COPY

The Asbury Place at Kingsport

CN1508-034

ASBURY PLACE AT KINGSPORT

CERTIFICATE OF NEED APPLICATION

RENOVATION OF SIXTY-SEVEN (67) BED FACILITY

August 2015

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

INSTRUCTIONS FOR FILING AN APPLICATION FOR A CERTIFICATE OF NEED

Please read the following instructions, the Rules and Regulations of the Agency, and Tennessee Code Annotated, §68-11-1601 *et seq.*, prior to preparation of this application.

DOCUMENTATION: In preparing this application, it is the applicant's responsibility to demonstrate through its answers that the project is necessary to provide needed health care in the area to be served, that it can be economically accomplished and maintained, and that it will contribute to the orderly development of adequate and effective health care facilities and/or services in this area. Consult Tennessee Code Annotated, §68-11-1601 *et seq.*, Health Services and Development Agency Rule 0720-4-.01, and the criteria and standards for certificate of need document Tennessee's Health: Guidelines for Growth, for the criteria for consideration for approval. Tennessee's Health: Guidelines for Growth is available from the Tennessee Health Services and Development Agency or from the Agency's website at www.tennessee.gov/HSDA. Picture of the Present is a document, which provides demographic, vital, and other statistics by county available from the Tennessee Department of Health, Bureau of Policy, Planning, and Assessment, Division of Health Statistics and can be accessed from the Department's website at www2.state.tn.us/health/statistics/HealthData/pubs title.htm.

Please note that all applications must be submitted in triplicate (1 original and 2 copies) on single-sided, unbound letter size (8 x 11 1/2) paper, and not be stapled nor have holes punched. Cover letter should also be in triplicate. If not in compliance as requested, application may be returned or reviewing process delayed until corrected pages are submitted.

REVIEW CYCLES: A review cycle is no more than sixty (60) days. The review cycle begins on the first day of each month.

COMMUNICATIONS: All documents for filing an application for Certificate of Need with the Health Services and Development Agency must be received during normal business hours (8:00a.m. - 4:30p.m. Central Time) at the Agency office, located at the Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243. For the purpose of filing Letters of Intent, application forms, and responses to supplemental information, the filing date is the actual date of receipt in the Agency office. These documents, as well as other required documents must be received as original, signed documents in the

Agency office. Fax and e-mail transmissions **will not** be considered to be properly filed documentation. In the event that the last appropriate filing date falls on a Saturday, Sunday, or legal holiday, such filing should occur on the preceding business day. All documents are to be filed with the Agency in ***single-sided and in triplicate***.

LETTER OF INTENT: Applications shall be commenced by the filing of a Letter of Intent. The Letter of Intent must be filed with the Agency between the first day and the tenth day of the month prior to the beginning of the review cycle in which the application is to be considered. This allowable filing period is inclusive of both the first day and the tenth day of the month involved. The Letter of Intent must be filed in the form and format as set forth in the application packet.

Any Letter of Intent that fails to include all information requested in the Letter of Intent form, or is not timely filed, will be deemed void, and the applicant will be notified in writing. The Letter of Intent may be refiled but, if refiled, is subject to the same requirements as set out above.

PUBLICATION OF INTENT: Simultaneously with the filing of the Letter of Intent, the Publication of Intent should be published for one day in a newspaper of general circulation in the proposed service area of the project. The Publication of Intent must be in the form and format as set forth in the application packet. The Publication of Intent should be placed in the Legal Section in a space no smaller than four (4) column inches. Publication must occur between the first day and the tenth day of the month, inclusive.

1. A "newspaper of general circulation" means a publication regularly issued at least as frequently as once a week, having a second-class mailing privilege, includes a Legal Notice Section, being not fewer than four (4) pages, published continuously during the immediately preceding one-year period, which is published for the dissemination of news of general interest, and is circulated generally in the county in which it is published and in which notice is given.

2. In any county where a "newspaper of general circulation" does not exist, the Agency's Executive Director is authorized to determine the appropriate publication to receive any required Letter of Intent. A newspaper which is engaged in the distribution of news of interest to a particular interest group or other limited group of citizens, is not a "newspaper of general circulation."

3. In the case of an application for or by a home care organization, the Letter of Intent must be published in each county in which the agency will be licensed or in a regional newspaper which qualifies as a newspaper of general circulation in each county. In those cases where the Publication of Intent is published in more than one newspaper, the earliest date of publication shall be the date of publication for the purpose of determining simultaneous review deadlines and filing the application.

PROOF OF PUBLICATION: Documentation of publication must be filed with the application form. Please submit proof of publication with the application by attaching

either the full page of the newspaper in which the notice appeared, with the ***mast and dateline intact***, or a publication affidavit from the newspaper.

SIMULTANEOUS REVIEW: Those persons desiring a simultaneous review for a Certificate of Need for which a Letter of Intent has been filed should file a Letter of Intent with the Agency and the original applicant (as well as any other applicant filing a simultaneous review), and should publish the Letter of Intent simultaneously in a newspaper of general circulation in the same county as the original applicant. The publication of the Letter of Intent by the applicant seeking simultaneous review must be published within ten (10) days after publication by the original applicant.

1. Only those applications filed in accordance with the rules of the Health Services and Development Agency, and upon consideration of the following factors as compared with the proposed project of the original applicant, may be regarded as applications filing for simultaneous review.

   (A) Similarity of primary service area;

   (B) Similarity of location;

   (C) Similarity of facilities; and

   (D) Similarity of service to be provided.

2. The Executive Director or his/her designee will determine whether applications are to be reviewed simultaneously, pursuant to Agency Rule 0720-3-.03(3).

3. If two (2) or more applications are requesting simultaneous review in accordance with the statute and rules and regulations of the Agency, and one or more of those applications is not deemed complete to enter the review cycle requested, the other applications(s) that is/are deemed complete shall enter the review cycle. The application(s) that is/are not deemed complete to enter the review cycle will not be considered as competing with the applications(s) deemed complete and entering the review cycle.

FILING THE APPLICATION: *All applications,* including applications requesting simultaneous review, must be filed in ***triplicate*** (original and two (2) copies) with the Agency within five (5) days after publication of the Letter of Intent. ***The date of filing is the actual date of receipt at the Agency office.***

Applications should have all pages numbered.

All attachments should be attached to the back of the application, be identified by the applicable item number of the application, and placed in alpha-numeric order consistent with the application form. For example, an Option to Lease a building should be identified as Attachment A.6., and placed before Financial Statements which should be identified as Attachment C. Economic Feasibility.10. The last page of an application should be the completed affidavit.

Failure by the applicant to file an application within five (5) days after publication of the Letter of Intent shall render the Letter of Intent, and hence the application, ***void.***

FILING FEE: The amount of the initial filing fee shall be an amount equal to $2.25 per $1,000 of the estimated project cost involved, but in no case shall the fee be less than $3,000 or more than $45,000. Checks should be made payable to the Health Services and Development Agency.

FILING FEES ARE NON-REFUNDABLE and must be received by the Agency before review of the application will begin.

REVIEW OF APPLICATIONS FOR COMPLETENESS: When the application is received at the Agency office, it will be reviewed for completeness. The application must be consistent with the information given in the Letter of Intent in terms of both project scope and project cost. ***Review for completeness will not begin prior to the receipt of the filing fee.***

1. If the application is deemed complete, the Agency will acknowledge receipt and notify the applicant as to when the review cycle will begin. "Deeming complete" means that all questions in the application have been answered and all appropriate documentation has been submitted in such a manner that the Health Services and Development Agency can understand the intent and supporting factors of the application. Deeming complete shall not be construed as validating the sufficiency of the information provided for the purposes of addressing the criteria under the applicable statutes, the Rules of the Health Services and Development Agency, or the standards set forth in the State Health Plan/Guidelines for Growth.

2. If the application is incomplete, requests by Agency staff for supplemental information must be completed by the applicant within sixty (60) days of the written request. Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days which is allowed by the statute. If the requested information is submitted within sixty (60) days of the request, but not by the date specified in the staff's letter, the application is not void, but will enter the ***next*** review cycle. If an application is not deemed complete within sixty (60) days after the written notification is given by the Agency staff that the application is deemed incomplete, the application shall be deemed void. If the applicant decides to re-submit the application, the applicant shall comply with all procedures as set out by this part and a new filing fee shall accompany the refiled application.

   Each supplemental question and its corresponding response shall be typed and submitted on a separate sheet of 8 1/2" x 11" paper, be filed in ***triplicate,*** and include a signed affidavit. All requested supplemental information must be received by the Agency to allow staff sufficient time for review before the beginning of the review cycle in order to enter that review cycle.

3. Applications for a Certificate of Need, including competing applications, will not be considered unless filed with the Agency within such time as to assure such application is deemed complete.

All supplemental information shall be submitted simultaneously and only at the request of staff, with the only exception being letters of support and/or opposition.

The Agency will promptly forward a copy of each complete application to the Department of Health or the Department of Mental Health and Developmental Disabilities for review. The Department reviewing the application may contact the applicant to request additional information regarding the application. The applicant should respond to any reasonable request for additional information promptly.

AMENDMENTS OR CHANGES IN AN APPLICATION: An application for a Certificate of Need which has been deemed complete ***CANNOT*** be amended in a substantive way by the applicant during the review cycle. Clerical errors resulting in no substantive change may be corrected.

* **WITHDRAWAL OF APPLICATIONS**: The applicant may withdraw an application at any time by providing written notification to the Agency.

* **TIMETABLE FOR CERTIFICATE OF NEED EXPIRATION**: The 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**; *however*, the Agency may extend a Certificate of Need for a reasonable period upon application and good cause shown, accompanied by a non-refundable filing fee, as prescribed by Rules. An extension cannot be issued to any applicant unless substantial progress has been demonstrated. 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.

* **For further information concerning the Certificate of Need process, please call the offices of the Health Services and Development Agency at 615/741-2364.**

* **For information concerning the Joint Annual Reports of Hospitals, Nursing Homes, Home Care Organizations, or Ambulatory Surgical Treatment Centers, call the Tennessee Department of Health, Office of Health Statistics and Research at 615/741-1954**

* **For information concerning Guidelines for Growth call the Health Services and Development Agency at 615/741-2364. For information concerning Picture of the Present call the Department of Health, Office of Health Statistics at 615/741-9395.**

* **For information concerning mental health and developmental disabilities applications call the Tennessee Department of Mental Health and Developmental Disabilities, Office of Policy and Planning at 615/532-6500.**

SECTION A: APPLICANT PROFILE

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

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

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

For Section A, Item 4, *Describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% or more ownership interest. In addition, please document the financial interest of the applicant, and the applicant's parent company/owner in any other health care institution as defined in* Tennessee Code Annotated, §68-11-1602 *in Tennessee. At a minimum, please provide the name, address, current status of licensure/certification, and percentage of ownership for each health care institution identified.*

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

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

For Section A, Item 6, *For applicants or applicant's parent company/owner that currently own the building/land for the project location; attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements* ***must include*** *anticipated purchase price. Lease/Option to Lease Agreements* ***must include*** *the actual/anticipated term of the agreement* ***and*** *actual/anticipated lease expense. The legal interests described herein* ***must be valid*** on the date of the Agency's consideration of the certificate of need application.

1. Name of Facility, Agency, or Institution

Asbury Place at Kingsport
Name

100 Netherland Lane — Hawkins
Street or Route — County

Kingsport — TN — 37660
City — State — Zip Code

2. Contact Person Available for Responses to Questions

Michael D. Brent — Attorney
Name — Title

Bradley Arant Boult Cummings LLP — mbrent@babc.com
Company Name — Email Address

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

Attorney — 615-252-2361 — 615-252-6361
Association with Owner — Phone Number — Fax Number

3. Owner of the Facility, Agency or Institution

Asbury, Inc. — (865) 238-8300
Name — Phone Number

910 Wilder Chapel Lane — Blount
Street or Route — County

Maryville — TN — 37804
City — State — Zip Code

4. Type of Ownership of Control (Check One)

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

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER OF ALL ATTACHMENTS.

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

The Asbury Group, Inc.
Name

20300 Century Boulevard, Suite 300
Street or Route

Montgomery
County

Germantown
City

MD
State

20874
Zip Code

PUT ALL ATTACHMENT AT THE END OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS

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

A. Ownership X
B. Option to Purchase ____
C. Lease of ____ Years ____
D. Option to Lease ____
*E. Other (Specify)*____ ____

PUT ALL ATTACHMENT AT THE END OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS

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

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

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

A. New Institution ____
B. Replacement/Existing Facility ___
C. Modification/Existing Facility X
D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) (Specify) ____ ____
E. Discontinue of OB Services ____
F. Acquisition of Equipment ____
G. Change in Bed Complement [Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation] ___
H. Change of Location ____
I. Other (Specify) Renovation of existing facility and construction.

9. *Bed Complement Data*

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

	Current Beds Licensed	*CON	*Staffed Beds*	*Beds Proposed*	*TOTAL Beds at Completion*
A. Medical					
B. Surgical					
C. Long-Term Care Hospital					
D. Obstetrical					
E. ICU/CCU					
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric					
I. Geriatric Psychiatric					
J. Child/Adolescent Psychiatric					
K. Rehabilitation					
L. Nursing Facility (non-Medicaid Certified)	30	0	30	0	30
M. Nursing Facility Level 1 (Medicaid only)					
N. Nursing Facility Level 2 (Medicare only)	37	0	37	0	37
O. Nursing Facility Level 2					
P. ICF/MR					
Q. Adult Chemical Dependency (Detox)					
R. Child and Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
TOTAL	**67**	**0**	**67**	**0**	**67**

*CON-Beds approved but not yet in service

10. Medicare Provider Number 445481

Certification Type Skilled Nursing Facility

11. Medicaid Provider Number N/A

Certification Type N/A

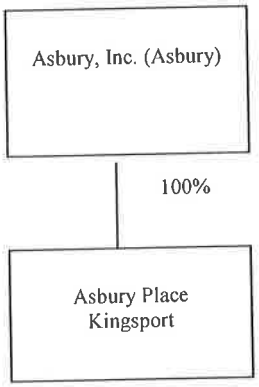
12. If this is a new facility, will certification be sought for Medicare and/or Medicaid? N/A

13. *Identify all TennCare Managed Care Organizations/Behavioral Health Organization (MCOs/BHOs)* operating in the proposed service area. Will this project involve the treatment of TennCare participants? No **. If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.**

Discuss any out-of-network relationships in place with MCOs/BHOs in the area.

Response to Section A, Item 3: Please See *Attachment A.3*.

Response to Section A, Item 4: Asbury, Inc. ("Asbury") is a Tennessee non-profit corporation that is affiliated with the Holston Conference of the United Methodist Church and is committed to adhering to the teachings and ministries of the church. Asbury has been serving the elderly through a network of not-for-profit retirement communities and long-term care communities since 1956. Asbury is the sole owner of Asbury Place at Kingsport (the "Applicant"), which is managed by The Asbury Group, Inc. ("TAG"). The ownership structure is as follows:



Asbury owns and operates Asbury at Home, a provider of non-medical in-home assistance for older adults in northeastern Tennessee, Asbury Place at Maryville and Asbury Place at Kingsport, nursing home facilities in Maryville and Kingsport, Tennessee, respectively, as well as communities providing assisted living and independent living accommodations for seniors. There are no individuals who have any ownership interest in Asbury. Asbury Place at Maryville and Asbury Place at Kingsport are the sole health care institutions located in Tennessee in which Asbury, Inc. has an ownership interest.

Response to Section A, Item 5: TAG manages Asbury Place at Kingsport and is owned by Asbury Communities. TAG provides management, development, and consulting services to those who own and/or operate retirement communities. TAG has been assisting retirement communities and other senior living providers across the country with everything from information technology issues to compliance issues for more than ten (10) years. TAG employs provider-based senior living consultants who have all held management positions in senior living communities and use the tactics learned managing various senior living communities in their consulting efforts.

Please also see *Attachment A.5*.

Response to Section A, Item 6: Please see *Attachment A.6*. Please note that the deed for the property is held by Asbury Centers, Inc., which is the former legal name of the

Applicant, Asbury, Inc. A copy of the recorded amendment to the Applicant's charter is included with *Attachment A.6*.

Response to Section A, Item 13: The Applicant currently has contracts with the following Managed Care Organizations:

- Humana-MNS
- Cigna
- Blue Cross/Blue Shield of Tennessee
- Crestpoint
- AETNA
- United Health Care

The Applicant is Medicare-certified, but is not currently certified for participation in Medicaid.

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

SECTION B: PROJECT DESCRIPTION

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

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

RESPONSE:

Introduction and Background

Asbury operates senior housing communities in Maryville and Kingsport, Tennessee and has been fulfilling its mission of care giving since approximately 1956. Asbury health care facilities offer services ranging from nursing care and rehabilitative services to physical therapy. Many of Asbury's communities are Continuing Care Retirement Communities, or CCRCs, which are based on a continuum of care concept that allows residents to choose the level of care they currently require, whether it is a room in an assisted living facility, an independent apartment, or a skilled nursing facility, but with the ability to transition to a different service level within the community should the need arise. Community members benefit from the ability to "age in place" in a location that they come to consider home, with and within their existing communities, friends and churches. The goal of the renovation is to ensure the ability to continue to provide a home environment for nursing home and assisted living residents that is modern and embodies characteristics synonymous with the true definition of a home: privacy, choice, and a purposeful and meaningful lifestyle.

The Applicant, Asbury Place Kingsport, is a CCRC and its campus setting provides care ranging from independent living to assisted care on a separate campus to skilled nursing. As part of the Applicant's CCRC, the skilled nursing home houses 67 Medicare-certified beds.

The Applicant seeks to transition some of its nursing care services from being provided in its aging, almost all semi-private room nursing home, to a twenty-two bed household with a new and more home-like culture of resident-centered care.

The Applicant envisions making this transition by constructing a new nursing home household of twenty-two beds on the existing CCRC campus to be used primarily for long term care residents and renovating the existing nursing home facility to be used primarily to serve short-term rehab residents. The existing nursing home will operate the remaining 45 beds in a combination of 23 private and 11 semi-private rooms, maintaining the Applicant's current total of 67 licensed beds on its campus.

Construction of the new 22 bed "Long Term Care Household" building (the "LTCH") and renovation of the existing skilled nursing facility building (the "SNF"), which will be renovated into a 45-bed facility, will be started simultaneously. While construction of the LTCH is under way, renovation of the common areas of the SNF will be done. It is anticipated that the common area renovation in the SNF and the construction of the LTCH will take about the same amount of time, and once construction and licensure of the LTCH is complete, up to 22 patients will transition to the LTCH. At that time, renovation of the patient rooms in the SNF will begin, to be done in a systematic fashion as patients are temporarily moved within the SNF, creating minimal disruptions. While such a systematic renovation will take longer than renovating multiple rooms in the building at a time, the systematic approach will have a minimal impact on building occupancy, and therefore is projected to not materially impact the revenues of the Applicant during the project.

At the end of the renovation, the SNF will contain 45 beds in a combination of private and semi-private beds (which when added to the 22 beds in the LTCH will result in the same total (67 beds) as the Application is currently licensed to serve.

Project Cost, Funding and Feasibility

The total estimated project cost is $7,904,823, with construction costs totaling $5,114,536, or 49.58% of total cost. The construction cost is $256.11 per square foot. As discussed below, the new construction cost compares favorably with statewide nursing home construction projects from 2012-2014. The Applicant will finance the project from tax-exempt bonds as shown by documentation from the issuing authority included with this application.

This project is economically feasible.

Staffing

The Applicant does not anticipate that it will hire additional staff to accommodate the proposed project.

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

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

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

RESPONSE: The project involves new construction to add the 22 bed LTCH to the existing CCRC campus and the renovation of the SNF to bring it up to date. The finished new construction and renovation will consist of 30,865 square feet. The cost per square foot for the total space is approximately $256.11 based on total project cost, or $165.71 based on construction costs only.

The skilled nursing building is part of the overall senior housing and active adult community, and serves a key role in allowing the Applicant to offer a complete array of supportive and long-term care services to individuals in the community. This comprehensive continuum of services will allow individuals to "age in place" within the community that they have made the choice to call home. The comprehensive development concept avoids dislocation of that individual from their friends, spouse, or church community when their health needs require additional services, or care in a residential health care facility. The household model that Applicant proposes will enhance the lives of those served by allowing them to live in an environment that not only looks like a home but that lives like a home because it enables a resident to have the privacy, dignity, choices, and meaningful life style that their previous homes provided their entire lives.

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

RESPONSE: Not applicable. No beds will be relocated, redistributed, designated, or converted. The Applicant will have 22 of its 67 staffed beds placed in the LTCH household and reduce the SNF to 45 beds, but all beds will remain on the Applicant's CCRC campus.

SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost/ SF		
					Renovated	New	Total	Renovated	New	Total
Community Room										
Outpatient Services										
Administration										
Circulation										
Mech/Elec/Data										
Patient Rooms										
Activity Spaces										
Clinical Support										
Circulation										
Mech/Elec/Data										
				TOTALS						
B. Unit/Depart. GSF Sub-Total					16,900	8,615	25,515			
C. Mechanical/ Electrical GSF					400	250	650			
D. Circulation /Structure GSF					2,500	2,200	4,700			
E. Total GSF					19,800	11,065	30,865			

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

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

RESPONSE: The Applicant will continue to provide skilled nursing home care in its renovated facility, assuming the CON is granted, primarily to serve the residents of Kingsport in Hawkins and Sullivan Counties, Tennessee. As a CCRC, the Applicant's ability to ensure access to skilled nursing home care to those residents requiring it is vital. The building the Applicant seeks to renovate was constructed in 1982 and has received only minor renovations over the years. The Applicant's application for renovation is supported by the age of the building and the need to ensure that the Facility's residents are comfortable and at ease in their environment, which, in turn, maintains their overall quality of life. Moreover, renovations of existing nursing home facilities improve the likelihood that a county's ratio of utilized beds to available beds will remain high and reflect need. Thus contributing to the continued orderly development of Tennessee's health care system. When more modern accommodations are available, potential residents from an outdated facility's service area will likely distrust the adequacy of care provided by older facilities and will seek an alternative nursing home facility in the same service area or one in a different service area. Over time, this skews the accuracy of bed need projection analyses for both residents' original service area and their ultimate service area. In practice, this would result in facilities receiving additional residents it could not have anticipated using population and bed need projections. Ensuring that the Applicant has up-to-date nursing home facilities will ensure it remains attractive to residents of its service area and dissuade potential residents from choosing a facility in a different service area. This, in turn, makes

bed need more predictable for all parties involved, enabling nursing home providers to confidently rely on bed need projection analyses to ensure their growth responds to predicted, consistent need increases as opposed to falling victim to unpredictable demand fluctuations due to potential residents' lack of confidence in other facilities.

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

RESPONSE: Not applicable.

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

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

   a. Describe the new equipment, including:

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

   b. Provide current and proposed schedules of operations.

2. For mobile major medical equipment:

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

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

RESPONSE: Not applicable. The project does not involve the acquisition of any major medical equipment as defined by HSDA rules.

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

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

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

RESPONSE: Please see *Attachment B.III.(A)*.

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

RESPONSE: The SNF is located an approximate one and a half hour drive from Knoxville, Tennessee and an approximate three hour drive from Chattanooga, Tennessee. The facility is conveniently located with access to major roads. The site is located approximately two miles from Interstate 26 and is easily accessible by traveling west on U.S. Route 11W and then traveling southwest on Netherland Lane.

The facility's location is very accessible to its service population. The facility is approximately 3.5 miles from Holston Valley Medical Center, which is licensed for 505 acute care beds and approximately 5.6 miles from Indian Path Medical Center, which is licensed for 239 acute care beds. The Facility is located approximately 24 miles from Wellmont Hawkins County Memorial Hospital, which is licensed for 50 acute care beds and located in Hawkins County. The facility's location perfectly situates it to conveniently accommodate the patients it receives from Kingsport hospitals who receive acute care services at tertiary hospitals, including Holston Valley Hospital and Indian Path Medical Center, and wish to be close to home for rehabilitation. The ability to have nursing services closer to home has many benefits, not the least of which is the psychological benefit experienced due being near family and friends, which often results in improved therapeutic results.

There are no senior housing communities with supportive services in Hawkins County. The two skilled nursing facilities in Hawkins County are approximately 8 and 23 miles away, but there is no other dedicated continuum of care senior community in the county.

Asbury Place at Kingsport has two sources of residents. The first group consists of Kingsport residents desiring to age in place whose health needs

progress to the point of needing skilled nursing facility care. The second group consists of older parents or relatives of Kingsport residents who want to be closer to their ailing and/or aging parents to provide more assistance to them, and bring them to Asbury Place at Kingsport for that purpose.

Ninety-seven percent (97%) of the workers in Hawkins County and ninety-six percent (96%) of workers in Sullivan County drive to work; therefore, employees as well as patients and their families would have no difficulty reaching the facility.

(Sources:http://www.city-data.com/county/Hawkins_County-TN.html; http://www.city-data.com/county/Sullivan_County-TN.html).

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

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

RESPONSE: Please see *Attachment B.IV.*

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

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

RESPONSE: Not applicable.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

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

QUESTIONS

NEED

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

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

Construction, Renovation, Expansion, and Replacement of Health Care Institutions

1. Guidelines for Growth Criteria - Need 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. The project does not involve the addition of beds, services, or medical equipment.

2. Guidelines for Growth Criteria – Need 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.

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

RESPONSE: The project does not involve the relocation or replacement of an existing licensed health care institution. The SNF will remain in place, though 22 of the 67 beds currently staffed will be housed in the LTCH.

3. Guidelines for Growth – Need 3: For renovations 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.

RESPONSE: The facility's average daily census in June of 2015 was 60.3 patients. For the fiscal year 2014-2015, ended March 31, 2015, the facility's average daily census was 62 patients, which reflects a small increase in daily census over the last year.

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

RESPONSE: The SNF is licensed for 67 beds, of which only 5 are private rooms. The purpose of the renovations is two-fold: (1) to create private rooms for all residents, and (2) to create a home/household type environment to create a better quality of life for the residents of the facility.

The proposed project will further the 5 Principles for Achieving Better Health as set forth in the State Health Plan.

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

RESPONSE: While this principle focuses mainly on the goals and strategies that support health policies and programs at the individual, community and state levels that will help improve the health status of Tennesseans, this project is consistent in that it supports a continuum of care model where patients will be able to receive intensive skilled nursing care and rehabilitative services within the community in which they live. The Applicant's campus design provides the most effective care in a person-centered environment, which is also the least-restrictive and least-costly option available, where the individual can live the healthiest life possible. By ensuring that CCRCs such as the Applicant continue and flourish, Tennesseans can be assured that they will receive the level of care they need when they need it and avoid unnecessary emergency room trips or hospital stays.

The project will further the Applicant's ability to provide state of the art long-term care services. In addition, the Applicant reports extensive quality measures as part of its involvement in the Medicare program. The Applicant has an ongoing quality improvement program to monitor and improve patient outcomes. These outcomes are regularly reported as part of public reporting requirements for all nursing homes.

2. Every citizen should have reasonable access to health care.

RESPONSE: The Applicant's healthcare model targets patients that are Medicare qualified beneficiaries seeking skilled nursing and rehabilitation services and provides a continuum of care for residents of the CCRC. The majority of all patients placed in nursing homes from the acute care setting are Medicare beneficiaries. Since Medicare is a federal insurance program covering individuals age 65 and older, as well as disabled individuals below this threshold age, access to long term care Medicare beds is a function of bed availability in the market.

3. The State's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies, and the continued development of the State's health care system.

RESPONSE: The Applicant's project speaks to the very heart of this principle at several levels. By assuring that the appropriate level of care and health care beds are available, when needed, the state's health care system will be able to keep

cost to their lowest level possible by making sure patients are able to utilize services at the lowest level of care possible (skilled nursing versus an acute care setting).

The Applicant provides transparent cost information to all prospective and current residents and promotes a competitive environment for the purchase of long term care services. As a CCRC, it provides the community with choices of different models to meet its members' long term care needs.

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

RESPONSE: The Applicant's facility is a long-term care provider that is surveyed both at the State and Federal levels. Through various sources, including the Medicare.gov website and the Nursing Home Compare data sets, consumers can now compare and research long term care providers, home care providers and acute care providers. The Applicant compares favorably both at the state and national level on these measurements. The Applicant is dedicated to providing quality care to residents of its service area.

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

RESPONSE: The renovated facility and new construction will help ensure that there is less turnover in health care employment opportunities in the community. Moreover, the Facility will pay wages and offer benefits that are in-line with the prevailing rates of other employment opportunities in the community.

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

RESPONSE: Not applicable.

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

RESPONSE: The long-range plan for the Applicant is to provide a continuum of services to the elderly of the Tri-Cities area, particularly Hawkins, Sullivan and Washington Counties that enhance their lives by providing opportunities for them to experience an environment that affords privacy, community, choice, purpose and meaning throughout their lifespan.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 1/2" x**

11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).

RESPONSE: Please see *Attachment C. Need 3*.

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

RESPONSE: The population in the proposed service area, Hawkins and Sullivan Counties is growing exponentially and is projected to continue to grow over the next five to seven years:

County	2010 Population	2015 Population	2020 Population
Hawkins	58,271	57,509	58,302
Sullivan	153,803	158,975	162,288
Total	**212,074**	**216,484**	**220,590**

Source: Office of Health Statistics, Bureau of Health Informatics, Tennessee Department of Health

Moreover, the populations of Hawkins County, Sullivan County, and the surrounding counties is experiencing a large increase in its population that is age 65 and older, which indicates further need for the services that the Applicant provides. The following chart illustrates the demographics of the proposed service area and surrounding counties with respect to the aging population therein:

Demographics of the Service Area and Surrounding Counties

	65+					Total Population		
County	**2010**	**2015**	**%65+ 2015**	**2020**	**%65+ 2020**	**2010**	**2015**	**2020**
Hawkins	9,367	11,739	20.33%	13,826	23.71%	56,833	57,741	58,302
Sullivan	29,215	34,287	21.5%	39,587	24.39%	156,823	159,494	162,288
Washington	18,761	22,369	16.87%	25,551	18%	122,979	132,599	141,925
Hamblen	9,918	11,522	17.88%	12,363	18.63%	62,544	64,438	66,364
Grainger	3,625	4,329	18.63%	4,675	19.45%	22,657	23,236	24,035
Hancock	1,159	1,349	20.30%	1,462	21.82%	6,819	6,645	6,700
Carter	9,818	11,279	19.66%	12,441	21.45%	57,424	57,359	58,002
Johnson	3,228	3,822	21.13%	4,077	22.33%	18,244	18,090	18,257
Greene	12,006	14,144	20.06%	15,370	21.23%	68,831	70,520	72,407
Total	97,097	114,840	19.46%	129,352	21.27%	573,154	590,127	608,280

Source: Office of Health Statistics, Bureau of Health Informatics, Tennessee Department of Health

Hawkins County has a very low minority population, with only approximately 3.4% of the population being of African American, Asian, Native American, or Hispanic/Latino ethnicity, while Sullivan has a minority population representing approximately 4.7% of the total population.

From 2009 to 2013, an estimated 16.2% of the population of Hawkins County and 18% of the population of Sullivan County lived below the poverty level, and the median household income for the same period of time was $37,357 and $39,479, with an average of 2.41 and 2.32 persons per household for Hawkins County and Sullivan County, respectively.

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: Hawkins County has been designated a health professional shortage area. The approval of this project will bring more health care resources to the service area.

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

RESPONSE: There are currently 2 other nursing homes in Hawkins County. There are 6 nursing homes in Sullivan County. Below is a chart that includes the individual occupancy rates for the 2 nursing homes located in Hawkins County as well as those of the 6 nursing homes in Sullivan County:

Average Daily Census for Nearby Nursing Homes

Facility	2012	2013	2014	2015
Hawkins/Sullivan County				
Asbury Place at Kingsport	85.07%	89.41%	91.04%	94.03%
Brookhaven Manor	84.31%	79.59%	**	**
The Cambridge House	92.53%	90.90%	**	**
Indian Path Medical Center Transitional Care Unit	73.69%	73.71%	**	**
Church Hill Health Care and Rehabilitation	93.25%	88.34%	**	**

Greystone Health Care Center	83.96%	79.88%	**	**
Holston Manor	85.49%	82.78%	**	**
Signature Healthcare of Rogersville	91.40%	98.74%	**	**
The Wexford House	96.51%	98.19%	**	**

Sources: 2012 and 2013 Tennessee Joint Annual Reports; Facility's Internal Records
**Through March 2015.*
***Information not currently available.*

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

RESPONSE: The following chart reflects the Applicant's average daily census by payor for the past three fiscal years, which end on March 31:

Applicant's Average Daily Census by Payor (2012-Present)

Payor	2012	2013	2014	2015*
Private Pay	31.77	34.20	31.67	29.88
Medicare	10.35	11.36	10.26	19.67
Managed Care	14.68	14.30	18.68	12.48
Total Patients:	**56.80**	**59.86**	**60.61**	**62.03**

Source: Applicant's internal records
**Through March 31, 2015*

The following chart contains the Applicant's projected annual utilization for the three years following completion of the project (2017 through 2019):

Applicant's Projected Average Daily Census by Payor (2018-2020)

Payor	2018	2019	2020
Private Pay	18.2	19.8	19.8
Medicare	21.6	21.6	21.7
Managed Care	20.7	20.7	20.7
Total Patients:	**60.5**	**62.1**	**62.2**

The projected utilization statistics above are based upon the Applicant's experience with and statistical data for the SNF.

ECONOMIC FEASIBILITY

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

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

- The cost of any lease (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.

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

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

RESPONSE: Please see Project Costs Chart and *Attachment Section C: Economic Feasibility – 1* for documentation from an architect supporting the estimated construction costs.

PROJECT COSTS CHART

A.	Construction and equipment acquired by purchase		
	1.	Architectural and Engineering Fees	$600,454
	2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	$85,000
	3.	Acquisition of Site	
	4.	Preparation of Site	$479,473
	5.	Construction Costs	$5,114,536
	6.	Contingency Fund	$639,016
	7.	Fixed Equipment (Not included in Construction Contract)	$512,000
	8.	Moveable Equipment (List all equipment over $56,000)	
	9.	Other (Specify)	$202,001
B.	Acquisition by gift, donation, or lease: Not Applicable.		
	1.	Facility (inclusive of building and land)	
	2.	Building only	
	3.	Land only	$
	4.	Equipment (Specify)	
	5.	Other (Specify)	
C.	Financing Costs and Fees: Not Applicable.		
	1.	Interim Financing	$
	2.	Underwriting Costs	$254,597
	3.	Reserve of One Year's Debt Service	$
	4.	Other (specify)	$
D.	Estimated Project Cost (A+B+C+)		$7,887,077
E.	CON Filing Fee		$17,746
F.	Total Estimated Project Cost (D+E)		$7,904,823
		TOTAL	**$7,904,823**

2. Identify the funding sources for this project.

Please check the applicable item(s) below and briefly summarize how the project will be financed. ***(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)***

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; or

___ E Cash Reserves--Appropriate documentation from Chief Financial Officer.

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

RESPONSE: The source of funding for the proposed project will be provided by Zeigler, a well-known provider of financing for senior living providers. Please see *Attachment Section C: Economic Feasibility – 2* for documentation from Zeigler.

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

RESPONSE: The total estimated project cost is $7,904,823. Construction costs are $5,114,536, or 49.58% of total cost. The construction cost is $165.70 per square foot. As reflected in the table below, the total construction cost is below the 3rd quartile of $174.53 per square foot for statewide nursing home construction projects from 2012 to 2014.

Statewide Nursing Home Construction Cost Per Square Foot 2012-2014

	Renovated Construction	New Construction	Total Construction

1st Quartile	$48.13/sq. ft.	$152.80/sq. ft.	$110.15/sq. ft.
Median	$70.26/sq. ft.	$170.48/sq. ft.	$152.80/sq. ft.
3rd Quartile	$101.00/sq. ft.	$185.00/sq. ft.	$174.53/sq. ft.

Source: HSDA Applicant's Toolbox

4. Complete Historical and Projected Data Charts on the following two pages--***Do not modify the Charts provided or submit Chart substitutions!*** Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** (*i.e.*, if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

   RESPONSE: Please see *Attachment C. Economic Feasibility – 4*. Historical and Projected Data Charts.

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

   RESPONSE: The project's average gross charge, average deduction from operating revenue, and average net charge are as follows:

	Year 1	Year 2
Average Gross Charge	$438.22	$446.01
Average Deduction	$66.90	$67.68
Average Net Charge	$371.33	$378.33

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

RESPONSE: Below is a chart that reflects the current and proposed charge schedules for the project.

Applicant's Current and Proposed Charge Schedules

Payor	Current	2015	Year 1	Year 2
Private Pay	$207.20	$193.51	$272.39	$279.88
Medicare	$433.04	$422.25	$442.17	$451.01

Managed Care	$366.64	$379.86	$430.51	$442.35

The Applicant does not anticipate any changes to current charges as a result of the project beyond those indicated above.

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

RESPONSE: Below is a chart of the charges of similar facilities in Hawkins and Sullivan Counties:

Applicant's Proposed Charges as Compared to Existing Facilities in Hawkins and Sullivan Counties

Facility	Medicare	Medicaid	Private Room	Semi-Private Room
Hawkins County Facilities				
Applicant	$442.17	N/A	$207.20	$207.20
Church Hill Health Care and Rehab Center	$342	$158	N/A	$186-$200
Signature HealthCare of Rogersville	$217	$203-$217	$170	$170
Sullivan County Facilities				
Brookhaven Manor	$429	$142-$147	$200	$195
The Cambridge House	$300	$161	$170	$165-$225
Greystone Health Care Center	$425	$166-$178	$192	$192
Holston Manor*	$378	$133-135	$185	$185
Indian Path Medical Center Transitional Care Unit	$378	$133-135	$185	$185
The Wexford House	$435	$167-$185	$195-$200	$185-$200

Sources: 2013 Joint Annual Reports; Applicant's records
**Information from 2012 Joint Annual Report, no information provided in 2013 Joint Annual Report*

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

RESPONSE: The Applicant is projecting an average daily census of 56.8 patients or 22,083 patient days in Year 1, for an average annual occupancy rate of 90.3%.

The Applicant projects an average daily census of 62.1 patients or 22,667 patient days in Year 2, for an average annual occupancy rate of 92.69%. The projected utilization is sufficient to render the project financially feasible as discussed below.

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

   RESPONSE: The project is economically feasible. While the projections do not show positive operating revenue for the skilled nursing facility by the end of Year Two, the CCRC campus as a whole will have positive results. The scale of the skilled nursing facility on the CCRC is smaller than at Asbury's other Tennessee facility in Maryville, but the Board of Directors of Asbury determined that this project should be viewed as a part of the CCRC campus in its entirety, and that the renovations are beneficial to the community and financially feasible.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

   RESPONSE: The Applicant is a nonprofit corporation, and would note that, as stated in the notes to its most recent financial audit, and as indicated on its most recent IRS Form 990, the Asbury facilities have an active charity care program. Specific to the Kingsport facility, the Applicant provides benevolent care for residents in residential and assisted living units on this campus; however, this CCRC model is not intended to serve the medically indigent in a skilled nursing facility setting. The Applicant anticipates that Year One revenues will consist of approximately 36% Medicare, 34% managed care, and 30% private pay.

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

    RESPONSE: Please see *Attachment C: Economic Feasibility – 10*.

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

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

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

RESPONSE: The Applicant has carefully considered its request to renovate its SNF and construct a 22-bed LTCH pursuant to its Certificate of Need application, and an alternative does not exist. If the applicant foregoes the construction and renovation, there will continue to be inconsistencies and unpredictable fluctuations in bed need projections for Hawkins and surrounding counties, as previously discussed. Further, given the Applicant's status of the only CCRCs in Hawkins County, the community, providers, and consumers will suffer undue hardship. The CCRC model is unique and fills an important niche in the senior care consortium. It affords seniors the opportunity to reside in one community for the remainder of their lives as their age and medical needs advance, and a skilled nursing facility up to date with current amenities and features of skilled nursing facilities is a crucial component of said continuum of care.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

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

   RESPONSE: The applicant currently has agreements with Functional Pathways for therapy services, home health and hospice services agreements with Advanced Home Care, Amedysis Home Health and Hospice, Adventa Hospice, Smokey Mountain Home Health & Hospice, and Wellmont Hospice, and hospital transfer agreements with Wellmont Hospital (Holston Valley and Bristol Regional) and Mountain States Health Alliance (Indian Path Hospital).

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

   RESPONSE: The project will have a positive effect on the health care system and will help ensure that all facilities in the county are providing the best possible services at competitive price points. In addition to keeping Hawkins residents within their service area, the renovation of a facility such as the Applicant's ensures that other facilities in the service are have to continue to innovate and refine their perspectives on the adequacy of their facilities as well as the manner in which they provide their services. This will help ensure that the quality of care provided and of the facilities in which it is provided remain high.

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

   RESPONSE: Below is a chart containing the current and anticipated staffing for the Applicant using FTEs:

Department	Description	Existing 67-Beds FTEs/Week	Total 67-Beds Hours/Week	Current Pay/Hour (1)	Anticipated Pay/Hour (2)
Administration	Administrator	1	#REF!	$ 33.65	$ 35.70
	HR Director	0.7	0.7	$ 17.96	$ 19.05
	Office Manager	0.6	0.6	$ 20.11	$ 21.33
	Chaplain (Volunteers)	8	8	$ 12.50	$ 13.26
Marketing	Marketing Director	1	1	$ 24.78	$ 26.29
	Marketing/Adm. Coord	1	1	$ 17.63	$ 18.70
Nursing	Director of Nursing	1	#REF!	$ 39.91	$ 42.34
	Assist Director of Nursing	1	#REF!	$ 25.72	$ 27.29
	MDS Coordinator	1.6	1.6	$ 22.72	$ 24.10

	Charge Nurse LPN	12.49	12.49	$ 19.15	$ 20.32
	Charge Nurse RN	4.52	4.52	$ 25.76	$ 27.33
	Certified Nursing Assistant	27.52	27.52	$ 12.05	$ 12.78
	Restorative Nursing Aide	1	1	$ 12.05	$ 12.78
	Nursing Secretary	1	1	$ 13.99	$ 14.84
	Driver	0.5	0.5	$ 12.93	$ 13.72
Activities	Activity Director	1	1	$ 12.66	$ 13.43
Social Services	Director of Social Services	1	#REF!	$ 16.76	$ 17.78
Laundry	Laundry Asst/Trans Duty	2	2	$ 8.11	$ 8.60
Housekeeping	Housekeeping Assistant	3.8	3.8	$ 7.85	$ 8.33
Dietary	Director of Dietary	0.3	16.8	$ 34.61	$ 36.72
	Dietary Supervisor	0.3	16.8	$ 20.20	$ 21.43
	Head Cook	2.1	2.1	$ 12.43	$ 13.19
	Assist Cook	0.2	0.2	$ 8.56	$ 9.08
	Dietician	0.1	0.1	$ 50.00	$ 50.00
	Dietary Assistant	2.9	#REF!	$ 8.56	$ 9.08
	Dishwasher	1.6	1.6	$ 8.65	$ 9.18
Operations/Maintenance	Director of Environmental	1	1	$ 31.32	$ 33.23
	Environmental Assistant	1	1	$ 25.26	$ 26.80
	Maintenance Tech	2	2	$ 12.03	$ 12.76
	Totals	82.23	#REF!		

(1) Current Pay/Hour Labor Analysis - July 31, 2015
(2) Anticipated Pay/Hour Determined by Adding a 3% Pay Increase

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

RESPONSE: The Applicant pays wages and offers benefits that are in-line with the prevailing rates of other employment opportunities in the community. The Facility also benefits from local schools such as Dobyns Bennett High School, Sullivan South, and East Tennessee State University. The Applicant currently has staff required by the proposal, including adequate professional staff as per the Department of Health, and does not anticipate difficulty filling positions needed for the project.

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

RESPONSE: The Applicant has reviewed and understands the aforementioned requirements.

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

RESPONSE: The Applicant has agreements in place with Dobyns Bennett High School and Sullivan South for the training of certified nursing assistance students and with East Tennessee State University for the training of nursing students.

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

RESPONSE: The Applicant is familiar with all licensure requirements of the Tennessee regulatory agencies and relevant Medicare requirements.

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

RESPONSE: Asbury Place at Kingsport is licensed by the Tennessee Department of Health as a nursing home, and it is certified for Medicare participation. Its license and provider number are as follows:

State License Number: 123

Medicare Certification: 44-5481

Medicaid Certification: N/A

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

RESPONSE: Asbury Place at Kingsport is currently in good standing with all licensing, certifying and accrediting agencies. Please see *Attachment C: Contribution to the Orderly Development of Health Care – 7(c)*.

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

RESPONSE: The Applicant underwent a recertification survey and complaint investigation on **November 17 to 20, 2014**, and received citations for which it submitted a plan of correction on **December 22, 2014**. A copy of the survey results, plan of correction, and approval letter from the Department of Health for the plan of correction are included as *Attachment C: Contribution to the Orderly Development of Health Care – 7(d)*.

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the

applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

RESPONSE: Not applicable.

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

RESPONSE: Not applicable.

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

RESPONSE: If the proposal is approved, the Applicant will be happy to provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

PROOF OF PUBLICATION

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

KINGSPORT TIMES-NEWS

PUBLICATION CERTIFICATE

Kingsport, TN 8/10/15

This is to certify that the Legal Notice hereto attached was published in the Kingsport Times-News, a daily newspaper published in the City of Kingsport, County of Sullivan, State of Tennessee, beginning in the issue of August 10, and appearing 1 consecutive weeks/times, as per order of Bradley, Arant, Boult Cummings LLP

Signed Sheryl Edwards

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 Asbury Place at Kingsport, an existing licensed nursing home owned by Asbury, Inc., a non-profit corporation, intends to file an application for a Certificate of Need for the construction of a building on its existing campus to house twenty-two (22) of its skilled nursing beds and the renovation of its existing sixty-seven (67) bed facility into a forty-five (45) bed facility. The existing facility currently is and will continue to be managed by an affiliated entity known as The Asbury Group. The Asbury Group will also manage the new building. The location of Asbury Place at Kingsport is 100 Netherland Lane, Kingsport, Tennessee 37660 (Hawkins County), and the estimated project cost is $7,904,823.

The anticipated date of filing the application is on or before August 14, 2015. The contact person for this project is Michael D. Brent, Esq., who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, TN 37203. Mr. Brent's telephone number is (615) 252-2361 and his e-mail address is **mbrent@babc.com**.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

Pursuant to T.C.A. § 68-11-1607(c)(1), (A) any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at, or prior to, the consideration of the application by the Agency.

PUB1: 8/10/15

STATE OF TENNESSEE, SULLIVAN COUNTY, TO-WIT:

Personally appeared before me this 10th day of August 2015, Sheryl Edwards of the Kingsport Times-News and in due form of law made oath that the foregoing statement was true to the best of my knowledge and belief.

JANICE L. RUESER NOTARY PUBLIC AT LARGE WASHINGTON COUNTY, TN

Janice L. Rueser
NOTARY PUBLIC

My commission expires 3-2-2016

AUG 14 '15 PM 4:27

DEVELOPMENT SCHEDULE

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

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

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

Form HF0004
Revised 02/01/06
Previous Forms are obsolete

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): November 18, 2015. Assuming the CON approval becomes the final agency action on that date, indicate the number of days from the above agency decision date to each phase of the completion forecast.

Please note that the applicant is requesting 36 months for the completion of this renovation and its sister project at Asbury Place at Kingsport, which will use the same contractors. This extended period is desired to allow subcontractors to move from one facility to the other as construction proceeds, and to allow a slower, but more systematic renovation of the SNF, to minimize the disruption of patients at the facility.

Phase	DAYS REQUIRED	Anticipated Date (MONTH/YEAR)
1. Architectural and engineering contract signed	0	November 2015
2. Construction documents approved by the Tennessee Department of Health	120 days	March 2016
3. Construction contract signed	120 days	March 2016
4. Building permit secured	120 days	March 2016
5. Site preparation completed	210 days	June 2016
6. Construction commenced	240 days	July 2016
7. Construction 40% complete (LTAH 100%)	480 days	March 2017
8. Construction 80% complete	810 days	February 2018
9. All Construction 100% complete (all areas approved for occupancy)	900 days	June 2018
10. *Issuance of final license	960 days	August 2018
11. *Initiation of final service	960 days	August 2018
12. Final Architectural Certification of Payment	960 days	August 2018
13. Final Project Report Form (HF0055)	990 days	September 2018

*** For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only. Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.**

EXHIBITS

Please see attached.

Attachment A.3

Corporate Charter and Certificate of Existence

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

BRADLEY ARANT BOULT CUMMINGS LLP
1600 DIVISION STREET SUITE 700
NASHVILLE, TN 37203

July 30, 2015

Request Type: Certificate of Existence/Authorization
Request #: 0170815

Issuance Date: 07/30/2015
Copies Requested: 1

Document Receipt

Receipt # : 002171639

Filing Fee: $22.25

Payment-Credit Card - State Payment Center - CC #: 163939647 $22.25

Regarding: **ASBURY, INC.**
Filing Type: Nonprofit Corporation - Domestic
Formation/Qualification Date: 03/16/1956
Status: Active
Duration Term: Perpetual
Business County: BLOUNT COUNTY

Control # : 75532
Date Formed: 03/16/1956
Formation Locale: TENNESSEE
Inactive Date:

CERTIFICATE OF EXISTENCE

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

ASBURY, INC.

* is a Corporation duly incorporated under the law of this State with a date of incorporation and duration as given above;
* has paid all fees, taxes and penalties owed to this State (as reflected in the records of the Secretary of State and the Department of Revenue) which affect the existence/authorization of the business;
* has filed the most recent annual report required with this office;
* has appointed a registered agent and registered office in this State;
* has not filed Articles of Dissolution or Articles of Termination. A decree of judicial dissolution has not been filed.

Tre Hargett
Secretary of State

Verification #: 013013921

Processed By: Cert Web User

RESTATED CHARTER

OF

ASBURY CENTERS, INC.

The undersigned nonprofit corporation, acting by and through its Board of Directors, pursuant to the provisions of Section 48-60-106 of the Tennessee Nonprofit Corporation Act, adopts the following Restated Charter for such corporation:

1. The name of the corporation is Asbury Centers, Inc.

2. This corporation is a public benefit corporation.

3. The street address of the corporation's initial registered office and of the corporation's principal office is 903 Amerine Road, Maryville, Tennessee 37804-3561. This office is located in Blount County, Tennessee. The name of the registered agent at that office is Bernie Bowman.

4. This corporation is not for profit.

5. This corporation will not have members.

6. Upon dissolution, assets available for distribution shall be distributed to the Holston Annual Conference of the United Methodist Church.

7. The purpose for which the corporation is organized shall be to build, acquire, own, maintain, operate, sell, mortgage or convey and otherwise provide for the operation of appropriate facilities for the housing, feeding, and, where feasible, the health care of persons and to do all things incidental to the conduct of such operations and to engage in any and all lawful activity provided; however, that the corporation is recognized as exempt from federal income taxation pursuant to the provisions of Section 501(c)(3) and

Section 170(c)(2) of the Internal Revenue Code and the corporation is hereby prohibited from carrying on or conducting or exercising those rights, privileges, and powers which are inconsistent with the maintenance of federal income tax exempt status pursuant to said Section 501(c)(3) and 170(c)(2) of the Internal Revenue Code.

8. The duration of the corporation is perpetual.

The Restated Charter is adopted pursuant to the authority of T.C.A. Section 48-60-106 by the corporation's Board of Directors at a meeting duly and regularly held pursuant to notice on the 21st day of August, 1998.

ASBURY CENTERS, INC.

By: _____

Chairman, Board of Directors

CERTIFICATE

Comes Asbury Centers, Inc., a Tennessee nonprofit corporation, pursuant to the provisions of T.C.A. Section 48-60-107(h), and does hereby certify to the Secretary of State of the State of Tennessee as follows:

1. There is hereby delivered a copy of the Restated Charter of Asbury Centers, Inc. which document sets forth the text of said Restated Charter.

The restatement does not contain an amendment requiring an approval by members or by any person other than the Board of Directors and, accordingly, the Board of Directors has adopted this restatement.

Certified to the Secretary of the State of Tennessee by Asbury Centers, Inc., this 21st day of August, 1998.

ASBURY CENTERS, INC.

By: _____
President

BE IT RESOLVED THAT Bernie Bowman is hereby authorized to sell, assign and endorse for transfer, certificates representing stocks, bonds, or other securities now registered or hereafter registered in the name of this nonprofit corporation.

I, Bernie Bowman, President of Asbury Centers, Inc. hereby certify that the foregoing is a true copy of a resolution duly adopted by the Board of Directors of said Asbury Centers, Inc. at a meeting duly held the 21st day of August, 1998, at which a quorum was present and voting and that the same has not been repealed or amended and remains in full force and effect and does not conflict with the Charter of said Asbury Centers, Inc.

(SEAL)

Date August 31, 1998

Judie P. Barrett
(Secretary)

(If no seal, certify that there is no seal.)

Subscribed And Sworn To Before Me
This 31st day of August, 1998

Janet W. Walsh
Notary Public 1/31/2001
(Affix Seal)

AMENDMENT TO THE CHARTER
OF
ASBURY CENTERS, INC.
CHANGING THE CORPORATE NAME
TO
ASBURY, INC.

The undersigned corporation files this amendment to its charter for the purpose of changing its corporate name pursuant to the provisions of Tennessee Code Annotated §48-60-101, et seq., of the Tennessee Nonprofit Corporation Act.

RECEIVED
STATE OF TENNESSEE
03 JUL 28 AM 9:17
RILEY DARNELL
SECRETARY OF STATE

1. The present name of the corporation is Asbury Centers, Inc.

2. This Amendment changes the corporate name to: **ASBURY, INC.**

3. All other provisions of the Charter of this corporation remain unchanged.

4. This Amendment does not require the approval by members or any other person other than the corporate Board of Directors.

5. This Amendment was duly adopted by the corporation's Board of Directors at a meeting duly held on the 15th day of November, 2001.

ASBURY, INC.

By: _____
Cole Piper
Chairman, Board of Directors

STATE OF TENNESSEE
COUNTY OF BLOUNT

Before me, the undersigned of the State and County aforesaid, personally appeared Cole Piper, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the Chairman of the Board of Directors of Asbury, Inc., the within named bargainor, a corporation, and that as such officer, being authorized so to do, he executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as such officer.

WITNESS my hand and official seal, at office, this 16th day of July, 2003.

Ann A. Adams
Notary Public

My Commission Expires: 10-29-06

AMENDMENT A to the
MANAGEMENT SERVICES AGREEMENT
by and between
ASBURY, INC. and THE ASBURY GROUP, Inc.

WHEREAS, Asbury, Inc. ("Asbury") and The Asbury Group, Inc. ("TAG") entered into a Management Services Agreement ("Agreement"), dated April 1, 2014, and

WHEREAS, Section 5.1 of the Agreement states that the Annual Fee for services provided by TAG is 6.08% of Asbury's Budgeted Operating Revenue, and

WHEREAS, Section 5.1 of the Agreement includes a provision that requires recalculation of the Annual Fee if Asbury divests a facility that represents twenty percent (20%) or more of Budgeted Operating Revenue, and such recalculated Annual Fee shall be applicable the month following divestiture of such facility, and

WHEREAS, Asbury has entered into a purchase and sale agreement with a third party to divest the Asbury Place Johnson City skilled nursing facility ("APJC") with an anticipated transaction closing date of August 31, 2014, and

WHEREAS, the actual budgeted operating revenue from APJC represents seventeen (17%) of the total budgeted operating revenue of Asbury, which does not trigger the Annual Fee recalculation requirement, and

WHEREAS, the parties recognize that additional management expenses incurred by TAG will continue for several months following the divestiture of APJC, and

WHEREAS, the parties desire to modify the terms of the Agreement to implement the Annual Fee recalculation provision with modifications to address the continuing management expenses following divestiture in accordance with the Management Fee Proposal attached hereto as **Exhibit A.**

NOW THEREFORE, In consideration of the premises, covenants, and conditions contained in this Agreement, Asbury and TAG agree as follows:

1. The Annual Fee for September, 2014 through December, 2014 shall be one hundred sixty five thousand, one hundred forty five dollars and 86/100 ($165, 145.86).
2. The Annual Fee for January, 2015 through March, 2015 shall be one hundred forty nine thousand, nine hundred eighty six dollars and 63/100 ($149,986.63).
3. The Annual Fee for April, 2015 shall be calculated in accordance with the terms and conditions of the Agreement.

ASBURY, INC.

By: Sandra Davis
Name: Sandra Davis
Title: Board Chair

THE ASBURY GROUP, INC.

By: Andrew H. Joseph
Name: Andrew H. Joseph
Title: Secretary

EXHIBIT A

Management Fee Proposal

See Following Page

The Asbury Group
Management Fee Proposal
Asbury, Inc. (APlace)

1 We underbilled in the first quarter of fiscal 2015

	Billed	Should have been	Variance
Apr-14	$ 185,798.19	$ 191,340.91	$ (5,542.72)
May-14	$ 185,798.19	$ 191,340.91	$ (5,542.72)
Jun-14	$ 185,798.19	$ 191,340.91	$ (5,542.72)
Savings to APlace			$ (16,628.17)

2 New contract effective July at 6.04%

New monthly management fee $ 180,305.09

3 Other contract terms

New contract calls for reduction of fee if assets sold accounting for more that 20% of the budgeted revenue
Reduction of mgmt fee starts the month following the sale, so if JC sold on 8/31, reduction would take place 9/1
However, our costs do not stop on 9/1. Need to wind down, collect a/r, file cost reports, tax returns, etc.

APlace Budgeted revenue total	$ 35,822,204
	20%
20% of Budgeted revenue	$ 7,164,441
Johnson City Portion	$ 6,023,535
Does not meet the 20% criteria	17%

4 If criteria was met, and JC revenue was removed from the mgmt fee calculation, new mgmt fee would be as follows:

Budgeted Revenue Base with JC	$ 35,822,204
Remove JC portion	$ (6,023,535)
New base for Mgmt fee	$ 29,798,669
Fee percentage	6.04%
New annual fee	$ 1,799,839.61
New monthly fee	$ 149,986.63
Current fee	$ 180,305.09
Monthly savings if criteria was met	$ 30,318.46

5 Proposed compromise

TAG will allow for reduction of management fee even though criteria not met
APlace will allow TAG to bill adjusted management fee through December 2014, splitting the difference between current and revised; Full reduction effective Jan 2015

	contracted mgmt fee	50% of difference	mgmt fee under compromise
Sep-14	$ 180,305.09	$ (15,159.23)	$ 165,145.86
Oct-14	$ 180,305.09	$ (15,159.23)	$ 165,145.86
Nov-14	$ 180,305.09	$ (15,159.23)	$ 165,145.86
Dec-14	$ 180,305.09	$ (15,159.23)	$ 165,145.86
	$ 721,220.37	$ (60,636.92)	$ 660,583.45

6 January 2015 begin fully reduced management fee as if JC met 20% criteria

	New fee w/o JC	Current fee	Savings
Jan-15	$ 149,986.63	$ 180,305.09	$ (30,318.46)
Feb-15	$ 149,986.63	$ 180,305.09	$ (30,318.46)
Mar-15	$ 149,986.63	$ 180,305.09	$ (30,318.46)
	$ 449,959.90	$ 540,915.28	$ (90,955.38)

7 **Summary**

Savings due to billing error	$ (16,628.17)
Savings under compromise through Dec 2014	$ (60,636.92)
Savings Jan-Mar 2015	$ (90,955.38)
Total Savings to Aplace FY 2015	$ (168,220.46)

MANAGEMENT SERVICES AGREEMENT
by and between
ASBURY, INC. and THE ASBURY GROUP, INC.

THIS MANAGEMENT SERVICES AGREEMENT (this "Agreement") is entered into to be effective as of the **1st day of April, 2014**, by and between **Asbury, Inc.** doing business as "Asbury Place" ("Corporation"), having an address of 910 Wilder Chapel Lane, Maryville, Tennessee 37804, and **The Asbury Group, Inc.** ("TAG"), a Delaware corporation, having an address of 20300 Century Boulevard, Suite 300, Germantown, Maryland 20874.

I. RECITALS

1.1 TAG is engaged in the business of providing management, development, and consulting services to owners/operators of retirement communities.

1.2 Corporation owns and operates multi-site senior residential communities and health service providers, namely Asbury Place Maryville, Asbury Place Kingsport Baysmont, Asbury Place Kingsport-Steadman Hill and Asbury Place Johnson City ("Communities"), a home and community based services operation ("Asbury Place at Home"), and a separately incorporated low income HUD facility, Forest Ridge Manor, Inc. ("Forest Ridge"); and

1.3 Corporation entered into a comprehensive Management Services Agreement with TAG, formerly Asbury Services, Inc., in July 2006 (the "Original Agreement"), subsequently Amended and Restated in July 2011 with several amendments and separate development agreements thereafter; and

1.4 In anticipation of the next major project in Corporation's strategic repositioning plan focused on the health care facilities at Asbury Place Maryville and Asbury Place Kingsport Baysmont ("Health Care Repositioning Project"), Corporation desires to establish a Management Services Agreement and a separateProject Management Agreement to cover the period of the Health Care Repositioning Project. These separate agreements will be executed contemporaneously by the Parties.

1.5 Having invested over eight years serving Corporation and supporting its strategic repositioning, TAG desires to remain Corporation's key management and development partner.

In consideration of the premises, covenants, and conditions contained in this Agreement, and intending to be legally bound, Corporation and TAG hereby agree as follows:

II. ENGAGEMENT OF TAG

2.1 Corporation hereby retains TAG to provide the services set forth in Section 2.5 (hereinafter the "Services") and TAG hereby accepts such engagement, upon the terms set forth herein.

2.2 Corporation understands that the Services to be provided herein may not be all of the services provided by TAG to other entities under various service agreements.

2.3 Corporation acknowledges that TAG will need the support of Corporation's Board of Directors, professional and administrative staff, and Corporation agrees to provide such support including, but not limited to: (i) cooperation with TAG and providing TAG access to Corporation's records, data, and personnel; and (ii) providing, on a timely basis, relevant data and information that may be requested by TAG in order to perform the Services.

2.4 TAG has developed the Services which it is to provide hereunder based on information provided by Corporation. The parties agree that the Services are limited to those Services set forth in Section 2.5 and the related Schedules.

2.5 During the term of this Agreement, TAG will provide the following Services:

Marketing (see Schedule 2.5.1)

Finance (see Schedule 2.5.2)

IT, *includes Hosting* (see Schedule 2.5.3)

Legal/Compliance (see Schedule 2.5.4)

Operations *does not include direct clinical services* (see Schedule 2.5.5)

Human Resources (see Schedule 2.5.6)

Strategic Planning and Corporate Strategy (see Schedule 2.5.7)

Asbury @ Home (see Schedule 2.5.8)

Development (see Schedule 2.5.9)

Any and all Services not included in an attached schedule (schedules 2.5.1 through 2.5.9) are not part of this Agreement. TAG is available to provide additional services not included in this Agreement. If Corporation is interested in TAG providing a service that is not included in this Agreement, TAG, upon request from Corporation, will provide Corporation with a proposal for the service including the cost, time frame, and such other information that may be requested by Corporation.

2.6 During the term of this Agreement, TAG is authorized to select third parties with which Corporation shall contract for services (hereinafter "Third Party Service Provider"). TAG shall be Corporation's agent and interface with each Third Party Service Provider on behalf of Corporation. Corporation understands that TAG is responsible for identifying Third Party Service Providers, but is not responsible for the actions of Third Party Service Providers or the employees of the Third Party Service Providers. TAG is not authorized to enter into any agreement that would absolve a Third Party Service Provider from liability for its actions or the actions of its employees. Corporation shall be financially responsible for all invoices and other charges for each Third Party Service Provider. It is

agreed by the parties that Corporation's Board of Directors shall retain the authority to refuse to engage a Third Party Service Provider with reasonable explanation to TAG. It is further agreed by the parties that TAG shall not retain accountants, advisors, auditors, insurance agents, or attorneys (except that TAG is authorized to retain legal counsel on behalf of Corporation and in the regular course of business if an existing attorney client relationship exists between a law firm and the Corporation), nor shall it create a new banking relationship, without first securing approval from Corporation's Board of Directors.

2.7 By entering into this Agreement, Corporation does not delegate to TAG any of the powers, duties, or responsibilities required to be retained by Corporation under applicable law (including all certificates and licenses issued under authority of law for operation of Corporation). Corporation shall be the owner and holder of all licenses, accreditation certificates, and contracts which Corporation has obtained in connection with the operation of the Community.

2.8 Corporation acknowledges and agrees that TAG shall provide its management Services through a review of key indicator and benchmarks; the development of financial and operating standards by which the income, costs, and operations of the Community may be evaluated; and general oversight of the operation and management of the Community, its marketing, planning for future operations, and establishment of policies and procedures. TAG shall provide its Services primarily through its offices located in Germantown Maryland, through the Chief Operating Officer for Corporation based in Tennessee and through telephone and videoconferencing, email/faxes, and onsite visits. Onsite visits may include reviews of records, staff training, meetings (with the board and/or board members, staff and/or residents), and observation. TAG agrees to provide at least one TAG employee to serve as a key executive for the region, who shall be responsible for overall supervision and leadership of the region. For purposes of this Agreement, the term region shall mean Virginia, West Virginia, North Carolina, South Carolina, Georgia and Tennessee.

2.9 TAG shall take no action, expend no funds, and incur no obligation with respect to Major Decisions, defined in this section 2.9, affecting the Corporation, unless such Major Decisions have been approved by the Board of Directors of Corporation. The following shall constitute Major Decisions:

2.9.1 Change in the licensure of the Community

2.9.2 Significant changes in the scope of services offered at the Community

2.9.3 Any expenditure of funds which is a significant deviation from either the capital or operating budget of the Community

2.9.4 Closing the Community or any portion thereof

2.9.5 Construction of a new building or buildings

2.9.6 The incursion of debt, other than in the ordinary course of business

2.9.7 Sale of any real property owned by Corporation

2.9.8 Resolution of any litigation that is not covered by insurance

2.9.9 Change in the legal structure of Corporation

2.10 TAG shall provide training it deems appropriate for Corporation staff in the areas in which TAG is providing Services. TAG, in consultation with Corporation, shall differentiate between mandatory and optional training. TAG shall be responsible for costs associated with mandatory training provided at the Community. Corporation shall require employees to attend all mandatory training sessions scheduled by TAG. It is understood and agreed that any mandatory training sessions shall be offered in such locations and at such times as appropriate to minimize cost and ensure appropriate coverage for resident care. Optional training programs shall be offered in either Maryland or Tennessee, at the discretion of TAG. Costs associated with employees of Corporation attending optional training shall be paid by Corporation.

2.11 TAG shall, at its expense, procure all licenses and permits which are required for it to lawfully render the Services.

2.12 TAG shall be responsible for the Direct Operating Costs incurred in connection with its provision of Services. The term "Direct Operating Costs," as used in the preceding sentence means TAG's costs directly attributable to the Services including: (i) salaries (wages, benefits and related payroll taxes) of TAG employees; and (ii) all taxes and fees currently imposed by federal, state, or local authorities at the commencement of this Agreement in connection with the provision of the Services. Except as otherwise provided in this Agreement, all other costs associated with performance of this Agreement shall be the responsibility of Corporation.

2.13 TAG and Corporation agree to participate in an annual "Stakeholders Meeting" to review the performance of TAG, which will include a written annual report summarizing the key accomplishments. For purposes of this Section 2.13, "Stakeholders Meeting" shall mean a meeting among key representatives of TAG, and members of the Board of Corporation designated by the Chairperson.

2.14 TAG shall work directly for and report to the Board of Directors of Corporation. Except as to matters relating to TAG's performance under this Agreement, discussions regarding terms for negotiation under the Agreement and executive sessions of the Board and any Committee of the Board, TAG shall participate in the meetings of Corporation's Board of Directors and meetings of the Executive Committee and Finance Committee of the Board of Directors of Corporation. The TAG Vice President of Operations, Asbury, which position is currently held by **Marjorie Shonnard** is the primary TAG staff member assigned to work with the Board of Corporation and fill the role of chief executive officer for Corporation. Except as to matters relating to TAG's performance under this Agreement, discussions regarding terms for negotiation under the Agreement and executive sessions of the Board and any Committee of the Board, TAG shall receive notice of any meeting of the Board of Directors, Executive Committee, or Finance Committee of the Board of Directors no less than five (5) days prior to said meeting, or if said meeting is called with less than five (5) days' notice, then at such time as the meeting is called. In

addition, except as provided otherwise herein, TAG shall receive notice of any meeting of any committee, permanent, temporary, or ad hoc of Corporation's Board of Directors no less than five (5) days prior to said meeting, or if said meeting is called with less than five (5) days' notice, then at such time as the meeting is called. Attendance at such committee meeting shall be at the discretion of TAG, and may be via teleconference, rather than in-person.

2.15 TAG shall work with the Board in an ongoing basis to implement and update Corporation's strategic plan, including tactical goals and objectives. This work will be primarily accomplished at the regularly scheduled Board meetings and special interim meetings called for this purpose.

III. PERSONNEL

3.1 The TAG Vice President of Operations, Asbury, which position is currently held by Marjorie Shonnard, shall also hold the position of Chief Operating Officer ("COO") of Corporation. TAG, collectively, shall perform the duties and responsibilities of Chief Executive Officer ("CEO") of the Corporation.

3.2 TAG agrees to furnish personnel which, in its judgment, are required to properly perform the Services. TAG shall furnish to Corporation, upon request, certificates of insurance, as evidence of the proper employee insurance coverage for its employees.

3.3 Individuals named in this agreement may be replaced at the discretion of TAG with other qualified personnel with the exception of the primary TAG staff member assigned to work with the Board of Corporation. The primary TAG staff member assigned to work with the Board of Corporation may be replaced only upon approval by the Board of the Corporation. If any TAG personnel are not reasonably acceptable to the Board of Directors of Corporation, the Chair may request, in writing, the removal of such personnel. Upon the receipt by TAG of such written request, TAG shall provide, within a reasonable time, a replacement acceptable to the Board of Directors.

3. 4 All persons who are Corporation employees on the date of this Agreement shall continue to be employees of Corporation until such time as their employment is terminated by Corporation, whether voluntarily or involuntarily.

3.5. At the termination of this Agreement, regardless of the reason therefore, in the event TAG terminates any of its employees who previously worked at Corporation's Community, with the exception of those listed on Schedule 3.4, and such employee(s) are rehired by Corporation within six (6) months after the termination of this Agreement, Corporation shall reimburse TAG for any and all employment related expenses associated with such termination, including, but not limited to, paid time off, vacation, or sick pay and severance, paid by TAG to such employee.

3.6 Corporation acknowledges that TAG's salaried employees providing Services to Corporation's Community are essential to TAG's' core business of providing management services and are familiar with TAG's operating procedures and other information proprietary to TAG. Therefore, with the exception of those listed on Schedule 3.4, Corporation agrees to not, without TAG's prior written consent, solicit for employment,

hire, make any agreement with, or permit the employment (including employment by any successor Corporation or any person or entity providing services to Corporation or to its successor), or any person who is or has been a TAG salaried employee within the earlier of one (1) year after such employee terminates employment with TAG or within one (1) year after termination of this Agreement. Those employees listed on Schedule 3.5 shall be exempted from this non-hire provision. Any employee who was employed by Corporation on the day before the effective date of this Agreement shall be excluded from this provision. Corporation also acknowledges that its breach of the obligations set forth in this section would irreparably harm TAG's business and leave TAG without an adequate remedy at law, and that TAG would be entitled to both a temporary restraining order and permanent injunctive relief to enforce the terms of this section. Corporation agrees to the entry of judicial order for such relief and waives any requirement of bond. This provision shall survive termination of this Agreement.

IV. EQUIPMENT

4.1 TAG will provide certain information technology equipment (including computer hardware) and software in order to render the Services. All equipment (including computer hardware) and software owned and licensed by TAG, and provided to render the Services shall be and remain the property of TAG and Corporation shall have no ownership interest in or right to use such equipment and software. TAG shall be responsible to repair (including replacement parts) and maintain said equipment, hardware, and software, at no additional cost to Corporation. Notwithstanding the foregoing, in the event Corporation or its employees, visitors, residents, or guests, are responsible for damage to the equipment, hardware, or software TAG shall charge Corporation for the cost of such maintenance or repair.

4.2 All information technology equipment (including computer hardware) and software owned or licensed by Corporation, regardless of where it is located, shall be and remain the property of Corporation. Corporation shall be responsible to repair (including replacement parts) and maintain said equipment, hardware, and software at its expense. Notwithstanding the foregoing, in the event TAG or its employees are responsible for damage to the equipment, hardware, or software Corporation shall charge TAG for the cost of such maintenance, repair, or replacement. TAG will maintain a list of equipment that it provides for use in performance of this Agreement that will be physically located at the Communities. All property that is not identified on this list will be presumed to be the property of Corporation, unless TAG can demonstrate that TAG is the proper owner of the equipment. It is understood that certain information technology equipment and servers will be relocated to TAG's corporate headquarters in Germantown, Maryland, but will remain the property of Corporation. An inventory of such items will be created at the time the equipment and servers are removed from Corporation's office.

4.3 Upon termination of this Agreement, Corporation may, with the consent of TAG, purchase from TAG mutually agreed items of equipment located on or at the Community at the then depreciated book value of such equipment. In any such sale and purchase of equipment, TAG shall remove all TAG's insignia and identifying marks from the equipment. Notwithstanding the foregoing, Corporation shall not be entitled to purchase said equipment in the event this Agreement is being terminated by TAG due to a

breach by Corporation.

V. COMPENSATION OF TAG

As compensation for the Services to be rendered by TAG hereunder, Corporation agrees to pay to TAG the amounts set forth below.

5.1 Corporation shall pay TAG, in advance, an Annual Fee of **6.08%** of Budgeted Operating Revenue, defined as Health Service Revenue plus Assisted Living Revenue plus Independent Living Revenue plus Other Operating Revenue less Contractual Adjustments less Benevolent Care. The Annual Fee shall be paid by Corporation to TAG in twelve (12) equal monthly installments. The Budgeted Operating Revenue shall be reestablished each April 1 with the adoption of Corporation's budget for the next fiscal year. However, if prior to the end of the fiscal year, Corporation divests a facility or business line that represents twenty percent (20%) or more of Budgeted Operating Revenues, the Annual Fee shall be recalculated based on the revised Budgeted Revenues and such adjusted Annual Fee shall be effective from the first day of the month following the date of the divestiture.

5.2 If the Services commence or terminate on a day other than the first or last day of the month, respectively, then the cost for said first or last month shall be pro-rated based on a 30-day month. Commencing with the execution of this Agreement, Corporation shall arrange to have the Annual Fee automatically paid by wire transfer into an account designated by TAG on the first day of each month. A change or modification to the wire transfer process shall constitute a Material Breach of this Agreement, unless said change or modification is agreed to in writing by both parties to this Agreement.

5.3 On the commencement date of the Original Agreement between the parties, Corporation paid to TAG a Deposit of **Two Hundred Seventy Two Thousand One Hundred Forty-Eight Dollars ($272,148.00)**. Within thirty (30) days of execution of this Agreement, TAG shall refund to Corporation Ninety-two Thousand Nine Hundred and Ninety Two Dollars ($92,992.00) and, thereafter, hold a Deposit of One Hundred Seventy Nine One Hundred and Fifty Six Dollars ($178,156.00) as a Deposit in accordance with the terms of this Agreement. TAG, may but is not required to, utilize these funds in the event Corporation is in arrears in its payments to TAG. In the event TAG does use the Deposit to pay for payments due from Corporation which are in arrears, Corporation shall immediately (within ten (10) days of written notice of the use of said Deposit by TAG) replace the portion of the Deposit so used. In the event this Agreement is terminated by TAG as a result of a Material Breach by Corporation, TAG shall retain the Deposit. In the event this Agreement is terminated by Corporation as a result of a Material Breach by TAG, the Deposit, less any fees owed to TAG, shall be returned to Corporation at the end of three (3) months following the Termination Date (the initial or any renewal term at which time TAG ceases providing services to Corporation). For purposes of this section 5.3, Material Breach is defined as a breach, inaccuracy, failure to perform, failure to comply, conflict with, default, violation, acceleration, termination, cancellation, modification, or required notification on a matter that is material to the Agreement. In the event this Agreement is terminated for convenience or at the end of the Term, the Deposit, less any remaining fees owing to TAG, shall be returned to Corporation within thirty (30) days of termination.

5.4 Corporation shall pay TAG the Annual Fee, in advance, as provided in section 5.1, on the first day of each month during the term of this Agreement. In addition to the Annual Fee, Corporation shall pay TAG for the fees, costs, and expenses set forth below (hereinafter the "Additional Amount") in arrears, on the first day of each month during the term of this Agreement, and for Reimbursable Travel Expenses as set forth on Schedule 2.12. The Additional Amount shall be the fees, costs, and expenses incurred by TAG in the month immediately preceding the month in which such Additional Amount shall be due and owing. Any unpaid portion of the Annual Fee and the Additional Amount, after fifteen (15) days past the due date, shall bear interest at the rate of 1.5% per month, until paid in full. Any amount which is due from Corporation to TAG for a period of sixty (60) or more days shall, at the option of TAG, be cause for TAG to terminate this Agreement, ask for a secured promissory note for the amount in such arrears, and or cause Corporation to pay for any and all Management Services, on a going forward basis, in advance of the Services being rendered. This Section 5.4 shall be applicable solely in the event Corporation has insufficient funds at the end of any given month to pay TAG and Corporation's other vendors, associates, and taxes. TAG shall provide an annual credit of forty five thousand dollars ($45,000) to be applied against Reimbursable Travel Expenses (hereinafter, "Reimbursable Travel Expense Credit"). Reimbursable Travel Expenses shall be detailed on the monthly invoice along with the current balance of the Reimbursable Travel Expense Credit. Any unused Reimbursable Travel Expense Credit shall expire at the end of the annual period. Any Reimbursable Travel Expenses that exceed the annual Reimbursable Travel Expense Credit, shall be due and owing according to the terms of this Section 5.4. Notwithstanding the above, the Reimbursable Travel Expense Credit shall not be applicable to Services provided under Schedule 2.5.8 and 2.5.9, Corporation shall be responsible for paying those related Reimbursable Travel Expenses.

Corporation hereby grants TAG the right to pay itself the Additional Amount each month in the ordinary course of paying accounts payable for Corporation.

5.5 Corporation shall reimburse TAG for any relocation expense incurred by TAG as a result of moving its employees to or from Corporation's Community, at the request of Corporation. Such amount shall not exceed Ten Thousand Dollars ($10,000) per individual so relocated.

5.6 The Annual Fee has been established on the basis of the areas, departments, services, equipment, and specific duties set forth on the Schedules attached hereto and by this reference incorporated herein. To the extent the parties agree upon any increase or decrease in Services to be provided pursuant to this Agreement, the parties agree that the Annual Fee shall be modified, in a mutually agreed upon manner, to reflect the changed Services. Some examples of changed Services are: an increase in residential, assisted living or skilled units which are not a replacement for existing units and which are occupied, the development and implementation of a new service, such as an adult day care center, the closing of a skilled nursing or assisted living facility, which is not replaced with a new facility or other replacement units. The change in the Annual Fee shall be reflected in the first invoice immediately following the change in Services.

5.7 In addition to the Annual Fee and the Additional Amount, Corporation shall reimburse TAG for all costs of insurance purchased by TAG in connection with or on behalf of Corporation or the Services provided by TAG to Corporation and all costs of third party

consultants, accountants, and attorneys whose services are employed by TAG on behalf of Corporation. Said costs shall be paid by Corporation to said third party.

5.8 Corporation and TAG desire to include a modifier to the Annual Fee based on actual annual performance ("Performance Adjustment"). If actual operating revenue is less than Budgeted Operating Revenue, TAG shall pay Corporation 6.08% of the difference. If actual operating revenue is greater than Budgeted Operating Revenue, Corporation shall pay TAG 6.08% of the difference. Such payment shall be calculated annually, at the close of Corporation's fiscal year, and paid within thirty (30) days of Corporation's Board accepting the audit of the Corporation's annual financial statements. Notwithstanding, any Performance Adjustment payment owed by TAG to Corporation or owed by Corporation to TAG shall be limited to a maximum of sixty thousand eight hundred dollars ($60,800) annually.

5.9 The Parties acknowledge that Asbury Place Johnson City is in the process of being sold. Notwithstanding anything stated herein to the contrary, upon the sale of Asbury Place Johnson City, the Budgeted Operating Revenue will be revised so that the facility will be removed from the revenue and expense of the Corporation. The Annual Fee will subsequently reflect the revised Budgeted Operating Revenue going forward.

5.10 In the event of any unanticipated changes in the structure or operations of the Communities which has a substantial and material impact on the Budgeted Operating Revenue, Corporation and TAG agree to negotiate in good faith toward implementing a revised Budgeted Operating Revenue which reflects such change.

5.11 Any revision to the Budgeted Operating Revenue will be effective only upon approval by the Board of the Corporation.

VI. RISK OF LOSS AND INDEMNIFICATION

Corporation shall indemnify and hold harmless TAG and each of its shareholders, officers, directors, and employees of TAG and its members and shareholders, ("TAG Indemnified Party") of and from any claims, losses, liabilities, and demands of every kind and nature whatsoever, including, without limitation, the costs of defending any such claims, liabilities, and demands arising in connection with TAG's authorized activities set forth herein; provided, however, that Corporation shall not be required to indemnify or hold harmless TAG from any claims, losses, liabilities, or demands which arise from actions or omissions which are performed in bad faith and which arise out of willful misconduct, gross negligence, or fraud by TAG or any of its agents or employees. TAG agrees to indemnify and hold Corporation and each of its members, and the officers, directors, and employees of Corporation ("Corporation Indemnified Parties") harmless from and against any and all liability, loss, damage, cost, or expense (including attorneys' fees) related to or caused by: (i) a Material Breach, defined in Section 5.3, by TAG of any of the provisions of this Agreement; or (ii) an intentional, reckless, fraudulent, or grossly negligent act or omission of TAG or any TAG Indemnified Parties in the performance of their duties or Services under this Agreement.

VII. MEDIATION

7.1 In the event a dispute arises between TAG and Corporation, the parties agree that prior to entering into binding arbitration they shall participate in non-binding mediation. Any mediation proceedings shall be held in or near Maryville, Tennessee.

7.1.1 The mediation shall be under the auspices of and pursuant to the rules of the American Health Law Attorneys Alternative Dispute Resolution procedure, policies, and rules.

7.1.2 Each party shall pay its own costs, expenses, and attorneys' fees in connection with any mediation.

7.1.3 The mediation process shall terminate at the earlier of such time as the parties have resolved their dispute or the mediator determines that further efforts to reach a resolution of the dispute through mediation would not be productive.

VIII. ARBITRATION

8.1 In the event a dispute arises between TAG and Corporation, and non-binding mediation provided for in Section VII does not result in successful resolution of the dispute, the parties agree that such dispute shall be resolved through binding arbitration. Any arbitration proceedings shall be held in or near Maryville, Tennessee. Unless otherwise agreed by the parties:

8.1.1 The arbitration shall be under the auspices of and pursuant to the rules of the American Health Law Attorneys Alternative Dispute Resolution procedure, policies and rules.

8.1.2 Each party shall pay its own costs, expenses and attorney's fees in connection with any arbitration.

8.1.3 The arbitrator shall have no authority to add to, detract from, alter, amend, or modify any provision of this Agreement or impose on any party hereto a limitation or obligation not explicitly provided for in this Agreement. Under no circumstances is past practice of the parties to be considered controlling over the terms of this Agreement.

8.1.4 The award in writing of the impartial arbitrator on the merits of any dispute submitted to him or her shall be final and binding on TAG and Corporation, and on any other entity controlled by, in control of, or under common control with the parties, and shall be rendered within thirty (30) days of the hearing. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

8.1.5 A list of ten (10) arbitrators shall be jointly requested in writing from the American Health Lawyers Association. Three impartial arbitrators will be selected from this list by alternate elimination from the list until three (3) arbitrators remain. The party not requesting the arbitration shall make the first strike. The American Health Law Attorneys will be notified by joint letter of the arbitrators so selected.

IX. TERM AND TERMINATION

9.1 The term of this Agreement shall be for a period of thirty-nine (39) months, commencing on the 1st day of April 2014 and terminating on the 30th day of June 2017. Notwithstanding the foregoing, if neither TAG nor Corporation has given notice of intent to terminate the Agreement no less than ninety (90) days prior to the last day of the term of this Agreement, this Agreement shall automatically renew for one successive thirty-six (36) month term.

9.2 Either TAG or Corporation may terminate this Agreement upon thirty (30) days prior written notice for a Material Breach by the other party (the "Breaching Party") which goes uncured by the Breaching Party. The non-breaching party shall provide the Breaching Party with written notice of the Material Breach. The Breaching Party shall then have a period of thirty (30) days to cure said Material Breach. In the event the breaching party fails to cure the Material Breach, the non–breaching party shall give the Breaching Party a thirty (30) day written notice of termination. At the end of said thirty (30) day period, unless the Breaching Party has provided the non-breaching party with a written request for mediation, in which case the parties shall enter into mediation pursuant to Section VII hereof, the non-breaching party may send written notice of immediate termination to the Breaching Party. For purposes of this provision, the term Material Breach shall mean failure of Corporation to pay any fee, cost, or amount due, actions or omissions by either party which are performed in bad faith and which constitute willful misconduct, gross negligence, or fraud, or the failure of either party to cure, within sixty (60) days of receipt of written notice, a breach of this Agreement.

9.3 In the event this Agreement is terminated in accordance with its terms, for any reason, by either TAG or Corporation, Corporation shall pay to TAG the amount of any unpaid portion of the Annual Fee, Additional Amount, or fees or amounts due pursuant to any of the Schedules to this Agreement due prior to the Termination Date, together with all out-of-pocket and third party expenses incurred by TAG prior to the Termination Date, and fees which are due and unpaid as of the Termination Date. TAG shall pay to Corporation the Deposit.

9.4 In the event this Agreement is terminated in accordance with its terms, for any reason, by either TAG or Corporation, TAG shall provide Corporation, at the expense of Corporation, a copy of Corporation's books and records. All TAG policies, procedures, books, records, information technology, including hardware and software, employees, and such other property of TAG as shall be on the premises of, or under the control of, TAG and/or its employees, shall be returned immediately to TAG, except that Corporation shall not be required to return those policies, procedures, books, records, or other materials which are specific to and were created exclusively for Corporation, including Employee Handbooks, financial records, and projections, or Resident Agreements, etc. It is understood and agreed that any reference to TAG would be removed from such documents upon termination of this Agreement, and that Corporation will not provide such documents to any third party other than attorneys, auditors, accountants, bankers, or insurance agents who will use the information and documents for Corporation's benefit.

9.5 This Agreement contemplates a management services relationship and, notwithstanding any provision to the contrary herein, may be terminated by either party upon one hundred and eighty (180) days written notice to the other party. It is expressly agreed that services shall continue to be provided, and payment shall continue to be made hereunder pursuant to the terms of this Agreement, during the 180-day notice period. However, should Corporation exercise its option to terminate this Agreement pursuant to this Section 9.5, it may request that TAG cease providing services earlier than the end of the 180-day term, but Corporation shall pay TAG for the entire notice period, absent a Material Breach (as defined in Section 9.2 above) of the Agreement by TAG. Should Corporation exercise its option to terminate this Agreement pursuant to this Section 9.5, Corporation shall reimburse TAG for any pre-paid software licensing fees that TAG paid on behalf of Corporation. Payment shall be made in a lump sum at the time the Agreement is terminated.

9.6 Upon termination or expiration of this Agreement, regardless of the reason for termination, it is agreed by the parties that:

9.6.1 Corporation will remain the owner of all data utilized or stored in the performance of this Agreement that is maintained on the servers in the physical possession of TAG and that the parties will cooperate in Corporation transferring this data to a different server host.

9.6.2 Corporation will retain possession and/or control of information technology equipment (including computer hardware and software) leased or purchased by TAG on behalf of Corporation and with Corporation funds. This specifically includes but is not limited to the Microsoft Office™ or other similar software license obtained and used for the benefit of Corporation's Communities.

X. GENERAL PROVISIONS

10.1 TAG shall make available to the Secretary of Health and Human Services or to the Comptroller General of the United States (or any of their duly authorized representatives) copies of this Agreement (including all amendments hereto) and TAG books, documents, and records to the extent necessary to verify the nature and extent of the payments made by Corporation to TAG hereunder. Such access shall be limited to a period of four (4) years after the furnishing of the Agreement. Such access shall be provided in accordance with the written regulations established by the Secretary of Health and Human Services.

10.2 Any notice required or permitted to be delivered in connection with this Agreement must be in writing and may be given by certified or registered mail, facsimile, hand-delivery or by overnight courier and shall be deemed to be received (a) if given by certified or registered mail, three (3) days after deposit in the United States mail, postage prepaid, certified mail, return-receipt requested, or (b) if given by facsimile or hand-delivery, when such notice is received by the party to whom it is addressed, or (c) if given by an overnight courier or delivery service, one (1) business day after deposit with such courier. Notices shall be sent to the parties at the address or facsimile number set forth below:

Notices to Corporation shall be addressed to the then-Chair of the Board of Directors of Asbury, Inc. at his/her mailing address as furnished to TAG in connection with his/her board service, with copy to:

Hunter, Smith & Davis, LLP
Attn: Michael Lattier
P.O. Box 3740
Kingsport, Tennessee 37664-0740
Facsimile No.: 423-378-8801

Notices to TAG shall be addressed to:

The Asbury Group, Inc.
Attn: President
20030 Century Boulevard, Suite 300
Germantown, MD 20874
Facsimile No.: 301-250-2116

Either party may change its address for notice by written notice to the other parties given in accordance with this Section.

10.3 A declaration by a court or Arbitrator that any provision of this Agreement is invalid shall not affect the validity of the remainder of this Agreement. This Agreement is the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior oral or written agreements with respect to such subject matter and any amendment or modification must be in writing and signed by Corporation and TAG.

10.4 Except as otherwise provided herein, this Agreement may not be assigned by any party without the written consent of the other party, which consent may be withheld. Any permitted assignment and assumption shall not affect the obligations of the assigning party under this Agreement, which will remain in full force and effect.

10.5 This Agreement shall bind and inure to the benefit of all parties hereto and their respective successors and permitted assigns. This Agreement shall not be deemed to inure to the benefit of any third party including the Third Party Service Provider.

10.6 Maryville, Tennessee shall be the venue for mediation on or in respect of this Agreement. This Agreement, and the rights and obligations of the parties hereto, shall be governed by, interpreted in accordance with, and enforced under the general laws, but not the conflicts laws, of the State of Tennessee.

10.7 This Agreement may be executed in one (1) or more counterparts, all of which shall be deemed to be an original and shall be considered one and the same agreement.

10.8 The headings used in this Agreement are for convenience only and will not enlarge or diminish the effect of the provisions of this Agreement.

10.9 Nothing in this Agreement or in connection herewith: (1) contemplates or requires the referral of any resident or the purchase, order, or lease of any item or service; or (2) shall be construed as an offer or payment of cash or any other form of remuneration, whether directly or indirectly, overtly or covertly, for resident referrals or for recommending or arranging the purchase, lease, or order of any item or service. The parties acknowledge that any resident referrals will be based solely on the assessment of each resident's health care needs, care plan, and the expressed preferences of each resident. The parties acknowledge that any business referral will be based solely on the legitimate and lawful needs of the organization. The parties agree that all amounts paid under this Agreement are intended to, and do, reflect the *fair market value* of the services rendered. It is specifically acknowledged by the parties that no amount paid, or to be paid, hereunder is intended to, nor shall it be construed to be an inducement or payment for the referral of residents or for recommending or arranging the purchase, lease, or order of any item or service.

10.10 TAG agrees to abide by the terms of the Business Associate Agreement executed in connection with this Agreement. In the event of a significant breach of such Business Associate Agreement by TAG, Corporation may terminate this Agreement. In connection with a breach of the Business Associate Agreement, the non breaching party may report such material breach to the Secretary of the Department of Human Services and/or the Office for Civil Rights.

10.11 The parties to this Agreement shall each maintain insurance coverage of a minimum of $1,000,000/$3,000,000 in professional liability and $1,000,000/$2,000,000 in comprehensive general liability. In addition, the parties to this Agreement shall each maintain Workers' Compensation coverage (as required by state law) for their respective employees and insured and uninsured automobile liability coverage of a minimum of $1,000,000. All insurance policies required under this Section will be carried with mutually acceptable companies. Each party will be entitled to thirty (30) days written notice of cancellation of any such insurance policy. Any insurance coverage required to be obtained and maintained by Corporation or TAG may be provided under either party's existing umbrella policies. Each party's comprehensive general liability policy will contain contractual liability coverage covering each party's respective indemnification obligations hereunder. Each party will provide the other with copies of policies or certificates evidencing the insurance coverage required herein.

10.12 In the course of this Agreement, it may be necessary for one party (the "Disclosing Party") to disclose proprietary and/or confidential information ("Information") to the other party (the "Non-Disclosing Party"). In order to avoid confusion, the parties agree that all information provided by a Disclosing Party to a Non-Disclosing Party in connection with the performance of this Agreement shall be Information.

10.12.1 The Information shall be used solely for the purpose of the parties performing their duties pursuant to this Agreement. At such time as TAG is no longer providing Management Services pursuant to this Agreement, each party shall return to the other all copies of Information in whatever form such Information may exist.

10.12.2 Except as otherwise provided in this Agreement, each party shall maintain the Information of the other party in strict confidence and shall not disclose the

Information to any third party, provided that each party may disclose the Information to those of its employees, independent contractors, agents, representatives, and consultants who need to know such Information and who have agreed to be bound by the terms of this Agreement.

10.12.3 The term "Information" does not include any information which: (i) at the time of disclosure or thereafter, is generally available to and known by the public (other than as a result of a disclosure directly or indirectly by TAG, its employees, independent contractors, agents, representatives, and consultants); or (ii) was available to the disclosing party on a non-confidential basis from a source other than a party to this Agreement.

10.12.4 Each party shall use the same degree of care and maintain in a confidential manner, equal to the manner in which it maintains its confidential information, any and all Information.

10.12.5 Should either party be required by applicable law or regulation to disclose Information, it may do so without being in breach of this Agreement; provided however, that TAG shall have given Corporation notice thereof so as to provide Corporation a reasonable opportunity to obtain a protective order or other appropriate relief. In all events, TAG shall make reasonable efforts to obtain confidential treatment of Information.

10.13 The Parties to this Agreement hereby attest that they are not currently excluded, suspended, debarred, or otherwise ineligible to participate in the Federal Health Care Programs; and have not been convicted of a criminal offense related to the provision of health care items or Services. It is the affirmative obligation of the parties to this Agreement to inform the other party in writing if they become ineligible to participate in Federal health care programs, as described above.

10.14 Neither TAG nor Corporation shall be liable for failure to perform its respective obligations under this Agreement when such failure is caused by fire, explosion, water, act of God, civil disorder or disturbances, strikes, vandalism, war, riot, sabotage, weather, and energy related closings, governmental rules and regulations, failure of third parties to perform their obligations with respect to the Services, or like causes beyond the reasonable control of such party, or for real or personal property destroyed or damaged due to such causes.

10.15 Waiver of Jury Trial. TO THE FULLEST EXTENT PERMITTED BY LAW, EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, COUNTERCLAIM OR JUDICIAL PROCEEDING BROUGHT BY ANY PARTY INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR IN CONNECTION WITH THIS AGREEMENT AND ANY ACTS OR OMISSIONS OF ANY PARTY IN CONNECTION HEREWITH.

10.16 The Parties to this Agreement understand that TAG has an active Compliance Program which includes a Code of Conduct by which all associates, board members, residents, and vendors are expected to behave. The Board of Directors of Corporation will support TAG in the implementation of the Compliance Program, including the Code of Conduct at the Community.

10.17 All schedules, exhibits, and attachments referenced herein are hereby incorporated herein and made a part of this Agreement.

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

ASBURY, INC.

By: Sandra Davis
Name: Sandra Davis
Title: Board Chair

By: Marshaine McClure
Name: MARSHAINE MCCLURE
Title: SECRETARY

THE ASBURY GROUP, INC.

By: [illegible]
Name: DOUGLAS Leidig
Title: President

By: [illegible]
Name: Andrew H. JOSEPH
Title: SECRETARY

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SCHEDULE 2.5.1
Marketing

Services to be provided to the Community (excluding the Forest Ridge HUD)

1. Marketing Staff. TAG will recruit, hire, train, and monitor marketing team members as required. TAG will provide input and recommendations for all marketing staff compensation packages. TAG and Corporation agree that all marketing staff, with the exception of the marketing team leader, shall be employees of Corporation. TAG will designate a TAG employee to serve as the marketing team leader.

2. Trips to the Maryville and Kingsport Campuses. The marketing team leader shall travel to the Maryville and/or Kingsport campuses approximately twelve (12) times per year.

3. Marketing and Budget. A budget will be included in each annual revision of the marketing plan. Monitoring of the budget and resource allocation is the responsibility of the onsite Director of Marketing, an employee of Corporation, and the Executive Director of the community.

4. Marketing Plan. The marketing plan is a dynamic document. The marketing plan is revised by the marketing team leader in coordination and cooperation with the onsite Director of Marketing and the Executive Directors of the Community's campuses, on an annual basis. It is the responsibility of the onsite Director of Marketing, an employee of Corporation, to monitor, implement, review, and modify the marketing plan, as needed, based on actual events and experience between revisions.

5. Building the Lead Base. TAG will assist Corporation in the organization of a prospect lead base, consisting of individuals on the existing waitlists and recent inquiries. TAG will provide training for the marketing staff on the REPs or similar lead base software program on an as-needed basis. The lead base training shall be primarily provided though webinars.

6. Advertising Agency. TAG will work with Corporation to identify and engage an advertising agency capable of positioning the Community's campuses receiving these Services utilizing media, communications, promotions, graphics, and advertising, as well as collateral materials such as a website, architectural presentation boards, brochure, necessary forms and procedures, invitations/direct mail, and newsletter. The advertising agency will work directly with the marketing team leader.

7. Public Relations. TAG will work with Corporation to provide direction for executing a public relations plan. Implementation of the public relations plan is the responsibility of the Director of Marketing and Executive Director at each community.

8. Special Events, Promotions, and Cultivation Meetings. TAG will develop a regularly scheduled series of activities targeted specifically to prospects. The Director of Marketing and Executive Director at each community shall be responsible for the tactical planning and presentation for such events.

9. Prospective Resident Referral Program. TAG will coordinate the development of a prospective resident referral program. It is the responsibility of the onsite Director of Marketing, with the cooperation and coordination of the Executive Director, of the community to implement the program.

   Services provided to Forest Ridge. No marketing services are anticipated for Forest Ridge. Forest Ridge has been provided with the necessary marketing materials. Any services provided will be requested by Corporation in writing, agreed to by TAG and provided at TAG's then hourly rate for such services.

SCHEDULE 2.5.2
Finance

Services provided to the Community (excluding the Forest Ridge HUD)

1. Payroll. Select the third parties for processing payroll, fringe benefits, and other expenses of employment, subject to the rights reserved to the Board of Directors in Section 2.6.

2. Accounts Receivable. Supervise and direct Corporation's employees in the collection of all accounts receivable of Corporation.

3. Budgeting. Provide Corporation with a budget process, be responsible for implementation of said budget process at the Community, provide services within the established budget, and monitor Corporation's use of the established budget, including reviewing and approving Corporation's budgets for operations, capital outlay, and cash requirements.

4. Financial Reporting. Provide a monthly report regarding variances of actual to budgeted income and expenses in all budget categories.

5. Accounting. Establish and maintain Corporation's books of accounts. TAG shall assist and manage Corporation's staff in the implementation of the chart of accounts and other accounting changes which may be necessitated by TAG's role and involvement in Corporation's accounting.

6. Finance Policies. Provide Corporation with policies, procedures, and if applicable, a formula to use in setting financial requirements for the admission of residents to the Community. If actuarial programs or review are necessary this will be done by a third party and paid for by Corporation.

7. Resident Rates. No less than annually, provide Corporation's Board of Directors with recommendations on rates, and rate increases for resident services at the Community, including entrance fees, monthly and daily rates, and rates for ancillary services not otherwise included in the daily rate paid by the resident.

8. Insurance. Obtain, on behalf of Corporation, insurance coverage which, based on a reasonably prudent business standard, is necessary or incident to the operations of Corporation.

9. Accounts Payable. Responsible for all billing, and accounts payable services of Corporation, and for working with Corporation's employees to collect accounts receivable. These responsibilities shall include the submission of all Medicare and Medicaid claims, bills, invoices, and cost reports. TAG shall pay all of Corporation's expenses (including all expenses hereunder) out of Corporation's funds and shall not be responsible for the payment of any expense for which Corporation does not have sufficient funds; provided, however, that if Corporation has insufficient funds to meet its financial obligations, TAG shall so notify the President and Chair of the Board of Corporation.

10. Financial Forecasting. Provide Corporation with such financial forecasting services as may be requested by Corporation, and are deemed necessary and appropriate by TAG. Notwithstanding the foregoing, Corporation understands and agrees that the financial forecasting services referred to herein do not include financial forecasting in connection with a tax exempt bond or other financing, expansions, redevelopment of a campus or a new CCRC or line of business. All Services of TAG in connection with a tax exempt bond or other financing, campus expansions and redevelopments, and development of a new CCRC campus or line of business, including but not limited to financial forecasting, financial projections, determining Corporation's borrowing needs, and assisting Corporation in obtaining and negotiating the terms of any tax exempt bond or other financing package shall be provided and performed in connection with a tax exempt bond or other financing addendum to this Agreement, at a price and scope of work to be agreed upon by the parties.

11. Debt Obligations. Work with Corporation to monitor Corporation's outstanding loans, lines of credit, tax-exempt bonds and other financing packages. Corporation shall be solely responsible for payment of all amounts due on any loan, line of credit, bonds, or other financing; provided, however, that TAG shall make such payment from Corporation's funds on behalf of Corporation.

12. Auditors. Maintain responsibly for working with the outside financial auditors of Corporation, which auditors shall be selected by Corporation's Finance Committee, and shall coordinate the completion of the Community's annual audit. In addition, TAG shall be responsible for assuring that Corporation has audited financial statements acceptable to such financial institutions as may have contractual rights to review Corporation's audited financial statements.

Services provided to Forest Ridge

TAG shall provide no accounting or financial services to Forest Ridge. Forest Ridge shall be responsible for the timely preparation of all periodic financial statements, and submission to governing entities as necessary and/or required. Forest Ridge shall be responsible for the timely completion of its annual audited financial statements, and said audited financial statements shall be provided to Asbury, Inc. at such time and in such manner and condition as to allow for the consolidation of the Forest Ridge financial

statements into the Asbury, Inc. financial statements and the timely (in accordance with its bond documents and such other requirements which may exist) publication of the Asbury, Inc. financial statements. Any services provided will be requested by Corporation in writing, agreed to by TAG and provided at TAG's then hourly rate for such services.

SCHEDULE 2.5.3
Information Technology

1. Help Desk Services. TAG shall verify a service desk function is in place to register, communicate, dispatch and analyze all calls, incidents, service requests and information demands.

2. Desktop. TAG will ensure the desktop and devices are designed, implemented and maintained in a way to support the business requirements, applications, functions, and systems.

3. Local Area Network (LAN). TAG will ensure the local area network; including switches, wireless, UPS systems, fiber and copper backbones, is designed, implemented and maintained in a way to support the business requirements, applications, functions, and systems.

4. Wide Area Network (WAN). TAG will ensure the wide area network; including routers, firewalls, content filtering, MPLS, and Broadband access is designed, implemented and maintained in a way to support the business requirements, applications, functions, and systems.

5. Data Center Hosting Services. TAG shall ensure the equipment and environment that houses and supports Corporation's applications, software, and data is designed, implemented and maintained in a way to support the business requirements and follow industry best practices with hardware, maintenance, monitoring and security.

6. Application and Database Services. TAG shall ensure Corporation's applications, software, files and databases are supported and maintained.

7. Information Security. TAG shall ensure an IT security plan is in place and embedded in the culture of the organization that maintains the confidentiality, integrity and availability of Organization's private, critical and sensitive data to only authorized users.

8. Business Continuity and Disaster Recovery. TAG shall ensure there is an effective continuous service process that minimizes the probability and impact of a major IT service interruption on key business functions and processes through the development, maintenance, and testing of IT continuity and disaster recovery plans that also address service recovery and resumption. Verify backup and offsite storage of critical applications and systems are maintained and tested that ensures compatibility of hardware and software to restore archived data and that it is periodically tested.

9. Project Portfolio Management. TAG shall ensure that a project and portfolio management framework is in use for the management of all IT projects to include prioritization, sequencing, resource allocation, definition of requirements and deliverables, approvals by end users, a phased approach to delivery, quality assurance, formal test plan, project risk, and post implementation review.

10. Asset Management. TAG shall ensure an asset management system is in place to inventory hardware, software and licensing assets in order to make informed decisions about purchases and redistributions, increase accountability to ensure compliance, track over/under user license accounts, and enhance performance of assets and the life cycle management.

11. System Operation and Use. TAG will verify all end-users and support staff have adequate training and documentation for the proper use and maintenance of all key applications, functions and systems and that knowledge transfer is available between the vender and IT and IT and the business to ensure proper use and utilization.

12. IT Investment. TAG shall verify a formal process is in place to manage IT investments in projects and initiatives that includes costs, benefits, and prioritizations as well as a formal operating and capital budget process and management against these budgets.

13. IT Performance Management. TAG shall verify an effective IT performance monitoring process is in place that includes relevant performance measures, a systematic and timely reporting of performance, and prompt acting upon deviations.

14. Structure and Staffing. TAG will provide an onsite field technician(s) and verify that personnel have the competencies to fulfill their roles on the basis of education, training, and/or experience; that Organization has an appropriately deployed workforce to achieve organizational goals; and that defined IT competency requirements are maintained using qualifications and certifications where appropriate.

Services Provided to Forest Ridge

It is not anticipated that any information Services will be provided to Forest Ridge. Any Services provided will be requested by Corporation in writing, agreed to by TAG and provided at TAG's then hourly rate for such Services.

SCHEDULE 2.5.4
Legal/Compliance/Risk Management

Services provided to the Community (excluding the Forest Ridge HUD)

1. Litigation Management. Coordinate legal services, including the recommendation and use of outside counsel, in areas including, but not limited to, contracts, litigation, construction, land use, regulatory issues, human resources, governance, and resident's rights, subject to the rights reserved to the Board of Directors in Section 2.6. Use of outside counsel shall be at the discretion of TAG.

2. Ethics and Compliance Program. Develop and support an Ethics and Compliance Program that is modeled after the guideline promulgated by the Department of Health and Human Services, Office of the Inspector General. The Executive Director of each Campus shall be responsible for implementation and continued utilization of the compliance programs.

3. Governance Documents. Work with Corporation to maintain its governance documents including, but not limited to, the preparation of resolutions and other legal materials for meetings of Corporation's Board of Directors and Executive Committee, and Corporation's Charter and Bylaws.

4. Governance Policies. Work with Corporation's Board of Directors to develop charters for board committees, and educate board members on their fiduciary duty, Sarbanes/Oxley, Intermediate Sanctions and other applicable statutes governing board behavior and responsibility.

5. Collections. Supervise all legal actions or proceedings necessary to collect funds due Corporation, enforce the terms and conditions of contracts to which Corporation is a party, and defend Corporation against all suits and claims.

6. Insurance. Work with Corporation on its insurance program, coverage, and rates.

7. Employment Issues. Provide guidance to staff on day-to-day resident and employment issues which may arise and with respect to which it is consulted.

8. Residency Agreements. Review and revision of residency agreements on an as-needed basis.

9. Financing. TAG shall, at the request of Corporation, and for an additional fee to be negotiated at the time, participate in any tax-exempt bond or other financing for Corporation.

Forest Ridge

The Services set forth above in numbered items 1, 2, and 7 shall be provided to Forest Ridge. Any additional services provided will be requested by Corporation in writing, agreed to by TAG and provided at TAG's then hourly rate for such services.

SCHEDULE 2.5.5
Operations Support

1. Operational Oversight. Provide day-to-day operational oversight and direction to Corporation's management teams, helping them think and work as a system in order to improve quality, create operational efficiencies and be aligned with strategic goals.

2. Leadership Development. Assess the performance of senior management, provide support and coaching/mentoring, and conduct annual and periodic performance reviews.

3. Stakeholder Relations. Maintain and leverage key stakeholder relationships to benefit Corporation, including vendors, association groups, community leaders and Asbury board of directors.

4. Management Systems. Provide Corporation with key data that will enable management to make decisions based on relevant data and best practices.

5. Management Services. Ensure access and implementation of necessary resources required to fulfill the terms of the Agreement.

Forest Ridge

Operational Services are limited to those Services set forth above to be provided by the regional VP of Operations. Any additional Services provided will be requested by Corporation in writing, agreed to by TAG and provided at TAG's then hourly rate for such services.

SCHEDULE 2.5.6
Human Resources

Services provided to the Community

1. Employment Practices. Provide consultation and guidance to AP management teams regarding employment issues such as hiring, termination, disciplinary process, and expertise regarding HR issues such as employee relations, EEO, benefits, compensation, ADA, FMLA, salary offers for new hires (mostly management).

2. Employee Compensation and Benefit Plans. Design and manage pay grade system; negotiate contracts for all benefit plans including workers compensation; draft employee communications and coordinate open enrollment periods. Coordinate associate safety and wellness programs.

3. Payroll Management. Ensure timely and accurate payment of employee compensation, including off cycle paychecks; manage PTO accruals, 401K transmittals, employee garnishments, w-2 reconciliation and distribution; serve as super user for Ultipro payroll management systems.

a) HR Information Technology Systems. Manage and provide guidance regarding HRIS, Payroll (Ultipro) and Timekeeping (Kronos) HR software system issues.

4. Performance Review Plan. Coordinate annual job performance review process and merit pay raise process.

5. Training and Development Programs. Review all training programs; provide assessment and recommendations on program development and implementation.

SCHEDULE 2.5.7
Governance and Strategic Planning

1. Governance Documents. Work with Corporation's staff to maintain Corporation's governance documents including, but not limited to, the preparation of resolutions and other legal materials for meetings of Corporation's Board of Directors and Executive Committee, and Corporation's Charter and Bylaws.

2. Governance Policies and Procedures. Develop and maintain governance policies and procedures as well as charters for board committees.

3. Compliance and Fiduciary Duty. Assist Board in meeting fiduciary duty and compliance with applicable law and regulations including, Sarbanes/Oxley, Intermediate Sanctions, and IRS requirements for not-for-profit entities.

4. Strategic Planning. Work with Corporation's Board of Directors on developing and implementing an strategic plan ensuring integration of industry best practices, trends and innovations.

5. Annual Retreat. Work with Board leadership in determining an appropriate agenda for the Board's annual retreat. Assist in arranging for outside presenters or facilitators in support of the agenda or any special focus deemed of value to the corporation. Work with Corporation's staff in planning and implementing meeting details.

6. Board Development. Assist in recruitment and orientation of new Board members.

Forest Ridge

It is not anticipated that TAG will provide any strategic planning or corporate strategy services to Forest Ridge. Any services provided will be requested by Corporation in writing, agreed to by TAG and provided at TAG's then hourly rate for such services.

SCHEDULE 2.5.8
Development and Fundraising

1. Provide consultation and recommendation to assist Corporation's fundraising efforts including policies and procedures, development of tactical plan for annual fundraising activities, capital campaigns, major and planned gifts, other special events, and donor outreach/communications.

2. Provision of Asbury Foundation benchmarking data on fundraising activity and results; assistance with launch of donor acknowledgement program.

3. Provide on-site support with major donor outreach meetings.

SCHEDULE 2.5.9
Asbury at Home

1. Supervision, Leadership, and Mentoring. Direct supervision of the Asbury at Home program Director/Executive Director. This includes one-on-one bi-weekly calls, as well as bi-weekly group calls to expose the Asbury at Home Director to a team of colleagues around the country operating similar Home Care programs on site at other CCRCs for the purpose of networking, best practice, and team building.

2. Budget Assistance. Support in preparing the Home Care budget including Home Care specific work papers that contain census, hours of service, and pay & bill rates that are the key components in preparing a Home Care budget. In addition, budget preparation meetings and analysis will be provided to support the development of a meaningful and realistic budget. Provide guidance and support in completing a comprehensive Rate and Service Comparison of competitors in the markets surrounding each of the Asbury Place CCRC's.

3. Site Visits. Site visits will be made four (4) times per year with the approval of Asbury Place's VP/Director of Operations. The purpose of the site visits includes: review operational performance, review of client records, review of client personnel files, review of scheduling and continuity of care, and participation in marketing events if desired.

4. Annual Business Meeting. Either during a site visit or at a separate meeting TAG's SVP of Home and Community-Based Services will facilitate a comprehensive meeting covering various topics that incorporate all aspects of the business operations. Examples of topics reviewed: Sales Training, Contact Management, Program Break-Even Analysis, Marketing Plans, Program Goals, and Financial Tool Kit/Resources.

5. Recruitment. Support is available in developing recruitment advertisement, screening tools, and interviewing key positions in the home care program.

SCHEDULE 3.4
Personnel

The following employees are exempted from the non-hire provision of Sections 3.4 and 3.5:

Bernie Bowman
Marge Shonnard
Sharon Gibson
Debbie O'Dell
Paulette York
Terry Sparks

Schedule 2.12

Corporation shall pay TAG its Reimbursable Travel Expenses. For purposes of this Agreement the term "Reimbursable Travel Expenses" shall have the meaning set forth below. TAG shall provide Corporation with an invoice and summary of TAG's Reimbursable Travel Expenses for each month during the term of this Agreement, commencing with the month in which the Effective Date of this Agreement falls. Invoices shall be due and payable no later than thirty (30) days from date the Corporation receives the invoice. TAG shall submit its invoices in a timely manner, but no later than sixty (60) days from when the reimbursable travel expenses were incurred.

Expense Reporting/Receipt Guidelines

1. All trips by TAG personnel to the Community shall be agreed to, in advance, by the Vice President of Operations, Tennessee or the Vice President of Business Development.
2. A clear description of the expenditure is required to ensure compliance with provisions of the Internal Revenue Code.
3. All expenses should have an appropriate back-up receipt for reimbursement.

Reimbursable Expenses

1. Air Travel
   a. Reimbursement shall be based on lowest available coach fare for all associates. Flight arrangements must be made to purchase tickets 7-21 days in advance to obtain most economical fare.
   b. Travel to and from airport terminals will be by the most appropriate (cost, availability and time factors evaluated) method. Sensitivity to most reasonable cost for size of party should be a factor.

2. **Automobile Travel**
   a. Mileage is reimbursed at a rate mutually agreed to by the Chief Financial Officer for TAG and the Corporation.
   b. Tolls incurred for business travel are reimbursable, but fines and citations are not reimbursable.
   c. Parking fees are reimbursable when incurred in conjunction with reimbursable travel. The lowest parking fee available will be reimbursed.
   d. Rental car – reimbursement will be made for up to full size/standard vehicles. Your current car insurance provides adequate car insurance coverage and travelers need not purchase any optional coverage. ALL OPTIONAL INSURANCE SHOULD BE DECLINED, INCLUDING ANY COLLISON DAMANGE INSURANCE.
   e. Traveler should decline the refuel option when renting a car and refill the gas tank just prior to returning the car to the rental agency.
   f. When planning business trips, the cost of renting a car should be compared to the cost of taxis and airport shuttle to determine if a car reservation is justified.

3. Lodging
   a. Reservations should be made with a corporate Credit Card.

b. All efforts will be made to establish corporate rates at hotels; if travelling to an area where corporate rates have not been established the associate should stay under $200/night
c. Reimbursement for lodging is based on the hotel's rates for single room, standard accommodations.
d. Lodging receipts must be submitted even when the lodging is pre-paid and there are no other expenses to be submitted.
e. Housekeeping tips, generally $1 or $2 per night are also reimbursable.

4. **Meals**
   a. Associates are reimbursed for meal expenses incurred when overnight travel is required. TAG reimburses for lunch only for one-day travel. Individual meal expenses must be supported by a receipt. Reimbursement will not be made if a receipt is not attached. Tips should be included in this total.
   b. The daily maximum meal allowance is $70.00 per associate, including tips, subject to certain limitations as indicated below. TAG will not reimburse for meals that would normally be eaten prior to departure from or after return to the office. For example, if the traveler leaves the office at 3 p.m., breakfast and lunch would be ineligible. If the traveler returns to the office 4 p.m., dinner would be ineligible. On the other hand, if the traveler arrives at the office late evening, then dinner would be allowed.
   c. If associate meal charges do not meet the daily maximum, the difference may not be used for any other purpose.

5. **Telephones**
   a. All business related calls are reimbursable.
   b. Avoid hotel surcharges for long distance calls – use calling card or cell phone.

6. **Tips/Gratuities**
   a. Meal tips should be no greater than 20% of meal cost, and should be included with meal cost on the expense report. Tips for bellhops and porters are permitted and should be reasonable i.e. $1 per bag.

Non-Reimbursable Expenses
Associates will not be reimbursed for expenses of a personal nature incurred during business travel. Examples of such expenses are:

- Entertainment
- All expenses incurred by family members or non-associates
- Expenses related to resort areas, such as spa charges or clothing
- Shoe shine, haircuts, magazines, dry cleaning and personal items
- Child care and pet costs
- Lost tickets, fines, traffic/parking violations, or other expenses incurred as a result of an associate's negligence
- Video Movies
- Alcoholic Beverages
- Credit card annual fees (personal cards)
- All other charges or fees not specifically covered by this document

PROJECT MANAGEMENT AGREEMENT
HEALTHCARE REPOSITIONING PROJECT

Project Management Agreement (the "PMA") by and between The Asbury Group, Inc. ("TAG"), a Delaware Corporation, with its principal place of business at 20030 Century Boulevard, Suite 300, Germantown, Maryland, 20874 and Asbury, Inc. ("Corporation"), a Tennessee not-for-profit corporation, with its principal place of business at 910 Wilder Chapel Lane, Maryville, Tennessee, 37804 (collectively TAG and the Corporation are the "Parties").

RECITALS

WHEREAS, TAG is engaged in the business of providing management, development, public relations, marketing, financial, and information technology services to existing and developing senior living providers; and

WHEREAS, Corporation currently owns and operates multiple residential and health service facilities for seniors in east Tennessee; and

WHEREAS, a master campus planning process was conducted for each of Corporation's communities; and

WHEREAS, under management of TAG, several phases of the master campus plan have been completed including major remodeling of common/amenity space (Kingsport-Baysmont), renovation/upgrade of apartment homes (Kingsport-Baysmont), addition of cottage home neighborhood (Kingsport-Baysmont), reconfiguration of campus roadway and major landscape upgrades (Maryville), addition of upscale St. Clair apartment homes (Maryville), expansion of SE corner cottage homes (Maryville), addition of community center and bistro (Maryville), and completion of the Johnson City skilled nursing facility; and

WHEREAS, the next phase of the plan is anticipated to involve a comprehensive repositioning of healthcare services at the Kingsport-Baysmont and Maryville campuses to include the new construction of a two-story long-term care household (Maryville), two-story short-term stay household (Maryville), two single-story assisted living memory support households (Maryville), conversion of two skilled nursing households (Kingsport-Baysmont), and new construction of a skilled nursing household, all as shown in the Executive Summary of the Integrated Pre-feasibility Analysis dated November 30, 2012 attached hereto as **Exhibit 1**, ("Plan"); however, Corporation may ultimately implement and seek financing for all or for only a reduced portion of the Plan or decide not to go forward in any manner with the Plan (hereinafter referred to as the "Project"); and

WHEREAS, Corporation wishes to retain TAG for the project management services associated with the Project; and

WHEREAS, TAG desires to provide the projects services associated with the Project;

NOW, THEREFORE, in consideration of the premises set forth herein, and for other good and valuable consideration, receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

I. ENGAGEMENT OF TAG

A. Engagement of TAG.

1. Corporation hereby engages TAG to provide general project management services, pre-construction management services, construction management services, marketing/public relations and financial services more specifically defined in ***Section III*** of this PMA (the "Services") in connection with the Project.

2. This PMA shall not be construed to create a joint venture, partnership, or other business relationship between the Parties hereto whereby one party may act on behalf of, represent or bind the other, except as may be otherwise specifically set forth in this PMA.

3. Corporation hereby represents and warrants that:

a. It is a not-for-profit corporation, duly incorporated, validly existing, and in good standing under the laws of the State of Tennessee, and has all requisite power to own its properties and to conduct its activities as they are now being, and as proposed to be, conducted.

b. Corporation has full power and authority to execute, deliver, and perform its obligations under this PMA and has taken all necessary action to authorize, execute, and deliver this PMA.

c. This PMA constitutes the legal, valid, and binding obligation of Corporation, enforceable in accordance with its terms, except as limited by general principles of equity and by bankruptcy, insolvency, reorganization, and other laws of general application to creditor's rights.

d. The execution of this PMA and the performance by Corporation of its obligations hereunder do not and will not violate the articles of incorporation or bylaws of Corporation or any indenture, mortgage, deed of trust, commitment, agreement, or other instrument to which Corporation is a party or by which Corporation is bound.

4. TAG hereby represents and warrants:

a. TAG is a Delaware corporation duly formed, validly existing, and in good standing under the laws of the State of Delaware.

b. TAG is duly authorized to do business in the State of Tennessee.

c. TAG has full power and authority to execute, deliver, and perform its obligations under this PMA and has taken all necessary action to authorize, execute, and deliver this PMA. TAG is familiar with and understands the requirements of the Project in

all its phases and is experienced in the administration and construction of building projects of the type contemplated by the Project. TAG has all the necessary skills, knowledge and experience required for the Project, and it will maintain throughout the term of this PMA sufficient personnel to provide the Services set forth herein within the timeframes contemplated hereby.

d. This PMA constitutes the legal, valid, and binding obligation of TAG, enforceable in accordance with its terms, except as limited by general principles of equity and by bankruptcy, insolvency, reorganization, and other laws of general application to creditor's rights.

e. The execution of this PMA and the performance by TAG of its obligations hereunder do not and will not violate the articles of incorporation or bylaws of TAG or any indenture, mortgage, deed of trust, commitment, agreement, or other instrument to which TAG is a party or by which TAG is bound.

f. **Bernie Bowman** and **Marjorie Shonnard** shall serve as primary representatives from TAG and shall be available at all reasonable times to meet to review development plans and activities with Corporation. Bernie Bowman or Marjorie Shonnard shall attend (either in person or via teleconference or video) all meetings scheduled by TAG. TAG's primary contacts for Asbury are **Andrew Joseph** for contract management, **Michael Reynolds** for construction management, **Rhonda Teranto** for finance, and **Suzie Moyer** for public relations/marketing. In the event that an individual named herein is no longer employed by TAG, TAG may substitute another individual as the primary contact for the affected area and shall provide notice to Corporation in accordance with this PMA. Individuals named in this agreement may be replaced with another qualified individual approved by Corporation in writing, which approval will not be unreasonably withheld.

5. Obligations of Corporation:

A. General

a. Corporation shall make decisions, provide approvals, or give comments in a timely and reasonable manner and will not unreasonably withhold or delay approvals requested by TAG or required in order for the development of the Project to remain on schedule.

b. Corporation shall execute such contracts, easements, deeds, affidavits, and other documents and legal instruments as may from time to time be appropriate and/or necessary in order to enable TAG to carry out its obligations under this PMA, all of which shall be executed by Corporation in proper form, by duly authorized signatories of Corporation, and promptly delivered by Corporation to TAG.

c. Corporation shall deliver to TAG, promptly upon the receipt thereof, copies of any and all notices and other information relating to the Project.

d. Corporation shall promptly pay all funds due to third parties in connection with the Project. TAG shall promptly provide to Corporation copies of any

invoices it receives from third parties so as to prevent any action by the third parties against Corporation for unpaid invoices.

e. Corporation shall designate a Project Committee, an ad hoc sub-committee of the Corporation's Board of Directors, which shall serve as the primary representative for Corporation in relation to the Project. TAG shall be provided with written notice of the individuals making up the Project Committee within 45 days of execution of the PMA and, thereafter, within 14 days of any changes to the Project Committee. TAG shall coordinate all communications to the Board primarily through the Project Committee and at regularly held meetings of the Board.

f. Notwithstanding anything stated in this PMA to the contrary, Corporation shall have no obligation to go forward with the Project should it decide not to do so.

B. TAG's Standard of Due Care.

For all purposes under this PMA, TAG shall be presumptively deemed and considered to have used due care in the performance of any duty or responsibility hereunder, provided that TAG has performed such duty or responsibility in a manner consistent in all material respects with reasonable and prudent business practices, project management practices, and construction management practices as generally accepted in the construction industry.

C. Conceptual Design and Development Plan.

TAG shall begin immediate work to prepare conceptual design and development plans for consideration by Corporation, including but not necessarily limited to preliminary design and renderings, site plan, phasing option, and budget estimates. The conceptual design and development plan shall provide Corporation with sufficient detail for Corporation to establish its Project which may, at the sole discretion of Corporation, be amended thereafter. The estimated timeline for completion of the conceptual design and development plans is six to eight months.

D. Project Schedule/Project Budget.

Within forty-five (45) days of Corporation's determination of the Project, TAG shall provide Asbury with a preliminary schedule and preliminary budget covering the contemplated pre-construction and construction of the Project, which shall be attached hereto as **Exhibit 2** and incorporated herein by this reference. Upon approval by Corporation, this preliminary schedule and budget shall serve as the framework for subsequent development of all detailed construction schedules and budgets. The Total Project Costs Budget shall be developed by TAG from the preliminary budget and presented to the Board of the Corporation for approval no later than sixty (60) days after approval by Corporation of the preliminary budget. Upon approval of the Total Project Costs Budget by the Corporation, it shall be attached hereto as **Exhibit 3** and shall be the governing budget for the Project. Time is of the essence of the Project, and TAG will carry out its duties and responsibilities as expeditiously as possible in accordance with the established schedules.

II. TERM

This PMA shall commence on July 1, 2014 and terminate upon achievement of Substantial Completion, defined below, of the Project if not terminated earlier in accordance with Section VI of the PMA. As used herein and throughout the PMA, Substantial Completion is defined as the stage in the progress of the Project when the Project is sufficiently complete so that certificates of occupancy have been issued by the relevant authorities and Corporation can fully occupy the Project in the manner of its intended use.

III. PROJECT MANAGEMENT SERVICES

A. General Project Management Services to be provided by TAG.

1. TAG shall serve as Corporation's representative throughout all phases of the Project from concept through Substantial Completion of the Project. TAG shall:

a. Provide the Services required to professionally complete the Project in an expeditious and economical manner consistent with this PMA and the best interests of Corporation.

b. Endeavor to develop, implement and maintain open communication and cooperation among the Professional Firms (defined below), Corporation and TAG so that the goals of the Project are clearly understood and potential problems resolved promptly.

c. Complete the Project in accordance with the detailed schedules and the required date of Substantial Completion.

d. Have no authority to modify any contractual obligations of Professional Firms, defined below, nor to agree to change orders to the Project of a material nature, without prior approval by Corporation. For purposes of this subsection A.1.d., the term "material" shall be defined as any change order that individually or collectively, with previously approved change orders, would exceed the Total Project Costs Budget or any change order that individually or collectively, with previously approved change orders, would result in a fundamental change in the design of the Project.

2. TAG and Corporation agree that the consulting, architectural, engineering, interior design, landscaping, and construction services (collectively the "Professional Firms") for the Project will be provided by qualified professional firms, acceptable to TAG and Corporation pursuant to separate contractual arrangements between Corporation and such Professional Firms. TAG shall:

a. Provide advice and guidance to Corporation in the selection of consultants, architects, engineers, landscaping, architects, interior designers, etc.

b. Establish and monitor the scope, quality and timeliness of work and performance of the Professional Firms to ensure compliance with applicable contracts, code requirements, and state and federal regulations and serve as liaison between the Professional Firms and Corporation.

c. Assist and participate in the negotiation of contracts for services between Corporation and the Professional Firms providing services for the Project.

d. Assume primary responsibility, in consultation with Corporation and Professional Firms, in the formation of the overall Project design, detailed Project schedules and detailed Project budget, all of which shall be considered part of this PMA.

e. Coordinate all Professional Firms to maintain established timelines, deliverables, and integration with operations in accordance with the detailed schedules established for the Project.

f. Ensure that the General Contractor prepares and assembles document packets for use in bidding subcontracts; reviews bids submitted and provides recommendations to the Board regarding same. Use its best efforts to obtain bids which are less than the final estimates.

g. Familiarize itself with design and construction documents.

3. TAG shall maintain regular updates for Corporation's Board of Directors and ensure it has timely review and input into the Project. Additionally, TAG shall provide detailed written updates on a monthly basis to the Project Committee designated by the Board of Directors as its primary liaison for the Project. TAG shall also report to the Project Committee as soon as reasonably possible, any issue that may have a material impact on the Project.

B. Architect/Construction Management Services to be provided by TAG.

1. TAG shall work with Corporation in developing product facility requirements such as: final design and layout, number of units, configuration of common space, and scope/services of amenities.

2. TAG shall supervise and direct the work on the Project and monitor the performance of the Professional Firms providing services for the Project including; but not limited to:

a. Obtaining, reviewing, and commenting upon design drawings and specifications and reviewing materials delivered to the site.

b. Reviewing results of environmental and engineering tests.

c. Attending construction meetings and monitoring budget and budget constraints.

d. Selecting furniture, fixtures, and equipment.

e. Providing the Board with early warnings of cost overruns, delays, and other matters negatively impacting the Project.

f. Ensuring that the General Contractor coordinates trade contractors and suppliers and supervises site construction management services.

g. Regularly reviewing the work to determine compliance with the construction schedule, relevant construction documents, the overall Project plan and acceptable levels of quality.

h. Ensuring that the General Contractor and Architect prepare and maintain Project records, including process documents and daily logs.

i. Ensuring that the General Contractor schedules and conducts regular progress meetings with subcontractors to review matters such as construction progress, jobsite safety, budget compliance and other necessary information, and providing notes from such meetings to Corporation.

j. In consultation with Corporation, ensuring that the General Contractor and Architect promptly rejects any work on the Project which does not conform to the construction documents or which does not comply with applicable laws, building codes or other applicable regulations.

3. TAG shall review all requests for payment by third parties.

a. TAG shall process payments to third parties in accordance with contract specifications.

b. TAG shall maintain and produce construction accounting financial statements.

c. TAG shall ensure that the General Contractor obtains lien releases from Professional Firms, other subcontractors, materialmen, suppliers and other third parties working on the Project. TAG shall obtain and retain copies of all lien releases.

C. Financial Services.

1. Pre-financing work

a. Attend and participate in development planning meetings with Corporation on repositioning

b. Provide input at development planning meetings regarding cost and price feasibility associated with the Project. Evaluate the Project's overall feasibility in relation to changing project scopes

c. Determine operating budget and integrate into existing projections

2. Financing

a. Explore various financing options, advise Corporation regarding those options and the overall financial impact on the Corporation, and assist Corporation in obtaining the most advantageous and available Project financing

b. Provide information for and write portions of documents necessary for financing, if/as applicable

c. Prepare financial analysis for the underwriters, banks, investors, and other parties as necessary

d. Hold and/or participate in investor calls for bond offerings

e. Work with the attorneys and underwriters in crafting and negotiating financing documents and terms.

D. Marketing/Public Relations. TAG shall develop and oversee implementation of marketing/public relations plan to build awareness of the Project within the service region, which, by way of example, may include marketing/advertising strategies and collateral, event planning, including grand openings; press releases, and other efforts to build both internal and external interest in the Project.

IV. FEE FOR SERVICES

A. Fee. The fee for service provided under this PMA is 2.75% of the Total Project Costs Budget ("Fee") as set forth in **Exhibit 3**

B. The Fee shall be paid as follows:

.33% of the Total Project Costs Budget payable at completion of the design and development phase of the Project

.33% of the Total Project Costs Budget payable at issuance of trade contracts for the Project

.33% of the Total Project Costs Budget payable at Project financing

.5% of the Total Project Costs Budget payable at achievement of 33% completion of the construction phase of the Project

.5% of the Total Project Costs Budget payable at achievement of 66% completion of the construction phase of the Project

.76% of the Total Project Costs Budget payable upon Substantial Completion.

C. Payment of Third Party Development Expenses and Fees.

1. Reimbursement of Expenses. TAG shall submit monthly statements for reimbursement of expenses, such as travel (in accordance with Schedule 2.12 of the Management Services Agreement), payment of fees for licenses and permits, and payments, if any, to third parties. TAG shall submit a monthly invoice for reimbursement of expenses and Corporation shall pay such invoice within fifteen (15) days of receipt thereof.

2. Except as otherwise specified herein, the payment of Project expenses shall be the sole responsibility of Corporation and shall be paid or payable by Corporation from Corporation's funds, it being specifically understood that TAG shall not be required to make any advance for the account of Corporation, to pay any sum or to perform any duty or function hereunder, unless funds for the payment of such expense have been provided to TAG by Corporation.

3. In addition, Corporation shall pay for reimbursable expenses and reasonable travel and lodging expenses for TAG staff in accordance with Schedule 2.12 of the Management Services Agreement.

D. Late Payment, Partial Payment, and Payment in the Event of Termination and Recommencement of Project.

1. On a monthly basis, TAG will submit to Corporation a bill for the earned compensation due to third parties at such time plus reimbursable expenses. All such bills shall be paid in accordance with the applicable contracts.

2. Neither TAG nor Corporation may terminate the PMA, except as set forth in Article VI hereof. The foregoing notwithstanding, if Corporation decides not to proceed with the Project due to market conditions, the inability to obtain financing, or for any other reason it may have, Corporation may terminate the PMA. In such event, the termination shall be without liability to either party. TAG shall perform all applicable services up to the date of Termination and Corporation shall pay TAG only for all services performed by the individuals identified in Article I.A.4.f. based on an hourly rate of $150 per hour and reimburse TAG for all expenses it has incurred as provided for in this PMA. The parties shall have no further obligation or liability to each other and this PMA shall be void and of no further effect.

V. DEFAULT

A. Default by the Corporation.

1. Failure of Corporation to pay any funds (fee or reimbursement) due to TAG more than 30 days after the funds are due shall constitute an automatic Event of Default unless Corporation's failure to pay is based on TAG's prior breach of the PMA. The Parties shall resolve the dispute pursuant to the provisions of Articles VII and VIII of the MSA.

2. Failure of Corporation to do or fail to do, or to take such action or fail to take such action as is required under this PMA shall be an Event of Default. By way of example, but not limitation, Corporation's failure to select, contract with, and pay third parties whose services are necessary for the successful completion of the Project, make any decision required by this PMA to be made by Corporation, or execute any reasonably required contract with a third party, the execution of which is necessary for the successful completion of this PMA shall be an Event of Default. In such event, TAG shall provide Corporation with a written notice of default, specifying the action or failure to act of Corporation creating the default. Corporation shall have ten (10) days from the date of the written notice of default to cure the default. Failure of Corporation to cure, or commence a good faith effort to cure if the default is not subject to cure within a ten (10) day period, the default in such ten (10) day period (the "Cure Period") shall constitute an Event of Default.

B. Default by TAG.

Failure of TAG to do or fail to do, or to take such action or fail to take such action as is required under this PMA shall constitute an Event of Default. In such event, Corporation shall provide TAG with a written notice of default, specifying the action or failure to act of TAG creating the default. TAG shall have ten (10) days from the date of the written notice of default to cure the default. Failure of TAG to cure, or commence a good faith effort to cure if the default is not subject to cure within a ten (10) day period, the default in such ten (10) day period (the "Cure Period") shall constitute an Event of Default.

VI. TERMINATION

A. In the event of an Event of Default by TAG, Corporation shall be entitled, at its option, upon thirty (30) days advance written notice to TAG, to terminate this PMA, set off against any fees owing to TAG the amount of damages sustained by Corporation as a result of the default by TAG, and seek all remedies available to it under applicable law.

B. In the event of an Event of Default by Corporation, TAG shall be entitled, at its option, upon thirty (30) days advance written notice to Corporation, to terminate this PMA.

C. In the event of termination by either Party, TAG shall:

1. be entitled to all fees earned up to and including the date of termination, as set forth herein, on the condition that it is not in default at the time.

2. surrender and deliver to Corporation all unearned funds, including any reserves held by TAG in connection with the Project, and other monies of Corporation on hand and in any bank account.

3. furnish all such information and take all such action as Corporation shall reasonably direct in order to effect an orderly and systematic termination of TAG's duties and activities hereunder. Unless Corporation has terminated this PMA as a result of an Event of Default by TAG, TAG shall be paid at the hourly rate of One Hundred Fifty ($150.00) per hour for all time of all the individuals identified in Article I.A.4.f. spent on actions directed by Corporation. All TAG employees shall keep track of their time and TAG shall provide Corporation with documentation for all charges pursuant to this provision.

4. TAG shall make available for inspection and reproduction, at Corporation's expense (unless Corporation has terminated the PMA as a result of an Event of Default by TAG, in which case, the expense of reproduction shall be borne by TAG) all records and documents related to the Project.

D. Termination of this PMA shall occur automatically upon termination of the Management Services Agreement between the parties unless both TAG and Corporation mutually agree in writing to maintain the PMA in effect.

E. Notwithstanding any other provision to the contrary, termination of this PMA without cause may occur upon ninety (90) days prior written notice by the terminating party to the non-terminating party.

F. Upon the termination of this PMA and the completion of the items set forth herein, the Parties shall have no further obligation or liability one to the other under this PMA, except for obligations which accrued prior to termination and remain outstanding, it being understood and agreed, however, that termination shall not relieve either Corporation or TAG from liabilities or claims occurring and arising up to and including the date of termination. It is further understood and agreed that the termination of this PMA does not affect or terminate any other agreement, including but not limited to the Management Services Agreement, which may be in effect between the Parties.

VI. GENERAL PROVISIONS

Section X. of the Management Services Agreement is hereby incorporated by reference into this PMA.

{Signatures Appear on the Following Page}

IN WITNESS THEREOF, the Parties hereto have caused these presents to be duly executed.

THE ASBURY GROUP, INC.

By: _____

Printed Name: Douglas Leidig

Title: President

Date: 6/27/2014

By: _____

Printed Name: Andrew H. Joseph

Title: Secretary

Date: 6/27/2014

ASBURY, INC.

By: _____

Printed Name: Sandra Davis

Title: Board Chair

Date: 6/27/2014

By: _____

Printed Name: MARSHEINE McCLURG

Title: Board Secretary

Date: 6-27-14

Attachment A.6

Deed to Land

2

C

This Instrument Was Prepared By:
HUNTER, SMITH & DAVIS
Attorneys at Law, P.O. Box 3740, Kingsport, Tennessee 37664

WARRANTY DEED

THIS DEED, made and entered into this the 22nd day of December, 1989, by and between RETIREMENT LIVING, INC., party of the first part, and ASBURY CENTERS, INC., party of the second part:

WITNESSETH:

That for and in consideration of the sum of One Dollar ($1.00), cash in hand paid, receipt of which is hereby acknowledged, and other good and valuable consideration, the party of the first part has bargained and sold and does hereby grant and convey unto the party of the second part, its successors and assigns, with covenants of general warranty of title, the following described property located in the 7th Civil District of Hawkins County, Tennessee.

BEGINNING at an iron pin located at the intersection of the center line of Netherland Lane with the northerly sideline of Netherland Inn Road; thence with the said sideline of Netherland Inn Road with a clockwise curve to the right of radius 1,432.69 feet, an arc distance of 132.15 feet to an iron pin; thence continuing with said sideline N. 64° 16' W. 127.28 feet to an iron pin, corner to Tract 3 of the division of C. F. Netherland Farm; thence with the boundary of said Tract 3 N. 9° 09' E. 551.0 feet to an iron pin; thence N. 19° 39' E. 529.43 feet to an iron pin at the intersection of the common boundary between Tract 3 and the property hereby conveyed and the southerly right-of-way of U. S. Highway

11-W; thence with the said right-of-way of U. S. Highway 11-W the following six calls: N. 74° 35' E. 9.43 feet to a highway monument; S. 15° 25' E. 50.0 feet to a highway monument; N. 74° 38' E. 495.79 feet to a highway monument; thence with a clockwise curve to the right of radius 207.72 feet an arc distance of 113.84 feet to an iron pin; thence S. 13° 24' E. 133.64 feet to a highway monument; thence N. 76° 36' E. 51.8 feet to the center line of Netherland Lane; thence with the center line of Netherland Lane the following thirteen calls: S. 8° 38' E. 86.48 feet to a point; thence with a clockwise curve to the right of radius 70.0 feet an arc distance of 131.09 feet to a point; thence N. 81° 20' W. 95.14 feet to a point; thence with a counterclockwise curve to the left of radius 100.0 feet an arc distance of 71.82 feet to a point; thence S. 57° 31' W. 45.11 feet to a point; thence with a clockwise curve to the right of radius 441.68 feet an arc distance of 103.04 feet to a point; thence S. 70° 53' W. 52.98 feet to a point; thence with a counterclockwise curve to the left of radius 383.06 feet an arc distance of 123.46 feet to a point; thence S. 52° 25' W. 85.31 feet to a point; thence with a counterclockwise curve to the left of radius 80.0 feet an arc distance of 92.80 feet to a point; thence S. 14° 03' E. 111.98 feet to a point; thence with a clockwise curve to the right of radius 400.0 feet an arc distance of 210.60 feet to a point; thence S. 16° 07' W. 268.07 feet to the point of BEGINNING.

Being the property conveyed to party of the first part by deeds of record in the Register's Office for Hawkins County in Deed Book 273, page 833 and Deed Book 314, page 647.

TO HAVE AND TO HOLD unto the party of the second part, its successors and assigns, forever.

This conveyance is expressly made subject to reservations, restrictions, easements, covenants and conditions contained in former instruments of record pertaining thereto and to all easements and encroachments apparent from an inspection of the property.

The party of the first part, for itself, its successors and assigns, covenants that it is lawfully seized and possessed of the property hereby conveyed; that it has a good and lawful right to convey the same; that said property is free and clear of any lien or encumbrance, except as herein stated; that it will execute such further assurances of title as may be reasonably required, and that it will forever warrant and defend the title thereto against the lawful claims of all persons whomsoever.

WITNESS the following signature on this the day and year first above written.

RETIREMENT LIVING, INC.

By: W B Robertson

Title: President, RLI

STATE OF Tennessee

COUNTY OF Knox

Before me, Sharon W. Prewitt, a Notary Public in and for the State and County aforesaid, personally appeared W. B. Robertson, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the President of Retirement Living, Inc., the within named bargainor, a Tennessee corporation, and that he as such President executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as President.

Witness my hand and official seal this the 22 day of December, 1989

Sharon W. Prewitt
Notary Public

My commission expires:

January 8, 1991

STATE OF Tennessee

COUNTY OF Knox

The undersigned affiant being first duly sworn, makes oath that the actual consideration for the foregoing transfer, or the value of the property hereinbefore described, whichever is greater, is $4,500,000.

Jack D. King
AFFIANT

Sworn to and subscribed before me, this the 22 day of December, 1989.

Sherry D. [illegible]
NOTARY PUBLIC

My commission expires:

January 8, 1991

NAME AND ADDRESS OF PROPERTY OWNER:

Asbury Centers, Inc.
100 Methodist Lane
Kingsport, Tenn

NAME AND ADDRESS OF THE PERSON OR ENTITY RESPONSIBLE FOR THE PAYMENT OF THE REAL PROPERTY TAX:

Asbury Centers, Inc.
100 Methodist Lane
Kingsport, Tenn

KR/HSTAS/883

STATE OF TENNESSEE-HAWKINS COUNTY
RECEIVED FOR RECORD THE 22nd DAY OF Dec 19 89
AT 8:30 O'CLOCK AM NOTED IN BOOK BR PAGE 377
AND RECORDED IN Deed BOOK 327 PAGE 499
RECORDING FEES 16.00 STATE TAX $ 14,850.00
CLERKS FEES 1.00 TOTAL $ 14,867.00 RECEIPT NO. 79274
GALE B. CARPENTER REG.
BY _____ DEPUTY

12-22
8:30

16.00
14,850.00
1.00
14,867.00

This instrument prepared by
State of Tennessee
Department of Transportation
Legal Office
Region II - P. O. Box 22368
Chattanooga, TN 37422-2368

Project No. F-001-9(19)
Hawkins County
Tract No. 5

QUITCLAIM DEED

ADDRESS OF NEW OWNER:

Asbury Centers, Inc.
100 Netherland Lane
Kingsport, Tn. 37660

REAL TAX RESPONSIBILITY:

Same

MAP PARCEL:

N/A

KNOW ALL MEN BY THESE PRESENTS, that for and in consideration, of the sum of TWELVE THOUSAND NINE HUNDRED ($12,900.00) DOLLARS, cash in hand paid, the receipt of which is hereby acknowledged, the **STATE OF TENNESSEE**, acting by its **Commissioner of Transportation**, under the authority of Tennessee Code Annotated, Section 12-2-112(a)(9), hereby Quitclaims unto **ASBURY CENTERS, INCORPORATED, a Tennessee corporation**, all its right, title and interest, in and to the following described real estate located in the 7th Civil District of Hawkins County, Tennessee:

To find the Point of BEGINNING, begin at the point of intersection of the centerline of State Route #1 with the centerline of Netherland Lane; thence with the State Route #1 centerline south 75 degrees 53 minutes west 17.37 feet to a point; thence south 14 degrees 07 minutes east 100 feet to the Point of BEGINNING; Said Point of BEGINNING being an iron pin on the south proposed uncontrolled right-of-way line of State Route #1, said point also located 100 feet right of State Route #1 centerline station 33 + 41.38; thence with the said proposed uncontrolled right-of-way line south 61 degrees 32 minutes east 73.89 feet to a right-of-way marker on the existing south right-of-way line of State Route #1; thence with the said existing south right-of-way line south 75 degrees 53 minutes west 495.79 feet to a right-of-way marker located 150 feet right of State Route #1 centerline station 29 + 00; thence north14 degrees 07 minutes west 50 feet to a right-of-way marker on the south proposed uncontrolled right-of-way line of State Route #1, said marker located 100 feet right of State Route #1 centerline station 29 + 00; thence with the said south proposed uncontrolled right-of-way line north 75 degrees 53 minutes east 441.38 feet to the Point of BEGINNING, containing 0.538 acres.

This conveyance is made and accepted subject to the following conditions which will be binding upon the Grantee, its successor and assigns, and shall run with the land in perpetuity.

Said conditions are as follows:

The Grantee, successors in interest, and assigns, as a part of the consideration hereof, do hereby covenant and agree that:

(1) no person, on the grounds of sex, handicap, race, color, or national origin shall be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination in the use of any public facilities which may be constructed on the above described land;

(2) that in connection with the construction of any improvements on said lands and the furnishings of services thereon, no discrimination shall be practiced and in the selection of employees and contractors, by contractors in the selection and retention of first-tier subcontractors and by first-tier subcontractors in the selection of the retention of second-tier subcontractors;

(3) that such discrimination shall not be practiced against the public in their access to and use of the facilities and services provided for public accommodations (such as eating, sleeping, rest, recreation, and vehicle servicing) constructed or operated on the above described land; and,

(4) that the Grantee comply with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of Secretary, Part 21, Nondiscrimination in Federally-assisted programs of the Department of Transportation Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended, Title 49, Code of Federal Regulations, Part 27, Nondiscrimination on the Basis of Handicap in Programs and Activities Receiving or Benefiting from Federal Financial Assistance; and 23 U.S.C., Section 324.

REFERENCE: The Legal Description contained herein was prepared by the Tennessee Department of Transportation, Region I, 711 Concord Street, P. O. Box 58, Knoxville, Tennessee 37901. All references are derived from official plans of the Department of Transportation for Project No. F-001-9(19), Hawkins County, Tennessee.

Being part or all of the property acquired by the State of Tennessee by Deed recorded in Book 125, Page 154, in the Register's Office of Hawkins County, Tennessee.

TO HAVE AND TO HOLD the said real estate, together with all improvements thereon, unto **ASBURY CENTERS, INCORPORATED**, forever.

IN WITNESS WHEREOF, the **STATE OF TENNESSEE**, acting through its Commissioner of Transportation, has caused this instrument to be executed this the 13th day of May, 1996.

STATE OF TENNESSEE

BY: J. Bruce Saltsman
J. BRUCE SALTSMAN, SR.
COMMISSIONER OF TRANSPORTATION

STATE OF Tennessee)
COUNTY OF Davidson)

Personally appeared before me, a Notary Public, in and for said County and State, J. BRUCE SALTSMAN, SR., with whom I am personally acquainted, and who, upon oath, acknowledged himself to be the Commissioner of Transportation, and that, being authorized so to do, he executed the foregoing instrument for the purposes therein contained by signing the name of the State of Tennessee by himself as such Commissioner.

WITNESS my hand and official seal, at office in Nashville, Tennessee, this 13th day of May, 1996.

Dellin C. Demmbrun
NOTARY PUBLIC

My Commission Expires:
My Commission Expires January 20, 1999

NOTARY PUBLIC AT LARGE

Project No. F-001-9(19)
Hawkins County
Tract No. 5

STATE OF TENNESSEE, COUNTY OF Hawkins

I (or we) hereby offering this instrument for recording within the meaning of the Statutes of the State of Tennessee, under T. C. A. Section 67-4-409, swear or affirm that the actual consideration for this transfer or value of the property transferred, whichever is greater, is $12,150, which amount is equal to or greater than the amount which the property transferred would command at a fair and voluntary sale.

AFFIANT

SWORN to and SUBSCRIBED before me this 27th day of June, 1996.

NOTARY PUBLIC

JAN CATRON NOTARY PUBLIC AT LARGE SULLIVAN CO., TENN.

My Commission Expires:

3/18/98

Will be combined w/ 22 - 77.00

6-27
2:15

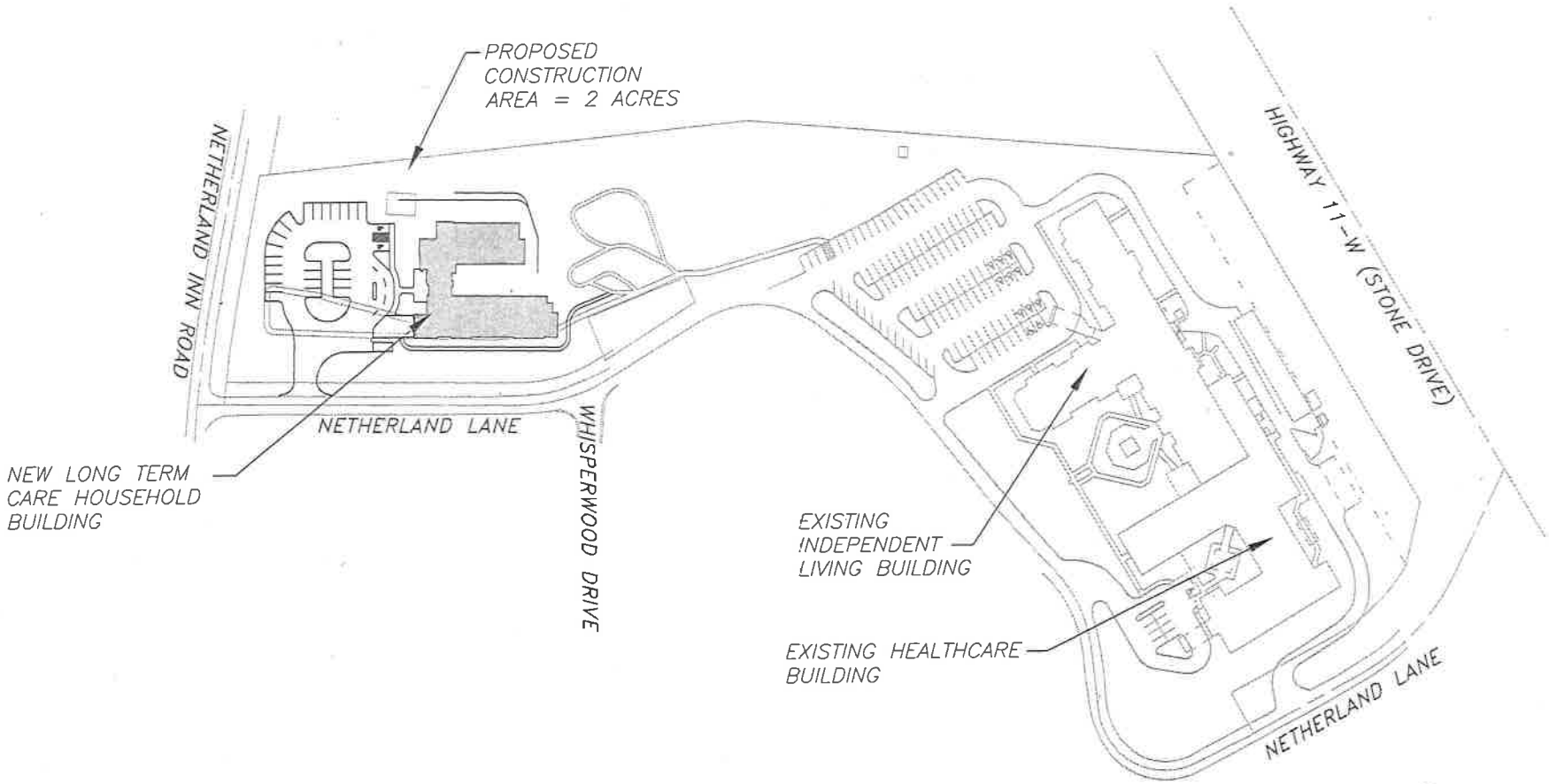
16.00
44.77
1.00
61.77

STATE OF TENNESSEE-HAWKINS COUNTY
RECEIVED FOR RECORD THE 27th DAY OF June 96
AT 2:15 O'CLOCK P.M. NOTED IN BOOK 96 PAGE 381
AND RECORDED IN BOOK 381 PAGE 562
RECORDING FEE $ 16.00 STATE TAX $ 44.77
CLERKS FEE $ 1.00 TOTAL $ 61.77 RECEIPT NO. 27948
GALE B. CARPENTER REG.
BY jpk DEPUTY

Courier Center
Mail

Attachment B.III.A.

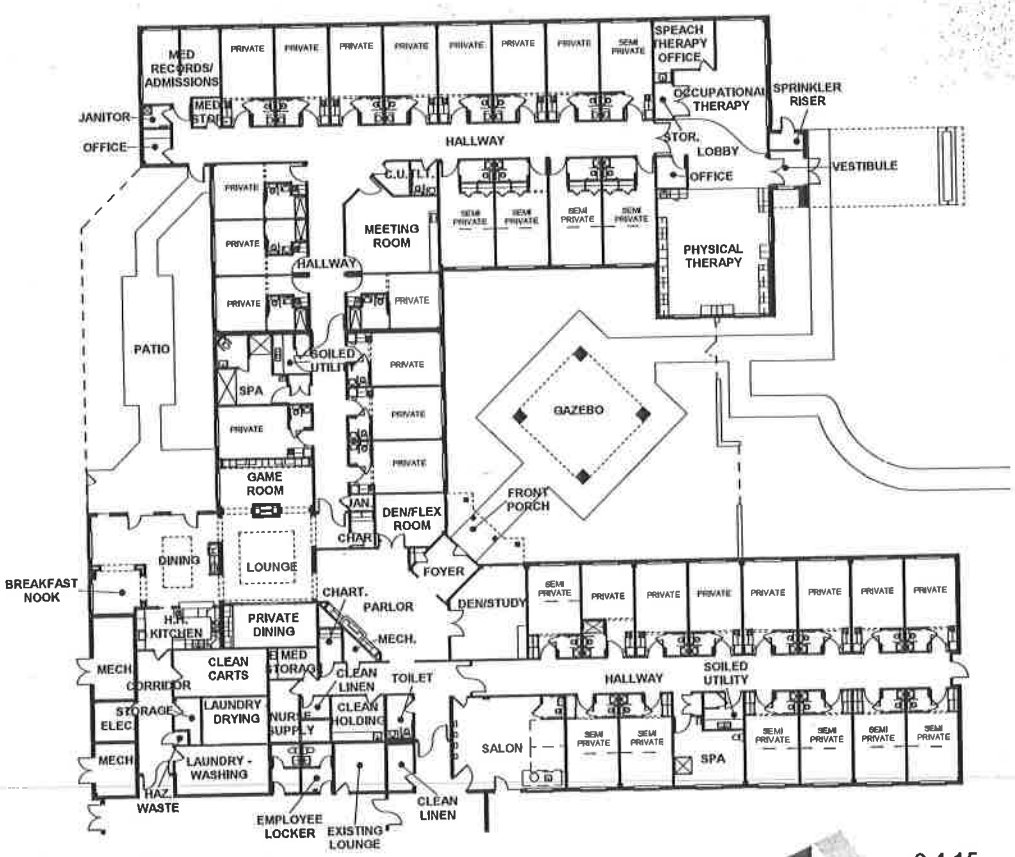
Plot Plan



Asbury Place at Kingsport

Attachment B.IV.

Floor Plans

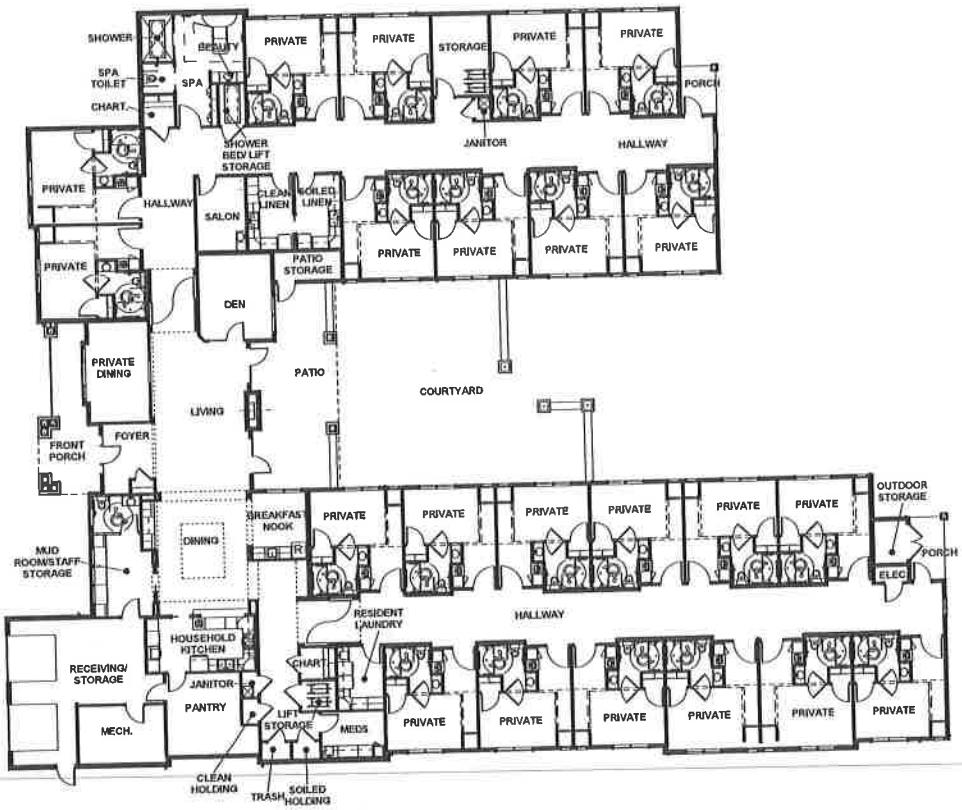


45 RESIDENTS (34 ROOMS)
NURSING HOUSEHOLD
11 SEMI-PRIVATE
23 PRIVATE

Asbury Place - Kingsport Health Center Remodel

8-4-15

action pact design



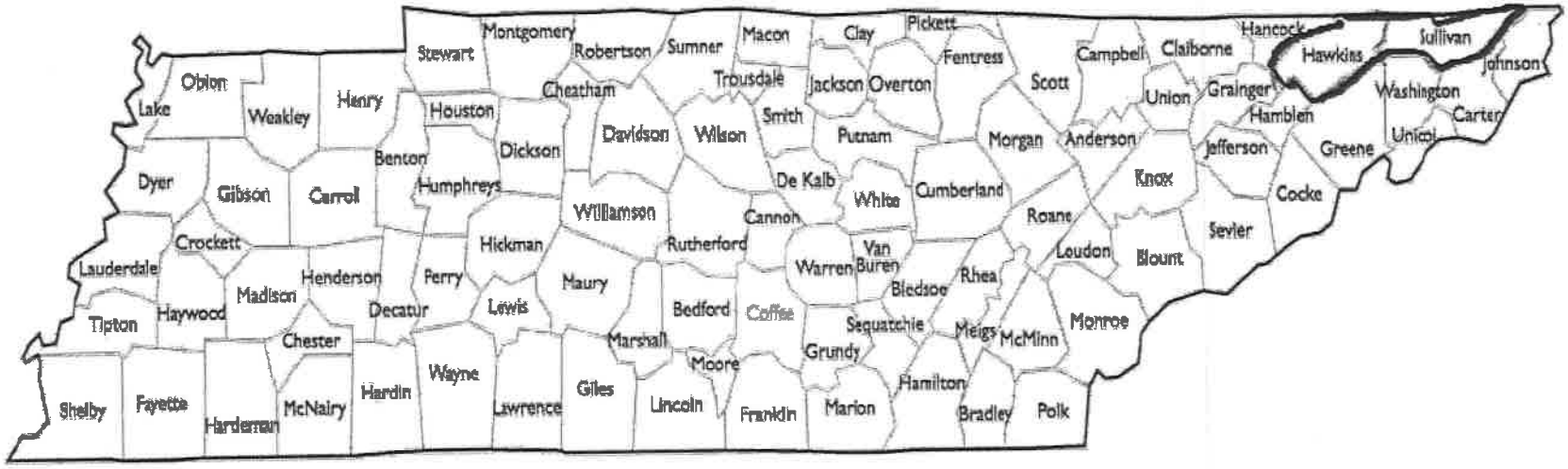
Kingsport: Skilled Nursing - LTC (22 PRIVATE ROOMS)

8-4-15

action pact design

Section C: General Criteria for Certificate of Need – Need.3

Service Area Map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Anderson
Morgan
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Wilson
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Humphreys
De Kalb
White
Cumberland
Knox
Cocke
Sevier
Roane
Cannon
Williamson
Hickman
Rutherford
Van Buren
Warren
Loudon
Blount
Crockett
Lauderdale
Henderson
Perry
Maury
Bledsoe
Rhea
Madison
Haywood
Decatur
Lewis
Bedford
Coffee
Sequatchie
Meigs
McMinn
Monroe
Tipton
Chester
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Moore
Hamilton
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Hardin
Giles
Lawrence
Lincoln
Franklin
Marion
Bradley
Polk
Shelby
Fayette
Hardeman
McNairy

Section C: Economic Feasibility - 1

Letter Supporting Estimated Construction Costs

action pact
design
Changing Communities. Changing Lives.

August 7, 2015

Heath Services and Development Agency
Andrew Jackson Building
500 Deadrick Street, Suite 850
Nashville, TN 37243

Re: Certificate of Need Application
Asbury Place at Kingsport
67 Skilled Beds
Kingsport, TN

To Whom It May Concern:

I represent Action Pact Design, LLC. an architecture firm located in Manhattan, KS. Our firm has been retained by Asbury Place to provide planning, design and contract administration services for the renovation of their retirement community in Kingsport, TN.

The preliminary design and estimate has been completed. The $5.1 million construction cost for the new construction of 22 skilled beds along with the renovation of the existing health care center to house 45 skilled beds seems reasonable based on my experience.

Sincerely,

Tracy Anderson, AIA

2505 Anderson Ave., Ste. 201 | Manhattan, Kansas 66502 | PH. 785-539-0806

Section C: Economic Feasibility - 2

Documentation from Bond Underwriter

Ziegler

4801 Cox Road
Suite 103
Glen Allen, Virginia 23060

Phone: 804-793-8490
Fax: 804-290-4339
tbrewer@ziegler.com
www.ziegler.com

TOMMY BREWER
MANAGING DIRECTOR
SENIOR LIVING FINANCE

August 11, 2015

Ms. Melanie M. Hill
Executive Director
Tennessee Health Services and Development Agency
502 Deaderick Street, 9th Floor
Nashville, TN 37242

RE: Financing Letter for Certificate of Need Application for proposed renovations and expansion at Asbury Place Maryville and Kingsport campuses

Dear Ms. Hill:

I am writing in regards to my recent discussions with Marjorie Shonnard, COO of The Asbury Group concerning capital financing for the renovations, construction, equipment and furniture related to the capital costs for the proposed renovations and expansion at Asbury Place Maryville and Kingsport campuses.

Ms. Shonnard has indicated that the estimated total capital cost to be incurred by Maryville for the components of the project that are subject to Certificate of Need review is $8,200,000 and that the estimate total capital cost to be incurred by Kingsport is $7,900,000. These project capital cost amounts will be financed by an up to 35 year loan. Ms. Shonnard has asked me to provide this letter so that it can be included in the application for the Certificate of Need.

I have had the pleasure to have assisted Asbury with their capital financing needs for the past 10 years and I am very familiar with the financial status of Asbury Place (including both Maryville and Kingsport facilities). We have reviewed the current financial position of the organizations and are prepared to work with Asbury Place to obtain financing to fund the cost associated with the projects.

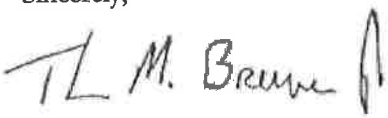
Based on a review of Ms. Shonnard's request for financing, Ziegler believes Asbury Place will be able to obtain financing with the attributes briefly described below:

Borrower:	Asbury Place
Purpose:	Renovations, Construction, Architect & Engineering Fees, Furniture and Equipment and Project-Related Capital Costs
Amount:	$16,100,000
Interest Rate:	Rate would be priced at market conditions at the time of closing
Estimated Range:	Based on current rates, a reasonable range would be 4% to 7%

Term:	Up to 35 years
Collateral:	Facility and Equipment
Fees:	Range from 1.5% to 3.0% of the loan
Guarantors:	Asbury Place
Supporting documents:	Normal underwriting documentation and normal loan documentation

This letter is an expression of our belief that Asbury Place would be able to secure financing at or similar to the arrangements described above. Definite terms would be worked out after issuance of the Certificate of Need. Thank you for your consideration.

Sincerely,



Thomas M. Brewer, Jr.
Managing Director

Section C: Economic Feasibility - 4

Historical and Projected Data Chart

HISTORICAL DATA CHART-Kingsport Baysmont SNF

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

	Year Ending 3/31/2012	Year Ending 3/31/2013	Year Ending 3/31/2014
A. Utilization Data (Resident Days)	9,242	9,531	10,456
B. Revenue from Services to Patients			
1. Inpatient Services	$ 6,445,200	$ 6,798,666	$ 7,301,339
2. Outpatient Services	-	-	-
3. Emergency Services	-	-	-
4. Other Operating Revenue (Ancillary Services & Other Income)	2,084,706	2,274,830	2,514,150
Gross Operating Revenue	$ 8,529,906	$ 9,073,496	$ 9,815,489
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	(119,620)	272,090	515,101
2. Provision for Charity Care	-	-	-
3. Provisions for Bad Debt	(161,260)	(162,200)	(18,765)
Total Deductions	$ (280,880)	$ 109,890	$ 496,336
NET OPERATING REVENUE	$ 8,810,786	$ 8,963,606	$ 9,319,153
D. Operating Expenses			
1. Salaries and Wages	$ 2,513,100	$ 2,896,546	$ 3,049,637
2. Physician's Salaries and Wages	-	-	-
3. Supplies	240,942	265,892	265,728
4. Taxes	149,075	136,692	149,175
5. Depreciation	320,092	347,906	372,534
6. Rent	-	-	-
7. Interest, other than Capital	-	-	-
8. Management Fees:			
a. Fees to Affiliates	-	-	-
b. Fees to Non-Affiliates	365,678	393,134	388,560
9. Other Expenses (Contract Labor, Wage Related Costs, Other Exp.)	3,913,632	3,866,816	4,172,402
Total Operating Expenses	$ 7,502,519	$ 7,906,987	$ 8,398,036
E. Other Revenue (Expenses) – Net (Specify)	$ -	$ -	$ -
NET OPERATING INCOME (LOSS)	$ 1,308,267	$ 1,056,619	$ 921,117
F. Capital Expenditures			
1. Retirement of Principal	$ 27,394	$ 28,678	$ 30,176
2. Interest	30,869	29,827	25,052
Total Capital Expenditures	$ 58,263	$ 58,505	$ 55,228
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	$ 1,250,004	$ 998,114	$ 865,889

PROJECTED DATA CHART- Kingsport Baysmont SNF

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

	Year Ending 3/31/2018	Year Ending 3/31/2019	Year Ending 3/31/2020
A. Utilization Data (Resident Days)	22,069	22,671	22,714
B. Revenue from Services to Patients			
1. Inpatient Services	$ 9,554,848	$ 9,983,205	$ 10,270,833
2. Outpatient Services	$ 99,897	$ 111,703	$ 114,495
3. Emergency Services	$ -	$ -	$ -
4. Other Operating Revenue (Specify)	$ 16,475	$ 16,887	$ 17,309
Gross Operating Revenue	$ 9,671,220	$ 10,111,794	$ 10,402,637
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	1,421,162	1,477,931	1,537,971
2. Provision for Charity Care	-	-	-
3. Provisions for Bad Debt	55,158	56,537	57,950
Total Deductions	$ 1,476,319	$ 1,534,468	$ 1,595,921
NET OPERATING REVENUE	$ 8,194,900	$ 8,577,326	$ 8,806,716
D. Operating Expenses			
1. Salaries and Wages	$ 2,721,505	$ 2,800,117	$ 2,870,120
2. Physician's Salaries and Wages	$ -	$ -	$ -
3. Supplies	$ 657,445	$ 674,844	$ 692,930
4. Taxes	$ 165,336	$ 169,469	$ 173,706
5. Depreciation	$ 825,967	$ 836,492	$ 847,280
6. Rent	$ -	$ -	$ -
7. Interest, other than Capital	$ -	$ -	$ -
8. Management Fees:	$ -	$ -	$ -
a. Fees to Affiliates	$ -	$ -	$ -
b. Fees to Non-Affiliates	$ 501,604	$ 522,057	$ 535,083
9. Other Expenses (Contract Labor, Benefits, Other Exp.)	$ 2,699,181	$ 2,791,212	$ 2,864,108
Total Operating Expenses	$ 7,571,038	$ 7,794,191	$ 7,983,228
E. Other Revenue (Expenses) – Net (Specify)	$ -	$ -	$ -
NET OPERATING INCOME (LOSS)	$ 623,863	$ 783,134	$ 823,488
F. Capital Expenditures			
1. Retirement of Principal	$ 243,036	$ 255,753	$ 268,470
2. Interest	$ 779,192	$ 766,085	$ 754,387
Total Capital Expenditures	$ 1,022,228	$ 1,021,838	$ 1,022,857
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	$ (398,365)	$ (238,703)	$ (199,368)

Section C: Economic Feasibility – 10

Applicant's Balance Sheet and Income Statement

ASBURY, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
AND
ACCOMPANYING INFORMATION

YEARS ENDED MARCH 31, 2015 AND 2014

ASBURY, INC. AND AFFILIATE
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YEARS ENDED MARCH 31, 2015 AND 2014

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CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Asbury, Inc. and Affiliate
Maryville, Tennessee

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Asbury, Inc. and Affiliate, which comprise the consolidated statements of financial position as of March 31, 2015 and 2014, and the related consolidated statements of operations and 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 misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Forest Ridge Manor, Inc., the affiliate, a wholly-owned subsidiary, which statements reflect total assets of $3,085,660 and $3,193,327 as of March 31, 2015 and 2014, respectively, and total support and revenues of $116,213 and $130,367, respectively, for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Forest Ridge Manor, Inc., is based solely on the report of the other auditors. 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 auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

NEXIA INTERNATIONAL
An independent member of Nexia International

Opinion

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Asbury, Inc. and Affiliate as of March 31, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
July 22, 2015

ASBURY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2015 AND 2014

ASSETS	2015	2014
CURRENT ASSETS		
Cash and Cash Equivalents	$ 4,950,140	$ 9,553,074
Accounts Receivable, Net	2,281,493	2,244,032
Note Receivable	11,673	25,777
Prepaid Expenses and Other Current Assets	1,212,834	1,337,782
Current Portion of Assets Whose Use is Limited Under Bond Agreement	1,028,559	1,012,523
Total Current Assets	9,484,699	14,173,188
ASSETS WHOSE USE IS LIMITED, NET OF CURRENT PORTION		
Patient Trust Funds	59,302	151,137
Under Bond Agreements	6,706,636	1,377,677
By Donors - Endowment Funds	53,391	53,391
By Board - Workers' Compensation Fund	295,892	311,852
By Board - Other Designated Funds	118,802	282,916
Total Assets Whose Use is Limited, Net of Current Portion	7,234,023	2,176,973
INVESTMENTS	11,201,050	9,840,773
NOTE RECEIVABLE, NET OF CURRENT PORTION	-	549,533
PROPERTY AND EQUIPMENT		
Land	1,071,405	1,258,592
Land Improvements	1,735,106	1,630,450
Buildings	59,729,527	60,030,035
Equipment	10,538,272	10,939,764
Construction in Progress	1,045,277	-
	74,119,587	73,858,841
Less Accumulated Depreciation	(26,878,521)	(25,639,635)
Property and Equipment, Net	47,241,066	48,219,206
OTHER ASSETS		
Deferred Costs	796,322	896,592
Total Assets	$ 75,957,160	$ 75,856,265

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	2015	2014
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 2,611,020	$ 2,339,544
Accrued Payroll Related Liabilities	848,599	980,510
Current Portion of Long-Term Debt	775,000	740,000
Current Portion of Capital Lease	6,322	-
Deferred Revenue - Deposits	643,809	465,753
Total Current Liabilities	4,884,750	4,525,807
LONG-TERM DEBT, NET OF CURRENT PORTION	21,411,960	23,385,650
CAPITAL LEASE, NET OF CURRENT PORTION	12,493	-
OTHER LIABILITIES		
Workers' Compensation Reserve	-	164,271
Refundable Admission Fees	19,669,544	17,170,264
Deferred Admission Fees, Net	3,514,215	3,476,346
Affordable Housing Program Grant Note	134,101	134,101
HUD Capital Advance	3,293,600	3,293,600
Total Other Liabilities	26,611,460	24,238,582
Total Liabilities	52,920,663	52,150,039
NET ASSETS		
Unrestricted	22,909,563	23,507,455
Temporarily Restricted	73,543	145,380
Permanently Restricted	53,391	53,391
Total Net Assets	23,036,497	23,706,226
Total Liabilities and Net Assets	$ 75,957,160	$ 75,856,265

ASBURY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2015 AND 2014

	2015	2014
OPERATING REVENUES		
Net Resident Service Revenue	$ 31,691,027	$ 33,900,326
Other Operating Revenue	750,555	750,131
Net Assets Released from Restrictions	110,408	-
Total Operating Revenues	32,551,990	34,650,457
OPERATING EXPENSES		
Health Care Services	12,761,790	13,655,944
Social Services	534,803	553,984
Nutritional Services	4,041,235	4,236,050
Environmental Services	3,341,235	3,600,436
Administrative Services	5,143,445	5,433,578
Employee Benefits	2,741,890	2,889,814
Taxes and Insurance	2,094,489	1,726,358
Interest	693,011	772,005
Bad Debts	1,443,826	489,838
Depreciation and Amortization	2,295,665	2,490,699
Total Operating Expenses	35,091,389	35,848,706
OPERATING LOSS	(2,539,399)	(1,198,249)
OTHER INCOME		
Investment Income	425,197	507,811
Loss on Disposal of Property and Equipment	-	(605)
Gain on Sale of Johnson City Assets	1,330,014	-
Other Income (Loss)	143,766	(1,954)
DEFICIT OF REVENUES UNDER EXPENSES	(640,422)	(692,997)
Net Unrealized Gains on Investments	42,530	438,885
Decrease in Unrestricted Net Assets	(597,892)	(254,112)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	38,571	42,648
Net Assets Released from Restrictions	(110,408)	-
Increase (Decrease) in Temporarily Restricted Net Assets	(71,837)	42,648
Decrease in Net Assets	(669,729)	(211,464)
Net Assets - Beginning of Year	23,706,226	23,917,690
NET ASSETS - END OF YEAR	$ 23,036,497	$ 23,706,226

See accompanying Notes to Consolidated Financial Statements.

ASBURY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in Net Assets	$ (669,729)	$ (211,464)
Adjustments to Reconcile Decrease in Net Assets to Net Increase in Cash Provided by Operating Activities:		
Net Unrealized Gains on Investments	(42,530)	(438,885)
Depreciation and Amortization	2,295,665	2,490,699
Bad Debt Expense	1,443,826	489,838
Amortization of Admission Fees	(491,057)	(444,195)
Loss on Disposal of Property and Equipment	-	605
Gain on the Sale of Johnson City Assets	(1,330,014)	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(1,481,287)	296,123
Note Receivable	563,637	9,969
Prepaid Expenses and Other Assets	124,948	(134,740)
Accounts Payable and Accrued Expenses	271,476	(460,962)
Other Liabilities	(296,182)	(226,354)
Net Cash Provided by Operating Activities	388,753	1,370,634
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(5,071,042)	(4,213,299)
Proceeds from Sale of Johnson City Assets	5,210,889	-
Net Purchases of Investments and Assets Whose Use is Limited	(6,390,833)	(3,132,279)
Net Cash Used in Investing Activities	(6,250,986)	(7,345,578)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Admission Fees	4,132,712	6,407,595
Refunds of Admission Fees	(926,450)	(683,151)
Principal Payments of Long-Term Debt	(1,942,200)	(1,607,250)
Principal Payments on Capital Lease	(4,763)	-
Net Cash Provided by Financing Activities	1,259,299	4,117,194
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,602,934)	(1,857,750)
Cash and Cash Equivalents - Beginning of Year	9,553,074	11,410,824
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,950,140	$ 9,553,074
Supplemental Cash Flow Information:		
Property Acquired Through Capital Lease	$ 23,578	$ -

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 BASIS OF ACCOUNTING, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Operations

The accompanying consolidated financial statements include the accounts of Asbury, Inc. and Forest Ridge Manor, Inc. These entities are under common control and are collectively referred to herein as the "Organization" unless otherwise noted. All significant intercompany accounts and transactions have been eliminated. The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Organization was organized to provide elderly and handicapped persons housing and medical services. At March 31, 2015, the Organization operates facilities in two Tennessee communities (Maryville and Kingsport).

Use of Estimates

The preparation of consolidated financial statements in accordance 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 disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

The Organization maintains cash balances at several financial institutions within its market area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC). At times, deposits may exceed FDIC amounts.

Accounts Receivable

Accounts receivable from residents and third-party payors are recorded on the accrual basis in the period in which services are rendered. The Organization does not require collateral on accounts receivable. Accounts are charged to bad debt expense as they are determined to be uncollectible based upon a review of aging and collections. The Organization establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific residents, historical trends and other information. The allowance for estimated uncollectible accounts was approximately $789,000 and $533,000 at March 31, 2015 and 2014, respectively.

Investments

Investments are recorded at fair value based on quoted market prices. Donated investments are recorded at market value at the date of the gift, if applicable. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the operating indicator unless restricted. Unrealized gains and losses on investments are excluded from the operating indicator.

NOTE 1 BASIS OF ACCOUNTING, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Whose Use is Limited

The Organization's Board of Directors has adopted a policy whereby certain cash and investments have been designated to fund remaining claims for a terminated self-insured workers' compensation plan and for other discretionary purposes. Cash and investments restricted under the Organization's bond agreements and custodial bank accounts used for residents' personal funds are also classified as assets whose use is limited.

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at fair market value at the date of donation. The Organization capitalizes all assets over $1,000 and depreciates them using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred, betterments are capitalized, and gains and losses from dispositions are included in revenues or expenses. Depreciation expense was approximately $2,204,000 and $2,343,000 for the years ended March 31, 2015 and 2014, respectively.

Deferred Costs

The following is a summary of deferred costs:

	Estimated Life	2015	2014
Deferred Financing Costs	Term of the Bond Issue	$ 502,415	$ 560,699
Deferred Marketing Costs	Life Expectancy of Initial Residents	293,907	335,893
		$ 796,322	$ 896,592

Deferred financing costs represent expenses incurred in connection with the issuance of debt and are deferred and amortized over the life of the related indebtedness using the straight-line method which approximates the effective interest method. Deferred financing costs are net of accumulated amortization of approximately $321,000 and $276,000 at March 31, 2015 and 2014, respectively.

Deferred marketing costs are associated with acquiring initial residential contracts and are deferred and amortized on a straight-line method over the estimated life expectancy of the initial residents. Amortization of deferred marketing commences with substantial occupancy or one year following completion of the related project.

NOTE 1 BASIS OF ACCOUNTING, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Refundable Admissions Fees and Deferred Admission Fees

Admission fees are paid by the resident upon entering into a continuing care contract in return for future services and the use of facilities. The Organization offers a Type B, 90% refundable admission fee plan for its cottages and apartments at its Maryville and Kingsport-Baysmont locations. The contract provides for 60 days of nursing home care without additional daily nursing home charges. Residents benefit from immediate access to assisted living and nursing home care. Entrance fees under this plan are refundable upon contract termination and re-occupancy of the unit. The fees are recorded as refundable admission fees and are not amortized.

The Kingsport-Baysmont location also offers a standard admission fee plan for its apartments for which the refundable portion decreases two percent over a 50-month period. Although the Organization no longer charges admission fees for residents of assisted living, admission fees charged in prior years were recorded as deferred admission fees and are amortized to income over the estimated remaining life expectancy of the resident. A portion of the fees are refundable if the resident vacates the facility within 100 months.

At March 31, 2015 and 2014, the Organization held deposits related to an expansion project at the Maryville location of approximately $606,000 and $117,000, respectively.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

Resident Service Revenue

Resident service revenue is reported at the estimated net realizable amounts to be collected from residents, third-party payors, and others for services provided. The provision for bad debts is reported as an operating expense.

Revenue under third-party payor agreements is subject to audit, investigative review, and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and final settlements are reported in the statements of operations and changes in net assets in the year of settlement.

NOTE 1 BASIS OF ACCOUNTING, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charity Care

The Organization has a charity care policy to identify residents who meet certain criteria to provide care without charge or at amounts less than its established rates. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. Since the Organization does not charge the residents for services provided, estimated charges for charity care are not included in net resident service revenue.

The Organization has estimated its direct and indirect costs of providing charity care under its charity care policy. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the total operating costs to total operating revenue. The cost-to-charge ratio is applied to the charges foregone to calculate the estimated direct and indirect cost of providing charity care. Using this methodology, the Organization has estimated the costs for services under the Organization's charity care policy to be approximately $81,000 and $83,000 for the years ended March 31, 2015 and 2014, respectively.

The Organization received approximately $43,000 and $23,000 to subsidize the costs of providing charity care under its charity care policy for the years ended March 31, 2015 and 2014, respectively.

Contributions

Contributions are considered available for unrestricted use unless specifically restricted by donors. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. When a donor restriction expires in a subsequent fiscal year, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations and changes in net assets as net assets released from restriction. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted. Interest earned on the temporary investment of restricted contributions is reported as unrestricted support.

Gifts of property and equipment are reported as unrestricted support and are excluded from the operating indicator, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated long-lived assets are placed in service.

NOTE 1 BASIS OF ACCOUNTING, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Asbury, Inc. and Forest Ridge Manor, Inc. are not-for-profit organizations as described under Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from Federal income taxes.

The income tax returns for Asbury, Inc. and Forest Ridge Manor, Inc. are subject to review and examination by Federal and state authorities. Asbury, Inc. and Forest Ridge Manor, Inc. are not aware of any activities that would jeopardize their tax-exempt status.

The Organization follows guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The standard has had no impact on the Organization's financial statements.

Fair Value of Financial Instruments

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value 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.

NOTE 1 BASIS OF ACCOUNTING, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. The Organization did not have any assets or liabilities that are valued using Level 2 or Level 3 inputs.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial statements at fair value. The Organization may elect to measure newly acquired financial instruments at fair value in the future.

Operating Indicator

The statements of operations and changes in net assets include an operating indicator identified as the excess (deficit) of revenues over expenses. Changes in unrestricted net assets, which are excluded from the operating indicator consistent with industry practice, include unrealized gains and losses on investments other than trading securities, unrealized gains and losses on derivatives, restricted contributions, contributions of long-lived capital assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), discontinued operations and extraordinary losses.

Reclassifications

Certain amounts in the 2014 consolidated financial statements have been reclassified to conform to the 2015 presentation with no affect on previously reported net assets, operating income, or deficit of revenues under expenses.

Subsequent Events

The Organization has evaluated subsequent events through July 22, 2015, the date the consolidated financial statements were available for issuance.

NOTE 2 NET RESIDENT SERVICE REVENUE

The Organization renders services to patients under contractual arrangements with the Medicare and Medicaid programs. Reimbursement for services under these arrangements is based on prospectively determined rates. Contractual adjustments and discounts are recorded as the services are rendered to reflect the difference between the Organization's established rates and the amounts received under these arrangements.

The Medicare and Medicaid programs each accounted for approximately 20% of 2015 net resident service revenues (15% and 29%, respectively, during 2014). Related accounts receivable as of March 31, 2015 from Medicare and Medicaid represent approximately 49% and 18%, respectively, of net accounts receivable (49% and 27%, respectively, as of March 31, 2014). Amounts earned under these programs are subject to review and final determination by various program intermediaries and other appropriate governmental authorities or their agents. Laws and regulations governing these programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. In the opinion of management, adequate provision has been made in the financial statements for any adjustments resulting from such reviews.

A reconciliation of the amount of services provided at established rates to net resident service revenue is as follows:

	2015	2014
Routine Revenue	$ 28,011,870	$ 30,384,649
Ancillary Revenue	7,590,727	6,173,360
Contractual Adjustments and Discounts	(3,911,570)	(2,657,683)
Net Resident Service Revenue	$ 31,691,027	$ 33,900,326

NOTE 3 INVESTMENTS AND ASSETS WHOSE USE IS LIMITED

Investments and assets whose use is limited are categorized by investment type as follows:

	2015	2014
Cash and Cash Equivalents	$ 545,236	$ 749,379
Pooled Growth Fund	7,464,237	6,688,083
Mutual Funds	7,735,197	2,390,200
Fixed Income	3,718,962	3,202,607
	19,463,632	13,030,269
Less: Current Portion	(1,028,559)	(1,012,523)
Investments and Assets Whose Use is Limited, Net of Current Portion	$ 18,435,073	$ 12,017,746

The pooled growth fund represents shares of equity investments.

NOTE 3 INVESTMENTS AND ASSETS WHOSE USE IS LIMITED (CONTINUED)

Investment income includes:

	2015	2014
Interest and Dividends	$ 398,932	$ 304,420
Realized Gains and Other	26,265	203,391
	$ 425,197	$ 507,811

NOTE 4 LONG-TERM DEBT

Long-term debt, excluding Forest Ridge Manor, Inc. (Note 10) is summarized as follows:

	2015	2014
Series 2007 Bonds	$ 9,895,000	$ 10,634,998
Series 2010 Bonds	12,320,036	13,522,237
	22,215,036	24,157,235
Less: Current Portion	(775,000)	(740,000)
Less: Unamortized Bond Discount	(28,076)	(31,585)
Long-Term Debt, Net	$ 21,411,960	$ 23,385,650

Series 2010 Bonds

On December 30, 2010, the Organization entered into a Bond Purchase and Loan Agreement under which The Health and Educational Facilities Board of Blount County, Tennessee (the Facilities Board) issued and sold a $16 million tax-exempt revenue bond to Branch Banking and Trust Corporation (BB&T), the proceeds of which were used by the Organization to finance construction of its St. Clair Apartments on the Maryville campus, finance construction of improvements at the Johnson City nursing facility, and to pay certain fees and expenses related to the issuance and sale of the bond.

Under the terms of the agreement, the loan is non-revolving, requiring interest only payments through April 1, 2023. Interest rates are set at 68% of 1 month LIBOR plus 1.398%, which was 1.514% as of March 31, 2015. Principal payments begin on May 1, 2023. Proceeds from admission fees received on the last 12 units from the St. Clair Apartments (approximately $3 million) are to be applied toward the repayment of the loan. As of March 31, 2015, approximately $2,389,000 was repaid from admission fees proceeds. The agreement includes optional acceleration on each December 1st of 2020, 2025, 2030, and 2035. The loan is collateralized by the real property of the Organization.

NOTE 4 LONG-TERM DEBT (CONTINUED)

Series 2007 Bonds

On May 30, 2007, the Organization issued $13,415,000 in Series 2007A Revenue Refunding Bonds and $920,000 in Series 2007B Taxable Revenue Bonds (collectively, the "2007 Bonds"). The 2007 Bonds were issued to refinance all long-term debt outstanding, reimburse the Organization for the swap termination payment related to the Series 2003 Bonds, fund a reserve fund related to the new bonds, and to pay for certain expenses related to the issuance of the bonds. Interest on the 2007 Bonds is payable on April 1 and October 1 each year. The 2007 Bonds as issued bore interest at 4.75% through April 1, 2012 and currently bear interest at 5.125% through April 1, 2023. The 2007 Bonds are collateralized by all gross receipts, accounts receivable, equipment and inventory of the Organization.

A schedule of sinking fund payments and minimum maturities of debt for the next five years and thereafter is as follows:

Fiscal Year Ending March 31,	
2016	$ 775,000
2017	815,000
2018	860,000
2019	905,000
2020	950,000
Thereafter	17,910,036
Total	$ 22,215,036

Under the terms of the 2010 and 2007 bond agreements, the Organization is required to meet a number of covenants in which management believes they are in compliance at March 31, 2015.

Cash paid for interest was approximately $721,000 and $789,000 for the years ended March 31, 2015 and 2014, respectively. The Organization capitalized interest of approximately $9,000 during the year ended March 31, 2015, related to construction in progress. No interest was capitalized during the year ended March 31, 2014.

NOTE 5 CAPITAL LEASE

The Organization leases certain equipment under a long-term lease agreement. A schedule of the leased equipment under capital lease follows:

	2015
Moveable Equipment	$ 23,576
Less: Accumulated Depreciation	(3,929)
	$ 19,647

Amortization expense of approximately $4,000 from assets held under capital lease is included in depreciation and amortization expense for the year ended March 31, 2015.

The schedule of future minimum lease payments and present values of the net minimum lease payments follows:

Year Ending March 31,	
2016	$ 8,865
2017	8,865
2018	3,217
	20,947
Less: Amounts Representing Interest	(2,132)
Less: Current Portion	(6,322)
	$ 12,493

NOTE 6 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2015	2014
Contributions Received for Specific Healthcare Services	$ 59,446	$ 130,892
Contributions Received for Telecommunications Equipment	14,097	14,488
Total	$ 73,543	$ 145,380

Permanently restricted net assets represent endowment contributions. The State of Tennessee adopted the Tennessee Prudent Management of Institutional Funds Act ("UPMIFA"). The Board of Directors of the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. For the years ended March 31, 2015 and 2014, the Organization's investment income earned on endowment funds, in the absence of donor restrictions, was used to fund a portion of the cost to provide benevolent care to residents. The Organization received no permanently restricted donations during the years ended March 31, 2015 and 2014.

NOTE 7 RETIREMENT PLAN

The Organization has a 403(b) tax deferred annuity plan administered by The Variable Annuity Life Insurance Company (VALIC). Employee participation in the plan is voluntary. Participating employees are permitted to contribute a portion of their earnings to the plan. The Organization contributes a matching contribution made at a rate of 3% of compensation, provided that the employee has made elected deferrals at a rate equal to at least 1.5% of compensation. During the years ended March 31, 2015 and 2014, retirement plan expense totaled approximately $106,000 and $156,000, respectively.

NOTE 8 COMMITMENTS AND CONTINGENCIES

During 2006, the Organization engaged a management services organization to oversee substantially all management functions. The term of the agreement was for 60 months, through June 2011, with two automatic 36 month renewals. Base compensation was approximately $186,000 per month, adjusted for certain expenses as specified in the agreement. Annual compensation was based on a percentage of the Organization's budgeted revenue as defined in the agreement.

Effective April 1, 2014, the Organization re-engaged the management service organization to oversee substantially all management functions. The term of the new agreement is for 39 months, with one automatic 36 month renewal. Base compensation is approximately $180,000 per month, adjusted for certain expenses as specified in the agreement. Annual compensation is based on a percentage of the Organization's budget revenue as defined in the agreement.

In February 2009 the Organization engaged the same management services organization to provide development, marketing and financial services in conjunction with the repositioning and redevelopment of its Maryville facility. The contract called for monthly payments as well as payments related to specific milestones, and terminated upon achievement of 95 percent occupancy of the new units built as part of the redevelopment of the Maryville facility. The year ended March 31, 2014 was the final year of the contract. Payments under the contract during fiscal year 2014 were approximately $56,000.

Effective March 2008, the Organization changed from a program of self-insuring the liability for workers' compensation claims to a fully insured plan. The remaining recorded liability at March 31, 2015, is to provide for claims incurred prior to the inception of the fully insured plan. In conjunction with this change, the Organization is required to maintain a letter of credit with a financial institution in the amount of $100,000 to provide for payment of claims if the Organization is unable to fund claims. In April 2012, the Organization changed to a partially self-insured plan for its workers compensation insurance. In conjunction with this change the Organization is required to maintain a separate letter of credit with a financial institution in the amount of $195,000 to provide for payment of claims if the Organization is unable to fund claims. Both letters of credit are unused as of March 31, 2015 and 2014.

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Organization utilizes a professional and general liability insurance program for general and medical malpractice liability risks. At March 31, 2015, there are potential claims and incidents that may result in the assertion of claims, as well as potential claims from unknown incidents that may be asserted arising from services provided to patients. Management of the Organization, after consultation with legal counsel, estimates that these matters will be resolved without material adverse effect on the Organization's future financial position or results of operations.

NOTE 9 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Basis of Accounting, Operations and Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of March 31, 2015 and 2014:

	2015			
	Level 1	Level 2	Level 3	Total
Investments and Assets Limited as to Use:				
Pooled Growth Fund	$ 7,464,237	$ -	$ -	$ 7,464,237
Mutual Funds	7,735,197	-	-	7,735,197
Fixed Income	3,718,962	-	-	3,718,962
Total Assets	$ 18,918,396	$ -	$ -	$ 18,918,396

	2014			
	Level 1	Level 2	Level 3	Total
Investments and Assets Limited as to Use:				
Pooled Growth Fund	$ 6,688,083	$ -	$ -	$ 6,688,083
Mutual Funds	2,390,200	-	-	2,390,200
Fixed Income	3,202,607	-	-	3,202,607
Total Assets	$ 12,280,890	$ -	$ -	$ 12,280,890

NOTE 10 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the Organization's financial instruments, excluding long-term obligations, approximate their fair values. The fair value of the Organization's long-term obligations is estimated based on the quoted market prices for the same or similar issues.

The carrying amounts and fair values of the Organization's long-term obligations at March 31 are as follows:

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-Term Obligations	22,186,960	$ 22,431,000	24,125,650	$ 24,964,000

NOTE 11 FOREST RIDGE MANOR, INC.

Asbury, Inc. sponsors a U.S. Department of Housing and Urban Development ("HUD") housing project developed and administered by Forest Ridge Manor, Inc. ("FRM"), a 501(c)(3) organization. Asbury, Inc. has both control of FRM through the appointment of FRM's board of directors and an economic interest in FRM. As such, the accounts of FRM are consolidated with those of Asbury, Inc.

The purpose of the HUD project is to provide affordable housing for low-income elderly persons in the Kingsport, Tennessee area. In 2005, FRM received a capital grant to construct a 38-unit apartment complex. Through March 31, 2015, FRM has drawn $3,293,600 from the capital grant and recorded a capital advance liability related to these draws. The capital advance grant acts as a 40-year mortgage that is not required to be repaid so long as the housing remains available to eligible persons in accordance with Section 202 of the Housing Act of 1959.

Selected financial information for FRM as of March 31 is as follows:

	2015	2014
Assets	$ 3,085,660	$ 3,193,327
Liabilities	3,554,187	3,503,910
Net Assets	(468,527)	(310,583)
Revenues	116,213	130,367

Assets for FRM primarily relate to housing facilities and liabilities primarily relate to the capital advance grant.

NOTE 12 NOTE RECEIVABLE

In November 2012, the Organization sold a portion of the Johnson City facility, excluding the skilled nursing facility to an unrelated outside party. As part of the sales agreement, the Organization accepted a promissory note from the buyer in the amount of $589,000 bearing interest at the annual rate of five percent, compounded annually. Per the terms of the note, principal and interest payments of $3,891 are due the first day of each month for 35 months. The 36th and final payment of $534,010, together with all remaining principal and accrued interest is due no later than December 1, 2015. The note is supported by a deed of trust on the property involved in the sale.

The outstanding balance of the note receivable as of March 31, 2015 and 2014 was approximately $559,000 and $575,000, respectively. During 2015, the buyer experienced financial difficulties and there is uncertainty around the ability of the buyer to pay off the note. As of March 31, 2015, the Organization has allowed for the entire note balance due to this uncertainty.

NOTE 13 JOHNSON CITY ASSET SALE

On June 11, 2014 the Organization entered into an Asset Purchase Agreement (the "Agreement") with an unrelated party to sell substantially all of the assets of its Johnson City facility for approximately $5,500,000. Prior to the execution of the sale, the Organization evaluated the proposed total sales price in comparison to the net book value of the related assets being sold and determined that no impairment appeared to exist on the assets.

The sale was approved and finalized on August 29, 2014. Due to certain restrictions around the use of the funds received from the sale under the Organization's bond agreements, these funds are held by the bond trustee and are included as Assets Whose Use is Limited Under Bond Agreements on the Consolidated Balance Sheet at March 31, 2015. Under the agreements, the Organization may use these funds for certain capital improvements to the Organization, as approved by the majority bond holder. The difference between the net purchase price and the net book value of the Johnson City assets was approximately $1,330,000, which is shown as a Gain on the Sale of Johnson City Assets on the Consolidated Statement of Operations and Changes in Net Assets for the year ended March 31, 2015. Subsequent to the sale, the remaining net deficit related to Johnson City was transferred internally to the Asbury Support Center.

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INDEPENDENT AUDITORS' REPORT ON ACCOMPANYING INFORMATION

Board of Directors
Asbury, Inc. and Affiliate
Maryville, Tennessee

We have audited the consolidated statements of financial position of Asbury, Inc. and Affiliate as of and for the year ended March 31, 2015, and our report thereon dated July 22, 2015, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information as listed under "Accompanying Information" on the table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, 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 consolidating 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, which insofar as it relates to Forest Ridge Manor, Inc., is based on the report of other auditors, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
July 22, 2015

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ASBURY, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
MARCH 31, 2015

	Locations							
	Support Center	Maryville	Johnson City	Kingsport	Asbury at Home	Asbury, Inc.	Forest Ridge Manor, Inc.	Asbury, Inc. Consolidated
ASSETS								
CURRENT ASSETS								
Cash and Cash Equivalents	$ 4,888,927	$ 1,500	$ -	$ 1,600	$ -	$ 4,892,027	$ 58,113	$ 4,950,140
Accounts Receivable, Net	28,386	1,489,796	-	714,441	48,398	2,281,021	472	2,281,493
Note Receivable	11,673	-	-	-	-	11,673	-	11,673
Prepaid Expenses and Other Current Assets	718,031	458,098	-	35,522	1,183	1,212,834	-	1,212,834
Current Portion of Assets Whose Use is Limited	-	636,678	-	391,881	-	1,028,559	-	1,028,559
Under Bond Agreement			-		49,581		58,585	
Total Current Assets	5,647,017	2,586,072		1,143,444		9,426,114		9,484,699
ASSETS WHOSE USE IS LIMITED, NET								
Patient Trust Funds	101	47,673	-	-	-	47,774	11,528	59,302
Under Bond Agreements	5,373,891	824,991	-	507,754	-	6,706,636	-	6,706,636
By Donors - Endowment Funds	53,391	-	-	-	-	53,391	-	53,391
By Board - Workers' Compensation Fund	264,887	24,702	-	6,303	-	295,892	-	295,892
By Board - Other Designated Funds	-	-	-	-	-	-	118,802	118,802
Total Assets Whose Use is Limited, Net	5,692,270	897,366	-	514,057	-	7,103,693	130,330	7,234,023
INVESTMENTS	7,456,951	3,436,093	-	308,006	-	11,201,050	-	11,201,050
PROPERTY AND EQUIPMENT								
Land	-	137,923	-	933,482	-	1,071,405	-	1,071,405
Land Improvements	22,667	1,353,370	-	334,346	-	1,710,383	24,723	1,735,106
Buildings	102,867	37,926,985	-	18,123,112	-	56,152,964	3,576,563	59,729,527
Equipment	775,691	5,125,928	-	4,578,481	-	10,480,100	58,172	10,538,272
Construction in Progress	-	914,511	-	130,766	-	1,045,277	-	1,045,277
	901,225	45,458,717	-	24,100,187	-	70,460,129	3,659,458	74,119,587
Less Accumulated Depreciation	(886,350)	(16,353,429)	-	(8,876,029)	-	(26,115,808)	(762,713)	(26,878,521)
Property and Equipment, Net	14,875	29,105,288	-	15,224,158	-	44,344,321	2,896,745	47,241,066
OTHER ASSETS								
Deferred Costs	-	679,739	-	116,583	-	796,322	-	796,322
Total Assets	$ 18,811,113	$ 36,704,558	$ -	$ 17,306,248	$ 49,581	$ 72,871,500	$ 3,085,660	$ 75,957,160

ASBURY, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
MARCH 31, 2015

	Locations							
	Support Center	Maryville	Johnson City	Kingsport	Asbury at Home	Asbury, Inc.	Forest Ridge Manor, Inc.	Asbury, Inc. Consolidated
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts Payable and Accrued Expenses	$ 1,660,073	$ 673,705	$ -	$ 187,080	$ 9,972	$ 2,530,830	$ 80,190	$ 2,611,020
Accrued Payroll Related Liabilities	832,289	10,787	-	4,525	1	847,602	997	848,599
Current Portion of Long-Term Debt	-	479,725	-	295,275	-	775,000	-	775,000
Current Portion of Capital Lease	-	3,913	-	2,409	-	6,322	-	6,322
Deferred Revenue - Deposits	-	623,709	-	20,100	-	643,809	-	643,809
Total Current Liabilities	2,492,362	1,791,839	-	509,389	9,973	4,803,563	81,187	4,884,750
LONG-TERM DEBT, NET OF CURRENT PORTION	-	17,445,920	-	3,966,040	-	21,411,960	-	21,411,960
CAPITAL LEASE, NET OF CURRENT PORTION	-	7,787	-	4,706	-	12,493	-	12,493
OTHER LIABILITIES								
Due From (Due To) Other Facilities	12,460,446	(9,634,808)	-	(3,158,209)	287,272	(45,299)	45,299	-
Refundable Admission Fees	-	15,298,322	-	4,371,222	-	19,669,544	-	19,669,544
Deferred Admission Fees, Net	-	1,373,499	-	2,140,716	-	3,514,215	-	3,514,215
Affordable Housing Program Grant Note	-	-	-	-	-	-	134,101	134,101
HUD Capital Advance	-	-	-	-	-	-	3,293,600	3,293,600
Total Other Liabilities	12,460,446	7,037,013	-	3,353,729	287,272	23,138,460	3,473,000	26,611,460
Total Liabilities	14,952,808	26,282,559	-	7,833,864	297,245	49,366,478	3,554,187	52,920,663
NET ASSETS								
Unrestricted	3,790,426	10,368,104	-	9,467,224	(247,664)	23,378,090	(468,527)	22,909,563
Temporarily Restricted	14,488	53,895	-	5,160	-	73,543	-	73,543
Permanently Restricted	53,391	-	-	-	-	53,391	-	53,391
Total Net Assets	3,858,305	10,421,999	-	9,472,384	(247,664)	23,505,024	(468,527)	23,036,497
Total Liabilities and Net Assets	$ 18,811,113	$ 36,704,558	$ -	$ 17,306,248	$ 49,581	$ 72,871,500	$ 3,085,660	$ 75,957,160

ASBURY, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2015

	Locations				Asbury at Home	Asbury, Inc.	Forest Ridge Manor, Inc.	Asbury, Inc. Consolidated
	Support Center	Maryville	Johnson City	Kingsport				
OPERATING REVENUES								
Net Resident Service Revenue	$ -	$ 17,683,477	$ 2,206,612	$ 11,099,827	$ 701,111	$ 31,691,027	$ -	$ 31,691,027
Other Operating Revenue	971	241,973	4,405	386,993	-	634,342	116,213	750,555
Net Assets Released from Restrictions	-	102,555	-	7,853	-	110,408	-	110,408
Total Operating Revenues	971	18,028,005	2,211,017	11,494,673	701,111	32,435,777	116,213	32,551,990
OPERATING EXPENSES								
Health Care Services	-	7,087,800	1,157,045	4,135,924	381,021	12,761,790	-	12,761,790
Social Services	-	318,503	14,088	202,212	-	534,803	-	534,803
Nutritional Services	-	2,162,579	266,381	1,612,275	-	4,041,235	-	4,041,235
Environmental Services	2,168	1,821,891	190,156	1,234,439	-	3,248,654	92,581	3,341,235
Administrative Services	(29,534)	2,793,144	435,537	1,705,428	181,621	5,086,196	57,249	5,143,445
Employee Benefits	5,392	1,646,257	90,075	960,457	39,709	2,741,890	-	2,741,890
Taxes and Insurance	16,337	1,250,787	150,082	655,995	-	2,073,201	21,288	2,094,489
Interest	2,108	454,708	58,508	177,687	-	693,011	-	693,011
Bad Debts	2,357	545,863	746,527	97,535	51,544	1,443,826	-	1,443,826
Depreciation and Amortization	6,667	1,398,715	20,600	766,490	-	2,192,472	103,193	2,295,665
Total Operating Expenses	5,495	19,480,247	3,128,999	11,548,442	653,895	34,817,078	274,311	35,091,389
OPERATING INCOME (LOSS)	(4,524)	(1,452,242)	(917,982)	(53,769)	47,216	(2,381,301)	(158,098)	(2,539,399)
OTHER INCOME (LOSS)								
Investment Income	270,650	125,066	18,772	10,709	-	425,197	-	425,197
Gain on Sale of Johnson City Assets	-	-	1,330,014	-	-	1,330,014	-	1,330,014
Other Income (Loss)	(10,000)	140,584	150	12,878	-	143,612	154	143,766
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	256,126	(1,186,592)	430,954	(30,182)	47,216	(482,478)	(157,944)	(640,422)
Net Unrealized Gains on Investments	23,555	(4,982)	21,726	2,231	-	42,530	-	42,530
Transfer of Net Deficit from Johnson City to Support Center	(3,497,185)	-	3,497,185	-	-	-	-	-
Increase (Decrease) in Unrestricted Net Assets	(3,217,504)	(1,191,574)	3,949,865	(27,951)	47,216	(439,948)	(157,944)	(597,892)
TEMPORARILY RESTRICTED NET ASSETS								
Contributions	-	30,358	-	8,213	-	38,571	-	38,571
Net Assets Released from Restrictions	-	(102,555)	-	(7,853)	-	(110,408)	-	(110,408)
Increase in Temporarily Restricted Net Assets	-	(72,197)	-	360	-	(71,837)	-	(71,837)
Increase (Decrease) in Net Assets	(3,217,504)	(1,263,771)	3,949,865	(27,591)	47,216	(511,785)	(157,944)	(669,729)
Net Assets - Beginning of Year	7,075,809	11,685,770	(3,949,865)	9,499,975	(294,880)	24,016,809	(310,583)	23,706,226
NET ASSETS - END OF YEAR	$ 3,858,305	$ 10,421,999	$ -	$ 9,472,384	$ (247,664)	$ 23,505,024	$ (468,527)	$ 23,036,497

Section C: Contribution to the Orderly Development of Healthcare – 7(c)

Applicant's Facility License

Board for Licensing Health Care Facilities

State of Tennessee

License No. 0000000123

No. Beds 0067

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

ASBURY, INC. *to conduct*

and maintain a Nursing Home ASBURY PLACE AT KINGSPORT

Located at 100 NETHERLAND LANE, KINGSPORT

County of HAWKINS *, Tennessee.*

This license shall expire DECEMBER 14 *,* 2015 *and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.*

In Witness Whereof, we have hereunto set our hand and seal of the State this 14TH *day of* DECEMBER *,* 2014 *.*

By Vincent J. Davis, MPH

DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By John J. Dreyzehner MD

COMMISSIONER

Section C: Contribution to the Orderly Development of Healthcare – 7(d)

Applicant's Most Recent Licensure Inspection

STATE OF TENNESSEE
DEPARTMENT OF HEALTH
OFFICE OF HEALTH LICENSURE AND REGULATION
EAST TENNESSEE REGION
7175 STRAWBERRY PLAINS PIKE, SUITE 103
KNOXVILLE, TENNESSEE 37914

January 28, 2015

Ms. Carolyn Neil, Administrator
Asbury Place at Kingsport
100 Netherland Lane
Kingsport TN 37660

Re: 44-5481

Dear Ms. Neil:

The East Tennessee Regional Office of Health Care Facilities conducted a Health and Life Safety recertification survey/complaint investigation on November 17 - 20, 2014. An on-site revisit and desk review of the facilities plan of correction for the deficiencies cited as a result of the survey/investigation was conducted on January 6 and 20 - 22, 2015. Based on the on-site revisit and review, we are accepting your plan of correction and your facility is in compliance with all participation requirements as of January 1, 2015.

If you have any questions concerning this letter, please contact our office at (865) 594-9396.

Sincerely,

Karen Kirby/afl

Karen B. Kirby, R.N.
Regional Administrator
ETRO Health Care Facilities

KK:afl TN00034281

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

November 26, 2014

Ms. Carolyn Neil, Administrator
Asbury Place at Kingsport
100 Netherland Lane
Kingsport TN 37660

RE: 44-5481

Dear Ms. Neil:

The East Tennessee Regional Office of Health Care Facilities conducted a Health and Life Safety Code recertification survey/complaint investigation on November 17 - 20, 2014. This letter to you is to serve as notice that as a result of the survey/investigation completed **November 20, 2014,** 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 **January 4, 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 **February 20, 2015,** (3 months after the last day of the survey identifying noncompliance **November 20, 2014**), 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 **May 20, 2015,** 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 **December 6, 2014.** Failure to submit an acceptable POC by **December 6, 2014,** may result in the imposition of remedies by **January 4, 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 TN00034281

Enclosure

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 11/26/2014
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION A. BUILDING ____ B. WING ____	(X3) DATE SURVEY COMPLETED
	445481		11/20/2014

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
ASBURY PLACE AT KINGSPORT	100 NETHERLAND LANE KINGSPORT, TN 37660

(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)	(X6) COMPLETION DATE
F 000	INITIAL COMMENTS A Recertification survey and complaint investigation #34281 was completed November 17-20, 2014, at Asbury Place of Kingsport. Deficiencies were cited related to complaint investigation #34281 under CFR Part 483, Requirements for Long Term Care Facilities.	F 000	**What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice:** Resident #63 has had no additional roommate changes. If a roommate change is necessary in the future, resident #63 will be notified prior to the change.	December 22, 2014
F 247 SS=D	483.15(e)(2) RIGHT TO NOTICE BEFORE ROOM/ROOMMATE CHANGE A resident has the right to receive notice before the resident's room or roommate in the facility is changed. This REQUIREMENT is not met as evidenced by: Based on medical record review and interview, the facility failed to notify one (#63) of three residents prior to a roommate change. The findings included: Resident #63 was admitted to the facility on July 3, 2014, with diagnoses including Hypertension, Anxiety State, Depressive Disorder, Hearing Loss, Dementia without Behavior Disturbances, and Anemia. Medical record review of the admission Minimum Data Set (MDS) dated July 15, 2014, revealed the resident had no cognitive impairment and required assistance with activities of daily living. Interview with the resident on November 18, 2014, at 1:20 p.m., in the resident's room, revealed the resident had not been notified prior to a roommate change.	F 247	**How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken:** **Prior to this survey (in early November), the Interim Administrator met with the Admissions staff and Social Services staff to discuss room changes and the admissions process. During this meeting, it was recognized that there was no established process by which to ensure residents were notified of roommate changes. The Admissions staff was assigned to notify current residents of new admission roommates. Social Services was assigned to notify current residents of room changes causing new roommates. Therefore, it was determined that all residents have the potential to be affected. All residents will be notified of room and roommate changes effective Dec.8, 2014.** **What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur:**	

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE: Carolyn P. Neil | TITLE: Administrator | (X6) DATE: 12/4/14

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.

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION A. BUILDING ____ B. WING ____	(X3) DATE SURVEY COMPLETED
	445481		11/20/2014

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
ASBURY PLACE AT KINGSPORT	100 NETHERLAND LANE KINGSPORT, TN 37660

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F 247	Continued From page 1 Interview with the Admissions Coordinator and the Social Worker on November 19, 2014, at 12:50 p.m., in the Admissions office, confirmed, when a new resident is admitted or a roommate change is necessary, the Admissions Coordinator or the Social Worker was responsible for notifying the resident residing in the room, prior to placement of the new resident. Further interview confirmed resident #102 was moved into the room with resident #63 on August 12, 2014, and no one notified resident #63 prior to the move.	F 247	Effective December 8, 2014, the admissions coordinator will notify current residents (or their responsible party when the resident is cognitively impaired) when a new resident is going to be admitted to their room prior to the new resident's arrival. The Social Worker, Director of Nursing, Nursing Supervisor, or Charge Nurse will notify current residents (or their responsible party when the resident is cognitively impaired) of the need to change their room or of a roommate change prior to the change being made.	
F 278 SS=D	483.20(g) - (j) ASSESSMENT ACCURACY/COORDINATION/CERTIFIED The assessment must accurately reflect the resident's status. A registered nurse must conduct or coordinate each assessment with the appropriate participation of health professionals. A registered nurse must sign and certify that the assessment is completed. Each individual who completes a portion of the assessment must sign and certify the accuracy of that portion of the assessment. Under Medicare and Medicaid, an individual who willfully and knowingly certifies a material and false statement in a resident assessment is subject to a civil money penalty of not more than $1,000 for each assessment; or an individual who willfully and knowingly causes another individual to certify a material and false statement in a resident assessment is subject to a civil money penalty of not more than $5,000 for each	F 278	Effective December 8, 2014, a log will be maintained by the Admissions Coordinator and Social Worker of all notifications of room and roommate changes. If the Director of Nursing, Nursing Supervisor, or Charge Nurse makes the notification, that nurse will notify the Social Worker of the date, time, and person notified so that the log will be maintained accurately. **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:** Beginning the week of December 15, 2014, the Administrator, Director of Nursing, or Nursing Supervisor will monitor the Notification Logs maintained by the Admissions Coordinator and Social Worker 3x/week x 4 weeks; then weekly x 4 weeks to ensure the log is accurate. Accuracy will be determined by comparing a room change report to the logs to ensure all residents impacted by admissions and room changes have been notified.	

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION A. BUILDING ____ B. WING ____	(X3) DATE SURVEY COMPLETED
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F 278	Continued From page 2 assessment. Clinical disagreement does not constitute a material and false statement. This REQUIREMENT is not met as evidenced by: Based on medical record review and interview, the facility failed to accurately complete the Minimum Data Set (MDS) for one resident (#87) of forty-one residents reviewed. The findings included: Resident #87 was admitted to the facility on October 14, 2014, with diagnoses including Atrial Fibrillation, Osteoporosis, Congestive Heart Failure, Hyperlipidemia, Diabetes Mellitus II, Malaise and Fatigue, Chronic Anticoagulation, and Right Hip Fracture. Medical record review of an Admission MDS dated October 27, 2014, revealed the resident was not receiving antipsychotic medication. Medical record review of the physician's orders dated November 1, 2014 through November 30, 2014, revealed an order for Mellaril (an antipsychotic medication) 25 mg (milligrams) daily and 50 mg at bedtime, with a start date of October 14, 2014. Interview with the MDS Coordinator on November 19, 2014, at 12:50 p.m., in the MDS office, confirmed the facility had failed to accurately assess the use of antipsychotic medication for resident #87.	F 278	F 278 **What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice:** The MDS assessment for Resident #87 has been updated to reflect the Antipsychotic medication. **How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken:** All residents on Antipsychotic medications have the potential to be affected. By December 5, 2014, the MDS coordinator will obtain a report of all residents on Antipsychotic medications and review each of those resident's current MDS assessments to ensure each Antipsychotic medication is included in the Assessment. **What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur:** By December 5, 2014, the MDS coordinator will maintain a list of Antipsychotic medications for reference when completed MDS assessments.	December 22, 2014

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION A. BUILDING B. WING	(X3) DATE SURVEY COMPLETED
	445481		11/20/2014

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
ASBURY PLACE AT KINGSPORT	100 NETHERLAND LANE KINGSPORT, TN 37660

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F 278	Continued From page 3 Interview with the Interim Director of Nurses on November 20, 2014, at 1:00 p.m., in the Administrator office, confirmed the facility had failed to accurately complete the MDS.	F 278	**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:**	
F 280 SS=D	483.20(d)(3), 483.10(k)(2) RIGHT TO PARTICIPATE PLANNING CARE-REVISE CP The resident has the right, unless adjudged incompetent or otherwise found to be incapacitated under the laws of the State, to participate in planning care and treatment or changes in care and treatment. A comprehensive care plan must be developed within 7 days after the completion of the comprehensive assessment; prepared by an interdisciplinary team, that includes the attending physician, a registered nurse with responsibility for the resident, and other appropriate staff in disciplines as determined by the resident's needs, and, to the extent practicable, the participation of the resident, the resident's family or the resident's legal representative; and periodically reviewed and revised by a team of qualified persons after each assessment. This REQUIREMENT is not met as evidenced by: Based on medical record review, review of facility policy, and interview, the facility failed to ensure a care plan was current related to a pressure ulcer for one resident (#86) of forty-one residents reviewed. The findings included:	F 280	Beginning in December 2014, the Director of Nursing or Nursing Supervisor will obtain a report of all residents taking Antipsychotic medications monthly for 4 months and check the MDS assessment to ensure the medication(s) have been included on the Assessment. F 280 **What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice:** Resident #86 was discharged on June 4, 2014. **How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken:** All residents have the potential to be affected. The wound specialist nurse will have reviewed the care plans of all residents' with pressure ulcers by December 5, 2014. The care plans will have been updated as indicated to ensure the pressure ulcer is reflected by December 5, 2014.	December 22, 2014

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION A. BUILDING ____ B. WING ____	(X3) DATE SURVEY COMPLETED
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NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
ASBURY PLACE AT KINGSPORT	100 NETHERLAND LANE KINGSPORT, TN 37660

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F 280	Continued From page 4 Resident #86 was admitted to the facility on May 3, 2014, with diagnoses including Diabetes Mellitus, Left Knee Replacement, and Thrombosis (blood clot). Further review revealed the resident was discharged from the facility on June 4, 2014. Medical record review of a Skin Assessment dated May 3, 2014, revealed "...no open ulcers...abrasion to left knee...bruises..." Medical record review of the Care Plan dated May 3, 2014, revealed "...resident at risk for impaired skin integrity due to impaired mobility...see interventions for skin breakdown and treatment status..." Further review of the Care Plan revealed no documentation the resident developed any open areas or pressure ulcers requiring interventions to be updated on the Care Plan. Medical record review of a Skin Assessment dated May 8, 2014, revealed "...bruises bilateral lower extremities...skin tear left foot...no open ulcers..." Medical record review of a Nurse's Note dated May 11, 2014, revealed "...at 7:30 p.m. while in pt's [patient's] room...asked if I would look at...bottom because...he was having discomfort...a wound 0.9 x [by] 1.0 < [less than] 0.1 cm [centimeters] was noted to right buttock...new wound care orders written to clean wd [wound] with NS [normal saline], apply skin prep to peri (perineal) wd...cover with [named dressing] and change every 3 days and prn [as needed]..."	F 280	**What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur:** The Wound Specialist Nurse will update the care plan of each resident when she is consulted for any type of wound or skin problem. **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:** Beginning the week of December 7, 2014, using the weekly wound report, the Director of Nursing or Nursing Supervisor will check each resident's care plan to ensure it is updated properly to include the wound/skin problem. This will be done weekly x 4 weeks, then twice monthly x 2 months, then monthly x 2 months.	

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION A. BUILDING ____ B. WING ____	(X3) DATE SURVEY COMPLETED
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NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
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F 280	Continued From page 5 Medical record review of a Physicians Order Sheet dated May 11, 2014, revealed "...Clean wound with Normal Saline...apply skin prep to peri wound...cover with [named dressing] and change every 3 days and prn..." Medical record review of a Skin Assessment dated May 15, 2014, revealed "...open area to coccyx..." Further review of the skin assessments revealed the resident had an open area to the coccyx on May 22, 2014, and May 29, 2014. Review of facility policy, Care Planning-Comprehensive, dated July 13, 2012, revealed "...(8) assessments of residents are ongoing and care plans are revised as information about the resident and the resident's condition change...(9) the care planning/Interdisciplinary Team is responsible for the review and updating care plans...when there has been a significant change in the resident's condition..." Interview with Registered Nurse (RN) #1 on November 20, 2014, at 9:50 a.m., in the Dogwood Nurse's Station, confirmed the resident developed a pressure ulcer to the coccyx on May 11, 2014, and the resident's care plan was not updated to reflect the pressure ulcer.	F 280		
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	F 314	F 314 **What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice:** Resident #171 was discharged from the facility on June 12, 2014.	December 22, 2014

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F 314	Continued From page 6 services to promote healing, prevent infection and prevent new sores from developing. This REQUIREMENT is not met as evidenced by: Based on medical record review and interview, the facility failed to ensure a weekly skin assessment was completed for one resident (#171) of four residents reviewed for skin breakdown. The findings included: Resident #171 was admitted to the facility on May 20, 2014, with diagnoses including Laceration to the Right Elbow, History of Stroke, History of Myocardial Infarction, Atrial Fibrillation, and Dementia. Medical record review of a Hospital History dated May 20, 2014, revealed the resident was admitted to the hospital after a fall. Continued review revealed the resident received a laceration to the right elbow with sutures required, and a hit on the head. Medical record review of the facility admission note dated May 20, 2014, revealed "...abrasion noted to right elbow and scab to left foot...Skin condition reddened and pale dry and warm..." Medical record review of a Physician Progress note dated May 26, 2014, revealed "...resident with Expressive Aphasia after Cerebral Vascular Accident...Goal is palliative but may not meet hospice criteria...treatment with coumadin because of risk for painful thrombus of lower extremities with severe Peripheral Vascular	F 314	**How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken:** All residents have the potential to be affected. Current residents will have received a full skin assessment by 12/13/14 and will receive weekly skin assessments until discharged from the facility. **What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur:** By December 5, 2014, the Wound Specialist Nurse will ensure skin assessments are assigned to be completed **by charge nurses or supervisors** weekly for every resident. In the absence of the Wound Specialist, a second nurse will be responsible to make the assignments for skin assessments. **The second nurse will be educated to the new process by the Wound Specialist by December 22, 2014.** **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:** The Wound Specialist Nurse and her back up Nurse will review weekly skin assessments throughout the week to ensure they are being completed as assigned. **The Interim Administrator will have educated the Wound**	

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	445481		11/20/2014

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
ASBURY PLACE AT KINGSPORT	100 NETHERLAND LANE KINGSPORT, TN 37660

(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 314	Continued From page 7 Disease..." Medical record review of a Physician's order dated May 30, 2014, revealed "...eschar [dark scab] to top of left foot cover with...[named wound dressing]...change q [every] 3 [three] days and prn [as needed] till resolved..." Medical record review of a Nurse's Note dated June 4, 2014, at 9:57 p.m., revealed "...eschar has fallen off and the wound is erythematous [redness of the skin]...with minimal tan colored drainage..." Medical record review of a Physician's progress note dated June 7, 2014, revealed "...wound over dorsal foot examined...may not heal due to poor circulation...trial of antibiotic systemically..." Medical record review of a Physician order dated June 7, 2014, revealed "...top left foot cleanse with normal saline pat dry apply ointment cover with telfa [type of wound dressing] and wrap with kling change every day til healed...Bactrim [type of antibiotic] twice a day for 5 days..." Interview and medical record review with the Interim Director of Nursing (DON) and the facility wound treatment nurse on November 20, 2014, at 9:28 a.m., in the conference room, revealed the resident's scab opened and required treatment. Continued interview and medical record review of the facility Weekly Skin Assessment form confirmed there was no documentation of the wound or any wound staging after May 20, 2014. Interview and medical record review with the Interim Administrator and the Nurse Consultant on November 20, 2014, at 2:20 p.m., in the	F 314	**Specialist and the second nurse to this new process by December 22. 2014. This is an ongoing process. The results of the audits will be reviewed at the QAPI Committee (DON, Administrator, Facilities Director maintenance and housekeeping, MDS, Pharmacy, Social Services, Medical Director, ADON, and Dining Services) meeting at least quarterly.**	

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F 314	Continued From page 8 Administrator's office, confirmed the facility had failed to complete weekly skin assessments of a wound.	F 314		
F 329 SS=D	C/O #34281 483.25(l) DRUG REGIMEN IS FREE FROM UNNECESSARY DRUGS Each resident's drug regimen must be free from unnecessary drugs. An unnecessary drug is any drug when used in excessive dose (including duplicate therapy); or for excessive duration; or without adequate monitoring; or without adequate indications for its use; or in the presence of adverse consequences which indicate the dose should be reduced or discontinued; or any combinations of the reasons above. Based on a comprehensive assessment of a resident, the facility must ensure that residents who have not used antipsychotic drugs are not given these drugs unless antipsychotic drug therapy is necessary to treat a specific condition as diagnosed and documented in the clinical record; and residents who use antipsychotic drugs receive gradual dose reductions, and behavioral interventions, unless clinically contraindicated, in an effort to discontinue these drugs. This REQUIREMENT is not met as evidenced by: Based on medical record review, interview, and review of facility policy, the facility failed to	F 329	F 329 **What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice:** Resident #87 Diagnosis of Schizophrenia has been added to the medical record. Resident # 171 was discharged from the facility on June 12, 2014. **How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken:** All residents who are prescribed Antipsychotics have the potential to be affected. All current residents who are prescribed Antipsychotics have been reviewed for a Medical Diagnosis to support the use of the medication. All current residents who are prescribed Antipsychotics will be assessed for current effectiveness of the medication and associated behaviors.	December 22, 2014

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STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION A. BUILDING ____ B. WING ____	(X3) DATE SURVEY COMPLETED
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F 329	Continued From page 9 provide a medical diagnosis for the use of an antipsychotic medication for one resident (#87) and failed to monitor for the use of an antipsychotic medication for one resident (#171) of six residents reviewed for unnecessary medication use of forty-one residents reviewed. The findings included: Resident #87 was admitted to the facility on October 14, 2014, with diagnoses including Atrial Fibrillation, Osteoporosis, Congestive Heart Failure, Hyperlipidemia, Diabetes Mellitus II, Malaise and Fatigue, Chronic Anticoagulation, and Right Hip Fracture. Medical record review of an Admission Minimum Data Set dated October 27, 2014, revealed the resident had scored fifteen on the Brief Interview for Mental Status, indicating the resident was cognitively intact. Medical record review of the physician's orders dated November 1 through 30, 2014, revealed an order for Mellaril (an antipsychotic medication) 25 mg (milligrams) daily and 50 mg at bedtime, with a start date of October 14, 2104. Medical record review of the resident's diagnoses did not reveal a diagnosis supporting the use of an antipsychotic medication. Interview with the resident on November 19, 2014, at 12:00 p.m., in the resident's room, revealed "I had an episode of Schizophrenia in 1973 and I was put on Mellaril then." Continued interview revealed the resident had continued to take Mellaril from the time of the initial schizophrenic episode.	F 329	**What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur:** Upon admission, **the charge nurse, nursing supervisor or Director of Nursing will obtain** a medical diagnosis for any resident who is prescribed an Antipsychotic. If a diagnosis cannot be determined by consultation with the resident's physician(s), **the nursing supervisor or Director of Nursing will obtain** a Pharmacy consult for recommendations to the Medical Director. **The Interim Administrator will have educated the nursing supervisors and Director of Nursing by December 22, 2014 to this new and ongoing process.** A behavior assessment tool will be in place for each resident who are currently taking Antipsychotics by December 22, 2014. Nursing staff will be educated as to the use of the behavior assessment tool by December 22, 2014. **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:** ____	

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F 329	Continued From page 10 Interview with the Interim Director of Nursing on November 20, 2014, at 1:00 p.m., in the Administrator office, confirmed the facility had failed to provide a medical diagnosis for the use of the antipsychotic drug. Resident #171 was admitted to the facility on May 20, 2014, with diagnoses including Laceration to the Right Elbow, History of Stroke, History of Myocardial Infarction, Atrial Fibrillation, and Dementia. Medical record review of the Physician's recapitulation orders dated May 20, 2014, revealed "...Lorazepam [antianxiety medication]...0.5 mg [milligram]...1 [one] tablet...twice daily...Haloperidol [antipsychotic medication]...2 mg...at bedtime as needed..." Medical record review of the Medication Administration Records for May and June 2014, revealed the resident received Lorazepam 0.5 mg twice daily from May 20 through June 7, 2014, and it was decreased to 0.25 mg twice a day. Further review revealed the resident received the Haloperidol six times between May 23 and June 8, 2014. Medical record review revealed no monitoring of resident behaviors or side effects of the medications. Review of the facility policy, Behavioral Management, dated October 2, 2004, revealed "...It is the policy...that resident behaviors are monitored on an ongoing basis..." Interview and medical record review with the facility Interim Administrator on November 19,	F 329	The Director of Nursing and/or Nursing Supervisor will review the medications of each new admission within 72 hours of admission to ensure that all medications have a supporting diagnosis. The Director of Nursing and Nursing Supervisors will monitor the behavior assessments weekly x 4 weeks and then monthly x 4 months.	

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F 329	Continued From page 11 2014, at 10:05 a.m., in the Administrator's office, confirmed the facility had failed to follow it's policy for monitoring of behaviors and possible medication side effects.	F 329		
F 441 SS=D	C/O #34281 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 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.	F 441	F 441 **What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice:** Employee #1, LPN's #1&2 have been re-educated to the hand washing policy. Employees caring for residents #154, #162, and #26 will comply with the hand washing policy. **How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken:** All residents have the potential to be affected. Staff members will wash or sanitize their hands in compliance with the hand washing policy. **What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur:** The Interim Administrator, Director of Nursing, or Nursing Supervisor(s) will educate all therapy and nursing employees to the hand washing policy by December 22, 2014.	December 22, 2014

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F 441	Continued From page 12 (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 observation, interview, and review of facility policy, the facility failed to follow hand hygiene for three residents (#154, #162, and #26) of forty-one residents sampled on one of three hallways observed. The findings included: Observation on November 19, 2014, at 9:15 a.m., on the Dogwood Hallway, revealed employee #1 entered resident #154's room, placed gloves on the hands, and assisted the resident back into the bed. Further observation revealed the employee placed the resident's bed sheets over the patient, exited the room while removing the soiled gloves, placed the soiled gloves in the trash can, and failed to wash or sanitize the hands. Further observation revealed the employee entered resident #162's room and provided care to the resident, exited the room, and failed to wash or sanitize the hands. Interview with employee #1 on November 19, 2014, at 9:30 a.m., in the Dogwood Hallway, confirmed the employee failed to wash or sanitize the hands after providing care for two residents and removing soiled gloves. Review of the facility policy, Handwashing, dated	F 441	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: The Director of Nursing and Nursing Supervisors will perform impromptu hand washing audits throughout all shifts with a minimum of 10 per week x 4 weeks, then 5 per week x 4 weeks. The Director of Nursing and/or Nursing Supervisors will council employees as indicated. **The results of the audits will be reviewed at the Quality Assurance Committee (DON, Administrator, Facilities Director maintenance and housekeeping, MDS, Pharmacy, Social Services, Medical Director, ADON, and Dining Services) meeting at least quarterly.**	

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STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445481	(X2) MULTIPLE CONSTRUCTION A. BUILDING ____ B. WING ____	(X3) DATE SURVEY COMPLETED 11/20/2014
NAME OF PROVIDER OR SUPPLIER: ASBURY PLACE AT KINGSPORT		STREET ADDRESS, CITY, STATE, ZIP CODE: 100 NETHERLAND LANE KINGSPORT, TN 37660	

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F 441	Continued From page 13 March 2005, revealed "...times to wash hands...before and after each resident contact...after removing gloves..." Observation on November 20, 2014, at 9:30 a.m., on the Dogwood Hallway, revealed Licensed Practical Nurse (LPN) #1 entered resident #26's room, administered the resident's medication, and picked up the resident's dirty water pitcher in the resident's room. Further observation revealed the nurse exited the resident's room, without washing or sanitizing the hands, and then obtained another resident's medication from the medication cart. Interview with LPN #2 on November 20, 2014, at 9:40 a.m., in the Dogwood Hallway, confirmed the nurse failed to wash or sanitize the hands after administering the medications to the resident and picking up the resident's dirty water pitcher.	F 441		

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: TN8210	(X2) MULTIPLE CONSTRUCTION A. BUILDING: ____ B. WING ____	(X3) DATE SURVEY COMPLETED 11/20/2014

NAME OF PROVIDER OR SUPPLIER: ASBURY PLACE AT KINGSPORT

STREET ADDRESS, CITY, STATE, ZIP CODE: 100 NETHERLAND LANE, KINGSPORT, TN 37660

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
N 000	Initial Comments During an annual Licensure survey and complaint investigation #34281, conducted November 17-20, 2014, at Asbury Place of Kingsport, no deficiencies were cited under Chapter 1200-8-6, Standards for Nursing Homes.	N 000		

Division of Health Care Facilities
LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

STATE FORM 6899 SU9I11

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION A. BUILDING: 01 - ASBURY PLACE AT KINGSPORT B. WING	(X3) DATE SURVEY COMPLETED
	TN8210		11/17/2014

NAME OF PROVIDER OR SUPPLIER: ASBURY PLACE AT KINGSPORT

STREET ADDRESS, CITY, STATE, ZIP CODE: 100 NETHERLAND LANE KINGSPORT, TN 37660

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N 848	1200-8-6-.08 (18) Building Standards (18) It shall be demonstrated through the submission of plans and specifications that in each nursing home a negative air pressure shall be maintained in the soiled utility area, toilet room, janitor ' s closet, dishwashing and other such soiled spaces, and a positive air pressure shall be maintained in all clean areas including, but not limited to, clean linen rooms and clean utility rooms. This Rule is not met as evidenced by: Based on observation and interview, it was determined the physical therapy area was not maintained under a relative negative air pressure. (AIA guidelines (2010)/ASHRAE ventilation requirements Table 7-1.) The findings include: Observation of the physical therapy area with the maintenance director on November 17, 2014 at 10:00 p.m. confirmed the therapy room was under a slight positive pressure. This finding was verified by the Maintenance Supervisor and acknowledged by the Administrator during the exit conference on November 17, 2014.	N 848	**What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice:** The HVAC contractor was contacted 11/24/14 to install an exhaust venerator in the therapy gym to ensure a negative pressure. The Therapy area of the facility will be under positive by 12/22/14. **How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken:** All therapy patients have the potential to be affected. The change to negative pressure by 12/22/14 will have corrected the potential impact for all residents. **What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur:** The therapy gym negative pressure will have been established by 12/22/14. **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:** The Maintenance Director will check the pressure of all rooms that should be under negative pressure monthly x3 months then quarterly. Results of these inspections will be reported to QAPI Committee.	12/22/14

Division of Health Care Facilities
LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445481	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - ASBURY PLACE AT KINGSPORT B. WING	(X3) DATE SURVEY COMPLETED 11/17/2014
NAME OF PROVIDER OR SUPPLIER ASBURY PLACE AT KINGSPORT		STREET ADDRESS, CITY, STATE, ZIP CODE 100 NETHERLAND LANE KINGSPORT, TN 37660	

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K 021 SS=E	NFPA 101 LIFE SAFETY CODE STANDARD Any door in an exit passageway, stairway enclosure, horizontal exit, smoke barrier or hazardous area enclosure is held open only by devices arranged to automatically close all such doors by zone or throughout the facility upon activation of: a) the required manual fire alarm system; b) local smoke detectors designed to detect smoke passing through the opening or a required smoke detection system; and c) the automatic sprinkler system, if installed. 19.2.2.2.6, 7.2.1.8.2 This STANDARD is not met as evidenced by: Based on observation and interview, it was determined the facility failed to ensure corridor fire doors closed to a positive latch. The findings include: Observation and interview with the Maintenance Director, on November 17, 2014 at 7:20 p.m. confirmed the 3-hour corridor fire door was not provided with any operable latching mechanism and would not close to a positive latch. This finding was verified by the Maintenance Supervisor and acknowledged by the Administrator during the exit conference on November 17, 2014.	K 021	K 021 **What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice:** A contractor reviewed the door latch on 11/20/14. Parts have been ordered and repairs will be completed by 12/22/14. **How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken:** All residents have the potential to be affected. The door latch will be in place and fully functional by 12/22/14. **What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur:** The maintenance department staff will ensure all fire doors in place and functional by 12/22/14. **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:**	12/22/14
K 025 SS=E	NFPA 101 LIFE SAFETY CODE STANDARD Smoke barriers are constructed to provide at	K 025		

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE — TITLE: Administrator — (X6) DATE: 12/4/14

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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NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
ASBURY PLACE AT KINGSPORT	100 NETHERLAND LANE KINGSPORT, TN 37660

(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
K 025	Continued From page 1 least a one half hour fire resistance rating in accordance with 8.3. Smoke barriers may terminate at an atrium wall. Windows are protected by fire-rated glazing or by wired glass panels and steel frames. A minimum of two separate compartments are provided on each floor. Dampers are not required in duct penetrations of smoke barriers in fully ducted heating, ventilating, and air conditioning systems. 19.3.7.3, 19.3.7.5, 19.1.6.3, 19.1.6.4 This STANDARD is not met as evidenced by: Based on observation and interview, it was determined the facility failed to ensure smoke walls were capable to resist the passage of smoke.. (NFPA 101, 8.2.4.4) The findings include: Observation and interview with the Maintenance Director, on November 17, 2014at 10:15 p.m. confirmed unsealed penetrations in the corridor wall above the lay-in ceiling at the fire doors by room 21. This finding was verified by the Maintenance Supervisor and acknowledged by the Administrator during the exit conference on November 17, 2014.	K 025	The Maintenance Director will inspect all fire doors monthly and report findings to the Administrator. Inspection reports will be reported to the QAPI Committee. K 025 **What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice:** The penetrations above the ceiling and fire doors near room 21 were fire calked on 11/18/14. **How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken:** All residents have the potential to be affected. The walls above all fire doors were inspected by 12/1/14 and all penetrations found were caulked. **What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur:** The Maintenance Director will educate all vendors/contractors that any penetrations created must be fire caulked before the conclusion of their work. This is an ongoing process.	12/22/14
K 029 SS=E	NFPA 101 LIFE SAFETY CODE STANDARD One hour fire rated construction (with ¾ hour fire-rated doors) or an approved automatic fire extinguishing system in accordance with 8.4.1 and/or 19.3.5.4 protects hazardous areas. When the approved automatic fire extinguishing system option is used, the areas are separated from	K 029		

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - ASBURY PLACE AT KINGSPORT B. WING	(X3) DATE SURVEY COMPLETED
	445481		11/17/2014

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
ASBURY PLACE AT KINGSPORT	100 NETHERLAND LANE KINGSPORT, TN 37660

(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
K 029	Continued From page 2 other spaces by smoke resisting partitions and doors. Doors are self-closing and non-rated or field-applied protective plates that do not exceed 48 inches from the bottom of the door are permitted. 19.3.2.1 This STANDARD is not met as evidenced by: Based on observation and interview, it was determined the facility failed to ensure hazardous area ' s one (1) hour fire rated construction is maintained and provided with self-closing doors. The findings include: Observation and interview with the Maintenance Director, on November 17, 2014 at between 7:30 pm and 9:50 pm confirmed the following: 1. The outside boiler room's head of wall joint was not sealed. (NFPA 101, 8.2.3.2.4.2) 2. Observation and interview with the Maintenance Director, on November 17, 2014 at 10:15 p.m. confirmed the medical record storage room door was not provided with a door closer (NFPA 101, 19.3.2.1 (7). These findings were verified by the Maintenance Supervisor and acknowledged by the Administrator during the exit conference on November 17, 2014.	K 029	**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:** The Maintenance staff will inspect all work by Vendors/Contractors at the conclusion of their work to ensure no penetrations have been left open without appropriate fire caulking. K 029 **What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice:** The boiler room wall will be completely fire caulked around the ceiling by 12/22/14. A door closer was installed on the door of the Medical Records office by 11/20/14. **How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be take:** All residents have the potential to be affected. The Maintenance Director will have inspected and repaired any deficiencies throughout the entire facility for compliance relative to door closures and fire caulking by 12/22/14.	12/22/14
K 062 SS=F	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	K 062		

(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
K 062	Continued From page 3 This STANDARD is not met as evidenced by: Based on observation and record review, it was determined the facility failed to ensure the sprinkler system was maintained (NFPA 13 and NFPA 25). The findings include: Observation and record review with the maintenance director, on November 17, 2014 at 9:50 p.m. confirmed the following: 1. Observation and interview with the maintenance director in the fire pump room on October 17, 2014 at 7:50 p.m. confirmed the spare head cabinet in the sprinkler fire pump/riser room only had 5 spare heads of only one type. (NFPA 13, 6.2.9.1, 6.2.9.5) 2. Observation and record review with the maintenance director on October 17, 2014 at 7:50 p.m. confirmed three different types of sprinkler heads were installed in the facility. 3. Observation and interview with the maintenance director, in the corridor, on November 17, 2014 at 8:30 p.m. confirmed wiring and a junction box above the lay in ceiling by the fire doors near room 17 was attached to sprinkler piping. 4. Observation and record review of the past three quarterly sprinkler system reports on October 17, 2014 at 7:30 p.m. revealed the following discrepancies with no corrective actions having been taken. - Fire pump ventilation louvers were covered with plywood (NFPA 25, 8.2.2.(1) - Fire pump diesel engine battery charger is not	K 062	**What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur:** The Maintenance Director will review any additions or modifications to the facility for compliance with this standard prior to completion. **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:** Quarterly x 2 quarters, the Maintenance Director will tour the Administrator to perform a join inspection of the facility to ensure the compliance with this standard. K 062 **What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice:** An inventory of sprinkler heads has been completed and the appropriate stock of sprinkler heads will be secured by 12/22/14. Items attached to the sprinkler line were removed by 11/20/14. Issues identified by the quarterly sprinkler system inspection reports will have been addressed and corrected by 12/22/14.	12/22/14

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445481	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - ASBURY PLACE AT KINGSPORT B. WING	(X3) DATE SURVEY COMPLETED 11/17/2014
NAME OF PROVIDER OR SUPPLIER ASBURY PLACE AT KINGSPORT		STREET ADDRESS, CITY, STATE, ZIP CODE 100 NETHERLAND LANE KINGSPORT, TN 37660	

(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
K 062	Continued From page 4 working properly. (NFPA 25, 8.2.2.(4) - Flash arrestor is not at least 10-feet above the fuel tank. These findings were verified by the Maintenance Supervisor and acknowledged by the Administrator during the exit conference on November 17, 2014.	K 062	**How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken:** All residents have the potential to be affected. Sprinkler system inspection reports will be reviewed and corrections will be made as indicated within 4 weeks of notice of a problem, unless otherwise indicated by documentation. **What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur:** The Maintenance Director will complete the inspection process with the contracted sprinkler inspectors and plan for corrections as issues are identified. **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:** The Maintenance Director will report issues of the sprinkler inspections to the Administrator. The Administrator will ensure corrections are made timely. Significant issues will be reported to the QAPI Committee.	

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: TN8210	(X2) MULTIPLE CONSTRUCTION A. BUILDING: 01 - ASBURY PLACE AT KINGSPORT B. WING	(X3) DATE SURVEY COMPLETED 11/17/2014

NAME OF PROVIDER OR SUPPLIER: ASBURY PLACE AT KINGSPORT

STREET ADDRESS, CITY, STATE, ZIP CODE: 100 NETHERLAND LANE, KINGSPORT, TN 37660

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
N 848	1200-8-6-.08 (18) Building Standards (18) It shall be demonstrated through the submission of plans and specifications that in each nursing home a negative air pressure shall be maintained in the soiled utility area, toilet room, janitor ' s closet, dishwashing and other such soiled spaces, and a positive air pressure shall be maintained in all clean areas including, but not limited to, clean linen rooms and clean utility rooms. This Rule is not met as evidenced by: Based on observation and interview, it was determined the physical therapy area was not maintained under a relative negative air pressure. (AIA guidelines (2010)/ASHRAE ventilation requirements Table 7-1.) The findings include: Observation of the physical therapy area with the maintenance director on November 17, 2014 at 10:00 p.m. confirmed the therapy room was under a slight positive pressure. This finding was verified by the Maintenance Supervisor and acknowledged by the Administrator during the exit conference on November 17, 2014.	N 848	**What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice:** The HVAC contractor was contacted 11/24/14 to install an exhaust venerator in the therapy gym to ensure a negative pressure. The Therapy area of the facility will be under positive by 12/22/14. **How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken:** All therapy patients have the potential to be affected. The change to negative pressure by 12/22/14 will have corrected the potential impact for all residents. **What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur:** The therapy gym negative pressure will have been established by 12/22/14. **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:** The Maintenance Director will check the pressure of all rooms that should be under negative pressure monthly x3 months then quarterly. Results of these inspections will be reported to QAPI Committee.	12/22/14

Division of Health Care Facilities
LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

Affidavit

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF Davidson

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

COO, Asbury, Inc.

Signature/Title

Sworn to and subscribed before me this the 14th day of August, 2015, a Notary Public in and for the County of Davidson, State of Tennessee.

NOTARY PUBLIC

My Commission expires September 11, 2017

CYNTHIA A. EVANS
STATE OF TENNESSEE
NOTARY PUBLIC
DAVIDSON COUNTY

My Commission Expires SEPT. 11, 2017

HF-0056
Revised 7/02 - All forms prior to this date are obsolete

Letters of Support

OFFICE OF THE MAYOR
CITY OF KINGSPORT, TENNESSEE

March 25, 2015

Tennessee Health Services and Development Agency
665 Mainstream Drive, 2nd Floor
Nashville, TN 37243

Re: Asbury Place at Kingsport

To Whom It May Concern:

Asbury Place at Kingsport has made application to your board requesting approval of a Certificate of Need for renovations to its existing 67 bed skilled nursing facility in Kingsport Tennessee.

These renovations would enable Asbury Place at Kingsport to provide a home environment for nursing home residents that embodies the characteristics synonymous with the true definition of a home: privacy, choice, and a purposeful and meaningful lifestyle.

Asbury Place at Kingsport is the preferred skilled nursing facility in our city, an entitlement earned on an outstanding reputation. They are, and with these renovations, will continue to be the model for others. To deny this request would be a travesty to our city and those who depend on skilled nursing services.

I strongly urge you to give all due consideration to Asbury Place at Kingsport's CON application. Thank you for your time and attention to this matter.

Sincerely,

Dennis R. Phillips
Mayor
City of Kingsport

Tri-Cities TN/VA ★★★★★ All-America City 1999

City Hall 225 West Center Street Kingsport, TN 37660-4237 (423) 229-9400
Kingsport — *The Best Place To Be*

Tri-Cities TN/VA ★★★★★ All-America City 1999

Holston Health Consultants

2 April 2015

Tennessee Health Services and Development Agency
665 Mainstream Drive, 2nd Floor
Nashville, TN 37243

Re: Asbury Place at Kingsport Baysmont

To Whom It May Concern:

Asbury Place at Kingsport has made an application to your board requesting approval of a Certificate of Need for renovations to its existing 67 bed skilled nursing facility in Kingsport, Tennessee.

These renovations would enable Asbury Place at Kingsport to provide a home environment for nursing home residents that embodies the characteristics synonymous with the true definition of a home: privacy, choice, and a purposeful and meaningful lifestyle.

There is no question this organization is fulfilling an important need in our community. We who live in Kingsport, TN are proud of the level of care provided to our seniors by their exceptional staff. It is comforting to me as the Medical Director at Asbury Place Kingsport that I know my patients are well cared for at Asbury Place.

I strongly urge you to give all due consideration to Asbury Place at Kingsport's CON application. Thank you for your time and attention to this matter.

Sincerely,

Mark C. Jenkins MD, MBA, FAAP

P.O Box 234 Church Hill, TN 37642 · E-mail address Jenkinsmc@msha.com

March 26, 2015

Tennessee Health Services and Development Agency
665 Mainstream Drive, 2nd Floor
Nashville, TN 37243

RE: Asbury Place at Kingsport

To Whom It May Concern:

Asbury Place at Kingsport has made application to your board requesting approval of a Certificate of Need for renovations to its existing 67 bed skilled nursing facility in Kingsport Tennessee.

These renovations would enable Asbury Place at Kingsport to provide a home environment for nursing home residents that embodies the characteristics synonymous with the true definition of a home: privacy, choice, and a purposeful and meaningful lifestyle.

It is with great pleasure I write to support Asbury Place as it applies for a Certificate of Need for renovations at its nursing facility in Kingsport Tennessee. I have a personal experience with this highly valued community facility where gracious retirement living is provided to our senior citizens as my mother is a current resident. Asbury Place is an excellent facility with a very high level of care provided to our seniors by an exceptional and caring staff. Renovating its skilled nursing facility will provide even more comfort to our citizens and those who consider moving to our community that such a high quality place can be available to them and/or their loved ones.

I strongly urge you to give all due consideration to Asbury Place at Kingsport's CON application. Thank you for your time and attention to this matter.

Sincerely,

John Clark

John Clark
Alderman
Board of Mayor and Aldermen
Kingsport, Tennessee

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 1, 2015

Michael Brent, Esq.
Bradley, Arant, Boult, Cummings LLP.
1600 Division St, Suite 700
Nashville, TN 37203

RE: Certificate of Need Application -- The Asbury Place at Kingsport - CN1508-034
The construction of a building on Asbury Place at Kingsport's existing Continuing Care Retirement. Community campus to house 22 of its skilled nursing beds and the renovation of its existing 67 bed facility into a 45 bed facility located at 100 Netherland Lane, Kingsport (Hawkins County), Tennessee 37660. The estimated project cost is $7,904,823.

Dear Mr. Brent:

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, §68-11-1601, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on October 1, 2015. The first sixty (60) days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the sixty (60) day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on December 16, 2015.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

(1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.

(2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,

Melanie M. Hill
Executive Director

cc: Trent Sansing, 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 1, 2015

RE: Certificate of Need Application
The Asbury Place at Kingsport - CN1508-034

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, 2015 and end on December 1, 2015.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc: Michael Brent, Esq.

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 Kingsport Times, which is a newspaper of general circulation in Hawkins County, Tennessee, on or before August 10, 2015, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.,* and the Rules of the Health Services and Development Agency, that Asbury Place at Kingsport, an existing licensed nursing home owned by Asbury, Inc., a non-profit corporation, intends to file an application for a Certificate of Need for the construction of a building on its existing campus to house twenty-two (22) of its skilled nursing beds and the renovation of its existing sixty-seven (67) bed facility into a forty-five (45) bed facility. The existing facility currently is and will continue to be managed by an affiliated entity known as The Asbury Group. The Asbury Group will also manage the new building. The location of Asbury Place at Kingsport is 100 Netherland Lane, Kingsport, Tennessee 37660 (Hawkins County), and the estimated project cost is $7,904,823.

The anticipated filing date of the application is on or before August 14, 2015. The contact person for this project is Michael D. Brent, Esq., who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, Tennessee 37203. Mr. Brent's telephone number is (615) 252-2361 and his e-mail address is mbrent@babc.com.

(Signature)	8/10/15 (Date)	mbrent@babc.com (E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Supplemental #1
-Original-

The Asbury Place at Kingsport

CN1508-034

SUPPLEMENTAL #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:615/532-9940

August 31, 2015
9:51 am

August 28, 2015

Michael D. Brent
Attorney
Bradley Arant Boult Cummings LLP
1600 Division Street, Suite 700
Nashville, TN 37203

RE: Certificate of Need Application, CN1508-034
Asbury Place at Kingsport

Dear Mr. Brent:

This will acknowledge our August 14, 2015 receipt of your application for a Certificate of Need for the construction of a building on Asbury Place at Kingsport's existing Continuing Care Retirement Community campus to house 22 of its skilled nursing beds and the renovation of its existing 67 bed facility into a 45 bed facility located at 100 Netherland Lane, Kingsport (Hawkins County), Tennessee 37203.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 12:00 noon, Friday, August 28, 2015. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

Please see revised pages R-32 and R-29 attached hereto as Attachment R-32 and R-29.

1. **Section A, Applicant Profile, Item 5**

   The management /operating agreement with The Asbury Group is noted. Please clarify if Asbury Place Kingsport-Baysmont mentioned in the agreement is the applicant.

   Please provide a list of other healthcare facilities with which the management/operating entity has affiliations and/or management contracts.

   RESPONSE: Asbury Place Kingsport Baysmont is the name of the campus in Kingsport - includes both a 67 - bed nursing home and 108 independent living units (89 apartments and 19 cottages) The nursing home portion of the

SUPPLEMENTAL #1
August 31, 2015
9:51 am

Asbury has no additional affiliations with healthcare facilities. TAG is a subsidiary of Asbury Communities, a 501(c)3 organization that includes five Continuing Care Retirement Communities in Pennsylvania, Maryland, and Oklahoma. Those are:

Asbury Methodist Village
Gaithersburg, MD

Asbury Solomons Island
Solomons, MD

Bethany Village
Mechanicsburg, PA

Springhill
Erie, PA

Inverness Village
Tulsa, OK

2. **Section A, Applicant Profile, Item 9**

It is noted the applicant has currently 30 non-certified and 37 Medicare beds. Please clarify the mix of Medicare Beds and non-certified beds in the new building vs. the remodeled building.

RESPONSE: The applicant previously had 30 non-certified and 37 Medicare beds, but all 67 beds are now Medicare certified. The Applicant will have 45 beds in the renovated building and 22 beds in the newly constructed building, all of which will be Medicare certified to accommodate patients in need of skilled/therapy services; however the Applicant believes many of the patients in both the renovated building and the new building will be private pay and/or managed care for portions of their stays at the facility.

3. **Section A, Applicant Profile, Item 13**

Please discuss the reason the applicant is not contracted with AmeriGroup.

RESPONSE: The Applicant's AmeriGroup contract is in effect and is currently undergoing the renegotiation process.

4. **Section B, Project Description, Item 1**

Under Project Cost, Funding and Feasibility on page 15, the applicant states construction costs are 49.58% of total cost. However, the percentage calculates to 64.7%. Please revise.

RESPONSE: : Please find attached hereto R-15 as part of Attachment 1 - Replacement Pages 14 and 15 revising the construction cost percentage.

Please provide an overview of the applicant's Continuing Care Retirement Community campus and capacity.

RESPONSE: The Applicant's CCRC consists of a 67 bed SNF and 108 independent living units (89 apartments and 19 cottages).

Please describe the structure that will house the proposed SNF facility.

RESPONSE: The proposed SNF will be a one-story building with 22 private rooms constructed following a household model - designed to look and operate like a home. Consequently, each room will have its own bathroom, there will be common spaces available for patients' use, such as an activities area, a dining room, as well as assorted patios and porches near the entrance, the courtyard, and the rear of the SNF.

Who is eligible for residence at Asbury Place at Kingsport?

RESPONSE: The Applicant offers services to those over the age of 62. The Applicant also provide services to private pay and Medicare -eligible seniors in its assisted living and skilled nursing facilities.

Does the applicant charge residents any one-time entrance fee and monthly maintenance fees? If so, do they subsidize the Asbury Place at Kingsport?

RESPONSE: Independent living residents pay an entrance fee that is 90% refundable; thus, 90% of each entrance fee is returned to patients upon the termination of their residency on the Applicant's campus. Monthly fees vary according to the level of care and are utilized to support operations.

Please describe the skilled nursing services, therapies, and amenities that will be offered at the newly constructed 22 bed facility.

RESPONSE: The new SNF will be primarily for long term care private pay residents and will offer meals, assistance with Activities of Daily Living, nursing care services, and activities. If a Medicare A or Medicare B patient needs therapy, it will be offered in either the existing building or the new building.

Please clarify if skilled beds will remain at the existing 67 bed facility.

RESPONSE: Skilled services will primarily be offered in the existing renovated building, which will have capacity for 45 beds following the renovation, but skilled services with also be available in the new 22 bed building.

What are the sizes of the existing patient rooms and the proposed?

RESPONSE: Existing private rooms are 265 SF, while semi-private rooms vary at 255 SF, 265 SF, and 295 SF.

Proposed private rooms will be 255 SF or 265 SF in the renovated building, while they will be 275 SF in the SNF to be constructed.

Following renovation, semi-private rooms will be either 255 SF or295 SF.

On page 15 the applicant states the SNF will contain 45 beds in a combination of private and semi-private beds, but on the top of page 25 states the purpose of the renovation is to create private rooms for all residents. Please clarify.

RESPONSE: Please find attached hereto R-25 as Attachment 2 - Replacement Page 25 revising the bed categorization.

5. **Section B, Project Description, Item II.A.**

The square footage and cost per square footage chart is noted. However, please complete the last three columns for proposed final Cost/SF for renovated, new, and total and resubmit. In addition, please also complete section "A. Unit/Department".

RESPONSE: Please find attached hereto as Attachment 3 - Revised Square Footage Chart reflecting cost/SF and completed unit/department section. Please note the revised chart indicates a slight revision to the square footage and "per square foot" costs, as were shown in the original application (ar recalculated, 20,350 square feet of renovated space, at $98.28 per SF, and 13,150 square feet of new space, at $190.11 per SF). The slight reduction in the total construction cost has been added to the contingency fund.

What is current and what will be the private vs. semi-private accommodations mix? Please complete the chart below.

RESPONSE:

	Current Rooms	Current Beds	Proposed Rooms	Proposed Beds
Semi-private Rooms	31	62	11	22
Private Rooms	5	5	45	45
Total Beds/Rooms	36	67	56	67

6. **Section C. Need, Renovation, Expansion, and Replacement, Item 3.a. and 3.b.**

Please indicate the staffed and licensed bed occupancy of the applicant for the last three reporting periods and discuss how it relates to existing demand for the proposed project.

RESPONSE: The Applicant is not adding any beds for this project. Instead, the Applicant is addressing demand in the market for updated buildings and additional private rooms to provide a higher quality of life for those it serves. The Applicant has experienced consistent, high demand and the project will only increase its occupancy rates, as it will then offer more private bed in line with current market demands.

Please explain the reason the applicant needs additional private rooms.

RESPONSE: Patients and their families are demanding more and more semi-private and private rooms, so the Applicant seeks to adjust its distribution of beds to meet market demands.

Please discuss if the existing facility could be renovated or expanded to accommodate additional private rooms.

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RESPONSE: In order to adequately meet the demands of the market for more semi-private private rooms and the demands of patient quality of life for more home-like environments, the renovation of the existing building coupled with the construction of the new 22-bed SNF is the best method of accomplishing both of these goals. The Applicant is trying to ensure that its SNF services simulate as closely as possible the home environment, ensuring that patients feel more at home than they would in a more clinical setting, and improving quality of life and patient satisfaction; therefore the project is the best way to accomplish these goals in a meaningful way while maintaining the applicant's ability to continue to meet existing and projected need. There will still be some semi-private rooms, as there is still a desire and/or need by some patients for a semi-private room.

What is the age of the existing facility?

RESPONSE: The existing facility was constructed in 1956, so it is 59 years old.

7. **Section C, Need, Item 4.A.**
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 complete the following table and include data for each county in your proposed service area.

Variable	*Hawkins*	*Sullivan*	*Service Area**	*Tennessee*
Current Year (2015), Age 65+	*11,739*	*34,287*	*23,013*	*1,021,937*
Projected Year (2019), Age 65+	*13,425*	*38,477*	*25,951*	*1,134,565*
Age 65+, % Change	*14.4%*	*12.2%*	*13.3%*	*12%*
Age 65+, % Total (PY)	*23.1%*	*23.8%*	*23.45%*	*16.5%*
CY, Total Population	*57,741*	*159,494*	*108,618*	*6,649,438*
PY, Total Population	*58,241*	*161,707*	*109,974*	*6,894,997*
Total Pop. % Change	*0.8%*	*1.4%*	*1.1%*	*3.7%*
TennCare Enrollees	*13,632*	*32,639*	*46,271*	*1,433,687*
TennCare Enrollees as a % of Total Population	*23.6%*	*20.5%*	*22.05%*	*21.6%*
Median Age (2010)	*42*	*44*	*43*	*38*
Median Household Income	*$37,357*	*$39,479*	*$38,418*	*$44,298*
Population % Below Poverty Level	*16.2%*	*18.3%*	*17.25%*	*17.6%*

*Average of Hawkins and Sullivan Counties

8. **Section C., Need, Item 5**

Please complete the chart below breaking out the bed accommodation mix by nursing home facility in the Hawkins and Sullivan County service area.

Service Area Patient Accommodation Mix-Most Recent JAR Period

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Nursing Home	Licensed Beds	Total Private Beds	Total Semi-Private Beds	Total Companion Beds	Ward Beds
The Applicant	67	5	62	N/A	N/A
Church Hill Health Care & Rehab Center	124	8	116	N/A	N/A
Signature Healthcare of Rogersville	150	36	114	N/A	N/A
Brookhaven Manor	180	N/A	180	N/A	N/A
The Cambridge House	130	4	126	N/A	N/A
Christian Care Center of Bristol	N/A	N/A	N/A	N/A	N/A
Greystone Health Care Center	165	7	158	N/A	N/A
Holston Manor	204	5	196	N/A	3
Indian Path Medical Center Transitional Care Unit	22	22		N/A	N/A
The Wexford House	174	6	168	N/A	N/A
Service Area Totals	**1,216**	**93**	**1,120**	N/A	**3**
Proposed Project	*67*	*45*	22	N/A	*N/A*

Please complete the following table for **all** licensed nursing homes located in Hawkins and Sullivan Counties:

Nursing Home	2013 Lic.'d Beds	2011 Patient Days	2012 Patient Days	2013 Patient Days	'11- '13 % Change	2011 % Occ.	2012 % Occ.	2013 % Occ.
The Applicant	67	20,845	21,899	21,866	4.5%	85.2%	89.5%	89.4%
Church Hill Health Care & Rehab Center	124	41,741	42,206	39,981	-4.2%	92.2%	93.3%	88.3%
Signature Healthcare of Rogersville	150	46,613	50,043	45,409	-2.6%	85.1%	91.4%	98.74%
Brookhaven Manor	180	57,648	55,390	52,289	-9.3%	87.7%	84.3%	79.59%
The Cambridge House	130	44,222	43,904	43,134	2.5%	93.2%	92.53%	90.9%
Christian Care Center of Bristol (opened after period)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Greystone Health Care Center	165	49,639	50,565	48,106	-3.1%	82.4%	83.96%	79.88%
Holston Manor	204	96,397	63,659	61,640	-36.1%	130%*	85.49%	82.78%
Indian Path Medical Center Transitional Care Unit	22	6,231	5,917	5,919	-5%	77.6%	73.69%	73.71%

The Wexford House	174	60,682	61,291	62,362	2.8%	95.5%	96.51%	98.19%
Total	1,216	47,113	43,875	42,301	-50.5%	95.5%	87.85%	86.83%

*Excluded from total due to apparent error

Please discuss how the Long-term Care Community Choices Act of 2008 has impacted nursing home utilization rates in Sullivan County for years 2010, 2011, and 2012. The Long-term Care Community Choices Act of 2008 allows TennCare to pay for more community and home-based services for seniors such as household assistance, home delivered meals, personal hygiene assistance, adult day care centers and respite.

RESPONSE: The Choices program has had minimal impact on the Applicant's campus since it is not certified to take Medicaid clients. The Applicant does, however, serve Choices clients in both its Assisted Living community in Kingsport as well as through its HCBS program –Asbury at Home – a non-medical in home care service.

9. **Section C, Need, Item 6**

Your response to this item is noted.

Please complete the following table:

Asbury Place at Kingsport Projected Utilization

Year	Licensed Beds	Medicare - certified beds	SNF Medicare ADC	SNF Medicaid ADC	SNF Other ADC*	NF ADC	Total ADC	Licensed Occupancy %
Year 1	67	67	21.6	0	38.9	0	60.5	90.3%
Year 2	67	67	21.6	0	40.5	0	62.1	92.69%

*Managed care and private pay combined

On Page 29 why is there a projected decrease in private pay and increase in managed care from 2015 to 2020?

RESPONSE: Due to the need for rehab services in Kingsport and the Applicant's relationship with the major hospital in the area, Holston Medical Center, the Applicant has certified all of its beds for Medicare A. The current trend is for individuals who would otherwise become patients of the applicant to stay home longer via the use of in-home care and the rehab business has increased. The private pay long-term care residents have a shorter length of stay and as such we have seen a decline in the average daily census for that population. Twenty to thirty of the private pay residents and 35-45 rehab residents is the current trend that the Applicant is experiencing, with the rehab residents split between Medicare A (40%) and Medicare Advantage (60%). The Applicant anticipates that this trend will continue in the foreseeable future.

Please clarify what managed care plan pays for nursing home care.

RESPONSE: Humana, United Health Care, Blue Cross Blue Shield, Crestpoint and Cigna pay are managed care plans that pay for nursing home care.

10. Section C. Economic Feasibility Item 1 (Project Cost Chart)

The letter from the architect is noted. However, please revise to reflect the following:

1) a general description of the project,
2) his/her estimate of the cost to construct the project to provide a physical environment, according to applicable federal, state and local construction codes, standards, specifications, and requirements and
3) attesting that the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the most recent AIA Guidelines for Design and Construction of Hospital and Health Care Facilities.

RESPONSE: The revised letter from the architect is attached hereto as Attachment 4 - Revised Architect Letter

Please specify line A.9 in the Project Costs Chart in the amount of $202,001.

RESPONSE: The $202,001 and line A.9 of the Project Costs Chart represents development fees. A revised Project Costs Chart is attached hereto as Attachment 5 - Revised Project Costs Chart.

Please describe Underwriting costs in the amount of $254,597.

RESPONSE: $254,597 is an estimate provided by the lender for financing fees and other lender expenses anticipated for a loan of this amount.

11. Section C, Economic Feasibility, Item 2

The funding letters for the proposed project is noted. However, the applicant states in the Executive Summary the project will be funded through tax-exempt bonds, but identifies a commercial loan as the source on page 32. Please clarify.

RESPONSE: Please see attached hereto revised pages R-14 and R-15 for the executive summary, which now confirms that the project is anticipated to be funded through a commercial loan. Pages R-14 and R-15 are attached hereto as Attachment 1 - Replacement Pages 14 and 15.

What type of tax exempt bonds will finance the project?

RESPONSE: Please see the attachment referenced above indicating the project will be financed through a commercial loan. Please also see Attachment – Economic Feasibility, Item 2, correcting the exhibit cover page for Ziegler's letter regarding the commercial loan.

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What is the bond rating of the Applicant?

RESPONSE: The Applicant is not rated.

The funding letter is from Ziegler. Please provide an overview of the financing company.

RESPONSE: Ziegler is a full-service investment bank and broker-dealer providing clients with various lending, strategic advisory and other financial services, which includes FHA/HUD financing, tax-exempt bond financing and other types of loans.

The 35 year loan is noted. What is the interest expense over the life of the loan?

RESPONSE: Depending upon the interest rates at the time of the closing of financing, the interest rate is anticipated to be 4-7%. Depending on the final interest rate and other variables at closing of the financing, total interest paid over the 35-year life of the loan is estimated to be between approximately $6,791,266 and $13,297,254.

Please provide a funding letter from the bond issuer.

RESPONSE: Please see the original letter from Ziegler, which the applicant believes does not require an additional letter from a bond issuer. Ziegler is a full-service investment bank and broker-dealer providing clients with various lending, strategic advisory and other financial services, which includes FHA/HUD financing, bond financing and other types of loans.

Why does the applicant expect to lose money in Year One and Year Two of the proposed project when historically it has been profitable?

RESPONSE: The Applicant expects there to be a dip in the census due to the remodel of the existing building, which will allow the Applicant to renovate several of the resident rooms at the same time for the sake of cost efficiency and minimizing the disturbance to the residents.

Does financing the proposed project have a negative impact on the financial feasibility?

RESPONSE: The proposed project does not have a negative impact on the financial feasibility of the CCRC as a whole. While the financial projections for the CCRC as a whole still show a net operating loss, when non-cash expenses are added back in, the project is financially feasible. See additional Projected Data Chart for the CCRC as a whole attached hereto as Attachment 8 – CCRC Projected Data Chart.

12. Section C, Economic Feasibility, Item 4

The Projected Data Chart is noted. However, for Year One the time frame is for the Year ending 3/31/2018. The Project Forecast Chart indicates the

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initiation of the proposed project's service is August 2018. Please revise the Projected Data Charts to reflect information for the two years after the completion of the proposed project.

RESPONSE: Please see the revised Projected Data Chart attached hereto as Attachment 11 – Revised Projected Data Chart. Please also see Attachment R-29, reflecting revised daily census dates.

13. Section C, Economic Feasibility, Item 6.a. and 6.b.

The applicant notes a daily average census (ADC) of 56.8 patients on 22,083 days in Year One. However, 22,083 days calculates to an ADC of 60.5. Please clarify.

RESPONSE: Due to an error on the original pages 34 and 35, please find attached hereto pages R-34 and R-35 as Attachment 7 -Replacement Pages 34 and 35

Why do private pay charges drop in 2015 then jump 40% by Year 1?

RESPONSE: Recently there was a reconfiguration of the bed mix at the facility, including an increase in the number of Medicare certified beds (all beds are now fully certified for Medicare). At the same time the "private pay rates" for patients in those rooms was increased to match the average Medicare rate. The cumulative effect of these changes results in the noted private pay rate increase.

Please clarify the reason the applicant seems to have highest charges in service area.

RESPONSE: The Applicant has higher charges because it provides a higher level of service. Additionally, though the Applicant has higher charges, the difference between the Applicant's charges and those of other nursing homes in Hawkins and Sullivan Counties are within reason. On average, the difference ranges from rates $30-$60 more than those charged by its peers, which supports the expense of the higher level of service provided by the Applicant. Further, the new SNF will be a premium service offering, requiring higher rates to ensure patients receive the quality services promised.

14. Section C, Economic Feasibility, Item 8

The applicant notes the proposed project will not show positive operating revenue for the skilled nursing facility by the end of Year Two, but the CCRC campus as a whole will have positive results. Please submit a Projected Data Chart for the whole CCRC to demonstrate financial feasibility.

RESPONSE: While operating losses are projected in the first 2 full years of operation for the skilled nursing facility, inclusion of a SNF as a part of the CCRC campus is beneficial to the Applicant, and the financial ratios and revenues are acceptable for the organization. Please find a projected data chart for the whole CCRC attached hereto as Attachment 8 - CCRC Projected Data Chart.

15. Section C, Economic Feasibility, Item 9

Please complete the following chart for the first year of operation

Payor	Gross Revenue	% of Total Revenues
Medicare	$4,056,728	41.94%
Medicaid/TennCare	N/A	N/A
Commercial insurance	$3,767,711	38.96%
Self-Pay	$1,846,782	19.10%
Total	$9,671,220	100%

Please also see Attachment 7 -Replacement Pages 34 and 35 for corrected payor mix numbers.

16. Section C, Economic Feasibility, Item 11

Is the total renovation of the existing building an alternative to new construction for the proposed project?

RESPONSE: Renovation of the existing building, coupled with the new 22 bed builidng, is a better alternative than all new construction for the proposed project, as all new construction would greatly increase the cost to the Applicant and cause disruption to the patients.

17. Section C. Contribution to the Orderly of Health Care, Item. C.3.

Please complete the following staffing chart representing all employees providing direct patient care services for the first year after project completion.

Positions	Existing FTE's	Proposed FTE's
Nursing Admin	5.6	5.6
Nursing Health Officer	45.9	47.9
Total	51.5	53.5

Please clarify why the applicant will not need to hire additional employees to staff the proposed newly constructed 22 licensed bed building.

RESPONSE: Though staffing will likely undergo few changes, the Applicant anticipates that there could possibly be a need for 2 additional Nursing Health Officer FTE's as indicated in the chart above. Please also see Attachment 9 – Replacement Pages 37 and 38.

There appears to be an error in the staffing chart on the bottom of page 37 with several fields labeled "#REF!". Please revise.

RESPONSE: Please see the replacement pages R-37 and R-38 attached hereto as Attachment 1 – Replacement Pages 14 and 15 and Attachment 9 - Replacement Pages 37 and 38.

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18. Section C, Orderly Development, Item 8 and 9

The applicant responded "not applicable". Please clarify.

RESPONSE: Due to an error on the original page 40, please see the replacement page R-40 attached hereto as Attachment 10 - Replacement Page 40.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60th) day after written notification is Friday October 23, 2015. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. ɔ 68-11-1607(d):

(1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.

(2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please do not hesitate to
contact this office.

Sincerely,

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Phillip M. Earhart

Enclosure/PME

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AFFIDAVIT

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AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF Davidson

NAME OF FACILITY: Asbury Place at Kingsport

I, Marjorie Shonnard, 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.

COO, Asbury, Inc.
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 28th day of August, 2015, witness my hand at office in the County of Davidson, State of Tennessee.

NOTARY PUBLIC

My commission expires September 11, 2017.

CYNTHIA A. EVANS
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY
My Commission Expires SEPT. 11, 2017

HF-0043

Revised 7/02

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Attachment 1 - Replacement Pages 14 and 15

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

SECTION B: PROJECT DESCRIPTION

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

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

RESPONSE:

Introduction and Background

Asbury operates senior housing communities in Maryville and Kingsport, Tennessee and has been fulfilling its mission of care giving since approximately 1956. Asbury health care facilities offer services ranging from nursing care and rehabilitative services to physical therapy. Many of Asbury's communities are Continuing Care Retirement Communities, or CCRCs, which are based on a continuum of care concept that allows residents to choose the level of care they currently require, whether it is a room in an assisted living facility, an independent apartment, or a skilled nursing facility, but with the ability to transition to a different service level within the community should the need arise. Community members benefit from the ability to "age in place" in a location that they come to consider home, with and within their existing communities, friends and churches. The goal of the renovation is to ensure the ability to continue to provide a home environment for nursing home and assisted living residents that is modern and embodies characteristics synonymous with the true definition of a home: privacy, choice, and a purposeful and meaningful lifestyle.

The Applicant, Asbury Place Kingsport, is a CCRC and its campus setting provides care ranging from independent living to assisted care on a separate campus to skilled nursing. As part of the Applicant's CCRC, the skilled nursing home houses 67 Medicare-certified beds.

The Applicant seeks to transition some of its nursing care services from being provided in its aging, almost all semi-private room nursing home, to a twenty-two bed household with a new and more home-like culture of resident-centered care.

The Applicant envisions making this transition by constructing a new nursing home household of twenty-two beds on the existing CCRC campus to be used primarily for long term care residents and renovating the existing nursing home facility to be used primarily to serve short-term rehab residents. The existing nursing home will operate the remaining 45 beds in a combination of 23 private and 11 semi-private rooms, maintaining the Applicant's current total of 67 licensed beds on its campus.

Construction of the new 22 bed "Long Term Care Household" building (the "LTCH") and renovation of the existing skilled nursing facility building (the "SNF"), which will be renovated into a 45-bed facility, will be started simultaneously. While construction of the LTCH is under way, renovation of the common areas of the SNF will be done. It is anticipated that the common area renovation in the SNF and the construction of the LTCH will take about the same amount of time, and once construction and licensure of the LTCH is complete, up to 22 patients will transition to the LTCH. At that time, renovation of the patient rooms in the SNF will begin, to be done in a systematic fashion as patients are temporarily moved within the SNF, creating minimal disruptions. While such a systematic renovation will take longer than renovating multiple rooms in the building at a time, the systematic approach will have a minimal impact on building occupancy, and therefore is projected to not materially impact the revenues of the Applicant during the project.

At the end of the renovation, the SNF will contain 45 beds in a combination of private and semi-private beds (which when added to the 22 beds in the LTCH will result in the same total (67 beds) as the Application is currently licensed to serve.

Project Cost, Funding and Feasibility

The total estimated project cost is $7,904,823, with construction costs totaling $5,114,536, or 64.70% of total cost. The construction cost is $288.39 per square foot. As discussed below, the new construction cost compares favorably with statewide nursing home construction projects from 2012-2014. The Applicant will finance the project with a loan from Ziegler, a long-time lender in the long-term care segment, as noted in the letter included with this application.

This project is economically feasible.

Staffing

The Applicant does not anticipate that it will hire more than a marginal number of additional staff members to accommodate the proposed project.

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Attachment 2 - Replacement Page 25

RESPONSE: The SNF is licensed for 67 beds, of which only 5 are private rooms. The purpose of the renovations is two-fold: (1) to create additional private rooms, and (2) to create a home/household type environment to create a better quality of life for the residents of the facility.

The proposed project will further the 5 Principles for Achieving Better Health as set forth in the State Health Plan.

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

RESPONSE: While this principle focuses mainly on the goals and strategies that support health policies and programs at the individual, community and state levels that will help improve the health status of Tennesseans, this project is consistent in that it supports a continuum of care model where patients will be able to receive intensive skilled nursing care and rehabilitative services within the community in which they live. The Applicant's campus design provides the most effective care in a person-centered environment, which is also the least-restrictive and least-costly option available, where the individual can live the healthiest life possible. By ensuring that CCRCs such as the Applicant continue and flourish, Tennesseans can be assured that they will receive the level of care they need when they need it and avoid unnecessary emergency room trips or hospital stays.

The project will further the Applicant's ability to provide state of the art long-term care services. In addition, the Applicant reports extensive quality measures as part of its involvement in the Medicare program. The Applicant has an ongoing quality improvement program to monitor and improve patient outcomes. These outcomes are regularly reported as part of public reporting requirements for all nursing homes.

2. Every citizen should have reasonable access to health care.

RESPONSE: The Applicant's healthcare model targets patients that are Medicare qualified beneficiaries seeking skilled nursing and rehabilitation services and provides a continuum of care for residents of the CCRC. The majority of all patients placed in nursing homes from the acute care setting are Medicare beneficiaries. Since Medicare is a federal insurance program covering individuals age 65 and older, as well as disabled individuals below this threshold age, access to long term care Medicare beds is a function of bed availability in the market.

3. The State's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies, and the continued development of the State's health care system.

RESPONSE: The Applicant's project speaks to the very heart of this principle at several levels. By assuring that the appropriate level of care and health care beds are available, when needed, the state's health care system will be able to keep

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Attachment 3 – Revised Square Footage Chart

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SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost/ SF		
					Renovated	New	Total	Renovated	New	Total
Community Room					400		400	98.28		98.28
Outpatient Services					1,700		1,700	98.28		98.2
Administration					400	65	465	98.28	**190.11**	288.39
Circulation					2,500	2,200	4,700	98.28	**190.11**	288.39
Mech/Elec/Data					400	250	650	98.28	**190.11**	288.39
Patient Rooms					9,400	6,050	14,400	98.28	**190.11**	288.39
Activity Spaces					3,000	3,835	5,200	98.28	**190.11**	288.39
Clinical Support					2,000	750	2,750	98.28	**190.11**	288.39
Circulation										
Mech/Elec/Data										
				TOTALS	20,350	13,150	33,500	98.28	**190.11**	288.39
G. Unit/Depart. GSF Sub-Total					17,450	10,900	28,150	98.28	**190.11**	288.39
H. Mechanical/ Electrical GSF					400	250	650	98.28	**190.11**	288.39
I. Circulation /Structure GSF					2,500	2,200	4,700	98.28	**190.11**	288.39
J. Total GSF					20,350	13,150	33,500	**$98.28**	**$190.11**	**$288.39**

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Attachment 4 – Revised Architect Letter

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action pact
design
Changing Communities, Changing Lives

August 27, 2015

Heath Services and Development Agency
Andrew Jackson Building
500 Deadrick Street, Suite 850
Nashville, TN 37243

Re: Certificate of Need Application1
Asbury Place at Kingsport
67 Skilled Beds
Kingsport, TN

To Whom It May Concern:

I represent Action Pact Design, LLC. an architecture firm located in Manhattan, KS. Our firm has been retained by Asbury Place to provide planning, design and contract administration services for the renovation of their retirement community in Kingsport, TN.

The project will consist of renovating the existing, 67 resident, single story skilled nursing building and construction of a new, 22 resident, single story, skilled nursing household. The new building will be approximately 13,185 square feet.

The preliminary design has been complete and will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the most recent AIA Guidelines for Design and Construction of Hospital and Health Care Facilities. The $5.1 million construction cost for the new construction of 22 skilled beds along with the renovation of the existing health care center to house 45 skilled beds will provide a suitable physical environment, according to applicable federal, state and local construction codes, standards, specifications, and requirements.

Sincerely,

Tracy Anderson, AIA

2505 Anderson Ave., Ste. 201 | Manhattan, Kansas 66502 | PH. 785-539-0806

SUPPLEMENTAL #1

August 31, 2015
9:51 am

Attachment 5 – Revised Project Costs Chart

SUPPLEMENTAL #1

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PROJECT COSTS CHART- Kingsport

A. Construction and equipment acquired by purchase

a. Architectural and Engineering Fees	$ 600,454
b. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	$ 85,000
c. Acquisition of Site	
d. Preparation of Site	$ 479,473
e. Construction Costs	$ 5,103,415
f. Contingency Fund	$ 650,137
g. Fixed Equipment (Not included in Construction Contract)	$ 512,000
h. Moveable Equipment (List all equipment over $56,000)	
i. Other: Development Fee	$ 202,001

B. Acquisition by gift, donation, or lease: Not Applicable.

a. Facility (inclusive of building and land)	
b. Building only	
c. Land only	$
d. Equipment (Specify)	
e. Other (Specify)	

C. Financing Costs and Fees:

a. Interim Financing	$
b. Underwriting Costs	$ 254,597
c. Reserve of One Year's Debt Service	$
d. Other	$

D. Estimated Project Cost (A+B+C+)	$ 7,887,077
E. CON Filing Fee	$ 17,746
F. Total Estimated Project Cost (D+E)	$ 7,904,823
TOTAL	**$ 7,904,823**

SUPPLEMENTAL #1

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Attachment 7 – Replacement Pages 34 and 35

Managed Care	$366.64	$379.86	$430.51	$442.35

The Applicant does not anticipate any changes to current charges as a result of the project beyond those indicated above.

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

RESPONSE: Below is a chart of the charges of similar facilities in Hawkins and Sullivan Counties:

Applicant's Proposed Charges as Compared to Existing Facilities in Hawkins and Sullivan Counties

Facility	Medicare	Medicaid	Private Room	Semi-Private Room
Hawkins County Facilities				
Applicant	$442.17	N/A	$207.20	$207.20
Church Hill Health Care and Rehab Center	$342	$158	N/A	$186-$200
Signature HealthCare of Rogersville	$217	$203-$217	$170	$170
Sullivan County Facilities				
Brookhaven Manor	$429	$142-$147	$200	$195
The Cambridge House	$300	$161	$170	$165-$225
Greystone Health Care Center	$425	$166-$178	$192	$192
Holston Manor*	$378	$133-135	$185	$185
Indian Path Medical Center Transitional Care Unit	$378	$133-135	$185	$185
The Wexford House	$435	$167-$185	$195-$200	$185-$200

Sources: 2013 Joint Annual Reports; Applicant's records
**Information from 2012 Joint Annual Report, no information provided in 2013 Joint Annual Report*

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

RESPONSE: The Applicant is projecting an average daily census of 60.5 patients or 22,671 patient days in Year 1, for an average annual occupancy rate of 92.7%.

The Applicant projects an average daily census of 62.1 patients or 22,714 patient days in Year 2, for an average annual occupancy rate of 92.8%. The projected utilization is sufficient to render the project financially feasible as discussed below.

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

   RESPONSE: The project is economically feasible. While the projections do not show positive operating revenue for the skilled nursing facility by the end of Year Two, the CCRC campus as a whole will have positive results. The scale of the skilled nursing facility on the CCRC is smaller than at Asbury's other Tennessee facility in Maryville, but the Board of Directors of Asbury determined that this project should be viewed as a part of the CCRC campus in its entirety, and that the renovations are beneficial to the community and financially feasible.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

   RESPONSE: The Applicant is a nonprofit corporation, and would note that, as stated in the notes to its most recent financial audit, and as indicated on its most recent IRS Form 990, the Asbury facilities have an active charity care program. Specific to the Kingsport facility, the Applicant provides benevolent care for residents in residential and assisted living units on this campus; however, this CCRC model is not intended to serve the medically indigent in a skilled nursing facility setting. The Applicant anticipates that Year One revenues will consist of approximately 41% Medicare, 39% managed care, and 19% private pay.

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

    RESPONSE: Please see *Attachment C: Economic Feasibility – 10*.

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

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

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Attachment 8 – CCRC Projected Data Chart

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Asbury Place at Kingsport Projected Operating Statements	Year 2019	Year 2020
Revenue, gains and other support		
Health service revenue	$ 15,870,412	$ 16,289,659
Contractual adjustments and discounts	(1,583,770)	(1,646,558)
Net resident service revenue	14,286,642	14,643,101
Other operating revenue	134,551	137,915
Total operating revenue	14,421,193	14,781,015
Amortization of entrance fees	148,768	162,103
Interest and dividend revenue	6,102	6,270
Realized gains (losses)	-	-
Net investment revenue	6,102	6,270
Gain (loss) on sale of assets	-	-
Contributions	-	-
Total revenue, gains and other support	14,576,063	14,949,388
Expenses		
Sales and Marketing	486,499	498,661
Life Enrichment	197,087	202,014
Environmental Services	1,536,749	1,575,971
Social Services	38,749	39,718
Dining Services	1,840,523	1,886,536
Health Care Services	3,432,409	3,519,435
Rehabilitation Services	1,284,948	1,320,365
Administrative Services	1,780,190	1,824,651
Employee Benefits	1,231,015	1,261,790
Taxes and Insurance	689,858	706,591
Interest	879,528	863,337
Bad Debt Allowance	56,537	57,950
Depreciation & Amortization	1,348,444	1,381,185
Total operating expenses	14,802,534	15,138,205
Income (loss) from operations	(226,471)	(188,817)
Nonoperating gains (losses)		
Contributions-Circle of Care	-	-
Contributions-Other	-	-
Contributions-Temporarily Restricted	-	-
Gain (Loss) on sale of investments+ loss on bond refunding	-	-
Total nonoperating gains (losses)	-	-
Unrealized Gain(Loss) on Investments	-	-
Increase (decrease) in unrestricted net assets	$ (226,471)	$ (188,817)

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Attachment 9 – Replacement Pages 37 and 38

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

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

   RESPONSE: The applicant currently has agreements with Functional Pathways for therapy services, home health and hospice services agreements with Advanced Home Care, Amedysis Home Health and Hospice, Adventa Hospice, Smokey Mountain Home Health & Hospice, and Wellmont Hospice, and hospital transfer agreements with Wellmont Hospital (Holston Valley and Bristol Regional) and Mountain States Health Alliance (Indian Path Hospital).

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

   RESPONSE: The project will have a positive effect on the health care system and will help ensure that all facilities in the county are providing the best possible services at competitive price points. In addition to keeping Hawkins residents within their service area, the renovation of a facility such as the Applicant's ensures that other facilities in the service are have to continue to innovate and refine their perspectives on the adequacy of their facilities as well as the manner in which they provide their services. This will help ensure that the quality of care provided and of the facilities in which it is provided remain high.

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

   RESPONSE: Below is a chart containing the current and anticipated staffing for the Applicant using FTEs:

Department	Description	Existing 67-Beds FTEs/Week	Total 67-Beds Hours/Week	Current Pay/Hour (1)	Anticipated Pay/Hour (2)
Administration	Administrator	1	1	$ 33.65	$ 35.70
	HR Director	0.7	0.7	$ 17.96	$ 19.05
	Office Manager	0.6	0.6	$ 20.11	$ 21.33
	Chaplain (Volunteers)	8	8	$ 12.50	$ 13.26
Marketing	Marketing Director	1	1	$ 24.78	$ 26.29
	Marketing/Adm. Coord	1	1	$ 17.63	$ 18.70
Nursing	Director of Nursing	1	1	$ 39.91	$ 42.34
	Assist Director of Nursing	1	1	$ 25.72	$ 27.29
	MDS Coordinator	1.6	1.6	$ 22.72	$ 24.10

	Charge Nurse LPN	12.49	12.49	$ 19.15	$ 20.32
	Charge Nurse RN	4.52	4.52	$ 25.76	$ 27.33
	Certified Nursing Assistant	27.52	29.52	$ 12.05	$ 12.78
	Restorative Nursing Aide	1	1	$ 12.05	$ 12.78
	Nursing Secretary	1	1	$ 13.99	$ 14.84
	Driver	0.5	0.5	$ 12.93	$ 13.72
Activities	Activity Director	1	1	$ 12.66	$ 13.43
Social Services	Director of Social Services	1	1	$ 16.76	$ 17.78
Laundry	Laundry Asst/Trans Duty	2	2	$ 8.11	$ 8.60
Housekeeping	Housekeeping Assistant	3.8	3.8	$ 7.85	$ 8.33
Dietary	Director of Dietary	0.3	16.8	$ 34.61	$ 36.72
	Dietary Supervisor	0.3	16.8	$ 20.20	$ 21.43
	Head Cook	2.1	2.1	$ 12.43	$ 13.19
	Assist Cook	0.2	0.2	$ 8.56	$ 9.08
	Dietician	0.1	0.1	$ 50.00	$ 50.00
	Dietary Assistant	2.9	2.9	$ 8.56	$ 9.08
	Dishwasher	1.6	1.6	$ 8.65	$ 9.18
Operations/Maintenance	Director of Environmental	1	1	$ 31.32	$ 33.23
	Environmental Assistant	1	1	$ 25.26	$ 26.80
	Maintenance Tech	2	2	$ 12.03	$ 12.76
	Totals	82.23	117.23		

(1) Current Pay/Hour Labor Analysis - July 31, 2015
(2) Anticipated Pay/Hour Determined by Adding a 3% Pay Increase

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

RESPONSE: The Applicant pays wages and offers benefits that are in-line with the prevailing rates of other employment opportunities in the community. The Facility also benefits from local schools such as Dobyns Bennett High School, Sullivan South, and East Tennessee State University. The Applicant currently has staff required by the proposal, including adequate professional staff as per the Department of Health, and does not anticipate difficulty filling positions needed for the project.

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

RESPONSE: The Applicant has reviewed and understands the aforementioned requirements.

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

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August 31, 2015
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Attachment 10 – Replacement Page 40

applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

RESPONSE: None.

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

RESPONSE: None.

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

RESPONSE: If the proposal is approved, the Applicant will be happy to provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

SUPPLEMENTAL #1

August 31, 2015

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Attachment 11 – Revised Projected Data Chart

SUPPLEMENTAL #1

PROJECTED DATA CHART- Kingsport Baysmont SNF **August 31, 2015**

9:51 am

Give information for the two (2) years following the completion of this propo[illegible] fiscal year begins in APRIL (Month).

	Year 2019	Year 2020
A. Utilization Data (Resident Days)	22,671	22,714
B. Revenue from Services to Patients		
1. Inpatient Services	$ 9,983,205	$ 10,270,833
2. Outpatient Services	$ 111,703	$ 114,495
3. Emergency Services	$ -	$ -
4. Other Operating Revenue (Specify)	$ 16,887	$ 17,309
Gross Operating Revenue	**$ 10,111,794**	**$ 10,402,637**
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	1,477,931	1,537,971
2. Provision for Charity Care	-	-
3. Provisions for Bad Debt	56,537	57,950
Total Deductions	**$ 1,534,468**	**$ 1,595,921**
NET OPERATING REVENUE	**$ 8,577,326**	**$ 8,806,716**
D. Operating Expenses		
1. Salaries and Wages	$ 2,800,117	$ 2,870,120
2. Physician's Salaries and Wages	$ -	$ -
3. Supplies	$ 674,844	$ 692,930
4. Taxes	$ 169,469	$ 173,706
5. Depreciation	$ 836,492	$ 847,280
6. Rent	$ -	$ -
7. Interest, other than Capital	$ -	$ -
8. Management Fees:	$ -	$ -
a. Fees to Affiliates	$ -	$ -
b. Fees to Non-Affiliates	$ 522,057	$ 535,083
9. Other Expenses (Contract Labor, Benefits, Other Exp.)	$ 2,791,212	$ 2,864,108
Total Operating Expenses	**$ 7,794,191**	**$ 7,983,228**
E. Other Revenue (Expenses) – Net (Specify)	$ -	$ -
NET OPERATING INCOME (LOSS)	**$ 783,134**	**$ 823,488**
F. Capital Expenditures		
1. Retirement of Principal	$ 255,753	$ 268,470
2. Interest	$ 766,085	$ 754,387
Total Capital Expenditures	**$ 1,021,838**	**$ 1,022,857**
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	**$ (238,703)**	**$ (199,368)**

SUPPLEMENTAL #1

August 31, 2015

9:51 am

Attachment R-32 and R-29

3. Identify the funding sources for this project.

   Please check the applicable item(s) below and briefly summarize how the project will be financed. ***(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)***

   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; or

   ___ E Cash Reserves--Appropriate documentation from Chief Financial Officer.

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

   RESPONSE: The source of funding for the proposed project will be provided by Zeigler, a well-known provider of financing for senior living providers. Please see *Attachment Section C: Economic Feasibility – 2* for documentation from Zeigler.

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

   RESPONSE: The total estimated project cost is $7,904,823. Construction costs are $5,103,415, or 64.56% of total cost. The total new construction cost is $288.39 per square foot. As reflected in the table below, the total construction cost is above the 3rd quartile of $174.53 per square foot for statewide nursing home construction projects from 2012 to 2014.

Statewide Nursing Home Construction Cost Per Square Foot
2012-2014

	Renovated Construction	New Construction	Total Construction

Greystone Health Care Center	83.96%	79.88%	**	**
Holston Manor	85.49%	82.78%	**	**
Signature Healthcare of Rogersville	91.40%	98.74%	**	**
The Wexford House	96.51%	98.19%	**	**

Sources: 2012 and 2013 Tennessee Joint Annual Reports; Facility's Internal Records
**Through March 2015.*
***Information not currently available.*

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

RESPONSE: The following chart reflects the Applicant's average daily census by payor for the past three fiscal years, which end on March 31:

Applicant's Average Daily Census by Payor (2012-Present)

Payor	2012	2013	2014	2015*
Private Pay	31.77	34.20	31.67	29.88
Medicare	10.35	11.36	10.26	19.67
Managed Care	14.68	14.30	18.68	12.48
Total Patients:	**56.80**	**59.86**	**60.61**	**62.03**

Source: Applicant's internal records
**Through March 31, 2015*

The following chart contains the Applicant's projected annual utilization for the three years following completion of the project (2019 through 2021):

Applicant's Projected Average Daily Census by Payor (2019-2021)

Payor	2019	2020	2021
Private Pay	19.8	19.8	19.8
Medicare	21.6	21.7	21.7
Managed Care	20.7	20.7	20.7
Total Patients:	**62.1**	**62.2**	**62.2**

The projected utilization statistics above are based upon the Applicant's experience with and statistical data for the SNF.

SUPPLEMENTAL #1

August 31, 2015
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Attachment – Economic Feasibility, Item 2

Lender Exhibit Cover Page Replacement

SUPPLEMENTAL #1

August 31, 2015
9:51 am

Section C: Economic Feasibility – 2

Documentation from Lender

Supplemental #2
-Original-

The Asbury Place at Kingsport

CN1508-034

SUPPLEMENTAL #2

State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364/Fax:615/532-9940

September 1, 2015
8:15 am

August 31, 2015

Michael D. Brent
Attorney
Bradley Arant Boult Cummings LLP
1600 Division Street, Suite 700
Nashville, TN 37203

RE: Certificate of Need Application, CN1508-034
Asbury Place at Kingsport

Dear Mr. Brent:

This will acknowledge our August 14, 2015 receipt of your application for a Certificate of Need for the construction of a building on Asbury Place at Kingsport's existing Continuing Care Retirement Community campus to house 22 of its skilled nursing beds and the renovation of its existing 67 bed facility into a 45 bed facility located at 100 Netherland Lane, Kingsport (Hawkins County), Tennessee 37203.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 4:00 noon, Monday, August 31, 2015. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

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1. **Section A, Applicant Profile, Item 9**

   It is noted all 67 beds are now Medicare certified. Please revise the Bed Complement Data Chart and resubmit.

   RESPONSE: Please see replacement page R-11 attached hereto as Attachment 1 – Revised Bed Complement Data Chart.

2. **Section B, Project Description, Item II.A.**

   The revised square footage and cost per square footage chart is noted. However, there are calculation errors. In addition, please revise the first column to reflect sections A-E rather than F-J.

   The applicant has calculated the cost PSF at $288.39 incorrectly. The applicant added the renovated Cost/SF ($98.28) and new Cost/SF ($190.11) together rather than obtaining an

average. Please revise. In addition, please revise all other references in the application to reflect the revised Cost/SF for renovated, new, and total construction. Please submit replacement pages.

RESPONSE: Please see Attachment 2 – Revised Square Footage Chart and replacement pages R-15, R16, and R-32 in Attachment 3 – Replacement Pages.

3. **Section C. Economic Feasibility Item 1 (Project Cost Chart)**

Underwriting costs in the amount of $254,597 is noted. If this project is being financed through a commercial loan why are there underwriting costs?
RESPONSE: Underwriting costs have been included as an estimate of the loan origination fees, and related expenses, of the lender.

4. **Section C, Economic Feasibility, Item 2**

Please clarify if the proposed project will be financed by a tax exempt bond loan? If not, please specify what type of loan.

The CCRC Projected Data Chart reflecting an overall net operating loss in Year One and Year Two of the proposed project is noted. Please indicate when non-cash expenses are added back in, the project is then financially feasible. Please discuss in detail.

RESPONSE: The project is anticipated to be financed by a commercial loan either from, or arranged by, Zeigler. The confusion as to the type of financing may be related to the fact that while Zeigler does in fact originate tax-exempt bond financings, it also provides other types of financings for its clients, including commercial loans and HUD financings.

The Applicant acknowledges that the chart still projects a loss, however, the Applicant has been very conservative in its calculations and believes the project will be self-sufficient by the end of Year Three with more than adequate financial ratios, based on discussions with financial advisors experienced in these types of projects.

5. **Section C, Economic Feasibility, Item 6.a. and 6.b.**

The applicant has provided a revised Projected Data Chart. On the bottom of Replacement page 34 the applicant indicates an average daily census of 60.5 patients on 22,671 patient days in year One. However, the average daily census should be 62.11 days. Please revise all parts of the application to reflect the new Projected Data Chart information.

RESPONSE: Please see Attachment 3 – Replacement Pages for replacement pages R-29, R-32, R-34, and R-35.

6. **Section C, Economic Feasibility, Item 9**

The following chart provided in supplemental one did not match the revised Projected Data Chart. Please complete the following chart for the first year of operation using the revised Projected Data Chart.

Payor	Gross Revenue	% of Total Revenues

SUPPLEMENTAL #2
September 1, 2015
8:15 am

Medicare	$4,176,326	41.95%
Medicaid/TennCare	N/A	N/A
Commercial insurance	$3,867,046	38.96%
Self-Pay	$2,068,423	19.10%
Total	$10,111,794	100%

7. **Section C. Contribution to the Orderly of Health Care, Item. C.3.**

A staffing chart was provided in supplemental one. However, please complete the following staffing chart by position representing all employees providing direct patient care services for the first year after project completion.

Positions	Existing FTE's	Proposed FTE's
Nurse's Aid	30.9	32.1
Registered Nurses	5.15	5.35
Licensed Practical Nurses	15.45	16.05
Total	51.5	53.5

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60th) day after written notification is Friday October 23, 2015. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. э 68-11-1607(d):

(1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.

(2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and

SUPPLEMENTAL #2
September 1, 2015
8:15 am

placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

Phillip M. Earhart

Enclosure/PME

SUPPLEMENTAL #2

September 1, 2015
8:15 am

AFFIDAVIT

SUPPLEMENTAL #2
September 1, 2015
8:15 am

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF Davidson

NAME OF FACILITY: Asbury Place at Kingsport

I, Marjorie Shonnard, 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.

COO, Asbury, Inc.
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 31st day of August, 2015, witness my hand at office in the County of Davidson, State of Tennessee.

NOTARY PUBLIC

My commission expires September 11, 2017.

CYNTHIA A. EVANS
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY
My Commission Expires SEPT. 11, 2017

HF-0043

Revised 7/02

SUPPLEMENTAL #2

September 1, 2015
8:15 am

Attachment 1 – Replacement Bed Complement Data Chart

9. ***Bed Complement Data***

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

	Current Beds Licensed	*CON	*Staffed Beds*	*Beds Proposed*	*TOTAL Beds at Completion*
A. Medical					
B. Surgical					
C. Long-Term Care Hospital					
D. Obstetrical					
E. ICU/CCU					
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric					
I. Geriatric Psychiatric					
J. Child/Adolescent Psychiatric					
K. Rehabilitation					
L. Nursing Facility (non-Medicaid Certified)		0	0	0	0
M. Nursing Facility Level 1 (Medicaid only)					
N. Nursing Facility Level 2 (Medicare only)	67	0	67	0	67
O. Nursing Facility Level 2					
P. ICF/MR					
Q. Adult Chemical Dependency (Detox)					
R. Child and Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
TOTAL	**67**	**0**	**67**	**0**	**67**

*CON-Beds approved but not yet in service

10. **Medicare Provider Number** 445481

Certification Type Skilled Nursing Facility

11. **Medicaid Provider Number** N/A

Certification Type N/A

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

13. ***Identify all TennCare Managed Care Organizations/Behavioral Health Organization (MCOs/BHOs)*** **operating in the proposed service area. Will this project involve the treatment of TennCare participants?** No **. If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.**

7/3567127.8

SUPPLEMENTAL #2

September 1, 2015
8:15 am

Attachment 2 – Revised Square Footage Chart

SUPPLEMENTAL #2

September 1, 2015
8:15 am

SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost/ SF		
					Renovated	New	Total	Renovated	New	Total
Community Room					400		400			
Outpatient Services					1,700		1,700			
Administration					400	65	465			
Circulation										
Mech/Elec/Data										
Patient Rooms					9,400	6,050	14,400			
Activity Spaces					3,000	3,835	5,200			
Clinical Support					2,000	750	2,750			
Circulation					2,500	2,200	4,700			
Mech/Elec/Data					400	250	650			
				TOTALS	20,350	13,150	33,500			
B. Unit/Depart. GSF Sub-Total					17,450	10,900	28,150			
C. Mechanical/ Electrical GSF					400	250	650			
D. Circulation /Structure GSF					2,500	2,200	4,700	1,000	65	1,065
E. Total GSF					20,350	13,150	33,500	**$98.28**	**$190.11**	**$134.33**

SUPPLEMENTAL #2

September 1, 2015
8:15 am

Attachment 3 – Replacement Pages

The Applicant seeks to transition some of its nursing care services from being provided in its aging, almost all semi-private room nursing home, to a twenty-two bed household with a new and more home-like culture of resident-centered care.

The Applicant envisions making this transition by constructing a new nursing home household of twenty-two beds on the existing CCRC campus to be used primarily for long term care residents and renovating the existing nursing home facility to be used primarily to serve short-term rehab residents. The existing nursing home will operate the remaining 45 beds in a combination of 23 private and 11 semi-private rooms, maintaining the Applicant's current total of 67 licensed beds on its campus.

Construction of the new 22 bed "Long Term Care Household" building (the "LTCH") and renovation of the existing skilled nursing facility building (the "SNF"), which will be renovated into a 45-bed facility, will be started simultaneously. While construction of the LTCH is under way, renovation of the common areas of the SNF will be done. It is anticipated that the common area renovation in the SNF and the construction of the LTCH will take about the same amount of time, and once construction and licensure of the LTCH is complete, up to 22 patients will transition to the LTCH. At that time, renovation of the patient rooms in the SNF will begin, to be done in a systematic fashion as patients are temporarily moved within the SNF, creating minimal disruptions. While such a systematic renovation will take longer than renovating multiple rooms in the building at a time, the systematic approach will have a minimal impact on building occupancy, and therefore is projected to not materially impact the revenues of the Applicant during the project.

At the end of the renovation, the SNF will contain 45 beds in a combination of private and semi-private beds (which when added to the 22 beds in the LTCH will result in the same total (67 beds) as the Application is currently licensed to serve.

Project Cost, Funding and Feasibility

The total estimated project cost is $7,904,823, with construction costs totaling $5,114,536, or 64.70% of total cost. The construction cost is $134.33 per square foot. As discussed below, the new construction cost compares favorably with statewide nursing home construction projects from 2012-2014. The Applicant will finance the project with a loan from Ziegler, a long-time lender in the long-term care segment, as noted in the letter included with this application.

This project is economically feasible.

Staffing

The Applicant does not anticipate that it will hire more than a marginal number of additional staff members to accommodate the proposed project.

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

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

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

RESPONSE: The project involves new construction to add the 22 bed LTCH to the existing CCRC campus and the renovation of the SNF to bring it up to date. The finished new construction and renovation will consist of 33,500 square feet. The cost per square foot for the total space is approximately $190.11 for new construction and $98.28 for renovation.

The skilled nursing building is part of the overall senior housing and active adult community, and serves a key role in allowing the Applicant to offer a complete array of supportive and long-term care services to individuals in the community. This comprehensive continuum of services will allow individuals to "age in place" within the community that they have made the choice to call home. The comprehensive development concept avoids dislocation of that individual from their friends, spouse, or church community when their health needs require additional services, or care in a residential health care facility. The household model that Applicant proposes will enhance the lives of those served by allowing them to live in an environment that not only looks like a home but that lives like a home because it enables a resident to have the privacy, dignity, choices, and meaningful life style that their previous homes provided their entire lives.

Greystone Health Care Center	83.96%	79.88%	**	**
Holston Manor	85.49%	82.78%	**	**
Signature Healthcare of Rogersville	91.40%	98.74%	**	**
The Wexford House	96.51%	98.19%	**	**

Sources: 2012 and 2013 Tennessee Joint Annual Reports; Facility's Internal Records
**Through March 2015.*
***Information not currently available.*

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

RESPONSE: The following chart reflects the Applicant's average daily census by payor for the past three fiscal years, which end on March 31:

Applicant's Average Daily Census by Payor (2012-Present)

Payor	2012	2013	2014	2015*
Private Pay	31.77	34.20	31.67	29.88
Medicare	10.35	11.36	10.26	19.67
Managed Care	14.68	14.30	18.68	12.48
Total Patients:	**56.80**	**59.86**	**60.61**	**62.03**

Source: Applicant's internal records
**Through March 31, 2015*

The following chart contains the Applicant's projected annual utilization for the three years following completion of the project (2019 through 2021):

Applicant's Projected Average Daily Census by Payor (2019-2021)

Payor	2019	2020	2021
Private Pay	19.8	19.8	19.8
Medicare	21.6	21.7	21.7
Managed Care	20.7	20.7	20.7
Total Patients:	**62.1**	**62.2**	**62.2**

The projected utilization statistics above are based upon the Applicant's experience with and statistical data for the SNF.

3. Identify the funding sources for this project.

   Please check the applicable item(s) below and briefly summarize how the project will be financed. ***(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)***

   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; or

   ___ E Cash Reserves--Appropriate documentation from Chief Financial Officer.

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

   RESPONSE: The source of funding for the proposed project will be provided by Zeigler, a well-known provider of financing for senior living providers. Please see *Attachment Section C: Economic Feasibility – 2* for documentation from Zeigler.

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

   RESPONSE: The total estimated project cost is $7,904,823. Construction costs are $5,103,415, or 64.56% of total cost. The total new construction cost is $134.33 per square foot. As reflected in the table below, the total construction cost is below the median of $152.80 per square foot for statewide nursing home construction projects from 2012 to 2014.

Statewide Nursing Home Construction Cost Per Square Foot
2012-2014

	Renovated Construction	New Construction	Total Construction

Managed Care	$366.64	$379.86	$430.51	$442.35

The Applicant does not anticipate any changes to current charges as a result of the project beyond those indicated above.

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

RESPONSE: Below is a chart of the charges of similar facilities in Hawkins and Sullivan Counties:

Applicant's Proposed Charges as Compared to Existing Facilities in Hawkins and Sullivan Counties

Facility	Medicare	Medicaid	Private Room	Semi-Private Room
Hawkins County Facilities				
Applicant	$442.17	N/A	$207.20	$207.20
Church Hill Health Care and Rehab Center	$342	$158	N/A	$186-$200
Signature HealthCare of Rogersville	$217	$203-$217	$170	$170
Sullivan County Facilities				
Brookhaven Manor	$429	$142-$147	$200	$195
The Cambridge House	$300	$161	$170	$165-$225
Greystone Health Care Center	$425	$166-$178	$192	$192
Holston Manor*	$378	$133-135	$185	$185
Indian Path Medical Center Transitional Care Unit	$378	$133-135	$185	$185
The Wexford House	$435	$167-$185	$195-$200	$185-$200

Sources: 2013 Joint Annual Reports; Applicant's records
**Information from 2012 Joint Annual Report, no information provided in 2013 Joint Annual Report*

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

RESPONSE: The Applicant is projecting an average daily census of 62.11 patients or 22,671 patient days in Year 1, for an average annual occupancy rate of 92.7%.

The Applicant projects an average daily census of 62.2 patients or 22,714 patient days in Year 2, for an average annual occupancy rate of 92.8%. The projected utilization is sufficient to render the project financially feasible as discussed below.

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

   RESPONSE: The project is economically feasible. While the projections do not show positive operating revenue for the skilled nursing facility by the end of Year Two, the CCRC campus as a whole will have positive results. The scale of the skilled nursing facility on the CCRC is smaller than at Asbury's other Tennessee facility in Maryville, but the Board of Directors of Asbury determined that this project should be viewed as a part of the CCRC campus in its entirety, and that the renovations are beneficial to the community and financially feasible.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

   RESPONSE: The Applicant is a nonprofit corporation, and would note that, as stated in the notes to its most recent financial audit, and as indicated on its most recent IRS Form 990, the Asbury facilities have an active charity care program. Specific to the Kingsport facility, the Applicant provides benevolent care for residents in residential and assisted living units on this campus; however, this CCRC model is not intended to serve the medically indigent in a skilled nursing facility setting. The Applicant anticipates that Year One revenues will consist of approximately 41% Medicare, 39% managed care, and 19% private pay.

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

    RESPONSE: Please see *Attachment C: Economic Feasibility – 10*.

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

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

Supplemental #3
-Original-

The Asbury Place at Kingsport

CN1508-034

SUPPLEMENTAL #3

September 10, 2015
3:20 pm

State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364/Fax:615/532-9940

September 9, 2015

Michael D. Brent
Attorney
Bradley Arant Boult Cummings LLP
1600 Division Street, Suite 700
Nashville, TN 37203

RE: Certificate of Need Application, CN1508-034
Asbury Place at Kingsport

Dear Mr. Brent:

This will acknowledge our September 1, 2015 receipt of supplemental information to your application for a Certificate of Need for the construction of a building on Asbury Place at Kingsport's existing Continuing Care Retirement Community campus to house 22 of its skilled nursing beds and the renovation of its existing 67 bed facility into a 45 bed facility located at 100 Netherland Lane, Kingsport (Hawkins County), Tennessee 37203.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 4:00 p.m., Wednesday, September 9, 2015. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

---

1. **Section B, Project Description, Item II.A.**

   The revised square footage and cost per square footage chart is noted. However, there are calculation errors. Please revise.

   RESPONSE: Please see Attachment 2 – Revised Square Footage Chart

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60th) day after written notification is Friday October 23, 2015. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less

than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. э 68-11-1607(d):

(1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.

(2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

Phillip M. Earhart

Enclosure/PME

Attachment 2 – Revised Square Footage Chart

SUPPLEMENTAL #3

September 10, 2015
3:20 pm

SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost/ SF		
					Renovated	New	Total	Renovated	New	Total
Community Room					400		400			
Outpatient Services					1,700		1,700			
Administration					400	65	465			
Circulation										
Mech/Elec/Data										
Patient Rooms					9,400	6,050	14,400			
Activity Spaces					3,000	3,835	5,200			
Clinical Support					2,000	750	2,750			
Circulation					2,500	2,200	4,700			
Mech/Elec/Data					400	250	650			
				TOTALS	19,800	13,150	30,265			
B. Unit/Depart. GSF Sub-Total					17,450	10,900	28,150			
C. Mechanical/ Electrical GSF					400	250	650			
D. Circulation /Structure GSF					2,500	2,200	4,700			
E. Total GSF					20,350	13,350	33,500	**$98.28**	**$190.11**	**$134.33**

SUPPLEMENTAL #3
September 10, 2015
3:20 pm

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: Asbury Place at Kingsport

I, MICHAEL D. BRENT, 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.

MICHAEL D. BRENT, COUNSEL

Sworn to and subscribed before me, a Notary Public, this the 9th day of September, 2015, witness my hand at office in the County of Davidson, State of Tennessee.

NOTARY PUBLIC

CYNTHIA A. EVANS
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY
My Commission Expires SEPT. 11, 2017

My commission expires September 11, 2017.

HF-0043

Revised 7/02

Supplemental #4
-ORIGINAL-

ASBURY PLACE AT KINGSPORT

CN1508-034

BRADLEY ARANT BOULT CUMMINGS LLP

SUPPLEMENTAL

Michael D. Brent
Direct: 615.252.2361
Fax: 615.252.6361
mbrent@babc.com

September 25, 2015

Mr. Phillip M. Earhart
Health Services and Development Agency
502 Deaderick Street, 9th Floor
Nashville, Tennessee 37243

RE: Certificate of Need Application, CN1508-034
Asbury Place at Kingsport

Dear Phillip:

Enclosed please find the original and two copies of the pages we discussed regarding the above-referenced matter.

Should you have any questions or need anything further, please do not hesitate to contact me.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

Michael D. Brent

MDB/cae
Enclosure

7/3717736.2

State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364/Fax:615/532-9940

SUPPLEMENTAL

September 25, 2015

Michael D. Brent
Attorney
Bradley Arant Boult Cummings LLP
1600 Division Street, Suite 700
Nashville, TN 37203

RE: Certificate of Need Application, CN1508-034
Asbury Place at Kingsport

Dear Mr. Brent:

This will acknowledge our September 21, 2015 receipt of supplemental information to your application for a Certificate of Need for the construction of a building on Asbury Place at Kingsport's existing Continuing Care Retirement Community campus to house 22 of its skilled nursing beds and the renovation of its existing 67 bed facility into a 45 bed facility located at 100 Netherland Lane, Kingsport (Hawkins County), Tennessee 37203.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 4:00 p.m., Wednesday, September 29, 2015. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

---

1. **Section B, Project Description, Item II.A.**

   The revised square footage and cost per square footage chart is noted. However, there are calculation errors. Please revise and resubmit. In addition, please provide application replacement pages (15,16,32) noting the revised calculations.

   RESPONSE: Please see Attachment 2 – Revised Square Footage Chart, along with Attachment 3, being replacement pages R-15, R-16 and R-32, which reflect the numbers as changed on the Revised Square Footage Chart.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60th) day after written notification is Friday October 23, 2015. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact

SUPPLEMENTAL

person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. ɔ 68-11-1607(d):

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(2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

Phillip M. Earhart

Enclosure/PME

AFFIDAVIT

SUPPLEMENTAL

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: Asbury Place at Kingsport

I, MICHAEL D. BRENT, 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.

MICHAEL D. BRENT, COUNSEL

Sworn to and subscribed before me, a Notary Public, this the 1258th day of September, 2015, witness my hand at office in the County of Davidson, State of Tennessee.

NOTARY PUBLIC

CYNTHIA A. EVANS
STATE OF TENNESSEE
NOTARY PUBLIC
DAVIDSON COUNTY
My Commission Expires SEPT. 11, 2017

My commission expires September 11, 2017.

HF-0043

Revised 7/02

Attachment 2 – Revised Square Footage Chart

SUPPLEMENTAL

SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

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Patient Rooms					9,400	6,050	15,450			
Activity Spaces					3,000	3,835	6,835			
Clinical Support					2,000	750	2,750			
Circulation										
Mech/Elec/Data										
				TOTALS						
B. Unit/Depart. GSF Sub-Total					16,900	10,700	27,600			
C. Mechanical/ Electrical GSF					400	250	650			
D. Circulation /Structure GSF					2,500	2,200	4,700			
E. Total GSF					19,800	13,150	32,950	**$101.01**	**$197.98**	**$154.88**

SUPPLEMENTAL

7/3567127.9

SEP 28 '15 PM 10:21

SUPPLEMENTAL

Attachment 3 – Replacement Pages

SUPPLEMENTAL

The Applicant seeks to transition some of its nursing care services from being provided in its aging, almost all semi-private room nursing home, to a twenty-two bed household with a new and more home-like culture of resident-centered care.

The Applicant envisions making this transition by constructing a new nursing home household of twenty-two beds on the existing CCRC campus to be used primarily for long term care residents and renovating the existing nursing home facility to be used primarily to serve short-term rehab residents. The existing nursing home will operate the remaining 45 beds in a combination of 23 private and 11 semi-private rooms, maintaining the Applicant's current total of 67 licensed beds on its campus.

Construction of the new 22 bed "Long Term Care Household" building (the "LTCH") and renovation of the existing skilled nursing facility building (the "SNF"), which will be renovated into a 45-bed facility, will be started simultaneously. While construction of the LTCH is under way, renovation of the common areas of the SNF will be done. It is anticipated that the common area renovation in the SNF and the construction of the LTCH will take about the same amount of time, and once construction and licensure of the LTCH is complete, up to 22 patients will transition to the LTCH. At that time, renovation of the patient rooms in the SNF will begin, to be done in a systematic fashion as patients are temporarily moved within the SNF, creating minimal disruptions. While such a systematic renovation will take longer than renovating multiple rooms in the building at a time, the systematic approach will have a minimal impact on building occupancy, and therefore is projected to not materially impact the revenues of the Applicant during the project.

At the end of the renovation, the SNF will contain 45 beds in a combination of private and semi-private beds (which when added to the 22 beds in the LTCH will result in the same total (67 beds) as the Application is currently licensed to serve.

Project Cost, Funding and Feasibility

The total estimated project cost is $7,904,823, with construction costs totaling $5,103,445, or 64.56% of total cost. The construction cost is $154.88 per square foot. As discussed below, the new construction cost compares favorably with statewide nursing home construction projects from 2012-2014. The Applicant will finance the project from tax-exempt bonds as shown by documentation from the issuing authority included with this application.

This project is economically feasible.

Staffing

The Applicant does not anticipate that it will hire additional staff to accommodate the proposed project.

SUPPLEMENTAL

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

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

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

RESPONSE: The project involves new construction to add the 22 bed LTCH to the existing CCRC campus and the renovation of the SNF to bring it up to date. The finished new construction and renovation will consist of 32,950 square feet. The cost per square foot for the total space is approximately $154.88 based on total project cost, $197.98 for new space and $101.01 for renovation.

The skilled nursing building is part of the overall senior housing and active adult community, and serves a key role in allowing the Applicant to offer a complete array of supportive and long-term care services to individuals in the community. This comprehensive continuum of services will allow individuals to "age in place" within the community that they have made the choice to call home. The comprehensive development concept avoids dislocation of that individual from their friends, spouse, or church community when their health needs require additional services, or care in a residential health care facility. The household model that Applicant proposes will enhance the lives of those served by allowing them to live in an environment that not only looks like a home but that lives like a home because it enables a resident to have the privacy, dignity, choices, and meaningful life style that their previous homes provided their entire lives.

SUPPLEMENTAL

2. Identify the funding sources for this project.

Please check the applicable item(s) below and briefly summarize how the project will be financed. ***(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)***

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; or

___ E Cash Reserves--Appropriate documentation from Chief Financial Officer.

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

RESPONSE: The source of funding for the proposed project will be provided by Zeigler, a well-known provider of financing for senior living providers. Please see *Attachment Section C: Economic Feasibility – 2* for documentation from Zeigler.

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

RESPONSE: The total estimated project cost is $7,904,823. Construction costs are $5,103,415, or 64.56% of total cost. The total new construction cost is $154.88 per square foot. As reflected in the table below, the total construction cost is below the 3rd quartile of $174.53 per square foot for statewide nursing home construction projects from 2012 to 2014.

Statewide Nursing Home Construction Cost Per Square Foot
2012-2014

	Renovated Construction	New Construction	Total Construction