Owner shall pay the Hired Employees all earned and/or accrued paid time off on the Effective Date.

5.3 Owner agrees to provide certain shared services related to the operation of Facility as further described in Section 6 – Shared Services. Notwithstanding the provisions of this Agreement relating to employees of Manager and/or SPS, those individuals providing shared services to Manager shall not be employees of Manager and/or SPS and shall not be within the provisions of this Section 5.

6. SHARED SERVICES PROVIDED BY OWNER.

6.1 Owner agrees to provide certain Shared Services (defined below) related to the operation of Facility as further described in and as listed on the incorporated Exhibit A – Schedule of Services ("Shared Services"), in exchange for the compensation described in Exhibit A. Notwithstanding anything in this Agreement to the contrary, at the reasonable request of either Party, the Parties will cooperate in good faith to adjust or amend the Shared Services provided by Owner.

6.2 Shared Services will be provided by Owner either directly or through arrangements made by Owner. Owner shall at all times be responsible for the provision of such Shared Services.

7. ADDITIONAL OWNER AND MANAGER ACKNOLWEDGEMENTS

7.1 Managed Care Agreements. Owner agrees to use commercially reasonable efforts to maintain its payor agreements, including managed care agreements existing as of the Effective Date. Owner agrees to provide Manager with sufficient information from such agreements to allow Manager to accurately bill for rendered services and to perform any needed reconciliation of claims and payments, provided that all such information shall be subject to the restrictions set forth in Section 7.8. Manager reserves the right to transfer the handling of any payor billing dispute to Owner should Owner fail to supply information from a payor agreement sufficient to allow Manager to reconcile such claim(s), and Owner agrees to provide reasonable assistance to Manager to pursue reconciliation of such claims with the payor(s). All personnel of Manager obtaining information arising out of or relating to Owner's payor agreements ("Managed Care Personnel") after the Effective Date shall execute and be bound by the terms of the Confidential Payor Information Agreement attached hereto as Exhibit D, which is incorporated herein by reference. The Parties acknowledge that certain Managed Care Personnel had a need for access to information relating to such payor agreements prior to the Effective Date. Such Managed Care Personnel have executed the Confidential Payor Information Agreement, and such agreements have been provided to Owner.

7.2 Information Technology. Owner and Manager acknowledge that in performing the services under this Agreement, Manager will engage the Initial Affiliates who shall implement, oversee and maintain such management information and patient information systems for Facility. Manager, including Signature HealthCARE, LLC and its affiliates, as the agent of Manager, agree to coordinate with Owner to ensure that the implementation and

operation of such systems do not interfere with the operations of any other systems (i.e., hospital) operated by Owner.

7.3 Certification and Conduct. Manager's employees, agents or representatives, including the Hired Employees providing services hereunder, shall complete Owner's Vendor Certification Program, orientation and badging process. While performing services in the Facility, Manager's personnel shall wear appropriate Manager identification badges and shall not hold themselves out as employees or personnel of Owner. While present on Owner premises, or accessing Owner IT resources, Manager's personnel will be subject to the policies and procedures of Owner. In furtherance of the foregoing, Manager shall maintain and provide to Owner personnel records, proof of competency and any other records reasonably requested by Owner with respect to such personnel. Owner may exercise its discretion and remove or bar any Manager's personnel who poses an immediate risk of harm to self, others, or property or who is deemed to be conducting oneself contradictory to Owner's mission.

7.4 Debarment and Suspension. Manager hereby certifies that neither it, its subcontractors or its affiliates nor any of their respective personnel providing services at all times during the term of this Agreement (a) a listed vendor in the Federal General Services Administration's "List of Parties Excluded from Federal Procurement or Nonprocurement Programs" in accordance with Presidential Executive Orders 12549 and 12689, "Debarment and Suspension;" (b) listed in the Office of Inspector General's "List of Excluded Individuals/Entities (LEIE)" pursuant to 42 U.S.C. 1320a-7; or (c) ever been convicted of a criminal offense related to healthcare. Manager shall notify Owner immediately in the event that any of the aforementioned certifications becomes untrue or if Manager is the subject of government investigation that could lead to one or more certifications being untrue. Manager shall promptly remove any person from providing services on behalf of Owner hereunder in the event such certifications become untrue with respect to such person.

7.5 Code of Ethics and Business Conduct. Manager acknowledges it has received and reviewed a copy of the Code of Ethics and Business Conduct of Owner found at https://www.mountainstateshealth.com/sites/default/files/documents/MSHA-CODE-OF-ETHICS-MSHA-revised-1411-06212011_06212011_132847.pdf. Manager agrees that it will and will use its best efforts to cause its subcontractors and affiliates and their respective personnel providing services pursuant to this Agreement to abide by its terms and provisions.

7.6 Access to Records. Upon the written request of the Secretary of Health and Human services or the Comptroller General or any of their duly authorized representatives, Manager and any of its subcontractors and affiliates shall make available to the Secretary the contracts, books, documents and records that are necessary to verify the nature and extent of the cost of providing such services. Such inspection shall be available up to four (4) years after the rendering of such services.

7.7 Insurance. Each Party shall, during the term of the Agreement, maintain at such Party's own expense, (i) workers' compensation insurance coverage for its or its affiliates' employees; (ii) commercial general liability insurance; and (iii) professional liability insurance in the event that such Party provides any professional services. Such general and professional liability insurance may be provided on either an occurrence or claims-made basis, and shall provide limits of liability in the minimum amount of one million dollars ($1,000,000)

per occurrence with an annual aggregate of three million dollars ($3,000,000). If any liability insurance coverage required above is maintained on a claims made basis, such insurance shall continue throughout the term of the Agreement; and upon the termination, expiration or non-renewal of the Agreement, or the expiration or cancellation of the insurance, the Party holding such policy shall purchase and maintain coverage for claims presented after the termination, expiration or non-renewal of the Agreement that arise from such Party's acts or events occurring during the term of the Agreement. Upon request, each Party shall provide the other Party with a copy of all applicable policies or certificates of insurance, evidencing the existence of all coverage required hereunder. Each Party shall provide the other Party with not less than thirty (30) days' prior written notice in the event of a material change in such policies which would affect the Facility. Manager shall name Owner as an additional insured on its commercial general liability insurance policy.

7.8 Confidentiality. During the term of this Agreement and surviving its expiration or termination, Manager will regard and preserve as confidential all information related to the business of Owner and its affiliates and their respective clients and patients that may be obtained as the result of this Agreement, including without limitation any information disclosed pursuant to Section 7.1 of this Agreement. Manager will not, without first obtaining Owner's prior written consent, disclose to any person, firm or enterprise or use for its benefit any information relating to the business of Owner and its affiliates or their respective clients and patients, including but not limited to: pricing methods, processes, financial data, lists, apparatus, statistics, programs, research, development or related information of Owner or its affiliates concerning their past, present or future business activities or plans, and results or terms of the sale of products or provision of services by Manager under this Agreement. This confidentiality obligation does not apply to: (a) information that is publicly known prior to the disclosure or becomes publicly known through no wrongful act of the Manager; (b) information that was in lawful possession of the Manager prior to the disclosure and was not received as a result of any breach of confidentiality with respect to Owner or its affiliates; or (c) information that was independently developed by Manager outside the scope of this Agreement. In the event of a request for disclosure pursuant to court order or regulatory agency request, Manager shall provide immediate notice to Owner in order to provide an opportunity to oppose such request for disclosure or receive an appropriate protective order, and Manager shall cooperate with Owner in taking any reasonable steps to resist or narrow such request. If, in the absence of a protective order or the receipt of a waiver under this Agreement, Manager is compelled to disclose any confidential information or be liable for contempt or suffer other censure or penalty, then Manager may disclose only the portion of such confidential information as required by law.

7.9 Protected Health Information. Manager and its subcontractors and their respective personnel shall maintain the confidentiality of all patient records and data, including, without limitation, individually identifiable health information (the "Protected Health Information" or "PHI") and obtain appropriate authorization prior to any disclosure of such records and data. All title to medical records, charts, and patient files and data shall be and remain the sole property of Owner. Notwithstanding any provision herein to the contrary, Manager acknowledges and agrees that neither it, nor any of its personnel shall receive access to any patient information beyond that minimum amount of information necessary to accomplish the intended purpose of this Agreement. Manager agrees that the PHI shall only be used by Manager and its personnel for the purposes of performing pursuant to this Agreement and shall not be used for marketing, or any other purposes whatsoever, and shall only be disclosed in

accordance with the terms hereof. Manager shall at all times comply with the Business Associate Addendum attached hereto as Exhibit B.

7.10 Charitable Purposes; Tax-Exempt Status. Manager shall take no action or fail to take any action that may jeopardize Owner's tax-exempt status, and will only take actions pursuant to this Agreement in furtherance of, and not inconsistent with, Owner's charitable purposes. Without limiting the generality of the foregoing, Manager shall manage the Facility in furtherance of Owner's mission of identifying and responding to the healthcare needs of individuals and communities in its operating region and to assist them in attaining their highest possible level of health. Without limiting the generality of the foregoing, Manager shall promote the health of the communities served by Owner through various means, directly or indirectly, including, but not limited to: (a) making available, providing or facilitating the availability or provision of health care services to all persons within the communities who are in need of such services, without regards, to the race, creed, color, national origin or economic status of such persons; (b) facilitating cooperative and collaborative efforts by and among the organizations affiliated with Owner, including, but not limited to, efforts to enhance existing health care delivery facilities and systems and to establish efficient and economical systems of health care delivery operating on an integrated basis and providing a continuum of care; (c) reducing the cost of the delivery of health care services and otherwise effecting efficiencies and economies of scale in the delivery of health care services to the communities; (d) enhancing the health status of the communities; (e) managing the Facility in a nondiscriminatory manner for the benefit of all persons in the communities, including the indigent and those persons whose care is paid for in whole or in part through government sponsored programs such as Medicare or Medicaid; (f) promoting the improvement of public health in cooperation with federal, state, municipal and other health departments and offices; and (g) doing all things incidental to the foregoing.

7.11 Performance Expectations; Monitoring; Corrective Action. Manager shall perform or oversee performance by other vendors of clinical services on behalf of Owner. Owner shall monitor the quality of services provided hereunder through appropriate methods, which may include direct observation of services provided by Manager, audit of documentation, review of incident reports, review of performance data, review of input from Owner's staff, review of patient satisfaction surveys, and/or review of results of risk management activities. Owner shall provide risk management and quality assurance services to the Existing Unit in support of Manager's provision of services pursuant to this Section 7.11. Manager will reasonably cooperate and assist with all such risk management, infection prevention surveillance and quality monitoring activities, including but not limited to participation in meetings about same. In the event Owner determines that Manager or Manager's vendors are not meeting any of the requirements set forth herein, Owner shall notify Manager, and Manager shall cooperate with Owner in the development and implementation of a corrective action plan. Owner's failure to comply with any such corrective action plan will be a material breach of the obligations of this Agreement.

7.12 Interim Pharmacy Services. From the Effective Date until July 31, 2016 (the "Interim Period"), Manager will utilize Owner's existing hospital pharmacy system for pharmacy services provided to residents of the Facility. Manager shall reimburse Owner for all expenses Owner incurs arising out of or relating to the provision of such pharmacy services during the Interim Period. Beginning on August 1, 2016 and continuing through the remainder of the term of this Agreement, Manager shall utilize an outside third party pharmacy services

provider to provide pharmacy services at the Facility during the remainder of the term of this Agreement.

8. BILLING; COLLECTION; EXPENSES.

8.1 Billing/Collection for Facility, Payment of Expenses and Funding of Manager.

(a) Billing and Net Collections.

(i) Manager shall be responsible for the billing, processing and collection of all claims for services provided to residents of the Facility after the Effective Date, unless otherwise agreed to by Owner. All such cash collections, net of contractual allowances, discounts and payor refunds, from the operation of the Facility shall be referred to herein as "Net Collections".

(b) The parties will work cooperatively to enable the Manager to perform its billing and collection duties hereunder and such duties will be accomplished in accordance with the steps and procedures outlined in Exhibit C hereto (such Exhibit C to be incorporated herein specifically by reference).

(c) Payment of Expenses. Within twenty-five (25) days after the end of each month, Manager shall calculate the Net Collections for such month, and allocate such Net Collections to the payment of the Facility's expenses, including without limitation payment to Owner and Manager for services provided by such parties pursuant to this Agreement.

(d) Shortfall. If the expenses incurred by the Facility in its operations during any month exceed the Net Collections generated by the Facility's operations for that month, then the Manager shall bear the risk of any shortfall. If there is a shortfall in any month, the members of the Manager shall contribute cash to the Manager in amounts equal to each member's proportionate share of such shortfall amount as determined in accordance with each member's percentage ownership of the Manager. Such cash contributions will be paid to the Manager in accordance with the procedures and time frames set forth on Exhibit C hereto, and Manager shall use such cash contributions to pay the remainder of expenses not satisfied by the Net Collections. If the Net Collections generated by the Facility's operations for any month exceed the expenses incurred by the Facility in its operations during that month, then (i) there will be no shortfall, (ii) no corresponding cash contributions by the Manager's members shall be required pursuant to this Section 8.1(d), and (iii) Manager shall be entitled to keep such excess as a management fee.

8.2 Calculation; Dispute.

(a) Within thirty (30) days after the end of each month, Manager shall provide Owner with a report detailing the Net Collections generated and the cash expenses incurred by the Facility during the prior month ("Reconciliation Report"). Owner shall have five days (5) from receipt of the Reconciliation Report to dispute the amount or method of determination set forth in the Reconciliation Report (the "Dispute Notice").

Manager shall allocate all undisputed amounts in accordance with Section 8.1. Within five (5) days after the giving of any Dispute Notice, the parties shall negotiate in good faith to resolve the matter. In the event that the controversy is not resolved within thirty (30) days of the giving of the Dispute Notice, then each Party will submit all unresolved disputed items and each Party's working papers related thereto to an independent accountant firm jointly selected by the Parties (the "Accounting Firm"). Owner and Manager will instruct the Accounting Firm to render its decision on the disputed items as promptly as possible (and in any event within thirty (30) days after its appointment) in writing to Owner and Manager, reflecting its decision with respect to each disputed item, and whether and to what extent the Reconciliation Report requires adjustment. The Accounting Firm's decision shall be based solely on the written submissions and presentations by Owner and Manager and their respective representatives, and not by independent review. The Accounting Firm shall address only those items in dispute. The Accounting Firm's calculation of each disputed item will be final and bind the Parties, and judgment may be entered upon the determination of the Accounting Firm in any court having jurisdiction over the Party against which such determination is to be enforced.

(b) Each Party will bear its own costs and expenses in connection with the resolution of the disputed items by the Accounting Firm. The fees and expenses of the Accounting Firm shall be paid by Owner, on the one hand, and by Manager, on the other hand, based upon the percentage that the amount actually contested but not awarded to Owner or Manager, respectively, bears to the aggregate amount actually contested by Owner and Manager.

(c) Notwithstanding anything in this Section 8.2 to the contrary, despite the assertion by Manager or Owner of any items in dispute hereunder, in the event there is a shortfall (as determined in Section 8.1(d) above) in any month, the members of the Manager shall contribute cash to the Manager in amounts equal to each member's proportionate share of such shortfall amount as determined in accordance with each member's percentage ownership of the Manager in accordance with Section 8.1(d) and Exhibit C hereto. The parties hereby agree that any shortfall in any month will be funded with the members' cash contributions in order that the Manager's expenses are paid on a timely basis and the dispute resolution process outlined in this Section 8.2 will not delay such cash contributions.

(d) If the Accounting Firm's calculation of the disputed item reveals that the Reconciliation Report was incorrect, and pursuant to Section 8.1(c), certain payments were made to a Party in error, such Party shall refund any such overpayment to the Manager. Manager shall distribute the proportionate share of such overpayment amount as determined in accordance with each member's percentage ownership of the Manager. If the Accounting Firm's calculation of the disputed item reveals that the Reconciliation Report was incorrect, and pursuant to Section 8.1(c), certain payments were made to an unrelated third party in error, Manager shall use its best efforts to obtain a refund of the overpayment amount from such third party. Manager shall distribute the proportionate share of any overpayment amount recovered from the third party as determined in accordance with each member's percentage ownership of the Manager.

8.3 Interest. All past due amounts owed pursuant to this Section 8 shall bear interest at a rate equal to the lesser of 1% per month or the maximum amount allowed by applicable law.

8.4 Collections and Account Transfer Authorizations.

(a) Owner hereby authorizes Manager to receive and collect all payments to be made in consideration of the rendition of professional medical services provided at the Facility, including all payments from third party payors (including payors under managed care agreements), in the Owner's and its provider's names and on their behalf, as applicable. With respect to services provided at the Facility, Owner hereby appoints Manager as its true and lawful agent for such purposes. Owner further authorizes Manager to receive such payments, to the extent permitted by law, and, subject to payment disposition instructions ("Payment Instructions") received from Owner from time to time with respect to payments received for billings under Medicare relating to the Facility (collectively, "Medicare Billings"), deposit such payments in Owner's bank account (i.e., a bank account Owner' shall have exclusive dominion and control over that is opened by Owner at a bank mutually agreed upon by the Parties, whose deposits are FDIC insured) ("Owner Account"), or if the payments are received by Owner or its providers with respect to services provided at the Facility, to immediately transfer all such payments to the Owner Account.

(b) Manager shall use reasonable efforts to collect all payments owing for the rendition of professional medical services at the Facility by Owner and its providers. Owner shall deliver to Manager for deposit in the Owner Account any and all compensation, in whatever form, that is inadvertently or otherwise received by it for the rendition of professional medical services or other related services at Facility during the term of this Agreement.

(c) Owner shall issue written Payment Instructions that shall direct the bank at which the Owner Account is maintained to transfer electronically all such amounts in the Owner Account periodically (and in accordance with Exhibit C hereto) to a bank account Manager shall have exclusive dominion and control over, access to, and check writing authority on, that is opened and maintained at a bank selected by Manager.

9. REPRESENTATIONS AND WARRANTIES

The Parties hereby represents and warrants as follows:

9.1 Manager has, and will continue the full right, power and authority to enter into this Agreement and to execute all documents and other instruments necessary to undertake this agreement, and all necessary action has been taken to authorize the individual executing this Agreement to do so.

9.2 Owner has, and will continue the full right, power and authority to enter into this Agreement and to execute all documents and other instruments necessary to undertake this agreement, and all necessary action has been taken to authorize the individual executing this Agreement to do so.

9.3 As of the execution of this Agreement, each Party is duly organized, validly existing and in good standing in its state of formation, and is authorized to conduct business in Tennessee.

9.4 The Facility is duly licensed as a skilled nursing facility in Tennessee. Owner has not and will not take any action to rescind, withdraw, revoke, amend, modify, supplement or otherwise materially alter the nature, tenor or scope of the Facility license or applicable provider payment program participation, except with the agreement of Manager.

9.5 Facility is in material compliance with the requirements for participation in the Medicare program with respect to the Facility and has a current provider agreement under Title XVIII and/or XIX of the Social Security Act which is in full force and effect. Except as disclosed to Manger, Owner has not had any deficiencies on its most recent survey (standard or complaint) that would result in a denial of payment for new admissions with no opportunity to correct prior to termination, nor deficiencies at "level G" or above on its most recent survey (standard or complaint), nor has the Owner been cited with any substandard quality of care deficiencies (as that term is defined in Part 488 of 42 C.F.R.) for the past two consecutive surveys. The Facility has not been designated as a Special Focus Facility (as such term is defined by the Centers for Medicare and Medicaid Services Special Focus Facility Program).

10. TERM AND TERMINATION

10.1 The term of this Agreement shall commence on the date hereof and shall continue until terminated as set forth herein.

10.2 Either Party may terminate this agreement upon ninety (90) days' prior written notice to the other Party in the event of any material breach of, or material default under, this Agreement by the non-terminating Party; provided, however, that this Agreement shall continue in full force and effect if the non-terminating Party shall cure such breach or default within such 90-day notice period, or, in the event of a breach or default that cannot reasonably be cured within such 90-day period, if the non-terminating Party shall diligently and in good faith pursue such cure. In the case of any breach involving the payment of money by either Party, the notice period required under this Section 10.2 shall be ten (10) days.

10.3 Either Party may terminate if the other Party, its creditor(s), or any third Party shall file for the other Party's liquidation, bankruptcy, reorganization, or dissolution, or if the other Party is unable to pay any debts as they become due, or if the creditor(s) of the other Party have taken over its management.

10.4 Either Party may terminate this Agreement immediately if the other Party is excluded from participation in any federal health care program, as defined at 42 U.S.C. §1320a-7b(f).

10.5 Owner may terminate this Agreement if Owner reasonably determines, with advice of counsel, that continuation of this Agreement would jeopardize Owner's tax exempt status under Section 501(c)(3) of the Internal Revenue Code.

10.6 Either Party may terminate this Agreement if the Operating Agreement of Manager between SHC LP Holdings III, LLC and Blue Ridge Medical Management Corporation is terminated and/or Manager is dissolved.

10.7 Termination of this Agreement shall be without prejudice to the accrued rights and liabilities of the parties at the date of termination, unless waived in writing by mutual agreement of both parties.

10.8 Upon termination of this Agreement, each Party shall discontinue use, cancel and return to the other Party, all confidential and/or proprietary information of the other Party that has been furnished or obtained in contemplation of the transactions contemplated hereunder or in connection with this Agreement, together with all reproductions and copies thereof and other written documents related thereto retaining no reproductions or copies or other written documents relating to such confidential and/or proprietary information.

10.9 If this Agreement is terminated and the transactions contemplated hereby are abandoned, this Agreement shall become null and void, except for the provisions of this Article 10 and other provisions of this Agreement which, by their nature, are intended to survive.

11. INDEMNIFICATION; LIMITATION OF LIABILITY

11.1 Each Party ("Indemnifying Party") shall indemnify, defend and hold harmless the other Party, its affiliates and their respective officers, directors, employees, agents and contractors ("Indemnified Parties") from any and losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, recoupments, or expenses of whatever kind, including reasonable attorneys' fees, that are incurred by any Indemnified Party (collectively, "**Losses**"), arising out of or relating to: (a) a breach of this Agreement by the Indemnifying Party, or (b) any act or omission by the Indemnifying Party, its affiliates or their respective officers, directors, employees, agents or contractors.

11.2 Manager shall indemnify and hold harmless Owner, its affiliates and their respective officers, directors, employees, agents and contractors ("Owner Indemnified Parties") from any Losses arising out of or relating to the operation of the Facility by Manager during the term of this Agreement, except to the extent that such Losses are a direct result of the actions or omissions of the Owner Indemnified Parties. Owner shall indemnify and hold harmless Manager, its affiliates and their respective officers, directors, employees, agents and contractors ("Manager Indemnified Parties") from any Losses arising out of or relating to the operation of the Facility by Owner prior to the Effective Date, except to the extent that such Losses are a direct result of the actions or omissions of the Manager Indemnified Parties.

11.3 Except for liability for breach of Sections 7.1, 7.8, 7.9 or 7.10, in no event shall either Party be liable for consequential, indirect, incidental, special, exemplary, punitive or enhanced damages, arising out of, or relating to, or in connection with any breach of this Agreement regardless of (a) whether such damages were foreseeable, (b) whether or not the other Party was advised of the possibility of such damages, and (c) the legal or equitable theory upon which the claim is based.

12. FORCE MAJEURE

12.1 The failure or delay of either Party to perform any obligation under this Agreement solely by reason of acts of God, acts of government (except as otherwise enumerated herein), riots, wars, embargoes, strikes, lockouts, accidents, or other causes beyond its control (each a "Force Majeure Event") shall not be deemed a breach of this Agreement; provided, however, that the Party so prevented from complying herewith shall not have procured such Force Majeure Event, shall have used all reasonable diligence to avoid such Force Majeure Event and ameliorate its effects, and shall continue to take all actions within its power to comply as fully as reasonably possible with the terms of this Agreement.

12.2 Except where the nature of the Force Majeure Event shall prevent it from doing so, the Party suffering such Force Majeure Event shall notify the other Party in writing within three (3) days after the occurrence of such Force Majeure Event and shall, in every instance to the extent possible and lawful under the circumstances, use its commercially best efforts to remove or remedy such Force Majeure Event with all reasonable dispatch.

13. GOVERNING LAW AND WAIVER OF JURY TRIAL

13.1 The validity, performance, construction and effect of this Agreement shall be governed by the laws of the State of Tennessee, without regard to conflict of law principles.

13.2 In the event that any dispute shall arise between the Parties hereto as to any matter or thing covered hereby or as to the meaning of this Agreement or to any state of facts which may arise, the same shall be settled by the agreement of the Parties, or if they are unable to agree, the same shall be settled by binding arbitration by a single arbitrator in accordance with the American Health Lawyers Association Alternative Dispute Resolution Service Rules of Procedure for Arbitration. The arbitrator shall be an individual with experience in health care industry disputes and, if possible, expertise in the area which is the subject of the dispute. If the Parties are unable to select an arbitrator, the arbitrator shall be selected in accordance with the Rules of Procedure for Arbitration of the American Health Lawyers Association Alternative Dispute Resolution Service. The arbitration will be conducted in Nashville, Tennessee or at another site convenient to the Parties, as determined by the arbitrator, and any judgment on the award rendered in such arbitration may be entered in any state or federal court having jurisdiction. The prevailing Party in any arbitration proceeding hereunder as determined by the arbitrator or in any legal proceedings or actions arising from or in connection with this Agreement shall be entitled to recover reasonable attorneys' fees and costs. Nothing herein shall prohibit a Party from seeking equitable relief in a court of law to maintain the status quo while an arbitration is pending hereunder. The Parties agree that the arbitrator shall not have the right to award punitive damages.

13.3 Refusal of one Party to arbitrate shall entitle the remaining Party to specifically enforce this Agreement in a court of competent jurisdiction, and, as a result of said refusal to arbitrate, the remaining Party shall be entitled to receive costs, reasonable attorneys' fees and its share of the arbitration fee.

13.4 If the Party against which a judgment is rendered in any arbitration (the "Defaulting Party") does not pay to the other Party the arbitration award within ten (10) days of written demand therefore, and the other Party shall institute suit in a court of competent jurisdiction to enforce said decision, the Defaulting Party shall pay the other Party the reasonable attorney's fees and court costs incurred in such action.

13.5 While any arbitration proceeding is pending, no Party is excused from the payment of monies due hereunder, but if it is determined by the arbitrator that monies paid during the Arbitration period were not due, the payee shall remit the amount of monies so paid, together with interest at the then prevailing prime rate as published in the *Wall Street Journal* from the date of receipt to the proper Party, within ten (10) days of the issuance of the arbitration award.

14. NON-WAIVER AND OTHER REMEDIES

14.1 Failure of any Party to insist upon the strict and punctual performance of any provision hereof shall not constitute waiver of nor estoppel against asserting the right to require such performance, nor shall a waiver or estoppel in one instance constitute a waiver or estoppel with respect to a later breach whether of similar nature or otherwise.

14.2 Subject to Section 1.2 above, nothing in this Agreement shall prevent a Party from enforcing its rights by such remedies as may be available in lieu of or in addition to termination.

15. NOTICE

15.1 All notices, request, demands and other communications under this Agreement or in connection herewith shall be given by letter (delivered by hand or by air courier) or by facsimile transmission confirmed by such letter, and shall be addressed to the Parties as follows:

If to Owner:	Mountain States Health Alliance 400 North State of Franklin Johnson City, TN 37604 ATTN: General Counsel
If to Manager:	LP Johnson City LLC 12201 Bluegrass Parkway Louisville, KY 40299 ATTN: E. Joseph Steier, III, CEO
With Copy to:	Signature HealthCARE, LLC 12201 Bluegrass Parkway Louisville, KY 40299 ATTN: Sandra Adams, VP and General Counsel

15.2 Any notice, request, demand or other communication shall be effective (i) if given by facsimile, at the time such facsimile is transmitted and the appropriate confirmation is received (or, if such time is not during a normal business day, at the beginning of the following business day), or (ii) if given by air courier, when delivered at the applicable address specified above. Either Party may change its address at any time by written notice to the other Party given pursuant to this Article 15.

16. MISCELLANEOUS

16.1 In the event that any provision of this Agreement becomes or is declared by a court or other tribunal of competent jurisdiction to be illegal, invalid, unenforceable or void, such provision(s) shall be limited or eliminated to the extent necessary so that this Agreement shall otherwise remain in full force and effect without said provision.

16.2 Each Party shall pay all costs and expenses that it incurs with respect to the negotiation, execution, delivery and performance of this Agreement.

16.3 Neither this Agreement nor any rights hereunder shall be assignable, directly or indirectly, by any Party hereto without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed.

16.4 This Agreement supersedes all previous and contemporaneous representations, understandings or agreements, oral, or written, between the Parties with respect to the subject understanding of the Parties as to the terms and conditions of their relationship. No changes, alterations, or modifications hereto shall be effective unless they are in writing and are signed by an authorized representative of each Party.

16.5 The headings in this Agreement are included for convenience of reference only and do not substantively affect the terms or interpretation of this Agreement. Each writing or document referred to as being attached as an Exhibit is hereby made a part of this Agreement.

16.6 This Agreement may be executed in one or more counterparts, each of which, when executed, shall be deemed to be an original and all of which together will be deemed to be one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart of this Agreement. The Parties also agree and acknowledge that this Agreement may be kept in electronic form and that an electronic version of this Agreement will be just as valid and enforceable as the original.

Signature Page Follows

LP JOHNSON CITY, LLC

By:_____

Title:_____

MOUNTAIN STATES HEALTH ALLIANCE

By:_____

Title:_____

EXHIBIT A

Employee Salary/Benefits (except employees providing Shared Services)	SPS	Billed to JV
Operations – QA/QAPI (in cooperation with Owner efforts)	SHC-CCS	Management Fee (Billed to JV)
Pharmacy Services	From 7/1/2016-7/31/2016: MSHA Effective 8/1/2016: Pharmerica	Billed to JV Billed to JV
Therapy Services	SRS	Billed to JV
Therapy Documenting/Billing (Optima)	SRS	Billed to JV
Electronic Medical Records (IHN)	SHC-CS	Billed to JV
Licensing Compliance Services	SHC-CS	Management Fee (Billed to JV)
Wound Vac	Contracted by JV	Billed to JV
Agency Staff (See HealthPro below also)	Contracted by JV	Billed to JV
Operations – Recommend/Assist on clinical policies and procedures and updates on health care industry	SHC-CCS SHC-CS	Management Fee (Billed to JV)
Operations – Recommend/Assist with the implementation of regulatory compliance program	SHC-CCS SHC-CS	Management Fee (Billed to JV)
Operations – Recommend/Assist with providing education and training to Facility's personnel on policies and procedures	SHC-CCS SHC-CS	Management Fee (Billed to JV)
Operations – Assist with plans of correction and responses to regulatory inquiries	SHC-CCS SHC-CS	Management Fee (Billed to JV)
Operations – Tracking and reporting of regulatory and/or quality indicator performance	SHC-CCS	Management Fee (Billed to JV)
Operations – Assist with investigation and assessment of clinical services and incidents	SHC-CCS	Management Fee (Billed to JV)
Facility medical, office and other supplies/services	Contracted by JV or SHC-CS	Billed to JV

Administration – Claims management, Billing, Patient collections	SHC-CS	Management Fee (Billed to JV)
Administration – Payroll/Benefits administrative services/overhead	SHC-CS	Management Fee (Billed to JV)
Administration – A/P, A/R, Accounting, Bookkeeping, Records	SHC-CS	Management Fee (Billed to JV)
Administration – General Human Resource management services	SHC-CS	Management Fee (Billed to JV)
Administration – Legal Services and Risk Management	SHC-CS	Management Fee (Billed to JV)
Podiatry	Contracted by SHC-CS	Billed to patient (No charge to JV)
Dentistry	Contracted by SHC-CS	Billed to patient (No charge to JV)
Shared Services: * Prices may be subject to contractual increase for services provided under vendor contracts to MSHA* **The parties may agree to change who provides these services to JV in the future.**		
Dietary/Food/Dining (including food and supplies, menu tray card system, enteral feedings, nourishments, registered dietitian services)	MSHA (through Compass One/Morrisons)	Billed to JV at rate of $32.52 per patient day
EVS/Housekeeping/Janitorial (including pest control, bio-medical waste removal and traditional waste removal)	MSHA	Billed to JV at MSHA's cost and allocated to unit based on the SNF unit's proportionate share of square footage in JCMC building (1.16% of total square footage)
Laundry	MSHA	Billed to JV (at 80% of MSHA's total cost billed to nursing departments, a portion of which is allocated to the unit based on SNF unit's proportionate share of total patient days within the nursing departments at the JCMC facility)
Facility/Use of Space (utilities, maintenance)	MSHA	No charge
Facility Fixtures/Equipment (maintenance)	MSHA	No charge

Shredding Service	MSHA	Billed to JV at rate of $2.50 per bin
Laboratory Testing	MSHA	Billed to JV at Medicare Fee Schedule Rate
Radiology/X-ray	MSHA	Billed to JV at Medicare Fee Schedule Rate
Blood Bank	MSHA	Billed to patient (No bill by MSHA to JV)
Code Response Team (including supplies and replenishing code cart)	MSHA	Billed to JV at rate of $129.30 per response
Medical Director Services	MSHA	Billed to JV at rate of $125 per hour; capped at 16 hours per month ($2,000)
Hospice Services	MSHA	Billed to patient (No bill by MSHA to JV)
Dialysis Services	MSHA	Billed to patient (No bill by MSHA to JV)
Respiratory Therapy Services	MSHA	Billed to JV at the following rates: Aerosol Treatment Initial: $10.51 per initial treatment Aerosol Treatment Subsequent: $7.79 per each addtl. Treatment Oxygen Daily non-Aerosol: $4.78 per day Pulse OX Mult Determination: $17.06 per day Pulse OX Continuous Overnight: $55.29 per day ALL OTHER RESPIRATORY THERAPY PROCEDURES TO BE CHARGED AT MEDICARE RATES. RESPIRATORY THERAPY SUPPLIES WITH COST IN EXCESS OF $10 TO BE CHARGED AT ACQUISITION COST.
Telephone Charges	MSHA	Billed to JV at MSHA's cost and allocated to the unit based on SNF unit's proportionate share of FTE's at the JCMC facility(1.56% of total FTE's)
Cable/Internet Charges	MSHA	Billed to JV at MSHA's cost and allocated to the unit based on SNF unit's proportionate share of FTE's at the JCMC facility (1.56% of total FTE's)
Copier/Printer Charges	MSHA	Billed to JV at MSHA's cost and allocated to the unit based on SNF unit's proportionate share of FTE's at the JCMC facility (1.56% of total FTE's)
Interpreter	MSHA	Billed to JV at the following rates: STRATUS REMOTE VIDEO INTERPRETATION: ASL VRI: $2.45 per minute Spanish VRI: $1.40 per minute Other languages: $1.60 per minute

		Sign Language: $2.99 per minute Stratus OPI: $1.27 per minute WRITTEN TRANSLATION: $60 per page PATTY HARMON: $39 per hour, including travel time; additional $8 per hour for after 5:00pm, weekends and holidays. FRONTIER HEALTH: $30 per hour, plus $4.94 for mileage.
Ambulance	MSHA	Billed to JV at rate of $209.92 per trip (flat rate), plus $7.27 per mile
Non-emergency transportation	MSHA	Billed to JV at rate of $55 per transport
Audiology	MSHA	Billed to patient (No bill by MSHA to JV)
Equipment Diagnostic Services (solely for equipment located on the unit)	MSHA	Billed to JV at MSHA's cost
Disaster/Emergency Preparedness	MSHA	No charge
Transfer	MSHA	No charge
*Repair & Maintenance includes alarm testing & monitoring, fire and life safety preparedness and drills, and generator testing	MSHA	No charge
HealthPro Staffing	MSHA	*See Attached Page of Rates

HealthPro Staffing Rates to Princeton Transitional Care

Position	Job Code	Hourly Rate	OT Rate	Holiday Rate	Call Back Rate
Certified Nursing Assistant					
Certified Nursing Assistant	3200	$11.55	$17.33	$17.33	$17.33
Licensed Practical Nurse					
LPN	3000	$19.95	$29.93	$29.93	$29.93
Nurse Intern I					
Nurse Intern I	3251	$11.55	$17.33	$17.33	$17.33
Nurse Intern II					
Nurse Intern II	3252	$11.55	$17.33	$17.33	$17.33
Nurse Intern III					
Nurse Intern III	3253	$14.18	$21.27	$21.27	$21.27
Occupational Therapist					
Occupational Therapist - Hourly	4146	$58.80	$88.20	$88.20	$88.20
Patient Care Partner					
Patient Care Partner	3275	$14.18	$21.27	$21.27	$21.27
Nurse Intern I / PCP	3255	$14.18	$21.27	$21.27	$21.27
Patient Safety Companion					
Patient Safety Companion	3209	$10.50	$15.75	$15.75	$15.75
Patient Service Representative					
Patient Service Representative	5120	$18.90	$28.36	$28.36	$28.36
Phlebotomist					
Phlebotomist	3300/3302	$17.85	$26.78	$26.78	$26.78
Physical Therapist					
Physical Therapist - Hourly	4150	$66.15	$99.23	$99.23	$99.23
Registered Nurse					
RN - HealthPro Staffing	2020	$53.55	$80.33	$80.33	$80.33
Speech Language Pathologist					
Speech Language Pathologist - Hourly	4159	$58.80	$87.80	$87.80	$87.80

Note: On Call/Charge = $5.00/hour

EXHIBIT B

Business Associate Addendum

This Business Associate Addendum ("Addendum") is by and between Mountain States Health Alliance, a Tennessee nonprofit corporation ("Provider"), and LP Johnson City, LLC, a Delaware limited liability company ("Associate").

1. Purpose. This Addendum is incorporated into and made part of that Management Services Agreement between Provider and Associate. Provider and Associate agree to comply with the requirements of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), its implementing privacy regulations (45 C.F.R. Part 160 and Part 164, Subparts A and E) (the "Privacy Rule"), and its implementing security regulations (45 C.F.R. Part 160 and Part 164, Subpart C) (the "Security Rule"). It is the understanding of the parties that Associate is acting as a business associate (as defined under the Privacy Rule) of Provider when providing the Services, as defined below, that involve the receipt or creation of Protected Health Information.

2. Definitions. All capitalized terms not defined herein shall have the meanings set forth in the Privacy Rule and Security Rule. References to "PHI" refer to Protected Health Information created or received by Associate for or from Provider.

3. Services. Associate provides services that involve the use and/or disclosure of PHI ("Services") pursuant to the Management Services Agreement ("Service Agreement") between the parties.

4. Permitted Uses and Disclosures. Associate shall not use or disclose any PHI other than as permitted by this Addendum or as Required By Law. Associate may use and disclose PHI in order to provide the Services to Provider and to perform Associate's obligations under the Service Agreement, provided that such use or disclosure would not violate the Privacy Rule if done by Provider directly. Associate may also use or disclose PHI as required for Associate's proper management and administration, provided that if Associate discloses any PHI to a third party for such a purpose, Associate shall receive the agreement of such third party (i) to hold the PHI confidentially and not to use or further disclose the PHI except as Required By Law or for the purpose for which it was disclosed to such third party, and (ii) to notify Associate immediately of any instances of which it becomes aware in which the confidentiality of the PHI has been breached. Associate may also (a) use PHI to perform Data Aggregation services relating to the Health Care Operations of Provider; (b) use or disclose PHI to report violations of the law to federal or state authorities consistent with 45 C.F.R. § 164.502(j)(1); and (c) use PHI to create information that is de-identified consistent with the requirements set forth at 45 CFR §164.514.

5. Reporting. If Associate becomes aware of any use or disclosure of PHI by Associate in violation of this Addendum, Associate shall report promptly such information to Provider. Associate shall also report promptly to Provider any Security Incidents involving electronic PHI of which Associate becomes aware. The parties acknowledge and agree that this section constitutes notice by Associate to Provider of the ongoing existence and occurrence of attempted but Unsuccessful Security Incidents (as defined below) for which no additional notice to

Provider shall be required. "Unsuccessful Security Incidents" shall include, but not be limited to, pings and other broadcast attacks on Associate's firewall, port scans, unsuccessful log-on attempts, denials of service and any combination of the above, so long as no such incident results in unauthorized access, use or disclosure of electronic PHI.

6. Agents and Subcontractors. Associate shall require any agent or subcontractor that carries out any duties for Associate involving the use or disclosure of PHI to agree to comply with the same obligations as Associate as set forth in this Addendum.

7. Patient Rights. To the extent Associate maintains PHI in a Designated Record Set and to the extent necessary for Provider to comply with 45 C.F.R. §§ 164.524 and 164.526, Associate shall comply promptly with all Provider requests to amend or provide access to PHI in the custody or control of Associate, its agents or subcontractors. Further, Associate will record for each disclosure of PHI that Associate makes that is not excepted from disclosure accounting under 45 C.F.R. § 164.528 the information necessary for Provider to provide an accounting of disclosures in accordance with 45 C.F.R. § 164.528. Associate will make this accounting information available to Provider promptly upon Provider's request. Associate shall have available for Provider this accounting information for the period requested, up to six (6) years preceding Provider's request (except Associate need not have any accounting information for disclosures occurring before the effective date of this Addendum).

8. Safeguards. Associate shall use appropriate physical, technical, and administrative safeguards to prevent the use or disclosure of PHI other than as provided for by this Addendum. Associate agrees to implement administrative, technical and physical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of electronic PHI. Such safeguards for electronic PHI shall be consistent with the requirements applicable to Covered Entities under the Security Rule.

9. Audits and Inspections. Associate shall make its internal practices, books, and records relating to the use and disclosure of PHI available upon request to the Secretary of the U.S. Department of Health and Human Services to determine the Provider's compliance with the Privacy Rule and Security Rule. Notwithstanding the above, no attorney-client, accountant-client, or other legal privilege shall be deemed waived by Provider or Associate by virtue of this provision.

10. Term and Termination. This Addendum shall be effective as of the effective date of the Service Agreement. This Addendum shall remain in effect until the Service Agreement terminates or this Addendum is terminated as set forth below, whichever is earlier. Provider may terminate this Addendum and the Service Agreement upon written notice to Associate if Associate breaches any material provision of this Addendum and fails to cure such breach within 30 days following notice. Upon termination of this Addendum for any reason, Associate shall, if feasible, return or destroy all PHI in the possession of Associate, its agents or its subcontractors. If return or destruction is not feasible, Associate may continue to maintain such PHI but still continue to abide by the terms and conditions of this Addendum with respect to such PHI and shall limit its further use or disclosure of such PHI to those purposes that make return or destruction of the information infeasible. Upon termination of this Addendum for any reason, all of Associate's obligations under this Addendum shall survive termination and remain in effect (a) until Associate has completed the return or destruction of PHI and (b) to the extent Associate

retains any PHI pursuant to this section. Notwithstanding the foregoing, nothing in this Addendum shall limit any existing rights of the parties to terminate the Service Agreement.

11. Interpretation. Any ambiguity in this Addendum shall be resolved to permit Provider to comply with the Privacy Rule and Security Rule. To the extent there are any inconsistencies between this Addendum, the Service Agreement or any other agreement between the parties related to the Services, this Addendum will govern. Nothing in this Addendum shall be construed to create any rights or remedies in any third parties. This Addendum replaces and supersedes any prior business associate agreements between the parties.

EXHIBIT C

Billing, Collection and JV Funding Process

- Residents of the Facility will be entered in Signature's IHN billing system with an effective date of July 1, 2016.
- Signature Healthcare Consulting Services, LLC (SHCS) completes all billings to Medicare, Managed Care and Private payers using Owner's provider billing information associated with the Facility.
    - SHCS will need access to the Owner DDE. DDE access granted to designated SHCS stakeholder to only access SNF NPI information.
- SHCS will create 837 from IHN and send to Owner.
- Owner to upload the 837 file into SSI clearing house.
- Remits will flow through SSI and import into hospital billing system. Payments for billed services are received into Owner's bank account.
- Owner to provide remittance advices, EOB's, checks, other payments to SHCS for purposes of posting payment to the IHN system.
- SHCS billing services, by the twenty-fifth calendar day (25th) of the current , will review all forms of payment including EOB/Remittance Advices to determine amount to transfer from the Owner bank account to the Manager's designated bank account ("Manager's account").
- Owner to transfer reconciled funds within five (5) business days to Manager's account.
- By the fourth (4th) business day of each month, Owner and Manager will submit documentation supporting the expenses incurred by such party during the prior month.
- Manager will review the Net Collections monthly to determine whether the Net Collections are sufficient to pay the Facility's expenses, and by the fifteenth (15th) day of the month shall notify each of its members of the existence of any Surplus (defined below) or Deficit (defined below)
- If Net Collections of the Manager exceeds the Facility's expenses ("Surplus"), the members of the Manager shall not be required to make any capital contributions to Manager to satisfy such expenses.
- If the Net Collections is not sufficient to satisfy the Facility's expenses ("Deficit"), then each member of the Manager receive an invoice from the Manager for such member's pro-rata share (based on the Joint Venture operating agreement) of such deficit.

- Within five (5) business days of receiving the deficit invoices each member will submit its respective payment to Manager.
- Once Manager has received payment from both members, operating payables will be processed and funds will flow to the members for the services provided by or on behalf of such members (based on amounts billed to the Manager) and other third party vendors.

The chart and explanation above are intended to aide in the interpretation and clarification of the obligations of the Parties within the Agreement, but are not intended to impose obligations beyond those that are within the Agreement language itself. In the event of any conflict between the language in this Exhibit C, and the language in the Agreement, the language in the Agreement shall control.

Exhibit D

Confidential Payor Information Agreement

This Confidential Payor Information Agreement ("Agreement") is effective as of June 28, 2016 ("Effective Date") by and among Mountain States Health Alliance, a Tennessee nonprofit corporation ("MSHA"), LP Johnson City, LLC, a Delaware limited liability company ("Recipient"), and the Representatives (defined below). All capitalized terms not defined herein shall have the meanings set forth in the Agreement.

WHEREAS MSHA and Recipient intend to contract for Recipient to provide MSHA certain management services as of July 1, 2016, relating to the Princeton Transitional Care Unit (the "Facility"); and

WHEREAS Recipient requires access to Confidential Payor Information (defined below) in order to provide effective management services with respect to the Facility pursuant to the intended management services agreement; and

WHEREAS MSHA desires to protect this Confidential Payor Information.

THEREFORE MSHA and Recipient intend for this Agreement to govern the use of such Confidential Payor Information by Recipient and the Representatives.

The parties agree as follows:

1. Disclosure. MSHA will disclose the Confidential Payor Information to those representatives of Recipient that Recipient has identified and who agree to be bound by the terms of this Agreement ("Representatives"). For clarity, Recipient shall be liable for any breach of this Addendum by such representatives. "Confidential Payor Information" shall mean information on reimbursement rates and other contract terms applicable to Princeton Transitional Care, and any other information designated as confidential payor information by MSHA.

2. Confidentiality. During the term of this Agreement and for three (3) years surviving the expiration or termination of the management services agreement, Recipient and its Representatives will regard and preserve as confidential all information related to the business of MSHA and its affiliates and their respective clients and patients and including Confidential Payor Information that may be obtained as the result of this Agreement or the related management services agreement. Recipient and its Representatives will not, without first obtaining MSHA's prior written consent, disclose to any person, firm or enterprise or use for its benefit the Confidential Payor Information or any information relating to the business of MSHA and its affiliates or their respective clients and patients, including but not limited to: pricing methods, processes, financial data, lists, apparatus, statistics, programs, research, development or related information of MSHA or its affiliates concerning their past, present or future business activities or plans, and results or terms of the sale of products or provision of services by Recipient under this Agreement. This confidentiality obligation does not apply to: (a) information that is publicly known prior to the disclosure or becomes publicly known through no

wrongful act of the Recipient; (b) information that was in lawful possession of the Recipient prior to the disclosure and was not received as a result of any breach of confidentiality with respect to MSHA or its affiliates; or (c) information that was independently developed by Recipient outside the scope of this Agreement. In the event of a request for disclosure pursuant to court order or regulatory agency request, Recipient shall provide immediate notice to MSHA in order to provide an opportunity to oppose such request for disclosure or receive an appropriate protective order, and Recipient shall cooperate with MSHA in taking any reasonable steps to resist or narrow such request. If, in the absence of a protective order or the receipt of a waiver under this Agreement, Recipient is compelled to disclose any confidential information or be liable for contempt or suffer other censure or penalty, then Recipient may disclose only the portion of such confidential information as required by law.

3. Use of Confidential Payor Information The Representatives will utilize the Confidential Payor Information solely for the purpose of providing management services to the Facility under the management agreement, and will not disclose Confidential Payor Information to any other representatives of Recipient, Signature Healthcare, LLC, their affiliates, or any other third party without MSHA's prior written consent.

4. Representations and Warranties Recipient and each Representative represent and warrant that they do not participate in payor negotiations for any Signature Healthcare, LLC affiliated long term care facilities within the MSHA service area.

5. Remedies Each party hereby acknowledges and agrees that the Confidential Payor Information disclosed in connection with this Agreement is of a special, unique and extraordinary character, and the breach of any provisions of this Agreement will cause irreparable injury and damage; and consequently MSHA shall be entitled to, in addition to all other remedies available to it, injunctive and equitable relief to prevent a breach of this Agreement, and to secure the enforcement of this Agreement. Should Recipient or any Representative breach this Agreement, in addition to all other remedies available at law or in equity, the Recipient shall pay the costs and expenses of MSHA resulting therefrom, and/or incurred in enforcing this Addendum, including legal fees and expert witness fees.

6. The validity, performance, construction and effect of this Agreement shall be governed by the laws of the State of Tennessee, without regard to conflict of law principles.

7. This Agreement may be executed in one or more counterparts, each of which, when executed, shall be deemed to be an original and all of which together will be deemed to be one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart of this Agreement. The Parties also agree and acknowledge that this Agreement may be kept in electronic form and that an electronic version of this Agreement will be just as valid and enforceable as the original.

Signature Page Follows

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

LP JOHNSON CITY, LLC

_____
Signature

_____
Printed Name

_____
Title

MOUNTAIN STATES HEALTH ALLIANCE

_____
Signature

_____
Printed Name

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Title

REPRESENTATIVES:

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Printed Name

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SCHEDULE 1

17198942.5

MSHA Joint Venture- SNF/ALF
SHC EQUITY

* yellow highlights is when FF&E purchased and physically in building (has 16 month payment terms)

As of: 6.28.16	Pre-Const		Construction Phase																	
Completion %			0%								50%				75%					100%
CONSTRUCTION TIME LINE	1-PRE Month	2-PRE Month	1 Month	2 Month	3 Month	4 Month	5 Month	6 Month	7 Month	8 Month	9 Month	10 Month	11 Month	12 Month	13 Month	14 Month	15 Month	16 Month	17 Month	18 Month
CON Filing Fees & Legal	49,246																			
Working Capital																				
Furniture																		35,673		
Soft Goods																				
Art																				
Wayfinding/Signage																		15,000		
Window Blinds																				
Window Treatments																				
Kitchen Equipment/Coffee/Ice Cream																				
Kitchen Smallwares																				
SNF Laundry Equipment																				
ALF Laundry Equipment																				
Therapy																				
Cubicle Curtains																				
Beds & Mattresses																				
Whirlpool Tub																				
IT (incl low voltage wiring $105k)											105,000							210,000		
Final Clean																				7,000
Lifts/Slings																				
ADL Kitchen Appliances & Ansel System																				
Startup:																				
Linens																				
Housekeeping																				
Clinical																				
PaperOffice Wares																				
Contingency																				
TOTAL SHC JV EQUITY	$49,246	$0	$0	$0	$0	$0	$0	$0	$0	$0	$105,000	$0	$0	$0	$0	$0	$0	$260,673	$0	$7,000

MSHA Joint Venture- SNF/ALF
SHC EQUITY

As of: 6.28.16	Operation Start															
Completion %	LEASE YEAR 1- Pro Forma Start												Purchase Year 2			
CONSTRUCTION TIME LINE	1 Month	2 Month	3 Month	4 Month	5 Month	6 Month	7 Month	8 Month	9 Month	10 Month	11 Month	12 Month	13 Month	14 Month	15 Month	TOTAL
CON Filling Fees & Legal																49,246
Working Capital	386,000															386,000
Furniture													618,673			654,346
Soft Goods													18,751			18,751
Art													90,000			90,000
Wayfinding/Signage													-			15,000
Window Blinds													37,200			37,200
Window Treatments													150,000			150,000
Kitchen Equipment/Coffee/Ice Cream										185,000						185,000
Kitchen Smallwares															30,000	30,000
SNF Laundry Equipment										44,000						44,000
ALF Laundry Equipment															6,250	6,250
Therapy													56,300			56,300
Cubicle Curtains													45,000			45,000
Beds & Mattresses													50,000			50,000
Whirlpool Tub										10,000						10,000
IT (incl low voltage wiring $105k)													-		-	315,000
Final Clean																7,000
Lifts/Slings													21,260			21,260
ADL Kitchen Appliances & Ansel System										7,500						7,500
Startup:																
Linens															22,000	22,000
Housekeeping															149,000	149,000
Clinical															8,200	8,200
PaperOffice Wares															5,000	5,000
Contingency															7,193	7,193
TOTAL SHC JV EQUITY	$386,000	$0	$0	$0	$0	$0	$0	$0	$0	$246,500	$0	$0	$1,087,184	$0	$227,643	$2,369,246

Attachment Section

Attachment A-5

Management Agreements between Signature Consulting Services, LLC and Signature Clinical Consulting Services (SCS/SCCS) and LP Johnson City LLC

CLINICAL CONSULTING SERVICES AGREEMENT

THIS AGREEMENT ("Agreement") is entered into and effective as of this 1st day of July, 2016, (the "Effective Date"), by and between Signature HealthCARE Clinical Consulting Services, LLC, a Delaware limited liability company ("Consultant"), and LP Johnson City, LLC, a Delaware limited liability company ("Provider").

RECITALS

WHEREAS, Mountain States Health Alliance, a Tennessee non-profit corporation ("MSHA"), owns and operates a skilled nursing unit known as Princeton Transitional Care, located in Johnson City Medical Center in Johnson City, Tennessee ("Existing Unit");

WHEREAS, Provider is in the process of building a skilled nursing and assisted living facility to be located at 401 Princeton Road, Johnson City, Tennessee ("Facility") of which once built and operational Provider will be the licensed owner and operator;

WHEREAS, MSHA has entered into a Management Services Agreement, dated July 1, 2016, pursuant to which Provider will manage the operations of the Existing Unit ("Management Agreement") until such time as the Facility is prepared to commence operations;

WHEREAS, Provider wishes to subcontract certain services to Consultant in connection with its management of the Existing Unit, and upon the commencement of operations at the Facility, provide such services in connection with the operation of the Facility; and

WHEREAS, the parties hereto wish to document their agreement with respect to the provision of such services by Consultant to Provider.

NOW, THEREFORE, in consideration of the facts referenced above and the covenants contained herein, and for other valuable consideration, **IT IS HEREBY AGREED AS FOLLOWS**:

ARTICLE I
SERVICES AND OBLIGATIONS OF CONSULTANT

A. **Services**. Consultant shall provide those services listed on **Exhibit A** attached hereto and incorporated herein, to Provider.

ARTICLE II
COMPENSATION

A. **Consulting Fee**. As compensation for the services rendered by the

Consultant, the Provider shall pay the Consultant a monthly fee in an amount equal to one-half percent (0.5%) of the gross revenues (net of contractual adjustments), of the Existing Unit or Facility (as applicable) ("Consulting Fee"). The Consulting Fee is due and payable within twenty (20) days after the end of each month in which the Consultant provides services.

ARTICLE III
RIGHTS AND OBLIGATIONS OF PROVIDER

A. **Provider Responsibilities**. Provider acknowledges and agrees that the following duties and responsibilities below are the duties of Provider and are not the duties or obligations of Consultant. Notwithstanding the foregoing, Provider's duties below with respect to the Existing Unit shall be subject to the Management Agreement:

1. Provider shall supervise and direct the management of the Existing Unit to assist MSHA in maintaining the Existing Unit in substantial compliance with the requirements of any applicable statute, ordinance, law, rule, regulation or order of any governmental or regulatory body having jurisdiction over the Existing Unit. Once operational, Provider shall supervise and direct the operation of the Facility in accordance with the foregoing sentence.

2. Provider shall supervise and manage the operation of the Existing Unit or Facility (as applicable), including, but not limited to, the provision of care to residents, staffing and general onsite administration. In connection therewith, Provider shall supervise the employees and other service providers providing services at the Existing Unit or Facility (as applicable).

3. Provider shall supervise and direct the day-to-day business activities, management and operation and repair of the Existing Unit or Facility (as applicable), and all phases of its operation; provided that, with respect to the Existing Unit, such authority has been delegated to Provider by MSHA pursuant to the Management Agreement.

4. Provider shall supervise and direct the obtaining and maintenance, all licenses, certifications, permits, consents, approvals and certifications required for the operation of the Existing Unit or Facility (as applicable).

5. Provider shall supervise and direct the Existing Unit or Facility (as applicable) activities as may be required to maintain and preserve all necessary licenses, certifications, permits, consents and approvals to operate the Existing Unit or Facility (as applicable)so as to substantially comply with all applicable laws, rules and regulations.

6. Provider shall supervise and direct the institution of written standards and

procedures for the operations of the Existing Unit or Facility (as applicable).

7. Provider shall supervise and direct the establishment and maintenance of policy and procedure manuals needed with reference to the operation of the Existing Unit or Facility (as applicable) so that the it complies with all applicable local, state, and federal laws, regulations and requirements.

8. Provider shall supervise and direct the selection, employment, compensation, supervision, and training an adequate staff, as required by law including an administrator for the Existing Unit or Facility (as applicable).

9. Provider shall supervise and direct the promotion, direction, assignment, and discharging all such employees.

10. Provider shall supervise and direct the contracting for all necessary services for the general operation and maintenance of the Existing Unit or Facility (as applicable).

B. During the Term, MSHA is and will remain the responsible licensee of the Existing Unit, and after the establishment of the Facility, Provider will be the licensee of the Facility. As such, subject to the terms of this Agreement, MSHA or Provider (as applicable) is fully liable and legally accountable at all times to all patients and governmental organizations for all patient care and funds.

ARTICLE IV
TERM / TERMINATION

A. **Term**. The term of this Agreement shall begin on the Effective Date and continue until terminated as provided herein.

B. **Termination**.

1. Without Cause. Either party may terminate this Agreement by providing thirty (30) days' written notice to the other party.

2. Automatic Termination. This Agreement will terminate automatically upon the occurrence of the following events: (a) The termination of the Management Agreement by MSHA pursuant to Section 10.5 of the Management Agreement; (b) Consultant is excluded from participation in any federal health care program as defined at U.S.C. § 1320a-7b(f); or (c) The Operating Agreement of Provider between SHC LP Holdings III, LLC and Blue Ridge Medical Management Corporation is terminated and/or Provider is dissolved.

3. Default. In the event of default by either party of any of its obligations hereunder and in the event such default shall continue for ten (10) days after receipt of

written notice thereof, then the non-defaulting party may terminate this Agreement immediately and seek any remedy available hereunder, at law and/or in equity.

ARTICLE V
ATTORNEYS' FEES

A. **Prevailing Party**. If any party brings an action or proceeding to enforce or interpret the terms hereof or declare rights hereunder, the prevailing party (as hereinafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "prevailing party" shall include, without limitation, a party who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other party of its claim or defense. The attorneys' fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred.

ARTICLE VI
ADDITIONAL ACKNOWLEDGEMENTS

A. **Certification and Conduct**. For so long as services under this Agreement are provided at the Existing Unit, Consultant's employees, agents or representatives, shall complete MSHA's Vendor Certification Program, orientation and badging process. While performing services in the Existing Unit, Consultant's personnel shall wear appropriate Provider identification badges and shall not hold themselves out as employees or personnel of MSHA. While present on MSHA premises, or accessing MSHA IT resources, Consultant's personnel will be subject to the policies and procedures of MSHA. Provider may exercise its discretion and remove or bar any Consultant's personnel who poses an immediate risk of harm to self, others, or property or who is deemed to be conducting oneself contradictory to MSHA's mission.

B. **Debarment and Suspension**. Consultant hereby certifies that neither it, its subcontractors or its affiliates nor any of their respective personnel providing services at all times during the term of this Agreement (a) a listed vendor in the Federal General Services Administration's "List of Parties Excluded from Federal Procurement or Nonprocurement Programs" in accordance with Presidential Executive Orders 12549 and 12689, "Debarment and Suspension;" (b) listed in the Office of Inspector General's "List of Excluded Individuals/Entities (LEIE)" pursuant to 42 U.S.C. 1320a-7; or (c) ever been convicted of a criminal offense related to healthcare. Consultant shall notify Provider immediately in the event that any of the aforementioned certifications becomes untrue or if Consultant is the subject of government investigation that could lead to one or more certifications being untrue. Consultant shall promptly remove any person from providing services on behalf of Provider hereunder in the event such certifications become untrue with respect to such person.

C. **Code of Ethics and Business Conduct**. Consultant acknowledges it has received and reviewed a copy of the Code of Ethics and Business Conduct of MSHA found at https://www.mountainstateshealth.com/sites/default/files/documents/MSHA-CODE-OF-ETHICS-MSHA-revised-1411-06212011_06212011_132847.pdf. For so long as services under this Agreement are provided at the Existing Unit, Consultant agrees that it will abide by its terms and provisions.

D. **Access to Records**. Upon the written request of the Secretary of Health and Human services or the Comptroller General or any of their duly authorized representatives, Consultant shall make available to the Secretary the contracts, books, documents and records that are necessary to verify the nature and extent of the cost of providing such services. Such inspection shall be available up to four (4) years after the rendering of such services.

E. **Insurance**. Each party shall, during the term of the Agreement, maintain at such party's own expense, (i) workers' compensation insurance coverage for its or its affiliates' employees; (ii) commercial general liability insurance; and (iii) professional liability insurance in the event that such party provides any professional services. Such general and professional liability insurance may be provided on either an occurrence or claims-made basis, and shall provide limits of liability in the minimum amount of one million dollars ($1,000,000) per occurrence with an annual aggregate of three million dollars ($3,000,000). If any liability insurance coverage required above is maintained on a claims made basis, such insurance shall continue throughout the term of the Agreement; and upon the termination, expiration or non-renewal of the Agreement, or the expiration or cancellation of the insurance, the party holding such policy shall purchase and maintain coverage for claims presented after the termination, expiration or non-renewal of the Agreement that arise from such party's acts or events occurring during the term of the Agreement. Upon request, each party shall provide the other party with a copy of all applicable policies or certificates of insurance, evidencing the existence of all coverage required hereunder. Each party shall provide the other party with not less than thirty (30) days' prior written notice in the event of a material change in such policies affecting the Existing Unit or the Facility.

F. **Confidentiality**. During the term of this Agreement and surviving its expiration or termination, Consultant will regard and preserve as confidential all information related to the business of MSHA, Provider, their affiliates and their respective clients and patients (each a "Disclosing Party") that may be obtained as the result of this Agreement. Consultant will not, without first obtaining such Disclosing Party's prior written consent, disclose to any person, firm or enterprise or use for its benefit any information relating to the business of such Disclosing Party, including but not limited to: pricing methods, processes, financial data, lists, apparatus, statistics, programs, research, development or related information of such Disclosing Party concerning their past, present or future business activities or plans, and results or terms of the sale of products or provision of services by Consultant under this Agreement.

This confidentiality obligation does not apply to: (a) information that is publicly known prior to the disclosure or becomes publicly known through no wrongful act of the Consultant; (b) information that was in lawful possession of the Consultant prior to the disclosure and was not received as a result of any breach of confidentiality with respect to MSHA or its affiliates; or (c) information that was independently developed by Consultant outside the scope of this Agreement. In the event of a request for disclosure pursuant to court order or regulatory agency request, Consultant shall provide immediate notice to such Disclosing Party in order to provide an opportunity to oppose such request for disclosure or receive an appropriate protective order, and Consultant shall cooperate with such Disclosing Party in taking any reasonable steps to resist or narrow such request. If, in the absence of a protective order or the receipt of a waiver under this Agreement, Consultant is compelled to disclose any confidential information or be liable for contempt or suffer other censure or penalty, then Consultant may disclose only the portion of such confidential information as required by law.

G. **Protected Health Information**. Consultant and its personnel shall maintain the confidentiality of all patient records and data, including, without limitation, individually identifiable health information (the "Protected Health Information" or "PHI") and obtain appropriate authorization prior to any disclosure of such records and data. All title to medical records, charts, and patient files and data shall be and remain the sole property of MSHA. Notwithstanding any provision herein to the contrary, Provider acknowledges and agrees that neither it, nor any of its personnel shall receive access to any patient information beyond that minimum amount of information necessary to accomplish the intended purpose of this Agreement. Consultant agrees that the PHI shall only be used by Consultant and its personnel for the purposes of performing pursuant to this Agreement and shall not be used for marketing, or any other purposes whatsoever, and shall only be disclosed in accordance with the terms hereof. Consultant shall at all times comply with the Business Associate Addendum attached hereto as **Exhibit B**.

ARTICLE VII
INDEMNIFICATION; LIMITATION OF LIABILITY

A. Each Party ("Indemnifying Party") shall indemnify, defend and hold harmless the other Party, its affiliates and their respective officers, directors, employees, agents and contractors ("Indemnified Parties") from any and losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, including reasonable attorneys' fees, that are incurred by any Indemnified Party (collectively, "Losses"), arising out of or relating to a breach of this Agreement by the Indemnifying Party.

B. Consultant shall indemnify and hold harmless Provider, its affiliates and their respective officers, directors, employees, agents and contractors ("Provider Indemnified Parties") from any Losses arising out of or relating to the acts or omissions of the Consultant, its affiliates or their respective officers, directors, employees, agents

or contractors during the term of this Agreement, except to the extent that such Losses are a direct result of the actions or omissions of the Provider Indemnified Parties.

C. Except for liability for breach of Article VI, Sections F and G, in no event shall either party be liable for consequential, indirect, incidental, special, exemplary, punitive or enhanced damages, arising out of, or relating to, or in connection with any breach of this Agreement regardless of (a) whether such damages were foreseeable, (b) whether or not the other party was advised of the possibility of such damages, and (c) the legal or equitable theory upon which the claim is based.

ARTICLE VIII
GENERAL PROVISIONS

A. **Compliance with Laws**. Consultant, and any of its personnel performing services hereunder, and Provider agree at all times during the existence of this Agreement to comply with all applicable federal, state and local laws, rules, ordinances and regulations as they relate to this Agreement.

B. Equal Employment. Each party hereto warrants that it does not and will not discriminate against any employee or applicant for employment because of race, creed, color, national origin, gender, veteran status, or handicap, or as otherwise may be prohibited by law. Each party hereto warrants that they are in full initial and ongoing compliance with all current applicable federal, state, and local laws, regulations, and ordinances, including but not limited to:

1. Civil Rights Act of 1964;
2. The Rehabilitation Act of 1973;
3. The Fair Labor Standards Act;
4. Equal Opportunity Clause (41 CFR 60.250.5(a); 41 CFR 60-300.5(a); and 41-CFR 60.741.5(a);
5. Affirmative Action Programs (41 CFR 60-1.40(a)(2);
6. Other laws that may apply from time to time as amended.

The parties also agree, where applicable, to comply with the regulations set forth under 29 CFR part 471, Appendix A to Subpart A, regarding NLRA compliance.

ARTICLE IX
MISCELLANOUS PROVISIONS

A. **Partial Invalidity**. The invalidity of one or more phrases, sentences, clauses, or sections contained in this Agreement shall not affect the validity of the remaining portions.

B. **Captions**. The headings to the various sanctions of this Agreement have been inserted for convenience only and shall not modify, define, limit, or expand express provisions of this Agreement.

C. **Amendments**. This Agreement contains the entire understanding between the parties with respect to the subject matter contained herein and may not be modified except by the written, mutual agreement of the parties. This Agreement supersedes all previous and contemporaneous agreements, written or oral, between the parties with respect to the subject matter contained herein.

D. **Waiver**. Failure of any party to insist upon compliance with any provision hereof shall not constitute a waiver thereof. No waiver of any provision of this Agreement shall be effective unless it is in writing and signed by the party against whom it is asserted. Any waiver of any provision of this Agreement shall only be applicable to the specific provision and instance to which it is related and shall not be deemed to be a continuing or future waiver as to such provision or as to any other provision.

E. **Notices**. Any notices or other communication permitted or required pursuant to this Agreement shall be made in writing and shall be delivered personally or sent by an overnight delivery or courier service, by certified or registered mail (postage prepaid) by telegraph, by telex or by facsimile transmission to the parties at the addresses set forth below. Notices shall be deemed given when personally served, telegraphed, telexed or sent by facsimile transmission, or, if sent by overnight delivery or courier service, the day after sent from within the United States, or if mailed, two (2) days after date of deposit in the United States mail.

To CONSULTANT: Signature HealthCARE Clinical Consulting Services, LLC
12201 Bluegrass Parkway
Louisville, KY 40299
Attn: Office of General Counsel

To PROVIDER: LP Johnson City LLC
12201 Bluegrass Parkway
Louisville, KY 40299
ATTN: E. Joseph Steier, III, CEO

F. **Governing Law**. This Agreement shall be governed by the laws of the State of Tennessee. Nashville, Tennessee shall be the sole and exclusive venue for any litigation, special proceeding, or other proceeding between the parties that may be brought or arise out of or in connection with or by reason of this Agreement.

G. **Successors and Assigns**. This Agreement shall inure to the benefit of and be binding upon the parties hereto, their successors and permitted assigns.

H. **Counterparts**. This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

I. **Language**. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identification of the person or persons, firm or firms, corporation or corporations may require.

J. **Execution**. Each of the parties agrees to execute such additional instruments and documents as may be necessary to implement the terms and provisions of this Agreement.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

CONSULTANT

Signature HealthCARE Clinical Consulting Services, LLC, a Delaware limited liability company

By: _____
John Harrison, Chief Financial Officer

PROVIDER

LP Johnson City, LLC,
a Delaware limited liability company

By: _____
Sandra Adams, VP and General Counsel

EXHIBIT A
Consultant Services

1. Recommend and provide to the Provider clinical policies and procedures in accordance with applicable law and the standard of care in the long term care industry, including updates as necessary.

2. Recommend and assist with the implementation of a regulatory compliance program for the Provider.

3. Assist with providing education and training to Provider's personnel on policies and procedures.

4. Review of quality indicator, certification and licensure, and life safety reports and provide recommendations for improvement to the Provider.

5. Conduct quality assurance surveys of the Provider's clinical operations and provide to the Provider recommendations for improvement.

6. Assist the Provider with plans of correction and responses to regulatory inquiries.

7. Tracking and reporting of regulatory performance for the Provider.

8. Assist the Provider with investigation and assessment of clinical services and incidents.

9. Serve as members of quality assurance committees and advisory boards as requested by the Provider.

EXHIBIT B

Business Associate Addendum

This Business Associate Addendum ("Addendum") is by and between LP Johnson City, LLC, a Delaware limited liability company ("Provider"), and Signature HealthCARE Clinical Consulting Services, LLC, a Delaware limited liability company ("Associate").

1. Purpose. This Addendum is incorporated into and made part of that Clinical Consulting Services Agreement between Provider and Associate. Provider and Associate agree to comply with the requirements of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), its implementing privacy regulations (45 C.F.R. Part 160 and Part 164, Subparts A and E) (the "Privacy Rule"), and its implementing security regulations (45 C.F.R. Part 160 and Part 164, Subpart C) (the "Security Rule"). It is the understanding of the parties that Associate is acting as a business associate (as defined under the Privacy Rule) of Provider when providing the Services, as defined below, that involve the receipt or creation of Protected Health Information.

2. Definitions. All capitalized terms not defined herein shall have the meanings set forth in the Privacy Rule and Security Rule. References to "PHI" refer to Protected Health Information created or received by Associate for or from Provider.

3. Services. Associate provides services that involve the use and/or disclosure of PHI ("Services") pursuant to the Management Services Agreement ("Service Agreement") between the parties.

4. Permitted Uses and Disclosures. Associate shall not use or disclose any PHI other than as permitted by this Addendum or as Required By Law. Associate may use and disclose PHI in order to provide the Services to Provider and to perform Associate's obligations under the Service Agreement, provided that such use or disclosure would not violate the Privacy Rule if done by Provider directly. Associate may also use or disclose PHI as required for Associate's proper management and administration, provided that if Associate discloses any PHI to a third party for such a purpose, Associate shall receive the agreement of such third party (i) to hold the PHI confidentially and not to use or further disclose the PHI except as Required By Law or for the purpose for which it was disclosed to such third party, and (ii) to notify Associate immediately of any instances of which it becomes aware in which the confidentiality of the PHI has been breached. Associate may also (a) use PHI to perform Data Aggregation services relating to the Health Care Operations of Provider; (b) use or disclose PHI to report violations of the law to federal or state authorities consistent with 45 C.F.R. § 164.502(j)(1); and (c) use PHI to create information that is de-identified consistent with the requirements set forth at 45 CFR §164.514.

5. Reporting. If Associate becomes aware of any use or disclosure of PHI by Associate in violation of this Addendum, Associate shall report promptly such

information to Provider. Associate shall also report promptly to Provider any Security Incidents involving electronic PHI of which Associate becomes aware. The parties acknowledge and agree that this section constitutes notice by Associate to Provider of the ongoing existence and occurrence of attempted but Unsuccessful Security Incidents (as defined below) for which no additional notice to Provider shall be required. "Unsuccessful Security Incidents" shall include, but not be limited to, pings and other broadcast attacks on Associate's firewall, port scans, unsuccessful log-on attempts, denials of service and any combination of the above, so long as no such incident results in unauthorized access, use or disclosure of electronic PHI.

6. Agents and Subcontractors. Associate shall require any agent or subcontractor that carries out any duties for Associate involving the use or disclosure of PHI to agree to comply with the same obligations as Associate as set forth in this Addendum.

7. Patient Rights. To the extent Associate maintains PHI in a Designated Record Set and to the extent necessary for Provider to comply with 45 C.F.R. §§ 164.524 and 164.526, Associate shall comply promptly with all Provider requests to amend or provide access to PHI in the custody or control of Associate, its agents or subcontractors. Further, Associate will record for each disclosure of PHI that Associate makes that is not excepted from disclosure accounting under 45 C.F.R. § 164.528 the information necessary for Provider to provide an accounting of disclosures in accordance with 45 C.F.R. § 164.528. Associate will make this accounting information available to Provider promptly upon Provider's request. Associate shall have available for Provider this accounting information for the period requested, up to six (6) years preceding Provider's request (except Associate need not have any accounting information for disclosures occurring before the effective date of this Addendum).

8. Safeguards. Associate shall use appropriate physical, technical, and administrative safeguards to prevent the use or disclosure of PHI other than as provided for by this Addendum. Associate agrees to implement administrative, technical and physical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of electronic PHI. Such safeguards for electronic PHI shall be consistent with the requirements applicable to Covered Entities under the Security Rule.

9. Audits and Inspections. Associate shall make its internal practices, books, and records relating to the use and disclosure of PHI available upon request to the Secretary of the U.S. Department of Health and Human Services to determine the Provider's compliance with the Privacy Rule and Security Rule. Notwithstanding the above, no attorney-client, accountant-client, or other legal privilege shall be deemed waived by Provider or Associate by virtue of this provision.

10. Term and Termination. This Addendum shall be effective as of the effective date of the Service Agreement. This Addendum shall remain in effect until the Service Agreement terminates or this Addendum is terminated as set forth below, whichever is earlier. Provider may terminate this Addendum and the Service Agreement upon written notice to Associate if Associate breaches any material provision of this Addendum and fails to cure such breach within 30 days following notice. Upon

termination of this Addendum for any reason, Associate shall, if feasible, return or destroy all PHI in the possession of Associate, its agents or its subcontractors. If return or destruction is not feasible, Associate may continue to maintain such PHI but still continue to abide by the terms and conditions of this Addendum with respect to such PHI and shall limit its further use or disclosure of such PHI to those purposes that make return or destruction of the information infeasible. Upon termination of this Addendum for any reason, all of Associate's obligations under this Addendum shall survive termination and remain in effect (a) until Associate has completed the return or destruction of PHI and (b) to the extent Associate retains any PHI pursuant to this section. Notwithstanding the foregoing, nothing in this Addendum shall limit any existing rights of the parties to terminate the Service Agreement.

11. Interpretation. Any ambiguity in this Addendum shall be resolved to permit Provider to comply with the Privacy Rule and Security Rule. To the extent there are any inconsistencies between this Addendum, the Service Agreement or any other agreement between the parties related to the Services, this Addendum will govern. Nothing in this Addendum shall be construed to create any rights or remedies in any third parties. This Addendum replaces and supersedes any prior business associate agreements between the parties.

17214474.4

CONSULTING SERVICES AGREEMENT

THIS CONSULTING SERVICES AGREEMENT ("Agreement") is entered into and effective as of this 1st day of July, 2016, (the "Effective Date"), by and among Signature HealthCARE Consulting Services, LLC, a Delaware limited liability company ("Consultant"), LP Johnson City, LLC, a Delaware limited liability company ("Provider") and JCRNC RE, LLC, a Delaware limited liability company ("PropCo").

RECITALS

WHEREAS, Mountain States Health Alliance, a Tennessee non-profit corporation ("MSHA"), owns and operates a skilled nursing unit known as Princeton Transitional Care, located in Johnson City Medical Center in Johnson City, Tennessee ("Existing Unit");

WHEREAS, Provider is in the process of building a skilled nursing and assisted living facility to be located at 401 Princeton Road, Johnson City, Tennessee ("Facility") of which, once built and operational, Provider will be the licensed owner and operator;

WHEREAS, PropCo will own the real estate on which the Facility is located ("Real Estate");

WHEREAS, MSHA has entered into a Management Services Agreement, dated July 1, 2016, pursuant to which Provider will manage the operations of the Existing Unit ("Management Agreement") until such time as the Facility is prepared to commence operations;

WHEREAS, Provider wishes to subcontract certain services to Consultant in connection with its management of the Existing Unit, and upon the commencement of operations at the Facility, permit Consultant to provide such services in connection with the operation of the Facility and administration of the Real Estate; and

WHEREAS, the parties hereto wish to document their agreement with respect to the provision of such services by Consultant to Provider and to PropCo.

NOW, THEREFORE, in consideration of the facts referenced above and the covenants contained herein, and for other valuable consideration, **IT IS HEREBY AGREED AS FOLLOWS**:

ARTICLE I
SERVICES AND OBLIGATIONS OF CONSULTANT

A. **Services to Provider**. Consultant shall provide those services listed on **Exhibit A** attached hereto and incorporated herein, to Provider.

B. **Services to PropCo**. Consultant shall provide to PropCo certain administrative and accounting services, including without limitation collecting rent and filing tax returns, pursuant to an Administrative and Accounting Services Agreement between Consultant and The Arba Group, Inc, substantially in the form attached hereto as **Exhibit B**. Notwithstanding anything in this Agreement to the contrary, the Consultant shall not commence the provision services described in this Article I, Section B until such time as PropCo enters into a lease agreement to lease the Real Property.

ARTICLE II
COMPENSATION

A. **Consulting Fee**. As compensation for the services rendered by the Consultant pursuant to Article I, the Provider shall pay the Consultant a monthly fee in an amount equal to four and one-half percent (4.5%) of the gross revenues (net of contractual adjustments), of the Existing Unit or Facility (as applicable) ("Consulting Fee"). The Consulting Fee is due and payable within twenty (20) days after the end of each month in which the Consultant provides services.

ARTICLE III
RIGHTS AND OBLIGATIONS OF PROVIDER

A. **Provider Responsibilities**. Provider acknowledges and agrees that the following duties and responsibilities below are the duties of Provider and are not the duties or obligations of Consultant. Notwithstanding the foregoing, Provider's duties below with respect to the Existing Unit shall be subject to the Management Agreement:

1. Provider shall supervise and direct the management of the Existing Unit to assist MSHA in maintaining the Existing Unit in substantial compliance with the requirements of any applicable statute, ordinance, law, rule, regulation or order of any governmental or regulatory body having jurisdiction over the Existing Unit. Once operational, Provider shall supervise and direct the operation of the Facility in accordance with the foregoing sentence.

2. Provider shall supervise and manage the operation of the Existing Unit or Facility (as applicable), including, but not limited to, the provision of care to residents, staffing and general onsite administration. In connection therewith, Provider shall supervise the employees and other service providers providing services at the Existing Unit or Facility (as applicable).

3. Provider shall supervise and direct the day-to-day business activities, management and operation and repair of the Existing Unit or Facility (as applicable), and all phases of its operation; provided that, with respect to the Existing Unit, such authority has been delegated to Provider by MSHA pursuant to the Management Agreement.

4. Provider shall supervise and direct the obtaining and maintenance, all

licenses, certifications, permits, consents, approvals and certifications required for the operation of the Existing Unit or Facility (as applicable).

5. Provider shall supervise and direct the Existing Unit or Facility (as applicable) activities as may be required to maintain and preserve all necessary licenses, certifications, permits, consents and approvals to operate the Existing Unit or Facility (as applicable)so as to substantially comply with all applicable laws, rules and regulations.

6. Provider shall supervise and direct the institution of written standards and procedures for the operations of the Existing Unit or Facility (as applicable).

7. Provider shall supervise and direct the establishment and maintenance of policy and procedure manuals needed with reference to the operation of the Existing Unit or Facility (as applicable) so that the it complies with all applicable local, state, and federal laws, regulations and requirements.

8. Provider shall supervise and direct the selection, employment, compensation, supervision, and training an adequate staff, as required by law including an administrator for the Existing Unit or Facility (as applicable).

9. Provider shall supervise and direct the promotion, direction, assignment, and discharging all such employees.

10. Provider shall supervise and direct the contracting for all necessary services for the general operation and maintenance of the Existing Unit or Facility (as applicable).

B. During the Term, MSHA is and will remain the responsible licensee of the Existing Unit, and after the establishment of the Facility, Provider will be the licensee of the Facility. As such, subject to the terms of this Agreement, MSHA or Provider (as applicable) is fully liable and legally accountable at all times to all patients and governmental organizations for all patient care and funds.

ARTICLE IV
TERM / TERMINATION

A. **Term**. The term of this Agreement shall begin on the Effective Date and continue until terminated as provided herein.

B. **Termination**.

1. Without Cause. Any party may terminate this Agreement by providing thirty (30) days' written notice to the other parties.

2. Automatic Termination. This Agreement will terminate automatically upon the occurrence of the following events: (a) The termination of the Management

Agreement by MSHA pursuant to Section 10.5 of the Management Agreement; (b) Consultant is excluded from participation in any federal health care program as defined at U.S.C. § 1320a-7b(f); (c) The Operating Agreement of Provider between SHC LP Holdings III, LLC and Blue Ridge Medical Management Corporation is terminated and/or Provider is dissolved; or (d) the Operating Agreement of PropCo between 401 Princeton Road, LLC and Blue Ridge Medical Management Corporation is terminated and/or PropCo is dissolved.

3. Default. In the event of default by any party of any of its obligations hereunder and in the event such default shall continue for ten (10) days after receipt of written notice thereof, then the non-defaulting party may terminate this Agreement immediately and seek any remedy available hereunder, at law and/or in equity.

ARTICLE V
ATTORNEYS' FEES

A. Prevailing Party. If any party brings an action or proceeding to enforce or interpret the terms hereof or declare rights hereunder, the prevailing party (as hereinafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "prevailing party" shall include, without limitation, a party who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other party of its claim or defense. The attorneys' fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred.

ARTICLE VI
ADDITIONAL ACKNOWLEDGEMENTS

A. Certification and Conduct. For so long as services under this Agreement are provided at the Existing Unit, Consultant's employees, agents or representatives, shall complete MSHA's Vendor Certification Program, orientation and badging process. While performing services in the Existing Unit, Consultant's personnel shall wear appropriate Provider identification badges and shall not hold themselves out as employees or personnel of MSHA. While present on MSHA premises, or accessing MSHA IT resources, Consultant's personnel will be subject to the policies and procedures of MSHA. Provider may exercise its discretion and remove or bar any Consultant's personnel who poses an immediate risk of harm to self, others, or property or who is deemed to be conducting oneself contradictory to MSHA's mission.

B. Debarment and Suspension. Consultant hereby certifies that neither it, its subcontractors or its affiliates nor any of their respective personnel providing services at all times during the term of this Agreement (a) a listed vendor in the Federal General Services Administration's "List of Parties Excluded from Federal Procurement or

Nonprocurement Programs" in accordance with Presidential Executive Orders 12549 and 12689, "Debarment and Suspension;" (b) listed in the Office of Inspector General's "List of Excluded Individuals/Entities (LEIE)" pursuant to 42 U.S.C. 1320a-7; or (c) ever been convicted of a criminal offense related to healthcare. Consultant shall notify Provider immediately in the event that any of the aforementioned certifications becomes untrue or if Consultant is the subject of government investigation that could lead to one or more certifications being untrue. Consultant shall promptly remove any person from providing services on behalf of Provider hereunder in the event such certifications become untrue with respect to such person.

C. **Code of Ethics and Business Conduct**. Consultant acknowledges it has received and reviewed a copy of the Code of Ethics and Business Conduct of MSHA found at https://www.mountainstateshealth.com/sites/default/files/documents/MSHA-CODE-OF-ETHICS-MSHA-revised-1411-06212011_06212011_132847.pdf. For so long as services under this Agreement are provided at the Existing Unit, Consultant agrees that it will abide by its terms and provisions.

D. **Access to Records**. Upon the written request of the Secretary of Health and Human services or the Comptroller General or any of their duly authorized representatives, Consultant shall make available to the Secretary the contracts, books, documents and records that are necessary to verify the nature and extent of the cost of providing such services. Such inspection shall be available up to four (4) years after the rendering of such services.

E. **Insurance**. Each of Provider and Consultant shall, during the term of the Agreement, maintain at such party's own expense, (i) workers' compensation insurance coverage for its or its affiliates' employees; (ii) commercial general liability insurance; and (iii) professional liability insurance in the event that such party provides any professional services. Such general and professional liability insurance may be provided on either an occurrence or claims-made basis, and shall provide limits of liability in the minimum amount of one million dollars ($1,000,000) per occurrence with an annual aggregate of three million dollars ($3,000,000). If any liability insurance coverage required above is maintained on a claims made basis, such insurance shall continue throughout the term of the Agreement; and upon the termination, expiration or non-renewal of the Agreement, or the expiration or cancellation of the insurance, the party holding such policy shall purchase and maintain coverage for claims presented after the termination, expiration or non-renewal of the Agreement that arise from such party's acts or events occurring during the term of the Agreement. Upon request, either Provider or Consultant (as applicable) shall provide the other party with a copy of all applicable policies or certificates of insurance, evidencing the existence of all coverage required hereunder. Such party shall provide the other party with not less than thirty (30) days' prior written notice in the event of a material change in such policies affecting the Existing Unit or the Facility.

F. **Confidentiality**. During the term of this Agreement and surviving its expiration or termination, Consultant will regard and preserve as confidential all

information related to the business of MSHA, Provider, their affiliates and their respective clients and patients (each a "Disclosing Party") that may be obtained as the result of this Agreement. Consultant will not, without first obtaining such Disclosing Party's prior written consent, disclose to any person, firm or enterprise or use for its benefit any information relating to the business of such Disclosing Party, including but not limited to: pricing methods, processes, financial data, lists, apparatus, statistics, programs, research, development or related information of such Disclosing Party concerning their past, present or future business activities or plans, and results or terms of the sale of products or provision of services by Consultant under this Agreement. This confidentiality obligation does not apply to: (a) information that is publicly known prior to the disclosure or becomes publicly known through no wrongful act of the Consultant; (b) information that was in lawful possession of the Consultant prior to the disclosure and was not received as a result of any breach of confidentiality with respect to MSHA or its affiliates; or (c) information that was independently developed by Consultant outside the scope of this Agreement. In the event of a request for disclosure pursuant to court order or regulatory agency request, Consultant shall provide immediate notice to such Disclosing Party in order to provide an opportunity to oppose such request for disclosure or receive an appropriate protective order, and Consultant shall cooperate with such Disclosing Party in taking any reasonable steps to resist or narrow such request. If, in the absence of a protective order or the receipt of a waiver under this Agreement, Consultant is compelled to disclose any confidential information or be liable for contempt or suffer other censure or penalty, then Consultant may disclose only the portion of such confidential information as required by law.

G. **Protected Health Information**. Consultant and its personnel shall maintain the confidentiality of all patient records and data, including, without limitation, individually identifiable health information (the "Protected Health Information" or "PHI") and obtain appropriate authorization prior to any disclosure of such records and data. All title to medical records, charts, and patient files and data shall be and remain the sole property of MSHA. Notwithstanding any provision herein to the contrary, Provider acknowledges and agrees that neither it, nor any of its personnel shall receive access to any patient information beyond that minimum amount of information necessary to accomplish the intended purpose of this Agreement. Consultant agrees that the PHI shall only be used by Consultant and its personnel for the purposes of performing pursuant to this Agreement and shall not be used for marketing, or any other purposes whatsoever, and shall only be disclosed in accordance with the terms hereof. Consultant shall at all times comply with the Business Associate Addendum attached hereto as **Exhibit C**.

ARTICLE VII
INDEMNIFICATION; LIMITATION OF LIABILITY

A. Each Party ("Indemnifying Party") shall indemnify, defend and hold harmless the other Party, its affiliates and their respective officers, directors, employees, agents and contractors ("Indemnified Parties") from any and losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, including reasonable attorneys'

fees, that are incurred by any Indemnified Party (collectively, "Losses"), arising out of or relating to a breach of this Agreement by the Indemnifying Party.

B. Consultant shall indemnify and hold harmless Provider, PropCo, their affiliates and their respective officers, directors, employees, agents and contractors ("Provider Indemnified Parties") from any Losses arising out of or relating to the acts or omissions of the Consultant, its affiliates or their respective officers, directors, employees, agents or contractors during the term of this Agreement, except to the extent that such Losses are a direct result of the actions or omissions of the Provider Indemnified Parties.

C. Except for liability for breach of Article VI, Sections F and G, in no event shall either party be liable for consequential, indirect, incidental, special, exemplary, punitive or enhanced damages, arising out of, or relating to, or in connection with any breach of this Agreement regardless of (a) whether such damages were foreseeable, (b) whether or not the other party was advised of the possibility of such damages, and (c) the legal or equitable theory upon which the claim is based.

ARTICLE VIII
GENERAL PROVISIONS

A. **Compliance with Laws**. Consultant, and any of its personnel performing services hereunder, and Provider agree at all times during the existence of this Agreement to comply with all applicable federal, state and local laws, rules, ordinances and regulations as they relate to this Agreement.

B. Equal Employment. Each party hereto warrants that it does not and will not discriminate against any employee or applicant for employment because of race, creed, color, national origin, gender, veteran status, or handicap, or as otherwise may be prohibited by law. Each party hereto warrants that they are in full initial and ongoing compliance with all current applicable federal, state, and local laws, regulations, and ordinances, including but not limited to:

1. Civil Rights Act of 1964;
2. The Rehabilitation Act of 1973;
3. The Fair Labor Standards Act;
4. Equal Opportunity Clause (41 CFR 60.250.5(a); 41 CFR 60-300.5(a); and 41-CFR 60.741.5(a)
5. Affirmative Action Programs (41 CFR 60-1.40(a)(2)
6. Other laws that may apply from time to time as amended.

The parties also agree, where applicable, to comply with the regulations set forth under 29 CFR part 471, Appendix A to Subpart A, regarding NLRA compliance.

ARTICLE IX
MISCELLANOUS PROVISIONS

A. **Partial Invalidity**. The invalidity of one or more phrases, sentences, clauses, or sections contained in this Agreement shall not affect the validity of the remaining portions.

B. **Captions**. The headings to the various sanctions of this Agreement have been inserted for convenience only and shall not modify, define, limit, or expand express provisions of this Agreement.

C. **Amendments**. This Agreement contains the entire understanding between the parties with respect to the subject matter contained herein and may not be modified except by the written, mutual agreement of the parties. This Agreement supersedes all previous and contemporaneous agreements, written or oral, between the parties with respect to the subject matter contained herein.

D. **Waiver**. Failure of any party to insist upon compliance with any provision hereof shall not constitute a waiver thereof. No waiver of any provision of this Agreement shall be effective unless it is in writing and signed by the party against whom it is asserted. Any waiver of any provision of this Agreement shall only be applicable to the specific provision and instance to which it is related and shall not be deemed to be a continuing or future waiver as to such provision or as to any other provision.

E. **Notices**. Any notices or other communication permitted or required pursuant to this Agreement shall be made in writing and shall be delivered personally or sent by an overnight delivery or courier service, by certified or registered mail (postage prepaid) by telegraph, by telex or by facsimile transmission to the parties at the addresses set forth below. Notices shall be deemed given when personally served, telegraphed, telexed or sent by facsimile transmission, or, if sent by overnight delivery or courier service, the day after sent from within the United States, or if mailed, two (2) days after date of deposit in the United States mail.

To CONSULTANT:	Signature HealthCARE Consulting Services, LLC 12201 Bluegrass Parkway Louisville, KY 40299 Attn: Office of General Counsel
To PROVIDER or: PROPCO	LP Johnson City LLC 12201 Bluegrass Parkway Louisville, KY 40299

ATTN: E. Joseph Steier, III, CEO

F. **Governing Law**. This Agreement shall be governed by the laws of the State of Tennessee. Nashville, Tennessee shall be the sole and exclusive venue for any litigation, special proceeding, or other proceeding between the parties that may be brought or arise out of or in connection with or by reason of this Agreement.

G. **Successors and Assigns**. This Agreement shall inure to the benefit of and be binding upon the parties hereto, their successors and permitted assigns.

H. **Counterparts**. This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

I. **Language**. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identification of the person or persons, firm or firms, corporation or corporations may require.

J. **Execution**. Each of the parties agrees to execute such additional instruments and documents as may be necessary to implement the terms and provisions of this Agreement.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

CONSULTANT

Signature HealthCARE Consulting Services, LLC, a Delaware limited liability company

By: _____
John Harrison, Chief Financial Officer

PROVIDER

LP Johnson City, LLC,
a Delaware limited liability company

By: _____
Sandra Adams, VP/General Counsel

PROPCO

JCRNC RE, LLC
a Delaware limited liability company

By: _____
Sandra Adams, VP/General Counsel

EXHIBIT A
Consultant Services to Provider

1. Provide for the issuance of appropriate bills for services and materials furnished by the Existing Unit or the Facility (as applicable) and best efforts to collect accounts receivable and monies owed to the Existing Unit or the Facility (as applicable), assist in the design of and maintenance of billing, resident and collection records; and prepare and file insurance and any and all other necessary or desirable applications, reports and claims related to revenue production.

2. Provide for the orderly and timely payment of accounts payable, taxes, insurance premiums and all payments due from the Existing Unit or the Facility (as applicable).

3. Provide for the projection of cash receipts and disbursements for the Existing Unit or the Facility (as applicable).

4. Provide for the preparation of monthly bank reconciliation reports and schedules.

5. Provide for the preparation of unaudited financial statements.

6. Provide for the analysis and reporting of monthly financial and operational performance.

7. Provide for the preparation of tax and regulatory reports; provided, however, Consultant shall not be responsible for the preparation and filing of cost reports to CMS for the Existing Unit. Notwithstanding the foregoing, Consultant shall provide all data, information and other assistance that Provider reasonably requests to allow it to prepare and files such cost reports for the Existing Unit.

8. Provide for the preparation of additional reports as required by government regulatory and other agencies.

9. Assist the Provider in the negotiation and management of contracts relating to necessary services, equipment and supplies.

10. Assist the Provider in evaluating, from time to time, general salary scales, personnel policies and appropriate employee benefits for all employees.

11. Assist the Provider with general Human Resources management services including, but not limited to, consulting on employee grievances and employment issues, facilitating annual workers compensation insurance policy renewal and consulting on the defense of annual workers compensation insurance audits.

12. Assist the Provider in connection with general legal and risk management matters including, but not limited to, facilitating annual liability insurance policy renewal, consulting on liability insurance claims activity and consulting on resident and family grievances and concerns.

13. Assist the Provider in the evaluation of the performance of the various departments of the Existing Unit or the Facility (as applicable).

14. Consult regarding the maintenance of accounting and internal control systems using accounts and classifications consistent with those used in similar facilities, including suitable books of control and account as are necessary in order to comply with all state and federal standards, rules and regulations.

EXHIBIT B

Form of Administrative and Accounting Services Agreement

EXHIBIT C

Business Associate Addendum

This Business Associate Addendum ("Addendum") is by and between LP Johnson City, LLC, a Delaware limited liability company ("Provider"), and Signature HealthCARE Consulting Services, LLC, a Delaware limited liability company ("Associate").

1. Purpose. This Addendum is incorporated into and made part of that Consulting Services Agreement between Provider and Associate. Provider and Associate agree to comply with the requirements of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), its implementing privacy regulations (45 C.F.R. Part 160 and Part 164, Subparts A and E) (the "Privacy Rule"), and its implementing security regulations (45 C.F.R. Part 160 and Part 164, Subpart C) (the "Security Rule"). It is the understanding of the parties that Associate is acting as a business associate (as defined under the Privacy Rule) of Provider when providing the Services, as defined below, that involve the receipt or creation of Protected Health Information.

2. Definitions. All capitalized terms not defined herein shall have the meanings set forth in the Privacy Rule and Security Rule. References to "PHI" refer to Protected Health Information created or received by Associate for or from Provider.

3. Services. Associate provides services that involve the use and/or disclosure of PHI ("Services") pursuant to the Management Services Agreement ("Service Agreement") between the parties.

4. Permitted Uses and Disclosures. Associate shall not use or disclose any PHI other than as permitted by this Addendum or as Required By Law. Associate may use and disclose PHI in order to provide the Services to Provider and to perform Associate's obligations under the Service Agreement, provided that such use or disclosure would not violate the Privacy Rule if done by Provider directly. Associate may also use or disclose PHI as required for Associate's proper management and administration, provided that if Associate discloses any PHI to a third party for such a purpose, Associate shall receive the agreement of such third party (i) to hold the PHI confidentially and not to use or further disclose the PHI except as Required By Law or for the purpose for which it was disclosed to such third party, and (ii) to notify Associate immediately of any instances of which it becomes aware in which the confidentiality of the PHI has been breached. Associate may also (a) use PHI to perform Data Aggregation services relating to the Health Care Operations of Provider; (b) use or disclose PHI to report violations of the law to federal or state authorities consistent with 45 C.F.R. § 164.502(j)(1); and (c) use PHI to create information that is de-identified consistent with the requirements set forth at 45 CFR §164.514.

5. Reporting. If Associate becomes aware of any use or disclosure of PHI by Associate in violation of this Addendum, Associate shall report promptly such information to Provider. Associate shall also report promptly to Provider any Security

Incidents involving electronic PHI of which Associate becomes aware. The parties acknowledge and agree that this section constitutes notice by Associate to Provider of the ongoing existence and occurrence of attempted but Unsuccessful Security Incidents (as defined below) for which no additional notice to Provider shall be required. "Unsuccessful Security Incidents" shall include, but not be limited to, pings and other broadcast attacks on Associate's firewall, port scans, unsuccessful log-on attempts, denials of service and any combination of the above, so long as no such incident results in unauthorized access, use or disclosure of electronic PHI.

6. Agents and Subcontractors. Associate shall require any agent or subcontractor that carries out any duties for Associate involving the use or disclosure of PHI to agree to comply with the same obligations as Associate as set forth in this Addendum.

7. Patient Rights. To the extent Associate maintains PHI in a Designated Record Set and to the extent necessary for Provider to comply with 45 C.F.R. §§ 164.524 and 164.526, Associate shall comply promptly with all Provider requests to amend or provide access to PHI in the custody or control of Associate, its agents or subcontractors. Further, Associate will record for each disclosure of PHI that Associate makes that is not excepted from disclosure accounting under 45 C.F.R. § 164.528 the information necessary for Provider to provide an accounting of disclosures in accordance with 45 C.F.R. § 164.528. Associate will make this accounting information available to Provider promptly upon Provider's request. Associate shall have available for Provider this accounting information for the period requested, up to six (6) years preceding Provider's request (except Associate need not have any accounting information for disclosures occurring before the effective date of this Addendum).

8. Safeguards. Associate shall use appropriate physical, technical, and administrative safeguards to prevent the use or disclosure of PHI other than as provided for by this Addendum. Associate agrees to implement administrative, technical and physical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of electronic PHI. Such safeguards for electronic PHI shall be consistent with the requirements applicable to Covered Entities under the Security Rule.

9. Audits and Inspections. Associate shall make its internal practices, books, and records relating to the use and disclosure of PHI available upon request to the Secretary of the U.S. Department of Health and Human Services to determine the Provider's compliance with the Privacy Rule and Security Rule. Notwithstanding the above, no attorney-client, accountant-client, or other legal privilege shall be deemed waived by Provider or Associate by virtue of this provision.

10. Term and Termination. This Addendum shall be effective as of the effective date of the Service Agreement. This Addendum shall remain in effect until the Service Agreement terminates or this Addendum is terminated as set forth below, whichever is earlier. Provider may terminate this Addendum and the Service Agreement upon written notice to Associate if Associate breaches any material provision of this Addendum and fails to cure such breach within 30 days following notice. Upon termination of this Addendum for any reason, Associate shall, if feasible, return or

destroy all PHI in the possession of Associate, its agents or its subcontractors. If return or destruction is not feasible, Associate may continue to maintain such PHI but still continue to abide by the terms and conditions of this Addendum with respect to such PHI and shall limit its further use or disclosure of such PHI to those purposes that make return or destruction of the information infeasible. Upon termination of this Addendum for any reason, all of Associate's obligations under this Addendum shall survive termination and remain in effect (a) until Associate has completed the return or destruction of PHI and (b) to the extent Associate retains any PHI pursuant to this section. Notwithstanding the foregoing, nothing in this Addendum shall limit any existing rights of the parties to terminate the Service Agreement.

11. Interpretation. Any ambiguity in this Addendum shall be resolved to permit Provider to comply with the Privacy Rule and Security Rule. To the extent there are any inconsistencies between this Addendum, the Service Agreement or any other agreement between the parties related to the Services, this Addendum will govern. Nothing in this Addendum shall be construed to create any rights or remedies in any third parties. This Addendum replaces and supersedes any prior business associate agreements between the parties.

Attachment Section A-6A-(p1)

Documentation of Legal Interest in Proposed New Facility Site – MSHA Deed to Property at Proposed Site

State of Tennessee, County of WASHINGTON
Received for record the 01 day of
SEPTEMBER 1998 at 3:15 PM. (REC# 175099)
Recorded in official records file
Roll 148 Image 1981-1986
State Tax 154939.45 Clerks Fee $ 1.00,
Recording $ 26.00, Total $ 54966.45,
Register of Deeds GINGER B. HILTON
Deputy Register AMY PARKER

This Instrument Prepared By:
Brandt and Beeson, P.C.
206 Princeton Road, Suite 25
Johnson City, TN 37601

Special Warranty Deed

ROLL 148 IMAGE 198:

THIS INDENTURE made and entered into on this the 30th day of August, 1998, by and between **GALEN NSH, LLC, a Delaware Limited Liability Company, Party of the First Part, and JOHNSON CITY MEDICAL CENTER HOSPITAL, INC., a non-profit corporation of the State of Tennessee, Party of the Second Part.**

WITNESSETH:

That for and in consideration of the sum of $10.00 cash in hand paid, and other good and valuable consideration, the receipt of which is hereby acknowledged, the Party of the First Part has bargained and sold, and by these presents does hereby transfer and convey unto the Party of the Second Part, its successors and/or assigns, the following described real property, to-wit:

Situate, lying, and being in the 10th Civil District, Washington County, Tennessee, more particularly described as follows, to-wit:

TRACT I:

BEGINNING at an iron rod in the northwesterly right-of-way line of Princeton Road corner to Larry Edward Denny (Deed Book 639, Page 592); thence with the northwesterly right-of-way line of Princeton Road S. 32° 16' 18" W., 51.03 feet to an iron rod corner to North Side Hospital (Parcel 17.01); thence with the line of North Side Hospital (Parcel 17.01) the following four courses and distances: N. 69° 14' 46" W., 337.39 feet to an iron rod, S. 25° 23' 18" W., 303.00 feet to an iron rod, S. 64° 33' 16" E., 108.00 feet to an iron rod, and S. 26° 56' 18" W., 84.00 feet to an iron rod corner to North Side Hospital (Parcel 18); thence with the line of North Side Hospital (Parcel 18) the following five courses and distances: N. 63° 00' 17" W., 52.67 feet to an iron rod, S. 82° 00' 43" W., 38.55 feet to an iron rod, S. 33° 06' 11" W., 195.99 feet to an iron rod, N. 62° 55' 40" W., 170.88 feet to an iron rod, and S. 30° 01' 44" W., 133.94 feet to an iron rod corner to Burgin E. Dossett, et al. (Deed Book 589, Page 241); thence with the line of Dossett, et al., N. 61° 43' 50" W., 246.64 feet to an iron rod corner to WOPA Properties (Roll 19, Image 1522); thence with the line

of WOPA Properties the following two courses and distances: N. 28° 41' 01" E., 25.09 feet to an iron rod and N. 61° 43' 50" W., 192.13 feet to an iron rod corner to North Side Hospital (Parcel 6); thence with the line of North Side Hospital (Parcel 6) the following two courses and distances: N. 26° 42' 33" E., 174.97 feet to an iron rod and N. 25° 26' 50" E., 382.96 feet to an iron rod in the line of Coca Cola Bottling Works (Deed Book 430, Page 330); thence with the line of Coca Cola Bottling Works S. 87° 07' 55" E., 180.22 feet to an iron rod corner to Northeast Tennessee Rehabilitation Hospital (Deed Book 702, Page 72); thence with the line of Northeast Tennessee Rehabilitation Hospital the following two courses and distances: S. 87° 07' 55" E., 224. 23 feet to an iron rod and S. 69° 14' 46" E., 200.11 feet to an iron rod corner to Larry Edward Denny; thence with the line of Larry Edward Denny S. 69° 14' 46" E., 390.03 feet to the point of BEGINNING, containing 10.093 acres, more or less, and being designated as Parcel 17, on map dated July 22, 1998, entitled "North Side Hospital" prepared by Nelson Elam, Tennessee Registered Land Surveyor No. 1642, c/o Barge, Waggoner, Sumner & Cannon, Suite 100 Tri-City Airport Terminal Building, Blountville, Tennessee 37617.

Tax Assessor's Property ID No.: Map 38-G, Group C, Parcel #17.0.

TRACT II:

BEGINNING at an iron rod in the northwesterly right-of-way line of Princeton Road, corner to HealthTrust (Roll 58, Image 2003); thence leaving Princeton Road and with the line of HealthTrust the following two courses and distances: N. 63° 00' 17" W., 212.33 feet to an iron rod and S. 33° 06' 11" W., 167.92 feet to an iron rod corner to JCIMA (Deed Book 699, Page 516); thence with the line of JCIMA S. 29° 45' 57" W., 138.00 feet to an iron rod corner to J. M. Cox, Jr. (Deed Book 624, Page 593); thence with Cox's line S. 29° 33' 11" W., 125.92 feet to an iron rod corner to Maxine A. Reece (Deed Book 495, Page 47) and Bert and Mary Wyche (Deed Book 589, Page 241); thence with Wyche's line N. 52° 18' 16" W., 224.55 feet to an iron rod corner to Burgin B. Dossett, et al. (Deed Book 589, Page 241); thence with Dossett's line N. 30° 01' 44" E., 88.41 feet to an iron rod corner to North Side Hospital; thence with the line of North Side Hospital the following six courses and distances: N. 30° 01' 44" E., 139.94 feet to an iron rod, S. 62° 58' 40" E., 170.88 feet to an iron rod, N. 33° 06' 11" E., 195.99 feet to an iron rod, N. 82° 00' 43" E., 38.55 feet to an iron rod, S. 63° 00' 17" E., 52.67 feet to an iron rod, and S. 63° 00' 17" E., 180.00 feet to an iron rod in the northwesterly right-of-way line of Princeton Road; thence with the northwesterly right-of-way line of Princeton Road, S. 32° 16' 18" W., 55.25 feet to the point of BEGINNING, containing 1.723 acres, more or less, as shown on map dated July 22, 1998, entitled "North Side Hospital" prepared by Nelson Elam, Tennessee Registered Land Surveyor No. 1642, c/o Barge, Waggoner, Sumner &

Cannon, Suite 100 Tri-City Airport Terminal Building, Blountville, Tennessee 37617.

Tax Assessor's Property ID No.: Map 38-G, Group C, Parcel #18.0.

TRACT III:

TO FIND THE POINT OF BEGINNING commence at an iron rod in the northwesterly right-of-way line of Princeton Road corner to Larry Edward Denny (Deed Book 639, Page 592); thence along the northwesterly right-of-way line of Princeton Road S. 32° 16' 18" W., 51.03 feet to an iron rod, the POINT OF BEGINNING; thence leaving Princeton Road and with other lands of North Side Hospital the following five courses and distances: N. 69° 14' 46" W., 337.39 feet to an iron rod, S. 25° 23' 18" W., 303.00 feet to an iron rod, S. 64° 33' 16" E., 108.00 feet to an iron rod, S. 26° 56' 18" W., 84.00 feet to an iron rod, and S. 63° 00' 17" E., 180.00 feet to an iron rod in the northwesterly right-of-way line of Princeton Road; thence with the northwesterly right-of-way line of Princeton Road N. 32° 16' 18" E., 422.43 feet to the point of BEGINNING, containing 2.659 acres, more or less, and being designated as Parcel 17.01 on map dated July 22, 1998, entitled "North Side Hospital" prepared by Nelson Elam, Tennessee Registered Land Surveyor No. 1642, c/o Barge, Waggoner, Sumner & Cannon, Suite 100 Tri-City Airport Terminal Building, Blountville, Tennessee 37617.

Tax Assessor's Property ID No.: Map 38-G, Group C, Parcel #17.01.

TRACT IV:

BEGINNING at an iron rod located in the northerly right-of-way line of Susannah Street corner to Jack Miller Body Shop (Roll 111, Image 1910); thence leaving Susannah Street and with the line of Jack Miller Body Shop, Gary M. Skidmore (Deed Book 576, Page 246), Robert F. Walters, et ux. (Deed Book 670, Page 526), Richard R. Peyton (Roll 63, Image 1088), and Wesley Street Building Partners (Roll 21, Image 2773), N. 25° 15' 27" E., 802.45 feet to an iron rod corner to Coca Cola Bottling Works (Deed Book 430, Page 330); thence with the line of Coca Cola Bottling Works the following two courses and distances: S. 87° 48' 16" E., 244.50 feet to an iron rod and S. 87° 07' 55" E., 25.00 feet to an iron rod; thence with other lands of North Side Hospital the following two courses and distances: S. 25° 26' 50" W., 382.96 feet to an iron rod and S. 26° 42' 33" W., 174.97 feet to an iron rod corner to WOPA Properties (Roll 19, Image 1522); thence with the line of WOPA Properties S. 26° 55' 42" W., 55.07 feet to an iron rod corner to Richard R. Bowie and Nikki Herrington (Deed Book 648, Page 601); thence with the line of Bowie and Herrington the following two courses and distances: N. 63° 56' 04" W., 190.79 feet to an iron rod and S. 25° 15' 27" W., 300.00 feet to an iron rod in the northerly right-

of-way line of Susannah Street; thence with the northerly right-of-way line of Susannah Street, N. 61° 54' 27" W., 50.06 feet to the point of BEGINNING, containing 3.497 acres, more or less, and being designated as Parcel 6 on map dated July 22, 1998, entitled "North Side Hospital" prepared by Nelson Blam, Tennessee Registered Land Surveyor No. 1642, c/o Barge, Waggoner, Sumner & Cannon, Suite 100 Tri-City Airport Terminal Building, Blountville, Tennessee 37617.

Tax Assessor's Property ID No.: Map 38-G, Group C, Parcel #6.0.

AND BEING the same property conveyed to Galen NSH, LLC, a Delaware Limited Liability Company from North Side Hospital, Inc., a Tennessee corporation, by deed dated August 30, 1998, of record on Roll 148, Image 1984 in the Register's Office for Washington County, Tennessee.

TO HAVE AND TO HOLD the above-described property, together with all the rights, privileges and appurtenances thereunto appertaining unto the Party of the Second Part, its successors and/or assigns, forever in fee simple.

The Party of the First Part warrants that it is lawfully seized and possessed of the above-described property; that it has a good and perfect right to convey the same; that the Party of the First Part has not made, done, executed or suffered any act or thing whereby the property herein conveyed or any part thereof now are or at any time hereafter shall or may be imperiled, charged or encumbered in any manner whatsoever, except as herein set forth; that the Party of the First Part will forever warrant and defend the title to the property herein conveyed against all persons lawfully claiming the same from, through or under it, but not otherwise.

This conveyance is made subject to valid restrictive covenants and easements, if any, appearing of record.

IN TESTIMONY WHEREOF, the Party of the First Part has executed this instrument the day and year first above written.

GALEN NSH, LLC, a Delaware Limited Liability Company

By: VH Holdings, Inc., a Nevada Corporation
Its: Managing Member

By: Vice President
(Official Capacity)

Washington, D.C.

District of Columbia

Before me, a Notary Public for the District of Columbia, personally appeared, Kathryn Elton, with whom I am personally acquainted and who upon oath, acknowledged herself to be the Vice President of VH Holdings, Inc., a Nevada corporation, the Managing Member of Galen NSH, LLC, a Delaware Limited Liability Company, the within named bargainor, a limited liability company, and that she as such Vice President, executed the within instrument for the purposes contained, by signing the name of the corporation by herself, as such officer.

WITNESS my hand and seal at office in the State and County aforesaid on this the 30 day of August, 1998.

R. O'Flaherty
Notary Public

NOTARY PUBLIC DISTRICT OF COLUMBIA

My Commission Expires: R. J. O'FLAHERTY NOTARY PUBLIC, DISTRICT OF COLUMBIA My Commission Expires May 14, 2003

State of Tennessee
County of Washington

I, or we, hereby swear or affirm that the actual consideration for this transfer, or value of the property or interest in property transferred, whichever is greater, is $ 14 848 500.00 which amount is equal to or greater than the amount which the property or interest would command at a fair and voluntary sale.

D. R. Bunn III, Closing Agent
Affiant

Subscribed and sworn before me this the 1st day of September 1998.

My Commission Expires: 12-11-2000

Lisa S. Davis
Notary Public

LISA S. DAVIS NOTARY PUBLIC AT LARGE UNICOI CO., TN

PROPERTY OWNER
Name & Address:
Johnson City Medical Center Hospital, Inc.
400 N. State of Franklin Road
Johnson City, TN 37604

Person or agency responsible for payment of taxes
Same as Owner

Attachment Section A-6A-(p2)

Documentation of Development Agreement with Ramsey Development LLC

CONFICARE
REAL ESTATE

December 3, 2015

Mr. Joe Steler
Signature Healthcare, LLC
12201 Bluegrass Parkway
Louisville, KY 40299

Dear Joe:

Confiacre RE, LLC or an affiliate thereof ("**Developer**") proposes to design, build and lease to a to-be-formed joint venture entity ("**Tenant**") wholly owned by Signature Healthcare, LLC, or an affiliate or assignee thereof ("**Signature**"), and Blue Ridge Medical Management Corporation ("**Hospital**"), a combined 107 bed sub-acute nursing facility and assisted living facility in Johnson City, Tennessee (the "**Facility**"), on land to be leased by Developer from a to-be-formed joint venture entity wholly owned by Signature and Hospital ("**Real Estate HoldCo**"). The Facility will be approximately 73,168 + or - square feet, such total square footage to be set forth in writing in a mutually agreed upon development agreement negotiated by Developer and Tenant (the "Development Agreement"). If the square footage of the Facility increases or decreases, then the monthly base rent listed herein will also increase or decrease, as appropriate. This non-binding letter of intent sets forth the proposed basic terms and conditions, upon which Developer will design, build and lease the Facility to Tenant. This is not a commitment.

Leased Land:	Developer will lease from Real Estate HoldCo certain real property located in Johnson City, Tennessee and generally described on Exhibit A attached to this letter (the "**Land**") pursuant to a ground lease (the "**Ground Lease**"). Developer will pay Real Estate HoldCo $1 per each year of the term of the Ground Lease as rent for the Land. The term of the Ground Lease shall be coterminous with the term of the Lease (as defined below). It is acknowledged that the Land will be contributed by the Hospital to Real Estate HoldCo as a clear site suitable for constructing the Facility (with the existing improvements on the Land having been demolished by the Hospital prior to such contribution).
Facility:	A combined 107 bed sub-acute nursing facility and assisted living facility to be constructed by Developer on the Land.
Tenant:	A to-be-formed joint venture entity wholly owned by Signature and Hospital.
Guarantors and Guaranty:	Tenant shall obtain a full payment and performance guaranty of the Lease in favor of Developer from Signature, or affiliates thereof from a corporate parent entity with financial strength that is acceptable to Developer in its sole discretion, and from Hospital.

The guaranty shall be limited to a time period not to exceed two (2) years. The form of guaranty shall be acceptable to Developer in its sole discretion.

Facility Construction:

1. Developer shall provide (a) the complete building (including certain equipment, appliances and fixtures), plumbing, heating, ventilation, air conditioning and all electrical wiring; (b) all design and engineering of the Facility, including architectural, mechanical, plumbing and electrical design; (c) all site design, zoning and permits necessary for the construction of Facility; and (d) soils reports, civil engineering and site work for the construction of the Facility (collectively, the "Deliverables"). Developer shall provide the Deliverables to Tenant in exchange for a guaranteed fixed price of $14.82 per square foot (the "Fixed Price"), and as set forth in detail as plans and specification in the Development Agreement.

2. All Facility plans and specifications, as set forth in the Development Agreement, will be approved by Developer and Tenant before any construction is to begin.

Facility Lease:

Developer will lease the Facility to Tenant pursuant to a lease agreement negotiated by Tenant and Developer (the "Lease"), based on Developer's standard form master lease agreement and subject to Tenant's acceptance. The Lease will contain, in addition to Developer's standard lease terms and conditions, the substantive terms and conditions set forth in this letter.

The Lease may serve as a master lease that will also cover any additional facilities that Developer proposes to lease to Tenant or an affiliate thereof in the future, as mutually agreed to by Tenant and Developer.

Lease Structure:

The Lease shall be a triple-net lease with rent paid absolutely net to Developer, free of all impositions, utility charges, operating expenses, insurance premiums or any other charges or expenses in connection with the Facility. Tenant shall be responsible for all costs and expenses of operating, maintaining and repairing the Facility during the term of the Lease; provided, however, Landlord shall be responsible for all costs and expenses of maintenance and repair during any applicable warranty periods related to the construction of the Facility.

Rent:

The base monthly rental payable under the Lease with Tenant shall be an amount equal to one-twelfth ($1/12^{th}$) of the Fixed Price (such Fixed Price to be determined and set forth in the Development

Agreement and/or the Lease) during the first year of the Lease. The base rent will increase annually by 2.5%.

Real Estate HoldCo will have the obligation to purchase the Facility as detailed below.

Lease Term: 20 year initial term with three five year options to renew.

Rent/Term Commencement: The term of the Lease shall commence immediately following the earlier of: (a) the 30th day after the date the Developer meets the delivery requirements to be more particularly set forth in the Lease, but specifically including (i) the issuance of a certificate of occupancy for the Facility, (ii) the architect or engineer of record issuing the certificate of substantial completion for the Facility, and (iii) the final authorization from all governmental agencies to operate the Facility in accordance with its intended purpose, including without limitation any licensing agency (for purposes of this subsection (iii), all such authorizations will be more particularly set forth in the Lease, and the Lease will further provide that Tenant shall timely file for all authorizations from governmental agencies, including specifically the life safety survey of the Facility); or (b) the admission of the first patient to the Facility (the "Lease Commencement Date"). Tenant shall have the ability to conduct a walk-through of the Facility thirty (30) days prior to the Lease Commencement Date in order to inspect the Facility and create and submit to Developer a "punch list" of open items to be completed or repaired by Developer.

Security Deposit: Tenant shall deposit with Developer cash in an amount of one (1) month of base rent as a security deposit at the time of Lease execution. The foregoing security deposit paid by Tenant to Developer shall be applied and credited to Tenant's first month's base rent payable under the Lease on the Lease Commencement Date.

Insurance Requirements: During the construction of the Facility, Developer shall obtain and maintain, at its sole cost and expense, insurance with respect to the Facility in compliance with industry standard insurance requirements. Upon the Lease Commencement Date and thereafter, Tenant shall obtain and maintain, at its sole cost and expense, insurance with respect to the Facility and the operations therein in compliance with Developer's insurance requirements, to be more particularly set forth in the Lease.

Real Estate HoldCo Purchase Obligation:

Real Estate HoldCo shall purchase the Facility at any time during the period beginning with the thirteenth month of the Lease term and ending on the twenty-fourth month of the Lease term (the "Purchase Period") for a purchase price determined using an 9% capitalization rate on the then-current annual base rent for the Facility. Developer shall not sell or otherwise transfer the Facility to a third party prior to the expiration of twenty-four (24) months after the Lease Commencement Date. Upon acquisition of the Facility by Real Estate HoldCo pursuant to such purchase obligation, the Ground Lease shall terminate and Developer shall assign its interest as landlord under the Lease to Real Estate HoldCo.

Developer's Option to Purchase the Land:

If Tenant defaults under the Lease (and such default remains uncured beyond any applicable cure period for such default), Developer shall have the right to purchase the Land for an amount equal to One Million One Hundred Ninety Five Thousand and 00/100 Dollars ($1,195,000.00), (the "Land Purchase Price").

Provided Developer is the then current landlord under the Lease, Developer shall have the option to purchase the Land for the Land Purchase Price (as determined above in accordance with the applicable time period in which the option is exercised by Developer) at the expiration or earlier termination of the Lease. Developer shall have the right to an offset against the Land Purchase Price for the amount of any damages actually incurred by Developer against Tenant. Tenant shall not mortgage or encumber the Land in any way during the term of the Lease.

Transfer of Operations:

Upon the end of the Lease term (unless Tenant has exercised its right to purchase the Facility) or in connection with the termination of the Lease due to an event of default by Tenant beyond any applicable notice and cure periods, Tenant shall, to the extent permitted by applicable law, (i) transfer to Developer or Developer's designee and/or reasonably cooperate with Developer or Developer's designee to enable Developer or Developer's designee to apply for and obtain any governmental authorizations necessary for the operation of the Facility (including, but not limited to, the operating license for the Facility) and (ii) reasonably cooperate with Developer to facilitate and effectuate the orderly transfer of operations at the Facility (together, the "Transfer of Operations"); provided, however, that unless the Transfer of Operations results from an event of default by Tenant under the

	Lease, any costs associated by the Transfer of Operations shall be borne by Developer.
Escrow Payments:	If Tenant defaults under the Lease by failing to pay real estate taxes or required insurance premiums (after notice and an opportunity to cure, to be specified in the Lease), then, on the first day of each month thereafter, Tenant shall escrow with Developer 1/12th of 110% of the annual estimated real estate tax and insurance obligations for the Facility. Commencing with the fourth Lease year, Tenant shall expend at least $500 per bed at the Facility on capital expenditures during each Lease year. If Tenant fails to expend the required capital expenditures amount in any Lease year, then Tenant shall escrow the deficit with Developer.
Affiliate Transactions:	All affiliate contracts related to the Facility shall be on commercially reasonable and competitive terms.
Financial Reporting:	Tenant shall deliver quarterly financial reports to Developer in accordance with the terms of the Lease. After the first year of the Lease term, Tenant shall be subject to certain financial covenants in the Lease.
Assignments/Subleases:	Except for certain exceptions agreed upon in connection with the negotiation of the Lease, (i) Tenant shall not assign its rights or obligations under the Lease or sublease any portion of the Facility without Developer's prior consent, (ii) a change in control of Tenant without Developer's prior consent is prohibited, and (iii) Tenant shall not engage the services of a management company except on the terms and conditions consented to by Developer.
Non-Compete:	During the period beginning on the date of the Lease and ending upon the earlier of (i) the expiration or earlier termination of the Lease or (ii) the date Developer assigns its interest as landlord under the Lease to Real Estate HoldCo, neither Tenant nor any of its affiliates shall (a) solicit or encourage any resident to move or transfer to any other property or facility except as may be medically necessary or required by applicable law or (b) construct and operate any other facility providing skilled nursing services similar to those provided at the Facility within a 5 mile radius. During the period beginning on the date of the Lease and ending on the date that is twelve (12) months after the earlier of (i) the expiration or earlier termination of the Lease or (ii) the date Developer assigns its interest as landlord under the Lease to Real Estate HoldCo, neither Developer nor any of its affiliates shall

design, build or lease any other facility providing skilled nursing services similar to those provided at the Facility within a 5 mile radius.

Lease Execution and Development Agreement: The parties shall use commercially reasonable efforts to execute the Lease and the Development Agreement within 120 days after the date of this letter.

Confidentiality: Tenant shall not (and Tenant shall direct its employees, agents and representatives not to), without the prior written consent of Developer, make any public statement or otherwise disclose to any person or party the existence, contents or terms of this letter, the transaction contemplated hereunder or the identities of the parties. If Tenant is required by law to make any such disclosure, it must first provide to Developer the content of the proposed disclosure, the reasons the disclosure is required by law and the time and place that the disclosure will be made.

Developer shall not (and Developer shall direct its employees, agents and representatives not to), without the prior written consent of Tenant, make any public statement or otherwise disclose to any person or party the existence, contents or terms of this letter, the transaction contemplated hereunder or the identities of the parties. If Developer is required by law to make any such disclosure, it must first provide to Tenant the content of the proposed disclosure, the reasons the disclosure is required by law and the time and place that the disclosure will be made. Notwithstanding the foregoing, Developer may make the following limited disclosures to third parties: (I) identification of Tenant as a client of Developer; (II) identification of the existence of the project contemplated herein; and (III) description of the project contemplated herein in general, non-financial terms.

Exclusivity: During the 120-day period beginning on the execution of this letter (the "**Exclusivity Period**"), (a) neither Tenant nor any of its affiliates or subsidiaries nor any of their respective directors, officers, shareholders, members, managers, partners, employees, representatives or agents (collectively, the "**Tenant Parties**") will, directly or indirectly, without Developer's consent, solicit, encourage (including furnishing any information to any third person, party or group), respond to, negotiate or assist in any manner any other offer, bid or proposal involving the lease of the Land or the development of a facility thereon (each, a "**Development Proposal**"); (b) no Tenant Party shall enter into any letter of intent or agreement with respect to any matter involving a

	Development Proposal; and (c) Tenant shall immediately disclose the contents of any Development Proposal received by it to Developer.
Law:	This letter and all disputes arising under or related to this letter shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.
Counterparts:	This letter may be executed in one or more counterparts, each of which shall be deemed to be an original copy and all of which, when taken together, shall be deemed to constitute one and the same agreement. Executed versions of this letter may be delivered by the parties via facsimile transmission or email, either or both of which shall constitute delivery of an original.

The parties acknowledge and agree that the paragraphs relating to "Confidentiality", "Law", "Counterparts" and "Exclusivity" (collectively, the "**Binding Provisions**") are legally binding obligations of the parties upon execution and delivery of this letter. Except for the Binding Provisions, the parties acknowledge that this letter is not intended to constitute an agreement to execute a development agreement, a lease or any other agreement in the future; it being the understanding and intention of the parties that fully executed development agreement, lease and related documents, which documents shall contain all of the terms and conditions customarily found in such agreements plus such other terms deemed essential by the parties subsequent to the date hereof, shall be the only documents or instruments executed between the parties with respect to the transactions described in this letter that shall constitute valid and binding obligations with respect thereto. Except with respect to the Binding Provisions, nothing in this letter shall create any obligation on the part of any party hereto to either approve the terms of the proposed transactions or enter into a development agreement or a lease. Neither Developer, Signature nor Hospital should rely on any representations inconsistent with this paragraph.

Developer must receive this letter executed by Signature and Hospital within 45 days after the date of this letter; otherwise, at Developer's option, this letter shall be withdrawn without further action by Developer. Time is of the essence of this letter.

Sincerely,

CONFICARE RE, LLC

By: _____
Name: Neil Ramsey
Title: CEO

Agreed and Accepted:

SIGNATURE HEALTHCARE, LLC

By: _____
Name: E. Joseph Steier II
Title: President, CEO
Date: 12/1/15

BLUE RIDGE MEDICAL MANAGEMENT CORPORATION

By: _____
Name: C Steven Bilgore
Title: Pres / CEO
Date: 12/18/15

APPROVED BY MSHA
LEGAL DEPARTMENT
RKS

Exhibit A

Description of Land

Situate, lying, and being in the 10th Civil District, Washington County, Tennessee, more particularly described as follows, to-wit:

TRACT I:

BEGINNING at an iron rod in the northwesterly right-of-way line of Princeton Road corner to Larry Edward Denny (Deed Book 639, Page 592); thence with the northwesterly right-of-way line of Princeton Road S. 32° 16' 18" W., 51.03 feet to an iron rod corner to North Side Hospital (Parcel 17.01); thence with the line of North Side Hospital (Parcel 17.01) the following four courses and distances: N. 69° 14' 46" W., 337.39 feet to an iron rod, S. 25° 23' 18" W., 303.00 feet to an iron rod, S. 64° 33' 16" E., 108.00 feet to an iron rod, and S. 26° 56' 18" W., 84.00 feet to an iron rod corner to North Side Hospital (Parcel 18); thence with the line of North Side Hospital (Parcel 18) the following five courses and distances: N. 63° 00' 17" W., 52.67 feet to an iron rod, S. 82° 00' 43" W., 38.55 feet to an iron rod, S. 33° 06' 11" W., 195.99 feet to an iron rod, N. 62° 55' 40" W., 170.88 feet to an iron rod, and S. 30° 01' 44" W., 133.94 feet to an iron rod corner to Burgin E. Dossett, et al. (Deed Book 589, Page 241); thence with the line of Dossett, et al., N. 61° 43' 50" W., 246.64 feet to an iron rod corner to WOPA Properties (Roll 19, Image 1522); thence with the line

of WOPA Properties the following two courses and distances: N. 28° 41' 01" E., 25.09 feet to an iron rod and N. 61° 43' 50" W., 192.13 feet to an iron rod corner to North Side Hospital (Parcel 6); thence with the line of North Side Hospital (Parcel 6) the following two courses and distances: N. 26° 42' 33" E., 174.97 feet to an iron rod and N. 25° 26' 50" E., 382.96 feet to an iron rod in the line of Coca Cola Bottling Works (Deed Book 430, Page 330); thence with the line of Coca Cola Bottling Works S. 87° 07' 55" E., 180.22 feet to an iron rod corner to Northeast Tennessee Rehabilitation Hospital (Deed Book 702, Page 72); thence with the line of Northeast Tennessee Rehabilitation Hospital the following two courses and distances: S. 87° 07' 55" E., 224.23 feet to an iron rod and S. 69° 14' 46" E., 200.11 feet to an iron rod corner to Larry Edward Denny; thence with the line of Larry Edward Denny S. 69° 14' 46" E., 390.03 feet to the point of BEGINNING, containing 10.093 acres, more or less, and being designated as Parcel 17, on map dated July 22, 1998, entitled "North Side Hospital" prepared by Nelson Blam, Tennessee Registered Land Surveyor No. 1642, c/o Barge, Waggoner, Sumner & Cannon, Suite 100 Tri-City Airport Terminal Building, Blountville, Tennessee 37617.

Tax Assessor's Property ID No.: Map 38-G, Group C, Parcel #17.0.

Attachment Section A-6A-(p3)

Letter Agreements from MSHA and Ownership/Control Flow Chart

MOUNTAIN STATES HEALTH ALLIANCE

1 Professional Park Drive, Suite 11 • Johnson City, TN 37601
423-431-6111

9/2/2016

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

Re: Certificate of Need Application for 47-bed Skilled Nursing Facility in Johnson City

Dear Ms. Hill:

Mountain States Health Alliance ("MSHA") is the owner and licensee of the thirty-four (34) bed nursing home known as Princeton Transitional Care (Nursing Home Lic. #337) and the thirteen (13) bed nursing home known as Franklin Transitional Care (Nursing Home Lic. #329), both located in Johnson City, Tennessee.

MSHA and Signature HealthCARE ("SHC") have entered into a joint venture agreement wherein SHC will own fifty-one percent (55.5%), through its wholly owned subsidiary SHC LP Holdings III, LLC, and MSHA will own forty-nine percent (44.5%) through Blue Ridge Medical Management Corporation. LP Johnson City LLC will be a jointly-owned entity of the joint venture, and is the applicant for a certificate of need proposing to relocate and combine the above-referenced licensed facilities into a single new forty-seven (47) bed nursing home. LP Johnson City LLC will operate and be the licensee of the proposed new facility. The new facility will combine the thirty-four (34) beds in the Princeton Transitional Care facility and thirteen (13) beds in the Franklin Transitional Care facility into the proposed forty-seven (47) bed facility as allowed by statute.

The letter confirms the commitment of MSHA, as reflected in the Joint Venture Agreement, to contribute to LP Johnson City LLC all of MSHA's rights associated with the licenses and operations of the existing licensed nursing facilities, upon approval of the certificate of need for the proposed replacement facility. MSHA further confirms its commitment to relinquish the licenses for Princeton Transitional Care and Franklin Transitional Care upon final licensure of the new combined replacement facility, thus resulting in no new beds within the service area.

Please let us know if you have any questions or need anything further from us on matter.

Very truly yours,

Grace Pereira
VP, Outpatient & Post-Acute Services

MOUNTAIN STATES HEALTH ALLIANCE

1 Professional Park Drive, Suite 11 • Johnson City, TN 37601
423-431-6111

9/2/2016

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

Re: Contribution of Real Property to JCRNC RE, LLC

Dear Ms. Hill:

Mountain States Health Alliance ("MSHA") is the owner of the property described on the attached Exhibit A, which is the project site identified in the certificate of need application for LP Johnson City, LLC ("Land").

MSHA has entered into an option agreement to purchase this land with JCRNE RE, LLC. JCRNC RE, LLC will be a joint venture entity between MSHA and Signature HealthCARE wherein SHC will own fifty-one (55.5%), through its wholly owned subsidiary SHC LP Holdings III, LLC, and MSHA will own forty-nine (44.5%) percent through Blue Ridge Medical Management Corporation. JCRNC RE, LLC will ultimately control the real property where the new facility will be located.

Upon issuance of a Certificate of Need (CON) to LP Johnson City, LLC ("Operator") to build a skilled nursing facility (the "Facility") on the property, MSHA is committed to contributing the land to JCRNC RE, LLC in exchange for its affiliate, Blue Ridge Medical Management Company receiving a 44.5% membership interest in JCRNC RE, LLC. The fair market value of the land described on Exhibit A is $1,195,000.

After contributing the land to JCRNC RE, LLC, and pursuant to a Ground Lease, JCRNC RE, LLC will lease the land to Conficare RE, LLC (a.k.a. Ramsey Development, LLC) or an affiliate thereof ("Developer") during the Developer's construction of the Facility. Developer will pay the Company $1 per year for the term of the Ground Lease as rent for the land.

MOUNTAIN STATES
HEALTH ALLIANCE

1 Professional Park Drive, Suite 11 • Johnson City, TN 37601
423-431-6111

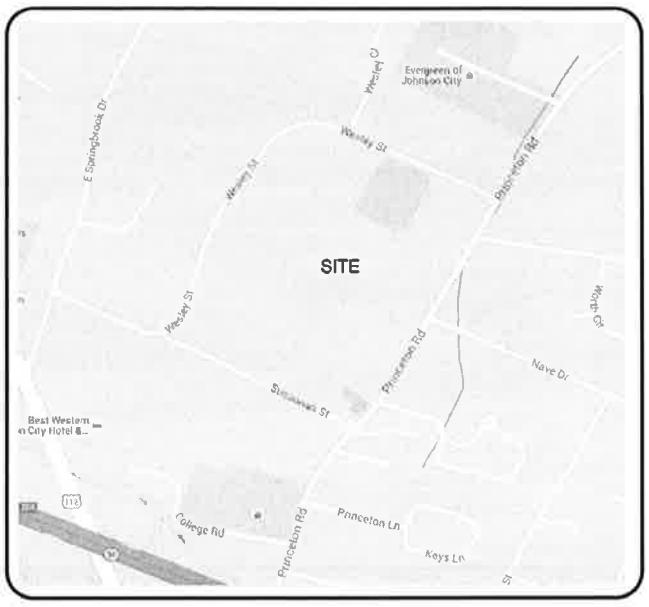
Once the Facility has been constructed and is licensed to operate, the Operator will lease the land and the Facility from Developer pursuant to a Facility Lease. During the first lease year, Operator will pay the Developer a base monthly rent equal to 1/12th of the total cost of construction of the Facility. Thereafter, the base rent under the Facility Lease will increase annually by 2.5%. JCRNC RE, LLC will have a binding and non-revokable obligation to purchase the land and Facility from Developer beginning in the 13th month of the Facility Lease term.

Sincerely,

Grace Pereira
VP, Outpatient & Post-Acute Services

Attachment Section A-6B-1a-d

Plot Plan for Project Site



VICINITY MAP

NTS

Property Address:
401 Princeton Road
Johnson City, TN

10th Civil District
Washington County,
Johnson City, Tennessee

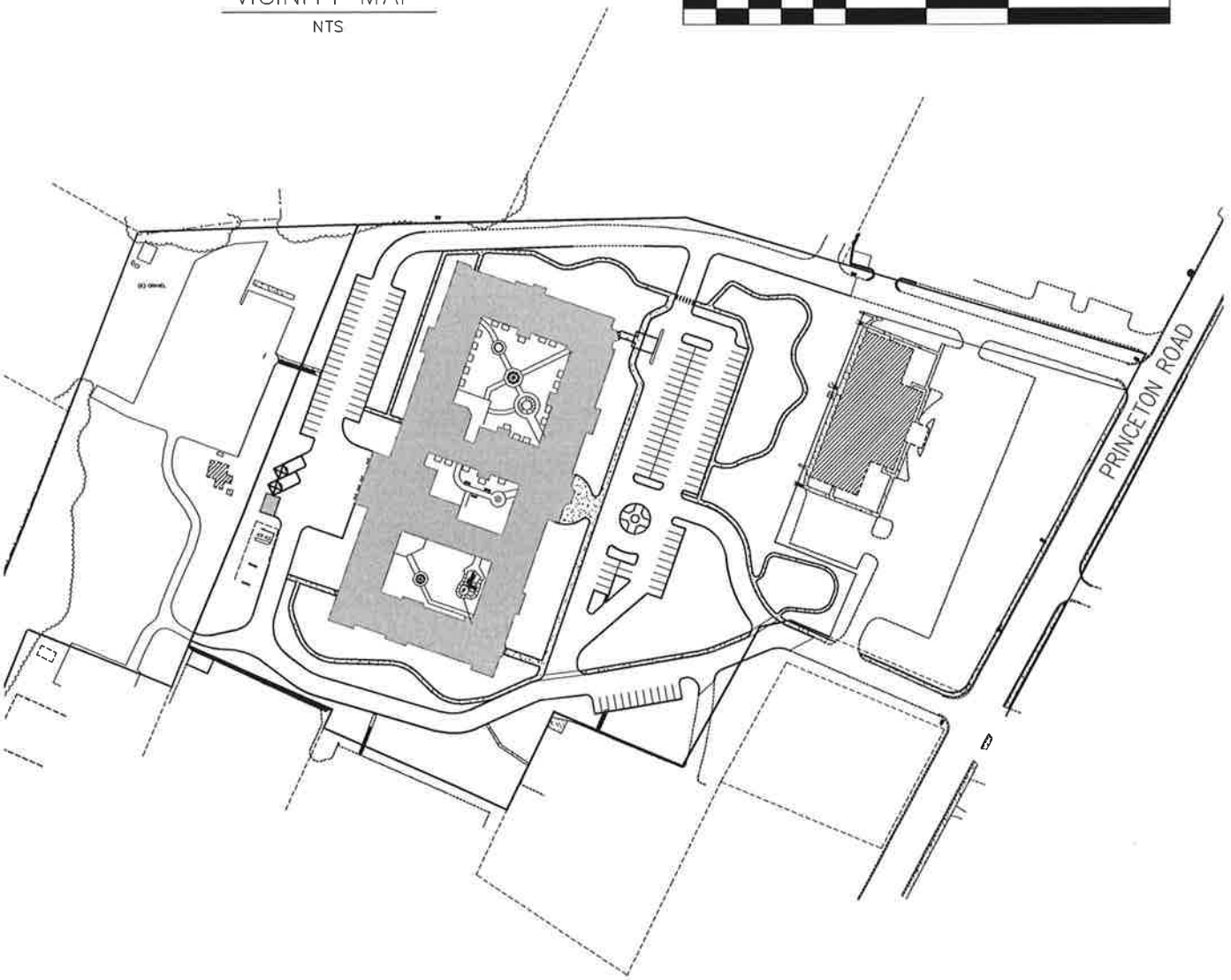
Property Owner:
Johnson City Medical
Center Hospital, Inc.

10.09± ACRES

SEE NOTE 1

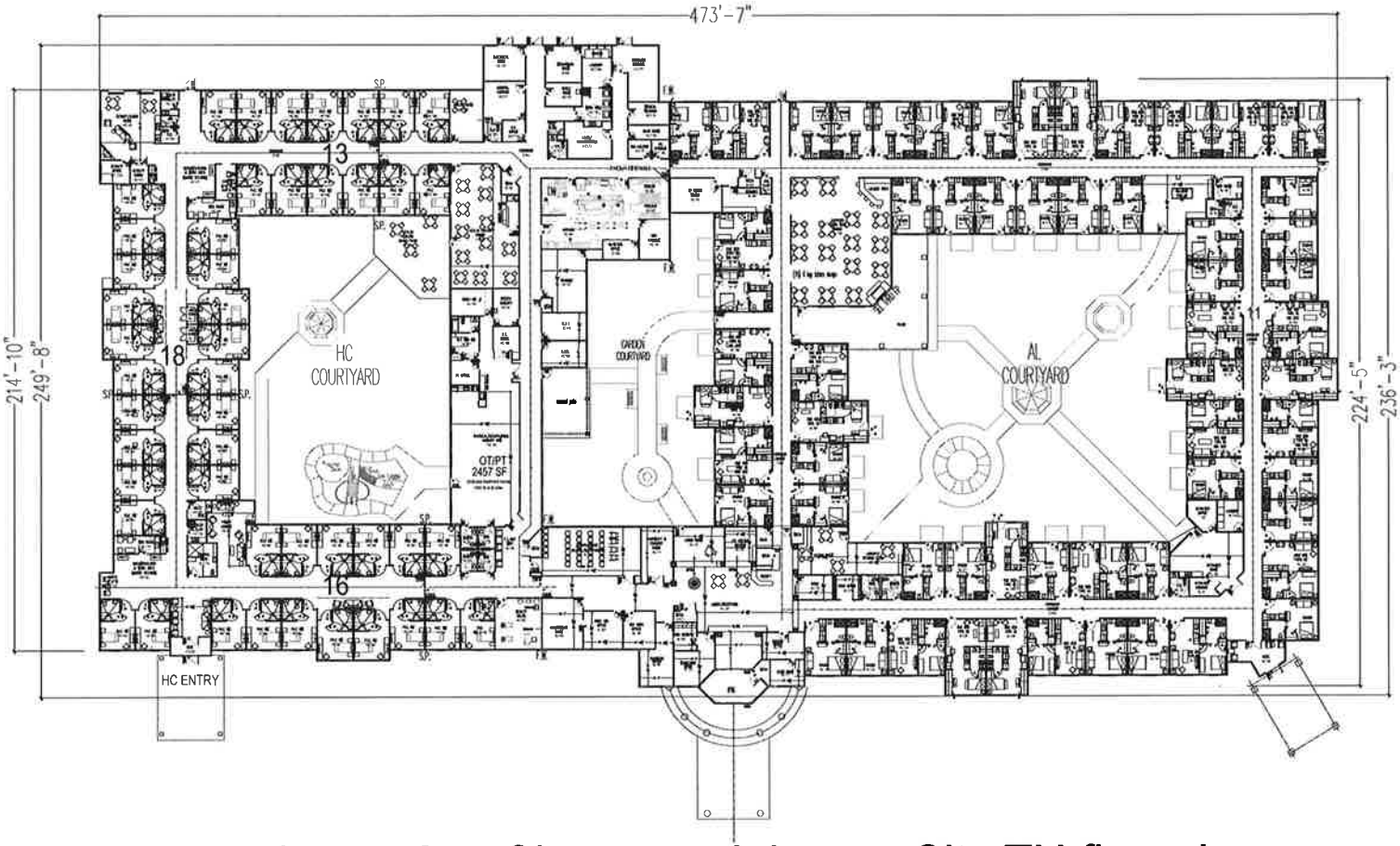
SCALE: 1" = 200'

0' 200' 400' 600'



Attachment Section A-6B-2

Floor Plan Drawing for the Facility



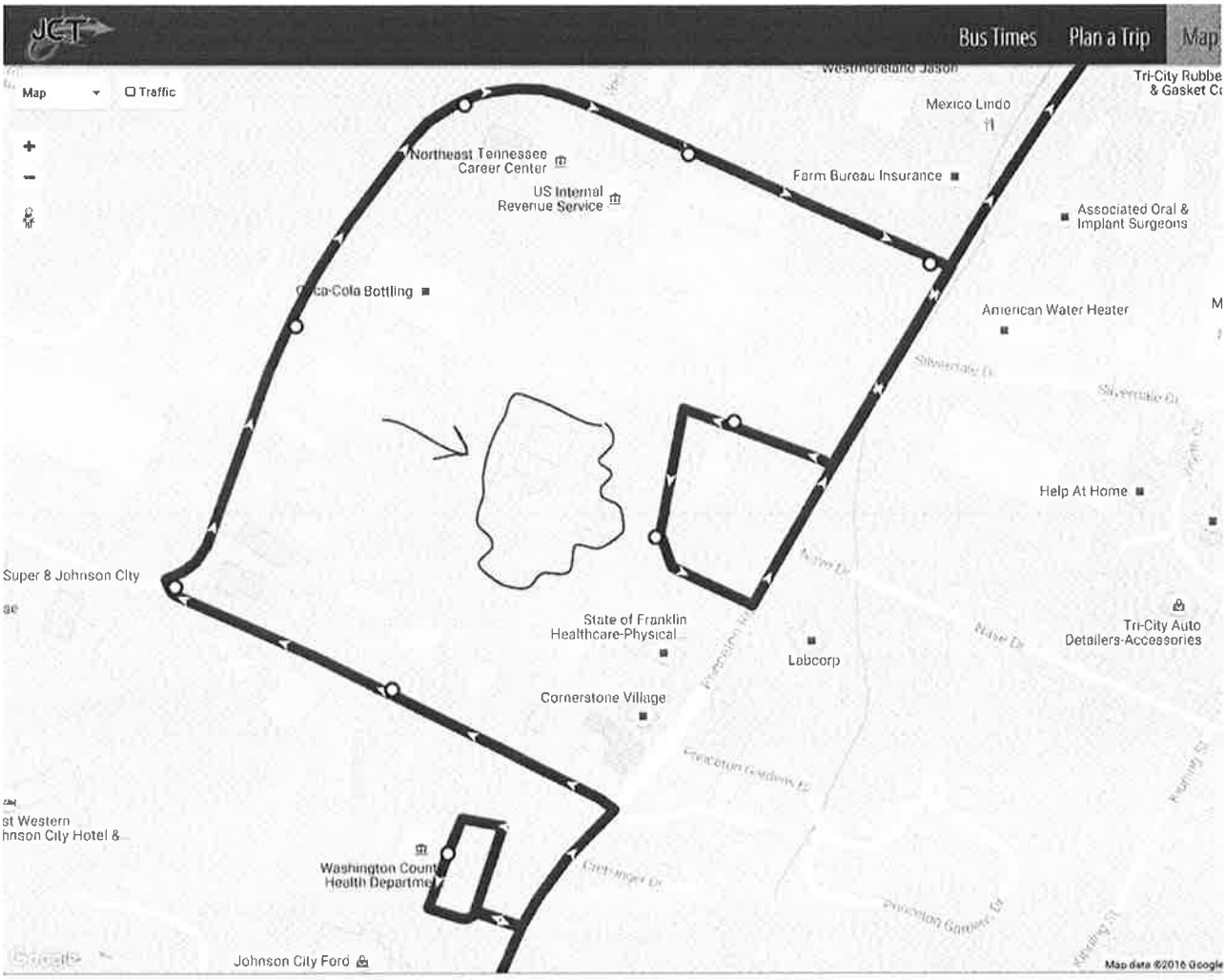
scheme 27 Signature Johnson City TN floorplan

Oct 26, 2015 73,168 sf

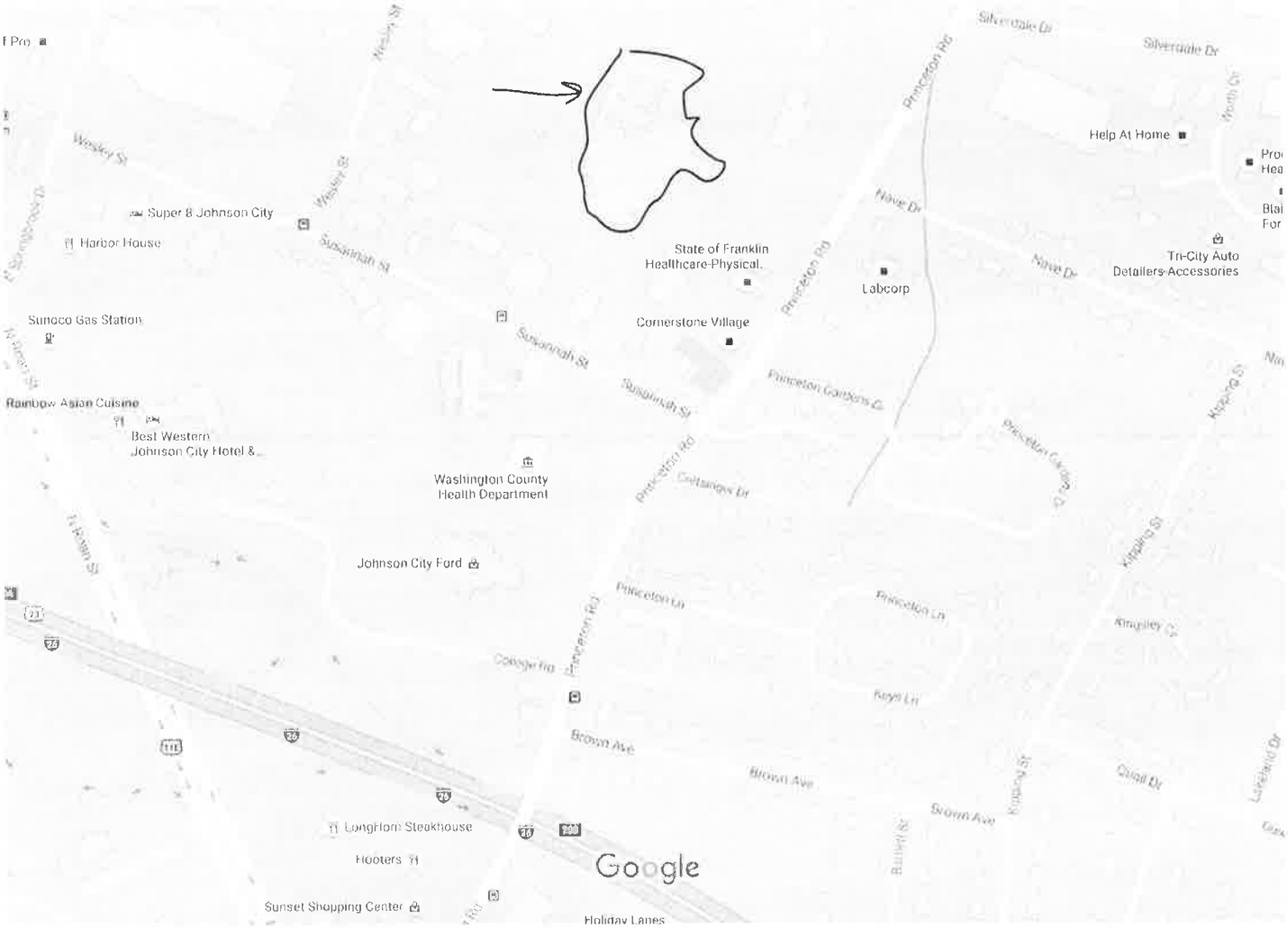
(6832 sf reduction from 80,000 sf)

Attachment Section A-6B-3

Map of Transit Routes


JCT
Bus Times
Plan a Trip
Map
Map
Traffic
Mexico Lindo
Northeast Tennessee Career Center
US Internal Revenue Service
Farm Bureau Insurance
Associated Oral & Implant Surgeons
American Water Heater
Help At Home
Super 8 Johnson City
State of Franklin Healthcare-Physical
Labcorp
Tri-City Auto Detailers-Accessories
Cornerstone Village
Washington Count Health Departme
Johnson City Ford
Map data ©2016 Google

Google Maps



Map data ©2016 Google 200 ft

Attachment Section C-
Economic Feasibility-1

Documentation Supporting Construction Costs

Ramsey Development

December 17, 2015

Ms. Melanie Hill, Director
Tennessee Health Facilities Commission
Andrew Jackson State Office Building
502 Deaderick Street, 9th Floor
Nashville, Tennessee 37243

RE: LP Johnson City, LLC, Proposed Replacement Facility

Dear Ms. Hill:

I am with Ramsey Development. I have reviewed the estimated project costs included with the Certificate of Need application to be filed for the proposed replacement facility at 401 Princeton Road, Johnson City, TN.

I have reviewed the proposed project and plans, and it is intended that our company will construct the new facility. From the information I have reviewed, we have evaluated the total projected costs cited in the application for this project and believe them to be reasonable based on our experience and judgement. Based upon the plans, the total project square footage is 73,168 and that allocated to the SNF is 33,037.

The proposed facility will be constructed to meet all applicable building and life safety codes and those codes will be followed in the construction. I have included a list of such codes as an attachment to this letter.

Should you have any other questions for which I can be of assistance, please do not hesitate to contact me.

Very truly yours,

Stephen Satterfield
Managing Director

SIGNATURE HEALTHCARE, LLC
12201 Bluegrass Parkway
Louisville, KY 40299
Ph: 502.568.7800 Fx: 502.568.7160
jharrison@signaturehealthcarellc.com

September 1, 2016

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

Dear Ms. Hill:

My name is John Harrison and I serve in the capacity of Chief Financial Officer for Signature HealthCARE, LLC. In support of the application of LP Johnson City, LLC for a proposed replacement facility of the Princeton Transitional Care (34 beds) and Franklin Transitional Care (13 beds) nursing homes, I state the following:

1. The construction costs and other initial capital costs for the project will be paid for from a combination of cash reserves of LP Johnson City, LLC and its affiliate organization, Signature HealthCARE, LLC, and available financing under Signature HealthCARE, LLC and its affiliates.
2. LP Johnson City, LLC and Signature HealthCARE, LLC have sufficient cash flow available to service any indebtedness from the project.
3. Based on the projections in the pro forma done on the proposed facility, there will be sufficient funds generated from the project to make the project profitable prior to the end of the second year of operations; and with respect to the skilled nursing facility portion of the project, it is projected that there will be sufficient funds generated to make that portion of the project profitable within the first year of operations.

Please let me know if you have any further questions.

Sincerely,

John Harrison
Chief Financial Officer

Attachment Section C-
Economic Feasibility-2

Documentation of Financial Feasibility

Attachment Section C-
Economic Feasibility-6

Project Financial Information

Attachment (III.) Contribution To The Orderly Development Of Health Care – 4(A)

Current Licenses of the Franklin Transitional Care and Princeton Transitional Care

Board for Licensing Health Care Facilities

State of Tennessee

License No. 0000000337

No. Beds 0034

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

MOUNTAIN STATES HEALTH ALLIANCE, INC. *to conduct*

and maintain a Nursing Home PRINCETON TRANSITIONAL CARE

Located at 400 NORTH STATE OF FRANKLIN ROAD, JOHNSON CITY

County of WASHINGTON *, Tennessee.*

This license shall expire SEPTEMBER 29 *,* 2016 *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 15TH *day of* SEPTEMBER *,* 2015 .

By Vincent J. Davis, MPH

DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By [signature]

COMMISSIONER

326

Health Care Facilities

Licensed Facilities

Last Updated: 9/6/2016 1:40:17 AM

For more information, please contact:
Health Care Facilities: (615)741-7221 or 1-888-310-4650

Current Listings:

Type = Nursing Home *County* = WASHINGTON *Name* = franklin

Click here to return to the search page

Total Facilties:1 ***Total Beds:13***

1.
FRANKLIN TRANSITIONAL CARE
400 NORTH STATE OF FRANKLIN ROAD
Johnson City , TN 37601
Attn:
(423) 431-6932
Rank:

Administrator: Inactive Status
Owner Information:
MOUNTAIN STATES HEALTH ALLIANCE,INC.
303 MEDTECH PARKWAY
SUITE 300
Johnson City, TN 37604
(423) 431-6111

Facility License Number: 00000329
Status: Inactive
Number of Beds: 0013
Date of Last Survey: 07/27/2011
Accreditation Expires:
Date of Original Licensure: 12/15/1994
Date of Expiration: 04/14/2017

Attachment (III.) Contribution To The Orderly Development Of Health Care – 4(B)

Current Survey Report for

Princeton Transitional Care

STATE OF TENNESSEE
DEPARTMENT OF HEALTH
OFFICE OF HEALTH LICENSURE AND REGULATION
EAST TENNESSEE REGION
7175 STRAWBERRY PLAINS PIKE, SUITE 103
KNOXVILLE, TENNESSEE 37914

September 28, 2015

Ms. Jennie Hornsby, Administrator
Princeton Transitional Care Unit
400 N. State of Franklin Road
Johnson City TN 37601

Re: 44-5356

Dear Ms. Hornsby:

The East Tennessee Regional Office of Health Care Facilities conducted a Health and Life Safety Code recertification survey on August 10 - 13, 2015. A desk review of your plan of correction for deficiencies cited as a result of the survey was conducted September 23, 2015. Based on the review, we are accepting your plan of correction and are assuming your facility is in compliance with all participation requirements as of September 16, 2015.

If you have any questions, please contact the East Tennessee Regional Office by phone: 865-594-9396 or by fax: 865-594-5739.

Sincerely,

Karen Kirby/afl

Karen B. Kirby, R.N.
Regional Administrator
ETRO Health Care Facilities

KK:afl

STATE OF TENNESSEE
DEPARTMENT OF HEALTH
OFFICE OF HEALTH LICENSURE AND REGULATION
EAST TENNESSEE REGION
7175 STRAWBERRY PLAINS PIKE, SUITE 103
KNOXVILLE, TENNESSEE 37914

IMPORTANT NOTICE - PLEASE READ CAREFULLY

August 24, 2015

Ms. Jenny Hornsby, Administrator
Princeton Transitional Care Unit
400 N. State of Franklin Road
Johnson City TN 37601

RE: 44-5356

Dear Ms. Hornsby:

The East Tennessee Regional Office of Health Care Facilities conducted a Health and Life Safety Code recertification survey on August 10 - 13, 2015. This letter to you is to serve as notice that as a result of the survey completed **August 13, 2015,** your facility was not in substantial compliance with the participation requirements of Medicare and/or Medicaid Programs. A statement of deficiencies (CMS 2567) is being provided to you with this letter.

If you do not achieve substantial compliance by **September 27, 2015** (45th day), our office will recommend to the Centers for Medicare & Medicaid Services (CMS) and/or the State Medicaid Agency that enforcement remedies be imposed.

All references to regulatory requirements contained in this letter are found in Title 42, Code of Federal Regulations.

Mandatory Remedies

If you do not achieve substantial compliance by **November 13, 2015,** (3 months after the last day of the survey identifying noncompliance **August 13, 2015**), the CMS Regional Office and/or State Medicaid Agency must deny payments for new admissions.

We will also recommend to the CMS Regional Office that your Provider Agreement be terminated on **February 13, 2016,** if substantial compliance is not achieved by that time.

Please note that this notice does not constitute formal notice of imposition of alternative remedies or termination of your provider agreement. Should the Centers for Medicare and Medicaid Services determine that termination or any other remedy is warranted, it will provide you with a separate formal notification of that determination.

Plan of Correction (POC)

A POC for the deficiencies must be submitted by **September 3, 2015.** Failure to submit an acceptable POC by **September 3, 2015,** may result in the imposition of remedies by **September 27, 2015.**

Your POC must contain the following:

What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice;

How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken;

What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur; and

How the corrective action(s) will be monitored to ensure the deficient practice will not recur; i.e., what quality assurance program will be put into place.

INFORMAL DISPUTE RESOLUTION

In accordance with 488.331, you have one opportunity to question cited deficiencies. You may request a Face to Face IDR for substandard level deficiencies, harm level deficiencies and immediate jeopardy level deficiencies. All other deficiencies will receive a desk review (telephone or written) by the Regional Office that cited the deficiency. These requests must be made within the same 10-calendar day period that you have for submitting an acceptable plan of correction and must contain additional justification as to why the deficiency(ies) should not have been written for harm level deficiencies or other deficiencies that are not substandard or immediate jeopardy. Evidence to dispute the scope and severity levels may only be submitted for substandard or immediate jeopardy deficiencies. Additional information which must be submitted with your request for an IDR is limited to no more than five (5) typed pages with a font size of no less than ten (10). If the facility is requesting a desk review in addition to a face to face IDR, the facility must submit two separate requests with their plan of correction to the State Survey Agency at the address on this letter, telephone 865-594-9396 or fax number 865-594-5739. An incomplete Informal Dispute Resolution process will not delay the effective date of any enforcement action.

If you have any questions, please contact the East Tennessee Regional Office by phone: 865-594-9396 or by fax: 865-594-5739.

Sincerely,

Karen Kirby/afl

Karen B. Kirby, R.N.
Regional Administrator
ETRO Health Care Facilities

KK:afl

Enclosure

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	445356	A. BUILDING _____ B. WING _____	08/13/2015

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
PRINCETON TRANS CARE AT NORTH	400 NORTH STATE OF FRANKLIN ROAD JOHNSON CITY, TN 37601

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
F 241 SS=E	483.15(a) DIGNITY AND RESPECT OF INDIVIDUALITY The facility must promote care for residents in a manner and in an environment that maintains or enhances each resident's dignity and respect in full recognition of his or her individuality. This REQUIREMENT is not met as evidenced by: Based on observation and interview, the facility failed to maintain dignity for 4 residents (#133, #120, #122, #126) of 7 residents sampled with urinary drainage bags for indwelling catheter use. The findings included: Observation during the initial tour on 8/10/15 at 10:30 AM revealed the Resident (#133) had a urinary drainage bag containing urine, hanging from the bedframe, and visible to the public from the hallway. Observation of Resident #120 on 8/11/2015 at 9:15 AM, in the resident's room revealed the resident had a urinary drainage bag (1/4 full) hanging from the bedframe. Continued observation revealed the urinary drainage bag was visible from the hallway. Observation of Resident #122 on 8/11/15 at 1:15 PM, in the resident's room revealed the resident had a urinary drainage bag (1/2 full) hanging from the bedframe, and visible to the public from the hallway. Interview with the Administrator on 8/11/15 at 10:18 AM, in the hallway outside her office, confirmed the urinary drainage bags should be	F 241	F241 1. 1. Patient # 133, #120, #122, and #126 are no longer patients at the facility. 2. Current patients requiring a urinary drainage bag with cover were reviewed on 8/10/15 by the Admin/DON. Patients requiring a urinary drainage bag cover that did not have one were provided one on 8/10/15 & 8/11/15 by the Admin/DON. 3. Nursing staff will be educated by 9/11/15, by the DON on applying covers to urinary drainage bags. Patients with urinary drainage bags requiring covers will be audited daily for 5 of 7 days, for 2 weeks, then weekly for 2 weeks, then monthly for 2 months by DON/Shift Leader/Charge Nurse. 4. Findings of the above stated audits will be discussed in the quality assurance performance improvement committee meeting monthly for three months for recommendations and further follow-up as indicated. Members of the	

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

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F 241	Continued From page 1 covered. Observation of Resident #126 on 8/11/15 at 8:00 AM, on the 3300 hallway, outside the resident's room, revealed a urinary catheter bag with yellow colored urine, attached to the bedframe visable from the hallway. Interview on 8/11/15, at 8:15 AM, with the Director of Nursing, outside the resident's room, confirmed "...we don't use catheter covers here, it's a hospital setting...we don't have a policy..." Continued interview confirmed the facility failed to cover the urinary catheter bag.	F 241	quality assurance committee include but are not limited to the Medical Director, Administrator, Director of Nursing, Nurse Case Mgr, Social Services Director.	
F 242 SS=E	483.15(b) SELF-DETERMINATION - RIGHT TO MAKE CHOICES The resident has the right to choose activities, schedules, and health care consistent with his or her interests, assessments, and plans of care; interact with members of the community both inside and outside the facility; and make choices about aspects of his or her life in the facility that are significant to the resident. This REQUIREMENT is not met as evidenced by: Based on medical record review and interview, the facility failed to offer a choice of individual needs and preferences for 2 of 2 residents (#111, #114) reviewed for choices of 30 residents sampled. The findings included: Medical record review revealed Resident #111	F 242	F 242 1. Patient # 111 no longer resides at the facility. Patient # 114 was interviewed by Admin on 8/13/15 to determine their choice for sleep times. No further complaints were voiced. 2. Current patients in the facility will be interviewed by Social Services/MDS/Case managers by 9/2/15, to determine their choice in sleep times. 3. Education will be provided to the Licensed Nurses by DON/SS/CaseMgr/Shift Leader by 9/11/15 on asking patients	

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F 242	Continued From page 2 was admitted to the facility on 8/6/15 with diagnoses including Right Thigh Hematoma and Acute Respiratory Failure. Interview with Resident #111 on 8/11/15 at 10:16 AM, in the resident's room revealed the resident had not been given a choice about sleep times. Continued interview revealed "...They wake me up around 4:30 AM to do labs (laboratory testing). I would rather sleep until 9:00 AM..." Medical record review revealed Resident #114 was admitted to the facility on 8/4/15 with diagnoses including Hip Fracture and Urinary Tract Infection. Interview with Resident #114 on 8/10/15 at 2:30 PM, in the resident's room revealed the resident had not been given a choice about sleep times. Continued interview revealed "...I am woke up in early morning with vitals and door knocks...it's not like I am going to sleep until 10:00 AM..." Interview with the Admission Shift Leader #1 on 8/12/15 at 10:38 AM, in the activity room confirmed the residents had not been given a choice on admission of wake up times.	F 242	their choice for sleep times on admission. The patient's choice for sleep times will be recorded on the patients care plan. The MDS nurses, SS/Case Mgr. will audit patients care plans weekly times 4 weeks and then monthly times 2 months to ensure the sleep time choices are recorded on the care plans. The MDS/SS/CaseMgr will audit by 10 residents weekly, to ensure sleep time choices are honored when medically permissible. 4. Findings of the above stated audits will be discussed in the quality assurance performance improvement committee meeting monthly for three months for recommendations and further follow-up as indicated.	
F 253 SS=E	483.15(h)(2) HOUSEKEEPING & MAINTENANCE SERVICES The facility must provide housekeeping and maintenance services necessary to maintain a sanitary, orderly, and comfortable interior. This REQUIREMENT is not met as evidenced by: Based on observation and interview, the facility	F 253	F 253 1. Rooms # 3212, # 3218, # 3316, #3317, #3318 and # 3319, and the shower room were cleaned of dust in the ceiling heating air vents on 8/13, 8/31, and 9/1/15. by Admin/Maintenance/housekeep	

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F 253	Continued From page 3 failed to maintain a clean environment in 7 rooms (6 resident rooms and the shower room) on 2 of 2 wings of 22 rooms observed and failed to maintain a ceiling flange (chrome ring around sprinkler head) for 1 room of 22 rooms observed. The findings included: Interview and observation with the Maintenance Director on 8/12/15 at 2:45 PM, confirmed room #3212, #3218, #3316, #3317, #3318, #3319, and the shower room all had a large accumulation of dust in the ceiling heating and air vents. Interview confirmed room #3212 had a missing flange around the sprinkler head. Continued interview confirmed the vents are now cleaned by a contractor service and the vents had not been cleaned in some time.	F 253	ing. Room # 3212 missing flange around the sprinkler head was replaced by Maintenance on 8/13/15. 2. Maintenance Director and Housekeeping inspected patient rooms and shower rooms on the unit for dust in the ceiling heating air vents and flanges around the sprinkler heads. All vents will be cleaned by 9/11/15. All flanges were in place. 3. Education was provided to the Maintenance Director by the administrator on 8/13/15, regarding cleaning dust from the ceiling heating air vents and ensuring there are flanges around the sprinkler heads. Audits will be done by Maintenance weekly times 4 weeks on ceiling heating air vents for cleanliness and flanges around the sprinkler heads, then monthly times 2 months. 4. Findings of the above stated audits will be discussed in the quality assurance performance improvement committee meeting monthly for	
F 279 SS=E	483.20(d), 483.20(k)(1) DEVELOP COMPREHENSIVE CARE PLANS A facility must use the results of the assessment to develop, review and revise the resident's comprehensive plan of care. The facility must develop a comprehensive care plan for each resident that includes measurable objectives and timetables to meet a resident's medical, nursing, and mental and psychosocial needs that are identified in the comprehensive assessment. The care plan must describe the services that are to be furnished to attain or maintain the resident's highest practicable physical, mental, and psychosocial well-being as required under §483.25; and any services that would otherwise be required under §483.25 but are not provided	F 279		

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F 279	Continued From page 4 due to the resident's exercise of rights under §483.10, including the right to refuse treatment under §483.10(b)(4). This REQUIREMENT is not met as evidenced by: Based on review of facility policy, medical record review, observation, and interview, the facility failed to develop a patient specific comprehensive care plan with measurable outcomes and timetables for 2 (#126, #110) of 2 residents reviewed of 30 sampled residents. The findings included: Review of facility policy, Pain Assessment and Management, reviewed 1/15 revealed "...pain is reassessed with resident care givers responding to the resident's report of pain and updating their plan of care to reflect the treatment plan..." Medical record review revealed Resident #126 was admitted on 7/28/15 with diagnoses including Urinary Tract Infection, Lower Left Extremity Deep Vein Thrombosis, Chronic Pain, and Anxiety. Medical record review of the Care Plan, Alteration in Comfort, Pain, dated 7/29/15 revealed "will obtain relief from discomfort/pain throughout SNF (Skilled Nursing Facility) stay" and "provide comfort measures [repositioning, distractions, adjustments to the environment, ect]." Further review of the care plan revealed no measurable outcome or timetable. Medical record review of the Admission Minimum Data Set dated 8/4/15 revealed a Brief Interview	F 279	three months for recommendations and further follow-up as indicated. F 279 1. Patient # 126 is no longer a patient at the facility. Patient 110 care plan was updated to include outcomes, timetables and goals by MDS nurses/DON on 9/2/15. 2. Current patients care plans will be reviewed by MDS nurses/DON, by 9/2/15, looking for patient specific comprehensive care plans, to include but not limited to measurable outcomes, timetables and goals. The MDS nurses/DON/Shift leaders will audit care plans weekly for 4 weeks, then monthly for 2 months. 3. Education will be provided to the MDS Coordinators by DON/Administrator, by 9/1/15, on creating comprehensive care plans to include but not limited to measurable outcomes,	

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F 279	Continued From page 5 Mental Status of "0" (0 to 7 indicating severe impairment), physical and verbal behaviors directed toward others "1 to 3 days," and pain medication for chronic pain. Interview with the Director of Nursing on 8/13/15 at 12:00 PM, in her office confirmed "...these aren't completed, yes, we should have completed a goal..." Further interview confirmed no specific interventions for non-pharmacological interventions "...not on this care plan..." and the facility failed to develop a patient specific comprehensive care plan for Resident #126. Medical record review revealed Resident #110 was admitted to the facility on 8/6/15 with diagnoses including Sacral Wound Infection. Medical record review of the Care Plan, Skin Integrity Concerns related to Decubitus present Sacrum, feet, heels, dated 8/6/15 revealed "...There will be no increase in number of ulcers throughout SNF (skilled nursing facility) stay..." Further review of the care plan revealed no measurable outcome or timetable. Interview with the Director of Nursing on 8/13/15 at 12:00 PM, in her office confirmed "...these aren't completed, yes, we should have completed a goal..." Further interview confirmed the facility failed to develop a patient specific comprehensive care plan for Resident #110.	F 279	timetables and goals. The DON/MDS/Shift Leaders will audit care plans weekly for 4 weeks then monthly for 2 months to include but not limited to measurable outcomes, timetables and goals. 4. Findings of the above stated audits will be discussed in the quality assurance performance improvement committee meeting monthly for three months for recommendations and further follow-up as indicated.	
F 309 SS=E	483.25 PROVIDE CARE/SERVICES FOR HIGHEST WELL BEING Each resident must receive and the facility must provide the necessary care and services to attain	F 309	F 309 1. Patients #126 and # 117 no longer reside at the facility. 2. Current patients' in the facility Medication Administration Record (MAR) were reviewed for pain medication that had been given as needed on 9/1 and 9/2/15, by DON/MDS/Shift Leader. The MAR was then reviewed to determine if patients pain was reassessed for effectiveness. Any issues that were identified	

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F 309	Continued From page 6 or maintain the highest practicable physical, mental, and psychosocial well-being, in accordance with the comprehensive assessment and plan of care. This REQUIREMENT is not met as evidenced by: Based on review of facility policy, medical record review, and interview, the facility failed to monitor the effectiveness of the pain medication and to provide reassessment of the pain medication for 2 (#126, #117) of 2 residents of 30 residents sampled. The findings included: Review of facility policy, Pain Assessment and Management, reviewed on 1/15, revealed "...pain is reassessed...after pain management intervention..." Resident #126 was admitted on 7/28/15 with diagnoses including Urinary Tract Infection, Lower Left Extremity Deep Vein Thrombosis, Chronic Pain, and Anxiety. Medical record review of the Discharge Medication Administration Record dated 8/11/15, for Oxycodone (narcotic pain medication) 10 milligrams, 2 tablets to be given as needed revealed 33 doses of Oxycodone was administered from 7/28/15 to 8/11/15 to Resident #126. Further review revealed 20 doses of Oxycodone were not reassessed for effectiveness within an hour of administration. Medical record review of the Resident Care Plan,	F 309	were addressed at time of discovery. 3. Education was provided to the Licensed Nurses, by DON/Shift leaders, by 9/11/15, on administrating PRN pain medication and reassessing pain after medication administrating. The DON/Shift Leader will audit daily for 5 of 7 days, for 1 week the MAR for patients who receive PRN pain medication, for effectiveness, then weekly times 3 weeks then monthly times 2 months. 4. Findings of the above stated audits will be discussed in the quality assurance performance improvement committee meeting monthly for three months for recommendations and further follow-up as indicated.	

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F 309	Continued From page 7 Alteration in Comfort: Pain, dated 7/29/15, revealed an intervention "administer medications and evaluate responses to medications." Medical record review of the Admission Minimum Data Set, dated 8/4/15 revealed a Brief Interview Mental Status of "0" (0 to 7 indicating severe impairment), physical and verbal behaviors directed toward others "1 to 3 days" and pain medication for chronic pain. Interview with the Director of Nursing (DON) on 8/13/15 at 12:00 PM, in the DON's office confirmed the facility failed to reassess Resident #126 for the effectiveness of the pain medication. Medical record review revealed Resident #117 was admitted to the facility on 8/4/15 with diagnoses including Right Hip Fracture after Open Reduction Internal Fixation. Medical record review of the Medication Administration Record dated 8/13/15 revealed "...Acetaminophen (Tylenol) 650 mg [milligrams] = 2 tab PO [by mouth] (Q [every] 6 HRS [hours] prn [as needed]). Reason: Pain or Fever..." Medical record review of the Medication Administration Check from 8/5/15 through 8/13/15 revealed Resident #117 had requested Tylenol 7 times. Further review revealed after the administration of the Tylenol, 4 of the 7 doses (8/7/15 at 12:12 PM, 8/10/15 at 9:38 AM, 8/11/15 at 8:09 AM, and 8/12/15 at 9:17AM) had not been assessed for effectiveness. Interview with Resident #117 on 8/13/15 at 8:07 AM, in the resident's room confirmed the resident	F 309		

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F 309	Continued From page 8 preferred to take Tylenol for her pain, her pain relief was at an acceptable level, and she could participate in therapy. Interview with the Director of Nursing (DON) on 8/13/15 at 8:40 AM, in the hallway outside of the DON's office confirmed the effectiveness of pain medication to be evaluated 1 hour after administration of pain medication.	F 309		
F 314 SS=D	483.25(c) TREATMENT/SVCS TO PREVENT/HEAL PRESSURE SORES Based on the comprehensive assessment of a resident, the facility must ensure that a resident who enters the facility without pressure sores does not develop pressure sores unless the individual's clinical condition demonstrates that they were unavoidable; and a resident having pressure sores receives necessary treatment and services to promote healing, prevent infection and prevent new sores from developing. This REQUIREMENT is not met as evidenced by: Based on review of facility policy, medical record review, observation, and interview, the facility failed to provide care to 1 resident (#110) of 1 of 2 residents reviewed for pressure sores to prevent infection of 30 sampled residents. The findings included: Review of facility policy, Pressure Ulcers, revealed "...procedure:...D. Perform hand hygiene and apply gloves...cleanse the wound of any debris..."	F 314	F 314 1. Patient # 110 was assessed on 8/13/15 by DON/Wound Care Nurse. All supplies were placed on a properly cleaned surface, wound was cleaned thoroughly, all soiled linen was removed. No signs or symptoms of infection were noted. Pressure sore had not worsened. 2. Current patients with pressure areas will be assessed by the DON/Shift leader/charge nurse/wound care nurse, by 9/1/15 for signs and symptoms of infection in the wound. No issues were identified.	

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F 314	Continued From page 9 Resident #110 was admitted to the facility on 8/6/15 with diagnoses including Sacral Wound Infection. Continued review of the care plan dated 8/6/15 revealed resident with stage 3 pressure ulcer to the coccyx and DTI (deep tissue injury) to the left heel. Review of the Physician's current orders printed 8/13/15 revealed "...miconazole 2% (antifungal cream) apply...thin layer to bilateral groin and inner thighs...venelex (ointment to promote healing) to entire buttocks..." Observation on 8/12/15 at 9:17 AM revealed Registered Nurse (RN) #2 obtained the miconazole cream and the venelex ointment, walked into the resident room and placed the cream and ointment on top of a biohazard waste trash can. Continued observation on 8/12/15 at 9:18 AM revealed Treatment Nurse #1 cleaned the residents overbed table and placed dressing supplies on the table. Observation revealed the resident had soiled self with liquid stool expanding to the lower back and into patient wound. Continued observation revealed the Treatment Nurse began cleaning the resident with wipes and did not thoroughly clean the resident, did not remove the soiled disposable sheet under the resident, and obtained the miconazole cream and venelex ointment from the top of the biohazard trash and placed the cream and the ointment on the cleaned overbed table. Observation revealed the Treatment Nurse then applied the venelex ointment to the resident buttocks crossed the resident rectum and to the resident wound. Further observation revealed the Treatment Nurse completed the dressing change, rolled the resident with the newly applied dressing change over the soiled sheet, and applied the miconazole ointment to the resident groin.	F 314	3. Education was provided to the wound care nurse by DON, on 8/12/15 regarding, but not limited to, caring for residents with pressure ulcers, dressing changes and preventing spread of infection. Licensed nurses will receive the same education delivered by DON, by 9/11/15. Wound Ostomy Continence (WOCN) nurse and Infection Prevention Nurse will conduct the same education to the wound care nurses on 9/3/15. The DON/WCON nurse will audit weekly, 3 dressing changes times 2 weeks then monthly times 2 months. 4. Findings of the above stated audits will be discussed in the quality assurance performance improvement committee meeting monthly for three months for recommendations and further follow-up as indicated.	

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F 314	Continued From page 10 Interview with the Treatment Nurse on 8/12/15 at 10:15 AM, in the Administrator's office confirmed the wound had not been cleaned thoroughly, the soiled sheet was not removed prior to the dressing change, and the ointment and creams were placed on the clean overbed surface after being obtained from the top of the biohazard trash can. Interview with the Director of Nursing (DON) on 8/13/15 at 10:40 AM, confirmed the facility policy was not followed for wound care to prevent infection to a resident with pressure sores.	F 314		
F 371 SS=F	483.35(i) FOOD PROCURE, STORE/PREPARE/SERVE - SANITARY The facility must - (1) Procure food from sources approved or considered satisfactory by Federal, State or local authorities; and (2) Store, prepare, distribute and serve food under sanitary conditions This REQUIREMENT is not met as evidenced by: Based on review of facility policy, observation, and interview, the facility failed to maintain a sanitary kitchen for use of approved hair restraints, undated, repackaged prepared foods, personal food in utensil drawers, and dust debris on cooling fans for 3 of 7 walk-in refrigerator/freezers for 1 of 1 kitchen reviewed.	F 371	F 371 1. The unbaked pizza crusts were discarded on August 10, 2015. The Cold Prep Dietary Aide was educated on wearing the approved hair restraints on August 10, 2015. The utensil drawer was cleaned and the non-utensil items were removed on August 10, 2015. The triple cooling fan and the sides of the adjacent walls of the walk-in produce cooler were cleaned of dust debris by August 20, 2015. The walk-in catering refrigerator was cleaned of dust debris on the duel cooling fans on August 20, 2015. The open boxes of uncut fruit and vegetables were covered on August 10, 2015. The walk-in dairy cooler was cleaned of dust	

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	445356	A. BUILDING _____ B. WING _____	08/13/2015

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
PRINCETON TRANS CARE AT NORTH	400 NORTH STATE OF FRANKLIN ROAD JOHNSON CITY, TN 37601

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
F 371	Continued From page 11 The findings included: Review of facility policy, Dress Guidelines for Food Service Management and Clinical Nutrition Staff, revised 1/14 revealed "...hair restraints are worn by all when in the kitchen..." Review of facility policy, Food and Storage Procedures, revised 7/14 revealed "...date unused portion..." Review of facility policy, Food Service Cleaning Duties, undated revealed "...empty out the utensil totes...workstation shelves..." Review of facility policy, Area and Equipment Cleaning, revised 1/14 revealed "...clean equipment...refrigeration coils..." Review of facility policy, Food and Supply Storage Procedures, revised 7/14 revealed "...foods stored on "ladder/speed" racks must be fully covered to prevent contamination from airborne contaminants..." Observation with the Dietary Manager (DM) and the Patient Service Manager, of the kitchen on 8/10/15 at 4:00 PM, in the cold prep area revealed 1 Cold Prep Dietary Aide with a black cotton cap on the head with visible hair on the sides of the face and a pony tail extending past the cap. Continued observation revealed the Cold Prep Dietary Aide cutting up strawberries. Observation with the DM and the Patient Service Manager on 8/10/15 at 4:20 PM, of reach-in cooler #6 revealed a metal pan with 6 undated, repackaged unbaked pizza crusts.	F 371	on the dual cooling fans by _August 20, 2015. 2. The Dietary Manager audited the kitchen for dust debris, foods not being labeled, utensil drawers containing proper articles, food that is opened being dated; food is covered when stored and staff wearing approved hair restraints by 9/11/15. No issues were identified. 3. Education was provided to the Dietary Manger on August 26, 2015, by Risk Mgt/compliance to include but not limited to staff wearing approved hair restraints, cleaning of refrigerators, labeling and dating food and storing of food. The Dietary Manager will then will educate the dietary staff by 9/11 to include but not limited to staff wearing approved hair restraints, cleaning of refrigerators, labeling and dating food that food is covered when stored and storage of food. The Dietary Mgr/Director will audit daily Monday through Friday the staff for	

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	445356	A. BUILDING _____ B. WING _____	08/13/2015

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
PRINCETON TRANS CARE AT NORTH	400 NORTH STATE OF FRANKLIN ROAD JOHNSON CITY, TN 37601

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
F 371	Continued From page 12 Observation with the DM and the Patient Service Manager on 8/10/15 at 4:25 PM revealed a utensil drawer with the following: 2 can openers, scissors, 2 measuring cups, and 1 pastry brush. Further observation revealed 1 large candy bar and 5 small chocolate candies in the drawer. Observation with the DM and the Patient Service Manager on 8/10/15 at 4:30 PM, of the walk-in produce cooler #3 revealed dust debris on the triple cooling fan and on the sides of the adjacent walls. Further observation revealed a ladder cart with a plastic cover ripped open and 4 peach cobblers exposed to the fans. Observation with the DM and the Patient Service Manager on 8/10/15 at 4:35 PM, of the walk-in catering refrigerator revealed dust debris on the duel cooling fans. Continued observation revealed open boxes of uncut assorted fruit and vegetables. Observation with the DM and the Patient Service Manager on 8/11/15 at 10:30 AM, of the walk-in dairy cooler #8 revealed dust on the duel cooling fans. Interview with the DM on 8/13/15 at 8:10 AM, in the Activity/Dining room confirmed the facility failed to monitor the approved hair restraints, to date opened, repackaged foods, to store personal foods with dietary utensils, and to clean cooling fans to maintain sanitary conditions in the kitchen.	F 371	wearing approved hair restraints, labeling and dating of food, that food is covered when stored, cleanliness of refrigerators and utensils drawers containing proper articles times 2 weeks, then weekly times 2 weeks then monthly times 2 months. 4. Findings of the above stated audits will be discussed in the quality assurance performance improvement committee meeting monthly for three months for recommendations and further follow-up as indicated. F 372 1. Debris and trash around the dumpster was picked up and discarded and the area was rinsed with disinfectant cleaner, by environmental services worker, on 8/11/15. 2. The standard of work procedure for dumpster cleaning was reviewed and in serviced to the environmental staff and dietary director, to ensure the cleanliness of the dumpster area on 8/11/15, by the Quality Manager Director.	
F 372 SS=C	483.35(i)(3) DISPOSE GARBAGE & REFUSE PROPERLY The facility must dispose of garbage and refuse	F 372		

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F 372	Continued From page 13 properly. This REQUIREMENT is not met as evidenced by: Based on review of facility policy, observation, and interview, the facility failed to maintain a clean area, free of debris, for 1 of 1 dumpster reviewed. The findings included: Review of facility policy, Dumpster Cleaning Process, not dated revealed "...rinse dumpster and area...pick up any remaining trash..." Observation with the Dietary Director and the Patient Service Manager on 8/11/15 at 10:55 AM, at the 1 of 1 dumpster revealed on the outside of the dumpster the following: 1 empty plastic water bottle, 2 blue rubber gloves, a large plastic bag of trash, and other trash debris. Continued observation revealed a mixture of food debris and wet fluid under the dumpster flowing approximately 16 feet to the common driveway. Interview with the Dietary Director on 8/11/15 at 11:00 AM, at the dumpster confirmed "...it's kind of nasty..." Further interview confirmed the facility failed to maintain the cleanliness of the dumpster area.	F 372	3. The Dietary Director/Environmental Services Director in-serviced the environmental staff on the proper process and standard for maintaining cleanliness of the dumpster area. The Director of Dietary/EVS Director will audit daily for 1 week,* then weekly for 1 month, then monthly for 2 months, the dumpster area for maintaining a clean area, free of debris. * (5 of 7 days) 4. Findings of the above audits will be discussed in the Quality Assurance Performance Improvement Committee, monthly for 3 months, for compliance, recommendations, and any further follow up, as indicated.	
F 431 SS=E	483.60(b), (d), (e) DRUG RECORDS, LABEL/STORE DRUGS & BIOLOGICALS The facility must employ or obtain the services of a licensed pharmacist who establishes a system of records of receipt and disposition of all controlled drugs in sufficient detail to enable an	F 431	F 431 1. The medication was removed from the Lasix drawer on August 13, 2015. 2. The electronic medication delivery system was audited by the Pharmacist/pharmacy technician on 8/13/15, to ensure medications were stored properly.	

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F 431	Continued From page 14 accurate reconciliation; and determines that drug records are in order and that an account of all controlled drugs is maintained and periodically reconciled. Drugs and biologicals used in the facility must be labeled in accordance with currently accepted professional principles, and include the appropriate accessory and cautionary instructions, and the expiration date when applicable. In accordance with State and Federal laws, the facility must store all drugs and biologicals in locked compartments under proper temperature controls, and permit only authorized personnel to have access to the keys. The facility must provide separately locked, permanently affixed compartments for storage of controlled drugs listed in Schedule II of the Comprehensive Drug Abuse Prevention and Control Act of 1976 and other drugs subject to abuse, except when the facility uses single unit package drug distribution systems in which the quantity stored is minimal and a missing dose can be readily detected. This REQUIREMENT is not met as evidenced by: Based on observation and interview, the facility failed to store drugs and biologicals correctly in 1 of 2 electronic medication delivery systems. The findings included: Observation of Registered Nurse (RN) #1 on	F 431	3. The Pharmacy Director educated on 8/19/15, the Pharmacist/pharmacy technician on appropriate medication storage in the electronic medication delivery system. The Director of Pharmacy will audit weekly times 1 month and then monthly times 2 months the electronic medication delivery system for appropriate medication storage. 4. Findings of the above stated audits will be discussed in the quality assurance performance improvement committee meeting monthly for three months for recommendations and further follow-up as indicated.	

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F 431	Continued From page 15 8/13/15 at 8:15 AM revealed the RN conducting a medication pass. Continued observation revealed a Lasix (medication for increased fluid) was not in the medication cart. Observation revealed the RN obtained a medication from the electronic medication delivery system identified to be in the Lasix bin. Further observation revealed the RN obtained a medication from the Lasix bin which was Amodopine (medication for hypertension or coronary artery disease). Observation and review of the Lasix bin revealed multiple Lasix and a total of 4 Amodopine pills in the same bin. Interview with RN #1 on 8/13/15 at 8:24 AM confirmed the medication was stored incorrectly in the electronic medication system.	F 431		
F 441 SS=E	483.65 INFECTION CONTROL, PREVENT SPREAD, LINENS The facility must establish and maintain an Infection Control Program designed to provide a safe, sanitary and comfortable environment and to help prevent the development and transmission of disease and infection. (a) Infection Control Program The facility must establish an Infection Control Program under which it - (1) Investigates, controls, and prevents infections in the facility; (2) Decides what procedures, such as isolation, should be applied to an individual resident; and (3) Maintains a record of incidents and corrective actions related to infections. (b) Preventing Spread of Infection (1) When the Infection Control Program determines that a resident needs isolation to	F 441	F 441 1. Patient # 110 was assessed on 8/13/15 by DON/Wound Care/Nurse. Wound was clean; no soiled linen was on bed. No signs or symptoms of infection were noted. Wound had not worsened. 2. Current patients with pressure areas will be assessed by the DON/Shift Leader/charge nurse/wound care nurse, by 9/1/15 for signs and symptoms of infection in the wound. No issues were identified.	

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NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
PRINCETON TRANS CARE AT NORTH	400 NORTH STATE OF FRANKLIN ROAD JOHNSON CITY, TN 37601

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F 441	Continued From page 16 prevent the spread of infection, the facility must isolate the resident. (2) The facility must prohibit employees with a communicable disease or infected skin lesions from direct contact with residents or their food, if direct contact will transmit the disease. (3) The facility must require staff to wash their hands after each direct resident contact for which hand washing is indicated by accepted professional practice. (c) Linens Personnel must handle, store, process and transport linens so as to prevent the spread of infection. This REQUIREMENT is not met as evidenced by: Based on medical record review, observation, and interview, the facility failed to prevent cross-contamination during direct patient care for 1 resident (#110) of 2 residents reviewed for direct patient care of 30 sampled residents. The findings included: Medical record review revealed Resident #110 was admitted to the facility on 8/6/15 with diagnoses including Sacral Wound Infection. Medical record reveiw of the care plan dated 8/6/15 revealed resident with methicillin resistant staphylococcus aureus (MRSA) "...Goal...caregivers will verbalize measures to reduce the risk of infection..." Observation on 8/12/15 at 9:20 AM revealed	F 441	3. Education was provided to the wound care nurse by DON on 8/12/15, regarding, but not limited to, caring for patients with pressure ulcers, dressing changes and preventing spread of infection. Licensed nurses will receive the same education delivered by DON/Shift Leader/WCON nurse by 9/11/15. The DON/WCON nurse will audit weekly 3 dressing changes times 2 weeks then monthly times 2 months. 4. Findings of the above stated audits will be discussed in the quality assurance performance improvement committee meeting monthly for three months for recommendations and further follow-up as indicated.	

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	445356	A. BUILDING _____ B. WING _____	08/13/2015

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PRINCETON TRANS CARE AT NORTH	400 NORTH STATE OF FRANKLIN ROAD JOHNSON CITY, TN 37601

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F 441	Continued From page 17 Treatment Nurse #1 and Certified Nursing Assistant (CNA) #1 providing care to Resident #110 in contact isolation. Observation revealed the resident had soiled self with liquid stool expanding to the lower back and into patient wound. Continued observation revealed the Treatment Nurse began cleaning the resident with wipes and did not thoroughly clean the resident, did not remove the soiled disposable sheet under the resident, and proceeded to complete wound care on the resident. Further observation revealed the Treatment Nurse completed a dressing change and rolled the resident with the newly applied dressing change over the soiled sheet. Interview with the Treatment Nurse on 8/12/15 at 10:15 AM, in the Administrator's office confirmed the facility failed to prevent cross contamination by not thoroughly cleaning the wound and not removing the soiled disposable sheet prior to completing a dressing change to resident.	F 441	F 514 1. Resident # 97 and # 100 no longer reside at the facility. 2. Current residents meal percentage documentation for the past week will be audited by DON/ShiftLeader by 9/4/14 to determine if any percentages are not documented, and to which Or which meal the missing documentation is occurring on, if additional is found. Current residents admission skin assessments, that were admitted in the past 2 weeks, will be audited by the DON/Shift Leader/MDS,by 9/4/15. The same patients will be evaluated to assure that initial assessment and second assessment by nursing/wound care nurse are accurate. If there are any discrepancies the DON/Shift leader will review the chart to capture date of any new areas to ensure accurate assessment was completed. 3. Education will be provided to the Licensed Nurses by the DON/Shift Leader/WCON nurse, by 9/11/15, to include but not limited to, completion	
F 514 SS=D	483.75(l)(1) RES RECORDS-COMPLETE/ACCURATE/ACCESSIBLE The facility must maintain clinical records on each resident in accordance with accepted professional standards and practices that are complete; accurately documented; readily accessible; and systematically organized. The clinical record must contain sufficient information to identify the resident; a record of the resident's assessments; the plan of care and services provided; the results of any preadmission screening conducted by the State; and progress notes.	F 514		

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	445356	A. BUILDING _____ B. WING _____	08/13/2015

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F 514	Continued From page 18 This REQUIREMENT is not met as evidenced by: Based on medical record review and interview, the facility failed to complete documentation of meal intake for 1 resident (#97) and failed to document an acurate skin assessment for 1 resident (#110) of 2 of 17 records reviewed. The findings included: Medical record review revealed Resident #97 was admitted to the facility on 5/28/15 with diagnoses including Coronary Artery Disease, Benign Prostatic Hypertrophy/Prostate Cancer, Paroxysmal Atrial Fibrillation, and Dementia. Medical record review of the Daily Intake/Output Detail Reports dated 5/28/15 through 6/17/15 revealed 29 of 60 opportunities to record meal intake had not been documented. Interview with Registered Dietician (RD) #1 on 8/13/15 at 9:55 AM, in the nurse's station on the 3200 hallway confirmed the RD would expect the meal intake to be documented with the amount/percentage of the meal consumed for every mealtime. Interview with the Director of Nursing (DON) on 8/13/15 at 8:55 AM, in the DON's office confirmed the facility's expectation was for the meal intake to be documented for all meals and was aware the poor documentation had been an area of concern. Medical record review revealed resident #110	F 514	of skin assessments on admission, documentation of skin assessments on admission and accuracy of documentation of skin assessments on admission. The Shift Leader/Admissions Nurse will complete the initial skin assessment and consult the wound care nurse with any evidence of skin impairment. The wound care nurse will perform a second skin assessment on new admissions within 48 hours (if consulted) of admission checking for skin issues and accuracy of admission skin assessments, and establish a plan of care. A licensed nurse will complete a daily skin assessment thereafter. Wound care nurse will reassess weekly and/or PRN. The DON/shift leader will audit 10 patients for accuracy in the continuity of initial skin assessment and wound care assessment for 5 of 7 days for 2 weeks, then weekly for 2 weeks, then monthly for 2 months. the skin assessment process, daily, 5 of 7 days, times 2 weeks, then weekly	

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	445356	A. BUILDING _____ B. WING _____	08/13/2015

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
PRINCETON TRANS CARE AT NORTH	400 NORTH STATE OF FRANKLIN ROAD JOHNSON CITY, TN 37601

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F 514	Continued From page 19 was admitted to the facility on 8/6/15 with diagnoses including Sacral Wound Infection. Continued review of a Skin Assessment dated 8/6/15 on admission revealed "...Red...heel on left...right heel DTI (deep tissue injury)..." Observation on 8/12/15 at 9:32 AM revealed Treatment Nurse #1 and Certified Nursing Assistant (CNA) #1 providing care to Resident #110. Continued observation revealed the resident to have a left heel DTI and the right heel to be red. Interview with the Director of Nursing (DON) on 8/12/15 at 2:32 PM, in the DON's office confirmed the admission skin assessment was inaccurate.	F 514	times 2 weeks then monthly times 2 months. The meal percentage documentation will be audited by the DON/Shift Leader/ Dietary Director daily for 5 of 7 days, for 2 weeks, then weekly for 2 weeks, then monthly for 2 months, to check for completion. Any areas of concern will be addressed immediately. 4. Findings of the above stated audits will be discussed in the quality assurance performance improvement committee meeting monthly for three months for recommendations and further follow-up as indicated.	

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TN9004	A. BUILDING: _____ B. WING _____	08/13/2015

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N 000	Initial Comments A licensure survey was completed on August 10-13, 2015, at Princeton Transitional Care. No deficiencies were cited under Chapter 1200-8-6, Standards for Nursing Homes.	N 000		

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	445356	A. BUILDING 01 - MAIN BUILDING 01 B. WING	08/10/2015

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K 062 SS=D	NFPA 101 LIFE SAFETY CODE STANDARD Required automatic sprinkler systems are continuously maintained in reliable operating condition and are inspected and tested periodically. 19.7.6, 4.6.12, NFPA 13, NFPA 25, 9.7.5 This STANDARD is not met as evidenced by: Based on observation, the facility failed to maintain the automatic sprinkler system and its components. The findings include: Observation on 8/10/15 at 11:15 AM revealed mixed response sprinkler heads of quick response and standard response sprinkler heads in the 3200 corridor by room 3205 are installed in the same compartment. This finding was verified by the multi-facilities director and acknowledged by administration during the exit conference on 8/10/15.	K 062	K 062 1. The sprinkler heads were changed to the standard response sprinkler heads by the Facilities Planning Engineering Supervisor by August 21, 2015. 2. The Facilities Planning Engineering Supervisor audited sprinkler heads in the facility by August 21, 2015. No other issues were noted. 3. Education was provided to the Maintenance Director by the Engineering Director/Administrator on August 12, 2015, to include but not limited to the requirement that automatic sprinkler systems are continuously maintained in reliable operating condition and are inspected and tested periodically. The Maintenance Director will audit the facility sprinkle heads monthly to ensure sprinkler heads remain of the standard response type. 4. Findings of the above stated audits will be discussed in the quality assurance performance improvement committee meeting monthly for three months for recommendations and further follow-up as indicated.	

ABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | (X6) DATE

ny deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that her safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days llowing the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 ays following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued ogram participation.

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TN9004	A. BUILDING: 01 - MAIN BUILDING 01 B. WING _____	08/10/2015

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N 002	1200-8-6 No Deficiencies This Rule is not met as evidenced by: During the Life Safety portion of the annual Licensure survey conducted on 8/10/15, no deficiencies were cited under 1200-8-6, Standards for Nursing Homes.	N 002		

Affidavit

AFFIDAVIT

STATE OF KENTUCKY

COUNTY OF JEFFERSON

SANDRA ADAMS, 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.

Sandra Adams
SIGNATURE/TITLE

Sworn to and subscribed before me this 1ST day of SEPTEMBER (Month), 2016 (Year) a Notary

Public in and for the County/State of JEFFERSON/KENTUCKY.

Melody Shannon
NOTARY PUBLIC

My commission expires AUGUST 20 (Month/Day), 2017 (Year).

MELODY SHANNON
Notary Public-State at Large
Kentucky - Notary ID#495423
My Commission Expires August 20, 2017

Proof of Publication

JOHNSON CITY PRESS
204 W. Main Street
Johnson City, TN 37604
AFFIDAVIT OF PUBLICATION

AD# 1321577

DATES: 9-2-2016

State of Tennessee)
Carter County)
Washington County)

Teresa Hicks makes the oath that she is a Representative of The Johnson City Press, a daily newspaper published in Johnson City, in said County and State, and that the advertisement was published in said paper for 1 insertion (s) commencing on 9-2-2016 and ending on 9-2-2016.

Teresa Hicks

Sworn to and Subscribed before me this 9 2 2016

Month Day Year

Connie N. Guinn
Notary Public

My commission expires on 03/28/2017

This legal notice was published online at www.johnsoncitypress.com and www.publicnoticeads.com during the duration of the run dates listed. This publication fully complies with Tennessee Code Annotated 1-3-20

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: LP Johnson City, LLC, a Delaware limited liability company qualified to do business in Tennessee and which is a joint venture between SHC LP Holdings III, LLC, an affiliate of Signature HealthCARE, LLC ("SHC") and Blue Ridge Medical Management Corporation, an affiliate of Mountain States Health Alliance ("MSHA"), intends to file an application for a Certificate of Need for a forty-seven (47) bed replacement nursing home facility to be located at 401 Princeton Road, Johnson City, TN (Washington County) on the campus of what was formerly Northside Hospital. The proposed new facility will be managed by Signature Healthcare Consulting Services, LLC and Signature Healthcare Clinical Consulting Services, LLC and will relocate and replace, respectively, two existing MSHA nursing home facilities, the thirty-four (34) bed Princeton Transitional Care [(Lic. #337)] located within Johnson City Medical Center at 400 N. State of Franklin Road, Johnson City, TN (Washington County) and Franklin Transitional Care, which holds an inactive license for a thirteen (13) bed nursing home facility at 400 N. State of Franklin Road, Johnson City, TN (Washington County). There is no major medical equipment required for this project. If approved, the project and its beds will be licensed by the Tennessee Department of Health as nursing home beds and certified for participation in Medicare. The estimated project cost is $8,571,736.00.

The anticipated filing date of the application is on or before September 7, 2016. The contact person for this project is Christopher C. Puri, Attorney, who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, TN 37203. Mr. Puri's telephone number is 615-252-4643 and his e-mail address is cpuri@bradley.com.

Signature	September 2, 2016 Date	cpuri@bradley.com E-mail Address

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

(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.

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

October 3, 2016

Chris Puri, Esq.
Bradley Arant Boult Cummings, LLP.
1600 Division Street, Suite 700
Nashville, TN 37203

RE: Certificate of Need Application -- LP Johnson City, LLC - CN1609-032
The replace of a 47 bed nursing home facility to be located at 401 Princeton Road, Johnson City (Washington County), TN on the campus of the former Northside Hospital. The proposed new facility will relocate and replace Princeton Transitional Care (34 beds) located within Johnson City Medical Center located at 400 North State of Franklin Road, Johnson City (Washington County), and Franklin Transitional Care which holds an inactive license for a thirteen bed nursing home located at 400 North State of Franklin Road, Johnson City (Washington County), TN. The estimated project cost is $8,571,736.

Dear Mr. Puri:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need. Please be advised that your application is now considered to be complete by this office.

Your application is being forwarded to Trent Sansing at the Tennessee Department of Health for Certificate of Need review by the Division of Policy, Planning and Assessment. You may be contacted by Mr. Sansing or someone from his office for additional clarification while the application is under review by the Department. Mr. Sansing's contact information is Trent.Sansing@tn.gov or 615-253-4702.

In accordance with Tennessee Code Annotated, §68-11-1607, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on October 3, 2016. The first 60 days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the 60-day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review. You will receive a copy of their findings. The Health Services and Development Agency will review your application on December 14, 2016.

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, TDH/Health Statistics, PPA

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

MEMORANDUM

TO: Trent Sansing, CON Director
Office of Policy, Planning and Assessment
Division of Health Statistics
Andrew Johnson Tower, 2nd Floor
710 James Robertson Parkway
Nashville, Tennessee 37243

FROM: Melanie M. Hill MMH/MF
Executive Director

DATE: October 3, 2016

RE: Certificate of Need Application
LP Johnson City, LLC - CN1609-032

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 October 1, 2016 and end on December 1, 2016.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc: Chris Puri, Esq.

Christopher C. Puri
Counsel
cpuri@bradley.com
615.252.4643 direct

Bradley

September 2, 2016

VIA HAND DELIVERY
Ms. Melanie Hill
Tennessee Health Services and Development Agency
500 Deaderick Street, 9th Floor
Nashville, Tennessee 37243

Re: Letter of Intent to Apply for Certificate of Need – LP Johnson City, LLC

Dear Melanie:

Please find attached a Letter of Intent to apply for LP Johnson City,LLC, which intends to file an application for a Certificate of Need for a forty-seven (47) bed replacement nursing home facility as outlined in the attached notice.

Should you have any questions or need anything further, please do not hesitate to contact me.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

By: Christopher C. Puri

CCP/ced
Enclosure

20845887/3877889.1
107086-013

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

LETTER OF INTENT

The Publication of Intent is to be published in the Johnson City Press which is a newspaper of general circulation in Washington County, Tennessee, on or before September 2, 2016 for one day.

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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: LP Johnson City, LLC, a Delaware limited liability company qualified to do business in Tennessee and which is a joint venture between SHC LP Holdings III, LLC, an affiliate of Signature HealthCARE, LLC ("SHC") and Blue Ridge Medical Management Corporation, an affiliate of Mountain States Health Alliance ("MSHA"), intends to file an application for a Certificate of Need for a forty-seven (47) bed replacement nursing home facility to be located at 401 Princeton Road, Johnson City, TN (Washington County) on the campus of what was formerly Northside Hospital. The proposed new facility will be managed by Signature Healthcare Consulting Services, LLC and Signature Healthcare Clinical Consulting Services, LLC and will relocate and replace, respectively, two existing MSHA nursing home facilities, the thirty-four (34) bed Princeton Transitional Care [(Lic. #337)] located within Johnson City Medical Center at 400 N. State of Franklin Road, Johnson City, TN (Washington County) and Franklin Transitional Care, which holds an inactive license for a thirteen (13) bed nursing home facility at 400 N. State of Franklin Road, Johnson City, TN (Washington County). There is no major medical equipment required for this project. If approved, the project and its beds will be licensed by the Tennessee Department of Health as nursing home beds and certified for participation in Medicare. The estimated project cost is $8,571,736.00.

The anticipated filing date of the application is on or before September 7, 2016. The contact person for this project is Christopher C. Puri, Attorney, who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, TN 37203. Mr. Puri's telephone number is 615-252-4643 and his e-mail address is cpuri@bradley.com.

Christopher C. Puri	September 2, 2016	cpuri@bradley.com
Signature	Date	E-mail Address

==========

The Letter of Intent **must be filed in triplicate** and **received between the first and the tenth** day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

==========

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

==========

Supplemental #1
-Original-

LP Johnson City, LLC

CN1609-032

Christopher C. Puri
Counsel
cpuri@bradley.com
615.252.4643 direct

SUPPLEMENTAL #1
September 28, 2016

September 28, 2016

Mr. Phillip M. Earhart
HSDA Examiner
Tennessee Health Services and Development Agency
Andrew Jackson State Office Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

Re: Certificate of Need Application CN1609-032 (LP Johnson City, LLC)
Responses to First Supplemental Questions

Dear Mr. Earhart:

This letter will serve as a response to your letter of September 16, 2016 requesting clarification or additional discussion as to our application for a Certificate of Need for the above-referenced matter.

This response has been reviewed by the Applicant, and an appropriate affidavit is attached.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

Christopher C. Puri

By:
Christopher Puri

SUPPLEMENTAL #1
September 28, 2016
12:19 pm

Certificate of Need Application CN1609-032 (LP Johnson City, LLC)
Responses to First Supplemental Questions

1. **Section A, Applicant Profile, Item 1**

   The applicant did not indicate the web-site address of the applicant. Please reply to the question and submit a replacement page.

   RESPONSE: The Applicant does not have a website address. A replacement page noting "Not Applicable" is submitted. Please see Attachment First Supplemental Question 1, replacing Bates numbered page 1 in the original application.

2. **Section A, Name of Management/Operating Entity, Item 5**

   There appears to be a number of agreements included that are not typically included in nursing home applications. Please provide a brief overview of the following agreements, parties involved, how the agreements differ from a management agreement, and why they are important to this application.

   - **Operating Agreement of Operating Company**
   - **Operating Agreement of Real Property Company**
   - **Consulting Services Agreement**
   - **Consulting Services Agreement (Clinical)**
   - **Employee Services Agreement**
   - **Therapy Services Agreement**
   - **Management Services Agreement**

   RESPONSE: The Applicant, LP Johnson City, LLC, is a joint venture between its two parent entities, SHC LP Holdings III, LLC, an affiliate of Signature HealthCARE, LLC (SHC) and Blue Ridge Medical Management Corporation, an affiliate of Mountain States Health Alliance (MSHA). To assist the HSDA in understanding the joint venture, the Joint Venture Agreement was included with the original application. The agreements referenced above were attached as part of that joint venture agreement, which was included with the application beginning on Bates page 68.

   The noted operating agreements are additional documentation and clarifications of the joint venture relationship and how the parties will operate that joint venture. The Operating Agreement of the Operating Company and the Real Property Company are standard agreements among limited liability company ("LLC") members that govern the LLC's business, and each members' financial and managerial rights and duties. These documents set forth how the Applicant (which is the Operating LLC) and the Real Property LLC will accomplish their purpose of managing and operating the current skilled nursing facility, and then the proposed replacement project.

   As outlined in the Joint Venture Agreement, MSHA (as the owner and licensee of the currently operating Princeton Transitional Care), entered into a management agreement with LP Johnson City LLC (which is the Operating Company and the CON Applicant), effective

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July 1, 2016 to provide management services to the existing facility. That management agreement is the Management Services Agreement at Exhibit 3.2(c) to the Joint Venture Agreement [Bates p. 222].

While there are multiple agreements, combined they comprise what is, otherwise, a traditional management company arrangement, and differ slightly from such a relationship at the facility level. As the facility manager and pursuant to the Joint Venture Agreement, LP Johnson City LLC contracts for particular services with certain affiliates of SHC. The agreements noted above [Consulting Services Agreement, Consulting Services Agreement (Clinical), Employee Services Agreement, and Therapy Services Agreement] are the management agreements between LP Johnson City LLC and those SHC affiliate organizations. Because there are various sister entities providing these operating services, there are different contractual agreements as follows:

- The Consulting Services Agreement covers mainly back-office and managerial support services. The entity providing those services is Signature HealthCARE Consulting Services, LLC;
- The Consulting Services Agreement (Clinical) covers the core clinical functions and support of quality functions provided within the facility. The entity providing those services is Signature HealthCARE Clinical Consulting Services, LLC;
- The Therapy Services Agreement is for the provision of therapy services needed by residents of the facility. The entity providing those services is Signature Rehab Services, LLC; and
- The Employee Services Agreement is in place to provide the individual staffing for the facility. Most employees of the facility are employed by and provided by an affiliate of SHC, Signature Payroll Services, LLC.

3. Section A. , Executive Summary, B. Rational for Approval

It is noted the applicant will create a continuum of care at the former Northside Hospital location that consists of an SNF, ALF, independent/retirement living and acute rehab services. Please provide a brief overview of each proposed service and number of beds.

RESPONSE: The Applicant's proposed project only includes skilled nursing facility and assisted care living facility beds. Forty-seven (47) beds will be dedicated to the skilled nursing facility and an additional sixty (60) assisted care living facility beds will be constructed, which are not part of the CON application. At this time, there are no independent/retirement living units which are part of the overall project.

Acute rehabilitation services are currently provided adjacent to the proposed project site through Quillen Rehabilitation Hospital (Quillen), a twenty-six (26) bed inpatient rehabilitation hospital offering comprehensive inpatient rehabilitation services designed to return patients to leading active and independent lives. However, Quillen is not part of the Applicant, LP Johnson City LLC. Quillen is a joint venture of MSHA and HealthSouth, a leading national rehabilitation provider.

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With respect to services, each of the noted services provide care for individuals in post-acute recovery or for individuals living with more chronic health conditions. Acute rehabilitation services are the most clinically intensive of those services. Its services are targeted to individuals who are functionally limited because of an illness or injury, such as orthopedic conditions, amputations, spinal cord injury, and brain injury. They are designed to restore and strengthen patients so they can return to their highest level of independence, but generally provide intensive multiple hours of rehabilitation and therapy for five (5) or more days per week. In addition to caring for general rehabilitation diagnoses such as orthopedic conditions, amputations, spinal cord injury, and brain injury, Quillen has a specialized CARF Accredited Stroke Program.

Skilled nursing facilities are also designed to restore and strengthen patients recovering from post-acute treatment. SNFs offer "skilled" medical expertise and services, and skilled nursing care and/or rehabilitation services to help injured, sick, or disabled individuals to regain independence.

Assisted care living facilities offer a housing alternative for older adults who may need help with dressing, bathing, eating, and toileting, but do not require the intensive medical and nursing care provided in a skilled nursing facility. Lengths of stay in assisted care living facilities are often longer than in a skilled nursing facility.

4. **Section A. Legal Interest in the Site of the Institution**

The facility lease agreement is noted. However, if the applicant defaults at month 24, what will happen to the nursing home?

Please clarify if the developer will operate the nursing home or look for another partner.

In the event the developer has to operate the proposed nursing home while searching for another partner, please discuss the developer's experience in operating nursing homes.

The 20 year lease is noted. However, please clarify the purpose of the 20 year lease if the applicant will purchase or default by month 24.

RESPONSE: As noted in the application, the Applicant will operate the facility from the initial opening of the facility, but then will assume full ownership of the facility and its operations through acquisition of those assets from the developer in month thirteen (13) to twenty-four (24). Per the terms of the development agreement, the purchase must be completed within that time period or there is a default on the development agreement and initial facility lease with the developer. At purchase acquisition, the joint venture property company will hold the real estate assets and lease to it the Applicant, its sister LLC.

Under the terms of the agreements, if there is a default because the purchase is not completed as required, the nursing home would continue to operate. The control of the legal interests in the facility operations and assets would revert to the developer in the event of a default because the purchase was not completed. It is our understanding the developer would not operate the facility should those unlikely events occur, but would obtain a new operator of the facility. The developer is not also a skilled nursing facility operator and does not have

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12:19 pm

experience in that area. The Applicant, through its management agreements with SHC affiliates, would continue to operate the facility until the developer identified another operator for the nursing home.

The Applicant, as previously stated, would accept a condition on the CON requiring the notification to the HSDA should default occur and the developer assume control of the facility once licensed.

The proposed twenty (20) year lease term was requested by the developer. Given the purchase by month twenty-four (24), the only purpose of that term as we understand the developer's position, is to provide some mechanism of security to the developer in the event of default.

5. **Section 6B.(1) Plot Plan**

Please identify the small building on the plot plan between Princeton Road and the proposed site.

Please provide a plot plan that includes all the proposed services included in the continuum of care. This will allow agency members to gain an overall picture of the proposed project and its location relative to other services in the continuum of care.

RESPONSE: The small building on the plot plan is an existing medical office building adjacent to the project site. As requested, included is a revised plot plan using the building structure from the originally submitted plot plan, which is superimposed upon a Google Maps image of the existing location and project site. You will note that Quillen is in the upper middle part of the map. Note that given the method of creating the requested plot plan, the location of the facility building on the Google Maps image may not be exact. Please see Attachment First Supplemental Question 5, replacing Bates numbered page 313 in the original application.

6. **Section 6B. (2) Floor Plan**

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. The drawing may require multiple pages.

RESPONSE: As requested, a revised floor plan has been submitted. Because of the drawing size, the only method to provide the requested floor plan is by printing multiple pages. Please see Attachment First Supplemental Question 6, replacing Bates numbered page 315 in the original application.

7. **Section 10. (B) Bed Complement Data**

The applicant refers to Attachment A-10 to describe the reasons for the change in bed allocations and how the bed change will have on the applicant facility's existing services. However, Attachment A-10 could not be located. Please provide a narrative response.

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RESPONSE: The reference to Attachment Section A-10 is a notation included with the recently revised HSDA Application form (rev. 7/22/16, eff. 9/1/16). However, in response to the question, the Applicant states it is not changing its bed allocations overall through the proposed project, as it currently has a total of forty-seven (47) licensed nursing home beds and the proposed project will include the same number. The Applicant states that the proposed project will allow for the two (2) existing facilities (one active and one inactive) to be combined into a single facility, and the existing thirteen (13) beds inactive beds will be able to be utilized.

8. **Section 12. Square Footage and Cost per Square Footage Chart**

The "Total GSF" row totals 33.037 in the square footage and cost per square footage chart rather than 33,037. Please correct and incorporate in a replacement page.

Please clarify the reason $54,905.99 is listed twice on the square footage and cost per square footage chart but only added into total cost once.

Please list the rows "mechanical/electrical and "circulation/structure" under the row listed as "other GSF Total" and incorporate in a replacement page.

The total cost of $6,117,973.34 does not match construction cost of $5,508,410.78 as reported by the applicant on line A5 of the Project Cost Chart. Please correct and incorporate into the requested replacement page.

RESPONSE: A revised square footage and cost per square footage chart is included correcting the noted items. Please note that the total cost line of $6,117,973.34 is correct. That cost equals the amount the Applicant will pay to the developer in month thirteen (13) to acquire the project. Note the Project Cost Chart has been revised to reflect the acquisition cost as the correct construction cost. Please see Attachment First Supplemental Question 8, replacing Bates numbered page 16 in the original application.

For clarification, to provide that the total square footage costs match with line A5 of the Project Cost Chart, and reflect the proper cost of acquiring the facility in month 13, we have revised the Project Cost Chart to reflect the acquisition cost of the project as a single amount on line A5, rather than being broken out in lines within section A.

9. **Section B, Need Item 2.a. and 2.b. (Specific Criteria –Construction, Renovation, Expansion, and Replacement)**

Please indicate the distance from the proposed site to Quillen Rehabilitation Hospital and Johnson City Medical Center.

Please discuss the reasons licensed occupancy at Princeton Transitional Care decreased from 89.70% in 2010 to 66.57% in 2015. Please also note that the patient days for Year 2013 should be 8,731 and Year 2014 should be 8,921.

The table on page 21 indicates there are 899 total existing nursing home beds in Washington County is noted. However, the Department of Health's web-site indicates

SUPPLEMENTAL #1
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there are 877 total nursing home beds. Please clarify how the applicant calculated there are 899 existing licensed beds for bed need calculation.

RESPONSE: The proposed project site is essentially adjacent to Quillen (connected by an internal road), and approximately 4.5 miles / 11 minutes from Johnson City Medical Center.

The two noted drops in the licensed occupancy at Princeton Transitional Care (2011 to 2012 and 2014 to 2015) were the result of relocation of the facility on the MSHA Campuses. The decline from 2011 to 2012 related to the relocation of the facility Northside Hospital to Quillen around July of 2012. Similarly, the movement of the facility from Quillen to Johnson City Medical Center in 2015 caused a decline in census. In each case, there was a need to purposely adjust admissions prior to the movement of patients that resulted in those impacts to census.

The table on page 21 has been corrected to reflect eight hundred seventy-seven (877) total nursing home beds in Washington County. Please see Attachment First Supplemental Question 9, replacing Bates numbered page 21 in the original application.

10. Section B, Need Item 3

Please complete the following table for the most recent reporting year.

Service Area Counties	Historical Utilization-County Residents
Washington	**17**
Sullivan	**2**
Jefferson	**1**
Out of State	**1**
Total	**22**

RESPONSE: As requested, the Applicant has completed the noted chart above based on information from the 2014 Joint Annual Report. Please see chart above.

11. Section C, Need Item 4.A and 4.B

Your response to this item is noted. Using population data from the Department of Health, enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, please revise the table in question 4.A. to reflect 2016 (Current Year) and 2020 (Project Year). The web-site for the revised data is: http://tn.gov/health/article/statistics-con

The primary service area population on page 29 is noted. However, the population in the table appears inflated and does not match the population table on the bottom of page 28. Please clarify.

RESPONSE: Revised pages 28 and 20 are included revising and correcting the noted items. Please see Attachment First Supplemental Question 11 replacing Bates numbered pages 28-29 in the original application. Please note that the chart on page 29 has been revised to reflect population information available from the governmental sources noted in the application, and

SUPPLEMENTAL #1
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therefore differs slightly from the original page 29 chart because only certain age cohort data is now available from those sources.

12. Section C. Need, Item 5

The table on the bottom of page 30 and continuing to the top of page 31 is noted. However, it appears the last column is the % difference in patient days from 2012 to 2014, but is not labeled. Please clarify.

It is noted in the tables on pages 30-31 there is no available data for Lakebridge Health Care Center. Please clarify.

It is noted in the table on the top of page 31 Princeton Transitional Care experienced an occupancy rate of 2067.60% in 2012 and 2020.60% in 2013. Please explain how this is possible.

RESPONSE: Revised pages 30 and 31 are included, revising and correcting the noted items. The column headers have been added to the table. Information from Lakebridge Health Care Center has been added to the table. Occupancy information for Princeton Transition Care contained a typographical error. Please see Attachment First Supplemental Question 12 replacing Bates numbered pages 30-31 in the original application.

13. Section C. Need, Item 6

The applicant did not provide a narrative response to Item #6 on the bottom of page 31. Please provide a narrative response.

In addition, please complete the following table.

Applicant Facility- Historical and Projected Utilization
* Includes Medicare/Medicaid certified beds

Year	Licensed Beds	*Medicare-certified beds	SNF Medicare ADC	Other skilled ADC	Non skilled ADC	Total ADC	Licensed Occupancy %
2013	34 / 13	34	24	0	0	24	70%
2014	34 / 13	34	24	0	0	24	70%
2015	34 / 13	34	22	0	0	22	64%
Year 1-	47	47	33	0	0	33	70%
Year 2-	47	47	39	3	0	42	90%

Source: Department of Health Joint Annual Reports / PTC Internal Data

RESPONSE:

As requested, the Applicant has completed the noted chart above based on information from the Joint Annual Reports and available internal data. Please see the completed chart above.

With respect to Item #6 at the bottom of page 31, the Applicant responds:

SUPPLEMENTAL #1
September 28, 2016
12:19 pm

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

Utilization and occupancy statistics are provided in the Historical and Projected Data Chart and in the chart above. The Applicant, through its affiliates MSHA and SHC, completed a detailed pro-forma prior regarding the projected utilization of the project prior to entering into the joint venture agreement. Both parties have extensive experience with multiple facilities to enable them to make accurate predictive assumptions. The projected initial year one and year two occupancy projections were made using current and historical experiences from other SHC facilities, both generally near the service area and in similarly situated areas. In addition, the historical hospital discharge patterns and how various post-acute trends such as shorter lengths of stay might affect occupancy.

14. Section C. Economic Feasibility 1 (Project Cost Chart)

The Project Costs Chart is noted. However, please clarify why there is $705,000 designated for facility licenses.

Please clarify if there are any moving and set-up costs associated with the proposed relocation.

The applicant's note on the bottom of page 32 is noted. However, the last part of the note is unclear. Please clarify.

RESPONSE: Please see a revised project cost chart at Attachment First Supplemental Question 14 replacing Bates numbered pages 33 in the original application. As discussed in Question 8, the construction cost line has been revised to reflect the amount the Applicant will pay to the developer in month thirteen (13) to acquire the project. This amount consolidates the previously costs that were broken out on lines A1, A4, A5, and A6 into a single acquisition cost amount on line A5.

The amount listed under "facility licenses" was accounts for the value of the existing facility licenses that will be transferred as part of MSHA's capital contributions to the joint venture, and be transferred from MSHA to LP Johnson City LLC with the new facility. While control will remain with MSHA through an affiliate in the joint venture, we felt it prudent to be cautious and account for those amounts in the project costs.

There are no separate moving and set-up costs related to the new facility.

The note at the bottom of page 32 stated, *"Note: Given the arrangement for the project, the amounts* from *lines 1,4,5, and 6 were used for the cost per square foot chart, as those numbers reflect the developer's price for the of the facility at the time of acquisition.* As the square footage chart has been revised to correctly reflect the acquisition cost of the project, the note

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on page 32 should reflect the construction cost line is being used and now matches the construction cost line on the Project Costs Chart.

15. Section C. Economic Feasibility 1.E-Architect's Letter

The letter dated December 17, 2015 is noted. However, please provide a revised letter that includes an estimate of the cost to construct the project. Also, please include a copy of the referenced attachment in the letter that includes all applicable construction building and life safety codes.

RESPONSE: Please see a revised letter from Ramsey Development at Attachment First Supplemental Question 15 replacing Bates numbered pages 320 in the original application.

16. Section C. Economic Feasibility Item 2

It is noted the proposed project will be funded through the use of existing cash reserves of the affiliated entities, SHC (SHC LP Holdings III, LLC) and MSHA Blue Ridge Medical Management Corporation. Please clarify the dollar amount of cash reserves that will fund the proposed project from each SHC LP Holdings III, LLC and MSHA Blue Ridge Medical Management Corporation. In addition, please provide financial documentation (other than an internal letter from each entity) that demonstrates the availability of cash to fund the proposed project.

The applicant has noted the proposed project will be funded through cash reserves. However, the letter dated September 1, 2016 from the Chief Financial officer of Signature Healthcare notes a portion of the construction costs and other initial capital costs for the project will be financed. Please clarify, and if necessary revise page 34 to identify a commercial loan that will fund a portion of the proposed project.

It is noted in the September 1, 2016 letter from Signature Healthcare the *construction costs and other initial capital costs* for the project will be paid for from a combination of cash reserves of LP Johnson City, LLC and its affiliates organization, Signature HealthCare, LLC, and available financing under Signature HealthCare, LLC and its affiliates. Please provide financial documentation (other than an internal letter) from that demonstrates the availability of cash from each LP Johnson City, LLC and its affiliate's organization, Signature HealthCare, LLC, to fund the proposed project.

In addition, please provide a letter from a bank or financial institution that identifies the expected interest rate, term of the loan, and any anticipated restrictions or conditions of the available financing under Signature HealthCare, LLC and its affiliates to fund the proposed project.

RESPONSE: As a joint venture, the joint venture entities (including the Applicant LLC) will receive capital contributions from its joint venture partners. For SHC, this contribution for the initial capital contributions and initial opening and operating funds will come mainly in the form of cash contributions. SHC has sufficient assets on hand to fund the requirements of the proposed project. As these are capital contributions to a joint venture, they are not financed amount and/or loans.

To respond to the question regarding the ability to fund the project costs and to provide additional information in that respect, the Applicant is providing the following supplemental information. There is further security for the financial feasibility of the overall project through an irrevocable standby letter of credit issued from SHC in favor of Blue Ridge Medical Management Corporation through First Republic Bank. The letter of credit is for $2,369,246 and provides additional security of payment of any initial capital or start-up operating costs. The letter of credit provides the requested external documentation of the ability to fund those initial capital costs.

There is contemplation that, at the time of purchase of the facility (scheduled to be sometime in 2019 and 13-23 months after initial opening), there will be commercial financing for the purchase of the facility from the developer. Likely, that will take the form of a mortgage from a commercial lender. In response to the inquiry, please find attached a letter from a commercial lender expressing favorable consideration of that future transaction.

Please also see Attachment First Supplemental Question 16 also for a revised page 34 noting the commercial financing, a copy of the noted letter of credit, and a copy of the lender's initial consideration letter.

17. Section C. Economic Feasibility 3 Historical Data Chart

The historical data chart is noted. Please clarify the reason there were not any management fees designated in the Historical Data Chart but are designated in the Projected Data Chart.

RESPONSE: No management services were provided for the noted periods, so there were no management fees.

18. Section C. Economic Feasibility Item 4 Projected Data Chart

There appears to be calculation errors in the Projected Data Chart for year 2019. Please revise and submit a corrected Projected Data Chart if necessary.

It is noted salaries and wages in total $1,947,682 in Year 2 (2019) although direct and non-direct patient care totals differ. Please clarify.

The table for Projected Data Chart "other expenses" in the middle of page 39 is noted. However, please complete and submit a replacement page 39.

Are the costs of the service agreements, identified in Question #2 accounted for in the Projected Data Chart? If yes, please explain where these costs are located.

RESPONSE: Please see a revised Projected Data Chart at Attachment First Supplemental Question 18 replacing Bates numbered pages 38-39 in the original application.

The Year 2 salaries and wages line total should be $1,986,412.00 and is noted in the revised chart. Other expenses have also been added on the revised chart.

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The costs of the service agreements identified in Question #2 are management services, and they are accounted for in the Projected Data Chart on the management fee to affiliate lines.

19. Section C. Economic Feasibility, Item 6

Please provide copies of the balance sheet and audited financial statements with accompanying notes if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the proposed project.

RESPONSE: Copies of the financial information for MSHA are provided at Attachment First Supplemental Question 19. With respect to SHC, as privately held company, SHC is not otherwise required to disclose its financial information, and this information is highly confidential and proprietary. We request that the agency accept the other submitted documentation showing full ability to fund the total project costs as documentation sufficient to deem the application complete.

20. Section C. Economic Feasibility, Item 6.C.

Please provide a response to question 6.C. on page 42.

RESPONSE:

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

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

On pages 3-4 of the Consolidated Balance Sheet of Mountain States Health Alliance, included as Attachment First Supplemental Question 19, lists Long-term Debt of $1,031,661,000 and Total Net Assets of $787,906,000. Based on the formula supplied by HSDA, we calculate the Capitalization Ratio to be fifty-seven percent (57%) as follows:

$1,031,661,000/($1,031,661,000 + 787,906,000) = .57, or 57%

21. Affidavit

A signed and notarized affidavit must be submitted with each filing of an application and supplemental information. An affidavit was not included with this application.

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Please submit a completed affidavit for the original application and one for the supplemental information. Please note there are an affidavit form for the original filing and a separate form for supplemental responses.

RESPONSE: Please see Attachment First Supplemental Question 21 for the original application affidavit.

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LP Johnson City LLC

Attachment
First Supplemental Question 1

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

CERTIFICATE OF NEED APPLICATION

SECTION A: APPLICANT PROFILE

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

LP Johnson City, LLC
Name

401 Princeton Road — Washington
Street or Route — County

Johnson City — TN — 37601
City — State — Zip Code

Website address: Not Applicable

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

2. *Contact Person Available for Responses to Questions*

Christopher C. Puri — Attorney
Name — Title

Bradley Arant Boult Cummings, LLP — cpuri@bradley.com
Company Name — Email address

1600 Division Street, Suite 700 — Nashville — TN — 37203
Street or Route — City — State — Zip Code

Attorney for Project — 615-252-4643 — 615-252-4706
Association with Owner — Phone Number — Fax Number

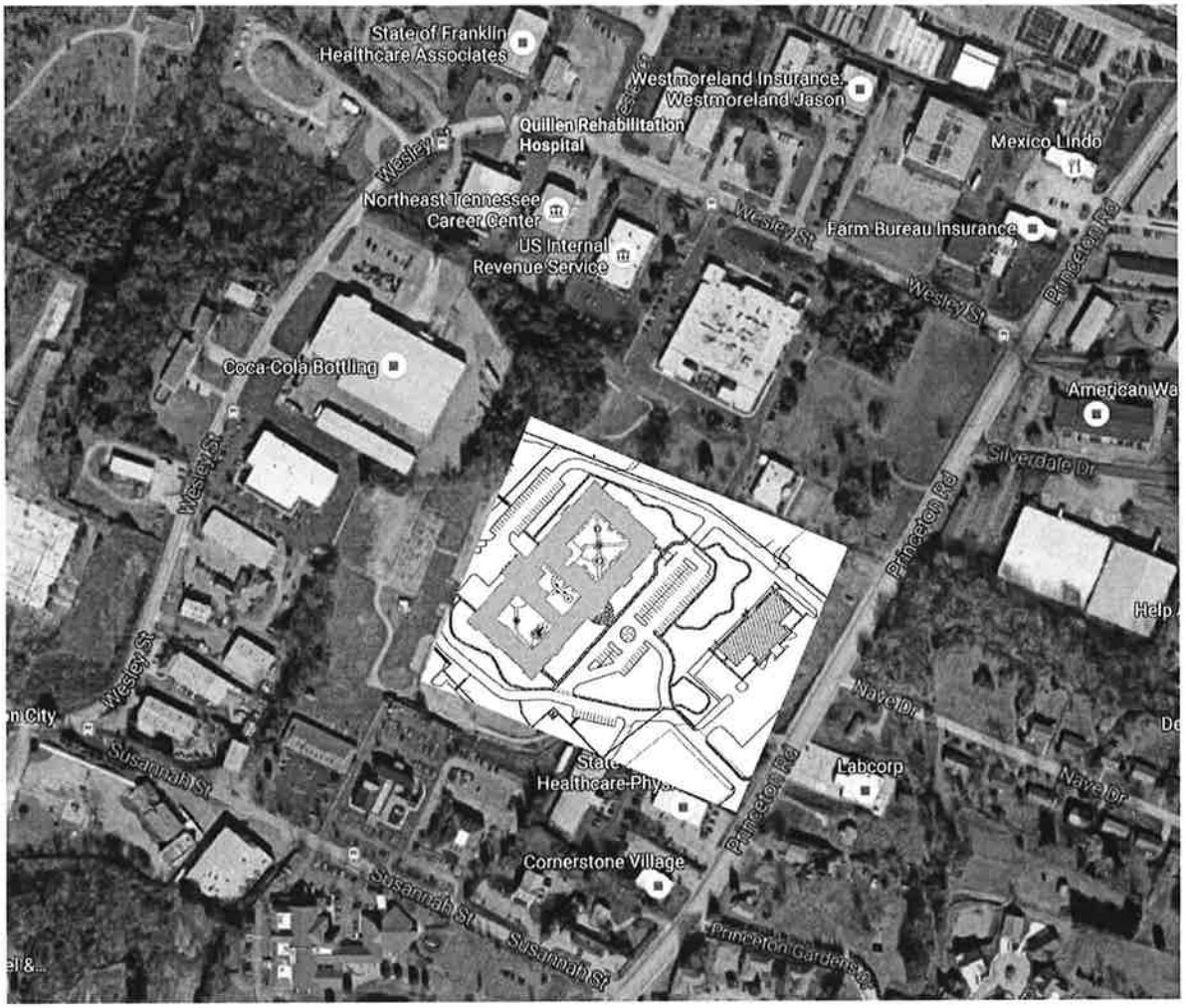
NOTE: ***Section A*** is intended to give the applicant an opportunity to describe the project. ***Section B*** addresses how the project relates to the criteria for a Certificate of Need by addressing: Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care.

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

Not Applicable

CN1609-032
LP Johnson City LLC

Attachment
First Supplemental Question 5


State of Franklin Healthcare Associates
Westmoreland Insurance: Westmoreland Jason
Quillen Rehabilitation Hospital
Mexico Lindo
Northeast Tennessee Career Center
US Internal Revenue Service
Farm Bureau Insurance
Wesley St
Princeton Rd
Coca-Cola Bottling
Silverdale Dr
Susannah St
Navel Dr
Labcorp
Cornerstone Village
Princeton Gardens

CN1609-032
LP Johnson City LLC

Attachment
First Supplemental Question 6

Floor Plan
Page 1

Mosaic Print Format

Print Output Map From Original 1 Page

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1	4	7	10	13

SUPPLEMENTAL #1

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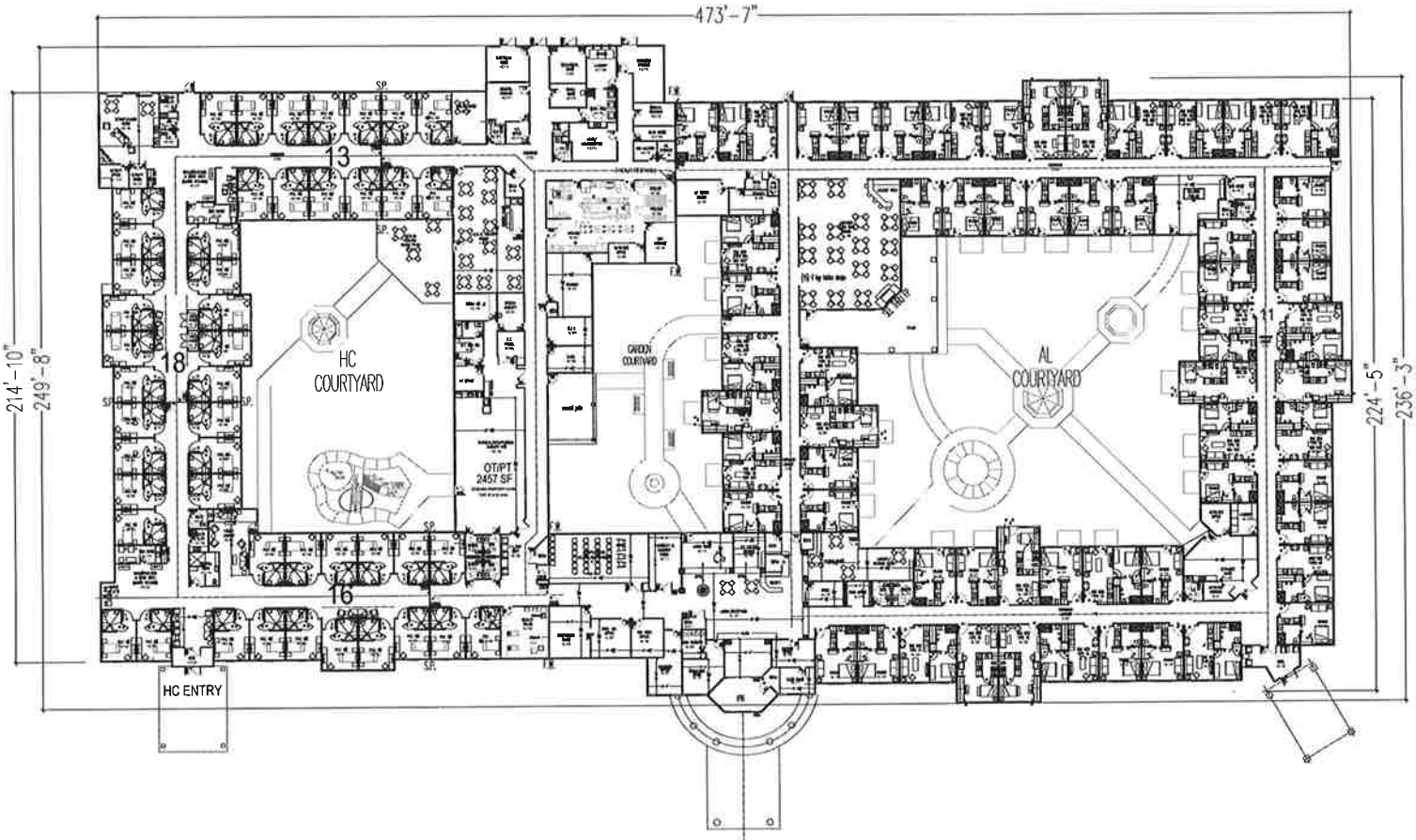
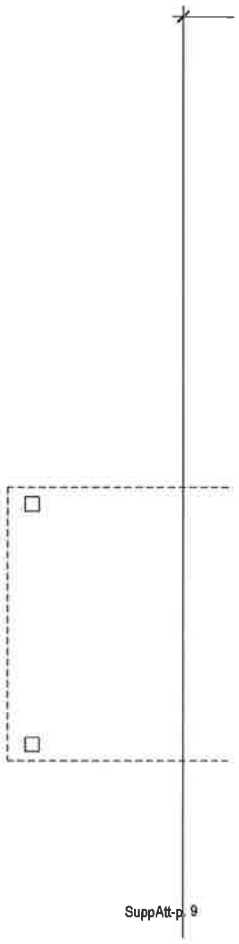


scheme 27 Signature Johnson City TN floorplan

Oct 26, 2015 73,168 sf

(6832 sf reduction from 80,000 sf)



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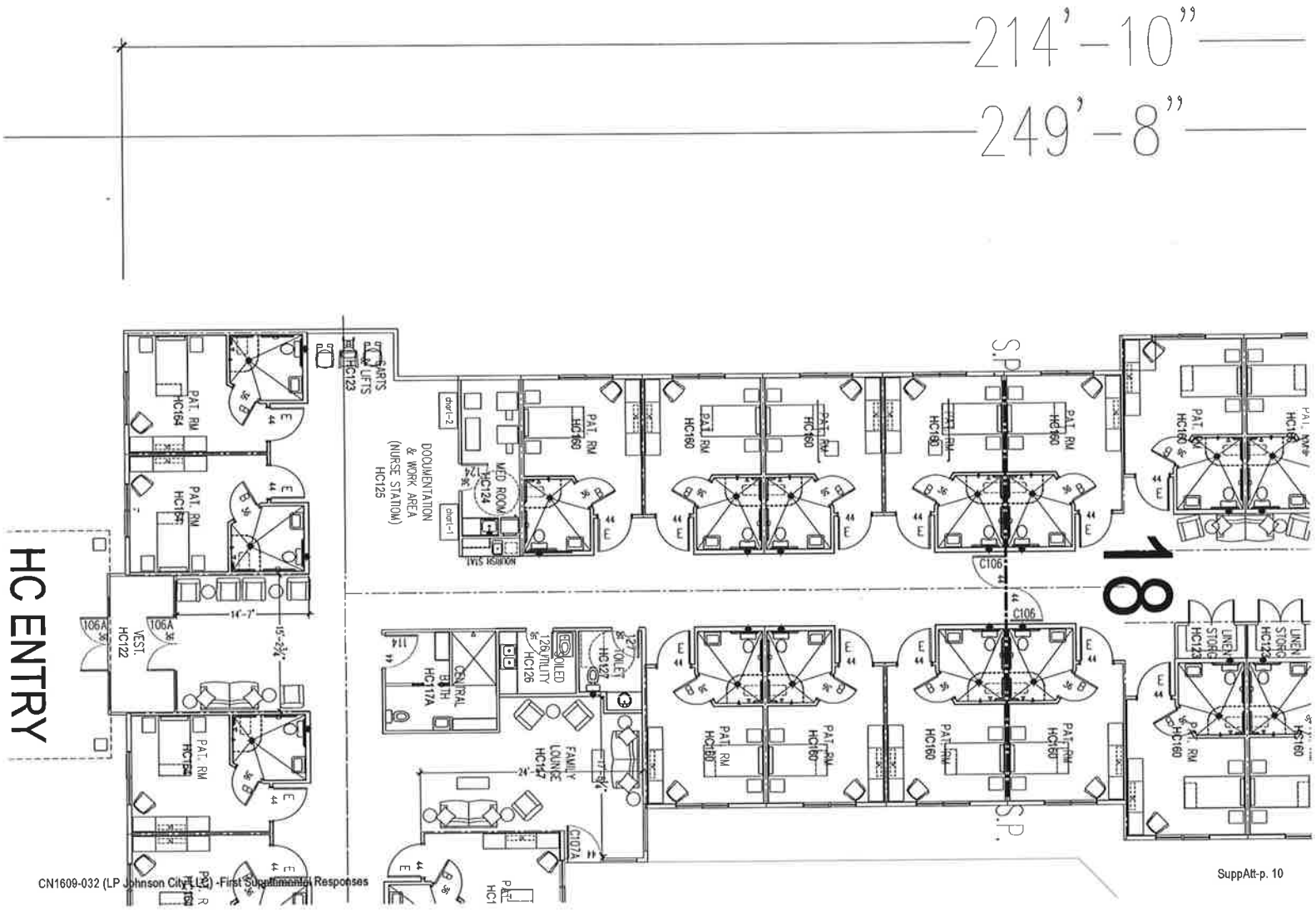
Floor Plan P1-Mosaic-Page 2 of 15



Floor Plan P1-Mosaic-Page 3 of 15

Floor Plan P1-Mosaic-Page 4 of 15

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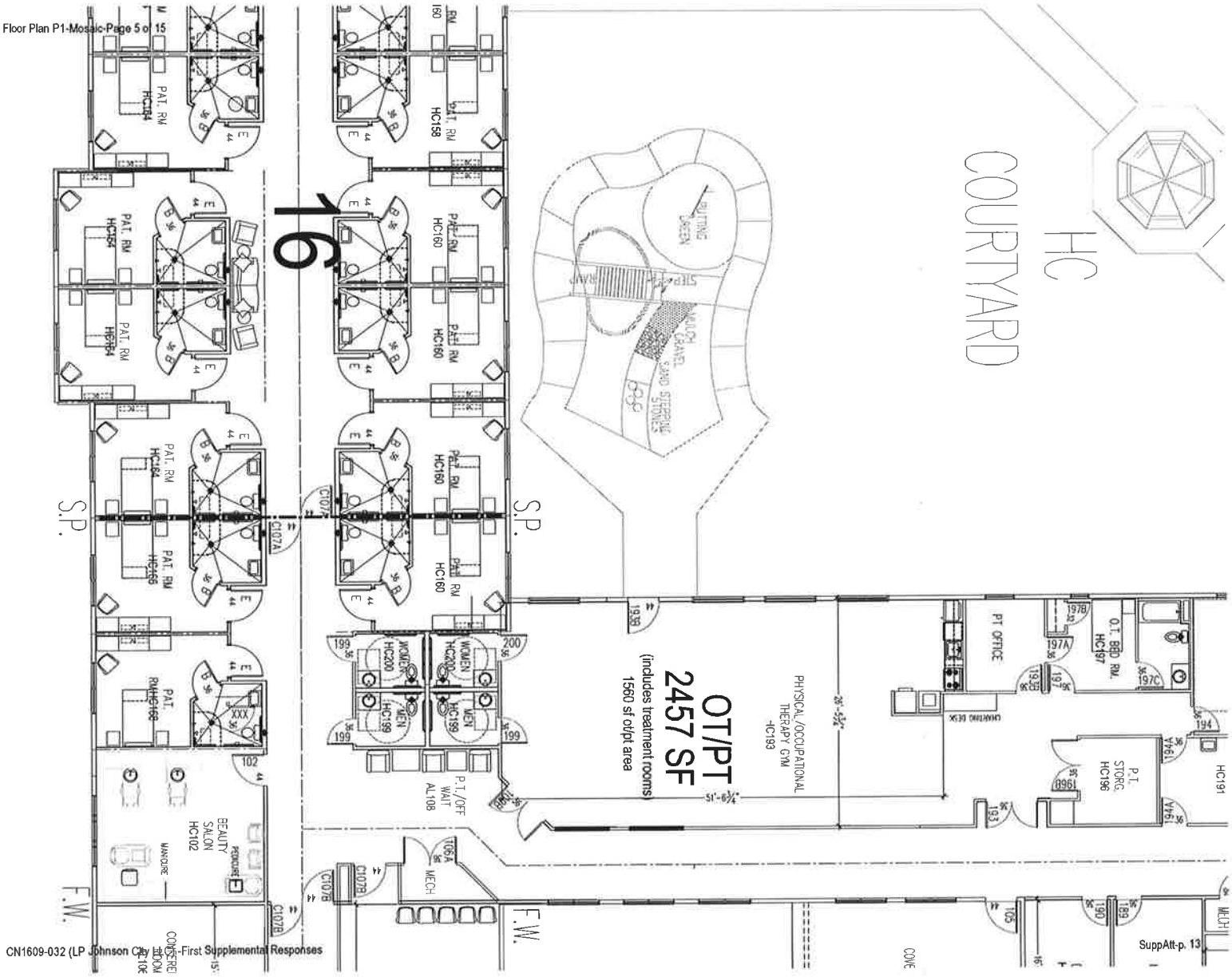

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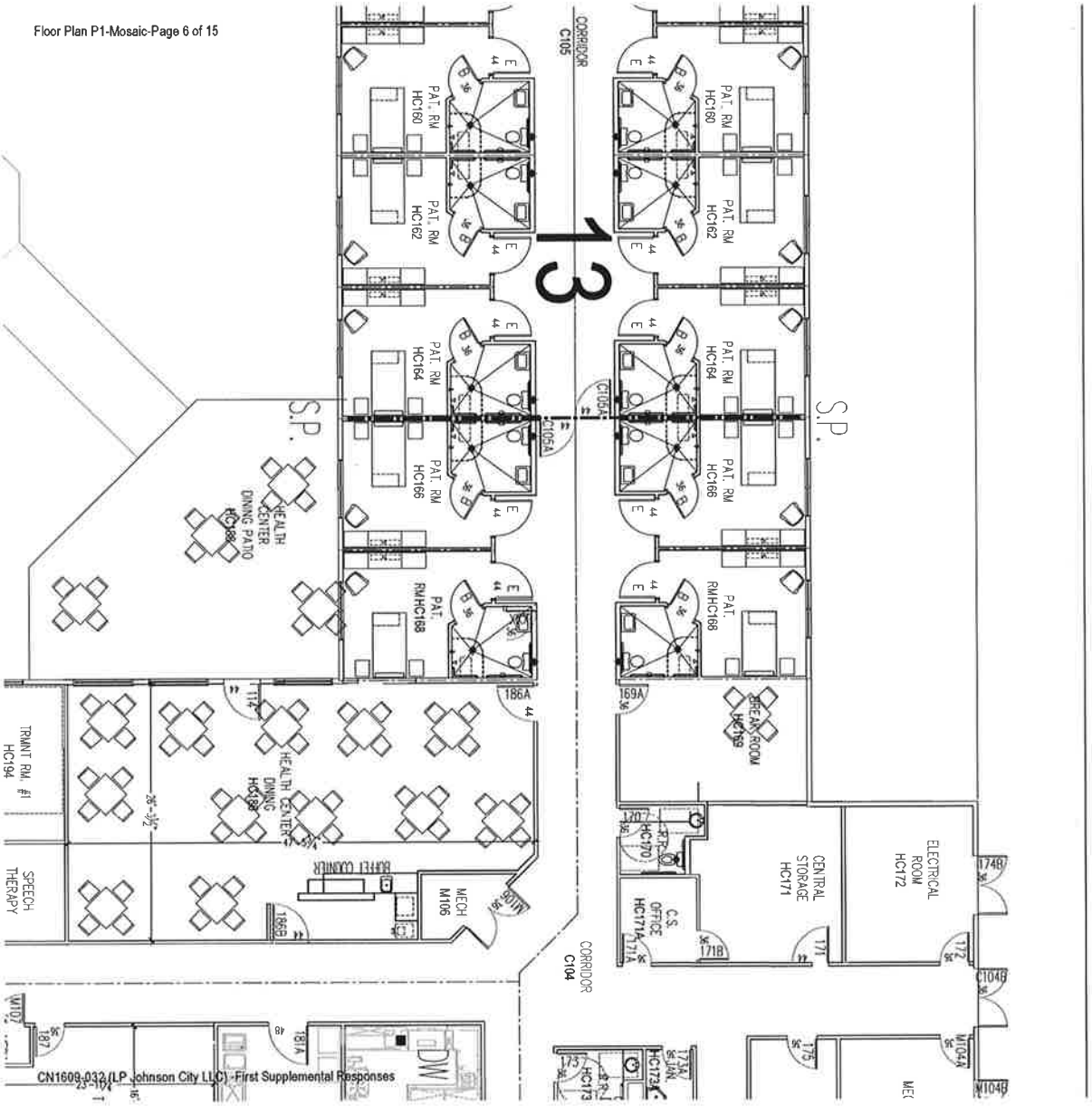
Floor Plan P1-Mosaic-Page 6 of 15



Floor Plan P1-Mosaic-Page 7 of 15

)nature Johnsc

Oct 26, 2015 73,168

)832 sf reduction from 8

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September 28, 2016
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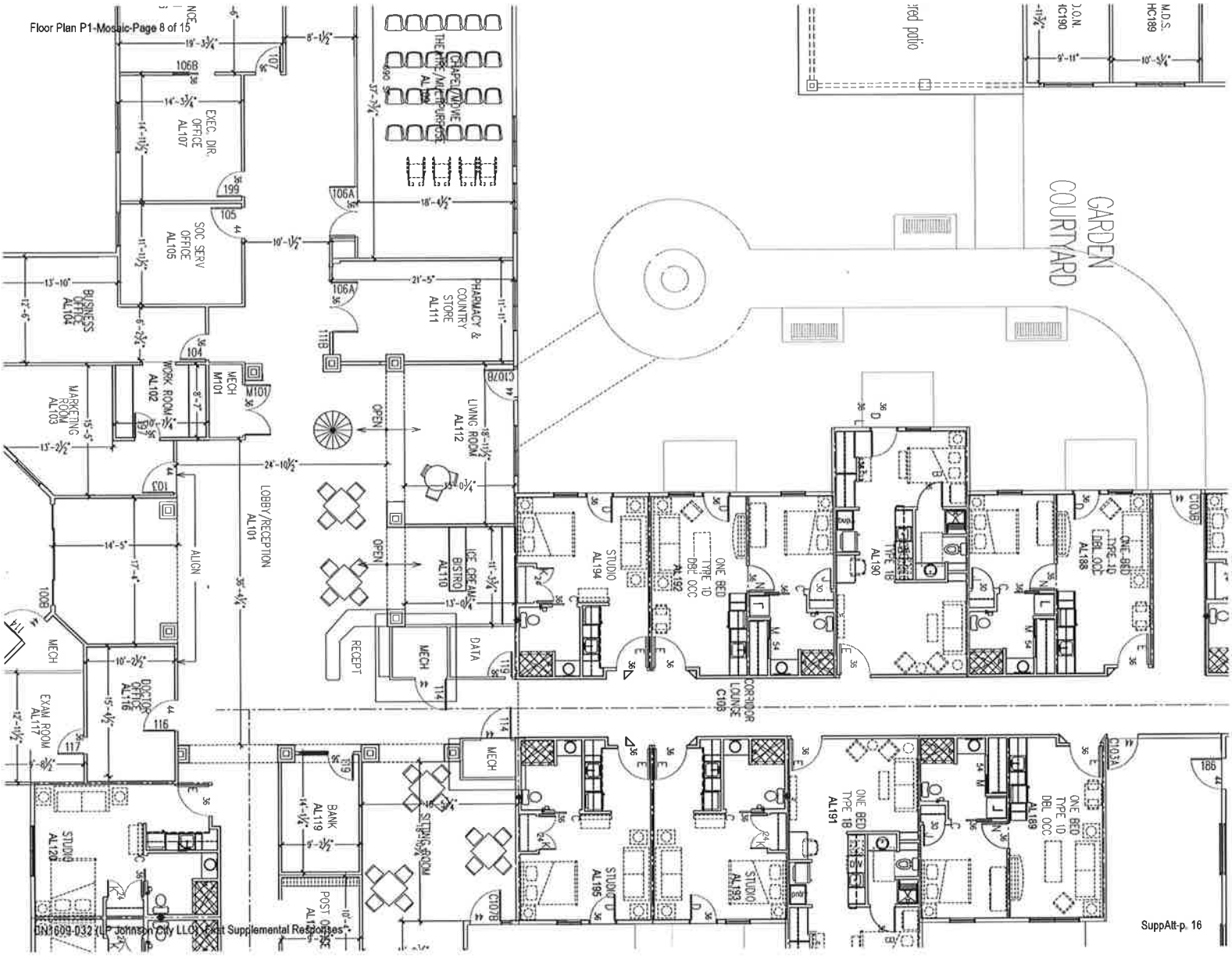

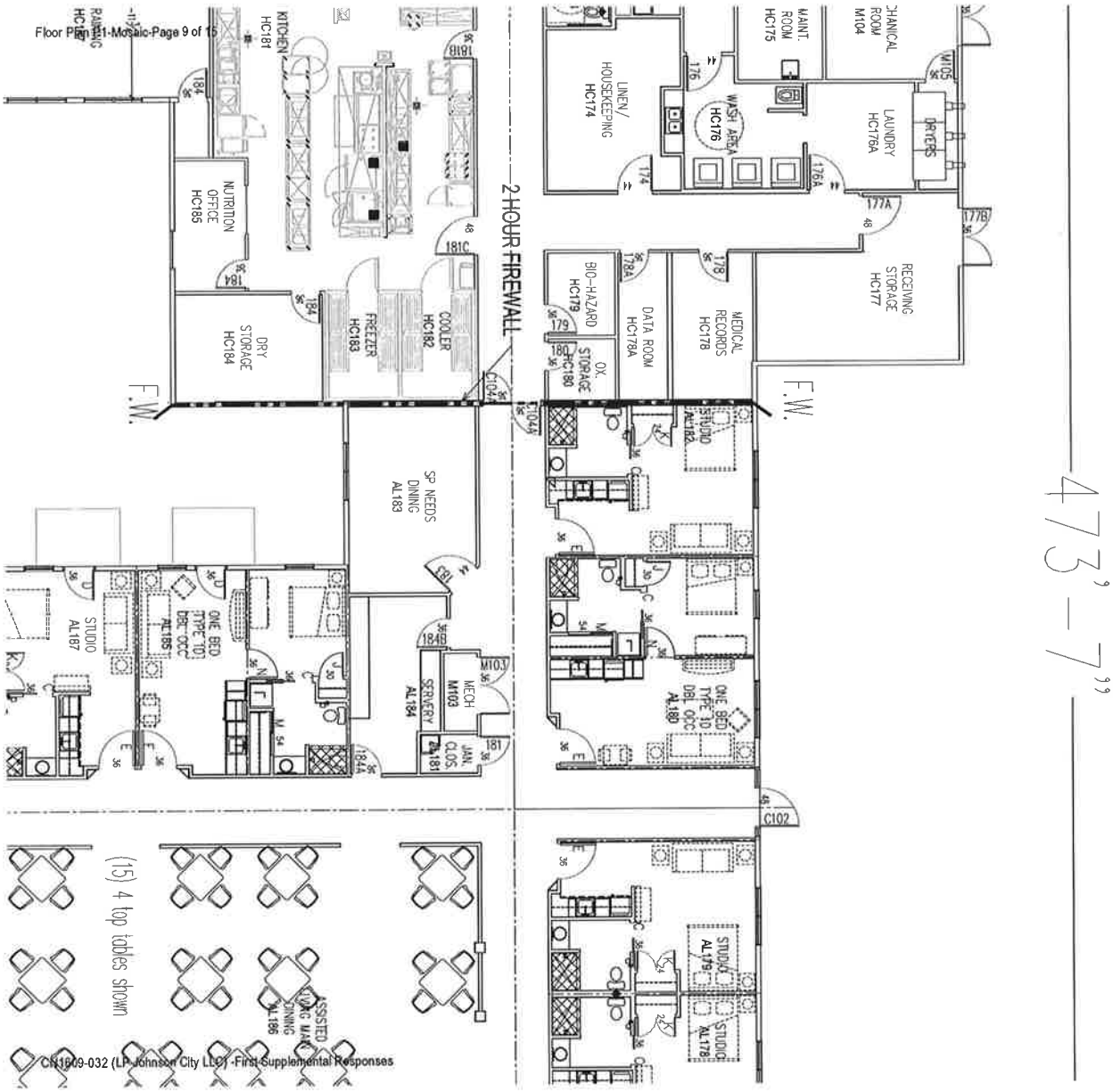
Floor Plan 11-Mosaic-Page 9 of 15
KITCHEN HC181
NUTRITION OFFICE HC185
DRY STORAGE HC184
FREEZER HC183
COOLER HC182
2 HOUR FIREWALL
LINEN/ HOUSEKEEPING HC174
WASH AREA HC176
MAINT. ROOM HC175
LAUNDRY HC176A
DRYERS
RECEIVING STORAGE HC177
MEDICAL RECORDS HC178
DATA ROOM HC178A
BIO-HAZARD HC179
OX. STORAGE HC180
F.W.
SP NEEDS DINING AL183
STUDIO AL182
STUDIO AL167
ONE BED TYPE 10 DBL OCC AL185
SERVERY AL184
MECH M103
JAN. CLOS.
ONE BED TYPE 10 DBL OCC AL180
STUDIO AL179
STUDIO AL178
(15) 4 top tables shown
473'-7"

Johnson City TN floo

sf

0,000 sf)

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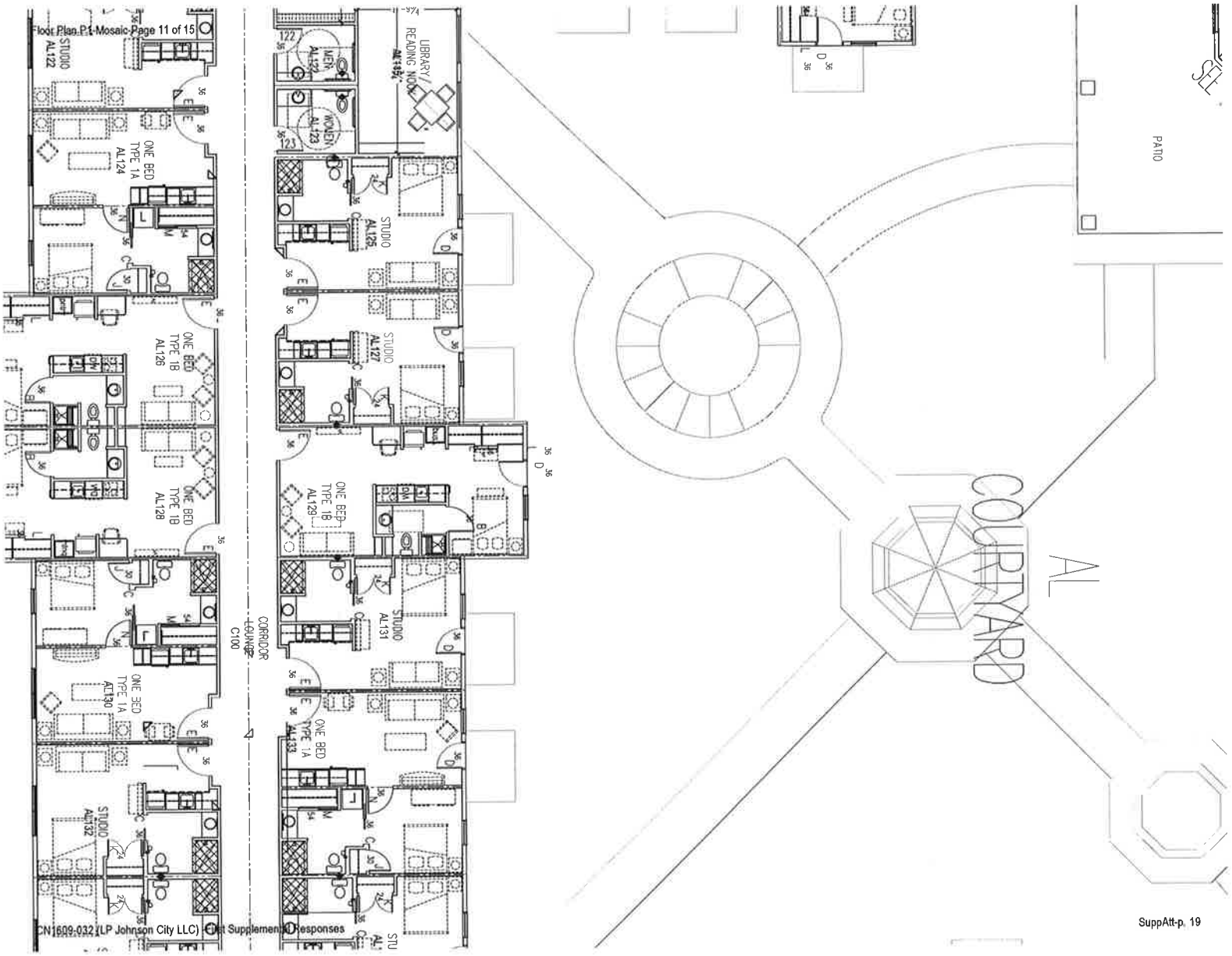

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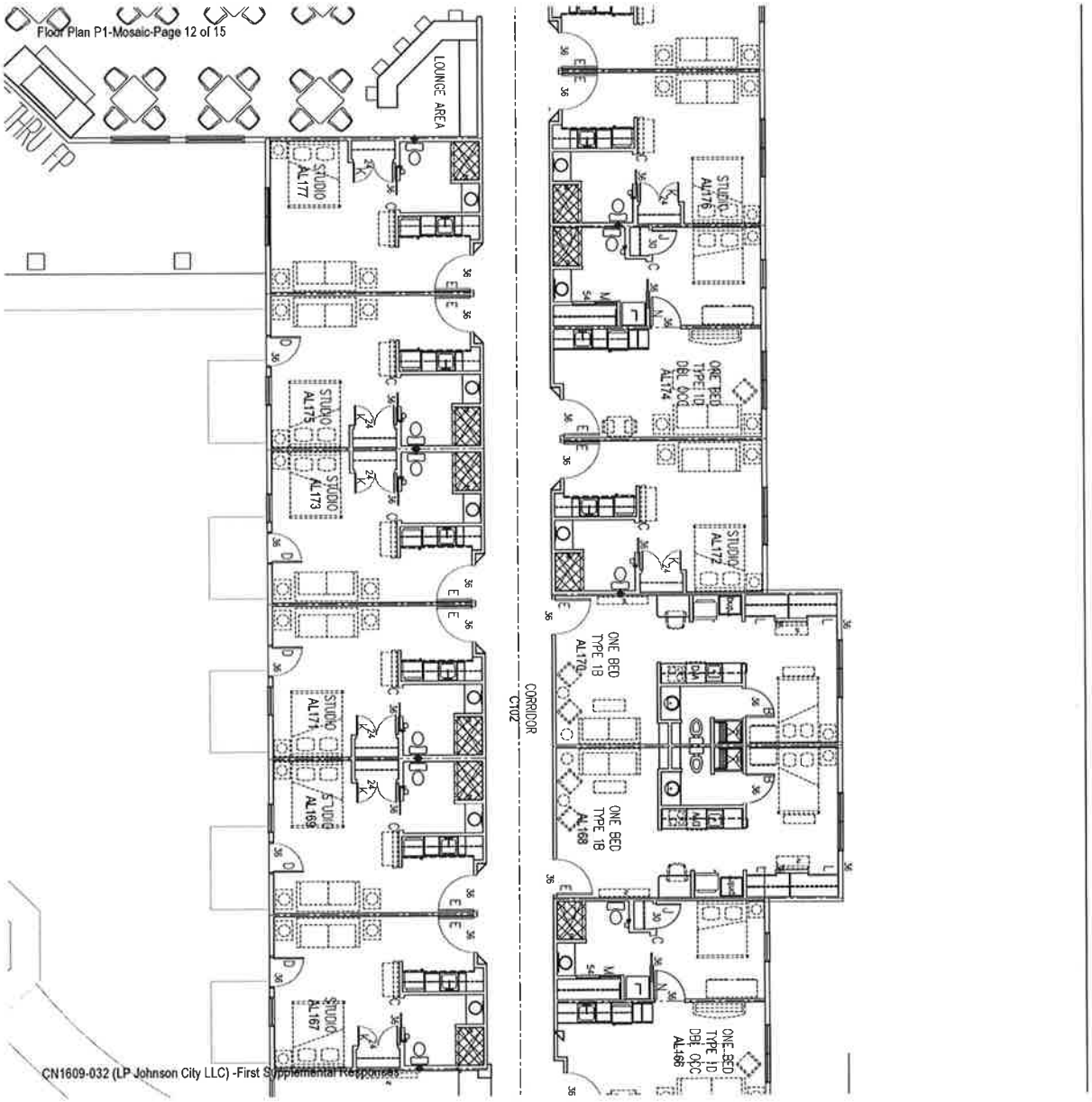

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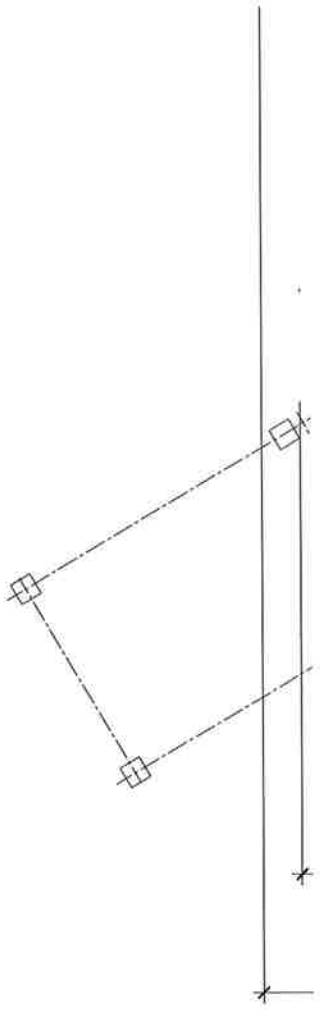

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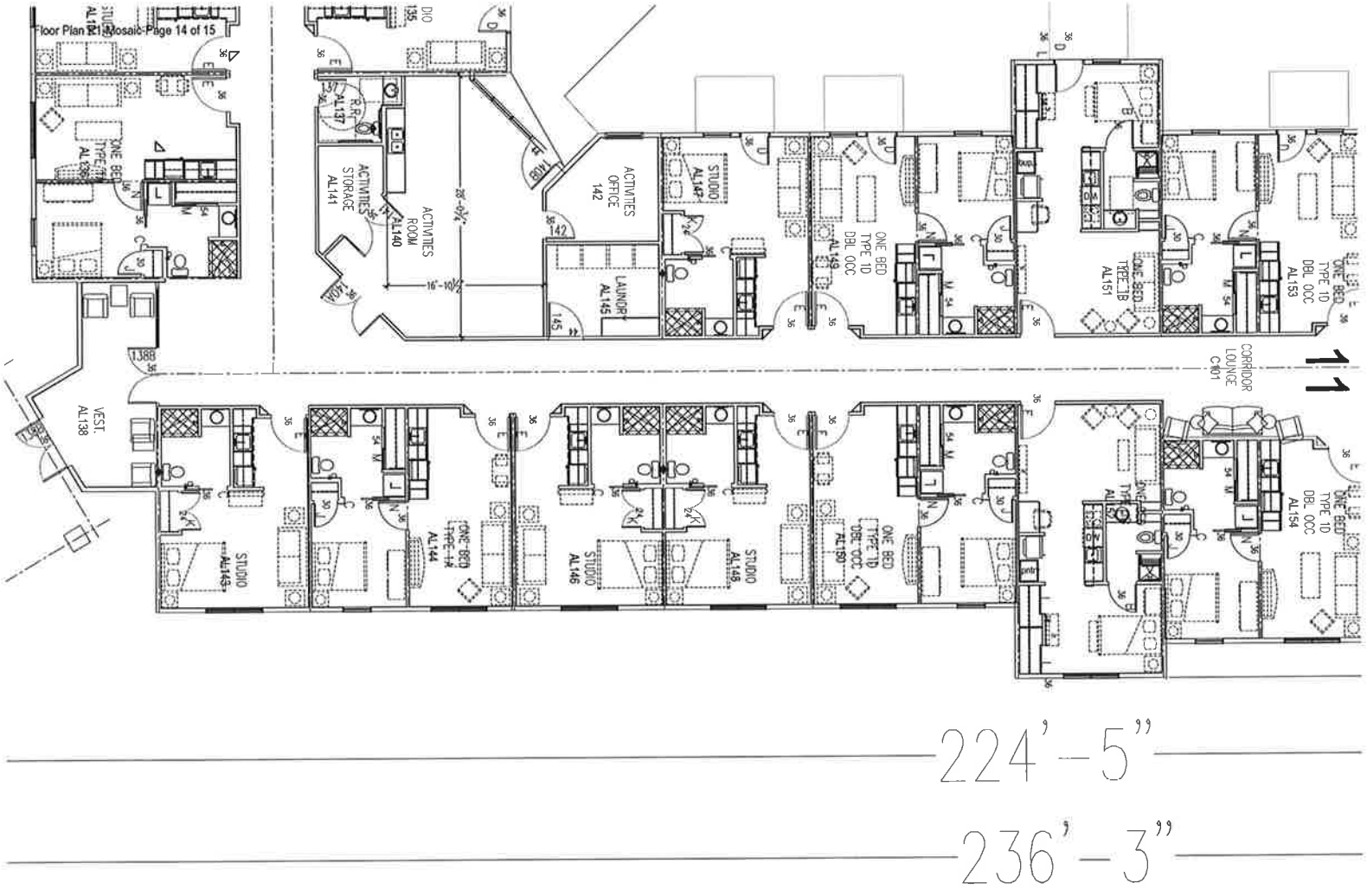

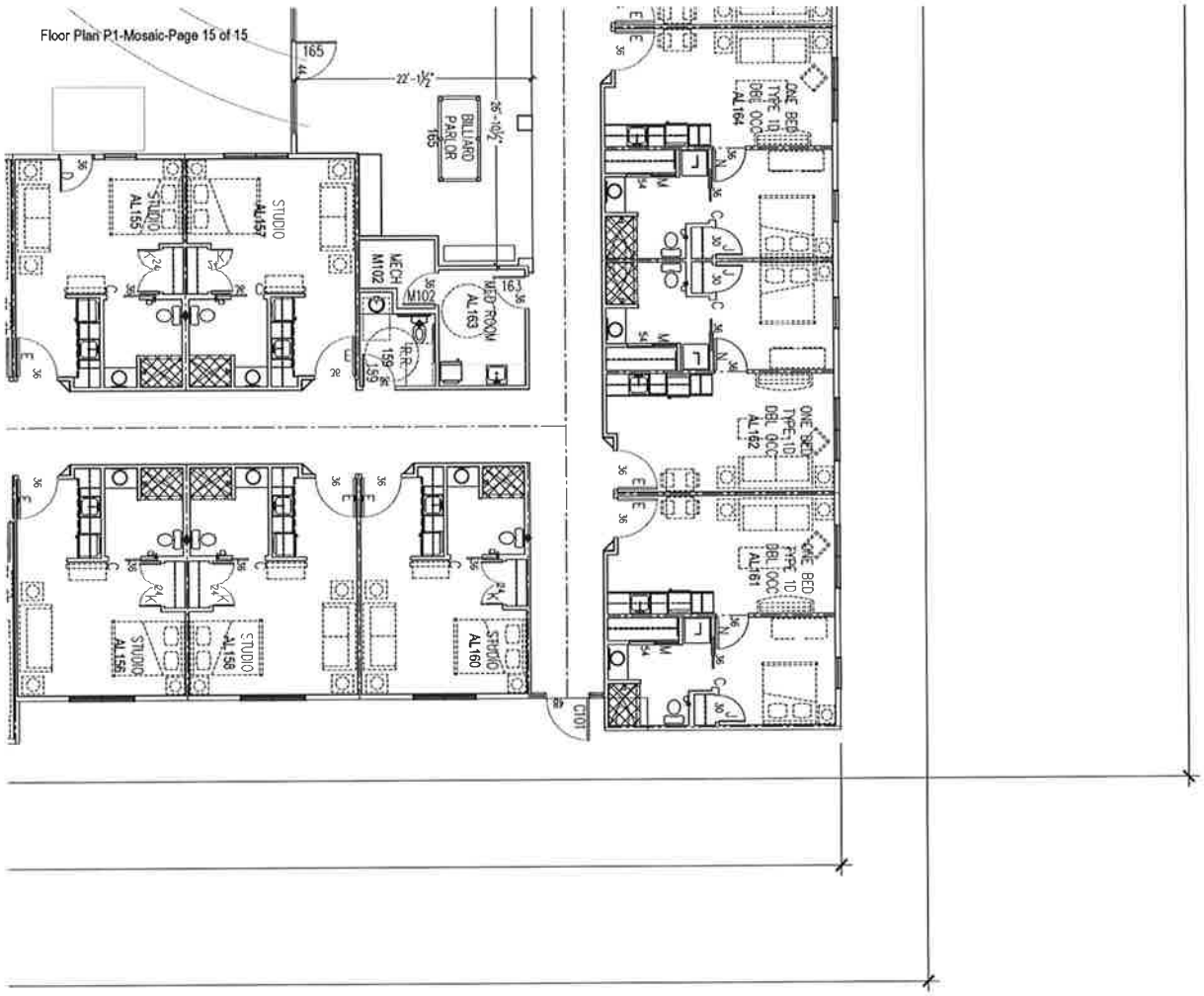
Floor Plan P1-Mosaic-Page 15 of 15
165
22'-1½"
25'-10½"
BILLIARD PARLOR
165
STUDIO
AL155
STUDIO
AL157
MECH
M102
M102
MED ROOM
AL163
163
159
159
STUDIO
AL156
STUDIO
AL158
STUDIO
AL160
ONE BED
TYPE 1D
DBL OCC
AL164
ONE BED
TYPE 1D
DBL OCC
AL162
ONE BED
TYPE 1D
DBL OCC
AL161

Floor Plan
Page 2

Mosaic Print Format

Print Output Map From Original 1 Page

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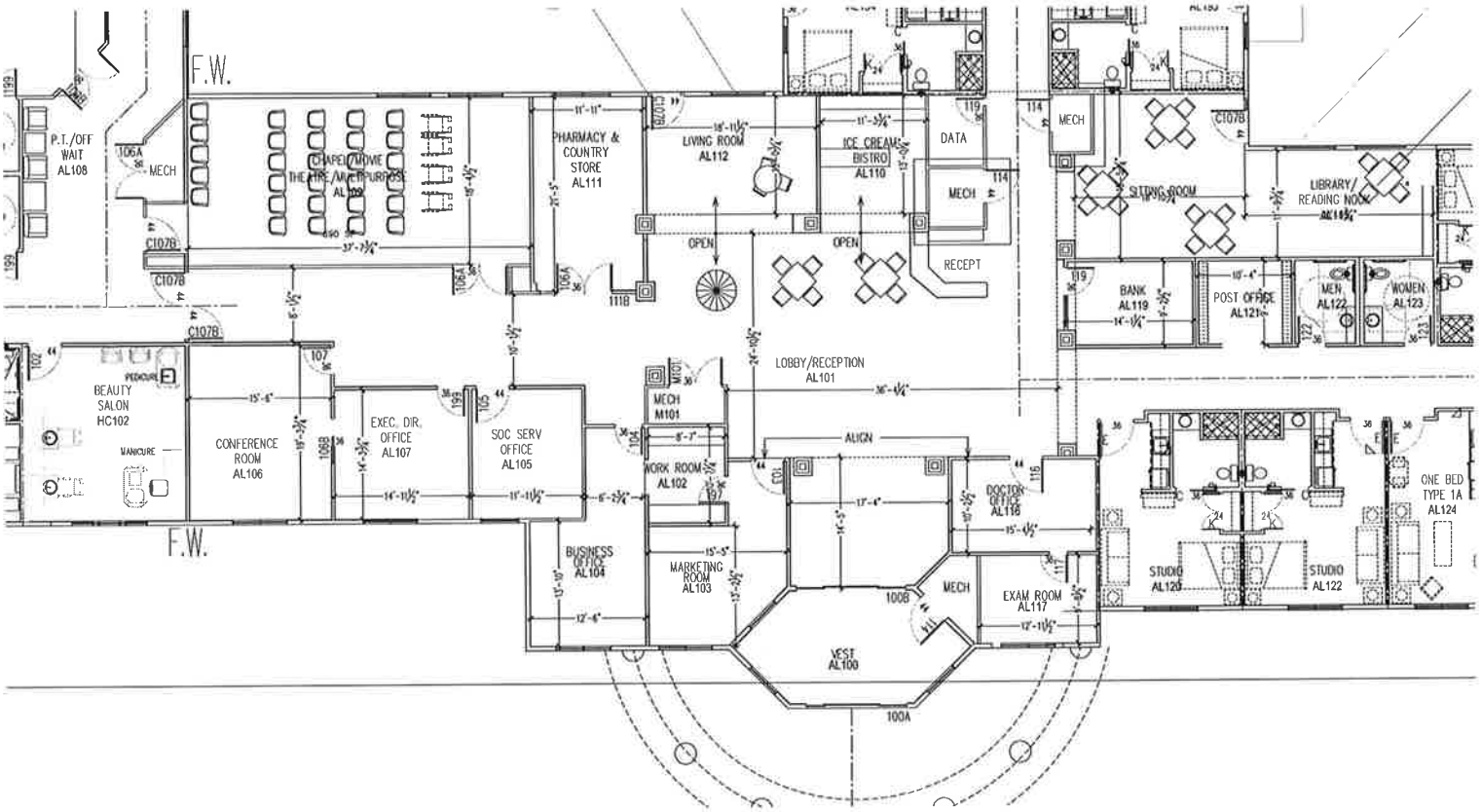

Floor Plan P2-Mosaic-<<Page 1 of n>

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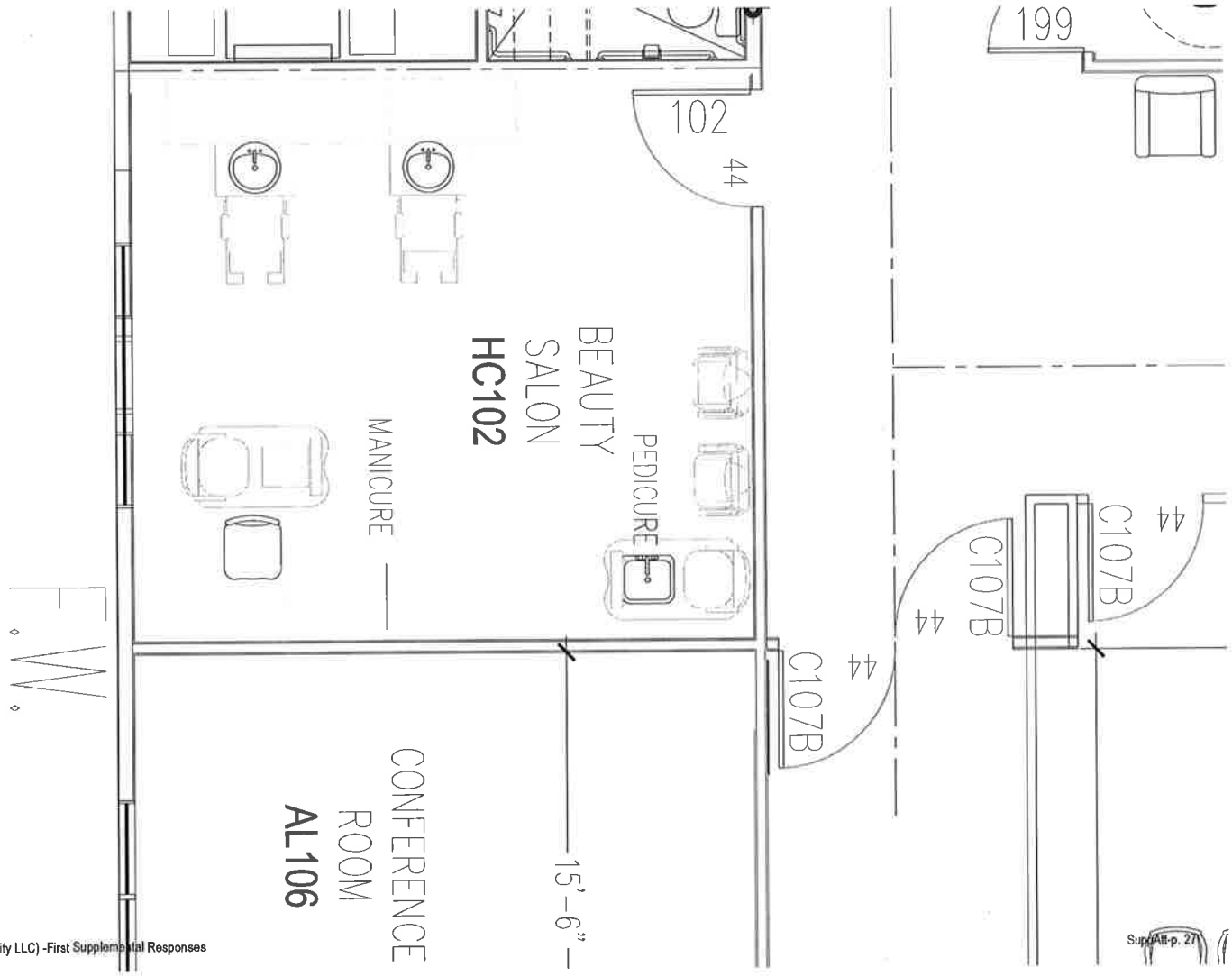

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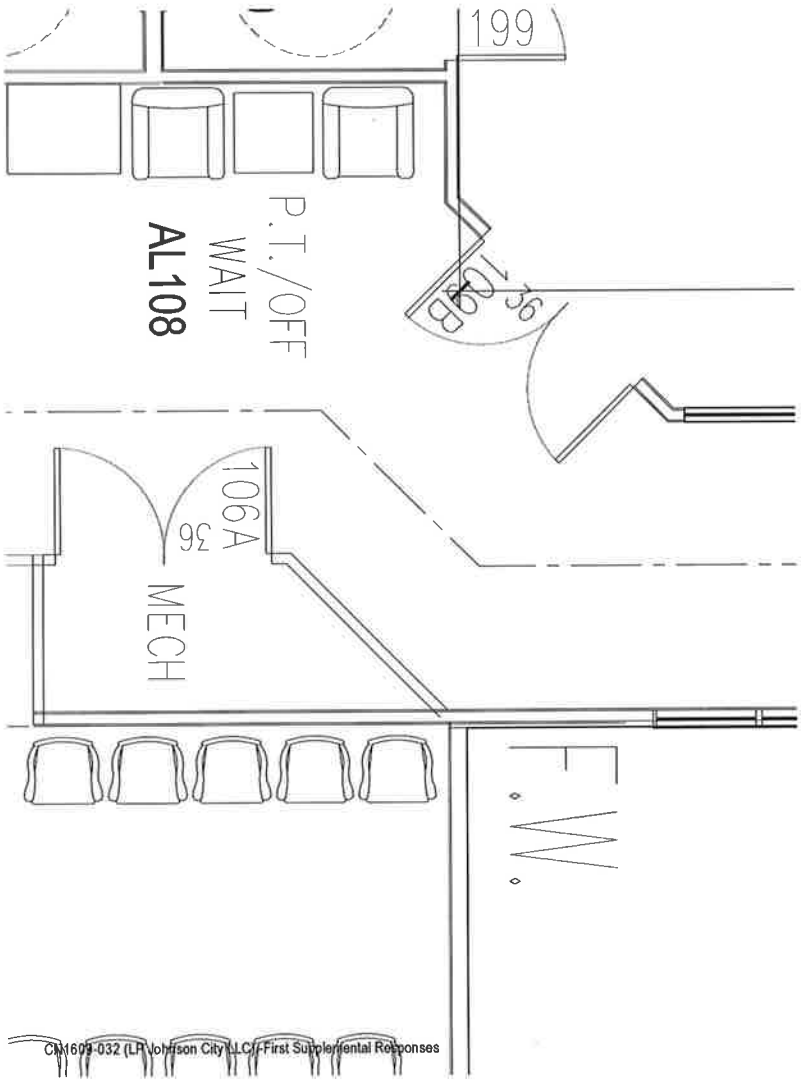

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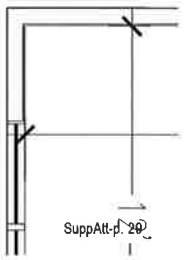

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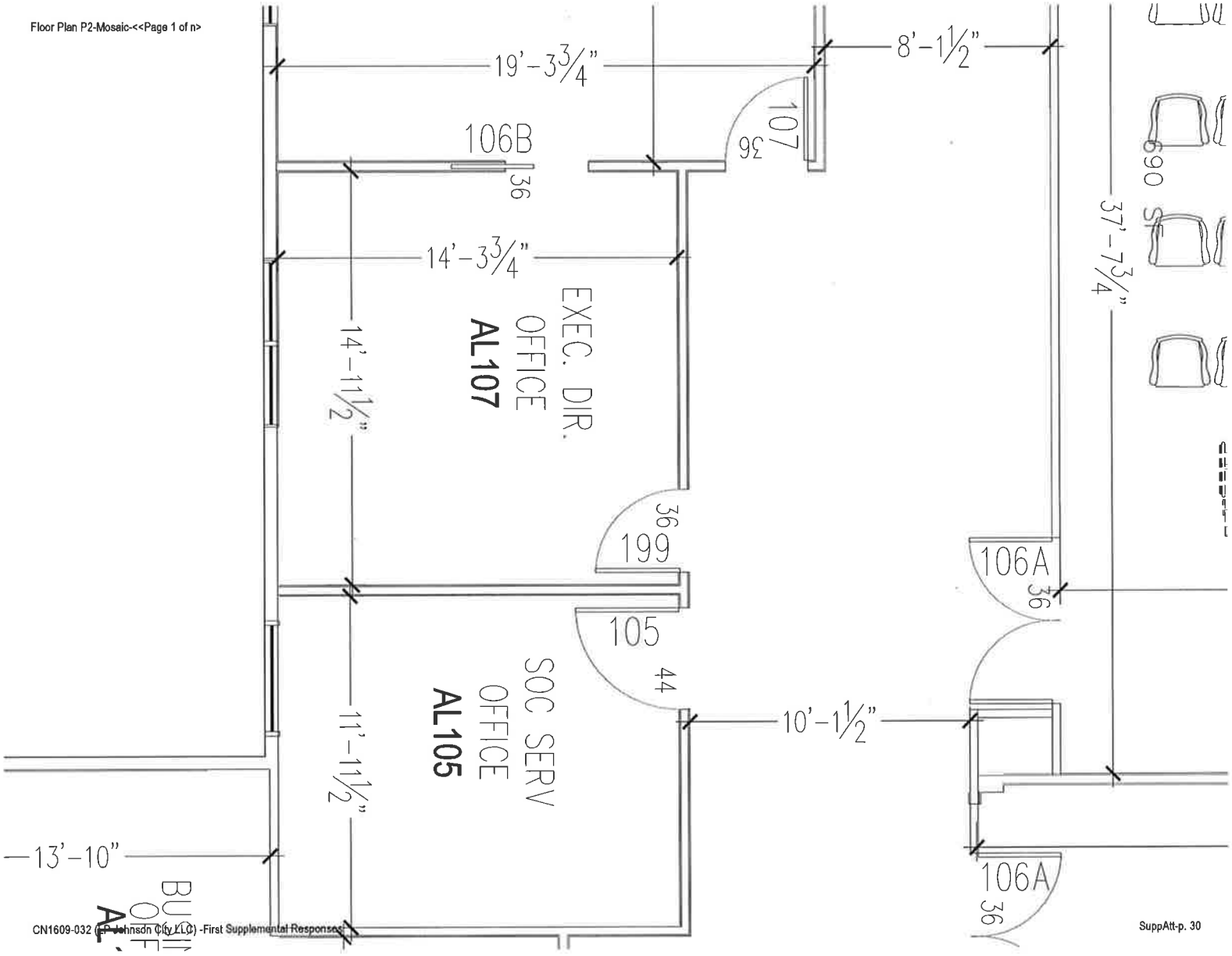
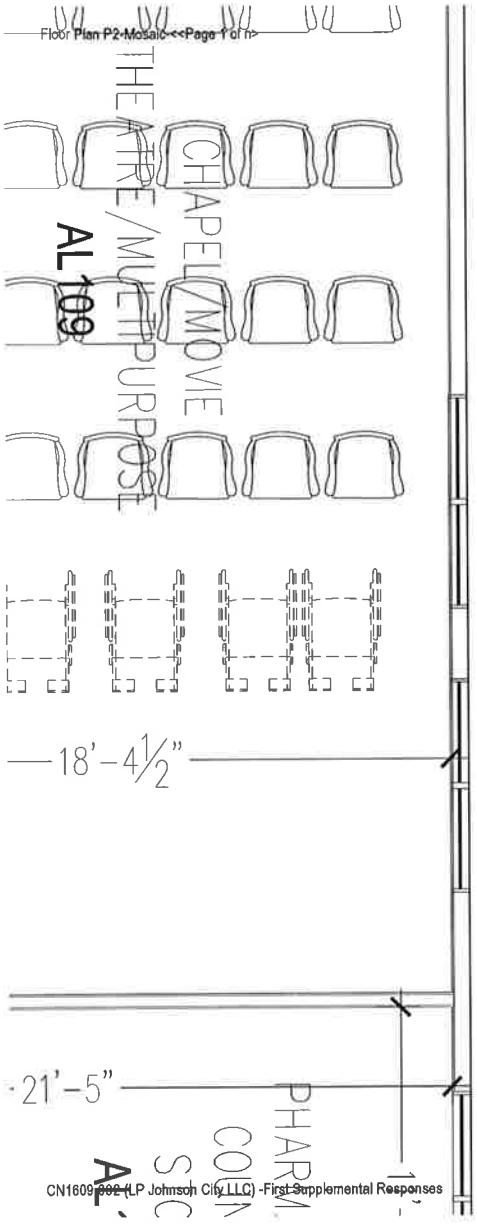
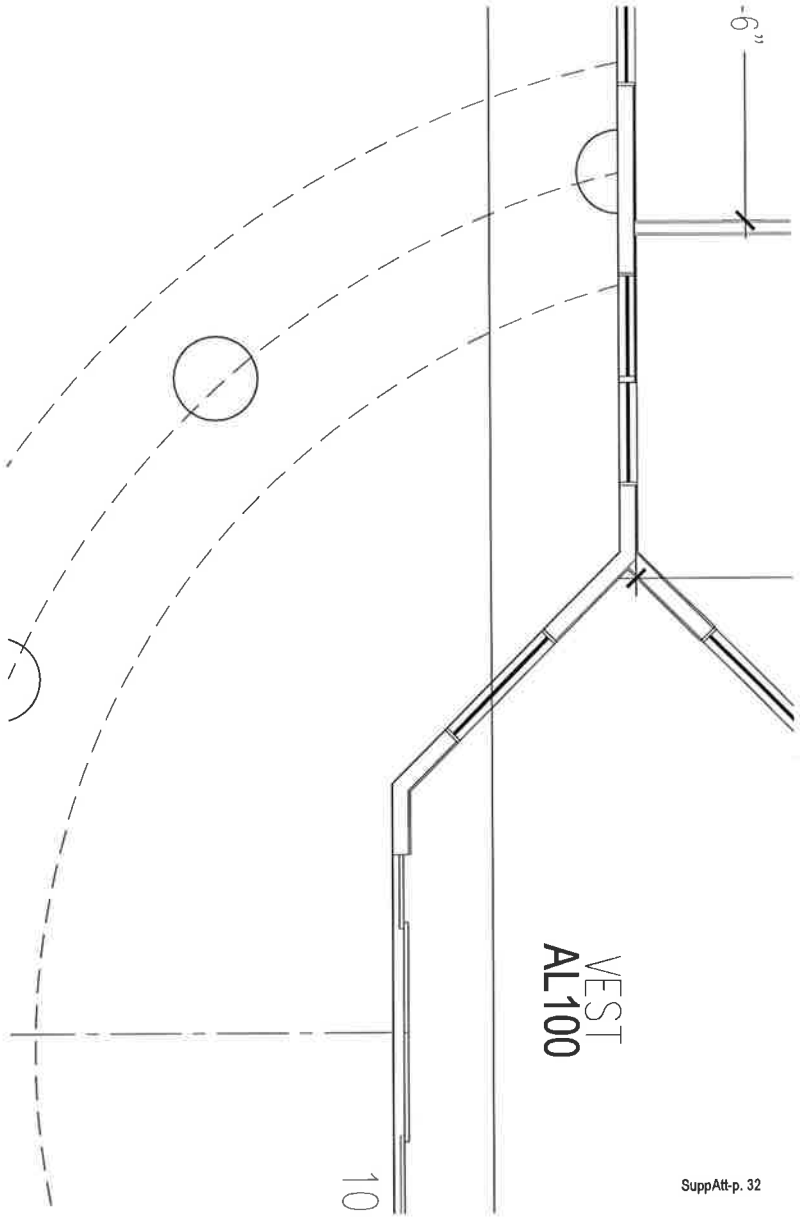



Floor Plan P2-Mosaic-<<Page 1 of 1>>
THEATRE/MULTIPURPOSE
CHAPEL/MOVIE
AL 109
18'-4½"
21'-5"
PHARM
CON
SC
AP


-6"
VEST
AL100
10

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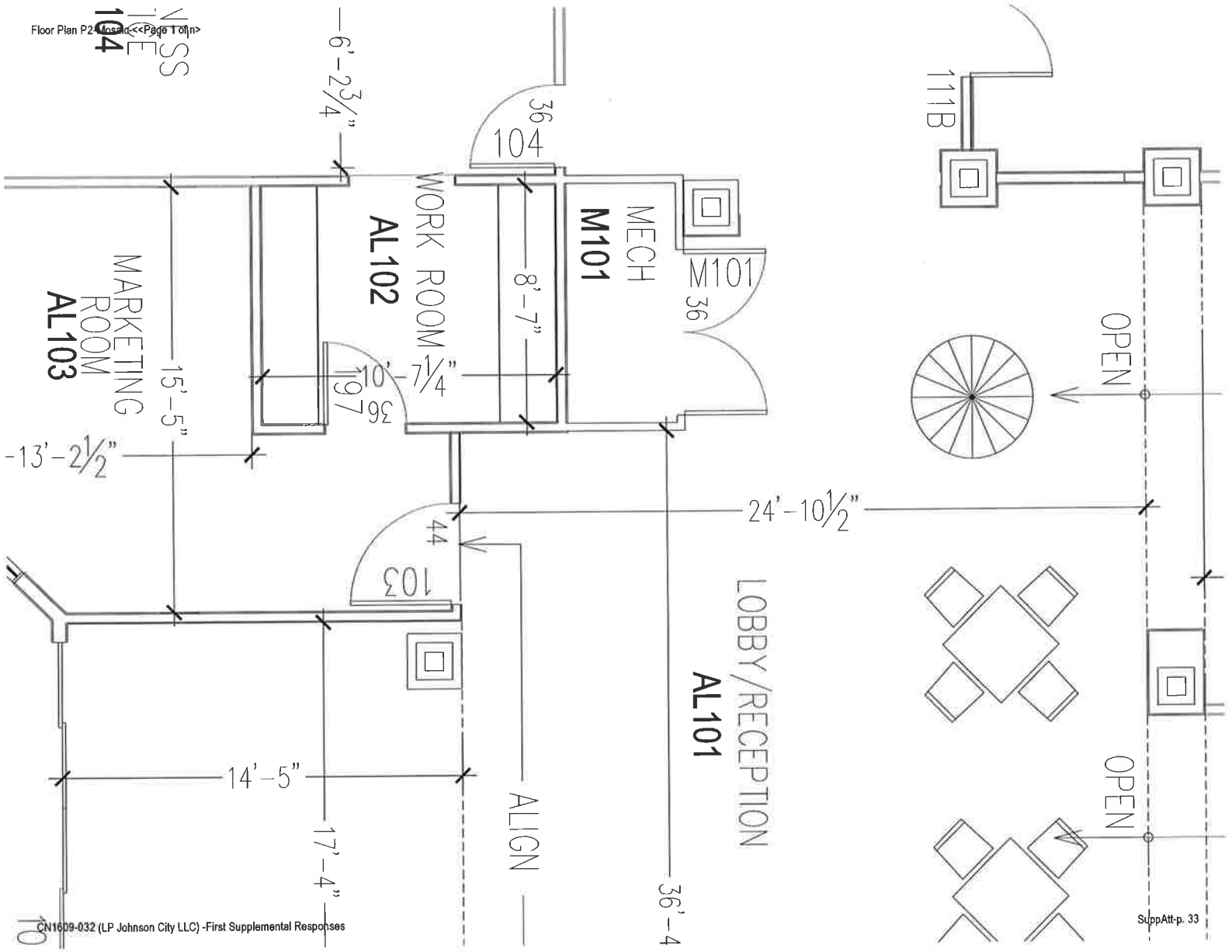

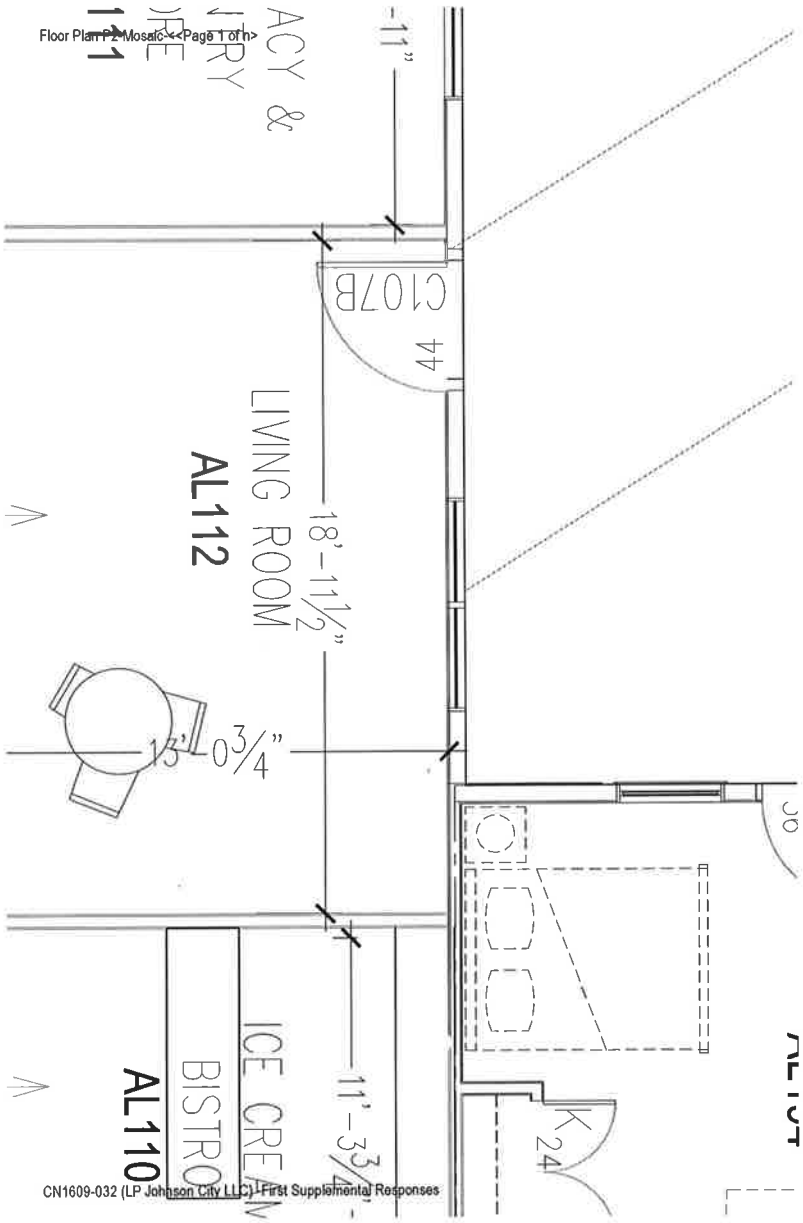
Floor Plan P1 Mosaic <<Page 1 of n>>
ACY &
RY
RE
11
-11"
C107B
44
LIVING ROOM
AL112
18'-11½"
13'-0¾"
ICE CRE
BISTRO
AL110
11'-3¾"
K24

SUPPLEMENTAL #1

September 28, 2016
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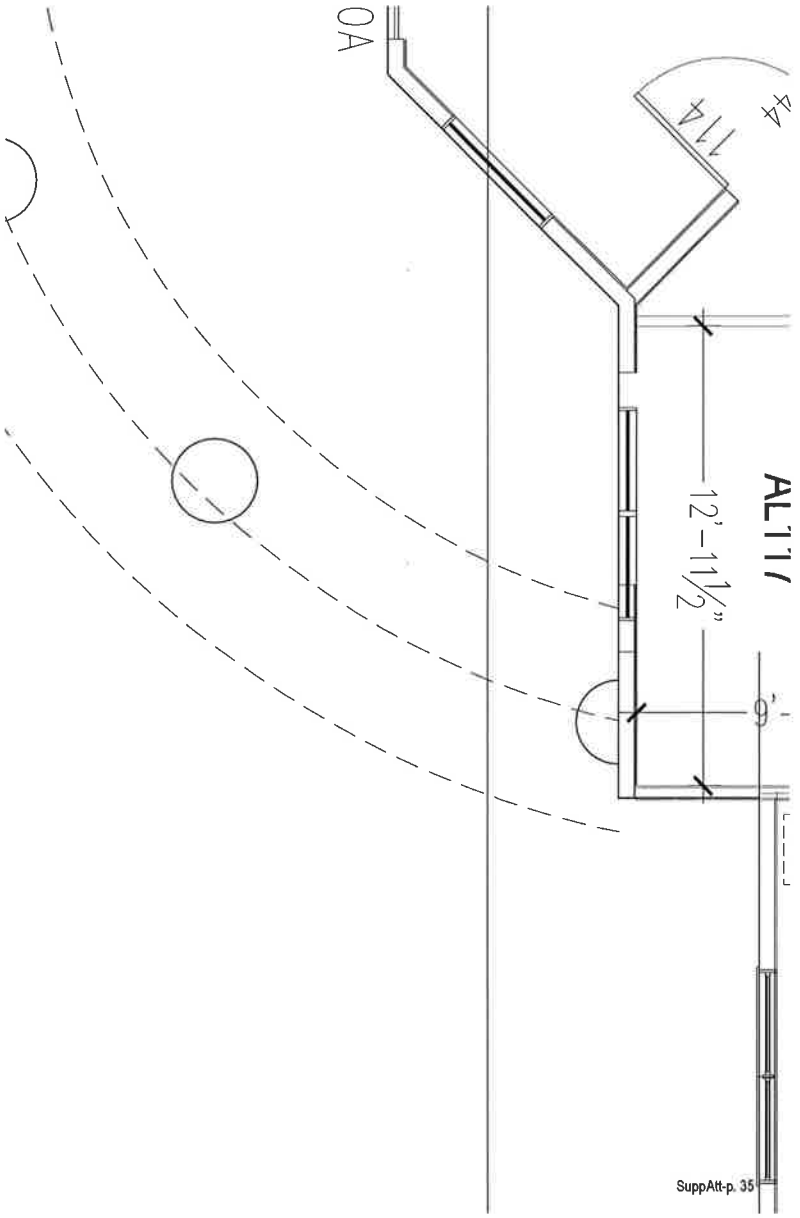
Floor Plan P2-Mosaic-<<Page 1 of n>



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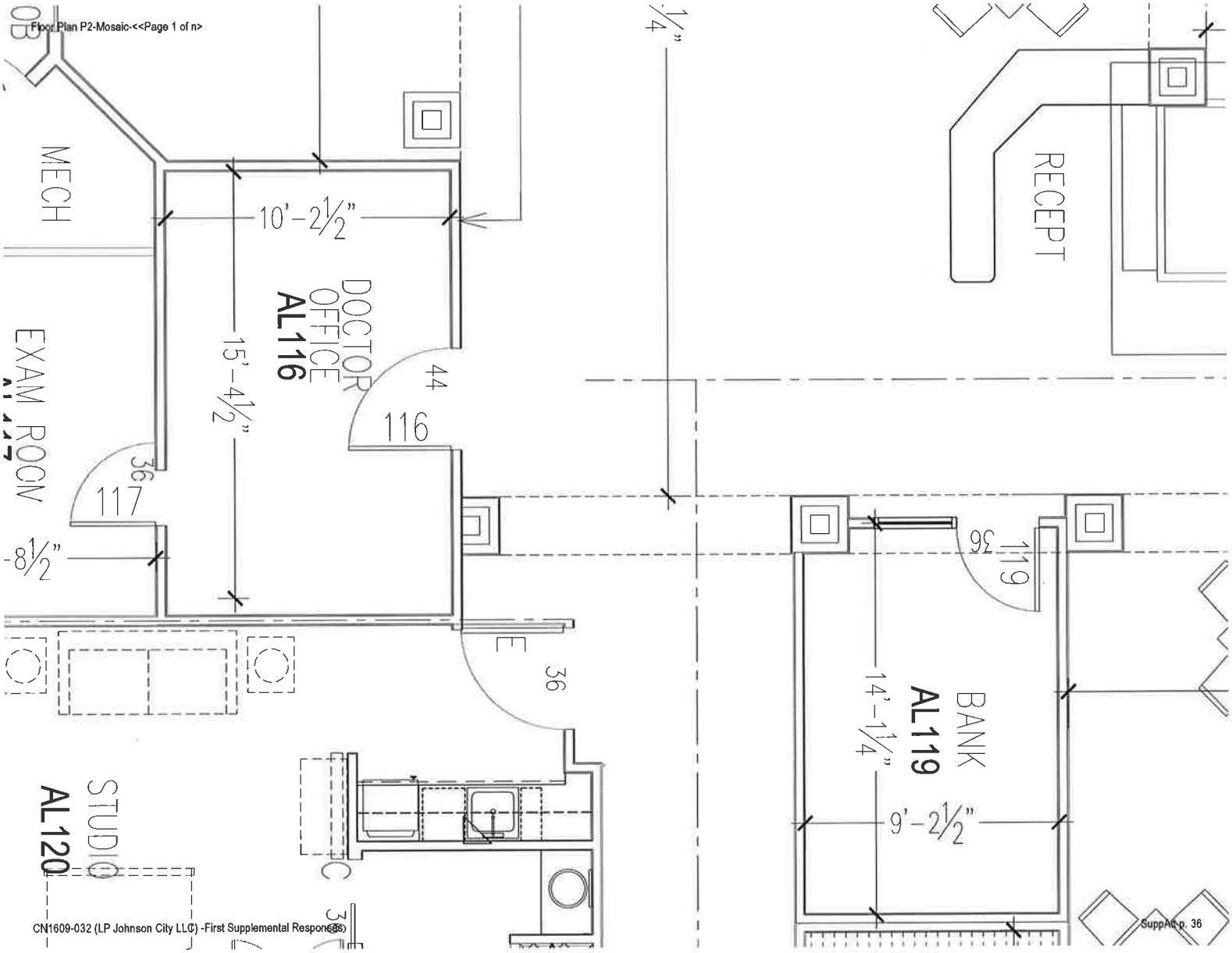

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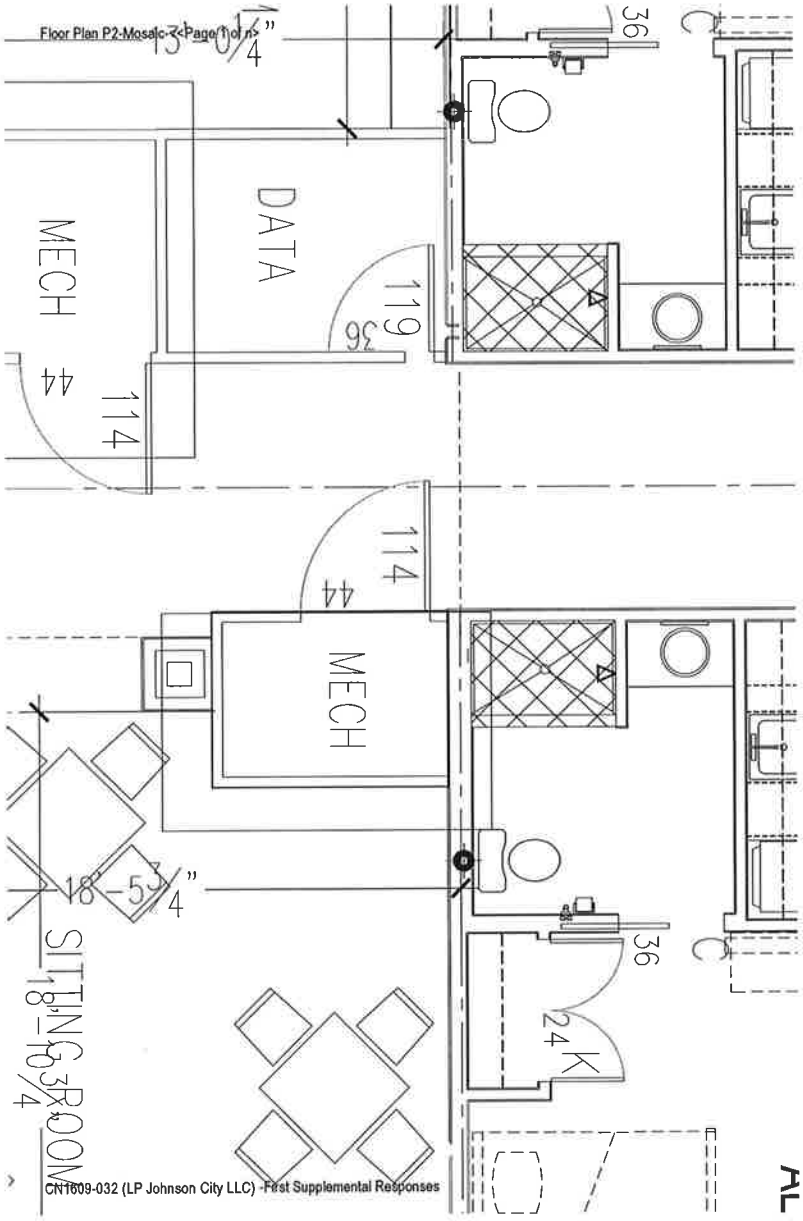

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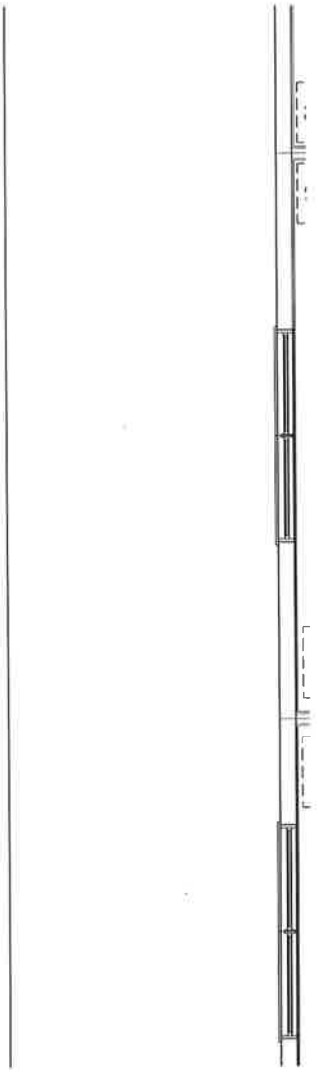
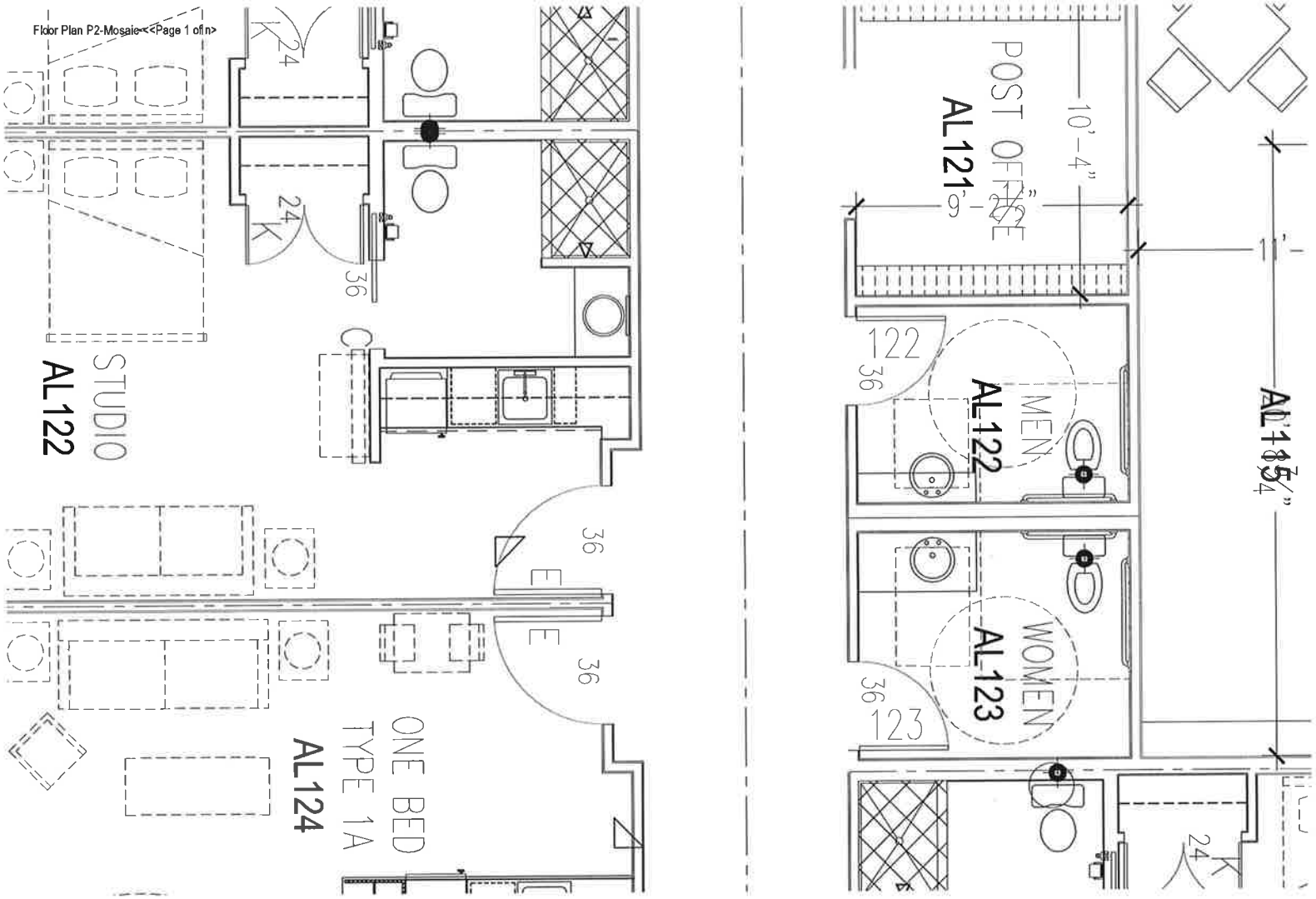
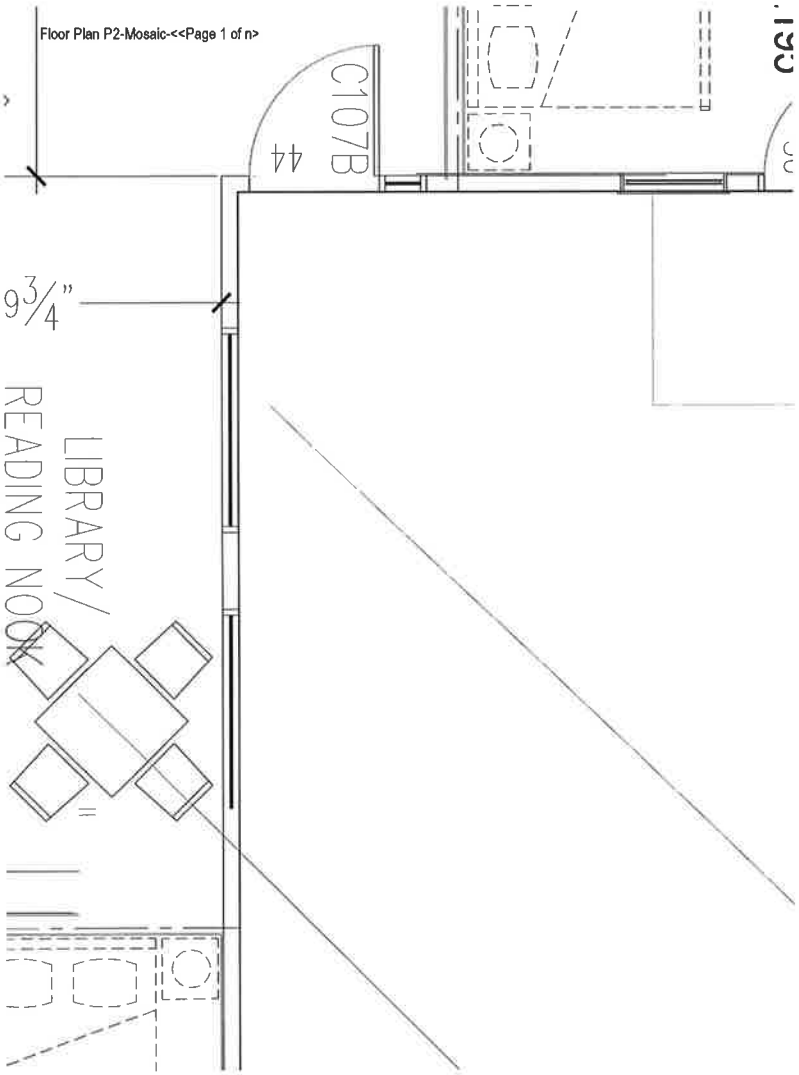



Floor Plan P2-Mosaic<<Page 1 of n>
STUDIO
AL122
ONE BED
TYPE 1A
AL124
POST OFFICE
AL121
MEN
AL122
WOMEN
AL123
AL125
122
123
36
24


Floor Plan P2-Mosaic-<<Page 1 of n>
C107B
44
9 3/4"
LIBRARY/
READING NOOK

CN1609-032
LP Johnson City LLC

Attachment
First Supplemental Question 8

12. Square Footage and Cost Per Square Footage Chart

Unit/Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage		
					Renovated	New	Total
Patient Rooms				13,278		$185.18	$2,458,820
Activities				601		$185.18	$111,293
Lounge/Lobby Sitting Area				813		$185.18	$150,551
Dining				1,258		$185.18	$232,956
Patient Care Support				1,503		$185.18	$278,326
Rehab				2,899		$185.18	$536,837
Other Common				6,205		$185.18	$1,149,042
							$0
Mechanical/Electrical				296		$185.18	$54,813
Circulation/Structure				6,184		$185.18	$1,145,153
Unit/Department GSF Sub-Total				26,557		$185.18	$4,917,825
Other GSF Total				6,480		$185.18	$1,199,966
Total GSF				33,037		$185.18	$ 6,117,973
*Total Cost							$ 6,117,973
**Cost Per Square Foot						$185.18	
Cost per Square Foot Is Within Which Range *(For quartile ranges, please refer to the Applicant's Toolbox on www.tn.gov/hsda)*					☐ Below 1st Quartile ☐ Between 1st and 2nd Quartile ☐ Between 2nd and 3rd Quartile ☐ Above 3rd Quartile	☐ Below 1st Quartile ☐ Between 1st and 2nd Quartile ☐ Between 2nd and 3rd Quartile ☒ Above 3rd Quartile	☐ Below 1st Quartile ☐ Between 1st and 2nd Quartile ☐ Between 2nd and 3rd Quartile ☒ Above 3rd Quartile

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former Northside Hospital property. The advantage of that site is its proximity to the current campus of Quillen Rehab Hospital, further enhancing the ability of the MSHA and SHC partnership to deliver a complete continuum of post-acute and long term care services and support.

Renovation at the current site has not been considered, because the existing site of PTC has been intended as an interim step towards the development of a modern post-acute/long term care campus with the ability to support a continuum of residents with such needs. Bringing such a plan to existence, at the existing site, is not feasible in the out-of-date physical plants that exist for these skilled nursing facilities. The existing space within the hospital is needed for medical/surgical services to meet the community's need.

Additionally, the construction of a new modern facility allows the existing SNF to continue to operate and provide services to the MSHA patient community while the new facility is constructed. This provides an operational advantage over a proposal that would perform limited renovations on an existing facility, because patient care would inevitably be interrupted.

b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

RESPONSE:

While this project does not seek to increase the available supply of nursing home beds and is not strictly evaluated based on the need formula in T.C.A. §68-11-1622, that methodology more than demonstrates an existing and future need for these skilled nursing facility beds exists. The projections for Washington County are as follows:

WASHINGTON COUNTY Age-Formula/Year	Factor	2016 Pop.	2016 Need	2017 Pop.	2017 Need	2018 Pop.	2018 Need	2019 Pop.	2019 Need	2020 Pop.	2020 Need
0-64 (x .0005)	0.0005	109,586	55	110,439	55	111,294	56	112,030	56	113,300	57
65-74 (x .0120)	0.012	14,238	171	14,807	178	15,219	183	15,780	189	16,318	196
75-84 (x .0600)	0.06	7,061	424	7,326	440	7,749	465	8,135	488	8,517	511
85 + (x .1500)	0.15	2,932	440	3,039	456	3,138	471	3,215	482	3,302	495
Projected Need											
Total Existing Beds			877		877		877		877		877
Total Outstanding Beds			0		0		0				0
BED NEED			**212**		**251**		**297**		**339**		**382**

As the table demonstrates, existing and future need for skilled nursing facility beds is acceptable and is projected to become even more acute, evidencing demand for the proposed project.

Those numbers demonstrate how the aging baby boomer population is requiring an ever increasing demand for post-acute care. Tennessee's recently revised 2014 State Health Plan

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4. A. 1) Describe the demographics of the population to be served by the proposal.

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

RESPONSE: The following tables show the total population for Washington County, the project's service area. Analysis of the data predicts Washington County expects a six and seven tenths percent (6.7%) growth over the next five (5) years.

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

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

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

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

Demographic Variable/Geographic Area	Department of Health/Health Statistics						
	Total Population-Current Year (2016)	Total Population-Projected Year (2020)	Total Population-% Change	*Target Population-Current Year (2016)	*Target Population-Project Year (2020)	*Target Population-% Change	Target Population Projected Year as % of Total
Washington County	133,817	140,905	5.3%	24,231	28,137	16.1%	20.0%
Service Area Total	133,817	140,905	5.3%	24,231	28,137	16.1%	20.0%
State of TN Total	6,812,005	6,962,031	2.2%	1,091,516	1,175,143	7.7%	16.9%

Demographic Variable/Geographic Area	Bureau of the Census (2014)				TennCare	
	Median Age	Median Household Income	Person Below Poverty Level	Person Below Poverty Level as % of Total	TennCare Enrollees	TennCare Enrollees as % of Total
Washington County	40	$42,935	n/a	12.3%	25,754	19%
Service Area Total	40	$42,935	n/a	13.1%	25,754	19%
State of TN Total	38	$44,621	n/a	17.8%	1,557,955	23%

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: The population in the project's primary service area has a higher concentration of individuals than state and national trends. In 2015, twenty percent (20%) of the project's service area will be ages of sixty-five (65) years and above, compared to sixteen percent (16%) in Tennessee and fifteen percent (15%) of the United States. Over the next five years, the population over sixty-five (65) years of age within the primary service area is projected to increase sixteen percent (16%), far exceeding general population growth of three percent (3%) percent. This growth substantiates the continued demand for services highly utilized by the elder population, including skilled nursing care, assisted living, and retirement living. The table below details the service area's age distribution.

Primary Service Area Population Distribution by Age Group - Washington Co.						
					Percent of Total	
Age Chort	2016	2020		% Growth	2016	2020
0 to 17	26,740	27,808		4%	20.0%	19.7%
65+	24,231	28,137		16%	18.1%	20.0%
Total	133,817	140,905		5%	100%	100%

Primary Service Area Population Distribution by Age Group - Tennessee						
					Percent of Total	
Age Chort	2016	2020		% Growth	2016	2020
0 to 17	1,570,687	1,614,001		3%	23.1%	22.7%
65+	1,091,516	1,266,295		16%	16.0%	17.8%
Total	6,812,005	7,108,031		4%	100%	100%

The primary service area demographics are similar to the United States in gender (fifty-one percent (51%) female, forty-nine percent (49%) male). The primary service area counties have a much lower median household income compared to the national average ($40,216 versus $51,371). The racial mix in the primary service area is predominately Caucasian, as they account for more than ninety-two percent (92%) of the population.

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The Applicant and its ownership are committed to meeting the needs of the community and the region, as stated in their mission statements.

***MSHA**: "to identify and respond to the health care needs of individuals and communities in our region and to assist them in attaining their highest possible level of health".*

***SHC**: "to radically change the landscape of healthcare forever". SHC's family-based organization will revolutionize the healthcare industry through a culture of resident-centered healthcare services, personalized spirituality, real quality of life initiatives, and stakeholder education and empowerment, to earn the trust of every resident, family, and community we serve.*

The proposed site is accessible to all consumers, including women, racial and ethnic minorities, and low-income groups. SHC has a long-standing reputation for a devotion to assisting residents who are in need of rehabilitation services. The strong post-acute, post hospital market will be well served by the project's enhanced ability to deliver higher level rehab and post-acute care. Staffing patterns are indicative of a dedication to extensive services by therapists and other clinical personnel. The facility will provide services to Medicare, private insurance and private pay patients. Services will include physical, occupational and speech therapy services along with care given or supervised by registered nurses. Nurses provide direct care; manage, observe, and evaluate a patient's care; and teach the patient and his or her family caregiver. Examples include: giving IV drugs, shots, or tube feedings; changing dressings; and teaching about diabetes care.

The Applicant will continue to monitor and review its business plans and policies to take into consideration that business plans are built upon meeting the needs of the current and next generation of health care consumer.

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

   RESPONSE: The proposed project is for the construction of a forty-seven (47) bed skilled nursing facility in Washington County, which is a combined replacement of two existing facilities

   The bed accommodation mix by nursing home in the service area is as follows:

Nursing Home	Licensed Beds	Total Private Beds	Total Semi Private Beds	Total Companion Beds	Ward Beds
Agape Nursing and Rehabilitation Center, LLC (fka Asbury Place JC)	84	0	0	0	0
Appalachian Christian Village	103	41	62	0	0
Christian Care Center of Johnson City, Inc.	84	12	72	0	0
Four Oaks Health Care Center	84	1	80	0	3
John M. Reed Health & Rehab	63	3	60	0	0
Lakebridge Health Care Center	109	27	82	0	0
Life Care Center of Gray	125	10	109	0	6
NHC Healthcare, Johnson City	160	60	100	0	0
Princeton Transitional Care	32	2	30	0	0
Service Area Totals	**975**	**187**	**679**	**0**	**9**
Proposed Project	*47*	*47*	*0*	0	*0*

Nursing Home	2014 Lic.'d Beds	2012 Patient Days	2013 Patient Days	2014 Patient Days	2012 % Occ.	2013 % Occ.	2014 % Occ.	'12-'14 % Patient Days
Asbury Place at Johnson City	84	26,638	23,962	7,664	86.88%	78.15%	25.00%	(18,974)
Appalachian Christian Village	103	34,394	33,568	32,696	91.49%	89.29%	86.97%	(1,698)
Christian Care Center of JC	84	22,515	26,992	27,042	73.43%	88.04%	88.20%	4,527
Four Oaks Health Care Center	84	27,990	28,216	27,200	91.29%	92.03%	88.71%	(790)
John M. Reed Health & Rehab	63	17,742	14,934	18,600	77.16%	64.94%	80.89%	858
Lakebridge Health Care Center	109	37,800	37,019	37,175	95.01%	93.05%	93.44%	(625)
Life Care Center of Gray	125	40,849	38,269	36,015	89.53%	83.88%	78.94%	(4,834)
NHC Healthcare, Johnson City	160	52,382	49,922	47,867	89.70%	85.48%	81.96%	(4,515)
Princeton Transitional Care	32	8,622	8,731	8,921	73.82%	74.75%	76.38%	299
Agape Nursing and Rehab. Cntr	Prior to 2015 Agape was Asbury Place at Johnson City (see above)							

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

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PROJECT COST CHART

A.	Construction and equipment acquired by purchase:		
	1.	Architectural and Engineering Fees	-
	2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	31,000
	3.	Acquisition of Site	-
	4.	Preparation of Site	-
	5.	Total Construction Costs	6,117,973
	6.	Contingency Fund	-
	7.	Fixed Equipment (Not included in Construction Contract)	945,642
	8.	Moveable Equipment (List all equipment over $50,000 as separate attachments)	-
	9.	Other (Specify) _____	-
B.	Acquisition by gift, donation, or lease:		
	1.	Facility (inclusive of building and land)	-
	2.	Building only	-
	3.	Land only	539,576
	4.	Equipment (Specify)_____	-
	5.	Other (Specify) Facility Licenses	$705,000
C.	Financing Costs and Fees:		
	1.	Interim Financing	-
	2.	Underwriting Costs	-
	3.	Reserve for One Year's Debt Service	-
	4.	Other (Specify) Closing costs	183,539
D.	Estimated Project Cost (A+B+C)		**8,522,730**
E.	CON Filing Fee		49,005.70
F.	Total Estimated Project Cost (D+E)	**TOTAL**	**8,571,736**

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Capital Appreciation Bonds: The Series 2000 Bonds include $14,680 of insured Capital Appreciation Bonds. Such bonds bear a 0% coupon rate and have a yield of 6.625% annually. The Alliance recognizes interest expense and increases the amount of outstanding debt each year based upon this yield. Total principal and interest due at maturity (2026 through 2030) is $93,675.

Other: Outstanding tax-exempt bond obligations that were insured under municipal bond insurance policies were $81,538 and $81,006 at June 30, 2015 and 2014, respectively. Under terms of these policies, the insurer guarantees the Alliance's payment of principal and interest. At June 30, 2015 and 2014, the Alliance held $206,630 and $212,360, respectively, in variable rate demand bonds with letter of credit support and $231,395 and $240,530, respectively, in variable rate bonds held under direct purchase agreements.

Early Redemption: Essentially all of the Alliance's bonds are subject to redemption prior to maturity, including optional, mandatory sinking fund and extraordinary redemption, at various dates and prices as described in the respective Bond indentures and other documents.

Derecognized Bonds: In previous years, the Alliance advance refunded debt by placing required funds in irrevocable trusts in order to satisfy remaining scheduled principal and interest payments of the outstanding debt. Management, upon advice of legal counsel, believes the amounts deposited in such irrevocable trust accounts have contractually relieved the Alliance of any future obligations with respect to this debt. Debt outstanding and not recognized in the Consolidated Balance Sheet at June 30, 2015 due to previous advance refundings totaled $185,470.

The assets placed in the irrevocable trust accounts are also not recognized as assets of the Alliance. These assets consist primarily of various investments, as permitted by bond indentures and other documents, including United States Treasury obligations, an investment contract with MBIA Insurance Corporation (MBIA) in the original amount of $54,300, as well as the Series 2000C and 2000D Bonds which were purchased with the proceeds of the 2000A and 2000B Bonds specifically for the purpose of utilizing the Series 2000C and 2000D Bonds in the irrevocable trust. Therefore, certain of the assets held in the irrevocable trust accounts have future income streams contingent upon payments by the Alliance.

Financing Arrangements: The Alliance granted a deed of trust on Johnson City Medical Center and Sycamore Shoals Hospital to secure the payment of the outstanding bond indebtedness. The bonds are also secured by the Alliance's receivables, inventories and other assets as well as certain funds held under the documents pursuant to which the bonds were issued. The Johnston Memorial Hospital, Inc. and Subsidiaries (JMH) Series 2011 Hospital Refunding and Improvement Revenue Bonds are secured by pledged revenues of JMH, as defined in the Credit Agreement.

Certain members of the Alliance and JMH are each members of separate Obligated Groups. The bond indentures, master trust indentures, letter of credit agreements and loan agreements related to the various bond issues and notes payable contain covenants with which the respective Obligated Groups must comply. These requirements include maintenance of certain financial and liquidity ratios, deposits to trustee funds, permitted indebtedness, use of facilities and disposals of property. These covenants also require that failure to meet certain debt service coverage tests will require the deposit of all daily cash receipts of the Alliance into a trust fund. Management has represented the Alliance and JMH are in compliance with all such covenants at June 30, 2015.

The scheduled maturities and mandatory sinking fund payments of the long-term debt and capital lease obligations (excluding interest), exclusive of net unamortized original issue discount and premium, at June 30, 2015 are as follows:

Year Ending June 30,		
2016	$	40,286
2017		24,112
2018		24,793
2019		25,926
2020		27,048
Thereafter		928,699
		1,070,864
Net premium		1,083
	$	1,071,947

NOTE G--SELF-INSURANCE PROGRAMS

The Alliance is substantially self-insured for professional and general liability claims and related expenses. The Alliance maintains a $25,000 umbrella liability policy that attaches over the self-insurance limits of $10,000 per claim and a $15,000 annual aggregate retention. The Alliance's insurance program also provides professional liability coverage for certain affiliates and joint ventures.

The Alliance is also substantially self-insured for workers' compensation claims in the State of Tennessee and has established estimated liabilities for both reported and unreported claims. The Alliance maintains a stop-loss policy that attaches over the self-insurance limits of $1,000 per occurrence. In the State of Virginia, the Alliance is not self-insured and maintains workers' compensation insurance through commercial carriers.

At June 30, 2015, the Alliance is involved in litigation relating to medical malpractice and workers' compensation and other claims arising in the ordinary course of business. There are also known incidents occurring through June 30, 2015 that may result in the assertion of additional claims, and other unreported claims may be asserted arising from services provided in the past. Management has estimated and accrued for the cost of these unreported claims based on historical data and actuarial projections. The estimated net present value of malpractice and workers' compensation claims, both reported and unreported, as of June 30, 2015 and 2014 was $12,616 and $13,220, respectively. The discount rate utilized was 5% at June 30, 2015 and 2014.

Additionally, the Alliance is self-insured for employee health claims and recognizes expense each year based upon actual claims paid and an estimate of claims incurred but not yet paid. Such amount is included in accounts payable and accrued expenses in the Consolidated Balance Sheets.

NOTE H--NET PATIENT SERVICE REVENUE

Patient service revenue, net of contractual allowances and discounts, is composed of the following for the years ended June 30:

	2015	*2014*
Third-party payers	$ 965,865	$ 933,491
Patients	151,089	113,276
Patient service revenue	$ 1,116,954	$ 1,046,767

Patient deductibles and copayments under third-party payment programs are included within the patient amounts above.

The Alliance also provides services to uninsured and underinsured patients that do not qualify for financial assistance. Based on historical experience, a significant portion of uninsured and underinsured patients are unable or unwilling to pay the portion of their bill for which they are financially responsible, and a significant provision for bad debts is recorded in the period the services are provided.

The Alliance's allowance for doubtful accounts totaled $73,805 and $47,853 at June 30, 2015 and 2014, respectively. The allowance for doubtful accounts increased from 23% of patient accounts receivable, net of contractual allowances in 2014 to 31% of patient accounts receivable, net of contractual allowances in 2015. The increase is mainly related to the growing popularity of high-deductible insurance plans resulting in higher deductibles and out-of-pocket costs for patients. Management's estimate of the allowance for doubtful accounts is an estimate subject to change in the

near term. The provision for bad debts associated with the Alliance's ancillary service lines are not significant.

NOTE I--THIRD-PARTY REIMBURSEMENT

The Alliance renders services to patients under contractual arrangements with Medicare, Medicaid, TennCare and various other commercial payers. The Medicare program pays for inpatient services on a prospective basis. Payments are based upon diagnosis related group assignments, which are determined by the patient's clinical diagnosis and medical procedures utilized. The Alliance also receives additional payments from Medicare based on the provision of services to a disproportionate share of Medicaid and other low income patients. Most Medicare outpatient services are reimbursed on a prospectively determined payment methodology. The Medicare program also reimburses certain other services on the basis of reasonable cost, subject to various prescribed limitations and reductions.

Reimbursement under the State of Tennessee's Medicaid waiver program (TennCare) for inpatient and outpatient services is administered by various managed care organizations (MCOs) and is based on diagnosis related group assignments, a negotiated per diem or fee schedule basis. The Alliance also receives additional supplemental payments from the State of Tennessee and Medicaid. These payments recognized totaled $10,386 and $10,860 for the years ended June 30, 2015 and 2014, respectively.

The Virginia Medicaid program reimbursement for inpatient hospital services is based on a prospective payment system using both a per case and per diem methodology. Additional payments are made for the allowable costs of capital. Payments for outpatient services are transitioning from cost-based reimbursement principles to a prospective payment system. Full implementation of this transition is expected to take place over multiple years.

Amounts earned under the contractual agreements with the Medicare and Medicaid programs are subject to review and final determination by fiscal intermediaries and other appropriate governmental authorities or their agents. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The impact of final settlements of cost reports or changes in estimates increased net patient service revenue by $3,076 and $6,201 in 2015 and 2014, respectively.

Activity with respect to audits and reviews of the governmental programs in the healthcare industry has increased and is expected to increase in the future. No additional specific reserves or allowances have been established with regard to these increased audits and reviews as management is not able to estimate such amounts, if any. Management believes that any adjustments from these increased audits and reviews will not have a material adverse impact on the consolidated financial statements.

However, due to uncertainties in the estimation, it is at least reasonably possible that management's estimate will change in 2016, although the amount of any change cannot be estimated.

Participation in the Medicare program subjects the Alliance to significant rules and regulations; failure to adhere to such could result in fines, penalties or expulsion from the program. Management believes that adequate provision has been made for any adjustments, fines or penalties which may result from final settlements or violations of other rules or regulations. Management has represented that the Alliance is in substantial compliance with these rules and regulations as of June 30, 2015.

The Alliance has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations and employer groups. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

NOTE J--EMPLOYEE BENEFIT PLANS

The Alliance sponsors a defined contribution retirement plan (the Plan) which covers substantially all employees. The Alliance makes contributions to the Plan under a stratified system, whereby the Alliance's contribution percentage is based on each employee's years of service. Employees of certain other subsidiaries are covered by other plans, although such plans are not significant. The total expense related to defined contribution plans for the years ended June 30, 2015 and 2014 was $15,601 and $13,850, respectively.

NCH maintains a frozen defined benefit pension plan and a frozen post-retirement employee benefit plan. The accrued unfunded pension liability was $1,806 and $2,086, and the accrued unfunded post-retirement liability was $6,307 and $5,857 at June 30, 2015 and 2014, respectively.

The Alliance sponsors a secured executive benefit program (SEBP) for certain key executives. Contributions to the plan by the Alliance are based on an annual amount of funding necessary to produce a target benefit for the participants at their retirement dates, although the Alliance does not guarantee any level of benefit will be achieved. The Alliance contributed $1,727 and $511 to the plan during 2015 and 2014, respectively. Other assets at June 30, 2015 and 2014 include $13,030 and $11,302, respectively, related to the Alliance's portion of the benefits which are recoverable upon the death of the participant. In addition, the Alliance sponsors a Section 457(f) plan for certain key executives. Contributions to the Section 457(f) plan during 2015 and 2014 were not significant.

NOTE K--CONCENTRATION OF RISK

The Alliance has locations primarily in upper East Tennessee and Southwest Virginia, a geographic concentration. The Alliance grants credit without collateral to its patients, most of whom are local

residents and are insured under third-party payer agreements. Net patient service revenue from Washington County, Tennessee acute-care operations was approximately 52% of total net patient service revenue in 2015 and 2014.

The mix of receivables from patients and third-party payers based on charges at established rates is as follows as of June 30. The patient responsibility related to charges for which the third-party has not yet paid is included within the third-party payer categories.

	2015	*2014*
Medicare	41%	39%
Tenncare/Medicaid	15%	18%
Commercial	26%	28%
Other third-party payers	8%	8%
Patients	10%	7%
	100%	100%

Approximately 91% and 88% of the consolidated total revenue, gains and support were related to the provision of healthcare services during 2015 and 2014, respectively. Admitting physicians are primarily practitioners in the regional area.

The Hospital maintains bank accounts at various financial institutions covered by the Federal Deposit Insurance Corporation (FDIC). At times throughout the year, the Alliance may maintain bank account balances in excess of the FDIC insured limit. Management believes the credit risk associated with these deposits is not significant.

The Alliance routinely invests in investment vehicles as listed in Note C. The Alliance's investment portfolio is managed by outside investment management companies. Investments in corporate and foreign bonds, municipal obligations, money market funds, equities and other vehicles that are held by safekeeping agents are not insured or guaranteed by the U.S. government.

NOTE L--INCOME TAXES

BRMM and its subsidiaries file a consolidated federal tax return and separate state tax returns. As of June 30, 2015 and 2014, BRMM and its subsidiaries had net operating loss carryforwards for consolidated federal purposes of $30,700 and $27,085, respectively, related to operating loss carryforwards, which expire through 2033. At June 30, 2015 and 2014, BRMM had state net operating loss carryforwards of $75,619 and $74,191, respectively, which expire through 2029. The net operating loss carryforwards may be offset against future taxable income to the extent permitted by the Internal Revenue Code and Tennessee Code Annotated.

Net deferred tax assets related to these carryforwards and other deferred tax assets have been substantially offset through valuation allowances equal to these amounts. Income taxes paid relate primarily to state taxes for certain subsidiaries and federal alternative minimum tax.

NOTE M--OTHER COMMITMENTS AND CONTINGENCIES

Construction in Progress: Construction in progress at June 30, 2015 represents costs incurred related to various hospital and medical office building facility renovations and additions and information technology infrastructure. The Alliance has outstanding contracts and other commitments related to the completion of these projects, and the cost to complete these projects is estimated to be $30,508 at June 30, 2015. The Alliance does not expect any significant costs to be incurred for infrastructure improvements to assets held for resale.

Employee Scholarships: The Alliance offers scholarships to certain individuals which require that the recipients return to the Alliance to work for a specified period of time after they complete their degrees. Amounts due are then forgiven over a specific period of time as provided in the individual contracts. If the recipient does not return and work the required period of time, the funds disbursed on their behalf become due immediately, and interest is charged until the funds are repaid. Other receivables at June 30, 2015 and 2014 include $7,095 and $8,685, respectively, related to students in school, graduates working at the Alliance and amounts due from others who are no longer in the scholarship program, net of an estimated allowance.

Operating Leases and Maintenance Contracts: Total lease expense for the years ended June 30, 2015 and 2014 was $7,414 and $7,901, respectively. Future minimum lease payments for each of the next five years and in the aggregate for the Alliance's noncancellable operating leases with remaining lease terms in excess of one year are as follows:

Year Ending June 30,		
2016	$	7,346
2017		4,614
2018		3,605
2019		3,279
2020		2,481
Thereafter		11,240
	$	32,565

NOTE N--FAIR VALUE MEASUREMENT

The fair value of financial instruments has been estimated by the Alliance using available market information as of June 30, 2015 and 2014, and valuation methodologies considered appropriate. The estimates presented are not necessarily indicative of amounts the Alliance could realize in a current market exchange. The carrying value of substantially all financial instruments approximates fair value due to the nature or term of the instruments, except as described below.

Held-to-Maturity Securities: The estimated fair value of the Alliance's held-to-maturity securities at June 30, 2015 and 2014, is $39,186 and $38,508, respectively, and would be classified in level 2 of the fair value hierarchy (described below). The fair value is based on prices provided by the Alliance's investment managers and its custodian bank, which use a variety of pricing sources to determine market valuations.

Investment in Joint Ventures: It is not practical to estimate the fair market value of the investments in joint ventures.

Estimated Professional Liability Self-Insurance and Other Long-Term Liabilities: Estimates of reported and unreported professional liability claims, pension and post-retirement liabilities are discounted to approximate their estimated fair value. It is not practical to estimate the fair market value of other long-term liabilities.

Long-Term Debt: The estimated fair value of the Alliance's long-term debt at June 30, 2015 and 2014, is $1,130,580 and $1,172,357, respectively, and would be classified in Level 2 in the fair value hierarchy. The fair value of long-term debt is estimated based upon quotes obtained from brokers for bonds and discounted future cash flows using current market rates for other debt. For long-term debt with variable interest rates, the carrying value approximates fair value.

FASB Accounting Standards Codification 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 - Inputs based on quoted market prices for identical assets or liabilities in active markets at the measurement date.

- Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can

- be corroborated by observable market data. The Alliance's Level 2 investments are valued primarily using the market valuation approach.

- Level 3 - Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Alliance's own assumptions.

In instances where the determination of the fair value hierarchy measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Alliance's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table sets forth, by level within the fair value hierarchy, the financial instruments measured at fair value as of June 30, 2015 and 2014:

	Total	*Level 1*	*Level 2*	*Level 3*
June 30, 2015				
Cash and cash equivalents	$ 70,439	$ 70,439	$ -	$ -
U.S. Government and agency securities	88,083	88,083	-	-
Corporate and foreign bonds	96,586	-	96,586	-
Municipal obligations	23,329	-	23,329	-
U.S. equity securities	5,419	5,419	-	-
Mutual funds	293,983	212,323	81,660	-
Alternative investments	87,144	-	72,420	14,724
Total assets	$ 664,983	$ 376,264	$ 273,995	$ 14,724
Derivative agreements	$ (2,541)	$ -	$ -	$ (2,541)
June 30, 2014				
Cash and cash equivalents	$ 98,956	$ 98,956	$ -	$ -
U.S. Government and agency securities	90,474	90,474	-	-
Corporate and foreign bonds	99,103	-	99,103	-
Municipal obligations	21,409	-	21,409	-
U.S. equity securities	1,868	1,868	-	-
Mutual funds	253,301	177,067	76,234	-
Alternative investments	69,474	-	54,761	14,713
Total assets	$ 634,585	$ 368,365	$ 251,507	$ 14,713
Derivative agreements	$ (10,603)	$ -	$ -	$ (10,603)

Fair values for the Alliance's fixed maturity securities are based on prices provided by the Alliance's investment managers and its custodian bank, which use a variety of pricing sources to determine market valuations. Fair values of equity securities have been determined by the Alliance from market quotations.

Alternative Investments: The Alliance generally uses net asset value per unit as provided by external investment managers without further adjustment as the practical expedient estimate of the fair value of its alternative investment in a real estate fund. Accordingly, such values may differ from values that would have been used had an active market for the investments existed. The real estate fund invests primarily in U.S. commercial real estate. The Alliance may request redemption of all or a portion of its interests as of the end of a calendar quarter by delivering written notice to the fund managers at least 60 days prior to the end of the quarter. Such redemptions are subject to the capital requirements of the fund manager.

The Alliance's investment in Premier Class B units does not have a readily determinable fair value and have been reported at estimated fair market value. The significant unobservable inputs primarily relate to management's estimate of the discount for lack of marketability of 12%. Accordingly, such value may differ from values that would have been used had an active market for the investment existed and as such it has been classified in Level 3 of the fair value hierarchy.

Derivative Agreements: The valuation of the Alliance's derivative agreements is determined using market valuation techniques, including discounted cash flow analysis on the expected cash flows of each agreement. This analysis reflects the contractual terms of the agreement, including the period to maturity, and uses certain observable market-based inputs. The fair values of interest rate agreements are determined by netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments). The variable cash receipts (or payments) are based on the expectation of future interest rates and the underlying notional amount. The Alliance also incorporates credit valuation adjustments (CVAs) to appropriately reflect both its own nonperformance or credit risk and the respective counterparty's nonperformance or credit risk in the fair value measurements. The CVA on the Alliance's interest rate swap agreements at June 30, 2015 and 2014 resulted in a decrease in the fair value of the related liability of $713 and $4,584, respectively.

A certain portion of the inputs used to value its interest rate swap agreements, including the forward interest rate curves and market perceptions of the Alliance's credit risk used in the CVAs, are unobservable inputs available to a market participant. As a result, the Alliance has determined that the interest rate swap valuations are classified in Level 3 of the fair value hierarchy. Due to the nature of these financial instruments, such estimates of fair value are subject to significant change in the near term.

The following tables provide a summary of changes in the fair value of the Alliance's Level 3 financial assets and liabilities during the fiscal years ended June 30, 2015 and 2014:

	Alternative Investment	*Derivatives, Net*
July 1, 2013	$ -	$ (8,185)
Total unrealized/realized losses	-	(2,761)
Net investment income	-	343
Additions	14,713	-
June 30, 2014	14,713	(10,603)
Total unrealized/realized gains	6,978	7,718
Net investment income	-	344
Settlements	(6,967)	-
June 30, 2015	$ 14,724	$ (2,541)

NOTE O--OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

The Alliance does not present expense information by functional classification because its resources and activities are primarily related to providing healthcare services. Further, since the Alliance receives substantially all of its resources from providing healthcare services in a manner similar to business enterprises, other indicators contained in these consolidated financial statements are considered important in evaluating how well management has discharged their stewardship responsibilities.

NOTE P--SUBSEQUENT EVENTS

The Alliance and Wellmont Health System (Wellmont) have agreed to exclusively explore the creation of a new, integrated and locally governed health system. Wellmont operates six hospitals and numerous outpatient care sites, serving communities in Northeast Tennessee and Southwest Virginia. Wellmont and the Alliance have filed a letter of intent (LOI) with the Tennessee Department of Health, indicating the organizations will submit an application for a Certificate of Public Advantage (COPA). The two organizations have submitted a similar letter of intent with the Southwest Virginia Health Authority, signaling their intent to request approval by the commonwealth of the anticipated cooperative agreement between the two systems. A COPA in Tennessee and the cooperative agreement approval process in Virginia will allow Wellmont and the Alliance to merge, with the states actively supervising the proposed new health system to ensure it complies with the provisions of the COPA intended to contain costs and sustain high quality, affordable care. The two organizations are in the process of finalizing a definitive agreement. The date for expected completion of the merger has not been set but will not occur before state approval has been granted.

SUPPLEMENTAL #1

September 28, 2016
12:19 pm

Supplemental Information

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Balance Sheets
(Smyth County Community Hospital and Subsidiary and Norton Community Hospital and Subsidiaries)
(Dollars in Thousands)

June 30, 2015

	Smyth County Community Hospital and Subsidiary	*Norton Community Hospital and Subsidiaries*
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,940	$ 6,798
Patient accounts receivable, less estimated allowances for uncollectible accounts	6,295	11,137
Other receivables, net	156	310
Inventories and prepaid expenses	1,079	2,061
Estimated amounts due from third-party payers, net	793	292
TOTAL CURRENT ASSETS	11,263	20,598
INVESTMENTS, less amounts required to meet current obligations	24,807	30,451
PROPERTY, PLANT AND EQUIPMENT, net	67,550	50,275
OTHER ASSETS		
Net deferred financing, acquisition costs and other charges	139	210
Other assets	741	-
TOTAL OTHER ASSETS	880	210
	$ 104,500	$ 101,534

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Balance Sheets - Continued
(Smyth County Community Hospital and Subsidiary and Norton Community Hospital and Subsidiaries)
(Dollars in Thousands)

June 30, 2015

	Smyth County Community Hospital and Subsidiary	*Norton Community Hospital and Subsidiaries*
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued interest payable	$ 12	$ 15
Current portion of long-term debt and capital lease obligations	134	110
Accounts payable and accrued expenses	2,323	6,245
Accrued salaries, compensated absences and amounts withheld	2,116	4,388
Payables to affiliates, net	342	89
TOTAL CURRENT LIABILITIES	4,927	10,847
OTHER LIABILITIES		
Long-term debt and capital lease obligations, less current portion	15,830	20,985
Estimated professional liability self-insurance	442	632
Other long-term liabilities	1,178	8,200
TOTAL LIABILITIES	22,377	40,664
NET ASSETS		
Unrestricted net assets	82,114	60,734
Temporarily restricted net assets	9	136
TOTAL NET ASSETS	82,123	60,870
	$ 104,500	$ 101,534

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Operations and Changes in Net Assets
(Smyth County Community Hospital and Subsidiary and Norton Community Hospital and Subsidiaries)
(Dollars in Thousands)

Year Ended June 30, 2015

	Smyth County Community Hospital and Subsidiary	*Norton Community Hospital and Subsidiaries*
UNRESTRICTED NET ASSETS:		
Revenue, gains and support:		
Patient service revenue, net of contractual allowances and discounts	$ 48,370	$ 78,667
Provision for bad debts	(5,332)	(8,546)
Net patient service revenue	43,038	70,121
Net investment gain	651	746
Other revenue, gains and support	1,745	2,576
TOTAL REVENUE, GAINS AND SUPPORT	45,434	73,443
Expenses and losses:		
Salaries and wages	17,289	23,681
Physician salaries and wages	257	6,043
Contract labor	170	567
Employee benefits	4,365	8,965
Fees	9,050	8,326
Supplies	5,349	8,793
Utilities	978	1,286
Other	4,348	7,753
Depreciation	4,289	4,489
Amortization	8	30
Interest and taxes	156	257
TOTAL EXPENSES AND LOSSES	46,259	70,190
EXCESS (DEFICIT) OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	(825)	3,253
Pension and postretirement liability adjustments	-	(305)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(825)	2,948

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Operations and Changes in Net Assets - Continued
(Smyth County Community Hospital and Subsidiary and Norton Community Hospital and Subsidiaries)
(Dollars in Thousands)

Year Ended June 30, 2015

	Smyth County Community Hospital and Subsidiary	*Norton Community Hospital and Subsidiaries*
TEMPORARILY RESTRICTED NET ASSETS:		
Restricted grants and contributions	8	134
Net assets released from restrictions	(8)	(160)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	-	(26)
INCREASE (DECREASE) IN TOTAL NET ASSETS	(825)	2,922
NET ASSETS, BEGINNING OF YEAR	82,948	57,948
NET ASSETS, END OF YEAR	$ 82,123	$ 60,870

MOUNTAIN STATES HEALTH ALLIANCE

Consolidating Balance Sheet
(Obligated Group and Other Entities)
(Dollars in Thousands)

June 30, 2015

	Obligated Group	*Other Entities*	*Eliminations*	*Total*
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 47,025	$ 32,689	$ -	$ 79,714
Current portion of investments	19,598	-	-	19,598
Patient accounts receivable, less estimated allowance for uncollectible accounts	134,777	27,479	-	162,256
Other receivables, net	17,873	15,413	-	33,286
Inventories and prepaid expenses	25,427	8,542	-	33,969
TOTAL CURRENT ASSETS	244,700	84,123	-	328,823
INVESTMENTS, less amounts required to meet current obligations	458,373	236,169	-	694,542
EQUITY IN AFFILIATES	351,724	-	(351,724)	-
PROPERTY, PLANT AND EQUIPMENT, net	614,870	232,219	-	847,089
OTHER ASSETS				
Goodwill	152,600	3,996	-	156,596
Net deferred financing, acquisition costs and other charges	23,504	1,251	-	24,755
Other assets	44,738	8,302	-	53,040
TOTAL OTHER ASSETS	220,842	13,549	-	234,391
	$ 1,890,509	$ 566,060	$ (351,724)	$ 2,104,845

See note to supplemental information.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidating Balance Sheet – Continued
(Obligated Group and Other Entities)
(Dollars in Thousands)

June 30, 2015

	Obligated Group	*Other Entities*	*Eliminations*	*Total*
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accrued interest payable	$ 18,125	$ 34	$ -	$ 18,159
Current portion of long-term debt and capital lease obligations	22,040	18,246	-	40,286
Accounts payable and accrued expenses	80,408	19,893	-	100,301
Accrued salaries, compensated absences and amounts withheld	54,519	17,547	-	72,066
Payables to (receivables from) affiliates, net	15,314	(15,314)	-	-
Estimated amounts due to third-party payers, net	3,909	872	-	4,781
TOTAL CURRENT LIABILITIES	194,315	41,278	-	235,593
OTHER LIABILITIES				
Long-term debt and capital lease obligations, less current portion	1,012,167	19,494	-	1,031,661
Estimated fair value of derivatives, net	2,541	-	-	2,541
Estimated professional liability self-insurance	7,362	1,099	-	8,461
Other long-term liabilities	35,176	3,507	-	38,683
TOTAL LIABILITIES	1,251,561	65,378	-	1,316,939
NET ASSETS				
Unrestricted net assets				
Mountain States Health Alliance	583,287	344,360	(344,360)	583,287
Noncontrolling interests in subsidiaries	42,160	143,222	5,736	191,118
TOTAL UNRESTRICTED NET ASSETS	625,447	487,582	(338,624)	774,405
Temporarily restricted net assets				
Mountain States Health Alliance	13,303	12,966	(12,966)	13,303
Noncontrolling interests in subsidiaries	71	7	(7)	71
TOTAL TEMPORARILY RESTRICTED NET ASSETS	13,374	12,973	(12,973)	13,374
Permanently restricted net assets	127	127	(127)	127
TOTAL NET ASSETS	638,948	500,682	(351,724)	787,906
	$ 1,890,509	$ 566,060	$ (351,724)	$ 2,104,845

See note to supplemental information.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidating Statement of Operations
(Obligated Group and Other Entities)
(Dollars in Thousands)

Year Ended June 30, 2015

	Obligated Group	*Other Entities*	*Eliminations*	*Total*
Revenue, gains and support:				
Patient service revenue, net of contractual allowances and discounts	$ 925,979	$ 203,883	$ (12,908)	$ 1,116,954
Provision for bad debts	(104,724)	(22,795)	-	(127,519)
Net patient service revenue	821,255	181,088	(12,908)	989,435
Premium revenue	-	32,184	-	32,184
Net investment gain	12,486	4,530	-	17,016
Net derivative gain	13,195	695	-	13,890
Other revenue, gains and support	27,244	97,465	(88,138)	36,571
Equity in net gain of affiliates	716	10,275	(10,991)	-
TOTAL REVENUE, GAINS AND SUPPORT	874,896	326,237	(112,037)	1,089,096
Expenses:				
Salaries and wages	284,643	67,093	(6,581)	345,155
Physician salaries and wages	64,838	71,222	(55,781)	80,279
Contract labor	3,101	2,913	(598)	5,416
Employee benefits	66,881	17,443	(7,018)	77,306
Fees	97,754	35,093	(12,156)	120,691
Supplies	146,516	29,660	(126)	176,050
Utilities	12,981	3,798	(4)	16,775
Medical Costs	-	30,566	(12,183)	18,383
Other	61,323	26,524	(6,370)	81,477
Depreciation	51,307	15,903	-	67,210
Amortization	1,488	69	-	1,557
Interest and taxes	41,599	2,098	-	43,697
TOTAL EXPENSES	832,431	302,382	(100,817)	1,033,996
EXCESS OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	$ 42,465	$ 23,855	$ (11,220)	$ 55,100

See note to supplemental information.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidating Statement of Changes in Net Assets
(Obligated Group and Other Entities)
(Dollars in Thousands)

Year Ended June 30, 2015

	Obligated Group		*Total*	*Other Entities*		*Total*		
	Mountain States Health Alliance	*Noncontrolling Interests*	*Obligated Group*	*Mountain States Health Alliance*	*Noncontrolling Interests*	*Other Entities*	*Eliminations*	*Total*
UNRESTRICTED NET ASSETS:								
Excess of Revenue, Gains and Support over Expenses and Losses	$ 41,008	$ 1,457	$ 42,465	$ 13,832	$ 10,023	$ 23,855	$ (11,220)	$ 55,100
Pension and other defined benefit plan adjustments	(178)	(152)	(330)	(207)	(206)	(413)	413	(330)
Net assets released from restrictions used for the purchase of property, plant and equipment	478	-	478	478	-	478	(478)	478
Repurchases of noncontrolling interests, net	-	(1,000)	(1,000)	-	(14)	(14)	-	(1,014)
Distributions to noncontrolling interests	-	-	-	(458)	(355)	(813)	458	(355)
Net asset transfers	-	-	-	912	2,372	3,284	(3,284)	-
INCREASE IN UNRESTRICTED NET ASSETS	41,308	305	41,613	14,557	11,820	26,377	(14,111)	53,879
TEMPORARILY RESTRICTED NET ASSETS:								
Restricted grants and contributions	3,663	69	3,732	3,172	7	3,179	(3,179)	3,732
Net assets released from restrictions	(2,564)	(82)	(2,646)	(2,093)	(5)	(2,098)	2,098	(2,646)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	1,099	(13)	1,086	1,079	2	1,081	(1,081)	1,086
INCREASE IN TOTAL NET ASSETS	42,407	292	42,699	15,636	11,822	27,458	(15,192)	54,965
NET ASSETS, BEGINNING OF YEAR	554,310	41,939	596,249	341,817	131,407	473,224	(336,532)	732,941
NET ASSETS, END OF YEAR	$ 596,717	$ 42,231	$ 638,948	$ 357,453	$ 143,229	$ 500,682	$ (351,724)	$ 787,906

See note to supplemental information.

SUPPLEMENTAL #1
September 28, 2016
12:19 pm

MOUNTAIN STATES HEALTH ALLIANCE

Note to Supplemental Information

Year Ended June 30, 2015

NOTE A--OBLIGATED GROUP MEMBERS

As described in Note F to the consolidated financial statements, the Alliance has granted a deed of trust on JCMC and SSH to secure the payment of the outstanding bonds. The bonds are also secured by the Alliance's receivables, inventories and other assets as well as certain funds held under the documents pursuant to which the bonds were issued. The members pledged pursuant to the Amended and Restated Master Trust Indenture between Mountain States Health Alliance and the Bank of New York Mellon Trust Company, NA as Master Trustee include Johnson City Medical Center Hospital, Indian Path Medical Center, Franklin Woods Community Hospital, Sycamore Shoals Hospital, Johnson County Community Hospital, Russell County Medical Center, Unicoi County Memorial Hospital, Norton Community Hospital (hospital only), Smyth County Community Hospital (hospital only) and Blue Ridge Medical Management Corporation (parent company only), collectively defined as the Obligated Group (Obligated Group).

The supplemental consolidating information includes the accounts of the members of the Obligated Group after elimination of all significant intergroup accounts and transactions. Certain other subsidiaries of the Alliance are not pledged to secure the payment of the outstanding bonds as they are not part of the Obligated Group. These affiliates have been accounted for within the Obligated Group based upon the Alliance's original and subsequent investments, as adjusted for the Alliance's pro rata share of income or losses and any distributions, and are included as a part of equity in affiliates in the supplemental consolidating balance sheet.

CN1609-032
LP Johnson City LLC

Attachment
First Supplemental Question 21

SUPPLEMENTAL #1
September 28, 2016
12:19 pm

AFFIDAVIT

STATE OF KENTUCKY

COUNTY OF JEFFERSON

SANDRA ADAMS, 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.

Sandra Adams
SIGNATURE/TITLE

Sworn to and subscribed before me this 1ST day of SEPTEMBER (Month), 2016 (Year) a Notary

Public in and for the County/State of JEFFERSON/KENTUCKY.

Melody Shannon
NOTARY PUBLIC

My commission expires AUGUST 20 (Month/Day), 2017 (Year).

MELODY SHANNON
Notary Public-State at Large
Kentucky - Notary ID#495423
My Commission Expires August 20, 2017

SUPPLEMENTAL #1

September 28, 2016
12:19 pm

CN1609-033
LP Johnson City, LLC

Supplemental Affidavit

SUPPLEMENTAL #1
September 28, 2016
12:19 pm

AFFIDAVIT - SUPPLEMENTAL

STATE OF KENTUCKY

COUNTY OF JEFFERSON

SANDRA ADAMS, being first duly sworn, says that he/she is 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.

Sandra Adams
SIGNATURE/TITLE

Sworn to and subscribed before me this 27th day of September (Month), 2016 (Year) a Notary

Public in and for the County/State of JEFFERSON/KENTUCKY.

Melody Shannon
NOTARY PUBLIC

My commission expires AUGUST 20 (Month/Day), 2017 (Year).

MELODY SHANNON
Notary Public-State at Large
Kentucky - Notary ID#495423
My Commission Expires August 20, 2017

SUPPLEMENTAL #1
September 28, 2016
12:19 pm

Ramsey DEVELOPMENT

September 20, 2016

Ms. Melanie Hill, Director
Tennessee Health Facilities Commission
Andrew Jackson State Office Building
502 Deaderick Street, 9th Floor
Nashville, Tennessee 37243

RE: LP Johnson City, LLC, Proposed Replacement Facility

Dear Ms. Hill:

I am with Ramsey Development. We will be constructing the proposed 107 bed combined skilled nursing facility / assisted living that is the subject of the LP Johnson City LLC CON application. As part of that process, I have reviewed the estimated project costs included with the Certificate of Need application to be filed for the proposed replacement skilled nursing facility at 401 Princeton Road, Johnson City, TN and agree that the proposed costs in the application are a reasonable estimate of the construction costs. Note that based on the development agreement associated with this project, the Applicant will purchase the facility between month 13 and month 24 for the amount listed as described within the application.

I have reviewed the proposed project and plans, and it is intended that our company will construct the new facility. From the information I have reviewed, we have evaluated the total projected costs cited in the application for this project and believe them to be reasonable based on our experience and judgement. Based upon the plans, the total project square footage is 73,168 and that allocated to the SNF is 33,037. The total project costs of $ 8,522,730 and acquisition price of $6,117,973.34 are reasonable.

The proposed facility will be constructed to meet all applicable building and life safety codes and those codes will be followed in the construction. I have included a list of such codes as an attachment to this letter. The physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in current use by the Department of Health.

Should you have any other questions for which I can be of assistance, please do not hesitate to contact me.

Very truly yours,
Stephen Satterfield
Managing Director
1515 Ormsby Station Court, Louisville, KY, 40223

706 Jefferson Street | Tell City, IN, 47586 | P: 812-547-8052

Current Applicable Building Standards

City Codes:

- 2012 International Building Code
- 2012 International Plumbing Code
- 2012 International Mechanical Code
- 2012 International Fuel Gas Code
- 2006 International Energy Conservation Code
- 2011 National Electrical Code
- 2012 International Fire Code and "its referenced NFPA Codes; there are also adopted local Amendments to the IFC."
- 2010 ADA Standards
- ICC A117.1-2009 Accessible and Usable Buildings and Facilities

Department of Health current codes:

- 2006 International Building Code
- 2006 International Plumbing Code
- 2006 International Mechanical Code
- 2006 International Gas Code
- 2006 NFPA 1, excluding NFPA 5000
- 2006 NFPA 101 Life Safety Code
- 2005 National Electrical Code
- 2002 North Carolina Accessibility Code with 2004 Amendments
- 2010 Americans with Disabilities Act
- 2010 AIA Guidelines for the Design and Construction of Health Care Facilities
- 2007 ASHRAE Handbook of Fundamentals

CN1609-032
LP Johnson City LLC

Attachment
First Supplemental Question 16

2. Identify the funding sources for this project.

   Check the applicable item(s) below and briefly summarize how the project will be financed. ***(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)***

   X 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;

   X E. Cash Reserves – Appropriate documentation from Chief Financial Officer of the organization providing the funding for the project and audited financial statements of the organization; and/or

   __ F. Other – Identify and document funding from all other sources.

   RESPONSE: The project will be funded from existing cash reserves of the joint venture's ownership. Both partners have documented their availability of funds to complete the project. See Attachment C, Economic Feasibility (2).

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

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

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

   RESPONSE: The following two (2) pages contain the Historical Data Chart and the Projected Data Chart. The historical data chart profiles JCMC's performance between FY2012 and FY2014. The projected data chart profiles PTC's estimated performance for the first two complete fiscal years of operation (FY2016 and FY2017).

   Please note, because FTC has not been operational for the over this period, we have not included any information from the Facility and the historical data chart reflects only Princeton Transitional Care.

SUPPLEMENTAL #1
September 28, 2016
12:19 pm

FIRST REPUBLIC BANK
It's a privilege to serve you®

IRREVOCABLE STANDBY LETTER OF CREDIT

Letter of Credit No.: **77-563697-2**

Dated: **July 13, 2016**

Blue Ridge Medical Management Corporation
400 North State of Franklin
Johnson City, TN 37604
Attn: Grace Pereira

Ladies and Gentlemen:

At the request and for the account of **SHC LP Holdings III, LLC and 401 Princeton Road, LLC** ("Applicant"), we hereby establish in your favor our irrevocable standby letter of credit in an aggregate amount not to exceed **Two Million Three Hundred Sixty-Nine Thousand Two Hundred Forty-Six and 00/100 US Dollars (US $2,369,246.00)** available for payment by your draft upon presentation to us of the following:

1. This original letter of credit together with all executed written amendments hereto.
2. An original signed and dated drawing certificate from you addressed to us in the form annexed hereto as **Exhibit A** (after complying with all instructions in brackets contained therein).

Drawing certificates shall be drawn on us and presented to us at the Letter of Credit Office (as hereinafter defined) at or before 5:00 p.m., local time of the Letter of Credit Office, on a Business Day (as hereinafter defined) occurring not later than the Expiration Date (as hereinafter defined). As used herein: **"Letter of Credit Office"** means our office located at 1888 Century Park East, 2nd Floor, Los Angeles, CA 90067, Attn: Business Banking; and **"Business Day"** means any day other than a Saturday, Sunday or other day on which the Letter of Credit Office is not open for business or on which commercial banks are authorized or required to close, or are in fact closed, under the laws of California.

All drawing certificates drawn under this letter of credit shall contain the above-referenced letter of credit number. We agree that all drawing certificates drawn on us under and in compliance with the terms of this letter of credit will be duly honored by us not later than seven (7) Business Days following presentation to the Letter of Credit Office. Our obligation hereunder is our individual obligation and is not contingent upon reimbursement. We will pay all drawings under this Letter of Credit with our own funds and not with funds derived from Applicant or a subsidiary or affiliate thereof.

This standby letter of credit expires on **February 1, 2017** (the date on which this standby letter of credit expires is referred to herein as the **"Expiration Date"**); however, the Expiration Date shall automatically be renewed, without the necessity of any amendment to this letter of credit, to **February 1st** in each succeeding calendar year up to but not beyond **February 1, 2020**, unless we provide you with written notice no later than **sixty (60)** days before the then existing Expiration Date that we have elected not to renew this letter of credit (the **"Non-Renewal Notice"**). The Non-Renewal Notice shall be sent to you by express or overnight courier or registered mail to the address set forth above or at such other address as you may have notified us in writing. Any Non-Renewal Notice shall be deemed received by you ten (10) calendar days after having been sent by us to you in accordance with the provisions hereof.

Partial drawings under this letter of credit are permitted. If a partial drawing is made, we will promptly return the original letter of credit to Beneficiary to facilitate subsequent drawings; we at our option may note on the letter of credit the amount of such partial drawing. The amount of this letter of credit shall be automatically and permanently reduced, without amendment by the amount of each drawing paid hereunder.

2193

Loan No.: 77-563697-2
Obligor No.: 0210517202

This letter of credit may be reduced at the written request of the Beneficiary. Upon our receipt of each reduction certificate in the form annexed hereto as **Exhibit B** (after complying with all instructions in brackets contained therein.) the amount of this letter of credit shall be automatically and permanently reduced, without amendment, by the amount of the reduction requested.

This letter of credit is transferable in the full amount available for drawing hereunder at the time of such transfer and only to a single transferee. Transfer of this letter of credit by the existing Beneficiary is subject to our receipt of Beneficiary's notice of transfer in the form annexed hereto as **Exhibit C** (after complying with all instructions in brackets contained therein) along with the original of this letter of credit (and any amendments thereto).

Notwithstanding the foregoing, no transfer of this letter of credit may be made to a person or entity (a "transferee") who is, and we may refuse to honor any attempted transfer to any proposed transferee whom we determine to be, a specially designated national terrorist or narcotics trafficker, a blocked entity, or a person or entity with respect to which transactions are prohibited or otherwise restricted, or which is located in or a national of a country with respect to which transactions are prohibited or restricted, pursuant to the Foreign Assets Control Regulations of the United States Treasury Department.

Standard fees apply for each reduction, transfer, renewal and/or partial draw of this letter of credit (in each of the foregoing circumstances, solely to the extent expressly permitted hereby), which fees are payable by Applicant.

We may accept documents which appear on their face to be in order without responsibility for further investigation (even as regards any purported default by Applicant) regardless of any notice or information to the contrary.

This letter of credit is subject to and governed by the International Standby Practices 1998 of the International Chamber of Commerce, Publication 590 or to any subsequent version of such publication as in effect on the date hereof ("ISP98") and, as to matters not covered therein and not inconsistent therewith, the internal laws of California, including, without limitation, the Uniform Commercial Code as from time to time in effect in such jurisdiction.

First Republic Bank

By: _____

Name: Rose C. Stewart

Director

Title: ~~Manager Commercial Loan Operations~~

Exhibit A to First Republic Bank
Irrevocable Standby Letter of Credit No. _____

[EXHIBIT TO BE TYPED ON BENEFICIARY'S LETTERHEAD]

IRREVOCABLE STANDBY LETTER OF CREDIT DRAWING CERTIFICATE

First Republic Bank
1888 Century Park East, 2nd Floor
Los Angeles, CA 90067, Attn: Business Banking
Attention: Business Banking

Re: Irrevocable Standby Letter of Credit No. **[insert Letter of Credit No.]**, dated **[insert date]**, issued by First Republic Bank (the **"Letter of Credit"**) for the account of **[insert name of applicant]** ("Applicant")

Ladies and Gentlemen:

The undersigned, being the beneficiary (**"Beneficiary"**) (or a duly authorized representative thereof) of the Letter of Credit, hereby:

(a) demands payment from you in the amount of **[insert amount in words]** US Dollars (US$**[insert amount in figures]**) under the Letter of Credit, and

(b) certifies to you that the amount demanded represents funds due and owing from Applicant to Beneficiary under one or more transactions and/or agreements/leases with Applicant.

Each capitalized term used but not otherwise defined herein has the meaning ascribed thereto in the Letter of Credit.

IN WITNESS WHEREOF, the undersigned has executed and delivered this original certificate as of **[insert date]**.

Very truly yours,

[insert name of Beneficiary and date of this Drawing Certificate]

By: **[insert signature]**

Name: **[insert name]**

Title: **[insert title]**

Date: **[insert date]**

Exhibit B to First Republic Bank
Irrevocable Standby Letter of Credit No. _____

[EXHIBIT TO BE TYPED ON BENEFICIARY'S LETTERHEAD]

IRREVOCABLE STANDBY LETTER OF CREDIT REDUCTION CERTIFICATE

First Republic Bank
1888 Century Park East, 2nd Floor
Los Angeles, CA 90067, Attn: Business Banking
Attention: Business Banking

Re: Irrevocable Standby Letter of Credit No. **[Insert Letter of Credit No.]**, dated **[Insert date]**, issued by First Republic Bank (the **"Letter of Credit"**) for the account of **[Insert name of applicant]** (**"Applicant"**), with the current amount available for drawing thereunder being **[Insert in words current amount available for drawing under the Letter of Credit]** US Dollars (US$**[insert in figures current amount available for drawing under the Letter of Credit]**).

Ladies and Gentlemen:

The undersigned, being the beneficiary (**"Beneficiary"**) (or a duly authorized representative thereof) of the Letter of Credit, hereby unconditionally and irrevocably requests that you decrease the amount available for drawing under the Letter of Credit by **[insert amount in words]** US Dollars (US$**[insert amount in figures]**), resulting in the amount available for drawing under the Letter of Credit to be reduced to **[insert in words reduced amount available for drawing under the Letter of Credit]** US Dollars (US$**[insert in figures reduced amount available for drawing under the Letter of Credit]**).

IN WITNESS WHEREOF, the undersigned has executed and delivered this original certificate as of the **[Insert date]**.

Very truly yours,

[Insert name of Beneficiary and date of this Reduction Certificate]

By: **[Insert signature]**

Name: **[Insert name]**

Title: **[Insert title]**

Date: **[Insert date]**

Requested reduction hereby acknowledged:

FIRST REPUBLIC BANK

By: _____

Name: _____

Title: _____

Date: _____

Exhibit C to First Republic Bank
Irrevocable Standby Letter of Credit No. _____

[EXHIBIT TO BE TYPED ON BENEFICIARY'S LETTERHEAD]

NOTICE OF TRANSFER OF ENTIRE
IRREVOCABLE STANDBY LETTER OF CREDIT

First Republic Bank
1888 Century Park East, 2nd Floor
Los Angeles, CA 90067, Attn: Business Banking
Attention: Business Banking

Re: Irrevocable Standby Letter of Credit No. **[insert Letter of Credit No.]**, dated **[insert date]**, issued by First Republic Bank (the **"Letter of Credit"**) for the account of **[Insert name of applicant]** (**"Applicant"**)

Ladies and Gentlemen:

For value received, the undersigned, being the beneficiary (**"Beneficiary"**) (or a duly authorized representative thereof) of the Letter of Credit, hereby irrevocably assigns and transfers all of the Beneficiary's rights under the Letter of Credit, as previously and hereafter amended, supplemented and/or otherwise modified, to:

[insert full name and address of transferee]

By this transfer, all of our rights in the Letter of Credit are transferred to the transferee, and the transferee shall have the sole rights as beneficiary under the Letter of Credit, including sole rights relating to any amendments, whether extensions or other amendments, and whether now existing or hereafter made. You are hereby irrevocably instructed to advise future amendment(s) of the Letter of Credit to the transferee without our consent or notice to us.

The original Letter of Credit is herewith returned with all amendments to this date. Please notify the transferee in such form as you deem advisable of this transfer and of the terms and conditions to this Letter of Credit, including amendments as transferred.

Very truly yours,

[insert name of Beneficiary and date of this Notice of Transfer]

By: **[insert signature]**

Name: **[Insert name]**

Title: **[insert title]**

Date: **[insert date]**

Receipt of Instruction to Transfer acknowledged:

FIRST REPUBLIC BANK

By: _____

Name: _____

Title: _____

Date: _____

SUPPLEMENTAL #1
September 28, 2016
12:19 pm

SERVISFIRST BANK
1801 West End Avenue
Suite 850
Nashville, TN 37203
T 615.921.3500
servisfirstbank.com

September 27, 2016

Ms. Melanie Hill
Executive Director
Tennessee Health and Development Services Agency
502 Deaderick Street, 9th Floor
Nashville, TN 37242

ServisFirst Bank

RE: Financing Letter of Interest for permanent financing of a combination Skilled Nursing Facility and Assisted Living Facility in Johnson City, TN

Dear Ms. Hill :

I am writing in regards to my recent discussions with the senior management team of Signature Healthcare concerning financing for up to $14,000,000 of an approximate $18,000,000 project. The project to be financed will be a combination 47 bed Skilled Nursing Facility and 60 bed Assisted Living Facility in Johnson City, TN. The project will be owned and operated by LP Johnson City, LLC; a joint venture entity to be majority owned by Signature Healthcare, LLC, with a minority ownership position of Mountain States Health Alliance.

On behalf of ServisFirst Bank (the "Bank"), I am pleased to advise you of the Bank's intent to extend a Credit Facility to JC RNC RE, LLC (the "Borrower") in an amount up to $14,000,000 for permanent financing once the building is complete and the Certificate of Occupancy is delivered to the Borrower from the property developer. The Credit Facility is expected to be structured with a 5 year maturity and an amortization schedule in the 20-25 year range. The Credit Facility is also expected to be subject to a loan to value ratio customary for this financing type in the 75-80% range. Based on current market conditions and the anticipated loan to value ratio, the interest rate on the Credit Facility is anticipated to be between 5.50 – 6%. The Credit Facility would include security documentation typical for a transaction of this type, including deeds of trust, assignments of leases, and upstream guarantees from the parent entities of the Borrower. It would also be subject to conditions precedent, terms, loan covenants, and performance ratios that are standard for a transaction of this type (including fixed charge coverage and other applicable financial performance covenants).

ServisFirst Bank very much looks forward to working with Signature Healthcare and Mountain States Health Alliance on this important project. Please feel free to contact me if you have any questions or need additional information from the Bank.

Sincerely,

Bill Berrell
Senior Vice President
Director, Healthcare Banking

CN1609-032
LP Johnson City LLC

Attachment
First Supplemental Question 18

X Total Facility
X Project Only

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this project. The fiscal year begins in December - FOR PROJECT & FACILITY

		Year - 2018	Year - 2019
A.	**Utilization Data *(=patient days)***	**12,091**	**15,087**
B.	**Revenue from Services to Patients**		
1.	Inpatient Services	$ 5,097,760	$ 6,277,242
2.	Outpatient Services	$ -	$ -
3.	Emergency Services	$ -	$ -
4.	Other Operating Revenue (Specify - _____)	$ -	$ -
	Gross Operating Revenue	**$ 5,097,760**	**$ 6,277,242**
C.	**Deductions from Gross Operating Revenue**		
1.	Contractual Adjustments	$ -	$ -
2.	Provisions for Charity Care	$ -	$ -
3.	Provisions for Bad Debt	$ 50,978	$ 62,772
	Total Deductions	**$ 50,978**	**$ 62,772**
NET OPERATING REVENUE		**$ 5,046,783**	**$ 6,214,469**
D.	**Operating Expenses**	$ -	$ -
1.	Salaries and Wages	$ 1,635,611	$ 1,986,412
a.	Direct Patient Care	$ 1,422,336	$ 1,751,138
b.	Non-Direct Patient Care	$ 213,275	$ 235,274
2.	Physician's Salaries and Wages		
3.	Supplies	$ 568,939	$ 688,808
4.	Rent	$ 581,353	$ 691,259
a.	Paid to Affiliates	$ -	$ 691,259
b.	Paid to Non-Affiliates	$ 581,353	$ -
5.	Management Fees	$ 254,888	$ 313,862
a.	Paid to Affiliates	$ 254,888	$ 313,862
b.	Paid to Non-Affiliates		
6.	Other Operating Expenses	$ 1,485,917	$ 1,675,287
	Total Operating Expenses	**$ 4,526,708**	**$ 5,355,629**
E.	**Earnings Before Interest, Taxes, and Depreciation**	**$ 520,075**	**$ 858,841**
F.	**Non-Operating Expenses**		
1.	Taxes	$ 375,392	$ 405,210
2.	Depreciation	$ 58,985	$ 63,218
3.	Interest, Other than Capital	$ 22,793	$ 11,596
4.	Other Non-Operating Expenses		
	Total Non-Operating Expenses	**$ 457,171**	**$ 480,023**
NET OPERATING INCOME (LOSS)		**$ 62,904**	**$ 378,817**
G.	**Other Deductions**		

1.	Estimated Annual Principal Debt Repayment	$ -	$ -
2.	Annual Capital Expenditure	$ 59,400	$ 102,264
	Total Other Deductions	**$ 59,400**	**$ 102,264**
	NET BALANCE	**$ 3,533**	**$ 276,533**
	DEPRECIATION	**$ 58,985**	**$ 63,218**
	FREE CASH FLOW (Net Balance + Depreciation)	**$ 62,518**	**$ 339,771**

PROJECTED DATA CHART - OTHER EXPENSES

	OTHER EXPENSES CATEGORIES	Year - 2018	Year - 2019
1.	Nursing Services- Other	160,251	208,429
2.	Plant, Laundry, House- Other	132,615	160,470
3.	Therapy Services	807,389	832,490
4.	General & Admin.- Other	385,662	473,899
5.			
6.			
7.			
	Total Other Expenses	**$ 1,485,917**	**$ 1,675,287**

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

RESPONSE: The Applicant has provided this information in the Projected Data Chart and the project's charge information is as follows:

	Previous Year (2014)	Current Year (2015)	Year One	Year Two	% Change (Current Year to Year 2)
Gross Charge *(Gross Operating Revenue/Utilization Data)*	$2,485	$2,573	$421.61	$416.06	n/a
Deduction from Revenue *(Total Deductions/Utilization Data)*	$2,197	$2,261	$4.22	$4.16	n/a
Average Net Charge *(Net Operating Revenue/Utilization Data)*	$287.93	$311.52	$417.39	$411.94	n/a

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

SUPPLEMENTAL #1
September 28, 2016
12:19 pm

CN1609-032
LP Johnson City LLC

Attachment
First Supplemental Question 19

SUPPLEMENTAL #1
September 28, 2016
12:19 pm

MOUNTAIN STATES HEALTH ALLIANCE

Audited Consolidated Financial Statements (and Supplemental Information)

Years Ended June 30, 2015 and 2014

PYA
Certified Public Accountants

SUPPLEMENTAL #1

September 28, 2016
12:19 pm

MOUNTAIN STATES HEALTH ALLIANCE

Audited Consolidated Financial Statements (and Supplemental Information)
(Dollars in Thousands)

Years Ended June 30, 2015 and 2014

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SUPPLEMENTAL #1
September 28, 2016
12:19 pm

PERSHING YOAKLEY & ASSOCIATES, P.C.
One Cherokee Mills, 1220 Sutherland Avenue
Knoxville, TN 37919
p: (865) 673-0844 | f: (865) 673-0173
www.pyapc.com

PYA
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mountain States Health Alliance:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Mountain States Health Alliance and its subsidiaries (the Alliance), which comprise the consolidated balance sheets as of June 30, 2015 and 2014, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Alliance's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Alliance's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mountain States Health Alliance and its subsidiaries as of June 30, 2015 and 2014, and the results of their operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Pershing Yoakley & Associates PC

Knoxville, Tennessee
October 28, 2015

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Balance Sheets
(Dollars in Thousands)

	June 30, 2015	June 30, 2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 79,714	$ 59,185
Current portion of investments	19,598	25,029
Patient accounts receivable, less estimated allowances for uncollectible accounts of $73,805 in 2015 and $47,853 in 2014	162,256	161,318
Other receivables, net	33,286	45,502
Inventories and prepaid expenses	33,969	30,838
TOTAL CURRENT ASSETS	328,823	321,872
INVESTMENTS, less amounts required to meet current obligations	694,542	648,475
PROPERTY, PLANT AND EQUIPMENT, net	847,089	881,429
OTHER ASSETS		
Goodwill	156,596	156,613
Net deferred financing, acquisition costs and other charges	24,755	25,841
Other assets	53,040	48,350
TOTAL OTHER ASSETS	234,391	230,804
	$ 2,104,845	$ 2,082,580

See notes to consolidated financial statements.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Balance Sheets - Continued
(Dollars in Thousands)

	June 30, 2015	June 30, 2014
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued interest payable	$ 18,159	$ 18,648
Current portion of long-term debt and capital lease obligations	40,286	30,618
Accounts payable and accrued expenses	100,301	87,126
Accrued salaries, compensated absences and amounts withheld	72,066	72,181
Estimated amounts due to third-party payers, net	4,781	10,463
TOTAL CURRENT LIABILITIES	235,593	219,036
OTHER LIABILITIES		
Long-term debt and capital lease obligations, less current portion	1,031,661	1,075,069
Estimated fair value of derivatives	2,541	10,603
Estimated professional liability self-insurance	8,461	8,957
Other long-term liabilities	38,683	35,974
TOTAL LIABILITIES	1,316,939	1,349,639
COMMITMENTS AND CONTINGENCIES - Notes D, F, G, and M		
NET ASSETS		
Unrestricted net assets		
Mountain States Health Alliance	583,287	541,979
Noncontrolling interests in subsidiaries	191,118	178,547
TOTAL UNRESTRICTED NET ASSETS	774,405	720,526
Temporarily restricted net assets		
Mountain States Health Alliance	13,303	12,204
Noncontrolling interests in subsidiaries	71	84
TOTAL TEMPORARILY RESTRICTED NET ASSETS	13,374	12,288
Permanently restricted net assets	127	127
TOTAL NET ASSETS	787,906	732,941
	$ 2,104,845	$ 2,082,580

See notes to consolidated financial statements. 4

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Operations
(Dollars in Thousands)

	Year Ended June 30,	
	2015	*2014*
Revenue, gains and support:		
Patient service revenue, net of contractual allowances and discounts	**$ 1,116,954**	$ 1,046,767
Provision for bad debts	**(127,519)**	(122,642)
Net patient service revenue	**989,435**	924,125
Premium revenue	**32,184**	10,683
Net investment gain	**17,016**	50,703
Net derivative gain	**13,890**	3,219
Other revenue, gains and support	**36,571**	62,457
TOTAL REVENUE, GAINS AND SUPPORT	**1,089,096**	1,051,187
Expenses and losses:		
Salaries and wages	**345,155**	340,589
Physician salaries and wages	**80,279**	77,636
Contract labor	**5,416**	4,282
Employee benefits	**77,306**	69,173
Fees	**120,691**	115,606
Supplies	**176,050**	163,699
Utilities	**16,775**	17,052
Medical costs	**18,383**	6,633
Other	**81,477**	79,980
Loss on early extinguishment of debt	**-**	4,622
Depreciation	**67,210**	69,437
Amortization	**1,557**	1,742
Interest and taxes	**43,697**	44,392
TOTAL EXPENSES AND LOSSES	**1,033,996**	994,843
EXCESS OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	**$ 55,100**	$ 56,344

See notes to consolidated financial statements.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Changes in Net Assets
(Dollars in Thousands)

Year Ended June 30, 2015

	Mountain States Health Alliance	*Noncontrolling Interests*	*Total*
UNRESTRICTED NET ASSETS:			
Excess of Revenue, Gains and Support over Expenses and Losses	$ 41,008	$ 14,092	$ 55,100
Pension and other defined benefit plan adjustments	(178)	(152)	(330)
Net assets released from restrictions used for the purchase of property, plant and equipment	478	-	478
Repurchases of noncontrolling interests, net	-	(1,014)	(1,014)
Distributions to noncontrolling interests	-	(355)	(355)
INCREASE IN UNRESTRICTED NET ASSETS	41,308	12,571	53,879
TEMPORARILY RESTRICTED NET ASSETS:			
Restricted grants and contributions	3,663	69	3,732
Net assets released from restrictions	(2,564)	(82)	(2,646)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	1,099	(13)	1,086
INCREASE IN TOTAL NET ASSETS	42,407	12,558	54,965
NET ASSETS, BEGINNING OF YEAR	554,310	178,631	732,941
NET ASSETS, END OF YEAR	$ 596,717	$ 191,189	$ 787,906

See notes to consolidated financial statements.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Changes in Net Assets - Continued
(Dollars in Thousands)

Year Ended June 30, 2014

	Mountain States Health Alliance	*Noncontrolling Interests*	*Total*
UNRESTRICTED NET ASSETS:			
Excess of Revenue, Gains and Support over Expenses and Losses	$ 48,058	$ 8,286	$ 56,344
Pension and other defined benefit plan adjustments	194	194	388
Net assets released from restrictions used for the purchase of property, plant and equipment	3,313	-	3,313
Noncontrolling interest in acquired subsidiary	-	914	914
Distributions to noncontrolling interests	-	(461)	(461)
INCREASE IN UNRESTRICTED NET ASSETS	51,565	8,933	60,498
TEMPORARILY RESTRICTED NET ASSETS:			
Restricted grants and contributions	4,693	88	4,781
Net assets released from restrictions	(5,265)	(56)	(5,321)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(572)	32	(540)
INCREASE IN TOTAL NET ASSETS	50,993	8,965	59,958
NET ASSETS, BEGINNING OF YEAR	503,317	169,666	672,983
NET ASSETS, END OF YEAR	$ 554,310	$ 178,631	$ 732,941

See notes to consolidated financial statements.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Year Ended June 30,	
	2015	*2014*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	**$ 54,965**	$ 59,958
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for depreciation and amortization	**69,242**	71,789
Provision for bad debts	**127,519**	122,642
Loss on early extinguishment of debt	**-**	4,622
Change in estimated fair value of derivatives	**(7,718)**	2,761
Equity in net income of joint ventures, net	**(79)**	(369)
Loss (gain) on disposal of assets	**(2,192)**	(3,489)
Amounts received on interest rate swap settlements	**(6,172)**	(5,980)
Capital Appreciation Bond accretion and other	**2,780**	2,629
Restricted contributions	**(3,732)**	(4,781)
Pension and other defined benefit plan adjustments	**330**	(388)
Increase (decrease) in cash due to change in:		
Patient accounts receivable	**(128,457)**	(115,380)
Other receivables, net	**12,303**	(11,880)
Inventories and prepaid expenses	**(3,131)**	959
Trading securities	**(39,873)**	(46,451)
Other assets	**(3,128)**	(2,492)
Accrued interest payable	**(489)**	(1,058)
Accounts payable and accrued expenses	**16,745**	(6,666)
Accrued salaries, compensated absences and amounts withheld	**(115)**	8,006
Estimated amounts due to third-party payers, net	**(5,682)**	(16,312)
Estimated professional liability self-insurance	**(496)**	199
Other long-term liabilities	**2,379**	16,425
Total adjustments	**30,034**	14,786
NET CASH PROVIDED BY OPERATING ACTIVITIES	**84,999**	74,744
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment and property held for expansion	**(44,569)**	(64,424)
Acquisitions, net of cash acquired	**-**	(4,256)
Purchases of held-to-maturity securities	**(1,417)**	(5,978)
Net distribution from joint ventures and unconsolidated affiliates	**4,859**	661
Proceeds from sale of property, plant and equipment and property held for resale	**2,654**	2,858
NET CASH USED IN INVESTING ACTIVITIES	**(38,473)**	(71,139)

See notes to consolidated financial statements.

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Cash Flows - Continued
(Dollars in Thousands)

	Year Ended June 30,	
	2015	*2014*
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt and capital lease obligations, including deposits to escrow	**(36,210)**	(38,768)
Payment of acquisition and financing costs	**-**	(3,826)
Proceeds from issuance of long-term debt and other financing arrangements	**-**	11,916
Net amounts received on interest rate swap settlements	**6,172**	5,980
Restricted contributions received	**4,041**	5,376
NET CASH USED IN FINANCING ACTIVITIES	**(25,997)**	(19,322)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**20,529**	(15,717)
CASH AND CASH EQUIVALENTS, beginning of year	**59,185**	74,902
CASH AND CASH EQUIVALENTS, end of year	**$ 79,714**	$ 59,185
SUPPLEMENTAL INFORMATION AND NON-CASH TRANSACTIONS:		
Cash paid for interest	**$ 38,982**	$ 40,546
Cash paid for federal and state income taxes	**$ 917**	$ 854
Construction related payables in accounts payable and accrued expenses	**$ 5,034**	$ 8,604
Assets contributed into joint venture	**$ 8,668**	$ -
Supplemental cash flow information regarding acquisitions:		
Assets acquired, net of cash	**$ -**	$ 12,715
Liabilities assumed	**-**	(8,459)
Acquisitions, net of cash acquired	**$ -**	$ 4,256

During the year ended June 30, 2014, the Alliance refinanced previously issued debt of $318,385.

See notes to consolidated financial statements.

MOUNTAIN STATES HEALTH ALLIANCE

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Years Ended June 30, 2015 and 2014

NOTE A--ORGANIZATION AND OPERATIONS

Mountain States Health Alliance (the Alliance) is a tax-exempt entity with operations primarily located in Washington, Sullivan, Unicoi, and Carter counties of Tennessee and Smyth, Wise, Dickenson, Russell and Washington counties of Virginia. The primary operations of the Alliance consist of eleven acute and specialty care hospitals.

The Alliance's accompanying consolidated financial statements include all assets, liabilities, revenues, expenses, and changes in net assets attributable to the noncontrolling interests in the following subsidiaries:

- Smyth County Community Hospital and Subsidiary - the Alliance holds an 80% interest
- Norton Community Hospital and Subsidiaries - the Alliance holds a 50.1% interest
- Johnston Memorial Hospital, Inc. and Subsidiaries - the Alliance holds a 50.1% interest

The Alliance is the sole shareholder of Blue Ridge Medical Management Corporation (BRMM), a for-profit entity that owns and manages physician practices, real estate and ambulatory surgery centers and provides other healthcare services to individuals in Tennessee and Virginia.

The Alliance is a 99.9% shareholder of Integrated Solutions Health Network, LLC, a for-profit entity that owns a for-profit insurance company and an accountable care organization and administers a provider-sponsored health care delivery network,

The Alliance is the primary beneficiary of the activities of Mountain States Foundation, Inc., a not-for-profit foundation formed to coordinate fundraising and development activities of the Alliance.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of the Alliance and its consolidated subsidiaries after elimination of all significant intercompany accounts and transactions.

Use of Estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

MOUNTAIN STATES HEALTH ALLIANCE

Notes to Consolidated Financial Statements - Continued
(Dollars in Thousands)

Years Ended June 30, 2015 and 2014

Cash and Cash Equivalents: Cash and cash equivalents include all highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents designated as assets limited as to use or uninvested amounts included in investment portfolios are not included as cash and cash equivalents.

Investments: Investments include trading securities and held-to-maturity securities. Within the trading securities portfolio, all debt securities and marketable equity securities with readily determinable fair values are reported at fair value based on quoted market prices. Investments without readily determinable fair values are reported at estimated fair market value utilizing observable and unobservable inputs. Investments which the Alliance has the positive intent and ability to hold to maturity are classified as held-to-maturity and are stated at amortized cost. Realized gains and losses are computed using the specific identification method for cost determination. Interest and dividend income is reported net of related investment fees.

Management evaluates whether unrealized losses on held-to-maturity investments indicate other-than-temporary impairment. Such evaluation considers the amount of decline in fair value, as well as the time period of any such decline. Management does not believe any investment classified as held-to-maturity is other-than-temporarily impaired at June 30, 2015.

Investments in joint ventures are reported under the equity method of accounting, which approximates the Alliance's equity in the underlying net book value. Other assets include investments in joint ventures of $5,180 and $1,364 at June 30, 2015 and 2014, respectively. During 2015, the Alliance contributed assets into a joint venture which owns and operates a rehabilitation hospital.

Inventories: Inventories, consisting primarily of medical supplies, are stated at the lower of cost or market with cost determined by first-in, first-out method.

Property, Plant and Equipment: Property, plant and equipment is stated on the basis of cost, or if donated, at the fair value at the date of gift. Generally, depreciation is computed by the straight-line method over the estimated useful life of the asset. Equipment held under capital lease obligations is amortized under the straight-line method over the shorter of the lease term or estimated useful life. Amortization of buildings and equipment held under capital leases is shown as a part of depreciation expense and accumulated depreciation in the accompanying consolidated financial statements. Renewals and betterments are capitalized and depreciated over their useful life, whereas costs of maintenance and repairs are expensed as incurred.

Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The amount capitalized is net of investment earnings on assets limited as to use derived from borrowings designated for capital assets.

The Alliance reviews capital assets for indications of potential impairment when there are changes in circumstances related to a specific asset. If this review indicates that the carrying value of these assets may not be recoverable, the Alliance estimates future cash flows from operations and the eventual disposition of such assets. If the sum of these undiscounted future cash flows is less than the carrying amount of the asset, a write-down to estimated fair value is recorded. The Alliance did not recognize any impairment losses during 2015 and 2014.

Other assets include property held for resale and expansion of $19,316 and $20,793, respectively, at June 30, 2015 and 2014. Property held for resale and expansion primarily represents land contributed to, or purchased by, the Alliance plus costs incurred to develop the infrastructure of such land. Management annually evaluates its investment and records non-temporary declines in value when it is determined the ultimate net realizable value is less than the recorded amount. No such declines were identified in 2015 and 2014.

Goodwill: Goodwill is evaluated for impairment at least annually. The Alliance comprises a single reporting unit for evaluation of goodwill. Management performed an evaluation of goodwill for impairment considering qualitative and quantitative factors and does not believe the goodwill to be impaired as of June 30, 2015 and 2014. Management's estimates utilized in the evaluation contain significant estimates and it is reasonably possible that such estimates could change in the near term.

Deferred Financing, Acquisition Costs and Other Charges: Other assets include deferred financing, acquisition costs and other charges of $24,755 and $25,841 at June 30, 2015 and 2014, respectively. Deferred financing costs are amortized over the life of the respective bond issue using the average bonds outstanding method.

Derivative Financial Instruments: The Alliance is a party to various interest rate swaps. These financial instruments are not designated as hedges and have been presented at estimated fair market value in the accompanying Consolidated Balance Sheets as either current or long-term liabilities, based upon the remaining term of the instrument.

Estimated Professional Liability Self-Insurance and Other Long-Term Liabilities: Self-insurance liabilities include estimated reserves for reported and unreported professional liability claims and are recorded at the estimated net present value of such claims. Other long-term liabilities include contributions payable and obligations under deferred compensation arrangements, a defined benefit pension plan, a post-retirement employee benefit plan as well as other liabilities which management estimates are not payable within one year.

Net Patient Service Revenue/Receivables: Net patient service revenue is reported on the accrual basis in the period in which services are provided at the estimated net realizable amounts, including estimated retroactive adjustments under reimbursement agreements with third-party payers.

Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Alliance's revenue recognition policies related to self-pay and other types of payers emphasize revenue recognition only when collections are reasonably assured.

Patient accounts receivable are reported net of both an estimated allowance for uncollectible accounts and an estimated allowance for contractual adjustments. The contractual allowance represents the difference between established billing rates and estimated reimbursement from Medicare, Medicaid, TennCare and other third-party payment programs. Current operations include a provision for bad debts in the Consolidated Statements of Operations estimated based upon the age of the patient accounts receivable, historical writeoffs and recoveries and any unusual circumstances (such as local, regional or national economic conditions) which affect the collectibility of receivables, including management's assumptions about conditions it expects to exist and courses of action it expects to take. The primary uncertainty lies with uninsured patient receivables and deductibles, co-payments or other amounts due from individual patients. Additions to the allowance for uncollectible accounts result from the provision for bad debts. Patient accounts written off as uncollectible are deducted from the allowance for uncollectible accounts.

For uninsured patients that do not qualify for charity care, the Alliance recognizes revenue on the basis of discounted rates under the Alliance's self-pay patient policy. Under the policy, a patient who has no insurance and is ineligible for any government assistance program has their bill reduced to the amount which generally would be billed to a commercially insured patient. The Alliance's policy does not require collateral or other security for patient accounts receivable. The Alliance routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies.

Charity Care: The Alliance accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Alliance and various guidelines outlined by the Federal Government. These policies define charity as those services for which no payment is anticipated and, as such, charges at established rates are not included in net patient service revenue. Charges forgone, based on established rates, totaled $85,988 and $109,550 during 2015 and 2014, respectively. The estimated direct and indirect cost of providing these services totaled $17,953 and $24,011 in 2015 and 2014, respectively. Such costs are determined using a ratio of cost to charges analysis with indirect cost allocated.

In addition to the charity care services, the Alliance provides a number of other services to benefit the poor for which little or no payment is received. Medicare, Medicaid, TennCare and State indigent programs do not cover the full cost of providing care to beneficiaries of those programs. The Alliance also provides services to the community at large for which it receives little or no payment.

Excess of Revenue, Gains and Support Over Expenses and Losses: The Consolidated Statements of Operations and the Consolidated Statements of Changes in Net Assets includes the caption Excess of Revenue, Gains and Support Over Expenses and Losses (the Performance Indicator). Changes in unrestricted net assets which are excluded from the Performance Indicator, consistent with industry practice, include contributions of long-lived assets or amounts restricted to the purchase of long-lived assets, certain pension and related adjustments, and transactions with noncontrolling interests.

Income Taxes: The Alliance is classified as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, no provision for income taxes has been made in the accompanying consolidated financial statements for the Alliance and its tax-exempt subsidiaries. The Alliance's taxable subsidiaries are discussed in Note L. The Alliance has no significant uncertain tax positions at June 30, 2015 and 2014. At June 30, 2015, tax returns for 2011 through 2014 are subject to examination by the Internal Revenue Service.

Temporarily and Permanently Restricted Net Assets: Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. When a donor or time restriction expires; that is, when a stipulated time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the Consolidated Statements of Operations and Changes in Net Assets as net assets released from restrictions. The Alliance's policy is to net contribution and grant revenues against related expenses and present such amounts as a part of other revenue, gains and support in the Consolidated Statements of Operations. Permanently restricted net assets have been restricted by donors to be maintained by the Alliance in perpetuity.

Premium Revenue: Premium revenue include premiums from individuals and the Centers for Medicare & Medicaid Services (CMS). CMS premium revenue is based on predetermined prepaid rates under Medicare risk contracts. Premiums are recognized in the month in which the members are entitled to health care services. Premiums collected in advance are deferred and recorded as unearned premium revenue. Premium deficiency losses are recognized when it is probable that expected future claim expenses will exceed future premiums on existing contracts. Management evaluated the need for a premium deficiency reserve and recorded an estimated reserve of $2,000 at June 30, 2015 and 2014.

Medicare Shared Savings Program (MSSP): The Alliance participates in CMS's Medicare Shared Savings Program which is designed to facilitate coordination and cooperation among providers to improve the quality of care for Medicare beneficiaries and reduce unnecessary costs. Accountable care organizations participating in the program are assigned beneficiaries by CMS and are entitled to share in the savings if they are able to lower growth in Medicare Parts A and B fee-for-service costs while meeting performance standards on quality of care. Utilizing statistical data and the

methodology employed by CMS, management estimated and recognized $2,857 and $5,425 of shared savings in 2015 and 2014, respectively.

Electronic Health Record (EHR) Incentives: The American Recovery and Reinvestment Act of 2009 (ARRA) provides for incentive payments under the Medicare and Medicaid programs for certain hospitals and physician practices that demonstrate meaningful use of certified EHR technology. The incentive payments are calculated based upon estimated discharges, charity care and other input data and are recorded upon the Alliance's attainment of program and attestation criteria. The incentive payments are subject to regulatory audit. During the years ending June 30, 2015 and 2014, the Alliance recognized EHR incentive revenues of $1,883 and $18,269, respectively. EHR incentive revenues are included in other revenue, gains and support in the accompanying Consolidated Statements of Operations. The Alliance incurs both capital expenditures and operating expenses in connection with the implementation of its various EHR initiatives. The amount and timing of these expenditures does not directly correlate with the timing of the Alliance's receipt or recognition of the EHR incentive payments.

Medical Costs: The cost of health care services is recognized in the period in which services are provided. Medical costs include an estimate of the cost of services provided to members by third-party providers, which have been incurred but not reported.

Subsequent Events: The Alliance evaluated all events or transactions that occurred after June 30, 2015, through October 28, 2015, the date the consolidated financial statements were available to be issued. During this period management did not note any material recognizable subsequent events that required recognition or disclosure in the June 30, 2015 consolidated financial statements, other than as disclosed in Note P.

Reclassifications: Certain 2014 amounts have been reclassified to conform with the 2015 presentation in the accompanying consolidated financial statements.

New Accounting Pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. Under ASU 2014-09, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the accounting standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. Management is currently evaluating the impact of adopting the accounting standard.

MOUNTAIN STATES HEALTH ALLIANCE

Notes to Consolidated Financial Statements - Continued
(Dollars in Thousands)

Years Ended June 30, 2015 and 2014

NOTE C--INVESTMENTS

Assets limited as to use are summarized by designation or restriction as follows at June 30:

	2015	2014
Designated or restricted:		
Under safekeeping agreements	$ 8,221	$ 8,220
By Board to satisfy regulatory requirements	1,529	6,759
Under bond indenture agreements:		
For debt service and interest payments	53,812	55,123
For capital acquisitions	8,507	16,127
	72,069	86,229
Less: amount required to meet current obligations	(19,598)	(25,029)
	$ 52,471	$ 61,200

Assets limited as to use consist of the following at June 30:

	2015	2014
Cash and cash equivalents	$ 49,665	$ 54,437
U.S. Government and agency securities	19,757	28,518
Corporate and foreign bonds	860	2,354
Municipal obligations	1,787	920
	$ 72,069	$ 86,229

Held-to-maturity securities (other than assets limited as to use) are carried at amortized cost and consist of the following at June 30:

	2015	2014
Cash and cash equivalents	$ 2,781	$ 220
Corporate and foreign bonds	30,967	35,131
Municipal obligations	5,765	3,408
	$ 39,513	$ 38,759

Held-to-maturity securities had gross unrealized gains and losses of $98 and $425, respectively, at June 30, 2015 and $206 and $456, respectively, at June 30 2014. At June 30, 2015, the Alliance held securities within the held-to-maturity portfolio with a fair value and unrealized loss of $12,710

and $359, respectively, which had been at an unrealized loss position for over one year. At June 30, 2014, the Alliance held securities within the held-to-maturity portfolio with a fair value and unrealized loss of $13,513 and $456, respectively, which had been at an unrealized loss position for over one year. At June 30, 2015, the contractual maturities of held-to-maturity securities were $10,020 due in one year or less, $16,580 due from one to five years and $12,913 due after five years.

Trading securities consist of the following at June 30:

	2015	2014
Cash and cash equivalents	$ 20,789	$ 50,623
U.S. Government and agency securities	76,167	69,805
Corporate and foreign bonds	95,726	96,749
Municipal obligations	23,330	21,409
U.S. equity securities	5,419	1,868
Mutual funds	293,983	253,301
Alternative investments	87,144	54,761
	$ 602,558	$ 548,516

The net investment gain is comprised of the following for the years ending June 30:

	2015	2014
Interest and dividend income, net of fees	$ 13,894	$ 12,074
Net realized gains on the sale of securities	9,260	15,311
Change in net unrealized gains on securities	(6,138)	23,318
	$ 17,016	$ 50,703

The Alliance is a member of Premier Inc.'s (Premier) group purchasing organization and holds Class B Units which are convertible into cash or Class A common stock over a seven year vesting period. The Alliance records an investment relative to the estimated fair value of its Class B units, $14,724 and $14,713 at June 30, 2015 and 2014, respectively. In addition, as the vesting period is tangential to the Alliance's continued participation in the group purchasing contract, the Alliance recorded a liability equivalent to the estimated fair value of the Class B units, which is included within other long-term liabilities in the Consolidated Balance Sheets. The liability is being amortized as a vendor incentive over the vesting period. During 2015 and 2014, the Alliance recognized $4,045 and $2,933, respectively, related to the vendor incentive which is included within other revenue, gains and support in the Consolidated Statements of Operations.

NOTE D--DERIVATIVE TRANSACTIONS

The Alliance is subject to an enforceable master netting arrangement in the form of an ISDA agreement with Bank of America, Merrill Lynch (BofAML). The ISDA agreement requires that the Alliance post additional collateral for the derivatives' fair market value deficits above specified levels. As of June 30, 2015 and 2014, the Alliance was not required to post additional collateral. Under the terms of this agreement, offsetting of derivative contracts is permitted in the event of default of either party to the agreement.

The following is a summary of the interest rate swap agreements at June 30, 2015 and 2014:

Notional Amount	*Termination*	*Counterparty*	*Current Payments:* *Receive*	*Pay*	*Estimated Fair Value* *2015*	*2014*
$170,000	4/2026	BofAML	1.14%	0.00%	$ 5,205	$ 3,089
$95,000	4/2026	BofAML	1.14%	0.00%	2,929	1,748
$173,030	4/2034	BofAML	1.16%	0.00%	884	(1,884)
$82,055	7/2033	BofAML	67% USD-LIBOR-BBA	0.312% + USD-SIFMA	(8,253)	(9,365)
$50,000	7/2038	BofAML	67% (USD-LIBOR-BBA + 0.15%)	USD-SIFMA	(3,351)	(4,210)
$19,400	7/2018	BofAML	4.50%	1.05% + USD-SIFMA	48	63
$4,293	7/2015	First Tennessee Bank	0.00%	USD-LIBOR-BBA	(3)	(44)
					$ (2,541)	$ (10,603)

The Alliance recognized net settlement income on the interest rate swap agreements of $6,172 and $5,980 in 2015 and 2014, respectively.

NOTE E--PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30:

	2015	2014
Land	$ 60,337	$ 60,722
Buildings and leasehold improvements	766,089	760,853
Property and improvements held for leasing	83,582	80,824
Equipment and information technology infrastructure	733,315	700,748
Buildings and equipment held under capital lease	249	340
	1,643,572	1,603,487
Less: Allowances for depreciation and amortization	(815,105)	(757,641)
	828,467	845,846
Construction in progress	18,622	35,583
	$ 847,089	$ 881,429

Accumulated depreciation and amortization on property and improvements held for leasing purposes is $29,520 and $27,500 at June 30, 2015 and 2014, respectively. Net interest capitalized was $925 and $1,533 for the years ended June 30, 2015 and 2014, respectively.

NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

Long-term debt and capital lease obligations consist of the following at June 30:

Description	Rate as of June 30, 2015	Outstanding Balance 2015	Outstanding Balance 2014
2013 Hospital Revenue and Refunding Revenue Bonds:			
$61,180 variable rate tax-exempt term bond, due August 2031	1.15%	$ 327,785	$ 328,665
$47,970 variable rate tax-exempt term bond, due August 2032	0.93%		
$13,350 variable rate tax-exempt term bond, due August 2038	1.15%		
$89,370 variable rate tax-exempt term bonds, due August 2042	1.12% - 1.23%		
$16,235 variable rate tax-exempt term bond, due August 2043	0.07%		
$99,680 variable rate taxable term bond due August 2043	0.12%		
2012 Hospital Revenue Bonds: (net of unamortized premium of $1,696 and $1,756 at June 30, 2015 and 2014, respectively)			
$55,000 fixed rate tax-exempt term bond, due August 2042	5.00%	56,696	56,756
2011 Hospital Revenue and Refunding and Improvement Bonds:			
$74,795 variable rate tax-exempt term bonds, due July 2033	0.08%	94,320	104,710
$19,525 variable rate tax-exempt term bond, due July 2033	1.11%		

MOUNTAIN STATES HEALTH ALLIANCE

Notes to Consolidated Financial Statements - Continued
(Dollars in Thousands)

Years Ended June 30, 2015 and 2014

Description	*Rate as of June 30, 2015*	*Outstanding Balance 2015*	*2014*
2010 Hospital Revenue Refunding Bonds: (net of unamortized premium of $1,441 and $1,523 at June 30, 2015 and 2014, respectively)			
$33,960 fixed rate tax-exempt serial bonds, through 2020	4.00% to 5.00%	173,271	180,993
$4,355 fixed rate tax-exempt term bond, due July 2023	5.00%		
$14,985 fixed rate tax-exempt term bond, due July 2025	5.38%		
$4,250 fixed rate tax-exempt term bond, due July 2028	5.50%		
$19,230 fixed rate tax-exempt term bond, due July 2030	5.63%		
$95,050 fixed rate tax-exempt term bonds, due July 2038	6.00% - 6.50%		
2009 Hospital Revenue Bonds: (net of unamortized discount of $2,176 and $2,267 at June 30, 2015 and 2014, respectively)			
$14,425 fixed rate tax-exempt term bonds, due July 2019	7.25%	117,264	119,813
$21,730 fixed rate tax-exempt term bonds, due July 2029	7.50%		
$83,285 fixed rate tax-exempt term bonds, due July 2038	7.75% - 8.00%		
2007B Taxable Hospital Revenue Bonds:			
$15,920 variable rate taxable term bond due July 2019	0.12%	15,920	19,515
2006 Hospital First Mortgage Revenue Bonds: (net of unamortized premium of $123 and $129 at June 30, 2015 and 2014, respectively)			
$3,965 fixed rate tax-exempt serial bonds, through 2019	5.00%	167,143	167,864
$7,375 fixed rate tax-exempt term bond, due July 2026	5.25%		
$20,505 fixed rate tax-exempt term bond, due July 2031	5.50%		
$135,175 fixed rate tax-exempt term bond, due July 2036	5.50%		
2001 Hospital First Mortgage Revenue Bond:			
$19,400 fixed rate tax-exempt term bond, due July 2026	4.50%	19,400	20,400
2000 Hospital First Mortgage Revenue and Refunding Bonds:			
$42,000 fixed rate tax-exempt term bond, due July 2026	8.50%	81,538	81,006
$39,538 fixed rate tax-exempt Capital Appreciation Bond, interest and principal due July 2026 through 2030	6.63%		
Capitalized lease obligations secured by equipment			
Various monthly principal and interest payments through December 2016	Various	350	806
Notes payable secured by real estate			
Paid-off in 2015	Various	-	5,542
Promissory notes secured by assets of certain subsidiaries			
Various monthly principal and interest payments through 2019	Various	1,705	1,944
Term note			
Monthly principal payments of $60 plus variable rate interest beginning November 2012 through September 2015; remaining principal due October 2015	1.17%	16,160	16,883
Notes payable secured by equipment			
Various monthly principal and interest payments through 2016	Various	395	790
		1,071,947	1,105,687
Less current portion		(40,286)	(30,618)
		$ 1,031,661	$ 1,075,069

Supplemental #2
-ORIGINAL-

LP JOHNSON CITY, LLC

CN1609-032

Christopher C. Puri
Counsel
cpuri@bradley.com
615.252.4643 direct

SUPPLEMENTAL #2
Bradley September 30, 2016

September 30, 2016

Mr. Phillip M. Earhart
HSDA Examiner
Tennessee Health Services and Development Agency
Andrew Jackson State Office Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

Re: Certificate of Need Application CN1609-032 (LP Johnson City, LLC)
Responses to Second Supplemental Questions

Dear Mr. Earhart:

This letter will serve as a response to your letter of September 28, 2016 and September 29, 2016 requesting clarification or additional discussion as to our application for a Certificate of Need for the above-referenced matter.

This response has been reviewed by the Applicant, and an appropriate affidavit is attached.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

Christopher C. Puri

By:
Christopher Puri

SUPPLEMENTAL #2
September 30, 2016
8:42 am

Certificate of Need Application CN1609-032 (LP Johnson City, LLC)
Responses to September 28, 2016 Second Supplemental Questions

1. **Section C. Need, Item 5**

The table on the bottom of page 31 is noted. However, it appears the last column is the % difference in patient days from 2012 to 2014. Please calculate the percentage difference between 2012 and 2014 patient days and submit a replacement page 31.

RESPONSE: Please see Attachment Second Supplemental Question 1, replacing Bates numbered page 31 in the original application. Note that the change between 2012 and 2014 on the chart has been revised to include both total number and percentage of the patient day changes.

2. **Affidavit**

The affidavit for supplemental #1 is dated September 1, 2016 which is prior to the original supplemental request sent by the Agency on September 15, 2016. Please provide an affidavit for supplemental #1 with the correct date.

RESPONSE: The First Supplemental Question 21 requested a copy of the original application affidavit, which apparently was not attached to the application when filed. That affidavit was dated September 1, 2016 and relates to the original application filing date. A supplemental response affidavit, dated September 27th was included as the last page of the First Supplemental Response.

SUPPLEMENTAL #2
September 30, 2016
8:42 am

Certificate of Need Application CN1609-032 (LP Johnson City, LLC)
Responses to September 29, 2016 Third Supplemental Questions

1. **Section A. Legal Interest in the Site of the Institution**

   Please clarify how the 20 year lease provides security to the developer when the decision will be made by the applicant by month 24 to purchase or default.

   RESPONSE: The 20 year lease provides the developer with a long-term real estate interest in the facility and the property. Additionally, to add clarity, the Applicant does not have any option with respect to the purchase. It is a mandatory obligation of the agreements between the developer and the joint venture; it is not in any way at the option of the Applicant whether to complete the purchase.

   In the unlikely event of default, we believe the developer's interest in having a 20 year lease flows from the ability to have some control over the leasehold by the joint venture as tenant to the property under the initial agreement. As noted in the First Supplemental Response, the developer would have sufficient control of the leasehold interest to force Applicant to vacate the facility and relinquish operations to a new operator of the Developer's choice. However, as we also noted, the Developer is aware of the requirements of T.C.A. §68-11-1618 (Change of ownership; notice) that would be applicable to the project should the identity of the licensee change.

2. **Section 12. Square Footage and Cost per Square Footage Chart and Section C. Economic Feasibility 1 (Project Cost Chart)**

   It appears the true construction cost of the proposed project is $5,508,410 rather than the acquired cost of $6,117,973.34. Please provide the construction cost of the project in the square footage and cost per square footage chart and submit a replacement page. In addition, please revise all other sections of the application that references the acquired cost of $6,117,973.94 as the construction cost (rather than the construction costs $5,508,410) and submit a replacement page for each.

   In addition, please revise the Project Costs Chart to include the construction cost of $5,508,410 in line A.5. All Architectural Fee, Site Preparation Costs, Contingencies, etc. should be listed separately as was listed in the original application.

   RESPONSE: With respect to question 2, we would ask that the HSDA staff accept the construction cost of the proposed project as $6,117,973.34, rather than $5,508,410 as indicated in the supplemental question. The $6.1M figure represents the true acquisition cost with respect to facility and the property associated with the project. By analogy, if there were no developer and the Applicant acquired an already built building for their project, we would expect use the acquisition cost, and not the cost a builder incurred to construct the building at the time it was completed.

   We also believe the number is consistent with the discussions and responses we received from the HSDA staff prior to the filing of the application. At that time, we discussed the appropriate figure to use with respect to construction costs with HSDA staff, as there was also the question of whether the total lease cost was at all relevant. Staff responded by determining that "The consensus opinion is if the applicant has no other option than to purchase the building and site

SUPPLEMENTAL #2
September 30, 2016
8:42 am

by Month 24 or default, then the fair market value can be used for the Project Cost Chart rather than applying the 20 year lease."

We do acknowledge, as discussed with staff, that the higher $6.1M acquisition cost results in a differential in the determination of the cost per square footage comparisons. That difference is approximately $19.00 per square foot ($166.00 vs. $185.00).

SUPPLEMENTAL #2
September 30, 2016
8:42 am

CN1609-033
LP Johnson City, LLC

Attachment Second Supplemental
Question 1

SUPPLEMENTAL #2
September 30, 2016
8:42 am

Nursing Home	Licensed Beds	Total Private Beds	Total Semi-Private Beds	Total Companion Beds	Ward Beds
Agape Nursing and Rehabilitation Center, LLC (fka Asbury Place JC)	84	0	0	0	0
Appalachian Christian Village	103	41	62	0	0
Christian Care Center of Johnson City, Inc.	84	12	72	0	0
Four Oaks Health Care Center	84	1	80	0	3
John M. Reed Health & Rehab	63	3	60	0	0
Lakebridge Health Care Center	109	27	82	0	0
Life Care Center of Gray	125	10	109	0	6
NHC Healthcare, Johnson City	160	60	100	0	0
Princeton Transitional Care	32	2	30	0	0
Service Area Totals	**975**	**187**	**679**	**0**	**9**
Proposed Project	*47*	*47*	*0*	0	*0*

Nursing Home	2014 Lic.'d Beds	2012 Patient Days	2013 Patient Days	2014 Patient Days	2012 % Occ.	2013 % Occ.	2014 % Occ.	'12 vs. '14 Pt. Days # Diff.	'12 vs. '14 Pt. Days % Diff.
Asbury Place at Johnson City	84	26,638	23,962	7,664	86.88%	78.15%	25.00%	(18,974)	29%
Appalachian Christian Village	103	34,394	33,568	32,696	91.49%	89.29%	86.97%	(1,698)	95%
Christian Care Center of JC	84	22,515	26,992	27,042	73.43%	88.04%	88.20%	4,527	120%
Four Oaks Health Care Center	84	27,990	28,216	27,200	91.29%	92.03%	88.71%	(790)	97%
John M. Reed Health & Rehab	63	17,742	14,934	18,600	77.16%	64.94%	80.89%	858	105%
Lakebridge Health Care Center	109	37,800	37,019	37,175	95.01%	93.05%	93.44%	(625)	98%
Life Care Center of Gray	125	40,849	38,269	36,015	89.53%	83.88%	78.94%	(4,834)	88%
NHC Healthcare, Johnson City	160	52,382	49,922	47,867	89.70%	85.48%	81.96%	(4,515)	91%
Princeton Transitional Care	32	8,622	8,731	8,921	73.82%	74.75%	76.38%	299	103%
Agape Nursing and Rehab. Cntr	Prior to 2015 Agape was Asbury Place at Johnson City (see above)								

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

SUPPLEMENTAL #2
September 30, 2016
8:42 am

CN1609-033
LP Johnson City, LLC

Attachment Second Supplemental
Question 2

SUPPLEMENTAL #2
September 30, 2016
8:42 am

AFFIDAVIT

STATE OF KENTUCKY

COUNTY OF JEFFERSON

SANDRA ADAMS, 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.

Sandra Adams
SIGNATURE/TITLE

Sworn to and subscribed before me this 1ST day of SEPTEMBER (Month), 2016 (Year) a Notary

Public in and for the County/State of JEFFERSON/KENTUCKY.

Melody Shannon
NOTARY PUBLIC

My commission expires AUGUST 20 (Month/Day), 2017 (Year).

MELODY SHANNON
Notary Public-State at Large
Kentucky - Notary ID#495423
My Commission Expires August 20, 2017

HF-000000 Revised 7/22/2016

SUPPLEMENTAL #2
September 30, 2016
8:42 am

AFFIDAVIT - SUPPLEMENTAL

STATE OF KENTUCKY

COUNTY OF JEFFERSON

SANDRA ADAMS, being first duly sworn, says that he/she is 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.

Sandra Adams
SIGNATURE/TITLE

Sworn to and subscribed before me this 27th day of September (Month), 2016 (Year) a Notary Public in and for the County/State of JEFFERSON/KENTUCKY.

Melody Shannon
NOTARY PUBLIC

My commission expires AUGUST 20 (Month/Day), 2017 (Year).

MELODY SHANNON
Notary Public-State at Large
Kentucky - Notary ID#495423
My Commission Expires August 20, 2017

SUPPLEMENTAL #2
September 30, 2016
8:42 am

CN1609-033
LP Johnson City, LLC

Affidavit for Second Supplemental Responses

SUPPLEMENTAL #2
September 30, 2016
8:42 am

AFFIDAVIT - SUPPLEMENTAL

STATE OF KENTUCKY

COUNTY OF JEFFERSON

SANDRA ADAMS, being first duly sworn, says that he/she is 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.

Sandra Adams
SIGNATURE/TITLE

Sworn to and subscribed before me this 29th day of Sept (Month), 2016 (Year) a Notary

Public in and for the County/State of JEFFERSON/KENTUCKY.

Melody Shannon
NOTARY PUBLIC

My commission expires AUGUST 20 (Month/Day), 2017 (Year).

MELODY SHANNON
Notary Public-State at Large
Kentucky - Notary ID#495423
My Commission Expires August 20, 2017

SUPPLEMENTAL #2
September 30, 2016
8:42 am

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF Davidson

NAME OF FACILITY: LP Johnson City LLC

I, Christopher C. Puri, 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.

Christopher C. Puri (Atty for Project)
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 30th day of September, 2016, witness my hand at office in the County of Davidson, State of Tennessee.

CYNTHIA A. EVANS
STATE OF TENNESSEE
NOTARY PUBLIC
DAVIDSON COUNTY
My Commission Expires SEPT. 11, 2017

Cynthia A Evans
NOTARY PUBLIC

My commission expires September 11, 2017

HF-0043

Revised 7/02

Supplemental #4
-ORIGINAL-

LP JOHNSON CITY, LLC

CN1609-032

Christopher C. Puri
Counsel
cpuri@bradley.com
615.252.4643 direct

SUPPLEMENTAL #4
Bradley September 30, 2016

September 30, 2016

Mr. Phillip M. Earhart
HSDA Examiner
Tennessee Health Services and Development Agency
Andrew Jackson State Office Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

Re: Certificate of Need Application CN1609-032 (LP Johnson City, LLC)
Responses to Third Supplemental Questions

Dear Mr. Earhart:

This letter will serve as a response to your letter of September 30, 2016 requesting clarification or additional discussion as to our application for a Certificate of Need for the above-referenced matter.

This response has been reviewed by the Applicant, and an appropriate affidavit is attached.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

Christopher C. Puri

By:
Christopher Puri

SUPPLEMENTAL #4
September 30, 2016
1:39 pm

Certificate of Need Application CN1609-032 (LP Johnson City, LLC)
Responses to September 28, 2016 Third Supplemental Questions

1. Section C. Need, Item 5

The revised table on the bottom of page 31 is noted. However, it appears the last column that notes the % difference in patient days from 2012 to 2014 is incorrectly calculated. Please calculate the percentage difference between 2012 and 2014 patient days and submit a replacement page 31. For instance, Appalachian Christian Village had 34,394 patient days in 2012 and 32,696 patent days in 2014. The applicant would subtract 32,696 patients days from 34,394 patient days in 2012= -1,698 days. The applicant would then divide -1,698 days / 34,394 patient days in 2014 which would be a percentage difference in patient days of -4.9%. Please revise the last column for each provider and include a total row at the bottom of the table.

RESPONSE: Please find attached as Attachment Third Supplemental Question 1 a revised chart appearing on page 31 of the original application.

SUPPLEMENTAL #4
September 30, 2016
1:39 pm

CN1609-033
LP Johnson City, LLC

Attachment Third Supplemental
Question 1

SUPPLEMENTAL #4
September 30, 2016
1:39 pm

Nursing Home	Licensed Beds	Total Private Beds	Total Semi-Private Beds	Total Companion Beds	Ward Beds
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Life Care Center of Gray	125	10	109	0	6
NHC Healthcare, Johnson City	160	60	100	0	0
Princeton Transitional Care	32	2	30	0	0
Service Area Totals	**975**	**187**	**679**	**0**	**9**
Proposed Project	*47*	*47*	*0*	0	*0*

Nursing Home	2014 Lic.'d Beds	2012 Patient Days	2013 Patient Days	2014 Patient Days	2012 % Occ.	2013 % Occ.	2014 % Occ.	'12 vs. '14 Pt. Days	
								# Diff.	% Diff.
Asbury Place at Johnson City	84	26,638	23,962	7,664	86.88%	78.15%	25.00%	(18,974)	-71.2%
Appalachian Christian Village	103	34,394	33,568	32,696	91.49%	89.29%	86.97%	(1,698)	-4.9%
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NHC Healthcare, Johnson City	160	52,382	49,922	47,867	89.70%	85.48%	81.96%	(4,515)	-8.6%
Princeton Transitional Care	32	8,622	8,731	8,921	73.82%	74.75%	76.38%	299	3.5%
Agape Nursing & Rehab. Cntr	Prior to 2015 Agape was Asbury Place at Johnson City (see above)								
TOTAL	**844**	**268,932**	**261,613**	**243,180**	**85.37%**	**83.29%**	**77.83%**	**(25,752)**	**-9.6%**

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

SUPPLEMENTAL #4
September 30, 2016
1:39 pm

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF Davidson

NAME OF FACILITY: LP Johnson City LLC

I, Christopher C. Puri, 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.

Christopher C. Puri
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 30th day of Sept, 2016, witness my hand at office in the County of Davidson, State of Tennessee.

CYNTHIA A. EVANS
STATE OF TENNESSEE
NOTARY PUBLIC
DAVIDSON COUNTY
My Commission Expires SEPT. 11, 2017

NOTARY PUBLIC

My commission expires September 11, 2017

HF-0043

Revised 7/02