

Notice of Proposed Submission and Request for Consent by:

Little Sisters of the Poor of Los Angeles

Re: Asset Purchase Agreement

with

G and E Healthcare Services. L.L.C. (Or Its Nominee)

Prepared for the

Office of the Attorney General

California Department of Justice

Healthcare Rights & Access Section

DESCRIPTION OF THE TRANSACTION

(Cal Code Regs., tit. 11, sec 999.5(d)(1))

Section 999.5(d)(1)(A) Full description of the proposed agreement and transaction

Little Sisters of the Poor of Los Angeles, a California nonprofit public benefit corporation (“Seller”) and G and E Healthcare Services, L.L.C., a California limited liability company (“Purchaser” or “G and E”) executed an Asset Purchase Agreement on May 26, 2021 (“Agreement”) whereby Purchaser or its nominee will purchase the Land, the Improvements and the Nursing Facility known as Jeanne Jugan Residence (“JJR” or the “Home”).

The Parties

Little Sisters of the Poor of Los Angeles

Little Sisters of the Poor of Los Angeles is the legal entity that owns and operates the Home known as Jeanne Jugan Residence. The Roman Catholic Congregation of the Little Sisters of the Poor founded and sponsors JJR as part of its mission to serve the elderly poor. Currently the Little Sisters sponsor twenty-two Homes in the United States, as well as a number of charitable corporation in places where the Little Sisters formally sponsored Homes. Each of the Homes is organized as a nonprofit corporation under state law and is recognized as a public charity under Section 509(a) of the Internal Revenue Code. In addition, the Little Sisters of the Poor sponsor Homes in thirty-two countries around the world.

Because of the mission of the Little Sisters of the Poor, virtually all of the residents are persons of modest means. A look at the 2020 audited financial statements shows that 49% of the operating revenue came from the Little Sisters’ fundraising efforts (\$3,449,477.00) as a percentage of \$7,043,990.00 total operating revenue. Without public support for their mission, the Little Sisters would not be able to provide the quality of care they do for the residents they serve.

G & E Healthcare Services, L.L.C. **REDACTED**

G & E Healthcare Services, L.L.C. is one of a number entities owned and managed by Grace Mercado and her husband Rupert Ouano.

The list of entities owned and operated by Grace and Rupert are the following:

1. Saint Cabrini Healthcare Services, Limited Liability Company [EIN -]
 - a. Members: Grace Mercado and Ruperto Ouano
 - b. Corporate Office Entity

2. G and E Healthcare Services, LLC, D/B/A Astoria Nursing and Rehabilitation Center [EIN -]

- a. Members: Grace Mercado and Ruperto Ouano
 - b. Skilled Nursing and Rehabilitation Facility
3. Gem Healthcare, LLC, D/B/A Gem Transitional Care Center [EIN - ~~22-0322065~~]
- a. Members: Grace Mercado and Ruperto Ouano
 - b. Skilled Nursing and Rehabilitation Facility
4. G&R Alameda Healthcare Services, LLC, D/B/A Crown Bay Nursing and Rehabilitation Center [EIN - ~~32-2000067~~]
- a. Members: Grace Mercado and Ruperto Ouano
 - b. Skilled Nursing and Rehabilitation Facility
5. G & R Capital Group, LLC – (Astoria Nursing & Rehabilitation property) [EIN - ~~20-2222122~~]
- a. Members: Grace Mercado and Ruperto Ouano
 - b. Entity that owns Astoria Nursing and Rehabilitation assets
6. Gem Land, LLC – (Gem Transitional Care Center property) [EIN - ~~22-1022114~~]
- a. Members: Grace Mercado and Ruperto Ouano
 - b. Entity that owns Gem Transitional Care Center assets.
7. GSM Healthcare Services, LLC, D/B/A Helen Evans Home/Walbrook House [EIN - ~~81-1111012~~]
- a. Member: Grace Mercado
 - b. Intermediate Care Facility for Developmentally Disabled Children and Adults
8. GSM Capital Group, LLC – (Helen Evans Home & Walbrook House property) [EIN - ~~81-1000102~~]
- a. Member: Grace Mercado
 - b. Entity that owns Helen Evans Home & Walbrook House assets
9. Triple G Enterprises, LLC [EIN - ~~20-5005514~~]
- a. Members: Grace Mercado and Ruperto Ouano
 - b. Business Consulting
10. 9 Gem Capital Group, LLC [EIN - ~~22-2000000~~]

- a. Members: Grace Mercado and Ruperto Ouano
 - b. Entity that will own the Little Sisters of the Poor assets in San Pedro
11. 9 Gem Enterprises, LLC – (LSP AL) [EIN - ~~81-2221-000~~]
- a. Members: Grace Mercado and Ruperto Ouano
 - b. Operating Entity for the Assisted Living Unit at the Little Sisters of the Poor Facility
12. 9 Gem Healthcare Services, LLC – (LSP SNF) [EIN - ~~81-2221-000~~]
- a. Members: Grace Mercado and Ruperto Ouano
 - b. Operating for the Skilled Nursing Unit at the Little Sisters of the Poor Facility.
13. GM Indianola, LLC – (corporate office bldg.) [EIN - ~~81-2221-000~~]
- a. Members: Grace Mercado and Ruperto Ouano
 - b. Corporate Office Building

In addition Grace Mercado has established a Foundation for charitable purposes:

- 14. Grace O Foundation - [EIN - ~~81-2221-000~~]

Exhibit 1 is a copy of the chart outlining the entities owned and managed by Grace Mercado and Ruperto Ouano.

Overview of the Agreement

The Little Sisters of the Poor entered into the Agreement on May 26, 2021 in which it is selling the land, the improvements and the Nursing Facility which consists in that certain 27-bed skilled nursing unit (“SNF”), that certain 62-bed Residential Care Facility for the Elderly (“RCFE” or “Assisted Living Unit” or “ALU”) ; those certain 14 independent living units (“ILU”) (**collectively “Nursing Facility”**) and substantially all of the Seller’s assets.

Key terms of the Agreement include:

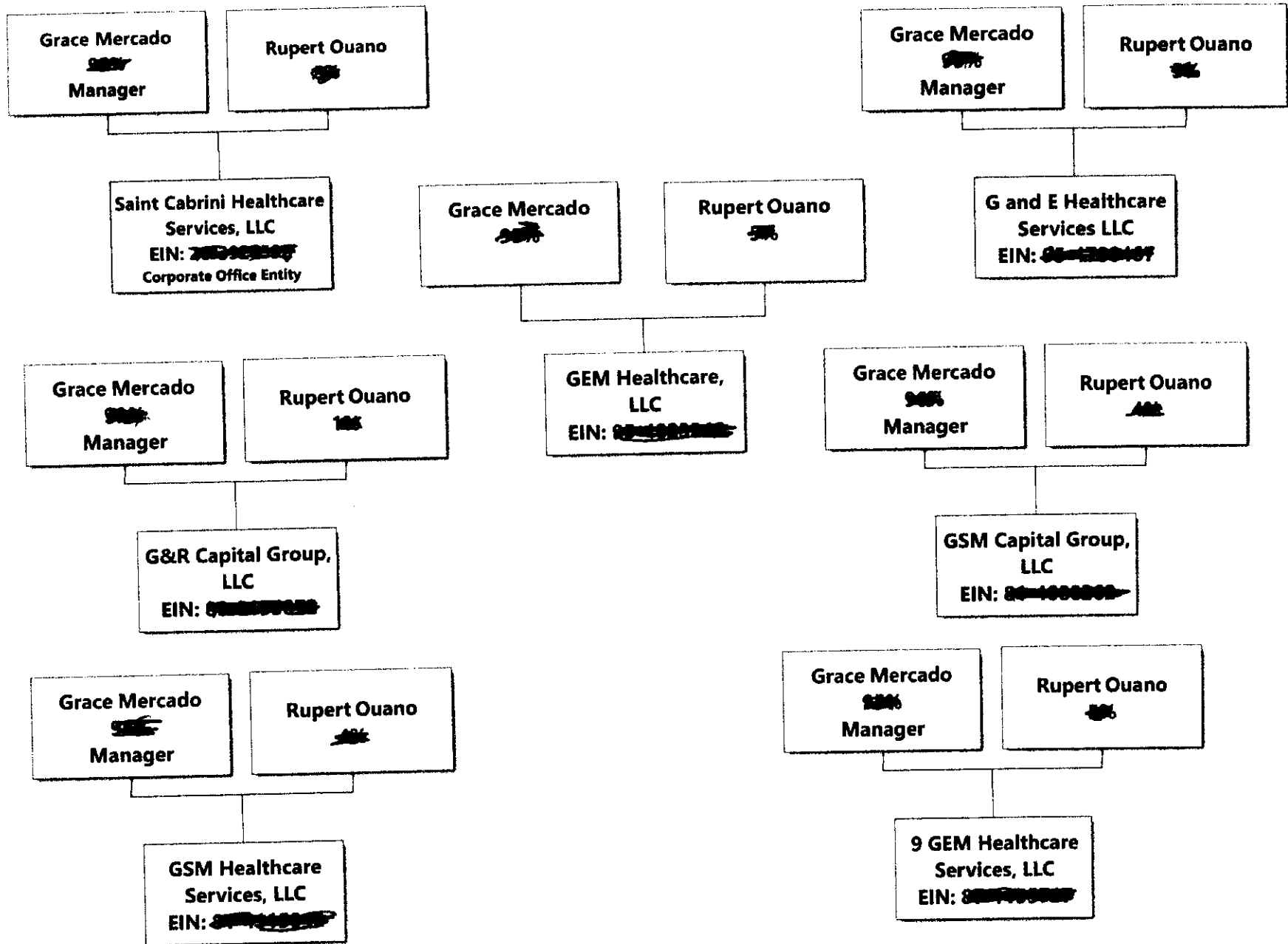
- a) Purchase Price. \$20,000,000.00
- b) Timing of Transaction. The Parties intend to close the transaction as soon as practicable following receipt of consent by all regulatory agencies including but not limited to the California Attorney General, as well as satisfaction of the other closing conditions set forth in the Agreement.

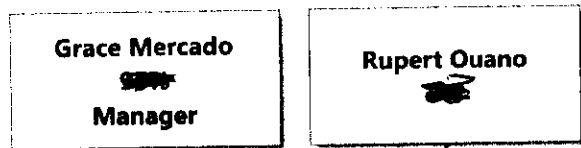
- c) Residents' Status at Closing. Purchaser agreed that the residents living in the Nursing Facility shall not be required to transfer to another facility because of financial considerations but will be allowed to continue to reside in the Home and to pay their current rates.

- d) Employees. The Purchase and/or the New Operator agrees to retain all of the employees ("**Retained Employees**") in the SNF, except for the Administrator and the Director of Nursing, for a minimum period of sixty (60) days after closing, will not terminate Retained Employees during this period except for cause, and will not reduce their wages and benefits during this period. In addition Purchaser and/or New Operator agrees to make a good faith effort to hire all of Seller's current employees.

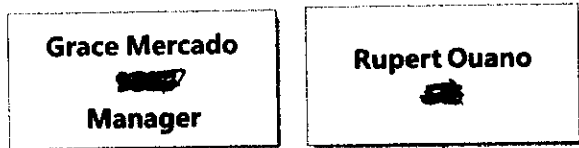
Exhibit 1

Section 999.5(d)(1)(A)

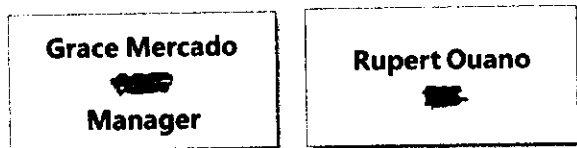




G&R Alameda
Healthcare Services,
LLC
EIN: ~~30-0000000~~



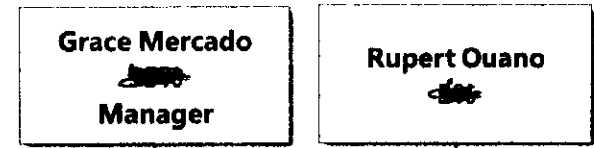
Triple G Enterprises,
LLC
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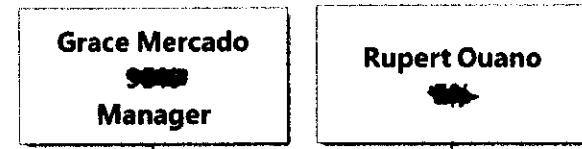
9 GEM Enterprises,
LLC
EIN: ~~8-0000000~~

Grace Mercado
100%

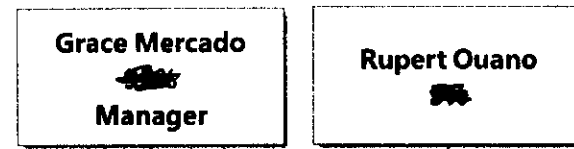
The Grace O
Foundation
EIN: ~~00-0000000~~



GEM Land, LLC
EIN: ~~27-0000000~~



9 GEM Capital
Group, LLC
EIN: ~~00-0000000~~



GM Indianola, LLC
EIN: ~~00-0000000~~
Corporate Office Entity

Section 999.5(d)(1)(B) Complete copy of all written agreements or contracts to be entered into by the applicant and transferee that relate to or effectuate any part of the proposed transaction.

Exhibit 2 is a copy of the Asset Purchase Agreement executed May 26, 2021 Also included are the First, Second and Third Amendments to the Asset Purchase Agreement whereby the Parties agreed to extend the due diligence period.

Exhibit 2

Section 999.5(d)(1)(B)

ASSET PURCHASE AGREEMENT

by and between

THE LITTLE SISTERS OF THE POOR OF LOS ANGELES,
A California Nonprofit Corporation

“Seller”

and

G and E HEALTHCARE SERVICES, LLC,
a California limited liability company

“Purchaser”

Dated as of: May 26, 2021

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ASSET PURCHASE AGREEMENT

This **ASSET PURCHASE AGREEMENT** (this “Agreement”), is made as of the **26th** day of **May, 2021** (the “Effective Date”), by and between **THE LITTLE SISTERS OF THE POOR OF LOS ANGELES**, a California nonprofit corporation (“Seller” and “Old Operator:), and **G and E HEALTHCARE SERVICES, LLC**, a California limited liability company, or its Nominee (the “Purchaser”).

WHEREAS Seller is currently the fee owner and operator of the Property (as defined herein) and the Nursing Home Facility (as defined herein);

WHEREAS Seller desires to sell and Purchaser desires to purchase the Purchased Assets (as defined herein) subject to the terms and conditions of this Agreement;

WHEREAS Purchaser intends on or before Closing (as defined below) of this Agreement to enter into a lease or leases or other similar agreement(s) (the “Lease”) with an Operator (“New Operator”), pursuant to which Purchaser will lease the Nursing Home Facility to New Operator, and New Operator shall be the operator of the Nursing Home Facility; and

WHEREAS in connection with the foregoing, the Old Operator shall on or before Closing of this Agreement enter into (i) a Management and Operations Transfer Agreement (“MOTA”) with New Operator, which shall provide the rights and obligations of the parties thereto relative to the transition of the operations of the SNF (as defined below) from Old Operator to New Operator, and (ii) an Interim Sublease and Interim Management Agreement (collectively, the “RCFE IMA/ISL”) relative to the transition of the operations of the RCFE (as defined below) from Old Operator to New Operator.

NOW THEREFORE, in consideration of the mutual covenants and provisions herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, intending to be legally bound, the parties hereto hereby covenant and agree as follows:

1. **Sale and Purchase of Purchased Assets; Assumption of Liabilities; Excluded Assets.**

(a) **Purchased Assets.** Subject to the provisions set forth herein, Seller hereby agrees to sell, convey, assign, deliver and transfer, free and clear of all claims, liens, deeds of trust, mortgages, easements, restrictions, encumbrances or security interests of any nature whatsoever (collectively, “Exceptions”) except for Permitted Exceptions (as herein defined), and Purchaser hereby agrees to purchase, acquire, accept and assume, upon the terms and conditions hereinafter set forth, all of Seller’s right, title and interest in and to all assets of Seller other than the Excluded Assets (as herein defined), including but not limited to the following (the “Purchased Assets”): (i) the real property and improvements located at 2100 South Western Avenue, San Pedro, California 90732 in the City and County of Los Angeles, California, as more particularly described in **Exhibit A** hereto, (the “Real Property”) along with all buildings and all other structures, facilities, fixtures and improvements presently or hereafter located in, on, to or about the Land (the “Improvements”), including without limitation, that certain 27-bed skilled nursing unit (“SNF”), that certain 62-bed Residential Care Facility for the Elderly (“RCFE” or

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“Assisted Living Unit” or “ALU”) ; and those certain 14 independent living units (“ILU”), all commonly known as Jeanne Jugan Residence, and located at 2100 S. Western Avenue, San Pedro, California 90732 (SNF, RCFE/ALU, and ILU are each individually a “Facility” and collectively, the “Nursing Home Facility”); (ii) all other items of personal property and fixtures, systems and equipment, attached or appurtenant to, located on or used in connection with the ownership, use, operation or maintenance of the Land, the Improvements and/or the Nursing Home Facility, including, but not limited to, those items set forth on **Schedule 1(a)(iii)** hereto (collectively, the “Personal Property” and collectively with the Land, the Improvements and the Nursing Home Facility, the “Property”); (iii) any unpaid award for (A) any taking by condemnation or (B) any damage to the Land or the Improvements by reason of a change of grade of any street or highway; (iv) all easements, licenses, rights and appurtenances relating to any of the foregoing; (v) the Warranties (as herein defined), (vi) the Permits (as herein defined and set forth on **Schedule 1(a)(viii)** hereto); (vii) all of the goodwill symbolized and associated with the Nursing Home Facility excluding the rights to any names utilized by the Seller in operating the Nursing Home Facility, including but not limited to, The Little Sisters of the Poor in Los Angeles, Jeanne Jugan Residence and St Anne’s Home for the Aged, except to the extent Purchaser is required to maintain any name of the Nursing Home Facility during the change of operator process, and (viii) any other assets of the Seller located at or used in connection with the Nursing Home Facility, including but not limited to, resident trust funds, original patient and resident records and patient and resident lists, including the right to possess such records and lists, records, files, suppliers’ lists, computer records, computer programs, practice protocols, contracts, agreements, schedules of assets, and all other materials and data, in any form (collectively the “Business Records”) and all consumable goods, inventory, equipment, instruments, tools, supplies, replacement parts, tools for maintenance and repair, office equipment, office machines, computer hardware and peripheral equipment, furniture and furnishings, including but not limited to, those listed on **Schedule 1(a)(iii)** attached hereto.

(b) **Assumption of Liabilities.** Purchaser shall not assume and shall not be liable, and Seller shall retain and remain liable, for any debts, liabilities or obligations of any kind or nature, at any time existing or asserted, whether or not accrued, whether fixed, contingent or otherwise, whether known or unknown, arising out of this or any other transaction or event, including, but not limited to the following: (i) liabilities or obligations of Seller to any of its creditors, shareholders or owners; (ii) liabilities or obligations of Seller with respect to any acts, events or transactions occurring prior to, on or after the Closing Date; (iii) liabilities or obligations arising under any contracts relating to any supplies or services provided to the Nursing Home Facility; (iv) liabilities or obligations arising or relating to the Seller’s operations of the Nursing Home Facility prior to the Closing Date; (v) liabilities or obligations of Seller for any federal, state, county or local taxes applicable to or assessed against Seller or the assets or business of Seller; (vi) any contingent liabilities or obligations of Seller, whether known or unknown by Seller and/or Purchaser; and (vii) any and all other liabilities or obligations whatsoever in connection with the Purchased Assets arising prior to the Closing Date. Unless specifically and unambiguously set forth herein to the contrary, Purchaser is not the successor to liability of Seller and is not herein assuming any liability arising from, out of, or relating to, Seller’s ownership of the Purchased Assets or the conduct of the business at the Nursing Home Facility prior to the Closing Date. Purchaser does not assume any payable of Seller, governmental claim or charge, malpractice, professional liability, resident rights violations, or

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violations of employee rights or contracts, whether such claims arise in law, equity, in tort, contract, from statute, common law, or from any other source or precedent.

(c) Excluded Assets. Seller shall retain the following assets (the “Excluded Assets”), which shall not be included in the definition of the “Purchased Assets” under this Agreement: (i) Seller’s rights arising under this Agreement or under any other agreement between Purchaser and Seller; (ii) all cash, cash equivalents, accounts receivable or short-term investments as of the Closing Date; (iii) all rights to refunds from whatever source including, without limitation, for taxes, fees, assessments and charges and those arising out of retrospective premium adjustments under Insurance Policies (as defined below) covering the Nursing Home Facility or the operations thereof for periods ending prior to the Closing Date; (iv) all casualty, general liability and other Insurance Policies which cover Seller, the Nursing Home Facility or the operations thereof; (v) corporate organizational documents, minute books, tax records and seals; (vi) all rights arising under any contracts relating to any supplies or services provided to the Nursing Home Facility unless such contracts are expressly assigned by Seller and assumed by Purchaser by a separate written assignment executed on or prior to the Closing Date; (vii) all donor lists and other materials related to fundraising by the Seller and the Little Sisters of the Poor; (viii) All rights to its name The Little Sisters of the Poor of Los Angeles, Jeanne Jugan Residence, St. Anne’s Home for the Aged, or any other derivations of said names under which the Nursing Home Facility has operated, except to the extent Purchaser is required to maintain any name of the Nursing Home Facility during the change of ownership process; and (ix) certain specific furniture, personal property, automobiles and computer hardware and software identified on Schedule 1(c).

2. Purchase Price; Closing Procedure.

(a) Purchase Price. The purchase price for the Purchased Assets (the “Purchase Price”) is **TWENTY MILLION DOLLARS (\$20,000,000.00)**. The Purchase Price shall be allocated as set forth in Exhibit B attached hereto. Each party agrees (i) to complete jointly and file separately Form 8594 with its federal income tax return consistent with such allocation for the tax year in which the Closing occurs, and (b) that no party shall take a position on any income, transfer, gains or other tax return, or before any federal, state or local governmental or quasi-governmental authority or in any judicial proceeding that is in any manner inconsistent with the terms of any such allocation.

(b) Payment of Purchase Price. Payment of the Purchase Price shall be made as follows:

(i) An earnest money deposit (“Deposit”) equal to **THREE HUNDRED FIFTY THOUSAND DOLLARS (\$350,000.00)** shall be delivered and deposited by Purchaser into an escrow (“Escrow”) to be opened with First American Title Company located at 4 American Way, Santa Ana, California 92702 (“Escrow Holder”) within three (3) business days after the Effective Date. The Deposit shall be held by the Escrow Holder in an interest-bearing escrow account subject to the terms and conditions herein. Purchaser and Seller will, promptly on Escrow Holder’s request, execute such additional escrow instructions (“Escrow Instructions”) as are reasonably required to consummate the transaction contemplated by this Agreement and are not inconsistent with the Agreement. Upon the Closing, the Deposit

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shall be applied against the Purchase Price. If this Agreement is terminated and Closing does not occur, the disposition of the Deposit shall be subject to the terms and conditions herein.

At the Closing, an amount, subject to adjustment or withholding pursuant to the terms of this Agreement, equal to the Purchase Price less the Deposit, shall be paid by Purchaser as follows: **NINETEEN MILLION SIX HUNDRED FIFTY THOUSAND DOLLARS (\$19,650,000.00)** by electronic wire transfer of immediately available funds, which must be delivered to Escrow Holder at least three (3) business days before the Closing, subject to the terms and conditions of this Agreement and subject to adjustment as set forth in **Section 2(a)**.

(c) **Closing Procedure.** Prior to the Closing Date, Purchaser and Seller shall provide to the Escrow Holder escrow instructions to open an escrow (“Escrow”) for the consummation of the sale of the Purchased Assets to Purchaser pursuant to the terms of this Agreement in accordance with the general provisions of the escrow instructions provided to the Escrow Holder by each of Purchaser and Seller at or prior to Closing. Provided that all conditions to Closing set forth in this Agreement have been satisfied or, as to any condition not satisfied, waived by the party intended to be benefited thereby, on the Closing Date, Escrow Holder shall conduct the Closing by recording or distributing the following documents and funds in the following manner:

(i) Record the Deed (as hereinafter defined) in the official records of the county in which the Land is located subject to Permitted Exceptions;

(ii) Deliver to Purchaser all documents that are required to be delivered by Seller to Purchaser pursuant to **Section 6(a)** hereof (to the extent the same shall be delivered to Title Company at or prior to the Closing);

(iii) Deliver to Seller all documents that are required to be delivered by Purchaser to Seller pursuant to **Section 6(b)** hereof (to the extent the same shall be delivered to Title Company at or prior to the Closing); and

(iv) Deliver the deposit portion of the Purchase Price to Seller, or Seller’s designee by wire transfer of immediately available funds.

3. **Time and Placing of Closing.** The closing of the transactions contemplated hereby (the “Closing”) shall take place as of 12:01 a.m. Pacific time on the first day of a month following the satisfaction of the closing conditions set forth in **Section 6** below, or such other date as mutually agreed upon by Purchaser and Seller (the “Closing Date”), in escrow through the Escrow Holder.

4. **Condition of the Property/Residents’ Status on Closing Date.**

(a) **Condition of Property.** Except as expressly set forth in **Section 9** of this Agreement and in the documents to be delivered at Closing, the Property (including the Land and Improvements thereon, the Nursing Home Facility and Personal Property) are being sold and purchased “AS IS, WHERE IS” with all faults or defects, and Seller makes no representations or warranties with respect to the Property (including the buildings and improvements thereon) and Personal Property or any warranty of merchantability or fitness of the Property (including the

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buildings and improvements thereon) and Personal Property for a particular purpose. Except for the agreements, representations, and warranties of Seller in **Section 9** or elsewhere in this Agreement and the right of Purchaser to rely thereon, Purchaser agrees to accept possession of the Purchased Assets at Closing on an “AS IS” basis .

(b) Residents’ Status on Effective Date. Purchaser agrees that the residents living in the Nursing Facility on the Closing date shall not be required to transfer to another Facility because of financial considerations but will be allowed to continue to reside in the Facility and to pay their current rates/per diem or monthly payments subject to reasonable increases, defined as increases that will not exceed increases in the consumer price index (“CPI”). Seller agrees that, from the date of execution of this Agreement until the Closing Date, Seller shall cooperate with Purchaser in the admission of residents to the Facility using the Purchaser’s criteria for admission. The obligations in this Paragraph 4(b) shall survive the Closing.

(c) Survey Deficiencies and Out of Compliance Issues. In the event a survey by any Health Care Authority occurs prior to the Closing Date while Seller is still the Old Operator and Manager, Seller shall be fully responsible for the cost of:

(i) any applicable fines and penalties;

(ii) any cited Life Safety Code deficiencies at the Nursing Home Facility that are required to be remedied;

(iii) subject to Old Operator using its reasonable best efforts to effect remedies through the use of in-house personnel and in-house consultants, the costs of third-party consultants reasonably engaged by Old Operator to remedy tags or deficiencies cited by the Health Care Authority needed to return the Nursing Home Facility to substantial compliance with applicable Healthcare Laws, and

(iv) any lost revenue suffered by New Operator in connection with residents admitted by Seller to the Facility where Medicare or Medi-Cal payments/reimbursements are thereafter disallowed (“DPNA”) or not made as a result of a Health Care Authority survey that occurred prior to the transfer of operations (collectively, “Deficiency Events”).

(v) If any Deficiency Events shall occur prior to the transfer of operations or if the Facility is Out of Compliance prior to the transfer of operations, the New Operator and Seller agree to cooperate and use reasonably commercial efforts to resolve by the Closing Date the Deficiency Events or the issues causing any part of the Nursing Home Facility to be Out of Compliance. With regard to events that pre-date the transfer of operations, Seller shall cooperate with the Purchaser and/or New Operator to develop a plan of correction reasonably necessary to achieve compliance (a “Plan of Correction”), and Seller shall bear the expense of (i) developing any Plan of Correction, and (ii) all consultants, materials and supplies necessary to implement the aspects of any Plan of Correction that pre-date the transfer of operations. In this regard, Purchaser, New Operator and Seller agree that Purchaser, the New Operator and Seller shall rely on internal staff of New Operator to the fullest extent possible in developing any such Plan of Correction. However, notwithstanding the foregoing, so long as the any part of the Nursing

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Home Facility remains licensed in the name of Seller, Seller shall retain ultimately authority to make decisions regarding, and to implement any plans of corrections or otherwise responding to any circumstances by which the Facility is Out of Compliance.

(vi) After the transfer of operations to the New Operator, the New Operator shall be responsible for any survey deficiency and/or any out of compliance issue caused by the New Operator in the operation of the Facility. Seller, Purchaser and New Operator will cooperate in taking the steps necessary to develop a Plan of Correction or other action to remedy the Out of Compliance issue. Notwithstanding the foregoing, if it is determined that the survey deficiency or Out of Compliance issue predates the assumption of operations by New Operator, then the Seller remains responsible for remedying the deficiency pursuant to the terms of this Section 4(c).

(vii) Purchaser and New Operator have no obligation to close the transaction contemplated herein if any part of the Nursing Home Facility is Out of Compliance prior to the Closing, nor do Purchaser and New Operator have any obligation to assist Seller in bringing the Facility into compliance so that it is no longer Out of Compliance except where new Operator caused the Nursing Home Facility to fall Out of Compliance pursuant to Section 4 in which case Seller, Purchaser and New Operator will cooperate to bring the Nursing Home Facility into compliance.

(viii) The provisions of this Section 4 shall survive the Closing.

(ix) “Out of Compliance” means that Seller has received prior to the date of transfer of operations notice of (A) a finding by a Governmental Authority of one or more deficiencies at the SNF at a “level G” or above in either (x) its most recent standard or complaint survey that has not found to have been corrected such that the Facility is found to be in “substantial compliance” with applicable Healthcare Laws by the applicable Governmental Authority, (y) any prior survey that includes a finding which requires a resurvey which resurvey has not taken place with a finding that the SNF was in substantial compliance, or (z) a finding by a Governmental Entity of one or more deficiencies at a “Level A” higher; (B) a finding by a Governmental Authority that any part of the Nursing Home Facility has deficiencies that have caused or are likely to cause serious harm, injury, impairment or death if not immediately rectified to resident health and safety that has not found to have been corrected by the applicable Governmental Entity; (C) a recommendation by a Health Care Authority to the Centers for Medicare and Medicaid Services (“CMS”) or other Governmental Entity for the imposition against the Facility of civil monetary penalties, or the imposition of same by CMS; and (D) a denial of the Facility’s right to admit patients or to receive Medi-Cal payments or reimbursements for existing patients or for new admissions, at the Facility.

5. **Due Diligence; Title and Survey; Title Defects; Regulatory Approvals.**

(a) “Due Diligence Period”; Site Inspection. For forty-five (45) days after the Effective Date, Purchaser shall have the right, at reasonable times and on reasonable prior notice to Seller, to enter upon the Property to conduct such inspections, investigations, tests and studies as Purchaser shall deem necessary, including, without limitation, environmental site assessments, engineering tests and studies, physical examinations of the Property, due diligence investigations

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and feasibility studies. To the extent Purchaser hires any third-party site inspectors, engineers or other parties that will invasively inspect and/or test the Property, Purchaser shall first ensure that such third party(ies) have reasonable and customary insurance covering any potential damage done to the Property as a result of such inspection/testing. Purchaser shall be solely responsible for any and all fees and costs incurred in connection with said inspections and tests and shall indemnify and hold Seller harmless from any liability, claims or liens in connection therewith. Purchaser shall also have the right to tour the Nursing Home Facility, to review the books and records related to the financial condition and the operations thereof and to observe the day-to-day operations and management thereof. This Agreement shall be subject to the condition that Purchaser shall be satisfied, in its sole and absolute discretion, with the physical and environmental condition of the Property and all improvements thereon, as well as the financial condition and operations of the Facilities by the end of the Due Diligence Period and that an agreement with New Operator, in a form acceptable to Purchaser in its sole discretion, will be entered into prior to or at Closing. If Purchaser shall not be so satisfied for any reason whatsoever and Purchaser notifies Seller thereof in writing on or prior to 5:00 p.m. Pacific time on the day that is forty-five days (45) days after the Effective Date, this Agreement shall be null and void and the Escrow Holder shall refund the Deposit to the Purchaser. If Purchaser fails to give such notice to Seller, it shall be conclusively presumed that Purchaser is satisfied with its due diligence review and this contingency shall be deemed satisfied, this Agreement shall continue in full force and effect.

(b) Due Diligence Materials. Within twenty (20) days after the Effective Date, Seller shall deliver to Purchaser copies of all of the Due Diligence Materials. “Due Diligence Materials” shall mean the items listed on Exhibit C.

(c) Title.

(i) As part of the Due Diligence Materials, Seller shall provide a preliminary report of title insurance for the Property (the “Preliminary Report”) issued by First American Title Company covering the real property together with a copy of all exceptions to title shown in the Preliminary Report. Within fifteen (15) business days following the Effective Date, Purchaser shall order from the Title Company a commitment (the “Title Commitment”) a title insurance policy (the “Title Policy”), dated or updated to the Closing Date, insuring or committing to insure, at its ordinary premium rates, Purchaser’s good and marketable title in fee simple to the Property subject only to the Permitted Exceptions (as hereinafter defined) including an endorsement as to compliance with parking requirements) which must specifically state that the use of the Nursing Home Facility and the Land are “permitted uses” under the governing zoning ordinance, and such other endorsements as Purchaser may reasonably require.

(ii) Seller agrees to convey the Property, and Purchaser agrees to purchase the same, free and clear of all liens and encumbrances other than the Permitted Exceptions. As used in this Agreement, the term “Permitted Exceptions” shall mean all matters set forth on Exhibit D hereto, and any other liens and encumbrances accepted or deemed accepted by Purchaser as provided in Section 5(d) hereof.

(d) Title Defects. On or before the expiration of the Due Diligence Period, Purchaser shall notify Seller of any matters shown on the Title Commitment which do not

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constitute Permitted Exceptions or any Survey Defects (such exceptions and Survey Defects referred to herein as the “Title Defects”). Within three (3) days after receipt of Purchaser’s notice, Seller may elect in its sole discretion, by written notice to Purchaser, to either (i) undertake at its expense to cure such Title Defects prior to the Closing (“Seller’s Election”), or (ii) not cure such Title Defects. Seller’s failure to deliver such notice shall be deemed an election by Seller not to cure such Title Defects. In the event that Seller does not elect to cure (or is deemed to have elected not to cure) such Title Defects, Purchaser may, by notice to Seller on or prior to Closing (a) terminate this Agreement, in which event Purchaser shall receive a refund of the Deposit and all parties shall be relieved of any further obligations or liabilities hereunder, or (b) indicate to Seller that, notwithstanding the Title Defects described in this **Section 5(d)**, Purchaser shall not terminate this Agreement as a result of such Title Defects (such Title Defects, as well as any matters shown in the Title Commitment to which Purchaser does not object as permitted herein, being thereafter deemed as Permitted Exceptions hereunder); provided, however, that Purchaser’s failure to notify Seller of its intentions pursuant to this sentence shall be deemed Purchaser’s intention to proceed under subsection (b) hereof. Notwithstanding the foregoing, Purchaser shall not be required to object to, and Seller shall be required to pay off at the Closing, any and all title exceptions or encumbrances that may be cleared through the payment of money, including without limitation, any financing secured by a mortgage covering the Property, any mechanic’s or materialmen’s liens, any tax or judgment lien. Purchaser shall, at or prior to Closing, notify Seller in writing of any objection to title (i) raised by the Title Company between the expiration of the Due Diligence Period and the Closing and (ii) not disclosed by the Title Company or otherwise actually known to Purchaser prior to the expiration of the Due Diligence Period. If Purchaser sends such notice to Seller, Purchaser and Seller shall have the same rights and obligations with respect to such notice as apply to the initial Title Defects set forth above.

(e) Regulatory Approvals. Following the execution of this Agreement, Purchaser shall use commercially reasonable efforts to cause New Operator, as applicable, to take such steps, which may be taken prior to the Closing, in order to obtain on or after the Closing all governmental, quasi-governmental and other regulatory approvals that are required as a result of the transactions contemplated in this Agreement, the MOTA, and the RCFE IMA/ISL including without limitation, the submission with the California Department of Public Health (“CA DOH”) of an application for licensure with respect to operation of the SNF and the submission with the California Department of Social Services (“CA DSS”) of a Change of Operator application for licensure with respect to operation of the RCFE (collectively, the “License”) as expeditiously as possible. Within five (5) days of the termination of the Diligence Period, Purchaser shall file with CA DSS a Change of Manager application (the “CHOM”) to become a co-licensee and Manager for the RCFE. Upon approval of the CHOM, the RCFE IMA/ISL shall become effective and the RCFE IMA/ISL shall terminate on the Closing Date. Within thirty (30) days of approval by CA DSS of the CHOM, Purchaser shall file with CA DSS a full Change of Ownership application to obtain the License for the RCFE in its own name (the “RCFE CHOW”). On or within thirty (30) days of the Effective Date, Purchaser agrees to file a full Change of Ownership Application with CA DOH for the SNF to obtain the License related to the SNF solely in Purchaser’s name (the “SNF CHOW”). Seller agrees to use best efforts to cooperate with Purchaser and New Operator, as the case may be, in obtaining the License as well as the certification required for the SNF to participate in the California Medicaid reimbursement program (“Medi-Cal”). Seller also agrees, that following the execution of this Agreement, it shall

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promptly seek to obtain all legally-required approvals for the consummation of the transaction contemplated hereby, including but not limited to, compliance with California Corporation Code secs. 5914 et seq. relating to notice to and consent by the California Attorney General and approval of the transaction by the Holy See for the sale of Seller's patrimony (Property) as required by the Roman Catholic Church. At least ninety (90) days prior to Closing, Seller shall send written notice of the transfer of operations of the SNF contemplated under this Agreement to all of the residents of the SNF (the "SNF Transfer Notice"). The SNF Transfer Notice shall include all of the information required under Section 1267.61(a) of the California Health and Safety Code (the "Transfer Notice Act"). On or before the Closing Date, concurrently with the delivery of the SNF Transfer Notice, Seller shall post a copy of the Transfer Notice on all entrance and exit doors of the SNF. If Seller fails to comply with its obligations under the Transfer Notice Act, then Seller shall be solely responsible for any fines and penalties mandated by the Transfer Notice Act for such violations. No later than thirty (30) days prior to the Closing, Seller shall (1) submit a notice to CA DOH regarding the proposed transaction and the anticipated Closing Date and (2) notify each resident (or his or her legal representative) at the RCFE of the proposed transaction in accordance with all applicable laws and regulations ("RCFE Transfer Notice"), in a customary form presented by the Seller and reasonably approved by Purchaser, duly executed by the Seller (and, to the extent requested by Purchaser, either counter-signed by Purchaser or attaching an additional letter from Purchaser that is reasonably acceptable to Seller), advising CA DOH, the residents or their legal representatives of the change in ownership of the RCFE that will occur at the Closing Date.

6. Conditions to Closing.

(a) Purchaser's Conditions. Subject to Purchaser's termination rights herein, including but not limited to those set forth in Sections 5(a), 5(d), 11 and 13, Purchaser's obligation to consummate the transactions contemplated in this Agreement and pay the Purchase Price and accept title to the Property shall be subject to the following conditions precedent on and as of the Closing Date or the waiver thereof by Purchaser, which waiver shall be binding upon Purchaser only to the extent made in writing on or prior to the Closing Date.

(i) Possession of the Real Property shall be delivered to Purchaser free and clear of all written tenancies except as set forth on Schedule 6(a)(i) and other occupancies (other than any occupancy rights of any residents of the Nursing Home Facility) and the Purchased Assets shall be delivered to Purchaser free and clear of Exceptions except for Permitted Exceptions.

(ii) Seller shall deliver to Escrow Holder to be held in escrow in accordance with the terms of this Agreement, prior to the Closing Date the following, each of which shall be in form and substance required herein or as otherwise reasonably satisfactory to Purchaser:

(1) a California Grant Deed, in substantially the form annexed hereto as Exhibit E (the "Deed") with both a standard policy of title insurance and an ALTA owner's policy issued by First American Title Company insuring Purchaser's good title for the full amount of the purchase price;

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- (2) a Bill of Sale, in substantially the form annexed hereto as **Exhibit F** (the “Bill of Sale”);
- (3) a certified copy of a resolution of Seller’s board of directors authorizing the contemplated transaction and designating which corporate officers shall have the power to execute documents on behalf of the Seller and such other affidavits as may be reasonably required by the Title Company in connection with the conveyance of the Property;
- (4) counterpart signature pages to this Agreement and each of the Other Documents duly executed and acknowledged by Seller;
- (5) an assignment by Seller, in substantially the form annexed hereto as **Exhibit G** (the “Assignment and Assumption Agreement”), of all of Seller’s right, title and interest in, to and under:
 - (A) the Warranties (as defined below in clause (ii)(6));
 - (B) the Permits (as defined below in clause (ii)(7)); and
 - (C) any other of the Purchased Assets, the nature of which requires an assignment to be effectively transferred to Purchaser, including without limitation, the intangible property of the Seller;
- (6) copies of all guaranties or warranties then in effect, if any, with respect to the Improvements and the Personal Property to the extent assignable (the “Warranties”);
- (7) copies of all licenses, permits, certificates of occupancy and accreditations issued by any federal, state, municipal or local governmental authority relating to the occupancy or ownership of the Land and Improvements, including the Nursing Home Facility running to, or in favor of, Seller, to the extent legally assignable (including all modifications thereto or renewals thereof) (collectively, the “Permits”);
- (8) a complete set of keys and/or other access cards or information for the Improvements, appropriately tagged for identification;
- (9) the Foreign Investment in Real Property Tax Act affidavit in substantially the form annexed hereto as **Exhibit H**;
- (10) an IRS Form 1099 identifying Seller’s gross proceeds and Seller’s tax identification number, as required by the Title Company;
- (11) certificates, in form and substance reasonably acceptable to Purchaser, of a duly authorized officer of Seller or of its managing constituent to the effect that the representations and warranties of Seller set forth in this Agreement are true and complete on and as of the Closing Date;

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(12) certificates of a duly authorized officer of Seller or its managing constituent, dated on or prior to the Closing Date, to the effect that (A) Seller has been duly incorporated and is validly existing in good standing under the laws of the State of California, and is authorized to do business in the state in which the Property is located, (B) Seller has all requisite power and authority to perform the terms of this Agreement, (C) this Agreement (and all documents to be executed and delivered pursuant hereto (the “Other Documents”)) have been duly authorized, executed and delivered by Seller pursuant to all necessary resolutions or consents of the appropriate governing body of Seller, (D) appearing on said certificate are the true signatures of all persons who have executed this Agreement and the Other Documents on behalf of Seller and (E) the executing persons are fully authorized to act on behalf of Seller or its shareholders or directors, as applicable.

(13) such other documents required herein and such other customary closing documents required in Los Angeles County, and/or California, including any real estate transfer tax forms.

(iii) Purchaser shall have obtained, at Purchaser's expense, a survey of the Real Property and its Improvements before the Closing to assure that there are no defects, encroachments, overlaps, boundary line or acreage disputes, or other such matters, that would be disclosed by a survey (“Survey Defects”) and Seller shall have remedied any such Survey Defect prior to the Closing Date.

(iv) Purchaser and New Operator shall have entered into and consummated the transactions contemplated under the Lease.

(v) New Operator shall have made application to obtain the License related to the SNF and the certifications required to participate in the Medicaid and other California Medi-Cal Assistance reimbursement programs.

(vi) Seller and New Operator shall have entered into and consummated the transactions contemplated under the MOTA.

(vii) Seller or Purchaser, as applicable, shall have obtained all legally-required approvals for the consummation of the transactions contemplated hereby and the continued operation of the Nursing Home Facility by the New Operator, including, but not limited to, the following:

- (1) Seller shall have obtained approval from the Holy See;
- (2) Seller shall have obtained approval from the California Attorney General to transfer the Nursing Home Facility;
- (3) Purchaser shall have obtained approval by the CA DSS of Purchaser's Change of Ownership Application for the RCFE;
- (4) Seller shall have posted the SNF Transfer Notice at least ninety (90) days prior to the Closing Date; and

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(5) Seller shall have posted the RCFE Transfer Notice at least thirty (30) days prior to the Closing Date.

(viii) From the date hereof until the Closing Date, there shall not have been any adverse change in the business prospects of the Nursing Home Facility.

(ix) On the Closing Date there shall not be any lawsuits filed or threatened against any of Seller or the Nursing Home Facility that might adversely affect the operation or financial condition of the Nursing Home Facility; nor shall there be any actions, suits, claims or other proceedings, pending or threatened, or injunctions or orders entered, pending or threatened against any of Seller or the Nursing Home Facility, to restrain or prohibit the consummation of the transactions contemplated hereby.

(x) Except as otherwise provided in this Agreement, from the date hereof until the Closing Date, there shall have been no material and adverse change in the condition of the Purchased Assets (or any portion thereof).

(xi) Except as otherwise provided in this Agreement, as of the Closing, the Nursing Home Facility shall be in compliance in all material respects with all Applicable Laws (as defined below).

(xii) All parts of the Nursing Home Facility must not be Out of Compliance.

(xiii) The Nursing Home Facility shall contain no less than 10 days of consumable goods necessary for the continued operation of the Nursing Home Facility.

(xiv) The Members and/or Managers of Purchaser and New Operator approved the transactions contemplated by this Agreement.

(xv) To the extent required under Applicable Laws and regulations, including the laws and regulations of the United State of America and the State of California, the Purchaser has amended Articles of Organization and Operating Agreement, and obtained all consents necessary in connection therewith, to permit the transaction contemplated by this Agreement.

(xvi) Seller shall have delivered to Purchaser a copy of its operating procedures manual for the Nursing Home Facility.

(xvii) Seller shall have filed or properly requested an extension for Medicaid or similar cost or third-party reports.

(xviii) The representations and warranties of Seller contained in this Agreement, including, without limitation, those representations and warranties in Section 9(u) of this Agreement, shall be true and complete as of the Closing Date.

(xix) There shall be no Quality Assurance Fees owed by the SNF to the California Department of Health Care Services ("QA Fees")

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(xx) Seller shall otherwise be in compliance with all terms, conditions, covenants and provisions of this Agreement.

(b) Seller's Conditions. Seller's obligation to consummate the transactions contemplated in this Agreement and deliver title to the Property shall be subject to the following conditions precedent on and as of the Closing Date to the reasonable satisfaction of Seller or the waiver thereof by Seller, which waiver shall be binding upon Seller only to the extent made in writing and dated as of the Closing Date.

(i) Purchaser shall deliver the full Purchase Price to Seller less any adjustments to Escrow Holder for payment to Seller upon close of escrow.

(ii) Purchaser shall deliver the following:

(1) certificates of a duly authorized officer of Purchaser or of its managing constituent, dated the Closing Date, to the effect that (A) Purchaser has been duly organized and is validly existing in good standing under the laws of the State of California and is authorized to do business in the state in which the Property is located, (B) Purchaser has all requisite power and authority to perform the terms of this Agreement, (C) this Agreement and the Other Documents have been duly authorized, executed, and delivered by Purchaser pursuant to all necessary resolutions or consents of the appropriate governing body of Purchaser, true and complete copies of which shall be attached to said certificate, and said consents remain in full force and effect, (D) appearing on said certificate are the true signatures of all persons who have executed this Agreement and the Other Documents on behalf of Purchaser and (E) the executing persons are fully authorized to act on behalf of Purchaser or its constituent partners or members, as applicable;

(2) a certificate of a duly authorized officer of Purchaser to the effect that the warranties and representations of Purchaser set forth in this Agreement are true and complete on and as of the Closing Date;

(3) counterpart signature pages to this Agreement and each of the Other Documents as applicable, duly executed and acknowledged by Purchaser, as and to the extent herein provided;

(iii) The representations and warranties of Purchaser contained in this Agreement shall be true and complete as of the Closing Date.

(iv) Purchaser shall otherwise be in compliance with all terms, conditions, covenants and provisions of this Agreement.

(c) Conditions Generally. The foregoing conditions are for the benefit only of the party for whom they are specified to be conditions precedent and such party may, in its sole discretion, waive any or all of such conditions and proceed with the Closing under this Agreement without any increase in, abatement of or credit against the Purchase Price, provided that such waiver is in writing and duly executed by such party. Notwithstanding anything to the contrary set forth in this Agreement, unless otherwise set forth in writing, if Purchaser and Seller close the transaction contemplated herein despite any conditions precedent remaining

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unsatisfied, then Purchaser and Seller, as applicable, shall be deemed to have waived any right to object to Closing with respect to such unsatisfied conditions precedent actually known to the parties, and no additional written document to such effect shall be required.

7. Apportionments; Post-Closing.

(a) Closing Prorations. The following items shall be apportioned at the Closing between periods prior to the Closing Date (which shall be Seller's obligation or benefit), and periods on and after the Closing Date (which shall be Purchaser's obligation or benefit), as of the Closing Date:

(i) Real estate taxes, assessments, personal property taxes, and water, vault and sewer charges and rents, as well as any other governmental charges or taxes assessed on the Property or the other Purchased Assets, based on the rates and assessed valuation applicable in the fiscal year for which assessed and the latest available tax duplicates and other invoices or evidence of such obligations. Seller and Purchaser agree to re-prorate taxes upon Purchaser's receipt of the actual tax bill for the tax year in question if the actual bills differ from the bills upon which the prorations are based as a result of a tax complaint, revaluation or otherwise. Purchaser shall be solely responsible for any supplemental taxes assessed upon the Purchaser's purchase of the Purchased Assets. This obligation to re-prorate shall survive the Closing.

(ii) All charges and payments for utility services; provided that if there is no meter or if the current bill for any of such utilities has not been issued prior to the Closing Date, then such charges shall be adjusted at the Closing on the basis of the charges for the prior period for which bills were issued and shall be further adjusted when the bills for the current period are issued; provided further, to the extent possible, Seller shall terminate its accounts with the utility service providers and Purchaser shall establish its accounts with such utility service providers effective on the Closing Date, in which event, there shall be no proration for such utility services.

All amounts allocable to periods prior to Closing pursuant to this Section 7(a) shall be paid and discharged by Seller at or prior to Closing (except as expressly provided otherwise).

(b) Insurance Policies. Unless otherwise agreed, no Insurance Policies of Seller are to be transferred to Purchaser, and no apportionment of the premiums therefore shall be made, in which event, Purchaser shall be responsible for securing its own insurance for the Property.

(c) Survival. The obligations of the parties hereto under this Section 7 shall survive the Closing.

8. Interim Operations. From the Effective Date until Closing, Seller shall: (a) maintain the Purchased Assets in substantially the same condition as they existed on the Effective Date, and not allow any deterioration of value to occur except for reasonable use with respect to the Purchased Assets; (b) maintain its current Insurance Policies in full force and effect; (c) during normal business hours and upon reasonable prior notice or at any time within forty-eight hours prior to the Closing, permit Purchaser and its representatives to inspect the Property and the other

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Purchased Assets, and to examine Seller's books and records relating to the ownership, construction, use, occupancy, management, operation and maintenance of the Property and the other Purchased Assets; (d) not enter into any contract which might become the obligation of Purchaser; (e) not create any lien or encumbrance upon or affecting title to the Property or the Purchased Assets except Permitted Exceptions; (f) not take any action which will or would cause any of the representations or warranties in this Agreement to become untrue or be violated; (g) perform all of its obligations in respect of the Property whether pursuant to any contracts, or other requirements affecting the Purchased Assets; (h) promptly inform Purchaser in writing of any material event which might adversely affect the ownership, use, occupancy, operation, management or maintenance of the Purchased Assets, whether or not insured against; and (i) not market, solicit, accept or provide factual information or negotiate with respect to, any offer to purchase any of the Purchased Assets from any person or entity other than Purchaser. At Closing, the Nursing Home Facility shall contain no less than 10 days of consumable goods necessary for the continued operation of the Nursing Home Facility post-Closing.

9. **Seller's Representations and Warranties.** Seller hereby makes the representations and warranties contained in this **Section 9** to Purchaser. These representations and warranties are made as of the date hereof and shall be deemed remade as of the Closing Date.

(a) **Organization and Authority.** Seller is a nonprofit corporation that validly exists under the laws of the State of California and is duly qualified to do business in the state in which the Property is located. Seller is the sole owner of the Purchases Assets and all rights appurtenant thereto of the Nursing Home Facility, no other persons own an option or right of first refusal to purchase the Purchased Assets, Seller has full power and right to enter into and perform the respective obligations under this Agreement and the Other Documents, including, without being limited to, conveying the Real Property and the other Purchased Assets, and Seller knows of no right, claim, or interest of any other person or entity in the Nursing Home Facility or the Purchased Assets. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby (i) have been duly authorized by all necessary action on the part of Seller, and (ii) will not result in the breach of any agreement, indenture or other instrument to which Seller is a party or is otherwise bound. This Agreement and each other agreement contemplated hereby to which Seller is a party constitutes its valid and legally binding obligation, enforceable in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally or (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

(b) **Non-Foreign Status.** Seller is a "non-foreign person" within the meaning of Section 1445 of the United States Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

(c) **Condition of the Property and Major Mechanical Components.** Seller is not aware of any existing material defective condition, structural or otherwise, with respect to the Property, except for those set forth in the Due Diligence Materials. In addition, Seller has not received any written notice during the twelve (12) months prior to the date of this Agreement from any insurance company which has issued a policy with respect to the Property or from any

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board of fire underwriters (or other body exercising similar functions) claiming any defects or deficiencies in the Property or suggesting or requesting the performance of any repairs, alterations or other work to the Property. The sewage or any waste-water systems, life safety systems, the incinerators, if any, and the heating or air conditioning equipment located on the Property are in normal operating condition given their age and prior use and the knowledge of the Seller are in compliance with applicable federal, state, or municipal laws, ordinances, orders, regulations or requirements. Seller has received no written notice that either of the sewage or any waste-water systems, life safety systems, incinerators, if any, or the heating or air conditioning equipment located on the Property violate any applicable federal, state, or municipal laws, ordinances, orders, regulations or requirements.

(d) Environmental Condition.

(i) Based on the information and belief of Seller, the operations of Seller with respect to the Nursing Home Facility and the Purchased Assets are currently and have been in compliance with all Environmental Laws. “Environmental Law” means any Applicable Laws, and any governmental order or binding agreement with any governmental authority: (a) relating to pollution (or the cleanup thereof) or the protection of natural resources, endangered or threatened species, human health or safety, or the environment (including ambient air, soil, surface water or groundwater, or subsurface strata); or (b) concerning the presence of, exposure to, or the management, manufacture, use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, production, disposal or remediation of any hazardous materials.

(ii) Seller has not received from any person or entity, with respect to the Nursing Home Facility or the Purchased Assets, any: (i) Environmental Notice or Environmental Claim; or (ii) written request for information pursuant to Environmental Law, which, in each case, either remains pending or unresolved, or is the source of ongoing obligations or requirements as of the Closing. “Environmental Notice” means any written directive, notice of violation or infraction, or notice respecting any Environmental Claim relating to actual or alleged non-compliance with any Environmental Law. “Environmental Claim” means any action, governmental order, lien, fine, penalty, or, as to each, any settlement or judgment arising therefrom, by or from any person or entity alleging liability of whatever kind or nature (including liability or responsibility for the costs of enforcement proceedings, investigations, cleanup, governmental response, removal or remediation, natural resources damages, property damages, personal injuries, Medi-Cal monitoring, penalties, contribution, indemnification and injunctive relief) arising out of, based on or resulting from: (a) the presence, release of, or exposure to, any hazardous materials; or (b) any actual or alleged non-compliance with any Environmental Law.

(iii) Seller has not generated, stored, released or disposed of any hazardous waste on the Property except in such quantities that are customary and legal in the operation of a nursing and assisted living facility and in full compliance with all Applicable Laws, and Seller has no knowledge of any previous or present generation, storage, release, disposal or existence of any hazardous waste on the Property. The term “hazardous waste” shall mean “hazardous waste”, “toxic substances” or other similar or related terms as defined or used from time to time in the Comprehensive Environmental Response, Compensation, and Liability

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Act of 1980, as amended (42 U.S.C. Sections 9601, *et seq.*), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, *et seq.*), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 6921, *et seq.*) and regulations adopted thereunder.

(iv) Purchaser shall obtain any and all environmental reports and/or studies that Purchaser deems necessary or prudent to evaluate the purchase of the Property including an environmental site assessment (“Phase 1”) for the Real Property in order to inform and assure Purchaser as to any environmental condition or hazardous materials on the Real Property and shall rely on Purchaser’s own environmental reports and studies in purchasing the Real Property.

(e) Special Assessments. Seller has no knowledge of any (i) pending or threatened special assessments affecting the Property or (ii) any contemplated improvements affecting the Property that may result in special assessments affecting the Property. There are no tax abatements, phase-ins or exemptions affecting the Property.

(f) Access to Property. Seller has no knowledge of any federal, state, county, municipal or other governmental plans to change the highway or road system directly adjacent to the Property or to restrict or change access from any such highway or road to the Property.

(g) Purchased Assets; Liens. All of the Purchased Assets are located at or on the Property. The Purchased Assets are sufficient to operate the Nursing Home Facility in the manner conducted by Seller as of the date hereof and as of the Closing Date. All of the assets necessary to operate the Nursing Home Facility are owned by the Seller and shall be conveyed to Purchaser pursuant to this Agreement. The Seller has good and marketable title to the Purchased Assets. The Purchased Assets are free and clear of all liens and encumbrances, other than Permitted Exceptions. The Purchased Assets include all buildings, machinery, equipment, and other tangible and intangible assets currently necessary in the operation of the Nursing Home Facility.

(h) Leases. Except as set forth on Schedule 6(a)(i), there are not currently, and as of the Closing Date there shall not be, any occupancy rights (written or oral), leases or tenancies presently affecting the Nursing Home Facility and the portion of the Property on which it is located, and any occupancy rights of any residents of the Nursing Home Facility.

(i) Permits. Seller currently maintains in good standing and full force all of the material certificates, licenses and permits from all applicable governmental authorities in connection with the ownership, use, occupancy, operation and maintenance of the Property and the Nursing Home Facility as necessary in connection with the current ownership, use, occupancy, operation and maintenance thereof.

(j) Intellectual Property. Other than the Seller’s trade names associated with the Nursing Home Facility, Seller does not own any material intellectual property in connection with or applicable to the Property or the other Purchased Assets, including any registered trade names, logotypes, trademarks or copyrights except for the intellectual property related to the Little Sisters of the Poor, the sponsoring religious community.

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(k) Required Consents. No consent, order, approval or authorization of, or declaration, filing or registration with, any governmental or regulatory authority is required in connection with the execution or delivery by Seller of this Agreement, or the performance of the transactions contemplated hereunder, except (i) the receipt by New Operator of a long term care facility license for the Nursing Unit from the CA DOH; (ii) the receipt by the New Operator of a license for the Assisted Living Unit from the CA DSS; (iii) consent from the California Attorney pursuant to California Corporation Code secs. 5914 et seq. (iv) approval from the Holy See; and (v) such other consents, if any, set forth on Schedule 9(k).

(l) Regulatory Notice. No notice has been received of any claim, requirement or demand of any licensing or certifying agency to rework or redesign the Nursing Home Facility so as to conform to or comply with any existing law, code or standard which has not been fully satisfied prior to the date hereof or which will not be satisfied prior to the Closing Date.

(m) Furniture. There are at the Nursing Home Facility a number of beds as well as accompanying furnishings equal to the maximum bed capacity as permitted under the Nursing Home Facility license. Each bed is in good repair and conforms with the minimum standards set forth under the regulations adopted by the CA DOH and all applicable federal, state and local laws and regulations. For each such bed, there also exist the minimum furnishings, fixtures and other accessories required by the CA DOH and all federal, state and local laws and regulations applicable to the Nursing Home Facility.

(n) Litigation and Other Proceedings. Except as set forth on Schedule 9(n), Seller is not aware of any pending or threatened litigation, investigations, claims, lawsuits, governmental actions or other proceedings, involving the Purchased Assets, the Property, the Improvements, the Nursing Home Facility or the operation thereof before any court, agency or other judicial, administrative or other governmental or quasi-governmental body or arbitrator. There are no outstanding governmental orders and no unsatisfied judgments, penalties or awards against, relating to or affecting the Purchased Assets, the Property, the Improvements, the Nursing Home Facility or the operation thereof. No event has occurred or circumstances exist that may give rise to, or serve as a basis for, any of the foregoing.

(o) ADA. Seller has not received notice from any individual, entity or federal, state, local governmental agency or official notifying it that the Community is in violation of, or in noncompliance with, the Americans with Disabilities Act (the "ADA"). Seller has not received any notice of a claim or potential claim under the Civil Rights Act of 1991 for any violation of the ADA

(p) Compliance with Applicable Laws.

(i) The Property (including any parking areas or facilities), the Nursing Home Facility and the other Purchased Assets have been and are presently used and operated in compliance in and with, and Seller is not aware that its operations violate any applicable federal, state or local statute, law, regulation, policy, ruling, zoning or other classification, interpretation, guideline, circular, judgment, rule, licensing requirement, ordinance, order, decree, permit or other directives or advice of any kind of any governmental authority, agency or instrumentality of any kind whatsoever affecting the Property, the Nursing

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Home Facility, the Purchased Assets or any part thereof, including without limitation, any statutes or laws pertaining to the services and care provided for the residents at the Nursing Home Facility, and any rules or regulations promulgated thereunder, as well as any thereof relating to wages, hours, hiring, promotions, retirement, working conditions, nondiscrimination, health, safety, pensions and employee benefits (“Applicable Laws”).

(ii) Based upon the information and belief of Seller, Seller has at all times complied with all Applicable Laws, including Healthcare Laws, and has not been charged with, received any notice of or, been under investigation or audit with respect to, any alleged default under, violation of or nonconformity with any Applicable Laws or any of Seller’s agreements or policies, or any restriction, condition, covenant, or commitment (“Restriction”) relating to or concerning Seller, the Nursing Home Facility, the Purchased Assets or the Nursing Home Facility’s facilities and assets, including all Applicable Laws and Restrictions regarding (i) employment and employment practices, unemployment compensation, worker’s compensation, terms and conditions of employment and wages and hours, discrimination in employment, or unfair labor practices, (ii) Benefit Plans, policies, arrangements, commitments or agreements, including the delivery of all notices, reports, descriptions and other communications to participants required by such laws, (iii) the environment, health, safety or hazardous substances, (iv) corrupt practices, anti-bribery, anti-kickback and other similar laws, or (v) the Immigration Reform and Control Act of 1986 and all related regulations promulgated thereunder. Seller has not conducted or initiated any internal investigation or made a voluntary, directed or involuntary disclosure to any governmental authority, agency or instrumentality with respect to any alleged act or omission arising under or relating to any noncompliance with corrupt practices, anti-bribery, anti-kickback and other similar laws. No officer, agent or employee, or other person or entity acting on behalf of Seller has made or promised to make, directly or indirectly, any improper payment or unlawful transfer of anything of value to any government official, governmental entity, any company owned or controlled by a governmental entity, any public international organization, political party or organization or official or candidate thereof, or any other person or entity, or offered, promised, accepted, or received any unlawful payments, contributions, expenditures or gifts, or anything else of value, including bribes, gratuities, kickbacks, lobbying expenditures, political contributions, or contingent fee payment.

(iii) As used in this Agreement: “Health Care Authority/ies” means any governmental entity or quasi-governmental entity or any agency, intermediary, board, authority or entity concerned with the ownership, operation, use or occupancy of the relevant Facility as a nursing facility, long-term acute care facility and/or residential care facility for the elderly. “Healthcare Laws” means all Applicable Laws applicable to the Nursing Home Facility, as currently operated and relating specifically to health and related home services such as personal care and attendant care services, health care industry regulation and payment for health care services and related home services such as personal care and attendant care services, including any local, state or federal statutes or regulations, licenses, permits, orders, conditions of participation of any Government Program (as defined below) or payor to the extent the payor is funded directly or indirectly by any Government Program, approvals or consents, including those laws relating to the following: (i) Medi-Cal, California Medi-Cal Assistance, HCBS, and to the extent applicable to the Nursing Home Facility, such other similar federal, state or local reimbursement or governmental programs, and include any plan or program that provides health

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and related benefits, whether directly, through insurance or otherwise, which is funded directly, in whole or in part, by the United States government or any state or local government plan or program (e.g., such as a program receiving funds from block grants for social services or child health services) (individually and collectively, “Government Programs”); (ii) commercial third-party payors participating in, administering, and or funded in whole or in part, directly or indirectly by Government Programs (but solely with respect to those requirements of the commercial payors related to their administration of Government Programs); (iii) billing and submission of claims to Government Programs; (iv) prohibitions against kickbacks and fee splitting; (v) regulation of physician self-referral; (vi) regulation of provider payment rights; (vii) regulation of balance billing; (viii) prohibition of false claims; (ix) regulations regarding advertising, marketing and promotional activities in the health care industry; (x) any and all laws intended to address fraud and abuse in the health care industry; (xi) HIPAA and any applicable state laws relating to the confidentiality of patient information; (xii) facility or personnel licensure or certification; and (xiii) any and all Federal and applicable state laws regarding advertising, marketing and promotional activities of health care services, personal care and attendant care services or otherwise related to the offering of health care services and items and other services of the type offered by Seller, including: (A) the Federal Anti-Kickback Law, 42 U.S.C. §1320a-7b; (B) the Civil Monetary Penalty Law, 42 U.S.C. §1320a-7a; (C) the Civil and Criminal False Claims Acts, 31 U.S.C. §§ 3729-3733; (D) the “Stark Law”, 42 U.S.C. §1395nn, Federal; (E) the Health Care Fraud Statute, 18 U.S.C. § 1347, Federal; and (F) to the extent applicable, the respective state law counterparts of any of the Federal laws described in (A) through (E) above. As used in this Agreement, “HIPAA” means, and as may from time-to time may be amended, the (X) Health Insurance Portability and Accountability Act of 1996, including its Omnibus Rule; (Y) applicable provisions of the Health Information Technology for Economic and Clinical Health Act as incorporated in the American Recovery and Reinvestment Act of 2009; and (Z) their accompanying regulations, including the Privacy Rule (as defined below) and the Security Rule. “Medicaid” means Title XIX of the Social Security Act, which was enacted in 1965 to provide a cooperative federal-state program for low income and medically indigent persons, which is partially funded by the federal government, as applied by the State of California. “Medicare” means Title XVIII of the Social Security Act, which was enacted in 1965 to provide a federally funded and administered health program for the aged and certain disabled persons. “Patient Census Information” means a true, correct and complete schedule (provided in accordance with Healthcare Laws related to privacy) which accurately and completely sets forth the occupancy status of the relevant Facility, the average daily rate and other charges payable with respect thereto, the class of payment or reimbursement (i.e., private, third-party payor, Medicaid and Veterans Administration), the average monthly census of the relevant Facility, occupancy rates and any arrearages in payments. “Privacy Rule” means the Standards for Privacy of Individually Identifiable Health Information at 45 CFR, part 160 and part 164, subparts A and E, providing for Federal privacy protections for an individual’s protected health information (“PHI”) held by entities subject to HIPAA requirements and describing patient rights with respect to their PHI. “Security Rule” means HIPAA Security Standards (45 C.F.R. Parts 160,162, and 164).

(iv) Seller, including its employed and contracted clinical, professional and service personnel, has been and is in material compliance with all Healthcare Laws applicable to Seller or such personnel. No event has occurred, nor do any circumstance exist that could reasonably be expected to give rise to an obligation on the part of Seller to undertake, or to

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bear all or any portion of the costs of, any remedial action, plan of correction or similar undertaking. Seller has not received any written notice from any governmental authority regarding (i) any violation of or failure to comply with any Healthcare Law, or (ii) any obligation on the part of Seller to undertake, or to bear all or any portion of the cost of, any remedial action, plan of correction or similar undertaking.

(v) Neither Seller nor its affiliates, officers or personnel is in violation of or being investigated for a violation of any Healthcare Laws by which such person or entity is bound or to which any business activity or professional services performed by such person or entity is subject.

(vi) All material Medicaid provider agreements, certificates of need, if applicable, certifications, governmental licenses, permits, regulatory agreements or other agreements and approvals, including certificates of operation, completion and occupancy, and state nursing facility licenses or other licenses required by Health Care Authorities (as defined below) for the legal use, occupancy and operation of the Nursing Home Facility (collectively, the "Licenses") have been obtained by the Seller required to hold such Licenses, and are in full force and effect, including approved provider status in any approved third-party payor program. The Seller owns and/or possesses, and holds free from restrictions or conflicts with the rights of others, all such Licenses and has operated or caused the Facilities to be operated in such a manner that the Licenses shall remain in full force and effect.

(vii) The SNF is duly licensed as a skilled nursing facility as required under the applicable laws of the State of California. The RCFE is duly licensed as a residential care facility for the elderly as required under the applicable laws of the State of California. The independent living units are duly authorized under the applicable laws of the State of California. The licensed skilled nursing bed capacity is 27 and the actual bed count operated at the SNF is 27 as of the Effective Date. The licensed RCFE bed capacity is 62 and the actual bed count operated at the RCFE is 62 as of the Effective Date. The duly authorized independent living facility's authorized number of independent living units is 14 and the actual occupied number of authorized independent living units is 14 as of the Effective Date. The Seller has not applied to reduce the number of licensed beds, certified beds, nor authorized independent living units of any part of the Nursing Home Facility nor has Seller moved or transferred the right to any and all of the licensed beds, certified beds, or authorized independent living units of any part of the Nursing Home Facility to any other location or to amend or otherwise change the Nursing Home Facility and/or the number of beds and/or independent living approved by the state health department or equivalent (or any subdivision) or other applicable state licensing agency, and there are no proceedings or actions pending or contemplated to reduce the number of licensed beds, certified beds, nor authorized independent living units of the Nursing Home Facility.

(viii) Each License with respect to the Nursing Home Facility (i) has not been (A) transferred to any location other than the applicable Facility or (B) pledged as collateral security, other than liens that will be released at Closing, (ii) will after the Closing to be held free from restrictions or known conflicts that would materially impair the use or operation of the Nursing Home Facility as intended, and (iii) is not provisional, probationary, or restricted in any way, except in instances where a governmental entity or Health Care Authority has issued a

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provisional, probationary or restricted license, permit or certification in the ordinary course pending issuance of a final license, permit or certification.

(ix) Seller has not taken any action to rescind, withdraw, revoke, amend, modify, supplement or otherwise alter the nature, tenor or scope of any License or the Nursing Home Facility's Medicaid provider payment program participation other than non-material alterations effected in the ordinary course of business consistent with past practice.

(x) To Seller's knowledge (and the operation of the Nursing Home Facility participating in the Medicaid program or in any program of any Health Care Authority) the Seller is in compliance in all material respects with the applicable provisions of the applicable laws, standards, policies, restrictions or rules of any Health Care Authority having jurisdiction over the ownership, use, occupancy or operation of the Nursing Home Facility, including (i) staffing requirements, (ii) health and fire safety codes including quality and safety standards, (iii) accepted professional standards and principles that apply to the provision of services at the Nursing Home Facility, (iv) federal, state or local laws, rules, regulations or published interpretations or policies relating to the prevention of fraud and abuse, (v) insurance, reimbursement and cost reporting requirements, government payment program requirements and disclosure of ownership and related information requirements, (vi) requirements of applicable Health Care Authorities, including those relating to the Nursing Home Facility's physical structure and environment, licensing, quality and adequacy of nursing facility care, distributions of pharmaceuticals, rate setting, equipment, personnel, and operating policies, and (vii) any other applicable laws or agreements for reimbursement for the type of care or services provided with respect to the Nursing Home Facility.

(xi) Except as set forth in Schedule 9(p)(xi) to Seller's knowledge, Seller is in compliance in all material respects with the requirements for participation in the Medicaid program with respect to the portion(s) of the Nursing Home Facility that currently participates in such program and Seller has a current provider agreement under XIX of the Social Security Act which is in full force and effect. Except as set forth in Schedule 9(p)(xi) Seller has not had any deficiencies on its most recent survey (standard or complaint) that would result in a denial of payment for new admissions. Except as set forth in Schedule 9(p)(xi), Seller has not had any deficiencies at "level F" or above on its most recent survey (standard or complaint), nor has any Seller been cited with any substandard quality of care deficiencies (as that term is defined in Part 488 of 42 C.F.R.) on its most recent survey. No part of the Nursing Home Facility has been designated as a Special Focus Facility (as such term is defined by the Centers for Medicare and Medicaid Services Special Focus Facility Program).

(xii) Except as set forth in Schedule 9(p)(xii), and to Seller's knowledge, Seller is not a target of, participant in, or subject to any action, proceeding, suit, audit, investigation or sanction by any Health Care Authority or any other administrative or investigative body or entity or any other third party payor or any patient or resident (including whistleblower suits, or suits brought pursuant to federal or state False Claims Acts, and Medicaid/State fraud/abuse laws) which may result, directly or indirectly or with the passage of time, in the imposition of a material fine, penalty, alternative, interim or final sanction, a lower rate certification, recoupment, recovery, suspension or discontinuance of all or part of reimbursement from any Health Care Authority, third-party payor, insurance carrier or private

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payor, a lower reimbursement rate for services rendered to eligible patients, or any other civil or criminal remedy, or which could reasonably be expected to have a material adverse effect on Seller or the operation of the Nursing Home Facility, including the Nursing Home Facility's ability to accept or retain residents, or which could result in the appointment of a receiver or manager, or in the modification, limitation, annulment, revocation, transfer, surrender, suspension or other impairment of a License, or affect Seller's participation in the Medicaid or other third-party payor program, as applicable, or any successor program thereto, at current rate certification, nor has any such action, proceeding, suit, investigation or audit been threatened.

(xiii) To Seller's knowledge, there are no contracts with residents of any Facility or with any other persons or organizations that deviate in any material respect from or that conflict with any statutory or regulatory requirements.

(xiv) Other than the Medicaid and Veterans Administration programs, Seller is not a participant in any federal, state or local program whereby any governmental entity or any intermediary, agency, board or other authority or entity may have the right to recover funds with respect to the Nursing Home Facility by reason of the advance of federal, state or local funds, including those authorized under the Hill-Burton Act (42 U.S.C. 291, et seq.). The Seller has not received notice, or has knowledge, of any actual or alleged violation of applicable antitrust laws.

(xv) Except as set forth in **Schedule 9(p)(xv)**, all private payor, Medicaid, managed care company, insurance company and other third-party insurance accounts receivable of Seller are free of any Liens and no such receivables have been pledged as collateral security for any loan or indebtedness.

(xvi) Seller has instituted, and the Nursing Home Facility is operated in compliance in all material respects with, a compliance plan which follows all applicable guidelines established by the Health Care Authorities.

(xvii) Seller is in compliance in all material respects with the Health Care Insurance Portability and Accountability Act of 1996, and the regulations promulgated thereunder.

(xviii) There is no threatened or pending revocation, suspension, termination, probation, restriction, limitation, or non-renewal affecting Seller, the Nursing Home Facility or provider agreement with any third-party payor or Medicaid.

(xix) To Seller's knowledge, all Medicaid and private insurance cost reports and financial reports submitted by or on behalf of the Nursing Home Facility are and will continue to be accurate and complete in all material respects and have not been and will not be misleading in any material respects. To Seller's knowledge and except as set forth **Schedule 9(p)(xix)**, (i) there are no current, pending or outstanding Medicaid or other third-party payor programs reimbursement audits or appeals, (ii) there are no cost report years that are subject to audits, (iii) no cost reports remain "open" or unsettled, and (iv) there are no current or pending Medicaid or other third-party payor programs recoupment efforts, in each case with respect to the Nursing Home Facility.

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(xx) To Seller's knowledge, and except as set forth on **Schedule 9(p)(xx)**, the Nursing Home Facility and the use thereof comply in all material respects with all applicable local, state, and federal building codes, fire codes, and other similar regulatory requirements and no waivers of such physical plant standards exist at the Nursing Home Facility. Except as set forth on **Schedule 9(p)(xx)**, all OSHPD-required permits and/or approvals for all repairs, replacements, refurbishments or improvements ("OSHPD Work") at the Facilities were received by Seller in connection with all OSHPD Work. All repairs, replacements, remodeling, alterations, improvements and construction at, to or on the Facility have been made pursuant to approved permits and approvals required by applicable Health Care Authorities. There are no open or pending OSHPD permitted projects at the SNF.

(xxi) True and complete copies of all survey reports, notices and waivers of deficiencies, plans of correction, and any other investigation reports issued with respect to the Nursing Home Facility, together with material correspondence with Health Care Authorities concerning the Nursing Home Facility (collectively, the "Survey Reports") for the last three (3) years have been or will be provided to Purchaser within fifteen (15) days of the Effective Date.

(xxii) Neither Seller, nor the Nursing Home Facility has received any notice or communication from any governmental entity, accreditation body, professional association (including trade associations and industry organizations), landlord or resident of the areas neighboring the Nursing Home Facility alleging any violation of accreditation, professional, trade, industry, ethical or other applicable standards by Seller, or the Nursing Home Facility.

(xxiii) Neither Seller nor any of its affiliates have provided any incentives to contracted provider networks or providers that have violated any applicable law with respect to inducing, directly or indirectly, such contracted provider networks or providers to refer patients to the SNF or the RCFE.

(xxiv) Seller and the Nursing Home Facility are, and at all relevant times have been, in compliance with all federal, state, and local laws prohibiting certain referrals relating or applicable to any state or federal health care programs. In addition, the Seller and the Nursing Home Facility are, and at all relevant times have been, in material compliance with all applicable laws pertaining to (i) billings to insurance companies, health maintenance organizations and other managed care plans or otherwise related to insurance fraud and (ii) collection agencies and the performance of collection services.

(xxv) No employee or contractor in connection with the operation of the Nursing Home Facility (i) is currently excluded, debarred, or otherwise ineligible to participate in the Federal health care programs as defined in 42 U.S.C. Section 1320a-7b(f) (the "Federal Health Care Programs") or any other Government Program; (ii) is or ever has been convicted of a criminal offense related to the provision of health care items or services, including Healthcare Laws; (iii) is under investigation related to circumstances that may result in the employee or contractor being excluded, debarred, or otherwise made ineligible to participate in the Federal Health Care Programs or other Government Programs; or (iv) has ever been convicted of a felony violation of any Applicable Laws. Seller is qualified for participation in the Medicaid, other California Medi-Cal Assistance programs and HCBS and possess all licenses, permits and

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authorizations necessary to (A) operate the Nursing Home Facility in compliance with the requirements of the Government Programs in which it participates and (B) have and maintain the contracts with the payors with which Seller has a contract. Seller has made available to Purchaser all documentation material to Seller's qualification for participation in the Government Programs in which it participates.

(xxvi) Seller has delivered to Purchaser Patient Census Information for the relevant Facility for the last three (3) calendar years and current year-to-date, which to the Seller's knowledge are true, complete and accurate.

(xxvii) Schedule 9(p)(xvii) sets forth all leases and subleases (but not resident agreements for the RCFE or the independent living units) currently affecting the relevant Facility, identifying same by date, particular facility covered, and parties to such leases and subleases (collectively, the "Leases"). Seller has full power and authority to terminate the Leases at Closing so that the real property and improvements comprising the Nursing Home Facility, together with all furniture, fixtures and equipment used in the operation of the Nursing Home Facility, can be assigned, transferred, and conveyed to Purchaser at Closing, free and clear of all Leases.

(xxviii) Except as set forth in Schedule 9(p)(xxviii), Seller has paid all quality assurance fees and bed taxes due and owing to the applicable Health Care Authorities.

(xxix) Seller has timely filed all material reports, statements, documents, contracts, claims, registrations, filings, submissions, notices and responses to audit or examination findings, and notices required to be filed with, maintained for or furnished to any applicable Government Program under Applicable Laws (including Healthcare Laws), or any payor (collectively, the "Regulatory Filings"). Each of such Regulatory Filings was complete and correct in all material respects and in material compliance with Applicable Laws (including all Healthcare Laws) and no material deficiencies or liabilities have been asserted by any governmental authority, agency or instrumentality thereof or any party acting on its or their behalf or any payor with respect thereto. Seller has made available to Purchaser complete and correct copies of all such material Regulatory Filings. Seller has also made available to Purchaser complete and correct copies of all audits by any governmental authority and all other material examinations performed with respect to Seller and the Nursing Home Facility. No fine or penalty has been imposed on any of Seller or its affiliates by any governmental authority and no audits or examinations relating to Seller are currently pending or threatened, other than routine audits and surveys in the ordinary course that are not reasonably likely to result in fines or penalties being assessed against Seller.

(xxx) Each health care professional and services provider who is employed, retained, engaged or contracted by Seller in connection with the operation of the Nursing Home Facility has been duly licensed and registered to the extent applicable, and is in good standing with the applicable Government Programs and the State of California to engage in the practice of such individual's profession, and said license or registration has not been suspended, revoked or restricted in any manner during the time such professional or services provider has been employed or contracted by Seller.

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(xxxix) Seller is not aware of any circumstance that would prevent Purchaser from obtaining a provider agreement from Medicare for the SNF.

(xxxix) No waivers have been obtained or are required to make the representations contained in this Section 9 fully true and correct.

(q) Taxes.

(i) Seller has timely filed all tax returns and reports required by Applicable Laws to have been filed by it and has paid all taxes and governmental charges due and payable with respect to such returns. Such tax returns are, or will be, true, complete and correct in all respects. All taxes due and owing by Seller (whether or not shown on any tax return) have been, or will be, timely paid.

(ii) Seller has withheld and paid each tax required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, customer or other party, and complied with all information reporting and backup withholding provisions of Applicable Laws.

(iii) No extensions or waivers of statutes of limitations have been given or requested with respect to any taxes of Seller.

(iv) All deficiencies asserted, or assessments made, against Seller as a result of any examinations by any taxing authority have been fully paid.

(v) Seller is not a party to any action by any taxing authority. There are no pending or threatened actions by any taxing authority.

(vi) There are no encumbrances for taxes upon any of the Purchased Assets nor is any taxing authority in the process of imposing any encumbrances for taxes on any of the Purchased Assets.

(vii) Seller is not a foreign person as that term is used in Treasury Regulations Section 1.1445-2.

(viii) Seller is not, and has not been, a party to, or a promoter of, a reportable transaction within the meaning of Section 6707A(c)(1) of the Code and Treasury Regulations Section 1.6011-4(b).

(ix) None of the Purchased Assets is (i) required to be treated as being owned by another person pursuant to the so-called safe harbor lease provisions of former Section 168(f)(8) of the Internal Revenue Code of 1954, as amended, (ii) subject to Section 168(g)(1)(A) of the Code, or (iii) subject to a disqualified leaseback or long-term agreement as defined in Section 467 of the Code.

(x) None of the Purchased Assets is tax-exempt use property within the meaning of Section 168(h) of the Code.

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(r) Business Records. Complete and correct copies of all Business Records of Seller (including all modifications, amendments and supplements thereto and waivers thereunder) have been made available to Purchaser.

(s) Employment Matters.

(i) Schedule 9(r)(i) is a true, complete and correct list of the employees of the Nursing Home Facility and the salaries, benefits and fringes (including vacation, holiday and sick pay, and severance) which Seller pays or provides for the employees of the Nursing Home Facility.

(ii) Schedule 9(r)(ii) contains a true and complete list of each pension, benefit, retirement, compensation, employment, consulting, profit-sharing, deferred compensation, incentive, bonus, performance award, phantom equity, stock or stock-based, change in control, retention, severance, vacation, paid time off (PTO), Medi-Cal, vision, dental, disability, welfare, Code Section 125 cafeteria, fringe-benefit and other similar agreement, plan, policy, program or arrangement (and any amendments thereto), in each case whether or not reduced to writing and whether funded or unfunded, including each “employee benefit plan” within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder (“ERISA”), whether or not tax-qualified and whether or not subject to ERISA, which is or has been maintained, sponsored, contributed to, or required to be contributed to by Seller for the benefit of any current or former employee, officer, director, retiree, independent contractor or consultant of the Nursing Home Facility or any spouse or dependent of such individual, or under which Seller has or may have any liability, or with respect to which Purchaser would reasonably be expected to have any liability, contingent or otherwise (as listed on Schedule 9(r)(ii), each a “Benefit Plan”). Each Benefit Plan and any related trust (other than any multiemployer plan within the meaning of Section 3(37) of ERISA (each a “Multiemployer Plan”)) has been established, administered and maintained in accordance with its terms and in compliance in all material respects with all Applicable Laws (including ERISA, the Internal Revenue Code and any applicable local laws).

(iii) Except as set forth on Schedule 9(r)(iii), there is not now in existence or pending any organization effort, grievance, arbitration, administrative hearing, claim of unfair labor practice, wrongful discharge, employment discrimination, sexual harassment, or other employment dispute of any nature, pending or threatened, against Seller with respect to the Nursing Home Facility.

(iv) Seller is, and during all applicable limitation periods has been, in compliance with all applicable federal, state, local and foreign laws, executive orders, and regulations respecting employment and employment practices, terms and conditions of employment, occupational safety, wages and hours, and there is no existing unasserted claim for violation of any of those laws, executive orders or regulations, nor is there any factual basis upon which a claim can be asserted with respect to the Nursing Home Facility.

(v) Seller has complied with the federal Worker Adjustment and Retraining Notification Act of 1988, and similar state, local and foreign laws related to plant

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closings, relocations, mass layoffs and employment losses (the “WARN Act”), and it has no plans to undertake any action in the future that would trigger the WARN Act.

(vi) There are no unions or collective bargaining agreements in effect with respect to any employees of the Nursing Home Facility, and no unionization or collective bargaining arrangement has been noticed or is pending. No demand has been made for recognition by a labor organization by or with respect to any employees of Seller not currently represented by a union and, to the best knowledge of Seller, no union organizing activities by or with respect to any employees of Seller that are not currently represented by a union are taking place with respect to the Nursing Home Facility.

(vii) Seller is not a party to any written or oral, expressed or implied, contract, agreement or arrangement with any of Seller’s present or former directors, officers, employees or consultants with respect to length, duration, conditions of employment (or termination of employment), salaries, bonuses, compensation, insurance and other benefits, or any other form of remuneration with respect to the Nursing Home Facility.

(t) Insurance. Schedule 9(s) sets forth (a) a true and complete list of all current policies or binders of fire, liability, product liability, umbrella liability, real and personal property, workers’ compensation, vehicular, fiduciary liability and other casualty and property insurance maintained by Seller and relating to the Nursing Home Facility, the Property, the Purchased Assets or the assumed liabilities (collectively, the “Insurance Policies”); and (b) with respect to the Nursing Home Facility, the Property, the Purchased Assets or the assumed liabilities, a list of all pending claims and the claims history, including the loss runs on all Insurance policies, for Seller for the five (5) years prior to the Effective Date. Except as set forth on Schedule 9(s), there are no claims related to the Nursing Home Facility, the Property, the Purchased Assets or the assumed liabilities pending under any such Insurance Policies as to which coverage has been questioned, denied or disputed or in respect of which there is an outstanding reservation of rights. Seller has not received any written notice of cancellation of, premium increase with respect to, or alteration of coverage under, any of such Insurance Policies. All premiums due on such Insurance Policies have either been paid or, if not yet due, accrued. All such Insurance Policies (a) are in full force and effect and enforceable in accordance with their terms; and (b) have not been subject to any lapse in coverage. Seller is not in default under, or has otherwise failed to comply with, in any material respect, any provision contained in any such Insurance Policy. The Insurance Policies are sufficient for compliance with Applicable Laws and contracts to which Seller is a party or by which it is bound. True and complete copies of the Insurance Policies have been made available to Purchaser.

(u) Outbreaks; COVID-19.

(i) There have been no material outbreaks of pest or vermin (including, without limitation, bed bugs) at the Nursing Home Facility in the past twelve (12) months.

(ii) There have been 7 confirmed cases of COVID-19 affecting any resident of the Nursing Home Facility since January 1, 2021 and 4 confirmed cases of COVID-19 affecting any employee of Seller since January 1, 2021. There has been no negative press or

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negative media reports in connection with COVID-19 with respect to the Nursing Home Facility or with respect to Seller.

(iii) The Nursing Home Facility is being operated in compliance with all formal, written guidance issued by a governmental authority (including, without limitation, formal guidelines and considerations published by the Centers for Disease Control and Prevention) for operators of the Nursing Home Facility in response to the COVID-19 pandemic and including, without limitation, all formal guidelines and considerations guidelines pertaining to: (A) preventing the spread of COVID-19 at the Nursing Home Facility (including, without limitation those guidelines and considerations published by the Centers for Disease Control and Prevention), and (B) regular testing of residents and employees of the Nursing Home Facility for COVID-19, including, without limitation, testing guidelines published by the Centers for Disease Control and Prevention (the foregoing, “COVID-19 Guidelines”)

(v) CARES Act. Seller has not applied for nor received any funds (“CARES Funds”) pursuant to the Provider Relief Fund established pursuant to the Coronavirus Aid Relief and Economic Security Act (as amended from time to time and together with any regulations 90752.11 33 148921419.2 promulgated thereunder, the “CARES Act”), except to the extent expressly disclosed to Purchaser by Seller. To Seller’s knowledge: (i) all CARES Funds received by Seller have been used and applied in material compliance with the CARES Act and (ii) there remains no balance of unused or unapplied CARES Funds received by Seller.

(w) Undisclosed Liabilities. Seller has no liabilities with respect to the Purchased Assets, except those which have been incurred in the ordinary course of business consistent with past practice and which are not, individually or in the aggregate, material in amount.

(x) Brokers. Seller represents and warrants that it has not dealt with any broker or finder in connection with the transactions contemplated by this Agreement.

(y) Truth and Accuracy of Representations and Warranties. Based on the information and belief of Seller and to the best of Seller’s knowledge, no representation or warranty by or on behalf of Seller contained in this Agreement and no statement by or on behalf of Seller in any certificate, list, exhibit or other instrument, including the Due Diligence Materials, furnished or to be furnished to Purchaser by or on behalf of Seller pursuant hereto contains any untrue statement of fact, or omits or will omit to state any facts which are necessary in order to make the statements contained therein, in light of the circumstances under which they are made, not misleading in any respect.

(z) Seller’s Knowledge. Whenever a representation or warranty is made in this Agreement on the basis of Seller’s knowledge or to the best of Seller’s knowledge (or similar words), such representation or warranty is made after reasonable investigation of the existence of such fact or other matter and upon the good faith belief of Seller.

(aa) Reliance by Purchaser. Seller acknowledges that all of the representations and warranties made in this **Section 9** are made collectively, are material, and have been relied upon by Purchaser in all respects in entering into this Agreement.

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(bb) Survival of Representations and Warranties. The representations and warranties of Seller in this Section 9 shall survive the Closing.

10. Purchaser's Representations and Warranties. Purchaser hereby makes the representations and warranties contained in this Section 10 to Seller. These representations and warranties are made as of the date hereof, and shall be deemed remade as of the Closing Date.

(a) Organization and Authority. Purchaser is a California limited liability company that has been duly organized and validly exists under the laws of the State of California and is authorized to transact business in the State of California. Purchaser has full power and right to enter into and perform its obligations under this Agreement and the Other Documents. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby (i) have been duly authorized by all necessary action on the part of Purchaser, (ii) do not require any governmental or other consent (except as otherwise provided herein), and (iii) will not result in the breach of any agreement, indenture or other instrument to which Purchaser is a party or is otherwise bound. This Agreement and each other agreement contemplated hereby to which Purchaser is a party constitutes its valid and legally binding obligation, enforceable in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally or (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

(b) Truth and Accuracy of Representations and Warranties. No representation or warranty by or on behalf of Purchaser contained in this Agreement and no statement by or on behalf of Purchaser in any certificate, list, exhibit or other instrument furnished or to be furnished to Seller by or on behalf of Purchaser pursuant hereto contains and untrue statement of fact, or omits or will omit to state any facts which are necessary in order to make the statements contained therein, in light of the circumstances under which they are made, not misleading in any respect.

(c) Brokers. Purchaser represents and warrants to Seller that it has not dealt with any broker or finder in connection with the transaction contemplated by this Agreement and no broker or finder fee is due or payable from Seller.

(d) Survival of Representations and Warranties. The representations and warranties of Purchaser in this Section 10 shall survive the Closing.

11. Risk of Loss.

(a) Fire or Other Casualty. The risk of any loss or damage to any of the Purchased Assets by fire or other casualty before the Closing hereunder is assumed by Seller. Seller shall give Purchaser written notice of any fire or other casualty within three (3) days of the occurrence of same (but in any event prior to Closing), which notice shall include a description thereof in reasonable detail and an estimate of the cost of and time to repair. In the event that the Purchased Assets shall suffer any fire or other casualty or any injury and Purchaser does not elect to cancel this Agreement as hereinafter provided, Seller agrees to repair the damage at its sole cost and expense before the date set for delivery of the Deed hereunder in a manner deemed

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acceptable to Purchaser in its reasonable discretion, or, in the alternative at Purchaser's option, the Purchase Price shall be reduced by an amount equal to repair such damage as estimated by a third party contractor acceptable to Purchaser and Seller in their reasonable discretion. In the event of any material damage or destruction of the Property, Purchaser, within ten (10) days after notice thereof, by written notice to Seller, shall have the option to cancel this Agreement. For the purposes hereof, "material" damage or destruction shall include any damage or destruction that would require more than Fifty Thousand Dollars (\$50,000.00) to repair. If Purchaser so elects to cancel this Agreement, Purchaser shall be refunded the Deposit and this Agreement shall terminate and be of no further force and effect and neither party shall have any liability to the other hereunder.

(b) Eminent Domain. The risk of any loss or damage to the Property by condemnation before the Closing Date hereunder is assumed by Seller. In the event any condemnation proceeding is commenced or threatened, Seller shall give Purchaser written notice thereof within three (3) days after the occurrence of same (but in any event prior to Closing), together with such reasonable details with respect thereto as to which Seller may have knowledge. As soon as the portion or portions of the Property to be taken are reasonably determinable, Seller shall give Purchaser written notice thereof together with Seller's estimate of the value of the portion or portions of the Property to be so taken. In the event of any material taking of the Property, Purchaser, by written notice to Seller within ten (10) days after notice thereof, shall have the option to cancel this Agreement, in which event Purchaser shall be refunded the Deposit plus accrued interest and this Agreement shall terminate and be of no further force and effect and neither party shall have any liability to the other hereunder. For the purposes hereof, a "material" taking shall include: (i) any taking (A) the effect of which would be to require more than Fifty Thousand Dollars (\$50,000.00) to repair the balance of the Property or (B) materially impair the use or operation of the Purchased Assets; or (ii) any threat of a taking or any reasonably equivalent indication on the part of a condemning authority of such intention where there is no reasonable basis to conclude that the actual taking would not be material. If Purchaser shall not so elect to cancel this Agreement, then the sale of the Property shall be consummated at the Purchase Price provided for herein (without abatement) and Seller shall assign to Purchaser at the Closing all of Seller's right, title and interest in and to all awards made in respect of such condemnation and any claims in respect of any rent insurance or equivalent coverage maintained by it with respect to periods after Closing. Purchaser shall be entitled to participate in any such condemnation proceeding, and Seller shall cooperate with Purchaser in such respect and Seller shall exercise good faith and fair dealing in such matter.

(c) Survival. The parties' obligations, if any, under this **Section 11** shall survive the Closing.

12. Indemnification.

(a) By Purchaser. Purchaser shall indemnify, save, protect, defend and hold harmless Seller, its employees, affiliates, managers, shareholders, officers, directors, agents and attorneys from and against all claims, liabilities, losses, damages, demands and causes of action of any nature whatsoever (including demands and causes of action relating to injury or death to persons or loss of or damage to property), and all costs and expenses (including penalties and reasonable attorneys' and other professional fees and disbursements incurred in the investigation

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or defense of any such claims, or in asserting, pursuing or enforcing any such claims), whether or not resulting from third-party claims (collectively, “Losses”) arising from, out of, or relating to (i) Purchaser’s ownership of the Purchased Assets or the operation of the Nursing Home Facility by Purchaser after the Closing Date, (ii) Purchaser’s use or occupancy of the Property or the condition thereof after the Closing Date, and (iii) any material breach of any representation, warranty, covenant, agreement or obligation contained in this Agreement, or in any of the Other Documents. Purchaser further agrees to pay any reasonable attorneys’ fees and expenses of Seller arising from any indemnification obligation hereunder.

(b) By Seller. Seller agrees to indemnify, save, protect, defend and hold harmless Purchaser and its respective employees, affiliates, managers, members, officers, directors, agents and attorneys from and against all Losses arising from, out of, or relating to (i) Seller’s ownership of the Purchased Assets or the operation of the Nursing Home Facility by Seller prior to or on the Closing Date, (ii) any violation by the Seller of the WARN Act; (iii) Seller’s use or occupancy of the Property or the condition thereof prior to or on the Closing Date, (iv) any liability, charge, debt, cost, expense, penalty, or other obligation (including any principal, interest, or other amount owing in respect of any such obligation) of any nature or kind whatsoever of Seller, (v) any Purchased Assets not being transferred to Purchaser hereunder, and (vi) any material breach of any representation, warranty, covenant, agreement or obligation contained in this Agreement or in any of the Other Documents. Seller further agrees to pay any reasonable attorneys’ fees and expenses of Purchaser arising from any indemnification obligation hereunder.

(c) Method of Indemnification. In the event that any liability, claim, demand or cause of action which is indemnified against by or under any term, provision, section or paragraph of this Agreement (“Indemnitee’s Claim”) is made against or received by any indemnified party (hereinafter “Indemnitee”) hereunder, said Indemnitee shall notify the indemnifying party (hereinafter “Indemnitor”) in writing within thirty (30) calendar days of Indemnitee’s receipt of written notice of said Indemnitee’s Claim, provided, however, that Indemnitee’s failure to timely notify Indemnitor of Indemnitee’s receipt of an Indemnitee’s Claim shall not impair, void, vitiate or invalidate Indemnitor’s indemnity hereunder nor release Indemnitor from the same, which duty, obligation and indemnity shall remain valid, binding, enforceable and in full force and effect so long as Indemnitee’s delay in notifying Indemnitor does not, solely by itself, directly and materially prejudice Indemnitor’s right or ability to defend the Indemnified Claim. Upon its receipt of any or all Indemnitee’s Claim(s), Indemnitor shall, in its sole, absolute and unreviewable discretion, diligently and vigorously defend, compromise or settle said Indemnitee’s Claim at Indemnitor’s sole and exclusive cost and expense and shall promptly provide Indemnitee evidence thereof within fourteen (14) calendar days of the final, unappealable resolution of said Indemnitee’s Claim. Upon the receipt of the written request of Indemnitee, Indemnitor shall within two (2) calendar days provide Indemnitee a true, correct, accurate and complete written status report regarding the then current status of said Indemnitee’s Claim. Prior to an Indemnification Default (as defined herein), Indemnitee may not settle or compromise an Indemnitee’s Claim without Indemnitor’s prior written consent. Failure to obtain such consent shall be deemed a forfeiture by Indemnitee of its indemnification rights hereunder. In the event that Indemnitor fails or refuses to indemnify, save, defend, protect or hold Indemnitee harmless from and against an Indemnitee’s Claim and/or to diligently pursue the same to its conclusion, or in the event that Indemnitor fails to timely report to Indemnitee the

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status of its efforts to reach a final resolution of an Indemnitee's Claim, on seven (7) calendar days prior written notice to Indemnitor during which time Indemnitor may cure any alleged default hereunder, the foregoing shall immediately, automatically and without further notice be an event of default hereunder (an "Indemnification Default") and thereafter Indemnitee may, but shall not be obligated to, immediately and without notice to Indemnitor, except such notice as may be required by law and/or rule of Court, intervene in and defend, settle and/or compromise said Indemnitee's Claim at Indemnitor's sole and exclusive cost and expense, including but not limited to reasonable attorneys' fees, and, thereafter, within seven (7) calendar days of written demand for the same Indemnitor shall promptly reimburse Indemnitee all said Indemnitee's Claims and the reasonable costs, expenses and attorneys' fees incurred by Indemnitee to defend, settle or compromise said Indemnitee's Claims.

(d) Survival. The parties' obligations under this **Section 12** shall survive the Closing.

13. Remedies.

(a) Seller's Default. If (i) prior to the Closing, Seller shall default under any covenant, obligation or closing condition or materially breach any representation or warranty set forth herein (which default is not waived in writing by Purchaser), or (ii) Seller shall fail to deliver title to the Property as required hereunder or otherwise fail to consummate the transactions contemplated herein at Closing, then Purchaser may elect to (1) terminate this Agreement by written notice to Seller, in which event (A) the Title Company shall refund the Deposit to the Purchaser, and (B) the Purchaser may further elect to (I) have Seller pay an amount equal to ONE HUNDRED THOUSAND (\$100,000.00) as liquidated damages to Purchaser (it being agreed by the parties that Seller's damages for negotiating and entering into this Agreement are difficult to determine, and that this amount represents a fair and reasonable estimate of those damages), and/or (2) enforce this Agreement by specific performance pursuant to all available remedies in law and/or in equity; or (3) waive such default without reduction of Purchase Price and proceed with the Closing. Notwithstanding the foregoing provisions of this **Section 13(a)**, Purchaser may elect to pursue cumulative and/or alternative remedies available in this section together in one proceeding.

(b) Purchaser's Default. If (i) prior to the Closing, Purchaser shall default under any covenant, obligation or closing condition or materially breach any representation or warranty set forth herein (which default is not waived in writing by Seller), or (ii) Purchaser shall fail to deliver the Purchase Price as required hereunder or otherwise fail to consummate the transactions contemplated herein at Closing, then Seller shall have the right to declare this Agreement terminated by written notice to Purchaser, in which case the Deposit shall be forwarded to Seller by the Title Company as liquidated damages and as Seller's sole and exclusive remedy hereunder (it being agreed by the parties that Seller's damages for negotiating and entering into this Agreement are difficult to determine, and that the amount of the Deposit represents a fair and reasonable estimate of those damages).

(c) This Agreement may be terminated at any time prior to the Closing by the mutual written consent of Seller and Purchaser. If so terminated, the Escrow Holder shall refund the Deposit to Purchaser.

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(d) This Agreement may be terminated at any time prior to the Closing by either party hereto in the event that (i) there shall be any Applicable Laws that make consummation of the transactions contemplated by this Agreement illegal or otherwise prohibited, (ii) any governmental authority shall have issued a governmental order restraining or enjoining the transactions contemplated by this Agreement, and such governmental order shall have become final and non-appealable, (iii) with respect to Purchaser only, by Purchaser if any of the conditions set forth in **Section 6(a)** shall not have been, or if it becomes apparent that any of such conditions will not be, fulfilled by January 31, 2023, unless such failure shall be due to the failure of Purchaser to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing Date or, (iv) with respect to Seller only, by Seller if any of the conditions set forth in **Section 6(b)** shall not have been, or if it becomes apparent that any of such conditions will not be, fulfilled by January 31, 2023, unless such failure shall be due to the failure of Seller to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing Date. If so terminated, the Escrow Holder shall refund the Deposit less any adjustments and charges to Purchaser plus any accrued interest to Purchaser.

14. **Notices.** All notices, demands or other communications given hereunder shall be in writing and shall be deemed to have been duly delivered (a) upon the delivery (or refusal to accept delivery) by messenger or overnight express delivery service (or, if such date is not on a business day, on the business day next following such date), or (b) on the third (3rd) business day next following the date of its mailing by certified mail, postage prepaid, at a post office maintained by the United States Postal Service, or (c) upon the receipt by email transmission as evidenced by a receipt transmission report (followed by delivery by one of the other means identified in (a)-(b)), addressed as follows:

If to Seller: The Little Sisters of the Poor of Los Angeles
2100 S. Western Avenue
San Pedro, California 90732
Email: mssanpedro@littlesistersofthepoor.org
ATTN: Sister Margaret Hogarty

with a copy to: LAW OFFICE OF MARK T. CREGAN, PLLC
P.O. Box 546
Totowa, New Jersey 07511-0546
Email: lawofficemtc@aol.com
ATTN: Father Mark Cregan

If to Purchaser: G and E Healthcare Services, LLC
445 S. Fair Oaks Avenue
Pasadena, California 91105
Email: grace.mercadocorp@gmail.com
ATTN: Grace Mercado

with a copy to: Richard Kale, Esq.

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(which shall not constitute notice)
and

727 25th Street
Santa Monica, California 90402
Email: rkale@rpsli.com
ATTN: Richard Kale, Esq.

with a copy to:
(which shall not constitute notice)

Sternshein Legal Group
5316 East Chapman Avenue
Orange, CA 92869
Attention: Jennifer Sternshein, Esq.
Email address: jennifer@sternsheingroup.com

Either party may, by notice given as aforesaid, change the address or addresses, or designate an additional address or additional addresses, for its notices, provided, however, that no notice of a change of address shall be effective until actual receipt of such notice.

15. **Closing Costs.** Seller shall be responsible for: (i) one-half of all escrow fees; (ii) all title insurance premiums for a standard CLTA Owner's Policy of Title Insurance in an amount equal to the Purchase Price; (iii) all fees and expenses incurred in connection with the procurement of the consents of third parties necessary or appropriate to permit the transfer of the Purchased Assets to Purchaser (including the legal fees of the obligees in connection with the assumption of any assumed liabilities), and (iv) all transfer and documentary stamp taxes and sales taxes in connection with the transfer of the Purchased Assets. Purchaser shall be responsible for: (i) one-half of all escrow fees; (ii) all recording costs incurred in connection with recording the Deed; (iii) all title insurance premiums for any ALTA extended coverage and endorsements required by Purchaser; and (iv) all state regulatory filing fees in connection with New Operator's application for a new license. Any additional closing costs shall be allocated between the parties in accordance with custom and practice for transactions of this type. Seller and Purchaser shall each be responsible for their own legal fees in connection with this Agreement and the amount of net adjustments as described in this Agreement, if any.

16. **Choice of Law.** THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS SHALL BE GOVERNED AND CONTROLLED BY THE INTERNAL LAWS OF THE STATE OF CALIFORNIA AS TO INTERPRETATION, ENFORCEMENT, CALIDITY, CONSTRUCTION, EFFECT, AND IN ALL OTHER RESPECTS WITHOUT GIVING EFFECT TO ANY CHOICE OR CONFLICT OF LAW PROVISION OR RULE THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION.

17. **Insurance.** To the extent permissible, Seller shall cause any carriers who have underwritten Insurance Policies of Seller which provide insurance coverage (on an occurrence or claims made basis) to Seller to continue to make coverage available following the Closing for claims arising out of occurrences prior to the Closing to the extent such claims are covered prior to the date hereof. Seller shall not be required to pay any additional premiums to continue such policies beyond the current policy period but shall not release, commute, buy-back or otherwise eliminate the coverage available to Seller under any such Insurance Policies. Seller shall not

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have an obligation to renew or extend any existing policies that terminate by their terms after Closing.

18. Employees.

(a) Seller shall terminate all of its employees at the Nursing Home Facility effective as of the Closing. For the avoidance of doubt, Seller shall retain all liabilities relating to, or arising out of, such terminations of employment. Seller shall be solely responsible, and Purchaser shall have no obligations whatsoever for, any compensation or other amounts payable to any current or former employee, officer, director, independent contractor or consultant of the Nursing Home Facility, including, without limitation, hourly pay, commission, bonus, salary, accrued vacation, fringe, pension or profit sharing benefits or severance pay for any period relating to the service with Seller at any time on or prior to the Closing and Seller shall pay all such amounts to all entitled persons on or prior to the Closing. Seller shall remain solely responsible for the satisfaction of all claims for Medi-Cal, dental, life insurance, health accident or disability benefits brought by or in respect of current or former employees, officers, directors, independent contractors or consultants of the Nursing Home Facility or the spouses, dependents or beneficiaries thereof, which claims relate to events occurring on or prior to the Closing. Seller also shall remain solely responsible for all worker's compensation claims of any current or former employees, officers, directors, independent contractors or consultants of the Nursing Home Facility which relate to events occurring on or prior to the Closing. Seller shall pay, or cause to be paid, all such amounts to the appropriate persons as and when due.

(b) Purchaser and/or the New Operator will make a good faith effort to hire the current employees of the Seller. Such employment is solely at Purchaser's and/or the New Operator's sole discretion. Any employee hired by Purchaser and/or the New Operator will have completed all of the required pre-employment protocols, including but not limited to Medi-Cal examinations, criminal background checks, license verifications, where applicable, and any employee orientation prior to the Closing. Seller will cooperate with the Purchaser and/or Operator in making its employees available to complete all pre-employment protocols established by the Purchaser and/or the New Operator.

(c) Notwithstanding anything to the contrary, Purchaser and/or New Operator hereby covenants and agrees (a) it shall hire on the Closing Date and retain for a period of at least sixty (60) days after the Operations Transfer Date all of the employees at the SNF (specifically excluding the administrator and the director of nursing) and all shall be "Retained Employees" under this Agreement, (b) it shall not terminate the employment of any of the Retained Employees during such sixty (60) day period, except for cause, and (c) during such sixty (60) day period, it will not reduce the wages and benefits of any of the Retained Employees nor alter the terms and conditions of employment, economic or otherwise, of such Retained Employees. In connection therewith, Purchaser and/or New Operator shall make a written offer of employment to each employee of the SNF (other than the administrator and director of nursing) at least ten (10) days prior to the Closing Date (an "Employment Offer"). Each Employment Offer must be in each employee's primary language or another language in which such employee is literate and must state the time within which the employee may accept the offer, which time period may not be less than ten (10) days. Notwithstanding anything to the contrary in this **Section 18** or otherwise in this Agreement, New

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Operator shall fully comply with the requirements of Section 1267.62 of California Health and Safety Code.

19. **Bulk Sales Laws.** The parties hereby waive compliance with the provisions of any bulk sales, bulk transfer or similar laws of any jurisdiction that may otherwise be applicable with respect to the sale of any or all of the Purchased Assets to Purchaser; it being understood that any liabilities arising out of the failure of Seller to comply with the requirements and provisions of any bulk sales, bulk transfer or similar laws of any jurisdiction shall not be an assumed liability and shall be the responsibility of Seller. Seller shall indemnify, defend and hold Purchaser harmless from and against any and all obligations to pay any taxes, fines, penalties, costs and/or expenses resulting from the fact that the transactions contemplated under this Agreement constitute a “bulk transfer” or “bulk sale” of Seller’s assets and/or real property under the laws of the State of California. The provisions of this **Section 19** shall survive the Closing.

20. **Miscellaneous.**

(a) **Entire Agreement.** This Agreement, together with all exhibits and schedules attached hereto and any other agreements referred to herein, constitutes the entire understanding between the parties with respect to the subject matter hereof, superseding all negotiations, prior discussions and preliminary agreements.

(b) **Exhibits and Schedules.** If any exhibits or schedules are not completed or attached hereto as of the date of this Agreement, the parties hereto agree to attach such exhibits and schedules as soon as reasonably practicable, but in any event, the Agreement is subject to the parties approving all exhibits and schedules or subsequent updates in their sole discretion thereto within seven (7) days of submission thereof by one party to the other party. The parties hereto agree that the party charged with providing an exhibit or schedule to this Agreement shall, to the extent necessary after delivery thereof, amend or supplement all exhibits and schedules in order for the same to be current, true and correct as of the Closing Date.

(c) **Modification/Amendment.** This Agreement may not be modified or amended except in writing signed by the parties hereto.

(d) **Waiver.** No waiver of any term, provision or condition of this Agreement, shall be deemed to be or be construed as a further or continuing waiver of any such term, provision or condition of this Agreement. No failure to act shall be construed as a waiver of any term, provision, condition or rights granted hereunder.

(e) **Mediation.** In the event any controversy arising under this Agreement, or any of the related agreements entered into between the Seller and the Purchaser, including the Purchaser’s affiliated entities and any limited liability companies involved in the purchase and sale of the Purchased Assets, is not resolved between the parties, the parties agree to participate in non-binding mediation administered by Judicial Arbitration and Mediation Services (JAMS) in Los Angeles, California. This mediation must be conducted and completed before any party may commence a civil action unless a party is seeking immediate *ex parte* equitable relief. Each side shall split the mediation fees equally unless otherwise agreed upon by the parties in writing. If the parties cannot agree on a Mediator within thirty (30) days of requesting a hearing, JAMS will

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provide seven (7) names of Mediators based on substantive and procedural knowledge, availability and location. Each side will have an opportunity to strike three (3) names and rank the remaining names. The numbers will be added together and the Mediator whose rank is lowest, which is most favorable, will be chosen Mediator. The mediation shall be completed within ninety (90) days of the selection of the Mediator unless otherwise agreed upon by the parties in writing. The mediation will be conducted pursuant to, and governed by, California Evidence Code Sections 1115-1128.

(f) Dispute Resolution; Jurisdiction; Venue. ANY LEGAL SUIT, ACTION OR PROCEEDING ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE OTHER DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY MAY BE INSTITUTED IN ANY COURT HAVING SITUS IN LOS ANGELES COUNTY, CALIFORNIA. EACH OF THE PARTIES HERETO HEREBY CONSENTS AND SUBMITS TO THE JURISDICTION OF ANY LOCAL, STATE OR FEDERAL COURTS LOCATED WITHIN SAID COUNTY AND STATE IN ANY SUCH SUIT, ACTION OR PROCEEDING. TO THE EXTENT LEGALLY WAIVABLE, EACH OF THE PARTIES HERETO HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS AND AGREES THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE UPON SUCH PARTIES BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, ADDRESSED TO SUCH PARTY, AT THE ADDRESS SET FORTH FOR NOTICE IN THIS AGREEMENT AND SERVICE SO MADE SHALL BE COMPLETE TEN (10) DAYS AFTER THE SAME HAS BEEN POSTED. THE PARTIES HERETO HEREBY WAIVE ANY RIGHT THEY MAY HAVE TO TRANSFER OR CHANGE THE VENUE OF ANY LITIGATION BROUGHT AGAINST SUCH PARTY IN ACCORDANCE WITH THIS SECTION

(g) Headings. The headings of the various Sections of this Agreement have been inserted only for the purposes of convenience, are not part of this Agreement and shall not be deemed in any manner to modify, explain, qualify or restrict any of the provisions of this Agreement.

(h) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed an original, but all of such counterparts shall together constitute one and the same agreement. Signatures sent by telecopy or electronic mail transmissions shall constitute originals.

(i) Successors and Assigns. This Agreement shall bind and inure to the benefit of the respective heirs, executors, administrators, personal representatives, successors and permitted assigns of the parties hereto; provided, however, that neither party hereto shall assign this Agreement without the prior written consent of the other party, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, however, Purchaser may assign its rights under this Agreement to an affiliated entity or entities. Any assignment not permitted hereunder and undertaken without such prior written consent shall be deemed null and void.

(j) No Third-party Beneficiaries. This Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

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(k) Further Assurances. Each of Seller and Purchaser shall provide to the other such further assurances as may reasonably be required hereunder to effectuate the purposes of this Agreement and, without limiting the foregoing, shall execute and deliver such affidavits, certificates and other instruments as may be so required hereunder so long as the same shall not materially increase the liability of the party so executing and delivering said instrument.

(l) Severability. If any term or provision of this Agreement shall to any extent be held invalid or unenforceable, the remaining terms and provisions of this Agreement shall not be affected thereby, but, each term and provision shall be valid and be enforced to the fullest extent permitted by law.

(m) Usage. All nouns and pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons, firm or firms, corporation or corporations, entity or entities or any other thing or things may require, or “any” shall mean “any and all”; “or” shall mean “and/or” and “including” shall mean “including without limitation.

(n) Non-Business Days. If any date herein set forth for the performance of any obligations either by Seller or by Purchaser or for the delivery of any instrument or notice as herein provided should be on a Saturday, Sunday, or legal holiday, the compliance with such obligations or delivery shall be deemed acceptable on the next business day following such Saturday, Sunday, or legal holiday. As used herein, the term “legal holiday” means any state or federal holiday for which financial institutions or post offices are generally closed in the State of California for observance thereof.

(o) No Strict Construction. The language used in this Agreement is the language chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any of the parties hereto.

(p) Confidentiality. Purchaser and Seller agree to keep the terms of this Agreement confidential (including the terms of any agreements with New Operator and Purchaser or Seller to the extent that Purchaser or Seller are not a part to such agreement) except as may be required or needed for filings with any governmental entity or agency or pursuant to any court order and this confidentiality provision shall not prohibit or restrict either party in sharing this Agreement with its owners, Board, officers, members, lenders, and financial or legal advisors.


[signature page follows]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed as of the day and year first above written.


SELLER

THE LITTLE SISTERS OF THE POOR OF LOS ANGELES,
A California nonprofit corporation

By: 
Name: Sister Margaret Hogarty
Title: President

PURCHASER

G AND E HEALTH CARE SERVICES, LLC,
a California limited liability company

By: 
Name: Grace Mercado
Title: President and Chief Executive Officer

FIRST AMENDMENT TO ASSET PURCHASE AGREEMENT

This **FIRST AMENDMENT TO ASSET PURCHASE AGREEMENT** (this “Amendment”), is made and entered into as of the 12th day of **July, 2021** by and between **THE LITTLE SISTERS OF THE POOR OF LOS ANGELES**, a California nonprofit corporation (“Seller” and “Old Operator:), and **G and E HEALTHCARE SERVICES, LLC**, a California limited liability company, or its Nominee (the “Purchaser”).

Background:

The parties have entered into that certain Asset Purchase Agreement dated as of May 26, 2021 (the “APA”), pursuant to which Seller agreed to sell, convey, assign, transfer and deliver to Purchaser, and Purchaser agreed to purchase and acquire from Seller, all right, title and interest in and to the Purchased Assets (as defined in the APA).

The parties are willing to enter into this Amendment on the terms and subject to the conditions contained herein and desire to amend the APA as set forth below.

Agreement:

In consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties intending to be legally bound hereby, agree as follows:

1. **Definitions.** All capitalized terms used in this Amendment, unless otherwise defined herein, shall have the meaning ascribed to such terms in the APA.

2. **Amendments to APA.** The APA is hereby amended as follows:

(a) The first sentence of Section 5(a) shall be amended and restated as follows:

The Due Diligence Period will begin as of the Effective Date and end at 5:00 PM Pacific Time on August 31, 2021. During the Due Diligence Period, Purchaser shall have the right, at reasonable times and on reasonable prior notice to Seller, to enter upon the Property to conduct such inspections, investigations, tests and studies as Purchaser shall deem necessary, including, without limitation, environmental site assessments, engineering tests and studies, physical examinations of the Property, due diligence investigations and feasibility studies.

(b) The fifth sentence of Section 5(a) shall be amended and restated as follows:

If Purchaser shall not be so satisfied for any reason whatsoever and Purchaser notifies Seller thereof in writing on or prior to 5:00 p.m. Pacific time on **August 31, 2021**, this Agreement shall be null and void and the Escrow Holder shall refund the Deposit to the Purchaser

3. **Continuing Effect of the APA.** Except as specifically set forth herein, the APA shall continue in full force and effect.

4. **Governing Law.** This Amendment shall be governed by and construed in accordance with the laws of the State of California without regard to conflict of law principles.

5. **Counterparts.** This Amendment may be executed in counterparts (including by means of facsimile or electronic delivery), each of which shall be deemed to be an original but all of which together shall constitute one agreement.

[Remainder of page intentionally left blank, signatures on the following page.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed as of the day and year first above written.

SELLER

THE LITTLE SISTERS OF THE POOR OF LOS ANGELES,
A California nonprofit corporation

By: _____

Name: Sister Margaret Hogarty

Title: President

Date: _____

PURCHASER

G AND E HEALTH CARE SERVICES, LLC,
a California limited liability company

By: _____

Name: Grace Mercado

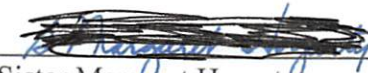
Title: President and Chief Executive Officer

Date: 7/12/21

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed as of the day and year first above written.

SELLER

THE LITTLE SISTERS OF THE POOR OF LOS ANGELES,
A California nonprofit corporation

By: 
Name: Sister Margaret Hogarty
Title: President

Date: July 12, 2021

PURCHASER

G AND E HEALTH CARE SERVICES, LLC,
a California limited liability company

By: _____
Name: Grace Mercado
Title: President and Chief Executive Officer

Date: _____

SECOND AMENDMENT TO ASSET PURCHASE AGREEMENT

This **SECOND AMENDMENT TO ASSET PURCHASE AGREEMENT** (this “Second Amendment”), is made and entered into as of the 2nd day of **September, 2021** by and between **THE LITTLE SISTERS OF THE POOR OF LOS ANGELES**, a California nonprofit corporation (“Seller” and “Old Operator”), and **G and E HEALTHCARE SERVICES, LLC**, a California limited liability company, or its Nominee (the “Purchaser”).

Background:

The parties have entered into that certain Asset Purchase Agreement dated as of May 26, 2021 (the “APA”), pursuant to which Seller agreed to sell, convey, assign, transfer and deliver to Purchaser, and Purchaser agreed to purchase and acquire from Seller, all right, title and interest in and to the Purchased Assets (as defined in the APA);

The parties entered into a First Amendment to Asset Purchase Agreement as of July 12, 2021 amending certain terms of the APA.

The parties are willing to enter into this Second Amendment on the terms and subject to the conditions contained herein and desire to amend the APA as set forth below. This Second Amendment supercedes the terms of the First Amendment.

Agreement:

In consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties intending to be legally bound hereby, agree as follows:

1. **Definitions.** All capitalized terms used in this Second Amendment, unless otherwise defined herein, shall have the meaning ascribed to such terms in the APA.

2. **Amendments to APA.** The APA is hereby amended as follows:

(a) The first sentence of Section 5(a) shall be amended and restated as follows:

The Due Diligence Period will begin as of the Effective Date and end at 5:00 PM Pacific Time on September 30, 2021. During the Due Diligence Period, Purchaser shall have the right, at reasonable times and on reasonable prior notice to Seller, to enter upon the Property to conduct such inspections, investigations, tests and studies as Purchaser shall deem necessary, including, without limitation, environmental site assessments, engineering tests and studies, physical examinations of the Property, due diligence investigations and feasibility studies.

(b) The fifth sentence of Section 5(a) shall be amended and restated as follows:

If Purchaser shall not be so satisfied for any reason whatsoever and Purchaser notifies Seller thereof in writing on or prior to 5:00 p.m. Pacific time on **September 30, 2021**,

this Agreement shall be null and void and the Escrow Holder shall refund the Deposit to the Purchaser

3. **Continuing Effect of the APA.** Except as specifically set forth herein, the APA shall continue in full force and effect.

4. **Governing Law.** This Second Amendment shall be governed by and construed in accordance with the laws of the State of California without regard to conflict of law principles.

5. **Counterparts.** This Second Amendment may be executed in counterparts (including by means of facsimile or electronic delivery), each of which shall be deemed to be an original but all of which together shall constitute one agreement.

a. *[Remainder of page intentionally left blank, signatures on the following page.]*

IN WITNESS WHEREOF, the parties hereto have caused this Second Agreement to be signed as of the day and year first above written.

SELLER

THE LITTLE SISTERS OF THE POOR OF LOS ANGELES,
A California nonprofit corporation

By: ~~_____~~
Name: Sister Margaret Hogarty
Title: President

Date: 8/30/21

PURCHASER

G AND E HEALTH CARE SERVICES, LLC,
a California limited liability company

By: _____
Name: Grace Mercado
Title: President and Chief Executive Officer

Date: _____

IN WITNESS WHEREOF, the parties hereto have caused this Second Agreement to be signed as of the day and year first above written.

SELLER

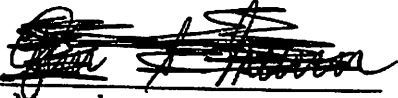
THE LITTLE SISTERS OF THE POOR OF LOS ANGELES,
A California nonprofit corporation

By:
Name: Sister Margaret Hogarty
Title: President

Date: _____

PURCHASER

G AND E HEALTH CARE SERVICES, LLC,
a California limited liability company

By: 
Name: Grace Mercado
Title: President and Chief Executive Officer

Date: 3/2/21

THIRD AMENDMENT TO ASSET PURCHASE AGREEMENT

This **THIRD AMENDMENT TO ASSET PURCHASE AGREEMENT** (this "Second Amendment"), is made and entered into as of the 30 day of September, 2021 by and between **THE LITTLE SISTERS OF THE POOR OF LOS ANGELES**, a California nonprofit corporation ("Seller" and "Old Operator:), and **G and E HEALTHCARE SERVICES, LLC**, a California limited liability company, or its Nominee (the "Purchaser").

Background:

The parties have entered into that certain Asset Purchase Agreement dated as of May 26, 2021 (the "APA"), pursuant to which Seller agreed to sell, convey, assign, transfer and deliver to Purchaser, and Purchaser agreed to purchase and acquire from Seller, all right, title and interest in and to the Purchased Assets (as defined in the APA);

The parties entered into a First Amendment to Asset Purchase Agreement as of July 12, 2021 amending certain terms of the APA. The parties entered into a Second Amendment to Asset Purchase Agreement as of September 2, 2021

The parties are willing to enter into this Third Amendment to Asset Purchase Agreement on the terms and subject to the conditions contained herein and desire to amend the APA as set forth below. This Third Amendment supersedes the terms of the Second Amendment.

Agreement:

In consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties intending to be legally bound hereby, agree as follows:

1. **Definitions.** All capitalized terms used in this Second Amendment, unless otherwise defined herein, shall have the meaning ascribed to such terms in the APA.

2. **Amendments to APA.** The APA is hereby amended as follows:

(a) The first sentence of Section 5(a) shall be amended and restated as follows:

The Due Diligence Period will begin as of the Effective Date and end at 5:00 PM Pacific Time on October 15, 2021. During the Due Diligence Period, Purchaser shall have the right, at reasonable times and on reasonable prior notice to Seller, to enter upon the Property to conduct such inspections, investigations, tests and studies as Purchaser shall deem necessary, including, without limitation, environmental site assessments, engineering tests and studies, physical examinations of the Property, due diligence investigations and feasibility studies.

(b) The fifth sentence of Section 5(a) shall be amended and restated as follows:

If Purchaser shall not be so satisfied for any reason whatsoever and Purchaser notifies Seller thereof in writing on or prior to 5:00 p.m. Pacific time on **October 15, 2021**,

this Agreement shall be null and void and the Escrow Holder shall refund the Deposit to the Purchaser

3. **Continuing Effect of the APA.** Except as specifically set forth herein, the APA shall continue in full force and effect.

4. **Governing Law.** This Second Amendment shall be governed by and construed in accordance with the laws of the State of California without regard to conflict of law principles.

5. **Counterparts.** This Second Amendment may be executed in counterparts (including by means of facsimile or electronic delivery), each of which shall be deemed to be an original but all of which together shall constitute one agreement.

[Remainder of page intentionally left blank, signatures on the following page.]

IN WITNESS WHEREOF, the parties hereto have caused this Second Agreement to be signed as of the day and year first above written.

SELLER

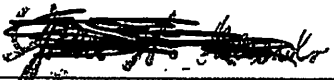
THE LITTLE SISTERS OF THE POOR OF LOS ANGELES,
A California nonprofit corporation

By: _____
Name: Sister Margaret Hogarty
Title: President

Date: _____

PURCHASER

G AND E HEALTH CARE SERVICES, LLC,
a California limited liability company

By:  _____
Name: Grace Mercado
Title: President and Chief Executive Officer

Date: 09/30/21

IN WITNESS WHEREOF, the parties hereto have caused this Second Agreement to be signed as of the day and year first above written.

SELLER

THE LITTLE SISTERS OF THE POOR OF LOS ANGELES,
A California nonprofit corporation

By: ~~_____
Name: Sister Margaret Hogarty
Title: President~~

Date: Sept 29, 2021

PURCHASER

G AND E HEALTH CARE SERVICES, LLC,
a California limited liability company

By: _____
Name: Grace Mercado
Title: President and Chief Executive Officer

Date: _____

Section 999.5(d)(1)(C) Statement of all of the reasons the board of directors of applicant believes that the proposed agreement or transaction is either necessary or desirable.

Reasons for Proposed Transaction

The Little Sisters of Poor arrived in Los Angeles on January 18, 1905 traveling from Chicago by train. They immediately rented a house and began to receive the elderly in their Home. In July 1905 a benefactor who had funded the construction of a Home for the Little Sisters of the Poor in San Francisco purchased seven acres of land on First and Mott Street in the Boyle Heights neighborhood to build a large Home to receive the elderly poor. The Home was inaugurated on March 25, 1908 and named St. Ann's Home. When the building in Boyle Heights no longer met the new building and fire safety codes promulgated in the 1960s, the Little Sisters announced that they would have to leave the Home. At the same time the Roman Catholic Archdiocese of Los Angeles offered the Little Sisters of the Poor the site of the former Fermin Lasuen High School in San Pedro. The Little Sisters accepted and broke ground in 1977 and on August 7, 1979 moved 120 residents from St. Ann's Home to their new home now named Jeanne Jugan Residence. Therefore the Little Sisters of the Poor have cared for the elderly poor continuously in the City of Los Angeles for 116 years

Approximately six years ago, the Little Sisters of the Poor entered into a strategic planning process and determined that they had to withdraw from a certain number of Homes they operated in the United States so they could strengthen their presence and their mission in the other Homes where they would continue to serve. The Constitutions of the Little Sisters of the Poor require that a certain number of Sisters are needed to constitute a local community and the reduced number of women becoming Little Sisters of the Poor made it more challenging to comply with this mandate. In 2019 it was determined that the Little Sisters would withdraw from Jeanne Jugan Residence in San Pedro as part of their strategic plan.

In all of the Homes where the Little Sisters have withdrawn, their priority has always been to find a purchaser who would continue the facility as a residence for the elderly. More particularly, the Little Sisters always want to ensure that the current residents will be able to remain in the Home and that the purchaser would retain a majority of the staff to continue to care for the residents. In a number of transactions, they have sacrificed higher purchase prices to achieve these goals. The maintenance of a Catholic culture in the Home after the transfer is also a high priority as daily religious services are an integral part of the residents' experience in all of the Homes sponsored and operated by the Little Sisters of the Poor.

In agreeing to sell the Home to the G and E or its nominee, the Little Sisters believe they have found a partner who shares their mission and values. Grace Mercado, the principal of G and E, is a woman both experienced in operating skilled nursing and rehabilitation facilities and also a woman of great faith. She is committed to providing for both the residents' health care and spiritual needs. In their interactions with Grace since meeting her, the Little Sisters of the

Poor have developed a level of comfort with her and her team's philosophy of care.

FAIR MARKET VALUE

(Cal Code Regs., tit. 11, sec 999.5(d)(2))

Section 999.5(d)(2)(A) Estimated market value of all cash, property, stock, notes, assumption or forgiveness of debt, and any other thing of value that the applicant would receive for the health facility covered by the proposed agreement.

As outlined in the Asset Purchase Agreement, G and E agreed to the following consideration for the purchase of JJR.

- Twenty Million Dollars (\$20,000,000.00). *See* Exhibit 2 - Agreement Sec. 2(a).

Section 999.5(d)(2)(B) The estimated market value of each health facility, facility that provides similar health care or other asset to be sold or transferred by the applicant under the proposed agreement or transaction.

Appraisal

In 2017 as part of their strategic planning process, the Little Sisters of the Poor retained HTG Consultants, LLC (“HTG”) to perform an appraisal of all of the Homes of the Little Sisters of the Poor in the United States. These appraisals would be used as one criterion in the planning process in determining the future sites where the Little Sisters will exercise their ministry of caring for the elderly poor. HTG specializes in the analysis and valuation of senior housing and healthcare communities. HTG’s website can be found at <https://htgconsultants.com/>.

HTG completed the analysis and valuation of JJR as of May 17, 2018. The reconciled value found on page 4 of the report is \$18,500,000.00. Exhibit 3 is a copy of the appraisal report prepared by HTG.

When the Little Sisters of the Poor met to determine a sales price in 2020 upon the announcement that they were withdrawing from JJR and were looking for a partner to continue the Home with SNF, RCFE and Independent Living units, they settled on a price of \$20,000,000.00. This price was also arrived at during the height of the COVID 19 pandemic when, even today, there remains much uncertainty in the nursing home industry causing potential purchasers pause in entering into new transactions.

A more detailed description of the methods the Little Sisters of the Poor used to choose a Purchaser will be described in Section 999.5(d)(2)(C).

Exhibit 3

Section 999.5(d)(2)(B)



APPRAISAL REPORT

PROPERTY NAME

JEANNE JUGAN RESIDENCE
2100 SOUTH WESTERN AVENUE
SAN PEDRO, LOS ANGELES COUNTY, CALIFORNIA 90732

PROPERTY TYPE

A NURSING, ASSISTED LIVING & INDEPENDENT LIVING FACILITY

EFFECTIVE DATE

AS IS – MAY 17, 2018

CLIENT

LITTLE SISTERS OF THE POOR, CHICAGO PROVINCE
80 WEST NORTHWEST HIGHWAY
PALATINE, COOK COUNTY, ILLINOIS 60067

APPRAISER

DAVID S. PASSERO, MAI
SENIOR PRINCIPAL, HTG CONSULTANTS, LLC
CALIFORNIA STATE CERTIFIED GENERAL APPRAISER
LICENSE NUMBER AG 032753

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July 24, 2018

Little Sisters of the Poor, Chicago Province
80 West Northwest Highway
Palatine, Illinois 60067

Attention: Mother Maria Christine, lsp
Little Sisters of the Poor, Chicago Province

Re: Jeanne Jugan Residence
2100 South Western Avenue, San Pedro, California 90732

In accordance with your request, HTG Consultants, LLC (“HTG”) has conducted the required investigation, gathered the necessary data, and performed analyses that have enabled us to form an opinion of the As Is market value of the fee simple estate interest in Jeanne Jugan Residence (referred to hereafter as the “Subject”) as of May 17, 2018. HTG has also been asked to provide an allocation of overall value to the land, improvements, equipment and other assets, as of May 17, 2018. ***The values presented in this transmittal letter cannot be fully understood or relied upon without the accompanying appraisal report that follows.***

The function of this report is for valuation for internal planning purposes. The objective of this report is to present the data and reasoning the appraiser utilized to form the opinion of value based on an inspection of the property and the investigation and analyses undertaken. We have formed the opinion that as of the dates mentioned below, and subject to the assumptions and limiting conditions set forth in the attached report, the market values for the Subject are:

Value Summary Details	
Value Type:	<i>"As Is"</i> <i>Market Value</i>
Assets Appraised:	Going Concern
Interest Appraised:	Fee Simple Estate
Valuation Date	5/17/2018
Reconciled Value Indication	\$18,500,000

JEANNE JUGAN RESIDENCE
APPRAISAL REPORT

The scope of the assignment is to prepare a credible appraisal report in accordance with the requirements of the *Uniform Standards of Professional Appraisal Practice* ("USPAP", 2018-2019 edition). The detailed scope of work is further discussed in the *Scope of the Assignment* section of this appraisal report.

Respectfully Submitted,
HTG Consultants, LLC

A handwritten signature in cursive script that reads "David S. Passero".

David S. Passero, MAI, Senior Principal
California State Certified General Appraiser
License Number AG 032753

18-4225

SUMMARY OF PERTINENT DATA AND CONCLUSIONS

Jeanne Jugan Residence
2100 South Western Avenue
San Pedro, California 90732

Effective Date of Appraisal: May 17, 2018
Date of Inspection: May 17, 2018
Licensed Appraiser: David S. Passero
Number: AG 032753
Assets Appraised: Going Concern
Interest Appraised: Fee Simple Estate
Owner: Little Sister of the Poor
Operator: Little Sister of the Poor

Asset Data

<u>Site</u>	<u>Improvements</u>
Parcel #: 7460004015	Insurance Class: Class C
Size (Acres): 5.22	Number of Stories: Three and Four Story; Two Story
Zoning: RD2, Low Medium II Residential	Year Built: 1979
Flood Plain: Zone X (Unshaded)	Footprint: 149,765
CON: Not Required	Gross Building Area: 149,765
H&BU: As Senior Housing	H&BU: As Senior Housing
Census Tract: 2973	

Operating Characteristics	Forecasted:
Type of Facility: Nursing Facility	Occupancy: 95.3%
Additional Care: Residential Care	Revenue: \$6,547,910
License: Nursing / Residential Care Facility	Expenses: \$4,868,326
Licensed Beds: 89	EBITDA: \$1,679,584
Operating Beds: 103	EBITDA Margin: 25.7%
Operation Start Date: 1979	

Unit and Bed Mix

	<u>Units</u>	<u>Beds</u>	<u>Percent of Beds</u>
<i>Nursing Care</i>	27	27	26.2%
<i>Assisted Living</i>	62	62	60.2%
<i>Independent Living</i>	14	14	13.6%
Total	103	103	100.0%

SUMMARY OF PERTINENT DATA AND CONCLUSIONS

Jeanne Jugan Residence

2100 South Western Avenue
San Pedro, California 90732



Summary of Values:

As of: May 17, 2018 "As Is"

Income Approach		
Discounted Cash Flow		\$18,400,000
Direct Capitalization		\$18,500,000
Sales Comparison Approach	\$17,000,000 To	\$18,700,000
Cost Approach		\$18,500,000
Reconciled Value		\$18,500,000

Allocation of Value as of: May 17, 2018

Realty:		Personalty:	
Land	\$8,600,000	Equipment	\$739,200
Improvements	9,160,800		
Total Realty	\$17,760,800	Other Assets:	\$0

SUBJECT PHOTOGRAPHS

WESTERN ELEVATION



NORTHERN ELEVATION



EASTERN ELEVATION



SOUTHERN ELEVATION



GARDEN



PATIO



SUBJECT PHOTOGRAPHS

TYPICAL ASSISTED LIVING UNIT



TYPICAL ASSISTED LIVING BATHROOM



TYPICAL ASSISTED LIVING HALLWAY



TYPICAL NURSING HALLWAY



NURSING COMMON AREA



DIETARY



SUBJECT PHOTOGRAPHS

DINING ROOM



ACTIVITIES ROOM



TYPICAL INDEPENDENT LIVING UNIT



TYPICAL INDEPENDENT LIVING SHOWER



TYPICAL INDEPENDENT LIVING HALLWAY



TYPICAL INDEPENDENT LIVING KITCHEN



SUBJECT PHOTOGRAPHS

LAUNDRY BUILDING- DRYERS



LAUNDRY BUILDING- WASHERS



RETREAT HOUSE CHAPEL



RETREAT HOUSE UNIT



RETREAT HOUSE KITCHEN



RETREAT DINING



STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

LEGAL

1. No responsibility is assumed for legal description or matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise noted.
3. No liability for matters legal in nature is assumed.
4. The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
5. This appraisal was completed without regard to the racial, ethnic, religious, or national origin/characteristics of the applicant, buyer, seller, tenants, or neighborhood where the Subject is located.
6. Neither all nor any portion of the contents of this report shall be distributed to the public through public relations, news, advertising, sales or any other media without the prior written consent and approval of the appraiser(s) and HTG.
7. Possession of this report, or a copy thereof, does not carry with it the right of publication.
8. Demographic information utilized in this report is provided through Claritas, Inc., a national demographics and statistical data company. This information has been used by permission of and under a service contract with Claritas, Inc.

GOVERNMENTAL

1. That the property is and will continue to comply with government regulations, ordinances or statutes.
2. HTG, all of its officers, appraisers, employees, sub-contractors and representatives give notice and warning to all parties that the Subject realty, and or personalty, under appraisal herein has not been investigated for existing or past problems under the jurisdiction of the Environmental Protection Agency, national, state, private, or government organizations concerned with environmental or hazardous conditions, hazardous waste materials, ground or water contamination problems. It is assumed the Subject is free and clear of any contamination or liabilities for contamination.
3. That there are no hidden conditions of the property subsoil or structures that render it more or less valuable.
4. The Americans with Disabilities Act (“ADA”) requires that certain architectural barriers in public accommodations be eliminated to provide improved access for disabled persons. HTG has not made a compliance survey of the Subject property. It is possible that if a survey is completed it will be determined that the Subject property is not in compliance with the ADA. If so, the cost of compliance could have a negative effect on the market value of the Subject property and is not considered in our analysis.

ECONOMIC

1. Responsible ownership and competent management are assumed.
2. Unless otherwise noted, it is assumed that the historical and/or pro forma financial documents provided to us, including but not limited to financial statements, rent rolls, and census information, accurately reflect the actual performance of the company and are deemed credible.
3. Unless otherwise noted, it is assumed that there will be no changes in reimbursement or tax regulations on the local, state and federal levels.
4. No responsibility is taken for changes in federal, state or local regulations, or market and economic conditions, after the date of report issuance.
5. We have forecasted future events based on existing market conditions; thus, the appraiser cannot be held responsible for unforeseeable events that alter market conditions subsequent to the effective date of the appraisal.

VALUATION ISSUES

1. The appraisers have made no survey of the property. Any and all maps, sketches and site plans are assumed to be correct, but no guarantee is made as to their accuracy.
2. The distribution of total value between land, improvements, equipment, and business enterprise applies only for the use as described within this report. The individual values for land, improvements, equipment and going concern may not be used in conjunction with any other appraisal or analysis and are invalid if so used.
3. Any value estimates provided in this report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report.
4. The appraiser assumes that the reader or user of this report has been provided with copies of all leases and amendments, if any, encumbering the property.
5. The appraiser assumes that the Subject is in good standing with the state with regard to licensing and patient care. Any issues that might impact the Subject's ability to admit residents, which impact census mix and occupancy could materially affect the opinion of value stated in this report.
6. HTG has been asked to provide an opinion of market value for the Subject based on the cost approach and has done so utilizing data from Marshall and Swift, which publishes the *Marshall Valuation Service*, as well as building specific information for the Subject property. For a more in depth analysis of the building components, HTG recommends seeking the assistance and expertise of an insurance adjuster, engineer, or construction specialist who can provide a more significant analysis.
7. **Portions of the Subject's improvements were originally constructed prior to 1980 and, due to their age, there may be certain waivers related to its operation. HTG assumes that, where required, the Subject has received all appropriate waivers and is in substantial compliance with state regulations.**
8. *The Subject is not currently certified for Medicare, but HTG has assumed a market operator would pursue certification in order to provide short term rehabilitation services to residents. This assumption is considered reasonable due to the facility characteristics and current expectations of market operators, which are focused on serving a stronger quality mix.*

APPRAISER CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice*.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I have completed the continuing education program for Designated Member of the Appraisal Institute.
- I have not performed a previous appraisal of the Subject property within the last three years prior to this assignment.
- I have made a personal inspection of the Subject and developed the analysis and appraisal report. Jermaine J. G. Mtawali (not a certified assistant) provided assistance in researching information related to the Subject property including zoning, flood zone, real estate taxes, and surveying competition.



David S. Passero, MAI
Senior Principal, HTG Consultants, LLC
California State Certified General Appraiser – License Number AG 032753

Certification Date: July 24, 2018

OBJECTIVE OF THE APPRAISAL AND PURPOSE OF REPORT

The purpose of this appraisal report is to form an opinion of the As Is market value of the going concern known as the Subject as of May 17, 2018. The objective of this report is to present the data and reasoning the appraiser utilized to form the opinion of value based on an inspection of the property and the investigation and analyses undertaken. We have formed an opinion of market value as of the date mentioned below, and subject to the assumptions and limiting conditions set forth in the attached report.

Value Summary	
Value Type:	<i>"As Is"</i>
	<i>Market Value</i>
Assets Appraised:	Going Concern
Interest Appraised:	Fee Simple Estate
Valuation Date	5/17/2018

Additionally, HTG has been asked by our client to provide an allocation of overall value to the land, improvements, equipment and other assets, as of the date presented.

INTENDED USE AND USER OF REPORT

The intended use of this report is for valuation for internal planning purposes. The intended user is our client, Little Sisters of the Poor, Chicago Province and its authorized representatives.

PROPERTY RIGHTS APPRAISED

This appraisal considers the fee simple estate interest in the Subject as defined in the Definitions section, which is an exhibit to this report.

PROPERTY IDENTIFICATION

The Subject is located at 2100 South Western Avenue in San Pedro, Los Angeles County, California 90732. The Subject parcel, which can also be identified as parcel number 7460004015, contains approximately 5.22 acres. For a further description of the facility and its operations, please see the *Nature of the Going Concern* presented later in the report.

SCOPE OF THE ASSIGNMENT

The scope of the assignment is to prepare a credible appraisal report of the Subject in accordance with the requirements of *USPAP*. Using the data gathered, we have formed an opinion of the market value of the fee simple estate interest in the Subject as a going concern.

The development of the appraisal report included independent investigation and analyses. These investigations and analyses included the following:

- Analysis of financial documentation provided by the current owner/operator, including profit and loss statements, census and occupancy data, staffing patterns, rent rolls (as available/applicable), and management projections.
- Inspection of both the interior (including specific resident units, common areas, and administrative areas) and exterior of the Subject property and other senior housing facilities offering similar services, specifically the Subject's primary competitors, completed on May 17, 2018;

- Discussions with management as to operating philosophy, services offered, charge rates and market conditions;
- Interviews (in person and via telephone) with other area senior housing and healthcare professionals in the market to aid in the determination of market rates and occupancies; and,
- Research of the status of the Subject property with city zoning, and county tax assessment officials in regard to zoning, flood plain, legal status, ownership, and tax status/payment history, as well as other specific property information.

HTG has utilized the three traditional valuation approaches to develop the opinion of market value (see the Definitions section, an exhibit to this report) for the Subject as of the date of this appraisal. The three approaches to value utilized are the Income Approach, the Sales Comparison Approach, and the Cost Approach.

For the Income Approach, we have analyzed three periods of financial statements, current rent rolls, and current staffing levels based on information provided by the current owner/operator of the Subject. Analysis also included restructuring of financial statements and projecting future occupancy and census mix based on market findings and historic operations. In addition, HTG was provided with the payment rates for both the state (Medicaid) and federal government (Medicare) programs for the Subject property. HTG utilized market expense comparables to aid in the projection of the Subject's expenses. We also analyzed recent yield and capitalization rates for properties with similar operating characteristics when compared to the Subject.

For the Sales Comparison Approach, HTG has researched comparable sales through state agencies and interviews with market participants. HTG has attempted to verify all information received related to these transactions. These sales have been utilized to aid in the development of an opinion of value for the Subject.

HTG utilized the following for development of the Cost Approach: observations made during the site inspection; interviews with management; government records, and valuation guides commonly utilized by our peers.

David S. Passero, MAI has performed an inspection of the Subject and developed the analysis and appraisal report. Jermaine J. G. Mtawali (not a certified assistant) provided assistance in researching information related to the Subject property including zoning, flood zone, real estate taxes, and surveying competition.

COMPETENCY RULE

HTG Consultants was formed in January 1998 and has conducted appraisals in almost every state in the country. The assignments have included healthcare, senior housing and multifamily properties, comprising nursing facilities, assisted living facilities, continuing care retirement communities ("CCRCs"), independent living facilities, senior apartments and multifamily apartments. HTG has also prepared appraisals for specialty properties, including psychiatric hospitals, dedicated memory care facilities, long-term acute care facilities ("LTACs") and medical office buildings ("MOBs"). Additionally, HTG has completed assignments relating to vacant land, liquidation of assets, market and financial feasibility studies, and highest and best use analysis.

Mr. Passero is an MAI and senior principal with HTG who has been engaged in the valuation and consulting profession since 1991. In total, HTG has provided values for nearly 4,000 assignments, including a wide range of tangible and intangible assets in connection with financing, litigation support, acquisition/divestiture and fair rental settings, as well as for tax appeal, IRS market-value determination and depreciation for accounting purposes.

The experience of Mr. Passero includes the estimation of fair market, investment, leasehold and leased fee values for various healthcare enterprises, including: skilled and sub-acute nursing facilities, assisted living and memory care residences, independent living facilities, CCRCs, life care retirement communities, LTACs, in- and outpatient rehabilitation centers, acute care hospitals, surgical centers, behavioral care and substance abuse facilities, HMOs, home healthcare companies and physician practices.

Based on the extensive experience of Mr. Passero in valuing these assets, including those similar to the Subject, he is considered competent to develop an opinion of value for the Subject. His resume has been included in the exhibits portion of this report.

HISTORY AND OWNERSHIP

The Subject parcels are currently owned by Little Sisters of the Poor, LLC. According to public records, there have been no transfers of the Subject property within the last three years.

NATURE OF THE GOING CONCERN

The Subject operates as a 103-unit, 103-bed nursing (“NF”), assisted living (“AL”) and independent living (“IL”) senior housing facility, with 27 NF beds, 62 AL beds and 14 IL units. The facility improvements were originally constructed in 1979. No significant renovations or additions (other than routine maintenance and grounds work) have taken place on the Subject since the facility opened. The Subject site currently consists of a three- and four-story building (with a penthouse) containing NF and AL units, and a two story building containing administration and IL apartments. The two buildings encompass approximately 127,178 square feet. The Subject site is also developed with a laundry building (3,607 square feet) and a retreat house (18,980 square feet). The Subject as a whole encompasses approximately 149,765 square feet.

The Subject caters to both private pay and government funded residents. The private pay rates for the Subject are presented and analyzed within the *Competition and Service Analysis* section presented later in this report. That section details and discusses any of the applicable monthly or daily rates, community fees, or levels of care charges associated with the services and care provided.

The Subject is licensed for 27 beds as a Skilled Nursing Facility by the California Department of Public Health. The Subject is also licensed for 62 beds as a Residential Care Facility for the Elderly by the California Department of Social Services. A profile that presents additional details related to the licensing, certificate of need, bed need methodology, staffing requirements, Medicaid reimbursement, and provider tax are included within the state profile that is an addendum to this report. The following chart briefly summarizes some of this information.

Nursing

License Name:	Skilled Nursing Facility
Certificate of Need Required:	No
Medicaid Reimbursement (Prospective/Retrospective):	Prospective
Provider Tax:	Yes

The Subject is not currently certified for Medicare, but HTG has assumed a market operator would pursue certification in order to provide short term rehabilitation services to residents. This assumption is considered reasonable due to the facility characteristics and current expectations of market operators, which are focused on serving a stronger quality mix. The certification process includes the completion of a Life Safety Code (“LSC”) survey and a standard survey by a state surveyor as part of the requirements of 42 CFR Part 483, Subpart B. Once completed, CMS has final approval. The initial application fee is \$569 for CY 2018.

Assisted Living

License Name:	Residential Care Facility for the Elderly
Certificate of Need Required:	No
Medicaid Waivers Offered:	Prospective

The staffing, services and physical plant of the Subject are designed to meet the long-term and skilled care needs of seniors who require 24-hour nursing and Alzheimer’s nursing care. Residents cared for within NFs generally include: (1) subacute/skilled and (2) long-term care residents. Subacute and skilled nursing residents require intensive care following hospitalization, which may include rehabilitation, therapies and skilled care services.

In addition, NFs provide treatment for long-term care residents that suffer from chronic illnesses. These individuals generally require 24-hour custodial nursing care and assistance with ADLs, including bathing, dressing, grooming, toileting, feeding, ambulation, and transferring, cueing, and medication administration. The following services are provided to nursing residents of the Subject:

- 24-hour per day nursing care, including long-term, skilled and subacute care services;
- Social services, discharge planning and case management;
- Therapy services, including physical, occupational and speech, as well as nutritional and restorative;
- Three daily meals, served restaurant-style in a central dining area, as well as daily snacks;
- Daily or weekly laundry, linen and housekeeping services, as needed;
- Arranged transportation for medical appointments and community services;
- Property and resident unit maintenance, coupled with 24-hour per day security;
- Recreation and activity programs, wellness assessments and counseling; and
- Additional wellness programs, including care planning and on-going health assessments.

In addition to the package of services included in the daily rate, residents are afforded the opportunity to access additional healthcare and therapy services. These services may be required due to an individual’s physical condition, prescribed by the medical director or a personal physician, or desired by the resident. At the Subject, these services may include, among others:

- Short-term, in-patient rehabilitation; and
- Beauty and barber services.

The Subject contains 62 assisted living (AL) units. The staffing, services and physical plant of the Subject are designed to meet the personal care needs of seniors who require AL and memory care services, including assistance with ADL's and IADLs. The ADLs can include bathing, dressing and grooming, as well as toileting, ambulation and medication monitoring and supervision. The IADLs typically involve domestic assistance, including meal preparation, housekeeping services, shopping, and assistance with financial planning or administering personal finances.

The following services are provided to AL residents of the Subject:

- Assistance with ADLs and IADLs;
- Continuous protective oversight;
- Social services, discharge planning and case management;
- Three daily meals, served restaurant-style in a central dining area, as well as daily snacks;
- Weekly laundry, linen and housekeeping services, as needed;
- Property and resident unit maintenance;
- Recreation and activity programs, wellness assessments and counseling;
- On-site physician and podiatrist; and
- Additional wellness programs, including care planning and on-going health assessments.

The Subject also holds 14 independent living (IL) units. The following services are provided to IL residents of the Subject:

- Breakfast daily, plus 30 meals per month, served restaurant-style in a central dining area, as well as daily snacks;
- Weekly linen and housekeeping services, as needed;
- Property and resident unit maintenance;
- All utilities (except phone);
- Recreation and activity programs;
- Emergency response;
- Schedule transportation; and
- The use of all amenities, including fitness and pool areas.

REGIONAL, AREA AND NEIGHBORHOOD ANALYSIS

We have conducted an investigation of the area and neighborhood surrounding the Subject in order to determine the social, governmental, economic and environmental factors that may have an impact on the value of the Subject. Where appropriate, we have provided state and national data for comparison purposes. Through our analysis, the market area (“MA”) determined by the appraiser to have an impact on the valuation of the Subject property is a five-mile radius from the Subject. This includes many of the surrounding cities, such as Los Angeles, Rolling Hills and Rolling Hills Estates. Additionally, the defined MA includes the majority of the Subject’s direct competitors.

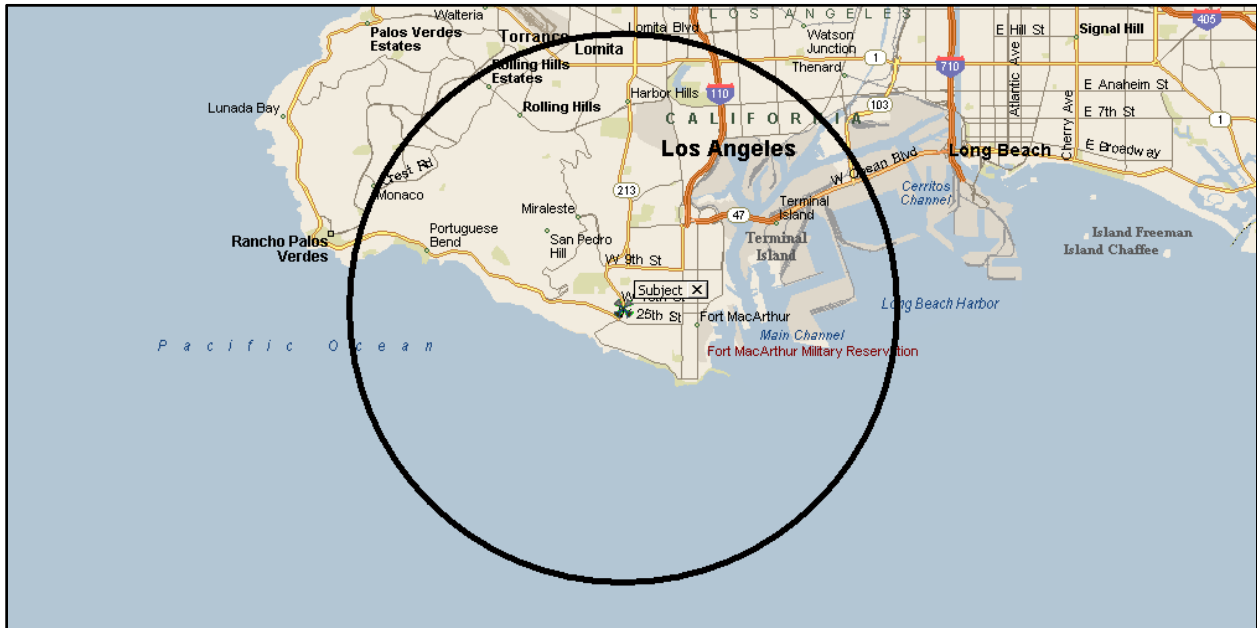
San Pedro lies in Los Angeles County, California. Los Angeles County is the most populous county in the United States. It is the third-largest metropolitan economy in the world. Other major U.S. cities, such as San Diego, Pasadena and Beverly Hills are less than 250 miles from San Pedro.

The area is served by public transportation in the form of bus and commuter rail services provided by the Metro (Los Angeles County Metropolitan Transportation Authority) and the LADOT (City of Los Angeles, Department of Transportation). The main highways that serve San Pedro are U.S. Interstate 110 and State Routes 47 and 213. Additionally, the Port of Los Angeles, a major international seaport, is partially located within San Pedro.

REGIONAL MAP



AREA MAP



**The radius represents the Subject's defined MA.*

AREA ECONOMY

The major industries in Los Angeles County, according to Claritas, are as follows:

2017 Estimated Civilian Employed Population 16+ (by Occupation)		
Occupation	Total	Percentage
Office/Administrative Support	638,454	13.39%
Sales/Related	521,220	10.93%
Management	457,741	9.60%
Transportation/Material Moving	321,591	6.74%
Production	296,806	6.23%
Food Preparation/Serving Related	273,890	5.74%
Education/Training/Library	240,253	5.04%
Personal Care/Service	234,861	4.93%
Business/Financial Operations	232,163	4.87%
Construction/Extraction	227,181	4.76%
Healthcare Practitioner/Technician	221,210	4.64%
Arts/Design/Entertainment/Sports/Media	220,141	4.62%
Building/Grounds Cleaning/Maintenance	215,659	4.52%
Installation/Maintenance/Repair	120,783	2.53%
Computer/Mathematical	107,319	2.25%
Healthcare Support	90,118	1.89%
Protective Services	84,684	1.78%
Architecture/Engineering	74,187	1.56%
Community/Social Services	73,242	1.54%
Legal	65,316	1.37%
Life/Physical/Social Science	34,210	0.72%
Farming/Fishing/Forestry	16,897	0.35%

MAJOR INDUSTRIES AND EMPLOYERS

The following is a list of the major employers in Los Angeles County and the surrounding area and their respective number of employees provided by the California Employment Development Department as of 2016:

- County of Los Angeles (107,500)
- Los Angeles Unified School District (90,800)
- City of Los Angeles (including DWP) (49,500)
- University of California, Los Angeles (46,200)
- Federal Government (non-Defense Dept.) (45,000)
- Kaiser Permanente (36,900)
- State of California (non-education) (29,900)
- University of Southern California (18,900)
- Northrop Grumman Corp. (16,600)
- Target Corp. (15,000)

AREA WORKFORCE AND UNEMPLOYMENT

Unemployment Rate, Not Seasonally Adjusted			
	April 2017	April 2018	Change
United States	4.1%	3.7%	-0.4%
California	4.7%	3.8%	-0.9%
Los Angeles County	4.4%	4.0%	-0.4%

* Source: Bureau of Labor Statistics, Local Area Unemployment Statistics

AREA HOSPITALS

There is one hospital located within the defined MA that serves area residents. The hospital is the following:

- Providence Little Company of Mary Medical Center has a total bed capacity of 356 beds and is located approximately 1.3 miles from the Subject.

DEMOGRAPHIC CHARACTERISTICS

POPULATION

Population growth or decline in the area and neighborhood can be an indicator of the life cycle stage. The following chart provides historic population data as well as current estimates and a five-year projection for the U.S., the state of California, Los Angeles County, and the Subject's MA, defined as a five-mile radius around the Subject's location.

Population Trends					
Area	Census 2010	Estimate 2018	Annual % Change 2010-2018	Projected 2023	Annual % Change 2018-2023
MA	174,046	180,614	0.5%	186,039	0.6%
Los Angeles County	9,818,605	10,231,037	0.5%	10,554,830	0.6%
California	37,253,956	39,695,753	0.8%	41,305,572	0.8%
U.S.	308,745,538	326,533,070	0.7%	337,947,861	0.7%

- The populations for the nation and state increased during the period between 2010 and 2018, and are projected to continue increasing over the next five years.
- The population in the MA has increased at the same average annual growth rate as the county but a lower rate than the state and national average annual growth rates since 2010. This trend is projected to continue during the next five years.
- These population trends are indicative of an area experiencing growth, as shown by consistent increases in population, both projected and historic.

INCOME

Trends in median and average household incomes provide an indicator of prosperity. Rapid increases, or averages above the national or state levels, may indicate growth or affluent areas. The following table displays median and average household income levels.

Income Trends						
Area	Median Household Income			Average Household Income		
	Estimate 2018	Projected 2023	Annual % Change 2018-2023	Estimate 2018	Projected 2023	Annual % Change 2018-2023
MA	\$70,243	\$78,942	2.4%	\$107,029	\$120,523	2.4%
Los Angeles County	\$64,228	\$72,083	2.3%	\$96,019	\$107,979	2.4%
California	\$70,636	\$78,925	2.2%	\$103,775	\$116,503	2.3%
U.S.	\$60,133	\$65,675	1.8%	\$86,278	\$95,107	2.0%

- Income levels in the MA, on a median and average household basis, are higher than the state and county income levels.
- Income levels in the MA are projected to increase through 2023, at the same annual growth rate as the county, and a higher growth rate than the state and nation.
- These trends are indicative of a strong economic market, with growing income characteristics.

HOUSING TRENDS

The rate of increase or decrease in housing units in an area can provide insight into the reputation of the area. High growth in housing units may indicate a growth or revitalization area. Similarly, median housing value can indicate the area's overall wealth. The following chart indicates the estimated growth or decline in housing units and the median housing values in the area.

Housing Trends								
Area	Occupied Housing Units					Median Housing Value 2018	Median Housing Value 2023	Annual % Change 2018-2023
	Census 2010	Estimate 2018	Annual % Change 2010-2018	Projected 2023	Annual % Change 2018-2023			
MA	61,219	64,252	0.6%	66,188	0.6%	\$694,693	\$750,814	1.6%
Los Angeles County	3,133,620	3,381,382	1.0%	3,492,292	0.6%	\$557,391	\$608,503	1.8%
California	11,502,445	13,388,653	1.9%	13,935,677	0.8%	\$484,849	\$524,235	1.6%
U.S.	105,478,510	123,942,960	2.0%	128,512,580	0.7%	\$207,644	\$221,286	1.3%

- During the period between 2010 and 2018, housing unit growth in the Subject's MA was positive. The county, state and national housing trends also increased. Over the next five years, total housing units in the MA is projected to increase at the same average annual growth rate as the county, yet a lower growth rate than the state and nation trends.
- These trends are indicative of an area experiencing an expanding real estate market.
- Median housing values for California, Los Angeles County and the MA were much higher than the national median. These values indicate, in part, that Los Angeles County and the MA are more affluent sections of California, while the state as a whole has higher cost-of-living characteristics.

HOME OWNERSHIP

Housing Unit Tenancy (Current Year)						
Area	Owner-Occupied Units		Renter-Occupied Units		Total Units	
	Units	% of Total	Units	% of Total	Units	% of Total
MA	31,971	49.8%	32,281	50.2%	64,252	100.0%
California	7,473,762	55.8%	5,914,891	44.2%	13,388,653	100.0%
U.S.	80,540,647	65.0%	43,402,313	35.0%	123,942,960	100.0%

- In the current year, the percentage of owner-occupied homes in the MA is 49.8 percent, while the percentage of renter-occupied homes is 50.2 percent. The MA displays a lower percentage of owner-occupied units than the state and nation.
- Although the housing market in the MA has improved, area residents may still have difficulty selling their homes. As this applies to area seniors, they may not be able to sell their homes and move into nursing facilities as quickly as they once were able to do. The current economy also impacts the ability of adult children to support their parents financially when it comes to pay for nursing services. However, in spite of being affected by the national economy, Los Angeles County and the MA appear to be relatively strong markets.

NEIGHBORHOOD ANALYSIS

The *Appraisal of Real Estate, Fourteenth Edition* defines a neighborhood as “a group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.” The Subject’s neighborhood is defined as the area bounded by South Patton Avenue to the east, West 25th Street to the south, South Moray Avenue to the west, and West 19th Street to the north. These boundaries encompass similar local land uses, including a combination of residential development, and minimal amounts of institutional and commercial/retail development.

The Subject is located off of South Western Avenue, a four-lane, primary roadway. The primary draw to the Subject’s neighborhood is the residential setting and strong access via South Western Avenue. The Subject’s neighborhood consists of the following land uses:

Area Land Uses	
Residential	80%
Commercial/Retail	15%
Institutional	5%

NEW DEVELOPMENT IN NEIGHBORHOOD

There is a minimal amount of new development in the Subject’s immediate area.

According to a representative of the city of Los Angeles, there are no new senior housing facilities in the Subject’s immediate vicinity that are in the pipeline or under construction.

The immediate area surrounding the Subject site contains:

- North: The Estate condo complex.
- East: Single-family homes along Constellation Way.
- South: Shopping center with various businesses.
- West: Single-family homes.

ADJACENT – NORTH



ADJACENT - EAST



ADJACENT – SOUTH



ADJACENT - WEST



SITE ACCESSIBILITY AND VISIBILITY

The site has access, visibility and frontage along South Western Avenue, which is a four-lane, primary roadway. Overall visibility of the Subject is very good, due to immediate frontage and signage on South Western Avenue. Access is also very good, as the main entrance drive is located on South Western Avenue.

NORTH ALONG SOUTH WESTERN AVENUE



SOUTH ALONG SOUTH WESTERN AVENUE



CONCLUSION

A growing economy, good accessibility characteristics and good visibility characterize San Pedro and surrounding areas. Industries and employers are diverse, and the moderate amount of undeveloped areas can support further growth of the area as it expands. New development in the Subject's immediate area is minimal. Each of these factors contributes to an area that is conducive to the operation of a senior housing facility, by sustaining a viable population and growing economy from which to draw clientele. Additionally, the Subject appears to have good visibility and good access characteristics, and is located in an easily accessible area, with proximity to major thoroughfares.

SITE DESCRIPTION AND ANALYSIS

PARCEL DESCRIPTION

- Parcel number: 7460004015
- Approximately 5.22 acres
- Irregularly shaped parcel, containing no excess land
- Generally level topography at location of building and parking lot.
- Although an environmental survey was not conducted for this appraisal, soil conditions appear typical for the area.
- Frontage along South Western Avenue
- The site has ingress/egress off of South Western Avenue.
- Nearest major intersection: West 25th Street and South Western Avenue

UTILITIES

- Electric – LA DWP
- Gas – So Cal Gas
- Water – LA DWP
- Sewer – City of Los Angeles Bureau of Sanitation (billed through LA DWP)
- Telephone – Call One

EASEMENTS & ENCUMBRANCES

- We were not provided with a site plan identifying existing utility and access easements. However, the Subject site is assumed to contain typical utility and access easements.
- There do not appear to be any easements or encumbrances that adversely affect the Subject property, or its operation as a senior housing facility.

ZONING

- Zone RD2, Low Medium II Residential
- Permitted uses for zone RD2 include: low density residential development, transitional housing or hospice facilities, family day care, and neighborhood serving uses such as childcare, neighborhood grocery stores, and community facilities that may be appropriate in a residential environment.
- Special permit uses for zone RD2 include: Elderly and long-term care homes, adult day cares, child care and early education facilities, cultural facilities and schools.
- The Subject received approvals for a conditional use permit through the city of Los Angeles to construct a senior housing facility.

PARKING

- The Subject parcel contains approximately 104 parking spaces.
- The total proprietary parking translates into approximately 1.01 spaces per operating bed, which is considered to be adequate.
- The Subject was constructed in compliance with local zoning codes and, to the best of our knowledge, there are no outstanding issues pertaining to its development, including the availability of parking. Additionally, the Subject meets the parking requirements.

CENSUS TRACT

- 2973

FLOOD DISTRICT

According to the U.S. Department of Homeland Security, Federal Emergency Management Agency (“FEMA”), the flood zones are bifurcated between those mapped before and after 1985. The high-risk flood zones, known as Special Flood Hazard Areas (“SFHAs”), begin with the letters A or V, while the moderate-risk flood zones are B, C and X.

Zones A1-A30 and AE represent detailed high-risk flood zones, labeled as Zone A1-A30 on older maps and Zone AE on newer, post-1985 maps. Zones V1-V30 (pre-1985) and VE (post-1985) are detailed coastal high-risk zones, while Zone B (pre-1985) and Zone X (shaded; post-1985) are moderate-risk flood zones. Finally, Zones C (pre-1985) and X (unshaded; post-1985) represent low-risk flood zones. The Subject’s flood district is identified as follows:

- Zone X (unshaded), areas determined to be outside the 0.2 percent annual chance flood plain
- Panel 06037C2031F, effective September 26, 2008
- Drainage characteristics at the Subject appear adequate.

CONCLUSION

Overall, the Subject's site is well suited for a senior housing facility, as there is adequate space available for the Subject's improvements, good visibility from South Western Avenue, full utility service, and compliant zoning. The Subject is considered to have adequate functional utility.

TAX AND ASSESSMENT INFORMATION

REAL PROPERTY

Assessor Parcel #: 7460004015

Projection of Real Property Taxes	
Real Property Market Value	
Land	\$8,600,000
Improvements	+ \$9,160,800
Total Real Property Market Value	\$17,760,800
Assessed Value as Percentage of Market Value	x 100.0%
Total Assessed Value	\$17,760,800
Tax Rate / \$1,000 of AV for the County	\$0.000000
Tax Rate / \$1,000 of AV for the City	\$0.213450
Tax Rate / \$1,000 of AV for the General	\$10.000000
Tax Rate / \$1,000 of AV for the Comm. College	\$0.459900
Tax Rate / \$1,000 of AV for the Metro Water	\$0.035000
Tax Rate / \$1,000 of AV for the Unified Schools	+ \$1.221920
Total Tax Rate	x \$11.930270
Projected Real Property Taxes	\$211,891

Comments/Conclusion: As a sale will trigger a reassessment (per California Proposition 13), we have developed an estimate of market value for the land and the replacement cost of the Subject building as the basis for our real property market value. The current tax rate of \$11.93 per \$1,000 of assessed value results in total projected real property taxes of \$211,891.

BUILDING AND SITE IMPROVEMENT DESCRIPTION

BUILDING USE

The Subject facility operates as a NF, AL, and IL facility, and consists of a three- and four-story building as well as a two-story building. The administration offices and IL rooms are located in the two-story structure, while the NF and AL rooms are located in the main building. The three- and four-story building also features a penthouse.

LICENSED BEDS

The Subject is licensed as a 27-bed Nursing Facility by the state of California. The Subject is also licensed as a 62-bed Residential Care Facility for the Elderly by the state of California.

UNIT MIX

<i>Unit and Bed Mix</i>	Units	Beds	Percent of Beds
<i>Nursing Care</i>	27	27	26.2%
<i>Assisted Living</i>	62	62	60.2%
<i>Independent Living</i>	14	14	13.6%
<i>Total</i>	103	103	100.0%

YEAR CONSTRUCTED

1979

Additions

None

Renovations

None

CONDITION OF IMPROVEMENTS

The building and grounds are in good condition. All cosmetic interior and exterior features appear to be maintained well. There did not appear to be any items of deferred maintenance.

TOTAL USEFUL LIFE:

The Subject's total useful life is estimated to be 60 years.

EFFECTIVE AGE:

The Subject's effective age is estimated to be 27 years.

REMAINING ECONOMIC LIFE:

The Subject's remaining economic life is estimated to be 33 years.

GROSS SQUARE FEET

149,765

Additions

None

HEIGHT

NF and AL Structure

Three- and four-stories with penthouse

IL Structure

Two stories

Basement

None

BUILDING CLASS

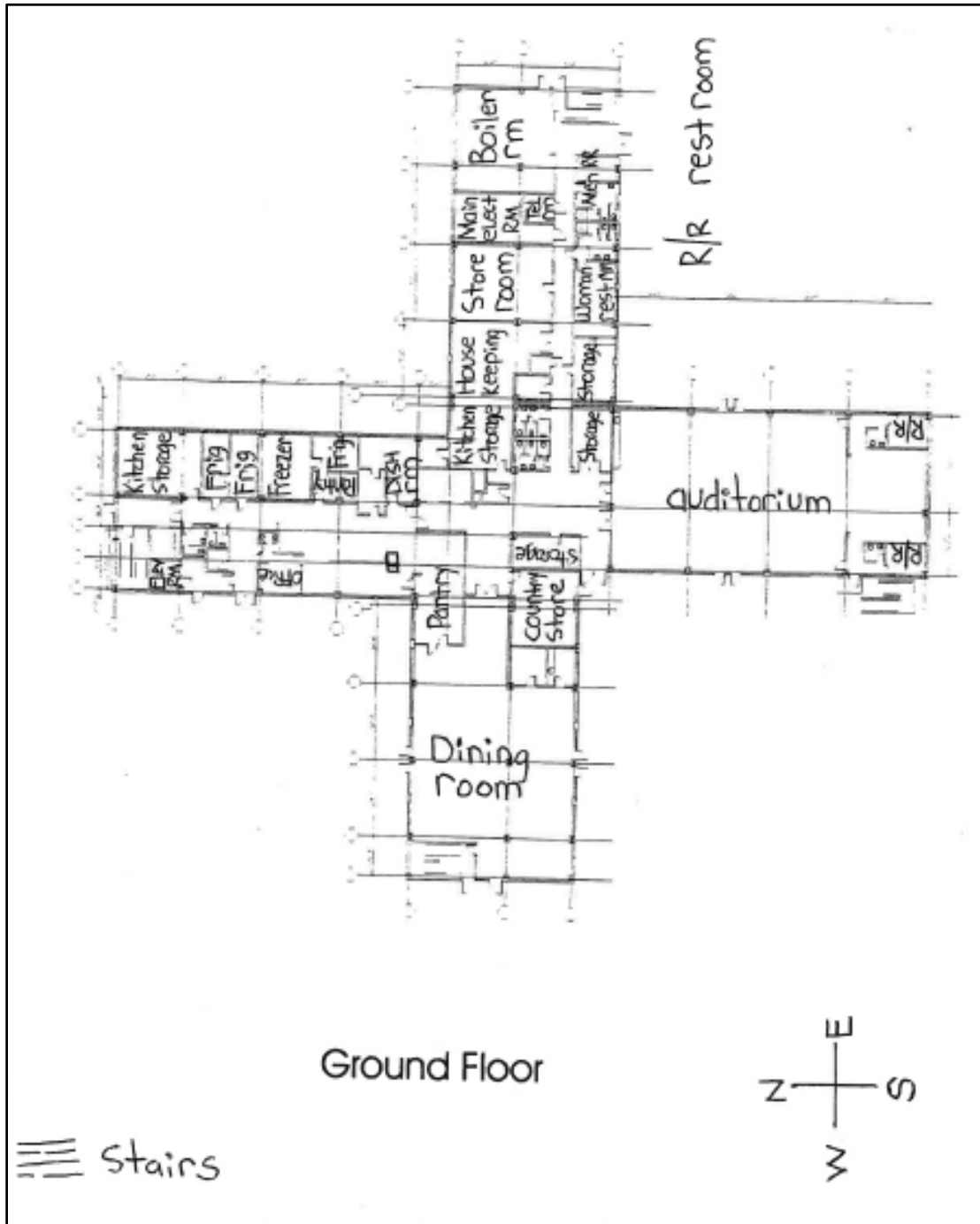
Class C

FOUNDATION

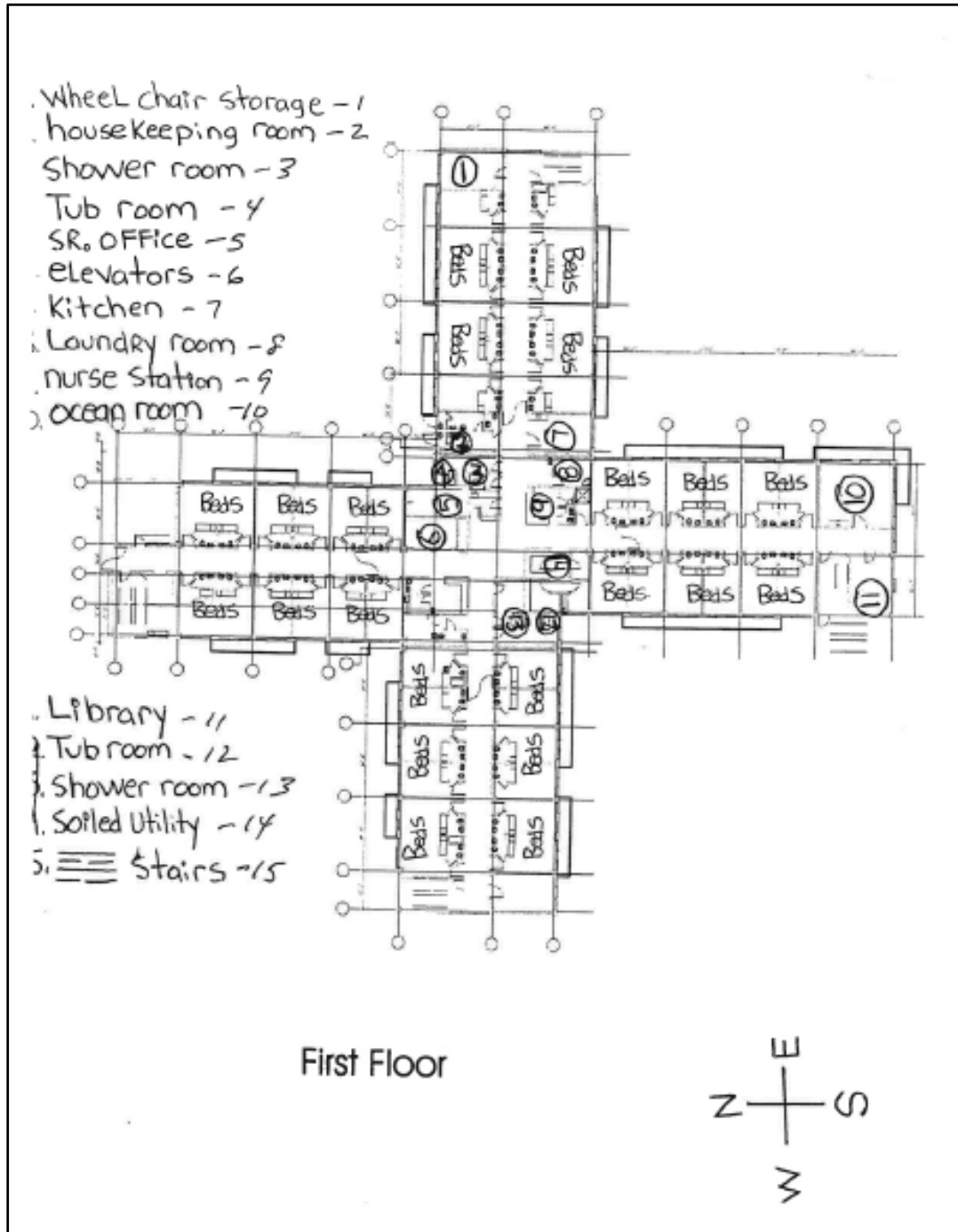
Concrete

<u>FRAME</u>	All buildings are 100% steel frame
<u>FLOOR STRUCTURE</u>	
First Floor	Concrete
Remaining Floor	Concrete
<u>EXTERIOR</u>	
Walls	Brick on frame, curtain wall glass, and stucco on frame
Roof	Flat with built up composition
<u>FLOOR COVER</u>	The facility contains a variety of floor coverings including ceramic tile, carpet and vinyl tile.
<u>CEILING</u>	Painted drywall and suspended acoustical tile throughout the entire facility
<u>INTERIOR WALLS</u>	Combination of painted and wallpapered drywall over studs throughout the entire facility, with limited use of ceramic and vinyl tile in select bathroom and shower areas
<u>OTHER FEATURES</u>	
Elevator	Fifteen elevators
Built-in	Nursing stations, walk-in refrigerator and freezer
Safety	Resident call system, handrails, backup generator, smoke detectors, 100% sprinkler system
<u>PLUMBING</u>	
Resident Rooms	
Bathroom	Common restrooms and resident unit bathrooms with a sink, toilet, and shower
Kitchenette	Contains cabinetry and a mini-refrigerator
Hot Water	Gas-fired boilers
<u>FIRE SAFETY</u>	
Sprinkler	Fully protected
Smoke & Heat Detection	Fully protected
<u>HEATING, COOLING AND VENTILATING</u>	
Core Area	Rooftop units and 100% forced warm air heaters.
Resident Rooms	Rooftop units and 100% forced warm air heaters
<u>ADDITIONAL SITE IMPROVEMENTS</u>	
Parking	The Subject parcel contains approximately 104 parking spaces, which translates into approximately 1.01 spaces per operating bed, which is considered to be adequate.
Landscaping	Typical landscaping amenities, including shrubs and trees

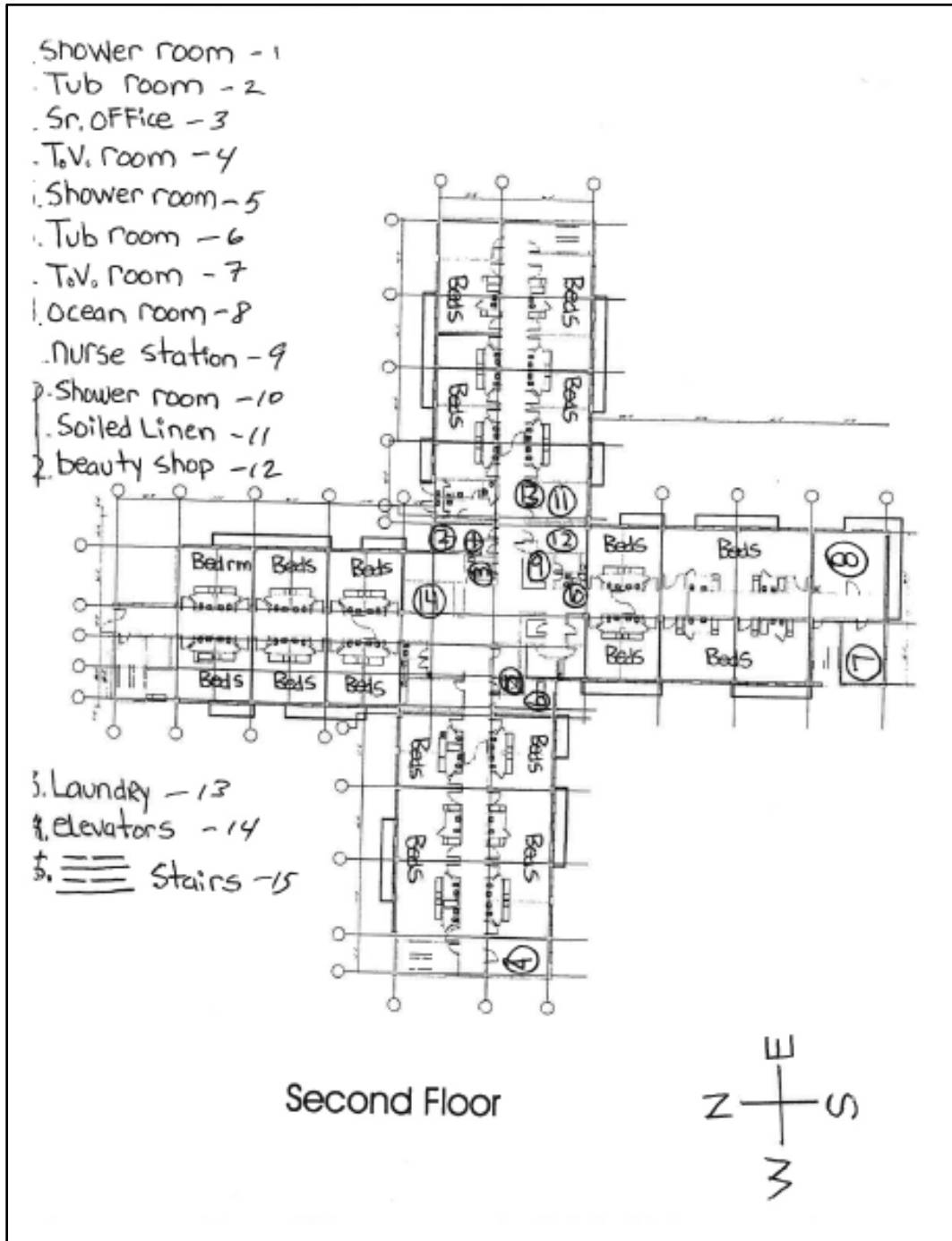
FLOOR PLAN – THREE- AND FOUR-STORY BUILDING GROUND FLOOR



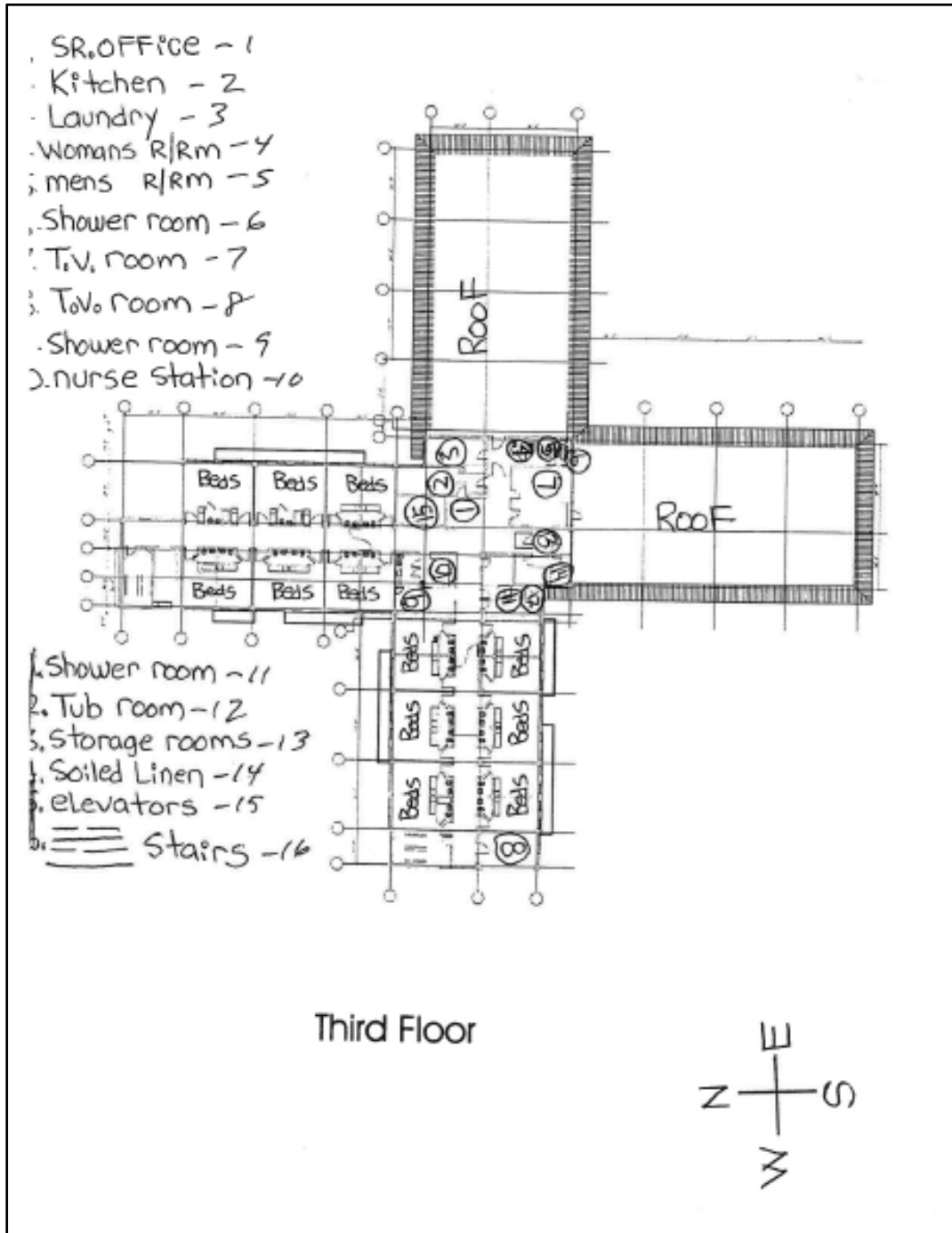
FLOOR PLAN – THREE- AND FOUR-STORY BUILDING FIRST FLOOR



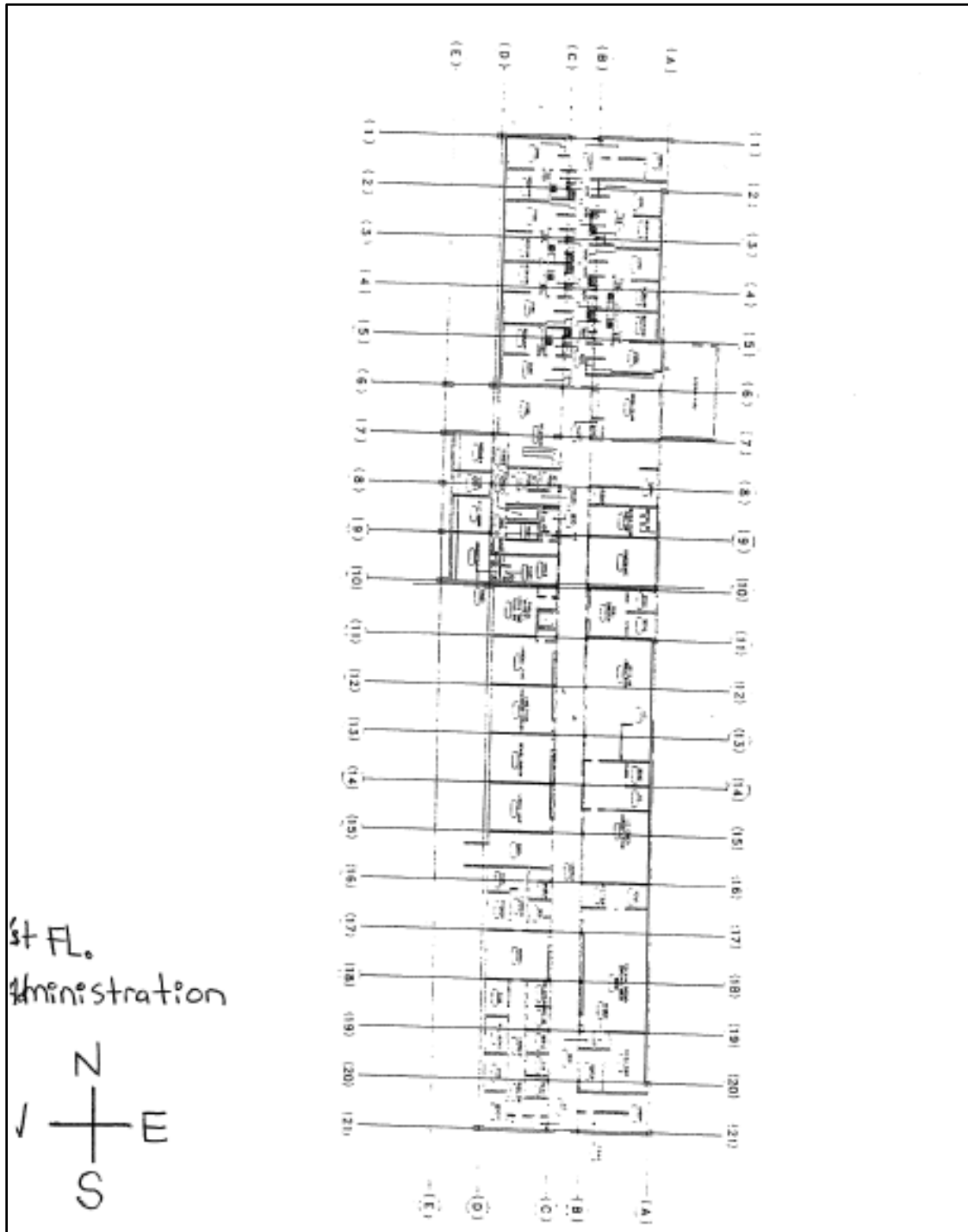
FLOOR PLAN – THREE- AND FOUR-STORY BUILDING SECOND FLOOR



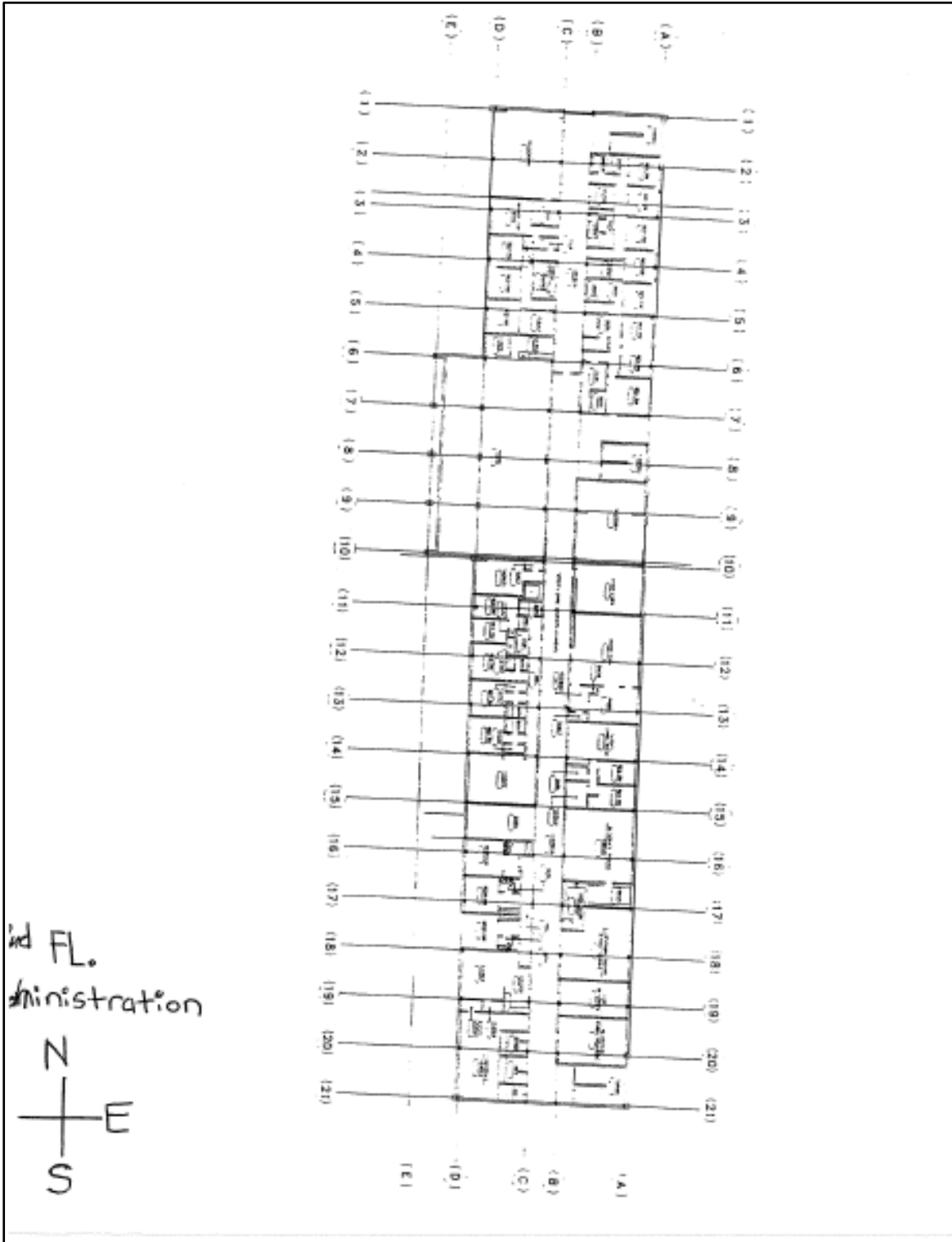
FLOOR PLAN – THREE- AND FOUR-STORY BUILDING THIRD FLOOR



FLOOR PLAN – TWO STORY BUILDING FIRST FLOOR



FLOOR PLAN – TWO STORY BUILDING SECOND FLOOR



EQUIPMENT AND INTANGIBLE ASSET DESCRIPTION

EQUIPMENT

The Subject includes equipment that is typical such as the following:

Offices	Desks, chairs, computers, fax machine, copier, file cabinets, bookshelves and other typical office equipment.
Common Area	Couches, chairs, bookshelves, wall decorations, televisions and lamps.
Resident Rooms	Bed, dresser, nightstand, chair and over-bed tray are provided to residents.
Central Kitchen	Stove with oven and burners, fire hood, warming trays, reach-in refrigerators and freezers, carts, utensils, flatware, storage shelves, mixers, food processors, trays, coffee makers and cookware.
Kitchenette	Located within IL resident unit and contains cabinetry, refrigerator, oven and dishwasher.
Laundry & Linen	Laundry carts, laundry bags, residential washers, residential dryers, commercial washers and commercial dryers.
Housekeeping	Mops, brooms, buffers, vacuum cleaners, buckets and carts.
Maintenance	Basic tools for carpentry, plumbing, lawn and garden use.

INTANGIBLE ASSETS

The Subject includes the operation of a going concern. As defined by *USPAP* (2018-2019 edition), intangible property (intangible assets) are “nonphysical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.” A going concern has other assets that are considered intangible and include:

- Systems and procedures (staffing criteria, care plans, outcome tracking, billing procedures, and other related items)
- Assembled work force
- Referral networks
- Reputational capital (name recognition)

HIGHEST AND BEST USE ANALYSIS

The Dictionary of Real Estate Appraisal, Sixth Edition, defines Highest and Best use analysis as “The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.”

“The four criteria that highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.”

CRITERIA AS DEFINED BY THE APPRAISAL OF REAL ESTATE, FOURTEENTH EDITION

Legally Permissible – “Private restrictions, zoning, building codes, historic district controls, and environmental regulations must be investigated because they may preclude many potential uses. The appraiser must also consider whether there is a reasonable probability that the zoning or other restrictions could be changed in order for the highest and best use of the property could be realized.”

Physically Possible – “The size, shape, terrain, and accessibility of land and the risk of natural disasters such as floods or earthquakes affect the uses to which the land can be put. The utility of a parcel may also depend on its frontage and depth.”

Financially Feasible – “In determining which uses are legally permissible and physically possible, an appraiser eliminates some uses from consideration. Only those uses that meet the first two criteria are analyzed further. If the physically possible and legally permissible uses are income-producing, the analysis of financial feasibility will often focus on which potential uses are likely to produce an income (or return) equal to or greater than the amount needed to satisfy operating expenses, financial obligations, and capital amortization of the investment. If the net revenue capable of being generated from a use is sufficient to satisfy the required market rate of return on the investment, the use is said to be financially feasible.”

Maximally Productive – “Of the financially feasible uses, the highest and best use is the use that produces the highest residual land value consistent with the market’s acceptance of risk and with the rate of return warranted by the market for that use given the associated risk.”

HIGHEST AND BEST USE OF LAND AS THOUGH VACANT

The Dictionary of Real Estate Appraisal, Sixth Edition, defines highest and best use analysis of land or a site as though vacant - "Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination."

"The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements."

LEGALLY PERMISSIBLE

The Subject land is currently zoned RD2, Low Medium II Residential, according to a representative with the city of Los Angeles. Legally permitted principal uses within RD2 include low density residential developments, transitional housing or hospice facilities, family day cares, and neighborhood serving uses such as childcare, neighborhood grocery stores, and community facilities that may be appropriate in a residential environment.

Special permit uses for zone RD2 include: Elderly and long-term care homes, adult day cares, child care and early education facilities, cultural facilities and schools. The Subject received approvals for a conditional use permit through the city of Los Angeles to construct a senior housing facility.

PHYSICALLY POSSIBLE

Of the legally permissible uses in zone RD2, due to the size of the parcel (5.22 acres), all legal uses are physically possible.

FINANCIALLY FEASIBLE

Of the remaining possible uses, low density residential development, transitional housing or hospice facilities, family day cares, elderly and long-term care homes, schools, adult day cares, child care and early education facilities are considered financially feasible as they would cater to the immediate surrounding market.

MAXIMALLY PRODUCTIVE

The immediate area surrounding the Subject parcel is well-developed, including a sufficient amount of residential and commercial/retail development. Low density residential developments, transitional housing or hospice facilities, family day cares, schools, adult day cares, child care and early education facilities can generate a profit, but not in excess of elderly and long-term care homes.

Based on our research and experience in the industry, elderly and long-term care homes generate substantial profits. These taxable revenues act to fuel local economic growth and stability, while simultaneously providing a public service. The typical user for such a property would be a senior housing or senior care provider, preferably one who has experience in the Subject's market. In light of demographic trends in and proximate to the Subject's MA, the need for senior housing and medical health care centers has become increasingly important for social welfare. The maximally productive use of the Subject parcel is the development of a senior housing facility.

CONCLUSION

The highest and best use of the Subject parcels as vacant is the development of senior housing in the form of a senior housing facility.

HIGHEST AND BEST USE OF PROPERTY AS IMPROVED

The Dictionary of Real Estate Appraisal, Sixth Edition, defines highest and best use analysis of property as improved as “The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.”

LEGALLY PERMISSIBLE

The Subject land is currently zoned RD2, Low Medium II Residential district according to a representative the city of Los Angeles. The Subject received approvals for a conditional use permit through the city of Los Angeles to construct a senior housing facility. The property is considered a legal and conforming.

PHYSICALLY POSSIBLE

Of the legally permissible uses in zone RD2, due to the size of the parcel (5.22 acres), all legal uses are physically possible. Currently, the site is occupied by Jeanne Jugan Residence. Considering that there are no outstanding issues pertaining to the physical plant or use of space at the existing site, this reflects that the use is physically possible.

FINANCIALLY FEASIBLE

The financially feasible uses are heavily influenced by the fact that the site is improved with a structure that was constructed for use as a senior housing facility. The conversion of the facility to an alternative use would most likely be cost prohibitive or result in lower returns. In fact, while some alternative uses have been converted to senior care facilities (primarily schools and hotels), HTG is not aware of conversions involving existing senior care facilities being converted to other uses at this time.

As a test to whether the market value of the site as vacant is more valuable than the Subject’s continued use as a senior housing and healthcare facility, HTG researched local land sales. These sales displayed a potential range per acre of \$950,000 to \$2,785,015, with an unadjusted average of \$1,814,400. In addition the cost related to demolition to make the site vacant would also need to be deducted as this would be a cost for any potential purchaser of the property. Based on this analysis, it was determined that the current use as a senior housing facility is considered to be the financially feasible use.

MAXIMALLY PRODUCTIVE

The Subject is projected to continue maintaining a high occupancy, resulting in positive profit margins, and conversion to an alternative use would be cost prohibitive. Therefore, the maximally productive use of the Subject site is its use as a senior housing facility. The typical user for such a property would be a senior housing or senior care provider, preferably one who has experience in the Subject’s market such as the Subject’s operator.

CONCLUSION

The highest and best use of the site as improved is its continued use as senior housing in the form of a senior housing facility.

APPRAISAL METHODOLOGY

The Dictionary of Real Estate Appraisal, Sixth Edition defines each approach as follows:

Income Approach, also known as the income capitalization approach, is defined as “A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year’s income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.”

Sales Comparison Approach is defined as “The process of deriving a value indication for the subject property by comparing market information for similar properties with the property being appraised, identifying appropriate units of comparison, and making qualitative comparisons with qualitative adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on the relevant, market-derived elements of comparison.”

Cost Approach is defined as “A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure; including an entrepreneurial incentive; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the Subject property to reflect the value of the property interest being appraised.”

The Subject is considered a going concern. The most applicable approaches to value are considered the income approach and the sales comparison approach. The cost approach is not considered an applicable approach as it does not consider all the assets of the ongoing business. However, our client has asked HTG to provide our opinion of value for the realty and improvements of the Subject.

COMPETITION AND SERVICE ANALYSIS

This section comprises the market assessment and demand analysis for the Subject and its services. We have evaluated the MA, profiled rent comparables and analyzed the demand for the Subject's services within the defined MA. The following analysis was conducted to provide support for the Subject's forecasted rates and occupancy.

- *Definition of the Subject's MA:* The Subject's MA was defined previously. Areas beyond the MA may experience different economic and competitive factors than the MA. Traffic and development patterns, as well as referral and resident relocation patterns, also influence the determination of the market area boundaries.
- *Definition of the Target Market:* The target market is defined as the senior population residing in the MA that is 65 years of age and older, encompassing the age cohorts that typically have the greatest need for nursing services.
- *Analysis of the Competitive Market:* Based on analysis of the market comparables, the Subject's private pay rates are below the levels of the competitive market. The rates for the Subject and competitive facility will be presented in the following pages.
- *Services Provided:* The Subject offers standard nursing care, which includes housekeeping, laundry service, three meals per day, scheduled transportation, activities programming, medication management, and assistance with ADLs. The Subject also offers full range of therapies, hospice and respite care services. Assisted living residents receive three meals per day, 24-hour nurse availability, weekly housekeeping and linen service, and access to activities and social services. The Subject offers two additional level of care for AL residents. IL apartments include scheduled transportation, use of common facilities, security, a 24-hour emergency call system, maintenance of furnished appliances, all interior and exterior maintenance, trash removal and social and recreational activities.

The Subject has minimal additional charges that are not reimbursed through insurance or entitlement programs (Medicaid), and has a significant percentage of its beds filled by residents who are funded through these programs. Medicaid is a need-based program that the state government administers and determines eligibility. The remaining census comprises residents paying either through managed care contracts (HMO's, PPO's or managed care organizations) or with private funds.


With regard to NFs in general, the following is also important to recognize:

- *Rent Concessions:* These are not common with NFs, since third-party or entitlement funding mechanisms cover a majority of the census in a NF. Additionally, private-pay residents will often become eligible for Medicaid funding after depleting or "spending down" their financial assets as a private pay resident. Due to the high cost involved in caring for NF residents – coupled with the competitive environment, state-mandated minimum care and staffing levels, and high barriers-to-entry to the NF industry – the use of rent concessions is unusual among NF operators. While concessions can be an important market factor for some assisted living markets, facilities in the Subject's MA are not currently offering rent concessions.

- Resident Unit Sizes: These are not presented in the competitive profiles. Unlike more real estate-intensive operations such as independent living facilities or multi-family residential, unit size is typically not a significant measure of consumer comparison for prospective skilled nursing or assisted living residents. Instead, quality of care, programming, special needs, location and, to a lesser degree, unit configuration tend to be the most important factors considered by referral sources and relocation decision-makers, such as adult children of senior patients/residents.


We have attempted to identify the service providers in the area that compete with the Subject on varying levels. Based on our market research, discussions with management and interviews of other healthcare providers in the MA, the Subject appears to have seven direct competitors. The following profiles are of senior housing facilities that are within the defined MA and determined based on our research to be the Subject's primary competitors. A profile of the Subject facility is presented first, followed by profiles of each competitor.

JEANNE JUGAN RESIDENCE
APPRAISAL REPORT

Subject Profile Jeanne Jugan Residence						
Street Address: 2100 South Western Avenue						
City, State Zip: San Pedro, California 90732						
Phone Number: 310.548.0625						
Contact Name: David Magana, Facility Property Manager						
Date of Inspection: 5/17/2018						
Distance to Subject: N/A						
Service Level Characteristics						
<input checked="" type="checkbox"/>	Long-Term Care ("LTC")	27	27	100.0%		
<input checked="" type="checkbox"/>	Assisted Living ("AL")	62	62	83.9%		
<input checked="" type="checkbox"/>	Independent Living ("IL")	14	14	92.9%		
Total Beds/Units/Occupancy		103	103	89.3%		
Provider Characteristics						
Ownership: Little Sisters of the Poor						
Management: Little Sister of the Poor						
Type of Provider: Regional Senior Living Provider						
Description: Private; Non Profit Provider						
Building Characteristics						
Constructed: 1979 Design Type: Institutional						
Additions: None Accessibility: Good						
Condition: Good Visibility: Good						
Amenities: N/A Location: Good						
Operating Characteristics						
Unit Types	SF	Units	Beds	Rate/Day	Rate/Month	
Long-Term Care						
Private		27	27	\$245	\$7,452	
Semi-Private						
Three-Bed Wards						
Four-Bed Wards						
Total: LTC		27	27			
Assisted Living						
Studio		62	62	\$53 - \$59	\$1600 - \$1800	
One Bedroom						
Companion Suite						
Total: AL		62	62			
Independent Living						
Studio						
One Bedroom		14	14	\$33	\$1,000	
Companion Suite						
Total: IL		14	14			
Service Characteristics*						
Long-Term Care Services						
Three Daily Meals	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Daily Housekeeping/Laundry	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Activities/Social Services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Transportation/Security	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Hospice/Respite Available	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Wanderguard System	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Other Care Services						
PT/OT/ST Rehabilitation**	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Outpatient Rehabilitation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Memory Care Secured Unit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Tracheostomy/Tube Feeding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Specialized Ventilator Unit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Stroke/CVA Care	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Other:						
Health						
CMS Care Reputation	Inspection	Staffing	Quality Measures	Overall CMS Rating	Last Rate Increase / %	
Rating Categories***	4	4	5	5	May 2017 / N/A	
Payor Mix						
Private	Medicaid	Medicare	Other****	All Payors	Turnover Characteristics	
All Units/Beds	0.0%	100.0%	0.0%	100.0%	Net Resident Turnover/Year: N/A Absorption (Residents/Mo.): Stabilized	
Comments						
The Subject is a 103-unit senior housing facility. It offers assisted living, independent living as well as long-term and skilled care services. It contains 27 nursing units, 62 assisted living units and 14 independent living units. During our site visit, there were 92 residents in-house, equating to an occupancy of 89.3 percent. This facility is relatively comparable to the other facilities in the MA.						

***P** Indicates That A Service Is Provided; **E** Indicates The Service Requires An Extra Charge; No Check Mark Indicates Service Is Not Provided
 **Medicare Residents Receive Physical Therapy (PT), Occupational Therapy (OT) & Speech Therapy (ST) Primarily Under Medicare Part A; Therapies Can Also Be Purchased By Non-Medicare Residents Or Be Covered Under Medicare Part B.
 ***HTG has used the Health Inspection, Staffing and Quality Measures ratings reported by the Centers for Medicare and Medicaid Services (per www.medicare.gov).
 ****Other Includes Long-Term Care Insurance, Veterans' Administration, Managed Care/HMOs and Other Insurances or Payment Types.

JEANNE JUGAN RESIDENCE
APPRAISAL REPORT

Competitor 1 Los Palos Convalescent Hospital									
Street Address:	1430 West 6th Street								
City, State Zip:	San Pedro, California 90732								
Phone Number:	310.832.6431								
Contact Name:	Convalescent Contact								
Date of Inspection:	5/17/2018								
Distance to Subject:	1.1 Miles	In MA:	Yes						
Service Level Characteristics		Units	Beds	Occupancy					
<input checked="" type="checkbox"/> Long-Term Care ("LTC")		N/A	99	95.0%					
<input checked="" type="checkbox"/> Skilled Nursing/Subacute ("SNF")	All SNF Beds Included With LTC Beds								
<input type="checkbox"/> Memory Care Nursing ("MC")		N/A	N/A	N/A					
Total Beds/Units/Occupancy		N/A	99	95.0%					
Provider Characteristics		Building Characteristics							
Ownership:	San Pedro Convalescent Home, Inc.		Constructed:	1977	Design Type:	Institutional			
Management:	San Pedro Convalescent Home, Inc.		Additions:	N/A	Accessibility:	Good			
Type of Provider:	Regional, LTC/SNF Provider		Condition:	Good	Visibility:	Fair			
Description:	For-Profit Corporation		Amenities:	Comparable	Location:	Fair			
Operating Characteristics					Service Characteristics*				
Unit Types		Units	Beds	Rate/Day	Rate/Month				
Long-Term Care									
Private						Long-Term Care Services	P	E	
Semi-Private				\$300	\$9,125	Three Daily Meals	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Three-Bed Wards				\$240	\$7,300	Daily Housekeeping/Laundry	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Four-Bed Wards						Activities/Social Services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Total: LTC		N/A	99			Transportation/Security	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
						Hospice/Respite Available	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
						Wanderguard System	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Memory Care Nursing						Other Care Services	P	E	
Private						PT/OT/ST Rehabilitation**	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Semi-Private						Outpatient Rehabilitation	<input type="checkbox"/>	<input type="checkbox"/>	
Total: MC		N/A	N/A			Memory Care Secured Unit	<input type="checkbox"/>	<input type="checkbox"/>	
						Tracheostomy/Tube Feeding	<input type="checkbox"/>	<input type="checkbox"/>	
						Specialized Ventilator Unit	<input type="checkbox"/>	<input type="checkbox"/>	
						Stroke/CVA Care	<input type="checkbox"/>	<input type="checkbox"/>	
						Other:	<input type="checkbox"/>	<input type="checkbox"/>	
Health		Quality		Overall		Last Rate			
CMS Care Reputator	Inspection	Staffing	Measures	CMS Rating	Increase / %				
Rating Categories***	2	3	5	3	N/A				
Payor Mix		Private	Medicaid	Medicare	Other****	All Payors		Turnover Characteristics	
All Units/Beds	4.0%	78.0%	14.0%	4.0%	100.0%	Net Resident Turnover/Year:		N/A	
						Absorption (Residents/Mo.):		Stabilized	
Comments									
Los Palos Convalescent Hospital is a 99-bed facility that provides nursing services to residents of San Pedro. The facility provides skilled nursing and rehabilitation services. There is a comparable range of services at this facility, which enjoys a positive reputation in the surrounding market. Given the physical plant, amenities, location, services and rates offered, this facility is considered a primary competitor to the Subject.									


*"P" Indicates That A Service Is Provided; "E" Indicates The Service Requires An Extra Charge; No Check Mark Indicates Service Is Not Provided

**Medicare Residents Receive Physical Therapy (PT), Occupational Therapy (OT) & Speech Therapy (ST) Primarily Under Medicare Part A; Therapies Can Also Be Purchased By Non-Medicare Residents Or Be Covered Under Medicare Part B.

***HTG has used the Health Inspection, Staffing and Quality Measures ratings reported by the Centers for Medicare and Medicaid Services (per www.medicare.gov).


****Other Includes Long-Term Care Insurance, Veterans' Administration, Managed Care/HMOs and Other Insurances or Payment Types.

JEANNE JUGAN RESIDENCE
APPRAISAL REPORT

Competitor 2 Seacrest Convalescent Hospital Street Address: 1416 West 6th Street City, State Zip: San Pedro, California 90732 Phone Number: 310.833.3526 Contact Name: Convalescent Contact Date of Inspection: 5/17/2018 Distance to Subject: 1.1 Miles In MA: Yes																																																																																																																																											
<table border="1"> <thead> <tr> <th>Service Level Characteristics</th> <th>Units</th> <th>Beds</th> <th>Occupancy</th> </tr> </thead> <tbody> <tr> <td><input checked="" type="checkbox"/> Long-Term Care ("LTC")</td> <td>N/A</td> <td>80</td> <td>70.0%</td> </tr> <tr> <td><input checked="" type="checkbox"/> Skilled Nursing/Subacute ("SNF")</td> <td colspan="3">All SNF Beds Included With LTC Beds</td> </tr> <tr> <td><input type="checkbox"/> Memory Care Nursing ("MC")</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Total Beds/Units/Occupancy</td> <td>N/A</td> <td>80</td> <td>70.0%</td> </tr> </tbody> </table>			Service Level Characteristics	Units	Beds	Occupancy	<input checked="" type="checkbox"/> Long-Term Care ("LTC")	N/A	80	70.0%	<input checked="" type="checkbox"/> Skilled Nursing/Subacute ("SNF")	All SNF Beds Included With LTC Beds			<input type="checkbox"/> Memory Care Nursing ("MC")	N/A	N/A	N/A	Total Beds/Units/Occupancy	N/A	80	70.0%																																																																																																																					
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Total Beds/Units/Occupancy	N/A	80	70.0%																																																																																																																																								
Provider Characteristics Ownership: Seacrest Convalescent Hospital, Inc Management: Seacrest Convalescent Hospital, Inc Type of Provider: Regional, LTC/SNF Provider Description: For-Profit Corporation		Building Characteristics Constructed: 1972 Design Type: Institutional Additions: N/A Accessibility: Good Condition: Good Visibility: Good Amenities: Comparable Location: Good																																																																																																																																									
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Comments Seacrest Convalescent Hospital is a 80-bed facility that provides nursing services to residents of San Pedro. The facility provides skilled nursing and rehabilitation services. There is a comparable range of services at this facility, which enjoys a positive reputation in the surrounding market. The location affords good accessibility and convenience as it is located near the downtown area and major highways. Given the physical plant, amenities, location, services and rates offered, this facility is considered a primary competitor to the Subject.																																																																																																																																											

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 **Medicare Residents Receive Physical Therapy (PT), Occupational Therapy (OT) & Speech Therapy (ST) Primarily Under Medicare Part A; Therapies Can Also Be Purchased By Non-Medicare Residents Or Be Covered Under Medicare Part B.
 ***HTG has used the Health Inspection, Staffing and Quality Measures ratings reported by the Centers for Medicare and Medicaid Services (per www.medicare.gov).
 ****Other Includes Long-Term Care Insurance, Veterans' Administration, Managed Care/HMOs and Other Insurances or Payment Types.

JEANNE JUGAN RESIDENCE
APPRAISAL REPORT

Competitor 3 Palos Verdes Health Care Center											
Street Address:	26303 South Western Avenue										
City, State Zip:	Lomita, California 90717										
Phone Number:	310.784.5440										
Contact Name:	Admissions										
Date of Inspection:	5/17/2018										
Distance to Subject:	4.8 Miles	In MA:	Yes								
Service Level Characteristics		Units	Beds	Occupancy							
<input checked="" type="checkbox"/> Long-Term Care ("LTC")		N/A	48	85.4%							
<input type="checkbox"/> Assisted Living ("AL")		N/O	N/O	N/O							
<input type="checkbox"/> Independent Living ("IL")		N/O	N/O	N/O							
Total Beds/Units/Occupancy		N/A	48	85.4%							
Provider Characteristics		Building Characteristics									
Ownership:	PalosVerdes	Constructed:	1999	Design Type:	Institutional						
Management:	PalosVerdes	Additions:	N/A	Accessibility:	Good						
Type of Provider:	Local, LTC/SNF Provider	Condition:	Good	Visibility:	Good						
Description:	Profit Corporation	Amenities:	Comparable	Location:	Good						
Operating Characteristics					Service Characteristics*						
Unit Types		Units	Beds	Rate/Day	Rate/Month	Long-Term Care Services				P	E
Long-Term Care						Three Daily Meals	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Private				\$268	\$8,151	Daily Housekeeping/Laundry	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Semi-Private				\$258	\$7,847	Activities/Social Services	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Three-Bed Wards						Transportation/Security	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Four-Bed Wards						Hospice/Respite Available	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Total: LTC		N/A	48			Wanderguard System	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Assisted Living						Other Care Services				P	E
Studio						PT/OT/ST Rehabilitation**	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
One Bedroom						Outpatient Rehabilitation	<input type="checkbox"/>	<input type="checkbox"/>			
Two Bedroom						Memory Care Secured Unit	<input type="checkbox"/>	<input type="checkbox"/>			
Total: AL		N/O	N/O			Tracheostomy/Tube Feeding	<input type="checkbox"/>	<input type="checkbox"/>			
Independent Living						Specialized Ventilator Unit	<input type="checkbox"/>	<input type="checkbox"/>			
Studio						Stroke/CVA Care	<input type="checkbox"/>	<input type="checkbox"/>			
One Bedroom						Other:	<input type="checkbox"/>	<input type="checkbox"/>			
Two Bedroom											
Total: IL		N/O	N/O								
Health					Quality		Overall		Last Rate		
CMS Care Reputation	Inspection	Staffing	Measures	CMS Rating	Increase / %						
Rating Categories***	2	2	4	2	N/A						
Payor Mix					All Payors		Turnover Characteristics				
	Private	Medicaid	Medicare	Other****			Net Resident Turnover/Year:				
All Units/Beds	8.0%	68.0%	8.0%	16.0%	N/A		Absorption (Residents/Mo.):				
							Stabilized				
Comments											
Palos Verdes Health Care Center is a senior housing facility that provides nursing services. The facility offers 48 nursing beds. The facility is a strong competitor to the Subject, given its location, services, and physical plant. There is a comparable range of services at this facility, which enjoys a positive reputation in the surrounding market.											

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 ****Other Includes Long-Term Care Insurance, Veterans' Administration, Managed Care/HMOs and Other Insurances or Payment Types.

JEANNE JUGAN RESIDENCE
APPRAISAL REPORT

Competitor 4		The Canterbury	
Street Address:	5801 Crestridge Road		
City, State Zip:	Rancho Palos Verdes, California 90275		
Phone Number:	877.318.1795		
Contact Name:	N/A		
Date of Inspection:	5/17/2018		
Distance to Subject:	4.9 Miles	In MA:	Yes



Service Level Characteristics	Units	Beds	Occupancy
<input checked="" type="checkbox"/> Long-Term Care ("LTC")	N/A	28	100.0%
<input checked="" type="checkbox"/> Assisted Living ("AL")	N/A	28	100.0%
<input checked="" type="checkbox"/> Independent Living ("IL")	N/A	98	100.0%
Total Beds/Units/Occupancy	N/A	154	100.0%

Provider Characteristics	
Ownership:	Episcopal Communities & Services, Inc.
Management:	Episcopal Communities & Services, Inc.
Type of Provider:	Regional, NF, AL & IL Provider
Description:	Not-for-profit Retirement Community

Building Characteristics			
Constructed:	1983	Design Type:	Institutional
Additions:	N/A	Accessibility:	Good
Condition:	Good	Visibility:	Good
Amenities:	Superior	Location:	Good

Operating Characteristics				
Unit Types	Units	Beds	Rate/Day	Rate/Month
Long-Term Care				
Private			\$435	\$13,231
Semi-Private			\$306 - \$394	\$9,308 - \$11,984
Three-Bed Wards				
Four-Bed Wards				
Total: LTC	N/A	28		
Assisted Living				
Studio			\$225	\$6,843
One Bedroom			\$305	\$9,271
Two Bedroom			\$398	\$12,117
Total: AL	N/A	28		
Independent Living				
Studio			\$250	\$7,611
One Bedroom				
Two Bedroom			\$357 - \$375	\$10,858 - \$11,404
Total: IL	N/A	98		

Service Characteristics*				
Long-Term Care Services		P	E	
Three Daily Meals	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Daily Housekeeping/Laundry	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Activities/Social Services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Transportation/Security	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Hospice/Respite Available	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Wanderguard System	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Other Care Services		P	E	
PT/OT/ST Rehabilitation**	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Outpatient Rehabilitation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Memory Care Secured Unit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Tracheostomy/Tube Feeding	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Specialized Ventilator Unit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Stroke/CVA Care	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Other:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Health Inspection	Quality Measures	Overall CMS Rating	Last Rate Increase / %
CMS Care Reputation	Staffing	Quality Measures	Overall CMS Rating
Rating Categories***	N/A	N/A	N/A


Payor Mix	Private	Medicaid	Medicare	Other****	All Payors
All Units/Beds	N/A	N/A	N/A	N/A	N/A

Turnover Characteristics	
Net Resident Turnover/Year:	N/A
Absorption (Residents/Mo.):	Stabilized

Comments
The Canterbury is a senior housing facility that provides nursing, assisted living and independent living services. The facility offers 98 independent living units, 28 nursing units and 28 assisted living units. The facility is a strong competitor to the Subject, given its location, services, and physical plant. There is a superior range of services at this facility, which enjoys a positive reputation in the surrounding market.


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 **Medicare Residents Receive Physical Therapy (PT), Occupational Therapy (OT) & Speech Therapy (ST) Primarily Under Medicare Part A; Therapies Can Also Be Purchased By Non-Medicare Residents Or Be Covered Under Medicare Part B.
 ***JTG has used the Health Inspection, Staffing and Quality Measures ratings reported by the Centers for Medicare and Medicaid Services (per www.medicare.gov).
 ****Other Includes Long-Term Care Insurance, Veterans' Administration, Managed Care/HMOs and Other Insurances or Payment Types.

JEANNE JUGAN RESIDENCE
APPRAISAL REPORT

Competitor 5 Palos Verdes Villa					
Street Address:	29661 South Western Avenue				
City, State Zip:	Rancho Palos Verdes, California 90275				
Phone Number:	310.547.9941				
Contact Name:	Linda, Admissions				
Date of Inspection:	5/17/2018				
Distance to Subject:	1.9 Miles In MA: Yes				
Service Level Characteristics		Units	Beds	Occupancy	
<input checked="" type="checkbox"/> Assisted Living Care ("AL")		71	116	98.0%	
<input type="checkbox"/> Memory Care ("MC")		N/O	N/O	N/O	
<input type="checkbox"/> Independent Living ("IL")		N/O	N/O	N/O	
Total Units/Beds & Occupancy		71	116	98.0%	
Provider Characteristics		Building Characteristics			
Ownership:	Palos Verdes Villa, LLC	Constructed:	1998	Design Type: Residential	
Management:	Internally Managed	Additions:	N/A	Accessibility: Good	
Type of Provider:	Local Provider: AL Services	Condition:	Good	Visibility: Fair	
Description:	For-profit - Corporation	Amenities:	Comparable	Location: Good	
Operating Characteristics*					
Unit Types	Size (S.F.)	Units	Beds	Rate/Day***	Rate/Month
Assisted Living					
Studio				\$87 - \$104	\$2,650 - \$3,150
Studio Deluxe				\$104 - \$120	\$3,150 - \$3,650
One Bedroom					
One Bedroom Deluxe					
Two Bedroom				\$62 - \$79	\$1,900 - \$2,400
Companion Suite/Other					
Total: AL		71	116		
Memory Care AL					
Studio					
One Bedroom					
Companion Suite					
Total: MC AL		N/O	N/O		
Independent Living					
Studio					
Studio Deluxe					
One Bedroom					
One Bedroom Deluxe					
Two Bedroom					
Companion Suite/Other					
Total: IL		N/O	N/O		
Service Characteristics**					
Hospitality Services					
Meals and Snacks		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Housekeeping and Linens		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Personal Laundry		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Activities/Social Services		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Scheduled Transportation		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
24-Hour Security System		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Utilities (Not Phone/Cable)		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Unit/Property Maintenance		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Medication Management		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Available Services					
Assistance with ADLs		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Home Healthcare		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Respite Care		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Memory Care Secured Unit		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Rehabilitation Services		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Other:		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Other:		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Other:		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Payer Mix Characteristics - All Units					
Private Pay				N/A	
SSI/Medicaid Waiver				N/A	
Other Source:				N/A	
Rate Structure		Comments on Rate Structure			
Flat Rate (All-Inclusive Care)	<input type="checkbox"/>	The facility offers three AL care levels that provide increasing assistance with ADLs, with monthly rates of \$100 (L1), \$200 (L2) and \$500 (L3).			
Tiered Rate (Levels of Care)	<input checked="" type="checkbox"/>				
Utilize Point System to Assess Rates?	<input type="checkbox"/>				
Most-Recent Rate Increase?	N/A				
Average Amount of Increase?	N/A				
Deposits & Community Fees		Rent Concessions Being Offered		Turnover Characteristics***	
Deposit to Reserve Unit	\$0	No Concessions Being Offered	<input checked="" type="checkbox"/>	Net Resident Turnover/Month:	N/A
Additional Community Fee Required	N/A	Waiving Community Fee	<input type="checkbox"/>	Net Resident Turnover/Year:	N/A
Total Deposits & Community Fees	N/A	Waiving Deposit	<input type="checkbox"/>	Waiting List (Total Residents):	N/A
Prorated % of Deposit Refundable	0%	First Month's Rent Free	<input type="checkbox"/>	Absorption (Residents/Month):	Stabilized
Comments					
Palos Verdes Villa is a 116-bed assisted living facility that appears attractive and well-maintained. The location affords good accessibility via local and regional roadways. There is a comparable range of services at this facility, which enjoys a positive reputation in the surrounding market. Given the physical plant, amenities, location, services and rates offered, this facility is considered a strong competitor to the Subject.					

*N/A represents data that was Not Available from management, while N/O indicates that a unit type or service are Not Offered.
 **"P" Indicates That A Service Is Provided; "E" Indicates That The Service Requires An Extra Charge; No Check Indicates Service Is Not Provided
 ***Base Rates

JEANNE JUGAN RESIDENCE
APPRAISAL REPORT

Competitor 6 Harbor Terrace Retirement Community											
Street Address:	435 West 8th Street										
City, State Zip:	San Pedro, California 90731										
Phone Number:	310.547.0090										
Contact Name:	David, Admissions										
Date of Inspection:	5/17/2018										
Distance to Subject:	2.2 Miles	In MA:	Yes								
Service Level Characteristics		Units	Beds	Occupancy							
<input checked="" type="checkbox"/> Assisted Living Care ("AL")		90	90	N/A							
<input type="checkbox"/> Memory Care ("MC")		N/O	N/O	N/O							
<input checked="" type="checkbox"/> Independent Living ("IL")		90	90	N/A							
Total Units/Beds & Occupancy		90	90	N/A							
Provider Characteristics		Building Characteristics									
Ownership:	Private Ownership	Constructed:	1990	Design Type:	Residential						
Management:	Internally Managed	Additions:	None	Accessibility:	Good						
Type of Provider:	Local Provider: IL, AL & MC Services	Condition:	Good	Visibility:	Good						
Description:	Private, For-Profit Provider	Amenities:	Comparable	Location:	Good						
Operating Characteristics**					Service Characteristics**						
Unit Types	Size (S.F.)	Units	Beds	Rate/Day***	Rate/Month	Hospitality Services		P	E		
Assisted Living Studio				\$92 - \$115	\$2,800 - \$3,500	Meals and Snacks	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Assisted Living Studio Deluxe						Housekeeping and Linens	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Assisted Living One Bedroom				\$135 - \$168	\$4,100 - \$5,100	Personal Laundry	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Assisted Living One Bedroom Deluxe						Activities/Social Services	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Assisted Living Two Bedroom						Scheduled Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Assisted Living Companion Suite/Other						24-Hour Security System	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Total: AL		90	90			Utilities (Not Phone/Cable)	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
						Unit/Property Maintenance	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
						Medication Management	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Memory Care AL Studio						Available Services		P	E		
Memory Care AL One Bedroom						Assistance with ADLs	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Memory Care AL Companion Suite						Home Healthcare	<input type="checkbox"/>	<input type="checkbox"/>			
Total: MC AL		N/A	N/A			Respite Care	<input type="checkbox"/>	<input type="checkbox"/>			
						Memory Care Secured Unit	<input type="checkbox"/>	<input type="checkbox"/>			
Independent Living Studio				N/A	N/A	Rehabilitation Services	<input type="checkbox"/>	<input type="checkbox"/>			
Independent Living Studio Deluxe						Other:	<input type="checkbox"/>	<input type="checkbox"/>			
Independent Living One Bedroom				N/A	N/A	Other:	<input type="checkbox"/>	<input type="checkbox"/>			
Independent Living One Bedroom Deluxe						Other:	<input type="checkbox"/>	<input type="checkbox"/>			
Independent Living Two Bedroom						Payor Mix Characteristics - All Units					
Independent Living Companion Suite/Other						Private Pay		N/A			
Total: IL		90	90			SSI/Medicaid Waiver		N/A			
						Other Source:		N/A			
Rate Structure		Comments on Rate Structure									
Flat Rate (All-Inclusive Care)	<input type="checkbox"/>	Residents are charged for the specific service they require; e.g. if an IL resident requires AL services the facility provides said services to the IL resident.									
Tiered Rate (Levels of Care)	<input checked="" type="checkbox"/>										
Utilize Point System to Assess Rates?	<input type="checkbox"/>										
Most-Recent Rate Increase?	N/A										
Average Amount of Increase?	N/A	Turnover Characteristics***									
Deposits & Community Fees		Rent Concessions Being Offered			Net Resident Turnover/Month:					N/A	
Deposit to Reserve Unit	\$0	No Concessions Being Offered			<input checked="" type="checkbox"/>	Net Resident Turnover/Year:					N/A
Additional Community Fee Required	\$1,000	Waiving Community Fee			<input type="checkbox"/>	Waiting List (Total Residents):					N/A
Total Deposits & Community Fees	N/A	Waiving Deposit			<input type="checkbox"/>	Absorption (Residents/Month):					Stabilized
Prorated % of Deposit Refundable	0%	First Month's Rent Free			<input type="checkbox"/>						
Comments											
Harbor Terrace Retirement Community is a 90-bed assisted living and independent living facility that appears attractive and well-maintained. The facility offers a total of 90 apartments for both IL and AL residents. The location affords good accessibility via local and regional roadways. There is a comparable range of services at this facility, which enjoys a positive reputation in the surrounding market.											

*N/A represents data that was Not Available from management, while N/O indicates that a unit type or service are Not Offered.
 **"P" Indicates That A Service Is Provided; "E" Indicates That The Service Requires An Extra Charge; No Check Indicates Service Is Not Provided
 ***Base Rates

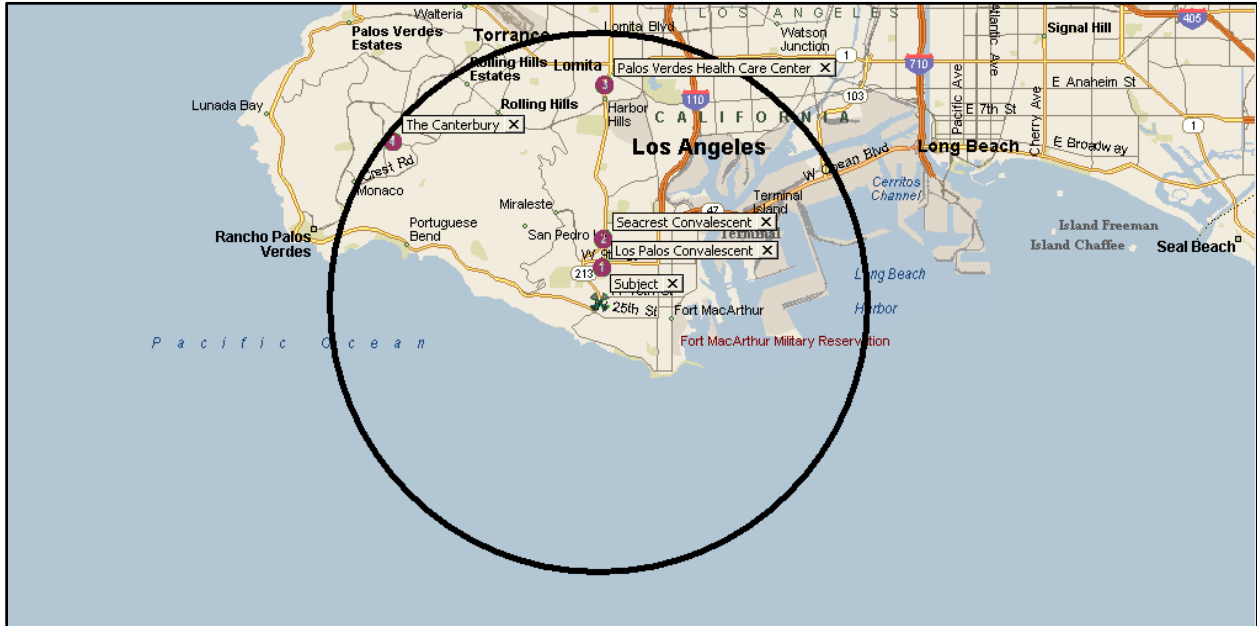
JEANNE JUGAN RESIDENCE
APPRAISAL REPORT

Competitor 7		Bayside Terrace Apartments						
Street Address:	860 West 5th Street							
City, State Zip:	San Pedro, California 90731							
Phone Number:	310.832.4926							
Contact Name:	Idella Zell, Community Manager							
Date of Inspection:	5/17/2018							
Distance to Subject:	1.9 Miles	In MA:	Yes					
Service Level Characteristics		Units	Beds	Occupancy				
<input type="checkbox"/> Assisted Living Care ("AL")		N/O	N/O	N/O				
<input type="checkbox"/> Memory Care ("MC")		N/O	N/O	N/O				
<input checked="" type="checkbox"/> Independent Living ("IL")		99	99	100.0%				
Total Units/Beds & Occupancy		99	99	100.0%				
Provider Characteristics		Building Characteristics						
Ownership:	Gardner Management		Constructed:	1967	Design Type:	Residential		
Management:	Gardner Management		Additions:	None	Accessibility:	Good		
Type of Provider:	Regional Provider: IL Services		Condition:	Good	Visibility:	Good		
Description:	Private, For-Profit Provider		Amenities:	Comparable	Location:	Good		
Operating Characteristics*				Service Characteristics**				
Unit Types	Size (S.F.)	Units	Beds	Rate/Day***	Rate/Month			
Assisted Living								
Studio						Hospitality Services	P	E
Studio Deluxe						Meals and Snacks	<input checked="" type="checkbox"/>	<input type="checkbox"/>
One Bedroom						Housekeeping and Linens	<input checked="" type="checkbox"/>	<input type="checkbox"/>
One Bedroom Deluxe						Personal Laundry	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Two Bedroom						Activities/Social Services	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Companion Suite/Other						Scheduled Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Total: AL		N/O	N/O			24-Hour Security System	<input checked="" type="checkbox"/>	<input type="checkbox"/>
						Utilities (Not Phone/Cable)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
						Unit/Property Maintenance	<input checked="" type="checkbox"/>	<input type="checkbox"/>
						Medication Management	<input type="checkbox"/>	<input type="checkbox"/>
Memory Care AL						Available Services	P	E
Studio						Assistance with ADLs	<input type="checkbox"/>	<input type="checkbox"/>
One Bedroom						Home Healthcare	<input type="checkbox"/>	<input type="checkbox"/>
Companion Suite						Respite Care	<input type="checkbox"/>	<input type="checkbox"/>
Total: MC AL		N/O	N/O			Memory Care Secured Unit	<input type="checkbox"/>	<input type="checkbox"/>
						Rehabilitation Services	<input type="checkbox"/>	<input type="checkbox"/>
						Other:	<input type="checkbox"/>	<input type="checkbox"/>
Independent Living						Other:	<input type="checkbox"/>	<input type="checkbox"/>
Studio						Other:	<input type="checkbox"/>	<input type="checkbox"/>
Studio Deluxe								
One Bedroom		99	99	\$41	\$1,250			
One Bedroom Deluxe								
Two Bedroom								
Companion Suite/Other								
Total: IL		99	99					
Rate Structure				Comments on Rate Structure				
Flat Rate (All-Inclusive Care)	<input checked="" type="checkbox"/>	Residents are charged a monthly fee.						
Tiered Rate (Levels of Care)	<input type="checkbox"/>							
Utilize Point System to Assess Rates?	<input type="checkbox"/>							
Most-Recent Rate Increase?	N/A							
Average Amount of Increase?	N/A							
Deposits & Community Fees		Rent Concessions Being Offered		Turnover Characteristics***				
Deposit to Reserve Unit	\$0	No Concessions Being Offered	<input checked="" type="checkbox"/>	Net Resident Turnover/Month:	N/A			
Additional Community Fee Required	N/A	Waiving Community Fee	<input type="checkbox"/>	Net Resident Turnover/Year:	N/A			
Total Deposits & Community Fees	N/A	Waiving Deposit	<input type="checkbox"/>	Waiting List (Total Residents):	N/A			
Prorated % of Deposit Refundable	100%	First Month's Rent Free	<input type="checkbox"/>	Absorption (Residents/Month):	Stabilized			
Comments								
Bayside Terrace Apartments is a 99-unit IL senior community that appears attractive and well-maintained. The location affords good accessibility via local and regional roadways, while visibility is good due to high traffic exposure,. There is a comparable range of services at this facility, which enjoys a positive reputation in the surrounding market. Given the physical plant, amenities, location, services and rates offered, this facility is considered a strong competitor to the Subject.								



*N/A represents data that was Not Available from management, while N/O indicates that a unit type or service are Not Offered.
 ***P" Indicates That A Service Is Provided; "E" Indicates That The Service Requires An Extra Charge; No Check Indicates Service Is Not Provided
 ***Base Rates

COMPETITION MAP – NURSING FACILITIES



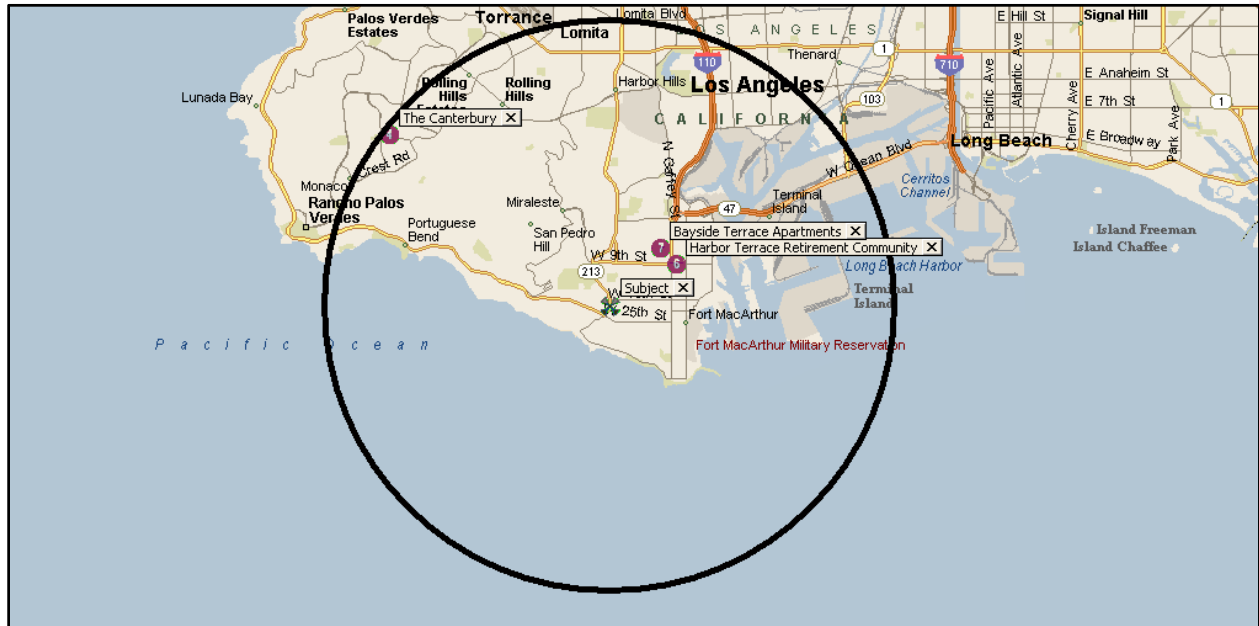
**The circle represents the MA (a five-mile radius).*

COMPETITION MAP – ASSISTED LIVING FACILITIES



**The circle represents the MA (a five-mile radius).*

COMPETITION MAP – INDEPENDENT LIVING FACILITIES



**The circle represents the MA (a five-mile radius).*

RATE AND OCCUPANCY ANALYSIS

QUANTITATIVE CHARACTERISTICS OF COMPARISON – NURSING CARE

The following chart indicates the comparability of the Subject’s operating characteristics to those of the competition. The comparison includes unit and/or bed counts, current occupancies, payor mix, and private pay rates.

Comparison Table - Nursing Facilities In & Proximate To the MA												
#	Facility Name	MA?	Beds	CMS Rating	Occupancy**	Census Mixture*				Daily Rates: LTC***		
						Private	Medicaid	Medicare	Other	Private	Semi-Private	Three-Bed
X	Jeanne Jugan Residence San Pedro, California 90732	-	103	5	89.3%	0.0%	100.0%	0.0%	0.0%	\$245	N/O	N/O
1	Los Palos Convalescent Hospital San Pedro, California 90732	Yes	99	3	95.0%	4.0%	78.0%	14.0%	4.0%	N/O	\$300	\$240
2	Seacrest Convalescent Hospital San Pedro, California 90732	Yes	80	3	70.0%	2.0%	85.0%	2.0%	11.0%	N/O	\$300	\$240
3	Palos Verdes Health Care Center Lomita, California 90717	Yes	48	2	85.4%	8.0%	68.0%	8.0%	16.0%	\$268	\$258	N/O
4	The Canterbury Rancho Palos Verdes, California 90275	Yes	28	N/A	100.0%	N/A	N/A	N/A	N/A	\$435	\$306 - \$394	N/O
Averages**			64	3	85.9%	4.1%	78.4%	8.5%	9.0%	\$351	\$286	\$240
Total Beds (includes Subject)			358									

*Occupancy and census mixture for Subject is as of site visit.

**Occupancy and Census Mix are based on a Weighted Average, while Daily Rates are Simple Averages. All of these figures exclude the Subject.

***N/A represents that information was not available or that management would not disclose the data; N/O represents that a type of payment or unit type is not offered.

- Currently, all facilities profiled are operating with NF occupancies at or above 70.0 percent with an average of 85.9 percent.
- The Subject’s private pay nursing rates for private accommodations are below the range of the competitive private pay rates.
- The Subject’s projected nursing occupancy of 96.0 percent (occupancy shown on chart is current occupancy) is well supported given historic trends.

QUANTITATIVE CHARACTERISTICS OF COMPARISON – ASSISTED LIVING CARE

The following chart indicates the comparability of the Subject’s operating characteristics to those of the competition. The comparison includes unit and/or bed counts, current occupancies and private pay rates.

Comparison Table - Assisted Living Facilities in & Proximate To the MA									
#	Facility Name	MA?	Rate Type	Unit Types & Rates				Total	Occupancy
				Studio	Studio Dlx	1 BR	2 BR		
X	Jeanne Jugan Residence Wall Township, New Jersey 07719	-	Monthly Daily	62 \$1600 - \$1800 \$53 - \$59	- -	- -	- -	62	83.9%
1	Palos Verdes Villa Rancho Palos Verdes, California 90275	Yes	Monthly Daily	- \$2,650 \$87	- \$3,150 \$104	- -	- \$1,900 \$62	116	98.0%
2	Harbor Terrace Retirement Community San Pedro, California 90731	Yes	Monthly Daily	- \$2,800 - \$3,500 \$135 - \$168	- -	- \$4,100 - \$5,100 \$92 - \$115	- -	90	N/A
3	The Canterbury Santa Maria, California 93454	Yes	Monthly Daily	- \$6,843 \$225	- -	- \$9,271 \$305	- \$12,117 \$398	28	100.0%
Avg Occupancy-Facilities in the MA*								98.4%	

*Excludes the Project; averages for units are simple averages and average for occupancy data is a weighted average.

- Currently, all facilities profiled are operating with AL occupancies at or above 98.0 percent with an average of 98.4 percent. Harbor Terrace Retirement Community’s management was unable to provide information on occupancy.

- The Subject’s private pay rates for AL studio accommodations are below the range of the competitive private pay rates. Overall, the Subject’s private pay rates are well supported.
- The Subject’s projected AL occupancy of 95.0 percent (occupancy shown on chart is current occupancy) is below the range of the stabilized occupancies of the other competitive facilities but consistent with historic trends.

QUANTITATIVE CHARACTERISTICS OF COMPARISON – INDEPENDENT LIVING

The following chart indicates the comparability of the Subject’s operating characteristics to those of the competition. The comparison includes unit and/or bed counts, current occupancies and private pay rates.

Comparison Table - Independent Living Facilities In & Proximate To the MA								
#	Facility Name	MA?	Rate Type	Independent Living: Unit Types & Rates			Total	Occupancy
				Studio	1 BR	2 BR		
X	Jeanne Jugan Residence Wall Township, New Jersey 07719	-	<i>Monthly</i> <i>Daily</i>	- -	14 <i>\$1,000</i> <i>\$33</i>	- -	14	92.9%
1	Harbor Terrace Retirement Community San Pedro, California 90731	Yes	<i>Monthly</i> <i>Daily</i>	- -	<i>N/A</i> <i>N/A</i>	- -	90	N/A
2	Bayside Terrace Apartments San Pedro, California 90731	Yes	<i>Monthly</i> <i>Daily</i>	- -	99 <i>\$1,250</i> \$41	- -	99	100.0%
3	The Canterbury Santa Maria, California 93454	Yes	<i>Monthly</i> <i>Daily</i>	- -	<i>\$7,611</i> \$250	<i>\$10,858 - \$11,404</i> \$357 - \$375	98	100.0%
Avg Occupancy-All Facilities*								100.0%

**Excludes the Project; averages for occupancy data are weighted averages.*

- Currently, all facilities profiled are operating with IL occupancies at or above 100.0 percent. Harbor Terrace Retirement Community’s management was unable to provide information on occupancy and IL rates.
- The Subject’s rates for IL accommodations are below the range of the competitive private pay rates. The Subject’s projected occupancy of 95.0 percent (occupancy shown on chart is current occupancy) is below the range of the stabilized occupancies of the other competitive facilities but consistent with historic trends.

QUALITATIVE CHARACTERISTICS OF COMPARISON

HTG has compared the Subject to the competitive facilities based on five key characteristics: building condition, amenities offered, accessibility, visibility and location. These characteristics assist in determining whether the rates charged by the Subject are considered to be reasonable and consistent with the market. The chart presented below displays the competitive facilities comparability to the Subject.

Qualitative Characteristics of Comparison						
#	Facility Name	Building Condition	Amenities Offered	Accessibility	Visibility	Location
X	Jeanne Jugan Residence	Good	N/A	Good	Good	Good
1	Los Palos Convalescent Hospital	Good	Comparable	Good	Fair	Fair
2	Seacrest Convalescent Hospital	Good	Comparable	Good	Good	Good
3	Palos Verdes Health Care Center	Good	Comparable	Good	Good	Good
4	The Canterbury	Good	Superior	Good	Good	Good
5	Palos Verdes Villa	Good	Comparable	Good	Fair	Good
6	Harbor Terrace Retirement Community	Good	Comparable	Good	Good	Good
7	Bayside Terrace Apartments	Good	Comparable	Good	Good	Good

- In general, Seacrest Convalescent Hospital is considered to be the most comparable NF in terms of the characteristics discussed above, while Palos Verdes Villa’s AL component is the most comparable. Bayside Terrace Apartments is considered to be the most comparable IL. These facilities have similar locations and offer similar care and amenities when compared to the Subject.

CONCLUSION

The Subject offers many of the same services and levels of care as the competing senior housing facilities in the Subject’s MA. The Subject’s private pay rates are below the range of the profiled competitors. Based on the historic experience of the Subject and analysis of the competition, the private pay rate projected in the Income Approach is well supported.

SENIOR DEMOGRAPHICS AND DEMAND ANALYSIS

The following demographics represent the Subject’s MA.

SENIOR POPULATION

The senior population is categorized as individuals residing in the area that are over the age of 65. We have divided the number of seniors into three different age cohorts (65-74, 75-84 and 85+).

Total and Age-Stratified Population - MA									
Age	MA		Annual % Change			MA	Annual % Change		
	Census 2010	Estimate 2018	MA 2010-2018	California 2010-2018	U.S. 2010-2018	Projected 2023	MA 2018-2023	California 2018-2023	U.S. 2018-2023
Total Pop.	174,046	180,614	0.5%	0.8%	0.7%	186,039	0.6%	0.8%	0.7%
65-74	12,074	16,385	3.9%	4.7%	4.4%	19,518	3.6%	3.7%	3.8%
75-84	7,847	8,861	1.5%	1.9%	1.5%	10,273	3.0%	3.6%	2.9%
85+	3,308	3,849	1.9%	2.0%	2.0%	3,836	-0.1%	0.5%	1.1%
Total 65+	23,229	29,095	2.9%	3.5%	3.2%	33,627	2.9%	3.3%	3.2%
Total 75+	11,155	12,710	1.6%	2.0%	1.7%	14,109	2.1%	2.7%	2.3%

- The population aged 65-plus and 75-plus within the MA increased at average annual growth rates lower than the state and national growth rates between 2010 and 2018. Additionally, these populations are projected to increase an additional 2.9 and 2.1 percent, respectively, during the next five years.
- This is considered a positive indicator of the potential for increase of seniors to the MA.

SENIOR POPULATION ADJUSTED FOR GROUP QUARTERS

The population data in the previous table encompasses all residents in the MA, including those classified by the U.S. Census Bureau as living in group quarters. There are two general categories included in the estimates of seniors living in group quarters: (1) institutionalized and (2) non-institutionalized. Institutionalized persons include seniors living in correctional institutions, NFs, mental hospitals and other institutional settings. By contrast, non-institutionalized persons include those living in college dorms, military quarters and homeless shelters.

Residents of non-institutionalized settings are not considered potential consumers of healthcare services and have been excluded from this analysis. However, seniors residing in institutionalized settings are potential consumers, but are eliminated from the total senior population considered eligible to reside in the Subject due to their existing accommodations. The following table displays the number of individuals, by age cohort, residing in institutionalized settings (437 individuals aged 65-plus; and 191 individuals aged 75-plus). This is followed by a second table that presents the adjusted senior population in the MA, which is determined by extracting the proportion of people in group quarters (institutionalized settings) from each respective age cohort.

65+ Population by Age Cohort in Group Quarters - MA						
Age	MA		California		U.S.	
	Estimate 2018	Projected 2023	Estimate 2018	Projected 2023	Estimate 2018	Projected 2023
65-74	246	254	66,402	67,787	899,331	926,715
75-84	133	134	32,202	32,725	433,840	427,679
85+	58	50	14,217	12,372	188,540	170,309
Total 65+	437	438	112,832	112,885	1,521,711	1,524,704
Total 75+	191	184	46,419	45,097	622,380	597,988

65+ Population Adjusted for Group Quarters - MA					
Age	MA		Annual % Change		
	Estimate 2018	Projected 2023	MA % change 2018-2023	California % change 2018-2023	U.S. % change 2018-2023
65-74	16,139	19,264	3.6%	3.8%	3.9%
75-84	8,728	10,139	3.0%	3.7%	2.9%
85+	3,791	3,786	0.0%	0.5%	1.2%
Total 65+	28,658	33,189	3.0%	3.4%	3.3%
Total 75+	12,519	13,925	2.2%	2.8%	2.4%

ADULT CHILDREN POPULATION

The adult children population is defined as residents in the area that range in age from 45 to 64 years old. It is important to realize the level of adult children in the market for the following reasons: (1) seniors tend to relocate to be near their adult children; (2) adult children often supplement seniors' income for a senior housing facility; and (3) adult children often provide the early care needed for their frail parents.

Adult Children Population - MA									
Age	MA		Annual % Change			MA Projected 2023	Annual % Change		
	Census 2010	Estimate 2018	MA 2010-2018	California 2010-2018	U.S. 2010-2018		MA 2018-2023	California 2018-2023	U.S. 2018-2023
Total Pop.	174,046	180,614	0.5%	0.8%	0.7%	186,039	0.6%	0.8%	0.7%
45-54	25,661	24,405	-0.6%	-0.2%	-0.8%	23,219	-1.0%	0.0%	-0.6%
55-64	19,645	23,310	2.2%	2.2%	1.8%	24,420	0.9%	1.1%	0.5%
45-64	45,306	47,715	0.6%	0.9%	0.4%	47,639	0.0%	0.5%	0.0%

- The 45-64 year old cohort in the MA increased at a lower average annual growth rate than the state but a higher rate than the national growth rate between 2010 and 2018. The 45-64 year old cohort in the MA is projected to experience nominal growth over the next five years.

ADULT CHILDREN RATIO

The adult children ratio compares the adult children in the area to the senior population aged 75 and older. This comparison often provides insight on migration of seniors in a specific market.

Ratio of Adult Children to Senior Population - MA									
Age	MA			California			U.S.		
	2010	2018	2023	2010	2018	2023	2010	2018	2023
45-54	2.30	1.92	1.65	2.66	2.25	1.97	2.43	1.99	1.72
55-64	1.76	1.83	1.73	2.05	2.09	1.93	1.97	1.99	1.83
Total	4.06	3.75	3.38	4.71	4.34	3.90	4.39	3.98	3.55

- The adult children ratio in the MA is below the state and national ratios, and is projected to decrease in the next five years, remaining below the state and national ratios.
- Given the adult children ratio in the MA, coupled with the size of the adult children population, this age group is anticipated to have a moderate impact on migration of seniors to the MA.

MEDIAN HOUSEHOLD INCOME

Income levels in a MA often indicate what type of facility would most appropriately serve the MA or the payor mix of an existing senior care facility. The following chart compares the median household income of the MA to the state and U.S. median household income.

Median Household Income - MA					
Age	Census 2000	Estimate 2018	Annual % change 2000-2018	Projected 2023	Annual % change 2018-2023
Total Population	\$46,053	\$70,243	2.4%	\$78,942	2.4%
45-54	62,454	91,213	2.1%	99,244	1.7%
55-64	61,604	84,291	1.8%	96,667	2.8%
65-74	47,355	76,570	2.7%	90,276	3.3%
75-84	32,376	51,596	2.6%	56,287	1.8%
85+	23,954	32,184	1.7%	37,566	3.1%

Median Household Income - State					
Age	Census 2000	Estimate 2018	Annual % change 2000-2018	Projected 2023	Annual % change 2018-2023
Total Population	\$47,780	\$70,636	2.2%	\$78,925	2.2%
45-54	61,736	91,448	2.2%	103,427	2.5%
55-64	56,125	80,962	2.1%	92,931	2.8%
65-74	37,071	64,887	3.2%	73,791	2.6%
75-84	28,456	41,835	2.2%	45,990	1.9%
85+	22,464	30,204	1.7%	33,107	1.9%

Median Household Income - U.S.					
Age	Census 2000	Estimate 2018	Annual % change 2000-2018	Projected 2023	Annual % change 2018-2023
Total Population	\$42,339	\$60,133	2.0%	\$65,675	1.8%
45-54	56,734	79,717	1.9%	88,922	2.2%
55-64	47,656	69,542	2.1%	78,679	2.5%
65-74	31,385	52,563	2.9%	58,254	2.1%
75-84	23,499	37,421	2.6%	40,367	1.5%
85+	18,843	28,472	2.3%	30,466	1.4%

- In 2018, median household incomes for the senior populations aged 65-plus and 75-plus in the MA were higher than the state and national medians, and are projected to remain in this position during the next five years. This is a positive characteristic of the Subject's market in that seniors may have access to greater resources needed to be able to afford necessary services on a private-pay basis.

HOUSEHOLD INCOME LEVELS

The following tables indicate the number of householders by income level, aged 65-plus and 75-plus, residing in the MA. The table divides household income levels into six income level cohorts.

Household Income for Aged 65+ Householders - MA								
Income Levels	2018				2023			
	MA		California	U.S.	MA		California	U.S.
	# of HHs	% of Total	% of Total	% of Total	# of HHs	% of Total	% of Total	% of Total
Under \$25,000	4,343	24.2%	25.5%	28.2%	4,250	20.8%	22.4%	25.4%
\$25,000 - \$34,999	1,591	8.9%	10.5%	12.3%	1,747	8.5%	9.8%	11.5%
\$35,000 - \$49,999	1,819	10.1%	12.9%	15.1%	1,894	9.3%	12.1%	14.4%
\$50,000 - \$74,999	2,699	15.0%	15.5%	16.5%	2,921	14.3%	15.1%	16.5%
\$75,000 - \$99,999	1,695	9.4%	10.3%	9.7%	1,893	9.3%	10.4%	10.1%
\$100,000 - \$124,999	1,254	7.0%	7.2%	5.9%	1,444	7.1%	7.6%	6.5%
> \$125,000	4,543	25.3%	18.0%	12.2%	6,314	30.9%	22.5%	15.5%
Total	17,944	100.0%	100.0%	100.0%	20,463	100.0%	100.0%	100.0%

Household Income for Aged 75+ Householders - MA								
Income Levels	2018				2023			
	MA		California	U.S.	MA		California	U.S.
	# of HHs	% of Total	% of Total	% of Total	# of HHs	% of Total	% of Total	% of Total
Under \$25,000	2,587	31.3%	33.9%	36.0%	2,495	27.5%	30.6%	33.2%
\$25,000 - \$34,999	886	10.7%	12.9%	14.5%	966	10.7%	12.3%	14.0%
\$35,000 - \$49,999	935	11.3%	14.1%	15.8%	987	10.9%	13.7%	15.5%
\$50,000 - \$74,999	1,278	15.5%	14.9%	15.3%	1,371	15.1%	15.1%	15.7%
\$75,000 - \$99,999	713	8.6%	8.4%	7.6%	791	8.7%	8.8%	8.1%
\$100,000 - \$124,999	431	5.2%	4.8%	3.7%	497	5.5%	5.2%	4.2%
> \$125,000	1,438	17.4%	11.0%	7.1%	1,960	21.6%	14.2%	9.3%
Total	8,268	100.0%	100.0%	100.0%	9,067	100%	100.0%	100.0%

- In 2018, the percentage of senior households in the MA (65-plus and 75-plus) earning less than \$25,000 was lower than the state and national proportions.
- This proportion is projected to decrease in the MA and will remain below the state and U.S. figures through 2022.
- In addition, the proportion of 75-plus seniors earning at and above \$50,000 (both historically and on a projected basis) is higher for all income levels (varies for 65-plus seniors).

MEDIAN HOUSING VALUES

In areas where median home values are higher, senior residents will generally have greater sale proceeds to utilize on care services. By contrast, lower housing values may indicate residents that may require some financial assistance. The following table lists the median housing values in the area.

Median Housing Value - MA					
Area	Census 2000	Estimate 2018	Annual % Change 2000-2018	Projected 2023	Annual % Change 2018-2023
MA	\$288,968	\$694,693	5.0%	\$750,814	1.6%
California	198,874	484,849	5.1%	524,235	1.6%
U.S.	110,043	207,644	3.6%	221,286	1.3%

- In 2017, the MA’s median housing value was well above state and national medians. The MA’s median housing value is projected to rise in the next five years, while remaining above that of both geographic cohorts.

PROPOSED FACILITIES

In determining whether or not there are planned or proposed senior housing or nursing care facilities, we have consulted planning and zoning departments in local municipalities and at the county level. Based on our research, there are no proposed nursing facilities in the Subject’s MA.

CONCLUSIONS

Considering the analysis presented, the Subject’s MA is considered strong. The population of seniors aged 75 and over is projected to increase over the next five years. The Subject’s comparable facilities are currently operating between 70.0 and 100.0 percent. The Subject’s rates are well supported when compared to the profiles presented. Based on these market conditions, the Subject can reasonably be projected to achieve an occupancy level of 95.3 percent.

INCOME APPROACH

This approach estimates the income-producing capability of a property and utilizes market-derived rates to form an opinion of value. The annual cash flows for a reasonable holding period and the reversion are discounted at a specified yield rate. This is commonly referred to as a discounted cash flow (“DCF”) model. The DCF analysis results in the present value of a future set of cash flows, as of the date of valuation.

The cash flows that are considered to be the best measure of a business’s operating performance and basic earning power is the Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”). EBITDA is also referred to as net operating income (“NOI”), and is commonly used as a measurement to compare one business with another. The use of EBITDA eliminates differences in capital structures and financing sources between various organizations, which may provide indirect or secondary benefits to a business. Rather, only the direct benefits of the operating cash flows of the business enterprise are valued.

REVENUE ANALYSIS

We have been provided with operational and financial data for the following periods:

- 12 months ended December 31, 2015
- 12 months ended December 31, 2016
- 12 Months ended December 31, 2017

The following chart displays the historic income statement with any adjustments necessary to normalize operations. We have also included occupancy and census charts that exhibit the historic and projected census mixture and overall occupancy of the Subject facility. In addition, the historic and projected charges and revenues of the facility have been included, in order to demonstrate the sources of revenue for the operations.

JEANNE JUGAN RESIDENCE
APPRAISAL REPORT

Jeanne Jugan Residence			
<i>Historic Income Statement</i>			
	Year Ended 12/31/2015	Year Ended 12/31/2016	Year Ended 12/31/2017
RESIDENT DAYS	34,350	35,906	35,764
RESIDENT MONTHS	1,129	1,180	1,176
REVENUE			
Room and Board	\$3,105,442	\$3,209,959	\$3,111,184
Independent Living	50,290	71,091	75,950
Assisted Living	718,135	757,847	726,952
Nursing Private & Other	0	0	0
Nursing Medicaid	2,337,016	2,381,021	2,308,281
Nursing Medicare	0	0	0
Additional Care			
Medicare B	0	0	0
Contributions	4,044,067	2,699,826	2,632,970
Sundry	4,248	5,209	5,404
Total Revenue	\$7,153,757	\$5,914,994	\$5,749,557
EXPENSES			
General and Administrative	\$2,650,092	\$2,495,833	\$2,017,439
Dietary	796,919	591,434	650,581
Housekeeping	563,101	572,270	642,329
Care Services	1,702,944	1,708,256	2,008,588
Therapies	103,481	92,817	95,973
Activities & Social Service	214,692	220,588	228,889
Property	727,543	811,679	864,926
Management Fee	0	0	0
Total Operating Expenses	6,758,774	6,492,876	6,508,726
NET OPERATING INCOME (EBITDA)	\$394,983	(\$577,882)	(\$759,168)
ADJUSTMENTS			
Total Revenue	\$7,153,757	\$5,914,994	\$5,749,557
Less: Contributions	4,044,067	2,699,826	2,632,970
Adjusted Total Revenue	\$3,109,689	\$3,215,168	\$3,116,587
General and Administrative	\$2,650,092	\$2,495,833	\$2,017,439
Less: Sisters' Services	739,188	546,397	232,702
<i>Adjusted General and Administrative</i>	<i>\$1,910,904</i>	<i>\$1,949,436</i>	<i>\$1,784,737</i>
Management Fees @ 5.0%	\$357,688	\$295,750	\$287,478
<i>Adjusted Management Fee</i>	<i>\$357,688</i>	<i>\$295,750</i>	<i>\$287,478</i>
Adjusted Total Expenses	\$6,377,273	\$6,242,229	\$6,563,501
ADJUSTED NET OPERATING INCOME	(\$3,267,584)	(\$3,027,061)	(\$3,446,914)
CAPITAL AND OTHER EXPENSES			
Rent	0	0	0
Interest	(41,304)	(28,205)	(25,820)
Depreciation & Amortization	0	0	0
Prior Year Settlements	0	0	0
Net Income	(\$3,226,280)	(\$2,998,855)	(\$3,421,094)

EXPLANATION OF ADJUSTMENTS

- We have adjusted historic management fees to equal five percent of revenue. This is considered a reasonable estimate of market rates based on surveys of management companies and multi-facility operators.
- We have adjusted out the contributions received by the facility from the total revenue to provide total revenue related to operations. Additionally, the expenses related to the sisters' services have been removed from the general and administrative expenses. This is considered reasonable as contributions and sisters' services are components specific to this facility and would most likely not be experienced by other market owners/operators.

OCCUPANCY AND CENSUS

Jeanne Jugan Residence

OCCUPANCY AND CENSUS

	Historic Periods			As Of 5/17/2018	Forecast Periods					
	Year Ended 12/31/2015	Year Ended 12/31/2016	Year Ended 12/31/2017		Year Ending 5/16/2019	Year Ending 5/16/2020	Year Ending 5/16/2021	Year Ending 5/16/2022	Year Ending 5/16/2023	Year Ending 5/16/2024
INDEPENDENT LIVING										
Independent Living	4,359	4,583	4,652	13	4,855	4,868	4,855	4,855	4,855	4,868
Months	143	151	153		160	159	159	159	159	159
Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
IL Apartment Resident Days	4,359	4,583	4,652	13	4,855	4,868	4,855	4,855	4,855	4,868
IL Apt Resident Months	143	151	153		160	159	159	159	159	159
Available Resident Days	5,110	5,124	5,110	14	5,110	5,124	5,110	5,110	5,110	5,124
IL Apartment Occupancy	85.3%	89.4%	91.0%	92.9%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Growth		5.1%	1.5%		4.4%	0.3%	-0.3%	0.0%	0.0%	0.3%
ASSISTED LIVING										
Assisted Living	20,435	21,838	21,410	52	21,499	21,557	21,499	21,499	21,499	21,557
Months	672	718	704		709	705	705	705	705	705
Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
AL Resident Days	20,435	21,838	21,410	52	21,499	21,557	21,499	21,499	21,499	21,557
AL Resident Months	672	718	704		709	705	705	705	705	705
Available Resident Days	22,630	22,692	22,630	62	22,630	22,692	22,630	22,630	22,630	22,692
AL Occupancy	90.3%	96.2%	94.6%	83.9%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Growth		6.9%	-2.0%		0.4%	0.3%	-0.3%	0.0%	0.0%	0.3%
NURSING										
Nursing Private & Other	0	0	0	0	1,419	1,423	1,419	1,419	1,419	1,423
Months	0	0	0		47	47	47	47	47	47
Percentage	0.0%	0.0%	0.0%	0.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Nursing Medicaid	9,556	9,485	9,702	27	7,096	7,115	7,096	7,096	7,096	7,115
Months	314	312	319		234	233	233	233	233	233
Percentage	100.0%	100.0%	100.0%	100.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Nursing Medicare	0	0	0	0	946	949	946	946	946	949
Months	0	0	0		31	31	31	31	31	31
Percentage	0.0%	0.0%	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Nursing Resident Days	9,556	9,485	9,702	27	9,461	9,487	9,461	9,461	9,461	9,487
Nursing Resident Months	314	312	319		312	310	310	310	310	310
Available Resident Days	9,855	9,882	9,855	27	9,855	9,882	9,855	9,855	9,855	9,882
Nursing Occupancy	97.0%	96.0%	98.4%	100.0%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%
Growth		-0.7%	2.3%		-2.5%	0.3%	-0.3%	0.0%	0.0%	0.3%
Total Resident Days	34,350	35,906	35,764	92	35,814	35,912	35,814	35,814	35,814	35,912
Resident Months	1,129	1,180	1,176		1,181	1,174	1,174	1,174	1,174	1,174
Available Resident Days	37,595	37,698	37,595	103	37,595	37,698	37,595	37,595	37,595	37,698
Occupancy	91.4%	95.2%	95.1%	89.3%	95.3%	95.3%	95.3%	95.3%	95.3%	95.3%
Growth		4.5%	-0.4%		0.1%	0.3%	-0.3%	0.0%	0.0%	0.3%

- The independent living percentage of the payor mix has increased during the historic periods from 85.3 to 91.0 percent. During the time of the site-visit it was at 92.9 percent. Independent living census is projected to be 95.0 percent of the payor mix, which is considered to be reasonable based on the IL occupancies of the other facilities in the market.
- The assisted living percentage of the payor mix has ranged from 90.3 to 96.2 percent. During the time of the site-visit it was at 83.9 percent. Assisted living census is projected to be 95.0 percent of the payor mix, which is considered to be reasonable based on the Subject's historic experience.
- The private and other, Medicaid, and Medicare percentages were adjusted to reflect the market levels, which would most likely be pursued in order to obtain a stronger census mix, consistent with the other facilities in the market.

- The Subject only had Medicaid residents during the historic periods. The nursing private and other payor class is projected to be 15.0 percent while Medicare census is projected to be 10.0 percent during the forecast periods. These projections are well supported based on the range of the private and Medicare censuses of the market comparables.
- The Medicaid percentage of the payor mix was at 100.0 percent during the historic periods. Medicaid census is projected to be 75.0 percent during the forecast periods. This is well supported based on the range of the Medicaid census of the market comparables.
- The nursing component has experienced overall occupancy that has ranged 96.0 percent to 98.4 percent. The nursing component is projected to be 96.0 percent.
- The Subject has experienced occupancy ranging from 91.4 to 95.2 percent over the last three historic periods. Occupancy is projected to remain stable at 95.3 percent during the forecast periods. This is consistent with the Competition and Service Analysis and historic experience of the Subject.

JEANNE JUGAN RESIDENCE
APPRAISAL REPORT

RENTS AND CHARGES

Jeanne Jugan Residence

RENTS AND CHARGES

	Historic Periods			Forecast Periods					
	Year Ended 12/31/2015	Year Ended 12/31/2016	Year Ended 12/31/2017	Year Ending 5/16/2019	Year Ending 5/16/2020	Year Ending 5/16/2021	Year Ending 5/16/2022	Year Ending 5/16/2023	Year Ending 5/16/2024
ROOM & BOARD									
Independent Living	\$11.54	\$15.51	\$16.33	\$49.32	\$50.80	\$52.32	\$53.89	\$55.51	\$57.18
Monthly Rent	\$351	\$472	\$497	\$1,500	\$1,545	\$1,591	\$1,639	\$1,688	\$1,739
Growth Rate		34.5%	5.3%	123.8%	3.0%	3.0%	3.0%	3.0%	3.0%
Assisted Living	\$35.14	\$34.70	\$33.95	\$164.38	\$168.50	\$172.72	\$177.04	\$181.46	\$186.01
Monthly Rent	\$1,069	\$1,056	\$1,033	\$5,000	\$5,125	\$5,253	\$5,385	\$5,519	\$5,658
Growth Rate		-1.2%	-2.2%	216%	2.5%	2.5%	2.5%	2.5%	2.5%
Nursing Private & Other				\$330.00	\$339.93	\$350.13	\$360.63	\$371.45	\$382.62
Monthly Rent				\$10,038	\$10,339	\$10,650	\$10,969	\$11,298	\$11,638
Growth Rate					3.0%	3.0%	3.0%	3.0%	3.0%
Nursing Medicaid	\$244.56	\$251.03	\$237.92	\$245.21	\$251.36	\$257.64	\$264.09	\$270.69	\$277.47
Monthly Rent	\$7,439	\$7,635	\$7,237	\$7,459	\$7,646	\$7,837	\$8,033	\$8,233	\$8,440
Growth Rate		2.6%	-5.2%	2.2%	2.5%	2.5%	2.5%	2.5%	2.5%
Nursing Medicare				\$499.62	\$512.15	\$524.95	\$538.07	\$551.53	\$565.35
Monthly Rent				\$15,197	\$15,578	\$15,967	\$16,366	\$16,776	\$17,196
Growth Rate					2.5%	2.5%	2.5%	2.5%	2.5%
Weighted Average Daily Rate	\$90.41	\$89.40	\$86.99	\$180.22	\$184.84	\$189.56	\$194.40	\$199.37	\$204.48
Monthly Rent	\$2,750	\$2,719	\$2,646	\$5,482	\$5,622	\$5,766	\$5,913	\$6,064	\$6,220
Growth Rate		-1.1%	-2.7%	70.0%	2.6%	2.6%	2.6%	2.6%	2.6%
ANCILLARY									
Medicare B				\$2.25	\$2.31	\$2.37	\$2.43	\$2.49	\$2.56
% of Room & Board				1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Growth Rate					2.6%	2.6%	2.6%	2.6%	2.6%
SUNDRY	\$0.12	\$0.15	\$0.15	\$0.36	\$0.37	\$0.38	\$0.39	\$0.40	\$0.41
% of Room & Board	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Growth Rate		17.3%	4.1%	88.4%	2.6%	2.6%	2.6%	2.6%	2.6%
TOTAL REVENUE (PRD)	\$90.53	\$89.54	\$87.14	\$182.83	\$187.52	\$192.31	\$197.22	\$202.26	\$204.44
Monthly Rent	\$2,754	\$2,724	\$2,651	\$5,561	\$5,704	\$5,849	\$5,999	\$6,152	\$6,310
Growth Rate		-1.1%	-2.7%	71.6%	2.6%	2.6%	2.6%	2.6%	2.6%

- The IL private pay rate has increased from \$11.54 to \$16.33 per resident day (“PRD”) over the historic periods. This rate is projected to increase 123.8 percent from the most recent historic period and then increase 3.0 percent annually thereafter. This is reflected in the \$49.32 PRD rate, or \$1,500 per month, in the first forecasted period. The projected increase is considered reasonable based on the rates of the competitors that ranged from \$1,250 to \$7,611 per month (one bedroom apartments).
- The AL private pay rate has decreased from \$35.14 to \$33.95 PRD over the historic periods and is projected to be \$164.38 PRD, or \$5,000 per month, in the first forecast period. This is considered reasonable based on the rates of the competitors which ranged from \$2,650 to \$6,843 per month. AL rates are projected to increase by 2.5 percent annually.
- The nursing private pay and other rate was projected based of the rates of the nursing competitors. This is reflected in the \$330.00 PRD rate in the first forecasted period. Private pay rates are projected to increase 3.0 percent annually.
- Our selection of a 3.0 percent private pay rate increase annually is considered to be a reasonable estimate of annual growth given the current market and the Subject’s historic operating experience. Additionally, the selected growth percentage is below the overall average rate change in 2015-2016 based on a simple average among all property types which is 4.93 percent. The following charts display, first, the average monthly base fee revenue per occupied unit/bed per month across each region for 2015 and 2016 per *The State of Seniors Housing 2015* and *2016* editions, followed by a chart that presents the percent change between these two periods of data for each property type:

JEANNE JUGAN RESIDENCE
APPRAISAL REPORT

2015 Average Monthly Base Fee Revenue per Occupied Unit/Bed per Month by Region*			
Region	Independent Living	Assisted Living	CCRC
Northeast	\$3,919	\$4,452	\$2,456
Southeast	\$2,762	\$3,310	\$2,944
North Central	\$2,422	\$3,895	**
South Central	\$2,621	\$2,971	**
West	\$2,943	\$2,971	\$3,047
All Communities	\$2,914	\$3,499	\$2,851

*From *The State of Seniors Housing 2015*, Table 6.2

**Insufficient sample size.

2016 Average Monthly Base Fee Revenue per Occupied Unit/Bed per Month by Region*			
Region	Independent Living	Assisted Living	CCRC
Northeast	\$3,910	\$4,494	\$2,990
Southeast	\$2,503	\$3,096	\$3,123
North Central	\$2,404	\$3,410	\$3,155
South Central	\$2,613	\$3,149	**
West	\$2,800	\$3,575	\$3,681
All Communities	\$2,798	\$3,513	\$3,215

*From *The State of Seniors Housing 2016*, Table 6.2

**Insufficient sample size.

2015-2016 Percent Change of the Average Monthly Base Fee Revenue per Occupied Unit/Bed per Month by Region			
Region	Independent Living	Assisted Living	CCRC
Northeast	-0.23%	0.94%	21.74%
Southeast	-9.38%	-6.47%	6.08%
North Central	-0.74%	-12.45%	N/A**
South Central	-0.31%	5.99%	N/A**
West	-4.86%	20.33%	20.81%
All Communities (Weighted)	-3.98%	0.40%	12.77%
Average by Facility Type (Simple)	-3.10%	1.67%	16.21%
Average Overall		4.93%	

*Rate data is from *The State of Seniors Housing 2015-2016*, Table 6.2

**Insufficient sample size.

- The Medicaid rate for the first forecast period is projected to be \$245.21 PRD. We have projected this rate to increase 2.5 percent annually from the current Medicaid rate.
- Since the Subject had no Medicare census in the historic periods, the Medicare per day figure is based on a calculated Medicare PPS (calculation grid shown in the following page). We have assumed one resident day for each Medicare RUG category. Based on this assumption, the weighted-average Medicare rate is projected to be \$499.62 PRD for first forecasted period.
- The weighted-average daily room and board rate equals \$180.22 PRD, which is 70.0 percent above the most-recent historic period. This projected increase is considered reasonable based on the increased private pay rates for IL and AL, the addition of the private and other and the Medicare payor sources, and the projected change in census mix. In the remaining periods, the Subject's weighted-average rate is projected to increase 2.6 percent annually.
- Ancillary and additional care revenues are per day revenue gains from various therapies, supply and pharmacy (drugs) services charged to residents. The Medicare B component is projected to be \$2.25 PRD in the first forecasted period.

JEANNE JUGAN RESIDENCE
APPRAISAL REPORT

Fiscal Year 2018 10/1/17 through 9/30/18 Medicare PPS Calculation Grid Jeanne Jugan Residence							
Wage Index	1.2781		=Urban Index				
RUG-IV Category	Urban Labor Related Rates	Applied Wage Index Factor	Urban Non-Labor Related	Total Federal Rate	Medicare Census	Percent	Contribution
RUX	\$575.75	\$735.87	\$237.45	\$973.32	1	1.52%	\$14.75
RUL	\$563.20	719.83	\$232.28	952.11	1	1.52%	14.43
RVX	\$512.46	654.98	\$211.35	866.33	1	1.52%	13.13
RVL	\$459.76	587.62	\$189.62	777.24	1	1.52%	11.78
RHX	\$464.30	593.42	\$191.49	784.91	1	1.52%	11.89
RHL	\$414.11	529.27	\$170.79	700.06	1	1.52%	10.61
RMX	\$425.90	544.34	\$175.66	720.00	1	1.52%	10.91
RML	\$390.77	499.44	\$161.17	660.61	1	1.52%	10.01
RLX	\$374.04	478.06	\$154.26	632.32	1	1.52%	9.58
RUC	\$436.48	557.87	\$180.02	737.89	1	1.52%	11.18
RUB	\$436.48	557.87	\$180.02	737.89	1	1.52%	11.18
RUA	\$364.97	466.47	\$150.52	616.99	1	1.52%	9.35
RVC	\$374.45	478.58	\$154.43	633.01	1	1.52%	9.59
RVB	\$324.26	414.44	\$133.73	548.17	1	1.52%	8.31
RVA	\$323.00	412.83	\$133.22	546.05	1	1.52%	8.27
RHC	\$326.28	417.02	\$134.57	551.59	1	1.52%	8.36
RHB	\$293.66	375.33	\$121.12	496.45	1	1.52%	7.52
RHA	\$258.53	330.43	\$106.63	437.06	1	1.52%	6.62
RMC	\$286.64	366.35	\$118.22	484.57	1	1.52%	7.34
RMB	\$269.08	343.91	\$110.97	454.88	1	1.52%	6.89
RMA	\$221.40	282.97	\$91.31	374.28	1	1.52%	5.67
RLB	\$278.69	356.19	\$114.94	471.13	1	1.52%	7.14
RLA	\$179.57	229.51	\$74.06	303.57	1	1.52%	4.60
ES3	\$525.64	671.82	\$216.79	888.61	1	1.52%	13.46
ES2	\$411.47	525.90	\$169.70	695.60	1	1.52%	10.54
ES1	\$367.56	469.78	\$151.59	621.37	1	1.52%	9.41
HE2	\$355.01	453.74	\$146.42	600.16	1	1.52%	9.09
HE1	\$294.79	376.77	\$121.58	498.35	1	1.52%	7.55
HD2	\$332.43	424.88	\$137.10	561.98	1	1.52%	8.51
HD1	\$277.22	354.31	\$114.34	468.65	1	1.52%	7.10
HC2	\$313.61	400.82	\$129.34	530.16	1	1.52%	8.03
HC1	\$262.17	335.08	\$108.12	443.20	1	1.52%	6.72
HB2	\$309.84	396.01	\$127.79	523.80	1	1.52%	7.94
HB1	\$259.66	331.87	\$107.09	438.96	1	1.52%	6.65
LE2	\$322.39	412.05	\$132.96	545.01	1	1.52%	8.26
LE1	\$269.69	344.69	\$111.23	455.92	1	1.52%	6.91
LD2	\$309.84	396.01	\$127.79	523.80	1	1.52%	7.94
LD1	\$259.66	331.87	\$107.09	438.96	1	1.52%	6.65
LC2	\$272.20	347.90	\$112.27	460.17	1	1.52%	6.97
LC1	\$229.55	293.39	\$94.67	388.06	1	1.52%	5.88
LB2	\$258.40	330.26	\$106.57	436.83	1	1.52%	6.62
LB1	\$219.51	280.56	\$90.53	371.09	1	1.52%	5.62
CE2	\$287.26	367.15	\$118.47	485.62	1	1.52%	7.36
CE1	\$264.68	338.29	\$109.16	447.45	1	1.52%	6.78
CD2	\$272.20	347.90	\$112.27	460.17	1	1.52%	6.97
CD1	\$249.62	319.04	\$102.95	421.99	1	1.52%	6.39
CC2	\$238.33	304.61	\$98.29	402.90	1	1.52%	6.10
CC1	\$220.76	282.15	\$91.05	373.20	1	1.52%	5.65
CB2	\$220.76	282.15	\$91.05	373.20	1	1.52%	5.65
CB1	\$204.45	261.31	\$84.32	345.63	1	1.52%	5.24
CA2	\$186.88	238.85	\$77.08	315.93	1	1.52%	4.79
CA1	\$174.34	222.82	\$71.90	294.72	1	1.52%	4.47
BB2	\$198.18	253.29	\$81.73	335.02	1	1.52%	5.08
BB1	\$189.40	242.07	\$78.11	320.18	1	1.52%	4.85
BA2	\$164.31	210.00	\$67.76	277.76	1	1.52%	4.21
BA1	\$156.77	200.37	\$64.66	265.03	1	1.52%	4.02
PE2	\$264.68	338.29	\$109.16	447.45	1	1.52%	6.78
PE1	\$252.13	322.25	\$103.98	426.23	1	1.52%	6.46
PD2	\$249.62	319.04	\$102.95	421.99	1	1.52%	6.39
PD1	\$237.07	303.00	\$97.78	400.78	1	1.52%	6.07
PC2	\$214.49	274.14	\$88.46	362.60	1	1.52%	5.49
PC1	\$204.45	261.31	\$84.32	345.63	1	1.52%	5.24
PB2	\$181.87	232.45	\$75.01	307.46	1	1.52%	4.66
PB1	\$174.34	222.82	\$71.90	294.72	1	1.52%	4.47
PA2	\$150.50	192.35	\$62.07	254.42	1	1.52%	3.85
PA1	\$144.23	184.34	\$59.48	243.82	1	1.52%	3.69
					66	100.00%	\$499.62

- The sundry item includes income from the beauty/barber shop, vending machines, and additional food revenue. Sundry revenue in the first forecasted period is projected to be \$0.36 PRD.
- Total revenue per resident day is projected to be \$182.83 PRD in the first forecasted period. This is equivalent to a 71.6 percent annual increase above the Subject's most recent historic period. The Subject's total revenue PRD is projected to increase 2.6 percent annually throughout the remainder of the forecast periods.

EXPENSE ANALYSIS

This portion of the Income Approach will present and analyze historic expenses and will also present forecasted expenses. Expenses are forecasted based on consideration of historic operations, current trends in operations and strong consideration to the market-at-large. Expenses are grouped into several major categories typical for similar operations.

We have provided three California expense comparables for comparison with the Subject. The comparable expense data has been trended to the Subject's first forecasted year by the same inflation levels applied to the Subject's expenses. For professional salaries, which include general and administrative wages, care services wages, care services contract nursing wages, and therapies wages, we have used a 2.65 percent growth rate. For non-professional salaries, which include dietary wages, housekeeping wages, activities and social services wages, and property wages, we have used a 2.55 percent growth rate. The rest of the expense lines items have been adjusted by a 2.55 percent growth rate. The financial periods for the expense comparables are as follows: Year Ended April 30, 2016 for Profile 1; Year Ended December 31, 2016 for Profile 2; and Year Ended April 30, 2016 for Profile 3.

	Profile 1	Profile 2	Profile 3	Subject
Location	California	California	California	California
Year Built	2002	1999	1987	1979
Number of Beds	147	48	188	103
Occupancy	93.2%	91.3%	80.6%	95.3%
Private Pay	100.0%	10.7%	100.0%	100.0%
Medicaid	0.0%	65.2%	0.0%	15.0%
Medicare	0.0%	8.2%	0.0%	75.0%
Other	0.0%	15.9%	0.0%	10.0%
Care Provided				
	Assisted Living	Nursing Facility	Assisted Living	Nursing Facility
	Independent Living	N/A	N/A	Residential Care
FY End Date	4/30/2016	12/31/2016	4/30/2016	

GENERAL AND ADMINISTRATIVE

This department generally represents the expenses associated with the day to day operations of a senior living residence. Staffing in this department typically includes an administrator, assistant administrator, marketing staff, support staff and other related staff. There are expenses also associated with supplies and other, such as office supplies, postage, printing costs, paper products, and other related items.

	Profile 1	Profile 2	Profile 3	Profile Average	Historic Period 1	Historic Period 2	Historic Period 3	Forecast Period 1
General and Administrative								
Resident Days	50,011	16,001	55,309	40,440	34,350	35,906	35,764	35,814
Per Resident Day	\$23.90	\$48.04	\$28.04	\$33.33	\$77.15	\$69.51	\$56.41	\$36.44
Wages	9.63	11.94	9.43	10.33	9.83	9.89	11.13	10.29
Marketing	1.10	0.00	2.20	1.10	0.64	0.36	0.59	0.61
Professional Fees	0.00	0.00	0.00	0.00	2.03	3.34	1.88	0.50
Liability Insurance	1.64	0.00	1.91	1.18	1.95	1.90	1.85	1.72
Benefits & Taxes	8.33	0.00	10.91	6.41	28.00	26.75	23.78	14.08
Provider Tax/Assessment	0.00	0.00	0.00	0.00	0.00	0.00	1.29	1.29
Supplies & Other	3.20	36.10	3.59	14.30	34.71	27.27	15.89	7.95
Full Time Equivalents	9.13	3.87	8.87	7.29			6.86	6.86
Hours PRD	0.37	0.48	0.32	0.36			0.38	0.38
Common Size	17.5%	24.8%	15.6%	19.3%	85.2%	77.6%	64.7%	19.9%
Annual Expense Growth						-5.8%	-18.8%	-25.8%
Overall	\$1,195,259	\$768,621	\$1,550,877	\$1,171,586	\$2,650,092	\$2,495,833	\$2,017,439	\$1,305,147
Wages	481,704	191,023	521,755	398,161	337,754	355,173	398,225	368,589
Marketing	54,769	0	121,718	58,829	21,933	13,074	21,153	21,927
Professional Fees	0	0	0	0	69,624	119,805	67,205	17,735
Liability Insurance	81,892	0	105,566	62,486	66,898	68,215	66,298	61,777
Benefits & Taxes	416,762	0	603,398	340,053	961,713	960,415	850,290	504,399
Provider Tax/Assessment	0	0	0	0	0	0	45,984	46,048
Supplies & Other	160,133	577,598	198,440	312,057	1,192,171	979,151	568,285	284,672
Benefits & Taxes %	23.6%	0.0%	25.2%	16.3%	28.9%	27.9%	21.7%	21.7%
Average Salary	\$52,761	\$49,360	\$58,822	\$53,648			\$58,029	\$53,711
Liability Insurance Per Bed	\$557	\$0	\$562	\$373	\$649	\$662	\$644	\$600

- The Subject is projected to generate \$1,305,147 in general and administrative expense during the first forecasted period.
- The per diem expense is projected to be \$36.44, which is within the range of the expense comparables profiled.
- The Subject's wages, professional fees, liability insurance and supplies and other item received downward adjustments in the first forecasted period to better reflect the range of the comparables.
- The liability insurance expense for the Subject is projected to be \$61,777 in the first forecasted period, equating to \$600 per bed.
- The Subject's provider tax expense is projected to be \$46,048 in the first forecasted period.
- On a common size basis, the general and administrative expenses are within the range of the comparables. The Subject is projected to employ 6.86 Full Time Equivalents ("FTEs") in the general and administrative department during the forecast periods, which equates to 0.38 hours PRD.

DIETARY

This department generally represents the expenses associated with the dietary services (resident meals and guest meals) of a senior living residence. Staffing in this department typically includes director of dietary services, cooks, dishwashers, servers and other related staff. There are expenses also associated with supplies and other, such as raw food, dish detergent, paper products, and other related items.

	Profile 1	Profile 2	Profile 3	Profile Average	Historic Period 1	Historic Period 2	Historic Period 3	Forecast Period 1
Dietary								
Resident Days	50,011	16,001	55,309	40,440	34,350	35,906	35,764	35,814
Per Resident Day	\$17.23	\$17.10	\$23.09	\$19.14	\$23.20	\$16.47	\$18.19	\$16.39
Wages	9.32	8.87	13.85	10.68	12.28	12.24	13.52	11.45
Food	7.15	0.00	8.09	5.08	10.08	3.58	4.04	4.18
Supplies & Other	0.75	8.22	1.15	3.37	0.85	0.65	0.63	0.76
Full Time Equivalents	18.39	5.44	26.68	16.84			11.28	15.28
Hours PRD	0.74	0.68	0.96	0.83			0.63	0.85
Common Size	12.6%	8.8%	12.9%	11.4%	25.6%	18.4%	20.9%	9.0%
Annual Expense Growth						-25.8%	10.4%	-7.2%
Overall	\$861,691	\$273,538	\$1,277,172	\$804,134	\$796,919	\$591,434	\$650,581	\$586,850
Wages	466,315	141,938	766,073	458,108	421,651	439,543	483,422	409,991
Food	357,821	0	447,645	268,489	346,182	128,471	144,509	149,800
Supplies & Other	37,556	131,600	63,455	77,537	29,086	23,420	22,649	27,060
Average Salary	\$25,357	\$26,092	\$28,713	\$26,721			\$42,861	\$26,834

- During the first forecasted period, dietary expenses of \$586,850 are projected.
- On a per diem basis, dietary expenses are projected to be \$16.39, which is slightly below the range of the comparable expenses displayed.
- The Subject's wages received a downward adjustment for the first forecasted period to better reflect the range of the comparables. The Subject's FTEs and supplies and other item received upward adjustments for the first forecasted period to better reflect the range of the comparables.
- The Subject is projected to employ 15.28 FTEs in the dietary department during the forecast periods, which equates to 0.85 hours PRD.

HOUSEKEEPING

This department generally represents the expenses associated with the housekeeping and laundry services of a senior living residence. Staffing in this department typically includes housekeepers, laundry staff and other related staff. There are expenses also associated with supplies and other, such as cleaning supplies, laundry detergent, paper products, and other related items.

	Profile 1	Profile 2	Profile 3	Profile Average	Historic Period 1	Historic Period 2	Historic Period 3	Forecast Period 1
Housekeeping								
Resident Days	50,011	16,001	55,309	40,440	34,350	35,906	35,764	35,814
Per Resident Day	\$3.54	\$10.51	\$4.03	\$6.02	\$16.39	\$15.94	\$17.96	\$5.47
Wages	2.24	6.78	3.20	4.07	14.40	14.11	16.14	3.59
Supplies & Other	1.29	3.73	0.82	1.95	1.99	1.82	1.82	1.88
Full Time Equivalents	5.09	4.82	6.95	5.62			15.71	5.71
Hours PRD	0.20	0.60	0.25	0.28			0.88	0.32
Common Size	2.6%	5.4%	2.2%	3.4%	18.1%	17.8%	20.6%	3.0%
Annual Expense Growth						1.6%	12.7%	-50.7%
Overall	\$176,824	\$168,193	\$222,669	\$189,228	\$563,101	\$572,270	\$642,329	\$195,907
Wages	112,145	108,464	177,097	132,568	494,716	506,755	577,402	128,603
Supplies & Other	64,679	59,729	45,572	56,660	68,385	65,515	64,928	67,305
Average Salary	\$22,032	\$22,503	\$25,482	\$23,339			\$36,748	\$22,512

- Housekeeping expenses of \$195,907 are projected during the first forecasted period.
- On a per diem basis, the projected expenses are \$5.47, which is within the range of the comparables.
- The Subject's wages and FTEs received downward adjustments for the first forecasted period to better reflect the range of the comparables.
- During the forecasted period, the Subject is projected to maintain a staff of 5.71 FTEs in the housekeeping department, which equates to 0.32 hours PRD.

CARE SERVICES

This department generally represents the expenses associated with the care services of a senior living residence. Staffing in this department may include a director, Registered Nurses, Licensed Practical Nurses, Certified Nurses' Aides and other related staff. There are expenses also associated with supplies and other, such as medical supplies, and other related items.

	Profile 1	Profile 2	Profile 3	Profile Average	Historic Period 1	Historic Period 2	Historic Period 3	Forecast Period 1
Care Services								
Resident Days	50,011	16,001	55,309	40,440	34,350	35,906	35,764	35,814
Per Resident Day	\$11.10	\$74.83	\$10.12	\$32.02	\$49.58	\$47.58	\$56.16	\$33.58
Wages	10.61	50.77	9.89	23.76	48.36	46.59	54.71	32.08
Contract Nursing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Supplies & Other	0.49	24.06	0.23	8.26	1.22	0.99	1.45	1.50
Full Time Equivalents	19.90	25.45	19.48	21.61			42.99	40.99
Hours PRD	0.80	3.18	0.70	1.07			2.40	2.29
Common Size	8.1%	38.6%	5.6%	17.5%	54.8%	53.1%	64.4%	18.4%
Annual Expense Growth						0.3%	18.0%	-29.3%
Overall	\$555,330	\$1,197,338	\$559,870	\$770,846	\$1,702,944	\$1,708,256	\$2,008,588	\$1,202,577
Wages	530,814	812,382	547,179	630,125	1,661,188	1,672,735	1,956,776	1,148,868
Contract Nursing	0	0	0	0	0	0	0	0
Supplies & Other	24,515	384,956	12,691	140,721	41,756	35,521	51,812	53,708
Average Salary	\$26,674	\$31,921	\$28,089	\$28,895			\$45,513	\$28,025

- Care services expenses are projected to be \$1,202,577 during the first forecasted period.
- On a per diem basis, care services expenses for the Subject are projected to be \$33.58, which is within range of the comparables. Additionally, the Subject's care services expenses are within range of the comparables on a common size basis.
- The Subject's wages and FTEs received downward adjustments for the first forecasted period to better reflect the range of the comparables.
- There are 40.99 FTEs projected within the Subject's care services department during the forecasted period, which equates to 2.29 hours PRD.

THERAPIES

This department generally represents the expenses associated with therapy services offered on an inpatient or outpatient basis of a senior living residence. Staffing in this department may include physical therapist, occupational therapist, speech therapist and other related staff. There are expenses also associated with supplies and other, such as office supplies, paper products, and other related items.

	Profile 1	Profile 2	Profile 3	Profile Average	Historic Period 1	Historic Period 2	Historic Period 3	Forecast Period 1
Therapies								
Resident Days	50,011	16,001	55,309	40,440	34,350	35,906	35,764	35,814
Per Resident Day	\$0.00	\$9.62	\$0.00	\$3.21	\$3.01	\$2.58	\$2.68	\$6.03
Wages	0.00	0.00	0.00	0.00	0.88	0.83	0.80	0.83
Contract Services	0.00	3.68	0.00	1.23	1.20	1.26	1.45	4.75
Pharmacy	0.00	3.10	0.00	1.03	0.89	0.47	0.39	0.41
Supplies & Other	0.00	2.84	0.00	0.95	0.04	0.03	0.04	0.04
Full Time Equivalents	0.00	0.00	0.00	0.00			1.03	1.03
Hours PRD	0.00	0.00	0.00	0.00			0.06	0.06
Common Size	0.0%	5.0%	0.0%	1.7%	3.3%	2.9%	3.1%	3.3%
Annual Expense Growth						-10.3%	3.8%	90.8%
Overall	\$0	\$153,917	\$0	\$51,306	\$103,481	\$92,817	\$95,973	\$215,921
Wages	0	0	0	0	30,130	29,672	28,498	29,580
Contract Services	0	58,908	0	19,636	41,283	45,410	51,890	170,184
Pharmacy	0	49,555	0	16,518	30,649	16,736	14,058	14,573
Supplies & Other	0	45,453	0	15,151	1,420	998	1,528	1,584
Average Salary	N/A	N/A	N/A	N/A			\$27,769	\$28,824

- Therapy expenses are projected to be \$215,921 for the first forecasted period.
- A per diem expense of \$6.03 is projected during the first forecasted period. Therapy expenses vary among facilities depending upon the acuity of the facility and corresponding services required by the residents. Therefore, these expenses often differ greatly.
- The Subject's contract services received an upward adjustment for the first forecasted period to due to the projected Medicare B expenses.
- There are 1.03 FTEs projected within the Subject's therapies department during the forecasted period, which equates to 0.06 hours PRD.

ACTIVITIES AND SOCIAL SERVICES

This department generally represents the expenses associated with the daily activities provided for residents and other services such as transportation and beauty and barber. Staffing in this department typically includes an activities director, bus driver, support staff and other related staff. Other expenses may include activity supplies, transportation costs and other related items. In addition, this department includes expenses related to the provision of special services to residents and handling behavioral problems or disputes. Personnel in this department may also be responsible for admissions.

	Profile 1	Profile 2	Profile 3	Profile Average	Historic Period 1	Historic Period 2	Historic Period 3	Forecast Period 1
Activities & Social Service								
Resident Days	50,011	16,001	55,309	40,440	34,350	35,906	35,764	35,814
Per Resident Day	\$2.57	\$6.20	\$4.45	\$4.41	\$6.25	\$6.14	\$6.40	\$5.20
Wages	1.91	3.96	3.62	3.16	4.72	4.65	4.54	3.95
Supplies & Other	0.66	2.25	0.83	1.25	1.53	1.49	1.86	1.25
Full Time Equivalents	2.16	1.86	5.46	3.16			3.93	3.93
Hours PRD	0.09	0.23	0.20	0.16			0.22	0.22
Common Size	1.9%	3.2%	2.5%	2.5%	6.9%	6.9%	7.3%	2.8%
Annual Expense Growth						2.7%	4.2%	-13.7%
Overall	\$128,315	\$99,275	\$246,320	\$157,970	\$214,692	\$220,588	\$228,889	\$186,055
Wages	95,454	63,339	200,171	119,655	162,153	167,141	162,380	141,464
Supplies & Other	32,861	35,936	46,149	38,315	52,539	53,447	66,509	44,591
Average Salary	\$44,192	\$34,053	\$36,661	\$38,302			\$41,331	\$36,007

- During the first forecasted period, activity and social services expenses of \$186,055 are projected. The associated per diem expense is \$5.20. These expenses are within the range of the expense comparables.
- The Subject's wages and supplies and other item received downward adjustments for the first forecasted period to better reflect the range of the comparables.
- There are 3.93 FTEs projected among activity and social services personnel during the first forecasted period, which equates to 0.22 hours PRD.

PROPERTY

This department contains expenses associated with maintenance and operation of the building. Staffing in this department typically includes a maintenance supervisor and other related staff. Other expenses in this department include real estate taxes, utilities, property insurance, contracted services and supplies and other items necessary for minor repairs and maintenance.

	Profile 1	Profile 2	Profile 3	Profile Average	Historic Period 1	Historic Period 2	Historic Period 3	Forecast Period 1
Property								
Resident Days	50,011	16,001	55,309	40,440	34,350	35,906	35,764	35,814
Per Resident Day	\$13.73	\$8.88	\$24.04	\$15.55	\$21.18	\$22.61	\$24.18	\$23.69
Wages	1.65	1.82	3.22	2.23	6.39	7.66	8.85	2.79
Insurance	1.06	0.00	1.85	0.97	0.00	0.00	0.00	0.00
Utilities	3.69	0.00	6.81	3.50	6.94	6.93	7.49	7.75
Real Estate Taxes	3.31	1.54	7.27	4.04	0.71	0.28	0.87	5.92
Maintenance & Repairs	1.66	5.53	1.76	2.98	2.97	3.76	2.30	2.38
Supplies & Other	2.36	0.00	3.13	1.83	4.17	3.98	4.69	4.85
Full Time Equivalents	2.06	0.90	4.14	2.37			6.58	2.58
Hours PRD	0.08	0.11	0.15	0.12			0.37	0.14
Common Size	10.1%	4.6%	13.4%	9.3%	23.4%	25.2%	27.8%	13.0%
Annual Expense Growth						11.6%	7.0%	-1.5%
Overall	\$686,432	\$142,102	\$1,329,667	\$719,400	\$727,543	\$811,679	\$864,926	\$848,473
Wages	82,414	29,044	178,250	96,569	219,661	275,004	316,346	100,092
Insurance	53,204	0	102,105	51,769	0	0	0	0
Utilities	184,648	0	376,691	187,113	238,234	248,712	267,738	277,539
Real Estate Taxes	165,349	24,614	402,073	197,345	24,514	10,085	31,036	211,891
Maintenance & Repairs	82,935	88,445	97,490	89,623	102,013	134,853	82,187	85,196
Supplies & Other	117,883	0	173,059	96,980	143,121	143,024	167,618	173,754
Average Salary	\$40,007	\$32,271	\$43,056	\$38,444			\$48,104	\$38,852

- Total property expenses of \$848,473 are projected during the first forecasted period.
- This equates to a per diem property expense of \$23.69, which is within the range of the comparables.
- The Subject's wages and FTEs received downward adjustments for the first forecasted period to better reflect the range of the comparables.
- Real estate taxes have been estimated at \$211,891. These are consistent with the tax projections discussed in the Tax and Assessment Information section of this report. There is no personal property tax associated with the Subject.
- There are 2.58 FTEs projected among property personnel during the first forecasted period, which equates to 0.14 hours PRD.

MANAGEMENT FEES

Management fees are, as a rule, paid to a qualified third party management company to provide consistent and effective management of a facility. Services provided by these third party companies can vary and must be considered when entering into a management contract. Some of the services that are typically included in a management contract are listed below.

- Operations oversight and expertise
- Sales and marketing initiatives
- Provide operating systems, policies and procedures
- Financial management and controls, including budgets and reports
- Staffing
- Maintaining and monitoring resident care
- Develop capital expenditure programs
- Monitor risk management costs and insurance coverage

The list above contains typical services provided; however, individual contract terms can vary.

The actual management fees can also vary based on the life cycle of a community. During absorption, a facility is usually charged a flat fee, while a stabilized facility is generally charged a percentage of net gross income. Currently, the market-at-large charges a management fee that ranges from four to seven percent for a stabilized facility. The table below details management fees from *The State of Seniors Housing, 2017*, a survey conducted by the American Seniors Housing Association.

Management Fees as a Percentage of Total Revenue By Community Type*			
Facility Type	Minimum	Weighted Average	Maximum
Independent Living	2.7%	5.1%	6.4%
Independent/Assisted Living	1.4%	4.8%	7.8%
Assisted Living	2.8%	5.2%	8.2%
Assisted Living/Alzheimer's	2.0%	5.1%	7.4%
CCRC	2.0%	4.9%	9.1%
All Communities	1.6%	4.1%	9.0%

**Information from The State of Seniors Housing 2017, ASHA (Table 12.2)*

In addition, the traditional five percent management fees can be enhanced. Incentives are becoming more common when certain financial performance or occupancy levels are exceeded. A management fee has been considered for historic operations and in the forecasted operations of the Subject. Most lending institutions require the inclusion of a management fee in their loan underwriting criteria. We have adjusted historic fees and forecasted management fees to 5.0 percent.

TOTAL EXPENSES

The following chart summarizes historic and forecasted total expenses.

	Profile 1	Profile 2	Profile 3	Profile Average	Historic Period 1	Historic Period 2	Historic Period 3	Forecast Period 1
Total Expenses								
Resident Days	50,011	16,001	55,309	40,440	34,350	35,906	35,764	35,814
Per Resident Day	\$78.88	\$184.87	\$102.76	\$122.17	\$207.18	\$189.07	\$190.03	\$135.93
Wages	35.37	84.13	43.22	54.24	96.86	95.97	109.69	64.98
Benefits	8.33	0.00	10.91	6.41	28.00	26.75	23.78	14.08
Supplies & Other	28.36	91.04	39.64	53.02	71.90	58.11	48.52	47.73
Management Fee	6.82	9.69	8.98	8.50	10.41	8.24	8.04	9.14
Full Time Equivalents	56.73	42.34	71.58	56.88			88.38	76.38
Hours PRD	2.27	5.29	2.59	2.81			4.94	4.27
Profit Margin	42.1%	4.6%	42.8%	29.9%	-122.3%	-106.9%	-113.8%	25.7%
Annual Expense Growth						-4.6%	0.5%	-20.7%
Overall	\$3,944,739	\$2,958,035	\$5,683,357	\$4,195,377	\$7,116,462	\$6,788,626	\$6,796,204	\$4,868,326
Wages	1,768,845	1,346,189	2,390,525	1,835,186	3,327,254	3,446,024	3,923,049	2,327,187
Benefits	416,762	0	603,398	340,053	961,713	960,415	850,290	504,399
Supplies & Other	1,418,243	1,456,793	2,192,652	1,689,230	2,469,807	2,086,437	1,735,387	1,709,344
Management Fee	340,888	155,052	496,782	330,907	357,688	295,750	287,478	327,395

- The Subject is projected to have total expenses of \$4,868,326 during the first forecasted period, which equates to a per diem expense of \$135.93. This is within the range of the expense comparables.
- Given the total level of expenses projected during the first forecasted period, the Subject's profit margin is projected to be 25.7 percent.

TOTAL PER RESIDENT DAY OPERATING EXPENSES AND PROFITABILITY

The following chart summarizes historic and forecasted net operating income and profitability.

	Profile 1	Profile 2	Profile 3	Profile Average	Historic Period 1	Historic Period 2	Historic Period 3	Forecast Period 1
Per Resident Day								
General and Administrative	\$23.90	\$48.04	\$28.04	\$33.33	\$77.15	\$69.51	\$56.41	\$36.44
Dietary	17.23	17.10	23.09	19.14	23.20	16.47	18.19	16.39
Housekeeping	3.54	10.51	4.03	6.02	16.39	15.94	17.96	5.47
Care Services	11.10	74.83	10.12	32.02	49.58	47.58	56.16	33.58
Therapies	0.00	9.62	0.00	3.21	3.01	2.58	2.68	6.03
Activities & Social Service	2.57	6.20	4.45	4.41	6.25	6.14	6.40	5.20
Property	13.73	8.88	24.04	15.55	21.18	22.61	24.18	23.69
Management Fee	6.82	9.69	8.98	8.50	10.41	8.24	8.04	9.14
Total	\$78.88	\$184.87	\$102.76	\$122.17	\$207.18	\$189.07	\$190.03	\$135.93
Common Size								
General and Administrative	17.5%	24.8%	15.6%	19.3%	85.2%	77.6%	64.7%	19.9%
Dietary	12.6%	8.8%	12.9%	11.4%	25.6%	18.4%	20.9%	9.0%
Housekeeping	2.6%	5.4%	2.2%	3.4%	18.1%	17.8%	20.6%	3.0%
Care Services	8.1%	38.6%	5.6%	17.5%	54.8%	53.1%	64.4%	18.4%
Therapies	0.0%	5.0%	0.0%	1.7%	3.3%	2.9%	3.1%	3.3%
Activities & Social Service	1.9%	3.2%	2.5%	2.5%	6.9%	6.9%	7.3%	2.8%
Property	10.1%	4.6%	13.4%	9.3%	23.4%	25.2%	27.8%	13.0%
Management Fee	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Profit Margin	42.1%	4.6%	42.8%	29.9%	-122.3%	-106.9%	-113.8%	25.7%

- The Subject is projected to experience expenses equivalent to \$135.93 PRD.
- The Subject is projected to maintain a profit margin of approximately 25.7 percent during the forecasted period, which is within range of the profit margins in the historic periods.
- The comparables have profit margins ranging from 4.6 percent to 42.8 percent, with an average of 29.9 percent.
- The Subject's projected profit margin is lower than the average displayed by the expense comparables.

RESERVES FOR REPLACEMENT

Assets depreciate and require repair or replacement over the life of a business. It is common practice to allocate monies for the replacement of items that wear out more rapidly than the building. This reserve is utilized for the replacement of items such as carpet, wallpaper, painting, furniture and fixtures, roof and parking and sidewalks.

Senior housing properties usually allocate these funds on a per unit or bed basis depending on type. Retirement and assisted living projects typically apply a reserve number on a per unit basis. Nursing homes and assisted living projects with a high semi-private population (more than 40 percent) apply a reserve number on a per bed basis. This typically results in a lower reserve per bed for a nursing facility than other facility types.

The State of Seniors Housing, 2017 indicated a median range of \$594 to \$7,665 per occupied unit/bed across all senior care property types. The following chart shows the range of replacement reserves per available unit for the past seven years:

Replacement Reserves per Available Unit*				
	Facility Type	Lower Quartile	Median	Upper Quartile
2010	Independent Living	\$566	\$930	\$1,994
	Assisted Living	\$247	\$452	\$824
	CCRCs	\$1,387	\$2,673	\$4,707
2011	Independent Living	\$540	\$986	\$2,227
	Assisted Living	\$366	\$586	\$1,141
	CCRCs	\$1,463	\$2,795	\$4,704
2012**	Independent Living	\$631	\$455	\$1,110
	Assisted Living	\$358	\$358	\$405
	CCRCs	\$2,428	\$2,391	\$3,081
2013**	Independent Living	\$1,354	\$1,778	\$2,097
	Assisted Living	\$958	\$1,437	\$1,858
	CCRCs	\$3,096	\$3,647	\$5,047
2014**	Independent Living	\$1,274	\$583	\$1,590
	Assisted Living	\$1,067	\$1,408	\$2,090
	CCRCs	\$3,849	\$5,000	\$4,103
2015**	Independent Living	\$476	\$510	\$723
	Assisted Living	\$670	\$1,062	\$2,225
	CCRCs	\$5,698	\$3,713	\$3,115
2016**	Independent Living	\$189	\$44	\$1,561
	Assisted Living	\$176	\$989	\$2,888
	CCRCs	\$5,276	\$6,241	\$4,770
2017**	Independent Living	\$980	\$594	\$1,505
	Assisted Living	\$1,161	\$802	\$6,567
	CCRCs	\$4,315	\$7,665	\$6,562

*Information from *The State of Seniors Housing, 2009 - 2017*; Published by ASHA

**ASHA explains that the properties are ranked by Revenues per Occupied Unit. Each decile and quartile represents the weighted average of all properties falling in that rank while the median reflects the average of the 5th and 6th deciles.

- Based on the age of the facility and condition at the time of inspections, we have estimated a replacement reserve of \$500 per bed for the Subject.
- During the three to four most-recent periods displayed, the median replacement reserves may have increased due to inclusion of a broad array of higher-end, much-newer and much-older properties requiring a stronger infusion of capital. However, the selected replacement reserves reflect the market-at-large, as well as the market position and condition of the Subject property.

RATE ASSUMPTIONS

The following section details the research, analysis and selection of the capitalization and discount (yield) rate for the Subject.

CAPITALIZATION RATE

In developing our discounted cash flow forecast, the current market for senior housing and healthcare facilities, including development trends, availability of debt, occupancy risk, and trends in capitalization and yield rates are taken into account from occupancy to rate development, expense forecasts and final selection of discount and capitalization rates. We have utilized several methods including analysis of market surveys, band of investments, and market transactions to develop the selected capitalization rate.

MARKET ACTIVITY

Between 2010 and 2016, a significant volume of multi-facility REIT acquisitions have occurred, which have resulted in keeping capitalization rates at historically-low levels. Despite the flattening or, in some cases the increase in cap rates between mid-2008 and mid-2010, those transactions have reflected a steady appetite for quality senior housing product, fueled by REITs and other investors seeking investment outlets with strong sustained real estate metrics and positive market outlooks. These healthcare-focused REITs has enjoyed a prolonged bull market that began in late 2014 and has extended through late 2016.

According to *The Health Care M&A Report, 1st Quarter, 2017*, the most-recent published by Irving Levin Associates, Inc., deal volume involving long-term care assets – including IL, AL and nursing care assets – Long-Term Care remained the most active sector with 73 deals, though this was 22% lower than the previous quarter (93 deals) and 13% below the same quarter a year earlier (84 deals). During 1Q:17, dollars invested in long-term care mergers and acquisitions totaled \$1.4 billion, a significant decrease from the dollar volume in 4Q:16 (\$6.4 billion) and 1Q:16 (\$2.6 billion).

The year-to-date acquisition activity for 2017 remains solid in terms of number of deals, though the overall value is below that of recent quarters. While there remains an appetite for investment in the senior living sector, there are fewer large portfolios available for acquisition and no billion-dollar deals announced, unlike in 2014 when five transpired. During 2016, there were 337 publicly-announced seniors housing and care acquisitions, second only to the 357 transactions announced in 2015, yet well above the range of 52 to 302 transaction between 2001 and 2014.

During 2016, according to *The Senior Care Acquisition Report, Twenty-Second Edition, 2017* (or “SCAR”, and also published by Irving Levin), average prices for seniors housing (defined as a combination of more than one care level) were \$206,700 and topped the previous high of \$189,900 by 9.0% (from 2015), while going down slightly (1.0%) from the 2014 figure of \$208,200. The majority of sales have involved AL communities (with or without MC components), although the acquisition of IL communities have steadily driven up the average per-unit prices of seniors housing assets. However, the SCAR notes that there is a slow rise among cap rates again, which measure perceived risk.

MARKET SURVEYS

In addition to the general discussion of market activity, HTG has relied upon established surveys of industry participants as one method of developing the appropriate capitalization rate. The following chart presents the results of the *Spring 2018 Senior Housing Investment Survey* (“2018 Survey”), which is conducted annually by California-based Senior Living Valuation Services, Inc. The 2018 Survey is the most recent developed by this organization and provides information concerning the investment criteria currently used, or perceived to be used, in the evaluation of senior housing properties. Survey participants include owners/operators, financial institutions/investors, brokers/mortgage bankers, appraisers and consultants involved in the seniors housing industry.

The 2018 Survey results were based on the responses of 60 market participants, approximately 17 percent of the 354 surveyed. The findings were adjusted to remove the highest and lowest 5.0 percent of responses, and are presented in the following table:

Spring 2018 Senior Housing Investment Survey						
Property Type	OAR Range	OAR Average	IRR Range	IRR Average	EDR Range	EDR Average
Independent	6.0% - 7.0%	6.5%	8.0% - 15.0%	9.8%	7.0% - 10.0%	9.2%
Assisted	7.0% - 8.0%	7.5%	8.3% - 16.0%	11.2%	8.0% - 15.0%	10.4%
Dementia	7.0% - 9.0%	8.0%	8.3% - 17.0%	11.5%	8.3% - 15.0%	11.0%
Nursing-LTC	10.0% - 12.5%	11.8%	11.0% - 15.5%	13.5%	12.0% - 20.0%	15.3%
Nursing-Subacute	11.0% - 13.1%	12.3%	11.0% - 16.0%	14.2%	12.5% - 20.0%	16.0%
CCRC	7.5% - 10.0%	8.7%	8.0% - 15.0%	11.1%	8.0% - 12.5%	10.6%

*OAR: Capitalization Rate; IRR: Internal Rate of Return (Discount Rate); EDR: Equity Dividend Rate (Cash on Cash Return)

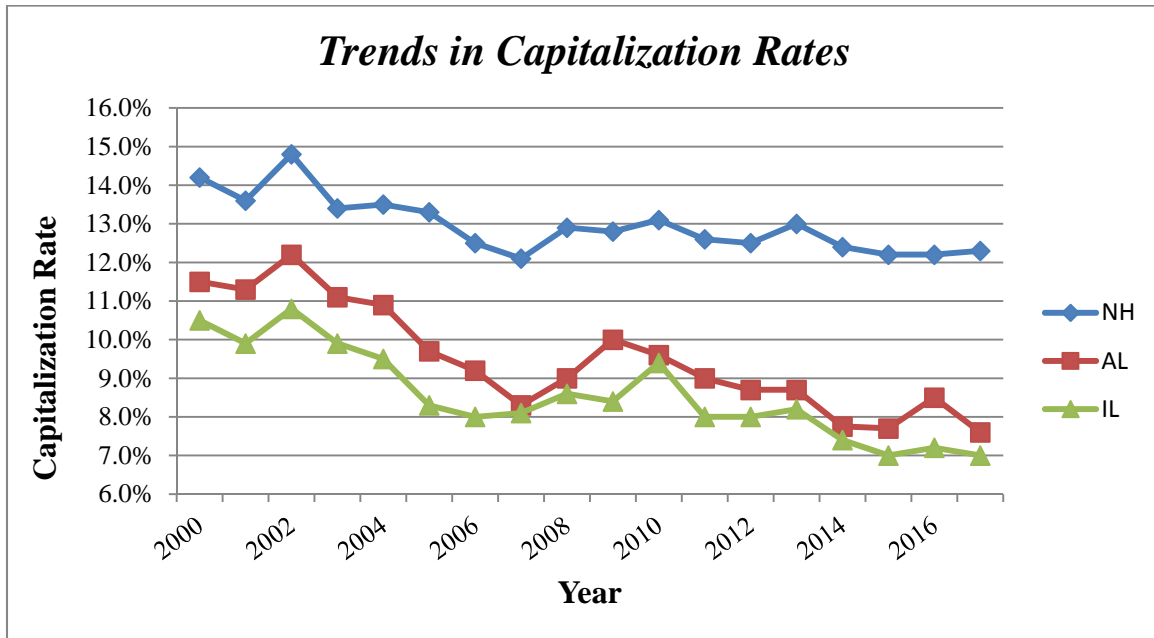
Capitalization rates for IL facilities averaged 6.5 percent (range of 6.0 to 7.0 percent); while AL facilities averaged 7.5 percent (range of 7.0 to 8.0 percent) and NFs averaged 11.8 percent (12.3 percent for subacute), with a range of 10.0 to 12.5 percent (11.0 to 13.1 percent for subacute).

Since 2013, capitalization rates have generally trended downward, with a few slight upticks or level trends demonstrated among some asset types. This generally illustrates the cap rate “compression” that has occurred in the post-recession periods, similar to the additional surveys and data that will follow, though the 2017 survey reflected an anticipation that cap rates would increase. For the current 2018 Survey, the findings reflect anticipated increases in capitalization rates among all sectors except IL properties and CCRCs when compared to the 2017 survey. The following table presents the trends in cap rates between 2012 and 2018, with changes measured in basis points (bps):

Senior Housing Investment Survey						
Property Type	Change in Average OAR*					
	2013	2014	2015	2016	2017	2018
Independent	-60	-20	-70	30	0	-30
Assisted	-20	-30	-60	20	-30	20
Dementia	-50	-30	-50	0	0	10
Nursing-LTC	-10	0	-30	-40	30	10
Nursing-Subacute	20	-20	-20	-20	20	30
CCRC	-20	-10	-50	20	0	-10

*Measured in basis points (bps), with a 1.0% change representing 100 bps (Source: Annual “Senior Housing Investment Surveys” developed by Senior Living Valuation Services)

In addition to the 2018 Survey, an annual compilation of cap rate data was developed by Irving Levin Associates, Inc. in their 2018 *Senior Care Acquisition Report* (“SCAR”). The chart below details the average capitalization rates for nursing facilities, assisted living facilities and independent living facilities from 2000 to 2017.



This chart shows a consistent downward trend in capitalization rates between 2001 and 2007, reflecting the larger volume of acquisitions and compression of capitalization rates, followed by an upward swing through 2009 (and part of 2010, at least in the NF and IL sectors). Transactions taking place since mid-2010 have largely shown a reduction in AL capitalization rates, with recent cap rates leveling off, with a range from 7.7 percent in 2015 to 8.5 percent in 2016 before trending downward in 2017 to 7.6 percent. Among IL properties, the trend since 2010 has generally been a decreasing one, with recent average cap rates leveling off at 7.0 percent in 2015, 7.2 percent in 2016, and 7.0 in 2017. Nursing facilities have followed a similar trend since 2010, falling from an average of 13.1 percent in 2010 to 12.2 percent in 2015, then remaining there in 2016, and increasing slightly to 12.3 percent in 2017.

Given the continued appetite towards, and assets available for, acquisition – coupled with discussions with owner/operators that typically participate in the acquisition market – the capitalization rate applied to the Subject reflects certain characteristics of the aforementioned surveys. It should be noted that many of these transactions involve multi-facility transactions across a nationwide marketplace; thus, selection of the Subject’s cap rate more closely depends upon the metrics of recent, relevant transactions involving single assets (versus larger portfolios), combined with the findings of recent surveys.

Based on discussions with market participants and transactional activity, the downward trending of capitalization rates has continued between 2014 and 2015, with an increase in 2016 AL capitalization rates based on 2016 data. However, as noted in the *Senior Housing Investment Survey Spring 2018*, “a high 71% of respondents expect capitalization rates to increase up to 100 basis points in the next year.” The report continues by noting that “Only 5% of respondents expect cap rates to decrease in the next year.”

Apart from the perspective indicated in the *2018 Survey*, other factors that influence cap rates still need to be considered, such as the local and regional market conditions, occupancy and profitability of the facility. Considering all of the above surveys and statistics, capitalization rates typically range from:

- 10.0 to 16.0 percent for freestanding nursing facilities,
- 6.5 to 12.0 percent for assisted living facilities, and
- 6.0 to 10.0 percent for independent living facilities.

BAND OF INVESTMENTS METHOD / WEIGHTED AVERAGE COST OF CAPITAL

The band of investments technique is one method to estimate the capitalization rate. This process uses the weighted average cost of debt and the weighted-average required equity rate to estimate an appropriate capitalization rate.

Currently, fixed-rate financing typically has pricing of 300 to 450 basis points over LIBOR (the London Inter-Bank Offer Rate, or the rate banks charge each other for loans), with leverage up to 85 percent. Variable-rate financing typically has pricing of 200 to 400 basis points over LIBOR, with leverage up to 75 percent. For the purposes of this appraisal we have utilized 350 basis points over LIBOR to determine the interest rate. According to the *Wall Street Journal*, the one-month LIBOR rate for May 17, 2018 (the appraisal's effective date) was 1.94775, with a 52-week high of 1.94775 and a low of 1.00994.

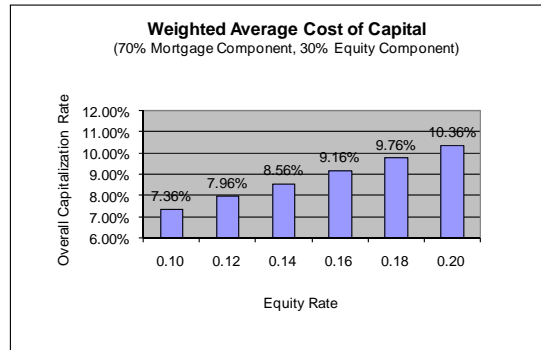
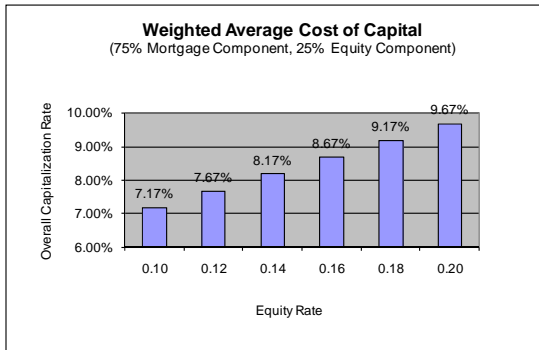
This one-month LIBOR rate is the 52-week high. Based on the one-month LIBOR utilized and the basis points presented above, an interest rate of 5.44775 percent ($1.94775 + 3.50 = 5.44775$ percent) will be utilized in our calculation. Given this interest rate and assuming a 30-year loan amortization, the curtail factor is 1.32643 percent, resulting in a mortgage constant of 6.77418. Based on typical market mortgage pricing, the cost of debt is computed as follows:

Mortgage Constant Calculation		
Interest Rate, 30 years	=	5.44775
Curtail Factor	=	1.32643
Mortgage Constant		6.77418

In developing the appropriate equity rate, we analyzed national and in-house surveys. Available national studies indicate typical senior housing equity rates between 14.0 and 16.0 percent, with typical nursing home equity rates between 18.0 and 20.0 percent. Based on our survey of healthcare and senior housing professionals, the typical business enterprise equity return rate is 25.0 to 30.0 percent for senior living facilities. Demand for senior housing and nursing home product is considered strong, providing some downward pressure in equity rates as investors review senior housing and healthcare investments versus other investment opportunities. Therefore, a 20.0 percent equity rate was selected for the Subject.

The following charts display the change in Overall Capitalization Rate as equity rates change and the equity component changes. The first chart takes into account an equity component of 25 percent. The second chart takes into account an equity component of 30 percent.

JEANNE JUGAN RESIDENCE
APPRAISAL REPORT



Historically, a typical market loan-to-value ratio would be 75.0 percent debt to 25.0 percent equity (e.g. 75.0 percent loan-to-value, or LTV, ratio). However, lending practices have become more conservative in recent years and a loan-to-value ratio of 70.0 percent debt to 30.0 percent equity has been utilized in the development of the band of investments capitalization rate. Utilizing the calculated mortgage constant and the selected loan-to-value ratio and equity rate, the indicated capitalization rate using this method is as follows:

Band of Investment / Weighted-Average Cost of Capital Method				
Mortgage (Debt) Component	0.70	x	0.0677418	= 0.0474193
Equity Component	0.30	x	0.2000000	= 0.0600000
Calculated Capitalization Rate				0.1074193
				or 10.74%

MARKET TRANSACTIONS

HTG has also utilized data from the facility sales utilized in the Sales Comparison Approach that indicated rates ranging from 8.9 to 13.8 percent, with an average and central tendency of 10.7 percent and 10.4 percent, respectively. The following chart reflects key data from the sale comparables utilized in the Sales Comparison Approach.

Comparable Nursing Facility Sales - Capitalization Rates				
Name	Location	# of Beds	Sale Date	Cap Rate
California Mission Inn	Rosemead, California	156	4/1/2017	13.8%
Vista Healthcare Center	Vista, California	187	3/1/2016	11.0%
Villa Marche Guest Home	San Joaquin County, California	68	2/8/2016	8.9%
Vista Cove Care Center	Rialto, California	177	2/3/2016	12.0%
Eden Villa	Castro Valley, California	72	9/29/2015	9.0%
Lake Alhambra Assisted Living	Antioch, California	37	1/6/2015	9.5%
Average Capitalization Rate:				10.7%
Central Tendency:				10.4%

Additionally, the chart below displays more-recent sale comparables across multiple states, and represents facilities offering similar care levels and services to those of the Subject. These sales have been included for additional transactional support, while providing nationwide perspective on the nursing, assisted living, and independent living market.

JEANNE JUGAN RESIDENCE
APPRAISAL REPORT

Recent Nursing Facility Sales (Various States) - Adjusted Capitalization Rates				
Name	Location	# of Beds	Sale Date	Cap Rate
Newfane Rehabilitation and Health Care Center	Newfane, New York	175	4/14/2016	13.3%
Healthcare Resort of Olathe	Olathe, Kansas	102	4/1/2016	14.4%
The Springs of Richmond	Richmond, Indiana	70	3/30/2016	16.5%
Healthcare Resort of Shawnee Mission	Overland Park, Kansas	125	3/1/2016	14.8%
Healthcare Resort of Kansas City	Kansas City, Kansas	100	12/29/2015	15.8%
Kaaterskill Skilled Nursing and Rehabilitation	Catskill, New York	120	12/7/2015	6.9%
The Tillers Nursing Center, Legacy Rehab and Legacy Rehab Plus	Oswego, Illinois	106	12/1/2015	8.2%
Deanwood Rehab and Wellness Center	Washington, District of Columbia	296	11/1/2015	15.0%
Symphony of Dyer	Dyer, Indiana	130	10/30/2015	15.2%
Stoncroft Health Campus	Bloomington, Indiana	93	10/30/2015	13.8%
Symphony of Crown Point	Crown Point, Indiana	100	10/1/2015	14.3%
Victoria Manor	North Cape May, New Jersey	120	9/23/2015	14.0%
Michael N. Malotz Skilled Nursing Pavilion	Yonkers, New York	120	8/31/2015	11.1%
Pine Haven Home	Philmont, New York	120	8/28/2015	11.8%
Snyder's Vaughn-Haven	Rushville, Illinois	99	7/31/2015	14.2%
Shoreline Health and Rehabilitation Center	Shoreline, Washington	106	6/1/2015	12.1%
Heritage Villa Nursing Center	Bartlesville, Oklahoma	100	6/1/2015	8.1%
Corner Brook Place	Kansas City, Missouri	285	6/1/2015	9.0%
St. Francis Home of Williamsville	Williamsville, New York	142	5/27/2015	7.9%
Arcadia Nursing and Rehabilitation Center	Little Egg Harbor, New Jersey	115	5/1/2015	10.0%
Mira Vista Care Center	Mt. Vernon, Washington	94	4/1/2015	12.1%
Highland Care Center	Jamaica, New York	320	3/31/2015	17.3%
Grand Blanc Rehab and Nursing	Grand Blanc, Michigan	157	2/9/2015	7.7%
Floriadean Nursing and Rehab Center	Miami, Florida	90	2/1/2015	12.9%
Flushing Manor Care Center	Flushing, New York	268	1/22/2015	9.9%
Atlantis Rehabilitation and Residential Healthcare Facility	Brooklyn, New York	400	1/1/2015	10.5%
Chautauqua County Home	Dunkirk, New York	216	12/31/2014	15.6%
Wood Glen Pavillion	West Chicago, Illinois	207	12/16/2014	14.3%
King David Center for Nursing and Rehabilitation	Brooklyn, New York	271	12/1/2014	9.5%
Bishop Charles Waldo MacLean Nursing Home	Far Rockaway, New York	163	11/1/2014	10.8%
Mont Marie Health Care Center	Holyoke, Massachusetts	84	11/1/2014	16.7%
Burnt Tavern Rehab and Healthcare Center	Brick, New Jersey	171	11/1/2014	9.7%
Hackett Hill Healthcare Center	Manchester, New Hampshire	68	10/31/2014	15.1%
Renaissance Village	Fort Wayne, Indiana	96	10/1/2014	9.8%
Mountain Crest Nursing and Rehab Center	Cincinnati, Ohio	199	8/1/2014	13.0%
Baldock Hills Senior Living	Irwin, Pennsylvania	120	8/1/2014	10.2%
Hucles Episcopal Nursing Home	Brooklyn, New York	240	8/1/2014	11.7%
Rock Glen Nursing and Rehabilitation Center	Baltimore, Maryland	120	6/18/2014	13.3%
Sweet Brook of Williamstown Rehabilitation and Nursing Center	Williamstown, Massachusetts	184	6/15/2014	12.9%
Riverside Convalescent Hospital	Chico, California	99	6/9/2014	9.6%
Royal Manor Nursing Home	Nicholasville, Kentucky	73	6/1/2014	10.0%
St. James Manor and Villas	Crete, Illinois	170	5/5/2014	11.3%
Courthouse Convalescent Center	Cape May Courthouse, New Jersey	116	5/1/2014	16.1%
Stoneybrook Healthcare Center	Houston, Texas	104	4/11/2014	15.6%
Horace Nye Nursing Home	Elizabethtown, New York	100	4/1/2014	14.8%
Jordan's Life Care Center	Bridgman, Michigan	100	4/1/2014	14.3%
Azura Lakewood	Lakewood, Colorado	108	2/28/2014	14.7%
Randolph Hills Nursing Center	Silver Spring, Maryland	112	2/4/2014	12.0%
Woodview Healthcare	Fort Wayne, Indiana	128	12/31/2013	14.1%
Golden Living of Oakmont	Oakmont, Pennsylvania	85	12/31/2013	11.8%
Average Capitalization Rate:				12.5%
Central Tendency:				12.5%

Recent IL and AL Facility Sales (Various States) - Adjusted Capitalization Rates				
Name	Location	# of Beds	Sale Date	Cap Rate
Woodview Assisted Living	Fort Wayne, Indiana	88	1/31/2013	7.2%
Glendale Assisted Living	Toledo, Ohio	50	1/7/2013	11.1%
Park Place at Heritage Village	Warren, Michigan	0	12/31/2012	8.4%
Park Place at Heritage Village	Warren, Michigan	0	12/31/2012	8.4%
Colonial Village Retirement	Longview, Texas	0	12/30/2012	7.3%
Hearthstone Manors	Mount Joy and South Lebanon, Pennsylvania	184	12/30/2012	8.1%
Crystal Creek Assisted Living	Canton, Michigan	72	12/28/2012	10.3%
Bishop Hills Elder Care Community	Rockford, Michigan	47	12/28/2012	10.6%
Harbor Court Retirement Community	Rocky River, Ohio	144	12/27/2012	8.8%
Franklin Park Canyon Creek and Franklin Park Hometown	Plano and North Richland Hills, Texas	0	12/1/2012	7.2%
Alta Oakridge and Alta Walk	Raleigh and Durham, North Carolina	241	11/15/2012	7.2%
Palisades at Brookmoor Park	Colorado Springs, Colorado	124	10/24/2012	6.6%
Heritage Place	Fayetteville, North Carolina	130	10/1/2012	10.8%
Oakmont Gardens	Santa Rosa, California	163	9/1/2012	7.6%
Friendschap Village and The Village at Legacy Pointe	Pella and Wauke, Iowa	276	7/1/2012	8.7%
Average Capitalization Rate:				8.6%
Central Tendency:				8.5%

Based on the market surveys, WACC calculation and actual sales comparables, we have selected a going-in capitalization rate of 9.1 percent.

The following chart presents the Weighted-Average Capitalization Rate for the Subject:

Weighted-Average Capitalization Rate						
Component	Units		Rate	=	Weighted Avg	
IL Apartments	14	x	7.00%	=	0.98	
AL	62	x	8.25%	=	5.12	
NF	27	x	12.00%	=	3.24	
Totals	103				9.34	
Weighted-Average Capitalization Rate:					=	9.06%
Rounded Capitalization Rate:					=	9.10%

Additionally, we have added a premium of 25 basis points to the going-in capitalization rate to develop the terminal capitalization rate of 9.35 percent. This terminal capitalization rate has been utilized for the discounted cash flow method at the end of the holding period. This is utilized to reflect the reduction in the remaining economic life of the property and the greater risk of the NOI at the end of the holding period.

DISCOUNT (YIELD) RATE

Given the changes in the market environment between 2008 and 2010, capitalization rates and yield rates experienced increases. However, rate trends began to reverse in early 2010, when transaction activity – driven largely by REITs – increased substantially compared to the mid-2008 to early-2010 period. This provided downward pressure on capitalization rates as discussed previously and on yield rates. The following table presents the trends in discount rates between 2012 and 2016, with changes measured in basis points (bps):

Senior Housing Investment Survey					
Property Type	Change in Average IRR*				
	2012	2013	2014	2015	2016
Independent	-20	-30	-60	-80	0
Assisted	50	-110	0	-100	90
Dementia	50	-40	-50	-110	60
Nursing-LTC	-30	20	-30	-60	10
Nursing-Subacute	-10	50	-80	-60	40
CCRC	-80	50	-120	-80	0

*Measured in basis points (bps), with a 1.0% change representing 100 bps (Source: Annual "Senior Housing Investment Surveys" developed by Senior Living Valuation Services)

Additionally, as presented in the aforementioned *Spring 2017 Senior Housing Investment Survey*, typical yield rates for senior living projects are ranging from 8.5 to 14.3 percent, depending upon the average acuity level of the project. In the last year, independent living yield rates have been ranging from 8.5 to 10.5 percent (9.2 percent average); assisted living between 9.0 and 12.0 percent (10.1 percent average); and nursing between 12.0 and 14.5 percent (13.6 percent average) for long-term care (average of 14.3 percent for subacute care). These average rates generally remained unchanged for independent living facilities; decreased 90 basis points for assisted living and decreased 40 basis points for nursing facilities.

There is a correlation between yield (discount) rates and overall capitalization rates. The average spread is typically 150 to 300 basis points higher. Based on this correlation, HTG has assumed a spread of 150 basis points above the selected going-in capitalization rate for selection and determination of the discount rate.

The following is a list of characteristics of the Subject property utilized in selection of the appropriate discount rate.

- The Subject currently operates as 103-bed, 103-unit NF, AL, and IL facility;
- The Subject's historic occupancy levels have ranged from 91.4 to 95.2 percent;
- The Subject's stabilized competitors have moderate to strong occupancies;
- The Subject's market area is considered to have generally positive demographic characteristics; and,
- Current market discount rates are in the middle end of the IRR range determined by the above study.

We have selected the following discount rate as appropriate for the Subject:

10.60%

SELLING COST

The reversion period of the Discounted Cash Flow forecast assumes the sale of the assets. We have applied a 2.0 percent selling cost for the transfer of the asset.

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Jeanne Jugan Residence

	Historic Periods			Forecast Periods					Year Ending 5/16/2024
	Year Ended 12/31/2015	Year Ended 12/31/2016	Year Ended 12/31/2017	Year Ending 5/16/2019	Year Ending 5/16/2020	Year Ending 5/16/2021	Year Ending 5/16/2022	Year Ending 5/16/2023	
RESIDENT DAYS	34,350	35,906	35,764	35,814	35,912	35,814	35,814	35,814	35,912
RESIDENT MONTHS	1,129	1,180	1,176	1,181	1,174	1,174	1,174	1,174	1,174
REVENUE									
Room and Board	\$3,105,442	\$3,209,959	\$3,111,184	\$6,454,322	\$6,637,812	\$6,788,813	\$6,962,288	\$7,140,212	\$7,343,270
Independent Living	50,290	71,091	75,950	239,400	247,278	254,000	261,620	269,469	278,336
Assisted Living	718,135	757,847	726,952	3,534,000	3,632,520	3,713,160	3,805,989	3,901,139	4,009,894
Nursing Private & Other	0	0	0	468,310	483,720	496,870	511,776	527,129	544,475
Nursing Medicaid	2,337,016	2,381,021	2,308,281	1,739,931	1,788,436	1,828,138	1,873,842	1,920,688	1,974,232
Nursing Medicare	0	0	0	472,682	485,859	496,645	509,061	521,787	536,334
Additional Care									
Medicare B	0	0	0	80,679	82,973	84,860	87,029	89,253	91,791
Sundry	4,248	5,209	5,404	12,909	13,276	13,578	13,925	14,280	14,687
Total Revenue	\$3,109,689	\$3,215,168	\$3,116,587	\$6,547,910	\$6,734,060	\$6,887,251	\$7,063,241	\$7,243,745	\$7,449,747
EXPENSES									
General and Administrative	\$2,650,092	\$2,495,833	\$2,017,439	\$1,305,147	\$1,341,715	\$1,371,718	\$1,406,264	\$1,441,711	\$1,482,233
Dietary	796,919	591,434	650,581	586,850	603,505	617,204	632,942	649,082	667,504
Housekeeping	563,101	572,270	642,329	195,907	201,467	206,040	211,294	216,682	222,832
Care Services	1,702,944	1,708,256	2,008,588	1,202,577	1,237,862	1,267,138	1,300,661	1,335,071	1,374,243
Therapies	103,481	92,817	95,973	215,921	222,079	227,150	232,973	238,946	245,761
Activities & Social Service	214,692	220,588	228,889	186,055	191,335	195,678	200,668	205,785	211,625
Property	727,543	811,679	864,926	848,473	872,553	892,358	915,114	938,449	965,083
Management Fee	357,688	295,750	287,478	327,395	336,703	344,363	353,162	362,187	372,487
Total Operating Expenses	7,116,462	6,788,626	6,796,204	4,868,326	5,007,219	5,121,649	5,253,078	5,387,913	5,541,767
NET OPERATING INCOME	(\$4,006,772)	(\$3,573,458)	(\$3,679,616)	\$1,679,584	\$1,726,841	\$1,765,602	\$1,810,162	\$1,855,831	\$1,907,980
<i>Profitability</i>	<i>-128.8%</i>	<i>-111.1%</i>	<i>-118.1%</i>	<i>25.7%</i>	<i>25.6%</i>	<i>25.6%</i>	<i>25.6%</i>	<i>25.6%</i>	Capitalized @ 9.35% 20,406,204
LESS:									
<i>Capital Reserves</i>				51,500	52,817	54,164	55,545	56,961	Less: Selling Costs @ 2.00% 408,124
Cash Flow				\$1,628,084	\$1,674,024	\$1,711,438	\$1,754,617	\$1,798,870	19,998,080
				0.9042	0.8173	0.7389	0.6681	0.6041	0.6041
Discounted Cash Flow @ 10.60%				\$1,472,047	\$1,368,143	\$1,264,666	\$1,172,309	\$1,086,687	\$12,080,719

CONCLUSION

The following chart presents the total value determined through the Discounted Cash Flow methodology through the application of the discount rate to the cash flows during the annuity period and application of the capitalization rate during the reversion period.

Discounted Cash Flow	
Annuity Value	\$6,363,852
Reversion Value	12,080,719
<i>plus</i>	
Total Value	\$18,444,572
<i>Value Per Bed</i>	<i>\$179,074</i>

Based on the analysis presented above, the As Is market value of the Subject property via the Discounted Cash Flow method as of May 17, 2018 can be reasonably represented as:

\$18,400,000

A method used to estimate value via the Income Approach is the Direct Capitalization Method. This is used to convert an estimate of a single year's income expectancy into an indication of value in one direct step. This is accomplished by dividing the income estimate of the first fully stabilized year ending May 16, 2019 by the capitalization rate of 9.1 percent. This prospective value can be reasonably represented as:

Direct Capitalization	
Net Operating Income	\$1,679,584
Capitalization Rate	9.10%
<i>divided by</i>	
Total Value	\$18,456,966
<i>Value Per Bed</i>	<i>\$179,194</i>

Based on the analysis presented above, the As Is market value of the Subject property via the Direct Capitalization Method as of May 17, 2018 can be reasonably represented as:

\$18,500,000

SALES COMPARISON APPROACH

The sales comparison approach develops an opinion of market value by analyzing the market for similar properties and comparing them to the Subject. The foundational premise for this approach is that the market value of a property is directly related to the prices of comparable properties. The more information and particulars known about the facility sales utilized, the better the analysis and the more credible the determination of market value for the Subject property via the sales comparison approach will be.

Nursing facilities are considered special use assets, with revenues and purchase prices driven by both market and governmental forces. Sale transactions are limited for nursing facilities because these facilities are specialized assets that are management intensive and can provide high rates of return, but depend on fluctuating state reimbursement for services. Therefore, we have included the following sales, which are presented on a state basis, using more-recent sales from states with similar reimbursement methodologies to supplement any lack of recent transaction activity in the Subject's state of operation.

Furthermore, the sales largely represent facilities with similar care and resident characteristics. As of the date of this appraisal, we have attempted to confirm each transaction to the best of our ability and attempted to personally inspect the profiled sales.

MARKET SALES GRID COMPARISON

Based on certain elements of comparison between the Subject and the profiled sales, adjustments are applied that consider and compare all discernible differences that may affect value. Elements of comparison represent the characteristics of a property and transaction that cause prices to vary for real estate. In our analysis, the profit per bed adjustment is given the most weight. The primary reason for this is that a facility's profit per bed typically incorporates most factors of comparison. For example, a facility in good condition, located in a desirable metropolitan market, is more likely to generate a greater profit per bed than a facility in average condition in a more rural market.

As a result, the profit per bed comparison is considered a primary means for determining adjustments. The profit per bed comparison presented is dependent on the determination of profit per bed projected in the Income Approach. However, other factors are considered and will be presented, including an analysis of the effective gross revenue multipliers (EGRM) for the sales comparables. The EGRM shows the relationship between the sale price or value of a property and its effective gross income. A sale's EGRM can be calculated by dividing the sale price by the effective gross income, or by dividing the profit margin by the capitalization rate.

GRAPHICAL COMPARISON

In addition to the profit per bed comparison, HTG has developed a regression analysis utilizing 50 nationwide nursing facility sales to present a more independent analysis of the Subject with regard to the sales comparables utilized. HTG has plotted pertinent comparative aspects of these sales comparables and developed a trend line to utilize in the selection of the price per bed and EGRM based on the predictive characteristics of the sales comparables. This is done by utilizing one variable (e.g. NOI per bed or profit margin) from the market value determined in the Income Approach in order to project the Subject's price per bed or EGRM.

The trend line provides guidance for the selection of the appropriate price per bed and the EGRM for the Subject, as well as providing an R^2 value, or coefficient of determination. The R^2 value is a measurement based on the two variables (e.g. price per bed and NOI per bed) presented in the graphical form and displays the degree of dependency between these variables. The closer to 1.00 the R^2 value is, the more closely related the two variables and the better for comparison; and therefore, the more accurate the projection will typically be. This allows for an independent analysis in the selection of the price per bed and EGRM and validates the market sales grid comparison.

SALE ONE

PROPERTY INFORMATION

Name: California Mission Inn
Location: 4825 Earle Avenue
Rosemead, California

Facility Type: Assisted Living
Operating Beds: 156
Licensed Beds: 144
Building SF: 126,944
Year Built: 1926-1976
Land Size: 4.26

TRANSACTION INFORMATION

Sale Date: April 1, 2017
Rosemead Health Holdings, LLC and Thunderbird Health Holdings, LLC
Grantor: (The Ensign Group, Inc.)
Grantee: Mainstreet Health Holdings, LP
Sale Price: \$12,892,669
Terms: Sale/leaseback transaction.

FORECASTED OPERATING INFORMATION

Occupancy: 82.7%
Net Revenue: \$6,348,253
Operating Expenses: \$4,564,230
NOI: \$1,784,023
NOI/Bed: \$11,436
Profit Margin: 28.1%

MARKET INFORMATION

EGRM: 2.03
Overall Rate: 13.8%
Price Per Bed: \$82,645
Price Per SF: \$101.56

COMMENTS

The facility operates as a 138-unit, 156-bed independent living, assisted living and memory care facility. This sale was part of a three-facility transaction totaling \$38.0 million. The three nursing facilities are located in Rosemead, CA, Glendale, AZ and Rosemead, CA. Ensign will operate the properties under an absolute net master lease with an initial 20-year term and CPI-based annual escalators.

VERIFICATION: Mainstreet Health Investments, Inc.

SALE TWO

PROPERTY INFORMATION

Name: Vista Healthcare Center
Location: 247 E. Bobier Drive
Vista, California

Facility Type: Nursing Facility
Operating Beds: 187
Licensed Beds: 187
Building SF: 56,500
Year Built: 1990
Land Size: 5.02

TRANSACTION INFORMATION

Sale Date: March 1, 2016
Grantor: Vista Landlord Propco, LLC (Lifehouse Healthcare Services)
Grantee: Vista Healthcare Investments, LLC
Sale Price: \$18,200,000
Terms: Cash to seller.

FORECASTED OPERATING INFORMATION

Occupancy: 93.0%
Net Revenue: \$13,392,264
Operating Expenses: \$11,383,425
NOI: \$2,008,839
NOI/Bed: \$10,742
Profit Margin: 15.0%

MARKET INFORMATION

EGRM: 1.36
Overall Rate: 11.0%
Price Per Bed: \$97,326
Price Per SF: \$322.12

COMMENTS

The facility includes 187 nursing home beds. Vista Healthcare leased the facility to Independence Healthcare Management. The financials were forecasted using the most recent Medicaid cost reports.

VERIFICATION:

Shep Roylance, Broker with JCH Consulting Group, Inc.

SALE THREE

PROPERTY INFORMATION

Name: Villa Marche Guest Home
Location: 1119 Rosemarie Lane
San Joaquin County, California

Facility Type: Assisted Living
Operating Beds: 68
Licensed Beds: 68
Building SF: 68,220
Year Built: 1970
Land Size: 1.57

TRANSACTION INFORMATION

Sale Date: February 8, 2016
Grantor: Franclyn, LLC
Grantee: Marche Stkn Acquisitions, LP
Sale Price: \$6,800,000
Terms: Cash to seller. There are \$1.5 million in capital improvements included in the sale price.

FORECASTED OPERATING INFORMATION

Occupancy: 85.0%
Net Revenue: \$2,427,600
Operating Expenses: \$1,820,700
NOI: \$606,900
NOI/Bed: \$8,925
Profit Margin: 25.0%

MARKET INFORMATION

EGRM: 2.80
Overall Rate: 8.9%
Price Per Bed: \$100,000
Price Per SF: \$99.68

COMMENTS

The facility includes 44 assisted living and memory care units and was only 69 percent occupied at the time of sale. The buyer plans to invest \$1.5 million in capital improvements. Rates for the facility range from \$2,800 to \$4,000 for a private unit.

VERIFICATION:

Nick Stahler, Broker with JCH Consulting Group, Inc.

SALE FOUR

PROPERTY INFORMATION

Name: Vista Cove Care Center
Location: 1471 South Riverside Avenue
Rialto, California

Facility Type: Nursing Facility
Operating Beds: 177
Licensed Beds: 177
Building SF: 45,004
Year Built: 1970
Land Size: N/A

TRANSACTION INFORMATION

Sale Date: February 3, 2016
Grantor: Berglund, Roy J Trust and Berglund, Leona J Trust
Grantee: New York Real Estate Group
Sale Price: \$14,135,000
Terms: Cash to seller.

FORECASTED OPERATING INFORMATION

Occupancy: 85.0%
Net Revenue: \$11,275,000
Operating Expenses: \$9,583,750
NOI: \$1,691,250
NOI/Bed: \$9,555
Profit Margin: 15.0%

MARKET INFORMATION

EGRM: 1.25
Overall Rate: 12.0%
Price Per Bed: \$79,859
Price Per SF: \$314.08

COMMENTS The facility contains 177 nursing beds.

VERIFICATION: Chris Hyldahl, Broker with Blueprint Healthcare Real Estate Advisors

SALE FIVE

PROPERTY INFORMATION

Name: Eden Villa
Location: 19960 Santa Maria Avenue
Castro Valley, California

Facility Type: Assisted Living
Operating Beds: 72
Licensed Beds: 92
Building SF: 37,157
Year Built: 1987
Land Size: 0.99

TRANSACTION INFORMATION

Sale Date: September 29, 2015
Grantor: Eden Villa LP
Grantee: SH 1 Castro Valley, LLC (The Solana Company)
Sale Price: \$8,000,000
Terms: Cash to seller.

FORECASTED OPERATING INFORMATION

Occupancy: 94.0%
Net Revenue: \$2,400,000
Operating Expenses: \$1,680,000
NOI: \$720,000
NOI/Bed: \$10,000
Profit Margin: 30.0%

MARKET INFORMATION

EGRM: 3.33
Overall Rate: 9.0%
Price Per Bed: \$111,111
Price Per SF: \$215.30

COMMENTS

The facility is licensed for 92 assisted living beds but operates 72 assisted living beds within 61 units.

VERIFICATION:

The Solana Company Press Release September 29, 2015

SALE SIX

PROPERTY INFORMATION

Name: Lake Alhambra Assisted Living
Location: 825 East 18th Street
Antioch, California

Facility Type: Assisted Living
Operating Beds: 37
Licensed Beds: N/A
Building SF: 30,974
Year Built: 1989
Land Size: 1.07

TRANSACTION INFORMATION

Sale Date: January 6, 2015
Grantor: Fatima Zahra Inc.
Grantee: SST Hospitality, LLC
Sale Price: \$2,750,000
Terms: Cash to seller

FORECASTED OPERATING INFORMATION

Occupancy: 80.0%
Net Revenue: \$875,000
Operating Expenses: \$615,000
NOI: \$260,000
NOI/Bed: \$7,027
Profit Margin: 29.7%

MARKET INFORMATION

EGRM: 3.14
Overall Rate: 9.5%
Price Per Bed: \$74,324
Price Per SF: \$88.78

COMMENTS

The facility contains 37 assisted living units. The seller was a doctor and this was the only senior care asset of the seller. The facility had average rates of \$2,700 per month.

VERIFICATION:

Rob Reis, Broker with Marcus and Millichap

MARKET SALES MAP



MARKET SALE ADJUSTMENT ANALYSIS

Based on certain elements of comparison, the applied adjustments consider all discernible differences between the comparable properties and the Subject property that may affect value. Elements of comparison represent the characteristics of a property and transaction that cause prices to vary.

The following elements of comparison are considered:

1. Property Rights Conveyed – The property rights must be identified for each sale transaction and adjusted appropriately. An example would represent an analysis of a market rent versus contract rent considering a fee simple interest for the Subject and a leased fee interest in a sale.
 - No adjustment necessary
2. Financing Terms – Each sale should be adjusted to represent financing conditions under typical market terms. An example would be the assumption of debt at below market interest rate.
 - No adjustment necessary
3. Conditions of Sale – This adjustment represents any unusual motivations of a buyer and seller. An example would represent a transaction between related parties such as family members.
 - No adjustment necessary
4. Immediate Expenditures after Purchase – This adjustment considers expenditures a knowledgeable buyer may have to implement upon purchase of a property. This assumes that these expenditures affect the price a knowledgeable buyer is willing to pay.
 - No adjustment necessary
5. Market Conditions – This adjustment considers changes in market conditions between the effective date of the appraisal and the sale date of the transaction. Some considerations for adjustment could include appreciation or depreciation due to inflation or deflation, or a change in investor's perceptions of the market.
 - No adjustment necessary
6. Age & Condition – This adjustment considers the physical characteristics of the associated with each of the sale comparables. Consideration is given to year built, additions to the physical plant, and interior renovations, as well as the overall condition of the improvements.
 - No adjustment necessary

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7. Profit per Bed – This adjustment considers the profitability of the sales comparables in comparison to the Subject’s profitability based on the analysis presented in the Income Approach.

- The Subject is projected to generate a profit per bed that is above all the comparables. For those sales with lower profitability than the Subject, an upward adjustment was applied to reflect this difference. This was calculated by dividing the Subject’s stabilized profit per bed by the comparable’s profit per bed.

8. Other –

- No adjustment necessary

MARKET SALES GRID AND CONCLUSION

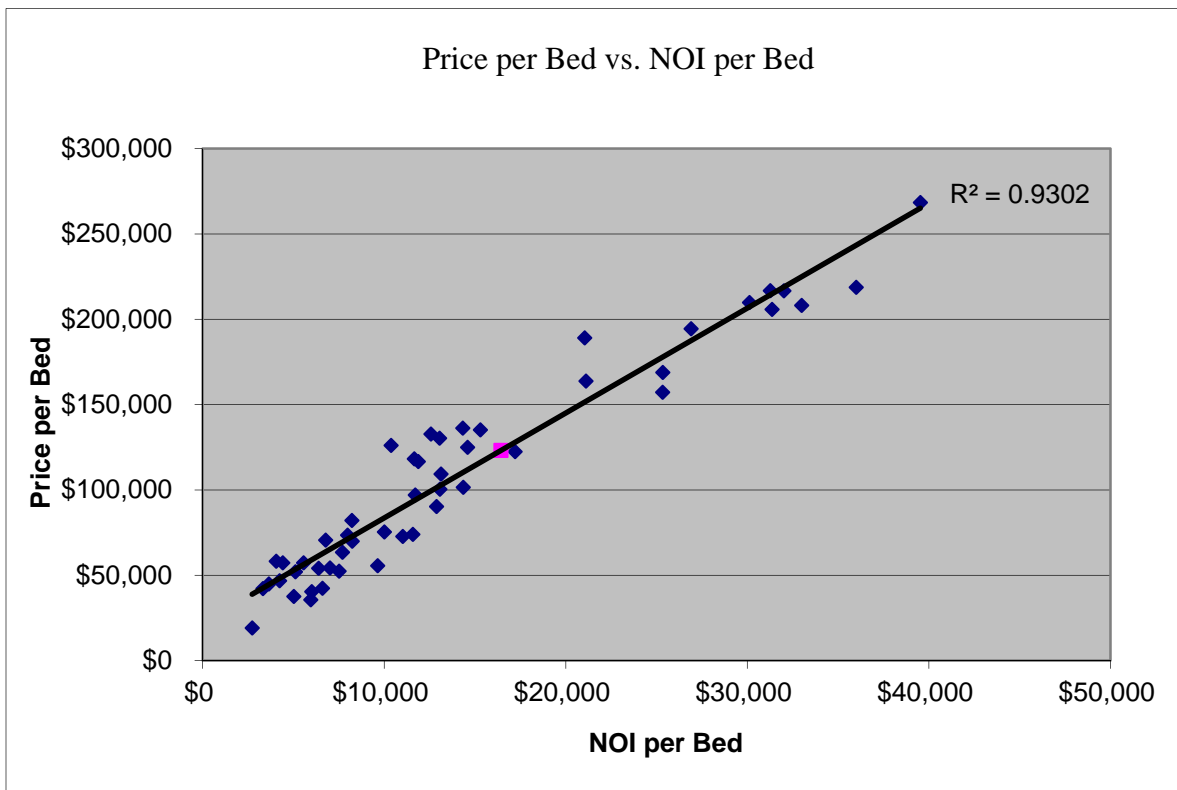
Jeanne Jujan Residence	California Mission Inn	Vista Healthcare Center	Villa Marche Guest Home	Vista Cove Care Center	Eden Villa	Lake Alhambra Assisted Living	Averages
State:	California	California	California	California	California	California	
Sale Date:	4/1/2017	3/1/2016	2/8/2016	2/3/2016	9/29/2015	1/6/2015	
Price per Bed:	\$82,645	\$97,326	\$100,000	\$79,859	\$111,111	\$74,324	\$90,878
Eff. Gross Rev. Multiplier:	2.03	1.36	2.80	1.25	3.33	3.14	2.32
Number of Beds:	103	156	187	68	177	72	116
Profit per Bed:	\$16,307	\$11,436	\$10,742	\$8,925	\$9,555	\$10,000	\$9,614
Profit Margin:	25.7%	28.1%	15.0%	25.0%	15.0%	30.0%	23.8%
Capitalization Rate:	9.1%	13.8%	11.0%	8.9%	12.0%	9.0%	10.7%
Adjustments							
Property Rights:	1.00	1.00	1.00	1.00	1.00	1.00	
Adjusted Price:	\$82,645	\$97,326	\$100,000	\$79,859	\$111,111	\$74,324	\$90,878
Financing Terms:	1.00	1.00	1.00	1.00	1.00	1.00	
Conditions of Sale:	1.00	1.00	1.00	1.00	1.00	1.00	
Immediate Expenditures after Purchase:	1.00	1.00	1.00	1.00	1.00	1.00	
Adjusted Price:	\$82,645	\$97,326	\$100,000	\$79,859	\$111,111	\$74,324	\$90,878
Market Conditions:	1.00	1.00	1.00	1.00	1.00	1.00	
Adjusted Price:	\$82,645	\$97,326	\$100,000	\$79,859	\$111,111	\$74,324	\$90,878
Age and Condition:	1.00	1.00	1.00	1.00	1.00	1.00	
Profit per Bed:	1.43	1.52	1.83	1.71	1.63	2.32	
Other:	1.00	1.00	1.00	1.00	1.00	1.00	
Final Adjusted Sale Price:	\$117,844	\$147,737	\$182,707	\$136,286	\$181,185	\$172,474	\$156,372
Total Adjustment:	35,199	50,411	82,707	56,428	70,074	98,150	65,495
As % of Sale Price:	42.6%	51.8%	82.7%	70.7%	63.1%	132.1%	73.8%

- The sale comparables displayed effective gross revenue multipliers ranging from 1.25 to 3.33, with an average of 2.32.
- The sale comparables displayed adjusted prices per bed ranging from \$117,844 to \$182,707, with an average of \$156,372.

The analysis presented previously is primarily dependent on the Income Approach and the determination of the Subject’s net operating income in the first fully stabilized period. The method utilizes the resulting net operating income or profit on a per bed basis as the primary adjustment when comparing the Subject to the sales comparables, along with additional elements of comparison discussed prior to the presentation of the market sales grid. Therefore, while this method is considered to provide meaning and is consistent with the analysis typically completed by national healthcare and senior housing market participants, it is driven by the determination of market value in the Income Approach section of this report.

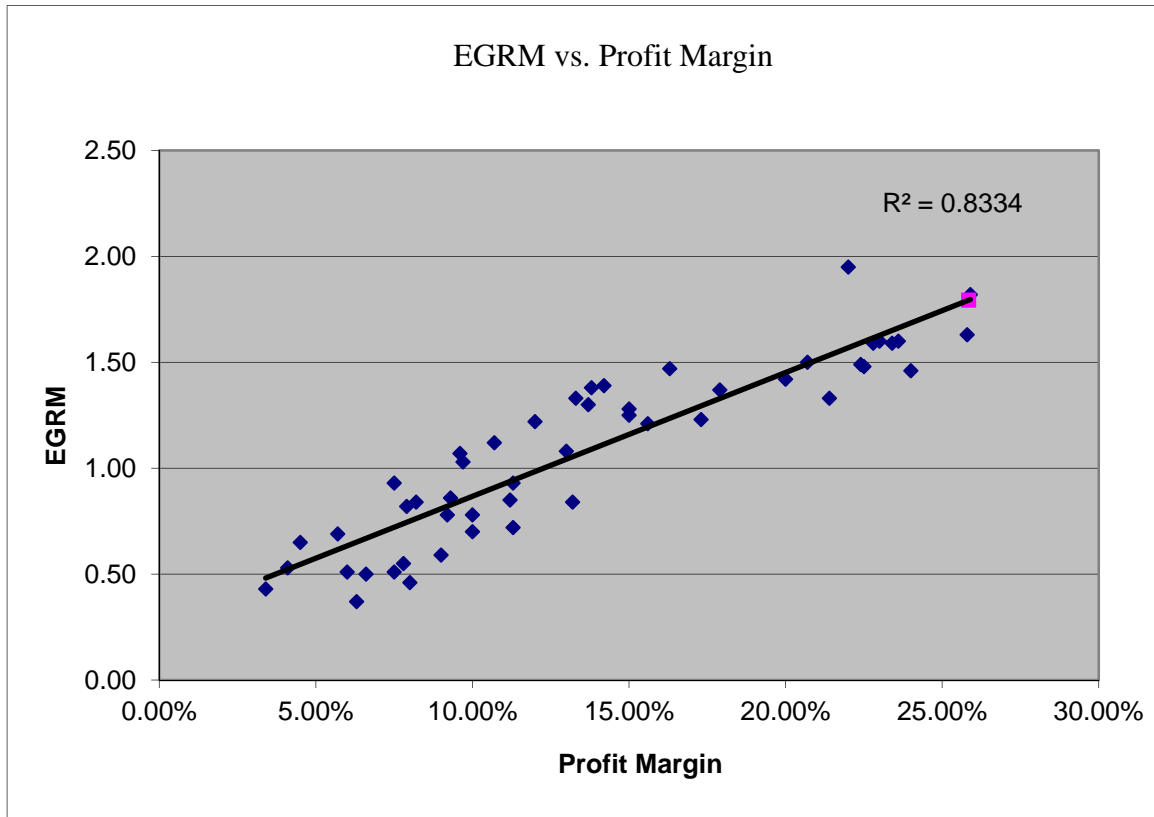
Therefore, HTG has provided additional analysis for the selection of the price per bed and EGRM in the following charts, which includes regression analysis of the relationship between the price per bed, NOI per bed, EGRM, profit margin, and the resulting trend lines among 50 nationwide nursing facility sales. We have chosen 50 facility recent facility sales because a larger number of sales will show a more accurate trend line based on market experience and make this analysis more statistically relevant to our conclusion of value via the sales comparison approach.

The first chart considers the relationship between the price per bed of the sales comparables and the NOI per bed, and also displays the trend line for these sales. The trend line has been inserted to provide guidance for the selection of the appropriate price per bed for the Subject. The resulting trend displays an R² value of 0.9302. The R² value displays the degree of dependency between these variables.



- Based on the sales comparables, the resulting trend line and the Subject’s projected profit per bed, the Subject should display a price per bed of approximately \$130,000. The Subject’s projected point is the pink-colored square and the sales are designated by the blue-colored diamonds.

The second chart considers the relationship between the EGRM of each of the sales comparables and the profit margin, and also displays the trend line for these sales. The trend line has been inserted to provide guidance for the selection of the appropriate EGRM for the Subject. The resulting trend displays an R^2 value of 0.8334.



- Based on the sales comparables, the resulting trend line and the Subject's profit margin, the Subject should display an EGRM of approximately 1.75.

CONCLUSION

- We have utilized both the profit per bed comparison and the graphical analysis charts in order to aid in the selection of the Subject's value per bed and EGRM. Again, the profit per bed comparison is primarily dependent on the determination of market value in the Income Approach while the graphical analysis provides a more independent analysis.
- Based on the adjusted range of sales and the Subject's approximate price per bed derived in the regression analysis, a price per bed of \$165,000 has been selected.
- EGRM is directly related to profitability. The Subject's profit margin is within the range of the comparables. Therefore, we have assigned the Subject an EGRM within the range of the comparables, which is supported by the supplemental analysis that has been presented. The Subject has been assigned an effective gross revenue multiplier of 2.85.

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The Subject's selected value per bed and EGRM are:

				<u>"As Is"</u>	
Selected Value per Bed	\$165,000	x	103	=	\$16,995,000
Selected EGRM	2.85	x	\$6,547,910	=	\$18,661,542

For a rounded range of As Is market values via the Sales Comparison Approach of:

\$17,000,000 - \$18,700,000

LAND VALUATION

This section estimates the value of the Subject site as if vacant and available to be utilized for its highest and best use. The following approaches may be used to value land:

1. Sales Comparison – This method utilizes sales of similar parcels of land that are analyzed, compared, and adjusted to provide a value indication. Sales that have a similar highest and best use are considered the most desirable. In addition to sales, an appraiser can utilize listings, offers and options. This approach is the most common technique for valuing land and is the preferred method when comparable sales are available.
2. Allocation – This method is based on the economic theory of balance and related concept of contribution. Both the theory and concept affirm that there is a typical ratio of land value to property value for specific real estate types in specific locations. This approach is most appropriate in estimating land value in densely developed urban locations and remote rural areas.
3. Extraction – This method extracts land value from the sale price of an improved property by deducting the estimated value contribution of the improvements and equipment (if applicable), estimated as their depreciated costs. This approach is most appropriate in estimating land value in densely developed urban locations and remote rural areas.
4. Income Capitalization
 - a) Direct Capitalization: Land Residual – This technique estimates land value by isolating net operating income attributable to the land and capitalizing the income, resulting in an indication of land contribution to total property.
 - b) Direct Capitalization: Ground Rent – This technique considers ground rent at market rates and capitalizing the rent, resulting in an indication of market value.
 - c) Yield Capitalization: Subdivision Analysis – A discounted cash flow is utilized to value vacant land that has the potential for subdivision development when that use represents the likely highest and best use of the land.

We have utilized local land sales and the sales comparison approach to estimate the value of the Subject site as vacant.

LAND SALE ONE

PROPERTY INFORMATION

Name: West Battery Street (7445013021)
Location: San Pedro, California 90731

TRANSACTION INFORMATION

Grantor: Ross and Mark Kobayashi
Grantee: ACJJ Investments, LLC

Sale Date: May 11, 2018
Sale Price: \$250,000

Land Size (Acres) 0.25
Land Size (Square Feet): 10,890
Units Allowable: N/A
Price per Acre: \$1,000,000
Price per Unit: N/A
Price per Square Foot: \$22.96

PROPERTY INFORMATION

Deed Book/Page: N/A
Parcel: 7445-013-021
Topography: Level
Zoning: R1, Low I Residential

COMMENTS: Residential Vacant Land

VERIFICATION: Los Angeles County Property Assessment Information

LAND SALE TWO

PROPERTY INFORMATION

Name: 1486 West Hamilton Avenue
Location: San Pedro, California 90731

TRANSACTION INFORMATION

Grantor: N/A
Grantee: N/A

Sale Date: March 21, 2018
Sale Price: \$325,023

Land Size (Acres) 0.13
Land Size (Square Feet): 5,592
Units Allowable: N/A
Price per Acre: \$2,531,832
Price per Unit: N/A
Price per Square Foot: \$58.12

PROPERTY INFORMATION

Deed Book/Page: N/A
Parcel: 7470-008-021
Topography: Level
Zoning: R1, Low I Residential

COMMENTS: Vacant Land

VERIFICATION: Los Angeles County Property Assessment Information

LAND SALE THREE

PROPERTY INFORMATION

Name: 3611 South Pacific Avenue
Location: San Pedro, California 90731

TRANSACTION INFORMATION

Grantor: Fred J. DiBernardo
Grantee: Hui R. Mu

Sale Date: December 6, 2017
Sale Price: \$360,000

Land Size (Acres) 0.16
Land Size (Square Feet): 6,970
Units Allowable: N/A
Price per Acre: \$2,250,000
Price per Unit: N/A
Price per Square Foot: \$51.65

PROPERTY INFORMATION

Deed Book/Page: N/A
Parcel: 7467-015-015
Topography: Level
Zoning: RD2, Low Medium II Residential

COMMENTS: Residential Vacant Land

VERIFICATION: Los Angeles County Property Assessment Information

LAND SALE FOUR

PROPERTY INFORMATION

Name: 949 West La Alameda Avenue
Location: San Pedro, California 90731

TRANSACTION INFORMATION

Grantor: Jeannette Goodbary
Grantee: Maupin Development Inc.

Sale Date: January 4, 2017
Sale Price: \$80,000

Land Size (Acres) 0.12
Land Size (Square Feet): 5,358
Units Allowable: N/A
Price per Acre: \$650,392
Price per Unit: N/A
Price per Square Foot: \$14.93

PROPERTY INFORMATION

Deed Book/Page: N/A
Parcel: 7451-023-011
Topography: Level
Zoning: R2YY, Low Medium Residential

COMMENTS: Vacant Land

VERIFICATION: Los Angeles County Property Assessment Information

LAND SALE FIVE

PROPERTY INFORMATION

Name: 783 Gatun Street
Location: San Pedro, California 90731

TRANSACTION INFORMATION

Grantor: Harbor Highlands Group, LLC
Grantee: Joseph and Taryn Tharakan

Sale Date: November 17, 2016
Sale Price: \$636,000

Land Size (Acres) 0.33
Land Size (Square Feet): 14,375
Units Allowable: N/A
Price per Acre: \$1,927,273
Price per Unit: N/A
Price per Square Foot: \$44.24

PROPERTY INFORMATION

Deed Book/Page: N/A
Parcel: 7445-002-182
Topography: Level
Zoning: RD1.5, Low Medium II Residential

COMMENTS: Residential Vacant Land

VERIFICATION: Los Angeles County Property Assessment Information

LAND SALE SIX

PROPERTY INFORMATION

Name: 3401 South Patton Avenue
Location: San Pedro, California 90731

TRANSACTION INFORMATION

Grantor: Enrique Calixto
Grantee: Gina and Michael Gulligan

Sale Date: October 11, 2016
Sale Price: \$275,002

Land Size (Acres) 0.15
Land Size (Square Feet): 6,442
Units Allowable: N/A
Price per Acre: \$1,859,529
Price per Unit: N/A
Price per Square Foot: \$42.69

PROPERTY INFORMATION

Deed Book/Page: N/A
Parcel: 7470-021-021
Topography: Level
Zoning: R1, Low I Residential

COMMENTS: Vacant Land

VERIFICATION: Los Angeles County Property Assessment Information

LAND SALES MAP



LAND SALE ADJUSTMENT ANALYSIS

1. Property Rights Conveyed – The property rights must be identified for each sale transaction and adjusted appropriately. An example would represent an analysis of a market rent versus contract rent considering a fee simple interest for the Subject and a leased fee interest in a sale.
 - No adjustment necessary
2. Financing Terms – Each sale should be adjusted to represent financing conditions under typical market terms. An example would be the assumption of debt at an interest rate that was considered below market.
 - No adjustment necessary
3. Conditions of Sale – This adjustment represents any unusual motivations of a buyer and seller. An example would represent a transaction between related parties such as family members.
 - No adjustment necessary
4. Immediate Expenditures After Purchase – This adjustment considers expenditures a knowledgeable buyer may have to implement upon purchase of a property. This assumes that these expenditures affect the price a knowledgeable buyer is willing to pay. An example may include repair of deferred maintenance, remediation of environment contamination or demolition of a building.
 - No adjustment necessary
5. Market Condition – This adjustment considers changes in market conditions between the effective date of the appraisal and the sale date of the transaction. Some considerations for adjustment could include appreciation or depreciation due to inflation or deflation, or a change in investor’s perceptions of the market.
 - No adjustment necessary
6. Location – This adjustment considers differences in geographic location among the comparable sales. In general, the value and pricing of land is considered highly sensitive to changes in location. Thus, differences in both the general and site-specific nature of properties must be taken into consideration.
 - Sales one, two, three, five, and six received downward adjustments to reflect superior locations to the Subject.
7. Zoning/Density – This adjustment considers differences in zoning and/or density among the comparable sales. In general, the value and pricing of land is considered highly sensitive to changes in zoning and/or density.
 - Sales one, two, four, five, and six received downward adjustments to reflect superior zoning to the Subject.
8. Size – This adjustment considers differences in land size among the comparable sales.
 - All sales received upward adjustments to reflect inferior land size when compared to the Subject.

JEANNE JUGAN RESIDENCE
APPRAISAL REPORT

LAND SALES GRID

Jeanne Jujan Residence							
Subject	West Battery Street (7445013021), San Pedro	1486 West Hamilton Avenue, San Pedro	3611 South Pacific Avenue, San Pedro	949 West La Alameda Avenue, San Pedro	783 Gatum Street, San Pedro	3401 South Patton Avenue, San Pedro	Averages
Date of Sale:	5/11/2018	3/21/2018	12/6/2017	1/4/2017	11/17/2016	10/11/2016	
Price:	\$250,000	\$325,023	\$360,000	\$80,000	\$636,000	\$275,002	\$321,004
Size (Acres): 5.22	0.25	0.13	0.16	0.12	0.33	0.15	0.19
Maximum Density (Units): 103	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Zoning: RD2, Low Medium II Residential	R1, Low I Residential	R1, Low I Residential	RD2, Low Medium II Residential	R2YY, Low Medium Residential	RD1.5, Low Medium II Residential	R1, Low I Residential	
Price per Acre:	\$1,000,000	\$2,531,832	\$2,250,000	\$650,392	\$1,927,273	\$1,859,529	\$1,703,171
Price per SF:	\$22.58	\$58.12	\$52.37	\$14.93	\$44.32	\$42.69	\$39.17
Adjustments							
Property Rights:	1.00	1.00	1.00	1.00	1.00	1.00	
Adjusted Price:	\$1,000,000	\$2,531,832	\$2,250,000	\$650,392	\$1,927,273	\$1,859,529	\$1,703,171
Financing Terms:	1.00	1.00	1.00	1.00	1.00	1.00	
Conditions of Sale:	1.00	1.00	1.00	1.00	1.00	1.00	
Immediate Expenditures after Purchase:	1.00	1.00	1.00	1.00	1.00	1.00	
Adjusted Price:	\$1,000,000	\$2,531,832	\$2,250,000	\$650,392	\$1,927,273	\$1,859,529	\$1,703,171
Market Conditions:	1.00	1.00	1.00	1.00	1.00	0.00	
Adjusted Price:	\$1,000,000	\$2,531,832	\$2,250,000	\$650,392	\$1,927,273	\$1,859,529	\$1,703,171
Location:	0.95	0.95	0.95	1.00	0.95	0.95	
Zoning:	0.90	0.90	1.00	0.95	0.95	0.90	
Size:	1.10	1.25	1.20	1.25	1.05	1.20	
Final Adjusted Sale Price:	\$950,000	\$2,785,015	\$2,587,500	\$780,470	\$1,830,909	\$1,952,506	\$1,814,400
Total Adjustment:	\$250,000	\$1,012,733	\$562,500	\$195,118	\$289,091	\$650,835	
As % of Sale Price:	25.0%	40.0%	25.0%	30.0%	15.0%	35.0%	
Selected Value per Acre	\$1,800,000 x	5.22	Acres	=	\$9,391,859		
				Rounded	=	\$9,390,000	

CONCLUSION

- The land sale comparables displayed adjusted prices per acre ranging from \$780,470 to \$2,785,015, with an average of \$1,814,400.
- Based on the analysis presented, the Subject's land value per acre is estimated to be \$1,800,000 for a rounded value of \$9,390,000.
- We deducted demolition costs from the rounded value to get the land value estimate. The demolition cost per SF was based on data from Marshall and Swift, which publishes the *Marshall Valuation Service*. We relied upon the demolition cost section of the *Marshall Valuation Guide* to select a cost of \$5.00 per SF. The following table displays the land value calculation.

Rounded Land Value	\$9,390,000
<i>Less:</i>	
Demolition Costs	
Square Feet	149,765
Cost Per SF*	<u> \$5.00</u>
	\$748,825
Resulting Land Value	\$8,600,000

COST APPROACH

The cost approach to value is based on the principle that a prudent purchaser would not pay more for a property than the cost to reproduce or replace the asset without a timely or costly delay. The value of the present worth of the improvements and equipment is added to the land value estimate. The value of the improvement and equipment is based on the current cost of reproduction or replacement less accrued depreciation.

The Dictionary of Real Estate Appraisal, Sixth Edition defines the following:

Reproduction Cost – “The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same material, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building.”

Replacement Cost – “The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout.”

This report considers replacement cost in the estimate of replacing the Subject’s assets less accrued depreciation.

BASE SQUARE FOOT COST

The calculator method utilizes a base square foot cost for the Subject, based on the type of structure/use, building insurance class (Classes A, B, C or D) and quality of construction (Low Cost, Fair, Average, Good, Excellent) and geographic location. The Subject currently consists of a three- and four-story building (containing NF and AL rooms), a two story building (containing IL apartments), a laundry building and a retreat house. These structures (Class C) represent good quality construction. HTG relied upon Section 15, Page 26 of the *Marshall Valuation Guide* and selected a base rate of \$191.00 per SF (Class C, Good Quality) for the three- and four-story building. Section 12, Page 20 and a base rate of \$112.42 was utilized for the two story building. For the laundry building and retreat house, base rates of \$83.50 (Section 13, Page 25) and \$100.78 (Section 12, Page 14) were selected respectively.

DESIGN-RELATED REFINEMENTS TO BASE SQUARE FOOT COST

Once the base cost per square foot has been determined, refinements are then applied to the base cost. The following describes the rationale for applying various refinements, as well as the nature of the refinements applied to the costs.

1. Heating, Venting and Air Conditioning (HVAC) – Each class of building assumes that a certain type of HVAC system is in place, based on the typical development of such structures. Therefore, a refinement is applied if the actual HVAC system in the Subject facility differs from that described in the base cost.
 - No adjustment has been made, given HVAC system in the Subject facility does not differ from that described in the base cost.

2. Elevator deduction – Building costs for all of the construction types described in Section 15 (Convalescent Homes) and Section 12 (Multiple Residences), assume that elevators exist within the facility. When elevators are not present in the building being appraised, an adjustment should be made to take this into account. The refinement is chosen based upon the building class of the facility being appraised. This refinement does not apply to the laundry building and retreat house.
 - No adjustment has been made, given the existence of elevators in the facility.
3. Miscellaneous – This category includes items that are not specifically covered in other cost categories. In general, this includes sprinklers, fireplaces and built-in items, the costs for which are typically based upon a square foot basis.
 - Given the presence of sprinklers and the square footage for the structures, an adjustment has been added to the overall base cost.
4. Lump sum adjustment – This category adjusts the costs associated with basements, and should be computed separately from the upper floors. Basements are Subject to their own modifiers and multipliers.
 - The Subject has not been adjusted for basement costs, since none of the structures have a basement.

HEIGHT AND SIZE REFINEMENT

For buildings that have unusual height or floor area/perimeter dimensions, a refinement to the base cost per square foot (“SF”) can also be considered. Since this does not apply, the adjusted replacement costs are \$194.00 per SF (three- and four-story building), \$115.42 per SF (two story building), \$86.50 per SF (laundry building) and \$103.78 per SF (retreat house), reflective of any design related adjustments.

FINAL REFINEMENT: CURRENT AND LOCAL COST MULTIPLIER

Per-square-foot figures in the *Marshall Valuation Guide* are considered averages, and must be adjusted for locational differences of each property being appraised. This includes a current multiplier that adjusts the base cost for the time difference between the published costs and the current month, and a local multiplier that accounts for a property’s specific market location.

For the Subject, a current cost multiplier of 1.03 was applied, accounting for a Class C building in Section 12, within the western United States. Additionally, a local multiplier of 1.21 was applied, which factored in both the Class C structures and the Subject’s location in Los Angeles. Together, these are multiplied by the base cost – after it has been adjusted for the above-referenced refinements – and results in the final cost per SF. This figure is then multiplied by the gross SF to estimate total hard costs.

Given the above adjustments for current and local cost multipliers, the final replacement costs are now \$241.78 per SF (three- and four-story building), \$143.85 per SF (two story building), \$107.80 per SF (laundry building) and \$129.34 per SF (retreat house). When multiplied by each structures building size, this results in *total hard costs* of \$19,726,768 (three- and four-story building), \$6,557,884 (two story building), \$388,852 (laundry building) and \$2,454,892 (retreat house).

JEANNE JUGAN RESIDENCE
APPRAISAL REPORT

LAND IMPROVEMENTS

The valuation of the Subject’s site or land improvements is derived using a combination of construction cost data and the estimated *replacement costs* for the Subject property. Based on the aforementioned analysis of construction cost data performed by HTG, we considered site improvements (including site work and site improvements) as a proportion of overall *hard costs* (including permits/fees). Based on this research, which encompassed numerous facilities appraised by our firm, site improvement costs ranged from approximately 0.5 percent to 19.6 percent of total hard costs, with an average and central tendency of 7.4 percent and 7.1 percent, respectively. Similar to the equipment cost data, the range for site improvement costs includes new facilities that are well-positioned and competitive in their respective markets, while excluding upscale “medical resort” type facilities.

The following tables illustrate the above figures:

NURSING HOME CONSTRUCTION COST INFORMATION											
	Facility A Mid-Atlantic	Facility B North-Central	Facility C Mid-Atlantic	Facility D Northeast	Facility E Mid-Atlantic	Facility F Mid-Atlantic	Facility G Northeast	Facility H Midwest	Facility I West	Facility J Midwest	
CONSTRUCTION COST COMPARABLES											
State	Mid-Atlantic	North-Central	Mid-Atlantic	Northeast	Mid-Atlantic	Mid-Atlantic	Northeast	Midwest	West	Midwest	
New Construction / Expansion	New Construction	New Construction	New Construction	New Construction	New Construction	New Construction	New Construction	New Construction	New Construction	New Construction	
Construction Date	2012	2012	2013	2013-2014	2013-2014	2013	2013-2014	2014	2014-2015	2014	
Building/Expansion Size (SF)	86,897	43,674	74,282	81,480	76,244	43,712	86,997	63,780	63,780	65,498	
Units	124	41	84	124	88	57	124	100	100	100	
Beds	124	75	110	124	130	67	124	100	100	100	
COSTS											
Site Work & Improvements											
Site Work		\$396,558		\$2,386,000		\$540,000		\$45,290	\$1,372,199	\$50,500	
Site Improvements								\$33,338	\$82,123		
Building											
Permits & Fees		\$59,524				\$150,000			\$84,287		
Hard Costs	\$15,421,000	\$3,589,624	\$11,375,000	\$13,438,000	\$11,160,601	\$6,460,653	\$16,000,000	\$10,666,188	\$10,991,226	\$10,645,395	
Soft Cost	\$925,000	\$524,695	\$1,475,000	\$1,400,000	\$1,491,000		\$950,000	\$25,000	\$736,318	\$325,000	
Certificate of Need (CON)	\$2,600,000		\$65,000				\$3,400,000				
F&E (Furnitures & Equipment)	\$2,410,113	\$326,753	\$1,400,000	\$2,742,000	\$1,521,353	\$1,237,200	\$2,700,000				
Site Improvements As % of Hard Costs											
Average	0.0%	10.9%	0.0%	17.8%	0.0%	8.2%	0.0%	0.7%	13.1%	0.5%	
Central Tendency											

NURSING HOME CONSTRUCTION COST INFORMATION									
	Facility K Midwest	Facility L Midwest	Facility M Midwest	Facility N Midwest	Facility O Midwest	Facility P Midwest	Facility Q Midwest	AVERAGES	
CONSTRUCTION COST COMPARABLES									
State	Midwest	Midwest	Midwest	Midwest	Midwest	Midwest	Midwest	Midwest	
New Construction / Expansion	New Construction	New Construction	New Construction	New Construction	New Construction	New Construction	New Construction	New Construction	
Construction Date	2014	2014-2015	2014-2015	2014-2015	2014-2015	2015	2015	2014	
Building/Expansion Size (SF)	63,780	68,859	68,682	67,287	82,053	66,197	71,626	69,102	
Units	100	102	92	100	130	93	100	98	
Beds	100	102	92	100	130	93	100	104	
COSTS									
Site Work & Improvements									
Site Work	\$71,000	\$39,075	\$39,200	\$1,684,550	\$1,880,500	\$34,800	\$364,076	\$684,904	
Site Improvements	\$39,000	\$1,863,571	\$272,757	\$123,700	\$97,500	\$1,339,410	\$28,000	\$431,044	
Building									
Permits & Fees	\$58,500	\$20,000	\$7,264	\$75,000	\$80,000	\$25,000	\$75,000	\$63,458	
Hard Costs	\$9,934,328	\$9,671,226	\$11,633,265	\$9,980,000	\$12,419,000	\$9,501,380	\$11,997,804	\$10,875,570	
Soft Cost	\$245,000		\$77,967		\$10,600		\$40,000	\$632,737	
Certificate of Need (CON)								\$2,021,667	
F&E (Furnitures & Equipment)	\$1,202,148			\$1,169,500	\$1,360,000			\$1,606,907	
Site Improvements As % of Hard Costs									
Average	1.1%	19.6%	2.7%	18.0%	15.8%	14.4%	3.2%	7.4%	
Central Tendency								7.1%	

Given the cost data, we have estimated site (land) improvements at 4.0 percent of total *hard costs*.

DEVELOPER'S OVERHEAD AND PROFIT

This category takes into account the overhead associated with a developer's oversight of a project, and includes entrepreneurial profit. Based on surveys that have been conducted of developers, the typical range of overhead percentage is between 5.0 and 15.0 percent, with variations depending upon the location, size and type of project, and is applied to the total of hard costs *plus* land improvements.

CERTIFICATE OF NEED/LICENSING AND REGULATORY REQUIREMENTS

California nursing homes and assisted living facilities do not require a Certificate of Need ("CON"); therefore, there is no cost associated with this category.

ABSORPTION

Upon the development of a senior living or healthcare facility, marketing is an important factor in the development and absorption of a property. This category takes into account the costs associated with marketing a property to achieve stabilized occupancy. Based on conversations with companies that specialize in the marketing of senior living and healthcare properties, a cost of \$5,000 to \$20,000 per bed is typically required. The cost increases in direct proportion to the competitiveness of the market, while an inverse relationship often relates to the acuity level (e.g. NFs are more acute, depend more on government funding – versus private payors – and therefore incur fewer absorption costs, given the captive audience of Medicaid payors prevalent in most markets).

Thus, nursing homes are typically at the lower end of the cost per bed due to Medicaid eligibility, while AL and IL facilities are toward the middle and upper-end of the range. For the Subject, HTG estimated an absorption cost of \$10,000 per bed. This cost does not apply to the laundry building and retreat house.

JEANNE JUGAN RESIDENCE
APPRAISAL REPORT

IMPROVEMENT APPROACH ESTIMATES

Jeanne Jugan Residence		Jeanne Jugan Residence	
<i>Three- and Four- story building (NF and AL)</i>		<i>Two-story building (IL)</i>	
Marshall & Swift Data		Marshall & Swift Data	
Cost Section & Page	<i>Section 15, Page 26</i>	Cost Section & Page	<i>Section 12, Page 20</i>
Building Type	<i>Convalescent Homes</i>	Building Type	<i>Multiple Residence</i>
Class	<i>Class C</i>	Class	<i>Class C</i>
Construction Type	<i>Good</i>	Construction Type	<i>Good</i>
Improvement Cost		Improvement Cost	
Base Square Foot Cost	\$191.00	Base Square Foot Cost	\$112.42
Square Foot Refinement		Square Foot Refinement	
HVAC	0.00	HVAC	0.00
Elevator Deduction	0.00	Elevator Deduction	0.00
Miscellaneous	3.00	Miscellaneous	3.00
Subtotal	\$194.00	Subtotal	\$115.42
Height & Size Refinement		Height & Size Refinement	
Number of stories	1.000	Number of stories	1.000
Height per story	1.000	Height per story	1.000
Floor area/Perimeter	1.000	Floor area/Perimeter	1.000
Subtotal	1.000	Subtotal	1.000
Final Calculations		Final Calculations	
Refined Square Foot Cost	\$194.00	Refined Square Foot Cost	\$115.42
Current Cost Multiplier	1.03	Current Cost Multiplier	1.03
Local Multiplier	1.21	Local Multiplier	1.21
Final Square Foot Cost	\$241.78	Final Square Foot Cost	\$143.85
Gross Building Area (Square Footage)	81,589	Gross Building Area (Square Footage)	45,589
Total Cost	\$19,726,768	Total Cost	\$6,557,884
Lump Sums		Lump Sums	
Basement	\$0	Basement	\$0
Land Improvements	789,071	Land Improvements	262,315
Developers Overhead @ 15%	3,077,376	Developers Overhead @ 15%	1,023,030
Certificate of Need	0	Certificate of Need	0
Absorption Cost	890,000	Absorption Cost	140,000
Total Replacement Cost	\$24,483,214	Total Replacement Cost	\$7,983,229

JEANNE JUGAN RESIDENCE
APPRAISAL REPORT

Jeanne Jugan Residence		Jeanne Jugan Residence	
Laundry building		Retreat house	
Marshall & Swift Data		Marshall & Swift Data	
Cost Section & Page	<i>Section 13, Page 25</i>	Cost Section & Page	<i>Section 12, Page 14</i>
Building Type	<i>Laundry/ Dry Cleaning</i>	Building Type	<i>Lodges</i>
Class	<i>Class C</i>	Class	<i>Class C</i>
Construction Type	<i>Good</i>	Construction Type	<i>Good</i>
Improvement Cost		Improvement Cost	
Base Square Foot Cost	\$83.50	Base Square Foot Cost	\$100.78
Square Foot Refinement		Square Foot Refinement	
HVAC	0.00	HVAC	0.00
Elevator Deduction	0.00	Elevator Deduction	0.00
Miscellaneous	3.00	Miscellaneous	3.00
Subtotal	\$86.50	Subtotal	\$103.78
Height & Size Refinement		Height & Size Refinement	
Number of stories	1.000	Number of stories	1.000
Height per story	1.000	Height per story	1.000
Floor area/Perimeter	1.000	Floor area/Perimeter	1.000
Subtotal	1.000	Subtotal	1.000
Final Calculations		Final Calculations	
Refined Square Foot Cost	\$86.50	Refined Square Foot Cost	\$103.78
Current Cost Multiplier	1.03	Current Cost Multiplier	1.03
Local Multiplier	1.21	Local Multiplier	1.21
Final Square Foot Cost	\$107.80	Final Square Foot Cost	\$129.34
Gross Building Area (Square Footage)	3,607	Gross Building Area (Square Footage)	18,980
Total Cost	\$388,852	Total Cost	\$2,454,892
Lump Sums		Lump Sums	
Basement	\$0	Basement	\$0
Land Improvements	15,554	Land Improvements	98,196
Developers Overhead @ 15%	60,661	Developers Overhead @ 15%	382,963
Total Replacement Cost	\$465,068	Total Replacement Cost	\$2,936,051

MARSHALL VALUATION GUIDE CONCLUSION

Using the Marshall Valuation Guide, hard costs are estimated to be:

Building	Hard costs
Three- and Four- story	\$24,483,214
Two-story	\$7,983,229
Laundry	\$465,068
Retreat house	\$2,936,051
<i>Total</i>	<i>\$35,867,563</i>

AGE AND LIFE RELATIONSHIPS

Economic Life – “The period over which improvements to real property contribute to property value.”

- The Subject is estimated to have an economic life of 60 years.

Effective Age – “The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different than its chronological age.”

- The effective age of the Subject is estimated to be 27 years.

Remaining Economic Life – “The estimated period during which improvement will continue to represent the highest and best uses or the property; an estimate of the number of years remaining in the economic life of the structure or structural components as of the date of the appraisal.”

- The remaining economic life of the Subject is calculated to be 33 years.

DEPRECIATION

Depreciation – “The difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvements on the same date.”

Depreciation is separated into three categories:

PHYSICAL DETERIORATION

Curable physical deterioration – “A form of physical deterioration that can be practically and economically corrected as of the date of the appraisal.”

- The Subject does not have any items that are considered to be in a deferred state of repair.

Incurable physical deterioration – “A form of physical deterioration that cannot be practically and economically corrected as of the date of the appraisal.”

- Considering the total economic life, effective age and remaining economic life of the Subject’s improvements, depreciation attributable to incurable physical depreciation is calculated at 45.0 percent (27 years divided by 60 years). Given that the Subject’s equipment has a total economic life of 10 years and effective age of three years, the equipment’s depreciation is calculated at 30.0 percent (3 years divided by 10 years). These depreciation levels are based on the age-life methodology.

Given the physical deterioration of 45.0 percent on the Subject’s *improvements*, this results in overall depreciation of \$11,017,446 (three- and four-story building), \$3,592,453 (two story building), \$209,280 (laundry building) and \$1,321,223 (retreat house). For the Subject’s *equipment*, the physical deterioration of 30.0 percent results in total depreciation of \$33,600 (IL component) for the two story structure and \$186,000 (AL component) and \$97,200 (NF component) for the three- and four-story building.

FUNCTIONAL OBSOLESCENCE

Curable functional obsolescence – “An element of depreciation; a curable defect caused by a flaw in the structure, materials, or design, which can be practically and economically corrected.”

Incurable functional obsolescence – “An element of depreciation; a defect caused by a deficiency or superadequacy in the structure, materials, or design, that cannot be practically and economically corrected.”

- The Subject does not have any items that are considered to create functional obsolescence.

ECONOMIC OBSOLESCENCE

Also referred to as external obsolescence, it is defined as – “An element of depreciation; a diminution in value caused by negative externalities and generally incurable on the part of the owner, landlord, or tenant.” External obsolescence may be attributable to economic or locational factors; can either be temporary or permanent; and, as noted, is not usually curable. In order to estimate external obsolescence, three primary methods are typically used:

- Allocation of market-derived depreciation;
- Analysis of market data; or
- Capitalization of an income loss.

In the case of the Subject, the facility is experiencing influences that are creating economic obsolescence.

Therefore, an allocation of market-derived depreciated was applied, using the following methodology:

- The Subject’s total replacement cost was \$35,867,563. This was estimated by adding the total replacement costs of the four structures (\$24,483,214+\$7,983,229+\$465,068+\$2,936,051). Physical and/or functional depreciation was estimated at \$16,140,402 which was found by adding the depreciation amounts of all structures (\$11,017,446+\$3,592,453+\$209,280+\$1,321,223). By extracting physical and/or functional depreciation from total replacement cost, this results in the total depreciated replacement cost (\$19,727,161).
- The land value (\$8,600,000) and depreciated equipment value (\$226,800+\$434,000+\$78,400) were extracted from our opinion of overall market value for the Subject (\$18,500,000), resulting in the depreciated building improvements. The total depreciated improvement cost is \$9,160,800.
- The difference between the physical depreciated replacement costs of the building and the market value attributable to the improvements (e.g. depreciated building improvements) is considered external (or economic) obsolescence due to below market rents and inefficient operations. In the case of the Subject, depreciated replacement costs (\$19,727,161) *less* the value attributed to the depreciated building improvements (\$9,160,800) results in economic obsolescence of \$10,566,361. Out of this total, the two story building (containing IL) has economic obsolescence of \$1,436,204 while the three- and four-story building (containing NF and AL) has \$9,130,157.

The following table shows a breakdown of the economic obsolescence.

Percent of Beds			
NF	26.2%	x \$10,566,361 =	\$2,769,823
AL	60.2%	x \$10,566,361 =	\$6,360,334
<i>Total</i>			\$9,130,157
IL	13.6%	x \$10,566,361	\$1,436,204
<i>Total</i>			\$10,566,361

DEPRECIATED IMPROVEMENT COST

The Subject’s total depreciated improvement cost (as previously calculated in the economic obsolescence section) is estimated to be:

\$9,160,800

EQUIPMENT COSTS

Typically, senior housing and healthcare operators consider the cost to equip their facilities on a per bed basis. HTG has developed construction cost data for recently-constructed nursing facilities, including those associated with equipment (includes furniture and equipment, but excludes fixtures).

This range represents new nursing facilities offering a well-positioned and highly-competitive alternative to the typical stock of older NFs operating in most markets, while excluding facilities that provide high-end amenities in a “medical resort” type of environment. Based upon this research, equipment costs reflected an average and central tendency of \$14,475 per bed and \$14,786 per bed, respectively, exhibited by the 15 comparables. These figures are reflected in the following table:

NURSING HOME CONSTRUCTION COST INFORMATION	
CONSTRUCTION COST COMPARABLES	
New Construction / Expansion	
Construction Date	2014
Building/Expansion Size (SF)	69,102
Units	98
Beds	104
Building Costs	
Permits & Fees	\$63,458
Hard Costs	\$10,875,570
Soft Cost	\$632,737
CON	\$2,021,667
FF&E	\$1,606,907
Equipment / Bed - Average	
	\$14,475
Equipment / Bed - Central Tendency	
	\$14,786

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This range represents new assisted living and independent living facilities offering a well-positioned and highly-competitive product. Based upon this research, equipment costs reflected an average and central tendency of \$10,996 per bed and \$11,693 per bed, respectively, exhibited by the 34 comparables. These figures are reflected in the following table:

INDEPENDENT, ASSISTED & ALZHEIMER'S ASSISTED LIVING CONSTRUCTION COST INFORMATION	
CONSTRUCTION COST COMPARABLES	
New Construction / Expansion	Averages
Construction Date	2013
Building/Expansion Size (SF)	83,567
Type	
Units	87
Beds	97
Building Costs	
Permits & Fees	\$280,631
Hard Costs	\$13,187,113
Miscellaneous	\$437,029
CON	-
FF&E	\$1,069,826
Equipment / Bed - Average	\$10,996
Equipment / Bed - Central Tendency	\$11,693

The equipment for the Subject facility is considered to be in good condition, given the age of the facility and its equipment. Considering the acuity of the Subject's residents, coupled with the recent construction cost data gathered by HTG, equipment has been estimated at \$12,000 per nursing bed, \$10,000 per AL bed and \$8,000 per IL bed. Given the Subject's operating capacity (27 NF, 62 AL and 34 IL beds), this results in total equipment costs of \$226,800 (NF), \$434,000 (AL) and \$78,400 (IL) before depreciation.

However, depreciation must also be considered for the improvements and equipment, especially for older facilities. Depreciation can be affected by the type of maintenance program being followed by the operators, in addition to the replacement plan being undertaken for aging equipment. The following subsections describe the age and life relationships of buildings, along with various forms of depreciation that must be considered.

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Equipment Value - Nursing		
Number of Beds		27
Equipment Cost per Bed	x	\$12,000
Total Equipment Value		\$324,000
Depreciation (3 Years at 30%)		\$97,200
Depreciated Replacement Cost - Equipment		\$226,800

Equipment Value - AL		
Number of Beds		62
Equipment Cost per Bed	X	\$10,000
Total Equipment Value		\$620,000
Depreciation (3 Years at 30%)		\$186,000
Depreciated Replacement Cost - Equipment		\$434,000

Equipment Value - IL		
Number of Beds		14
Equipment Cost per Bed	X	\$8,000
Total Equipment Value		\$112,000
Depreciation (3 Years at 30%)		\$33,600
Depreciated Replacement Cost - Equipment		\$78,400

The chart below shows the total depreciated replacement cost.

Equipment Value	
Equipment Value - IL	\$78,400
Equipment Value - AL	\$434,000
Equipment Value - Nursing	\$226,800
Depreciated Replacement Cost - Equipment	
	\$739,200

COST APPROACH CONCLUSION

The cost approach conclusion utilizes the land value, depreciated improvement cost and equipment cost previously established. The total cost approved is estimated to be:

Jeanne Jugan Residence	
Land Value	\$8,600,000
Depreciated Improvement Cost	\$9,160,800
Depreciated Equipment Cost	\$739,200
Total Cost	\$18,500,000
Rounded Cost Approach	\$18,500,000

RECONCILIATION, CONCLUSION AND ALLOCATION OF FINAL OPINION OF VALUES

RECONCILIATION AND VALUE CONCLUSION

This section of the report explains and summarizes the relevance of each approach. This section presents the final indications of value derived in each of the valuation approaches. The values are reconciled to conclude on the final opinion of value.

OPINION OF VALUE – AS IS

Income Approach – This is considered the most applicable approach to value for income producing properties. Investors most commonly utilize direct capitalization or discounted cash flow analysis in the purchase of senior living properties. The Income Approach utilized analysis of competitive facilities, market occupancy and rent levels, market expense comparables, and the Subject’s historic operations to develop the revenue and expense projections. Capitalization rate and discount rate information was obtained from market participants, market transactions, surveys, and other market resources. The discounted cash flow and direct capitalization methods were both utilized to develop the value indication. The indications of market value of the Subject via the Income Approach, as of May 17, 2018 is:

\$18,400,000 – Discounted Cash Flow
\$18,500,000 – Direct Capitalization

Sales Comparison Approach – This approach compares the Subject with recent sales and/or listings of similar property types. The reliability of this technique depends on length of time from transaction date, degree of comparability with the Subject, and accuracy of sales data. The sales comparison approach utilized market sale comparables in order to project a per square bed figure related to the Subject. The sale comparables were located within the state and were considered comparable to the Subject building and site. The quantitative and qualitative adjustments to the improved sales presented are considered to be well supported and consistent with how market participants would analyze each property. The value indication from this approach is generally consistent with the Income Approach value indication. The indication of market value of the Subject via the Sales Comparison Approach, as of May 17, 2018 is:

\$17,000,000 to \$18,700,000

Cost Approach – This approach is considered most applicable for improvements that are proposed or considered relatively new requiring depreciation estimates that are least subjective. This technique does not consider the intangible components of a business. Senior living investors rarely consider this approach for value estimates unless it is new construction. The cost approach presented in the report utilized data from Marshall Valuation Services. This source is considered to be reliable and market based and accounts for all costs. Depreciation was calculated through the age life methods. The reconciliation of the cost approach was calculated utilizing the direct, indirect, entrepreneurial incentive, and depreciation related to the building and added in the land and FF&E to arrive at the Cost Approach Valuation. The value indication from this approach is generally consistent with the Income and the Sales Comparison Approach value indications.

\$18,500,000, *inclusive of market value of the land*

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Based on an inspection of the property and the investigation and analyses undertaken, we have formed the opinion that as of May 17, 2018, and Subject to the assumptions and limiting conditions herein, the going concern has an As Is market value of:

\$18,500,000
Eighteen Million, Five Hundred Thousand Dollars

ALLOCATION OF FINAL VALUES

Allocation of Value as of:		May 17, 2018	
Realty:			
Land		\$8,600,000	
<u>Improvements</u>		<u>9,160,800</u>	
Total Realty		\$17,760,800	
		Personalty:	
		Equipment	\$739,200
		Other Assets:	\$0

MARKETING PERIOD & EXPOSURE TIME

Marketing Period, or marketing time, according to the *Dictionary of Real Estate Appraisal, Sixth Edition*, is defined as “An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal.” We have researched several senior housing and healthcare transactions that have occurred since the beginning of 2016. While seller motivation or distressed operations may increase or decrease marketing period significantly, the selected examples are considered representative of reasonable marketing periods.

<u>Property</u>	<u>Marketing Period</u>	<u>Sold</u>
CCRC Facility – Arizona	Three Months	2018
Independent Living, Assisted Living and Memory Care Facility – 200 units – Ohio	Two Months	2017
Assisted Living and Memory Care Facility - 120 units - Tennessee	Nine Months	2017
Assisted Living Facility – 45 beds – Pennsylvania	Six Months	2017
Assisted Living Facility – 110 beds – Illinois	Six Months	2017
Nursing and Assisted Living Facility – 144 beds – Michigan	Nine Months	2017
Nursing Facility – 75 beds – Illinois	Eight Months	2017
Independent Living Facility – 120 units - Ohio	Two Months	2016
Nursing Facility – 177 beds – California	Five Months	2016
Independent Living, Assisted Living and Memory Care Facility – 198 units – California	Three Months	2016
Assisted Living and Memory Care Facility – 74 units – Florida	Five Months	2016
Nursing Facility – 111 Beds – Pennsylvania	Six Months	2016
Nursing Facility – 68 Beds – Massachusetts	Ten Months	2016

Considering the market conditions during 2016 and 2017 and the transactions listed above, on average, it may take four to six months to sell a facility.

While the actual marketing period required for a single facility can vary depending on location, census mix, occupancy, reputation in the community, building age and network associations, a marketing period of five months appears reasonable based on our survey.

- The marketing period for the Subject property is estimated to be five months.

Exposure time, according to the *Dictionary of Real Estate Appraisal, Sixth Edition*, is defined as “The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.”

- The exposure time of the Subject property is estimated to be five months.

PROFESSIONAL QUALIFICATIONS

DAVID S. PASSERO, MAI
SENIOR PRINCIPAL

PROFESSIONAL EXPERIENCE

Mr. Passero has been engaged in the valuation and consulting profession since 1991. He has valued a wide range of tangible and intangible healthcare and senior housing assets in connection with financing, litigation support, acquisition/divestiture and fair rental settings as well as for tax appeal, IRS market-value determination and depreciation for accounting purposes.

His experience includes the estimation of fair market, investment, leasehold and leased fee values for various healthcare enterprises including: skilled nursing facilities, sub-acute nursing facilities, assisted living residences, congregate care centers, continuing care retirement communities (CCRCs), long term acute care facilities (LTACs), life care communities, rehabilitation centers, acute care hospitals, surgical centers, behavioral care and substance abuse facilities, HMOs, home healthcare companies and physician practices.

Mr. Passero has provided pre-acquisition/pre-development consultation for internal decision making for several publicly-traded healthcare companies. In addition, Mr. Passero has valued healthcare facilities in over 40 states. Mr. Passero provides consulting services to various lenders, providers, investors and legal counsel. Given his knowledge and extensive experience with the Medicare and Medicaid reimbursement programs, he provides assistance to commercial banks, REMICs, REITs and investment banks with underwriting of healthcare and senior housing assets.

Additional experience includes appraisal and consulting services for transactions under the FHA 232, 221(d)(4) and 223(f) programs. In this regard, Mr. Passero has conducted appraisals for new construction and substantial rehabilitation loans processed through the HUD offices in Philadelphia, New York, Newark, Chicago, Denver, Los Angeles, San Francisco, Jacksonville, Kansas City, Baltimore, Richmond, Hartford, Buffalo and Boston. Mr. Passero has also developed work-out and turn-around studies for financially distressed healthcare operations, sensitivity models to analyze various operating scenarios as well as market studies for development and retrofit projects. Several major financial service and banking organizations, including Freddie Mac and Fannie Mae, have engaged Mr. Passero to develop their lending, origination and underwriting criteria.

EMPLOYMENT HISTORY

Mr. Passero is a founding principal of HTG Consultants, LLC. Prior to that, he worked with a nationally recognized valuation and consulting firm for seven years, managing a regional office for several years. Mr. Passero was responsible for project management, oversight and supervision of a diverse array of assignments. Formerly he was with a national trust firm where he held the position of Senior Researcher.

EDUCATIONAL BACKGROUND

Mr. Passero is a graduate of the University of Delaware, located in Newark, Delaware, with a Bachelor of Science degree in Economics and a minor in business finance and management information systems. He attends several national and state healthcare conventions for the senior living, acute care and rehabilitation industries. Mr. Passero is a certified general appraiser in various states nationwide, and holds the MAI (Member of the Appraisal Institute) designation from the Appraisal Institute.



PROFESSIONAL SOCIETIES

Mr. Passero is a board member of the American Seniors Housing Association (ASHA).

LICENSE FOR CERTIFIED GENERAL APPRAISER



MEDICAID RATE LETTER

 JENNIFER KENT DIRECTOR	State of California—Health and Human Services Agency Department of Health Care Services	 EDMUND G. BROWN JR. GOVERNOR						
April 12, 2017								
LITTLE SIS. OF THE POOR 2100 S WESTERN AVE SAN PEDRO, CA 90732-4389		NPI #1992882534						
Dear Provider:								
This letter notifies you of your final, facility-specific rate, effective retroactively to August 1, 2016. This rate was developed using the methodology mandated by Assembly Bill 1629 (Statutes of 2004, Chapter 875). AB 1629 requires the Department of Health Care Services (DHCS) to implement a cost-based, facility-specific reimbursement rate methodology for the Free-Standing Nursing Facilities Level B (FS/NF-B).								
Your final FS/NF-B facility-specific rate is listed below:								
<table border="1"><thead><tr><th>Dates of Service</th><th>Medi-Cal Rate</th><th>Leave of Absence/Bed Hold Reduction</th></tr></thead><tbody><tr><td>08/01/16 – 07/31/17</td><td>\$234.60</td><td>\$7.35</td></tr></tbody></table>	Dates of Service	Medi-Cal Rate	Leave of Absence/Bed Hold Reduction	08/01/16 – 07/31/17	\$234.60	\$7.35		
Dates of Service	Medi-Cal Rate	Leave of Absence/Bed Hold Reduction						
08/01/16 – 07/31/17	\$234.60	\$7.35						
The DHCS Fiscal Intermediary (FI), Conduent, will reprocess Medi-Cal claims subject to the adjusted FS/NF-B rates. Providers may direct questions regarding their Erroneous Payment Correction (EPC) to the Telephone Service Center (TSC) at 1-800-541-5555.								
If necessary, providers should notify managed care plans of their facility's rate.								
Rates are posted on the DHCS website (http://www.dhcs.ca.gov/services/medi-cal/Pages/AB1629/LTCAB1629.aspx). If you are unable to access this website or have questions about your rate, please leave a voicemail for the AB 1629 coordinator at (916) 552-8613 or send an email to AB1629@dhcs.ca.gov .								
Sincerely,								
<i>Grant Gassman</i>								
Grant Gassman, Chief Long Term Care Section								
<hr/> <p>Fee-For-Service Rates Development Division 1501 Capitol Avenue, MS 4600, P.O. Box 997417, Sacramento, CA 95899-7417 Phone: (916) 552-9600 Fax: (916) 449-5337 Internet Address: http://www.dhcs.ca.gov/services/medi-cal/Pages/AB1629/LTCAB1629.aspx</p>								

JEANNE JUGAN RESIDENCE
APPRAISAL REPORT

RENT ROLL – ASSISTED LIVING

Date: May 1, 2018 Time: 11:30:25 PT User: Tywana Hinton			CH-LSP San Pedro - IL Resident Rent Roll Report April 2018							Monthly Charges	Daily Charges	Total Charges
Rate Eff. Date	Adm. Date	Disch. Date	Unit	Unit Description	Rate Schedule	Rate Type	Payer					
CH-LSP San Pedro - IL												
Accetta, Virginia (251102)												
3/30/2018	1/18/2016		1st Floor 132-1	One Bedroom	Custom	Assisted Living	Private Residential [1] Recurring Charges	1800.00 0.00	0.00	60.00 0.00		
								Total		60.00		
Aguirre, Orlando (251212)												
11/5/2017	12/6/2012		1st Floor 141-1	One Bedroom	Custom	Assisted Living	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00		
								Total		1800.00		
Amalfitano Jr., Ciro (251312)												
2/8/2018	11/1/2013		1st Floor 118-1	One Bedroom	Custom	Assisted Living	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00		
								Total		1800.00		
Banuelos, Rebecca (250605)												
1/1/2018	5/1/2008		1st Floor 109-1	One Bedroom	Standard	Assisted Living	Assisted Living Waiver [2] Recurring Charges	796.00	58.00 0.00	116.00 796.00		
								Total		912.00		
Bautista, Esther (251801)												
3/1/2018	1/11/2018		3rd Floor 323-1	One Bedroom	Custom	Private	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00		
								Total		1800.00		
Beaton, Margaret (250612)												
1/1/2018	8/3/2012		1st Floor 129-1	One Bedroom	Standard	Assisted Living	Assisted Living Waiver [30] Recurring Charges	1055.00	58.00 0.00	1740.00 1059.00		
								Total		2799.00		
Bologna, Phyllis (251003)												
3/14/2018	2/24/2010	4/25/2018	1st Floor 104-1	One Bedroom	Custom	Assisted Living	Private Residential [24] Recurring Charges	1800.00 0.00	0.00	1440.00 0.00		
								Total		1440.00		
Brooks, George (251614)												
11/7/2017	9/1/2016		3rd Floor 320-1	One Bedroom	Custom	Private	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00		
								Total		1800.00		
Burch, Dorothy (251313)												
3/9/2017	11/22/2013		1st Floor 113-1	One Bedroom	Standard	Assisted Living	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00		
								Total		1800.00		
Castejon, Melchor (251706)												
8/15/2017	8/1/2017		1st Floor 117-1	One Bedroom	Custom	Assisted Living	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00		
								Total		1800.00		
Castro, Mary (250615)												
1/1/2018	3/4/2017		1st Floor 127-1	One Bedroom	Standard	Assisted Living	Assisted Living Waiver [30] Recurring Charges	796.00	58.00 0.00	1740.00 796.00		
								Total		2536.00		
Chai, Pi-Hsia (251007)												
5/1/2018 11:30:49 AM												

JEANNE JUGAN RESIDENCE
APPRAISAL REPORT

3/1/2018	2/5/2018	4/10/2018	1st Floor 128-1	One Bedroom	Custom	Assisted Living	Private Residential [9] Recurring Charges	1800.00 0.00	Total	0.00	540.00 0.00 540.00
5/1/2018 11:30:49 AM								Page 2 of 9			

JEANNE JUGAN RESIDENCE
APPRAISAL REPORT

Date: May 1, 2018		CH-LSP San Pedro - IL							Facil	
Time: 11:30:25 PT		Resident Rent Roll Report								
User: Tywana Hinton		April 2018								
Rate Eff. Date	Adm. Date	Disch. Date	Unit	Unit Description	Rate Schedule	Rate Type	Payer	Monthly Charges	Daily Charges	Total Charges
CH-LSP San Pedro - IL										
Cornelly, Anne (251606)										
2/1/2016	3/15/2016		3rd Floor 315-1	One Bedroom	Custom	Private	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
D'Mello, Letticia (251204)										
3/3/2018	5/2/2012		3rd Floor 322-1	One Bedroom	Custom	Assisted Living	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
David, Inez (250715)										
3/30/2018	10/19/2013		1st Floor 110-1	One Bedroom	Custom	Assisted Living	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Davis, Hellen (250710)										
3/5/2018	7/26/2017		1st Floor 148-1	One Bedroom	Standard	Assisted Living	Assisted Living Waiver [30] Recurring Charges	1059.00	58.00	1740.00
								Total	0.00	1059.00 2799.00
De los Santos, Mabel (251802)										
3/1/2018	2/21/2018		1st Floor 135-1	One Bedroom	Custom	Assisted Living	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Deacon, Patricia (250501)										
1/1/2016	11/6/2010		1st Floor 124-1	One Bedroom	Standard	Assisted Living	Assisted Living Waiver [30] Recurring Charges	1059.00	88.00	2070.00
								Total	0.00	1059.00 3129.00
Dolgadillo, Estela (251703)										
2/4/2018	4/4/2017		1st Floor 121-1	One Bedroom	Custom	Assisted Living	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Di Leva, Lucy (251608)										
3/30/2016	3/30/2016		1st Floor 126-1	One Bedroom	Custom	Assisted Living	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Dianda, Fidencia (251307)										
3/15/2018	11/15/2015		1st Floor 147-1	One Bedroom	Custom	Assisted Living	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Duarte, Natalie (251203)										
1/31/2018	11/27/2017		3rd Floor 319-1	One Bedroom	Custom	Assisted Living	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Ezzi, Fernanda (251401)										
5/16/2017	1/24/2014		3rd Floor 321-1	One Bedroom	Custom	Assisted Living	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Fiore, Frances (251206)										
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3/27/2018	11/16/2016	1st Floor 134-1	One Bedroom	Custom	Assisted Living	Private Residential (R) Recurring Charges	1800.00 0.00	Total	0.00	540.00 0.00 540.00
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CH-LSP San Pedro - IL								Facil		
Date: May 1, 2018 Time: 11:30:26 PT User: Tywana Hinton			CH-LSP San Pedro - IL Resident Rent Roll Report April 2018							
Rate Eff. Date	Adm. Date	Disch. Date	Unit	Unit Description	Rate Schedule	Rate Type	Payer	Monthly Charges	Daily Charges	Total Charges
CH-LSP San Pedro - IL										
Flore, Peter (251287)										
19/18/2017	8/12/2014		3rd Floor 324-1	One Bedroom	Custom	Assisted Living	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Glib, Eugene (251506)										
3/28/2018	12/20/2019		1st Floor 167-1	One Bedroom	Custom	Assisted Living	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Godoy, Elisa (251502)										
3/17/2018	12/22/2017		3rd Floor 317-1	One Bedroom	Custom	Assisted Living	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Guerra, Carmela (250693)										
3/11/2018	3/1/2018		1st Floor 123-1	One Bedroom	Standard	Assisted Living	Assisted Living Waiver [5] Recurring Charges	1052.00 0.00	0.00	1052.00 0.00
								Total		1404.00
Harity, Sheila (251211)										
2/28/2018	11/7/2015		1st Floor 122-1	One Bedroom	Custom	Assisted Living	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Hernandez, Maria Carmen (250408)										
4/1/2017	1/29/2014		1st Floor 133-1	One Bedroom	Custom	Assisted Living	Private Residential [18] Recurring Charges	1060.00 0.00	0.00	1060.00 0.00
								Total		1060.00
Hilkey, Ina Pearl (250812)										
10/1/2015	10/20/2008		1st Floor 130-1	One Bedroom	Custom	Assisted Living	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Kaszas, Susio (251611)										
5/8/2017	5/1/2015		1st Floor 101-1	One Bedroom	Custom	Assisted Living	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Keeling, Lorraine (251402)										
3/1/2018	3/1/2014		3rd Floor 316-1	One Bedroom	Custom	Assisted Living	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Kentzelman, Beverly (251410)										
3/24/2018	11/16/2014		1st Floor 140-1	One Bedroom	Custom	Assisted Living	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Kilmer, Jean (251605)										
3/20/2018	3/6/2018		3rd Floor 311-1	One Bedroom	Custom	Assisted Living	Private Residential [30] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Laz, Thomas (250303)										
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5/1/2018	1/22/2021	3rd Floor 302-1	One Bedroom	Standard	Assisted Living	Assisted Living Waiver [30] Recurring Charges	1059.00	58.00 0.00	1748.00 1059.00 2789.00
							Total		

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CH-LSP San Pedro - IL								Fac		
Date: May 1, 2018										
Time: 11:30:26 PT										
User: Tywana Hinton										
Rate Eff. Date	Adm. Date	Disch. Date	Unit	Unit Description	Rate Schedule	Rate Type	Payer	Monthly Charges	Daily Charges	Total Charges
CH-LSP San Pedro - IL										
Lo, Roan (251602)										
12/15/2016	1/25/2016		1st Floor 137-1	One Bedroom	Custom	Assisted Living	Private Residential (38) Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Madajewski, Walter (251701)										
11/8/2017	1/1/2017		1st Floor 142-1	One Bedroom	Custom	Assisted Living	Private Residential (38) Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
McFadden, Audrey (250302)										
4/1/2017	11/25/2014		1st Floor 112-1	One Bedroom	Custom	Assisted Living	Private Residential (38) Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Moffatt, James (251407)										
1/1/2018	6/23/2014		1st Floor 144-1	One Bedroom	Custom	Private	Private Residential (38) Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Nguyen, Hoa Van (251705)										
5/8/2017	3/8/2017		1st Floor 118-1	One Bedroom	Custom	Assisted Living	Private Residential (38) Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Nordella, Miriam (251803)										
2/21/2018	2/21/2018		1st Floor 136-1	One Bedroom	Custom	Private	Private Residential (38) Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
O'Leary, Margaret (251404)										
1/3/2018	1/4/2017		1st Floor 102-1	One Bedroom	Custom	Assisted Living	Private Residential (18) Recurring Charges	1800.00 0.00	0.00	900.00 0.00
								Total		900.00
Coakes, Catherine (251015)										
8/15/2017	8/15/2016		3rd Floor 312-1	One Bedroom	Custom	Assisted Living	Private Residential (1) Recurring Charges	1800.00 0.00	0.00	90.00 0.00
								Total		90.00
Pecarich, Ruby (251108)										
10/1/2015	4/8/2014		1st Floor 103-1	One Bedroom	Custom	Assisted Living	Private Residential (38) Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Piazza, Virginia (251505)										
3/29/2018	5/18/2015		1st Floor 111-1	One Bedroom	Custom	Assisted Living	Private Residential (1) Recurring Charges	1800.00 0.00	0.00	90.00 0.00
								Total		90.00
Rangel, Lupe (250706)										
1/3/2018	8/7/2014		1st Floor 119-1	One Bedroom	Standard	Assisted Living	Assisted Living Waiver (35) Recurring Charges	690.00 0.00	69.00	2070.00 580.00
								Total		2650.00
Ryan, Norren (251805)										

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3/14/2017 4/29/2018	3/2/2016	3rd Floor 307-1 3rd Floor 301-1	One Bedroom One Bedroom	Custom Custom	Assisted Living Residential	Private Residential [22] Private Residential [0] Recurring Charges	1850.00 1850.00 0.00	1320.00 490.00 0.00	
							Total	0.00	1900.00
<div style="display: flex; justify-content: space-between; align-items: flex-end; padding: 10px;"> 5/1/2018 11:30:49 AM Page 8 of 9 </div>									

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Date: May 1, 2018		CH-LSP San Pedro - IL							Fac	
Time: 11:30:26 PT		Resident Rent Roll Report								
User: Tywana Hinton		April 2018								
Rate Eff. Date	Adm. Date	Diach. Date	Unit	Unit Description	Rate Schedule	Rate Type	Payer	Monthly Charges	Daily Charges	Total Charges
CH-LSP San Pedro - IL										
Sanchez, Guadalupe (251804)										
3/21/2018	3/23/2018		1st Floor 114-1	One Bedroom	Custom	Assisted Living	Private Residential [9] Recurring Charges	1600.00 0.00	0.00	490.00 0.00
								Total		490.00
Siegner, Helen (250705)										
10/1/2015	3/1/2007		3rd Floor 313-1	One Bedroom	Custom	Assisted Living	Private Residential [20] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Sorocco, Florence (251613)										
3/26/2018	8/1/2016		3rd Floor 309-1	One Bedroom	Custom	Assisted Living	Private Residential [16] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Taylor, Ruth (250708)										
2/23/2018	10/2/2016		3rd Floor 310-1	One Bedroom	Custom	Assisted Living	Private Residential [16] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Tomes, Arthur (250807)										
10/1/2015	6/6/2000		1st Floor 106-1	One Bedroom	Custom	Assisted Living	Private Residential [20] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Vassallo, Anna (251403)										
11/2/2017	4/1/2014		3rd Floor 305-1	One Bedroom	Custom	Assisted Living	Private Residential [20] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00
Vittorio, Maureen (251610)										
6/1/2017	3/16/2017		1st Floor 116-1	One Bedroom	Custom	Assisted Living	Private Residential [25]	1800.00		1740.00
4/23/2018			1st Floor 120-1	One Bedroom	Custom	Private	Private Residential [1] Recurring Charges	1800.00 0.00	0.00	60.00 0.00
								Total		1800.00
Winans, Verla (251604)										
11/9/2017	3/5/2017		3rd Floor 314-1	One Bedroom	Custom	Assisted Living	Private Residential [20] Recurring Charges	1800.00 0.00	0.00	1800.00 0.00
								Total		1800.00

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APPRAISAL REPORT

RENT ROLL – INDEPENDENT LIVING

Rate Eff. Date	Adm. Date	Disch. Date	Unit	Unit Description	Rate Schedule	Rate Type	Payer	Monthly Charges	Daily Charges	Total Charges
Date: Apr 30, 2018 Time: 17:00:51 PT User: Tywana Hinton										
CH-LSP San Pedro - APTS Resident Rent Roll Report April 2018										
CH-LSP San Pedro - APTS										
8/1/2017	8/5/2014		2nd Floor 12-1	One Bedroom	Custom	Private	Private Pay Apartments (30) Recurring Charges	1000.00 0.00	0.00	1000.00 0.00 1000.00
8/1/2017	3/7/2009		1st Floor 4-1	One Bedroom	Custom	Private	Private Pay Apartments (30) Recurring Charges	1000.00 0.00	0.00	1000.00 0.00 1000.00
8/1/2017	7/1/2002		1st Floor 5-1	One Bedroom	Custom	Private	Private Pay Apartments (30) Recurring Charges	1000.00 0.00	0.00	1000.00 0.00 1000.00
8/1/2017	6/12/2016		1st Floor 2-1	One Bedroom	Custom	Private	Private Pay Apartments (30) Recurring Charges	1000.00 0.00	0.00	1000.00 0.00 1000.00
8/1/2017	6/12/2016		1st Floor 2-1	One Bedroom	Custom	Private	Private Pay Apartments (30) Recurring Charges	1000.00 0.00	0.00	1000.00 0.00 1000.00
8/1/2008	6/1/2006		1st Floor 3-1	One Bedroom	Custom	Private	Private Pay Apartments (30) Recurring Charges	500.00 0.00	0.00	500.00 0.00 500.00
8/1/2017	3/16/2002		1st Floor 6-1	One Bedroom	Custom	Private	Private Pay Apartments (30) Recurring Charges	1000.00 0.00	0.00	1000.00 0.00 1000.00
8/1/2017	3/12/2012		2nd Floor 13-1	One Bedroom	Custom	Private	Private Pay Apartments (30) Recurring Charges	1000.00 0.00	0.00	1000.00 0.00 1000.00
8/1/2017	11/8/2013		2nd Floor 11-1	One Bedroom	Custom	Private	Private Pay Apartments (30) Recurring Charges	1000.00 0.00	0.00	1000.00 0.00 1000.00
1/1/2018	1/1/2018		2nd Floor 10-1	One Bedroom	Custom	Private	Private Pay Apartments (30) Recurring Charges	1000.00 0.00	0.00	1000.00 0.00 1000.00
8/1/2017	6/1/2002		2nd Floor 14-1	One Bedroom	Custom	Private	Private Pay Apartments (30) Recurring Charges	1000.00 0.00	0.00	1000.00 0.00 1000.00
Omelas, Magdalena (250913)										
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9/10/2017	12/11/2013	1st Floor 1-1	One Bedroom	Custom	Private	Private Pay Apartments (30) Recurring Charges	1000.00 0.00	0.00	1000.00 0.00 1999.00
							Total		
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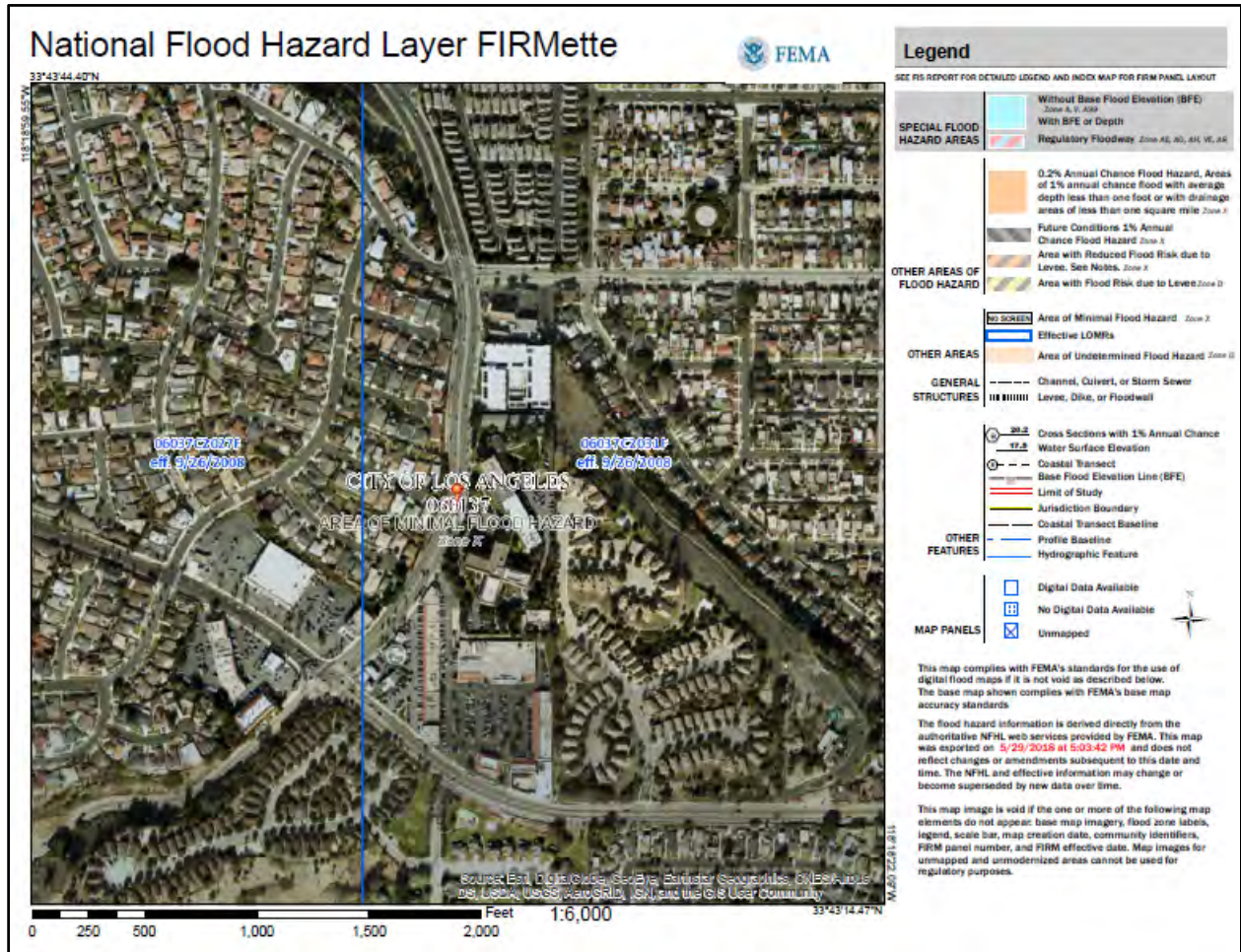
JEANNE JUGAN RESIDENCE
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Rate Eff. Date	Adm. Date	Disch. Date	Unit	Unit Description	Rate Schedule	Rate Type	Payer	Monthly Charges	Daily Charges	Total Charges
CH-LSP San Pedro - APTS										
Zhu, Zhaoxi (259020)										
1/1/2018	1/1/2018		2nd Floor 10-1	One Bedroom	Custom	Private	Private Pay Apartments (30) Recurring Charges	1000.00 0.00	0.00	1000.00 0.00 1000.00
								Total		1000.00

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FEMA MAP



LICENSING AND REGULATIONS – ASSISTED LIVING

LICENSING

Assisted living services in California are provided by Residential Care Facilities for the Elderly ("RCFEs"), which are licensed and regulated by the Department of Social Services ("DSS"), Community Care Licensing Division. As of June 2016, there were 7,288 licensed RCFEs in California with a capacity of 148,892 licensed beds statewide.

CERTIFICATE OF NEED

In many states, a Certificate of Need ("CON") is required for the development of health care facilities and services. The CON process is often used to regulate this development, enabling each state to provide adequate legislation and funding on behalf of varying population groups. However, a CON is not required for RCFEs in California.

STAFFING REQUIREMENTS

According to California regulations, each facility must have a certified administrator. Administrators of RCFEs must, at a minimum, be 21 years of age, have a high school diploma or equivalent and have the knowledge and character to perform the required duties.

Administrators of RCFEs that are licensed for 16 to 49 residents must also have:

- Completed at least 15 credits of continuing education; and
- At least one year of experience providing residential care to the elderly, or equivalent experience and education approved by the DSS.

Administrators in RCFEs licensed for 50 residents or more must also have:

- Completed at least two years of college; and
- At least three years experience providing residential care to the elderly or equivalent education and experience approved by DSS.

Administrators are required to complete a 40-hour certification program approved by the DSS. Administrator applicants who hold a valid nursing home administrator license must complete 12 hours of classroom instruction in place of the certification program. Administrators are required to complete 40 hours of continuing education credits during each two-year certification period.

California regulations indicate that there must be sufficient facility personnel to meet resident needs. The DSS may require any facility to provide additional staff when it determines through documentation that they are necessary in order to provide adequate services to the residents. Personnel are required to complete an orientation, annual skill training and continuing education.

The following table illustrates the minimum facility staffing requirements applied during the overnight hours.

Number of Residents	Staffing Requirements
Less than 16 Residents	One staff member on call, on the premises
16 - 100 Residents	One staff member on duty on the premises and awake; and One staff member on call, capable of responding within ten minutes.
101 - 200 Residents	One staff member on duty on the premises and awake; One staff member on call on the premises; and One staff member on call, capable of responding within ten minutes.
Every Additional 100 Residents	One additional staff member on duty on the premises and awake.

Alzheimer's and dementia care must meet additional staff training requirements. Direct care staff need to complete six hours of resident care orientation and eight hours of in-service training annually, focused on caring for residents with dementia. In addition, administrators are required to complete four hours within the administrator certification and eight hours within the continuing education requirements focused on caring for residents with dementia.

UNIT REQUIREMENTS

- Units are private or semi-private, with no more than two residents per unit;
- Units must be of sufficient size to allow for easy passage of wheelchairs and walkers;
- One toilet and washbasin for every six residents; and
- One shower or bathtub for every ten residents.

MEDICAID REIMBURSEMENT

Effective March 1, 2009, California implemented the Assisted Living Waiver program, which is a Home and Community-based Medicaid 1916(c) waiver. This waiver is the result of a pilot project that had been in existence since 2005. Recipients of the waiver must meet the following three requirements to be eligible:

- Be eligible to receive Medi-Cal benefits;
- Are determined to need the level of care provided in a nursing home; and
- Live in one of the following counties – Alameda, Contra Costa, Fresno, Kern, Los Angeles, Orange, Riverside, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Clara, and Sonoma counties.

The waiver serves residents in RCFEs and in publicly subsidized housing settings. Participants in the program can receive the following services.

- Personal care services
- Homemaker and chore services
- Companion services
- Medication administration
- Home health care
- Transportation
- Intermittent skilled nursing care
- Therapeutic/recreational services
- Personal emergency response
- Case management
- Consumer education
- Communication and translation services

The waiver currently covers approximately 250 RCFEs in the program and approximately 13,500 participants are enrolled.

The reimbursement rate for the Assisted Living Waiver is based on a tiered system. Each participant is placed in a specific tier level based on the level of care needed. The chart below details the reimbursement rate for each level of care.

Assisted Living Reimbursement Rates – May 2017	
Tier One	\$55 per day
Tier Two	\$66 per day
Tier Three	\$75 per day
Tier Four	\$87 per day
Tier Five	\$200 per day

Room and board services in an RCFE may be paid by a resident’s Supplemental Security Income ("SSI"), which is Federal funding made available to impoverished elderly whose social security benefits fall below the level of monthly SSI rates. Effective January 1, 2018, the Federal SSI rate increased from the 2017 rate of \$735 per resident month to \$750 per resident month.

California provides a state-funded supplemental payment that is combined with Federal SSI and referred to collectively as the Non-Medical Out-of-Home Care Payment Standard ("NMOHC"). The following information describes the breakdown of the NMOHC rates effective during January 2018.

Payment Category	January 2018
Federal Supplemental Security Income	\$750.00
State Supplemental Payment	\$423.37
Total NMOHC Payment Standard	\$1,173.37

The following components are included in the aforementioned NMOHC standard rate:

Payment Breakdown	January 2018
Room and board	\$505.37
Care and supervision (maximum)	\$534.00
Amount payable for basic services	\$1,039.37
Personal and incidental needs allowance	\$134.00
Total NMOHC Payment Standard	\$1,173.37

NEW LEGISLATION

During August 2014, Assembly Bill 1523 was signed into law. This bill requires all residential care facilities for the elderly to maintain either liability insurance in an amount of at least \$1.0 million per occurrence and \$3.0 million in the annual aggregate.

LICENSING AND REGULATIONS - NURSING

LICENSING

California nursing homes are licensed and regulated by the Department of Health Services ("DHS"). Nursing homes are inspected at least once every fifteen months, and upon receipt of a complaint. The table below compares nursing home utilization data between the United States and California during 2013.

Category	United States	California
Number of facilities	15,663	1,226
Number of beds	1,707,817	121,381
Beds per 1,000 age 65+	37.82	25.23
Occupancy percentage	80.3%	84.3%

Sources: Nursing Home Statistical Yearbook, 2013, Cowles Research Group

CERTIFICATE OF NEED

In many states, a Certificate of Need ("CON") is required for the development of health care facilities and services. The CON process is often used to regulate this development, enabling each state to provide adequate legislation and funding on behalf of these varying population groups. California's CON program was terminated in 1986.

STAFFING REQUIREMENTS

California's licensing requirements indicate that nursing homes must have a sufficient level of staff to properly care for their residents at various points throughout the day. The amount of staffing and corresponding level of training required can vary, depending upon such issues as the number of residents, acuity levels, treatments being provided and other related factors.

The Director of Nursing must:

- be a registered nurse ("RN")
- have at least one year of experience in nursing supervision within the last five years
- be employed eight hours a day (during the day shift), five days per week

As a general rule, the minimum nursing personnel requirements for facilities are as follows:

Less than 60 beds	60-99 beds	100 beds or more
At least one RN or licensed vocational nurse ("LVN") awake and on duty at all times	At least one RN or LVN awake and on duty at all times in addition to the Director of Nursing	At least one RN awake and on duty at all times in addition to the Director of Nursing

Each facility must employ sufficient direct nursing staff to provide a minimum daily average of 3.2 direct care hours per resident day. Only direct care staff are to be included in the staff to patient ratios. Direct care staff classifications that may also be counted towards the minimum care requirements include an assistant director of nursing and the MDS evaluation nursing. Hours for a director of nursing are not considered in satisfying the minimum daily staffing average.

Facilities should use the following staffing ratios:

- On the day shift, the ratio should be one direct caregiver for every five patients.
- On the evening shift, the ratio should be one direct caregiver for every eight patients.
- On the night shift, the ratio should be at least one direct caregiver for every 13 patients.
- There should also be one licensed nurse for every eight or fewer patients, for a 24-hour period.

UNIT REQUIREMENTS

There are no minimum unit requirements in the California skilled nursing facility regulations.

MEDICAID REIMBURSEMENT

Effective August 1, 2005, California implemented a prospective, facility-specific and cost-based Medicaid reimbursement system. The per diem payment is based on the sum of five cost categories.

- Labor costs
- Indirect care non-labor costs
- Administrative costs
- Professional liability insurance costs
- Capital costs
- Direct pass-through costs

The labor cost component consists of three sub-components.

- Direct resident care labor costs include salaries, wages and benefits related to routine nursing services personnel. The per diem payment will be limited to the 90th percentile of each facility's peer group.
- Indirect care labor costs include all labor costs related to supportive service staff such as housekeeping, laundry and linen, dietary, medical records and plant operations. The per diem payment will be limited to the 90th percentile of each facility's peer group.

Indirect care non-labor costs include the non-labor portion of nursing, housekeeping, laundry and linen, dietary and plant operations. The per diem payment will be limited to the 75th percentile of each facility's peer group.

Administrative costs include administrative and general expenses and property insurance costs. The per diem payment will be limited to a ceiling amount equal to the 50th percentile of the facility's peer group.

Professional liability insurance costs will be calculated from the facility's actual allowable costs. The per diem payment will be limited to a ceiling amount equal to the 75th percentile of each facility's peer group.

Capital costs will be calculated using a Fair Rental Value System (FRVS). The FRVS establishes a facility's value based on the age of the facility taking into consideration additions and renovations. An estimate of equipment value will be added to the estimated building value in the amount of \$4,000 per bed. The rental factor will be based on the average 20-year U.S. Treasury Bond yield for the calendar year preceding the rate year plus a two percent risk premium, subject to a floor of seven percent and a ceiling of ten percent. The facility's value will not be affected by sale or change of ownership.

Direct pass-through costs are comprised of costs for property taxes, facility license fees, caregiver training costs and the Medi-Cal portion of the skilled nursing facility quality assurance fee.

For Fiscal Year 2017-2018, the following mandated add-ons were added to the Medicaid rate and totaled \$1.39 per day.

- 2016-17 FUTA (ends after 17/18 unless frozen) \$0.05
- 2017-18 FUTA (ends after 17/18 unless frozen) \$0.05
- Minimum Wage (January 2017 AB 10) \$0.15
- Minimum Wage (January 2017 SB 3) \$0.17
- Minimum Wage (January 2018 SB 3) \$0.78
- Payroll Based Journal \$0.13
- Emergency Preparedness \$0.00
- Standards of Participation \$0.04

The ACA Employer Mandated add-on for 2017/18 is \$0.19. There is also a facility-specific 2017/18 ACA Employer Mandated add-on.

PROVIDER TAX

In some states, a Provider Tax, which can also be known as an assessment fee, is charged to nursing facilities to increase the Medicaid expenses incurred by the state. The state then receives matching Medicaid dollars from the federal government for actual expenses incurred and this “additional expense”.

During 2005, California implemented a Medi-Cal Quality Assurance Fee program effective August 1, 2004. For the 2017-2018 rate year, which was effective August 1, 2017, facilities will pay the following quality assurance fee on a monthly basis:

- Free-standing nursing facilities with total annual resident days equal to or greater than 100,000 will pay \$14.28 per resident day.
- Free-standing nursing facilities with total annual resident days less than 100,000 will pay \$15.38 per resident day.

The facilities will be reimbursed the amount paid per Medicaid day as an item in the direct pass-through cost component.

MEDICARE: CASE MIX PROSPECTIVE PAYMENT FOR SKILLED NURSING FACILITIES

DESCRIPTION AND RATE DETERMINATION

The Balanced Budget Act of 1997 (“BBA ‘97”) redefined the way nursing homes were reimbursed under the Health Care Financing Administration’s (“HCFA”) Medicare program. Prior to 1997, the program was based on a retrospective cost-based system in which nursing homes were reimbursed based on each particular facility’s actual historical costs. This system, according to government officials, paid for a significant amount of unneeded services. The system encouraged overspending, and resulted in a Medicare system that was inefficient and expensive. As dictated by BBA ‘97, and in an effort to reduce overall costs for nursing care, HCFA introduced a prospective payment system (“PPS”) for the reimbursement of nursing services under the Medicare program. The program went into effect on July 1, 1998. Effective June 14, 2001, HCFA changed its name to the Centers for Medicare and Medicaid Services (“CMS”).

The current PPS system is, as the name implies, a prospective system in which a nursing facility is reimbursed for care services based on a resident’s particular patient classification, rather than on the actual costs to care for that resident. The system covers all costs (routing, ancillary, and capital) related to the services provided to beneficiaries under Part A of the Medicare program.

Upon admission to a nursing facility, the resident was classified into one of 44 different Resource Utilization Group’s (also referred to as RUG or RUG III categories). Each RUG category specifies certain care needs and conditions such as rehabilitation, respirator care, IV therapies, as well as the amount of assistance needed with activities of daily living. Each RUG category carries a specific reimbursement rate set by CMS. The nursing facility is then reimbursed that rate for each day the resident is eligible for Medicare assistance. Patient assessments are then completed on a weekly basis to determine if classification into a different RUG category is necessary.

CMS developed a labor and a non-labor rate for each RUG category using fiscal year 1995 cost reports of hospital based and freestanding nursing facilities. The labor portion of each RUG category covers salary and wage expenses, which is then adjusted for geographic variations using the hospital wage index. The non-labor portion covers all supplies and other associated expenses. There are two sets of base rates; one for urban and a separate for rural facilities. Adding the adjusted labor rate to the non-labor rate determines the overall reimbursement rate for each particular RUG category. For each Federal fiscal year, the base rates will be increased by a rate determined by a skilled nursing facility market basket index (“MBI”).

PPS REIMBURSEMENT RATE ADJUSTMENTS

After several years of no major changes to the prospective payment system for nursing facilities, CMS implemented a revised case-mix classification methodology (RUG-IV) for Fiscal-Year 2011. This new system was effective October 1, 2010 and was comprised of 66 RUG classifications. In addition to the new case-mix methodology, payment rates for Fiscal-Year 2011 were increased 1.7 percent, which includes a positive market basket increase of 2.3 percent and a negative 0.6 percent forecast error adjustment.

For Fiscal-Year 2012, effective October 1, 2011, Medicare rates were 11.1 percent lower than payments for Fiscal-Year 2011. The drastic reduction was a result of the payments, with the new RUG-IV system of Fiscal-Year 2011, exceeding budget neutrality by significant amounts over the previous RUG-III system of Fiscal-Year 2010. CMS always introduces new classification systems with a policy that the effect is budget neutral, so that whatever was paid under the previous system is what will be paid under the new system. This did not happen with the transition to the RUG-IV system. The increase in spending was primarily due to shifts in the utilization of therapy modes under the new RUG-IV system differing significantly from the projections. CMS recalibrated the case-mix indexes to restore overall payments to their intended levels. The recalibration removed an unintended spike in payment that occurred during Fiscal-Year 2011 rather than decreasing an appropriate payment amount. Even with the recalibration, Fiscal-Year 2012 payment rates were 3.4 percent higher than Fiscal-Year 2010 rates.

For Fiscal-Year 2013, 2014, 2015, 2016 and 2017, Medicare rates were increased by 1.8, 1.3, 2.0, 1.2 and 2.4 percent, respectively. The percentage increases are a combination of market basket increases, forecast error reductions and reductions for the multi-factor productivity (“MFP”) adjustment.

For Fiscal-Year 2018, Medicare rates were increased 1.0 percent from the market basket increase adjustment.

Enacted on October 6, 2014, The Improving Medicare Post-Acute Care Transformation Impact Act of 2014 requires the implementation of a quality reporting program for nursing facilities as well as standardized data reporting. Beginning with Fiscal-Year 2018, nursing facilities that do not satisfactorily report required quality data to CMS will have their market basket percentage update reduced by two percent.

The IMPACT Act of 2014 requires the implementation of specified clinical assessment categories, development and implementation of quality measures from five quality measure domains using standardized assessment data, and the development and reporting of measures pertaining to resource use, hospitalization, and discharge to the community. These categories and domains are listed below.

Assessment Categories:

- Functional status
- Cognitive function and mental status
- Special services, treatments, and interventions
- Medical conditions and co-morbidities
- Impairments
- Other categories required by the Secretary

Quality Measure Domains:

- Skin integrity and changes in skin integrity;
- Functional status, cognitive function, and changes in function and cognitive function;
- Medication reconciliation;
- Incidence of major falls;
- Transfer of health information and care preferences when an individual transitions;

Resource Use and Other Measure Domains:

- Resource use measures, including total estimated Medicare spending per beneficiary;
- Discharge to community; and
- All-condition risk-adjusted potentially preventable hospital readmissions rates.

Beginning Fiscal-Year 2019, the Skilled Nursing Facility Value-Based Purchasing Program (“SNF VBP”) will become effective. This program establishes value-based incentive payments for nursing facilities based on their performance on an adopted hospital readmission measure.

In the final rule for Fiscal-Year 2017, CMS finalized additional policies related to the SNF VBP Program including: This final rule specifies the SNF 30-Day Potentially Preventable Readmission Measure, (SNFPPR), as the all-cause, all-condition risk-adjusted potentially preventable hospital readmission measure as required by law. The SNFPPR assesses the facility-level risk-standardized rate of unplanned, potentially preventable hospital readmissions for SNF patients within 30 days of discharge from a prior admission to a hospital paid under the Inpatient Prospective Payment System, a critical access hospital, or a psychiatric hospital. The rule also establishes performance standards, establishing baseline and performance periods, adopts a performance scoring methodology; and provides confidential feedback reports to nursing facilities.

The final rule for Fiscal-Year 2018 includes additional program proposals, including an exchange function approach to implement value-based incentive payment adjustments beginning October, 1, 2018. The SNF VBP scoring and operational policies for its first year (FY 2019) include:

- One readmission measure for each year
- A reduction in the adjusted federal per diem rate applicable to each nursing facility in a fiscal year by two percent to fund the value-based incentive payments for that fiscal year
- The total amount of the VBP incentive payments that can be made to nursing facilities in a fiscal year will be 60 percent of the total amount withheld from nursing facilities' Medicare payments for that fiscal year. The program will pay nursing facilities ranked in the lowest 40 percent less than the amount they would otherwise be paid in the absence of the SNF VBP.

MEDICARE PART B

As stated above, the Medicare prospective payment system covers all costs related to the services provided to beneficiaries under Part A of the Medicare program. The services covered by Part A are inpatient services, which include semi-private rooms, meals, skilled nursing and rehabilitative services, physical and occupational therapists, speech-language pathologists and supplies.

Unlike Medicare Part A, Medicare Part B covers outpatient services such as doctor's services, outpatient hospital care and some other medical services that Part A does not cover. Part B may cover some home health care services such as physical, occupational and speech therapies, home health aide services and medical equipment.

Most people receive Medicare Part A automatically when they turn 65. However, with Medicare Part B, a person must actively enroll and pay a monthly premium to receive the coverage. The monthly premium effective January 1, 2017 is \$134.00. Also, Medicare Part B will have an annual deductible of \$183.00 for 2017.

CMS FIVE-STAR RATING

In 2010, the Centers for Medicare and Medicaid Services ("CMS") developed a rating system for NFs. According to the CMS website (www.medicare.gov/NHCompare), the system was developed "...to help consumers, their families and caregivers compare nursing homes more easily and help identify areas about which you may want to ask questions. This rating system is based on continued efforts as a result of the Omnibus Reconciliation Act of 1987 ("OBRA '87"), a nursing home reform law, and more recent quality improvement campaigns such as the Advancing Excellence in America's Nursing Homes, a coalition of consumers, health care providers, and nursing home professionals."

Based on the five-star system created by CMS, NFs are rated using three sources of data:

1. Health Inspections: The strength of this rating component is that it considers all major aspects of nursing home care, including approximately 180 items, and that it involves on-site inspections by trained inspectors who evaluate quality of care, review medical records and interview residents. In addition to the on-site inspections, the health inspections component involves federal surveyors who check the work completed by state-level surveyors to ensure that national processes are being followed, as well as that "...any differences between states remain within reasonable bounds."

According to the CMS website, limitations on the national Five-Star Rating System include variations between states (especially differences in the inspection process); differences in licensing requirements that affect quality; and differences in Medicaid programs that pay for much of the care in nursing homes. Therefore, it is difficult to make comparisons between NFs in different states.

2. Staffing: This component is considered important by CMS because it evaluates "...the overall number of staff compared to the number of residents and how many of the staff are trained nurses." A second strength of rating a facility's staffing is that the rating considers "...differences in how sick the nursing home residents are in each nursing home, since that will make a difference in how many staff are needed." Limitations of evaluating staffing is that the data is self-reported (and not collected and reported by an independent agency) and is collected just once per year, considering only a two-week period of time.
3. Quality Measures: As indicated by the CMS website, the quality measures are a third and final step considered valuable because it takes "...an important in-depth look at how well each nursing home performs on ten important aspects of care. For example, these measures show how well the nursing home helps people keep their ability to dress and eat, or how well the nursing home prevents and treats skin ulcers." In addition, these ten measures are used nationwide in all facilities. Similar to the staffing component, however, limitations include the fact that the measures are self-reported and represent only a few aspects of the care provided.

DEFINITIONS

MARKET VALUE

Market Value is defined by the *Office of the Comptroller of the Currency, Code of Federal Regulation, 12 CFR, Part 34, Subpart C, 34.42* and agreed upon by agencies that regulate Federal financial institutions in the United States as “The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their best interest;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

CREDIBLE

The *USPAP* (2018-2019 edition) defines Credible as “Worthy of belief” and further indicates that credible assignments require support, by relevant evidence and logic, to the degree necessary for the intended use.

EXTRAORDINARY ASSUMPTION

The *USPAP* (2018-2019 edition) defines Extraordinary Assumption as “An assignment specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinions or conclusions.” Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if: it is required to properly develop credible opinions and conclusions; the appraiser has a reasonable basis for the extraordinary assumption; use of the extraordinary assumption results in a credible analysis; and the appraiser complies with the disclosure requirements set forth in *USPAP* for extraordinary assumptions.

FEE SIMPLE ESTATE

The Dictionary of Real Estate Appraisal, Sixth Edition defines Fee Simple Estate as “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

GOING CONCERN

The Subject of this report is considered a going concern.

The Dictionary of Real Estate Appraisal, Sixth Edition defines Going Concern as “A business having the ability to continue functioning as a business entity in the future. In accounting, a business is considered to be a going concern if it is likely to continue functioning 12 months into the future.”

GOING CONCERN VALUE

The Dictionary of Real Estate Appraisal, Sixth Edition defines Going Concern Value as “1. The market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern*. 2. The value of an operating business enterprise. Goodwill may be separately measured but is an integral component of the going-concern value when it exists and is recognizable.”

HYPOTHETICAL CONDITION

The *USPAP* (2018-2019 edition) defines Hypothetical Condition as “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for purpose of analysis.” Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. A hypothetical condition may be used in an assignment only if: use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison; use of the hypothetical condition results in a credible analysis; and the appraiser complies with the disclosure requirements set forth in *USPAP* for hypothetical conditions.

INSURABLE VALUE

The Dictionary of Real Estate Appraisal, Sixth Edition defines Insurable Value as “A type of value for insurance purposes.” It can also be considered the value of an asset or asset group that is covered by an insurance policy; can be estimated by deducting cost of non-insurable items (e.g., land value) from market value; or that is used by insurance companies as the basis for insurance. Often considered to be replacement or reproduction cost, plus allowances for debris removal or demolition, less deterioration and non-insurable items. Sometimes cash value or market value, but often entirely a cost concept. (Marshall & Swift LP)

LEASE

The Dictionary of Real Estate Appraisal, Sixth Edition defines a Lease as “A contract in which the rights to use and occupy land or structures are transferred by the owner to another for a specified period of time in return for a specified rent.”

LEASED FEE INTEREST

The Dictionary of Real Estate Appraisal, Sixth Edition defines Leased Fee Interest as “A freehold (ownership interest) where the possessory interest has been granted to another party by the creation of a contractual landlord-tenant relationship (i.e. a lease).” Additionally, *The Appraisal of Real Estate, Fourteenth Edition* defines Leased Fee Interest as “the ownership interest held by the lessor, which includes the right to the contract rent specified in the lease plus the reversionary right when the lease expires.”

LEASEHOLD INTEREST

The Dictionary of Real Estate Appraisal, Sixth Edition defines Leasehold Interest as “The tenant’s possessory interest created by a lease.” Additionally, *The Appraisal of Real Estate, Fourteenth Edition* defines Leasehold Interest as “The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.”

NEGATIVE LEASEHOLD

The Dictionary of Real Estate Appraisal, Sixth Edition defines Negative Leasehold as “A lease situation in which the market rent is less than the contract rent.”

POSITIVE LEASEHOLD

The Dictionary of Real Estate Appraisal, Sixth Edition defines Positive Leasehold as “A lease situation in which the market rent is greater than the contract rent.”

OTHER DEFINITIONS

SENIOR APARTMENTS

Senior apartments (“SAs”) are designed for seniors who can function independently (typically aged 55 or 62 and above) and often consist of apartments, cottages, duplex, triplex or quad-style buildings. Services in a senior apartment community are limited and may include utilities, water and sewer, maintenance and general security.

INDEPENDENT LIVING FACILITY

Independent living facilities (“ILFs”) are characterized by apartment-style living with some services, such as housekeeping, linen and personal laundry service, maintenance services, meals, transportation, general security and recreational activities. Assistance with instrumental activities of daily living (“IADLs”), which include, but are not limited to, assistance with shopping, cooking and personal finances may be offered; however, no assisted living or personal care is provided by the facility. If state licensure permits, a resident can receive assistance with activities of daily living (“ADLs”) from an external home health or related agency. ADLs include but are not limited to, assistance with toileting, bathing, grooming, eating and ambulating.

ASSISTED LIVING OR PERSONAL CARE FACILITY

The Assisted Living Federation of America defines assisted living facilities (“ALFs”) as a combining of housing, personalized supportive services and health care designed to meet the individual needs of persons who need help with ADLs, but do not need the skilled medical care provided in a nursing home. Assisted living residences typically provide a supportive community environment for seniors that are preferred to more institutional-type care arrangements. Many AL facilities dedicate a portion of their units to the care of seniors suffering from dementia-related disorders.

NURSING FACILITY

Nursing facilities (“NFs”) are state licensed facilities providing 24-hour skilled nursing or intermediate care services and/or rehabilitation, although not primarily for the care and treatment of mental diseases. NF’s typically employ a Director of Nursing (“DON”), Registered Nurses (“RNs”), Licensed Practical or Vocational Nurses (“LPNs” or “LVNs”), and Certified Nurse Aides/Assistants (“CNAs” or “NAs”). Skilled nursing facilities (often referred to simply as “SNFs”) are considered high-acuity care environments, with examples including ventilation/oxygen therapy, intravenous care, while intermediate care facilities (“ICF’s”) are considered to be any long-term care that is of a lower acuity level and is not skilled. NFs represent the overall category, and are typically institutional and designed for medical care. As a result, a facility’s amenities are not as important to prospective residents as the level and quality of care offered.

CONTINUING CARE RETIREMENT (OR LIFE CARE) COMMUNITIES

Continuing care retirement communities provide a continuum of services, including independent living or congregate care, assisted living and skilled nursing on one campus to accommodate residents of varying levels of physical limitations and health. The goal of a CCRC is to enable the resident to age-in-place and receive the appropriate level of care without having to leave the campus. Residents typically enter the community through an independent living unit, including cottages and apartments. The residents may vacate their independent living quarters and move permanently to the assisted living or skilled nursing units if their care needs change. The most common contractual arrangement is for the resident to pay an entrance fee upon entering the CCRC and an ongoing monthly service fee.

Entrance fees are typically zero to 100 percent refundable and vary greatly based on the unit type and refundability option chosen. Many communities have entrance fees ranging from \$50,000 to \$300,000. Additionally, residents of these communities are assessed a monthly rental fee; however, it is often significantly lower than the rate charged by another facility offering a comparable level of care. At a rental community, residents pay only a monthly rental fee for the use of the unit and amenities offered. These rates are typically greater than those charged at an entrance fee community for the same services.

In 2015, LeadingAge has led a name change initiative to redefine the CCRC name for baby boomers. The goal of the NameStorm Task Force was to develop a name and compelling messaging to engage those older adults who will be seeking services during the next decade and to encourage prospects to enter CCRCs at a younger age. According to the LeadingAge.org website and the LifePlanCommunity.org associated website, the name change from CCRC to Life Plan Community switches the emphasis from passive care to active living and planning—a shift that appeals to younger, healthier senior adults.

LEGAL DESCRIPTION

**Jeanne Jugan Residence
2100 South Western Avenue
San Pedro, California 90732
Parcel: 7460004015
5.22 Acres**

**500 CREEK VIEW ROAD, SUITE 305
NEWARK, DELAWARE 19711**

**302.322.4100
302.322.9407 FAX**

WWW.HTGCONSULTANTS.COM

Section 999.5(d)(2)(C) Description of the methods used by the applicant to determine the market value of the assets involved in the proposed agreement, including a description of the efforts made by the applicant to sell or transfer the health facility that is the subject of the proposed agreement.

The following process has been used by the Little Sisters of the Poor in the transfer of its Homes throughout the United States. The specific details of this process for the transfer of JJR will be highlighted.

Public Announcement of Little Sisters of the Poor Withdrawal

The Little Sisters of the Poor begin the process of a transfer of a Home with a public announcement. The date of the public announcement beginning the transfer process for JJR was February 18, 2020. This announcement consisted in invitations to the residents, family members, staff, volunteers, friends and benefactors to attend a meeting at the Home. At the meeting the Provincial Superior and the Local Superior of the Little Sisters of the Poor announced that the Little Sisters of the Poor would be *withdrawing* from the Home. They went on to announce that it was their intention to seek out a partner who would continue to operate the Home as a skilled nursing, RCFE and independent living facility. They explained the process they would use to implement the transition.

Following the announcement, the Little Sisters took questions from those present. It is always an emotional moment, especially for the residents, their families and the staff in that they knew that the Little Sisters would not be present in the Home going forward. In addition, at the moment of the announcement, there is not a lot of available information to give to them..

Also the Little Sisters of the Poor prepared a press release for public distribution. Exhibit 4 is a copy of the press release.

Responses to the Announcement

Following the announcement, the Daily Breeze published an article about the Little Sisters withdrawal. Angelus News, a publication of the Archdiocese of Los Angeles, also did a piece on the Little Sisters' plans. Exhibit 5 are copies of the articles.

The announcement and the articles led to numerous inquiries from interested parties including the County of Los Angeles who was quite concerned that the Home would no longer be available to the elderly of modest means. The Little Sisters of the Poor also reached out to the Archdiocese of Los Angeles and Catholic Religious Institutes of men (Religious Priests and Brothers) and women (Religious Sisters).

Responses to the announcement generated over 20 inquiries from parties interested either

in entering into negotiations for the purchase of the Home or from brokers or agents who had clients who were interested. Plans were made to meet with eighteen of these groups during the period from March 24th - March 28th 2020. The Little Sisters were confident that they would find one or more partners among these groups.

The Pandemic (March - December 2020)

As the Little Sisters were preparing for the March meetings, the COVID 19 pandemic changed everything. Lockdowns were ordered; travel was restricted; nursing homes were not allowed to receive visitors; and everyone involved in resident care was laser focused on the care of the residents. So, the meetings with the potential partners scheduled for March were canceled.

The situation remained basically the same for the rest of the spring, the summer and the fall of 2020. There was some contact by telephone with potential partners but no serious discussions.

November 30th - December 4th 2020

It was only at the end of November 2020 that the Little Sisters of the Poor were able to meet with potential partners. Eleven meetings were held either in person or by Zoom. There were a variety of interested parties, some interested in continuing to operate a skilled nursing and assisted living facility. Other parties were considering other uses for the facility. Included in the interested groups was the County of Los Angeles which publicly spoke about their desire to purchase the facility.

December 2020 - May 2021

Following the meetings the Little Sisters of the Poor chose four entities with whom to continue the process. All four had significant experience with either skilled nursing facilities or assisted living facilities or both. After discussion with their superiors in France, the Little Sisters of the Poor set a purchase price of \$20,000,000.00 and shared it with the four potential purchasers. Three of the four groups accepted the price.

In February 2021, with the easing of pandemic restrictions for nursing home facilities, the Little Sisters invited representatives of the three groups to the Home for tours (as that had not been available to groups earlier). And, at the same time, the Little Sisters made visit to facilities owned and/or operated by the three groups. This process also allowed for further conversation between the Little Sisters and the groups as to vision and mission for the future of the Home.

Following these meetings and, after further consultation with their superiors, the Little Sisters of the Poor accepted the offer of G & E. This led to the negotiation and execution of the Asset Purchase Agreement on May 26, 2021 (Exhibit 2).

Also on May 26, 2021 the Little Sisters of the Poor made the public announcement that they had entered into an agreement with G & E. While the announcement was made in person to the residents and staff in the Home, because of COVID restrictions, the Little Sisters of the Poor and Grace Mercado from G & E posted the announcement on the Home's website in the morning of May 26th and then conducted a "webinar" with family members to answer their questions in the evening of the same day.

Exhibit 4

Section 999.5(d)(2)(C)

[Embargoed until 10:00 AM February 18, 2020]

Press Release

Little Sisters of the Poor to Withdraw from Jeanne Jugan Residence in San Pedro, California

(02/18/2020) – Today the Little Sisters of the Poor announced with sadness that they will be withdrawing from Jeanne Jugan Residence in San Pedro, California. This morning the Sisters met with the Residents, their families, lay Associates, staff and volunteers sharing their decision.

The Little Sisters of the Poor have served in the Archdiocese of Los Angeles continuously since 1905 when the first Little Sisters arrived by train from Chicago to start the 300th Foundation in the Congregation's history. After beginning in a leased home, the Little Sisters and the residents moved into Saint Ann's Home at the corner of First and Mott Streets in 1908. In the 1970s, the Little Sisters had to leave St. Ann's Home because the building no longer met the revised building codes. At that time, the Archdiocese of Los Angeles donated to the Little Sisters the site of the former Fermin Lasuen High School in San Pedro and, in 1979, the Little Sisters opened Jeanne Jugan Residence where they have cared for the elderly to the present day.

In making the announcement, Mother Maria Christine, lsp, provincial superior, explained: "As part of a strategic plan aimed at strengthening our ministry and the quality of our religious and community life, we Little Sisters have recognized the need to withdraw from a certain number of Homes in the United States, while at the same time dedicating our resources to much needed upgrades and reconstruction projects in others." She added, "many factors have obliged us to move forward with this decision. It has only come after a lengthy period of prayer, much consultation and the study of many factors."

The Little Sisters of the Poor are actively seeking a buyer for the Home with the hope of finding another mission-driven sponsor to continue operating the facility and allowing the Residents and staff to remain there. They announced that they will provide periodic updates as the transition process proceeds.

For more than a century, the Little Sisters of the Poor have been witnesses of Jesus' love for the poor and sick here in the Archdiocese of Los Angeles," said Archbishop Jose H. Gomez. "I am grateful for their humble service and love for all these years and I am sad that they will be leaving. And I am praying that we can find alternatives to continue this vital mission of caring for the poor."

In letters to the Residents and their family members, Mother Marguerite, lsp, superior of Jeanne Jugan Residence, also offered the Residents the possibility of moving to another Home sponsored by the Little Sisters of the Poor. "Know that if you wish to go to any of our other Homes so that you can continue to be part of the Little Sisters' family, you will be welcomed with open arms."

Mother Maria Christine concluded the announcement by expressing the Little Sisters'

- people of every religious belief and race – who have touched their lives and those of their residents for so many years. In a special way she thanked Archbishop Gomez and the people of the Archdiocese of Los Angeles for its leadership in promoting and supporting the mission of the Little Sisters of the Poor for the past 115 years. She assured every one of the Sisters’ prayers and support throughout the transition period and asked for their prayers in return for the Little Sisters’ community.

For further information, please contact Rev. Mark Cregan, Esq. at 917.767.2772.

Exhibit 5

Section 999.5(d)(2)(C)

LOCAL NEWS

Little Sisters of the Poor looking to exit San Pedro, but looking to pass home for elderly poor on to new operator



Little Sisters of the Poor facility in San Pedro. Photo by Brad Graverson/The Daily Breeze Sept. 24, 2013

By [DONNA LITTLEJOHN](mailto:dlittlejohn@scng.com) | dlittlejohn@scng.com | Daily Breeze

PUBLISHED: February 18, 2020 at 6:17 p.m. | UPDATED: March 4, 2020 at 9:07 p.m.



Tears and shock spread through [Little Sisters of the Poor's](#) home for the elderly Tuesday, Feb. 18, when the surprise announcement came: The Jeanne Jugan Residence, a widely respected San Pedro facility for the elderly poor for 40 years, would seek a new operator.

"There was a lot of sadness, a lot of pain," said Mother Maria Christine, provincial superior in charge of the sisters' western territories. "We've been her for 41 years and in Los Angeles for 115 years."

Looking to pare down some of their 167 homes around the world, 23 of which are in the U.S., the religious order of nuns will be "withdrawing" from San Pedro once a buyer is found, officials announced to residents, families and staff.

The news left staff and residents huddling in small groups, often still in tears, for much of the day, said Christine, who is based in Chicago but was on hand for the announcement. The home was originally in Boyle Heights, but moved to San Pedro in 1979. It is on ocean-view property at 2100 S. Western Ave., where [Fermin Lasuen, a Catholic high school for boys, once stood before closing in 1971.](#)

The Rev. Mark Cregan, a priest and attorney for the order, who is coordinating the process, stressed that the home, which has about 100 residents, is not closing.

The sisters – seven members of the order serve on the staff of about 100 — will remain on the premises until a transfer is secured, he said, which in other cases has taken about nine months to a year to complete. After that, the sisters will be reassigned or transferred.

In a news release sent out Tuesday morning, Cregan said the sisters "are actively seeking a buyer for the home with the hope of finding another mission-driven sponsor to continue operating the facility and allowing the residents and staff to remain there."

Cregan has overseen several other turnovers, including one in Ohio in which another Catholic group stepped in. In Scranton, Pennsylvania, a Catholic university partnered with a nursing home operator for another one of the homes, he added in an interview Tuesday.

In September, the order announced it'd withdraw from a home in Boston; the Little Sisters found a buyer in December, Cregan said, with the agreement signed a month later; the deal is expected to close in May.

"We're not doing a 'highest-and-best-use' appraisal (value)," Cregan said of the sale, which will focus on finding a "partner" to carry on the mission. "We do the appraisal as a 'going concern'."

That designation indicates that the property is expected to continue operating into the future and won't be liquidated for assets.

The goal, Cregan said, is to find someone who will "be able to make this work" as a facility that continues caring for the needy and elderly population.

The order, according to the news release, is withdrawing from some locations as it seeks to dedicate more resources "to much-needed upgrades and reconstruction projects" in other homes.

The 5.22-acre San Pedro property includes a 150,000 square-foot main building with and a smaller retreat house, with building levels ranging from 1-to-4 stories and a series of care levels offered.

There also is a garden area.



Jeanne Jugan began the Little Sisters of the Poor in France in 1839, when she opened her home to an elderly, blind and paralyzed woman in need. The order is now part of an international congregation of Roman Catholic women who serve the elderly poor in 30 countries. They operate on donations. The order probably peaked during World War II, Christine said, when 300 homes operated.

The Jeanne Jugan Residence, meanwhile, has a wide circle of supporters in the community, who provide funds and volunteer time. It's also considered by many to be one of the best elderly-care facilities around and has a waiting list for residents.

Cregan described it as "old school."

"It's people caring for people," he said. "Unfortunately, health care has become a business."

"We take people in and create a new family (for them)," Christine said of the home's longstanding and winsome reputation. "It's a place where everyone loves each other and respects each other. We get to know them and we get to know their families."

Residents will be able to transfer to other Little Sisters homes. The closest one is in San Francisco.

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Donna Littlejohn | Reporter

Donna Littlejohn received a bachelor's degree (double major) in journalism and political science from California State University, Long Beach, and began her career in daily journalism with the San Pedro News-Pilot, transferring to The Daily Breeze

staff in 1998 after the San Pedro publication closed.
November 5, 2021 Little Sisters of the Poor of Los Angeles

0248



Little Sisters of the Poor ponder the future of home for the elderly

R.W. Dellinger | Angelus News (<https://angelusnews.com>)

Mar 18, 2020 • 6 Min Read



From left: Little Sisters of the Poor Mother Marguerite McCarthy, Sister Anthony Selewicz, Sister Clotilde Jardim, and Mother Maria Christine Lynch with Father Mark Cregan, CSC, the order's general counsel. (R.W. Dellinger)

The [news \(https://angelusnews.com/local/la-catholics/little-sisters-of-the-poor-to-leave-san-pedro-residence/\)](https://angelusnews.com/local/la-catholics/little-sisters-of-the-poor-to-leave-san-pedro-residence/) came last month — Feb. 18 to be precise — and every time Little Sister of the Poor Clotilde Jardim thinks about it, she can't help but feel sad.

“We never expected it,” said Sister Jardim. “You don't even want to talk about it 'cause you just start to feel so bad.”

The nun was speaking about the announcement that her order's Jeanne Jugan Residence in San Pedro for the elderly and dying poor would be closing. Sitting at a wood conference table with three fellow women religious and a priest, the shock of the decision still hasn't seemed to have

worn off.

The sisters have staffed the home located along the last of Western Avenue's 29 miles for four decades, relying only on Divine Providence to carry out their mission. Now, it seems, the plans from above have changed.

The religious community, whose founder, St. Jeanne Jugan, cared for impoverished elderly in French towns and cities during the early 1800s, first came to Los Angeles from Chicago on a train back in 1905. The sisters established St. Ann's Home for the Aged, operating it until the wood-beam building could no longer meet fire codes.

The Archdiocese of Los Angeles stepped in to donate the former all-boys Fermin Lasuen High School property to the sisters. In August 1979, the sisters moved 120 residents across town to their new home, complete with an ocean view.

Now, the sisters are left hoping that the property's eventual buyer will agree to continue the home's use as a home for the elderly.

“It's our ideal to find someone who's very close to our mission, our approach, our desire to continue as a home for the elderly,” said Mother Maria Christine Lynch, who oversees the order's Chicago Province, which includes California. “Our desire would certainly be for a Catholic or faith-based organization.”

As the order withdraws from the home, Mother Lynch hopes that finding such a buyer will allow residents to stay and be cared for, “a smooth transition, which removes as much of the anxiety and the fear and the uncertainty for residents.”



(R.W. Dellinger)

Like her friend Sister Jardim, Sister Anthony Selewicz is from Oakland. Both entered the Little Sisters right out of high school after volunteering with them. Both have lived and worked at the Jeanne Jugan Residence during multiple stints.

She said she's told distraught residents to "start praying that you'll be able to stay."

"It's almost like a family, when your relatives have to move away from each other," she explained. "The residents have confidence in us. So they're going to miss us a lot."

Sister Jardim said while the needs of the residents can be demanding at times, they show a sincere appreciation for the spiritual life the home offers them, helped by the presence of a chapel and a chaplain.

Mother Lynch said the special bond between the Little Sisters and residents was in serious jeopardy thanks to the seemingly never-ending list of government regulations for nursing homes and other elderly care facilities.

For the San Pedro house and the other 20-plus homes across the U.S., striving to keep up with the state and federal rules — which regulate food quality, building safety, and environmental concerns — has proven to be a complicated task.

"And those are good and necessary," said Mother Lynch. "But they create a gap, too, the bond we sisters want to have in the lives of our residents. End-of-life care is so important for us. That is why we are here, to accompany these elderly persons in the last part of their lives to God. And we have to be there for them, and we want to be there for them.

"But you have all kinds of regulations and other distractions that come into play now that widen that gap. So we need more sisters to be able to assure the residents of our presence."



Residents of San Pedro's Jeanne Jugan Residence. (©LSOP San Pedro)

Another factor that has not worked in the Little Sisters' favor is the decline in vocations. Like a great majority of Catholic religious orders and communities today, their numbers have been in decline. In the 1960s, the community had about 5,000 members worldwide. Today, it's closer to 2,000, and just around 300 in the order's homes in the U.S.

At the Jeanne Jugan Residence right now, it's down to seven Little Sisters working with 93 staff members to care for 97 residents, with different levels of physical and mental health needs.

For Father Mark Cregan, a lawyer for the Little Sisters of the Poor, the San Pedro home is the seventh home for the elderly in seven years he will help "transition" when the women religious leave. He's worked with the order long enough to know that while the process won't be easy, the Little Sisters have a few things going for them.

"The sisters do a process unlike any other real estate process in the world," he pointed out. "They don't start with a price. And sometimes I wish they would give a price a little earlier. For them it's very important who is going to be the buyer, because they don't want to sell and have the buyer turn around and sell the place a year or two later."

But, he added, "Once in a while it happens, like for everyone else."



On July 26, 1979, the statue of St. Jeanne Jugan was blessed at the new home in San Pedro, which was dedicated in her name: Jeanne Jugan Residence. (©LSOP San Pedro)

The sisters' lawyer, who also has a private practice in New Jersey, said a sale of a Little Sisters' home really depended on relationships. He and some sisters in authority would try to get a sense of the potential buyer's interest. Did they want to keep the enterprise going as an elderly care facility?

More pragmatically, did a buyer have the financial wherewithal to make up for the Little Sisters' begging expertise to survive? That begging, which went back to St. Jeanne Jugan going from house to house asking for help in the early 1800s, has been bringing in an average of \$2 million to \$3 million dollars every year per home in food and other donations.

But Father Cregan reported that most of the buyers he worked with, in fact, had done just that by adding 20 to 45 beds to the convent where sisters had lived on the property.

The order's general counsel said there are two reasons why the sisters have been able to find good buyers who wanted to carry on their care of the elderly. One was simply how many people admired the sisters' charitable work and wanted to continue it. But the second and even more important reason was trusting in Divine Providence to intercede. "Truthfully, I've never seen Divine Providence fail with the sisters," he said.

Part of that trust in Providence, said Mother Marguerite McCarthy, superior and administrator of the Jeanne Jugan Residence, is knowing that God will not abandon the sisters or the home's residents.

"I think it's a sad time and there's a lot of emotion involved," she said. "But there's an acceptance because it's God's will, and this is the best decision that our superiors could make under the circumstances. So, I can see acceptance and praying for the outcome for the future — for our residents, especially.

"And so," added the mother superior, "it's a feeling of just letting go and letting God do his work in whatever way he ordains."

Editor's Note: At a March 4 meeting, Los Angeles County Supervisor Janice Hahn introduced a motion, which was approved by her colleagues, to explore taking over the Jeanne Jugan Residence in San Pedro. The county's real estate department was ordered to "pursue negotiations to acquire the Little Sisters of the Poor location with the intent of preserving it as a home for low-income seniors." Progress reports are currently being filed.

ARTICLE TAGS

[Elder care \(https://angelusnews.com/tag/elder-care/\)](https://angelusnews.com/tag/elder-care/), [Little Sisters of the Poor \(https://angelusnews.com/tag/little-sisters-of-the-poor/\)](https://angelusnews.com/tag/little-sisters-of-the-poor/)

R.W. DELLINGER

Angelus News (<https://angelusnews.com>)

R.W. Dellinger is the former Angelus features editor. In a career spanning three decades, Bob has told the story of the Church's work for justice and peace through expert analysis, and narrative and investigative reporting from the peripheries of Los Angeles. In 2018, the Catholic Press Association named him "Writer of the Year."

Section 999.5(d)(2)(D) Reports, analysis, Requests for Proposals, and any other documents that refer or relate to the valuation of any asset involved in the agreement or transaction.

Other than the Appraisal (Exhibit 3) and the situational analysis relating to the transfer of the Nursing Facility during a pandemic (which was done without documents), there were no other reports and no Requests for Proposals relating to the valuation of assets.

Section 999.5(d)(2)(E) For joint venture transactions, all asset contribution agreements and related valuations, all limited liability corporations or limited liability partnership operating agreements, management contracts, and put option agreements

This is not a joint venture transaction and therefore there are no agreements of the type mentioned above.

Inurement and Self-Dealing
(Cal Code Regs., tit. 11, sec 999.5(d)(3))

Section 999.5(d)(3)(A) Copies of any documents or writings of any kind that relate or refer to any personal financial benefit that a proposed affiliation between applicant and the transferee would confer on any officer, director, employee, doctor, medical group or other entity affiliated with applicant or any family member of any such person as identified in Corporation Code section 5227(b)(2).

The Officers and Directors of JJR are members of the Little Sisters of the Poor Congregation. They all take a vow of poverty and do not receive any remuneration for their ministry.

There is no personal financial benefit that will be conferred on any individual related to the applicant or any family member of any such person as identified in Corporation Code section 5227(b)(2).

Section 999.5(d)(3)(B) The identity of each any every officer, trustee, or director of applicant (or any family member of such person as identified in Corporation Code section 5227(b)(2)) or any affiliate of applicant who or which has any personal financial interest in any company, firm, partnership, or business entity (other than salary and directors/trustees' fees) currently doing business with applicant, any affiliate of applicant, or the transferee or any affiliate of the transferee.

There is no officer or director of applicant, nor any family member of the same who has a personal financial interest any entity doing business with applicant, affiliate of applicant, transferee or any affiliate of the transferee.

Section 999.5(d)(3)(C) A statement describing how the board of directors of the nonprofit corporations involved in the transaction are complying with the provisions of Health and Safety Code sections 1260 and 1260.1.

The Board of Directors certify that they will not receive, either directly or indirectly, any salary, compensation, payment or other form of remuneration from the Purchaser following the transfer of the Nursing Facility.

Exhibit 6 is a certification that the Board of Directors has complied with the provisions of California Health and Safety Code Sec. 1260.

Because the purchaser in this transaction is not a nonprofit public benefit corporation, the provisions of California Health and Safety Code Sec. 1260.1 do not apply.

Exhibit 6

Section 999.5(d)(3)(C)

**Certification of the Board of Directors of
Little Sisters of the Poor of Los Angeles of Compliance
with Provisions of Health and Safety Code section 1260**

We the board members and officers of Little Sisters of the Poor of Los Angeles certify that, pursuant to the California Health and Safety Code section 1260, will not receive, directly or indirectly, any salary, compensation, payment, or other form of remuneration from the for-profit entity following the close of the sale or other transfer of assets.

Dated: November 2, 2021

~~Sister Margaret Hogarty, lsp~~ 11/2/21
Sister Margaret Hogarty, lsp

~~Sister Julie Horseman, lsp~~ 11/2/21
Sister Julie Horseman, lsp

~~Sister Clotilde Jardim, lsp~~ 11/2/21
Sister Clotilde Jardim, lsp

~~Sister Mary Sylvia Karl, lsp~~ 11-2-21
Sister Mary Sylvia Karl, lsp

~~Sister Therese Minerich, lsp~~ 11/2/21
Sister Therese Minerich, lsp

Charitable Use of Assets
(Cal Code Regs., tit. 11, sec 999.5(d)(4))

Section 999.5(d)(4)(A) The applicant's articles of incorporation and all amendments thereto and current bylaws, any charitable trust restrictions, and any other information necessary to define the charitable trust purpose of the applicant's assets.

The applicant's articles of incorporation, including amendments and its bylaws are annexed as Exhibit 7. There are no charitable trust restrictions.

Exhibit 7

Section 999.5(d)(4)(A)

2, Winifred M. Anderson
Witness, Secretary of the
Little Sisters of the Poor
of Los Angeles, Calif.

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ARTICLES OF INCORPORATION
of
LITTLE SISTERS OF THE POOR
of
Los Angeles.

We, the undersigned, members of the Roman Catholic Association known as "LITTLE SISTERS OF THE POOR", being all residents of Los Angeles City, Los Angeles County, California, and associated together with no pecuniary object have this day in accordance with the rules, regulations and discipline of such association, voluntarily associated ourselves for the purpose of forming a corporation under the Laws of the State of California.

and we hereby certify as follows:

First: That the name of the said corporation shall be "LITTLE SISTERS OF THE POOR OF LOS ANGELES"

Second: That the purposes for which it is formed are:
(a.) To establish, equip, construct and maintain an institution or institutions in which the destitute poor of both sexes of the age of sixty years and upwards may, irrespective of creed or nationality be housed, fed, clothed, supported, cared for and maintained.

(b.) To carry on such benevolent work of any character that may from time to time be possible and expedient.

(c.) To lease or purchase any real estate, and to lease, construct or purchase any and all buildings and other equipments which may be necessary or useful in carrying out the benevolent purposes herein set out.

(d.) To have, take, receive and hold by gift, bequest, devise or bequest, real or personal property as may be necessary, useful or advantageous in carrying out the

1 said benevolent purposes to be undertaken now or in the
2 future.

3 (c.) Generally to do all acts and things which may
4 be necessary, proper, useful or advantageous to the full
5 carrying out of the benevolent purposes herein set forth.

6 Third: That the place where the principal place of
7 business of the said corporation is to be transacted is in
8 Los Angeles City, Los Angeles County, aforesaid.

9 Fourth: That the term for which the said corporation
10 is to exist is fifty (50) years from and after the date of
11 its incorporation.

12 Fifth: That one of the rules and regulations of the
13 association of "Little Sisters of the Poor" requires that each
14 member thereof shall after entering that association take and
15 assume, and be known by a name in religion, which name in
16 religion is separate and distinct from the name by which the
17 member is known in the world. The names in religion and in
18 the world of each of the undersigned and of the directors are
19 hereafter given.

20 Sixth: That the number of directors or trustees of
21 said corporation shall be five (5), and that the names and
22 residences of the directors or trustees who are appointed
23 for the first year and to serve until the election and
24 qualification of such officers are as follows: to-wit:

<u> NAMES:</u>	<u> WHOSE RESIDENCE IS AT:</u>
27 Harriet I'Herian, 28 Known in religion as 29 Sister Dominic	Los Angeles, California.
20 Philomene Grouzet 21 Known in religion as 22 Sister Abel	Los Angeles, California.
31 Dorotea Roseano 32 Known in religion as Sister Blantina	Los Angeles, California.

J. WICKHAM MASONABLE
attorney at law
Wholesale Building, Room 10 & 11
2000 ANTONIO, CALIF.

NAVES:

THESE RESIDENCE IS AT:

Sarah McGovern
known in religion as
Sister Henri

Los Angeles, California

Elizabeth G. Cois,
known in religion as
Sister Raphael

Los Angeles, California

At an election held February 23, 1905, at 10:00
o'clock A. M. at the office of the said association No. 2820
South Main Street, Los Angeles City, aforesaid, at which
election all of the members of said association were present
the above named directors were unanimously elected, each member
voting at such election. The said directors were the only
persons voted for as directors, and each one of them received
the full number of votes of all the members present.

Harriet L. Herian known in religion as Sister Dominic,
and Philomene Crouzet known in religion as Sister Abel, were
by the members present duly appointed officers to conduct the
said election and they did conduct the same.

Seventh: The said corporation has no capital stock, and
is not formed for pecuniary profit.

IN WITNESS WHEREOF, we here herewith set our
hands and seals this 24th day of February, 1905.
Harriet L. Herian known in religion as Sister Dominic.
Philomene Crouzet known in religion as Sister Abel.
Dorothea Bossano known in religion as Sister Blanche.
Sarah McGovern known in religion as Sister Henri,
Elizabeth G. Cois known in religion as Sister Raphael.
Annie D. Gatz known in religion as Sister Benedict.
Josephine known in religion as Sister Aldegondis.

Witness Myself at the
City of Los Angeles, California,
this 24th day of February, 1905.

42302

1 State of California,)
2 County of Los Angeles,) SS:

3 On this 24th day of February, 1905, before me,
4 J. Wiseman McDonald, a Notary Public in and for the said
5 County of Los Angeles, personally appeared Harriet L. Heries,
6 known in religion as Sister Dominic, Philomena Crowzet, known
7 in religion as Sister Abel, Dorothea Rosano, known in religion
8 as Sister Blanche, Joanne Locoge, known in religion as Sister
9 Adegonde, Annis Dagetti, known in religion as Sister Benedict,
10 Sarah McGovern, known in religion as Sister Henri, and
11 Elizabeth C. Gale, known in religion as Sister Raphael, known
12 to me to be the persons whose names are subscribed to the
13 within instrument and acknowledged to me that they executed
14 the same.

15
16 IN WITNESS WHEREOF, I have hereunto set my hand and
17 affixed my official seal the day and year first above written.

18 (SEAL.)

19 J. Wiseman McDonald,
20 Notary Public
21 in and for said Los Angeles
22 County.

23 We, the undersigned, hereby certify that a meeting
24 was held by the aforementioned voluntary association at its office
25 No. 2820 South Main Street, Los Angeles City, aforesaid, on
26 February 23rd, 1905, at 10:00 o'clock A. M. at which meeting
27 all the members of the said association were present. Said
28 meeting was called for the purpose of electing directors of
29 the above incorporation and was held with the consent of all
30 the members. All the members of said association being present
31 we were duly appointed officers to conduct the said election.
32 As a result of said election the following directors were elected
each of them receiving the full vote of all members present,

to-wit: Seven Little Sisters of the Poor, Los Angeles, highest number of

1 votes no other votes being cast. They were then and there
 2 declared to be elected unanimously. The names of said directors
 3 are as follows: Harriet L'herian, known in religion as Sister
 4 Dominic, Philomene Grouzet, known in religion as Sister Abel,
 5 Berthe Bossano, known in religion as Sister Blanche, Sarah
 6 McGovern, known in religion as Sister Henri, Elizabeth C. Geis,
 7 known in religion as Sister Raphael.
 8 Harriet L'herian known in religion as Sister Dominic.
 9 Philomene Grouzet known in religion as Sister Abel.

10 State of California,

11 County of Los Angeles,

12 SS:

13 Harriet L'herian, known in religion as Sister Dominic,
 14 and Philomene Grouzet, known in religion as Sister Abel, being
 15 first duly sworn depose and say: We were the persons who at a
 16 meeting of the members of the association of "Little Sisters of
 17 the Poor" held at the office of said association at 2820
 18 South Main Street, Los Angeles City, on February 28th, 1905,
 19 at 10:00 o'clock A. M. for the purpose of electing directors
 20 of the foregoing corporation were duly appointed as officers
 21 to conduct such election. We have read the foregoing certificate
 22 of election and know the contents thereof and the same are
 23 true of our own knowledge.

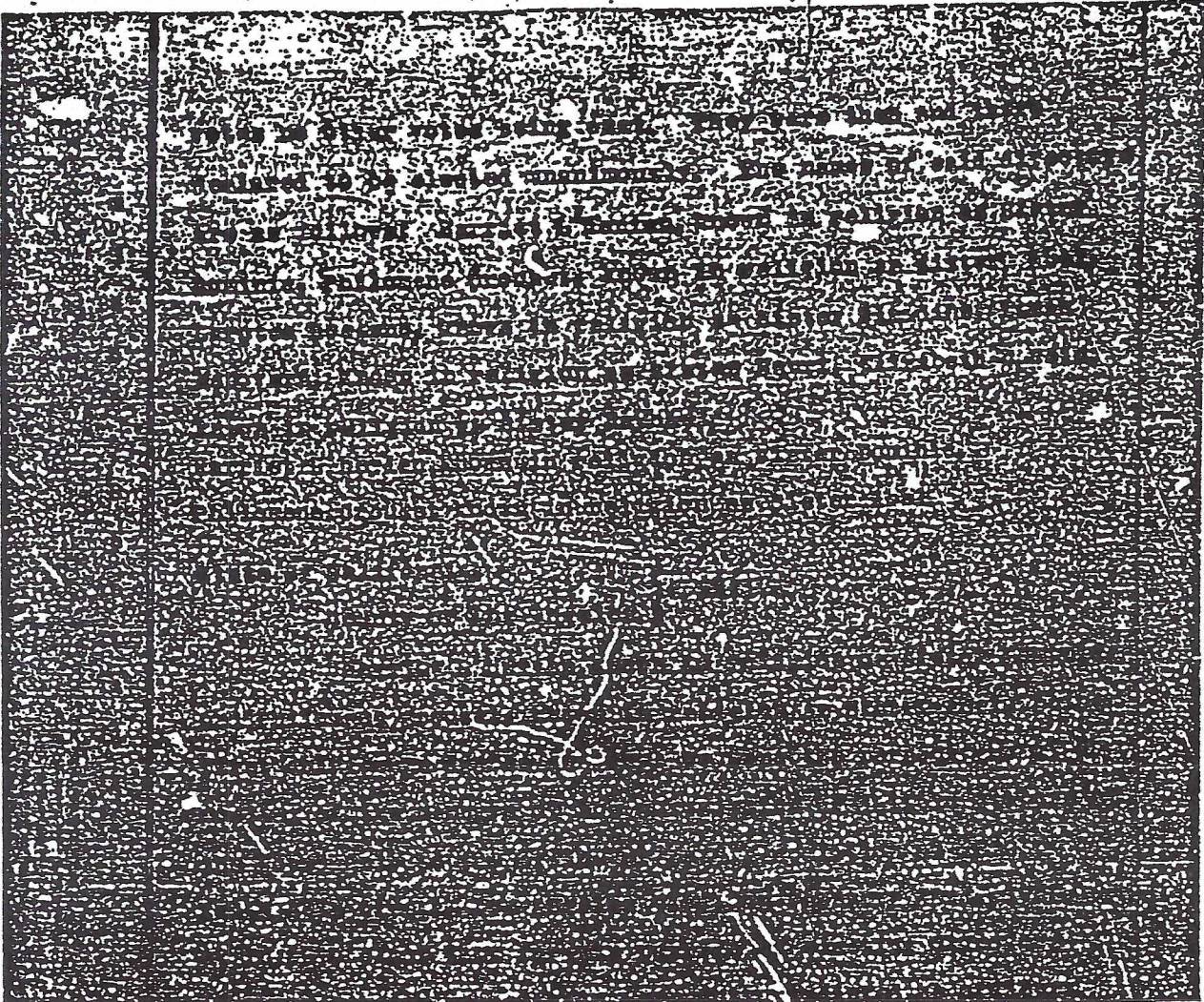
24 Harriet L'herian known in religion as Sister Dominic.
 25 Philomene Grouzet known in religion as Sister Abel.
 26 Subscribed and sworn to before me

27 this 28th day of February, 1905.

28 J. Vincent Macdonald

29 Notary Public.

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STATE OF CALIFORNIA,
COUNTY OF LOS ANGELES

}- No. 5940

I, C. G. KEYES, County Clerk and Ex-officio Clerk of the Superior Court,
do hereby certify the foregoing to be a full, true and correct copy of the original

Articles of Incorporation of
Little Sisters of the Poor of Los Angeles

on file in my office and that I have carefully compared the same with the
original:

In Witness Whereof, I have hereunto set my hand and affixed
the seal of the Superior Court this 11
day of Nov 1905

C. G. KEYES, County Clerk.

By J. P. Hall
DEPUTY CLERK.

LITTLE SISTERS OF THE POOR OF LOS ANGELES

A CALIFORNIA DOMESTIC NONPROFIT CORPORATION

BYLAWS OF THE CORPORATION

Revised – May 26, 2021

Prepared by:

Law Office of Mark T. Cregan, PLLC
Counsel
Little Sisters of the Poor

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**ARTICLE I
THE CORPORATION IN GENERAL**

Section 1. NAME. The name of the Corporation shall be the Little Sisters of the Poor of Los Angeles (the “Corporation”). The Corporation may do business as Jeanne Jugan Residence.

Section 2. PURPOSES. The Purposes for which the Corporation is formed are as follows:

(i) to function as an exclusively charitable, religious and benevolent organization as defined by the Internal Revenue Code and the laws of the State of California;

(ii) to establish, maintain, operate either directly or in any other manner, institutions for the delivery of services to aged and impoverished persons, including providing them with a home and spiritual and physical care;

(iii) to promote and support the works of the Roman Catholic Congregation of the Little Sisters of the Poor and its members, both in the United States and internationally and, in particular, to support the mission of the Little Sisters of the Poor, Chicago Province Inc. or any successor thereto;

(iv) to receive from and to make grants, gifts or contributions to other tax exempt charitable and religious organizations as defined by the Internal Revenue Code;

(v) in furtherance of the foregoing purposes, to acquire real and personal property by gift, devise, bequest, or to purchase, use, maintain, sell, hypothecate or transfer the same; and

(vi) to exercise any other lawful corporate purpose and use all powers necessary and convenient to effect the same as provided in Section 5142 of the California Corporations Code.

ARTICLE II MEMBERS OF THE CORPORATION

Section 1. CLASS OF MEMBERS. The Corporation shall have one class of members made up of those members of the Little Sisters of the Poor who have taken vows (“Vowed Religious”) and who have been appointed by the Provincial Superior of the Little Sisters of the Poor, Chicago Province, Inc. (“Provincial Superior”) as Members. Membership is nontransferable and shall be terminated by the cessation of membership in the Congregation of the Little Sisters of the Poor. Unless otherwise provided by the Provincial Superior, membership commences upon the appointment of the Vowed Religious to the Corporation. The members of the Corporation shall elect such number of directors at the annual meeting or at such other special meeting convened for that purpose in the manner fixed by these bylaws.

Section 2. VOTING RIGHTS. Each Member shall be entitled to vote on each matter submitted to a vote of the Members.

Section 3. MEMBERSHIP CERTIFICATES. No membership certificates of the corporation shall be required.

Section 4. ANNUAL AND REGULAR MEETING. An Annual Meeting of the Members shall be held between January 1st and March 31st of each year at a time and place to be designated by the President of the Board of Directors for the purpose of electing the Board of Directors and the transaction of such other business as may come before the meeting. The Members may provide by resolution the time and place for the holding of regular meetings of the Members without other notice than such resolution. At regular meetings of the Members, Directors may be elected by the Members due to vacancies on the Board of Directors.

Section 5. SPECIAL MEETINGS. Special meetings of the Members may be called at any time by the President, the Board of Directors or, at the request in writing of a majority of the Members having voting rights, by the Members. At Special Meetings, Directors may be elected by the Members due to vacancies on the Board of Directors.

Section 6. PLACE OF MEETINGS. The Members or the President may designate any place as the place of meeting for any annual, regular or special meeting of the Members. If no designation is made, the place of the meeting shall be the principal office of the Corporation.

Section 7. NOTICE OF MEETING AND WAIVER OF NOTICE. Notice stating the place, date, and hour of any meeting, and, in the case of a Special Meeting, the purpose(s) for

which the meeting is called, shall be delivered orally or in writing, by mail or electronically, to the Member entitled to vote at such meeting not less than two (2) nor more than fifty (50) days before the date of such meeting. For any meeting that requires notice, a Member shall waive notice by: (i) attending the meeting, except where attendance is to object to the transaction of business because the meeting was not lawfully convened; or (ii) executing a waiver of notice of meeting either prior to, during or after the meeting.

Section 8. QUORUM. A majority of Members shall constitute a quorum for the transaction of business at all meetings of the Members.

Section 9. MANNER OF ACTING. The act of a majority of the Members shall constitute an action of the Members.

Section 10. VOTING BY BALLOT. Voting on any question or in any election may be by voice, unless the presiding officer shall order, or a Member shall demand, that voting be conducted by ballot.

Section 11. INFORMAL ACTION BY MEMBERS. Any action required or permitted to be taken at the annual meeting or at a regular or special meeting of the Members may be taken without a vote if a consent in writing, setting forth the action so taken, is executed by all of the Members.

Section 12. ATTENDANCE BY TELEPHONIC OR VIDEO COMMUNICATION. The Members may participate in any meeting through the use of telephonic or video communication by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 13. RESERVED POWERS OF THE MEMBERS. At any annual, regular or special meeting, and subject to federal, state and local law and regulation, the Members may reserve to themselves any power of the Corporation by an affirmative vote of the majority of the Members memorialized in a resolution and in the minutes of the meeting and by communicating the same to the Board of Directors.

ARTICLE III BOARD OF DIRECTORS OF THE CORPORATION

Section 1. POWERS OF THE BOARD OF DIRECTORS. The property, business and affairs of the Corporation shall be managed by its Board of Directors subject to such restrictions as may from time to time be set by the Members. The Board of Directors shall have all the powers of Section 5142 of the California Corporations Code, as amended, in carrying out its duties.

Section 2. NUMBER, TENURE AND QUALIFICATIONS. The number of directors shall be up to SEVEN (7) but in no case shall be less than THREE (3). Each Director shall hold

office until the next Annual or Special meeting of the Members and until her successors shall have been qualified. Directors need not be residents of the state of the corporation.

Section 3. REMOVAL OF A DIRECTOR. Any Director's term of service will end at the next Annual Meeting or when her successor is elected, whichever is earlier. In addition, any Director may be removed by a vote of the majority of the Members then in office.

Section 4. ANNUAL AND REGULAR MEETINGS. An Annual Meeting of the Board of Directors shall be held without any other notice than these bylaws, immediately after, and at the same place as, the Annual Meeting of the Members. The Board of Directors may provide by resolution the time and place for the holding of regular meetings of the Board of Directors without notice other than such resolution.

Section 5. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called at any time by the President or at the request in writing of a majority of the Board of Directors.

Section 6. PLACE OF MEETINGS. The President may designate any place, either within or without the state, as the place of meeting for any regular or special meeting of the Board of Directors. If no designation is made, the place of the meeting shall be the principal office of the Corporation.

Section 7. NOTICE OF MEETING AND WAIVER OF NOTICE. Notice stating the place, date, and hour of any meeting, and, in the case of a Special meeting, the purpose(s) for which the meeting is called, shall be delivered orally or in writing, by mail or electronically, to the Director entitled to vote at such meeting not less than two (2) nor more than fifty (50) days before the date of such meeting. For any meeting that requires notice, a director shall waive notice by: (i) attending the meeting except where attendance is to object to the transaction of business because the meeting was not lawfully convened; or (ii) executing a waiver of notice of meeting either prior to, during or after the meeting.

Section 8. QUORUM. A majority of Directors shall constitute a quorum for the transaction of business at all meetings of the Board of Directors, provided that if less than a majority of Directors is present at said meeting, a majority of the Directors present may adjourn the meeting to another time without further notice.

Section 9. MANNER OF ACTING. The act of a majority of the Directors present at a meeting at which a quorum is present shall constitute an action of the Board of Directors, unless the act of a greater number is required by statute, these bylaws or the articles of organization.

Section 10. VOTING BY BALLOT. Voting on any question or in any election may be by voice, unless the presiding officer shall order, or a director shall demand, that voting be conducted by ballot.

Section 11. INFORMAL ACTION BY DIRECTORS. Any action required or permitted to be taken at a regular or special meeting of the Board of Directors may be taken

without a vote if a consent in writing, setting forth the action so taken, is executed by all of the Directors.

Section 12. ATTENDANCE BY TELEPHONIC OR VIDEO COMMUNICATION.

The Directors may participate in any meeting through the use of telephonic or video communication by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting,

**ARTICLE IV
OFFICERS OF THE CORPORATION**

Section 1. DESIGNATION, ELECTION AND TERM. The Officers of the Corporation shall consist of a President, Secretary and a Treasurer, along with any other Officers as may be elected by the Board of Directors. Officers whose authority and duties are not prescribed in these bylaws shall have the authority and perform the duties prescribed, from time to time, by the Board of Directors. Any two or more offices may be held by the same person, except the offices of President and Secretary. The Officers shall be elected by the Board of Directors at the Annual Meeting and serve until the next Annual meeting or until their resignation.

Section 2. PRESIDENT. The President shall be the Chief Executive Officer of the Corporation and shall preside at all meetings of the Members and the Board of Directors. Subject to the direction and control of the Board of Directors, she shall have general and active management of the business of the Corporation, and she shall ensure that all orders and resolutions of the Board of Directors are carried into effect except where such orders or resolutions are assigned to others by the Board of Directors or these bylaws. With the authorization of the Board of Directors to act, the President may execute deeds, bonds, mortgages, and other contracts either under the seal or without the seal of the Corporation and she may accomplish such executions either individually or with the Secretary or with any other Officer as authorized by the Board of Directors according to the requirements of the instrument to be executed. She shall have general supervisory authority over all other officers of the Corporation and shall see their duties are properly performed. She shall, from time to time, report to the Board of Directors all matters within her knowledge which the interests of the Corporation may require to be brought to their notice. She shall also perform such other duties as may be assigned from time to time by the Board of Directors.

Section 3. SECRETARY. The Secretary shall give, or cause to be given, notice of all meetings of the Members and the Board of Directors (unless notice thereof is waived), shall supervise the custody of all records and reports and shall be responsible for the keeping and reporting of adequate records of all meetings of the Members and the Board of Directors. She shall be the custodian of the seal of the Corporation. The Secretary shall also perform such other duties as may be assigned to her from time to time by the President or the Board of Directors.

Section 4. TREASURER. The Treasurer shall be the chief accounting and financial officer of the Corporation. She shall keep a full and correct account of receipts and disbursements in the books belonging to the Corporation, and shall deposit all monies and other valuable effects in the name and to the credit of the Corporation, in which banks of deposit as may be designated by the Board of Directors, She shall dispose of funds of the Corporation as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, whenever they may require it of her, an account of all her transactions as Treasurer and of the financial condition of the Corporation. The Treasurer shall also perform such other duties as may be assigned to her from time to time by the President or the Board of Directors.

ARTICLE V TAX EXEMPT STATUS OF THE CORPORATION

Notwithstanding any other provisions of the Articles of Incorporation or these bylaws, the Corporation is organized exclusively for charitable, religious and educational purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501 (c) (3) of the Internal Revenue Code of 1986, as it may be amended (the "Code") and intends at all times to qualify and remain qualified as exempt from federal income tax under Section 501 (c) (3) of the Code and, in connection therewith:

(a) the Corporation shall not, directly or indirectly, engage in or include among its purposes or activities any act that would violate its status as a tax exempt organization under the laws of the United States or the Commonwealth of Massachusetts;

(b) the Corporation is not formed for and shall not be conducted nor operated for pecuniary profit or financial gain, and no part of the assets, income, or profit thereof shall be distributed to, or inure to the benefit of any private individual or individuals, provided that nothing herein shall prevent the Corporation from paying reasonable compensation to any person for services rendered to or for the Corporation in furtherance of one or more of its purposes;

(c) no substantial part of the activities of the Corporation shall be devoted to the carrying on of propaganda or otherwise attempting to influence legislation, except to the extent permitted by the Code whether pursuant to an election under Section 501 (h) or otherwise, and no part of the activities of the Corporation shall be devoted to participating or intervening in (including the publication or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office; and

(d) the Corporation shall not engage in or include among its purposes any activities not permitted to be carried on by a corporation exempt from federal income taxation under Section 501 (c) (3) of the Code, as it may be amended.

**ARTICLE VI
CONTRACTS, CHECKS, DEPOSITS AND FUNDS**

Section 1 – CONTRACTS. The Board of Directors may authorize any officer or officers, agent or agents of the Corporation, in addition to the officers so authorized by these bylaws to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances.

Section 2 – CHECKS, DRAFTS, ETC. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by the Board of Directors. By these bylaws, the President of the Corporation and such other officers that she may direct to do so are authorized to sign these instruments.

Section 3 – DEPOSITS. All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors may select.

Section 4 -- GIFTS. The President may accept and receive on behalf of the Corporation gifts, bequests or devises for the general purposes or for any special purpose of the Corporation. With the authorization of the Board of Directors and subject to federal and state law, the President may make gifts, grants and other contributions to other entities so long as they are recognized as tax exempt charitable, religious or educational corporations under federal and state law.

**ARTICLE VII
DISSOLUTION OF THE CORPORATION**

Upon the voluntary or involuntary dissolution of the Corporation, the Board of Directors shall, after paying or making provision for the payment of all liabilities of the Corporation, dispose of all the assets of the Corporation to another Corporation of the Little Sisters of the Poor in the United States. If there is no Corporation of the Little Sisters of the Poor in the United States, the Board of Directors will dispose of all assets to the Little Sisters of the Poor General Administration in France. If there is no Little Sisters Corporation in existence and the Little Sisters of the Poor General Administration is no longer in existence, the Board of Directors shall dispose of all of the assets to such organizations or organizations organized and operated exclusively for charitable, educational or religious purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and in accordance with all the laws of the State of California.

**ARTICLE VIII
INDEMNIFICATION**

The Corporation may, to the fullest extent now or hereafter permitted by and in accordance with the standards and procedures provided for by the laws of the State of California and any amendments thereto, indemnify any person made, or threatened to be made, a party to any action or proceeding by reason of the fact that he or she is a Member, Director, Officer, employee or agent of the Corporation, against judgments, fines, amounts paid in settlement and reasonable expenses, including reasonable attorneys' fees.

**ARTICLE IX
MISCELLANEOUS**

Section 1 – FISCAL YEAR. The fiscal year of the corporation shall begin on the first day of January and end on the last day of December in each year.

Section 2 – CORPORATE SEAL. The Board of Directors shall provide a corporate seal, which shall be circular with the name of the Corporation thereon. The Seal shall be kept in the custody of the Secretary of the Corporation and shall be retained at all times in the principal office of the Corporation.

**ARTICLE X
ADOPTION AND AMENDMENT OF BYLAWS**

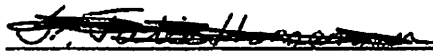
These bylaws may be adopted, altered, amended or repealed by at least two-thirds (2/3) vote of the Board of Directors of the Corporation, at any Annual, Regular or Special meeting pursuant to the notice provided by the bylaws.

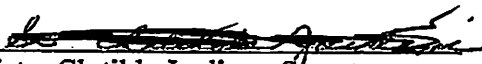
.....

Adopted at a Special Meeting of the Board of Directors of the Corporation held on the 26th day of May, 2021, as duly recorded in the Minutes of the Corporation.

Attest:


Sister Margaret Hogarty - President


Sister Julie Horsman - Treasurer
Horseman


Sister Clotilde Jardim - Secretary

Section 999.5(d)(4)(B) Applicant's plan for use of the net proceeds after the close of the proposed transaction together with a statement explaining how the proposed plan is as consistent as possible with existing charitable purposes and complies with all applicable charitable trusts that govern use of applicant's assets. The plan must include any proposed amendments to the articles of incorporation or bylaws of the applicant or any entity related to the applicant that will control any of the proceeds from the proposed transfer.

Upon transfer of the facility, the applicant will continue as a nonprofit public benefit corporation and a public charity under section 509(a) of the Internal Revenue Code, as amended. The board of directors and the officers will continue to be vowed members of the Little Sisters of the Poor.

The net proceeds will first be used to pay the Corporation's liabilities accrued during the operation of the nursing facility, including any monies owed to Medi-Cal and other providers or vendors.

Then the balance of the proceeds will be used to fulfill the charitable purposes of the corporation; principally promoting the mission of the Little Sisters of the Poor: caring for the elderly poor. It will do this by making grants and/or loans to other nonprofit and public charities sponsored by the Little Sisters of the Poor in the United States. These loans and/or grants will be made only to organizations recognized as tax exempt under section 501(c)(3) of the Internal Revenue Code.

Also because the Little Sisters of the Poor have ministered in Los Angeles since 1905, they have many loyal and faithful donors. Many have remembered the Little Sisters of the Poor in their estate plans. The corporation will continue to accept estate gifts and other deferred gifts to further its charitable purposes with one exception. Under the Rule of the Little Sisters of the Poor, the Little Sisters themselves and none of its sponsored entities may accept perpetual beneficial trusts or gifts intended to establish an endowment. This prohibition reflects the belief of the Little Sisters of the Poor that they must depend upon Divine Providence to support them in their mission of serving the elderly poor.

Exhibit 8 are copies of the proposed Restated Articles of Incorporation and the Bylaws reflecting the above-described changes.

Exhibit 8

Section 999.5(d)(4)(B)

RESTATED ARTICLES OF INCORPORATION

OF

LITTLE SISTERS OF THE POOR OF LOS ANGELES

The undersigned certify that:

1. They are the president and the secretary, respectively, of **LITTLE SISTERS OF THE POOR OF LOS ANGELES**, a California corporation with California Entity Number C0042302.

2. The Articles of Incorporation of this corporation are amended and restated to read as follows:

First: That the Name of the corporation shall be “LITTLE SISTERS OF THE POOR OF LOS ANGELES.”

Second: That this corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for charitable purposes including but not limited to:

(a) to promote and support the mission of the Little Sisters of the Poor, a Roman Catholic Religious Congregation of Nuns;

(b) to have, take, receive and hold by gift, devise or bequest real or personal property as may be necessary or advantageous in carrying out said benevolent purposes to be undertaken now or in the future;

(c) to make gifts, grants or loans to other organizations sponsored by the Little Sisters of the Poor who qualify as tax exempt organizations under section 501(c)(3) and are public charities under section 509(a) of the Internal Revenue Code, as amended; and

(d) all other purposes as permitted under the Nonprofit Public Benefit Corporation Law, as amended.

(e) in carrying out its charitable purposes, the corporation may exercise all of the powers outlined in section 5140 of the Nonprofit Public Benefit Corporation Law, as amended.

Third: That the place where the principal place where the business of the said corporation is to be transacted is in the City and County of Los Angeles. The address of the principal office is 2100 S. Western Avenue, San Pedro, California 90732.

Fourth: That the said corporation shall continue to exist perpetually.

- Fifth: That the corporation shall have one class of members: women who have professed vows as religious sisters of the Little Sisters of the Poor.
- Sixth: That the number of Directors of said corporation shall be no less than three (3). The number of directors shall be established by the Board of Directors.
- Seventh: That the Corporation is organized exclusively for charitable purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501 (c) (3) of the Internal Revenue Code of 1986, as it may be amended (the "Code") and intends at all times to qualify and remain qualified as exempt from federal income tax under Section 501 (c) (3) of the Code and, in connection therewith:
- (a) the Corporation shall not, directly or indirectly, engage in or include among its purposes or activities any act that would violate its status as a tax exempt organization under the laws of the United States or the State of California;
 - (b) the Corporation is not formed for and shall not be conducted nor operated for pecuniary profit or financial gain, and no part of the assets, income, or profit thereof shall be distributed to, or inure to the benefit of any private individual or individuals, provided that nothing herein shall prevent the Corporation from paying reasonable compensation to any person for services rendered to or for the Corporation in furtherance of one or more of its purposes;
 - (c) no substantial part of the activities of the Corporation shall be devoted to the carrying on of propaganda or otherwise attempting to influence legislation, except to the extent permitted by the Code whether pursuant to an election under Section 501 (h) or otherwise, and no part of the activities of the Corporation shall be devoted to participating or intervening in (including the publication or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office; and
 - (d) the Corporation shall not engage in or include among its purposes any activities not permitted to be carried on by a corporation exempt from federal income taxation under Section 501 (c) (3) of the Code, as it may be amended.
- Eighth: Upon the voluntary or involuntary dissolution of the Corporation, the Board of Directors shall, after paying or making provision for the payment of all liabilities of the Corporation, dispose of all the assets of the Corporation to another Corporation of the Little Sisters of the Poor in the United States which is a public charity under section 509(a) and shall at the time qualify as an exempt organization under Section 501(c)(3) of the

Internal Revenue Code, as amended. If there is no Corporation of the Little Sisters of the Poor in the United States, the Board of Directors will dispose of all assets to the Little Sisters of the Poor General Administration in France. If there are no Little Sisters of the Poor Corporations in existence in the United States and the Little Sisters of the Poor General Administration is no longer in existence, the Board of Directors shall dispose of all of the assets to such organizations or organizations organized and operated exclusively for charitable, educational or religious purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and in accordance with all the laws of the State of California.

3. The foregoing amendment and restatement of Articles of Incorporation has been duly approved by the board of directors.
4. The foregoing amendment and restatement of Articles of Incorporation has been duly approved by the required vote of the members.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Date: _____

Sister Margaret Hogarty, President

Sister Clotilde Jardim, Secretary

LITTLE SISTERS OF THE POOR OF LOS ANGELES

A CALIFORNIA DOMESTIC NONPROFIT CORPORATION

BYLAWS OF THE CORPORATION

Revised – _____

Prepared by:

Law Office of Mark T. Cregan, PLLC
Counsel
Little Sisters of the Poor

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**ARTICLE I
THE CORPORATION IN GENERAL**

Section 1. NAME. The name of the Corporation shall be the Little Sisters of the Poor of Los Angeles (the “Corporation”). The Corporation may do business as Jeanne Jugan Residence.

Section 2. PURPOSES. The Purposes for which the Corporation is formed are as follows:

(i) to function as an exclusively charitable, religious and benevolent organization as defined by the Internal Revenue Code and the laws of the State of California;

(ii) to promote and support the works of the Roman Catholic Congregation of the Little Sisters of the Poor and its members, both in the United States and internationally and, in particular, to support the mission of the Little Sisters of the Poor, Chicago Province Inc. or any successor thereto;

(iii) to receive from and to make grants, gifts or contributions to other tax exempt charitable and religious organizations as defined by the Internal Revenue Code;

(iv) in furtherance of the foregoing purposes, to acquire real and personal property by gift, devise, bequest, or to purchase, use, maintain, sell, hypothecate or transfer the same; and

(v) to exercise any other lawful corporate purpose and use all powers necessary and convenient to effect the same as provided in Section 5142 of the California Corporations Code.

ARTICLE II MEMBERS OF THE CORPORATION

Section 1. CLASS OF MEMBERS. The Corporation shall have one class of members made up of those members of the Little Sisters of the Poor who have taken vows (“Vowed Religious”) and who have been appointed by the Provincial Superior of the Little Sisters of the Poor, Chicago Province, Inc. (“Provincial Superior”) as Members. Membership is nontransferable and shall be terminated by the cessation of membership in the Congregation of the Little Sisters of the Poor. Unless otherwise provided by the Provincial Superior, membership commences upon the appointment of the Vowed Religious to the Corporation. The members of the Corporation shall elect such number of directors at the annual meeting or at such other special meeting convened for that purpose in the manner fixed by these bylaws.

Section 2. VOTING RIGHTS. Each Member shall be entitled to vote on each matter submitted to a vote of the Members.

Section 3. MEMBERSHIP CERTIFICATES. No membership certificates of the corporation shall be required.

Section 4. ANNUAL AND REGULAR MEETING. An Annual Meeting of the Members shall be held between January 1st and March 31st of each year at a time and place to be designated by the President of the Board of Directors for the purpose of electing the Board of Directors and the transaction of such other business as may come before the meeting. The Members may provide by resolution the time and place for the holding of regular meetings of the Members without other notice than such resolution. At regular meetings of the Members, Directors may be elected by the Members due to vacancies on the Board of Directors.

Section 5. SPECIAL MEETINGS. Special meetings of the Members may be called at any time by the President, the Board of Directors or, at the request in writing of a majority of the Members having voting rights, by the Members. At Special Meetings, Directors may be elected by the Members due to vacancies on the Board of Directors.

Section 6. PLACE OF MEETINGS. The Members or the President may designate any place as the place of meeting for any annual, regular or special meeting of the Members. If no designation is made, the place of the meeting shall be the principal office of the Corporation.

Section 7. NOTICE OF MEETING AND WAIVER OF NOTICE. Notice stating the place, date, and hour of any meeting, and, in the case of a Special Meeting, the purpose(s) for which the meeting is called, shall be delivered orally or in writing, by mail or electronically, to the Member entitled to vote at such meeting not less than two (2) nor more than fifty (50) days before the date of such meeting. For any meeting that requires notice, a Member shall waive notice by: (i) attending the meeting, except where attendance is to object to the transaction of

business because the meeting was not lawfully convened; or (ii) executing a waiver of notice of meeting either prior to, during or after the meeting.

Section 8. QUORUM. A majority of Members shall constitute a quorum for the transaction of business at all meetings of the Members.

Section 9. MANNER OF ACTING. The act of a majority of the Members shall constitute an action of the Members.

Section 10. VOTING BY BALLOT. Voting on any question or in any election may be by voice, unless the presiding officer shall order, or a Member shall demand, that voting be conducted by ballot.

Section 11. INFORMAL ACTION BY MEMBERS. Any action required or permitted to be taken at the annual meeting or at a regular or special meeting of the Members may be taken without a vote if a consent in writing, setting forth the action so taken, is executed by all of the Members.

Section 12. ATTENDANCE BY TELEPHONIC OR VIDEO COMMUNICATION. The Members may participate in any meeting through the use of telephonic or video communication by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 13. RESERVED POWERS OF THE MEMBERS. At any annual, regular or special meeting, and subject to federal, state and local law and regulation, the Members may reserve to themselves any power of the Corporation by an affirmative vote of the majority of the Members memorialized in a resolution and in the minutes of the meeting and by communicating the same to the Board of Directors.

ARTICLE III BOARD OF DIRECTORS OF THE CORPORATION

Section 1. POWERS OF THE BOARD OF DIRECTORS. The property, business and affairs of the Corporation shall be managed by its Board of Directors subject to such restrictions as may from time to time be set by the Members. The Board of Directors shall have all the powers of Section 5142 of the California Corporations Code, as amended, in carrying out its duties.

Section 2. NUMBER, TENURE AND QUALIFICATIONS. The number of directors shall be up to SEVEN (7) but in no case shall be less than THREE (3). Each Director shall hold office until the next Annual or Special meeting of the Members and until her successors shall have been qualified. Directors need not be residents of the state of the corporation.

Section 3. REMOVAL OF A DIRECTOR. Any Director's term of service will end at the next Annual Meeting or when her successor is elected, whichever is earlier. In addition, any Director may be removed by a vote of the majority of the Members then in office.

Section 4. ANNUAL AND REGULAR MEETINGS. An Annual Meeting of the Board of Directors shall be held without any other notice than these bylaws, immediately after, and at the same place as, the Annual Meeting of the Members. The Board of Directors may provide by resolution the time and place for the holding of regular meetings of the Board of Directors without notice other than such resolution.

Section 5. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called at any time by the President or at the request in writing of a majority of the Board of Directors.

Section 6. PLACE OF MEETINGS. The President may designate any place, either within or without the state, as the place of meeting for any regular or special meeting of the Board of Directors. If no designation is made, the place of the meeting shall be the principal office of the Corporation.

Section 7. NOTICE OF MEETING AND WAIVER OF NOTICE. Notice stating the place, date, and hour of any meeting, and, in the case of a Special meeting, the purpose(s) for which the meeting is called, shall be delivered orally or in writing, by mail or electronically, to the Director entitled to vote at such meeting not less than two (2) nor more than fifty (50) days before the date of such meeting. For any meeting that requires notice, a director shall waive notice by: (i) attending the meeting except where attendance is to object to the transaction of business because the meeting was not lawfully convened; or (ii) executing a waiver of notice of meeting either prior to, during or after the meeting.

Section 8. QUORUM. A majority of Directors shall constitute a quorum for the transaction of business at all meetings of the Board of Directors, provided that if less than a majority of Directors is present at said meeting, a majority of the Directors present may adjourn the meeting to another time without further notice.

Section 9. MANNER OF ACTING. The act of a majority of the Directors present at a meeting at which a quorum is present shall constitute an action of the Board of Directors, unless the act of a greater number is required by statute, these bylaws or the articles of organization.

Section 10. VOTING BY BALLOT. Voting on any question or in any election may be by voice, unless the presiding officer shall order, or a director shall demand, that voting be conducted by ballot.

Section 11. INFORMAL ACTION BY DIRECTORS. Any action required or permitted to be taken at a regular or special meeting of the Board of Directors may be taken without a vote if a consent in writing, setting forth the action so taken, is executed by all of the Directors.

Section 12. ATTENDANCE BY TELEPHONIC OR VIDEO COMMUNICATION.

The Directors may participate in any meeting through the use of telephonic or video communication by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting,

**ARTICLE IV
OFFICERS OF THE CORPORATION**

Section 1. DESIGNATION, ELECTION AND TERM. The Officers of the Corporation shall consist of a President, Secretary and a Treasurer, along with any other Officers as may be elected by the Board of Directors. Officers whose authority and duties are not prescribed in these bylaws shall have the authority and perform the duties prescribed, from time to time, by the Board of Directors. Any two or more offices may be held by the same person, except the offices of President and Secretary. The Officers shall be elected by the Board of Directors at the Annual Meeting and serve until the next Annual meeting or until their resignation.

Section 2. PRESIDENT. The President shall be the Chief Executive Officer of the Corporation and shall preside at all meetings of the Members and the Board of Directors. Subject to the direction and control of the Board of Directors, she shall have general and active management of the business of the Corporation, and she shall ensure that all orders and resolutions of the Board of Directors are carried into effect except where such orders or resolutions are assigned to others by the Board of Directors or these bylaws. With the authorization of the Board of Directors to act, the President may execute deeds, bonds, mortgages, and other contracts either under the seal or without the seal of the Corporation and she may accomplish such executions either individually or with the Secretary or with any other Officer as authorized by the Board of Directors according to the requirements of the instrument to be executed. She shall have general supervisory authority over all other officers of the Corporation and shall see their duties are properly performed. She shall, from time to time, report to the Board of Directors all matters within her knowledge which the interests of the Corporation may require to be brought to their notice. She shall also perform such other duties as may be assigned from time to time by the Board of Directors.

Section 3. SECRETARY. The Secretary shall give, or cause to be given, notice of all meetings of the Members and the Board of Directors (unless notice thereof is waived), shall supervise the custody of all records and reports and shall be responsible for the keeping and reporting of adequate records of all meetings of the Members and the Board of Directors. She shall be the custodian of the seal of the Corporation. The Secretary shall also perform such other duties as may be assigned to her from time to time by the President or the Board of Directors.

Section 4. TREASURER. The Treasurer shall be the chief accounting and financial officer of the Corporation. She shall keep a full and correct account of receipts and disbursements in the books belonging to the Corporation, and shall deposit all monies and other valuable effects in the name and to the credit of the Corporation, in which banks of deposit as

may be designated by the Board of Directors, She shall dispose of funds of the Corporation as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, whenever they may require it of her, an account of all her transactions as Treasurer and of the financial condition of the Corporation. The Treasurer shall also perform such other duties as may be assigned to her from time to time by the President or the Board of Directors.

ARTICLE V TAX EXEMPT STATUS OF THE CORPORATION

Notwithstanding any other provisions of the Articles of Incorporation or these bylaws, the Corporation is organized exclusively for charitable, religious and educational purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501 (c) (3) of the Internal Revenue Code of 1986, as it may be amended (the "Code") and intends at all times to qualify and remain qualified as exempt from federal income tax under Section 501 (c) (3) of the Code and, in connection therewith:

(a) the Corporation shall not, directly or indirectly, engage in or include among its purposes or activities any act that would violate its status as a tax exempt organization under the laws of the United States or the Commonwealth of Massachusetts;

(b) the Corporation is not formed for and shall not be conducted nor operated for pecuniary profit or financial gain, and no part of the assets, income, or profit thereof shall be distributed to, or inure to the benefit of any private individual or individuals, provided that nothing herein shall prevent the Corporation from paying reasonable compensation to any person for services rendered to or for the Corporation in furtherance of one or more of its purposes;

(c) no substantial part of the activities of the Corporation shall be devoted to the carrying on of propaganda or otherwise attempting to influence legislation, except to the extent permitted by the Code whether pursuant to an election under Section 501 (h) or otherwise, and no part of the activities of the Corporation shall be devoted to participating or intervening in (including the publication or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office; and

(d) the Corporation shall not engage in or include among its purposes any activities not permitted to be carried on by a corporation exempt from federal income taxation under Section 501 (c) (3) of the Code, as it may be amended.

ARTICLE VI CONTRACTS, CHECKS, DEPOSITS AND FUNDS

Section 1 – CONTRACTS. The Board of Directors may authorize any officer or officers, agent or agents of the Corporation, in addition to the officers so authorized by these bylaws to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances.

Section 2 – CHECKS, DRAFTS, ETC. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by the Board of Directors. By these bylaws, the President of the Corporation and such other officers that she may direct to do so are authorized to sign these instruments.

Section 3 – DEPOSITS. All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors may select.

Section 4 -- GIFTS. The President may accept and receive on behalf of the Corporation gifts, bequests or devises for the general purposes or for any special purpose of the Corporation. With the authorization of the Board of Directors and subject to federal and state law, the President may make gifts, grants and other contributions to other entities so long as they are recognized as tax exempt charitable, religious or educational corporations under federal and state law.

ARTICLE VII DISSOLUTION OF THE CORPORATION

Upon the voluntary or involuntary dissolution of the Corporation, the Board of Directors shall, after paying or making provision for the payment of all liabilities of the Corporation, dispose of all the assets of the Corporation to another Corporation of the Little Sisters of the Poor in the United States. If there is no Corporation of the Little Sisters of the Poor in the United States, the Board of Directors will dispose of all assets to the Little Sisters of the Poor General Administration in France. If there is no Little Sisters Corporation in existence and the Little Sisters of the Poor General Administration is no longer in existence, the Board of Directors shall dispose of all of the assets to such organizations or organizations organized and operated exclusively for charitable, educational or religious purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), and in accordance with all the laws of the State of California.

ARTICLE VIII INDEMNIFICATION

The Corporation may, to the fullest extent now or hereafter permitted by and in accordance with the standards and procedures provided for by the laws of the State of California and any amendments thereto, indemnify any person made, or threatened to be made, a party to any action or proceeding by reason of the fact that he or she is a Member, Director, Officer, employee or agent of the Corporation, against judgments, fines, amounts paid in settlement and reasonable expenses, including reasonable attorneys' fees.

ARTICLE IX MISCELLANEOUS

Section 1 – FISCAL YEAR. The fiscal year of the corporation shall begin on the first day of January and end on the last day of December in each year.

Section 2 – CORPORATE SEAL. The Board of Directors shall provide a corporate seal, which shall be circular with the name of the Corporation thereon. The Seal shall be kept in the custody of the Secretary of the Corporation and shall be retained at all times in the principal office of the Corporation.

**ARTICLE X
ADOPTION AND AMENDMENT OF BYLAWS**

These bylaws may be adopted, altered, amended or repealed by at least two-thirds (2/3) vote of the Board of Directors of the Corporation, at any Annual, Regular or Special meeting pursuant to the notice provided by the bylaws.



Adopted at a Special Meeting of the Board of Directors of the Corporation held on the _____ day of _____, _____, as duly recorded in the Minutes of the Corporation.

Attest:

President

Treasurer

Secretary

Impacts on Health Care Services
(Cal Code Regs., tit. 11, sec 999.5(d)(5))

Section 999.5(d)(5)(A) A copy of the two most recent “community needs assessments” prepared by the applicant for any health facility or facility that provides similar health care that is the subject of the agreement or transaction.

The applicant has not prepared a community needs assessments. The nature of the ministry of the Little Sisters of the Poor - caring for the elderly poor – has always been found to be needed in the communities where the Sisters serve.

Section 999.5(d)(5)(B) A description of all charity care provided in the last five years by each health facility or facility that provides similar health services that is the subject of the agreement or the transaction. This description shall include annual total charity care spending, inpatient, outpatient and emergency room charity care spending; a description of how the amount of charity care spending was calculated; annual charity care inpatient discharges, outpatient visits, and emergency visits; a description of the types of charity care services provided annually; and a description of the policies, procedures, and eligibility requirements for the provision of charity care.

A review of the applicant's financial statements demonstrate that the Nursing Facility is able to provide care to the elderly poor by seeking support from the public at charge. As stated earlier, this public support represents a significant percentage of the operating revenue. This allows the Little Sisters of the Poor to accept residents of modest means and basically run a deficit for the care of each resident.

Because JJR is not an acute care hospital the charity care statistics, the types of services and the policies and procedures for the provision of charity care are not available.

The most obvious statistic is that the vast majority of skilled nursing care residents admitted to JJR are eligible for Medi-Cal either at the time of admission or shortly thereafter.

Section 999.5(d)(5)(C) A description of all services provided by each health facility or facility that provides similar health care that is the subject of the agreement or transaction in the past five years to Medi-Cal patients, county indigent patients, and any other class of patients. This description shall include but not be limited to the type and volume of services provided, the payors for the services provided, the demographic characteristics of and zip code data for the patients served by the health facility or facility that provides similar health care, and the costs and revenues for the services provided.

The services provided are those that are typically offered in skill nursing care and residential care for the elderly facilities. As mentioned above in Section 999.5(d)(5)(B), the vast majority of the residents are MediCal eligible at the time of admission or shortly thereafter. In addition, the residents who live in the independent living apartments are accepted and have their rents established based on their income and not whether they can secure government assistance to pay the full amount of the established rent.

Even if a resident commences their residence as private pay, usually very shortly after admission they are eligible for MediCal based on their income and assets.

And as the Home's audited financial statements demonstrate, a large percentage of revenue for the Home comes from fundraising and not payment or reimbursement for services.

Exhibit 9 is demographic information about the Medi-Cal residents who have resided in the Home since 2019. (Information for prior years is not available.)

Exhibit 9

Section 999.5(d)(5)(C)

LITTLE SISTERS OF THE POOR

DEMOGRAPHICS - SKILLED NURSING FLOOR

ROOM #	MediCal	SEX	ETHNICITY	CITY ADMITTED FROM	ZIP CODE
227	M	M	WHITE	PHONEIX	85029
222	M	F	BLACK	LOS ANGELES	90047
202	M	F	JEWISH	ROLLING HILLS	90274
212	M	F	WHITE	RANCHO PALOS VERDES	90275
226	M	F	WHITE	REDONDO BEACH	90277
213	M	F	HISPANIC	TORRANCE	90505
211	M	F	WHITE	BUENA PARK	90622
208	M	F	PHILIPINO	SAN PEDRO	90731
224	M	F	WHITE	SAN PEDRO	90731
216	M	F	ASIAN	SAN PEDRO	90732
220	M	F	HISPANIC	SAN PEDRO	90732
204	M	F	HISPANIC	SAN PEDRO	90732
206	M	F	HISPANIC	SAN PEDRO	90732
217	M	M	ITALIAN	SAN PEDRO	90732
209	M	F	WHITE	SAN PEDRO	90732
225	M	F	WHITE	SAN PEDRO	90732
219	M	F	WHITE	SAN PEDRO	90732
205	M	F	WHITE	SAN PEDRO	90732
214	M	F	WHITE	SAN PEDRO	90732
221	M	F	WHITE	SAN PEDRO	90732
223	M	F	WHITW	SAN PEDRO	90732
210	M	F	HISPANIC	CARSON	90745
201	M	F	PHILIPINO	CARSON	90745
218	M	F	HISPANIC	LONG BEACH	90805
207	M	F	WHITE	ALTA LOMA	91737
203	M	F	WHITE	LANCASTER	93536

TOTAL SKILLED DEMOGRAPHICS

MediCal	SEX	ETHNICITY	ZIP CODE
26-MediCal	2-Male	1-Asian	1-Phoenix, AZ 85029
	24-Female	1-African American	1-Los Angeles, CA 90047
		6-Hispanic	1-Rolling Hills, CA 90274
		1-Italian	1-Rancho Palos Verdes, CA 90275
		1-Jewish	1-Redondo Beach, CA 90277
		2-Filipino	1-Torrance, CA 90505
		14-White	1-Buena Park, CA 90622
			2-San Pedro, CA 90731
			12-San Pedro, CA 90732
			2-Carson, CA 90745
			1-Long Beach, CA 90805
			1-Alta Loma, CA 91737
			1-Lancaster, CA 93356

LITTLE SISTERS OF THE POOR

DEMOGRAPHICS - RCFE

ROOM #	MediCal	SEX	ETHNICITY	CITY ADMITTED FROM	ZIP CODE
322	M	F	WHITE	FLORIDE	34481
104	M	M	WHITE	MISSOURI	63107
320	M	M	WHITE	TUCSON	85716
302	M	M	WHITE	LOS ANGELES	90027
103	M	F	HISPANIC	LOS ANGELES	90033
119	M	F	HISPANIC	LOS ANGELES	90033
137	M	F	HISPANIC	GARDENA	90249
116	M	F	WHITE	RANCHO PALOS VERDES	90275
144	M	F	HISPANIC	TORRANCE	90504
115	M	M	ASIAN	TORRANCE	90504
148	M	F	WHITE	TORRANCE	90505
319	M	F	WHITE	WHITTER	90606
317	M	F	HISPANIC	BUENA PARK	90620
147	M	F	WHITE	LOMITA	90717
109	M	F	HISPANIC	SAN PEDRO	90731
135	M	F	HISPANIC	SAN PEDRO	90731
312	M	F	WHITE	SAN PEDRO	90731
308	M	F	WHITE	SAN PEDRO	90731
122	M	F	HISPANIC	SAN PEDRO	90732
134	M	F	WHITE	SAN PEDRO	90732
132	M	F	WHITE	SAN PEDRO	90732
124	M	F	WHITE	SAN PEDRO	90732
140	M	F	WHITE	SAN PEDRO	90732
118	M	M	ASIAN	SAN PEDRO	90732
117	M	M	HISPANIC	SAN PEDRO	90732
141	M	M	HISPANIC	SAN PEDRO	90732
112	M	M	PHILLINES	SAN PEDRO	90732
128	M	M	WHITE	SAN PEDRO	90732
142	M	M	WHITE	SAN PEDRO	90732
102	M	F	WHITE	LONG BEACH	90814
311	M	F	HISPANIC	COVINA	91723
301	M	F	WHITE	SAN DIMES	91773
129	M	F	WHITE	LA MESA	91941
313	M	F	ASIAN	SAN DIEGO	92064
321	M	F	WHITE	VICORVILLE	92395
127	M	F	WHITE	YUCAIPA	92399
309	M	F	WHITE	ANAHEIM	92801

TOTAL RCFC DEMOGRAPHICS

MediCal	SEX	ETHNICITY	ZIP CODE
37-MediCal	10-Male	3-Asian	1-Ocala, FL 34481
	27-Female	11-Hispanic	1-St. Louis MO 63107
		1-Filipino	1-Tucson, AZ 85716
		22-White	1-Los Angeles, CA 90027
			2-Los Angeles, CA 90033
			1-Gardena, CA 80249
			1-Rancho Palos Verdes, CA90275
			2-Torrance, CA 90504
			1-Torrance, CA 90505
			1-Whittier, CA 90606
			1-Buena Park, CA 90620
			1-Lomita, CA 90717
			4-San Pedro, CA 90731
			11-San Pedro, CA 90732
			1-Long Beach, CA 90814
			1-Covina, CA 91723
			1-San Dimas, CA 91773
			1-La Mesa, CA 91941
			1-San Diego, CA 92064
			1-Victorville, CA 92395
			1-Yucaipa, CA 92399
			1-Anaheim, CA 92801

Section 999.5(d)(5)(D) A description of any community benefit program provided by the health facility or facility that provides similar health care during the past five years with an annual cost of at least \$10,000 and the annual cost of each program for the past five years.

The applicant does not have any such community benefit programs.

Section 999.5(d)(5)(E) For each health facility or facility that provides similar health care that is the subject of the agreement or transaction, a description of current policies and procedures on staffing for patient care areas; employee input on health quality and staffing issues; and employee wages, salaries, benefits, working conditions and employment protections. Such description shall include a list of all existing staffing plans, policy and procedure manuals, employee handbooks, collective bargaining agreements or similar employment-related documents.

The staffing ratios for the applicant are as follows:

1. For the Skilled Nursing Unit - one Certified Nursing Assistant for each six residents on the day and evening shifts; one Certified Nursing Assistant for each nine residents for the night shift; one Nurse (RN or LPN) for each shift.
2. For the RCFE Unit - two Certified Nursing Assistants for the thirty-six residents on the day and evening shifts; one Certified Nursing Assistant for the night shift; one Nurse (RN or LPN) or a Med Tech per shift.

There are regular meetings with supervisors and also meetings with staff to discuss issues relating to resident care, staffing and other issues of import to the employees. Because the Little Sisters of the Poor serve as unit supervisors on the care units, they are in constant contact with the employees, literally hundred of “informal” meeting occur between the Little Sisters and the staff on a weekly basis.

Exhibit 10 is a copy of the current Employee Handbook which describes and guides the employer-employee relationship at JJR.

Exhibit 11 is a copy of the recently revised Employee Benefit Handbook which include benefits such as a defined benefit pension plan one hundred percent paid by the employer, a 403(b) plan, health benefits and different types of leave (vacation, medical leave, FMLA, etc.)

Exhibit 12 is a copy of the Nursing policies and procedures for the Home.

Exhibit 10

Section 999.5(d)(5)(E)

LITTLE SISTERS OF THE POOR

TRI – PROVINCIAL EMPLOYEE HANDBOOK

We assist the Little Sisters of the Poor in their mission of hospitality by welcoming the elderly poor, making them happy and caring for them until death. In our varied roles, we contribute to the family spirit and the daily life of the home, following the example of Jeanne Jugan.

Mission Statement of Collaborators
With the Little Sisters of the Poor

Welcome to the Home!

As you begin your association with us, Little Sisters of the Poor, we want you to know about us and about the way we envision our mission of hospitality for the well-being and happiness of the elderly Residents whom you will serve with us.

Our Common Mission

A French woman, Jeanne Jugan, known as Sister Mary of the Cross, brought the first elderly woman into her own home and laid her in her own bed. From this founding gesture of 1839, Jeanne Jugan's love and service of poor elderly men and women spread throughout the world. That same year, Jeanne Jugan founded the Little Sisters of the

Poor in St. Servan, France. She dedicated her life to the care of the elderly poor who could no longer care for themselves.

The Little Sisters take religious vows to serve God and the aged poor. We are an international Congregation of women religious, caring for the elderly poor around the world. Because Little Sisters can be assigned to any country, we are often Little Sisters of different nationalities.

As in the time of Jeanne Jugan, there are many needy aged today. Our goal is to make them happy, by believing in the value of their life, by recognizing their unique contribution to the Church and society, by involving them in the activities of the Home and developing their human potential. We strive to offer the Residents a continuum of care in health and sickness, to alleviate their suffering and to accompany them as they journey toward death and eternal life.

Central to our commitment is our dedication to continue Jeanne Jugan's mission of caring for the aged poor, believing and serving Jesus in every person. Regardless of each employee's religious persuasion, *all* employees are expected to respect the Residents as if they were family. It is this common commitment that unites the Little Sisters and all our employees in this mission. Every person in the Home must be part of this mission. The Little Sisters endeavor to promote the physical, psychological, emotional, spiritual and social well-being of the aged in an atmosphere of kindness and faith. All who work in the Home of the Little Sisters of the Poor shall endeavor to share in this atmosphere of faith, love and concern for each aged person served.

As Little Sisters we depend on the providence of God to enable us to maintain the Home and provide for the

Residents. Since preference is given to the neediest aged, finances are supplemented by the support of benefactors. Little Sisters make the needs known through the collecting, approaching benefactors in person to solicit their aid in continuing our mission of hospitality.

Hospitality is one of the vows by which we Little Sisters commit ourselves to God and his people. By the vow of Hospitality we promise to care for the aged as if they were Christ himself. As you join us, in whatever area of service it is, you are an extension of our hands and a collaborator in our responsible dedication to the Residents. In this way and for this reason your help is indispensable in aiding us to continue the legacy of Jeanne Jugan in this special mission with the elderly poor: showing them love and concern, and making them feel welcomed and respected, safe and at home.

We ask God to bless you and look forward to collaborating with you to make the Residents happy.

ABOUT THIS HANDBOOK

THE CONTENTS OF THIS HANDBOOK ARE GUIDELINES ONLY AND SUPERSEDE ANY PRIOR HANDBOOK. NEITHER THIS HANDBOOK NOR ANY OTHER HOME GUIDELINES, POLICIES OR PRACTICES CREATE AN EMPLOYMENT CONTRACT. THE HOME HAS THE RIGHT, WITH OR WITHOUT NOTICE, IN AN INDIVIDUAL CASE OR GENERALLY, TO CHANGE ANY OF ITS GUIDELINES, POLICIES, PRACTICES, WORKING CONDITIONS OR BENEFITS AT ANY TIME.

EMPLOYMENT WITH THE HOME IS AT-WILL AND MAY BE TERMINATED AT ANY TIME WITH OR WITHOUT CAUSE OR NOTICE BY THE EMPLOYEE OR THE HOME. NO ONE IS AUTHORIZED TO PROVIDE ANY EMPLOYEE WITH AN EMPLOYMENT CONTRACT OR SPECIAL ARRANGEMENT CONCERNING TERMS OR CONDITIONS OF EMPLOYMENT UNLESS THE CONTRACT OR ARRANGEMENT IS IN WRITING AND SIGNED BY MOTHER SUPERIOR.

THIS NOTICE APPLIES TO ALL EMPLOYEES REGARDLESS OF DATE OF HIRE.

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CHAPTER I

GENERAL POLICIES

Respect for Life

God alone has the ownership of human life. Therefore, every Resident, regardless of the extent of his or her physical or mental capability, has a right to be treated with respect consonant with his or her dignity as a person. All programs, policies and procedures related to Resident care in our Homes are developed with reference to the sacredness and respect for human life, and follow the ethical teachings of the Roman Catholic Church.

Purpose of this Handbook

The policies and procedures contained in this Handbook are based on the belief that a group of qualified employees working in harmony with the Little Sisters of the Poor provide the best Resident service possible. We realize that harmony is best achieved when the rights of both the employee and the employer are respected and when all employees are treated with consideration, courtesy and dignity. As employees, you are in turn expected to show the same consideration toward the Residents, their families and visitors, fellow employees, volunteers and the Little Sisters of the Poor.

We hope that you will find both challenge and reward as you share in the mission of the Little Sisters. To assist you we have prepared this Handbook of current information, policies and

benefits, along with a Supplement particular to your specific Home. These are your copies which we ask you to review often. Please feel free to discuss any questions you might have with your supervisor/ Department Head or your Human Resources Director.

The policies and procedures in this Handbook supersede all prior policies and practices, oral and written, of the Little Sisters of the Poor. These policies and any supplements which may be added from time to time are not a contract of employment, but have been prepared to provide a general description of our current policies and procedures. We may change these policies and other terms and conditions of your employment from time to time. We will try to keep you informed of any developments which may affect you. If you have any questions concerning your benefits or the Home's policies, please talk to your supervisor/ Department Head or Human Resources Director.

None of these policies, nor any other Administration communications, should be construed as creating a contract for a specific term between the Little Sisters of the Poor and any of its employees. **Employment at the Home is on an at-will basis. This means that employees may resign at any time and for any or no reason at all. Likewise, the Home may terminate the employment of any employee at any time, with or without notice, for any reason or no reason.** The at-will nature of employment cannot be changed unless done so in writing, signed by Mother

Superior. No other manager, supervisor or Department Head of the Home has any authority to alter this policy or the at-will nature of an individual's employment. No one other than the Mother Superior can bind the Little Sisters of the Poor to an employment contract and this can only occur through a written and explicit agreement signed and dated by the Mother Superior.

The Little Sisters of the Poor is committed to complying with all federal, state and local laws. To the extent any provision of this handbook conflicts with any law, the requirements of that law will prevail.

Communication - A Two-Way Street

Our mission to care for the Residents is challenging. We can only accomplish our collective goals if we work together. This high level of teamwork requires communication at all levels. As Little Sisters, we are committed to always improving communication with you. Our goal is not only to provide essential information, but also to listen to your *needs and concerns*, so we can support you in your care and service to our Residents.

We generally hold meetings with all staff several times during the year. These meetings are to keep you up to date on various work-related topics and developments and to give you a chance to ask questions and voice any concerns. Since communication is a two-way street, these meetings

can only be successful if each of us is committed to open, honest and direct dialogue. Of course, you need not wait until there is a meeting to speak with us. We encourage you to voice any questions or concerns you may have at any other time during the year by speaking with your Supervisor, Department Head, or the Human Resources Director. If you feel you have not been able to communicate your concerns to them, please do not hesitate to speak with your Administrator and/or the Mother Superior.

Equal Employment Opportunity

The Little Sisters of the Poor is an equal opportunity employer. We strongly believe in equal employment opportunity for all. In furtherance of this policy, we will continue to recruit, employ, train, promote, provide benefits to, and compensate our employees without regard to race, color, religion, national origin, sex, sexual orientation, genetic information, age, military status, pregnancy (including pregnancy related medical conditions and childbirth), disability or any other characteristic protected by federal, state or local law, or ordinance.

At the Home, equal employment is not only a legal commitment; it is a moral commitment as well. If you feel you or another employee have been a victim of discriminatory treatment or harassment of any kind, please speak with your immediate supervisor, Department Head or Human Resources Director. The Home will not retaliate or tolerate retaliation against an employee who makes a report of what the

employee believes to be a violation of this policy or who cooperates in an investigation in accordance with this policy.

Reasonable Accommodation

The Home recognizes and supports its obligation to endeavor to reasonably accommodate job applicants and employees with physical or mental disabilities who are able to perform the essential functions of the position, with or without reasonable accommodation. The Home will endeavor to provide reasonable accommodation to otherwise qualified job applicants and employees with physical or mental disabilities, unless doing so would impose an undue hardship on the Home or pose a direct threat of substantial harm to the employee or others. The Home will consider providing reasonable accommodation to employees temporarily disabled due to pregnancy, pregnancy related medical conditions, and childbirth.

An applicant or employee who believes he or she needs a reasonable accommodation of a disability or pregnancy, pregnancy related medical condition, or childbirth, should discuss the need for possible accommodation with the Human Resources Department, or his or her direct supervisor.

The Home will make reasonable accommodation for an applicant or employee's sincerely held religious beliefs or practices. Any employee who believes he or she may require such accommodation should contact the Human Resources Director.

Lactation Accommodation

The Home will provide a reasonable amount of break time to accommodate an employee desiring to express breast milk for the employee's infant child, to the extent required and in accordance with applicable law. The break time, if possible, must run concurrently with rest and meal periods already provided to the employee. If the break time cannot run concurrently with rest and meal periods already provided to the employee, the break time will be unpaid, to the extent permitted by applicable law.

The Home will make reasonable efforts to provide employees with the use of a room or location other than a toilet stall for the employee to express milk in private. This location may be the employee's private office, if applicable. The Home may not be able to provide additional break time if doing so would seriously disrupt the Home's operations. Please speak to Human Resources if you have questions regarding this policy.

Policy against Harassment

The Home is committed to providing a collegial workplace in which all individuals are treated with respect and dignity. The Home fosters a professional work environment and takes steps to prevent harassment of any kind. The Home prohibits unlawful harassment of employees and Residents on the basis of race, color, religion, national origin, sex, sexual orientation, genetic information, age, military

status, pregnancy (including pregnancy related medical conditions and childbirth), disability or any other characteristic protected by federal, state or local law, or ordinance. The purpose of this policy is to ensure that employees and Residents are not subjected to harassment on any of these grounds at the Home.

The Home prohibits unlawful harassment of its employees and Residents by anyone: supervisors, other employees, Residents, vendors, visitors or any other business contacts. Our employees similarly are prohibited from harassing supervisors, coworkers, Residents, vendors, visitors or any other business contacts. This policy applies at the Home and also to offsite Home events, offsite meetings, business travel, and any other offsite locations where employees perform work for the Home.

For purposes of this policy, harassment is defined as verbal or physical conduct that denigrates or shows hostility or aversion towards a protected group or against an individual because of membership in such a group, when such conduct:

- has the purpose or effect of creating an intimidating, hostile or offensive working environment;
- has the purpose or effect of unreasonably interfering with an individual's work performance; or

- otherwise adversely affects an individual's employment opportunities.

Conduct that constitutes unlawful harassment on the basis of an individual's legally protected characteristics includes, but is not limited to:

- epithets, slurs or negative stereotyping;
- threatening, intimidating or hostile acts based on an individual's membership in a protected class;
- negative or derogatory jokes, cartoons or pictures based on legally protected characteristics;
- displaying or circulating in the workplace written or graphic material (including email) that denigrates or shows hostility or aversion towards an individual or group based on a protected category.

The Home takes this policy very seriously. Therefore, any employee who experiences, witnesses or otherwise becomes aware of incident(s) of harassment or possible harassment is encouraged to immediately report the matter to his or her supervisor, Department Head, the Human Resources Director, Mother Superior or any other member of

the Administration with whom you feel comfortable. While it may take some time to fully conclude our investigation of the matter, you should receive an acknowledgment that an investigation is being conducted within 48 hours of your initial report. If you do not, we encourage you to speak to the Human Resources Director or Mother Superior.

The Home will promptly and thoroughly investigate every report of a violation of this policy. Following the investigation, the Home will take immediate and appropriate corrective action if the circumstances warrant. Violations of this policy will not be permitted and may result in discipline up to and including discharge.

To the extent possible, the Home will endeavor to keep the reporting employee's concerns confidential. The Home has a compelling interest in protecting integrity of its investigations. In every investigation, the Home has a strong desire to protect witnesses from harassment, intimidation and retaliation, to keep evidence from being destroyed, to ensure that testimony is not fabricated, and to prevent a cover-up. The Home may decide in some circumstances that in order to achieve these objectives, we must maintain the investigation and our role in it in strict confidence. If the Home reasonably imposes such a requirement and the employee involved does not maintain such confidentiality, the employee involved may be subject to disciplinary action up to and including immediate termination.

It is unlawful to retaliate against an employee for filing a complaint of harassment or for cooperating in an investigation of such a complaint. Retaliation in any form against an employee who complains of discrimination or harassment is strictly prohibited and will result in appropriate disciplinary action. The Home will not tolerate any retaliation against anyone who reports an incident of alleged harassment or who cooperates in an investigation.

Sexual Harassment Policy

Sexual harassment is unlawful. It is the Home's policy to prohibit sexual harassment of employees, Residents, job applicants, contractors by another employee, supervisors, vendor, customers, residents or any third party. The purpose of this policy is to ensure that, in the workplace, no one is subjected to sexual harassment (including harassment based on pregnancy, pregnancy related medical condition, and childbirth).

The Home prohibits sexual harassment of its employees, Residents, job applicants, or contractors by anyone: supervisors, other employees, Residents, vendors, visitors or any other business contacts. Our employees similarly are prohibited from harassing supervisors, coworkers, Residents, vendors, visitors or any other business contacts. This policy applies at the Home and also to offsite Home events, offsite meetings, business travel, and any other offsite locations where employees perform work for the Home.

For purposes of this policy, sexual harassment means any unwelcome sexual advances or requests for sexual favors or any other verbal or physical conduct of a sexual nature when: 1) submission to or rejection of such advances, requests or conduct is made either explicitly or implicitly a term or condition of employment or is used as a basis for employment decisions; or 2) such advances, requests or conduct have the purpose or effect of substantially or unreasonably interfering with an employee's work performance by creating an intimidating, hostile or offensive work environment; or 3) such harassment otherwise adversely affects an individual's employment opportunities.

The types of unwelcome conduct that could be sexual harassment include but are not limited to slurs, epithets, threats, derogatory comments, unwelcome jokes, teasing, inappropriate comments about an employee's physical appearance, displaying sexually graphic magazines, calendars or posters, obscene gestures, touching of a sexual nature, sexual advances, requests for sexual favors, or visual depictions or pictures, and other similar verbal, physical or visual conduct of a sexual nature.

The Home takes this policy very seriously. Therefore, any employee who experiences, witnesses or otherwise becomes aware of incident(s) of actual or potential sexual harassment should immediately report the matter to his or her supervisor, Department Head, the Human Resources Director, Mother

Superior or any other member of the Administration with whom you feel comfortable. While it may take some time to fully conclude our investigation of the matter, you should receive an acknowledgment that an investigation is being conducted within 48 hours of your initial report. If you do not, we encourage you to speak to the Human Resources Director or Mother Superior.

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Working Environment

The Little Sisters of the Poor are committed to providing a work environment which recognizes the important role of each employee, provides progressive benefits to eligible employees, and fosters concern, cooperation and communication. We value and encourage your opinions and suggestions in obtaining a mutually beneficial relationship. We seek to provide an environment based on trust and a timely, face-to-face resolution of problems, concerns or misunderstandings. We believe that this is best accomplished without the intervention of a third party, and that these conditions can be created and maintained through a dialogue between the Home and its employees.

You can look to us to provide good working conditions, competitive wages, good benefits for eligible employees, and the personal respect and dignity you deserve. We rely on you to help us to provide our Residents with the best care.

Conflict of Interest Statement

The Little Sisters of the Poor rely on our employees to exercise their responsibilities in the best interests of the Home where they are employed. Each employee should avoid any conflict of interest or appearance of a conflict of interest. All business judgments for the Little Sisters of the Poor should be made based on such trust.

The Home respects employees' privacy in their personal affairs and financial activities and is not interested in interfering with any such legal out-of-work activities unless they conflict with the legitimate interests of the Home or conflict with an agreement you have with the Home. For example, a material conflict may exist if you, as a representative of the Home, are engaged in personal business with the Home's vendors or you are offered or receive gifts or gratuities from an individual seeking a business relationship with the Home.

Because it is not possible to list all situations or relationships which might create conflicts of interest problems and because each situation must be evaluated on the facts, employees should notify their supervisor, Department Head or the Human Resources Director regarding any potential conflicts of interest or circumstances which might constitute a violation of this policy. Employees should obtain assistance through the Provincial Compliance Officer or Coordinator to determine if a conflict exists and, if so, how it should be resolved.

Corporate Compliance Program

It is the Home's policy to provide the highest quality of care to the aged poor while fully complying with all federal, state, and local laws and regulations. We expect and require all personnel to be law-abiding, trustworthy and fair in all of their business dealings. To assist our employees in meeting these objectives, the Home has implemented a Compliance Program. All employees are expected to familiarize themselves with the Compliance Code of Conduct and to adhere to it. You will receive a copy at orientation and will be asked to sign an acknowledgement form that you have received training and understand the seriousness of these policies.

Moreover, all employees are expected to be familiar with and comply with federal and state laws, rules, and regulations that govern their work. Employees also are required under the Compliance Program to report (anonymously or otherwise) any suspected violations of the Compliance Code of Conduct to the Compliance Officer or Compliance Coordinator. Employee participation in an exit interview upon termination of employment assists us in maintaining our Compliance Program.

Privacy Practices and Protected Health Information / HIPAA

As a health care provider, the Little Sisters of the Poor and our employees are entrusted with

confidential information regarding our Residents. The Little Sisters of the Poor recognize that this information is private and they have established policies and procedures regarding Protected Health Information. All employees are instructed regarding the Home's Privacy Practices and are required to adhere to all aspects of this plan and to be familiar with applicable federal and state laws, rules and regulations as these apply to their job.

Residents' histories are strictly confidential matters. Information concerning a Resident must not be discussed with anyone except those directly concerned with the care of the Resident, and never with other employees, visitors, Residents or outsiders. Records to which you may have access may be shown only to those who have the proper authority to see them. The personal affairs of the Residents must never be made the subject of conversation among yourselves, since this constitutes an invasion of privacy.

In the course of performing their job duties, some employees may be given access to confidential information relating to the Home's mission, its work, or its employees (including employee personnel information). All such information must be safeguarded and kept private as a matter of Home policy and in accordance with law.

Workplace Security/Weapons

We are strongly committed to providing a safe workplace. The purpose of this policy is to minimize the risk of personal injury to employees and damage to the Home's property.

We have adopted a zero tolerance policy for firearms and weapons in our homes. Except as expressly provided otherwise by State Law, the Little Sisters of the Poor prohibits Employees, Volunteers, Contracted Personnel, Residents, and Visitors from carrying or possessing a firearm or any weapon while on the property or while acting in the course and scope of their employment for and/or on behalf of the Little Sisters of the Poor.

We believe certain steps can be taken early on to identify and prevent potential instances of violence in the workplace. We have also developed a procedure for preventing and dealing with workplace violence. We do not expect you to become an expert in psychology nor do we expect you to subdue a threatening or violent individual. In fact, we discourage you from physically confronting a violent or potentially violent individual. However, we do expect and encourage you to exercise reasonable judgment in identifying and reporting potentially dangerous situations. There are often behaviors or signs co-workers or others may exhibit, including:

- Overt resentment, anger and hostility
- Extreme stress or agitation

- Making threats such as bad things will happen to a particular person, or a catastrophic event will befall someone
- Sudden and significant decline in work performance
- Discipline in the recent past for behavior-related incidents
- Irresponsible, irrational, intimidating, aggressive or otherwise inappropriate behavior
- Reacting to questions with an antagonistic or overtly negative attitude
- Discussing weapons and their use, and/or brandishing weapons in the workplace or on the Home's property
- Overreacting or reacting harshly to changes in the Home's policies and procedures
- Personality conflicts with co-workers
- Obsession or preoccupation with a co-worker or supervisor
- Attempts to sabotage the work or equipment of a co-worker
- Blaming others for mistakes and circumstances
- Demonstrating a propensity to behave and react irrationally

Prohibited Conduct

Threats, threatening language, or any other acts of threatening aggression or violence made toward or

by any Home employee will not be tolerated. For the purposes of this policy, a threat includes but is not limited to, any verbal or physical harassment or abuse in violation of Home policy, attempts at instilling fear in others, menacing gestures, flashing of weapons, stalking, or any other hostile, aggressive, injurious and/or destructive actions undertaken for the purpose of threats or domination and includes domestic violence.

Procedures for Reporting a Threat

All potentially dangerous situations, including threats by co-workers, Residents, vendors or visitors, should be reported immediately to your immediate supervisor, Department Head, the Human Resources Director or any member of Administration. Reports of threats may be made anonymously. All reports will be promptly investigated. No employee will be subject to retaliation, intimidation or any adverse personnel action because he or she in good faith reported a threat under this policy or cooperating in an investigation.

If an investigation confirms a threat of a violent act, an act of violence or any other violation of this policy has occurred, the Home will take appropriate corrective action against the offender.

If you are the recipient of a threat made by an outside party, please follow the steps detailed in this section. It is important for us to be aware of any potential danger in the Home. Indeed, we want to take every precaution to protect everyone from the

threat of a violent act by an employee or outside party.

In addition, the Home will provide support and assistance in accordance with local law to employees who are dealing with situations involving domestic violence and/or who are survivors of domestic violence. If you are a survivor of domestic violence, or are currently seeking support or protection from a threat of domestic violence, please contact your Human Resources Director for further information.

Criminal Background Checks

In keeping with its mission to render the highest quality of care to its elderly Residents and requirements of federal law, the Home shall require that criminal background checks be conducted for all new employees, and for present employees who are transferring to new positions, as required by and consistent with applicable law. This policy also applies to former employees who are rehired.

Medical Examinations and Health

Employees shall be asked to provide medical documentation and/or submit to a fitness for duty medical examination during employment, based on evidence showing that the employee's ability to perform his or her essential job functions is impaired or poses a direct threat to the safety of others due to a medical condition, as permitted or required by law.

An annual job-related health examination or test may be required by the Home or mandated by state regulations. An employee who develops signs or symptoms of a contagious disease or infection (or any other medical condition which may pose a direct threat of substantial harm to the employee or others) shall be excluded from work until obtaining a fitness-for-duty certificate or other appropriate documentation showing that the employee can safely work, as permitted by law.

If employees, without justification, refuse to submit medical information and/or refuse to participate in fitness for duty evaluations or examinations, they may be subject to disciplinary action including possible termination of employment.

No medication will be dispensed to any employee.

Orientation

You will be scheduled to attend an orientation program which will explain the operation of the Home and many of its policies. A guided tour of the Home will be included so that you will become aware of the large variety of services offered to the Residents and the part that you will play in furthering resident care.

CHAPTER II

EMPLOYEE RELATIONS

Your Supervisor

Continuous and open communication with your supervisor is important. You may be working under the direction of a Little Sister of the Poor, although some employees will report to a lay supervisor. When you start working here for the first time, your supervisor will arrange for your job instructions, introduce you to your fellow employees, and show you the location of items pertinent to your job duties. Your immediate supervisor is there not only to help guide your work, but also to listen to and address your concerns. Please give your supervisor your full cooperation and always feel free to raise any subject for discussion. In this way, you will be able to participate most effectively in the growth and advancement of our Home.

The Human Resources Department

We have established a Human Resources Department to serve you by: (1) developing and implementing positive personnel policies and programs; (2) promoting comprehensive communications to you concerning the Home's goals and plans; (3) encouraging effective communication from you through the suggestions and problem-solving policies; (4) developing in-service training and outside educational opportunities; (5) maintaining competitive wage and benefit programs; (6) consistently and effectively administering

compensation policies and programs; (7) helping to promote appropriate and effective employee correction programs; and (8) taking any and all actions required to show you on a daily basis that we, the Little Sisters, are responsive to your needs and concerns.

Suggestions

We appreciate your suggestions and ideas on how we can do things better. All suggestions for improving service or procedures will be given consideration. If a personal reply is desired your suggestion should be signed. Your idea may well contribute to better resident care.

Open Door Policy

The Home has established an open door policy for the timely resolution of employee concerns. Employees are encouraged to use it. Most misunderstandings over pay, hours of work, benefits, or any other policies and job functions can be resolved by talking them over with your supervisor. Some issues may not be resolved at this level and therefore, the matter may be taken to successively higher levels of administration. At any time during this procedure you may call upon the Human Resources Director for assistance. You also may have the Human Resources Director assist you in presenting your concerns. This is available to every employee, at all times. We encourage and welcome the use of this open door policy for your concerns.

Step 1: Present your concern to your immediate supervisor/Department Head as soon as possible. You may be asked to put your complaint in writing. The immediate supervisor/Department Head will meet with you as soon as possible to investigate your concerns, and will provide a response to you within a reasonable time – normally approximately ten (10) work days. (“Work days” for the purpose of this policy exclude Saturdays, Sundays and holidays).

Step 2:

If an employee is not satisfied with the immediate supervisor’s/Department Head’s answer, a request to see the Human Resources Director may be made. Arrangements should be made for such a meeting as soon as possible. The Human Resources Director will attempt to respond to the complaint within ten (10) working days.

Step 3: If an employee is still not satisfied, a request may be made that the matter be presented to the Administrator and/or the Mother Superior. The Administrator and/or Mother Superior will, after obtaining all pertinent information and after discussing the grievance with appropriate staff members, make a decision and the employee will be so informed. The decision of the Administrator or Mother Superior will be final.

A Word about Unions

We want to keep our Home free from artificially created tensions and work interruptions which may arise if a union is on the scene. We strongly believe that individual consideration in employee/supervisor relationships provides the best climate for your maximum development, teamwork and the attainment of our mutual goals. We do not believe that having a union would be in the best interest of either you or the Residents.

We have enthusiastically accepted our responsibility to provide you with good working conditions, competitive wages, good benefits, fair treatment, and the personal respect you deserve. In our view, all this is part of your job with the Home and need not be purchased from an outside party.

We know that you want to express your problems, suggestions, and comments to us, so that we can understand each other better. You have that opportunity here at the Home. This can be done without having a union. Here, you can speak up for yourself, directly to us. We will listen, and we will do our best to give you a timely and responsible reply.

CHAPTER III

YOUR EMPLOYMENT; WORK HOURS AND PAY; EMPLOYEE CLASSIFICATIONS

Introductory Period

Depending on your position and work status, your introductory period could range between 60 to 180 days. This will provide us with the time to determine whether you are satisfactorily performing your duties, and will also allow you time to decide if you are satisfied with your position. Both before and after this introductory period, however, employment with the Home is always “at-will.”

Fringe or supplemental benefits provided by the Home will not be available to benefit-eligible employees during this introductory period, except as otherwise required by law, e.g., the ACA employer mandate. In addition, time-and-one-half of your regular rate will be paid if you work on any holiday observed by the Home.

Your immediate supervisor/Department Head will discuss your job performance with you during the course of your introductory period, with particular regard for integrity, dependability, acquiring our spirit of care and respect of the aged and progress and ability for the mission of caring for the aged. Your supervisor/ Department Head will provide an opportunity for personal discussion of your performance. A mid-introductory appraisal may be provided if appropriate.

At the conclusion of your introductory period, a performance appraisal is prepared. If you

successfully complete your introductory period, you will become eligible for the benefits outlined in the Home's benefit plan, subject to eligibility and other requirements.

Performance Review

After the introductory period, your work performance will be reviewed as often as appropriate, but generally once per year. Your supervisor/ Department Head will discuss the appraisal of your work performance with you and you will be asked to sign the appraisal.

Hours of Work

Little Sisters of the Poor is committed to keeping a complete and accurate record of time worked by our employees. Employees, therefore, must record their time of arrival and departure, as well as any unpaid breaks, using a time clock provided by the Home. You must clock-out if you leave the Home, unless you are leaving to perform work related duties for the Home. You must report to your supervisor/ Department Head any illness or accident that causes you to stop work earlier than your usual quitting time.

Your work schedule will be determined by your supervisor, Department Head or the Home's scheduler, who will try to give you as much advance

notice as possible. The “workweek” (i.e., Sunday-Saturday, Monday-Sunday) will vary by location and will be included in your Home supplement. Your supervisor will try to accommodate personal requests as best as possible. The workweek for specific job classifications of the Home shall be listed on the work schedule in the different work areas, units or departments. Because the Home operates continually all year, work hours may change from time to time to fit the needs of our operation. No one is hired for specific hours or days. The Home may transfer employees between departments and shifts, as required by the operational needs of the Home.

If you are a non-exempt employee, you will be compensated on one of the following bases.

1. Time-and-one-half of your regular rate of pay for all hours worked in excess of forty (40) hours in a workweek; or
2. In some locations, time-and-one-half of your regular rate of pay for all hours worked in excess of eight (8) hours in any day and work in excess of eighty (80) hours in any regular two week period, for employees who are subject to an agreement or understanding regarding these terms; or
3. As otherwise provided by state law.

You will be advised by the Human Resources Director of the overtime procedure applicable to

your job and you must sign a written acknowledgement of the applicable procedure which shall be maintained in your personnel file. All overtime must be approved by your supervisor/Department Head; however, employees will be paid for all hours worked, regardless of whether they obtained the necessary approvals. Employees working unauthorized time may be subject to discipline. Paid vacation days, sick days, paid holidays (when the employee does not work) and other leave, whether paid or unpaid, will not be considered hours worked for the purposes of determining overtime pay.

Time Records

You are to clock in and clock out as directed by your Home supplement. It is essential that you be on time for work and that you do not leave your assigned work area before your scheduled work day is completed. In case of need or emergency, you may be required to work past your regularly scheduled quitting time, unless properly excused by your supervisor/ Department Head.

You are to clock in and clock out whenever you leave the premises, unless you are on an errand authorized by your supervisor/ Department Head. When you leave the premises during working hours, it must be authorized by your supervisor/ Department Head. You must not record the time of any other employee nor should you allow any other employee to record your time. You are to enter the building for work and leave after work by designated entrances only.

Absence and/or Tardiness

Absence and tardiness seriously interfere with the efficient functioning of the Home. If you are going to be absent from work you must personally advise your supervisor, Scheduler or Department Head at least an hour in advance of the day shift and four (4) hours in advance of any evening or night shift. If a specific departmental call-out procedure is posted or provided to you, please follow that procedure instead. Failure to timely report an absence without

an explanation satisfactory to your supervisor, Scheduler or Department Head may result in disciplinary action, up to and including termination of employment. If you are absent for three (3) consecutive work days without notice to the Home, the Home will consider your absence a voluntary resignation.

Punctuality means that employees should be at their work area ready to work at the start of their shift and should remain on the job until the end of the shift. Excessive unexcused tardiness or absenteeism may result in personnel action up to and including termination. Your absenteeism is considered excessive when your record shows four (4) or more unexcused absences during any three (3) consecutive months. Your tardiness is considered excessive when your record shows five (5) or more unexcused incidents of tardiness during any three (3) consecutive months. For the purpose of determining excessive lateness or absence under this policy, two incidents of lateness shall equal one absence. However, please note that these are only guidelines, and that the Home reserves the right to impose discipline, up to and including termination, for any instance of absenteeism or tardiness. For purposes of this policy, an “unexcused” absence does not include pre-approved vacation, other pre-approved absences or approved absences permitted as a reasonable accommodation, or statutorily mandated time off from work under applicable federal, state or local law or ordinance. Failure to follow any

required call-out procedure may result in an absence counting as two unexcused absences.

You also are expected to start and end your work day, rest periods and meal breaks on time. If emergencies arise which cause you to be late or require you to leave early, you are expected to notify your supervisor or Department Head promptly.

Starting and quitting times will be defined at the beginning of employment. Your work schedule may be changed to meet the work needs of the Home.

Meals and Breaks

There will be an unpaid meal period on each work day. Breaks must be taken away from your work area unless your supervisor approves. Specific guidelines for the Home are found in the Supplement to this Employee Handbook.

Employee Classifications

At the Home, employees are classified as follows:

1. Benefit-Eligible Full Time Employees

A benefit-eligible full-time employee is one who successfully completes the introductory period and works a minimum of 35 hours per week or at least 70 hours in a two-week pay period. Benefit-eligible full-time employees generally are eligible for all

fringe benefits and holidays offered by the Home, subject to the terms and conditions of each benefits plan.

2. Benefit-Eligible Part Time Employees

A benefit-eligible part-time employee is one who successfully completes the introductory period works less than 35 hours per week or 70 hours in a two-week pay period, but works the minimum number of hours required for this classification as outlined in the Home's benefit plan. A benefit-eligible part-time employee may become eligible for limited benefits outlined in the Home's benefit plan on a prorated basis.

3. Temporary/Non-Benefited Employees

A temporary/non-benefited employee is one who is hired for a particular assignment that generally is expected to last less than six (6) months. A temporary employee may work full or part time. Temporary employees are not generally eligible for benefits, but will receive pay at time-and-one-half of their regular rate when they work on a holiday observed by the Home (listed in Holidays section below), and other benefits as required by applicable law.

4. Part Time Non-Benefited Employees

A Part Time Non-benefited employee is one who has successfully completed the introductory period but

does not meet minimum eligibility requirements outlined in the Home's benefit plan. Part Time Non-benefited employees are not generally eligible for benefits, but will receive pay at time-and-one half of their regular rate when they work on a holiday observed by the Home (listed in Holidays section below), and other benefits as required by applicable law.

Please consult the applicable Supplement to this Employee Handbook for any applicable exceptions to these classifications.

Review Your Paycheck

We make every effort to ensure our employees are paid correctly. Occasionally mistakes may be made. When mistakes are made please call them to our attention immediately, and we will promptly make any corrections necessary. Please review your pay stub when you receive it to make sure it is correct. If you believe a mistake has occurred (including any improper deductions, under-reported hours of work or other error) or if you have any questions, please use the reporting procedure outlined below.

Non-exempt Employees Paid Hourly

If you are classified as a non-exempt employee (which means that you are eligible for overtime pay), you must maintain a record of the total hours you work each day and each workweek. When you receive your pay, please verify immediately that you

were paid correctly for all regular and overtime hours worked each workweek. Your supervisor and/or Scheduler is responsible for scheduling employee hours at work.

You should not work any hours that are not authorized by your supervisor. Do not start work early, finish work late, work during a rest or meal break, or perform any other extra or overtime work unless you are authorized to do so. Employees are prohibited from performing any "off-the-clock" work. "Off-the-clock" work means work you perform without being clocked in. Any employee who fails to report or inaccurately reports any hours worked will be subject to disciplinary action, up to and including discharge.

It is also a serious violation of Home policy for any employee, supervisor or Department Head to instruct another employee to incorrectly or falsely report hours worked or record another employee's time to under- or over-report hours worked. If any supervisor/Department Head or any employee instructs you to (1) incorrectly or falsely under- or over-report your hours worked, (2) alter another employee's time records to inaccurately or falsely report that employee's hours worked, (3) conceal any falsification of time records, or (4) violate this policy, you should report it immediately using the reporting procedure below.

Exempt Employees

If you are classified as an exempt salaried employee, you will receive a salary which is intended to compensate you for all hours worked. This salary will be established at the time of hire or when you become classified as an exempt employee. While it may be subject to review and modification from time to time, such as during salary review times, the salary will be a predetermined amount per pay period that will not be subject to deductions for variations in the quantity or quality of the work you perform.

Under federal and state law, your salary is subject to certain deductions. For example, absent contrary state law requirements, your salary can be reduced for the following reasons:

- Full day absences for personal reasons.
- Full day absences for sickness or disability.
- Full day disciplinary suspensions for major safety violations or significant infractions of important written workplace conduct rules.
- Family and Medical Leave absences (either full or partial day absences).
- To offset amounts received as payment for jury and witness fees or military pay.

- The first or last week of employment in the event you work less than a full week.
- Any full workweek in which you do not perform any work.

Your salary may also be reduced for certain types of deductions such as your portion of health, dental or life insurance premiums; state, federal or local taxes, social security; or, voluntary contributions to a 403(b).

In any workweek in which you performed any work, your salary will not be reduced for any of the following reasons:

- Partial day absences for personal reasons, sickness, vacation or disability, unless FMLA-protected.
- Absences for jury duty, attendance as a witness, or military leave in any week in which you have performed any work.
- Any other deductions prohibited by state or federal law.

Please note: it is not an improper deduction to reduce an employee's accrued vacation, personal or other forms of paid time off for full or partial day absences for personal reasons, sickness or disability, unless otherwise prohibited by state or local law.

To Report Concerns or Obtain More Information

If you believe you have been subject to any improper

deductions or your pay does not accurately reflect your hours worked, you should immediately report the matter to your supervisor. If the supervisor is unavailable or if you believe it would be inappropriate to contact that person (or if you have not received a prompt and fully acceptable reply), you should immediately contact your Department Head or Human Resources Director, or any other supervisor with whom you feel comfortable. If you are unsure of whom to contact if you have not received a satisfactory response within five business days after reporting the incident, please immediately contact your Administrator or Mother Superior.

Every report will be fully investigated and corrective action will be taken where appropriate, up to and including discharge for any employee(s) who violates this policy. In addition, the Home will not retaliate or allow any form of retaliation against individuals who report alleged violations of this policy in good faith or who cooperate in the Home's investigation of such reports. Retaliation is unacceptable, and any form of retaliation in violation of this policy will result in disciplinary action, up to and including discharge.

Job Rate/Job Classification

A wage rate schedule has been set up for each job classification in the Home in accordance with this Handbook. Your position in the Home has been described in writing, evaluated and assigned to a salary grade on this wage rate schedule.

An employee entering a job classification is normally started at the minimum rate. The maximum rate is the highest rate paid for the job and is attained through your performance review given by your supervisor/Department Head. If you have any questions as to the hourly rate or maximum rate of your job, go to the Human Resources Director to obtain this information.

Shift Differential

The shift differential is intended as an incentive for employees to work the evening and night shifts. It is not considered as part of the employee's regular hourly rate when paying for holiday, sick, or vacation hours but should be included in the calculation of the regular rate of pay for purposes of overtime. To qualify for the shift differential, the employee must work five or more hours of his/her shift each day and the majority of the hours each day must fall between 6:00 p.m. and 8:00 a.m. Not every job category will qualify for shift differential. Shift differentials will be paid in accordance with applicable law.

Pay Day

You will be paid by debit card, check or, if you prefer, direct deposit, subject to applicable state law. Your pay is based on the number of hours worked during the pay period and include sick leave and holidays that are allowed during that period and that you are eligible to receive.

Only in an emergency may you have another person pick up your pay. Such request must be submitted in writing and bear your signature. We regret that we cannot make salary advances and/or loans to you prior to your regular pay day. Employees are responsible for their paychecks after they have been issued. Checks lost or otherwise missing should be reported immediately to the Payroll Department, so that a "stop payment" order may be initiated. If it is determined that such "stop payment" is not effective, the Human Resources Department shall determine if and when a replacement check should be issued. If stop payment is confirmed, a replacement check will be issued promptly. The Home will endeavor to assist the employee in relieving any hardship that may result from the loss of a paycheck, although there may be a necessary administration fee for reissuing your paycheck, as permitted by law.

Employees are expected to cash their paychecks on their personal time. Please refer to Employee Handbook Supplement for additional information.

Payroll Deductions

The Home is obligated to deduct from your wages federal income tax, social security tax, and any other taxes which are required by local, state or federal law.

Wage Garnishments

The Home is required to follow federal and state law in connection with withholding employee's pay due to garnishments served on the Home because of judgments or court orders against employees.

Call-in Pay

If you have completed your regularly scheduled shift and later that same day are requested to report back to your regular work assignment, you will be paid whichever of these amounts is the greater: time-and-one-half for the hours worked or two (2) hours straight time. Call-in Pay would also apply to Home selected non-exempt job categories that are called back in the event of an emergency during non-scheduled work days, e.g., Maintenance Personnel. This section is not applicable to regularly scheduled split shift employees or those who are required to attend a previously scheduled meeting.

Meetings

Those who attend a meeting which may be scheduled outside their regular work hours will receive their regular rate of pay for this time, unless overtime is required based upon the total number of hours worked, or other compensation as required by applicable law.

Employment of Relatives

The Home is concerned about the impact that employment of relatives may have on job performance, the perception of fairness, and employee morale. For this reason, the Home will not place one relative in a reporting relationship with another relative, or place relatives in the same department if potential conflicts of interest may arise. The Home will attempt to accommodate employees who are or become relatives by transferring one relative to an available position in another department or location for which he or she is qualified.

Relatives are defined as immediate family members including parent, spouse, siblings, children, in-laws, aunts, uncles and first cousins.

CHAPTER IV

EMPLOYEE BENEFITS

Introduction

This Handbook contains a very general description of the benefits to which you may be entitled as an employee of the Home. This general explanation is not intended to, and does not provide you with all the details of these benefits. This Handbook does not change or otherwise interpret the terms of the official plan documents. Your rights can be determined only by referring to the full text of the official plan

documents, which are available for your examination from the Human Resources Department. To the extent that any of the information contained in this Handbook is inconsistent with the official plan documents, the provisions of the official documents will govern in all cases.

Nothing contained in the benefit plans described below should be held or construed to create a promise of employment or future benefits, or a binding contract between the Little Sisters of the Poor and its employees, retirees or their dependents, for benefits or for any other purpose.

The Home reserves the right, in its sole and absolute discretion, to amend, modify or terminate, in whole or in part, any or all of the provisions of the benefit plans described herein, in accordance with applicable law. Further, the Home reserves the exclusive right, power and authority, in its sole and absolute discretion, to administer, apply and interpret the benefit plans described herein, and to decide all matters arising in connection with the operation or administration of such plans. More information regarding benefits available at the Home can be found in our Benefits Manual.

Employee Status and Eligibility for Benefits

After you have satisfactorily completed your introductory period with the Home, regular full-time and regular part-time employees who regularly work more than 30 hours per week will generally become

eligible for benefits as outlined in this Handbook and our Benefits Manual, subject to the terms and conditions of each plan. An employee's change of employment status may affect his or her eligibility for benefits. Exceptions to this general policy may apply based on applicable law. Please consult the applicable Supplement to this Employee Handbook for more information.

Insurance

The Home provides benefit-eligible employees with comprehensive benefits to help meet the cost of illness, retirement and other needs. These benefits are provided only to benefit-eligible employees who have successfully completed the introductory period, subject to the terms of each benefit plan. More information can be found in the Benefits Manual. Written plan documents may be obtained from the Human Resources Director.

Bereavement

Following satisfactory completion of the introductory period of employment, benefit-eligible employees may be entitled to paid bereavement leave, and non-benefit-eligible employees may receive unpaid time for bereavement. In all cases, a copy of the obituary notice or a letter from the mortician stating your relationship to the deceased is acceptable as proof of death. Consult our Benefits Manual for details.

Jury Duty

Since it is part of your duty as a citizen to serve on juries when called, the Home does not wish to see you penalized in any way for exercising the rights and responsibilities of citizenship. Consequently, employees will be provided with jury leave as required and in accordance with state law. Regular full-time and part-time employees who serve on jury duty, will be paid according to federal and state law. You must provide reasonable notice to the Home prior to the date you begin your jury service. Upon completion of your duty, a statement from the court clerk must be presented to the Human Resources Director showing the days you served on the jury and the compensation which you received. This policy may be altered by the requirements of applicable law. Please consult the applicable Supplement to this Employee Handbook for more information.

Witness Duty Leave

If you must appear in court by reason of a subpoena or you are required to appear because you were a victim or a witness to a crime, the Home will grant you an unpaid leave to attend court. However, exempt employees will be paid their full salary for any work week in which they are required to appear as a witness. The Home will not penalize you with respect to any aspect of your employment and benefits. Your supervisor should be notified as soon as you receive notice as to when you will be required to attend court.

A copy of the subpoena should be given to your supervisor.

Time Off From Work

The Home recognizes that you need rest and relaxation and time off to spend with your family and loved ones. Accordingly, the Home provides paid vacations and paid holidays to eligible employees as set in the Benefits Manual.

Holidays

Benefit-eligible employees shall begin to accrue holiday pay after successful completion of their introductory period of employment. Holidays observed by the Home are listed in the Benefits Manual.

CHAPTER V

LEAVE OF ABSENCE

Family/Medical Leave

Employees may be entitled to a leave of absence under the Family and Medical Leave Act (FMLA). This policy provides information concerning your rights and obligations regarding FMLA leave. If employees have any questions concerning FMLA leave, they should contact their Human Resources Director.

1. Eligibility

FMLA leave is available to employees that (1) have been employed by the Little Sisters of the Poor for at least 12 months (which need not be consecutive); (2) have been employed by the Little Sisters for at least 1250 hours of service during the 12-month period immediately preceding the start of the leave; and (3) are employed at a worksite where 50 or more employees are located within 75 miles of the worksite.

When an employee requests FMLA leave, or when the Home learns that an employee's leave may be for an FMLA-qualifying reason, the Home will notify the employee within five business days (unless there are extenuating circumstances) whether the employee is eligible to take FMLA leave, as explained below.

2. FMLA Leave Entitlement

The FMLA generally provides eligible employees with a right to leave, health insurance benefits and job restoration.

Basic FMLA Leave Entitlement

The FMLA provides eligible employees up to 12 workweeks of unpaid leave for certain family and medical reasons during a 12-month period. The 12-month period in which employees may take 12 weeks of leave will be a rolling 12-month period measured backward from the date the employee uses

any FMLA leave. Leave may be taken for any one, or for a combination, of the following reasons:

- To care for the employee's child after birth, or placement for adoption or foster care;
- To care for the employee's spouse, son, daughter or parent (but not in-law) who has a **serious health condition**;
- For the employee's own **serious health condition** (including pregnancy, prenatal medical care or childbirth) that makes the employee unable to perform one or more of the employee's essential job functions; and/or
- Because of any **qualifying exigency** arising out of the fact that an employee's spouse, son, daughter or parent is a covered military member on active duty or has been notified of an impending call or order to active duty status in the National Guard or Reserves in support of contingency operation.

A **serious health condition** is an illness, injury, impairment, or physical or mental condition that involves either an overnight stay in a medical care facility, or continuing treatment by a health care provider for a condition that prevents the employee from performing the functions of the employee's job (or prevents a family member from participating in school or other daily activities). For more information on what qualifies as a serious health condition, please contact your Human Resources Director.

Qualifying exigencies may include attending certain military events, arranging for alternative childcare, addressing certain financial and legal arrangements, attending certain counseling sessions, and attending post-deployment reintegration briefings.

Additional Military Family Leave Entitlement (Injured Service Member Leave)

In addition to the basic FMLA leave entitlement discussed above, an eligible employee who is the spouse, son, daughter, parent or next of kin of a **covered service member** is entitled to take up 26 weeks of leave during a single 12-month period to care for the service member if he/she has a serious injury or illness. Leave to care for a service member shall only be available during a single 12-month period and, when combined with other FMLA-qualifying leave, may not exceed 26 weeks during the single 12-month period. The single 12-month period begins on the first day an eligible employee takes leave to care for the injured service member.

A **covered service member** means a member of the Armed Forces, including a member of the National Guard or Reserves, who is undergoing medical treatment, recuperation, or therapy, is otherwise in outpatient status, or is on the temporary retired list, for a serious injury or illness. The serious injury or illness must have been incurred in the line of duty, while on active duty in the Armed Forces, provided that the injury or illness may render the service member medically unfit to perform duties of the member's office, grade, rank or rating.

Intermittent Leave and Reduced Leave Schedules

FMLA leave usually will be taken for a period of consecutive days, weeks or months. However, employees also are entitled to take FMLA leave intermittently or on a reduced leave schedule, when medically necessary due to a serious health condition of the employee or family member or the serious injury or illness of a covered service member.

Protection of Group Health Insurance Benefits

During FMLA leave, employees are entitled to receive group health plan coverage on the same terms and conditions as if they had continued to work.

Restoration of Employment and Benefits

At the end of FMLA leave, employees (other than “key employees”) generally have a right to return to the same or equivalent positions with equivalent pay, benefits and other employment terms. The Home will notify employees if they qualify as “key employees,” if it intends to deny reinstatement, and of their rights in such instances. Use of FMLA leave will not result in the loss of any employment benefit that accrued prior to the start of FMLA leave.

Notice of Eligibility for, and Designation of, FMLA Leave

Employees requesting FMLA leave will receive written notice from the Home telling them whether

they are eligible for FMLA leave and, if not eligible, the reasons why. When eligible for FMLA leave, employees will receive written notice of: 1) their rights and responsibilities in connection with such leave; 2) the Home's designation of leave as FMLA-qualifying or non-qualifying, and if not FMLA-qualifying, the reasons why; and 3) the amount of leave, if known, that will be counted against the employee's leave entitlement.

The Home may retroactively designate leave as FMLA leave with appropriate written notice to employees, as long as the Home's failure to designate the leave as FMLA-qualifying earlier did not cause harm to the employee.

3. Employee FMLA Leave Obligations

Employees Must Provide Notice of the Need for Leave

Employees who take FMLA leave must timely notify the Home of their need for FMLA leave.

Content of Employee Notice

To trigger FMLA leave protections, employees must inform your Human Resources Director of their need for FMLA-qualifying leave and the anticipated timing and length of the leave, if known. Employees may do this either by requesting FMLA leave specifically, or by explaining the reasons for leave so as to allow the Home to determine that the leave is

FMLA-qualifying. For example, employees might explain that:

- a medical condition renders them unable to perform the functions of their job;
- they are pregnant;
- they have been hospitalized overnight;
- they require surgery and a subsequent period of recuperation;
- they have a chronic medical condition that requires them to be absent from work intermittently;
- they or a covered family member are under the continuing care of a health care provider;
- they require leave due to a covered military member being on active duty or called to active duty status; or
- that a family member is a covered service member with a serious injury or illness.

Calling in “sick,” without providing the reasons for the needed leave, is not sufficient notice of a need for FMLA leave under this policy. Also, employees must provide the Home with more information as requested, to determine if their absences are potentially FMLA-qualifying. If employees fail to

explain the reasons for FMLA leave, the leave may be denied.

Timing of Employee Notice

Employees must provide 30 days' advance notice of the need to take FMLA leave when the need is foreseeable. When 30 days' notice is not possible, or the approximate timing of the leave is not known, employees must provide the Home notice as soon as practicable. Employees who do not give 30 days' notice for foreseeable leave, without a reasonable excuse, or who otherwise fail to satisfy FMLA notice obligations, may have FMLA leave delayed or denied.

Employees must also follow the Home's usual and customary notice and procedural requirements when requesting FMLA leave, absent unusual circumstances. If employees fail to comply with these requirements without adequate justification, FMLA leave may be delayed or denied, unless employees have otherwise provided timely notice as required by the FMLA regulations.

Employees Must Cooperate With The Home In Several Respects.

When planning medical treatment, employees must consult with the Home and make a reasonable effort to schedule treatment so as not to unduly disrupt the Home's operations, subject to the approval of an employee's health care provider.

When an employee takes intermittent leave or a reduced work schedule, the Home may temporarily transfer the employee to an alternative position, with equivalent pay and benefits, which better accommodates recurring periods of leave.

Employees Must Submit Medical Certifications.

It is the employee's responsibility to provide the Home with timely, complete and sufficient medical certifications. Employees generally must provide requested certifications within 15 calendar days, unless it is not practicable to do so despite an employee's diligent, good faith efforts. The Home shall inform employees if submitted medical certifications are incomplete or insufficient and provide employees at least seven calendar days to cure deficiencies. The Home will deny FMLA leave to employees who fail to timely submit requested medical certifications or fail to timely cure deficiencies.

With the employee's authorization, the Home (through individuals other than an employee's direct supervisor) may contact the employee's health care provider to authenticate or clarify a medical certification. If employees choose not to provide the Home with such authorization, the Home may deny FMLA leave.

There generally are three types of FMLA medical certifications: an **initial certification**, a **recertification**, and a **return to work/fitness for duty certification**.

Initial Medical Certifications

Employees requesting leave because of their own or family member's serious health condition, or to care for a covered service member, must supply medical certification from the appropriate health care provider. If employees provide at least 30 days' notice of medical leave, they should submit the medical certification before leave begins. A new medical certification will be required annually for serious health conditions lasting beyond one year.

If the Home has reason to doubt an initial medical certification, it may require the employee to obtain a second opinion at the Home's expense. If the opinions of the initial and second health care providers differ, the Home may, at its expense, require employees to obtain a third, final and binding certification from a health care provider designated or approved jointly by the Home and the employee.

Recertifications

Depending on the circumstances and duration of FMLA leave, the Home may require employees to provide recertification of their serious health conditions. The Home will notify employees if recertification is required and will give employees at least 15 calendar days to provide medical recertification.

Return to Work/Fitness for Duty Medical Certifications

Employees returning to work from an FMLA leave due to their own serious health condition must provide the Home with a fitness for duty certification confirming they are able to return to work and describing any work restrictions. The Home may delay and/or deny job restoration until employees provide a fitness for duty certification.

Employees Must Submit Certifications Supporting the Need for Military Family Leave

Upon request, employees seeking leave relating to a covered military member may be required to provide: 1) a copy of the covered military member's active duty orders or similar documentation; and 2) a certification from the employee setting forth the nature of the qualifying exigency for which leave is requested.

When leave is taken to care for a covered service member with a serious injury or illness, the Home also may require employees to obtain certifications completed by an authorized health care provider of the covered service member.

Employees Must Substitute Paid Sick Leave for Unpaid FMLA Leave

Employees must use any accrued sick time while taking unpaid FMLA leave. The substitution of paid time for unpaid FMLA leave time does not extend

the length of FMLA leaves and the paid time will run concurrently with an employee's FMLA entitlement.

Leaves of absence taken in connection with a disability leave plan or workers' compensation injury/illness shall run concurrently with any FMLA leave entitlement.

Employees Must Pay Employee's Share of Health Insurance Premiums

During FMLA leave, employees are entitled to continued group health plan coverage under the same conditions as if they had continued to work. Normally, the Home will deduct the employee's portion of the group health plan premium from the employee's paycheck as if the employee was actively working. If FMLA leave is unpaid, employees must pay their portion of the group health premium by providing a check to the Home each month. Your Human Resources Director will discuss these arrangements with you.

The Home's obligation to maintain health care coverage ceases if an employee's premium payment is more than 30 days late. If an employee's payment is more than 15 days late, the Home will send a letter notifying the employee that coverage will be dropped on a specified date unless the co-payment is received before that date.

If employees do not return to work within 30 calendar days at the end of the leave period (unless

related to circumstances beyond their control) they will be required to reimburse the Home for the cost of the premiums the Home paid for maintaining coverage during their unpaid FMLA leave.

Employees Must Report Periodically Concerning Intent to Return to Work.

Employees must contact the Home periodically or as instructed regarding their status and intention to return to work at the end of the FMLA leave period. If an employee's anticipated return to work date changes and it becomes necessary for the employee to take more or less leave than originally anticipated, the employee must provide the Home with notice within 2 business days of the changed circumstances and new return-to-work date. If employees give the Home notice of their intent not to return to work, the Home no longer is required to maintain health benefits or to restore the employee to his/her job.

4. Coordination of FMLA Leave with Other Leave Policies

For additional information concerning leave entitlements and obligations that might arise when FMLA leave is either not available or exhausted, please consult the Home's other leave policies in this manual or contact your Human Resources Director.

5. Questions and/or Complaints about FMLA Leave

If you have questions regarding this FMLA policy,

please contact Human Resources. The Home is committed to complying with the FMLA and, whenever necessary, shall interpret and apply this policy in a manner consistent with the FMLA.

The FMLA makes it unlawful for employers to: 1) interfere with, restrain, or deny the exercise of any right provided under FMLA; or 2) discharge or discriminate against any person for opposing any practice made unlawful by FMLA or involvement in any proceeding under or relating to FMLA. If employees believe their FMLA rights have been violated, they should contact the Human Resources Department immediately. The Home will investigate any FMLA complaints and take prompt and appropriate remedial action to address and/or remedy any FMLA violation.

Additional Definitions:

“Spouse” means a husband or wife as defined or recognized under State law for purposes of marriage in the State where the employee resides, including common law marriage in States where it is recognized.

“Parent” means a biological, adoptive, step or foster father or mother, or any other individual who stood in loco parentis to the employee when the employee was a son or daughter as defined in paragraph (c) of this section. This term does not include parents “in law,” unless otherwise required by law.

“Son or daughter” means, for purposes of FMLA leave taken for birth or adoption, or to care for a family member with a serious health condition, a biological, adopted, or foster child, a stepchild, a legal ward, or a child of a person standing in loco parentis, who is either under age 18, or age 18 or older and “incapable of self-care because of a mental or physical disability” at the time that FMLA leave is to commence.

(1) **“Incapable of self-care”** means that the individual requires active assistance or supervision to provide daily self-care in three or more of the “activities of daily living” (ADLs) or “instrumental activities of daily living” (IADLs). Activities of daily living include adaptive activities such as caring appropriately for one’s grooming and hygiene, bathing, dressing and eating. Instrumental activities of daily living include cooking, cleaning, shopping, taking public transportation, paying bills, maintaining a residence, using telephones and directories, using a post office, etc.

(2) **“Physical or mental disability”** means a physical or mental impairment that substantially limits one or more of the major life activities of an individual. Regulations at 29 CFR 1630.2(h), (i), and (j), issued by the Equal Employment Opportunity Commission under the Americans with Disabilities Act (ADA), 42 U.S.C. 12101 et seq., define these terms.

(3) Persons who are **“in loco parentis”**

include those with day-to-day responsibilities to care for and financially support a child, or, in the case of an employee, who had such responsibility for the employee when the employee was a child. A biological or legal relationship is not necessary.

“Adoption” means legally and permanently assuming the responsibility of raising a child as one’s own. The source of an adopted child (e.g., whether from a licensed placement agency or otherwise) is not a factor in determining eligibility for FMLA leave.

“Foster care” is 24-hour care for children in substitution for, and away from, their parents or guardian. Such placement is made by or with the agreement of the State as a result of a voluntary agreement between the parent or guardian that the child be removed from the home, or pursuant to a judicial determination of the necessity for foster care, and involves agreement between the State and foster family that the foster family will take care of the child. Although foster care may be with relatives of the child, State action is involved in the removal of the child from parental custody.

“Son or daughter on covered active duty or call to covered active duty status” means the employee’s biological, adopted, or foster child, stepchild, legal ward, or a child for whom the employee stood in loco parentis, who is on covered active duty or call to covered active duty status, and who is of any age.

“Son or daughter of a covered service member” means the service member’s biological, adopted, or foster child, stepchild, legal ward, or a child for whom the service member stood in loco parentis, and who is of any age.

“Parent of a covered service member” means a covered service member’s biological, adoptive, step or foster father or mother, or any other individual who stood in loco parentis to the covered service member. This term does not include parents “in law.”

“Next of kin of a covered service member” means the nearest blood relative other than the covered service member’s spouse, parent, son, or daughter, in the following order of priority: blood relatives who have been granted legal custody of the covered service member by court decree or statutory provisions, brothers and sisters, grandparents, aunts and uncles, and first cousins, unless the covered service member has specifically designated in writing another blood relative as his or her nearest blood relative for purposes of military caregiver leave under the FMLA. When no such designation is made, and there are multiple family members with the same level of relationship to the covered service member, all such family members shall be considered the covered service member’s next of kin and may take FMLA leave to provide care to the covered service member, either consecutively or simultaneously. When such designation has been

made, the designated individual shall be deemed to be the covered service member's only next of kin.

"Health Care Provider" means: (1) A doctor of medicine or osteopathy who is authorized to practice medicine or surgery (as appropriate) by the State in which the doctor practices; (2) podiatrists, dentists, clinical psychologists, optometrists, chiropractors (limited treatment consisting of manual manipulation of the spine to correct a subluxation as demonstrated by x-Ray to exist) authorized to practice under the State law and performing within the scope of their practice as defined by State law; (3) nurse practitioners, nurse-midwives, clinical social workers and physician assistants authorized under State law and performing within the scope of their practice as defined by State law; (4) Christian Science practitioners (may be required to submit to second or third certification through examination - not treatment of a health care provider); (5) any other health care provider from whom the employer or the employee's group health plan benefits manager will accept certification of the existence of a serious health condition to substantiate a claim for benefits; and (7) a health care provider who practices in a country other than the United States who is authorized to practice in accordance with the laws of that country and is performing within the scope of his or her practice as defined under such law.

For purposes of leave taken to care for a covered service member, any one of the following health care providers may complete such a certification: (1) a

United States Department of Defense (“DOD”) health care provider; (2) a United States Department of Veterans Affairs (“VA”) health care provider; (3) a DOD TRICARE network authorized private health care provider; (4) a DOD non-network TRICARE authorized private health care provider; or (5) any “healthcare provider” as defined in 29 CFR 825.125.

Non-FMLA Personal Leave of Absence

In the event it is medically necessary for you to take time off work because you suffer from an injury, illness, or other medical condition (including but not limited to pregnancy, pregnancy related medical condition, or childbirth), you may make a written request for a Non-FMLA Personal Leave of Absence. Upon receipt of your request, the Home may, in its sole discretion, grant you an unpaid leave of absence in any rolling 12 month period measured backward from the date leave is used, for a period of up to 30 days. This period may be extended upon written request with supporting information from your medical provider. Unless otherwise required by law, if you do not return to work at the expiration of your leave (or an approved extension of your leave), your employment will be terminated.

You should know that the Home provides reasonable accommodations to employees with known disabilities to enable the employees to perform their jobs. Reasonable accommodation may include a number of things, including but not limited to, restructuring of non-essential job duties, modifying

our leave of absence and attendance policies to provide additional time off work and reassigning disabled employees to vacant positions which are commensurate with the employee's skills set and work experience. If you believe you suffer from a disability as defined by the Americans with Disabilities Act which prevents you from returning to work at the end of your Leave of Absence, please notify the Human Resources Director of this fact so that we can explore with you and your physician the possibility of accommodating your condition. There is no bright line rule regarding how long of an extension the Home will provide. Each extension request is reviewed on its own unique circumstances.

While all requests will be reviewed, requests for leave will be granted only when medically necessary and only when the leave will not cause an undue hardship on the operations of the Home. In deciding whether or not to grant the requested leave or an extension of a leave, the Home will consider many factors, including, but not limited to, the reason for the requested leave, length of requested leave, impact upon department operations, whether the leave is likely to enable you to return to work in the foreseeable future.

If the Home grants you an extended leave of absence, but a change of circumstance occurs which results in the Home needing your services, the Home may terminate your leave of absence and require you to return to work within two (2) weeks. If you do not return to work within that two (2) week period, your

employment will be terminated.

In the event your leave of absence is necessary because you suffer from an on the job injury, you may be entitled to benefits under State Workers' Compensation laws. You may receive a variety of benefits under the workers compensation laws, including among others, Temporary Total Disability benefits ("TTD"), which means cash payments to compensate you for your total inability to perform any work. Your time off work as a result of your on the job injury will be covered by this Non-FML Personal Leave of Absence policy. As a result, unless otherwise required by law, you, like all other employees taking a Non-FML Personal Leave of Absence due to medical reasons, must return to work by the date your doctor certifies you are able to safely do so or the expiration of the leave period, whichever comes first. The only exception is if you request and are granted an extension of the leave period because you suffer from a disability or are prevented from doing so due to pregnancy, pregnancy related medical condition or childbirth.

Your extended leave of absence will be without pay. The Home will continue to provide health insurance from the last day you worked, or the last day of your Family and Medical Leave (FML) as the case may be, until the end of that same month. While the Home would like to be able to continue to allow you to participate in our group health insurance plans beyond that time, your right to do so is governed solely by the way the insurance plans and the contract

between the Home and the insurance carrier define "eligible employees." All insurance plans provide for coverage while an employee is on FML. However, once FML is exhausted or if it is not available, many insurance plans require that to be eligible for continued coverage an employee must regularly work a minimum number of hours per week. In order to determine whether you will be eligible for continued insurance coverage, please review the terms of your insurance plan and if there are any questions, please contact the Director of Human Resources. If you become ineligible for continued coverage by reason of your continued time off work, you will then be eligible to continue your health insurance benefits, at your cost, under Continuation of Benefits. You may be able to continue your life insurance, and/or other supplemental insurance, if applicable, by paying the appropriate premiums. Again, please consult the policies and discuss any questions with the Director of Human Resources.

Your right to share in contributions and your eligibility for vesting and participation in any Home sponsored 403(b) will be determined in accordance with the Home's 403(b) plan documents. All other benefits shall terminate during your leave of absence. Seniority will not accumulate, nor will holiday pay, sick days, vacation days or other forms of paid time off accrue.

The Home will not permit you to stack your leave of absence with accrued vacation, personal days or sick time, if any. Therefore, you will be required to

substitute any accrued vacation, personal days, and sick time for time off under this policy. In addition, any time off taken as a result of an on the job injury will be charged concurrently against your leave period.

A statement from your attending physician will be required to substantiate the need for leave and any extensions of your leave of absence. Periodically you will be required to report on your status and intent to return to work and to provide updated information from your attending physician regarding any changes in your need for time off work. If there is a change in your condition that would allow you to return to work in some limited capacity or different position, make sure your doctor lets us know so we can consider whether there are any other accommodations that we could provide to help you return to work sooner instead of remaining on leave of absence. Keeping the Home informed of your status and providing the updated information from your doctor on a timely basis is an absolute condition of your being provided the benefit of remaining on leave of absence. If you don't provide us the required updates, we can't continue to allow you to remain on leave. If your leave of absence is terminated due to failure to provide required updates, then we will end our employment relationship at that time.

You will also be required to provide the Home with a medical statement from your attending physician verifying that the physician has reviewed your job description and that based on your job description,

you are able to safely return to work. The physician will be required to describe what work restrictions or accommodations, if any, will be necessary to allow you to perform the essential functions of your job. If the Home has any concerns or doubts about your need for leave or your ability to return to work, the Home may require that you be examined by another physician of the Home's choice, at the Home's expense.

When you are able to return to work, the Home will attempt to place you in the position you held prior to going on leave of absence. However, while you are on leave it may be necessary for the Home to fill your position due to undue hardship on operations. If that happens, when you are able to return to work, the Home will consider you for any vacant full time or part time position that fits your skills set and abilities.

Military Leave

The Home will comply with all applicable provisions which are set forth in The Uniformed Services Employment and Re-employment Rights Act of 1994 and any applicable state laws.

If you are a regular full time employee of the Home, have completed twelve (12) consecutive months or more of employment, and are required to attend annual active duty for training with a military reserve unit, the Home will pay you the difference between your military pay and your base weekly

Home pay. You will be eligible for such supplemental pay for a maximum of ten (10) days in any twelve (12) month period. A statement of your military earnings will be required. Military leave in excess of ten (10) days, as required by applicable law, will be granted without pay.

Violation of Leave Of Absence Terms And Conditions

For all of types of leaves of absence provided by the Home, any violation of terms or conditions under which a leave is granted, failure to return at the expiration of the leave, acceptance of other employment during a leave, performing work for another person or entity (with or without pay) during a leave, attempts to misuse this policy and attempts to use this policy for other than its intended purpose will result in your termination of employment with the Home.

CHAPTER VI

EMPLOYEE RESPONSIBILITIES

Standard of Conduct

Because of the unique nature of our work it is necessary to require a high standard of conduct of our employees and staff, to properly carry out our function of providing the best care for our Residents.

Accidents—Incidents

Accidents and/or serious injury can be prevented in most cases by good judgment. If you have an accident or incident while in the Home or observe an accident or incident, it must be reported immediately to your supervisor/Department Head. Any failure to report job-related injuries before going off duty can result in disciplinary action. Even minor accidents that do not result in apparent injury should be reported. The Home carries workers' compensation insurance which covers accidents that occur on the job. However, this insurance can be effective only if accidents are reported immediately and an accident report is prepared by the supervisor/Department Head, Human Resources Director or Director of Nursing.

Accidents and/or incidents involving Residents or visitors should be reported to your supervisor/Department Head, who in turn will fill out appropriate reports.

Bulletin Boards

In order to keep informed of the Home's policies, personnel practices and other information pertinent to your job, you are asked to refer daily to the bulletin board. You are responsible for reading the notices on the bulletin boards and will be held responsible for the observance of all rules and regulations posted. Only official LSP or governmental notices are to be posted on the

Facility's Official Bulletin Boards. You are not permitted to post or remove notices.

Care of Equipment

Every effort has been made to provide adequate equipment to be used in your work area to enable you to perform your duties effectively. You are expected to keep equipment in good working order, and if equipment is in need of repair you are to report it to your supervisor/ Department Head.

Change of Name, Address and Other Personal Data

Change or correction of name, address, social security number, telephone number, marital or family status, number of dependents, insurance beneficiary, emergency contact, or change of tax status must be reported promptly to the Human Resources Director so that changes can be made to the Home's records.

This is important to you in regard to social security, insurance coverage, and other issues. The Home will rely on the address and tax status as shown on the Home's records. Falsification of such records may result in disciplinary action up to and including immediate dismissal.

Corrective Counseling Guidelines

The Little Sisters of the Poor has established rules

and procedures governing the conduct of their employees; these policies are neither a contract of employment nor a legal document. The employee relationship is terminable at the will of either the Little Sisters of the Poor or their employees. Nothing in these guidelines changes the at-will nature of employment of the Little Sisters of the Poor.

Employees are subject to appropriate disciplinary action up to and including dismissal for violations of the Home's policies including but not limited to the following:

- Unlawful harassment or violence towards, or the abuse or neglect of Residents or employees;
- Negligent or poor performance of duties;
- Sleeping on duty;
- Divulging confidential personal information about the Residents or confidential business information about the Home;
- Insubordination, i.e., failure to perform job duties or to obey directions of your supervisor;
- Theft or unauthorized use of property of the Residents or the Home;

- Falsifying records, or willfully making malicious or knowingly false statements about the Home, the Residents, employees, or supervisors;
- Threats, violence, intimidation, unlawful harassment or other violations of workplace violence or non-harassment policies;
- The unlawful or improper manufacture, use, possession, distribution or sale of drugs or alcohol while: on the Home's premises; on duty but off the Home's premises; operating the Home's vehicles; or otherwise engaged in Home sponsored activities;
- Possession of any weapons on the Home's premises, except as allowed by state law;
- Presence in the interior of Home or in exterior working areas of the Home during non-working hours;
- Failure to carry out other employee obligations set forth in this manual or supplement; and/or
- Violation of the Home's Compliance Code of Conduct.
- Failure to embrace and support the LSP's mission of hospitality by welcoming the elderly poor, making them happy and caring for them until death.

- Threatening, discriminatory, obscene, maliciously defamatory, or malicious conduct or statements towards Sisters, residents, family members, volunteers or staff.
- Gambling on the premises or on working time.

In the case of a serious violation of Home policy, an employee may be subject to immediate dismissal.

Performance Counseling

The Home has established Standards of Conduct, safety rules, and other policies to ensure the best and safest possible working conditions. These rules are designed and intended to protect all of us. In addition, we realize it takes a very special person to share our mission to care for our Residents. We are excited about our work and want to help each employee be as successful here as possible.

In most cases, the Home believes that by applying progressive discipline, an employee's poor performance can be corrected. Generally, the first step in the progressive discipline process will be counseling by an employee's supervisor. This step may be followed by a written warning, suspension with or without pay and finally termination. In certain situations where, in the opinion of the Home, the Home may, at its option, advance the level of discipline to the step it deems appropriate, up to and including immediate termination. The Home reserves the right to skip, advance or repeat any level

of discipline it deems appropriate. Further, the Home reserves the right to terminate employees at any time without cause or notice and without prior discipline.

In addition to, or instead of, the steps above, the Home may, in its discretion, decide to implement an employee improvement plan to focus on helping an employee improve performance. Under our performance improvement plan, we work hard to train employees to meet the requirements of their jobs. This includes a process of:

1. Coaching and counseling in order to bring issues up front and determine ways and means to improve; and/or
2. Providing a performance improvement plan, when appropriate, to establish the steps the employee must make to remain employed. At that point, the employee must show the Home he/she is committed to making the necessary effort to improve.

Whether to use this performance improvement process, and which steps to use if any, is entirely within the discretion of the Home. No particular step is required. At all times, employment remains at-will. This process may not be applied in cases of serious performance problems or misconduct, or in other cases in which it is deemed not appropriate or not useful by the Home. Our overall goal is to help every employee maximize his/her ability to help us in our mission to care for our Residents and develop

into a successful and responsible addition to our staff.

Substance Abuse Prevention Policy

I. Basis of the Policy

LSP is committed to protecting the safety, health and well-being of its employees, residents, and all people who come into contact with its employees, workplaces, and property, as well as those who place their loved ones within our care. LSP recognizes that drug and alcohol abuse pose a direct and significant threat to this goal, especially given the safety-sensitive nature of our mission, our employees' positions, and our residents' conditions. Little Sisters of the Poor strictly prohibits the possession, use, sale, attempted sale, purchase, attempted purchase, conveyance, distribution, transfer, dispensation, cultivation, and/or manufacture of illicit drugs or other intoxicants at any time, and in any amount or any manner – as well as the abuse/misuse of alcohol and prescription drugs. The Home maintains an alcohol and drug policy which is available as a supplement to this Handbook.

Electronic Communications Policy

Employees may not use the Home's email, internet and other telecommunication systems during working time for non-business use. Employees should have no expectation of privacy, at any time,

in their use of email, the Internet, voice mail, and other electronic communications. All such information can and will be monitored in order to ensure compliance with LSP policy, investigate misconduct, or for other business purposes.

General Policy

The Home and authorized individuals will retain all applicable passwords or codes and may access electronic communications systems and review communications within the systems, without advance notice to users of the system, when the Home deems it appropriate to do so. The reasons for which the Home may obtain such access include, but are not limited to: maintaining the system; preventing or investigating allegations of system abuse or misuse; assuring compliance with software copyright laws; complying with legal and regulatory requests for information; ensuring that the Home's operations continue appropriately during an employee's absence; and any other purpose deemed appropriate by the Home. Users are not permitted to download software, graphic works or programs on Little Sisters electronic equipment without authorization of the administration.

The Home may store created electronic communications. Communications stored in the system may be deleted, printed or utilized for any purpose.

You are personally responsible for any of your social media activity conducted with a Home email address or on a Home website or page. If from your post in a blog or elsewhere in social media and it is clear you are a LSP employee, it must be clear that the opinion expressed is your personal opinion and not LSP's position.

Harassment

Employee must observe and follow existing Home policy and agreements, such as our Employee and applicable law. This means that you are prohibited from using social media to post or display comments about coworkers or supervisors or the Home that are vulgar, obscene, threatening, intimidating, or a violation of the Home's workplace policies against discrimination, harassment, or hostility on account of age, race, religion, sex, ethnicity, nationality, disability, or other protected class, status, or characteristic. Thus, the rules in the Home's Employee Handbook, including its Electronic Communication Policy and anti-harassment and discrimination policies apply to employee behavior within social media and in public online spaces.

No one may use electronic communications in a manner that may be construed by others as harassment or offensive based on race, color, national origin, sex, sexual orientation, age, disability, religious beliefs or any other characteristic protected by federal, state or local law.

No one may access, or attempt to obtain access to, another individual's electronic communications without appropriate authorization.

Violators of this policy may be subject to personnel action up to, and including, termination.

Errands

Employees are not to run errands for Residents unless authorized to do so by their supervisor/ Department Head or Mother Superior.

Fire Safety

Your safety and that of Residents, co-workers and visitors is of utmost importance to the Home. It is your responsibility to carry out your duties in accordance with the Home's fire prevention manual, which includes the evacuation and disaster plan. You must be aware of your duties as you are a member of the fire prevention and firefighting team. Your full cooperation is expected.

Fire drills are conducted monthly without prior warning to more closely imitate the real situation. You are to respond during the drill in accordance with instructions in the very same manner as if an actual fire were involved.

Gifts, Tips and Gratuities

You are employed by the Home to assist in restoring and maintaining the Residents' health and welfare and making their stay as pleasant and as comfortable as possible. You may not accept tips, gifts of any kind, or gratuities from the Residents, their family members or friends or from vendors or outside providers. Such offers should be courteously declined. It is a serious infraction of the Home's rules to ask for or accept any tip, gift, gratuity or loan from a Resident, his/her relatives or friends, or from a vendor. Employees are never permitted to borrow money or personal items from any Resident, family member of a Resident, vendor or outside provider.

Gifts to Sisters—Supervisors—Residents

While donations to the Home are always welcome, you are requested to refrain from giving gifts to Sisters, supervisors and/or Residents. The best way of showing gratitude is by performing your job well, showing concern for the Residents, and creating a friendly and cordial atmosphere with your fellow employees.

In-service Training

The purpose of in-service training is to maintain and improve resident care and provide an opportunity for you to grow on the job. You will be required to participate in training programs pertinent to the

position held. Training generally is held during the normal work day. If you are required to attend in-service meetings during your non-scheduled hours, these hours will be included in calculating your hours worked for the workweek and overtime.

Lost and Found

All lost and/or found articles should be reported to and/or taken to the Reception Desk as soon as possible. Loss of a paycheck must also be immediately reported to the Human Resources Director.

Other Employment

While the Home does not prohibit employees from taking other work during their off hours, it is expected that any such work will not be so demanding as to impair in any way an employee's ability to perform all assigned tasks for the Home. Also, employees are prohibited from engaging in such part-time work for any firm or individual with whom the Little Sisters of the Poor has a client/customer or competing relationship. If you have any questions regarding the relationship of another company or Home to Little Sisters of the Poor, please ask your Supervisor or Department Head.

Professional Appearance

Your appearance reflects the Home's standards. The Home expects employees to be appropriately attired and well-groomed at all times. If your attire, grooming, or other appearance is in conflict with the Home's professional standards, the Administrator or your HR Director will discuss the issue with you. You are expected to have hair and/or beard neat and clean. Hairnets or approved hats must be properly worn by anyone handling food. Where a department designates a certain type of uniform, you are expected to wear the chosen uniform.

You are expected to wear the required identification. The Home will provide the I.D.

Personal Electronic Equipment/Cell Phones/Text Messaging

Personal electronic equipment, including cell phones are not to be used in any of the working areas, unless authorized by a supervisor and/or Human Resources Director in a specific situation. However, they may be used on non-working time in areas where employees are authorized to take their meal and break periods. In emergencies, employees will be contacted by the receptionist and/or the Human Resources Director. Advise your relatives and friends not to telephone you at the Home except in emergencies (the messages will be relayed to you). To protect the privacy of Residents and staff,

cameras/camera phones may not be used to take pictures and/or video in the workplace.

LSP wants to ensure that no employees suffer injuries while operating or riding in LSP vehicles that could have been prevented by careful driving. Therefore, employees are strictly forbidden from sending or reviewing text messages or using other personal electronic devices while operating a Home vehicle, or any machinery in the course of performing work for the Home. Employees also may not use a cell telephone when operating a Home vehicle unless a hands-free device is used.

Professional Conduct

It is not so much what is done as how it is done that impresses people. More than anything else, the Residents need and appreciate a tranquil and cheerful willingness to help them. You are asked to be considerate and create an atmosphere of calm in your work.

Respect for Property

Unauthorized use, removal, disposal, defacement or concealment of property of the Home, Residents, or other employees may result in disciplinary action up to and including immediate dismissal and/or referral of the matter to law enforcement authorities.

The use of personal radios, televisions, MP-3 players and other similar electronic devices are not permitted

during working time. Your personal use of the Residents' or Home's radio, television, telephone, fax machine is forbidden.

Responding to Inquiries about Current or Former Employees

Requests for references concerning current or former employees must be referred to Human Resources for processing. Under no circumstances may reference letters be released except through Human Resources. Adherence to this policy is critical to protect the Home, the person to whom the inquiry is addressed, and the person on whose behalf the inquiry is being made.

Safety and Ergonomics

The Home is committed to provide a safe and healthy workplace for all of our employees, vendors, and visitors. The LSP has a reputation for professionalism, which has been earned by the dedicated efforts of all our employees. Part of that professionalism has been the adherence to our safety practices. We all recognize that safety on the job is everyone's responsibility.

Employees should report any unsafe conditions to their Supervisor or Department Head. All employees are expected to be safety-conscious and to assist the Home in finding conditions in the Home that might cause an accident.

Security

Employees are to use designated entrances when reporting to and from work. For your own protection and that of your fellow employees, and in the interest of safety, the Home may inspect parcels, boxes, lunch boxes, packages, bags, purses, or shopping bags or any other containers brought onto or taken from the premises, including your automobile, when there is reason to believe that such search may indicate that the law or LSP policy has been violated.

The Home provides lockers for employees which are for the temporary storage of the employee's clothing. Lockers should not be used to store perishable foods. The Home cannot be responsible for any personal property left in lockers. You should have no expectation of privacy in your use of lockers. For your own protection and that of your fellow employees, and in the interest of safety, the Home may inspect these lockers (with or without your presence) at any time.

The Home also may conduct unannounced random searches of the Home's facilities and property (e.g., Home vehicles, desks, file cabinets, lockers, etc.). Searches of Home facilities and property, including Home property in the possession of the employee, can be conducted at any time and do not have to be based upon reason to believe that a policy is being violated.

Employees are expected to cooperate in the conducting of all such searches. You may be requested to open any package, handbag or other carrier or container. You are responsible for providing the Human Resources Director with a key or combination to your locker so that it may be used in case of inspection.

Smoking

Use of tobacco products, including e-cigarettes and “vapes,” is permitted only in designated areas. Smoking in other parts of the Home is a violation of Fire Department and Home regulations. For those Homes that are smoke-free, smoking is not permitted, in accordance with local regulations.

Because of fire regulations and our concern for the Residents, smoking is not permitted where oxygen is in use or stored. Smoking is not permitted in the halls, bathrooms, elevators or Residents’ rooms. Under no circumstance are Residents to be given smoking materials such as matches, lighters, cigars, cigarettes or tobacco, without the authorization of the supervisor/ Department Head or charge nurse.

Solicitation, Distribution, Access to Premises And Trespass

To maintain an orderly, professional atmosphere at the Home, as well as to prevent interference with our services, the Home has developed the following policies.

Solicitation and Distribution of Materials

Solicitation of an employee by another employee is prohibited while either one is on his or her working time. Solicitation includes, but is not limited to, sale of raffle tickets, household goods (such as Avon products), food products or personal items as well as appeals for charitable contributions. The distribution of any material of any kind is prohibited on working time or in working areas at all times. Solicitation and distribution is not permitted in any immediate patient care area at any time. Immediate patient care areas include but are not limited to patient rooms and other treatment and therapy areas and adjacent corridors.

Employee No-Access

For safety and security reasons, employees are not permitted access to the interior of the facility or to exterior work areas during off-duty hours.

No-Trespass Rule

Solicitation, distribution or trespassing by non-employees on Home premises is strictly prohibited.

Statements to the News Media

News media may contact us for an official statement of the Home. No employee may make a statement on behalf of the Home to the media.

Visitors and Phone Calls

You are not permitted to have visitors, including children, while on duty except in extreme emergency situations. In such cases, the visitor will be directed to the Reception Desk. You may be permitted to meet with the visitor, with the approval of your supervisor, and you may be required to clock out before leaving your work area and clock in upon your return. Advise your relatives and friends not to telephone you at the Home except in emergencies (the messages will be relayed to you). Should you be permitted to leave your work area to use the telephone, you may be required to clock out before making the call and clock in when returning to work. Outgoing calls can be made during your meal and break periods only from telephones designated for employees or from personal cell phones when used in break rooms or other authorized non-working areas. Incoming calls may not be taken on pay phones during working hours.

Witnessing Wills or Other Legal Documents

For your protection and the protection of the Home, you are asked not to become involved with the witnessing of wills and/or other legal documents, in your capacity as our employee. Should you be asked to sign such papers by a Resident or a visitor, you are to politely decline and refer the parties to the administrative staff of the Home.

CHAPTER VII

MISCELLANEOUS

Weather-Related Absence

The Home's pay policies under snowstorm or other bad weather conditions are as follows:

Nonexempt employees who report for work within a reasonable time (within approximately one hour of their scheduled start time) will be paid for their regular full day. Nonexempt employees who do not report for work will not be paid for the day. Nonexempt employees who voluntarily leave work early due to weather generally will be paid only for time actually worked. Exempt employees will be paid in accordance with federal and state laws.

Access To Personnel Files

Little Sisters of the Poor maintains a personnel file on each employee. Your personnel file includes such information as your job application, resume, records of training, documentation of your performance appraisals, salary increases and other employment records.

If you wish to review your personnel file, contact the Human Resources Department for information regarding your Home's policy. Review may be permitted in accordance with applicable state law, in

the presence of a representative from the Human Resources Department, or as required by state law.

Parking

Free parking is offered to all employees during working hours in designated areas on the Home's grounds. The Home will not be responsible for any damage to or theft of an employee's car. It is advisable that you lock your automobile when parking on the Home's grounds.

CHAPTER VIII

SEPARATION

Resignation Notice

If, for whatever reason, you decide to terminate your employment with the Home, we request two (2) weeks of advance notice to the Human Resources Director and your Department Head/Supervisor (four weeks of advance notice for Department Heads, Supervisors, and Exempt Staff). **FAILURE TO PROVIDE ADEQUATE ADVANCE NOTICE TO THE HOME OF YOUR RESIGNATION MAY IMPACT YOUR TERMINATION BENEFITS. SEE EMPLOYEE COMPREHENSIVE BENEFITS AND/OR HOME SUPPLEMENT MANUALS FOR DETAILS.**

In case of a resignation, you may be asked to participate in an exit interview, the purpose of which is to give you an opportunity to explain the reasons for your voluntary termination. You should submit a written signed statement of your resignation to the Home.

Your final payment will be issued on the next regular pay day, unless state law requires otherwise.

Return of Home Property

On your last day of employment, you are required to return all Home property to your supervisor. Home property includes all keys, uniforms, and any other material which is owned or leased by the Home, as well as all documents and information that are the property of the home, including electronic data and computer files. Any questions regarding this policy should be directed to your supervisor.

CONCLUSION

We hope and trust that this Handbook will assist you in performing your job and will be an incentive to you to function and develop to your full potential. If you have any questions about this Handbook, please take the matter up with your supervisor/ Department Head or Human Resources Director.

RECEIPT OF EMPLOYEE HANDBOOK

I acknowledge receipt of Little Sisters of the Poor's Employee Handbook. I acknowledge that I have read or will read this handbook, and I accept full responsibility for familiarizing myself with this handbook.

I understand that this handbook is not a contract of employment and at all times my employment remains at-will, meaning the Home or I can terminate my employment for any reason and at any time.

I also understand that the Home may, from time to time, change, add to or subtract from the policies in this handbook.

Signature

Date

Department

Little Sisters of the Poor
Employee Handbook Supplement
San Pedro

For purposes of pay, the workweek will be defined as from Sunday to Saturday for California employees (*Employee Handbook, p. 23*).

Break Period(s)

Generally, you will be entitled to one (1) 10-minute rest break for every four (4) hours or substantial portion thereof that you work. If you work more than six (6) hours in a workday, you will receive one (1) rest break during the first half of your shift and one (1) rest break during the second half of your shift.

If you work more than five (5) hours in a workday, you are also provided an uninterrupted off-duty meal period of at least 30 minutes. You must clock out for your meal period. Your supervisor will advise you of the scheduling of your meal period **[and will direct you to the appropriate dining area]**. You must not perform any work during your meal period, and you must take at least 30 minutes completely off work. You are expected to return to work promptly at the end of any meal. If you work more than ten hours a day, you will be provided a second uninterrupted off-duty meal period of at least 30 minutes. You may, however, elect to waive this second meal period if you work no more than 12 hours in a day. This waiver is completely voluntary, must be in writing and be signed by you. Managers and supervisors are prohibited from coercing or pressuring employees into signing a second meal period waiver. You should report any manager or supervisor who does so to Human Resources.

Employees cannot use their rest break or meal periods to report to work late or leave work early.

All breaks must be taken either in **[the lunch room or outside the work area]**. You may leave the premises for your meal periods. If for any reason you do not take the applicable rest and meal periods, you must notify your supervisor immediately (*Employee Handbook, p. 26*).

Children in the Workplace

Due to safety and liability concerns the Home prohibits employees from bringing children under the age of 18 to work with them.

Jury Duty

When summoned for jury duty, an employee will be granted leave to perform his or her duty as a juror. If the employee is excused from jury duty during his or her regular work hours, he or she is expected to report to work promptly.

Regular full-time and part-time employees who are called to jury service will receive up to 5 days of paid leave for jury duty service, less the remuneration received from jury service. Beyond five (5) days, an employee may use vacation or personal leave, if available, for time taken serving on a jury.

Please provide Jury Summons to Human Resources immediately upon receiving in the mail. Upon completion of jury duty, a statement from the court clerk must be presented to the Human Resources Director showing the days served on the jury and the compensation received. (*Employee Handbook, p. 37*).

Parking & Entrance

Employees may park in any available space inside the security gate other than the visitors parking area at the front of the Home (*Employee Handbook, p. 71, 76*).

Smoking

The designated smoking area outside the Home is the south-east patio area, outside the laundry facility (*Employee Handbook, p. 73*).

Uniform Reimbursement

Employees who regularly work 50 hours or more per pay period receive an annual uniform reimbursement of \$100. Those who regularly work less than 50 hours per pay period receive an annual reimbursement of \$50.00. Submit your original receipt to Human Resources for reimbursement. If, for any reason, employment ends before 90 days, the uniform reimbursement will be deducted from the final paycheck.

EMPLOYEE HANDBOOK SUPPLEMENT FOR CALIFORNIA EMPLOYEES

This Supplement is exclusively for employees working in California. It contains information specific to the state. In the event of a conflict between this Supplement and our Employee Handbook, this Supplement will govern.

California Family Rights Act Leave

Federal and California laws require employers to provide family and medical leaves of absence for eligible employees. Either or both of these laws may apply to a leave. This policy will be interpreted to comply with the law(s) that apply to a particular leave.

1. Leave to Care for Domestic Partners

This law extends family and medical leave benefits so employees are permitted to take leave to care for a Domestic Partner with a serious health condition. For purposes of this policy, "Domestic Partner" means two adults who have established a domestic partnership in accordance with the requirements of California law, as explained below:

(i) A domestic partnership is established in California when both persons file a Declaration of Domestic Partnership with the Secretary of State, and, at the time of filing, all of the following requirements are met:

(a) Both persons have a common residence;

(b) Neither person is married to someone else or is a member of another domestic partnership with someone else that has not been terminated, dissolved, or adjudged a nullity;

(c) The two persons are not related by blood in a way that would prevent them from being married to each other in this state;

(d) Both persons are at least 18 years of age;

(e) Either of the following: both persons are members of the same sex, or one or both of the persons meet the eligibility criteria under Title II of the Social Security Act as defined in 42 U.S.C. Section 402(a) for old-age insurance benefits or Title XVI of the Social Security Act as defined in 42 U.S.C. Section 1381 for aged individuals. Notwithstanding any other provision of this section, persons of opposite sexes may not constitute a domestic partnership unless one or both of the persons are over the age of 62; and

(f) Both persons are capable of consenting to the domestic partnership.

(ii) "Have a common residence" means that both domestic partners share the same residence. It is not necessary that the legal right to possess the common residence be in both of their names. Two people have a common residence even if one or both have additional residences. Domestic partners do not cease to have a common residence if one leaves the common residence but intends to return.

2. CFRA Leave Time Not Counted Toward Pregnancy Disability

The 12 weeks of California Family Rights Act Leave is not applicable to absences caused by pregnancy, childbirth or related medical condition. While absences for such reasons count against FMLA leave entitlement and will be designated as FMLA leave for eligible employees, it will not count against the 12 weeks of CFRA leave. Employees who give birth and otherwise eligible for CFRA birth bonding leave will be eligible to take up to 12 weeks of birth bonding leave during the year following the child's birth. The 1,250 hours threshold for CFRA birth bonding leave eligibility is measured from the commencement of the employee's pregnancy disability leave of absence.

CFRA birth bonding leave must generally be taken in at least two week increments. On two occasions, an employee may

take birth bonding leave for less than two weeks. The minimum amount of birth bonding time is four hours.

California employees will be required to substitute paid sick leave for unpaid CFRA leave only if leave is taken for the employee's own serious health condition. The Home and employee may mutually agree to apply sick leave to other types of CFRA leaves of absence. As with the FMLA, any accrued, unused vacation time will be required to be substituted for unpaid CFRA leave.

Literacy Assistance

We will provide assistance to employees who require time off to participate in an adult education program for literacy assistance. If you need time off to attend such a program, you should inform your direct supervisor or Human Resources. The Home will attempt to make reasonable accommodations for you by providing unpaid time off or an adjusted work schedule, provided the accommodation does not impose an undue hardship on the Home. The Home will attempt to safeguard the privacy of your enrollment in an adult education program.

Pregnancy Disability Leave of Absence and Accommodation

If you are disabled by pregnancy, childbirth or related medical conditions, you are eligible to take a pregnancy disability leave (PDL). If you are affected by pregnancy or a related medical condition, you are also eligible to transfer to a less strenuous or hazardous position or to less strenuous or hazardous duties, if such a transfer is medically advisable and can be reasonably accommodated. In addition, if it is medically advisable for you to take intermittent leave or work a reduced schedule, the Home may require you to transfer temporarily to an alternative position with equivalent pay and benefits that can better accommodate recurring periods of leave.

- The PDL is for any period(s) of actual disability caused by your pregnancy, childbirth or related medical condition – per pregnancy.
- An employee is entitled to up to four months of PDL while the employee is disabled by pregnancy, childbirth or related medical condition. For

purposes of this policy, “four months” means time off for the number of days the employee would normally work within the four calendar months (one-third of a year, or 17.3 weeks or 122 days), following the commencement date of taking a pregnancy disability leave. For a full time employee who works five eight-hour days per week, or 40 hours per week, “four months” means 88 working and/or paid eight-hour days (693 hours of leave entitlement), based on an average of 22 working days per month for 17 1/3 weeks in four months times 40 hours per week. Employees working a part-time schedule will have their PDL calculated on a pro-rata basis.

- For a part-time employee who works 20 hours a week, four months means 346.5 hours of leave (20 hours per week times 17 1/3 weeks).
- For an employee who normally works 48 hours per week, four months means 832 hours of leave (48 hours per week times 17 1/3 weeks).
- If an employee’s schedule varies from month to month, a monthly average of the hours worked over the four months prior to the beginning of the leave shall be used for calculating the employee’s normal work month.
- The PDL does not need to be taken in one continuous period of time, but can be taken on an as-needed basis.
- Time off needed for prenatal or postnatal care, severe morning sickness, doctor-ordered bed rest, gestational diabetes, pregnancy-induced hypertension, preeclampsia, childbirth, , postpartum depression, loss or end of pregnancy, or recovery from childbirth or loss or end of pregnancy are all covered by your PDL.
- Generally, pregnancy disability will be treated the same as we treat other disabilities of similarly-situated employees. This affects whether your

leave will be paid or unpaid.

- You are required to obtain a certification from your health care provider of your need for PDL, or the medical advisability of an accommodation or a transfer. The certification should include:
 - 1) A description of the requested accommodation or transfer;
 - 2) a statement describing the medical advisability of the reasonable accommodation or transfer because of pregnancy
 - 3) the date on which the need for reasonable accommodation or transfer became or will become medically advisable and the estimated duration of the reasonable accommodation or transfer.

A medical certification indicating disability necessitating a leave is sufficient if it contains:

- 1) a statement that the employee needs to take pregnancy disability leave because she is disabled by pregnancy, childbirth or a related medical condition;
 - 2) the date on which the employee became disabled because of pregnancy; and
 - 3) the estimated duration of the leave.
- Upon request, the Human Resources Department will provide you with a medical certification form that you can take to your doctor.
 - As a condition of your return from pregnancy disability leave, or transfer, the Home requires you to obtain a release to return to work from your health care provider stating that you are able to resume your original job duties with or without reasonable accommodation.

- At your option, you can use any accrued vacation time or other accrued paid time off as part of your unpaid PDL before taking the remainder of your leave on an unpaid basis. We require, however, that you use any available sick leave during the unpaid portion of your PDL. The substitution of any paid leave will not extend the duration of your PDL.
- If you participate in the Home's group health insurance plan you shall continue to participate in the plan while on PDL under the same terms and conditions as if you were working. You should make arrangements with Human Resources for payment of your share of the insurance premiums. Benefit continuation under PDL is distinct from benefit continuation for employees who also take birth bonding leave under the California Family Rights Act
- We encourage you to contact the Employment Development Department regarding your eligibility for state disability insurance for the unpaid portion of your leave.
- If you do not return to work on the originally scheduled return date nor request in advance an extension of the agreed upon leave with appropriate medical documentation, you will be deemed to have voluntarily terminated your employment with the Home. Failure to notify the Home of your ability to return to work when it occurs, or your continued absence from work because your leave must extend beyond the maximum time allowed, may be deemed a voluntary termination of your employment with the Home, unless you are entitled to Family Leave.
- Upon your return from a covered PDL, you will be reinstated to your same position in most instances.

- Taking a PDL may impact certain of your benefits and your seniority date. If you want more information regarding your eligibility for a leave and the impact of the leave on your seniority and benefits, please contact Human Resources.
- PDL leave time will be counted against an eligible employee's entitlement to FMLA leave. It will not be counted against an employee's eligibility for CFRA leave.

Any request for leave after your disability has ended will be treated as a request for family care leave under the California Family Rights Act and the federal Family Medical Leave Act, if you are eligible for that type of leave. Please refer to the Family and Medical Leave Policy.

Paid Family Leave Benefits

An employee who is off work to care for a child, spouse, parent, grandchild, grandparent, parent-in-law, sibling, or registered domestic partner with a serious health condition, or to bond with a new child, may be eligible to receive benefits through the California "Paid Family Leave" ("PFL") program, which is administered by the Employment Development Department ("EDD").

These benefits solely are financed through employee contributions to the PFL program. EDD is responsible for determining if an employee is eligible for such benefits. There generally is a waiting period during which time no PFL benefits are available. The EDD can provide additional information about any applicable waiting period.

If you need to take time off work to care for a child, spouse, parent, grandchild, grandparent, parent-in-law, sibling, or registered domestic partner with a serious health condition or to bond with a new child please advise the Human Resources Director, and you will be given information about the EDD's PFL program and how to apply for benefits. Employees also may contact their local Employment Development Department Office for further information. You should maintain regular contact with the Human Resources Director during the time you are off work so we may monitor your return-to-work status. In addition, you should contact the Human Resources Director when you are

ready to return to work so we may determine what positions, if any, are open to you.

When an employee applies for PFL benefits, the Human Resources Department will determine if the employee has any accrued but unused vacation days available. If the employee has accrued but unused time available, then the employee will be required to use up to two (2) weeks of such time before becoming eligible for PFL benefits.

Please note, employees taking time off work for a child, spouse, parent, grandchild, grandparent, parent-in-law, sibling, or registered domestic partner with a serious health condition or to bond with a new child are not guaranteed job reinstatement unless they qualify for such reinstatement under Home policy, federal or state family and medical leave laws. PFL does not provide a right to leave but a way to receive benefits from EDD during an approved leave of absence.

Paid Sick Leave (PSL) CA. Benefit

All employees who have worked for 30 or more days within a year from the commencement of employment will be entitled to PSL. There are only limited exceptions.

An employee is not eligible for PSL until he/she works for 30 days within a year of the start of employment.

An employee who is subject to California laws pertaining to overtime, minimum wage, meal periods and rest periods are also covered. Temporary and seasonal employees are also eligible to receive PSL.

Forty-eight (48) hours shall be provided to all individuals who do not classify as full-time or part-time benefited. Hours shall be made available on day 90 from date of hire, and at the beginning of each year thereafter. Carry over is not allowed. No balance payout is provided at the end of each year. Sick hours balance will reflect each pay period.

All Sick Pay benefit usage details outlined in the Employee Comprehensive Benefits Manual shall apply.

Rehabilitation Leave

Our Home will reasonably accommodate any employee who wishes to voluntarily enter and participate in an alcohol or drug rehabilitation program, unless it would be an undue hardship for the Home. This accommodation may include an adjusted work schedule or time off without pay, provided the accommodation does not impose an undue hardship on the Home. You may use any accrued sick or vacation benefits while on leave under this policy. However, additional benefits will not be earned during the unpaid portion of the leave of absence. A leave of absence under this policy will be subject to the same provisions and rules as apply to medical leaves of absence. The Home will attempt to safeguard the privacy of an employee's participation in a rehabilitation program.

You should notify your direct supervisor or Human Resources if you need to request an accommodation under this policy.

Time Off For Crime Victims

Employees who have been victims of serious or violent felonies, as specified under California law, or felonies relating to theft or embezzlement, may take time off work to attend judicial proceedings related to the crime. Employees also may take time off if an immediate family member has been a victim of such crimes and the employee needs to attend judicial proceedings related to the crime. "Immediate family member" is defined as spouse, registered domestic partner, child, child of registered domestic partner, stepchild, brother, stepbrother, sister, stepsister, mother, stepmother, father, or stepfather.

Employees must give to his/her supervisor or Human Resources a copy of the court notice given to the victim of each scheduled proceeding before taking time off, unless advance notice to the Home of the need for time off is not feasible. When advance notice is not feasible, the associate must provide the Home with documentation evidencing the judicial proceeding, within a reasonable time after the absence. The documentation may be from the court or government agency setting the hearing, a police office, the district attorney or prosecuting attorney's office, the victim/witness office that is advocating on behalf of the victim or a medical professional, advocate or counselor.

Employees may elect to use accrued paid vacation time, paid sick leave time, or other paid time off for the absence. If the

employee does not elect to use paid time off, the absence will be unpaid. However, exempt employees will be paid their full salary for any workweek interrupted by the need for time off under this policy. The Home will keep records relating to the absence confidential within the Home.

Time Off and Reasonable Accommodation For Victims Of Domestic Violence, Stalking or Sexual Assault

An employee who is a victim of domestic violence, stalking or sexual assault is provided unpaid time off up to 12 weeks to attend to any of the following: (1) to obtain help from a court; (2) to seek medical attention for injuries caused by domestic violence; (3) to obtain services from an appropriate shelter, program, or crisis center; (4) to obtain psychological counseling; and, (5) to participate in safety planning and take other actions to increase safety, including temporary or permanent relocation.

Reasonable advance notice should be given to an employee's supervisor or to the Personnel Division before taking any time off, unless advance notice is not feasible. When advance notice is not feasible resulting in an unscheduled absence from work, an employee, within a reasonable time after the absence, should provide a certification to the Home which can take any of the following forms: (1) a police report; (2) a court order protecting or separating the employee from the perpetrator, or other evidence from the court or prosecuting attorney that the employee appeared in court; or, (3) documentation from a medical professional advocate, health care provider, or counselor that the employee was undergoing treatment for physical or mental injuries or abuse resulting from an act of domestic violence, stalking or sexual assault.

Employees may use accrued vacation or personal days that are otherwise available to the employee for time off for reasons discussed above. Leave under this policy does not extend the time allowable under the "Family and Medical Leave Act" Policy provided by the Home.

The Home also will not discipline, discriminate or retaliate against an employee because the employee is a known victim of domestic violence, stalking or sexual assault.

An employee who is the victim of domestic violence, stalking or sexual assault may request reasonable accommodation with

respect to his or her safety while at work. Reasonable accommodation may include the implementation of safety measures, including a transfer, reassignment, modified schedule, changed work telephone, changed work station, installed lock, assistance in documenting domestic violence, sexual assault, or stalking that occurs in the workplace, an implemented safety procedure, or another adjustment to a job structure, workplace facility, or work requirement in response to domestic violence, sexual assault, or stalking, or referral to a victim assistance organization. Eligible employees desiring an accommodation should notify Human Resources. Human Resources will then engage in an interactive process with the employee to determine possible effective reasonable accommodations. As part of the interactive process, Human Resources may require the employee to provide appropriate certification. An employee who no longer needs an accommodation must notify Human Resources of his/her change in circumstance. Similarly, an employee who has been provided an accommodation must notify Human Resources if he or she requires a new accommodation.

Time Off For School Related Activities

Parents, guardians, or grandparents with school children from kindergarten through Grade 12, or who attend licensed child daycare facilities, are provided unpaid time off (up to a maximum of eight (8) hours in one (1) calendar month and 40 hours in one (1) calendar year) to participate in school or day care activities if they work at a location with 25 or more employees. We may require proof of an employee's participation in these activities. You must provide reasonable advance notice to your supervisor before taking any time off under this policy. Parents, guardians, or grandparents with custody of schoolchildren who have been suspended also are allowed to take unpaid time off to appear at the school pursuant to the school's request.

Voting Leave

Time off to vote will be provided according to State Law.

*As an employer, the Little Sisters of the Poor are subject to federal and state law. The law providing the greater protection or setting the higher standard shall apply.

Exhibit 11

Section 999.5(d)(5)(E)



LITTLE SISTERS OF THE POOR

Employee Comprehensive Benefits Manual

Chicago Province

Hire Date after April 1, 2021

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EMPLOYEE COMPREHENSIVE BENEFITS

The Home provides benefit-eligible employees with an opportunity to participate in a comprehensive benefit plan to defray costs associated with illness, assist with retirement planning, and allow employees to enjoy paid leave. These benefits are provided to benefit-eligible employees who have successfully completed the introductory period, subject to the terms of each benefit plan. The Home reserves the right to change any of its benefits at any time, especially during extreme circumstances, in an effort to protect the Little Sisters of the Poor's overall mission.

For benefit purposes, a full-time employee is an employee regularly scheduled and working 35 hours per week, 70 hours per pay period. Employees working at least 60 and up to 70 hours per pay period are considered part-time, benefit-eligible employees.

This information is provided as an overview; where there is any discrepancy between this document and the applicable Plan Agreements, the Plan Agreements will prevail. Benefits may change without notice at the sole discretion of the Little Sisters of the Poor.

<u>Benefit</u>	<u>Eligibility</u>
Health Insurance	60 hours per pay period
Life Insurance	60 hours per pay period
Pension Plan	60 hours per pay period
	<i>(After completing one year of eligible service)</i>
Retirement Saving Plan (403-B)	40 hours per pay period
	<i>(Immediately upon hire)</i>
Paid Leave Benefits	60 hours per pay period

Employment at the Home is on an at-will basis. This means that employees may resign at any time and for any or no reason at all. Likewise, the Home may terminate the employment of any employee at any time, with or without notice, for any reason or no reason. The terms of the Benefit Manual do not change this relationship.

Pro-rated Rate Table

Hours worked per Pay Period	Pro-rated Day
80	8
75	7.5
72	7.2
70	7
64	6.4
60	6

Life Insurance

Group Life insurance is provided for eligible employees working sixty (60) or more hours per pay period at no cost to the employee. Employee coverage through age 64 is \$10,000; from 65 through 69, \$6,000, and after age 70, \$1,500.

Coverage for a spouse and/or dependents is available at a nominal cost. A spouse is insured by the lesser of \$2,500 or 50% of the employee coverage; children under 6 months of age \$100; children 6+ months \$1,000.

Please notify the Human Resources Manager when it becomes necessary to change beneficiaries. It is important to keep these records updated.

These benefits become effective the first (1st) of the month following sixty (60) days of eligibility.

Health Insurance

Health insurance with or without employee contribution is provided for eligible employees working sixty (60) hours or more per pay period.

The Home currently provides all eligible employees with comprehensive health benefits to help meet the cost of illness and

other health-related needs. These benefits become effective the first (1st) of the month following sixty (60) days of eligible employment. Information is available from Human Resources to explain the coverages.

Other Coverage

Dental and Vision are offered to all eligible employees working sixty (60) hours or more per pay period. These benefits become effective the first (1st) of the month following sixty (60) days of eligibility.

Health Insurance and Other Coverage Open Enrollment

Open enrollment is held annually starting in November. There are special enrollment conditions that would allow for enrollment outside of the standard enrollment period including, loss of other coverage and newly acquired dependents. Information is available from Human Resources regarding these special enrollment conditions.

Pension Plan

Pension plan is provided to eligible employees who work sixty (60) hours or more per pay period, after completion of one year of continuous eligible employment. No employee contribution is available for this plan. Employer contribution is currently 3.5% of an eligible employee's gross wages. Beneficiary information must be completed with Christian Brothers Retirement Planning Services.

The purpose of this retirement plan is to provide you with dependable income that will supplement Social Security upon your retirement.

403(b) Savings Plan

The Home offers a pre-tax retirement saving plan which is administered by the Christian Brothers Retirement Planning Services. Upon hire, an employee working at least 40 hours per pay period may enroll in this program. Employees can join the Plan when they first become eligible, or at the beginning of any

subsequent calendar quarter. Beneficiary information must be completed directly on the Vanguard website. Information on the Plan is available in the Human Resources Office.

Sick Leave Eligibility

If you cannot work due to your own illness or that of a dependent (spouse, parent or child) you may be eligible to receive sick benefits. To qualify for sick leave, an employee must notify his or her Supervisor and/or Scheduler by telephone as specified in the Employee Handbook.

A minimum of 72-hours advance notice is required for health and wellness appointments. Depending on the operational needs of the Home, direct care staff may be required to take full day increments when scheduling health and wellness appointments.

You are required to provide the Home with a doctor's statement for illness/absence lasting three (3) days or more.

Daily notification must be given during the period of illness unless otherwise agreed upon, or an approved medical leave of absence has been granted. The Home may have you examined by another physician to determine your fitness to resume work.

Benefit-eligible employees will begin accruing sick leave after completing the first three (3) months of their introductory employment, and will accrue sick leave at a pro-rated rate of one (1) day per month.

Sick leave for benefit-eligible part-time employees who have completed their introductory period and who are regularly scheduled to work a minimum of (60) but less than (80) hours per pay period, will be pro-rated at the average number of hours worked.

Accrued sick leave may not be applied for time off from work (i.e. vacation purposes, personal leave, etc.). This applies to both exempt and non-exempt employees.

Temporary/Non-Benefited and Part-time Non-Benefited Employees who are in jurisdictions which mandates paid sick leave will accrue sick leave according to the law of the jurisdiction. Please consult the Employee Handbook State Supplement for more details.

Family Medical Emergency

If a benefit-eligible employee is unable to report for work or to complete their shift because of a family medical emergency and/or sickness of a dependent (spouse, parent, or child), the employee will be offered the option of charging the absence to an accrued sick day, vacation day, or personal leave. This benefit is applied in no less than four-hour increments. The Home may request necessary supporting documentation to verify the family medical emergency absence.

Unused Sick Days (Cash-Out Policy)

The Home offers benefit-eligible employees the option of exchanging up to five (5) of their accumulated sick days for regular straight-rate pay. Refer to the “Pro-rated Rate Chart” for calculation based on hours worked. Employees may “cash out” up to five (5) unused sick days during a calendar year, but must leave at least fifteen (15) “in the bank”. The maximum sick day benefit an employee may accumulate is thirty (30) days.

Bereavement

Should a death occur in your immediate family, (i.e., a current spouse, parent, parent of a current spouse, child, brother, sister, stepmother, stepfather, stepchild, or step-sibling), or in case of a death of an employee’s grandparent, grandchild or in-law (brother-in-law, sister-in-law, son-in-law or daughter-in-law), benefit-eligible employees will be permitted to be placed on a paid leave of absence for up to three (3) days for bereavement at the time of such death and/or attending the funeral. Pay for such days may be dependent upon proof of death accepted by the Home’s Administration. Refer to rate table on page 4.

Jury Duty

Full-time and benefit-eligible part-time employees who have completed their introductory period will be eligible for jury duty pay as specified in the Employee Handbook and Supplement. Refer to rate table on page 4.

Holidays

Benefit-eligible employees will receive holiday pay after completion of the first three (3) months of employment.

The following holidays are observed by the Home:

1. New Year's Day
2. Memorial Day
3. Independence Day
4. Labor Day
5. Thanksgiving Day
6. Christmas Day
7. Two personal leave days between Jan 5 – Dec 1

An employee may request to substitute another religious or ethnic holiday in exchange for any of the six named holidays. This may be done with the approval of your Supervisor and Human Resources Manager. Holidays cannot be combined.

Employees scheduled to work on the above-mentioned six holidays, would be paid time-and-one-half their regular hourly rate unless otherwise required by law. Since the Home operates every day of the year, it is not possible for all employees to be off on the same day. Accordingly, you may be required to work on any of the first six (6) named holidays. For the purposes of this policy the holiday begins at 11:00 pm on the eve of the holiday. When a regular full-time employee is required to work on a holiday, another paid day off is to be scheduled within thirty (30) days after the holiday. If you are unable to schedule the holiday within the thirty (30) day period, you may request pay in lieu of the day off.

If a paid holiday falls on a benefit-eligible full-time employee's

scheduled day off, an alternate day off is to be given within (30) days after the holiday.

A benefit-eligible part-time employee will receive time-and-a-half for the hours worked on a holiday. If the employee is off that day, pro-rated pay at straight time will be given.

If a paid holiday falls during an eligible employee's vacation, pay for this holiday will be given. Holiday pay will not be allowed when you are absent the scheduled work day before and/or the scheduled work day after a scheduled holiday, without at least a twenty-four (24) hour approved authorization by your Supervisor/Human Resources Manager. The same applies if you are scheduled to work on the holiday and do not report.

Personal Leave Days

After the completion of the first three (3) months of employment, you will become eligible for two (2) personal leave days within the calendar year. Personal leave days must be arranged in advance with your Supervisor/Human Resources. *Personal leave days may not be accrued and are not reimbursed at the end of the year.* Personal leave is not to be taken with a scheduled vacation and must be taken after **January 5th through November 30th.**

Personal leave days for benefit-eligible part-time employees who have completed their introductory period and who are regularly scheduled to work a minimum of (60) but less than (80) hours per pay period, will be pro-rated at the average number of hours worked.

Vacation

Paid vacation is based on length of continuous service with the Home. Vacation time cannot be accumulated from one year to the next. Vacation time is granted on January 1 each year, based on continuous service as of that date. Benefit-eligible employees vacation benefits are pro-rated, based on the average number of hours worked. Vacation days are paid in eight (8) hour increments.

If you have not been employed for a full year, you will receive pro-rated vacation time-off based on the months of service worked. Vacation time is granted January 1 of the following year. Please see your Human Resources Manager for details.

Every effort will be made to honor the vacation week or weeks of your choice. However, vacations must be scheduled at times when they will synchronize with good resident care and the efficient operation of the Home. Accordingly, while your personal preference of the time you wish to take vacation will be followed to the extent possible, definite plans for your vacation should not be made until you receive authorization from your Supervisor/Human Resources Manager.

Your vacation request should be submitted to the Human Resources Manager to verify available vacation time. Final signed approval is required by the Supervisor after review by Scheduler. Requests must be submitted at least six (6) weeks prior to the date of the requested vacation. Because of the Home's needs, requests to schedule vacations between December 15 and January 5 generally cannot be honored. When there is a conflict in the choice of vacation time, timeliness of the request and length of service as well as other factors may be used as guidelines for resolving the conflict.

Vacation pay will be issued in the same regular pay period it occurs. *Benefit-eligible employees generally earn vacation after completing continuous years of service according to the following schedule:*

- *Two vacation weeks after the first calendar year.*
- *Three vacation weeks after five years.*
- *Four vacation weeks after ten years.*

The following table outlines the pro-rated accruals based on the hours worked per pay period. Vacation benefits for an employee who is eligible for pro-rated benefits would be the number of days the employee works consistently bi-weekly. *For example, if Joan*

Smith works four 7.5-hour days per week and has been an employee for one year, Joan Smith will be eligible for two weeks of vacation, but each week will equal four 7.5-hour days (or 8 days total for the year).

Vacation Pro-rated Table

Hours worked per Pay Period	Maximum Accrued Hours		
	2 Weeks	3 Weeks	4 Weeks
80	80	120	160
72	72	108	144
64	64	96	128
60	60	90	120

It is expected that you will take vacation time off. There may be a limited number of exceptions, defined by the Home as staffing emergencies, or licensing certification surveys, requiring the employee to report to work while on scheduled vacation. The Mother Superior and/or Administrator will make the final decision regarding the necessity of requesting the employee to be called to work during a scheduled vacation. The Home will make every effort to reschedule the employee’s vacation within the same calendar year. If the employee is unable to reschedule their vacation time because of the operational needs of the Home, that employee may request to take the vacation pay as an option with the Mother Superior’s and/or Administrator’s final approval.

The Home recognizes the need to meet personal financial obligations. With good attendance and work performance, employees may make a once per year request to cash out up to 50% of their unused vacation. Good attendance/work performance is defined as no call offs, tardiness, or disciplinary action in the preceding 3 months. A form will be given to the Human Resources Manager who will sign off to verify the attendance and work performance, and Mother Superior will approve the payout.

Benefit-eligible employees must use available paid time for requested days off.

Change of Status

Request to change position and/or hours worked must be submitted in writing to the Human Resources Manager. Change of status will be considered based on the need(s) of the Home.

Resignation/Retirement

When an employee decides to resign or retire from their employment with the Home, it is requested that the employee inform the Human Resources Manager and Supervisor with a minimum of 14 days written notice as indicated in the Employee Handbook.

Employees who give such notice and fulfill their work commitment during this time will be entitled to payment of unused vacation plus 50% of any unused sick time on your final paycheck. **Benefits terminate when an employee ceases active work.**

Continuation of health insurance coverage may be available based upon eligibility requirements. If you are not eligible or elect not to continue medical coverage, your current coverage will end on the last day of your last month of employment. See with the Human Resources Manager for details.

If state or local law requires otherwise, please refer to the Supplement to the Employee Handbook for additional information.

CONCLUSION

Please direct any questions and requests for clarification regarding the information provided in this manual to your Human Resources Manager.

Exhibit 12

Section 999.5(d)(5)(E)

ABUSE: Photographs/Recordings and Social Media Posting

POLICY

The Homes of the Little Sisters of the Poor will assure that each Resident's right to be free from all types of abuse, including mental abuse, will be safeguarded. Mental abuse includes, but is not limited to, abuse that is facilitated or caused by employees, consultants, contractors, volunteers, and other caregivers who provide care and services to residents on behalf of the Home, from taking or using photographs or recordings in any manner that would demean or humiliate a resident.

Each of our Homes will provide care and services in a person-centered environment in which all individuals are treated as human beings.

PURPOSE

To establish within our Homes an environment that is as homelike as possible and includes a culture and environment that treats each resident with respect and dignity. Treating a resident in any manner that does not uphold a resident's sense of self-worth and individuality, dehumanizes the resident, and creates an environment that perpetuates a disrespectful and/or potentially abusive attitude towards the residents.

Taking or using photographs or recordings in any manner that would demean or humiliate a resident is prohibited. This would include using any type of equipment (e.g. cameras, smart phones, hidden video cameras commonly called Granny-Cams, and other electronic devices) to take, keep, or distribute photographs and recordings through multimedia messages or on social media networks.

Example:

Photograph and recordings of residents that contain nudity, sexual and intimate relations, bathing, showering, toileting, providing perineal care such as after an incontinence episode, agitating a resident to solicit a response, derogatory statements directed to the resident, showing a body part without the resident's face whether it is the chest, limbs, or back, labeling resident's pictures and/or providing comments in a demeaning manner, directing a resident to use inappropriate language, and showing the resident in a compromised position.

PROCEDURE

Follow the Home' policy on *Abuse Prohibition: Reporting and Investigation of Resident Abuse, Neglect and Mistreatment*. (09/2016)

1. Staff and volunteer screening and training: Notification of residents and families regarding reporting of suspected abuse, neglect or mistreatment.
2. Identification and reporting of suspected abuse, neglect and mistreatment.
3. Investigation procedure for suspected abuse, neglect, or mistreatment.

ADVERSE DRUG EVENT

POLICY

The Home, in combination with the Pharmacy, medical director and other appropriate departments, shall establish and maintain a mechanism to ensure that adverse drug events are systematically reported, monitored, evaluated, and documented in order to prevent future reoccurrences. All incidents of an Adverse Drug Event (ADE) shall be reported to the Quality Assurance Performance Improvement (QAPI) Committee for review.

PURPOSE

To monitor administration of treatments and medications which have the potential to result in serious illness of the Resident.

DEFINITION

“Adverse Drug Event” refers to a significant detrimental, undesired, unintended, or unexpected response in association with the administration of a medication in doses recognized in accepted medical practice for prophylaxis, diagnosis or therapy of disease, or for the modification of physiological function, and which requires treatment or alteration of therapy. An adverse drug event is considered when drug overdose occurs, whether accidental or intentional.

Criteria for Detecting ADE

1. Unexplained change in symptoms
2. Unexplained change in mental status
3. Symptoms suggesting an allergic reaction
4. Other suspected drug interactions

Criteria for Significant ADE

An ADE is considered significant if it meets the following criteria:

1. Requires supportive measure such as medications (e.g. antihistamines, epinephrine, steroids, etc.)
2. Results in disability
3. Requires initial or prolonged hospitalization
4. Produces death or life-threatening events. This ADE may result in one or a combination of the following:
 - a. Hospital admission
 - b. Extended hospital stay
 - c. Complication of disease state
 - d. Family or personal injury
 - e. Report to FDA

- f. Production of toxic drug levels
- g. Death of Resident

Classifications of Adverse Drug Events

1. Types of ADE

- a. Untoward effects – an extension of the pharmacological effect as a result of usual or excessive dosage, or a direct toxic effect on an organ system.
- b. Idiosyncratic effects – adverse events that are not dose related and that cannot be anticipated.
- c. Hypersensitivity – allergic reaction to a drug.
- d. Intolerance – a characteristic effect of a drug produced by an unusually small dose so that the usual dose tends to induce an overreaction.
- e. Drug/drug interaction – a pharmacological response which was the result of a combination of drugs.

2. Severity of ADE

- a. Minor – A reaction that does not require treatment or prolongation of facility or hospital stay. Does not need to be reported.
- b. Moderate – A reaction that requires treatment and/or prolonged facility or hospital stay by at least one (1) day.
- c. Severe – A reaction that is:
 - i. Potentially life-threatening
 - ii. Is permanently disabling
 - iii. Requires intensive medical care
 - iv. Prolongs facility of hospital stay for more than seven (7) days.
- d. Lethal – A reaction that directly or indirectly contributes to the death of the Resident.

3. Probability of ADE

- a. Definite – A reaction which:
 - i. Exhibits a reasonable temporal relationship following administration of a drug, or in which the drug level has been established in body fluids or tissues.
 - ii. Follows a known response pattern to the suspected drug.
 - iii. Confirmed by improvement upon discontinuing (dechallenge) the drug and reappearance of the reaction on subsequent re-exposure (rechallenge).
- b. Probable – A reaction which:
 - i. Exhibits a reasonable temporal relationship following administration of a drug.
 - ii. Follows a known response pattern to the suspected drug.

- iii. Is confirmed by rechallenge.
- iv. Cannot be reasonably explained by the known characteristics of the Resident's clinical state.
- c. Possible – A reaction which:
 - i. Exhibits a reasonable temporal relationship following administration of a drug.
 - ii. Follows a known response pattern to the suspected drug, but that could have been produced by the Resident's clinical state or other modes of therapy administered to the Resident.
 - iii. Doubtful – Any reaction that does not meet the above criteria.

PROCEDURE

1. All medications have the potential to cause an adverse drug event and all Residents will be monitored appropriately.
2. There are some medications that have been recognized as having a greater risk and being problem-prone. These include, but are not limited to:
 - a. Antibiotics
 - b. Antidiabetic medications
 - c. Antipsychotics/psychotropic medications
 - d. Anti-seizure medications
 - e. Antithrombotic medications
 - f. Cardiac medications
 - g. Opioids
3. Licensed staff receives education on high risk medications and adverse drug events upon hire and as needed. Current drug information is located at each nursing unit for easy reference.
4. In the event of an ADE:
 - a. The nurse assesses and examines the Resident's condition and notifies the physician or health care practitioner as soon as possible as well as the Director of Nursing or designee.
 - b. Maintain airway, support breathing and circulation, if indicated.
 - c. Institute treatment/emergency measures as directed by practitioner or per the Home's policy.
 - d. Monitor the Resident's condition, including response to medical treatment or nursing interventions.
 - e. Activate emergency medical system as needed.
 - f. Discontinue drug administration, or revise dose, as ordered by physician.
5. The nurse will document:
 - a. The date, time and nature of onset of symptoms

- b. Time of onset in relation to medication administration.
 - c. Actions taken and the Resident's response.
 - d. Physician and resident representative notification and response.
6. If a new allergy is determined the nurse will note allergy within the Residents electronic health record.
7. The Director of Nursing or designee shall:
 - a. Inform the physician of any additional information regarding the ADE and its treatments.
 - b. Ensures the ADE has been appropriately documented in the Resident's electronic health record and that the allergy information has been updated appropriately if considered clinically appropriate by the doctor.
 - c. Makes a determination, with input from the medical director, pharmacist or others, as to whether an "FDA Medwatch 3500" form should be completed and submitted (instructions available at <http://www.fda.gov/medwatch/how.htm>)
 - d. Reports to the manufacturer or FDA if:
 - i. The ADE is highly probable or probable and was a severe reaction.
 - ii. The ADE is highly probable or probable and was not listed in the manufacturer's product insert.
 - iii. The ADE drug was released in the last three years and exhibits a temporal relationship to the administration of the drug.
 - e. Contacts the principle investigator if the drug involved is an investigational agent.
 - f. Initiates changes in drug use policies and procedures when necessary.

BOWEL AND BLADDER MANAGEMENT

POLICY: Residents who experience or are at risk for bowel or bladder incontinence are assessed for appropriateness to participate in a bowel and/or bladder management program.

PURPOSE: To evaluate continence and bowel and bladder patterns, assess individual needs and preferences with respect to continence, and to clearly define the process for evaluating, planning and implementing approaches to bowel and bladder management.

PROCEDURE:

1. Upon admission, residents are screened for incontinence using the Resident Admission Record, and a three-day Bowel and Bladder Elimination Tracking system initiated.
2. At the conclusion of the three-day elimination tracking period, the resident will be assessed, by the licensed nurse for bowel and bladder continence, using the Bowel and Bladder Assessment.
3. Thereafter, residents will be assessed quarterly, annually, with significant change in status, with a change in bowel or bladder function, upon removal of an indwelling catheter and as needed, as deemed necessary by the licensed nurse.
4. If a resident is identified with incontinence, he/she will be evaluated by a licensed nurse to determine the reason for incontinence and appropriateness for participation in a bowel or bladder re-training program.
5. The licensed nurse will initiate or update the residents' Plan of Care for incontinence and notify the IDT (interdisciplinary team) of the resident's incontinence.
6. The IDT will determine if the resident is appropriate for a bowel and bladder program by reviewing the elimination pattern tool and Bowel and Bladder Assessment.
7. If the resident is deemed appropriate for bowel and/or bladder re-training, the IDT will update the Plan of Care and recommend to nursing staff an individualized toileting plan for the resident. The individualized toileting plan will be based on the data collected during the three-day bowel and bladder tracking and the bowel and bladder assessment completed by the licensed nurse.
8. After initiation of a bowel and/or bladder program, the IDT will re-evaluate the resident weekly until the individualized plan is considered effective. An individualized plan will be considered effective when progress towards the care plan goals is evident.
9. The IDT will re-evaluate the bowel and bladder status of the resident with each B&B assessment conducted (see no. 3 above).

BOWEL AND BLADDER MANAGEMENT

A. COGNITIVELY INTACT RESIDENTS

1. The IDT will determine residents who would benefit from a re-training program. They include:
 - a. Residents who are cognitively intact.
 - b. Residents who are assessed to have urge, overflow, functional or stress incontinence.
2. Participation criteria for the bowel and bladder re-training program include:
 - a. Resident can benefit from the program;
 - b. Resident has potential for improvement or prevention of decline;
 - c. Resident is willing to participate;
 - d. Resident is able to understand instructions; and
 - e. Resident has the physical ability to participate.
3. Bowel and Bladder re-training goals include:
 - a. To increase the periods of continence;
 - b. To increase the amount of time between elimination episodes;
 - c. To increase self-esteem; and
 - d. To reduce the potential for skin breakdown and falls.
4. Steps for starting a bowel and bladder program for cognitively intact residents are:
 - a. Establish an elimination pattern, monitor for voiding patterns using the Bowel and Bladder Elimination Tracking tool.
 - i. Monitor wetness and dryness hourly; and
 - ii. Continent and incontinent status.
 - b. Completion of the Bowel and Bladder Assessment by the licensed nurse.
 - c. Referral to IDT if resident is incontinent.
 - d. Set up a plan for fluid consumption, based on resident's patterns and preferences.
 - i. Staff will encourage the resident drink the estimated fluids daily to meet their individual needs.
 - ii. The licensed nurse and dietician will review the resident's fluid intake to determine if fluid needs are being met.
 - e. The IDT will determine if the resident is appropriate for a bowel and bladder habit training or scheduled toileting program by reviewing the Bowel and Bladder Assessment and Bowel and Bladder Elimination Tracking tool.
 - f. Identify the resident specific plan for elimination management.
 - g. Discuss the bowel and bladder management plan with the resident.
 - h. Initiate the individualized Plan of Care.



BOWEL AND BLADDER MANAGEMENT

B. COGNITIVELY IMPAIRED RESIDENTS

1. The IDT will determine residents who would benefit from a habit training or scheduled toileting program. They include:
 - a. Residents who are cognitively impaired.
 - b. Residents who are assessed to have bowel and/or bladder incontinence.
2. Participation criteria for habit training or scheduled toileting program include:
 - a. Resident can benefit from the program; and
 - b. Resident has potential for improvement or prevention of decline; and
 - c. Resident has difficulty notifying staff when s/he has the urge to void or defecate.
3. Bowel and bladder habit training and scheduled toileting program goals include:
 - a. To increase the periods of continence; and
 - b. To reduce the potential for skin breakdown and falls.
4. Steps for starting a bowel and bladder program for cognitively impaired residents are:
 - a. Establish an elimination pattern, monitor for voiding patterns using the Bowel and Bladder Elimination Tracking tool.
 - i. Monitor wetness and dryness hourly; and
 - ii. Continent and incontinent status.
 - b. Completion of the Bowel and Bladder Assessment by the licensed nurse.
 - c. Referral to IDT if resident is incontinent.
 - d. Set up a plan for fluid consumption, based on resident's patterns and preferences.
 - i. Staff will encourage the resident drink the estimated fluids daily to meet their individual needs.
 - ii. The licensed nurse and dietician will review the resident's fluid intake to determine if fluid needs are being met.
 - e. The IDT will determine if the resident is appropriate for a bowel and bladder habit training or scheduled toileting program by reviewing the Bowel and Bladder Assessment and Bowel and Bladder Elimination Tracking tool.
 - f. Identify the resident specific plan for elimination management.
 - g. Discuss the bowel and bladder management plan with the resident.
 - h. Initiate the individualized Plan of Care.

BOWEL AND BLADDER MANAGEMENT

C. POST INDWELLING CATHETER REMOVAL

1. Upon removal of an indwelling catheter, a three-day bladder elimination tracking system initiated.
2. At the conclusion of the three-day elimination tracking period, the resident will be assessed by the licensed nurse for bladder continence, using the Bowel and Bladder Assessment form.
3. If a resident is identified with incontinence, he/she will be evaluated by a licensed nurse to determine the reason for incontinence and appropriateness for participation in a bowel or bladder program.
4. Proceed with Steps 5-9 above, under Procedure.
5. If, after implementation of a bladder program, the resident does not regain his/her prior level of continence, a urology consult will be requested.

DEFINITIONS:

Types of Urinary Incontinence:

- Functional: patient has decreased mental or physical ability and is unable to make it to the bathroom on time.
- Mixed: a combination of stress and urge
- Overflow: bladder is over-distended and leaks at any time, usually due to an obstruction or neurological condition.
- Stress: involuntary loss or leakage of urine upon an increase in intra-abdominal pressure, such as coughing, sneezing or exercise.
- Transient: short-term or occasional loss or leakage of urine due to medications, illness, injury, infection, constipation or pain
- Urge: sudden loss of urine with a strong unstoppable urge to urinate, usually associated with frequent urination (often called overactive bladder).

Types of Fecal Incontinence:

- Overflow: is usually a result of a blockage in the colon caused by constipation, the blockage only allows watery feces to pass around it. That discharge then leaks out because it's so hard to control.
- Passive: absence of urge instruction to go to the toilet, or the message isn't registered by the brain (person is unaware that the rectum is full and ready to empty) and stool is passed.
- Reservoir: occurs in conditions of diminished colon or rectal capacity, seen in people with cancer, radiation therapy, chronic inflammatory bowel disease, colon surgeries.
- Rectosphincteric: an inability to control the anal sphincter muscles, structural deficit. Nerves in these areas help the brain control movement and expulsion of stool and gas.



BOWEL AND BLADDER MANAGEMENT

Urge: sensation of a full rectum and the urge to go, but the individual may have to rush to the toilet to make it on time.

With flatus incontinence: the sensation of a full rectum is detected but, sensation mechanisms are impaired and the person can't tell whether it's gas or stool.

References: Dougherty, D. and Kisanga, J. *Regulatory Guidelines for Bladder Management in Long Term Care*. Journal of Wound Ostomy and Continence Nursing. 2010;37(4):399-411.

CMS. State Operations Manual. Guidance to Surveyors for Long Term Care Facilities, Appendix PP, Section V, Part II, F-Tag #315.



DRUG REGIMEN REVIEW

POLICY

It is the policy of this Home to document whether a drug regimen review was conducted upon a Resident's Skilled Nursing Facility(SNF) Prospective Payment System(PPS) admission and throughout the Resident's stay, and to document whether any clinically significant medication issues identified were addressed in a timely manner.

DEFINITIONS:

“Drug Regimen Review” includes medication reconciliation, a review of all medications a Resident is currently using, and a review of the drug regimen to identify, and if possible, prevent potential clinically significant medication adverse consequences.

“Clinically Significant Medication Issue” is a potential or actual issue that, in the clinician's professional judgment, warrants physician (or physician-designee) communication and completion of prescribed/recommended actions by midnight of the next calendar day at the latest.

“Clinically Significant” means effects, results, or consequences that materially affect or are likely to affect an individual's mental, physical, or psychosocial well-being, either positively, by preventing a condition or reducing risk, or negatively, by exacerbating, causing or contributing to a symptom, illness, or decline in status.

POLICY EXPLANATION AND COMPLIANCE GUIDELINES:

1. The MDS will be used as the reporting mechanism for a drug regimen review to fulfill relevant requirements for the SNF Quality Reporting Program.
2. The *RAI Coordinator* will be responsible for coding relevant sections on the MDS: Sections N2001, N2003, and N2005 in accordance with the current RAI manual.
3. The *RAI Coordinator* will review the medical record for documentation that supports that a drug regimen review was conducted and that any clinically significant medication issues identified were addressed in a timely manner.
4. Documentation of a drug regimen review may be located in various locations throughout the medical record. Examples include, but are not limited to:
 - a. A nurse may document the review in the *Drug Regimen Review Note* or on a *designated form*.
 - b. A pharmacist may document the review in a designated location such as a *medication regimen review form*.
 - c. A physician may document the review in the Resident's history and physical, physician progress notes, or discharge summary.

5. Documentation shall include whether any clinically significant medication issues were identified, and how the issues were addressed. Documentation to support follow-up on identified issues shall include:
 - a. Two-way communication (in person, by telephone, voice mail, electronic means, facsimile, or other) between the clinician(s) and the physician *by midnight of the next calendar day*, AND
 - b. All-physician-prescribed/recommended actions were completed by midnight of the next calendar day.
6. Documentation to support follow-up on identified issues may be located in various locations throughout the medical record. Examples include, but are not limited to:
 - a. Physician orders
 - b. Nurses' notes/monitoring forms
 - c. Medication/treatment administration records
 - d. Lab/x-ray results
 - e. Transfer/discharge records
7. Medication monitoring will be incorporated into each Resident's care plan as appropriate.
8. Frequency of drug regimen reviews, coincident with the Resident's medical chart, will be in accordance with the Home's policy for such reviews.
9. The individual completing the relevant portions of the MDS will sign and date section Z040 of the MDS attesting to accuracy of his/her assigned portion of the MDS.
10. The RAI Coordinator will submit each MDS into the QIES ASAP System, and will verify acceptance into the system according to MDS transmission policies.
11. All PPSMDS assessments will be reviewed for accuracy in the PPS meeting prior to monthly billing.

REFERENCE:

Centers for Medicare & Medicaid Services. *Long-Term Care Facility Resident Assessment 3.0 User Manual, Version 1.16* (October 2018). Chapter 3, Section N.

INFECTION CONTROL – NOVEL CORONAVIRUS (COVID-19), ADDENDUM

DESCRIPTION

In December 2019, Chinese health officials announced they were investigating a pneumonia outbreak of unknown etiology (cause) in the city of Wuhan, China. At that time, it was reported that many of the cases were linked to a seafood and animal market in Wuhan. Since then, health officials have reported that the outbreak was caused by a novel corona virus, which was later named 2019-nCoV, also known as COVID-19.¹

Since then, hundreds of cases have been reported and many have been fatal. Cases of COVID-19 have been identified elsewhere in China, and in other countries, including in the United States. While a majority of cases have been linked to the city of Wuhan, there is evidence of person-to-person spread both inside and outside of Wuhan¹. On March 11, 2020 the World Health Organization (WHO) characterized COVID-19 as a pandemic⁴.

There are many viruses in the coronavirus family that can cause illness in both humans and animals. Several coronaviruses commonly circulate among people all of the time, and cause mild to moderate illnesses, such as the common cold. Other coronaviruses commonly circulate only in animals. Rarely, animal coronaviruses can evolve and infect people and then spread between people as has been seen with MERS and SARS.¹

POLICY

It is the policy of the Home to ensure that Residents receive maximum protection from pathogenic organisms and infectious diseases.

PURPOSE

To control the spread of infection.

DEFINITIONS

Health Care Personnel (HCP) – refers to all persons, paid and unpaid, working in healthcare setting engaged in patient care activities, including: patient assessment for triage, entering examination rooms or patient rooms to provide care or clean and disinfect the environment, obtaining clinical specimens, handling soiled medical supplies or equipment, and coming in contact with potentially contaminated environmental surfaces.

COVID-19 DESCRIPTION

Typical symptoms include fever, cough, and shortness of breath. Additional symptoms might include sore throat, fatigue/malaise, diarrhea, or dizziness.

CASE DEFINITIONS

1. **Undiagnosed Respiratory Illness:** Cough, shortness of breath, pneumonia, or fever in a resident or an employee without a known cause.
 - a. No known contact with a COVID-19 case, does not reside in or work at a facility with confirmed cases within fourteen (14) days.
 - b. Influenza testing, respiratory panel and COVID-19 testing is not done or pending. Sputum culture, *Legionella* urinary antigen and *Streptococcus pneumoniae* urinary antigen testing for pneumonia cases is not done or pending.

2. **Suspect COVID-19 Case:** Clinical illness as above in an individual **AND:**
 - a. Has known contact with a COVID-19 case **OR** resides or works as a facility with confirmed cases within the past fourteen (14) days; **OR**
 - b. Does not have known contact with a COVID-19 case and does not reside or work at a facility with confirmed cases within the past fourteen (14) days **AND** who tested negative for influenza on initial workup and no alternative diagnosis.
3. **Confirmed COVID-19 Case:** an individual with a positive SARS-CoV-2 test regardless of signs and symptoms.

TESTING/LABORATORY DIAGNOSIS:

All laboratory testing shall be conducted as directed by the physician's order.

1. COVID-19 Testing

- a. The Home shall evaluate their capacity to safely collect specimens for COVID-19 testing.
 - b. The Home shall assess supplies of testing kits and the potential for acquiring additional specimen collections kits from private laboratories.
 - i. If the Home is unable to obtain COVID-19 testing kits from a private laboratory, the local health department will be contacted to inquire about the availability of the testing kit.
 - c. The Home shall follow the protocol for specimen collection in collaboration with public health recommendations. *See Specimen Collection, Nasopharyngeal Swab*
- ### 2. All Residents with undiagnosed respiratory illness:

- a. The Home, while using a private laboratory, shall test for influenza and other agents utilizing the following tests:
 - i. Rapid flu and influenza PCR and respiratory panel if the PCR test is negative; **OR**
 - ii. Rapid flu and respiratory panel

If the Home is unable to obtain these tests through a private laboratory, the local health department will be contacted.

3. Pneumonia Cases:

- a. In addition to the tests listed above, the Home shall run the following tests simultaneously:
 - i. Sputum culture, including for *Legionella*
 - ii. *Legionella* and *Streptococcus pneumoniae* urinary antigen tests.

If all testing listed in numbers 2 and 3 are negative or results are not available within forty-eight (48) hours, the Home shall notify the local health department and send specimens for COVID-19 testing to a private lab. If a private lab is unavailable for testing, the Home shall request the assistance of the local health department.

4. Testing for staff:

- a. The Home shall monitor all staff for signs and symptoms of illness prior to their entrance into the building and throughout their shift.

- b. The Home shall encourage ill staff to seek medical advice from their own health care provider with recommendations for staff to receive the same testing as stated above for Residents.

OUTBREAK DEFINITIONS

1. **COVID-19 outbreak:** One (1) or more confirmed cases of COVID-19 in a Resident or staff member.
2. **Other respiratory outbreaks:**
 - a. Influenza – like illness (ILI) outbreak: three (3) or more ILI cases in seven (7) days
 - b. Influenza outbreak: two (2) Residents and/or staff with ILI or pneumonia within seven (7) days and at least one (1) has a positive influenza test.
 - c. Pneumonia outbreak: two (2) or more cases of pneumonia in a cottage within seven (7) days
 - d. A combination of ILI, Influenza, and pneumonia cases

WHAT TO REPORT

The Home shall report the following scenarios to the local health department.

1. Immediate reporting:
 - a. One (1) or more confirmed COVID-19 cases among Residents and/or staff immediately
 - b. Two (2) or more undiagnosed respiratory illnesses or suspected COVID-19 cases within fourteen (14) days immediately
 - c. One (1) case of undiagnosed respiratory illness or suspected COVID-19 case where laboratory results will not be available within forty-eight (48) hours **AND** illness is severe immediately
2. Within one (1) day:
 - a. Respiratory outbreaks as defined in the respiratory outbreak guidelines within one(1) day
 - b. One (1) case of undiagnosed respiratory illness or suspect COVID-19 case where laboratory results will not be available within forty-eight (48) hours (illness not severe)

PREVENTIVE MEASURES AGAINST COVID-19

The Home shall continue to update staff, Residents and families with the latest information about COVID-19.

1. **Educate and train healthcare personnel (HCP)**
 - a. The Home shall reinforce adherence to infection prevention and control measures, including, but not limited to hand hygiene and the selection/use of personal protective equipment (PPE)
 - b. The Home shall have HCP demonstrate competency with putting on and removing of PPE.

- c. The Home shall implement and/or continue a program for observing and monitoring adherence to hand hygiene and PPE, all days and all shifts.
- 2. Reinforce sick leave policies**
- a. **Staff shall NOT report to work ill.**
 - i. The Home shall encourage all employees reporting signs and symptoms of respiratory illness to remain at home as the signs and symptoms of COVID-19 can be very mild.
 - ii. The Home shall actively monitor each staff member for signs and symptoms of respiratory illness.
 - I. Prior to the start of each shift, HCP are required to check their temperature, report any signs and symptoms of respiratory illness, and report if they have recently traveled to an area with a known or suspected COVID-19 case.
 - iii. Active monitoring shall be repeated every eight (8) hours and as needed.
 - iv. Any HCP that develop signs and symptoms of respiratory illness while working shall immediately don a face mask and be sent home.
 - b. **Staff may return to work when the following criteria are met**
 - i. At least seven (7) days have passed *since symptoms first appeared*; **AND**
 - ii. At least three (3) days (72 hours) have passed *since recovery*, defined as resolution of fever without the use of fever-reducing medications **AND** improvement in respiratory symptoms.
 - c. If the Home experiences staff shortages, the local health department shall be contacted to determine whether any staff may return to work earlier than recommended to address the need for staffing.
- 3. Ensure adequate supplies for infection prevention and control practices**
- a. The Home shall assess and initiate measures to optimize current supply of PPE.
 - b. The Home shall ensure PPE is readily available for staff when needed for Resident care.
 - i. The Home shall contact the local health department if they are unable to obtain adequate PPE supplies.
 - c. The Home shall provide alcohol-based hand sanitizer throughout the facility to be available for staff and Residents.
 - d. The Home shall keep sinks well stocked with soap and paper towels for handwashing.
- 4. Identify infections early**
- a. The Home shall actively screen all residents every shift for fever and respiratory symptoms.
 - i. Additional symptoms may include new or worsening malaise, new dizziness, diarrhea, or sore throat.
 - b. Any Resident who is symptomatic shall be immediately placed on isolation.

- c. All Residents with an undiagnosed respiratory illness shall be cared for using standard, contact, and droplet precautions with eye protection, at least until diagnosis is clarified.

5. Admission and re-admissions

- a. The Home shall create a designated observation area to house non-COVID-19-positive Residents being admitted or re-admitted from an outside facility. Ideally, this area will have private rooms with private bathrooms.
 - i. This designated observation area could be a separate unit/wing if possible or dedicated rooms in one area.
- b. Residents being admitted to this area do not need to be tested for COVID-19 prior to admission.
- c. Residents being admitted to this area shall be screened for COVID-19 symptoms prior to admission/re-admission using the following methods:
 - i. Verbal report received from the transferring facility
 - ii. Temperature taken with results less than 100.0 F
 - iii. Questions asked about symptoms: cough, shortness of breath, sore throat, fatigue/malaise, diarrhea, dizziness.
- d. If a newly admitted/re-admitted Resident screens positive, they will be placed on strict isolation (contact and droplet precautions with eye protection) and not allowed to mix with other Residents of the Home.
- e. After fourteen (14) days on an observation, if the Resident does not ever screen positive, they can be moved to their private/semi-private room released to mix with the general population of the Home.
- f. Residents who have been hospitalized for suspect or confirmed COVID-19 can be discharged from the hospital whenever it is clinically indicated. They do **NOT** require re-testing to be discharged.
- g. The Home can accept a Resident diagnosed with COVID-19 and still under Transmission-Based Precautions for COVID-19 as long as the Home can follow CDC guidance for Transmission-Based Precautions.
 - i. If the Home is unable to follow the CDC guidance for Transmission-Based Precautions, the Resident may not be admitted/re-admitted until these precautions are discontinued.
- h. The placement of newly admitted Residents who have been previously diagnosed with suspect or confirmed COVID-19 should be based on whether they still require the use of Transmission-Based Precautions:
 - i. Residents who meet criteria for discontinuation of Transmission –Based Precautions for COVID-19 may be admitted to the general population using Standard Precautions.
 - ii. Residents who do not yet meet criteria for discontinuation of Transmission-Based Precautions for COVID-19 should be admitted to a private room with a private bathroom on Standard, Contact, and Droplet Precautions.

- I. These Residents shall be isolated to their rooms except for necessary medical procedures until they meet criteria for the discontinuation of Transmission-Based Precautions.

6. Discontinuation of Transmission-Based Precautions

- a. A test-based strategy is preferred for the discontinuation of transmission-based precautions for the Residents of the Home.
- b. A Resident may be discontinued from transmission-based precautions using the following guidelines:
 - i. Resolution of fever without the use of fever-reducing medications, **AND**
 - ii. Improvement in respiratory symptoms (e.g., cough, , shortness of breath), **AND**
 - iii. Negative results of an FDA Emergency Use Authorized COVID-19 molecular assay for detection of SARS-CoV-2 RNA from at least two (2) consecutive nasopharyngeal swab specimens collected at least twenty-four (24) hours apart (a total of two negative specimens).

7. Visitor and movement restrictions

- a. The Home shall restrict all visitors from entering the facility except for in extenuating circumstances (e.g., end of life care)
- b. The Home shall screen all potential visitors prior to entry of the facility beyond the front lobby for fever or signs/symptoms of respiratory illness.
 - i. Those who exhibit these symptoms shall not be allowed further entry into the Home.
- c. Those visitors which are permitted inside the Home will be provided with a facemask to be worn while they are in the building and will restrict their visit to the Residents room or another designated location designated by the Home.
 - i. The Home shall also remind the visitor to perform hand hygiene frequently.
- d. The Home shall cancel all communal dining and group activities.
- e. The Home shall encourage social distancing of at a minimum of six (6) feet between Residents and staff as much as possible without impeding on Resident care.
- f. The Home shall limit outside appointments for Residents to those which are determined to be medically necessary (e.g., residents receiving hemodialysis).
 - i. If a Resident must leave the Home for medically necessary purposes, the Resident shall wear a face mask whenever are out of the facility.

8. Communication

- a. The Home shall prepare internal and external communications in the event of a COVID-19 case being identified within the facility.
- b. The Incident Command team shall meet regularly to review the situation and determine measures to be taken in the event of a suspected or confirmed case of COVID-19.

- c. The Home shall keep an updated phone listing with public health communicable disease contacts as well as contacts for leadership/key personnel of the Home.

UNDIAGNOSED RESPIRATORY ILLNESS (ES) OR SUSPECTED COVID-19 CASE (ES)

All activities implemented before a suspected/confirmed case still apply

1. Nursing staff shall be in continuous communications with the physician when a Resident presents with symptoms of illness.
2. Any Resident who exhibits signs and symptoms of an undiagnosed respiratory illness or suspected COVID-19 shall immediately be placed under airborne precautions, preferably placed in an Airborne Infection Isolation Room (AIIR) if available.
 - a. If an AIIR is not available, a facemask shall be placed on the Resident if able to tolerate. The Resident will then be isolated to a private room with the door closed and proper notification placed on the door.
3. Staff shall be instructed to use standard, contact, and airborne precautions with eye protection upon entering the Residents room.
4. The Director of Nursing or designee shall immediately notify both the infection control personnel within the facility as well as the State health department.
 - a. The State health departments that have identified a suspected case of COVID-19 will immediately contact the CDC's Emergency Operations Center (EOC) at 777-488-7100 and complete a 2019-nCoV PUI case investigation form².
5. The Home, in coordination with the State health department shall determine if transport of the Resident is medically necessary.
6. **Admissions and transfers**
 - a. Cottage and/or facility closure shall be discussed with the local health department.
 - b. If a Resident suspected for COVID-19 requires a higher level of care or the Home cannot fully implement all recommended precautions, the Resident shall be transferred to another facility that is capable of the required implementation.
 - c. Transport personnel and the receiving facility will be verbally notified about the suspected diagnosis prior to the transfer.
 - d. While awaiting transfer, symptomatic Residents shall remain on isolation and be provided a face mask during the transfer.
 - i. Staff is to continue to use appropriate PPE when in contact with the Resident.
7. **Environmental Cleaning**
 - a. Frequently touched surfaces should be disinfected three times a day and as needed with an EPA-registered disinfectant on List N with emerging pathogens or human coronavirus claim or a 1:10 bleach solution.
 - b. Environmental service staff will be instructed to wear appropriate PPE when cleaning the room of any Resident on Transmission-Based precautions.
 - c. To the extent possible, the Home will dedicate medical equipment to Residents with fever or signs and symptoms of respiratory illness.

- d. All non-dedicated, non-disposable medical equipment used for patient care should be cleaned and disinfected according to manufacturer's instructions and the Home's policies.

8. Care of Residents

- a. Standard, contact and droplet precautions with eye protection will be used for all ill Residents.
- b. The Home will create and maintain a plan, in collaboration with public health officials for cohorting Residents with symptoms of respiratory infection, to include dedicating HCP to work only with ill or well Residents and/or dedicating a cottage or space for suspected or confirmed COVID-19 Residents.
- c. Aerosol-generating procedures will be avoided unless determined to be necessary by a physician.
 - i. If unavoidable, the procedure should ideally be performed in an AIIR, if not possible, it will be performed in a closed room with a closed door while wearing appropriate PPE (e.g., gown, gloves, N95 or higher-level respirator, and eye protection).

CONFIRMED COVID-19 CASE (S)

1. Response priorities

- a. Any staff member who has been confirmed with COVID-19 will be immediately removed from the work schedule.
 - i. The Director of Nursing or designee shall immediately notify both the infection control personnel within the Home as well as the State health department.
 - ii. Staff may return to work when the following criteria are met
 - 1. At least seven (7) days have passed *since symptoms first appeared*; **AND**
 - 2. At least three (3) days (72 hours) have passed *since recovery*, defined as resolution of fever without the use of fever-reducing medications **AND** improvement in respiratory symptoms.
- b. Any Resident who has been confirmed with COVID-19 shall remain on standard, contact and droplet precautions with eye protection in use.
- c. All residents and staff shall be actively monitored for signs and symptoms of respiratory illness.
- d. The Home will continue to restrict visitors.
- e. Staff shall be observed for correct donning and doffing of PPE.
- f. All Residents and staff shall be reminded frequently of hand hygiene practices and respiratory etiquette.
- g. Environmental cleaning shall be enhanced for frequently touched surfaces.
- h. The Home shall provide frequent, transparent communication with public health.

2. Communication

- a. The Home will inform Residents, resident representatives and staff of confirmed case(s) with prepared communication materials.
- b. The response to confirmed case(s) shall be discussed with public health authorities.
- c. The Home's staff/leadership shall complete rounds on each shift to ensure staff has an opportunity to discuss concerns.
- d. The Home will coordinate public communications with state and local authorities.

3. Personal protective equipment (PPE)

- a. If PPE supply allows, the home shall implement the following
 - i. Universal masking of all staff and essential visitors
 - ii. HCP to wear all recommended PPE (gown, gloves, eye protection, face mask) for the care of all residents, regardless of presence of symptoms
- b. All Residents shall be kept in their rooms except for medically necessary purposes.

RESOURCES

¹Maryland Department of Health (2019). *2019 Novel Coronavirus (2019-nCoV) Outbreak*. <https://www.phpa.health.maryland.gov/Pages/Novel-coronavirus.aspx>

²Center for Disease Control and Prevention. *Interim Infection Prevention and Control Recommendations for Patients with Known or Patients Under Investigation for 2019 Novel Coronavirus (2019-nCoV) in a Health Care Setting*. https://www.cdc.gov/coronavirus/2019-ncov/infection-control/control-recommendations.html?CDC_AA_refVal=https%3A%2F%2Fwww.cdc.gov%2Fcoronavirus%2F2019-ncov%2Fhcp%2Finfection-control.html

³World Health Organization. *My 5 Moments for Hand Hygiene*. <https://www.who.int/infection-prevention/campaigns/clean-hands/5moments/en/>

⁴World Health Organization. *WHO Director-General's Opening Remarks at the media briefing on COVID-19 – 11 March 2020*. <https://www.who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-n-covid-19---11-march-2020>

World Health Organization. *Prevention and Control During Health Care when Novel Coronavirus (nCoV) infection is Suspected*. Interim Guidance. 25 January 2020. WHO/2019-nCoV/IPC/v2020.2

Maryland Department of Health. *Preparing for and Responding to COVID-19 in Long-Term Care and Assisted Living Facilities*. March 3, 2020. https://phpa.health.maryland.gov/IDEH/SharedDocuments/Preparing%20and%20Responding%20to%20COVID-19%20in%20LTC_final.pdf

INFECTION CONTROL – NOVEL CORONAVIRUS (2019-nCoV)

DESCRIPTION

In December 2019, Chinese health officials announced they were investigating a pneumonia outbreak of unknown etiology (cause) in the city of Wuhan, China. At that time, it was reported that many of the cases were linked to a seafood and animal market in Wuhan. Since then, health officials have reported that the outbreak was caused by a novel coronavirus, which was later named 2019-nCoV.¹

Since then, hundreds of cases have been reported and some cases have been fatal. Cases of 2019-nCoV have been identified elsewhere in China, and in other countries, including in the United States. While a majority of cases have been linked to the city of Wuhan, there is evidence of person-to-person spread both inside and outside of Wuhan.¹

There are many viruses in the coronavirus family that can cause illness in both humans and animals. Several coronaviruses commonly circulate among people all of the time, and cause mild to moderate illnesses, such as the common cold. Other coronaviruses commonly circulate only in animals. Rarely, animal coronaviruses can evolve and infect people and then spread between people as has been seen with MERS and SARS.¹

POLICY

It is the policy of the Home to ensure that Residents receive maximum protection from pathogenic organisms and infectious diseases.

PURPOSE

To control the spread of infection.

DEFINITIONS

Health Care Personnel(HCP) – refers to all persons, paid and unpaid, working in healthcare settings engaged in patient care activities, including: patient assessment for triage, entering examination rooms or patient rooms to provide care or clean and disinfect the environment obtaining clinical specimens, handling soiled medical supplies or equipment, and coming in contact with potentially contaminated environmental surfaces.

PROCEDURE

1. The Home shall monitor Residents, employees and visitors according to the Center for Disease Control and Prevention (CDC) guidelines.
2. The Home shall require all Person Under Investigation (PUI) to wear a surgical mask as soon as they are identified.

3. Patients in the United States who meet the following criteria should be evaluated as a Person Under Investigation (PUI) for 2019-nCoV.²

Clinical Features	&	Epidemiologic Risk
Fever or signs/symptoms of lower respiratory illness (i.e. cough or shortness of breath)	AND	Any person, including health care workers, who has had close contact with a laboratory-confirmed 2019-nCoV patient within 14 days of symptom onset
Fever and signs/symptoms of a lower respiratory illness (i.e. cough or shortness of breath)	AND	A history of travel from Hubei Province , China within 14 days of symptom onset
Fever and signs/symptoms of a lower respiratory illness (i.e. cough or shortness of breath) requiring hospitalization	AND	A history of travel from mainland China within 14 days of symptom onset.

Residents:

1. Nursing staff shall be in continuous communications with the physician when a Resident presents with symptoms of illness.
2. Any Resident who meets the criteria for a PUI shall immediately be placed under airborne precautions, preferably placed in an Airborne Infection Isolation Room (AIIR) if available.
 - a. If an AIIR is not available, a face mask shall be placed on the Resident. The Resident will then be isolated to a private room with the door closed.
3. Staff shall be instructed to use standard precautions, contact precautions, and airborne precautions with eye protection upon entering the room of a PUI.
4. The Director of Nursing or designee shall immediately notify both the infection control personnel within the facility as well as the State health department.
 - a. State health departments that have identified a PUI should immediately contact CDC's Emergency Operations Center (EOC) at 770-488-7100 and complete a 2019-nCoV PUI case investigation form.²
5. The Home, in coordination with the Department of Health shall coordinate transport of the PUI-Resident to a local hospital for further diagnosis and treatment.

Employees and Visitors:

1. Any Employee or visitor who enters the Home with illness symptoms stated above shall immediately be provided a face mask and screened, per CDC recommendations for 2019-nCoV.

2. If the employee and/or visitor meet the criteria set forth by the CDC, they shall immediately be placed under airborne precautions, preferably an Airborne Infection Isolation Room (AIIR) if available.
 - a. If an AIIR is not available, the PUI shall be placed into a private room with the door closed.
3. All persons entering the isolation room shall practice standard precautions, contact precautions, and airborne precautions with eye protection upon entering the room of a PUI.
4. The Director of Nursing, or designee shall immediately notify both the infection control personnel within the facility as well as the State health department.
 - a. State health departments that have identified a PUI should immediately contact CDC's Emergency Operations Center (EOC) at 770-488-7100 and complete a 2019-nCoV PUI case investigation form.²
5. The Home, in coordination with the Department of Health shall coordinate transport of the PUI to a local hospital for further diagnosis and treatment.

INFECTION PREVENTION AND CONTROL STRATEGIES TO PREVENT/LIMIT TRANSMISSION

The following strategies will be utilized with the intent of prevention and/or limit transmission of 2019-nCoV.

1. The Home will actively engage in ensuring efficient triage, early recognition, and source control.
 - a. All staff are encouraged to have a high level of clinical suspicion;
 - b. Institute the use of screening questionnaires according to the updated care definition:
 - i. [https://www.who.int/publications-detail/global-surveillance-for-human-infection-with-novel-coronavirus-\(2019-ncov\)](https://www.who.int/publications-detail/global-surveillance-for-human-infection-with-novel-coronavirus-(2019-ncov))
 - ii. <https://www.cdc.gov/coronavirus/2019-ncov/downloads/pui-form.pdf>
 - c. Post signs in public areas reminding staff and visitors to abstain from entering the building when experiencing symptoms of illness.
2. The Home shall apply standard precautions for all residents. See *Infection Control, Universal Precautions*
 - a. Ensure all Residents, employees and visitors are educated and encouraged to cover their nose and mouth with a tissue or elbow when coughing or sneezing.
 - b. Offer a medical mask to any person(s) with suspected 2019-nCoV infection immediately upon suspicion of illness.
 - c. Instruct and encourage all staff, visitors and Residents to perform hand hygiene routinely.
 - d. Health care workers should apply the World Health Organization (WHO)'s *My 5 Moments for Hand Hygiene* approach³

- i. Before touching a patient,
 - ii. Before any clean or aseptic procedure is performed,
 - iii. After exposure to body fluids,
 - iv. After touching a patient, and
 - v. And after touching patient's surroundings.
 - e. Hand hygiene includes either cleansing hands with an alcohol-based hand rub (ABHR) or with soap and water. See *Hand Hygiene*.
 - i. Alcohol-based had rubs are preferred if hands are not visibly soiled
 - ii. Wash hands with soap and water when hands are visibly soiled.
3. The Home shall implement additional empiric precautions (droplet, contact and airborne) for suspected cases of 2019-nCoV infection. See *Infection Control, Personal Protective Equipment*
- a. The Home shall limit the number of HCP, family members and visitors who are in contact with a suspected and/or confirmed 2019-nCov patient
 - b. A record of all persons entering the patients' room shall be maintained.
 - c. All individuals, including family members, visitors and staff will use contact, droplet, and airborne precautions with the use of Personal Protective Equipment (PPE) before entering the room of a PUI.
 - i. All individuals shall perform appropriate doffing and disposal of all PPE as well as perform hand hygiene upon exiting the isolation room. See *Infection Control, Personal Protective Equipment*
 - d. A PUI shall be placed in an adequately ventilated single room if an AIIR is not available.
 - i. When single rooms are not available, patients suspected of being infected with 2019-nCoV should be grouped together with the beds placed at least 1 meter apart.
 - e. When possible a team of HCP should be designated to care exclusively for PUI to reduce the risk of transmission.
 - f. Equipment should be either single-use and disposable or dedicated equipment (e.g. stethoscopes, blood pressure cuffs, and thermometers).
 - g. PUI's shall not be transported out of their room unless medically necessary.
 - i. Transportation of a PUI, if necessary shall be coordinated with the assistance of the State health department and CDC.
 - h. Duration of Isolation Precautions for PUI's and confirmed 2019-nCoV patients shall continue:
 - i. Until information is available regarding viral shedding after clinical improvement, discontinuation of isolation precautions should be determined on a case-by-case basis, in conjunction with local, state, and federal health authorities.²

- i. In the event of aerosol-generating procedures, such as tracheal intubation, non-invasive ventilation, tracheotomy, cardiopulmonary resuscitation, and manual ventilation before intubation are performed, all persons involved shall:
 - i. Perform procedures in an adequately ventilated room;
 - ii. Use airborne precautions with PPE selection to include the use of a particulate respirator(N-95)
4. The Home shall implement administrative controls
 - a. Provide adequate training for HCP
 - b. Ensuring adequate patient-to-staff ratio
 - c. Establishing a surveillance process for acute respiratory infections potentially causes by 2019-nCoV among HCP
 - d. Ensuring that HCP understand the importance of promptly seeking medical care
 - e. Monitoring HCP compliance with standard precautions and providing mechanisms for improvement as needed.
 - f. Implement mechanisms and policies that promptly alert key facility staff including infection control, healthcare epidemiology, facility leadership, occupational health, clinical laboratory, and frontline staff about known or suspected 2019-nCoV patients
5. The Home shall use environmental and engineering controls
 - a. Ensure that cleaning and disinfection procedures are followed consistently and correctly.
 - b. Manage laundry, food service utensils and medical waste in accordance with safe, routine procedures.
 - c. Routine cleaning and disinfection procedures (e.g., using cleaners and water to pre-clean surfaces prior to applying an EPA-registered, hospital-grade disinfectant to frequently touched surfaces or objects for appropriate contact times as indicated on the product's label) are appropriate for 2019-nCoV in healthcare settings, including those patient-care areas in which aerosol-generating procedures are performed. Products with EPA-approved emerging viral pathogens claims are recommended for use against 2019-nCoV. These products can be identified by the following claim: ²
 - i. “[Product name] has demonstrated effectiveness against viruses similar to 2019-nCoV on hard non-porous surfaces. Therefore, this product can be used against 2019-nCoV when used in accordance with the directions for use against [name of supporting virus] on hard, non-porous surfaces.” ²
 - ii. This claim or a similar claim will be made only through the following communications outlets: technical literature distributed

exclusively to health care facilities, physicians, nurses and public health officials, “1-800” consumer information services, social media sites and company websites (non-label related). Specific claims for “2019-nCoV” will not appear on the product or master label.²

- iii. See additional information about EPA-approved emerging viral pathogens at <https://www.cdc.gov/coronavirus/2019-nCoV/hcp/infection-control.html>²
 - d. If there are no available EPA-registered products that have an approved emerging viral pathogen claim for 2019-nCoV, products with label claims against human coronaviruses should be used according to label instructions.²
 - e. Management of laundry, food service utensils, and medical waste should also be performed in accordance with routine procedures.
6. The Home shall train and educate HCP
- a. Provide HCP with job or task-specific education and training on preventing transmission of infectious agents, including refresher training.
 - b. Ensure the HCP are educated, trained, and have practiced the appropriate use of PPE prior to caring for a patient, including attention to correct use of PPE and prevention of contamination of clothing, skin, and environment during the process of removing such equipment.

RESOURCES

¹ Maryland Department of Health (2019). *2019 Novel Coronavirus (2019-nCoV) Outbreak*. Phpa.health.maryland.gov/Pages/Novel-coronavirus.aspx

² Center for Disease Control and Prevention. *Interim Infection Prevention and Control Recommendations for Patients with Known or Patients Under Investigation for 2019 Novel Coronavirus(2019-nCoV) in a Health Care Setting*. [cdc.gov/coronavirus/2019-nCoV/hcp/infection-control.html#](https://www.cdc.gov/coronavirus/2019-nCoV/hcp/infection-control.html#)

³ World Health Organization. *My 5 Moments for Hand Hygiene*. Who.int/infection-prevention/campaigns/clean-hands/5moments/en/

World Health Organization. *Infection Prevention and Control During Health Care when Novel Coronavirus(nCoV) Infection is Suspected*. Interim Guidance. 25 January 2020. WHO/2019-nCoV/IPC/v2020.2

INSULIN INJECTION, SUBCUTANEOUS – PEN DEVICE

POLICY

Insulins are administered via subcutaneous injections using an Insulin Pen Device by licensed nurses when ordered by a physician.

PURPOSE

To safely administer insulin.

PROCEDURE

Pen devices shall never be shared between Residents.

Pen devices shall be stored and discarded according the manufacturer recommendations.

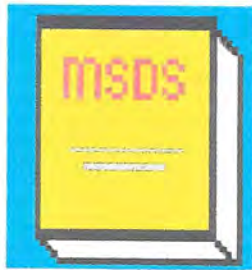
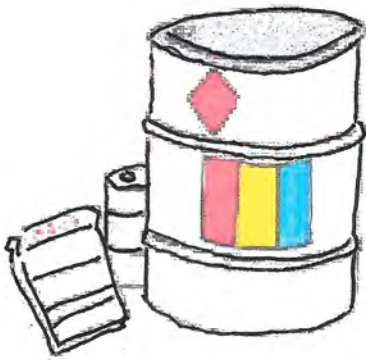
1. Greet Resident and explain procedure.
2. Assemble supplies:
 - a. Insulin Pen
 - b. Needle that fits insulin pen (Note that needles are sent from the pharmacy for each Resident and reordered accordingly)
 - c. Gloves
 - d. Alcohol wipes
3. Obtain the Resident's MAR, compare medication label with the MAR for accuracy.
4. Assess the Resident for signs and symptoms of hypoglycemia and altered eating patterns. Check the blood sugar as warranted or ordered prior to insulin administration. (see *Glucose Testing/Glucometer*)
5. Check the expiration date prior to administration ensuring it is within the usage date (as recommended by the manufacture). Expired insulin should be discarded immediately Pens without an open date recorded should be discarded.
6. Roll the pen between the palms gently at least ten (10) times. Mix cloudy insulins such as 70/30 by gently inverting the pen up and down at least ten (10) times.
7. Wash hands thoroughly, apply gloves.
8. Remove the cap from the pen device and wipe top with an alcohol wipe.
9. While holding the pen device up, remove the tab from the needle and insert onto the pen, screw on tightly.
10. Remove the outer cap.
11. Turn dose dial to two (2). Tap gently on the pen device then fully push delivery button as far as it will go. You should see the insulin in the chamber or a drop on the needle. If you do not, you may repeat up to six (6) times. After the air shot the dial should return to zero (0).

INSULIN INJECTION, SUBCUTANEOUS – PEN DEVICE

12. Provide privacy and expose site to be injected
 - a. Usual sites of subcutaneous injection administrations are the outer surfaces of the upper arm, the muscular portion of the thigh, and abdomen.
13. Dial the dose to be delivered.
14. Cleanse injection site area with alcohol wipe. Pinch the skin up at selected site.
15. Inject needle at forty-five (45) to ninety (90) degree angle.
16. Fully depress delivery button and leave in place for at least six (6) seconds after the last click is heard.
17. Keep button depressed until removed from the skin.
18. There may be a wet spot on the skin. This is from the air shot. The dial should return to zero (0) after administration.
19. Remove the needle from the pen device and dispose in a sharps container.
20. Replace the cap on the pen device.
21. Remove gloves and wash hands thoroughly.
22. Document administration on the Medication Administration Record (MAR)

Little Sisters of the Poor

Hazard Communication Program



Hazard Communication

The Little Sisters of the Poor (LSP) have an effective Hazard Communication Program in which each element is modified to reflect our Home's operations, processes and administrative responsibilities.

Modification is the initial step to having a Hazard Communication Program. To be effective, the policies and procedures must be fulfilled as written, and documentation maintained as evidence for at least 1 year.

Program Elements

The Home of LSP, whose employees work with or be exposed to hazardous substances, must provide information about these materials. A hazard communication program that addresses the elements listed below can accomplish this.

- **Hazard Communication Policy**
- **Container Labeling**
- **Secondary Use Containers**
- **Safety Data Sheets**
- **Employee Information and Training**
- **List of Hazardous Substances by Work Area**
- **Hazardous Non-Routine or Seasonal Jobs**
- **Hazardous Substances Transported in Pipes**
- **Informing Contractors**
- **Employee Acknowledgement**

POLICY

Our production processes require the use of hazardous substances that have some risks associated with them.

Each employee is provided with a copy of policy statement and new employees are given a copy during the orientation process. The Hazard Communication Program is discussed during the safety meeting

PURPOSE

The Home of the Little Sisters of the Poor strives to eliminate or reduce the possibility of harm from hazardous substances to our employees, Residents and visitors.

PROCEDURE

- A. The Safety Officer is responsible for developing, implementing and monitoring the Hazard Communication Program.

In our efforts to provide a safe and healthful workplace, information about hazardous substances used in our Home, employees are provided access to substance Safety Data Sheets (SDS). We feel it is in our employee's best interest to review this information. This information is also available to their physician.

Share the Container Labeling Policy with all employees to ensure everyone understands that it is each individual's responsibility to ensure containers are properly labeled.

B. CONTAINER LABELING

It is the policy of the Home that our employees will release no container of hazardous substance for use until the following container label information is verified.

- Containers are clearly labeled as to the contents.
- Appropriate hazard warnings are provided.
- The name and address of the manufacturer/importer or other responsible party are listed.

The responsibility for ensuring containers are properly labeled is assigned to the Housekeeping and Maintenance Supervisors.

The container label is the first source of product information, but it will not have all the information you should know about a hazardous substance. The best source of information is the **Safety Data Sheet (SDS)**.

Container labels provide:

1. Basic Warnings & Information such as,
 - List the substance name
 - Warnings like, "Keep away from flames", "Avoid breathing vapors", "avoid contact with skin"
 - Hazardous ingredients
 - Caution Sign – signifies least hazardous material
 - Warning Sign – more hazardous material
 - Danger Sign – most hazardous material
 - Manufacturer name and address
2. First Aid Procedures
3. Fire Response
4. Spill Response
5. Handling/Storage Methods
6. Proper Disposal Practices

C. PORTABLE / SECONDARY USE CONTAINERS

When a chemical is purchased, the container is received as the primary container and typically will already have an appropriate label. Any container that the chemical is transferred into is a secondary container. Both primary and secondary containers need to be labeled properly, unless the chemical in the secondary container is intended for immediate use, in its entirety, by the employee who performed the transfer.

Secondary container labels should have the name(s) of the chemical(s) in the container as well as hazard warnings and information specific to the contents.

The department supervisor will ensure all secondary use containers are labeled with an extra copy of the original manufacturer's label or with generic labels identifying the hazardous substance and appropriate hazard warnings.

Provide employees with this section during training and review it with them. Also, provide an SDS to help them recognize the different sections of an SDS and the information provided.

D. SAFETY DATA SHEETS (SDS)

Copies of SDS's for hazardous substances employees may work with or be exposed to be kept in the following location(s).

Maintenance
Nursing

Housekeeping
Safety Officer

The Safety Officer is responsible for obtaining and maintenance of the data sheet system and for reviewing incoming data sheets for new and significant health / safety information. Any new information concerning a hazardous substance will be passed onto affected employees within 30 days of receipt.

SDS's are available for review by all employees. If SDS's are not available or new hazardous substance(s) do not have an SDS, contact the Safety Officer immediately.

The following sections are contained on an SDS:

1. Product Identification
2. Hazardous Ingredients
3. Physical Data
4. Fire / Explosion Data
5. Health Hazards
6. Spill or Leak Containment Procedures
7. Special Protection
8. Special Precautions

The Safety Officer will review SDS's for completeness. If an SDS is missing information, a new SDS will be requested in writing from the manufacturer or importer.

The SDS's will follow a uniform format that includes different section numbers, headings and associated information. The headings are below:

- Section 1 – Identification
- Section 2 – Hazard Identification
- Section 3 – Composition / Information on Ingredients
- Section 4 – First Aid Measures
- Section 5 – Fire Fighting Measures
- Section 6 – Accidental Release Measures
- Section 7 – Handling & Storage
- Section 8 – Exposure Controls / Personal Protective Equipment
- Section 9 – Physical & Chemical Properties
- Section 10 – Stability & Reactivity
- Section 11 – Toxicological Information
- Section 12 – Ecological Information

Section 13 – Disposal considerations
Section 14 – Transport Information
Section 15 – Regulatory Information
Section 16 – Other Information

E. REQUESTING A SDS OR MISSING INFORMATION ON A SDS:

Within seven (7) working days after noting a missing Safety Data Sheet or missing information on a SDS, make a written request to the manufacturer or importer of the hazardous substance responsible asking that they provide a complete SDS.

Employee Information and Training

Each employee will attend a hazard communication program orientation. The training will be provided to:

- New employees prior to initial assignment, and
- Whenever a new hazard is introduced into their work area.
- Employees will be informed of their right: To personally receive information regarding hazardous substances to which they may be exposed.
- For their physician to receive information regarding hazardous substances to which the employee may be exposed according to provisions of this section.

Follow-up training will be conducted:

- Annually thereafter for all employees, or
- Within 30 days if new or revised SDS's are received.

Information and training will consist of the following topics:

- Annually thereafter for all employees, or
- Within 30 days if new or revised SDS's are received.

Information and training will consist of the following topics:

- Identification of work areas where hazardous substances are used.
- Location and availability of the Hazard Communication Program, including the list(s) of hazardous substances and SDS's.
- How to detect the presence or release of a hazardous substance in a work area (visual appearance, odor). This information is provided on the Safety Data Sheet.
- Physical and health effects of the hazardous substances in the work area and the measures employees can take to protect themselves from these hazards, including specific procedures the company has implemented to protect employees from exposure to hazardous substances. This may include work practices, emergency procedures and use of personal protective equipment.
- How to read labels and review SDS's to obtain appropriate hazard, first aid and health information.
- Emergency and first aid procedures to follow if employees are exposed to hazardous substance(s).
- It is critical that employees understand the training. If employees have any questions, please ask!

- Safety Data Sheets may be kept in any form, including operating procedures, and may be designed to cover groups of hazardous substances in a work area where it may be more appropriate to address the hazards of a process rather than individual hazardous substances.
- After the training, have employees sign the acknowledgement statement and place it into the safety file or individual employee personnel file.
- Provide all employees with the following information from the company's Hazard Communication Program:
 - Hazard Communication Policy
 - Container Labeling
 - Secondary Container Labeling
 - Explanation of Information Provided on an SDS
 - Employee Rights for Hazard Communication Program
 - List of Hazardous Substances by Department
 - Identify Location of SDS Binders

Employee Acknowledgement

In compliance with OSHA's Hazard Communication Standard, employees are trained when they may come in contact with recognized hazardous substances:

1. Employees are shown Safety Data Sheets for hazardous substances they may come in contact, and given a written and verbal explanation of information provided in each section of a SDS.
2. Employees are made aware of their right to access Safety Data Sheets.
3. Employees are shown the location of Safety Data Sheets for hazardous substances and the Hazard Communication Program.
4. Employees are shown the different types of labels used on containers and the information presented.

My signature acknowledges I have received the training described above. I am familiar with the information presented on the Safety Data Sheets.

I understand I also have the right to access the Safety Data Sheets for hazardous substances to which I may be exposed.

Employee's Name: _____
(Print)

Employee's Signature: _____

Department: _____

Date: _____

NOTICE OF HYBRID MEDICAL RECORD STATUS

(*Home*) is currently using a hybrid medical record, that is, some documentation is maintained in an electronic format while other documentation is in a paper-based format in the resident's medical record. Refer to the table below for a listing of the documentation being retained in an electronic format *only* and will be printed out solely upon request and with approval from Administration. Throughout the next **12 months** the facility will continue to convert additional documents to an electronic format.

Documentation	Effective Date
<i>(ex. Nurse Progress Notes)</i>	<i>(ex. 11/21/2012)</i>

ABUSE: Photographs/Recordings and Social Media Posting

POLICY

The Homes of the Little Sisters of the Poor will assure that each Resident's right to be free from all types of abuse, including mental abuse, will be safeguarded. Mental abuse includes, but is not limited to, abuse that is facilitated or caused by employees, consultants, contractors, volunteers, and other caregivers who provide care and services to residents on behalf of the Home, from taking or using photographs or recordings in any manner that would demean or humiliate a resident.

Each of our Homes will provide care and services in a person-centered environment in which all individuals are treated as human beings.

PURPOSE

To establish within our Homes an environment that is as homelike as possible and includes a culture and environment that treats each resident with respect and dignity. Treating a resident in any manner that does not uphold a resident's sense of self-worth and individuality, dehumanizes the resident, and creates an environment that perpetuates a disrespectful and/or potentially abusive attitude towards the residents.

Taking or using photographs or recordings in any manner that would demean or humiliate a resident is prohibited. This would include using any type of equipment (e.g. cameras, smart phones, hidden video cameras commonly called Granny-Cams, and other electronic devices) to take, keep, or distribute photographs and recordings through multimedia messages or on social media networks.

Example:

Photograph and recordings of residents that contain nudity, sexual and intimate relations, bathing, showering, toileting, providing perineal care such as after an incontinence episode, agitating a resident to solicit a response, derogatory statements directed to the resident, showing a body part without the resident's face whether it is the chest, limbs, or back, labeling resident's pictures and/or providing comments in a demeaning manner, directing a resident to use inappropriate language, and showing the resident in a compromised position.

PROCEDURE

Follow the Home' policy on *Abuse Prohibition: Reporting and Investigation of Resident Abuse, Neglect and Mistreatment*. (09/2016)

1. Staff and volunteer screening and training: Notification of residents and families regarding reporting of suspected abuse, neglect or mistreatment.
2. Identification and reporting of suspected abuse, neglect and mistreatment.
3. Investigation procedure for suspected abuse, neglect, or mistreatment.

ADVERSE DRUG EVENT

POLICY

The Home, in combination with the Pharmacy, medical director and other appropriate departments, shall establish and maintain a mechanism to ensure that adverse drug events are systematically reported, monitored, evaluated, and documented in order to prevent future reoccurrences. All incidents of an Adverse Drug Event (ADE) shall be reported to the Quality Assurance Performance Improvement (QAPI) Committee for review.

PURPOSE

To monitor administration of treatments and medications which have the potential to result in serious illness of the Resident.

DEFINITION

“Adverse Drug Event” refers to a significant detrimental, undesired, unintended, or unexpected response in association with the administration of a medication in doses recognized in accepted medical practice for prophylaxis, diagnosis or therapy of disease, or for the modification of physiological function, and which requires treatment or alteration of therapy. An adverse drug event is considered when drug overdose occurs, whether accidental or intentional.

Criteria for Detecting ADE

1. Unexplained change in symptoms
2. Unexplained change in mental status
3. Symptoms suggesting an allergic reaction
4. Other suspected drug interactions

Criteria for Significant ADE

An ADE is considered significant if it meets the following criteria:

1. Requires supportive measure such as medications (e.g. antihistamines, epinephrine, steroids, etc.)
2. Results in disability
3. Requires initial or prolonged hospitalization
4. Produces death or life-threatening events. This ADE may result in one or a combination of the following:
 - a. Hospital admission
 - b. Extended hospital stay
 - c. Complication of disease state
 - d. Family or personal injury
 - e. Report to FDA

- f. Production of toxic drug levels
- g. Death of Resident

Classifications of Adverse Drug Events

1. Types of ADE

- a. Untoward effects – an extension of the pharmacological effect as a result of usual or excessive dosage, or a direct toxic effect on an organ system.
- b. Idiosyncratic effects – adverse events that are not dose related and that cannot be anticipated.
- c. Hypersensitivity – allergic reaction to a drug.
- d. Intolerance – a characteristic effect of a drug produced by an unusually small dose so that the usual dose tends to induce an overreaction.
- e. Drug/drug interaction – a pharmacological response which was the result of a combination of drugs.

2. Severity of ADE

- a. Minor – A reaction that does not require treatment or prolongation of facility or hospital stay. Does not need to be reported.
- b. Moderate – A reaction that requires treatment and/or prolonged facility or hospital stay by at least one (1) day.
- c. Severe – A reaction that is:
 - i. Potentially life-threatening
 - ii. Is permanently disabling
 - iii. Requires intensive medical care
 - iv. Prolongs facility of hospital stay for more than seven (7) days.
- d. Lethal – A reaction that directly or indirectly contributes to the death of the Resident.

3. Probability of ADE

- a. Definite – A reaction which:
 - i. Exhibits a reasonable temporal relationship following administration of a drug, or in which the drug level has been established in body fluids or tissues.
 - ii. Follows a known response pattern to the suspected drug.
 - iii. Confirmed by improvement upon discontinuing (dechallenge) the drug and reappearance of the reaction on subsequent re-exposure (rechallenge).
- b. Probable – A reaction which:
 - i. Exhibits a reasonable temporal relationship following administration of a drug.
 - ii. Follows a known response pattern to the suspected drug.

- iii. Is confirmed by rechallenge.
- iv. Cannot be reasonably explained by the known characteristics of the Resident's clinical state.
- c. Possible – A reaction which:
 - i. Exhibits a reasonable temporal relationship following administration of a drug.
 - ii. Follows a known response pattern to the suspected drug, but that could have been produced by the Resident's clinical state or other modes of therapy administered to the Resident.
 - iii. Doubtful – Any reaction that does not meet the above criteria.

PROCEDURE

1. All medications have the potential to cause an adverse drug event and all Residents will be monitored appropriately.
2. There are some medications that have been recognized as having a greater risk and being problem-prone. These include, but are not limited to:
 - a. Antibiotics
 - b. Antidiabetic medications
 - c. Antipsychotics/psychotropic medications
 - d. Anti-seizure medications
 - e. Antithrombotic medications
 - f. Cardiac medications
 - g. Opioids
3. Licensed staff receives education on high risk medications and adverse drug events upon hire and as needed. Current drug information is located at each nursing unit for easy reference.
4. In the event of an ADE:
 - a. The nurse assesses and examines the Resident's condition and notifies the physician or health care practitioner as soon as possible as well as the Director of Nursing or designee.
 - b. Maintain airway, support breathing and circulation, if indicated.
 - c. Institute treatment/emergency measures as directed by practitioner or per the Home's policy.
 - d. Monitor the Resident's condition, including response to medical treatment or nursing interventions.
 - e. Activate emergency medical system as needed.
 - f. Discontinue drug administration, or revise dose, as ordered by physician.
5. The nurse will document:
 - a. The date, time and nature of onset of symptoms

- b. Time of onset in relation to medication administration.
 - c. Actions taken and the Resident's response.
 - d. Physician and resident representative notification and response.
6. If a new allergy is determined the nurse will note allergy within the Residents electronic health record.
7. The Director of Nursing or designee shall:
 - a. Inform the physician of any additional information regarding the ADE and its treatments.
 - b. Ensures the ADE has been appropriately documented in the Resident's electronic health record and that the allergy information has been updated appropriately if considered clinically appropriate by the doctor.
 - c. Makes a determination, with input from the medical director, pharmacist or others, as to whether an "FDA Medwatch 3500" form should be completed and submitted (instructions available at <http://www.fda.gov/medwatch/how.htm>)
 - d. Reports to the manufacturer or FDA if:
 - i. The ADE is highly probable or probable and was a severe reaction.
 - ii. The ADE is highly probable or probable and was not listed in the manufacturer's product insert.
 - iii. The ADE drug was released in the last three years and exhibits a temporal relationship to the administration of the drug.
 - e. Contacts the principle investigator if the drug involved is an investigational agent.
 - f. Initiates changes in drug use policies and procedures when necessary.

BOWEL AND BLADDER MANAGEMENT

POLICY: Residents who experience or are at risk for bowel or bladder incontinence are assessed for appropriateness to participate in a bowel and/or bladder management program.

PURPOSE: To evaluate continence and bowel and bladder patterns, assess individual needs and preferences with respect to continence, and to clearly define the process for evaluating, planning and implementing approaches to bowel and bladder management.

PROCEDURE:

1. Upon admission, residents are screened for incontinence using the Resident Admission Record, and a three-day Bowel and Bladder Elimination Tracking system initiated.
2. At the conclusion of the three-day elimination tracking period, the resident will be assessed, by the licensed nurse for bowel and bladder continence, using the Bowel and Bladder Assessment.
3. Thereafter, residents will be assessed quarterly, annually, with significant change in status, with a change in bowel or bladder function, upon removal of an indwelling catheter and as needed, as deemed necessary by the licensed nurse.
4. If a resident is identified with incontinence, he/she will be evaluated by a licensed nurse to determine the reason for incontinence and appropriateness for participation in a bowel or bladder re-training program.
5. The licensed nurse will initiate or update the residents' Plan of Care for incontinence and notify the IDT (interdisciplinary team) of the resident's incontinence.
6. The IDT will determine if the resident is appropriate for a bowel and bladder program by reviewing the elimination pattern tool and Bowel and Bladder Assessment.
7. If the resident is deemed appropriate for bowel and/or bladder re-training, the IDT will update the Plan of Care and recommend to nursing staff an individualized toileting plan for the resident. The individualized toileting plan will be based on the data collected during the three-day bowel and bladder tracking and the bowel and bladder assessment completed by the licensed nurse.
8. After initiation of a bowel and/or bladder program, the IDT will re-evaluate the resident weekly until the individualized plan is considered effective. An individualized plan will be considered effective when progress towards the care plan goals is evident.
9. The IDT will re-evaluate the bowel and bladder status of the resident with each B&B assessment conducted (see no. 3 above).

BOWEL AND BLADDER MANAGEMENT

A. COGNITIVELY INTACT RESIDENTS

1. The IDT will determine residents who would benefit from a re-training program. They include:
 - a. Residents who are cognitively intact.
 - b. Residents who are assessed to have urge, overflow, functional or stress incontinence.
2. Participation criteria for the bowel and bladder re-training program include:
 - a. Resident can benefit from the program;
 - b. Resident has potential for improvement or prevention of decline;
 - c. Resident is willing to participate;
 - d. Resident is able to understand instructions; and
 - e. Resident has the physical ability to participate.
3. Bowel and Bladder re-training goals include:
 - a. To increase the periods of continence;
 - b. To increase the amount of time between elimination episodes;
 - c. To increase self-esteem; and
 - d. To reduce the potential for skin breakdown and falls.
4. Steps for starting a bowel and bladder program for cognitively intact residents are:
 - a. Establish an elimination pattern, monitor for voiding patterns using the Bowel and Bladder Elimination Tracking tool.
 - i. Monitor wetness and dryness hourly; and
 - ii. Continent and incontinent status.
 - b. Completion of the Bowel and Bladder Assessment by the licensed nurse.
 - c. Referral to IDT if resident is incontinent.
 - d. Set up a plan for fluid consumption, based on resident's patterns and preferences.
 - i. Staff will encourage the resident drink the estimated fluids daily to meet their individual needs.
 - ii. The licensed nurse and dietician will review the resident's fluid intake to determine if fluid needs are being met.
 - e. The IDT will determine if the resident is appropriate for a bowel and bladder habit training or scheduled toileting program by reviewing the Bowel and Bladder Assessment and Bowel and Bladder Elimination Tracking tool.
 - f. Identify the resident specific plan for elimination management.
 - g. Discuss the bowel and bladder management plan with the resident.
 - h. Initiate the individualized Plan of Care.



BOWEL AND BLADDER MANAGEMENT

B. COGNITIVELY IMPAIRED RESIDENTS

1. The IDT will determine residents who would benefit from a habit training or scheduled toileting program. They include:
 - a. Residents who are cognitively impaired.
 - b. Residents who are assessed to have bowel and/or bladder incontinence.
2. Participation criteria for habit training or scheduled toileting program include:
 - a. Resident can benefit from the program; and
 - b. Resident has potential for improvement or prevention of decline; and
 - c. Resident has difficulty notifying staff when s/he has the urge to void or defecate.
3. Bowel and bladder habit training and scheduled toileting program goals include:
 - a. To increase the periods of continence; and
 - b. To reduce the potential for skin breakdown and falls.
4. Steps for starting a bowel and bladder program for cognitively impaired residents are:
 - a. Establish an elimination pattern, monitor for voiding patterns using the Bowel and Bladder Elimination Tracking tool.
 - i. Monitor wetness and dryness hourly; and
 - ii. Continent and incontinent status.
 - b. Completion of the Bowel and Bladder Assessment by the licensed nurse.
 - c. Referral to IDT if resident is incontinent.
 - d. Set up a plan for fluid consumption, based on resident's patterns and preferences.
 - i. Staff will encourage the resident drink the estimated fluids daily to meet their individual needs.
 - ii. The licensed nurse and dietician will review the resident's fluid intake to determine if fluid needs are being met.
 - e. The IDT will determine if the resident is appropriate for a bowel and bladder habit training or scheduled toileting program by reviewing the Bowel and Bladder Assessment and Bowel and Bladder Elimination Tracking tool.
 - f. Identify the resident specific plan for elimination management.
 - g. Discuss the bowel and bladder management plan with the resident.
 - h. Initiate the individualized Plan of Care.



BOWEL AND BLADDER MANAGEMENT

C. POST INDWELLING CATHETER REMOVAL

1. Upon removal of an indwelling catheter, a three-day bladder elimination tracking system initiated.
2. At the conclusion of the three-day elimination tracking period, the resident will be assessed by the licensed nurse for bladder continence, using the Bowel and Bladder Assessment form.
3. If a resident is identified with incontinence, he/she will be evaluated by a licensed nurse to determine the reason for incontinence and appropriateness for participation in a bowel or bladder program.
4. Proceed with Steps 5-9 above, under Procedure.
5. If, after implementation of a bladder program, the resident does not regain his/her prior level of continence, a urology consult will be requested.

DEFINITIONS:

Types of Urinary Incontinence:

- Functional: patient has decreased mental or physical ability and is unable to make it to the bathroom on time.
- Mixed: a combination of stress and urge
- Overflow: bladder is over-distended and leaks at any time, usually due to an obstruction or neurological condition.
- Stress: involuntary loss or leakage of urine upon an increase in intra-abdominal pressure, such as coughing, sneezing or exercise.
- Transient: short-term or occasional loss or leakage of urine due to medications, illness, injury, infection, constipation or pain
- Urge: sudden loss of urine with a strong unstoppable urge to urinate, usually associated with frequent urination (often called overactive bladder).

Types of Fecal Incontinence:

- Overflow: is usually a result of a blockage in the colon caused by constipation, the blockage only allows watery feces to pass around it. That discharge then leaks out because it's so hard to control.
- Passive: absence of urge instruction to go to the toilet, or the message isn't registered by the brain (person is unaware that the rectum is full and ready to empty) and stool is passed.
- Reservoir: occurs in conditions of diminished colon or rectal capacity, seen in people with cancer, radiation therapy, chronic inflammatory bowel disease, colon surgeries.
- Rectosphincteric: an inability to control the anal sphincter muscles, structural deficit. Nerves in these areas help the brain control movement and expulsion of stool and gas.



BOWEL AND BLADDER MANAGEMENT

Urge: sensation of a full rectum and the urge to go, but the individual may have to rush to the toilet to make it on time.

With flatus incontinence: the sensation of a full rectum is detected but, sensation mechanisms are impaired and the person can't tell whether it's gas or stool.

References: Dougherty, D. and Kisanga, J. *Regulatory Guidelines for Bladder Management in Long Term Care*. Journal of Wound Ostomy and Continence Nursing. 2010;37(4):399-411.

CMS. State Operations Manual. Guidance to Surveyors for Long Term Care Facilities, Appendix PP, Section V, Part II, F-Tag #315.



DRUG REGIMEN REVIEW

POLICY

It is the policy of this Home to document whether a drug regimen review was conducted upon a Resident's Skilled Nursing Facility(SNF) Prospective Payment System(PPS) admission and throughout the Resident's stay, and to document whether any clinically significant medication issues identified were addressed in a timely manner.

DEFINITIONS:

“Drug Regimen Review” includes medication reconciliation, a review of all medications a Resident is currently using, and a review of the drug regimen to identify, and if possible, prevent potential clinically significant medication adverse consequences.

“Clinically Significant Medication Issue” is a potential or actual issue that, in the clinician's professional judgment, warrants physician (or physician-designee) communication and completion of prescribed/recommended actions by midnight of the next calendar day at the latest.

“Clinically Significant” means effects, results, or consequences that materially affect or are likely to affect an individual's mental, physical, or psychosocial well-being, either positively, by preventing a condition or reducing risk, or negatively, by exacerbating, causing or contributing to a symptom, illness, or decline in status.

POLICY EXPLANATION AND COMPLIANCE GUIDELINES:

1. The MDS will be used as the reporting mechanism for a drug regimen review to fulfill relevant requirements for the SNF Quality Reporting Program.
2. The *RAI Coordinator* will be responsible for coding relevant sections on the MDS: Sections N2001, N2003, and N2005 in accordance with the current RAI manual.
3. The *RAI Coordinator* will review the medical record for documentation that supports that a drug regimen review was conducted and that any clinically significant medication issues identified were addressed in a timely manner.
4. Documentation of a drug regimen review may be located in various locations throughout the medical record. Examples include, but are not limited to:
 - a. A nurse may document the review in the *Drug Regimen Review Note* or on a *designated form*.
 - b. A pharmacist may document the review in a designated location such as a *medication regimen review form*.
 - c. A physician may document the review in the Resident's history and physical, physician progress notes, or discharge summary.

5. Documentation shall include whether any clinically significant medication issues were identified, and how the issues were addressed. Documentation to support follow-up on identified issues shall include:
 - a. Two-way communication (in person, by telephone, voice mail, electronic means, facsimile, or other) between the clinician(s) and the physician *by midnight of the next calendar day*, AND
 - b. All-physician-prescribed/recommended actions were completed by midnight of the next calendar day.
6. Documentation to support follow-up on identified issues may be located in various locations throughout the medical record. Examples include, but are not limited to:
 - a. Physician orders
 - b. Nurses' notes/monitoring forms
 - c. Medication/treatment administration records
 - d. Lab/x-ray results
 - e. Transfer/discharge records
7. Medication monitoring will be incorporated into each Resident's care plan as appropriate.
8. Frequency of drug regimen reviews, coincident with the Resident's medical chart, will be in accordance with the Home's policy for such reviews.
9. The individual completing the relevant portions of the MDS will sign and date section Z040 of the MDS attesting to accuracy of his/her assigned portion of the MDS.
10. The RAI Coordinator will submit each MDS into the QIES ASAP System, and will verify acceptance into the system according to MDS transmission policies.
11. All PPSMDS assessments will be reviewed for accuracy in the PPS meeting prior to monthly billing.

REFERENCE:

Centers for Medicare & Medicaid Services. *Long-Term Care Facility Resident Assessment 3.0 User Manual, Version 1.16* (October 2018). Chapter 3, Section N.

INFECTION CONTROL – NOVEL CORONAVIRUS (COVID-19), ADDENDUM

DESCRIPTION

In December 2019, Chinese health officials announced they were investigating a pneumonia outbreak of unknown etiology (cause) in the city of Wuhan, China. At that time, it was reported that many of the cases were linked to a seafood and animal market in Wuhan. Since then, health officials have reported that the outbreak was caused by a novel corona virus, which was later named 2019-nCoV, also known as COVID-19.¹

Since then, hundreds of cases have been reported and many have been fatal. Cases of COVID-19 have been identified elsewhere in China, and in other countries, including in the United States. While a majority of cases have been linked to the city of Wuhan, there is evidence of person-to-person spread both inside and outside of Wuhan¹. On March 11, 2020 the World Health Organization (WHO) characterized COVID-19 as a pandemic⁴.

There are many viruses in the coronavirus family that can cause illness in both humans and animals. Several coronaviruses commonly circulate among people all of the time, and cause mild to moderate illnesses, such as the common cold. Other coronaviruses commonly circulate only in animals. Rarely, animal coronaviruses can evolve and infect people and then spread between people as has been seen with MERS and SARS.¹

POLICY

It is the policy of the Home to ensure that Residents receive maximum protection from pathogenic organisms and infectious diseases.

PURPOSE

To control the spread of infection.

DEFINITIONS

Health Care Personnel (HCP) – refers to all persons, paid and unpaid, working in healthcare setting engaged in patient care activities, including: patient assessment for triage, entering examination rooms or patient rooms to provide care or clean and disinfect the environment, obtaining clinical specimens, handling soiled medical supplies or equipment, and coming in contact with potentially contaminated environmental surfaces.

COVID-19 DESCRIPTION

Typical symptoms include fever, cough, and shortness of breath. Additional symptoms might include sore throat, fatigue/malaise, diarrhea, or dizziness.

CASE DEFINITIONS

1. **Undiagnosed Respiratory Illness:** Cough, shortness of breath, pneumonia, or fever in a resident or an employee without a known cause.
 - a. No known contact with a COVID-19 case, does not reside in or work at a facility with confirmed cases within fourteen (14) days.
 - b. Influenza testing, respiratory panel and COVID-19 testing is not done or pending. Sputum culture, *Legionella* urinary antigen and *Streptococcus pneumoniae* urinary antigen testing for pneumonia cases is not done or pending.

2. **Suspect COVID-19 Case:** Clinical illness as above in an individual **AND:**
 - a. Has known contact with a COVID-19 case **OR** resides or works as a facility with confirmed cases within the past fourteen (14) days; **OR**
 - b. Does not have known contact with a COVID-19 case and does not reside or work at a facility with confirmed cases within the past fourteen (14) days **AND** who tested negative for influenza on initial workup and no alternative diagnosis.
3. **Confirmed COVID-19 Case:** an individual with a positive SARS-CoV-2 test regardless of signs and symptoms.

TESTING/LABORATORY DIAGNOSIS:

All laboratory testing shall be conducted as directed by the physician's order.

1. COVID-19 Testing

- a. The Home shall evaluate their capacity to safely collect specimens for COVID-19 testing.
- b. The Home shall assess supplies of testing kits and the potential for acquiring additional specimen collections kits from private laboratories.
 - i. If the Home is unable to obtain COVID-19 testing kits from a private laboratory, the local health department will be contacted to inquire about the availability of the testing kit.
- c. The Home shall follow the protocol for specimen collection in collaboration with public health recommendations. *See Specimen Collection, Nasopharyngeal Swab*

2. All Residents with undiagnosed respiratory illness:

- a. The Home, while using a private laboratory, shall test for influenza and other agents utilizing the following tests:
 - i. Rapid flu and influenza PCR and respiratory panel if the PCR test is negative; **OR**
 - ii. Rapid flu and respiratory panel

If the Home is unable to obtain these tests through a private laboratory, the local health department will be contacted.

3. Pneumonia Cases:

- a. In addition to the tests listed above, the Home shall run the following tests simultaneously:
 - i. Sputum culture, including for *Legionella*
 - ii. *Legionella* and *Streptococcus pneumoniae* urinary antigen tests.

If all testing listed in numbers 2 and 3 are negative or results are not available within forty-eight (48) hours, the Home shall notify the local health department and send specimens for COVID-19 testing to a private lab. If a private lab is unavailable for testing, the Home shall request the assistance of the local health department.

4. Testing for staff:

- a. The Home shall monitor all staff for signs and symptoms of illness prior to their entrance into the building and throughout their shift.

- b. The Home shall encourage ill staff to seek medical advice from their own health care provider with recommendations for staff to receive the same testing as stated above for Residents.

OUTBREAK DEFINITIONS

1. **COVID-19 outbreak:** One (1) or more confirmed cases of COVID-19 in a Resident or staff member.
2. **Other respiratory outbreaks:**
 - a. Influenza – like illness (ILI) outbreak: three (3) or more ILI cases in seven (7) days
 - b. Influenza outbreak: two (2) Residents and/or staff with ILI or pneumonia within seven (7) days and at least one (1) has a positive influenza test.
 - c. Pneumonia outbreak: two (2) or more cases of pneumonia in a cottage within seven (7) days
 - d. A combination of ILI, Influenza, and pneumonia cases

WHAT TO REPORT

The Home shall report the following scenarios to the local health department.

1. Immediate reporting:
 - a. One (1) or more confirmed COVID-19 cases among Residents and/or staff immediately
 - b. Two (2) or more undiagnosed respiratory illnesses or suspected COVID-19 cases within fourteen (14) days immediately
 - c. One (1) case of undiagnosed respiratory illness or suspected COVID-19 case where laboratory results will not be available within forty-eight (48) hours **AND** illness is severe immediately
2. Within one (1) day:
 - a. Respiratory outbreaks as defined in the respiratory outbreak guidelines within one(1) day
 - b. One (1) case of undiagnosed respiratory illness or suspect COVID-19 case where laboratory results will not be available within forty-eight (48) hours (illness not severe)

PREVENTIVE MEASURES AGAINST COVID-19

The Home shall continue to update staff, Residents and families with the latest information about COVID-19.

1. **Educate and train healthcare personnel (HCP)**
 - a. The Home shall reinforce adherence to infection prevention and control measures, including, but not limited to hand hygiene and the selection/use of personal protective equipment (PPE)
 - b. The Home shall have HCP demonstrate competency with putting on and removing of PPE.

- c. The Home shall implement and/or continue a program for observing and monitoring adherence to hand hygiene and PPE, all days and all shifts.
- 2. Reinforce sick leave policies**
- a. **Staff shall NOT report to work ill.**
 - i. The Home shall encourage all employees reporting signs and symptoms of respiratory illness to remain at home as the signs and symptoms of COVID-19 can be very mild.
 - ii. The Home shall actively monitor each staff member for signs and symptoms of respiratory illness.
 - I. Prior to the start of each shift, HCP are required to check their temperature, report any signs and symptoms of respiratory illness, and report if they have recently traveled to an area with a known or suspected COVID-19 case.
 - iii. Active monitoring shall be repeated every eight (8) hours and as needed.
 - iv. Any HCP that develop signs and symptoms of respiratory illness while working shall immediately don a face mask and be sent home.
 - b. **Staff may return to work when the following criteria are met**
 - i. At least seven (7) days have passed *since symptoms first appeared*; **AND**
 - ii. At least three (3) days (72 hours) have passed *since recovery*, defined as resolution of fever without the use of fever-reducing medications **AND** improvement in respiratory symptoms.
 - c. If the Home experiences staff shortages, the local health department shall be contacted to determine whether any staff may return to work earlier than recommended to address the need for staffing.
- 3. Ensure adequate supplies for infection prevention and control practices**
- a. The Home shall assess and initiate measures to optimize current supply of PPE.
 - b. The Home shall ensure PPE is readily available for staff when needed for Resident care.
 - i. The Home shall contact the local health department if they are unable to obtain adequate PPE supplies.
 - c. The Home shall provide alcohol-based hand sanitizer throughout the facility to be available for staff and Residents.
 - d. The Home shall keep sinks well stocked with soap and paper towels for handwashing.
- 4. Identify infections early**
- a. The Home shall actively screen all residents every shift for fever and respiratory symptoms.
 - i. Additional symptoms may include new or worsening malaise, new dizziness, diarrhea, or sore throat.
 - b. Any Resident who is symptomatic shall be immediately placed on isolation.

- c. All Residents with an undiagnosed respiratory illness shall be cared for using standard, contact, and droplet precautions with eye protection, at least until diagnosis is clarified.

5. Admission and re-admissions

- a. The Home shall create a designated observation area to house non-COVID-19-positive Residents being admitted or re-admitted from an outside facility. Ideally, this area will have private rooms with private bathrooms.
 - i. This designated observation area could be a separate unit/wing if possible or dedicated rooms in one area.
- b. Residents being admitted to this area do not need to be tested for COVID-19 prior to admission.
- c. Residents being admitted to this area shall be screened for COVID-19 symptoms prior to admission/re-admission using the following methods:
 - i. Verbal report received from the transferring facility
 - ii. Temperature taken with results less than 100.0 F
 - iii. Questions asked about symptoms: cough, shortness of breath, sore throat, fatigue/malaise, diarrhea, dizziness.
- d. If a newly admitted/re-admitted Resident screens positive, they will be placed on strict isolation (contact and droplet precautions with eye protection) and not allowed to mix with other Residents of the Home.
- e. After fourteen (14) days on an observation, if the Resident does not ever screen positive, they can be moved to their private/semi-private room released to mix with the general population of the Home.
- f. Residents who have been hospitalized for suspect or confirmed COVID-19 can be discharged from the hospital whenever it is clinically indicated. They do **NOT** require re-testing to be discharged.
- g. The Home can accept a Resident diagnosed with COVID-19 and still under Transmission-Based Precautions for COVID-19 as long as the Home can follow CDC guidance for Transmission-Based Precautions.
 - i. If the Home is unable to follow the CDC guidance for Transmission-Based Precautions, the Resident may not be admitted/re-admitted until these precautions are discontinued.
- h. The placement of newly admitted Residents who have been previously diagnosed with suspect or confirmed COVID-19 should be based on whether they still require the use of Transmission-Based Precautions:
 - i. Residents who meet criteria for discontinuation of Transmission –Based Precautions for COVID-19 may be admitted to the general population using Standard Precautions.
 - ii. Residents who do not yet meet criteria for discontinuation of Transmission-Based Precautions for COVID-19 should be admitted to a private room with a private bathroom on Standard, Contact, and Droplet Precautions.

- I. These Residents shall be isolated to their rooms except for necessary medical procedures until they meet criteria for the discontinuation of Transmission-Based Precautions.

6. Discontinuation of Transmission-Based Precautions

- a. A test-based strategy is preferred for the discontinuation of transmission-based precautions for the Residents of the Home.
- b. A Resident may be discontinued from transmission-based precautions using the following guidelines:
 - i. Resolution of fever without the use of fever-reducing medications, **AND**
 - ii. Improvement in respiratory symptoms (e.g., cough, , shortness of breath), **AND**
 - iii. Negative results of an FDA Emergency Use Authorized COVID-19 molecular assay for detection of SARS-CoV-2 RNA from at least two (2) consecutive nasopharyngeal swab specimens collected at least twenty-four (24) hours apart (a total of two negative specimens).

7. Visitor and movement restrictions

- a. The Home shall restrict all visitors from entering the facility except for in extenuating circumstances (e.g., end of life care)
- b. The Home shall screen all potential visitors prior to entry of the facility beyond the front lobby for fever or signs/symptoms of respiratory illness.
 - i. Those who exhibit these symptoms shall not be allowed further entry into the Home.
- c. Those visitors which are permitted inside the Home will be provided with a facemask to be worn while they are in the building and will restrict their visit to the Residents room or another designated location designated by the Home.
 - i. The Home shall also remind the visitor to perform hand hygiene frequently.
- d. The Home shall cancel all communal dining and group activities.
- e. The Home shall encourage social distancing of at a minimum of six (6) feet between Residents and staff as much as possible without impeding on Resident care.
- f. The Home shall limit outside appointments for Residents to those which are determined to be medically necessary (e.g., residents receiving hemodialysis).
 - i. If a Resident must leave the Home for medically necessary purposes, the Resident shall wear a face mask whenever are out of the facility.

8. Communication

- a. The Home shall prepare internal and external communications in the event of a COVID-19 case being identified within the facility.
- b. The Incident Command team shall meet regularly to review the situation and determine measures to be taken in the event of a suspected or confirmed case of COVID-19.

- c. The Home shall keep an updated phone listing with public health communicable disease contacts as well as contacts for leadership/key personnel of the Home.

UNDIAGNOSED RESPIRATORY ILLNESS (ES) OR SUSPECTED COVID-19 CASE (ES)

All activities implemented before a suspected/confirmed case still apply

1. Nursing staff shall be in continuous communications with the physician when a Resident presents with symptoms of illness.
2. Any Resident who exhibits signs and symptoms of an undiagnosed respiratory illness or suspected COVID-19 shall immediately be placed under airborne precautions, preferably placed in an Airborne Infection Isolation Room (AIIR) if available.
 - a. If an AIIR is not available, a facemask shall be placed on the Resident if able to tolerate. The Resident will then be isolated to a private room with the door closed and proper notification placed on the door.
3. Staff shall be instructed to use standard, contact, and airborne precautions with eye protection upon entering the Residents room.
4. The Director of Nursing or designee shall immediately notify both the infection control personnel within the facility as well as the State health department.
 - a. The State health departments that have identified a suspected case of COVID-19 will immediately contact the CDC's Emergency Operations Center (EOC) at 777-488-7100 and complete a 2019-nCoV PUI case investigation form².
5. The Home, in coordination with the State health department shall determine if transport of the Resident is medically necessary.
6. **Admissions and transfers**
 - a. Cottage and/or facility closure shall be discussed with the local health department.
 - b. If a Resident suspected for COVID-19 requires a higher level of care or the Home cannot fully implement all recommended precautions, the Resident shall be transferred to another facility that is capable of the required implementation.
 - c. Transport personnel and the receiving facility will be verbally notified about the suspected diagnosis prior to the transfer.
 - d. While awaiting transfer, symptomatic Residents shall remain on isolation and be provided a face mask during the transfer.
 - i. Staff is to continue to use appropriate PPE when in contact with the Resident.
7. **Environmental Cleaning**
 - a. Frequently touched surfaces should be disinfected three times a day and as needed with an EPA-registered disinfectant on List N with emerging pathogens or human coronavirus claim or a 1:10 bleach solution.
 - b. Environmental service staff will be instructed to wear appropriate PPE when cleaning the room of any Resident on Transmission-Based precautions.
 - c. To the extent possible, the Home will dedicate medical equipment to Residents with fever or signs and symptoms of respiratory illness.

- d. All non-dedicated, non-disposable medical equipment used for patient care should be cleaned and disinfected according to manufacturer's instructions and the Home's policies.

8. Care of Residents

- a. Standard, contact and droplet precautions with eye protection will be used for all ill Residents.
- b. The Home will create and maintain a plan, in collaboration with public health officials for cohorting Residents with symptoms of respiratory infection, to include dedicating HCP to work only with ill or well Residents and/or dedicating a cottage or space for suspected or confirmed COVID-19 Residents.
- c. Aerosol-generating procedures will be avoided unless determined to be necessary by a physician.
 - i. If unavoidable, the procedure should ideally be performed in an AIIR, if not possible, it will be performed in a closed room with a closed door while wearing appropriate PPE (e.g., gown, gloves, N95 or higher-level respirator, and eye protection).

CONFIRMED COVID-19 CASE (S)

1. Response priorities

- a. Any staff member who has been confirmed with COVID-19 will be immediately removed from the work schedule.
 - i. The Director of Nursing or designee shall immediately notify both the infection control personnel within the Home as well as the State health department.
 - ii. Staff may return to work when the following criteria are met
 - 1. At least seven (7) days have passed *since symptoms first appeared*; **AND**
 - 2. At least three (3) days (72 hours) have passed *since recovery*, defined as resolution of fever without the use of fever-reducing medications **AND** improvement in respiratory symptoms.
- b. Any Resident who has been confirmed with COVID-19 shall remain on standard, contact and droplet precautions with eye protection in use.
- c. All residents and staff shall be actively monitored for signs and symptoms of respiratory illness.
- d. The Home will continue to restrict visitors.
- e. Staff shall be observed for correct donning and doffing of PPE.
- f. All Residents and staff shall be reminded frequently of hand hygiene practices and respiratory etiquette.
- g. Environmental cleaning shall be enhanced for frequently touched surfaces.
- h. The Home shall provide frequent, transparent communication with public health.

2. Communication

- a. The Home will inform Residents, resident representatives and staff of confirmed case(s) with prepared communication materials.
- b. The response to confirmed case(s) shall be discussed with public health authorities.
- c. The Home's staff/leadership shall complete rounds on each shift to ensure staff has an opportunity to discuss concerns.
- d. The Home will coordinate public communications with state and local authorities.

3. Personal protective equipment (PPE)

- a. If PPE supply allows, the home shall implement the following
 - i. Universal masking of all staff and essential visitors
 - ii. HCP to wear all recommended PPE (gown, gloves, eye protection, face mask) for the care of all residents, regardless of presence of symptoms
- b. All Residents shall be kept in their rooms except for medically necessary purposes.

RESOURCES

¹Maryland Department of Health (2019). *2019 Novel Coronavirus (2019-nCoV) Outbreak*. <https://www.phpa.health.maryland.gov/Pages/Novel-coronavirus.aspx>

²Center for Disease Control and Prevention. *Interim Infection Prevention and Control Recommendations for Patients with Known or Patients Under Investigation for 2019 Novel Coronavirus (2019-nCoV) in a Health Care Setting*. https://www.cdc.gov/coronavirus/2019-ncov/infection-control/control-recommendations.html?CDC_AA_refVal=https%3A%2F%2Fwww.cdc.gov%2Fcoronavirus%2F2019-ncov%2Fhcp%2Finfection-control.html

³World Health Organization. *My 5 Moments for Hand Hygiene*. <https://www.who.int/infection-prevention/campaigns/clean-hands/5moments/en/>

⁴World Health Organization. *WHO Director-General's Opening Remarks at the media briefing on COVID-19 – 11 March 2020*. <https://www.who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-n-covid-19---11-march-2020>

World Health Organization. *Prevention and Control During Health Care when Novel Coronavirus (nCoV) infection is Suspected*. Interim Guidance. 25 January 2020. WHO/2019-nCoV/IPC/v2020.2

Maryland Department of Health. *Preparing for and Responding to COVID-19 in Long-Term Care and Assisted Living Facilities*. March 3, 2020. https://phpa.health.maryland.gov/IDEH/SharedDocuments/Preparing%20and%20Responding%20to%20COVID-19%20in%20LTC_final.pdf

INFECTION CONTROL – NOVEL CORONAVIRUS (2019-nCoV)

DESCRIPTION

In December 2019, Chinese health officials announced they were investigating a pneumonia outbreak of unknown etiology (cause) in the city of Wuhan, China. At that time, it was reported that many of the cases were linked to a seafood and animal market in Wuhan. Since then, health officials have reported that the outbreak was caused by a novel coronavirus, which was later named 2019-nCoV.¹

Since then, hundreds of cases have been reported and some cases have been fatal. Cases of 2019-nCoV have been identified elsewhere in China, and in other countries, including in the United States. While a majority of cases have been linked to the city of Wuhan, there is evidence of person-to-person spread both inside and outside of Wuhan.¹

There are many viruses in the coronavirus family that can cause illness in both humans and animals. Several coronaviruses commonly circulate among people all of the time, and cause mild to moderate illnesses, such as the common cold. Other coronaviruses commonly circulate only in animals. Rarely, animal coronaviruses can evolve and infect people and then spread between people as has been seen with MERS and SARS.¹

POLICY

It is the policy of the Home to ensure that Residents receive maximum protection from pathogenic organisms and infectious diseases.

PURPOSE

To control the spread of infection.

DEFINITIONS

Health Care Personnel(HCP) – refers to all persons, paid and unpaid, working in healthcare settings engaged in patient care activities, including: patient assessment for triage, entering examination rooms or patient rooms to provide care or clean and disinfect the environment obtaining clinical specimens, handling soiled medical supplies or equipment, and coming in contact with potentially contaminated environmental surfaces.

PROCEDURE

1. The Home shall monitor Residents, employees and visitors according to the Center for Disease Control and Prevention (CDC) guidelines.
2. The Home shall require all Person Under Investigation (PUI) to wear a surgical mask as soon as they are identified.

3. Patients in the United States who meet the following criteria should be evaluated as a Person Under Investigation (PUI) for 2019-nCoV.²

Clinical Features	&	Epidemiologic Risk
Fever or signs/symptoms of lower respiratory illness (i.e. cough or shortness of breath)	AND	Any person, including health care workers, who has had close contact with a laboratory-confirmed 2019-nCoV patient within 14 days of symptom onset
Fever and signs/symptoms of a lower respiratory illness (i.e. cough or shortness of breath)	AND	A history of travel from Hubei Province , China within 14 days of symptom onset
Fever and signs/symptoms of a lower respiratory illness (i.e. cough or shortness of breath) requiring hospitalization	AND	A history of travel from mainland China within 14 days of symptom onset.

Residents:

1. Nursing staff shall be in continuous communications with the physician when a Resident presents with symptoms of illness.
2. Any Resident who meets the criteria for a PUI shall immediately be placed under airborne precautions, preferably placed in an Airborne Infection Isolation Room (AIIR) if available.
 - a. If an AIIR is not available, a face mask shall be placed on the Resident. The Resident will then be isolated to a private room with the door closed.
3. Staff shall be instructed to use standard precautions, contact precautions, and airborne precautions with eye protection upon entering the room of a PUI.
4. The Director of Nursing or designee shall immediately notify both the infection control personnel within the facility as well as the State health department.
 - a. State health departments that have identified a PUI should immediately contact CDC's Emergency Operations Center (EOC) at 770-488-7100 and complete a 2019-nCoV PUI case investigation form.²
5. The Home, in coordination with the Department of Health shall coordinate transport of the PUI-Resident to a local hospital for further diagnosis and treatment.

Employees and Visitors:

1. Any Employee or visitor who enters the Home with illness symptoms stated above shall immediately be provided a face mask and screened, per CDC recommendations for 2019-nCoV.

2. If the employee and/or visitor meet the criteria set forth by the CDC, they shall immediately be placed under airborne precautions, preferably an Airborne Infection Isolation Room (AIIR) if available.
 - a. If an AIIR is not available, the PUI shall be placed into a private room with the door closed.
3. All persons entering the isolation room shall practice standard precautions, contact precautions, and airborne precautions with eye protection upon entering the room of a PUI.
4. The Director of Nursing, or designee shall immediately notify both the infection control personnel within the facility as well as the State health department.
 - a. State health departments that have identified a PUI should immediately contact CDC's Emergency Operations Center (EOC) at 770-488-7100 and complete a 2019-nCoV PUI case investigation form.²
5. The Home, in coordination with the Department of Health shall coordinate transport of the PUI to a local hospital for further diagnosis and treatment.

INFECTION PREVENTION AND CONTROL STRATEGIES TO PREVENT/LIMIT TRANSMISSION

The following strategies will be utilized with the intent of prevention and/or limit transmission of 2019-nCoV.

1. The Home will actively engage in ensuring efficient triage, early recognition, and source control.
 - a. All staff are encouraged to have a high level of clinical suspicion;
 - b. Institute the use of screening questionnaires according to the updated care definition:
 - i. [https://www.who.int/publications-detail/global-surveillance-for-human-infection-with-novel-coronavirus-\(2019-ncov\)](https://www.who.int/publications-detail/global-surveillance-for-human-infection-with-novel-coronavirus-(2019-ncov))
 - ii. <https://www.cdc.gov/coronavirus/2019-ncov/downloads/pui-form.pdf>
 - c. Post signs in public areas reminding staff and visitors to abstain from entering the building when experiencing symptoms of illness.
2. The Home shall apply standard precautions for all residents. See *Infection Control, Universal Precautions*
 - a. Ensure all Residents, employees and visitors are educated and encouraged to cover their nose and mouth with a tissue or elbow when coughing or sneezing.
 - b. Offer a medical mask to any person(s) with suspected 2019-nCoV infection immediately upon suspicion of illness.
 - c. Instruct and encourage all staff, visitors and Residents to perform hand hygiene routinely.
 - d. Health care workers should apply the World Health Organization (WHO)'s *My 5 Moments for Hand Hygiene* approach³

- i. Before touching a patient,
 - ii. Before any clean or aseptic procedure is performed,
 - iii. After exposure to body fluids,
 - iv. After touching a patient, and
 - v. And after touching patient's surroundings.
 - e. Hand hygiene includes either cleansing hands with an alcohol-based hand rub (ABHR) or with soap and water. See *Hand Hygiene*.
 - i. Alcohol-based had rubs are preferred if hands are not visibly soiled
 - ii. Wash hands with soap and water when hands are visibly soiled.
3. The Home shall implement additional empiric precautions (droplet, contact and airborne) for suspected cases of 2019-nCoV infection. See *Infection Control, Personal Protective Equipment*
- a. The Home shall limit the number of HCP, family members and visitors who are in contact with a suspected and/or confirmed 2019-nCov patient
 - b. A record of all persons entering the patients' room shall be maintained.
 - c. All individuals, including family members, visitors and staff will use contact, droplet, and airborne precautions with the use of Personal Protective Equipment (PPE) before entering the room of a PUI.
 - i. All individuals shall perform appropriate doffing and disposal of all PPE as well as perform hand hygiene upon exiting the isolation room. See *Infection Control, Personal Protective Equipment*
 - d. A PUI shall be placed in an adequately ventilated single room if an AIIR is not available.
 - i. When single rooms are not available, patients suspected of being infected with 2019-nCoV should be grouped together with the beds placed at least 1 meter apart.
 - e. When possible a team of HCP should be designated to care exclusively for PUI to reduce the risk of transmission.
 - f. Equipment should be either single-use and disposable or dedicated equipment (e.g. stethoscopes, blood pressure cuffs, and thermometers).
 - g. PUI's shall not be transported out of their room unless medically necessary.
 - i. Transportation of a PUI, if necessary shall be coordinated with the assistance of the State health department and CDC.
 - h. Duration of Isolation Precautions for PUI's and confirmed 2019-nCoV patients shall continue:
 - i. Until information is available regarding viral shedding after clinical improvement, discontinuation of isolation precautions should be determined on a case-by-case basis, in conjunction with local, state, and federal health authorities.²

- i. In the event of aerosol-generating procedures, such as tracheal intubation, non-invasive ventilation, tracheotomy, cardiopulmonary resuscitation, and manual ventilation before intubation are performed, all persons involved shall:
 - i. Perform procedures in an adequately ventilated room;
 - ii. Use airborne precautions with PPE selection to include the use of a particulate respirator(N-95)
4. The Home shall implement administrative controls
 - a. Provide adequate training for HCP
 - b. Ensuring adequate patient-to-staff ratio
 - c. Establishing a surveillance process for acute respiratory infections potentially causes by 2019-nCoV among HCP
 - d. Ensuring that HCP understand the importance of promptly seeking medical care
 - e. Monitoring HCP compliance with standard precautions and providing mechanisms for improvement as needed.
 - f. Implement mechanisms and policies that promptly alert key facility staff including infection control, healthcare epidemiology, facility leadership, occupational health, clinical laboratory, and frontline staff about known or suspected 2019-nCoV patients
5. The Home shall use environmental and engineering controls
 - a. Ensure that cleaning and disinfection procedures are followed consistently and correctly.
 - b. Manage laundry, food service utensils and medical waste in accordance with safe, routine procedures.
 - c. Routine cleaning and disinfection procedures (e.g., using cleaners and water to pre-clean surfaces prior to applying an EPA-registered, hospital-grade disinfectant to frequently touched surfaces or objects for appropriate contact times as indicated on the product's label) are appropriate for 2019-nCoV in healthcare settings, including those patient-care areas in which aerosol-generating procedures are performed. Products with EPA-approved emerging viral pathogens claims are recommended for use against 2019-nCoV. These products can be identified by the following claim: ²
 - i. “[Product name] has demonstrated effectiveness against viruses similar to 2019-nCoV on hard non-porous surfaces. Therefore, this product can be used against 2019-nCoV when used in accordance with the directions for use against [name of supporting virus] on hard, non-porous surfaces.” ²
 - ii. This claim or a similar claim will be made only through the following communications outlets: technical literature distributed

exclusively to health care facilities, physicians, nurses and public health officials, “1-800” consumer information services, social media sites and company websites (non-label related). Specific claims for “2019-nCoV” will not appear on the product or master label.²

- iii. See additional information about EPA-approved emerging viral pathogens at <https://www.cdc.gov/coronavirus/2019-nCoV/hcp/infection-control.html>²
 - d. If there are no available EPA-registered products that have an approved emerging viral pathogen claim for 2019-nCoV, products with label claims against human coronaviruses should be used according to label instructions.²
 - e. Management of laundry, food service utensils, and medical waste should also be performed in accordance with routine procedures.
6. The Home shall train and educate HCP
- a. Provide HCP with job or task-specific education and training on preventing transmission of infectious agents, including refresher training.
 - b. Ensure the HCP are educated, trained, and have practiced the appropriate use of PPE prior to caring for a patient, including attention to correct use of PPE and prevention of contamination of clothing, skin, and environment during the process of removing such equipment.

RESOURCES

¹ Maryland Department of Health (2019). *2019 Novel Coronavirus (2019-nCoV) Outbreak*. Phpa.health.maryland.gov/Pages/Novel-coronavirus.aspx

² Center for Disease Control and Prevention. *Interim Infection Prevention and Control Recommendations for Patients with Known or Patients Under Investigation for 2019 Novel Coronavirus(2019-nCoV) in a Health Care Setting*. [cdc.gov/coronavirus/2019-nCoV/hcp/infection-control.html#](https://www.cdc.gov/coronavirus/2019-nCoV/hcp/infection-control.html#)

³ World Health Organization. *My 5 Moments for Hand Hygiene*. Who.int/infection-prevention/campaigns/clean-hands/5moments/en/

World Health Organization. *Infection Prevention and Control During Health Care when Novel Coronavirus(nCoV) Infection is Suspected*. Interim Guidance. 25 January 2020. WHO/2019-nCoV/IPC/v2020.2

INSULIN INJECTION, SUBCUTANEOUS – PEN DEVICE

POLICY

Insulins are administered via subcutaneous injections using an Insulin Pen Device by licensed nurses when ordered by a physician.

PURPOSE

To safely administer insulin.

PROCEDURE

Pen devices shall never be shared between Residents.

Pen devices shall be stored and discarded according the manufacturer recommendations.

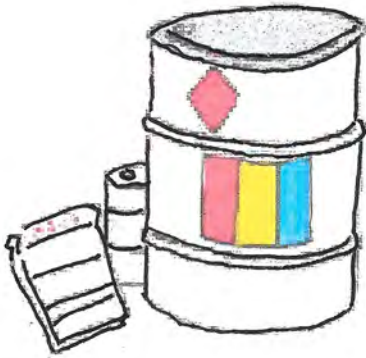
1. Greet Resident and explain procedure.
2. Assemble supplies:
 - a. Insulin Pen
 - b. Needle that fits insulin pen (Note that needles are sent from the pharmacy for each Resident and reordered accordingly)
 - c. Gloves
 - d. Alcohol wipes
3. Obtain the Resident's MAR, compare medication label with the MAR for accuracy.
4. Assess the Resident for signs and symptoms of hypoglycemia and altered eating patterns. Check the blood sugar as warranted or ordered prior to insulin administration. (see *Glucose Testing/Glucometer*)
5. Check the expiration date prior to administration ensuring it is within the usage date (as recommended by the manufacture). Expired insulin should be discarded immediately Pens without an open date recorded should be discarded.
6. Roll the pen between the palms gently at least ten (10) times. Mix cloudy insulins such as 70/30 by gently inverting the pen up and down at least ten (10) times.
7. Wash hands thoroughly, apply gloves.
8. Remove the cap from the pen device and wipe top with an alcohol wipe.
9. While holding the pen device up, remove the tab from the needle and insert onto the pen, screw on tightly.
10. Remove the outer cap.
11. Turn dose dial to two (2). Tap gently on the pen device then fully push delivery button as far as it will go. You should see the insulin in the chamber or a drop on the needle. If you do not, you may repeat up to six (6) times. After the air shot the dial should return to zero (0).

INSULIN INJECTION, SUBCUTANEOUS – PEN DEVICE

12. Provide privacy and expose site to be injected
 - a. Usual sites of subcutaneous injection administrations are the outer surfaces of the upper arm, the muscular portion of the thigh, and abdomen.
13. Dial the dose to be delivered.
14. Cleanse injection site area with alcohol wipe. Pinch the skin up at selected site.
15. Inject needle at forty-five (45) to ninety (90) degree angle.
16. Fully depress delivery button and leave in place for at least six (6) seconds after the last click is heard.
17. Keep button depressed until removed from the skin.
18. There may be a wet spot on the skin. This is from the air shot. The dial should return to zero (0) after administration.
19. Remove the needle from the pen device and dispose in a sharps container.
20. Replace the cap on the pen device.
21. Remove gloves and wash hands thoroughly.
22. Document administration on the Medication Administration Record (MAR)

Little Sisters of the Poor

Hazard Communication Program



Hazard Communication

The Little Sisters of the Poor (LSP) have an effective Hazard Communication Program in which each element is modified to reflect our Home's operations, processes and administrative responsibilities.

Modification is the initial step to having a Hazard Communication Program. To be effective, the policies and procedures must be fulfilled as written, and documentation maintained as evidence for at least 1 year.

Program Elements

The Home of LSP, whose employees work with or be exposed to hazardous substances, must provide information about these materials. A hazard communication program that addresses the elements listed below can accomplish this.

- **Hazard Communication Policy**
- **Container Labeling**
- **Secondary Use Containers**
- **Safety Data Sheets**
- **Employee Information and Training**
- **List of Hazardous Substances by Work Area**
- **Hazardous Non-Routine or Seasonal Jobs**
- **Hazardous Substances Transported in Pipes**
- **Informing Contractors**
- **Employee Acknowledgement**

POLICY

Our production processes require the use of hazardous substances that have some risks associated with them.

Each employee is provided with a copy of policy statement and new employees are given a copy during the orientation process. The Hazard Communication Program is discussed during the safety meeting

PURPOSE

The Home of the Little Sisters of the Poor strives to eliminate or reduce the possibility of harm from hazardous substances to our employees, Residents and visitors.

PROCEDURE

- A. The Safety Officer is responsible for developing, implementing and monitoring the Hazard Communication Program.

In our efforts to provide a safe and healthful workplace, information about hazardous substances used in our Home, employees are provided access to substance Safety Data Sheets (SDS). We feel it is in our employee's best interest to review this information. This information is also available to their physician.

Share the Container Labeling Policy with all employees to ensure everyone understands that it is each individual's responsibility to ensure containers are properly labeled.

B. CONTAINER LABELING

It is the policy of the Home that our employees will release no container of hazardous substance for use until the following container label information is verified.

- Containers are clearly labeled as to the contents.
- Appropriate hazard warnings are provided.
- The name and address of the manufacturer/importer or other responsible party are listed.

The responsibility for ensuring containers are properly labeled is assigned to the Housekeeping and Maintenance Supervisors.

The container label is the first source of product information, but it will not have all the information you should know about a hazardous substance. The best source of information is the **Safety Data Sheet (SDS)**.

Container labels provide:

1. Basic Warnings & Information such as,
 - List the substance name
 - Warnings like, "Keep away from flames", "Avoid breathing vapors", "avoid contact with skin"
 - Hazardous ingredients
 - Caution Sign – signifies least hazardous material
 - Warning Sign – more hazardous material
 - Danger Sign – most hazardous material
 - Manufacturer name and address
2. First Aid Procedures
3. Fire Response
4. Spill Response
5. Handling/Storage Methods
6. Proper Disposal Practices

C. PORTABLE / SECONDARY USE CONTAINERS

When a chemical is purchased, the container is received as the primary container and typically will already have an appropriate label. Any container that the chemical is transferred into is a secondary container. Both primary and secondary containers need to be labeled properly, unless the chemical in the secondary container is intended for immediate use, in its entirety, by the employee who performed the transfer.

Secondary container labels should have the name(s) of the chemical(s) in the container as well as hazard warnings and information specific to the contents.

The department supervisor will ensure all secondary use containers are labeled with an extra copy of the original manufacturer's label or with generic labels identifying the hazardous substance and appropriate hazard warnings.

Provide employees with this section during training and review it with them. Also, provide an SDS to help them recognize the different sections of an SDS and the information provided.

D. SAFETY DATA SHEETS (SDS)

Copies of SDS's for hazardous substances employees may work with or be exposed to be kept in the following location(s).

Maintenance
Nursing

Housekeeping
Safety Officer

The Safety Officer is responsible for obtaining and maintenance of the data sheet system and for reviewing incoming data sheets for new and significant health / safety information. Any new information concerning a hazardous substance will be passed onto affected employees within 30 days of receipt.

SDS's are available for review by all employees. If SDS's are not available or new hazardous substance(s) do not have an SDS, contact the Safety Officer immediately.

The following sections are contained on an SDS:

1. Product Identification
2. Hazardous Ingredients
3. Physical Data
4. Fire / Explosion Data
5. Health Hazards
6. Spill or Leak Containment Procedures
7. Special Protection
8. Special Precautions

The Safety Officer will review SDS's for completeness. If an SDS is missing information, a new SDS will be requested in writing from the manufacturer or importer.

The SDS's will follow a uniform format that includes different section numbers, headings and associated information. The headings are below:

- Section 1 – Identification
- Section 2 – Hazard Identification
- Section 3 – Composition / Information on Ingredients
- Section 4 – First Aid Measures
- Section 5 – Fire Fighting Measures
- Section 6 – Accidental Release Measures
- Section 7 – Handling & Storage
- Section 8 – Exposure Controls / Personal Protective Equipment
- Section 9 – Physical & Chemical Properties
- Section 10 – Stability & Reactivity
- Section 11 – Toxicological Information
- Section 12 – Ecological Information

Section 13 – Disposal considerations
Section 14 – Transport Information
Section 15 – Regulatory Information
Section 16 – Other Information

E. REQUESTING A SDS OR MISSING INFORMATION ON A SDS:

Within seven (7) working days after noting a missing Safety Data Sheet or missing information on a SDS, make a written request to the manufacturer or importer of the hazardous substance responsible asking that they provide a complete SDS.

Employee Information and Training

Each employee will attend a hazard communication program orientation. The training will be provided to:

- New employees prior to initial assignment, and
- Whenever a new hazard is introduced into their work area.
- Employees will be informed of their right: To personally receive information regarding hazardous substances to which they may be exposed.
- For their physician to receive information regarding hazardous substances to which the employee may be exposed according to provisions of this section.

Follow-up training will be conducted:

- Annually thereafter for all employees, or
- Within 30 days if new or revised SDS's are received.

Information and training will consist of the following topics:

- Annually thereafter for all employees, or
- Within 30 days if new or revised SDS's are received.

Information and training will consist of the following topics:

- Identification of work areas where hazardous substances are used.
- Location and availability of the Hazard Communication Program, including the list(s) of hazardous substances and SDS's.
- How to detect the presence or release of a hazardous substance in a work area (visual appearance, odor). This information is provided on the Safety Data Sheet.
- Physical and health effects of the hazardous substances in the work area and the measures employees can take to protect themselves from these hazards, including specific procedures the company has implemented to protect employees from exposure to hazardous substances. This may include work practices, emergency procedures and use of personal protective equipment.
- How to read labels and review SDS's to obtain appropriate hazard, first aid and health information.
- Emergency and first aid procedures to follow if employees are exposed to hazardous substance(s).
- It is critical that employees understand the training. If employees have any questions, please ask!

- Safety Data Sheets may be kept in any form, including operating procedures, and may be designed to cover groups of hazardous substances in a work area where it may be more appropriate to address the hazards of a process rather than individual hazardous substances.
- After the training, have employees sign the acknowledgement statement and place it into the safety file or individual employee personnel file.
- Provide all employees with the following information from the company's Hazard Communication Program:
 - Hazard Communication Policy
 - Container Labeling
 - Secondary Container Labeling
 - Explanation of Information Provided on an SDS
 - Employee Rights for Hazard Communication Program
 - List of Hazardous Substances by Department
 - Identify Location of SDS Binders

Employee Acknowledgement

In compliance with OSHA's Hazard Communication Standard, employees are trained when they may come in contact with recognized hazardous substances:

1. Employees are shown Safety Data Sheets for hazardous substances they may come in contact, and given a written and verbal explanation of information provided in each section of a SDS.
2. Employees are made aware of their right to access Safety Data Sheets.
3. Employees are shown the location of Safety Data Sheets for hazardous substances and the Hazard Communication Program.
4. Employees are shown the different types of labels used on containers and the information presented.

My signature acknowledges I have received the training described above. I am familiar with the information presented on the Safety Data Sheets.

I understand I also have the right to access the Safety Data Sheets for hazardous substances to which I may be exposed.

Employee's Name: _____
(Print)

Employee's Signature: _____

Department: _____

Date: _____

Little Sisters of the Poor
OXYGEN THERAPY, NASAL CANNULA

POLICY

Oxygen (O₂) is administered by a licensed nurse. In an emergency, a nurse may administer O₂ and obtain an order within twenty-four (24) hours.

Acceptable oxygen delivery methods are via oxygen concentrator and compressed oxygen gas. **Due to serious safety hazards, liquid oxygen (also referred to as “LOX”) is not permitted for use in the Homes within the Chicago Province.**

PURPOSE

To improve oxygenation and provide comfort to Residents experiencing respiratory difficulties.

PROCEDURE

1. Greet Resident and explain procedure and safety precautions.
2. Assemble supplies:
 - a. O₂ tank with protective head removed and screw handle in place.
 - b. Metal bar with flow meter and O₂ gauge attached.
 - c. Pre-filled humidifier bottle, if applicable.
 - d. Add adaptor if needed.
3. Provide privacy.
4. Wash hands before and after procedure.
5. Attach flow meter and O₂ gauge to oxygen tank.
6. If applicable, attach pre-filled humidifier bottle to flow meter.
7. Attach nasal cannula tubing to humidifier bottle.
8. Twist O₂ screw head to turn on oxygen and adjust flow meter to prescribed rate. Check O₂ gauge for amount of oxygen remaining in tank.
9. Place prongs of nasal cannula in Resident's nares and adjust strap around ears and under chin.
10. When cannula becomes soiled with secretions, it is to be changed.
11. Replace pre-filled humidifier bottle when almost empty.
12. Document in Progress Notes any adverse reactions or treatment refusal, and inform Supervisor and Director of Nursing of any change in condition.

Safe Storage of Hazardous Chemicals

POLICY

The Little Sisters of the Poor provide a safe environment for staff and Residents by meeting the requirements of OSHA for safe storage of chemicals.

PURPOSE

1. To save lives, prevent injuries and protect the health of everyone in the Home.
2. To promote worker safety and health that apply to every workplace, including Residential care, Assisted Living and Nursing Homes.
3. To minimize exposure, using proper control measures, and not underestimate risks.

PROCEDURE

1. The Home trains Staff on the Hazards of chemicals with which they work upon initial assignment and whenever a new hazard is introduced.
2. All hazardous chemicals are kept under lock and key unless in use.
3. Hazardous materials are never left open, even in storage.
4. Each chemical container, including secondary containers, is properly labeled as to its contents and hazardous properties.
5. Hazardous materials are never left on counters, in housekeeping carts, etc. without direct supervision.
6. The Home has a list of all of the hazardous chemicals (including disinfectants, cleaners, compressed gases, medications (i.e., injectable liquids, creams, sprays) and the inventory is up-to-date.
7. The Home maintains a current (Material) Data Safety Sheet [(M)SDA] for every hazardous material, chemical and/or medication in use and are readily available to all personnel
8. The Home has a written Hazard Communications Program outlining the policies noted above.
9. The Home maintains training records outlining who was trained and what topics were covered.
10. Every precaution is taken to prevent unauthorized use of hazardous materials, especially possible access to Elderly Residents in the Home who may ingest it.
11. Inquiries concerning hazardous and toxic substances should be referred to the safety officer.
12. Failure of any staff member to follow the Home's safety/hazardous requirements will result in coaching and/or disciplinary action. Report all violations immediately.

SCANNING CLINICAL DOCUMENTS

PURPOSE

To establish policy, procedures, and responsibilities for scanning clinical documents into PointClickCare, the electronic health record (EHR), and access to the scanned documents.

POLICY

The Home is committed to creating an environment that promotes and fosters the use of the electronic health records by defining policies, objectives, and responsibilities for the scanning of documents related to resident care. It is important to define what documents will be scanned into the EHR and how these documents will be indexed.

RESPONSIBILITIES

The Director of Nursing, or designee, is responsible for approving requests for document scanning and monitoring image quality. All staff members with scanning responsibilities are trained in Standard Operating Procedures (SOP) as they relate to scanning and in the use of scanning equipment.

Staff members scanning documents will ensure that the document is attached to the appropriate category and resident, and that image quality meets necessary standards.

The Director of Nursing or designee will be responsible for tracking and monitoring quality/quantity of scanned documents into the electronic health record (EHR) according to facility policy.

The Director of Nursing or Assistant Director of Nursing (ADON) will be the only facility staff members with the security rights to delete a scanned image. In the event a document is scanned to the incorrect chart, it will be reported to the Director of Nursing or ADON. Errors noted by staff located outside of EHR will be brought to the attention of the Director of Nursing or ADON.

PROCEDURE

1. Any document received by Medical Records will be checked against the list of approved documents for appropriateness and then scanned. *See below list of approved documents for scanning.* For instructions on uploading scanned documents into PointClickCare, refer to PointClickCare's guide titled, "Online Documentation Storage User Guide"; login into PointClickCare, go to "Help" on the gold sidebar, click on "Solutions", select "Reference Guides," and download the guide.
2. If Medical Records encounters a document that is not listed on the approved scanning list or questions a document he/she receives, the form will be referred to the Director of Nursing or ADON for a decision on whether the document is appropriate for scanning.

3. The “Upload Date” is the date the document is scanned into the EHR.
4. Only the final, signed document will be scanned. Prior to scanning, the record should be checked to see if the document has already been scanned.
5. Once scanned the external (paper) documents will be marked “Scanned”, dated, and initialed on the top right side of the document by Medical Records, and filed into the original paper medical record. If the resident’s only record is electronic, a medical record will be established and the document filed into the paper record.
Note: The original scanned document will continue to be filed within the resident’s medical record folder for a period of 30 days. These documents then can be destroyed per the Home’s destruction policy.
6. Quality checks of the scanned image will be conducted by Medical Records at the time of scanning for adjustment of image resolution, review positioning and legibility.
7. If the document being scanned is of poor quality, Medical Records will attempt to attain a better copy by requesting this from the original source. If this is not possible, the image will be enhanced as best as possible with the tools available. If the document is illegible, the individual scanning the document is to write, “Original Illegible” close to the area that is illegible.
8. If scanning multiple pages with information on both sides (front and back) and one page does not have any information, write “Intentionally Blank” or “Intentionally Left Blank” on the page prior to scanning.
9. Residents may present protected health information (PHI) on different media, e.g., CD, USB flash drive, from other healthcare providers or facilities. The Home will accept the medium presented by the resident and the PHI will be forwarded to the resident’s primary provider for review and should extract what is pertinent to be entered into PCC. This is a mandatory process which shall be followed:
 - a. If scanning is available, the information will be printed off; with primary provider initialing that the information has been reviewed and forwarded to the medical records department for scanning into the EHR.
 - b. Once this information has been scanned, this information will be filed in the resident’s original paper medical record; follow instructions outlined in Step 5 above.
 - c. If scanning is unavailable, a hard copy of this information will be printed off; the primary provider initialing that the information has been reviewed. Then it will be forwarded to the medical records department for data entry, and the medical records department shall file this in the original resident’s medical record.

Procedure for Document Scanning Errors (if scanned document attached to the wrong resident record, etc.)

1. Medical Records will contact the Director of Nursing or ADON.
2. The Director of Nursing or ADON will delete the incorrect image(s).

Approved Documents For Scanning:

- Advance Directives
- Audiology
- Clinic Sheets/Consult Reports
- Consent Forms (e.g. Psychotropic, Side Rails)
- Dental
- Diagnostic Tests / Radiology / EKG's
- Discharge Summaries
- History & Physical (H&P)
- Inventory of Personal Effects
- Laboratory and Path/Cytology Reports
- Operative Reports
- Ophthalmology/Optometry
- Physician Orders, Signed (Order Summary, Telephone Order forms)
- Podiatry
- System(s) Down time (CNA documentation, Assessments, etc.)
- Therapy (Physical, Occupational, etc.)

Document(s) must be signed/initialed prior to scan and upload of document(s) into resident's electronic health record. Signatures/Initials include reviewing physician(s), resident/responsible party, etc.

SKIN ASSESSMENT

POLICY

To perform a full body skin assessment as part of our systematic approach to pressure injury prevention and management.

PURPOSE

To maintain the Resident's skin integrity by preventing pressure injury.

PROCEDURE

1. A full body, or head to toe, skin assessment will be conducted by a licensed or registered nurse upon admission/re-admission, and weekly thereafter. The assessment may also be performed after a change of condition or after any newly identified pressure injury.
2. Procedure:
 - a. Wash hands.
 - b. Explain the procedure to the resident.
 - c. Provide privacy and adequate lighting.
 - d. Put on gloves.
 - e. Begin head to toe, thoroughly examining the resident's skin for conditions. Pay close attention to pressure points, bony prominences, and underneath medical devices.
 - f. Remove any special garments or devices, if not contraindicated or ordered to remain in place.
 - g. Remove any dressings, using clean technique, and note findings.
 - h. Note any skin conditions such as redness, bruising, rashes, blisters, skin tears, open areas, ulcers, and lesions.
 - i. Dispose of contaminated items safely.
 - j. Remove gloves and perform hand hygiene prior to leaving room.
3. Consider the general status of the resident's skin.
 - a. Color.
 - b. Temperature.
 - c. Moisture status.
 - d. Sensory perception.
 - e. Skin texture/turgor.
 - f. Perfusion.
4. Considerations for a resident with darkly pigmented skin:
 - a. It is not always possible to identify redness on darkly pigmented skin.

- b. Indicators of early pressure damage:
 - i. Localized heat
 - ii. Edema
 - iii. Bogginess
 - iv. Induration
 - v. Temperature differences of surrounding skin
 - vi. Skin discoloration
5. Considerations for a bariatric resident:
- a. Perform assessment with at least one other staff member to assist with mobility and positioning of body parts.
 - b. Approach resident in a manner that promotes dignity and respect.
 - c. Thoroughly inspect each surface of a skin fold.
 - d. Consider moisture and weight exerted by opposing skin and/or body parts (i.e. abdominal pannus) when determining pressure versus moisture related etiology. Pressure injuries may result from tissue pressure of high concentration of adipose tissue, and may be in areas other than bony prominences.
6. Differentiating the extent of redness
- a. Blanchable erythema (redness) loses its redness when a finger is pressed on the erythema for 3 seconds and released. Blanching is assessed following the removal of the finger.
 - b. Non-blanchable erythema (redness) persists when touched.
7. Documentation of skin assessment will be completed within the Resident's electronic health record.

References:

1. Centers for Medicare & Medicaid Services, Dept. of Health and Human Services. *State Operations Manual, Appendix PP: Guidance to Surveyors for Long Term Care Facilities* (November 2017). 42 C.F.R. 483.25(b)(1)(i)(ii), F686 – Treatment/Services to Prevent/Heal Pressure Ulcers.
2. Wound, Ostomy, and Continence Nurses Society (2016). *Guideline for Prevention and Management of Pressure Ulcers (injuries) WOCN Clinical Practice Guideline Series 2*. Mt. Laure. NJ: Ratliff, Catherine and Droste, Linda (primary authors).

SMOKING

POLICY

The Homes of the Little Sisters of the Poor are non-smoking facilities. The Residents and employees may only smoke in designated areas.

PURPOSE

To provide a safe and healthy smoke-free environment, promoting health and well-being of employees and Residents.

DEFINITIONS

“**Smoking**” is defined as the act of lighting, smoking or carrying a lighted or smoldering cigar, cigarette or pipe of any kind

“**Vaping**” refers to the use of electronic nicotine delivery systems or electronic smoking devices such as e-cigarettes, e-pipes, e-hookahs and e-cigars.

PROCEDURE

1. Smoking and vaping by staff members is prohibited inside the Home. Staff members may smoke or vape outside of the building in designated areas. Staff members are allowed a thirty (30) minute lunch break and an additional twenty (20) minute break.
2. Residents coming into the Home will be assessed for their smoking competency to ensure safety for themselves and others.
3. Residents who are determined by assessment that they are in need of supervision while smoking/vaping will be provided supervised smoking breaks in the appropriate designated smoking area. Residents may be supervised by a Little Sister, employee, family member and/or volunteer as assigned.
4. Any Resident of the nursing facility that is assessed as being in need of supervision will have their smoking/vaping supplies held at the nursing station and these supplies will be picked up by the person who will be supervising the Resident smoking/vaping and will be returned to the nursing station for storage in between assigned smoking times.
5. Any Resident, after being assessed as being able to smoke without supervision, may keep smoking/vaping supplies in their room and/or on their person.
6. Smoking and vaping is prohibited in any hazardous location and in any room or compartment where flammable liquids, combustible gases, or oxygen are stored and used.
7. Ashtrays of non-combustible material and safe design are provided in areas where smoking is permitted.

Reference:

- NFPA 101 Life Safety Code Handbook, 2012 edition, section 19.7.4

Little Sisters of the Poor
TRAUMA INFORMED PRACTICE

POLICY

Trauma Informed Care

PURPOSE

To ensure that Home's policies and practices reflect a commitment to trauma-informed care for our elderly population and staff based on an understanding of vulnerabilities or triggers of trauma survivors. Trauma-informed care is an important component of enacting out commitment to person-centered care through which we offer individualized support and services that are responsive to our resident's wishes and goals. St. Martin's Home will create and maintain a safe, calm and secure supportive care environment, a system with an understanding of trauma-informed practice.

DEFINITIONS

Trauma: Traumatic experiences can be dehumanizing, shocking or terrifying, singular or multiple compounding events over time and often include betrayal of a trusted person or institution and a loss of safety. Trauma can result from experiences of violence. Trauma includes physical, sexual or institutional abuse, neglect, intergenerational trauma and disasters that induce powerlessness, fear, recurrent hopelessness and a constant state of alert. Trauma impacts one's spirituality and relationships with self, others, communities and environment, often resulting in recurring feelings of shame, guilt, rage, isolation and disconnection.

TRAUMA-INFORMED CARE

As an approach that appreciates that healing impossible, trauma-informed care engages people with histories of trauma, recognizes the presence of trauma symptoms and acknowledges the role that trauma has played in their lives. This approach seeks to shift the paradigm from one that asks "What's wrong with you?" to one that asks "What has happened to you?" Home will assess and include a basic understanding of how trauma affects the life of an individual.

PROCEDURE GUIDELINES

1. Each resident will be screened for a history of trauma upon admission, intake, assessment and documentation of trauma-related experiences.
2. The Homes' social worker or designee will conduct the screening in a private setting.
3. If the screening indicates that the resident has a history of trauma and/or trauma-related symptoms, a physician's order will be obtained for the resident to be evaluated by a mental health professional who is experienced in working with those exposed to trauma. The mental health professional should be licensed to assess, diagnose and treat the resident accordingly.
4. Once the physician's order is received, the social worker or designee will place the referral to the mental health professional. The ongoing process allows for the gathering of new trauma-related information leading to potential changes in diagnosis as well as appropriate treatment, objectives, goals and services.

5. A high priority is placed on assessing the resident's perception of safety, choice, collaboration, trust and empowerment.
6. The resident's voice and choice are represented and encouraged.
 - a. The resident's receive information about their rights. Home ensures that they participate fully in making informed decisions about every aspect of their care along with Resident Representative.
7. Our Home places a high emphasis on the active participation in all trauma-informed care efforts.
8. All staff in Home are educated about what it means to be a trauma-informed care facility.
 - a. Hiring practices indicate that candidates who have training and experience in trauma related interventions are highly valued and preferred and job performance evaluations and behaviors that are aligned with trauma-informed care principles.
 - b. All staff receives training in trauma evidence-based and emerging best practices on an ongoing basis. Support staff receives ongoing training, performance evaluations and supervisory assistance in integrating trauma-informed care principles in their work.
 - c. The Home recognizes that staff success and satisfaction with their work might be affected by their personal trauma histories and compassion fatigue. Home creates an environment that is safe and comfortable for staff to share personal and work related stressors and receive support through supervision and Human Resources. Human Resources will provide education to exercise awareness about the impact of stress at work, work on performance and develop personally meaningful and useful stress management.
9. The Home will create Safe and Secure Environments for all Resident's and staff.
 - a. Home has a system in place to identify and implement policies, procedures, environmental conditions, activities, social climate, documentation and treatment practices that promote a safe and secure environment in order to reduce the likelihood of re-traumatization or re-victimization.
 - b. The Home has a system in place for our Resident's, staff and family to "safely" let the leadership team know when practices, interpersonal interactions and the environment are unsafe and inconsistent with trauma-informed care without fear or reprisal. The Home ensures that staff is educated and trained in using trauma-informed care approaches to prevent and manage incidents that create serious emotional distress for both Residents and staff.

Home recognizes that seclusion, restraints or overuse of medication to control a person's behavior can result in re-traumatization or re-victimization. Thus, there is a system in place to utilize non-coercive approaches that promote empowerment, choice and involvement of Residents, families, and staff. The Home has a QAPI in place to regularly measure Trauma-Informed Care and its performance in the Home. Home is committed to full implementation of the trauma-informed care requirements pertain to comprehensive person-centered care planning, quality of care, our mission as Little Sisters of the Poor and behavioral health.

Little Sisters of the Poor
OXYGEN THERAPY, NASAL CANNULA

POLICY

Oxygen (O₂) is administered by a licensed nurse. In an emergency, a nurse may administer O₂ and obtain an order within twenty-four (24) hours.

Acceptable oxygen delivery methods are via oxygen concentrator and compressed oxygen gas. **Due to serious safety hazards, liquid oxygen (also referred to as “LOX”) is not permitted for use in the Homes within the Chicago Province.**

PURPOSE

To improve oxygenation and provide comfort to Residents experiencing respiratory difficulties.

PROCEDURE

1. Greet Resident and explain procedure and safety precautions.
2. Assemble supplies:
 - a. O₂ tank with protective head removed and screw handle in place.
 - b. Metal bar with flow meter and O₂ gauge attached.
 - c. Pre-filled humidifier bottle, if applicable.
 - d. Add adaptor if needed.
3. Provide privacy.
4. Wash hands before and after procedure.
5. Attach flow meter and O₂ gauge to oxygen tank.
6. If applicable, attach pre-filled humidifier bottle to flow meter.
7. Attach nasal cannula tubing to humidifier bottle.
8. Twist O₂ screw head to turn on oxygen and adjust flow meter to prescribed rate. Check O₂ gauge for amount of oxygen remaining in tank.
9. Place prongs of nasal cannula in Resident's nares and adjust strap around ears and under chin.
10. When cannula becomes soiled with secretions, it is to be changed.
11. Replace pre-filled humidifier bottle when almost empty.
12. Document in Progress Notes any adverse reactions or treatment refusal, and inform Supervisor and Director of Nursing of any change in condition.

Safe Storage of Hazardous Chemicals

POLICY

The Little Sisters of the Poor provide a safe environment for staff and Residents by meeting the requirements of OSHA for safe storage of chemicals.

PURPOSE

1. To save lives, prevent injuries and protect the health of everyone in the Home.
2. To promote worker safety and health that apply to every workplace, including Residential care, Assisted Living and Nursing Homes.
3. To minimize exposure, using proper control measures, and not underestimate risks.

PROCEDURE

1. The Home trains Staff on the Hazards of chemicals with which they work upon initial assignment and whenever a new hazard is introduced.
2. All hazardous chemicals are kept under lock and key unless in use.
3. Hazardous materials are never left open, even in storage.
4. Each chemical container, including secondary containers, is properly labeled as to its contents and hazardous properties.
5. Hazardous materials are never left on counters, in housekeeping carts, etc. without direct supervision.
6. The Home has a list of all of the hazardous chemicals (including disinfectants, cleaners, compressed gases, medications (i.e., injectable liquids, creams, sprays) and the inventory is up-to-date.
7. The Home maintains a current (Material) Data Safety Sheet [(M)SDA] for every hazardous material, chemical and/or medication in use and are readily available to all personnel
8. The Home has a written Hazard Communications Program outlining the policies noted above.
9. The Home maintains training records outlining who was trained and what topics were covered.
10. Every precaution is taken to prevent unauthorized use of hazardous materials, especially possible access to Elderly Residents in the Home who may ingest it.
11. Inquiries concerning hazardous and toxic substances should be referred to the safety officer.
12. Failure of any staff member to follow the Home's safety/hazardous requirements will result in coaching and/or disciplinary action. Report all violations immediately.

SCANNING CLINICAL DOCUMENTS

PURPOSE

To establish policy, procedures, and responsibilities for scanning clinical documents into PointClickCare, the electronic health record (EHR), and access to the scanned documents.

POLICY

The Home is committed to creating an environment that promotes and fosters the use of the electronic health records by defining policies, objectives, and responsibilities for the scanning of documents related to resident care. It is important to define what documents will be scanned into the EHR and how these documents will be indexed.

RESPONSIBILITIES

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Staff members scanning documents will ensure that the document is attached to the appropriate category and resident, and that image quality meets necessary standards.

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PROCEDURE

1. Any document received by Medical Records will be checked against the list of approved documents for appropriateness and then scanned. *See below list of approved documents for scanning.* For instructions on uploading scanned documents into PointClickCare, refer to PointClickCare's guide titled, "Online Documentation Storage User Guide"; login into PointClickCare, go to "Help" on the gold sidebar, click on "Solutions", select "Reference Guides," and download the guide.
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Procedure for Document Scanning Errors (if scanned document attached to the wrong resident record, etc.)

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- Discharge Summaries
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- Inventory of Personal Effects
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SKIN ASSESSMENT

POLICY

To perform a full body skin assessment as part of our systematic approach to pressure injury prevention and management.

PURPOSE

To maintain the Resident's skin integrity by preventing pressure injury.

PROCEDURE

1. A full body, or head to toe, skin assessment will be conducted by a licensed or registered nurse upon admission/re-admission, and weekly thereafter. The assessment may also be performed after a change of condition or after any newly identified pressure injury.
2. Procedure:
 - a. Wash hands.
 - b. Explain the procedure to the resident.
 - c. Provide privacy and adequate lighting.
 - d. Put on gloves.
 - e. Begin head to toe, thoroughly examining the resident's skin for conditions. Pay close attention to pressure points, bony prominences, and underneath medical devices.
 - f. Remove any special garments or devices, if not contraindicated or ordered to remain in place.
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 - i. Dispose of contaminated items safely.
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3. Consider the general status of the resident's skin.
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 - b. Temperature.
 - c. Moisture status.
 - d. Sensory perception.
 - e. Skin texture/turgor.
 - f. Perfusion.
4. Considerations for a resident with darkly pigmented skin:
 - a. It is not always possible to identify redness on darkly pigmented skin.

- b. Indicators of early pressure damage:
 - i. Localized heat
 - ii. Edema
 - iii. Bogginess
 - iv. Induration
 - v. Temperature differences of surrounding skin
 - vi. Skin discoloration
- 5. Considerations for a bariatric resident:
 - a. Perform assessment with at least one other staff member to assist with mobility and positioning of body parts.
 - b. Approach resident in a manner that promotes dignity and respect.
 - c. Thoroughly inspect each surface of a skin fold.
 - d. Consider moisture and weight exerted by opposing skin and/or body parts (i.e. abdominal pannus) when determining pressure versus moisture related etiology. Pressure injuries may result from tissue pressure of high concentration of adipose tissue, and may be in areas other than bony prominences.
- 6. Differentiating the extent of redness
 - a. Blanchable erythema (redness) loses its redness when a finger is pressed on the erythema for 3 seconds and released. Blanching is assessed following the removal of the finger.
 - b. Non-blanchable erythema (redness) persists when touched.
- 7. Documentation of skin assessment will be completed within the Resident's electronic health record.

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1. Centers for Medicare & Medicaid Services, Dept. of Health and Human Services. *State Operations Manual, Appendix PP: Guidance to Surveyors for Long Term Care Facilities* (November 2017). 42 C.F.R. 483.25(b)(1)(i)(ii), F686 – Treatment/Services to Prevent/Heal Pressure Ulcers.
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SMOKING

POLICY

The Homes of the Little Sisters of the Poor are non-smoking facilities. The Residents and employees may only smoke in designated areas.

PURPOSE

To provide a safe and healthy smoke-free environment, promoting health and well-being of employees and Residents.

DEFINITIONS

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“Vaping” refers to the use of electronic nicotine delivery systems or electronic smoking devices such as e-cigarettes, e-pipes, e-hookahs and e-cigars.

PROCEDURE

1. Smoking and vaping by staff members is prohibited inside the Home. Staff members may smoke or vape outside of the building in designated areas. Staff members are allowed a thirty (30) minute lunch break and an additional twenty (20) minute break.
2. Residents coming into the Home will be assessed for their smoking competency to ensure safety for themselves and others.
3. Residents who are determined by assessment that they are in need of supervision while smoking/vaping will be provided supervised smoking breaks in the appropriate designated smoking area. Residents may be supervised by a Little Sister, employee, family member and/or volunteer as assigned.
4. Any Resident of the nursing facility that is assessed as being in need of supervision will have their smoking/vaping supplies held at the nursing station and these supplies will be picked up by the person who will be supervising the Resident smoking/vaping and will be returned to the nursing station for storage in between assigned smoking times.
5. Any Resident, after being assessed as being able to smoke without supervision, may keep smoking/vaping supplies in their room and/or on their person.
6. Smoking and vaping is prohibited in any hazardous location and in any room or compartment where flammable liquids, combustible gases, or oxygen are stored and used.
7. Ashtrays of non-combustible material and safe design are provided in areas where smoking is permitted.

Reference:

- NFPA 101 Life Safety Code Handbook, 2012 edition, section 19.7.4

Little Sisters of the Poor
TRAUMA INFORMED PRACTICE

POLICY

Trauma Informed Care

PURPOSE

To ensure that Home's policies and practices reflect a commitment to trauma-informed care for our elderly population and staff based on an understanding of vulnerabilities or triggers of trauma survivors. Trauma-informed care is an important component of enacting out commitment to person-centered care through which we offer individualized support and services that are responsive to our resident's wishes and goals. St. Martin's Home will create and maintain a safe, calm and secure supportive care environment, a system with an understanding of trauma-informed practice.

DEFINITIONS

Trauma: Traumatic experiences can be dehumanizing, shocking or terrifying, singular or multiple compounding events over time and often include betrayal of a trusted person or institution and a loss of safety. Trauma can result from experiences of violence. Trauma includes physical, sexual or institutional abuse, neglect, intergenerational trauma and disasters that induce powerlessness, fear, recurrent hopelessness and a constant state of alert. Trauma impacts one's spirituality and relationships with self, others, communities and environment, often resulting in recurring feelings of shame, guilt, rage, isolation and disconnection.

TRAUMA-INFORMED CARE

As an approach that appreciates that healing impossible, trauma-informed care engages people with histories of trauma, recognizes the presence of trauma symptoms and acknowledges the role that trauma has played in their lives. This approach seeks to shift the paradigm from one that asks "What's wrong with you?" to one that asks "What has happened to you?" Home will assess and include a basic understanding of how trauma affects the life of an individual.

PROCEDURE GUIDELINES

1. Each resident will be screened for a history of trauma upon admission, intake, assessment and documentation of trauma-related experiences.
2. The Homes' social worker or designee will conduct the screening in a private setting.
3. If the screening indicates that the resident has a history of trauma and/or trauma-related symptoms, a physician's order will be obtained for the resident to be evaluated by a mental health professional who is experienced in working with those exposed to trauma. The mental health professional should be licensed to assess, diagnose and treat the resident accordingly.
4. Once the physician's order is received, the social worker or designee will place the referral to the mental health professional. The ongoing process allows for the gathering of new trauma-related information leading to potential changes in diagnosis as well as appropriate treatment, objectives, goals and services.

5. A high priority is placed on assessing the resident's perception of safety, choice, collaboration, trust and empowerment.
6. The resident's voice and choice are represented and encouraged.
 - a. The resident's receive information about their rights. Home ensures that they participate fully in making informed decisions about every aspect of their care along with Resident Representative.
7. Our Home places a high emphasis on the active participation in all trauma-informed care efforts.
8. All staff in Home are educated about what it means to be a trauma-informed care facility.
 - a. Hiring practices indicate that candidates who have training and experience in trauma related interventions are highly valued and preferred and job performance evaluations and behaviors that are aligned with trauma-informed care principles.
 - b. All staff receives training in trauma evidence-based and emerging best practices on an ongoing basis. Support staff receives ongoing training, performance evaluations and supervisory assistance in integrating trauma-informed care principles in their work.
 - c. The Home recognizes that staff success and satisfaction with their work might be affected by their personal trauma histories and compassion fatigue. Home creates an environment that is safe and comfortable for staff to share personal and work related stressors and receive support through supervision and Human Resources. Human Resources will provide education to exercise awareness about the impact of stress at work, work on performance and develop personally meaningful and useful stress management.
9. The Home will create Safe and Secure Environments for all Resident's and staff.
 - a. Home has a system in place to identify and implement policies, procedures, environmental conditions, activities, social climate, documentation and treatment practices that promote a safe and secure environment in order to reduce the likelihood of re-traumatization or re-victimization.
 - b. The Home has a system in place for our Resident's, staff and family to "safely" let the leadership team know when practices, interpersonal interactions and the environment are unsafe and inconsistent with trauma-informed care without fear or reprisal. The Home ensures that staff is educated and trained in using trauma-informed care approaches to prevent and manage incidents that create serious emotional distress for both Residents and staff.

Home recognizes that seclusion, restraints or overuse of medication to control a person's behavior can result in re-traumatization or re-victimization. Thus, there is a system in place to utilize non-coercive approaches that promote empowerment, choice and involvement of Residents, families, and staff. The Home has a QAPI in place to regularly measure Trauma-Informed Care and its performance in the Home. Home is committed to full implementation of the trauma-informed care requirements pertain to comprehensive person-centered care planning, quality of care, our mission as Little Sisters of the Poor and behavioral health.

Section 999.5(d)(5)(F) For each health facility or facility that provides similar health care that is the subject of the agreement or transaction, all existing documents setting forth any guarantees made by any entity that would be taking over operation or control of the health facility or facility that provides similar health care relating to employee job security and retraining, or the continuation of current staffing levels and policies, employee wages, salaries, benefits, working conditions and employment protections.

The Asset Purchase Agreement (Exhibit 2) details the agreements made between seller and purchaser with respect to employee job security and retraining, or the continuation of current staffing levels and policies, employee wages, salaries, benefits, working conditions and employment protections. Specifically Section 18 of the APA details the agreements between the parties.

No agreement other than those in the Asset Purchase Agreement have been made with respect to future staffing levels.

In prior transactions involving the Little Sisters of the Poor, where the purchaser was not going to retain employees, the Little Sisters took it upon themselves to assist the affected employees to retain other employment. For example, in the sale of the Little Sisters of the Poor Home in Latham, New York where the skilled nursing unit was going to be closed and the license surrendered, the Little Sisters succeeded in securing offers of employment for every employee who was affected by the closure of the skilled nursing unit. (The building had a large independent living unit (51 apartments) and the purchaser renovated the rest of the building and now provides 125 apartments for low-income seniors).

It is anticipated that the Little Sisters of the Poor will provide assistance to any employees who might be displaced because of the transition.

Section 999.5(d)(5)(G) If the agreement or transaction will have any impact on reproductive health care services provided by any facility that is the subject of the agreement or transaction, or any impact on the availability or accessibility of reproductive health care services, a description of all reproductive health care services provided in the last five years by each health facility or facility that provides similar health care that is the subject of the agreement or transaction. This description shall include the types and levels of reproductive services including, but not limited to, information about the number of pregnancy terminations and tubal ligations and a description of how this information was compiled.

This section is not applicable to this transaction.

Section 999.5(d)(5)(H) A statement describing all effects that the proposed agreement or transaction may have on health care services provided by each facility proposed to be transferred including, but not limited to, any changes in the types or levels of medical services that may be provided at the health facility or facility that provides similar health care and a statement of how the proposed transaction may affect the availability and accessibility of health care in the affected communities.

After the transfer of the assets and the operations of the facility, the purchaser intends to continue to provide both skilled nursing and RCFE care for the elderly. In addition Purchaser intends to apply for Medicare certification through the Center for Medicare and Medicaid Services (“CMS”) so as to provide short-term rehabilitation services along with the long-term skilled care currently provided.

Also, an analysis will be done by the purchaser to determine whether additional licensed beds may be added to the facility. If the purchaser can add bed licenses, the number of elderly served by the facility will increase.

Section 999.5(d)(5)(I) A description and copy of all current contracts between the applicant and the city in which the applicant is located and current contracts between the applicant and the county in which the applicant is located for each health facility or facility that provides similar health care that are the subject of the agreement or transaction.

Currently there are no contracts between the applicant and the City of Los Angeles or the County of Los Angeles.

Section 999.5(d)(5)(J) A description of compliance with the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act (Health & Saf. Code, § 129675-130070), for each health facility or facility that provides similar health care that is the subject of the agreement or transaction, including the certified Structural Performance Category of every building affected by the agreement or transaction and a copy of every final determination letter received from the Office of Statewide Health Planning and Development for every building affected by the agreement or transaction.

Exhibit 13 is a letter from the California Department of Health Care Access and Information, Facilities Development Division certifying that seismic performance ratings required by the Alquist Act only applies to buildings licensed under Health & Safety Code section 1250(a) that provide General Acute Care Services. The applicant is licensed under Section 1250(c) of the Act and therefore is exempt from seismic categorization.

Exhibit 13

Section 999.5(d)(5)(J)



Department of Health Care Access and Information



Facilities Development Division
355 South Grand Avenue, Suite 1900
Los Angeles, CA 90071
(213) 897-0166
(213) 217-8511 Fax
www.hcai.ca.gov/construction-finance

November 03, 2021

Dolores Kollmer
Development Director
Little Sisters of the Poor
2100 S. Western Avenue
San Pedro, CA 90732

RE: Little Sisters of the Poor FID 24542
Main Building BLD-04936
Categorical Exemption from Seismic Performance Rating

This letter is in response to your inquiry regarding the seismic performance category rating for the one building in HCAI jurisdiction operate by Little Sisters of the Poor. This facility is licensed as a Skilled Nursing Facility under Health & Safety Code section 1250(c). Please be advised that seismic performance ratings required by the Alquist Act only applies to buildings licensed under Health & Safety Code section 1250(a) that provide General Acute Care Services.

Accordingly, Little Sisters of the Poor Facility ID 24542 Main Building BLD-04939 is exempt from seismic categorization.

Please let me know if we may be of further assistance.

Sincerely,

Carl Scheuerman, LFACHE, MBA
Seismic Compliance Officer
Facilities Development Division
Department of Health Care Access & Information
(916) 440-8330
Carl.scheuerman@hcai.ca.gov

Section 999.5(d)(5)(K) A description of each measure proposed by the applicant to mitigate or eliminate any potential adverse effect on the availability or accessibility of health care services to the affected community that may result from the agreement or transaction.

As stated above the purchaser has agreed to maintain the current residents in the facility post-closing and hope to add additional beds in the future. If implemented this transaction will likely increase the number of elderly served in the San Pedro area.

Section 999.5(d)(5)(L) A list of the primary languages spoken at the health facility or facility that provides similar health care and the threshold languages for Medi-Cal beneficiaries, as determined by the State Department of Health Care Services for the county in which the health facility or facility that provides similar health care is located.

The primary languages spoken at the facility are English and Spanish.

The threshold languages for Medi-Cal beneficiaries for Los Angeles County are Spanish, Vietnamese, Cantonese, Mandarin, Other Chinese, Armenian, Cambodian, Russian, Tagalog, Farsi and Korean.

Possible Effect on Competition
(Cal Code Regs., tit. 11, sec 999.5(d)(6))

Section 999.5(d)(6)(A) For any agreement or transaction for which a Premerger Notification and Report Form is required to be submitted to the Federal Trade Commission under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, a brief analysis of the possible effect of any proposed merger or acquisition of each health care facility or facility that provides similar health care that is the subject of the agreement or transaction on competition and market share in any relevant product or geographic market.

Because the transaction is below the fifty million dollar threshold, no Hart-Scott-Rodino filing Premerger Notification and Report Form is required for this transaction.

Section 999.5(d)(6)(B) The applicant shall provide the Premerger Notification and Report Form and any attachments thereto as filed with the Federal Trade Commission pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and 16 C.F.R. Parts 801-803. The procedure for designating information as confidential set forth in section 999.5(c)(3) of these regulations shall apply to any information submitted under this subsection.

Not Applicable.

Other Public Interest Factors
(Cal Code Regs., tit. 11, sec 999.5(d)(7))

Section 999.5(d)(7) The written notice of any proposed agreement or transaction set forth in section 999.5(a)(1) of these regulations shall include a section entitled "Other Public Interest Factors" that contains any other information the applicant believes the Attorney General should consider in deciding whether the proposed agreement or transaction is in the public interest.

The applicant will include in the public submission a copy of the 2020 Form 990 Return of Organization Exempt from Income Tax as Exhibit 14.

Exhibit 14

Section 999.5(d)(7)

IRS e-file Signature Authorization for an Exempt Organization

For calendar year 2020, or fiscal year beginning _____, 2020, and ending _____, 20__

2020

Department of the Treasury
Internal Revenue Service

Do not send to the IRS. Keep for your records.
Go to www.irs.gov/Form8879EO for the latest information.

Name of exempt organization or person subject to tax

**LITTLE SISTERS OF THE POOR OF
LOS ANGELES**

Taxpayer identification number

95-1972847

Name and title of officer or person subject to tax

**MOTHER MARGARET HOGARTY
PRESIDENT**

Part I Type of Return and Return Information (Whole Dollars Only)

Check the box for the return for which you are using this Form 8879-EO and enter the applicable amount, if any, from the return. If you check the box on line **1a, 2a, 3a, 4a, 5a, 6a, or 7a** below, and the amount on that line for the return being filed with this form was blank, then leave line **1b, 2b, 3b, 4b, 5b, 6b, or 7b**, whichever is applicable, blank (do not enter -0-). But, if you entered -0- on the return, then enter -0- on the applicable line below. **Do not** complete more than one line in Part I.

1a Form 990 check here <input checked="" type="checkbox"/>	b Total revenue, if any (Form 990, Part VIII, column (A), line 12)	1b <u>7,147,557.</u>
2a Form 990-EZ check here <input type="checkbox"/>	b Total revenue, if any (Form 990-EZ, line 9)	2b _____
3a Form 1120-POL check here <input type="checkbox"/>	b Total tax (Form 1120-POL, line 22)	3b _____
4a Form 990-PF check here <input type="checkbox"/>	b Tax based on investment income (Form 990-PF, Part VI, line 5)	4b _____
5a Form 8868 check here <input type="checkbox"/>	b Balance due (Form 8868, line 3c)	5b _____
6a Form 990-T check here <input type="checkbox"/>	b Total tax (Form 990-T, Part III, line 4)	6b _____
7a Form 4720 check here <input type="checkbox"/>	b Total tax (Form 4720, Part III, line 1)	7b _____

Part II Declaration and Signature Authorization of Officer or Person Subject to Tax

Under penalties of perjury, I declare that I am an officer of the above organization or I am a person subject to tax with respect to (name of organization) _____, (EIN) _____ and that I have examined a copy

of the 2020 electronic return and accompanying schedules and statements, and, to the best of my knowledge and belief, they are true, correct, and complete. I further declare that the amount in Part I above is the amount shown on the copy of the electronic return. I consent to allow my intermediate service provider, transmitter, or electronic return originator (ERO) to send the return to the IRS and to receive from the IRS (a) an acknowledgement of receipt or reason for rejection of the transmission, (b) the reason for any delay in processing the return or refund, and (c) the date of any refund. If applicable, I authorize the U.S. Treasury and its designated Financial Agent to initiate an electronic funds withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of the federal taxes owed on this return, and the financial institution to debit the entry to this account. To revoke a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537 no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment. I have selected a personal identification number (PIN) as my signature for the electronic return and, if applicable, the consent to electronic funds withdrawal.

PIN: check one box only

I authorize CLIFTONLARSONALLEN LLP to enter my PIN 91740
ERO firm name Enter five numbers, but do not enter all zeros

as my signature on the tax year 2020 electronically filed return. If I have indicated within this return that a copy of the return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I also authorize the aforementioned ERO to enter my PIN on the return's disclosure consent screen.

As an officer or person subject to tax with respect to the organization, I will enter my PIN as my signature on the tax year 2020 electronically filed return. If I have indicated within this return that a copy of the return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I will enter my PIN on the return's disclosure consent screen.

Signature of officer or person subject to tax

Date

Part III Certification and Authentication

ERO's EFIN/PIN. Enter your six-digit electronic filing identification number (EFIN) followed by your five-digit self-selected PIN.

91690091740

Do not enter all zeros

I certify that the above numeric entry is my PIN, which is my signature on the 2020 electronically filed return indicated above. I confirm that I am submitting this return in accordance with the requirements of **Pub. 4163**, Modernized e-File (MeF) Information for Authorized IRS e-file Providers for Business Returns.

ERO's signature **KURT BENNION, CPA** Date **10/03/21**

ERO Must Retain This Form - See Instructions
Do Not Submit This Form to the IRS Unless Requested To Do So

Application for Automatic Extension of Time To File an Exempt Organization Return

Department of the Treasury
Internal Revenue Service

▶ **File a separate application for each return.**
▶ **Go to www.irs.gov/Form8868 for the latest information.**

Electronic filing (e-file). You can electronically file Form 8868 to request a 6-month automatic extension of time to file any of the forms listed below with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, for which an extension request must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit www.irs.gov/e-file-providers/e-file-for-charities-and-non-profits.

Automatic 6-Month Extension of Time. Only submit original (no copies needed).

All corporations required to file an income tax return other than Form 990-T (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

Type or print	Name of exempt organization or other filer, see instructions. LITTLE SISTERS OF THE POOR OF LOS ANGELES	Taxpayer identification number (TIN) 95-1972847
File by the due date for filing your return. See instructions.	Number, street, and room or suite no. If a P.O. box, see instructions. 2100 SOUTH WESTERN AVENUE	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. SAN PEDRO, CA 90732	

Enter the Return Code for the return that this application is for (file a separate application for each return) 0 | 1

Application Is For	Return Code	Application Is For	Return Code
Form 990 or Form 990-EZ	01	Form 990-T (corporation)	07
Form 990-BL	02	Form 1041-A	08
Form 4720 (individual)	03	Form 4720 (other than individual)	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

MOTHER MARGARET HOGARTY

- The books are in the care of ▶ **2100 SOUTH WESTERN AVENUE - SAN PEDRO, CA 90732**
Telephone No. ▶ **310-548-0625** Fax No. ▶ _____
- If the organization does not have an office or place of business in the United States, check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box . If it is for part of the group, check this box and attach a list with the names and TINs of all members the extension is for.

1 I request an automatic 6-month extension of time until **NOVEMBER 15, 2021**, to file the exempt organization return for the organization named above. The extension is for the organization's return for:
▶ calendar year **2020** or
▶ tax year beginning _____, and ending _____.

2 If the tax year entered in line 1 is for less than 12 months, check reason: Initial return Final return
 Change in accounting period

3a If this application is for Forms 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	3a	\$	0.
b If this application is for Forms 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	3b	\$	0.
c Balance due. Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c	\$	0.

Caution: If you are going to make an electronic funds withdrawal (direct debit) with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

2020

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ Do not enter social security numbers on this form as it may be made public.
▶ Go to www.irs.gov/Form990 for instructions and the latest information.

A For the **2020** calendar year, or tax year beginning and ending

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return/terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization LITTLE SISTERS OF THE POOR OF LOS ANGELES		D Employer identification number 95-1972847
	Doing business as		E Telephone number 310-548-0625
	Number and street (or P.O. box if mail is not delivered to street address)	Room/suite	G Gross receipts \$ 7,359,884.
	2100 SOUTH WESTERN AVENUE		H(a) Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
	City or town, state or province, country, and ZIP or foreign postal code SAN PEDRO, CA 90732		H(b) Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No
F Name and address of principal officer: MOTHER MARGARET HOGARTY SAME AS C ABOVE		If "No," attach a list. See instructions	
I Tax-exempt status: <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		H(c) Group exemption number ▶ 0928	
J Website: ▶ WWW.LITTLESISTERSOFTHEPOORSANPEDRO.ORG		L Year of formation: 1905 M State of legal domicile: CA	
K Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶			

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities: THE MISSION IS TO OFFER THE NEEDIEST ELDERLY OF EVERY RACE AND RELIGION A HOME WHERE THEY WILL		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	3
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	3
	5 Total number of individuals employed in calendar year 2020 (Part V, line 2a)	5	112
	6 Total number of volunteers (estimate if necessary)	6	90
	7 a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0.
b Net unrelated business taxable income from Form 990-T, Part I, line 11	7b	0.	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	2,479,485.	3,450,719.
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	3,267,098.	3,571,003.
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	158,955.	101,582.
	12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	39,488.	24,253.
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	5,945,026.	7,147,557.
	14 Benefits paid to or for members (Part IX, column (A), line 4)	11,000.	2,000.
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	0.	0.
	16 a Professional fundraising fees (Part IX, column (A), line 11e)	5,233,319.	5,308,540.
	b Total fundraising expenses (Part IX, column (D), line 25) ▶ 231,905.	0.	0.
	17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	2,289,886.	2,264,151.
	18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	7,534,205.	7,574,691.
19 Revenue less expenses. Subtract line 18 from line 12	-1,589,179.	-427,134.	
Net Assets or Fund Balances	20 Total assets (Part X, line 16)	Beginning of Current Year	End of Year
	21 Total liabilities (Part X, line 26)	10,570,478.	11,319,381.
	22 Net assets or fund balances. Subtract line 21 from line 20	738,546.	1,973,538.
		9,831,932.	9,345,843.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of officer		Date		
	▶ MOTHER MARGARET HOGARTY, PRESIDENT Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	PTIN
	KURT BENNION, CPA				P01469618
Firm's name ▶ CLIFTONLARSONALLEN LLP			Firm's EIN ▶ 41-0746749		
Firm's address ▶ 10700 NORTHUP WAY, SUITE 200 BELLEVUE, WA 98004			Phone no. 425-250-6100		

May the IRS discuss this return with the preparer shown above? See instructions Yes No

LITTLE SISTERS OF THE POOR OF
LOS ANGELES

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III

1 Briefly describe the organization's mission:
CONTINUING THE WORK OF SAINT JEANNE JUGAN, THE MISSION OF LITTLE SISTERS OF THE POOR IS TO OFFER THE NEEDIEST ELDERLY OF EVERY RACE AND RELIGION A HOME WHERE THEY WILL BE WELCOMED AS CHRIST, CARED FOR AS FAMILY AND ACCOMPANIED WITH DIGNITY UNTIL GOD CALLS THEM TO HIMSELF.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? Yes No
If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? Yes No
If "Yes," describe these changes on Schedule O.

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code:) (Expenses \$ 5,751,101. including grants of \$ 2,000.) (Revenue \$ 3,571,003.)
THE LITTLE SISTERS OF THE POOR OF LOS ANGELES OPERATE THE JEANNE JUGAN RESIDENCE, WHICH PROVIDES NURSING AND RESIDENTIAL CARE FOR THE NEEDY ELDERLY. THE HOME IS PART OF THE INTERNATIONAL CONGREGATION OF THE LITTLE SISTERS OF THE POOR, WHICH WAS FOUNDED IN FRANCE IN 1839 AND SERVES THE ELDERLY IN 31 COUNTRIES. THE JEANNE JUGAN RESIDENCE WELCOMES AS FAMILY NEARLY 100 RESIDENTS AND RESPONDS TO THEIR VARYING NEEDS BY PROVIDING FOUR LEVELS OF CARE - INDEPENDENT LIVING APARTMENTS, RESIDENTIAL LIVING, ASSISTED LIVING, AND SKILLED NURSING. THE RESIDENCE HAS A BUSY ACTIVITIES PROGRAM THAT INCLUDES ARTS AND CRAFTS, MORNING EXERCISES, COMPUTER CLASSES, OUTINGS AND MANY OPPORTUNITIES FOR SOCIALIZING AND PLAYING GAMES. REGULAR MEDICAL SERVICES ARE PROVIDED IN OUR ON-SITE MEDICAL WING AND INCLUDE PHYSICAL THERAPY, MEDICAL,

4b (Code:) (Expenses \$ including grants of \$) (Revenue \$)

4c (Code:) (Expenses \$ including grants of \$) (Revenue \$)

4d Other program services (Describe on Schedule O.)
(Expenses \$ including grants of \$) (Revenue \$)

4e Total program service expenses ▶ 5,751,101.

LITTLE SISTERS OF THE POOR OF
LOS ANGELES

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A</i>	X	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> ?	X	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>		X
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i>		X
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III</i>		X
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I</i>		X
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i>		X
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i>		X
9 Did the organization report an amount in Part X, line 21, for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV</i>	X	
10 Did the organization, directly or through a related organization, hold assets in donor-restricted endowments or in quasi endowments? <i>If "Yes," complete Schedule D, Part V</i>		X
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i>	X	
b Did the organization report an amount for investments - other securities in Part X, line 12, that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII</i>		X
c Did the organization report an amount for investments - program related in Part X, line 13, that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII</i>		X
d Did the organization report an amount for other assets in Part X, line 15, that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX</i>		X
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>		X
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X</i>	X	
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i>	X	
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i>		X
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>		X
14a Did the organization maintain an office, employees, or agents outside of the United States?		X
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Parts I and IV</i>		X
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? <i>If "Yes," complete Schedule F, Parts II and IV</i>		X
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? <i>If "Yes," complete Schedule F, Parts III and IV</i>		X
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I</i>		X
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i>		X
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>		X
20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>		X
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?		
21 Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or domestic government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>		X

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Part IV Checklist of Required Schedules (continued)

	Yes	No
22 Did the organization report more than \$5,000 of grants or other assistance to or for domestic individuals on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>		X
23 Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>		X
24a Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>		X
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
c Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?		
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
25a Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>		X
b Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>		X
26 Did the organization report any amount on Part X, line 5 or 22, for receivables from or payables to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part II</i>		X
27 Did the organization provide a grant or other assistance to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity (including an employee thereof) or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>		X
28 Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions, for applicable filing thresholds, conditions, and exceptions):		
a A current or former officer, director, trustee, key employee, creator or founder, or substantial contributor? <i>If "Yes," complete Schedule L, Part IV</i>		X
b A family member of any individual described in line 28a? <i>If "Yes," complete Schedule L, Part IV</i>		X
c A 35% controlled entity of one or more individuals and/or organizations described in lines 28a or 28b? <i>If "Yes," complete Schedule L, Part IV</i>		X
29 Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	X	
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>		X
31 Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>		X
32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>		X
33 Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>		X
34 Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	X	
35a Did the organization have a controlled entity within the meaning of section 512(b)(13)?		X
b If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>		
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>		X
37 Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>		X
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19?	X	

Note: All Form 990 filers are required to complete Schedule O

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V

	Yes	No
1a Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable		
b Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable		
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		

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Part V Statements Regarding Other IRS Filings and Tax Compliance (continued)

		Yes	No
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return		
	2a		112
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	X	
Note: If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)			
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?		X
b	If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation on Schedule O		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		X
b	If "Yes," enter the name of the foreign country See instructions for filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR).		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		X
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	X	
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	X	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		X
d	If "Yes," indicate the number of Forms 8282 filed during the year		
	7d		
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		X
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
8	Sponsoring organizations maintaining donor advised funds. Did a donor advised fund maintained by the sponsoring organization have excess business holdings at any time during the year?		
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the sponsoring organization make any taxable distributions under section 4966?		
b	Did the sponsoring organization make a distribution to a donor, donor advisor, or related person?		
10	Section 501(c)(7) organizations. Enter:		
a	Initiation fees and capital contributions included on Part VIII, line 12	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b	
11	Section 501(c)(12) organizations. Enter:		
a	Gross income from members or shareholders	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b	
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state?	13a	
Note: See the instructions for additional information the organization must report on Schedule O.			
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b	
c	Enter the amount of reserves on hand	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?		X
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation on Schedule O	14b	
15	Is the organization subject to the section 4960 tax on payment(s) of more than \$1,000,000 in remuneration or excess parachute payment(s) during the year?		X
If "Yes," see instructions and file Form 4720, Schedule N.			
16	Is the organization an educational institution subject to the section 4968 excise tax on net investment income?		X
If "Yes," complete Form 4720, Schedule O.			

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Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes on Schedule O. See instructions.

Check if Schedule O contains a response or note to any line in this Part VI

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain on Schedule O.		
1b	Enter the number of voting members included on line 1a, above, who are independent		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		X
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, trustees, or key employees to a management company or other person?		X
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		X
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		X
6	Did the organization have members or stockholders?		X
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		X
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		X
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
8a	The governing body?	X	
8b	Each committee with authority to act on behalf of the governing body?		X
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses on Schedule O		X

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?		X
10b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?		X
11b	Describe in Schedule O the process, if any, used by the organization to review this Form 990.		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	X	
12b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	X	
12c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	X	
13	Did the organization have a written whistleblower policy?	X	
14	Did the organization have a written document retention and destruction policy?	X	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
15a	The organization's CEO, Executive Director, or top management official		X
15b	Other officers or key employees of the organization		X
	If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions).		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?		X
16b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?		

Section C. Disclosure

- 17** List the states with which a copy of this Form 990 is required to be filed **CA**
- 18** Section 6104 requires an organization to make its Forms 1023 (1024 or 1024-A, if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
 Own website Another's website Upon request Other (explain on Schedule O)
- 19** Describe on Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.
- 20** State the name, address, and telephone number of the person who possesses the organization's books and records **MOTHER MARGARET HOGARTY - 310-548-0625**
2100 SOUTH WESTERN AVENUE, SAN PEDRO, CA 90732

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Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and title	(B) Average hours per week (list any hours for related organizations below line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
1b Subtotal							0.	0.	0.	
c Total from continuation sheets to Part VII, Section A							0.	0.	0.	
d Total (add lines 1b and 1c)							0.	0.	0.	

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **0**

	Yes	No
3 Did the organization list any former officer, director, trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>		X
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>		X
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>		X

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
NONE		

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization **0**

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Part VIII Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

			(A)	(B)	(C)	(D)	
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512 - 514	
Contributions, Gifts, Grants and Other Similar Amounts	1 a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e	21,403.			
	f	All other contributions, gifts, grants, and similar amounts not included above ...	1f	3,429,316.			
	g	Noncash contributions included in lines 1a-1f	1g	\$ 152,863.			
	h	Total. Add lines 1a-1f		3,450,719.			
Program Service Revenue	2 a	<u>PATIENT SERVICE</u>	Business Code				
			623000	3,571,003.	3,571,003.		
	b						
	c						
	d						
	e						
	f	All other program service revenue					
g	Total. Add lines 2a-2f		3,571,003.				
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		7,835.		7,835.	
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
	6 a	Gross rents	(i) Real	23,550.			
			(ii) Personal				
	b	Less: rental expenses ...	6b	0.			
	c	Rental income or (loss)	6c	23,550.			
	d	Net rental income or (loss)		23,550.		23,550.	
	7 a	Gross amount from sales of assets other than inventory	(i) Securities	306,074.			
			(ii) Other				
	b	Less: cost or other basis and sales expenses	7b	212,327.			
c	Gain or (loss)	7c	93,747.				
d	Net gain or (loss)		93,747.		93,747.		
8 a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18	8a					
b	Less: direct expenses	8b					
c	Net income or (loss) from fundraising events						
9 a	Gross income from gaming activities. See Part IV, line 19	9a					
b	Less: direct expenses	9b					
c	Net income or (loss) from gaming activities						
10 a	Gross sales of inventory, less returns and allowances	10a					
b	Less: cost of goods sold	10b					
c	Net income or (loss) from sales of inventory						
Miscellaneous Revenue	11 a	<u>OTHER REVENUE</u>	Business Code	900099	703.	703.	
	b						
	c						
	d	All other revenue					
	e	Total. Add lines 11a-11d		703.			
12	Total revenue. See instructions		7,147,557.	3,571,003.	0.	125,835.	

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Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21 ...				
2 Grants and other assistance to domestic individuals. See Part IV, line 22				
3 Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16	2,000.	2,000.		
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees				
6 Compensation not included above to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	4,344,200.	3,615,275.	581,444.	147,481.
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	121,282.	104,550.	13,979.	2,753.
9 Other employee benefits	532,806.	459,302.	61,412.	12,092.
10 Payroll taxes	310,252.	267,451.	35,760.	7,041.
11 Fees for services (nonemployees):				
a Management				
b Legal	34,235.		34,235.	
c Accounting	47,900.		47,900.	
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees	1,336.		1,336.	
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Sch O.)	184,014.	67,901.	116,113.	
12 Advertising and promotion	5,842.			5,842.
13 Office expenses	191,897.		173,067.	18,830.
14 Information technology	62,238.		62,238.	
15 Royalties	176,833.	176,231.		602.
16 Occupancy	336,771.	209,247.	127,524.	
17 Travel	23,119.		23,119.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials ...				
19 Conferences, conventions, and meetings				
20 Interest				
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	524,280.	325,054.	199,226.	
23 Insurance	72,572.		72,572.	
24 Other expenses. Itemize expenses not covered above (List miscellaneous expenses on line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a FOOD	205,975.	205,975.		
b MEDICAL SUPPLIES	189,516.	189,516.		
c REPAIRS & MAINTENANCE	167,744.	125,984.	41,760.	
d EVENT	35,134.			35,134.
e All other expenses	4,745.	2,615.		2,130.
25 Total functional expenses. Add lines 1 through 24e	7,574,691.	5,751,101.	1,591,685.	231,905.
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation.				

Check here if following SOP 98-2 (ASC 958-720)

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Part X Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X

		(A) Beginning of year		(B) End of year
Assets	1 Cash - non-interest-bearing	396,683.	1	1,827,620.
	2 Savings and temporary cash investments	178,930.	2	193,237.
	3 Pledges and grants receivable, net		3	
	4 Accounts receivable, net	409,162.	4	240,339.
	5 Loans and other receivables from any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons		5	
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), and persons described in section 4958(c)(3)(B)		6	
	7 Notes and loans receivable, net	2,363.	7	
	8 Inventories for sale or use	500.	8	500.
	9 Prepaid expenses and deferred charges	44,048.	9	28,000.
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 24,959,995.		
	b Less: accumulated depreciation	10b 16,063,631.	10c	8,896,364.
	11 Investments - publicly traded securities	311,622.	11	133,321.
	12 Investments - other securities. See Part IV, line 11		12	
	13 Investments - program-related. See Part IV, line 11		13	
	14 Intangible assets		14	
	15 Other assets. See Part IV, line 11		15	
16 Total assets. Add lines 1 through 15 (must equal line 33)	10,570,478.	16	11,319,381.	
Liabilities	17 Accounts payable and accrued expenses	722,288.	17	740,446.
	18 Grants payable		18	
	19 Deferred revenue		19	911,000.
	20 Tax-exempt bond liabilities		20	
	21 Escrow or custodial account liability. Complete Part IV of Schedule D	16,258.	21	22,092.
	22 Loans and other payables to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons		22	
	23 Secured mortgages and notes payable to unrelated third parties		23	
	24 Unsecured notes and loans payable to unrelated third parties		24	300,000.
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D		25	
	26 Total liabilities. Add lines 17 through 25	738,546.	26	1,973,538.
Net Assets or Fund Balances	Organizations that follow FASB ASC 958, check here <input checked="" type="checkbox"/> and complete lines 27, 28, 32, and 33.			
	27 Net assets without donor restrictions	9,222,645.	27	8,952,457.
	28 Net assets with donor restrictions	609,287.	28	393,386.
	Organizations that do not follow FASB ASC 958, check here <input type="checkbox"/> and complete lines 29 through 33.			
	29 Capital stock or trust principal, or current funds		29	
	30 Paid-in or capital surplus, or land, building, or equipment fund		30	
	31 Retained earnings, endowment, accumulated income, or other funds		31	
	32 Total net assets or fund balances	9,831,932.	32	9,345,843.
	33 Total liabilities and net assets/fund balances	10,570,478.	33	11,319,381.

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Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	7,147,557.
2	Total expenses (must equal Part IX, column (A), line 25)	2	7,574,691.
3	Revenue less expenses. Subtract line 2 from line 1	3	-427,134.
4	Net assets or fund balances at beginning of year (must equal Part X, line 32, column (A))	4	9,831,932.
5	Net unrealized gains (losses) on investments	5	-58,955.
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain on Schedule O)	9	0.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 32, column (B))	10	9,345,843.

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII

- 1** Accounting method used to prepare the Form 990: Cash Accrual Other _____
If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.
- 2a** Were the organization's financial statements compiled or reviewed by an independent accountant?
If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both:
 Separate basis Consolidated basis Both consolidated and separate basis
- b** Were the organization's financial statements audited by an independent accountant?
If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both:
 Separate basis Consolidated basis Both consolidated and separate basis
- c** If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?
If the organization changed either its oversight process or selection process during the tax year, explain on Schedule O.
- 3a** As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?
- b** If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why on Schedule O and describe any steps taken to undergo such audits

	Yes	No
2a		X
2b	X	
2c	X	
3a		X
3b		

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.
▶ Attach to Form 990 or Form 990-EZ.

▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2020

Open to Public Inspection

Name of the organization **LITTLE SISTERS OF THE POOR OF LOS ANGELES** Employer identification number **95-1972847**

Part I Reason for Public Charity Status. (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is: (For lines 1 through 12, check only one box.)

- 1 A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2 A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E (Form 990 or 990-EZ).)
- 3 A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4 A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state: _____
- 5 An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II.)
- 6 A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
- 8 A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
- 9 An agricultural research organization described in **section 170(b)(1)(A)(ix)** operated in conjunction with a land-grant college or university or a non-land-grant college of agriculture (see instructions). Enter the name, city, and state of the college or university: _____
- 10 An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions, subject to certain exceptions; and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete Part III.)
- 11 An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).**
- 12 An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2).** See **section 509(a)(3).** Check the box in lines 12a through 12d that describes the type of supporting organization and complete lines 12e, 12f, and 12g.
 - a **Type I.** A supporting organization operated, supervised, or controlled by its supported organization(s), typically by giving the supported organization(s) the power to regularly appoint or elect a majority of the directors or trustees of the supporting organization. **You must complete Part IV, Sections A and B.**
 - b **Type II.** A supporting organization supervised or controlled in connection with its supported organization(s), by having control or management of the supporting organization vested in the same persons that control or manage the supported organization(s). **You must complete Part IV, Sections A and C.**
 - c **Type III functionally integrated.** A supporting organization operated in connection with, and functionally integrated with, its supported organization(s) (see instructions). **You must complete Part IV, Sections A, D, and E.**
 - d **Type III non-functionally integrated.** A supporting organization operated in connection with its supported organization(s) that is not functionally integrated. The organization generally must satisfy a distribution requirement and an attentiveness requirement (see instructions). **You must complete Part IV, Sections A and D, and Part V.**
 - e Check this box if the organization received a written determination from the IRS that it is a Type I, Type II, Type III functionally integrated, or Type III non-functionally integrated supporting organization.

f Enter the number of supported organizations

g Provide the following information about the supported organization(s).

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-10 above (see instructions))	(iv) Is the organization listed in your governing document?		(v) Amount of monetary support (see instructions)	(vi) Amount of other support (see instructions)
			Yes	No		
Total						

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 2016	(b) 2017	(c) 2018	(d) 2019	(e) 2020	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")	2426722.	2280548.	3090625.	2514024.	3450719.	13762638.
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3	2426722.	2280548.	3090625.	2514024.	3450719.	13762638.
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						2707050.
6 Public support. Subtract line 5 from line 4.						11055588.

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2016	(b) 2017	(c) 2018	(d) 2019	(e) 2020	(f) Total
7 Amounts from line 4	2426722.	2280548.	3090625.	2514024.	3450719.	13762638.
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources	269,612.	54,067.	50,460.	42,131.	31,385.	447,655.
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.)	223,869.	98,344.	122,228.	83,946.	703.	529,090.
11 Total support. Add lines 7 through 10						14739383.
12 Gross receipts from related activities, etc. (see instructions)					12	16,098,192.
13 First 5 years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here						<input type="checkbox"/>

Section C. Computation of Public Support Percentage

14 Public support percentage for 2020 (line 6, column (f), divided by line 11, column (f))	14	75.01	%
15 Public support percentage from 2019 Schedule A, Part II, line 14	15	79.69	%
16a 33 1/3% support test - 2020. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization			<input checked="" type="checkbox"/>
b 33 1/3% support test - 2019. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization			<input type="checkbox"/>
17a 10% -facts-and-circumstances test - 2020. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the facts-and-circumstances test, check this box and stop here. Explain in Part VI how the organization meets the facts-and-circumstances test. The organization qualifies as a publicly supported organization			<input type="checkbox"/>
b 10% -facts-and-circumstances test - 2019. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the facts-and-circumstances test, check this box and stop here. Explain in Part VI how the organization meets the facts-and-circumstances test. The organization qualifies as a publicly supported organization			<input type="checkbox"/>
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions			<input type="checkbox"/>

Part III Support Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 10 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 2016	(b) 2017	(c) 2018	(d) 2019	(e) 2020	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support. (Subtract line 7c from line 6.)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2016	(b) 2017	(c) 2018	(d) 2019	(e) 2020	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						

14 First 5 years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ►

Section C. Computation of Public Support Percentage

15 Public support percentage for 2020 (line 8, column (f), divided by line 13, column (f))	15	%
16 Public support percentage from 2019 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2020 (line 10c, column (f), divided by line 13, column (f))	17	%
18 Investment income percentage from 2019 Schedule A, Part III, line 17	18	%

19a 33 1/3% support tests - 2020. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization ►

b 33 1/3% support tests - 2019. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization ►

20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ►

Part IV Supporting Organizations

(Complete only if you checked a box in line 12 on Part I. If you checked box 12a, Part I, complete Sections A and B. If you checked box 12b, Part I, complete Sections A and C. If you checked box 12c, Part I, complete Sections A, D, and E. If you checked box 12d, Part I, complete Sections A and D, and complete Part V.)

Section A. All Supporting Organizations

	Yes	No
1 Are all of the organization's supported organizations listed by name in the organization's governing documents? <i>If "No," describe in Part VI how the supported organizations are designated. If designated by class or purpose, describe the designation. If historic and continuing relationship, explain.</i>		
2 Did the organization have any supported organization that does not have an IRS determination of status under section 509(a)(1) or (2)? <i>If "Yes," explain in Part VI how the organization determined that the supported organization was described in section 509(a)(1) or (2).</i>		
3a Did the organization have a supported organization described in section 501(c)(4), (5), or (6)? <i>If "Yes," answer lines 3b and 3c below.</i>		
b Did the organization confirm that each supported organization qualified under section 501(c)(4), (5), or (6) and satisfied the public support tests under section 509(a)(2)? <i>If "Yes," describe in Part VI when and how the organization made the determination.</i>		
c Did the organization ensure that all support to such organizations was used exclusively for section 170(c)(2)(B) purposes? <i>If "Yes," explain in Part VI what controls the organization put in place to ensure such use.</i>		
4a Was any supported organization not organized in the United States ("foreign supported organization")? <i>If "Yes," and if you checked box 12a or 12b in Part I, answer lines 4b and 4c below.</i>		
b Did the organization have ultimate control and discretion in deciding whether to make grants to the foreign supported organization? <i>If "Yes," describe in Part VI how the organization had such control and discretion despite being controlled or supervised by or in connection with its supported organizations.</i>		
c Did the organization support any foreign supported organization that does not have an IRS determination under sections 501(c)(3) and 509(a)(1) or (2)? <i>If "Yes," explain in Part VI what controls the organization used to ensure that all support to the foreign supported organization was used exclusively for section 170(c)(2)(B) purposes.</i>		
5a Did the organization add, substitute, or remove any supported organizations during the tax year? <i>If "Yes," answer lines 5b and 5c below (if applicable). Also, provide detail in Part VI, including (i) the names and EIN numbers of the supported organizations added, substituted, or removed; (ii) the reasons for each such action; (iii) the authority under the organization's organizing document authorizing such action; and (iv) how the action was accomplished (such as by amendment to the organizing document).</i>		
b Type I or Type II only. Was any added or substituted supported organization part of a class already designated in the organization's organizing document?		
c Substitutions only. Was the substitution the result of an event beyond the organization's control?		
6 Did the organization provide support (whether in the form of grants or the provision of services or facilities) to anyone other than (i) its supported organizations, (ii) individuals that are part of the charitable class benefited by one or more of its supported organizations, or (iii) other supporting organizations that also support or benefit one or more of the filing organization's supported organizations? <i>If "Yes," provide detail in Part VI.</i>		
7 Did the organization provide a grant, loan, compensation, or other similar payment to a substantial contributor (as defined in section 4958(c)(3)(C)), a family member of a substantial contributor, or a 35% controlled entity with regard to a substantial contributor? <i>If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).</i>		
8 Did the organization make a loan to a disqualified person (as defined in section 4958) not described in line 7? <i>If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).</i>		
9a Was the organization controlled directly or indirectly at any time during the tax year by one or more disqualified persons, as defined in section 4946 (other than foundation managers and organizations described in section 509(a)(1) or (2))? <i>If "Yes," provide detail in Part VI.</i>		
b Did one or more disqualified persons (as defined in line 9a) hold a controlling interest in any entity in which the supporting organization had an interest? <i>If "Yes," provide detail in Part VI.</i>		
c Did a disqualified person (as defined in line 9a) have an ownership interest in, or derive any personal benefit from, assets in which the supporting organization also had an interest? <i>If "Yes," provide detail in Part VI.</i>		
10a Was the organization subject to the excess business holdings rules of section 4943 because of section 4943(f) (regarding certain Type II supporting organizations, and all Type III non-functionally integrated supporting organizations)? <i>If "Yes," answer line 10b below.</i>		
b Did the organization have any excess business holdings in the tax year? <i>(Use Schedule C, Form 4720, to determine whether the organization had excess business holdings.)</i>		

Part IV Supporting Organizations (continued)

	Yes	No
11 Has the organization accepted a gift or contribution from any of the following persons?		
a A person who directly or indirectly controls, either alone or together with persons described in lines 11b and 11c below, the governing body of a supported organization?		
b A family member of a person described in line 11a above?		
c A 35% controlled entity of a person described in line 11a or 11b above? <i>If "Yes" to line 11a, 11b, or 11c, provide detail in Part VI.</i>		
11a		
11b		
11c		

Section B. Type I Supporting Organizations

	Yes	No
1 Did the governing body, members of the governing body, officers acting in their official capacity, or membership of one or more supported organizations have the power to regularly appoint or elect at least a majority of the organization's officers, directors, or trustees at all times during the tax year? <i>If "No," describe in Part VI how the supported organization(s) effectively operated, supervised, or controlled the organization's activities. If the organization had more than one supported organization, describe how the powers to appoint and/or remove officers, directors, or trustees were allocated among the supported organizations and what conditions or restrictions, if any, applied to such powers during the tax year.</i>		
2 Did the organization operate for the benefit of any supported organization other than the supported organization(s) that operated, supervised, or controlled the supporting organization? <i>If "Yes," explain in Part VI how providing such benefit carried out the purposes of the supported organization(s) that operated, supervised, or controlled the supporting organization.</i>		
1		
2		

Section C. Type II Supporting Organizations

	Yes	No
1 Were a majority of the organization's directors or trustees during the tax year also a majority of the directors or trustees of each of the organization's supported organization(s)? <i>If "No," describe in Part VI how control or management of the supporting organization was vested in the same persons that controlled or managed the supported organization(s).</i>		
1		

Section D. All Type III Supporting Organizations

	Yes	No
1 Did the organization provide to each of its supported organizations, by the last day of the fifth month of the organization's tax year, (i) a written notice describing the type and amount of support provided during the prior tax year, (ii) a copy of the Form 990 that was most recently filed as of the date of notification, and (iii) copies of the organization's governing documents in effect on the date of notification, to the extent not previously provided?		
2 Were any of the organization's officers, directors, or trustees either (i) appointed or elected by the supported organization(s) or (ii) serving on the governing body of a supported organization? <i>If "No," explain in Part VI how the organization maintained a close and continuous working relationship with the supported organization(s).</i>		
3 By reason of the relationship described in line 2, above, did the organization's supported organizations have a significant voice in the organization's investment policies and in directing the use of the organization's income or assets at all times during the tax year? <i>If "Yes," describe in Part VI the role the organization's supported organizations played in this regard.</i>		
1		
2		
3		

Section E. Type III Functionally Integrated Supporting Organizations

1 Check the box next to the method that the organization used to satisfy the Integral Part Test during the year (see instructions).			
a <input type="checkbox"/> The organization satisfied the Activities Test. Complete line 2 below.			
b <input type="checkbox"/> The organization is the parent of each of its supported organizations. Complete line 3 below.			
c <input type="checkbox"/> The organization supported a governmental entity. Describe in Part VI how you supported a governmental entity (see instructions).			
2 Activities Test. Answer lines 2a and 2b below.			
a Did substantially all of the organization's activities during the tax year directly further the exempt purposes of the supported organization(s) to which the organization was responsive? <i>If "Yes," then in Part VI identify those supported organizations and explain how these activities directly furthered their exempt purposes, how the organization was responsive to those supported organizations, and how the organization determined that these activities constituted substantially all of its activities.</i>			
b Did the activities described in line 2a, above, constitute activities that, but for the organization's involvement, one or more of the organization's supported organization(s) would have been engaged in? <i>If "Yes," explain in Part VI the reasons for the organization's position that its supported organization(s) would have engaged in these activities but for the organization's involvement.</i>			
3 Parent of Supported Organizations. Answer lines 3a and 3b below.			
a Did the organization have the power to regularly appoint or elect a majority of the officers, directors, or trustees of each of the supported organizations? <i>If "Yes" or "No" provide details in Part VI.</i>			
b Did the organization exercise a substantial degree of direction over the policies, programs, and activities of each of its supported organizations? <i>If "Yes," describe in Part VI the role played by the organization in this regard.</i>			
2a			
2b			
3a			
3b			

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations

1 Check here if the organization satisfied the Integral Part Test as a qualifying trust on Nov. 20, 1970 (*explain in Part VI*). See instructions.
All other Type III non-functionally integrated supporting organizations must complete Sections A through E.

Section A - Adjusted Net Income		(A) Prior Year	(B) Current Year (optional)
1	Net short-term capital gain	1	
2	Recoveries of prior-year distributions	2	
3	Other gross income (see instructions)	3	
4	Add lines 1 through 3.	4	
5	Depreciation and depletion	5	
6	Portion of operating expenses paid or incurred for production or collection of gross income or for management, conservation, or maintenance of property held for production of income (see instructions)	6	
7	Other expenses (see instructions)	7	
8	Adjusted Net Income (subtract lines 5, 6, and 7 from line 4)	8	

Section B - Minimum Asset Amount		(A) Prior Year	(B) Current Year (optional)
1	Aggregate fair market value of all non-exempt-use assets (see instructions for short tax year or assets held for part of year):		
a	Average monthly value of securities	1a	
b	Average monthly cash balances	1b	
c	Fair market value of other non-exempt-use assets	1c	
d	Total (add lines 1a, 1b, and 1c)	1d	
e	Discount claimed for blockage or other factors (<i>explain in detail in Part VI</i>):		
2	Acquisition indebtedness applicable to non-exempt-use assets	2	
3	Subtract line 2 from line 1d.	3	
4	Cash deemed held for exempt use. Enter 0.015 of line 3 (for greater amount, see instructions).	4	
5	Net value of non-exempt-use assets (subtract line 4 from line 3)	5	
6	Multiply line 5 by 0.035.	6	
7	Recoveries of prior-year distributions	7	
8	Minimum Asset Amount (add line 7 to line 6)	8	

Section C - Distributable Amount			Current Year
1	Adjusted net income for prior year (from Section A, line 8, column A)	1	
2	Enter 0.85 of line 1.	2	
3	Minimum asset amount for prior year (from Section B, line 8, column A)	3	
4	Enter greater of line 2 or line 3.	4	
5	Income tax imposed in prior year	5	
6	Distributable Amount. Subtract line 5 from line 4, unless subject to emergency temporary reduction (see instructions).	6	
7	<input type="checkbox"/> Check here if the current year is the organization's first as a non-functionally integrated Type III supporting organization (see instructions).		

LITTLE SISTERS OF THE POOR OF

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations (continued)

Section D - Distributions		Current Year
1	Amounts paid to supported organizations to accomplish exempt purposes	1
2	Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity	2
3	Administrative expenses paid to accomplish exempt purposes of supported organizations	3
4	Amounts paid to acquire exempt-use assets	4
5	Qualified set-aside amounts (prior IRS approval required - <i>provide details in Part VI</i>)	5
6	Other distributions (<i>describe in Part VI</i>). See instructions.	6
7	Total annual distributions. Add lines 1 through 6.	7
8	Distributions to attentive supported organizations to which the organization is responsive (<i>provide details in Part VI</i>). See instructions.	8
9	Distributable amount for 2020 from Section C, line 6	9
10	Line 8 amount divided by line 9 amount	10

Section E - Distribution Allocations (see instructions)	(i) Excess Distributions	(ii) Underdistributions Pre-2020	(iii) Distributable Amount for 2020
1 Distributable amount for 2020 from Section C, line 6			
2 Underdistributions, if any, for years prior to 2020 (reasonable cause required - <i>explain in Part VI</i>). See instructions.			
3 Excess distributions carryover, if any, to 2020			
a From 2015			
b From 2016			
c From 2017			
d From 2018			
e From 2019			
f Total of lines 3a through 3e			
g Applied to underdistributions of prior years			
h Applied to 2020 distributable amount			
i Carryover from 2015 not applied (see instructions)			
j Remainder. Subtract lines 3g, 3h, and 3i from line 3f.			
4 Distributions for 2020 from Section D, line 7: \$			
a Applied to underdistributions of prior years			
b Applied to 2020 distributable amount			
c Remainder. Subtract lines 4a and 4b from line 4.			
5 Remaining underdistributions for years prior to 2020, if any. Subtract lines 3g and 4a from line 2. For result greater than zero, <i>explain in Part VI</i> . See instructions.			
6 Remaining underdistributions for 2020. Subtract lines 3h and 4b from line 1. For result greater than zero, <i>explain in Part VI</i> . See instructions.			
7 Excess distributions carryover to 2021. Add lines 3j and 4c.			
8 Breakdown of line 7:			
a Excess from 2016			
b Excess from 2017			
c Excess from 2018			
d Excess from 2019			
e Excess from 2020			

Schedule A (Form 990 or 990-EZ) 2020

LITTLE SISTERS OF THE POOR OF

Part VI **Supplemental Information.** Provide the explanations required by Part II, line 10; Part II, line 17a or 17b; Part III, line 12; Part IV, Section A, lines 1, 2, 3b, 3c, 4b, 4c, 5a, 6, 9a, 9b, 9c, 11a, 11b, and 11c; Part IV, Section B, lines 1 and 2; Part IV, Section C, line 1; Part IV, Section D, lines 2 and 3; Part IV, Section E, lines 1c, 2a, 2b, 3a, and 3b; Part V, line 1; Part V, Section B, line 1e; Part V, Section D, lines 5, 6, and 8; and Part V, Section E, lines 2, 5, and 6. Also complete this part for any additional information. (See instructions.)

SCHEDULE A, PART II, LINE 10, EXPLANATION FOR OTHER INCOME:

FUNDRAISING EVENT REVENUES

CHARITABLE GAMING REVENUES

MISCELLANEOUS INCOME

Multiple horizontal lines for providing supplemental information.

SCHEDULE D (Form 990)

Department of the Treasury Internal Revenue Service

Supplemental Financial Statements

Complete if the organization answered "Yes" on Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b. Attach to Form 990.

Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2020

Open to Public Inspection

Name of the organization LITTLE SISTERS OF THE POOR OF LOS ANGELES

Employer identification number 95-1972847

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" on Form 990, Part IV, line 6.

Table with 3 columns: Question, (a) Donor advised funds, (b) Funds and other accounts. Rows include total number at end of year, aggregate value of contributions, grants, and end of year, and two yes/no questions about donor property and grant fund usage.

Part II Conservation Easements. Complete if the organization answered "Yes" on Form 990, Part IV, line 7.

Table with 3 columns: Question, (a) Donor advised funds, (b) Funds and other accounts. Rows include purpose of easements, completion of lines 2a-2d, number of easements modified, states where located, monitoring policy, staff hours, expenses, and requirements of section 170(h)(4)(B)(i).

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" on Form 990, Part IV, line 8.

Table with 3 columns: Question, (a) Donor advised funds, (b) Funds and other accounts. Rows include reporting requirements for art and historical treasures, and amounts for revenue and assets.

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule D (Form 990) 2020

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

- 3** Using the organization's acquisition, accession, and other records, check any of the following that make significant use of its collection items (check all that apply):
- a** Public exhibition **d** Loan or exchange program
- b** Scholarly research **e** Other _____
- c** Preservation for future generations
- 4** Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII.
- 5** During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? Yes No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" on Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

- 1a** Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? Yes No
- b** If "Yes," explain the arrangement in Part XIII and complete the following table:
- | | Amount |
|--|-----------|
| c Beginning balance | 1c |
| d Additions during the year | 1d |
| e Distributions during the year | 1e |
| f Ending balance | 1f |
- 2a** Did the organization include an amount on Form 990, Part X, line 21, for escrow or custodial account liability? Yes No
- b** If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided on Part XIII

Part V Endowment Funds. Complete if the organization answered "Yes" on Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

- 2** Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:
- a** Board designated or quasi-endowment _____ %
- b** Permanent endowment _____ %
- c** Term endowment _____ %
- The percentages on lines 2a, 2b, and 2c should equal 100%.
- 3a** Are there endowment funds not in the possession of the organization that are held and administered for the organization by:
- | | Yes | No |
|--|---------------|----|
| (i) Unrelated organizations | 3a(i) | |
| (ii) Related organizations | 3a(ii) | |
| b If "Yes" on line 3a(ii), are the related organizations listed as required on Schedule R? <input type="checkbox"/> | 3b | |
- 4** Describe in Part XIII the intended uses of the organization's endowment funds.

Part VI Land, Buildings, and Equipment.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		465,340.		465,340.
b Buildings		8,514,840.	8,514,840.	0.
c Leasehold improvements		12,572,014.	4,984,714.	7,587,300.
d Equipment		3,354,268.	2,564,077.	790,191.
e Other		53,533.		53,533.
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.)				8,896,364.

LITTLE SISTERS OF THE POOR OF
LOS ANGELES

Part VII Investments - Other Securities.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely held equity interests		
(3) Other		
(A)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 12.) ▶		

Part VIII Investments - Program Related.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

(a) Description of investment	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 13.) ▶		

Part IX Other Assets.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11d. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1)	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.) ▶	

Part X Other Liabilities.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.) ▶	

2. Liability for uncertain tax positions. In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FASB ASC 740. Check here if the text of the footnote has been provided in Part XIII ...

LITTLE SISTERS OF THE POOR OF
LOS ANGELES

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return.

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements		1	7,043,990.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:			
a	Net unrealized gains (losses) on investments	2a	-58,955.	
b	Donated services and use of facilities	2b		
c	Recoveries of prior year grants	2c		
d	Other (Describe in Part XIII.)	2d		
e	Add lines 2a through 2d	2e	-58,955.	
3	Subtract line 2e from line 1		3	7,102,945.
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:			
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	1,336.	
b	Other (Describe in Part XIII.)	4b	43,276.	
c	Add lines 4a and 4b	4c	44,612.	
5	Total revenue. Add lines 3 and 4c . (This must equal Form 990, Part I, line 12.)		5	7,147,557.

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

1	Total expenses and losses per audited financial statements		1	7,571,355.
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:			
a	Donated services and use of facilities	2a		
b	Prior year adjustments	2b		
c	Other losses	2c		
d	Other (Describe in Part XIII.)	2d		
e	Add lines 2a through 2d	2e	0.	
3	Subtract line 2e from line 1		3	7,571,355.
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:			
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	1,336.	
b	Other (Describe in Part XIII.)	4b	2,000.	
c	Add lines 4a and 4b	4c	3,336.	
5	Total expenses. Add lines 3 and 4c . (This must equal Form 990, Part I, line 18.)		5	7,574,691.

Part XIII Supplemental Information.

Provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, lines 2d and 4b; and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

PART IV, LINE 2B:

CASH HELD FOR THE BENEFIT OF RESIDENTS REPRESENT CASH HELD BY LSPLA FOR THE BENEFIT OF FACILITY RESIDENTS. LSPLA HOLDS THIS CASH IN A FIDUCIARY CAPACITY IN AN INTEREST-BEARING ACCOUNT.

PART X, LINE 2:

LSPLA IS EXEMPT FROM FEDERAL INCOME AND CALIFORNIA FRANCHISE TAXES UNDER SECTIONS 501(C)(3) OF THE INTERNAL REVENUE CODE AND 23701(D) OF THE CALIFORNIA REVENUE AND TAXATION CODE. IN ADDITION, THE INTERNAL REVENUE SERVICE HAS CLASSIFIED LSPLA AS OTHER THAN A PRIVATE FOUNDATION. THERE WAS NO UNRELATED BUSINESS INCOME FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019 ACCORDINGLY, NO PROVISION FOR FEDERAL INCOME OR STATE FRANCHISE TAXES HAS

Part XIII Supplemental Information (continued)

BEEN INCLUDED IN THESE FINANCIAL STATEMENTS.

LSPLA HAS EVALUATED ITS TAX POSITIONS AND THE CERTAINTY AS TO WHETHER THOSE POSITIONS WILL BE SUSTAINED IN THE EVENT OF AN AUDIT BY TAXING AUTHORITIES AT THE FEDERAL AND STATE LEVELS. THE PRIMARY TAX POSITIONS EVALUATED ARE RELATED TO ITS CONTINUED QUALIFICATION AS A TAX-EXEMPT ORGANIZATION AND WHETHER THERE ARE UNRELATED BUSINESS INCOME ACTIVITIES CONDUCTED THAT WOULD BE TAXABLE. MANAGEMENT HAS DETERMINED THAT ALL INCOME TAX POSITIONS ARE MORE LIKELY THAN NOT OF BEING SUSTAINED UPON POTENTIAL AUDIT OR EXAMINATION; THEREFORE, NO DISCLOSURES OF UNCERTAIN INCOME TAX POSITIONS ARE REQUIRED.

PART XI, LINE 4B - OTHER ADJUSTMENTS:

DONATION	2,000.
INVESTMENT GAIN	41,276.
TOTAL TO SCHEDULE D, PART XI, LINE 4B	43,276.

PART XII, LINE 4B - OTHER ADJUSTMENTS:

DONATION	2,000.
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**SCHEDULE M
(Form 990)**

Noncash Contributions

OMB No. 1545-0047

2020

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

- ▶ Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.
- ▶ Attach to Form 990.
- ▶ Go to www.irs.gov/Form990 for instructions and the latest information.

Name of the organization **LITTLE SISTERS OF THE POOR OF LOS ANGELES** Employer identification number **95-1972847**

Part I Types of Property

	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1 Art - Works of art				
2 Art - Historical treasures				
3 Art - Fractional interests				
4 Books and publications				
5 Clothing and household goods				
6 Cars and other vehicles				
7 Boats and planes				
8 Intellectual property				
9 Securities - Publicly traded	X	1	92,990.	DAILY TRADING PRICE
10 Securities - Closely held stock				
11 Securities - Partnership, LLC, or trust interests				
12 Securities - Miscellaneous				
13 Qualified conservation contribution - Historic structures				
14 Qualified conservation contribution - Other				
15 Real estate - Residential				
16 Real estate - Commercial				
17 Real estate - Other				
18 Collectibles				
19 Food inventory	X	192	59,873.	FMV
20 Drugs and medical supplies				
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
25 Other ()				
26 Other ()				
27 Other ()				
28 Other ()				

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part V, Donee Acknowledgement **29** **0**

	Yes	No
30a During the year, did the organization receive by contribution any property reported in Part I, lines 1 through 28, that it must hold for at least three years from the date of the initial contribution, and which isn't required to be used for exempt purposes for the entire holding period?		X
b If "Yes," describe the arrangement in Part II.		
31 Does the organization have a gift acceptance policy that requires the review of any nonstandard contributions?		X
32a Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?	X	
b If "Yes," describe in Part II.		
33 If the organization didn't report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II.		

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule M (Form 990) 2020

Part II **Supplemental Information.** Provide the information required by Part I, lines 30b, 32b, and 33, and whether the organization is reporting in Part I, column (b), the number of contributions, the number of items received, or a combination of both. Also complete this part for any additional information.

SCHEDULE M, LINE 32B:

THE ORGANIZATION UTILIZES AN INVESTMENT MANAGEMENT FIRM TO PROCESS AND
SELL ANY DONATED SECURITIES.

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on
Form 990 or 990-EZ or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

▶ Go to www.irs.gov/Form990 for the latest information.

OMB No. 1545-0047

2020

Open to Public
Inspection

Name of the organization	LITTLE SISTERS OF THE POOR OF LOS ANGELES	Employer identification number	95-1972847
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FORM 990, PART I, LINE 1, DESCRIPTION OF ORGANIZATION MISSION:

BE WELCOMED AS CHRIST, CARED FOR AS FAMILY AND ACCOMPANIED WITH DIGNITY
UNTIL GOD CALLS THEM TO HIMSELF.

FORM 990, PART III, LINE 4A, PROGRAM SERVICE ACCOMPLISHMENTS:

PODIATRY, DENTAL AND PSYCHIATRY SERVICES.

FORM 990, PART VI, SECTION A, LINE 8B:

THE ORGANIZATION HAS NO COMMITTEES WITH AUTHORITY TO ACT ON BEHALF OF THE
GOVERNING BODY.

FORM 990, PART VI, SECTION B, LINE 11B:

PRIOR TO SUBMISSION WITH THE IRS, THE DEVELOPMENT DIRECTOR REVIEWS THE FORM
990.

FORM 990, PART VI, SECTION B, LINE 12C:

DIRECTORS, OFFICERS AND ALL EMPLOYEES WHO INFLUENCE THE ACTIONS OF LITTLE
SISTERS OF THE POOR ARE COVERED UNDER THE CONFLICT OF INTEREST POLICY. A
CONFLICT OF INTEREST MAY BE DEFINED AS AN INTEREST, DIRECT OR INDIRECT,
WITH ANY PERSONS OR FIRMS INVOLVED WITH LITTLE SISTERS OF THE POOR.

TRANSACTIONS WITH PARTIES WITH WHOM A CONFLICTING INTEREST EXISTS MAY BE
UNDERTAKEN ONLY IF THE CONFLICTING INTEREST IS FULLY DISCLOSED. THE PERSON
WITH THE CONFLICT OF INTEREST IS EXCLUDED FROM THE DISCUSSION AND APPROVAL
OF SUCH TRANSACTION, A COMPETITIVE BID OR COMPARABLE VALUATION EXISTS, AND
THE BOARD OR A DULY CONSTITUTED COMMITTEE THEREOF HAS DETERMINED THAT THE
TRANSACTION IS IN THE BEST INTEREST OF THE ORGANIZATION.

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule O (Form 990 or 990-EZ) 2020

Name of the organization LITTLE SISTERS OF THE POOR OF LOS ANGELES	Employer identification number 95-1972847
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FORM 990, PART VI, SECTION B, LINE 15:

THE OFFICERS AND DIRECTORS ARE MEMBERS OF THE CONGREGATION OF THE LITTLE SISTERS OF THE POOR AND TAKE A VOW OF POVERTY RENDERING THEM INELIGIBLE FOR COMPENSATION BENEFITS. THE EXECUTIVE DIRECTOR RECEIVES A SMALL MONTHLY STIPEND TO COVER MEDICAL BILLS AND OTHER LIVING EXPENSES. THERE ARE NO OTHER OFFICERS OR KEY EMPLOYEES OF THE ORGANIZATION. THEREFORE QUESTIONS 15A AND 15B ARE NOT APPLICABLE, BUT HAVE BEEN ANSWERED "NO" IN ACCORDANCE WITH THE FORM 990 INSTRUCTIONS.

FORM 990, PART VI, SECTION C, LINE 19:

UPON APPOINTMENT, THE GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND THE FINANCIAL STATEMENTS CAN BE REVIEWED ON SITE. THE DOCUMENTS CAN ALSO BE REQUESTED IN WRITING AND THE INFORMATION WILL BE DISTRIBUTED ACCORDINGLY.

FORM XII LINE 2C

THE PROCESS HAS NOT CHANGED FROM PRIOR YEAR.

**SCHEDULE R
(Form 990)**

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.
▶ Attach to Form 990.

▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2020

Open to Public
Inspection

Name of the organization **LITTLE SISTERS OF THE POOR OF
LOS ANGELES** Employer identification number **95-1972847**

Part I Identification of Disregarded Entities. Complete if the organization answered "Yes" on Form 990, Part IV, line 33.

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, because it had one or more related tax-exempt organizations during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
LITTLE SISTERS OF THE POOR, CHICAGO PROVINCE, INC. - 51-0187829, 80 W NORTHWEST HIGHWAY, PALATINE, IL 60067	CARE OF THE ELDERLY POOR	ILLINOIS	501(C)(3)	LINE 1	N/A		X

For Paperwork Reduction Act Notice, see the Instructions for Form 990. Schedule R (Form 990) 2020

LITTLE SISTERS OF THE POOR OF

Schedule R (Form 990) 2020 LOS ANGELES

95-1972847 Page 2

Part III Identification of Related Organizations Taxable as a Partnership. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, because it had one or more related organizations treated as a partnership during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV Identification of Related Organizations Taxable as a Corporation or Trust. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, because it had one or more related organizations treated as a corporation or trust during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(j) Section 512(b)(13) controlled entity?	
								Yes	No

LITTLE SISTERS OF THE POOR OF
LOS ANGELES

Part V Transactions With Related Organizations. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.

Note: Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.

	Yes	No
1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?		
a Receipt of (i) interest, (ii) annuities, (iii) royalties, or (iv) rent from a controlled entity		X
b Gift, grant, or capital contribution to related organization(s)		X
c Gift, grant, or capital contribution from related organization(s)		X
d Loans or loan guarantees to or for related organization(s)		X
e Loans or loan guarantees by related organization(s)		X
f Dividends from related organization(s)		X
g Sale of assets to related organization(s)		X
h Purchase of assets from related organization(s)		X
i Exchange of assets with related organization(s)		X
j Lease of facilities, equipment, or other assets to related organization(s)		X
k Lease of facilities, equipment, or other assets from related organization(s)		X
l Performance of services or membership or fundraising solicitations for related organization(s)		X
m Performance of services or membership or fundraising solicitations by related organization(s)		X
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)		X
o Sharing of paid employees with related organization(s)		X
p Reimbursement paid to related organization(s) for expenses	X	
q Reimbursement paid by related organization(s) for expenses		X
r Other transfer of cash or property to related organization(s)		X
s Other transfer of cash or property from related organization(s)		X

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1)			
(2)			
(3)			
(4)			
(5)			
(6)			

Part VII Supplemental Information

Provide additional information for responses to questions on Schedule R. See instructions.

Lined area for supplemental information.

Section 999.5(d)(8) The written notice of any proposed agreement or transaction set forth in section 999.5(a)(1) shall include a resolution of the board of directors of the applicant authorizing the filing of the written notice and a statement by the chair of the board that the contents of the written notice are true, accurate and complete.

Exhibit 15 is a copy of the resolution of the board of directors authorizing the filing of this written notice and a statement of the president of the board of directors certifying that the contents of the written notice are true, accurate and complete.

Exhibit 15

Section 999.5(d)(8)

LITTLE SISTERS OF THE POOR OF LOS ANGELES
d/b/a JEANNE JUGAN RESIDENCE

RESOLUTION

WHEREAS LITTLE SISTERS OF THE POOR OF LOSANGELES, a California nonprofit public benefit corporation, (the "Seller") entered into an asset purchase agreement ("APA") with G and E HEALTHCARE SERVICES, LLC, a California Limited Liability Company or its nominee (the Buyer") on May 26, 2021 whereby Seller will sell and convey and Buyer will purchase the land and improvements located at 2100 South Western Avenue, San Pedro California (the "Real Property"); the business of operating a facility with 27 skilled nursing beds, 62 residential care facility for the elderly ("RCFE") beds and 14 Independent Living Apartments (the "Business"); and all of the other assets necessary to conduct the Business ("Other Assets") which pertain thereto; and

WHEREAS the Board of Directors of the Seller at a duly called Special Meeting of the same held on May 26, 2021 approved the sale of the Real Property, the Business and the Other Assets to the Buyer for TWENTY MILLION DOLLARS (\$20,000,000.00) by unanimous vote.

WHEREAS the Seller must give notice to and receive the consent of the Attorney General of the State of California to sell and transfer the facility; and

WHEREAS section 999.5(d)(8) of the California Code of Regulations require a resolution of the board of directors of the applicant authorizing the filing of the written notice to the Attorney General.

NOW THEREFORE:

BE IT RESOLVED THAT

1. The Board of Directors of the Seller approves the filing of the Notice seeking Consent of the Attorney General of the State of California; and it is further resolved that
2. The Officers of the Seller are authorized to execute all documents in furtherance of receiving consent of the Attorney General..

Dated: November 2, 2021

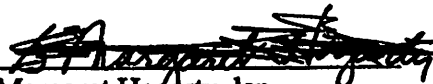

Sister Margaret Hogarty, President


Sister Clotilde Jardim, Secretary

LITTLE SISTERS OF THE POOR OF LOS ANGELES
d/b/a JEANNE JUGAN RESIDENCE

I, Sister Margaret Hogarty, president of the board of directors of Little Sisters of the Poor of Los Angeles, certify pursuant to section 999.5(d)(8) of the California Code of Regulations that the contents of the written notice are true, accurate and complete as the corporation seeks consent of the Attorney General to complete the proposed transaction,

Dated: November 2, 2021



Sister Margaret Hogarty, lsp

Section 999.5(d)(9) The written notice of any proposed agreement or transaction set forth in section 999.5(a)(1) shall include a list of the officers and directors of the transferee, the most recent audited financial statements for the transferee, the transferee's governance documents, such as the articles of incorporation and bylaws, and a description of the transferee's policies, procedures, and eligibility requirements for the provision of charity care.

There are two groups of entities that will be included in this section. The first are the entities that were created to own and operate the facility purchased from the Little Sisters of the Poor. And the second group are the current operating entities of the purchaser.

Group 1

1. 9 Gem Capital Group - Entity that will own the assets Purchased from the Little Sisters of the Poor.

Members - Grace Mercado and Ruperto V. Ouano
Manager - Grace Mercado

2. 9 Gem Enterprises, LLC - Entity that will operate the Assisted Living unit.

Members - Grace Mercado and Ruperto V. Ouano
Manager - Grace Mercado

3. 9 Gem Healthcare Services, LLC - Entity that will operate Skilled Nursing Unit.

Members - Grace Mercado and Ruperto V. Ouano
Manager - Grace Mercado

Group 2

4. G & E Healthcare Services, LLC D/B/A Astoria Nursing and Rehabilitation Center

Members - Grace Mercado and Ruperto V. Ouano
Manager - Grace Mercado

5. Gem Healthcare, LLC D/B/A Gem Transitional Care Center

Members - Grace Mercado and Ruperto V. Ouano
Manager - Grace Mercado

6. G & R Alameda Healthcare Services, LLC D/B/A Crown Bay Nursing and Rehabilitation Center

Members - Grace Mercado and Ruperto V. Ouano
Manager - Grace Mercado

7. GSM Healthcare Services, LLC, D/B/A Helen Evans Home/Walbrook House

Members - Grace Mercado and Ruperto Ouano
Manager - Grace Mercado

Exhibit 16 are the Articles of Organization and the Operating Agreements for the above seven limited liability companies of the purchaser. Not included are the same documents for other entities which do not relate to the provision of skilled nursing and rehabilitation services.

The financial statements for the purchaser's entities providing skilled nursing care are provided as Exhibit 17. Please note that it is not the custom of the Purchaser to produce audited financial statements and so we are providing what is produced in purchaser's normal course of business.

Exhibit 16

Section 999.5(d)(9)



California Secretary of State
Electronic Filing

FILED

Secretary of State
State of California

LLC Registration – Articles of Organization

Entity Name: 9 Gem Capital Group, LLC

Entity (File) Number: 202115410322

File Date: 05/31/2021

Entity Type: Domestic LLC

Jurisdiction: California

Detailed Filing Information

1. Entity Name: 9 Gem Capital Group, LLC

2. Business Addresses:
 - a. Initial Street Address of Designated Office in California: 445 South Fair Oaks Avenue
Pasadena, California 91105
United States

 - b. Initial Mailing Address: 445 South Fair Oaks Avenue
Pasadena, California 91105
United States

3. Agent for Service of Process: Grace S. Mercado
445 South Fair Oaks Avenue
Pasadena California 91105
United States

4. Management Structure: One Manager

5. Purpose Statement: The purpose of the limited liability company is to engage in any lawful act or activity for which a limited liability company may be organized under the California Revised Uniform Limited Liability Company Act.

Electronic Signature:

The organizer affirms the information contained herein is true and correct.

Organizer: By: Cheyenne Moseley, Assistant Secretary of
Legalzoom.com, Inc.

Operating Agreement

9 Gem Capital Group, LLC, a California Limited Liability Company

THIS OPERATING AGREEMENT of 9 Gem Capital Group, LLC (the "Company") is entered into as of the date set forth on the signature page of this Agreement by each of the Members listed on Exhibit A of this Agreement.

A. The Members have formed the Company as a California limited liability company under the California Revised Uniform Limited Liability Company Act. The purpose of the Company is to conduct any lawful business for which limited liability companies may be organized under the laws of the state of California. The Members hereby adopt and approve the articles of organization of the Company filed with the California Secretary of State.

B. The Members enter into this Agreement to provide for the governance of the Company and the conduct of its business, and to specify their relative rights and obligations.

ARTICLE 1: DEFINITIONS

Capitalized terms used in this Agreement have the meanings specified in this Article 1 or elsewhere in this Agreement and if not so specified, have the meanings set forth in the California Revised Uniform Limited Liability Company Act.

"Agreement" means this Operating Agreement of the Company, as may be amended from time to time.

"Capital Account" means, with respect to any Member, an account consisting of such Member's Capital Contribution, (1) increased by such Member's allocated share of income and gain, (2) decreased by such Member's share of losses and deductions, (3) decreased by any distributions made by the Company to such Member, and (4) otherwise adjusted as required in accordance with applicable tax laws.

"Capital Contribution" means, with respect to any Member, the total value of (1) cash and the fair market value of property other than cash and (2) services that are contributed and/or agreed to be contributed to the Company by such Member, as listed on Exhibit A, as may be updated from time to time according to the terms of this Agreement.

"Exhibit" means a document attached to this Agreement labeled as "Exhibit A," "Exhibit B," and so forth, as such document may be amended, updated, or replaced from time to time according to the terms of this Agreement.

"Manager" means each Person who has authority to manage the business and affairs of the Company pursuant to this Agreement; such Persons are listed on Exhibit B, as may be updated from time to time according to the terms of this Agreement. A Manager may be, but is not required to be, a Member.

"Member" means each Person who acquires Membership Interest pursuant to this Agreement. The Members are listed on Exhibit A, as may be updated from time to time according to the terms of this Agreement. Each Member has the rights and obligations specified in this Agreement.

"Membership Interest" means the entire ownership interest of a Member in the Company at any particular time, including the right to any and all benefits to which a Member may be entitled as provided in this Agreement and under the California Revised Uniform Limited Liability Company Act, together with the obligations of the Member to comply with all of the terms and provisions of this Agreement.

"Ownership Interest" means the Percentage Interest or Units, as applicable, based on the manner in which relative ownership of the Company is divided.

"Percentage Interest" means the percentage of ownership in the Company that, with respect to each Member, entitles the Member to a Membership Interest and is expressed as either:

- A. If ownership in the Company is expressed in terms of percentage, the percentage set forth opposite the name of each Member on Exhibit A, as may be adjusted from time to time pursuant to this Agreement; or

B. If ownership in the Company is expressed in Units, the ratio, expressed as a percentage, of:

- (1) the number of Units owned by the Member (expressed as "MU" in the equation below) divided by
- (2) the total number of Units owned by all of the Members of the Company (expressed as "TU" in the equation below).

$$\text{Percentage Interest} = \frac{MU}{TU}$$

"Person" means an individual (natural person), partnership, limited partnership, trust, estate, association, corporation, limited liability company, or other entity, whether domestic or foreign.

"Units" mean, if ownership in the Company is expressed in Units, units of ownership in the Company, that, with respect to each Member, entitles the Member to a Membership Interest which, if applicable, is expressed as the number of Units set forth opposite the name of each Member on Exhibit A, as may be adjusted from time to time pursuant to this Agreement.

ARTICLE 2: CAPITAL CONTRIBUTIONS, ADDITIONAL MEMBERS, CAPITAL ACCOUNTS AND LIMITED LIABILITY

2.1 Initial Capital Contributions. The names of all Members and each of their respective addresses, initial Capital Contributions, and Ownership Interests must be set forth on Exhibit A. Each Member has made or agrees to make the initial Capital Contribution set forth next to such Member's name on Exhibit A to become a Member of the Company.

2.2 Subsequent Capital Contributions. Members are not obligated to make additional Capital Contributions unless unanimously agreed by all the Members. If subsequent Capital Contributions are unanimously agreed by all the Members in a consent in writing, the Members may make such additional Capital Contributions on a pro rata basis in accordance with each Member's respective Percentage Interest or as otherwise unanimously agreed by the Members.

2.3 Additional Members.

A. With the exception of a transfer of interest (1) governed by Article 7 of this Agreement or (2) otherwise expressly authorized by this Agreement, additional Persons may become Members of the Company and be issued additional Ownership Interests only if approved by and on terms determined by a unanimous written agreement signed by all of the existing Members.

B. Before a Person may be admitted as a Member of the Company, that Person must sign and deliver to the Company the documents and instruments, in the form and containing the information required by the Company, that the Managers deem necessary or desirable. Membership Interests of new Members will be allocated according to the terms of this Agreement.

2.4 **Capital Accounts.** Individual Capital Accounts must be maintained for each Member, unless (a) there is only one Member of the Company and (b) the Company is exempt according to applicable tax laws. Capital Accounts must be maintained in accordance with all applicable tax laws.

2.5 **Interest.** No interest will be paid by the Company or otherwise on Capital Contributions or on the balance of a Member's Capital Account.

2.6 **Limited Liability; No Authority.** A Member will not be bound by, or be personally liable for, the expenses, liabilities, debts, contracts, or obligations of the Company, except as otherwise provided in this Agreement or as required by the California Revised Uniform Limited Liability Company Act. Unless expressly provided in this Agreement, no Member, acting alone, has any authority to undertake or assume any obligation, debt, or responsibility, or otherwise act on behalf of, the Company or any other Member.

ARTICLE 3: ALLOCATIONS AND DISTRIBUTIONS

3.1 **Allocations.** Unless otherwise agreed to by the unanimous consent of the Members any income, gain, loss, deduction, or credit of the Company will be allocated for accounting and tax purposes on a pro rata basis in proportion to the respective Percentage Interest held by each Member and in compliance with applicable tax laws.

3.2 **Distributions.** The Company will have the right to make distributions of cash and property to the Members on a pro rata basis in proportion to the respective Percentage Interest held by each Member. The timing and amount of distributions will be determined by the Managers in accordance with the California Revised Uniform Limited Liability Company Act.

3.3 **Limitations on Distributions.** The Company must not make a distribution to a Member if, after giving effect to the distribution:

A. The Company would be unable to pay its debts as they become due in the usual course of business; or

B. The fair value of the Company's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the Company were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of Members, if any, whose preferential rights are superior to those of the Members receiving the distribution.

ARTICLE 4: MANAGEMENT

4.1 **Management.**

A. **Generally.** Subject to the terms of this Agreement and the California Revised Uniform Limited Liability Company Act, the business and affairs of the Company will be managed by the Board of Managers, as further described below. The Members initially nominate and elect the Person(s) set forth on Exhibit B to serve as the Manager(s) of the Company. The Managers will act under the direction of the Members and may be elected or removed at any time, for any reason or no reason, by the Members holding a majority of the Voting Interest of the Company. Exhibit B must be amended to reflect any changes in Managers.

B. **Approval and Action.** Unless greater or other authorization is required pursuant to this Agreement or under the California Revised Uniform Limited Liability Company Act for the Company to engage in an activity or transaction, all activities or transactions must be approved by a majority of Managers, to constitute the act of the Company or serve to bind the Company, but if the Managers cannot reach a majority vote, the dispute will be submitted to the Members to be resolved by the affirmative vote of the Members holding at least a majority of the Voting Interest of the Company. With such approval, the signature of any Managers authorized to sign on behalf of the Company is sufficient to bind the Company with respect to the matter or matters so

approved. Without such approval, no Managers acting alone may bind the Company to any agreement with or obligation to any third party or represent or claim to have the ability to so bind the Company.

C. **Certain Decisions Requiring Greater Authorization.** Notwithstanding clause B above, the following matters require unanimous approval of the Members in a consent in writing to constitute an act of the Company:

- (i) A material change in the purposes or the nature of the Company's business;
- (ii) With the exception of a transfer of interest governed by Article 7 of this Agreement, the admission of a new Member or a change in any Member's Membership Interest, Ownership Interest, Percentage Interest, or Voting Interest in any manner other than in accordance with this Agreement;
- (iii) A merger or conversion under the California Revised Uniform Limited Liability Company Act;
- (iv) Any other act outside the ordinary course of the Company's activities;
- (v) The sale, lease, exchange, or other disposition of all, or substantially all, of the Company's property, with or without goodwill, outside the ordinary course of the Company's activities; and
- (vi) The amendment of this Agreement.

4.2 **Meetings of Managers.** Regular meetings of the Managers are not required but may be held at such time and place as the Managers deem necessary or desirable for the reasonable management of the Company. Meetings may take place in person, by conference call, or by any other means permitted under the California Revised Uniform Limited Liability Company Act. In addition, Company actions requiring a vote may be carried out without a meeting if all of the Managers consent in writing to approve the action.

4.3 **Officers.** The Managers are authorized to appoint one or more officers from time to time. The officers will have the titles, the authority, exercise the powers, and perform the duties that the Managers determine from time to time. Each officer will continue to perform and hold office until such time as (a) the officer's successor is

chosen and appointed by the Managers; or (b) the officer is dismissed or terminated by the Managers, which termination will be subject to applicable law and, if an effective employment agreement exists between the officer and the Company, the employment agreement. Subject to applicable law and the employment agreement (if any), each officer will serve at the direction of Managers, and may be terminated, at any time and for any reason, by the Managers.

ARTICLE 5: ACCOUNTS AND ACCOUNTING

5.1 **Accounts.** The Company must maintain complete accounting records of the Company's business, including a full and accurate record of each Company transaction. The records must be kept at the Company's principal executive office and must be open to inspection and copying by Members during normal business hours upon reasonable notice by the Members wishing to inspect or copy the records or their authorized representatives, for purposes reasonably related to the Membership Interest of such Members. The costs of inspection and copying will be borne by the respective Member.

5.2 **Records.** The Managers will keep or cause the Company to keep the following business records.

- (i) An up to date list of the Members, each of their respective full legal names, last known business or residence address, Capital Contributions, the amount and terms of any agreed upon future Capital Contributions, and Ownership Interests, and Voting Interests;
- (ii) A copy of the Company's federal, state, and local tax information and income tax returns and reports, if any, for the six most recent taxable years;
- (iii) A copy of the articles of organization of the Company, as may be amended from time to time ("Articles of Organization"); and
- (iv) An original signed copy, which may include counterpart signatures, of this Agreement, and any amendments to this Agreement, signed by all then-current Members.

5.3 **Income Tax Returns.** Within 45 days after the end of each taxable year, the Company will use its best efforts to send each of the Members all information necessary for the Members to complete their federal and state tax information, returns, and reports and a copy of the Company's federal, state, and local tax information or income tax returns and reports for such year.

5.4 **Subchapter S Election.** The Company may, upon unanimous consent of the Members, elect to be treated for income tax purposes as an S Corporation. This designation may be changed as permitted under the Internal Revenue Code Section 1362(d) and applicable Regulations.

5.5 **Tax Matters Member.** Anytime the Company is required to designate or select a tax matters partner or partnership representative, pursuant to Section 6223 of the Internal Revenue Code and any regulations issued by the Internal Revenue Service, the Members must designate one of the Members as the tax matters partner or partnership representative of the Company and keep such designation in effect at all times.

5.6 **Banking.** All funds of the Company must be deposited in one or more bank accounts in the name of the Company with one or more recognized financial institutions. The Managers are authorized to establish such accounts and complete, sign, and deliver any banking resolutions reasonably required by the respective financial institutions in order to establish an account.

ARTICLE 6: MEMBERSHIP – VOTING AND MEETINGS

6.1 **Members and Voting Rights.** The Members have the right and power to vote on all matters with respect to which the Articles of Organization, this Agreement, or the California Revised Uniform Limited Liability Company Act requires or permits. Unless otherwise stated in this Agreement (for example, in Section 4.1(c)) or required under the California Revised Uniform Limited Liability Company Act, the vote of the Members holding at least a majority of the Voting Interest of the Company is required to approve or carry out an action.

6.2 **Meetings of Members.** Annual, regular, or special meetings of the Members are not required but may be held at such time and place as the Members deem necessary or desirable for the reasonable management of the Company. Meetings may be called by any Member or Members, holding 10% or more of the Percentage Interests, for the purpose of addressing any matters on which the Members may vote. A written notice setting forth the date, time, and location of a meeting must be sent at least ten

(10) days but no more than sixty (60) days before the date of the meeting to each Member entitled to vote at the meeting. A Member may waive notice of a meeting by sending a signed waiver to the Company's principal executive office or as otherwise provided in the California Revised Uniform Limited Liability Company Act. In any instance in which the approval of the Members is required under this Agreement, such approval may be obtained in any manner permitted by the California Revised Uniform Limited Liability Company Act, including by conference call or similar communications equipment. Any action that could be taken at a meeting may be approved by a consent in writing that describes the action to be taken and is signed by Members holding the minimum Voting Interest required to approve the action. If any action is taken without a meeting and without unanimous written consent of the Members, notice of such action must be sent to each Member that did not consent to the action.

ARTICLE 7: WITHDRAWAL AND TRANSFERS OF MEMBERSHIP INTERESTS

7.1 Withdrawal. Members may withdraw from the Company prior to the dissolution and winding up of the Company (a) by transferring or assigning all of their respective Membership Interests pursuant to Section 7.2 below, or (b) if all of the Members unanimously agree in a written consent. Subject to the provisions of Article 3, a Member that withdraws pursuant to this Section 7.1 will be entitled to a distribution from the Company in an amount equal to such Member's Capital Account, which must be paid by the Company to such Member within ninety (90) days of the withdrawal date unless otherwise agreed in writing.

7.2 Restrictions on Transfer; Admission of Transferee. A Member may not transfer any Membership Interests, whether now owned or later acquired, unless Members holding all of the Percentage Interests not subject to transfer consent to such transfer. A person may acquire Membership Interests directly from the Company upon the written consent of all Members. A Person that acquires Membership Interests in accordance with this Section 7.2 will be admitted as a Member of the Company only after the requirements of Section 2.3(b) are complied with in full.

ARTICLE 8: DISSOLUTION

8.1 Dissolution. The Company will be dissolved upon the first to occur of the following events:

- (i) The vote of the Members holding at least a majority of the Voting Interest of the Company to dissolve the Company;

- (ii) Entry of a decree of judicial dissolution under Section 17707.01 of the California Revised Uniform Limited Liability Company Act;
- (iii) The sale or transfer of all or substantially all of the Company's assets;
- (iv) A merger or consolidation of the Company with one or more entities in which the Company is not the surviving entity; or
- (v) The Company has no members during 90 consecutive days, except on the death of a natural person who is the sole member of the Company, the status of the member, including Membership Interest, may pass to the heirs, successors, and assigns of the member by will or applicable law.

8.2 No Automatic Dissolution Upon Certain Events. Unless otherwise set forth in this Agreement or required by applicable law, the death, incapacity, disassociation, bankruptcy, or withdrawal of a Member will not automatically cause a dissolution of the Company.

ARTICLE 9: INDEMNIFICATION

9.1 Indemnification. The Company has the power to defend, indemnify, and hold harmless any Person who was or is a party, or who is threatened to be made a party, to any Proceeding (as that term is defined below) by reason of the fact that such Person was or is a Member, Manager, officer, employee, representative, or other agent of the Company, or was or is serving at the request of the Company as a director, Manager, Governor, officer, employee, representative or other agent of another limited liability company, corporation, partnership, joint venture, trust, or other enterprise (each such Person is referred to as a "Company Agent"), against Expenses (as that term is defined below), judgments, fines, settlements, and other amounts (collectively, "Damages") to the maximum extent now or hereafter permitted under California law. "Proceeding," as used in this Article 9, means any threatened, pending, or completed action, proceeding, individual claim or matter within a proceeding, whether civil, criminal, administrative, or investigative. "Expenses," as used in this Article 9, includes, without limitation, court costs, reasonable attorney and expert fees, and any expenses incurred relating to establishing a right to indemnification, if any, under this Article 9.

9.2 **Mandatory.** The Company must defend, indemnify and hold harmless a Company Agent in connection with a Proceeding in which such Company Agent is involved if, and to the extent, California law requires that a limited liability company indemnify a Company Agent in connection with a Proceeding.

9.3 **Expenses Paid by the Company Prior to Final Disposition.** Expenses of each Company Agent indemnified or held harmless under this Agreement that are actually and reasonably incurred in connection with the defense or settlement of a Proceeding may be paid by the Company in advance of the final disposition of a Proceeding if authorized by a vote of the Members that are not seeking indemnification holding a majority of the Voting Interests (excluding the Voting Interest of the Company Agent seeking indemnification) or a majority of the Managers that are not seeking indemnification, as the case may be. Before the Company makes any such payment of Expenses, the Company Agent seeking indemnification must deliver a written undertaking to the Company stating that such Company Agent will repay the applicable Expenses to the Company unless it is ultimately determined that the Company Agent is entitled or required to be indemnified and held harmless by the Company (as set forth in Sections 9.1 or 9.2 above or as otherwise required by applicable law).

ARTICLE 10: GENERAL PROVISIONS

10.1 **Notice.** (a) Any notices (including requests, demands, or other communications) to be sent by one party to another party in connection with this Agreement must be in writing and delivered personally, by reputable overnight courier, or by certified mail (or equivalent service offered by the postal service from time to time) to the following addresses or as otherwise notified in accordance with this Section: (i) if to the Company, notices must be sent to the Company's principal executive office; and (ii) if to a Member, notices must be sent to the Member's last known address for notice on record. (b) Any party to this Agreement may change its notice address by sending written notice of such change to the Company in the manner specified above. Notice will be deemed to have been duly given as follows: (i) upon delivery, if delivered personally or by reputable overnight carrier or (ii) five days after the date of posting if sent by certified mail.

10.2 **Entire Agreement; Amendment.** This Agreement along with the Articles of Organization (together, the "Organizational Documents"), constitute the entire agreement among the Members and replace and supersede all prior written and oral understandings and agreements with respect to the subject matter of this Agreement, except as otherwise required by the California Revised Uniform Limited Liability

Company Act. There are no representations, agreements, arrangements, or undertakings, oral or written, between or among the Members relating to the subject matter of this Agreement that are not fully expressed in the Organizational Documents. This Agreement may not be modified or amended in any respect, except in a writing signed by all of the Members, except as otherwise required or permitted by the California Revised Uniform Limited Liability Company Act.

10.3 Governing Law; Severability. This Agreement will be construed and enforced in accordance with the laws of the state of California. If any provision of this Agreement is held to be unenforceable by a court of competent jurisdiction for any reason whatsoever, (i) the validity, legality, and enforceability of the remaining provisions of this Agreement (including without limitation, all portions of any provisions containing any such unenforceable provision that are not themselves unenforceable) will not in any way be affected or impaired thereby, and (ii) to the fullest extent possible, the unenforceable provision will be deemed modified and replaced by a provision that approximates the intent and economic effect of the unenforceable provision and the Agreement will be deemed amended accordingly.

10.4 Further Action. Each Member agrees to perform all further acts and execute, acknowledge, and deliver any documents which may be reasonably necessary, appropriate, or desirable to carry out the provisions of this Agreement.

10.5 No Third Party Beneficiary. This Agreement is made solely for the benefit of the parties to this Agreement and their respective permitted successors and assigns, and no other Person or entity will have or acquire any right by virtue of this Agreement. This Agreement will be binding on and inure to the benefit of the parties and their heirs, personal representatives, and permitted successors and assigns.

10.6 Incorporation by Reference. The recitals and each appendix, exhibit, schedule, and other document attached to or referred to in this Agreement are hereby incorporated into this Agreement by reference.

10.7 Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if all of the Members signed the same copy. All counterparts will be construed together and will constitute one agreement.

[Remainder Intentionally Left Blank.]

IN WITNESS WHEREOF, the parties have executed or caused to be executed this Operating Agreement and do each hereby represent and warrant that their respective signatory, whose signature appears below, has been and is, on the date of this Agreement, duly authorized to execute this Agreement.

Dated: _____



Signature of Grace S. Mercado



Signature of Ruperto V. Quano

EXHIBIT A
MEMBERS

The Members of the Company and their respective addresses, Capital Contributions, and Ownership Interests are set forth below. The Members agree to keep this Exhibit A current and updated in accordance with the terms of this Agreement, including, but not limited to, Sections 2.1, 2.3, 2.4, 7.1, 7.2, and 10.1.

Members	Capital Contribution	Percentage Interest
Grace S. Mercado Address: 445 S. Fair Oaks Ave. Pasadena, California 91105		50%
Ruperto V. Ouano Address: 445 S. Fair Oaks Ave. Pasadena, California 91105		50%

EXHIBIT B
MANAGERS

Manager(s) of the Company are set forth below.

Grace S. Mercado



REDACTED

California Secretary of State
Electronic Filing

FILED

Secretary of State
State of California

LLC Registration – Articles of Organization

Entity Name: 9 Gem Enterprises, LLC

Entity (File) Number: 202115410646

File Date: 05/30/2021

Entity Type: Domestic LLC

Jurisdiction: California

Detailed Filing Information

- 1. Entity Name: 9 Gem Enterprises, LLC

- 2. Business Addresses:
 - a. Initial Street Address of Designated Office in California: 445 South Fair Oaks Avenue
Pasadena, California 91105
United States

 - b. Initial Mailing Address: 445 South Fair Oaks Avenue
Pasadena, California 91105
United States

- 3. Agent for Service of Process: Grace S. Mercado
445 South Fair Oaks Avenue
Pasadena California 91105
United States

- 4. Management Structure: One Manager

- 5. Purpose Statement: The purpose of the limited liability company is to engage in any lawful act or activity for which a limited liability company may be organized under the California Revised Uniform Limited Liability Company Act.

Electronic Signature:

The organizer affirms the information contained herein is true and correct.

Organizer: By: Cheyenne Moseley, Assistant Secretary of Legalzoom.com, Inc.

Operating Agreement

9 Gem Enterprises, LLC, a California Limited Liability Company

THIS OPERATING AGREEMENT of 9 Gem Enterprises, LLC (the "Company") is entered into as of the date set forth on the signature page of this Agreement by each of the Members listed on Exhibit A of this Agreement.

A. The Members have formed the Company as a California limited liability company under the California Revised Uniform Limited Liability Company Act. The purpose of the Company is to conduct any lawful business for which limited liability companies may be organized under the laws of the state of California. The Members hereby adopt and approve the articles of organization of the Company filed with the California Secretary of State.

B. The Members enter into this Agreement to provide for the governance of the Company and the conduct of its business, and to specify their relative rights and obligations.

ARTICLE 1: DEFINITIONS

Capitalized terms used in this Agreement have the meanings specified in this Article 1 or elsewhere in this Agreement and if not so specified, have the meanings set forth in the California Revised Uniform Limited Liability Company Act.

"Agreement" means this Operating Agreement of the Company, as may be amended from time to time.

"Capital Account" means, with respect to any Member, an account consisting of such Member's Capital Contribution, (1) increased by such Member's allocated share of income and gain, (2) decreased by such Member's share of losses and deductions, (3) decreased by any distributions made by the Company to such Member, and (4) otherwise adjusted as required in accordance with applicable tax laws.

"Capital Contribution" means, with respect to any Member, the total value of (1) cash and the fair market value of property other than cash and (2) services that are contributed and/or agreed to be contributed to the Company by such Member, as listed on Exhibit A, as may be updated from time to time according to the terms of this Agreement.

"Exhibit" means a document attached to this Agreement labeled as "Exhibit A," "Exhibit B," and so forth, as such document may be amended, updated, or replaced from time to time according to the terms of this Agreement.

"Manager" means each Person who has authority to manage the business and affairs of the Company pursuant to this Agreement; such Persons are listed on Exhibit B, as may be updated from time to time according to the terms of this Agreement. A Manager may be, but is not required to be, a Member.

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"Membership Interest" means the entire ownership interest of a Member in the Company at any particular time, including the right to any and all benefits to which a Member may be entitled as provided in this Agreement and under the California Revised Uniform Limited Liability Company Act, together with the obligations of the Member to comply with all of the terms and provisions of this Agreement.

"Ownership Interest" means the Percentage Interest or Units, as applicable, based on the manner in which relative ownership of the Company is divided.

"Percentage Interest" means the percentage of ownership in the Company that, with respect to each Member, entitles the Member to a Membership Interest and is expressed as either:

- A. If ownership in the Company is expressed in terms of percentage, the percentage set forth opposite the name of each Member on Exhibit A, as may be adjusted from time to time pursuant to this Agreement; or

B. If ownership in the Company is expressed in Units, the ratio, expressed as a percentage, of:

- (1) the number of Units owned by the Member (expressed as "MU" in the equation below) divided by
- (2) the total number of Units owned by all of the Members of the Company (expressed as "TU" in the equation below).

$$\text{Percentage Interest} = \frac{MU}{TU}$$

"Person" means an individual (natural person), partnership, limited partnership, trust, estate, association, corporation, limited liability company, or other entity, whether domestic or foreign.

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2.2 Subsequent Capital Contributions. Members are not obligated to make additional Capital Contributions unless unanimously agreed by all the Members. If subsequent Capital Contributions are unanimously agreed by all the Members in a consent in writing, the Members may make such additional Capital Contributions on a pro rata basis in accordance with each Member's respective Percentage Interest or as otherwise unanimously agreed by the Members.

2.3 Additional Members.

A. With the exception of a transfer of interest (1) governed by Article 7 of this Agreement or (2) otherwise expressly authorized by this Agreement, additional Persons may become Members of the Company and be issued additional Ownership Interests only if approved by and on terms determined by a unanimous written agreement signed by all of the existing Members.

B. Before a Person may be admitted as a Member of the Company, that Person must sign and deliver to the Company the documents and instruments, in the form and containing the information required by the Company, that the Managers deem necessary or desirable. Membership Interests of new Members will be allocated according to the terms of this Agreement.

2.4 **Capital Accounts.** Individual Capital Accounts must be maintained for each Member, unless (a) there is only one Member of the Company and (b) the Company is exempt according to applicable tax laws. Capital Accounts must be maintained in accordance with all applicable tax laws.

2.5 **Interest.** No interest will be paid by the Company or otherwise on Capital Contributions or on the balance of a Member's Capital Account.

2.6 **Limited Liability; No Authority.** A Member will not be bound by, or be personally liable for, the expenses, liabilities, debts, contracts, or obligations of the Company, except as otherwise provided in this Agreement or as required by the California Revised Uniform Limited Liability Company Act. Unless expressly provided in this Agreement, no Member, acting alone, has any authority to undertake or assume any obligation, debt, or responsibility, or otherwise act on behalf of, the Company or any other Member.

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3.1 **Allocations.** Unless otherwise agreed to by the unanimous consent of the Members any income, gain, loss, deduction, or credit of the Company will be allocated for accounting and tax purposes on a pro rata basis in proportion to the respective Percentage Interest held by each Member and in compliance with applicable tax laws.

3.2 **Distributions.** The Company will have the right to make distributions of cash and property to the Members on a pro rata basis in proportion to the respective Percentage Interest held by each Member. The timing and amount of distributions will be determined by the Managers in accordance with the California Revised Uniform Limited Liability Company Act.

3.3 **Limitations on Distributions.** The Company must not make a distribution to a Member if, after giving effect to the distribution:

A. The Company would be unable to pay its debts as they become due in the usual course of business; or

B. The fair value of the Company's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the Company were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of Members, if any, whose preferential rights are superior to those of the Members receiving the distribution.

ARTICLE 4: MANAGEMENT

4.1 Management.

A. **Generally.** Subject to the terms of this Agreement and the California Revised Uniform Limited Liability Company Act, the business and affairs of the Company will be managed by the Board of Managers, as further described below. The Members initially nominate and elect the Person(s) set forth on Exhibit B to serve as the Manager(s) of the Company. The Managers will act under the direction of the Members and may be elected or removed at any time, for any reason or no reason, by the Members holding a majority of the Voting Interest of the Company. Exhibit B must be amended to reflect any changes in Managers.

B. **Approval and Action.** Unless greater or other authorization is required pursuant to this Agreement or under the California Revised Uniform Limited Liability Company Act for the Company to engage in an activity or transaction, all activities or transactions must be approved by a majority of Managers, to constitute the act of the Company or serve to bind the Company, but if the Managers cannot reach a majority vote, the dispute will be submitted to the Members to be resolved by the affirmative vote of the Members holding at least a majority of the Voting Interest of the Company. With such approval, the signature of any Managers authorized to sign on behalf of the Company is sufficient to bind the Company with respect to the matter or matters so

approved. Without such approval, no Managers acting alone may bind the Company to any agreement with or obligation to any third party or represent or claim to have the ability to so bind the Company.

C. **Certain Decisions Requiring Greater Authorization.** Notwithstanding clause B above, the following matters require unanimous approval of the Members in a consent in writing to constitute an act of the Company:

- (i) A material change in the purposes or the nature of the Company's business;
- (ii) With the exception of a transfer of interest governed by Article 7 of this Agreement, the admission of a new Member or a change in any Member's Membership Interest, Ownership Interest, Percentage Interest, or Voting Interest in any manner other than in accordance with this Agreement;
- (iii) A merger or conversion under the California Revised Uniform Limited Liability Company Act;
- (iv) Any other act outside the ordinary course of the Company's activities;
- (v) The sale, lease, exchange, or other disposition of all, or substantially all, of the Company's property, with or without goodwill, outside the ordinary course of the Company's activities; and
- (vi) The amendment of this Agreement.

4.2 **Meetings of Managers.** Regular meetings of the Managers are not required but may be held at such time and place as the Managers deem necessary or desirable for the reasonable management of the Company. Meetings may take place in person, by conference call, or by any other means permitted under the California Revised Uniform Limited Liability Company Act. In addition, Company actions requiring a vote may be carried out without a meeting if all of the Managers consent in writing to approve the action.

4.3 **Officers.** The Managers are authorized to appoint one or more officers from time to time. The officers will have the titles, the authority, exercise the powers, and perform the duties that the Managers determine from time to time. Each officer will continue to perform and hold office until such time as (a) the officer's successor is

chosen and appointed by the Managers; or (b) the officer is dismissed or terminated by the Managers, which termination will be subject to applicable law and, if an effective employment agreement exists between the officer and the Company, the employment agreement. Subject to applicable law and the employment agreement (if any), each officer will serve at the direction of Managers, and may be terminated, at any time and for any reason, by the Managers.

ARTICLE 5: ACCOUNTS AND ACCOUNTING

5.1 **Accounts.** The Company must maintain complete accounting records of the Company's business, including a full and accurate record of each Company transaction. The records must be kept at the Company's principal executive office and must be open to inspection and copying by Members during normal business hours upon reasonable notice by the Members wishing to inspect or copy the records or their authorized representatives, for purposes reasonably related to the Membership Interest of such Members. The costs of inspection and copying will be borne by the respective Member.

5.2 **Records.** The Managers will keep or cause the Company to keep the following business records.

- (i) An up to date list of the Members, each of their respective full legal names, last known business or residence address, Capital Contributions, the amount and terms of any agreed upon future Capital Contributions, and Ownership Interests, and Voting Interests;
- (ii) A copy of the Company's federal, state, and local tax information and income tax returns and reports, if any, for the six most recent taxable years;
- (iii) A copy of the articles of organization of the Company, as may be amended from time to time ("Articles of Organization"); and
- (iv) An original signed copy, which may include counterpart signatures, of this Agreement, and any amendments to this Agreement, signed by all then-current Members.

5.3 **Income Tax Returns.** Within 45 days after the end of each taxable year, the Company will use its best efforts to send each of the Members all information necessary for the Members to complete their federal and state tax information, returns, and reports and a copy of the Company's federal, state, and local tax information or income tax returns and reports for such year.

5.4 **Subchapter S Election.** The Company may, upon unanimous consent of the Members, elect to be treated for income tax purposes as an S Corporation. This designation may be changed as permitted under the Internal Revenue Code Section 1362(d) and applicable Regulations.

5.5 **Tax Matters Member.** Anytime the Company is required to designate or select a tax matters partner or partnership representative, pursuant to Section 6223 of the Internal Revenue Code and any regulations issued by the Internal Revenue Service, the Members must designate one of the Members as the tax matters partner or partnership representative of the Company and keep such designation in effect at all times.

5.6 **Banking.** All funds of the Company must be deposited in one or more bank accounts in the name of the Company with one or more recognized financial institutions. The Managers are authorized to establish such accounts and complete, sign, and deliver any banking resolutions reasonably required by the respective financial institutions in order to establish an account.

ARTICLE 6: MEMBERSHIP – VOTING AND MEETINGS

6.1 **Members and Voting Rights.** The Members have the right and power to vote on all matters with respect to which the Articles of Organization, this Agreement, or the California Revised Uniform Limited Liability Company Act requires or permits. Unless otherwise stated in this Agreement (for example, in Section 4.1(c)) or required under the California Revised Uniform Limited Liability Company Act, the vote of the Members holding at least a majority of the Voting Interest of the Company is required to approve or carry out an action.

6.2 **Meetings of Members.** Annual, regular, or special meetings of the Members are not required but may be held at such time and place as the Members deem necessary or desirable for the reasonable management of the Company. Meetings may be called by any Member or Members, holding 10% or more of the Percentage Interests, for the purpose of addressing any matters on which the Members may vote. A written notice setting forth the date, time, and location of a meeting must be sent at least ten

(10) days but no more than sixty (60) days before the date of the meeting to each Member entitled to vote at the meeting. A Member may waive notice of a meeting by sending a signed waiver to the Company's principal executive office or as otherwise provided in the California Revised Uniform Limited Liability Company Act. In any instance in which the approval of the Members is required under this Agreement, such approval may be obtained in any manner permitted by the California Revised Uniform Limited Liability Company Act, including by conference call or similar communications equipment. Any action that could be taken at a meeting may be approved by a consent in writing that describes the action to be taken and is signed by Members holding the minimum Voting Interest required to approve the action. If any action is taken without a meeting and without unanimous written consent of the Members, notice of such action must be sent to each Member that did not consent to the action.

ARTICLE 7: WITHDRAWAL AND TRANSFERS OF MEMBERSHIP INTERESTS

7.1 Withdrawal. Members may withdraw from the Company prior to the dissolution and winding up of the Company (a) by transferring or assigning all of their respective Membership Interests pursuant to Section 7.2 below, or (b) if all of the Members unanimously agree in a written consent. Subject to the provisions of Article 3, a Member that withdraws pursuant to this Section 7.1 will be entitled to a distribution from the Company in an amount equal to such Member's Capital Account, which must be paid by the Company to such Member within ninety (90) days of the withdrawal date unless otherwise agreed in writing.

7.2 Restrictions on Transfer; Admission of Transferee. A Member may not transfer any Membership Interests, whether now owned or later acquired, unless Members holding all of the Percentage Interests not subject to transfer consent to such transfer. A person may acquire Membership Interests directly from the Company upon the written consent of all Members. A Person that acquires Membership Interests in accordance with this Section 7.2 will be admitted as a Member of the Company only after the requirements of Section 2.3(b) are complied with in full.

ARTICLE 8: DISSOLUTION

8.1 Dissolution. The Company will be dissolved upon the first to occur of the following events:

- (i) The vote of the Members holding at least a majority of the Voting Interest of the Company to dissolve the Company;

- (ii) Entry of a decree of judicial dissolution under Section 17707.01 of the California Revised Uniform Limited Liability Company Act;
- (iii) The sale or transfer of all or substantially all of the Company's assets;
- (iv) A merger or consolidation of the Company with one or more entities in which the Company is not the surviving entity; or
- (v) The Company has no members during 90 consecutive days, except on the death of a natural person who is the sole member of the Company, the status of the member, including Membership Interest, may pass to the heirs, successors, and assigns of the member by will or applicable law.

8.2 No Automatic Dissolution Upon Certain Events. Unless otherwise set forth in this Agreement or required by applicable law, the death, incapacity, disassociation, bankruptcy, or withdrawal of a Member will not automatically cause a dissolution of the Company.

ARTICLE 9: INDEMNIFICATION

9.1 Indemnification. The Company has the power to defend, indemnify, and hold harmless any Person who was or is a party, or who is threatened to be made a party, to any Proceeding (as that term is defined below) by reason of the fact that such Person was or is a Member, Manager, officer, employee, representative, or other agent of the Company, or was or is serving at the request of the Company as a director, Manager, Governor, officer, employee, representative or other agent of another limited liability company, corporation, partnership, joint venture, trust, or other enterprise (each such Person is referred to as a "Company Agent"), against Expenses (as that term is defined below), judgments, fines, settlements, and other amounts (collectively, "Damages") to the maximum extent now or hereafter permitted under California law. "Proceeding," as used in this Article 9, means any threatened, pending, or completed action, proceeding, individual claim or matter within a proceeding, whether civil, criminal, administrative, or investigative. "Expenses," as used in this Article 9, includes, without limitation, court costs, reasonable attorney and expert fees, and any expenses incurred relating to establishing a right to indemnification, if any, under this Article 9.

9.2 **Mandatory.** The Company must defend, indemnify and hold harmless a Company Agent in connection with a Proceeding in which such Company Agent is involved if, and to the extent, California law requires that a limited liability company indemnify a Company Agent in connection with a Proceeding.

9.3 **Expenses Paid by the Company Prior to Final Disposition.** Expenses of each Company Agent indemnified or held harmless under this Agreement that are actually and reasonably incurred in connection with the defense or settlement of a Proceeding may be paid by the Company in advance of the final disposition of a Proceeding if authorized by a vote of the Members that are not seeking indemnification holding a majority of the Voting Interests (excluding the Voting Interest of the Company Agent seeking indemnification) or a majority of the Managers that are not seeking indemnification, as the case may be. Before the Company makes any such payment of Expenses, the Company Agent seeking indemnification must deliver a written undertaking to the Company stating that such Company Agent will repay the applicable Expenses to the Company unless it is ultimately determined that the Company Agent is entitled or required to be indemnified and held harmless by the Company (as set forth in Sections 9.1 or 9.2 above or as otherwise required by applicable law).

ARTICLE 10: GENERAL PROVISIONS

10.1 **Notice.** (a) Any notices (including requests, demands, or other communications) to be sent by one party to another party in connection with this Agreement must be in writing and delivered personally, by reputable overnight courier, or by certified mail (or equivalent service offered by the postal service from time to time) to the following addresses or as otherwise notified in accordance with this Section: (i) if to the Company, notices must be sent to the Company's principal executive office; and (ii) if to a Member, notices must be sent to the Member's last known address for notice on record. (b) Any party to this Agreement may change its notice address by sending written notice of such change to the Company in the manner specified above. Notice will be deemed to have been duly given as follows: (i) upon delivery, if delivered personally or by reputable overnight carrier or (ii) five days after the date of posting if sent by certified mail.

10.2 **Entire Agreement; Amendment.** This Agreement along with the Articles of Organization (together, the "Organizational Documents"), constitute the entire agreement among the Members and replace and supersede all prior written and oral understandings and agreements with respect to the subject matter of this Agreement, except as otherwise required by the California Revised Uniform Limited Liability

Company Act. There are no representations, agreements, arrangements, or undertakings, oral or written, between or among the Members relating to the subject matter of this Agreement that are not fully expressed in the Organizational Documents. This Agreement may not be modified or amended in any respect, except in a writing signed by all of the Members, except as otherwise required or permitted by the California Revised Uniform Limited Liability Company Act.

10.3 Governing Law; Severability. This Agreement will be construed and enforced in accordance with the laws of the state of California. If any provision of this Agreement is held to be unenforceable by a court of competent jurisdiction for any reason whatsoever, (i) the validity, legality, and enforceability of the remaining provisions of this Agreement (including without limitation, all portions of any provisions containing any such unenforceable provision that are not themselves unenforceable) will not in any way be affected or impaired thereby, and (ii) to the fullest extent possible, the unenforceable provision will be deemed modified and replaced by a provision that approximates the intent and economic effect of the unenforceable provision and the Agreement will be deemed amended accordingly.

10.4 Further Action. Each Member agrees to perform all further acts and execute, acknowledge, and deliver any documents which may be reasonably necessary, appropriate, or desirable to carry out the provisions of this Agreement.

10.5 No Third Party Beneficiary. This Agreement is made solely for the benefit of the parties to this Agreement and their respective permitted successors and assigns, and no other Person or entity will have or acquire any right by virtue of this Agreement. This Agreement will be binding on and inure to the benefit of the parties and their heirs, personal representatives, and permitted successors and assigns.

10.6 Incorporation by Reference. The recitals and each appendix, exhibit, schedule, and other document attached to or referred to in this Agreement are hereby incorporated into this Agreement by reference.

10.7 Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if all of the Members signed the same copy. All counterparts will be construed together and will constitute one agreement.

[Remainder Intentionally Left Blank.]

IN WITNESS WHEREOF, the parties have executed or caused to be executed this Operating Agreement and do each hereby represent and warrant that their respective signatory, whose signature appears below, has been and is, on the date of this Agreement, duly authorized to execute this Agreement.

Dated: _____



Signature of Grace S. Mercado



Signature of Ruperto V. Ouano

EXHIBIT A
MEMBERS

The Members of the Company and their respective addresses, Capital Contributions, and Ownership Interests are set forth below. The Members agree to keep this Exhibit A current and updated in accordance with the terms of this Agreement, including, but not limited to, Sections 2.1, 2.3, 2.4, 7.1, 7.2, and 10.1.

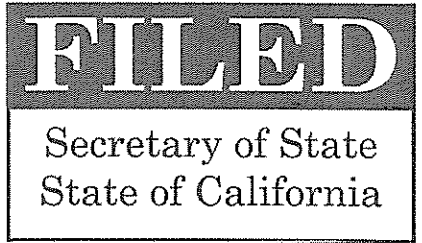
Members	Capital Contribution	Percentage Interest
Grace S. Mercado Address: 445 S. Fair Oaks Ave. Pasadena, California 91105		50%
Ruperto V. Ouano Address: 445 S. Fair Oaks Ave. Pasadena, California 91105		50%

EXHIBIT B
MANAGERS

Manager(s) of the Company are set forth below.
Grace S. Mercado



California Secretary of State
Electronic Filing



LLC Registration – Articles of Organization

Entity Name: 9 Gem Healthcare Services, LLC

Entity (File) Number: 202115410256

File Date: 05/31/2021

Entity Type: Domestic LLC

Jurisdiction: California

Detailed Filing Information

1. Entity Name: 9 Gem Healthcare Services, LLC

2. Business Addresses:
 - a. Initial Street Address of Designated Office in California: 445 South Fair Oaks Avenue
Pasadena, California 91105
United States

 - b. Initial Mailing Address: 445 South Fair Oaks Avenue
Pasadena, California 91105
United States

3. Agent for Service of Process: Grace S Mercado
445 South Fair Oaks Avenue
Pasadena California 91105
United States

4. Management Structure: One Manager

5. Purpose Statement: The purpose of the limited liability company is to engage in any lawful act or activity for which a limited liability company may be organized under the California Revised Uniform Limited Liability Company Act.

Electronic Signature:

The organizer affirms the information contained herein is true and correct.

Organizer: By: Cheyenne Moseley, Assistant Secretary of Legalzoom.com, Inc.

Operating Agreement

9 Gem Healthcare Services, LLC, a California Limited Liability Company

THIS OPERATING AGREEMENT of 9 Gem Healthcare Services, LLC (the "Company") is entered into as of the date set forth on the signature page of this Agreement by each of the Members listed on Exhibit A of this Agreement.

A. The Members have formed the Company as a California limited liability company under the California Revised Uniform Limited Liability Company Act. The purpose of the Company is to conduct any lawful business for which limited liability companies may be organized under the laws of the state of California. The Members hereby adopt and approve the articles of organization of the Company filed with the California Secretary of State.

B. The Members enter into this Agreement to provide for the governance of the Company and the conduct of its business, and to specify their relative rights and obligations.

ARTICLE 1: DEFINITIONS

Capitalized terms used in this Agreement have the meanings specified in this Article 1 or elsewhere in this Agreement and if not so specified, have the meanings set forth in the California Revised Uniform Limited Liability Company Act.

"Agreement" means this Operating Agreement of the Company, as may be amended from time to time.

"Capital Account" means, with respect to any Member, an account consisting of such Member's Capital Contribution, (1) increased by such Member's allocated share of income and gain, (2) decreased by such Member's share of losses and deductions, (3) decreased by any distributions made by the Company to such Member, and (4) otherwise adjusted as required in accordance with applicable tax laws.

"Capital Contribution" means, with respect to any Member, the total value of (1) cash and the fair market value of property other than cash and (2) services that are contributed and/or agreed to be contributed to the Company by such Member, as listed on Exhibit A, as may be updated from time to time according to the terms of this Agreement.

"Exhibit" means a document attached to this Agreement labeled as "Exhibit A," "Exhibit B," and so forth, as such document may be amended, updated, or replaced from time to time according to the terms of this Agreement.

"Manager" means each Person who has authority to manage the business and affairs of the Company pursuant to this Agreement; such Persons are listed on Exhibit B, as may be updated from time to time according to the terms of this Agreement. A Manager may be, but is not required to be, a Member.

"Member" means each Person who acquires Membership Interest pursuant to this Agreement. The Members are listed on Exhibit A, as may be updated from time to time according to the terms of this Agreement. Each Member has the rights and obligations specified in this Agreement.

"Membership Interest" means the entire ownership interest of a Member in the Company at any particular time, including the right to any and all benefits to which a Member may be entitled as provided in this Agreement and under the California Revised Uniform Limited Liability Company Act, together with the obligations of the Member to comply with all of the terms and provisions of this Agreement.

"Ownership Interest" means the Percentage Interest or Units, as applicable, based on the manner in which relative ownership of the Company is divided.

"Percentage Interest" means the percentage of ownership in the Company that, with respect to each Member, entitles the Member to a Membership Interest and is expressed as either:

- A. If ownership in the Company is expressed in terms of percentage, the percentage set forth opposite the name of each Member on Exhibit A, as may be adjusted from time to time pursuant to this Agreement; or

B. If ownership in the Company is expressed in Units, the ratio, expressed as a percentage, of:

- (1) the number of Units owned by the Member (expressed as "MU" in the equation below) divided by
- (2) the total number of Units owned by all of the Members of the Company (expressed as "TU" in the equation below).

$$\text{Percentage Interest} = \frac{MU}{TU}$$

"Person" means an individual (natural person), partnership, limited partnership, trust, estate, association, corporation, limited liability company, or other entity, whether domestic or foreign.

"Units" mean, if ownership in the Company is expressed in Units, units of ownership in the Company, that, with respect to each Member, entitles the Member to a Membership Interest which, if applicable, is expressed as the number of Units set forth opposite the name of each Member on Exhibit A, as may be adjusted from time to time pursuant to this Agreement.

ARTICLE 2: CAPITAL CONTRIBUTIONS, ADDITIONAL MEMBERS, CAPITAL ACCOUNTS AND LIMITED LIABILITY

2.1 Initial Capital Contributions. The names of all Members and each of their respective addresses, initial Capital Contributions, and Ownership Interests must be set forth on Exhibit A. Each Member has made or agrees to make the initial Capital Contribution set forth next to such Member's name on Exhibit A to become a Member of the Company.

2.2 Subsequent Capital Contributions. Members are not obligated to make additional Capital Contributions unless unanimously agreed by all the Members. If subsequent Capital Contributions are unanimously agreed by all the Members in a consent in writing, the Members may make such additional Capital Contributions on a pro rata basis in accordance with each Member's respective Percentage Interest or as otherwise unanimously agreed by the Members.

2.3 Additional Members.

A. With the exception of a transfer of interest (1) governed by Article 7 of this Agreement or (2) otherwise expressly authorized by this Agreement, additional Persons may become Members of the Company and be issued additional Ownership Interests only if approved by and on terms determined by a unanimous written agreement signed by all of the existing Members.

B. Before a Person may be admitted as a Member of the Company, that Person must sign and deliver to the Company the documents and instruments, in the form and containing the information required by the Company, that the Managers deem necessary or desirable. Membership Interests of new Members will be allocated according to the terms of this Agreement.

2.4 **Capital Accounts.** Individual Capital Accounts must be maintained for each Member, unless (a) there is only one Member of the Company and (b) the Company is exempt according to applicable tax laws. Capital Accounts must be maintained in accordance with all applicable tax laws.

2.5 **Interest.** No interest will be paid by the Company or otherwise on Capital Contributions or on the balance of a Member's Capital Account.

2.6 **Limited Liability; No Authority.** A Member will not be bound by, or be personally liable for, the expenses, liabilities, debts, contracts, or obligations of the Company, except as otherwise provided in this Agreement or as required by the California Revised Uniform Limited Liability Company Act. Unless expressly provided in this Agreement, no Member, acting alone, has any authority to undertake or assume any obligation, debt, or responsibility, or otherwise act on behalf of, the Company or any other Member.

ARTICLE 3: ALLOCATIONS AND DISTRIBUTIONS

3.1 **Allocations.** Unless otherwise agreed to by the unanimous consent of the Members any income, gain, loss, deduction, or credit of the Company will be allocated for accounting and tax purposes on a pro rata basis in proportion to the respective Percentage Interest held by each Member and in compliance with applicable tax laws.

3.2 **Distributions.** The Company will have the right to make distributions of cash and property to the Members on a pro rata basis in proportion to the respective Percentage Interest held by each Member. The timing and amount of distributions will be determined by the Managers in accordance with the California Revised Uniform Limited Liability Company Act.

3.3 **Limitations on Distributions.** The Company must not make a distribution to a Member if, after giving effect to the distribution:

A. The Company would be unable to pay its debts as they become due in the usual course of business; or

B. The fair value of the Company's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the Company were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of Members, if any, whose preferential rights are superior to those of the Members receiving the distribution.

ARTICLE 4: MANAGEMENT

4.1 Management.

A. **Generally.** Subject to the terms of this Agreement and the California Revised Uniform Limited Liability Company Act, the business and affairs of the Company will be managed by the Board of Managers, as further described below. The Members initially nominate and elect the Person(s) set forth on Exhibit B to serve as the Manager(s) of the Company. The Managers will act under the direction of the Members and may be elected or removed at any time, for any reason or no reason, by the Members holding a majority of the Voting Interest of the Company. Exhibit B must be amended to reflect any changes in Managers.

B. **Approval and Action.** Unless greater or other authorization is required pursuant to this Agreement or under the California Revised Uniform Limited Liability Company Act for the Company to engage in an activity or transaction, all activities or transactions must be approved by a majority of Managers, to constitute the act of the Company or serve to bind the Company, but if the Managers cannot reach a majority vote, the dispute will be submitted to the Members to be resolved by the affirmative vote of the Members holding at least a majority of the Voting Interest of the Company. With such approval, the signature of any Managers authorized to sign on behalf of the Company is sufficient to bind the Company with respect to the matter or matters so

approved. Without such approval, no Managers acting alone may bind the Company to any agreement with or obligation to any third party or represent or claim to have the ability to so bind the Company.

C. **Certain Decisions Requiring Greater Authorization.** Notwithstanding clause B above, the following matters require unanimous approval of the Members in a consent in writing to constitute an act of the Company:

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- (ii) With the exception of a transfer of interest governed by Article 7 of this Agreement, the admission of a new Member or a change in any Member's Membership Interest, Ownership Interest, Percentage Interest, or Voting Interest in any manner other than in accordance with this Agreement;
- (iii) A merger or conversion under the California Revised Uniform Limited Liability Company Act;
- (iv) Any other act outside the ordinary course of the Company's activities;
- (v) The sale, lease, exchange, or other disposition of all, or substantially all, of the Company's property, with or without goodwill, outside the ordinary course of the Company's activities; and
- (vi) The amendment of this Agreement.

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4.3 **Officers.** The Managers are authorized to appoint one or more officers from time to time. The officers will have the titles, the authority, exercise the powers, and perform the duties that the Managers determine from time to time. Each officer will continue to perform and hold office until such time as (a) the officer's successor is

chosen and appointed by the Managers; or (b) the officer is dismissed or terminated by the Managers, which termination will be subject to applicable law and, if an effective employment agreement exists between the officer and the Company, the employment agreement. Subject to applicable law and the employment agreement (if any), each officer will serve at the direction of Managers, and may be terminated, at any time and for any reason, by the Managers.

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5.1 **Accounts.** The Company must maintain complete accounting records of the Company's business, including a full and accurate record of each Company transaction. The records must be kept at the Company's principal executive office and must be open to inspection and copying by Members during normal business hours upon reasonable notice by the Members wishing to inspect or copy the records or their authorized representatives, for purposes reasonably related to the Membership Interest of such Members. The costs of inspection and copying will be borne by the respective Member.

5.2 **Records.** The Managers will keep or cause the Company to keep the following business records.

- (i) An up to date list of the Members, each of their respective full legal names, last known business or residence address, Capital Contributions, the amount and terms of any agreed upon future Capital Contributions, and Ownership Interests, and Voting Interests;
- (ii) A copy of the Company's federal, state, and local tax information and income tax returns and reports, if any, for the six most recent taxable years;
- (iii) A copy of the articles of organization of the Company, as may be amended from time to time ("Articles of Organization"); and
- (iv) An original signed copy, which may include counterpart signatures, of this Agreement, and any amendments to this Agreement, signed by all then-current Members.

5.3 **Income Tax Returns.** Within 45 days after the end of each taxable year, the Company will use its best efforts to send each of the Members all information necessary for the Members to complete their federal and state tax information, returns, and reports and a copy of the Company's federal, state, and local tax information or income tax returns and reports for such year.

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5.5 **Tax Matters Member.** Anytime the Company is required to designate or select a tax matters partner or partnership representative, pursuant to Section 6223 of the Internal Revenue Code and any regulations issued by the Internal Revenue Service, the Members must designate one of the Members as the tax matters partner or partnership representative of the Company and keep such designation in effect at all times.

5.6 **Banking.** All funds of the Company must be deposited in one or more bank accounts in the name of the Company with one or more recognized financial institutions. The Managers are authorized to establish such accounts and complete, sign, and deliver any banking resolutions reasonably required by the respective financial institutions in order to establish an account.

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6.1 **Members and Voting Rights.** The Members have the right and power to vote on all matters with respect to which the Articles of Organization, this Agreement, or the California Revised Uniform Limited Liability Company Act requires or permits. Unless otherwise stated in this Agreement (for example, in Section 4.1(c)) or required under the California Revised Uniform Limited Liability Company Act, the vote of the Members holding at least a majority of the Voting Interest of the Company is required to approve or carry out an action.

6.2 **Meetings of Members.** Annual, regular, or special meetings of the Members are not required but may be held at such time and place as the Members deem necessary or desirable for the reasonable management of the Company. Meetings may be called by any Member or Members, holding 10% or more of the Percentage Interests, for the purpose of addressing any matters on which the Members may vote. A written notice setting forth the date, time, and location of a meeting must be sent at least ten

(10) days but no more than sixty (60) days before the date of the meeting to each Member entitled to vote at the meeting. A Member may waive notice of a meeting by sending a signed waiver to the Company's principal executive office or as otherwise provided in the California Revised Uniform Limited Liability Company Act. In any instance in which the approval of the Members is required under this Agreement, such approval may be obtained in any manner permitted by the California Revised Uniform Limited Liability Company Act, including by conference call or similar communications equipment. Any action that could be taken at a meeting may be approved by a consent in writing that describes the action to be taken and is signed by Members holding the minimum Voting Interest required to approve the action. If any action is taken without a meeting and without unanimous written consent of the Members, notice of such action must be sent to each Member that did not consent to the action.

ARTICLE 7: WITHDRAWAL AND TRANSFERS OF MEMBERSHIP INTERESTS

7.1 Withdrawal. Members may withdraw from the Company prior to the dissolution and winding up of the Company (a) by transferring or assigning all of their respective Membership Interests pursuant to Section 7.2 below, or (b) if all of the Members unanimously agree in a written consent. Subject to the provisions of Article 3, a Member that withdraws pursuant to this Section 7.1 will be entitled to a distribution from the Company in an amount equal to such Member's Capital Account, which must be paid by the Company to such Member within ninety (90) days of the withdrawal date unless otherwise agreed in writing.

7.2 Restrictions on Transfer; Admission of Transferee. A Member may not transfer any Membership Interests, whether now owned or later acquired, unless Members holding all of the Percentage Interests not subject to transfer consent to such transfer. A person may acquire Membership Interests directly from the Company upon the written consent of all Members. A Person that acquires Membership Interests in accordance with this Section 7.2 will be admitted as a Member of the Company only after the requirements of Section 2.3(b) are complied with in full.

ARTICLE 8: DISSOLUTION

8.1 Dissolution. The Company will be dissolved upon the first to occur of the following events:

- (i) The vote of the Members holding at least a majority of the Voting Interest of the Company to dissolve the Company;

- (ii) Entry of a decree of judicial dissolution under Section 17707.01 of the California Revised Uniform Limited Liability Company Act;
- (iii) The sale or transfer of all or substantially all of the Company's assets;
- (iv) A merger or consolidation of the Company with one or more entities in which the Company is not the surviving entity; or
- (v) The Company has no members during 90 consecutive days, except on the death of a natural person who is the sole member of the Company, the status of the member, including Membership Interest, may pass to the heirs, successors, and assigns of the member by will or applicable law.

8.2 No Automatic Dissolution Upon Certain Events. Unless otherwise set forth in this Agreement or required by applicable law, the death, incapacity, disassociation, bankruptcy, or withdrawal of a Member will not automatically cause a dissolution of the Company.

ARTICLE 9: INDEMNIFICATION

9.1 Indemnification. The Company has the power to defend, indemnify, and hold harmless any Person who was or is a party, or who is threatened to be made a party, to any Proceeding (as that term is defined below) by reason of the fact that such Person was or is a Member, Manager, officer, employee, representative, or other agent of the Company, or was or is serving at the request of the Company as a director, Manager, Governor, officer, employee, representative or other agent of another limited liability company, corporation, partnership, joint venture, trust, or other enterprise (each such Person is referred to as a "Company Agent"), against Expenses (as that term is defined below), judgments, fines, settlements, and other amounts (collectively, "Damages") to the maximum extent now or hereafter permitted under California law. "Proceeding," as used in this Article 9, means any threatened, pending, or completed action, proceeding, individual claim or matter within a proceeding, whether civil, criminal, administrative, or investigative. "Expenses," as used in this Article 9, includes, without limitation, court costs, reasonable attorney and expert fees, and any expenses incurred relating to establishing a right to indemnification, if any, under this Article 9.

9.2 Mandatory. The Company must defend, indemnify and hold harmless a Company Agent in connection with a Proceeding in which such Company Agent is involved if, and to the extent, California law requires that a limited liability company indemnify a Company Agent in connection with a Proceeding.

9.3 Expenses Paid by the Company Prior to Final Disposition. Expenses of each Company Agent indemnified or held harmless under this Agreement that are actually and reasonably incurred in connection with the defense or settlement of a Proceeding may be paid by the Company in advance of the final disposition of a Proceeding if authorized by a vote of the Members that are not seeking indemnification holding a majority of the Voting Interests (excluding the Voting Interest of the Company Agent seeking indemnification) or a majority of the Managers that are not seeking indemnification, as the case may be. Before the Company makes any such payment of Expenses, the Company Agent seeking indemnification must deliver a written undertaking to the Company stating that such Company Agent will repay the applicable Expenses to the Company unless it is ultimately determined that the Company Agent is entitled or required to be indemnified and held harmless by the Company (as set forth in Sections 9.1 or 9.2 above or as otherwise required by applicable law).

ARTICLE 10: GENERAL PROVISIONS

10.1 Notice. (a) Any notices (including requests, demands, or other communications) to be sent by one party to another party in connection with this Agreement must be in writing and delivered personally, by reputable overnight courier, or by certified mail (or equivalent service offered by the postal service from time to time) to the following addresses or as otherwise notified in accordance with this Section: (i) if to the Company, notices must be sent to the Company's principal executive office; and (ii) if to a Member, notices must be sent to the Member's last known address for notice on record. (b) Any party to this Agreement may change its notice address by sending written notice of such change to the Company in the manner specified above. Notice will be deemed to have been duly given as follows: (i) upon delivery, if delivered personally or by reputable overnight carrier or (ii) five days after the date of posting if sent by certified mail.

10.2 Entire Agreement; Amendment. This Agreement along with the Articles of Organization (together, the "Organizational Documents"), constitute the entire agreement among the Members and replace and supersede all prior written and oral understandings and agreements with respect to the subject matter of this Agreement, except as otherwise required by the California Revised Uniform Limited Liability

Company Act. There are no representations, agreements, arrangements, or undertakings, oral or written, between or among the Members relating to the subject matter of this Agreement that are not fully expressed in the Organizational Documents. This Agreement may not be modified or amended in any respect, except in a writing signed by all of the Members, except as otherwise required or permitted by the California Revised Uniform Limited Liability Company Act.

10.3 Governing Law; Severability. This Agreement will be construed and enforced in accordance with the laws of the state of California. If any provision of this Agreement is held to be unenforceable by a court of competent jurisdiction for any reason whatsoever, (i) the validity, legality, and enforceability of the remaining provisions of this Agreement (including without limitation, all portions of any provisions containing any such unenforceable provision that are not themselves unenforceable) will not in any way be affected or impaired thereby, and (ii) to the fullest extent possible, the unenforceable provision will be deemed modified and replaced by a provision that approximates the intent and economic effect of the unenforceable provision and the Agreement will be deemed amended accordingly.

10.4 Further Action. Each Member agrees to perform all further acts and execute, acknowledge, and deliver any documents which may be reasonably necessary, appropriate, or desirable to carry out the provisions of this Agreement.

10.5 No Third Party Beneficiary. This Agreement is made solely for the benefit of the parties to this Agreement and their respective permitted successors and assigns, and no other Person or entity will have or acquire any right by virtue of this Agreement. This Agreement will be binding on and inure to the benefit of the parties and their heirs, personal representatives, and permitted successors and assigns.

10.6 Incorporation by Reference. The recitals and each appendix, exhibit, schedule, and other document attached to or referred to in this Agreement are hereby incorporated into this Agreement by reference.

10.7 Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if all of the Members signed the same copy. All counterparts will be construed together and will constitute one agreement.

[Remainder Intentionally Left Blank.]

IN WITNESS WHEREOF, the parties have executed or caused to be executed this Operating Agreement and do each hereby represent and warrant that their respective signatory, whose signature appears below, has been and is, on the date of this Agreement, duly authorized to execute this Agreement.

Dated: _____



Signature of Grace S. Mercado



Signature of Ruperto V. Ouano

EXHIBIT A
MEMBERS

The Members of the Company and their respective addresses, Capital Contributions, and Ownership Interests are set forth below. The Members agree to keep this Exhibit A current and updated in accordance with the terms of this Agreement, including, but not limited to, Sections 2.1, 2.3, 2.4, 7.1, 7.2, and 10.1.

Members	Capital Contribution	Percentage Interest
Grace S. Mercado Address: 445 S. Fair Oaks Ave. Pasadena, California 91105		50%
Ruperto V. Ouano Address: 445 S. Fair Oaks Ave. Pasadena, California 91105		5%

EXHIBIT B
MANAGERS

Manager(s) of the Company are set forth below.
Grace S. Mercado



State of California
 Bill Jones
 Secretary of State

**LIMITED LIABILITY COMPANY
 ARTICLES OF ORGANIZATION**

A \$70.00 filing fee must accompany this form.
IMPORTANT – Read instructions before completing this form.

File# 200027310098

FILED
 In the Office of the Secretary of State
 of the State of California

SEP 27 2000

Bill Jones
BILL JONES, Secretary of State

This Space For Filing Use Only

1. Name of the limited liability company (end the name with the words "Limited Liability Company," "Ltd. Liability Co.," or the abbreviations "LLC" or "L.L.C.")
Gem Healthcare LLC

2. The purpose of the limited liability company is to engage in any lawful act or activity for which a limited liability company may be organized under the Beverly-Killea limited liability company act.

3. Name the agent for service of process and check the appropriate provision below:
Emil Fish which is
 an individual residing in California. Proceed to item 4.
 a corporation which has filed a certificate pursuant to section 1505. Proceed to item 5.

4. If an individual, California address of the agent for service of process:
 Address: 11331 Ventura Boulevard, Suite 300
 City: Studio City State: CA Zip Code: 91604

5. The limited liability company will be managed by: (check one)
 one manager more than one manager single member limited liability company all limited liability company members

6. Other matters to be included in this certificate may be set forth on separate attached pages and are made a part of this certificate. Other matters may include the latest date on which the limited liability company is to dissolve.

7. Number of pages attached, if any: 0

8. Type of business of the limited liability company. (For informational purposes only)
Manage and operate a skilled nursing facility.

9. **DECLARATION:** It is hereby declared that I am the person who executed this instrument, which execution is my act and deed.

Pamela S. Welton
 Signature of Organizer

Pamela S. Welton
 Type or Print Name of Organizer

9-26-00
 Date

10. RETURN TO:
 NAME Richard A. Kale, Esq.
 FIRM Greenberg Glusker Fields Claman & Machtinger LLP
 ADDRESS 1900 Avenue of the Stars, Suite 2100
 CITY/STATE Los Angeles, CA
 ZIP CODE 90067



State of California
Secretary of State

LIMITED LIABILITY COMPANY
CERTIFICATE OF AMENDMENT

A \$30.00 filing fee must accompany this form.

IMPORTANT - Read instructions before completing this form.

FILED
In the office of the Secretary of State
of the State of California

FEB 06 2006

This Space For Filing Use Only

1. SECRETARY OF STATE FILE NUMBER: 200027310098
2. NAME OF LIMITED LIABILITY COMPANY: Gem Healthcare, LLC

3. COMPLETE ONLY THE SECTIONS WHERE INFORMATION IS BEING CHANGED.
A. LIMITED LIABILITY COMPANY NAME
B. THE LIMITED LIABILITY COMPANY WILL BE MANAGED BY (CHECK ONE):
C. AMENDMENT TO TEXT OF THE ARTICLES OF ORGANIZATION:
D. OTHER MATTERS TO BE INCLUDED IN THIS CERTIFICATE...

4. FUTURE EFFECTIVE DATE, IF ANY: MONTH DAY YEAR

5. NUMBER OF PAGES ATTACHED, IF ANY: 0

6. IT IS HEREBY DECLARED THAT I AM THE PERSON WHO EXECUTED THIS INSTRUMENT...
SIGNATURE OF AUTHORIZED PERSON: Grace Mercado, Manager
DATE: 1/25/06

7. RETURN TO:
NAME: Gary W. Sanders
FIRM: Sanders, Collins & Rehaste, LLP
ADDRESS: 5316 E. Chapman Avenue
CITY/STATE: Orange, CA 92869
ZIP CODE

**AMENDED AND RESTATED
OPERATING AGREEMENT
OF
GEM HEALTHCARE LLC,
a California limited liability company
(the “Company”)**

THE SECURITIES REPRESENTED BY THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 NOR REGISTERED NOR QUALIFIED UNDER ANY STATE SECURITIES LAWS. SUCH SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED, OR HYPOTHECATED UNLESS QUALIFIED AND REGISTERED UNDER APPLICABLE STATE AND FEDERAL SECURITIES LAWS OR UNLESS, IN THE OPINION OF COUNSEL SATISFACTORY TO THE COMPANY, SUCH QUALIFICATION AND REGISTRATION IS NOT REQUIRED. ANY TRANSFER OF THE SECURITIES REPRESENTED BY THIS AGREEMENT IS FURTHER SUBJECT TO OTHER RESTRICTIONS, TERMS AND CONDITIONS WHICH ARE SET FORTH HEREIN.

Operating Agreement

This Operating Agreement is entered into as of Dec. 31, 2005 by Grace S. Mercado ("Mercado") as the sole member of the Company (as such term is hereinafter defined) in order to specify the business and operation of the Company.

Recitals

A. WHEREAS, on September 27, 2000, the Articles of Organization for the Company were filed; and

B. WHEREAS, pursuant to that certain Operating Agreement entered into on February 22, 2001, Mercado and Emil Fish ("Fish") were the Members and Managers of the Company, and shared fifty/fifty (50/50) in the ownership of the Company; and

C. WHEREAS, pursuant to that certain Agreement of Purchase and Sale of Membership Interest, Fish sold to Mercado all of his Membership Interest in the Company to Mercado, and Mercado is now the sole member of the Company (the "Member"); and

D. WHEREAS, the Member now desires to amend and restate the Operating Agreement in accordance with the Beverly-Killea Limited Liability Company Act (California Corporations Code sections 17100-17655); and

E. WHEREAS, the Member desires to enter into this Amended and Restated Operating Agreement in order to form and provide for the governance of the Company and the conduct of its business.

NOW THEREFORE, the Member hereby agrees as follows:

Article I Definitions

1. The following capitalized terms used in this Agreement have the meanings specified in this Article or elsewhere in this Agreement and when not so defined shall have the meanings set forth in California Corporations Code section 17001.

1.1 "Act" means the Beverly-Killea Limited Liability Company Act (California Corporations Code sections 17000-17655), including amendments from time to time.

1.2 "Agreement" means this Operating Agreement, as originally executed and as amended from time to time.

1.3 "Articles of Organization" is defined in California Corporations Code section 17001(b) as applied to this Company.

1.4 "Capital Account" means an account maintained and adjusted in accordance with Article III, Section 3.2.

1061101AROPA.B45

1.5 “Capital Contribution” means the amount of the money and the Fair Market Value of any property (other than money) contributed to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take “subject to” under IRC section 752) in consideration of a Percentage Interest held by the Member. A Capital Contribution shall not be deemed a loan.

1.6 “Capital Event” means a sale or disposition of any of the Company’s capital assets, the receipt of insurance and other proceeds derived from the involuntary conversion of the Company property, the receipt of proceeds from a refinancing of Company property, or a similar event with respect to Company property or assets.

1.7 “Code” or “IRC” means the Internal Revenue Code of 1986, as amended, and any successor provision.

1.8 “Company” means the company named in Article II, Section 2.2.

1.9 “Economic Interest” means a Person’s right to share in the income, gains, losses, deductions, credit, or similar items of, and to receive distributions from, the Company, but does not include any other rights of a Member, including the right to vote or to participate in management.

1.10 “Encumber” means the act of creating or purporting to create an Encumbrance, whether or not perfected under applicable law.

1.11 “Encumbrance” means, with respect to any Membership Interest, or any element thereof, a mortgage, pledge, security interest, lien, proxy coupled with an interest (other than as contemplated in this Agreement), option, or preferential right to purchase.

1.12 “Gross Asset Value” means, with respect to any item of property of the Company, the item’s adjusted basis for federal income tax purposes, except as follows:

- (a) The Gross Asset Value of any item of property contributed by the Member to the Company shall be the fair market value of such property, as mutually agreed by the Member and the Company; and
- (b) The Gross Asset Value of any item of Company property distributed to the Member shall be the fair market value of such item of property on the date of distribution.

1.13 “Person” means an individual, partnership, limited partnership, trust, estate, association, corporation, limited liability company, or other entity, whether domestic or foreign.

1.14 “Profits and Losses” means, for each fiscal year or other period specified in this Agreement, an amount equal to the Company’s taxable income or loss for such year or period, determined in accordance with IRC section 703(a).

1.15 “Regulations” (“Reg”) means the income tax regulations promulgated by the United States Department of the Treasury and published in the Federal Register for the purpose of interpreting and applying the provisions of the Code, as such Regulations may be amended from time to time, including corresponding provisions of applicable successor regulations.

1.16 “Substituted Member” is defined in Article VII, Section 8.8.

1.17 “Successor In Interest” means an Assignee, a successor of a Person by merger or otherwise by operation of law, or a transferee or all or substantially all of the business or assets of a Person.

1.18 “Transfer” means, with respect to a Membership Interest, or any element of a Membership Interest, any sale, assignment, gift, Involuntary Transfer, or other disposition of a Membership Interest or any element of such a Membership Interest, directly or indirectly, other than an Encumbrance that is expressly permitted under this Agreement.

Article II Articles of Organization

2. Articles of Organization, in the form attached to this Agreement as Exhibit “A” were filed with the California Secretary of State on September 27, 2000.

2.1 The name of the Company is GEM Healthcare LLC.

2.2 The principal executive office of the Company shall be at 13241 Gladstone Avenue, Sylmar, California 91342 or such other place or places as may be determined by the Member from time to time.

2.3 The agent for service of process on the Company shall be Grace S. Mercado. The Member may from time to time change the Company’s agent for service of process.

2.4 The Company will be formed for the purposes of engaging in the business of operating a skilled nursing facility known as Gem Transitional Care Center and located at 716 Fair Oaks Avenue, Pasadena, California.

2.5 The term of existence of the Company commenced on the effective date of filing of Articles of Organization with the California Secretary of State, and shall continue until terminated by the provisions of this Agreement or as provided by law.

2.6 The Member shall be the manager of the Company. The Manager of this Company shall be Grace S. Mercado.

Article III Capitalization

3. The balance of the Member's Capital Account shall be the same as the financial statement issued as of December 31, 2005, fiscal year end for the Company.

3.1 A Capital Account shall be maintained for the Member consisting of that Member's Capital Contribution as: (1) increased by the Member's share of Profits; (2) decreased by the Member's share of Losses; and (3) adjusted as required in accordance with applicable provisions of the Code and Regulations.

3.2 No interest shall be paid on funds or property contributed to the capital of the Company or on the balance of a Member's Capital Account.

3.3 The Member shall not be bound by, or be personally liable for, the expenses, liabilities or obligations of the Company except as otherwise provided for in the Act or in this Agreement.

Article IV Allocations & Distributions

4. The Profits and Losses of the Company and all items of the Company income, gain, loss, deduction or credit shall be allocated, for Company book purposes and for tax purposes, to the Member.

4.1 Any unrealized appreciation or unrealized depreciation in the values of the Company property distributed in kind to the Member shall be deemed to be Profits or Losses realized by the Company immediately prior to the distribution of the property and such Profits or Losses shall be allocated to the Member's Capital Account. Any property so distributed shall be treated as a distribution to the Member to the extent of the Fair Market Value of the property less the amount of any liability secured by and related to the property. Nothing in this Agreement is intended to treat or cause such distributions to be treated as sales for value. For the purposes of this Section 4.2, "unrealized appreciation" or "unrealized depreciation" shall mean the difference between the Fair Market Value of such property and the Company's basis for such property.

4.2 In the event of a Transfer of an Economic Interest during any fiscal year, the Assigning Member and Assignee shall each be allocated to Economic Interest's share of Profits or Losses based on the number of days each held the Economic Interest during that fiscal year.

4.3 All cash resulting from the normal business operations of the Company and from a Capital Event shall be distributed to the Member at such times as the Member deems appropriate.

Article V Management

5. The business of the Company shall be managed by a Manager who is the representative of the sole Member, as set forth in Section 2.6 hereof. The Member may appoint one or more non-Members as co-Managers or may resign as Manager at anytime and appoint a

non-Member as the Manager of the Company on such terms and conditions as the Member and such Manager may agree.

5.1 The Member as such shall not be entitled to compensation for the Member's services. The Member Manager shall be entitled to such compensation for service as the Member may decide. The non-Member Managers, if any, shall be compensated as agreed among the Member and the non-Member Managers, if any.

5.2 The Company may have a President who may, but need not, be the Member. The Member may provide for additional officers of the Company, and may alter the powers, duties and compensation of the President and of all other officers.

5.3 All assets of the Company, whether real or personal, shall be held in the name of the Company.

5.4 All funds of the Company shall be deposited in one or more accounts with one or more recognized financial institutions in the name of the Company, at such locations as shall be determined by the Member. Withdrawal from such accounts shall require the signature of such person or persons as the Member may designate.

Article VI Accounts & Records

6. Complete books of account of the Company's business, in which each Company transaction shall be fully and accurately entered, shall be kept at the Company's principal executive office.

6.1 Financial books and records of the Company shall be kept on the accrual method of accounting, which shall be the method of accounting followed by the Company for federal income tax purposes. A balance sheet and income statement of the Company shall be prepared promptly following the close of each fiscal year in a manner appropriate to and adequate for the Company's business and for carrying out the provisions of this Agreement. The fiscal year of the Company shall be January 1 through December 31.

6.2 At all times during the term of existence of the Company, and beyond that term if the Member deems it necessary, the Member shall keep or cause to be kept the books of account referred to in Section 6.2, and the following:

(a) A current list of the full name and last known business or residence address of the Member, together with the Capital Contribution and the share in the Profits and Losses of the Member;

(b) A copy of the Articles of Organization, as amended;

(c) Copies of the Company's federal, state and local income tax or information returns and reports, if any, for the six most recent taxable years;

- (d) Executed counterparts of this Agreement, as amended;
- (e) Any powers of attorney under which the Articles of Organization or any amendments thereto were executed;
- (f) Financial statements of the Company for the six most recent fiscal years; and
- (g) The Books and Records of the Company as they relate to the Company's internal affairs for the current and past four fiscal years.

6.3 Within 90 days after the end of each taxable year of the Company, the Company shall send to the Member all information necessary for the Member to complete the Member's federal and state income tax or information returns, and a copy of the Company's federal, state and local income tax or information returns for such year.

Article VII Restrictions on Transfer of Membership Interest

7. The Member shall not Transfer any part of the Member's Membership Interest in the Company. Notwithstanding any other provision of this Agreement to the contrary, a Member who is a natural person may transfer all or any portion of his or her Membership Interest to any revocable trust created for the benefit of the Member, or any combination between or among the Member, the Member's spouse and the Member's issue; provided that the Member retains a beneficial interest in the trust and all of the Voting Interest included in such Membership Interest. A transfer of a Member's entire beneficial interest in such trust or failure to retain such Voting Interest shall be deemed a Transfer of a Membership Interest.

Article VIII Events of Dissolution

8. The Company shall be dissolved on the first to occur of the following events:
- (a) The decision of the Member to dissolve the Company.
 - (b) The sale or other disposition of substantially all of the Company's assets.
 - (c) Entry of a decree of judicial dissolution under California Corporations Code section 17351.

8.1 On the dissolution of the Company, the Company shall engage in no further business other than that necessary to wind up the business and affairs of the Company. The Member shall wind up the affairs of the Company and give written Notice of the commencement of winding up by mail to all known creditors and claimants against the Company whose addresses appear in the records of the Company. After paying or adequately providing for the payment of all known debts of the Company (except debts owing to the Member), the

remaining assets of the Company shall be distributed or applied in the following order of priority:

- (a) To pay the expenses of liquidation.
- (b) To repay outstanding loans to the Member.
- (c) To the Member.

Article IX General Provisions

9. This Agreement constitutes the whole and entire agreement with respect to the subject matter of this Agreement.

9.1 This Agreement shall be construed and enforced in accordance with the internal laws of the State of California. If any provision of this Agreement is determined by any court of competent jurisdiction or arbitrator to be invalid, illegal, or unenforceable to any extent, that provision shall, if possible, be construed as though more narrowly drawn, if a narrower construction would avoid such invalidity, illegality, or unenforceability or, if that is not possible, such provision shall, to the extent of such invalidity, illegality, or unenforceability, be severed, and the remaining provisions of this Agreement shall remain in effect.

9.2 The article, section and paragraph titles and headings in this Agreement are inserted as a matter of convenience and for ease of reference only and shall be disregarded for all other purposes, including the construction or enforcement of this Agreement or any of its provisions.


9.3 This Agreement may be altered, amended or repealed only by a writing signed by the Member.

9.4 Time is of the essence of every provision of this Agreement that specifies a time for performance.

9.5 This Agreement is made solely for the benefit of the parties to this Agreement and their respective permitted successors and assigns, and no other person or entity shall have or acquire any right by virtue of this Agreement.

9.6 The Member intends the Company to be a limited liability company under the Act.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

By: 
Name: Grace S. Mercado
Its: Manager



State of California
 Bill Jones
 Secretary of State

LLC-1

LIMITED LIABILITY COMPANY
 ARTICLES OF ORGANIZATION

IMPORTANT - Read the instructions before completing the form.

This document is presented for filing pursuant to Section 17050 of the California Corporations Code.

1. Limited liability company name:
 (End the name with LLC, L.L.C., Limited Liability Company or Ltd. Liability Co.)

G and E Healthcare Services LLC

2. Latest date (month/day/year) on which the limited liability company is to dissolve. December 31, 2073

3. The purpose of the limited liability company is to engage in any lawful act or activity for which a limited liability company may be organized under the Beverly-Killea Limited Liability Company Act.

4. Enter the name of initial agent for service of process and check the appropriate provision below:
Emil Fish, which is
 an individual residing in California.
 a corporation which has filed a certificate pursuant to Section 1505 of the California Corporations Code. Skip Item 5 and proceed to Item 6.

5. If the initial agent for service of process is an individual, enter a business or residential street address in California:

Street address: 11331 Ventura Boulevard, Suite 300
 City: Studio City State: California Zip Code: 91604

6. The limited liability company will be managed by: (check one)
 one manager more than one manager limited liability company members

7. Describe type of business of the Limited Liability Company.
healthcare services

8. If other matters are to be included in the Articles of Organization attach one or more separate pages.
 Number of pages attached, if any: 0

9. It is hereby declared that I am the person who executed this instrument, which execution is my act and deed.

Pamela S. Welton
 Signature of organizer

Pamela S. Welton
 Type or print name of organizer

Date: September 23, 19 98

For Secretary of State Use

File No. 101 998267109

FILED
 In the office of the Secretary of State
 of the State of California

SEP 24 1998

Bill Jones
 BILL JONES, Secretary of State

LLC-2

Amendment to Articles of Organization of a Limited Liability Company (LLC)

To change information of record for your California LLC, you can fill out this form, and submit for filing along with:

- A \$30 filing fee.
- A separate, non-refundable \$15 service fee also must be included, if you drop off the completed form.
- To file this form, the status of your LLC must be active on the records of the California Secretary of State...

Important! To change the LLC addresses, or to change the name or address of the LLC's agent for service of process, you must file a Statement of Information (Form LLC-12).

Items 4-6: Only fill out the information that is changing. Attach extra pages if you need more space or need to include any other matters.

FILED Secretary of State State of California

NOV 23 2016

lcc

This Space For Office Use Only

For questions about this form, go to www.sos.ca.gov/business/be/filing-tips.htm.

1 LLC's Exact Name (on file with CA Secretary of State) G and E Healthcare Services LLC

2 LLC File No. (issued by CA Secretary of State) 199826710109

Purpose

3 The purpose of the limited liability company is to engage in any lawful act or activity for which a limited liability company may be organized under the California Revised Uniform Limited Liability Company Act.

New LLC Name (List the proposed LLC name exactly as it is to appear on the records of the California Secretary of State.)

4 Proposed LLC Name The proposed new name must include: LLC, L.L.C., Limited Liability Company, Limited Liability Co., Ltd. Liability Co. or Ltd. Liability Company; and may not include: bank, trust, trustee, incorporated, inc., corporation, or corp., insurer, or insurance company.

Management (Check only one.)

5 The LLC will be managed by: [] One Manager [] More Than One Manager [x] All Limited Liability Company Member(s)

Amendment to Text of the Articles of Organization (List both the current text, and the text as amended by this filing.)

6

Read and sign below: Unless a greater number is provided in the Articles of Organization, this form must be signed by at least one manager, if the LLC is manager-managed or at least one member, if the LLC is member-managed.

Signature line with handwritten signature, Grace S. Mercado, and Manager title.

Make check/money order payable to: Secretary of State Upon filing, we will return one (1) uncertified copy of your filed document for free...

By Mail Secretary of State Business Entities, P.O. Box 944228 Sacramento, CA 94244-2280

Drop-Off Secretary of State 1500 11th Street., 3rd Floor Sacramento, CA 95814

**AMENDED AND RESTATED
OPERATING AGREEMENT
OF
G & E HEALTHCARE SERVICES, LLC,
a California limited liability company
(the "Company")**

THE SECURITIES REPRESENTED BY THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 NOR REGISTERED NOR QUALIFIED UNDER ANY STATE SECURITIES LAWS. SUCH SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED, OR HYPOTHECATED UNLESS QUALIFIED AND REGISTERED UNDER APPLICABLE STATE AND FEDERAL SECURITIES LAWS OR UNLESS, IN THE OPINION OF COUNSEL SATISFACTORY TO THE COMPANY, SUCH QUALIFICATION AND REGISTRATION IS NOT REQUIRED. ANY TRANSFER OF THE SECURITIES REPRESENTED BY THIS AGREEMENT IS FURTHER SUBJECT TO OTHER RESTRICTIONS, TERMS AND CONDITIONS WHICH ARE SET FORTH HEREIN.

Operating Agreement

This Operating Agreement is entered into as of Dec. 31, 2005 by Grace S. Mercado ("Mercado") as the sole member of the Company (as such term is hereinafter defined) in order to specify the business and operation of the Company.

Recitals

A. WHEREAS, on September 27, 2000, the Articles of Organization for the Company were filed; and

B. WHEREAS, pursuant to that certain Operating Agreement entered into on February 22, 2001, Mercado and Emil Fish ("Fish") were the Members and Managers of the Company, and shared fifty/fifty (50/50) in the ownership of the Company; and

C. WHEREAS, pursuant to that certain Agreement of Purchase and Sale of Membership Interest, Fish sold to Mercado all of his Membership Interest in the Company to Mercado, and Mercado is now the sole member of the Company (the "Member"); and

D. WHEREAS, the Member now desires to amend and restate the Operating Agreement in accordance with the Beverly-Killea Limited Liability Company Act (California Corporations Code sections 17100-17655); and

E. WHEREAS, the Member desires to enter into this Amended and Restated Operating Agreement in order to form and provide for the governance of the Company and the conduct of its business.

NOW THEREFORE, the Member hereby agrees as follows:

Article I Definitions

1. The following capitalized terms used in this Agreement have the meanings specified in this Article or elsewhere in this Agreement and when not so defined shall have the meanings set forth in California Corporations Code section 17001.

1.1 "Act" means the Beverly-Killea Limited Liability Company Act (California Corporations Code sections 17000-17655), including amendments from time to time.

1.2 "Agreement" means this Operating Agreement, as originally executed and as amended from time to time.

1.3 "Articles of Organization" is defined in California Corporations Code section 17001(b) as applied to this Company.

1.4 “Capital Account” means an account maintained and adjusted in accordance with Article III, Section 3.2.

1.5 “Capital Contribution” means the amount of the money and the Fair Market Value of any property (other than money) contributed to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take “subject to” under IRC section 752) in consideration of a Percentage Interest held by the Member. A Capital Contribution shall not be deemed a loan.

1.6 “Capital Event” means a sale or disposition of any of the Company’s capital assets, the receipt of insurance and other proceeds derived from the involuntary conversion of the Company property, the receipt of proceeds from a refinancing of Company property, or a similar event with respect to Company property or assets.

1.7 “Code” or “IRC” means the Internal Revenue Code of 1986, as amended, and any successor provision.

1.8 “Company” means the company named in Article II, Section 2.2.

1.9 “Economic Interest” means a Person’s right to share in the income, gains, losses, deductions, credit, or similar items of, and to receive distributions from, the Company, but does not include any other rights of a Member, including the right to vote or to participate in management.

1.10 “Encumber” means the act of creating or purporting to create an Encumbrance, whether or not perfected under applicable law.

1.11 “Encumbrance” means, with respect to any Membership Interest, or any element thereof, a mortgage, pledge, security interest, lien, proxy coupled with an interest (other than as contemplated in this Agreement), option, or preferential right to purchase.

1.12 “Gross Asset Value” means, with respect to any item of property of the Company, the item’s adjusted basis for federal income tax purposes, except as follows:

- (a) The Gross Asset Value of any item of property contributed by the Member to the Company shall be the fair market value of such property, as mutually agreed by the Member and the Company; and
- (b) The Gross Asset Value of any item of Company property distributed to the Member shall be the fair market value of such item of property on the date of distribution.

1.13 “Person” means an individual, partnership, limited partnership, trust, estate, association, corporation, limited liability company, or other entity, whether domestic or foreign.

1.14 “Profits and Losses” means, for each fiscal year or other period specifies in this Agreement, an amount equal to the Company’s taxable income or loss for such year or period, determined in accordance with IRC section 103 (a).

1.15 “Regulations” (“Reg”) means the income tax regulations promulgated by the United States Department of the Treasury and published in the Federal Register for the purpose of interpreting and applying the provisions of the Code, as such Regulations may be amended from time to time, including corresponding provisions of applicable successor regulations.

1.16 “Substituted Member” is defined in Article VII, Section 8.8.

1.17 “Successor In Interest” means an Assignee, a successor of a Person by merger or otherwise by operation of law, or a transferee of all or substantially all of the business or assets of a Person.

1.18 “Transfer” means, with respect to a Membership Interest, or any element of a Membership Interest, any sale, assignment, gift, Involuntary Transfer, or other disposition of a Membership Interest or any element of such a Membership Interest, directly or indirectly, other than an Encumbrance that is expressly permitted under this Agreement.

Article II

Articles of Organization

2. Articles of Organization, in the form attached to this Agreement as Exhibit “A” were filed with the California Secretary of State on September 27, 2000.

2.1 The name of the Company is G and F Healthcare Services, LLC.

2.2 The principal executive office of the company shall be at 445 South Fair Oaks Ave, Pasadena, California 91105 or such other places or places as may be determined by the Member from time to time.

2.3 The agent for service of process on the Company shall be Grace S. Mercado. The Member may from time to time change the Company’s agent for service of process.

2.4 The Company will be formed for the purposes of engaging in the business of operating a skilled nursing facility known as Astoria Nursing and Rehab Center and located at 14040 Astoria St., Sylmar, California 91342.

2.5 The term of existence of the Company commenced on the effective date of filing of Articles of Organization with the California Secretary of State, and shall continue until terminated by provisions of this Agreement or as provided by law.

2.6 The Member shall be the manager of the Company. The Manager of this Company shall be Grace S. Mercado.

**Article III
Capitalization**

3. The balance of the Member's Capital Account shall be the same as the financial statement issued as of December 31, 2005, fiscal year end for the Company.

3.1 A Capital Account shall be maintained for the Member consisting of that Member's Capital Contribution as: (1) increased by the Member's share of Profits; (2) decreased by the Member's share of Losses; and (3) adjusted as required in accordance with applicable provisions of the Code and Regulations.

3.2 No interest shall be paid on funds or property contributed to the capital of the Company or on the balance of a Member's Capital Account.

3.3 The Member shall not be bound by, or be personally liable for, the expenses, liabilities or obligations of the Company except as otherwise provided for in the Act or in this Agreement.

**Article IV
Allocations & Distributions**

4. The Profits and Losses of the Company and all items of the Company income, gain, loss, deduction or credit shall be allocated, for Company book purposes and for tax purposes, to the Member.

4.1 Any unrealized appreciation or unrealized depreciation in the values of the Company property distributed in kind to the Member shall be deemed to be Profits or Losses realized by the Company immediately prior to the distribution of the property and such Profits or Losses shall be allocated to the Member's Capital Account. Any property so distributed shall be treated as a distribution to the Member to the extent of the Fair Market Value of the property less the amount of any liability secured by and related to the property. Nothing in this Agreement is intended to treat or cause such distributions to be treated as sales for value. For the purposes of this Section 4.2, "unrealized appreciation" or "unrealized depreciation" shall mean the difference between the Fair Market Value of such property and the Company's basis for such property.

4.2 In the event of a Transfer of an Economic Interest during any fiscal year, the Assigning Member and Assignee shall each be allocated to Economic Interest's share of Profits or Losses based on the number of days each held the Economic Interest during that fiscal year.

4.3 All cash resulting from the normal business operations of the Company and from a Capital Event shall be distributed to the Member at such times as the Member deems appropriate.

**Article V
Management**

5. The business of the Company shall be managed by a Manager who is the representative of the sole Member, as set forth in Section 2.6 hereof. The Member may appoint one or more non-Members as co-Managers or may resign as Manager at anytime and appoint a non Member as the Manager of the Company on such terms and conditions as the Member and such Manager may agree.

5.1 The Member as such shall not be entitled to compensation for the Member's services. The Member Manager shall be entitled to such compensation for service as the Member may decide. The non-Member Managers, if any, shall be compensated as agreed among the Member and the non-Member Managers, if any.

5.2 The Company may have a President who may, but need not, be the Member. The Member may provide for additional officers of the Company, and may alter the powers, duties and compensation of the President and of all other officers.

5.3 All assets of the Company, whether real or personal, shall be held in the name of the Company.

5.4 All funds of the Company shall be deposited in one or more accounts with one or more recognized financial institutions in the name of the Company, at such locations as shall be determined by the Member. Withdrawal from such accounts shall require the signature of such person or persons as the Member may designate.

Article VI Accounts & Records

6. Complete books of account of the Company's business, in which each Company transaction shall be fully and accurately entered, shall be kept at the Company's principal executive office.

6.1 Financial books and records of the Company shall be kept on the accrual method of accounting, which shall be the method of accounting followed by the Company for federal income tax purposes. A balance sheet and income statement of the Company shall be prepared promptly following the close of each fiscal year in a manner appropriate to and adequate for the Company's business and for carrying out the provisions of this Agreement. The fiscal year of the Company shall be January 1 through December 31.

6.2 At all times during the term of existence of the Company, and beyond that term if the Member deems it necessary, the Member shall keep or cause to be kept the books of account referred to in Section 6.2, and the following:

(a) A current list of the full name and last known business or residence address of the Member, together with the Capital Contribution and the share in the Profits and Losses of the Member;

(b) A copy of the Articles of Organization, as amended;

(c) Copies of the Company's federal, state and local income tax or information returns and reports, if any, for the six most recent taxable years;

(d) Executed counterparts of this Agreement, as amended;

(e) Any powers of attorney under which the Articles of Organization or any amendments thereto were executed;

(f) Financial statements of the Company for the six most recent fiscal years; and

(g) The Books and Records of the Company as they relate to the Company's internal affairs for the current and past four fiscal years.

6.3 Within 90 days after the end of each taxable year of the Company, the Company shall send to the Member all information necessary for the Member to complete the Member's federal and state income tax or information returns, and a copy of the Company's federal, state and local income tax or information returns for such year.

Article VII Restrictions on Transfer of Membership Interest

7. The Member shall not Transfer any part of the Member's Membership Interest in the Company. Notwithstanding any other provision of this Agreement to the contrary, a Member who is a natural person may transfer all or any portion of his or her Membership Interest to any revocable trust created for the benefit of the Member, or any combination between or among the Member, the Member's spouse and the Member's issue; provided that the Member retains a beneficial interest in the trust and all of the Voting Interest included in such Membership Interest. A transfer of a Member's entire beneficial interest in such trust or failure to retain such Voting Interest shall be deemed a Transfer of a Membership Interest.

Article VIII Events of Dissolution

8. The Company shall be dissolved on the first to occur of the following events:

(a) The decision of the Member to dissolve the Company.

(b) The sale or other disposition of substantially all of the Company's assets.

(c) Entry of a decree of judicial dissolution under California Corporations Code section 17351.

8.1 On the dissolution of the Company, the Company shall engage in no further business other than that necessary to wind up the business and affairs of the Company.

The Member shall wind up the affairs of the Company and give written Notice of the commencement of winding up by mail to all known creditors and claimants against the Company whose addresses appear in the records of the Company. After paying or adequately providing for the payment of all known debts of the Company (except debts owing to the Member), the remaining assets of the Company shall be distributed or applied in the following order of priority:

- (a) To pay the expenses of liquidation.
- (b) To repay outstanding loans to the Member.
- (c) To the Member.

Article IX General Provisions

9. This Agreement constitutes the whole and entire agreement with respect to the subject matter of this Agreement.

9.1 This Agreement shall be construed and enforced in accordance with the internal laws of the State of California. If any provision of this Agreement is determined by any court of competent jurisdiction or arbitrator to be invalid, illegal, or unenforceable to any extent, that provision shall, if possible, be construed as though more narrowly drawn, if a narrower construction would avoid such invalidity, illegality, or unenforceability or, if that is not possible, such provision shall, to the extent of such invalidity, illegality, or unenforceability, be severed, and the remaining provisions of this Agreement shall remain in effect.

9.2 The article, section and paragraph titles and headings in this Agreement are inserted as a matter of convenience and for ease of reference only and shall be disregarded for all other purposes, including the construction or enforcement of this Agreement or any of its provisions.

9.3 This Agreement may be altered, amended or repealed only by a writing signed by the Member.

9.4 Time is of the essence of every provision of this Agreement that specifies a time for performance.

9.5 This Agreement is made solely for the benefit of the parties to this Agreement and their respective permitted successors and assigns, and no other person or entity shall have or acquire any right by virtue of this Agreement.

9.6 The Member intends the Company to be a limited liability company under the Act.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

By: 
Name: Grace S. Mercado
Its: Manager



State of California Secretary of State

LIMITED LIABILITY COMPANY ARTICLES OF ORGANIZATION

File # 200721610314

FILED In the office of the Secretary of State of the State of California

AUG 03 2007

A \$70.00 filing fee must accompany this form.

IMPORTANT - Read instructions before completing this form.

This Space For Filing Use Only

ENTITY NAME (End the name with the words "Limited Liability Company," "Ltd. Liability Co.," or the abbreviations "LLC" or "L.L.C.")

1. NAME OF LIMITED LIABILITY COMPANY

G&R Alameda Healthcare Services, LLC

PURPOSE (The following statement is required by statute and may not be altered.)

2. THE PURPOSE OF THE LIMITED LIABILITY COMPANY IS TO ENGAGE IN ANY LAWFUL ACT OR ACTIVITY FOR WHICH A LIMITED LIABILITY COMPANY MAY BE ORGANIZED UNDER THE BEVERLY-KILLEA LIMITED LIABILITY COMPANY ACT.

INITIAL AGENT FOR SERVICE OF PROCESS (If the agent is an individual, the agent must reside in California and both Items 3 and 4 must be completed. If the agent is a corporation, the agent must have on file with the California Secretary of State a certificate pursuant to Corporations Code section 1505 and Item 3 must be completed (leave Item 4 blank).)

3. NAME OF INITIAL AGENT FOR SERVICE OF PROCESS

Grace Mercado

4. IF AN INDIVIDUAL, ADDRESS OF INITIAL AGENT FOR SERVICE OF PROCESS IN CALIFORNIA CITY STATE ZIP CODE

13241 Gladstone Avenue Sylmar CA 91342

MANAGEMENT (Check only one)

5. THE LIMITED LIABILITY COMPANY WILL BE MANAGED BY:

- ONE MANAGER (checked)
MORE THAN ONE MANAGER
ALL LIMITED LIABILITY COMPANY MEMBER(S)

ADDITIONAL INFORMATION

6. ADDITIONAL INFORMATION SET FORTH ON THE ATTACHED PAGES, IF ANY, IS INCORPORATED HEREIN BY THIS REFERENCE AND MADE A PART OF THIS CERTIFICATE.

EXECUTION

7. I DECLARE I AM THE PERSON WHO EXECUTED THIS INSTRUMENT, WHICH EXECUTION IS MY ACT AND DEED

Handwritten signature of Gary W. Sanders, Esq.

August 2, 2007 DATE

Gary W. Sanders, Esq. TYPE OR PRINT NAME OF ORGANIZER

RETURN TO (Enter the name and the address of the person or firm to whom a copy of the filed document should be returned.)

8. NAME Sanders, Collins & Rehaste, LLP
FIRM 5316 E. Chapman Avenue
ADDRESS Orange, CA 92869
CITY/STATE/ZIP

OPERATING AGREEMENT
G&R Alameda Healthcare Services, LLC

THIS OPERATING AGREEMENT (the "Agreement") is entered into as of August 15, 2007 by and among the parties listed on the signature pages hereof (the "Members"), with reference to the following facts:

A. WHEREAS, on August 3, 2007, the Articles of Organization were filed with the California Secretary of State; and

B. WHEREAS, the Articles of Organization of the Company filed with the California Secretary of State on August 3, 2007 are hereby adopted and approved by the Members; and

C. WHEREAS, the Members enter into this Agreement to form and provide for the governance of the Company and the conduct of its business, and to specify their relative rights and obligations.

NOW THEREFORE, the Members agree as follows:

ARTICLE I: DEFINITIONS

1. Capitalized terms used in this Agreement have the meanings specified in this Article or elsewhere in this Agreement and when not so defined shall have the meanings set forth in California Corporations Code section 17001.

1.1. "Act" means the Beverly-Killea Limited Liability Company Act (California Corporations Code §§17000-17655), including amendments from time to time.

1.2. "Adjusted Capital Contribution" is defined in Article IV, Section 4.6(a).

1.3. "Adjusted Capital Account Deficit" is defined in Article IV, Section 4.3(a).

1.4. "Affiliate" of a Member means (1) any Person directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with the Member. The term "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through membership, ownership of voting securities, by contract, or otherwise.

1.5. "Agreement" means this operating agreement, as originally executed and as amended from time to time.

1.6. "Articles of Organization" is defined in Corporations Code section 17001(b) as applied to this Company.

1.7. "Assignee" means a person who has acquired a Member's Economic Interest in the Company, by way of a Transfer in accordance with the terms of this Agreement, but who has not become a Member.

1.8. "Assigning Member" means a Member who by means of a Transfer has transferred an Economic Interest in the Company to an Assignee

1.9. "Available Cash" means all net revenues from the Company's operations, including net proceeds from all sales, refinancings (excluding the proceeds of any Notes, as hereinafter defined), and other dispositions of Company property that the Managers, in the Managers' joint discretion, deems in excess of the amount reasonably necessary for the operating requirements of the Company, including debt reduction and reserves.

1.10. "Book Depreciation" is defined in Article IV, Section 4.3(b).

1.11. "Capital Account" means, with respect to any Member, the account reflecting the capital interest of the Member in the Company, consisting of the Member's initial Capital Contribution maintained and adjusted in accordance with Article III, Section 3.6.

1.12. "Capital Contribution" means, with respect to any Member, the amount of the money and the Fair Market Value of any property (other than money) contributed to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take "subject to" under IRC section 752) in consideration of a Percentage Interest held by such Member. A Capital Contribution shall not be deemed a loan.

1.13. "Capital Event" means a sale or disposition of any of the Company's capital assets, the receipt of insurance and other proceeds derived from the involuntary conversion of Company property, the receipt of proceeds from a refinancing of Company property, or a similar event with respect to Company property or assets.

1.14. "Code" or "IRC" means the Internal Revenue Code of 1986, as amended, and any successor provision.

1.15. "Company" means the company named in Article II, Section 2.2 of this Agreement.

1.16. "Company Minimum Gain" is defined in Article IV, Section 4.3(c).

1.17. "Confidential Information" is defined in Article X, Section 10.2.

1.18. "Corporations Code" ("Corp C") means the California Corporations Code.

1.19. "Economic Interest" means a Person's right to share in the income, gains, losses, deductions, credit or similar items of, and to receive distributions from, the Company, but does not include any other rights of a Member, including the right to vote or to participate in management.

1.20. "Encumber" means the act of creating or purporting to create an Encumbrance, whether or not perfected under applicable law.

1.21. "Encumbrance" means, with respect to any Membership Interest, or any element thereof, a mortgage, pledge, security interest, lien, proxy coupled with an interest (other than as contemplated in this Agreement), option, or preferential right to purchase.

1.22. "Gross Asset Value" means, with respect to any item of property of the Company, the item's adjusted basis for federal income tax purposes, except as follows:

(a) The initial Gross Asset Value of any item of property contributed by a Member to the Company shall be the fair market value of such property, as mutually agreed by the contributing Member and the Company;

(b) The Gross Asset Value of any item of Company property distributed to any Member shall be the fair market value of such item of property on the date of distribution; and

(c) The Gross Asset Value of any item of Company property shall be subject to the adjustments specified in Article IV, Section 4.11.

1.23. "Initial Members" means those Persons whose names are set forth in the first sentence of this Agreement. A reference to an "Initial Member" means any of the Initial Members.

1.24. "Involuntary Transfer" means, with respect to any Membership Interest, or any element thereof, any Transfer or Encumbrance, whether by operation of law, pursuant to court order, foreclosure of a security interest, execution of a judgment or other legal process, or otherwise, including a purported transfer to or from a trustee in bankruptcy, receiver, or assignee for the benefit of creditors.

1.25. "Losses." See Article IV, Section 4.2.

1.26. "Majority of Members" means a Member or Members whose Percentage Interests represent more than 50 percent of the Percentage Interests of all the Members.

1.27. "Manager" or "Managers" means the Person(s) named as such in Article II or the Person(s) who from time to time succeed any Person as a Manager and who, in either case, are serving at the relevant time as a Manager.

1.28. "Member" means an Initial Member or a Person who otherwise acquires a Membership Interest, as permitted under this Agreement, and who remains a Member.

1.29. "Member Nonrecourse Debt" is defined in Article IV, Section 4.3(d).

1.30. "Member Nonrecourse Debt Minimum Gain" is defined in Article IV, Section 4.3(e).

1.31. "Member Nonrecourse Deductions" is defined in Article IV, Section 4.3(f).

1.32. "Membership Interest" means a Member's rights in the Company, collectively, including the Member's Economic Interest, any right to Vote or participate in management, and any right to information concerning the business and affairs of the Company.

1.33. "Nonrecourse Deductions" is defined in Article IV, Section 4.3(g).

1.34. "Nonrecourse Liability" is defined in Article IV, Section 4.3(h).

1.35. "Notes" means any Notes executed by the Company to evidence any borrowing from any Member

1.36. "Notice" means a written notice required or permitted under this Agreement. A notice shall be deemed given or sent when deposited, as certified mail or for overnight delivery, postage and fees prepaid, in the United States mails; when delivered to Federal Express, United Parcel Service, DHI, WorldWide Express, or Airborne Express, for overnight delivery, charges prepaid or charged to the sender's account; when personally delivered to the recipient; when transmitted by electronic means, and such transmission is electronically confirmed as having been successfully transmitted; or when delivered to the home or office of a recipient in the care of a person whom the sender has reason to believe will promptly communicate the notice to the recipient.

1.37. "Percent of the Members" means the specified total of Percentage Interests of all the Members.

1.38. "Percentage Interest" means a fraction, expressed as a percentage, the numerator of which is the total of a Member's Capital Account and the denominator of which is the total of all Capital Accounts of all Members.

1.39. "Person" means an individual, partnership, limited partnership, trust, estate, association, corporation, limited liability company, or other entity, whether domestic or foreign.

1.40. "Profits" and "Losses" are defined in Article IV, Section 4.2.

1.41. "Proxy" has the meaning set forth in the first paragraph of Corp C §17001(ai). A Proxy may not be transmitted orally.

1.42. "Regulations" ("Reg") means the income tax regulations promulgated by the United States Department of the Treasury and published in the Federal Register for the purpose of interpreting and applying the provisions of the Code, as such Regulations may be amended from time to time, including corresponding provisions of applicable successor regulations.

1.43. "Reserves" means the aggregate of reserve accounts that the Managers, in the Managers' joint discretion, deems reasonably necessary to meet accrued or contingent liabilities of the Company, reasonably anticipated operating expenses, and working capital requirements.

1.44. "Successor in Interest" means an Assignee, a successor of a Person by merger or otherwise by operation of law, or a transferee of all or substantially all of the business or assets of a Person.

1.45. "Tax Item" means each item of income, gain, loss, deduction, or credit of the Company.

1.46. "Tax Matters Member" means such Person as may be designated under Article VI, Section 6.6.

1.47. "Transfer" means, with respect to a Membership Interest or any element of a Membership Interest, any sale, assignment, gift, Involuntary Transfer, Encumbrance, or other disposition of such a Membership Interest or any element of such Membership Interest, directly or indirectly, other than an Encumbrance that is expressly permitted under this Agreement.

1.48. "Triggering Event" is defined in Article VIII, Section 8.4.

1.49. "Vote" means a written consent or approval, a ballot cast at a meeting, or a voice vote.

1.50 "Voting Interest" means, with respect to a Member, the right to Vote or participate in management and any right to information concerning the business and affairs of the Company provided under the Act, except as limited by the provisions of this Agreement. A Member's Voting Interest shall be directly proportional to that Member's Percentage Interest.

ARTICLE II: ARTICLES OF ORGANIZATION

2.1. The Articles of Organization were filed with the California Secretary of State on August 3, 2007, File Number 200721610314. A copy of the Articles of Organization as filed is attached to this Agreement as Exhibit A.

2.2. The name of the Company is G&R Alameda Healthcare Services, LLC, a California limited liability company.

2.3. The principal executive office of the Company shall be at 13421 Gladstone Avenue, Sylmar, California 91342 or such other place or places as may be determined by the Managers from time to time.

2.4. The initial agent for service of process on the Company shall be Grace Mercado, whose address is 13421 Gladstone Avenue, Sylmar, California 91342. The Managers may from time to time change the Company's agent for service of process.

2.5. The Company is authorized to engage in any lawful business, purpose or activity in which a limited liability company may engage in under applicable law, (including, without limitation, the Act) as the Manager(s) may determine in his/her/their sole discretion.

2.6. The Members intend the Company to be a limited liability company under the Act. Neither the Managers nor any Member shall take any action inconsistent with the express intent of the parties to this Agreement

2.7. The term of existence of the Company shall commence on the effective date of filing of Articles of Organization with the California Secretary of State, and shall continue until terminated by the provisions of this Agreement or as provided by law.

2.8. The names and addresses of the Initial Members are as set forth in Exhibit B.

2.9. The names and business addresses of the initial Manager is as follows:

Name	Address
Grace Mercado	13421 Gladstone Avenue, Sylmar, California 91342

The Manager shall serve as the sole Manager of the Company, until an additional Manager or Board of Managers is elected by the Members in accordance with the provisions of this Agreement. The Members currently acknowledge and agree that the Company shall have only one Manager. The use of term "Managers", or "Board of Managers" herein means, until the Members elect additional Managers, the sole Manager.

ARTICLE III: CAPITAL AND CAPITAL CONTRIBUTIONS

3.1. Each Member shall contribute to the capital of the Company as the Member's initial Capital Contribution the money and property specified in Exhibit B. If a Member fails to make the initial Capital Contributions specified in this Section within 30 days after the effective date of this Agreement, that Member's entire Membership Interest shall terminate, and that Member shall indemnify and hold the Company and the other Members harmless from any loss, cost, or expense, including reasonable attorney fees caused by the failure to make the initial Capital Contribution

3.2. A majority of all Managers (after giving regard to any Percentage Interest they might hold as Members) may determine from time to time that Capital Contributions in addition to the Members' initial Capital Contributions are reasonably necessary to enable the Company to conduct its business. On making such a determination, the Managers shall give notice to all Members in writing at least 30 days before the date on which such additional Capital Contribution is due. The Notice shall set forth the amount of additional Capital Contribution needed, the purpose for which it is needed, and the date by which the Members shall contribute. Each Member shall be required to make an additional Capital Contribution in an amount that bears the same proportion to the total additional Capital Contribution that such Member's Capital Account balance bears to the total Capital Account balances of all Members. No Member may voluntarily make any additional Capital Contribution.

3.3. If a Member fails to make an additional Capital Contribution required under Section 3.2 above within 30 days after it is required to be made (a "Defaulting Member"), the Managers shall within five days after said failure notify each other Member (a "Nondefaulting Member") in writing of the total amount of Defaulting Member Capital Contributions not made (the Additional Capital Shortfall), and shall specify a number of days within which each Nondefaulting Member may make an additional Capital Contribution, which shall not be less than an amount bearing the same ratio to the amount of Additional Capital Shortfall as the Nondefaulting Member's Capital Account balance bears to the total Capital Accounts of all Nondefaulting Members. If the total amount of Additional Capital Shortfall is not so contributed, the Managers may use any reasonable method to provide Members the opportunity to make additional Capital Contributions, until the Additional Capital Shortfall is as fully contributed as possible. Following the Nondefaulting Members' making of such additional Capital Contributions, each Member's Percentage Interest shall be adjusted to reflect the ratio that the Member's Capital Account bears to the total Capital Accounts of all of the Members.

3.4. An individual Capital Account for each Member shall be maintained in accordance with the requirements of Reg §1.704-1(b)(2)(iv) and adjusted in accordance with the following provisions:

(a) A Member's Capital Account shall be increased by that Member's Capital Contributions, that Member's share of Profits, and any items in the nature of income or gain that are specially allocated to that Member pursuant to Article IV.

(b) A Member's Capital Account shall be increased by the amount of any Company liabilities assumed by that Member subject to and in accordance with the provisions of Reg §1.704-1(b)(2)(iv)(c).

(c) A Member's Capital Account shall be decreased by (a) the amount of cash distributed to that Member; (b) the Fair Market Value of any property of the Company so distributed, net of liabilities secured by such distributed property that the distributee Member is considered to assume or to be subject to under IRC section 752; and (c) the amount of any items in the nature of expenses or losses that are specially allocated to that Member pursuant to Article IV.

(d) A Member's Capital Account shall be reduced by the Member's share of any expenditures of the Company described in IRC section 705(a)(2)(B) or which are treated as IRC section 705(a)(2)(B) expenditures pursuant to Reg section 1.704-1(b)(2)(iv)(i) (including syndication expenses and losses nondeductible under IRC sections 267(a)(1) or 707(b)).

(e) If any Economic Interest (or portion thereof) is transferred, the transferee of such Economic Interest or portion shall succeed to the transferor's Capital Account attributable to such interest or portion.

(f) The principal amount of a promissory note that is not readily traded on an established securities market and that is contributed to the Company by the maker of the note shall not be included in the Capital Account of any Person until the Company makes a taxable disposition of

the note or until (and to the extent) principal payments are made on the note, all in accordance with Reg section 1.704-1(b)(2)(iv)(d)(2).

(g) Each Member's Capital Account shall be increased or decreased as necessary to reflect a revaluation of the Company's property assets in accordance with the requirements of Reg sections 1.704-1(b)(2)(iv)(f) and 1.704-1(b)(2)(iv)(g), including the special rules under Reg section 1.701-1(b)(4), as applicable. The provisions of this Agreement respecting the maintenance of Capital Accounts are intended to comply with Reg section 1.704-1(b) and shall be interpreted and applied in a manner consistent with those Regulations.

3.5. A Member shall not be entitled to withdraw any part of the Member's Capital Contribution or to receive any distributions, whether of money or property, from the Company except as provided in this Agreement.

3.6. No interest shall be paid on Capital Contributions or on the balance of a Member's Capital Account.

3.7. A Member shall not be bound by, or be personally liable for, the expenses, liabilities, or obligations of the Company except as otherwise provided in the Act or in this Agreement.

3.8. No Member shall have priority over any other Member with respect to the return of a Capital Contribution or distributions or allocations of income, gain, losses, deductions, credits, or items thereof, except that until any Notes due to any Member(s) have been paid in full, the Company shall not make any distributions to any of the Members, excluding any distributions to pay taxes on any profits allocated to the Members.

3.9. The Company shall only use the proceeds from any Notes to pay its usual and customary operating expenses and expenses incurred in the commencement and operation of its business.

ARTICLE IV: ALLOCATIONS AND DISTRIBUTIONS

4.1. The Profits and Losses of the Company and all items of Company income, gain, loss, deduction, or credit shall be allocated, for Company book purposes and for tax purposes, to a Member in accordance with the Member's Percentage Interest.

4.2 As used in this Agreement, "Profits and Losses" means, for each fiscal year or other period specified in this Agreement, an amount equal to the Company's taxable income or loss for such year or period, determined in accordance with IRC section 703(a), including all Tax Items required to be stated separately pursuant to IRC section 703(a)(1), with the following adjustments:

(a) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses shall be added to such taxable income or loss;

(b) Any expenditures of the Company described in IRC section 705(a)(2)(B) or treated as IRC section 705(a)(2)(B) expenditures pursuant to Reg section 1.704-1(b)(2)(iv)(i) and not otherwise

taken into account in computing Profits or Losses shall be subtracted from such taxable income or shall increase such loss; and

4.3. The following definitions shall apply with respect to this Article IV.

(a) "Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant fiscal year of the Company, after such Member's Capital Account has been adjusted as follows: (1) the Member's Capital Account shall be increased by the amount of such Member's share of Company Minimum Gain and Member Nonrecourse Debt Minimum Gain; and (2) the Member's Capital Account shall be decreased by the amount of the items described in Reg sections 1.704-1(b)(2)(ii)(d)(4), (5), and (6).

This definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Reg section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently with that Regulation.

(b) "Book Depreciation" means, with respect to any item of Company property for a given fiscal year, a percentage of depreciation or other cost recovery deduction allowable for federal income tax purposes for such item during that fiscal year equal to the result (expressed as a percentage) obtained by dividing (1) the Fair Market Value of that item at the beginning of the fiscal year (or the acquisition date during the fiscal year), by (2) the federal adjusted tax basis of the item at the beginning of the fiscal year (or the acquisition date during the fiscal year). If the adjusted tax basis of an item is zero, the Managers may determine Book Depreciation, provided that they do so in a reasonable and consistent manner.

(c) "Company Minimum Gain" has the meaning set forth in Reg section 1.704-2(d)(1).

(d) "Member Nonrecourse Debt" is defined in Reg section 1.704-2(b)(4).

(e) "Member Nonrecourse Debt Minimum Gain" for a fiscal year of the Company means the net increase in Minimum Gain attributable to Member Nonrecourse Debt, determined as set forth in Reg section 1.704-2(i)(2).

(f) "Member Nonrecourse Deductions" has the meaning set forth in Reg section 1.704-2(i)(2). For any fiscal year of the Company, the amount of Member Nonrecourse Deductions with respect to a Member Nonrecourse Debt equals the net increase during that fiscal year in Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt during that fiscal year, reduced (but not below zero) by the amount of any distributions during such year to the Member bearing the economic risk of loss for such Member Nonrecourse Debt if such distributions are both from the proceeds of such Member Nonrecourse Debt and are allocable to an increase in Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt, all as determined according to the provisions of Reg section 1.704-2(i)(2). In determining Member Nonrecourse Deductions, the ordering rules of Reg section 1.704-2(j) shall be followed.

(g) "Nonrecourse Deductions" has the meaning set forth in Reg section 1.704-2(c). The amount of Nonrecourse Deductions for a Company fiscal year equals the net increase in the amount of Company Minimum Gain during that fiscal year, reduced (but not below zero) by the aggregate amount of any distributions during that fiscal year of proceeds of a Nonrecourse Liability that are allocable to an increase in Company Minimum Gain.

(h) "Nonrecourse Liability" is defined in Reg section 1.752-1(a)(2).

4.4. The following special allocations shall be made in the following order:

(a) **Company Minimum Gain Chargeback.** If there is a net decrease in Company Minimum Gain during a fiscal year, each Member shall be allocated, before any other allocation under this Section, items of Company income and gain for such fiscal year equal to such Member's share of the net decrease in Company Minimum Gain as determined in accordance with Reg section 1.704-2(g)(2).

(b) **Member Nonrecourse Debt Minimum Gain Chargeback.** If there is a net decrease in Member Nonrecourse Debt Minimum Gain during a fiscal year, any Member with a share of the Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt as of the beginning of such fiscal year shall be allocated items of Company income and gain for such year (and, if necessary, subsequent years) equal to that Member's share of the net decrease in Member Nonrecourse Debt Minimum Gain. A Member's share of net decrease in Member Nonrecourse Debt Minimum Gain shall be determined pursuant to Reg section 1.704-2(g)(2). A Member shall not be subject to the foregoing chargeback to the extent permitted under Reg section 1.704-2(i)(4).

(c) **Qualified Income Offset.** If any Member unexpectedly receives an adjustment, allocation, or distribution described in Reg sections 1.704-1(b)(2)(ii)(d)(4), (5), or (6), such Member shall be allocated items of Company income and gain (consisting of a pro rata portion of each item of Company income, including gross income and gain for such fiscal year) in an amount and manner sufficient to eliminate the Adjusted Capital Account Deficit created by such adjustment, allocation, or distribution.

4.5. Member Nonrecourse Deductions for any fiscal year of the Company shall be allocated to the Members in the same proportion as Profits are allocated under Section 4.1, provided that any Member Nonrecourse Deductions for any fiscal year or other period shall be allocated to the Member who bears (or is deemed to bear) the economic risk of loss with respect to the Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Reg section 1.704-2(i)(2).

4.6. In any fiscal year of the Company, Profits in excess of Losses of the Company resulting from a Capital Event in that Fiscal Year shall be allocated to the Members in the following order:

(a) To Members whose Adjusted Capital Contributions are in excess of their Capital Accounts, in proportion to those excesses, until all of those excesses have been eliminated. "Adjusted Capital Contributions" means, with respect to each Member, the excess of such Member's

contribution to the capital of the Company over all prior distributions to the Member that have resulted from Capital Events.

(b) Among the Members in the proportion that the Capital Contribution of each Member bears to the total Capital Contributions of all Members.

4.7. In any fiscal year of the Company, Losses in excess of Profits of the Company, resulting from a Capital Event in that fiscal year, shall be allocated to the Members with positive Capital Accounts, in proportion to their positive Capital Account balances, until no Member has a positive Capital Account. For this purpose, Capital Accounts shall be reduced by the adjustments set forth in Reg sections 1.704-1(b)(2)(ii)(d)(4), (5), and (6).

4.8. Any unrealized appreciation or unrealized depreciation in the values of Company property distributed in kind to Members shall be deemed to be Profits or Losses realized by the Company immediately prior to the distribution of the property and such Profits or Losses shall be allocated to the Capital Accounts in the same proportions as Profits are allocated under Section 4.1. Any property so distributed shall be treated as a distribution to the Members to the extent of the Fair Market Value of the property, less the amount of any liability secured by and related to the property. Nothing contained in this Agreement is intended to treat or cause such distributions to be treated as sales for value. For the purposes of this Section 4.8, "unrealized appreciation" or "unrealized depreciation" shall mean the difference between the Fair Market Value of such property and the Company's federal adjusted tax basis for such property.

4.9. Any item of income, gain, loss, or deduction with respect to any property (other than cash) that has been contributed by a Member to the capital of the Company, or that has been revalued pursuant to the provisions of Article III, Section 3.6(g), and that is required or permitted to be allocated to such Member for income tax purposes under IRC section 704(c) in order to take into account the variation between the tax basis of such property and its Fair Market Value at the time of its contribution, shall be allocated solely for income tax purposes in the manner required or permitted under IRC section 704(c) using the "traditional" method described in Reg section 1.704-3(b), except that any other method allowable under applicable Regulations may be used for any contribution of property with respect to which there is agreement among the contributing Member and the Managers (and, if either Manager and contributing Member are Affiliates, a Majority of Members who are not Affiliates of the Manager).

4.10. In the case of a Transfer of an Economic Interest during any fiscal year of the Company, the Assigning Member and Assignee shall each be allocated Profits or Losses based on the number of days each held the Economic Interest during that fiscal year. If the Assigning Member and Assignee agree to a different proration and advise the Managers of the agreed proration before the date of the Transfer, Profits or Losses from a Capital Event during that fiscal year shall be allocated to the holder of the Interest on the day such Capital Event occurred. If an Assignee makes a subsequent Assignment, said Assignee shall be considered an "Assigning Member" with respect to the subsequent Assignee for purposes of the aforesaid allocations.

4.11. (a) The Gross Asset Value of all Company property shall be adjusted as of the following times: (1) the acquisition of an interest or additional interest in the Company by any new or

existing Member in exchange for more than a de minimis Capital Contribution; (2) the distribution of money or other property (other than a de minimis amount) by the Company to a Member as consideration for an Economic Interest in the Company, and (3) the liquidation of the Company within the meaning of Reg section 1.704-1(b)(2)(ii)(g); provided, however, that adjustments under clauses (1) and (2) above shall be made only in the event of a revaluation of Company property under Article III, Section 3.[6](g) in accordance with Reg section 1.704-1(b)(2)(iv)(f).

(b) The Gross Asset Value of Company property shall be increased or decreased to reflect adjustments to the adjusted tax basis of such property pursuant to IRC section 732, IRC section 733, or IRC section 743, subject to the limitations imposed by IRC section 755 and Reg section 1.704-1(b)(2)(iv)(iii); and

(c) If the Gross Asset Value of an item of property has been determined or adjusted pursuant to Article I, Section 22 or Paragraph (a) or (b) of this Section 4.11, such Gross Asset Value shall be adjusted by the Book Depreciation, if any, taken into account with respect to such property for purposes of computing Profits and Losses.

4.12. It is the intent of the Members that each Member's allocated share of Company Tax Items be determined in accordance with this Agreement to the fullest extent permitted by IRC sections 704(b) and 704(c). Notwithstanding anything to the contrary contained in this Agreement, if the Company is advised that, as a result of the adoption of new or amended regulations pursuant to IRC sections 704(b) and 704(c), or the issuance of authorized interpretations, the allocations provided in this Agreement are unlikely to be respected for federal income tax purposes, the Managers are hereby granted the power to amend the allocation provisions of this Agreement, on advice of accountants and legal counsel, to the minimum extent necessary to cause such allocation provisions to be respected for federal income tax purposes.

4.13. All Available Cash, other than revenues or proceeds from a Capital Event or the dissolution of the Company, shall be distributed among the Members in the same manner as Profits. The parties intend that Available Cash shall be distributed as soon as practicable following the Managers' determination that such cash is available for distribution. The parties acknowledge that no assurances can be given with respect to when or whether said cash will be available for distributions to the Members.

4.14. All Available Cash resulting from a Capital Event (as distinguished from normal business operations or the dissolution of the Company) shall be distributed to the Members in accordance with their respective Percentage Interests as soon as practicable following the Managers' determination that such cash is available for distribution.

4.15. If the proceeds from a sale or other disposition of an item of Company property consist of property other than cash, the value of that property shall be as determined by the Managers. If such noncash proceeds are subsequently reduced to cash, such cash shall be taken into account by the Managers in determining Available Cash and the Managers shall determine whether such cash has resulted from operations or from a Capital Event.

4.16. Notwithstanding any other provisions of this Agreement to the contrary, when there is a distribution in liquidation of the Company, or when any Member's interest is liquidated, all items of income and loss first shall be allocated to the Members' Capital Accounts under this Article IV, and other credits and deductions to the Members' Capital Accounts shall be made before the final distribution is made. The final distribution to the Members shall be made as provided in Article IX, Section 9.2(d) of this Agreement. The provisions of this Section 4.16 and Article IX, Section 9.2(d) shall be construed in accordance with the requirements of Reg section 1.704-1(b)(2)(ii)(b)(2).

ARTICLE V: MANAGEMENT

5.1. The business of the Company shall be managed by the Manager(s) named in Article II, Section 2.9, or successor Manager(s) selected in the manner provided in Article V, Section 5.3 (the "Board of Managers"). Except as otherwise expressly set forth in this Agreement, the management and control of the Company and its business shall be vested exclusively in the Manager and the Manager shall have all of the rights, powers and authority generally conferred under the Act or other applicable law, on behalf of and in the name of the Company, to carry out any and all of the objects and purposes of the Company and to perform all acts and, enter into, perform, negotiate, and execute any and all leases, documents, contracts and agreements on behalf of the Company that the Manager, exercising sole discretion, deems necessary or desirable (including, without limitation, any mortgage, promissory note or other documents evidencing or securing any loan benefiting the Company). Except as otherwise expressly set forth in this Agreement, the consent or authorization of any Member shall not be required for any lease, document, contract, agreement, mortgage or promissory note to be the valid and binding obligation of the Company.

The Manager(s) may employ, at any time, an individual to serve as the Chief Executive Officer and President of the Company (the "Executive"). Subject to the provisions herein, the Executive shall have the duties and powers as are granted to the Executive by the Board of Managers including the power to execute documents on behalf of the Company, as the Board of Managers may, in its sole discretion, determine, provided however that no such delegation by the Board of Managers shall cause the individuals constituting the Board of Managers to cease to be the "Managers" of the Company. Unless the authority of the Executive is limited as specified by the Board of Managers, the Executive shall have the same authority to act for the Company as a corresponding officer of a California corporation would and to act for a California corporation in the absence of a specific delegation of authority to manage the Company's business. Except as otherwise set forth in this Agreement, all decisions concerning the management of the Company's business shall be made by the Vote of a majority, by number, of the Managers. Should a vote of the Managers concerning the management of the Company's business result in a tie, the matter shall be submitted to the vote of the Members, pursuant to Section 7.1 herein.

5.1.1 Specific Authority. Without limiting the generality of Section 5.1 of this Agreement and subject to the terms of such Section 5.4, all Members agree that the Manager shall, exercising sole discretion, have the following rights and powers, except to the extent such rights and powers may be limited by other provisions of this Agreement:

- (a) the making of any expenditures in connection with the business of the Company;
- (b) the use of the assets of the Company in connection with the business of the Company;
- (c) the negotiation, execution and performance of any contracts, conveyances or other instruments;
- (d) the distribution of Company cash other than as required pursuant to any other provision of this Agreement;
- (e) the selection and dismissal of employees and attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;
- (f) the maintenance of insurance for the benefit of the Company and the Members;
- (g) the control of any matters affecting the rights and obligations of the Company, including the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation;
- (h) the filing of such amendments to the Articles as may be required or as the Manager may deem necessary from time to time; and
- (i) the filing on behalf of the Company of all required local, state and federal tax returns and other documents relating to the Company.

5.2. Each Manager shall serve until the earlier of (1) the Manager's resignation, retirement, death, or disability; or (2) the expiration of the Manager's term as Manager, if a term has been designated by a Majority of Members. A new Manager shall be appointed by a Majority of Members on the occurrence of any of the foregoing events.

5.3. Each Manager shall be appointed by a Majority of Members for (a) a term expiring with the appointment of a successor, or (b) a term expiring at a definite time specified by a Majority of Members in connection with such an appointment. A Manager who is not also a Member may be removed with or without cause at any time by action of a Majority of Members. A Manager who is a Member may be removed only on the Vote of all other Members, including the Manager/Member and any conflict of interest is hereby waived by each Member.

5.4. The Manager(s) and/or the Executive shall have the respective powers and duties described herein and such other powers and duties as may be prescribed in this Agreement or by the Members. Notwithstanding the foregoing, neither the Managers nor the Executive shall take any of the following actions on behalf of the Company unless a Majority of Members has consented to the taking of such action.

- (a) Any confession of a judgment against the Company in excess of \$250,000.00;
- (b) The dissolution of the Company;
- (c) The disposition of all or a substantial part of the Company's assets not in the ordinary course of business, or
- (d) Admission of Additional Members.

5.5. Actions of the Managers shall be taken at meetings or as otherwise provided in this Section 5.5 by a majority. No regular meetings of the Managers need be held. Any Manager may call a meeting of the Managers by giving Notice of the time and place of the meeting at least 48 hours prior to the time of the holding of the meeting. The Notice need not specify the purpose of the meeting, nor the location if the meeting is to be held at the principal executive office of the Company.

A majority of Managers shall constitute a quorum for the transaction of business at any meeting of the Managers.

The transactions of the Managers at any meeting, however called or noticed, or wherever held, shall be as valid as though transacted at a meeting duly held after call and notice if a quorum is present and if, either before or after the meeting, each Manager not present signs a written waiver of notice or a consent to the holding of such meeting or an approval of the minutes of such meeting.

Any action required or permitted to be taken by the Managers under this Agreement may be taken without a meeting if a majority of the Managers individually or collectively consent in writing to such action.

Managers may participate in the meeting through the use of a conference telephone or similar communications equipment, provided that all Managers participating in the meeting can hear one another.

The Managers shall keep or cause to be kept with the books and records of the Company full and accurate minutes of all meetings, notices and waivers of notices of meetings, and all written consents to actions of the Managers.

5.6. It is acknowledged that each Manager has other business interests to which each Manager devotes part of the Manager's time. Each Manager shall devote such time to the conduct of the business of the Company as Manager, in the Manager's own good faith and discretion, deems necessary.

5.7. Each Manager shall be entitled to compensation for the Manager's services as determined by a Majority of Members, and to reimbursement for all expenses reasonably incurred by each Manager in the performance of the Manager's duties.

5.8. The Managers shall have the duties to provide to the Executive guidance and general supervision of the business and affairs of the Company, shall preside at all meetings of Members, and shall have such other powers and duties as set forth herein.

5.9. The Managers shall cause all assets of the Company, whether real or personal, to be held in the name of the Company.

5.10. All funds of the Company shall be deposited in one or more accounts with one or more recognized financial institutions in the name of the Company, at such locations as shall be determined by the Managers. Withdrawal from such accounts shall require the signature of two Managers or such other person or persons as the Managers may designate.

ARTICLE VI: ACCOUNTS AND ACCOUNTING

6.1. Complete books of account of the Company's business, in which each Company transaction shall be fully and accurately entered, shall be kept at the Company's principal executive office and at such other locations as the Managers shall determine from time to time and shall be open to inspection and copying on reasonable Notice by any Member or the Member's authorized representatives during normal business hours. The costs of such inspection and copying shall be borne by the Member.

6.2. Financial books and records of the Company shall be kept on the cash method of accounting, which shall be the method of accounting followed by the Company for federal income tax purposes. The financial statements of the Company shall be prepared in accordance with generally accepted accounting principles and shall be appropriate and adequate for the Company's business and for carrying out the provisions of this Agreement. The fiscal year of the Company shall be January 1 through December 31.

6.3. At all times during the term of existence of the Company, and beyond that term if the Managers deem it necessary, the Managers shall keep or cause to be kept the books of account referred to in Section 6.2, together with:

(a) A current list of the full name and last known business or residence address of each Member, together with the Capital Contribution and the share in Profits and Losses of each Member;

(b) A current list of the full name and business or residence address of each Manager;

(c) A copy of the Articles of Organization, as amended;

(d) Copies of the Company's federal, state, and local income tax or information returns and reports, if any, for the six most recent taxable years;

(e) An original executed copy or counterparts of this Agreement, as amended;

(f) Any powers of attorney under which the Articles of Organization or any amendments to said articles were executed;

(g) Financial statements of the Company for the six most recent fiscal years; and

(h) The books and Records of the Company as they relate to the Company's internal affairs for the current and past four fiscal years.

If the Managers deem that any of the foregoing items shall be kept beyond the term of existence of the Company, the repository of said items shall be as designated by the Managers.

6.4. At the end of each fiscal year the books of the Company shall be closed and examined and statements reflecting the financial condition of the Company and its Profits or Losses shall be prepared. Copies of the financial statements shall be given to all Members. In addition, all Members shall receive not less frequently than at the end of each calendar quarter, copies of such financial statements regarding the previous calendar quarter, as may be prepared in the ordinary course of business, by the Managers or accountants selected by the Managers. The Managers shall deliver to each Member, within 120 days after the end of the fiscal year of the Company, an unaudited financial statement that shall include:

(a) A balance sheet and income statement, and a statement of changes in the financial position of the Company as of the close of the fiscal year;

(b) A statement showing the Capital Account of each Member as of the close of the fiscal year and the distributions, if any, made to each Member during the fiscal year. Members representing at least 30 percent of the Members, by number, may request interim balance sheets and income statements, and may, at their own discretion and expense, obtain an audit of the Company books by certified public accountants selected by them; provided, however, that not more than one such audit shall be made during any fiscal year of the Company.

6.5. Within 60 days after the end of each taxable year of the Company the Managers shall send to each of the Members all information necessary for the Members to complete their federal and state income tax or information returns and a copy of the Company's federal, state, and local income tax or information returns for such year.

6.6. One Manager shall act as a Tax Matters Member ("Partner") of the Company pursuant to IRC section 6231(a)(7) and the initial Tax Matters Partner is GeriNet Physician Services, Inc. and its designated agent.

6.7. Each Partner is hereby authorized to do the following:

(a) Keep the Members informed of administrative and judicial proceedings for the adjustment of Company items (as defined in IRC section 6231(a)(3)) at the Company level, as required under IRC section 6223(g) and the implementing Regulations;

(b) Enter into settlement agreements under IRC section 6224(e)(3) and applicable Regulations with the Internal Revenue Service or the Secretary of the Treasury (the Secretary) with respect to any tax audit or judicial review, in which agreement the Tax Matters Member may expressly state that such agreement shall bind the other Members, except that such settlement agreement shall not bind any Member who (within the time prescribed under the Code and Regulations) files a statement with the Secretary providing that the Tax Matters Member shall not have the authority to enter into a settlement agreement on behalf of such Member;

(c) On receipt of a notice of a final Company administrative adjustment, to file a petition for readjustment of the Company items with the Tax Court, the District Court of the United States for the district in which the Company's principal place of business is located, or the United States Court of Federal Claims, all as contemplated under IRC section 6226(a) and applicable Regulations;

(d) File requests for administrative adjustment of Company items on Company tax returns under IRC section 6227(b) and applicable Regulations; and, to the extent such requests are not allowed in full, file a petition for adjustment with the Tax Court, the District Court of the United States for the district in which the Company's principal place of business is located, or the United States Court of Federal Claims, all as contemplated under IRC section 6228(a); and

(e) To take any other action on behalf of the Members or the Company in connection with any administrative or judicial tax proceeding to the extent permitted by law or regulations, including retaining tax advisers (at the expense of the Company) to whom the Tax Matters Member may delegate such rights and duties as deemed necessary and appropriate.

ARTICLE VII: MEMBERSHIP – MEETINGS,

VOTING, INDEMNITY

7.1. There shall be only one class of membership and no Member shall have any rights or preferences in addition to or different from those possessed by any other Member except as specifically provided for in Article IV. Members shall have the right and power to appoint, remove, and replace Managers and officers of the Company and the right to Vote on all other matters with respect to which this Agreement or the Act requires or permits such Member action. Each Member shall Vote in proportion to the Member's Percentage Interest as of the governing record date, determined in accordance with Section 7.2. If a Member has assigned all or part of the Member's Economic Interest to a person who has not been admitted as a Member, the Assigning Member shall Vote in proportion to the Percentage Interest that the Assigning Member would have had, if the assignment had not been made.

Without limiting the foregoing, all of the following acts shall require the unanimous Vote of the Members:

- (a) The Transfer of a Membership Interest; and
- (b) The admission of the Assignee as a Member of the Company.

7.2. The record date for determining the Members entitled to receive Notice of any meeting, to Vote, to receive any distribution, or to exercise any right in respect of any other lawful action, shall be the date set by the Managers or by a Majority of Members, provided that such record date shall not be more than 60, nor less than ten calendar days prior to the date of the meeting and not more than 60 calendar days prior to any other action. In the absence of any action setting a record date, the record date shall be determined in accordance with Corp C section 17104(k).

7.3. The Company may, but shall not be required, to issue certificates evidencing Membership Interests (Membership Interest Certificates) to Members of the Company. Once Membership Interest Certificates have been issued, they shall continue to be issued as necessary to reflect current Membership Interests held by Members. Membership Interest Certificates shall be in such form as may be approved by the Managers, shall be manually signed by both Managers, and shall bear conspicuous legends evidencing the restrictions on Transfer and the purchase rights of the Company and Members set forth in Article VIII. All issuances, reissuances, exchanges, and other transactions in Membership Interests involving Members shall be recorded in a permanent ledger as part of the books and records of the Company.

7.4. Meetings of the Members may be called at any time by any Manager, or by Members representing more than 10 percent of the Interests of the Members for the purpose of addressing any matters on which the Members may Vote. If a meeting of the Members is called by the Members, Notice of the call shall be delivered to the Managers. Meetings may be held at the principal executive office of the Company or at such other location as may be designated by the Managers. Following the call of a meeting, the Managers shall give Notice of the meeting not less than ten, or more than 60 calendar days prior to the date of the meeting to all Members entitled to Vote at the meeting. The Notice shall state the place, date, and hour of the meeting and the general nature of business to be transacted. No other business may be transacted at the meeting. A quorum at any meeting of Members shall consist of a Majority of Members, represented in person or by Proxy. The Members present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of a sufficient number of Members to leave less than a quorum, if the action taken, other than adjournment, is approved by the requisite Percentage of Members as specified in this Agreement or the Act.

7.5. A meeting of Members at which a quorum is present may be adjourned to another time or place and any business which might have been transacted at the original meeting may be transacted at the adjourned meeting. If a quorum is not present at an original meeting, that meeting may be adjourned by the Vote of a majority of Voting Interests represented either in person or by Proxy. Notice of the adjourned meeting need not be given to Members entitled to Notice if the time and place of the adjourned meeting are announced at the meeting at which the adjournment is taken, unless (a) the adjournment is for more than 45 days, or (b) after the adjournment, a new record date is fixed for the adjourned meeting. In the situations described in clauses (a) and (b), Notice of the adjourned meeting shall be given to each Member of record entitled to Vote at the adjourned meeting.

7.6. The transactions of any meeting of Members, however called and noticed, and wherever held, shall be as valid as though consummated at a meeting duly held after regular call and notice, if (a) a quorum is present at that meeting, either in person or by Proxy, and (b) either before or after the meeting, each of the persons entitled to Vote, not present in person or by Proxy, signs either a written waiver of notice, a consent to the holding of the meeting, or an approval of the minutes of the meeting. Attendance of a Member at a meeting shall constitute waiver of notice, unless that Member objects, at the beginning of the meeting, to the transaction of any business on the ground that the meeting was not lawfully called or convened. Attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be described in the notice of the meeting and not so included, if the objection is expressly made at the meeting.

7.7. At all meetings of Members, a Member may Vote in person or by Proxy. Such Proxy shall be filed with each of the Managers before or at the time of the meeting, and may be filed by facsimile transmission to each of the Managers at the principal executive office of the Company or such other address as may be given by the Managers to the Members for such purposes.

7.8. Members may participate in a meeting through use of conference telephone or similar communications equipment, provided that all Members participating in such meeting can hear one another. Such participation shall be deemed attendance at the meeting.

7.9. Any action that may be taken at any meeting of the Members may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by Members having not less than the minimum number of Votes that would be necessary to authorize or take that action at a meeting at which all Members entitled to Vote thereon were present and voted. If the Members are requested to consent to a matter without a meeting, each Member shall be given notice of the matter to be voted upon in the manner described in Section 7.4. Any action taken without a meeting shall be effective when the required minimum number of Votes have been received. Prompt Notice of the action taken shall be given to all Members who have not consented to the action.

7.10. No Member acting solely in the capacity of a Member is an agent of the Company, nor can any Member acting solely in the capacity of a Member bind the Company or execute any instrument on behalf of the Company. Accordingly, each Member shall indemnify, defend, and save harmless each other Member and the Company from and against any and all loss, cost, expense, liability or damage arising from or out of any claim based upon any action by such Member in contravention of the first sentence of this Section 7.10.

ARTICLE VIII: TRANSFERS OF MEMBERSHIP INTERESTS

8.1. A Member may not withdraw from the Company without the written consents of all remaining Members. Withdrawal shall not release a Member from any obligations and liabilities under this Agreement accrued or incurred prior to the effective date of withdrawal. A withdrawing Member shall have only the rights of a holder of an Economic Interest in the

Company in respect of the Member's Membership Interest in the Company. Unless all remaining Members consent to such withdrawal, the withdrawing Member shall not be entitled to a distribution of its Economic Interest until the dissolution and liquidation of the Company. For purposes of this Section 8.1, the term "Economic Interest" shall not mean or include any right to share in the income, gains, losses, deductions, credits, or similar items of the Company attributable to any period following withdrawal, or any right to information concerning the business and affairs of the Company, except as provided in Corporations Code section 17106.

8.2. Except as expressly provided in this Agreement, a Member shall not transfer any part of the Member's Membership Interest in the Company, whether now owned or later acquired, unless (a) the other Members unanimously approve the transferee's admission to the Company as a Member upon such Transfer and (b) the Membership Interest to be transferred, when added to the total of all other Membership Interests transferred in the preceding 12 months, will not cause the termination of the Company under the Code. No Member may Encumber or permit or suffer any Encumbrance of all or any part of the Member's Membership Interest in the Company unless such Encumbrance has been approved in writing by the Managers. Such approval may be granted or withheld in the Managers' joint discretion. Any Transfer or Encumbrance of a Membership Interest without such approval shall be void. Notwithstanding any other provision of this Agreement to the contrary, a Member who is a natural person may transfer all or any portion of his or her Membership Interest to any revocable trust created for the benefit of the Member, or any combination between or among the Member, the Member's spouse, and the Member's issue; provided that the Member retains a beneficial interest in the trust and all of the Voting Interest included in such Membership Interest. A Transfer of a Member's beneficial interest in such trust, or failure to retain such Voting Interest, shall be deemed a Transfer of a Membership Interest.

8.3. If a Member wishes to transfer any or all of the Member's Membership Interest in the Company pursuant to a Bona Fide Offer (as defined below), the Member shall give Notice to the Managers and all other Members at least 30 days in advance of the proposed sale or Transfer, indicating the terms of the Bona Fide Offer and the identity of the offeror. The Company and the other Members shall have the option to purchase the Membership Interest proposed to be transferred at the price and on the terms provided in this Agreement. If the price for the Membership Interest is other than cash, the fair value in dollars of the price shall be as established in good faith by the Company. For purposes of this Agreement, "Bona Fide Offer" means an offer in writing setting forth all relevant terms and conditions of purchase from an offeror who is ready, willing, and able to consummate the purchase and who is not an Affiliate of the selling Member. For 30 days after the Notice is given, the Company shall have the right to purchase the Membership Interest offered, on the terms stated in the Notice, for the lesser of (a) the price stated in the Notice (or the price plus the dollar value of noncash consideration, as the case may be) and (b) the price determined under the appraisal procedures set forth in Section 8.8.

If the Company does not exercise the right to purchase all of the Membership Interest, then, with respect to the portion of the Membership Interest that the Company does not elect to purchase, that right shall be given to the other Members for an additional 30-day period, beginning on the day that the Company's right to purchase expires. Each of the other Members shall have the right to purchase, on the same terms, a part of the interest of the offering Member in the proportion that the Member's Percentage Interest bears to the total Percentage Interests of

all of the Members who choose to participate in the purchase; provided, however, that the Company and the participating Members may not, in the aggregate, purchase less than the entire interest to be sold by the offering Member.

If the Company and the other Members do not exercise their rights to purchase all of the Membership Interest, the offering Member may, within 90 days from the date the Notice is given and on the terms and conditions stated in the Notice, sell or exchange that Membership Interest to the offeror named in the Notice. Unless the requirements of Section 8.2 are met, the offeror under this section shall become an Assignee, and shall be entitled to receive only the share of Profits or other compensation by way of income and the return of Capital Contribution to which the assigning Member would have been entitled.

8.4. On the happening of any of the following events (Triggering Events) with respect to a Member, the Company and the other Members shall have the option to purchase the Membership Interest in the Company of such Member (Selling Member) at the price and on the terms provided in Section 8.8 of this Agreement.

(a) The death, incapacity, bankruptcy, or withdrawal of a Member, or the winding up and dissolution of a corporate Member, or merger or other corporate reorganization of a corporate Member as a result of which the corporate Member does not survive as an entity.

(b) The failure of a Member to make the Member's Capital Contribution pursuant to the provisions of Article III of this Agreement.

(c) The occurrence of any other event that is, or that would cause, a Transfer in contravention of this Agreement.

Each Member agrees to promptly give Notice of a Triggering Event to the other Members.

8.5. Notwithstanding any other provisions of this Agreement:

(a) If, in connection with the divorce or dissolution of the marriage of a Member, any court issues a decree or order that transfers, confirms, or awards a Membership Interest, or any portion thereof, to that Member's spouse (an "Award"), then, notwithstanding that such transfer would constitute an unpermitted Transfer under this Agreement, that Member shall have the right to purchase from his or her former spouse the Membership Interest, or portion thereof, that was so transferred, and such former spouse shall sell the Membership Interest or portion thereof to that Member at the price set forth below in Section 8.8 of this Agreement. If the Member has failed to consummate the purchase within 180 days after the court award (the Expiration Date), the Company and the other Members shall have the option to purchase from the former spouse the Membership Interest or portion thereof pursuant to Section 8.6 of this Agreement; provided that the option period shall commence on the later of (1) the day following the Expiration Date, or (2) the date of actual notice of the Award.

(b) If, by reason of the death of a spouse of a Member, any portion of a Membership Interest is transferred to a Transferee other than (1) that Member or (2) a trust created for the benefit of that

Member (or for the benefit of that Member and any combination between or among the Member and the Member's issue) in which the Member is the sole Trustee and the Member, as Trustee or individually possesses all of the Voting Interest included in that Membership Interest, then the Member shall have the right to purchase the Membership Interest or portion thereof from the estate or other successor of his or her deceased spouse or Transferee of such deceased spouse, and the estate, successor, or Transferee shall sell the Membership Interest or portion thereof at the price set forth in Section 8.8 of this Agreement. If the Member has failed to consummate the purchase within 180 days after the date of death (the Expiration Date), the Company and the other Members shall have the option to purchase from the estate or other successor of the deceased spouse the Membership Interest or portion thereof pursuant to Section 8.6 of this Agreement; provided that the option period shall commence on the later of (1) the day following the Expiration Date, or (2) the date of actual notice of the death.

8.6. On the receipt of Notice by the Managers and the other Members as contemplated by Sections 8.1, 8.3, and 8.5, and on receipt of actual notice of any Triggering Event as determined in good faith by the Managers (the date of such receipt is hereinafter referred to as the "Option Date"), the Managers shall promptly cause a Notice of the occurrence of such a Triggering Event to be sent to all Members, and the Company shall have the option, for a period ending 30 calendar days following the determination of the purchase price as provided in Section 8.8, to purchase the Membership Interest in the Company to which the option relates, at the price and on the terms set forth in Section 8.8 of this Agreement, and the other Members, pro rata in accordance with their prior Membership Interests in the Company, shall then have the option, for a period of 30 days thereafter, to purchase the Membership Interest in the Company not purchased by the Company, on the same terms and conditions as apply to the Company. If all other Members do not elect to purchase the entire remaining Membership Interest in the Company, then the Members electing to purchase shall have the right, pro rata in accordance with their prior Membership Interest in the Company, to purchase the additional Membership Interest in the Company available for purchase. The transferee of the Membership Interest in the Company that is not purchased shall hold such Membership Interest in the Company subject to all of the provisions of this Agreement.

8.7. Neither the Member whose interest is subject to purchase under this Article, nor such Member's Affiliate, shall participate in any Vote or discussion of any matter pertaining to the disposition of the Member's Membership Interest in the Company under this Agreement.

8.8. The purchase price of the Membership Interest that is the subject of an option under Section 8.6 shall be the "Fair Option Price" of the interest as determined under this Section 8.8. "Fair Option Price" means the cash price that a willing buyer would pay to a willing seller when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts on the Option Date. Each of the selling and purchasing parties shall use his, her, or its best efforts to mutually agree upon the Fair Option Price. If the parties are unable to so agree within 30 days of the Option Date, the selling party shall appoint, within 40 days of the Option Date, one appraiser, and the purchasing party shall appoint within 40 days of the Option Date, one appraiser. The two appraisers shall within a period of five additional days, agree upon and appoint an additional appraiser. The three appraisers shall, within 60 days after the appointment

of the third appraiser, determine the Fair Option Price of the Membership Interest in writing and submit their report to all the parties.

The Fair Option Price shall be determined by disregarding the appraiser's valuation that diverges the greatest from each of the other two appraisers' valuations, and the arithmetic mean of the remaining two appraisers' valuations shall be the Fair Option Price. Each purchasing party shall pay for the services of the appraiser selected by it, plus one half of the fee charged by the third appraiser, and one half of all other costs relating to the determination of Fair Option Price. The Fair Option Price as so determined shall be payable in cash.

8.9. Except as expressly permitted under Section 8.2, a prospective transferee (other than an existing Member) of a Membership Interest may be admitted as a Member with respect to such Membership Interest (Substituted Member) only (a) on the unanimous Vote of the other Members in favor of the prospective transferee's admission as a Member, and (b) on such prospective transferee executing a counterpart of this Agreement as a party hereto. Any prospective transferee of a Membership Interest shall be deemed an Assignee, and, therefore, the owner of only an Economic Interest until such prospective transferee has been admitted as a Substituted Member. Except as otherwise permitted in the Act, any such Assignee shall be entitled only to receive allocations and distributions under this Agreement with respect to such Membership Interest and shall have no right to Vote or exercise any rights of a Member until such Assignee has been admitted as a Substituted Member. Until the Assignee becomes a Substituted Member, the Assigning Member will continue to be a Member but shall have no power to exercise any rights and powers of a Member under this Agreement, including the right to Vote in proportion to the Percentage Interest that the Assigning Member would have had in the event that the assignment had not been made.

8.10. Any person admitted to the Company as a Substituted Member shall be subject to all the provisions of this Agreement that apply to the Member from whom the Membership Interest was assigned, provided, however, that the assigning Member shall not be released from liabilities as a Member solely as a result of the assignment, both with respect to obligations to the Company and to third parties, incurred prior to the assignment.

8.11. The initial sale of Membership Interests in the Company to the Initial Members has not been qualified or registered under the securities laws of any state, including California, or registered under the Securities Act of 1933, in reliance upon exemptions from the registration provisions of those laws. Notwithstanding any other provision of this Agreement, Membership Interests may not be Transferred unless registered or qualified under applicable state and federal securities law unless, in the opinion of legal counsel satisfactory to the Company, such qualification or registration is not required. The Member who desires to transfer a Membership Interest shall be responsible for all legal fees incurred in connection with said opinion.

ARTICLE IX: DISSOLUTION AND WINDING UP

9.1. The Company shall be dissolved upon the first to occur of the following events:

(a) The written agreement of a Majority of Members to dissolve the Company.

(b) The sale or other disposition of substantially all of the Company's assets.

(c) Entry of a decree of judicial dissolution under Corporation Code section 17351.

9.2. On the dissolution of the Company, the Company shall engage in no further business other than that necessary to wind up the business and affairs of the Company. The Managers who have not wrongfully dissolved the Company or, if there is no such Manager, the Members, shall wind up the affairs of the Company. The Delegates winding up the affairs of the Company shall give Notice of the commencement of winding up by mail to all known creditors and claimants against the Company whose addresses appear in the records of the Company. After paying or adequately providing for the payment of all known debts of the Company (except debts owing to Members), the remaining assets of the Company shall be distributed or applied in the following order:

(a) To pay the expenses of liquidation.

(b) To the establishment of reasonable reserves by the Delegate for contingent liabilities or obligations of the Company. Upon the Delegate's determination that such reserves are no longer necessary, said reserves shall be distributed as provided in this Section 9.2.

(c) To repay outstanding loans to Members. If there are insufficient funds to pay such loans in full, each Member shall be repaid in the ratio that the Member's loan, together with interest accrued and unpaid thereon, bears to the total of all such loans from Members, including all interest accrued and unpaid thereon. Such repayment shall first be credited to unpaid principal and the remainder shall be credited to accrued and unpaid interest.

(d) Among the Members with Positive Capital Account Balances as provided in Article IV, Section 4.16.

9.3. Each Member shall look solely to the assets of the Company for the return of the Member's investment, and if the Company property remaining after the payment or discharge of the debts and liabilities of the Company is insufficient to return the investment of each Member, such Member shall have no recourse against any other Members for indemnification, contribution, or reimbursement, except as specifically provided in this Agreement.

ARTICLE X: RESERVED

ARTICLE XI: INDEMNIFICATION AND ARBITRATION

11.1. The Company shall have the power to indemnify any Person who was or is a party, or who is threatened to be made a party, to any Proceeding by reason of the fact that such Person was or is a Member, Manager, officer, employee, or other agent of the Company, or was or is serving at the request of the Company as a director, officer, employee, or other Agent of another limited liability company, corporation, partnership, joint venture, trust, or other enterprise, against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred by such Person in connection with such proceeding, if such Person acted in good faith

and in a manner that such Person reasonably believed to be in the best interests of the Company, and, in the case of a criminal proceeding, such Person had no reasonable cause to believe that the Person's conduct was unlawful. The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Person did not act in good faith and in a manner that such Person reasonably believed to be in the best interests of the Company, or that the Person had reasonable cause to believe that the Person's conduct was unlawful.

To the extent that an agent of the Company has been successful on the merits in defense of any Proceeding, or in defense of any claim, issue, or matter in any such Proceeding, the agent shall be indemnified against expenses actually and reasonably incurred in connection with the Proceeding. In all other cases, indemnification shall be provided by the Company only if authorized in the specific case by a Majority of Members.

"Agent," as used in this Section 11.1, shall include a trustee or other fiduciary of a plan, trust, or other entity or arrangement described in Corporations Code section 207(f).

"Proceeding," as used in this Section 11.1, means any threatened, pending, or completed action or proceeding, whether civil, criminal, administrative, or investigative.

Expenses of each Person indemnified under this Agreement actually and reasonably incurred in connection with the defense or settlement of a proceeding may be paid by the Company in advance of the final disposition of such proceeding, as authorized by the Managers who are not seeking indemnification or, if there are none, by a Majority of the Members, upon receipt of an undertaking by such Person to repay such amount unless it shall ultimately be determined that such Person is entitled to be indemnified by the Company. "Expenses," as used in this Section 11.1, includes, without limitation, attorney fees and expenses of establishing a right to indemnification, if any, under this Section 11.1.

11.2. Any action to enforce or interpret this Agreement, or to resolve disputes with respect to this Agreement as between the Company and a Member, or between or among the Members, shall be settled by arbitration in accordance with the rules of the American Arbitration Association. Arbitration shall be the exclusive dispute resolution process in the State of California, but arbitration shall be a nonexclusive process elsewhere. Any party may commence arbitration by sending a written demand for arbitration to the other parties. Such demand shall set forth the nature of the matter to be resolved by arbitration. The Managers shall select the place of arbitration. The substantive law of the State of California shall be applied by the arbitrator to the resolution of the dispute. The parties shall share equally all initial costs of arbitration. The prevailing party shall be entitled to reimbursement of attorney fees, costs, and expenses incurred in connection with the arbitration. All decisions of the arbitrator shall be final, binding, and conclusive on all parties. Judgment may be entered upon any such decision in accordance with applicable law in any court having jurisdiction thereof. The arbitrator (if permitted under applicable law) or such court may issue a writ of execution to enforce the arbitrator's decision.

ARTICLE XII: ATTORNEY-IN-FACT AND AGENT

12.1. Each Member, by execution of this Agreement, irrevocably constitutes and appoints each Manager and any of them acting alone as such Member's true and lawful attorney-in-fact and agent, with full power and authority in such Member's name, place, and stead to execute, acknowledge, and deliver, and to file or record in any appropriate public office: (a) any certificate or other instrument that may be necessary, desirable, or appropriate to qualify the Company as a limited liability company or to transact business as such in any jurisdiction in which the Company conducts business; (b) any certificate or amendment to the Company's articles of organization or to any certificate or other instrument that may be necessary, desirable, or appropriate to reflect an amendment approved by the Members in accordance with the provisions of this Agreement; (c) any certificates or instruments that may be necessary, desirable, or appropriate to reflect the dissolution and winding up of the Company; and (d) any certificates necessary to comply with the provisions of this Agreement. This power of attorney will be deemed to be coupled with an interest and will survive the Transfer of the Member's Economic Interest. Notwithstanding the existence of this power of attorney, each Member agrees to join in the execution, acknowledgment, and delivery of the instruments referred to above if requested to do so by a Manager. This power of attorney is a limited power of attorney and does not authorize any Manager to act on behalf of a Member except as described in this Article XII.

ARTICLE XIII: GENERAL PROVISIONS

13.1. This Agreement constitutes the whole and entire agreement of the parties with respect to the subject matter of this Agreement, and it shall not be modified or amended in any respect except by a written instrument executed by all the parties. This Agreement replaces and supersedes all prior written and oral agreements by and among the Members and Managers or any of them.

13.2. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13.3. This Agreement shall be construed and enforced in accordance with the internal laws of the State of California. If any provision of this Agreement is determined by any court of competent jurisdiction or arbitrator to be invalid, illegal, or unenforceable to any extent, that provision shall, if possible, be construed as though more narrowly drawn, if a narrower construction would avoid such invalidity, illegality, or unenforceability or, if that is not possible, such provision shall, to the extent of such invalidity, illegality, or unenforceability, be severed, and the remaining provisions of this Agreement shall remain in effect.

13.4. This Agreement shall be binding on and inure to the benefit of the parties and their heirs, personal representatives, and permitted successors and assigns.

13.5. Whenever used in this Agreement, the singular shall include the plural and the plural shall include the singular, and the neuter gender shall include the male and female as well as a trust, firm, company, or corporation, all as the context and meaning of this Agreement may require.

13.6. The parties to this Agreement shall promptly execute and deliver any and all additional documents, instruments, notices, and other assurances, and shall do any and all other acts and things, reasonably necessary in connection with the performance of their respective obligations under this Agreement and to carry out the intent of the parties.

13.7. Except as provided in this Agreement, no provision of this Agreement shall be construed to limit in any manner the Members in the carrying on of their own respective businesses or activities.

13.8. Except as provided in this Agreement, no provision of this Agreement shall be construed to constitute a Member, in the Member's capacity as such, the agent of any other Member.

13.9. Each Member represents and warrants to the other Members that the Member has the capacity and authority to enter into this Agreement.

13.10. The article, section, and paragraph titles and headings contained in this Agreement are inserted as matter of convenience and for ease of reference only and shall be disregarded for all other purposes, including the construction or enforcement of this Agreement or any of its provisions.

13.11. This Agreement may be altered, amended, or repealed only by a writing signed by all of the Members.


13.12. Time is of the essence of every provision of this Agreement that specifies a time for performance.

13.13. This Agreement is made solely for the benefit of the parties to this Agreement and their respective permitted successors and assigns, and no other person or entity shall have or acquire any right by virtue of this Agreement.

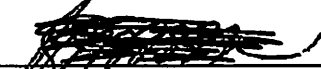
(Signatures on following page.)

OPERATING AGREEMENT
-Signature Page

IN WITNESS WHEREOF, the parties have executed or caused to be executed this Agreement on the day and year first above written.



Grace Mercado
Member/Manager



Rupert V. Ouanio
Member

Exhibit "A"

[Attach Copy of Articles]

Exhibit "B"

<u>Name</u>	<u>Address</u>	<u>Capital Contribution</u>
Orace Mercado	13421 Gladstone Avenue, Sylmar, California 91342	XXXX \$300.00
Rupert V. Ouano	13421 Gladstone Avenue, Sylmar, California 91342	XXXX \$50.00

REDACTED

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FILED *Embl*

Secretary of State
State of California

SEP 26 2016 *JF*

1 LLC
This Space For Office Use Only



Secretary of State
Articles of Organization
Limited Liability Company (LLC)

LLC-1

IMPORTANT — Read Instructions before completing this form.

Filing Fee - \$70.00

Copy Fees - First plain copy free; Additional copies: First page \$1.00 & .50 for each attachment page; Certification Fee - \$5.00

Important! LLCs may have to pay an annual minimum \$800 tax to the California Franchise Tax Board. For more information, go to <https://www.ftb.ca.gov>.

1. Limited Liability Company Name (See Instructions – Must contain an LLC ending such as LLC or L.L.C. "LLC" will be added, if not included.)

GSM Healthcare Services, LLC

2. Business Addresses

a. Initial Street Address of Designated Office in California - Do not list a P.O. Box	City (no abbreviations)	State	Zip Code
445 S. Fair Oaks Avenue	Pasadena	CA	91105
b. Initial Mailing Address of LLC, if different than Item 2a	City (no abbreviations)	State	Zip Code

3. Agent for Service of Process

Item 3a and 3b: If naming an individual, the agent must reside in California and item 3a and 3b must be completed with the agent's name and complete California street address.

Item 3c: If naming a California Registered Corporate Agent, a current agent registration certificate must be on file with the California Secretary of State and Item 3c must be completed (leave Item 3a-3b blank).

a. California Agent's First Name (if agent is not a corporation)	Middle Name	Last Name	Suffix
Grace	S	Mercado	
b. Street Address (if agent is not a corporation) - Do not list a P.O. Box	City (no abbreviations)	State	Zip Code
445 S. Fair Oaks Avenue	Pasadena	CA	91105
c. California Registered Corporate Agent's Name (if agent is a corporation) – Do not complete Item 3a or 3b			

4. Management (Select only one box)

The LLC will be managed by:

- One Manager More than One Manager All LLC Member(s)

5. Purpose Statement (Do not alter Purpose Statement)

The purpose of the limited liability company is to engage in any lawful act or activity for which a limited liability company may be organized under the California Revised Uniform Limited Liability Company Act.

6. The information contained herein, including in any attachments, is true and correct.

Jennifer M. Sternshein
Organizer sign here

Jennifer M. Sternshein, Esq.

Print your name here

**OPERATING AGREEMENT FOR
GSM HEALTHCARE SERVICES, LLC, a California limited liability company**

This OPERATING AGREEMENT (the "Agreement") is entered into as of December ___, 2016, by Grace S Mercado ("Mercado") and Rupert Ouano ("Ouano") (individually the "Member" and collectively the "Members")

RECITALS:

A. WHEREAS, the Members have formed GSM Healthcare Services, LLC, a limited liability company (the "Company") under the California Revised Uniform Limited Liability Company Act. The Articles of Organization of the Company filed with the California Secretary of State on September 26, 2016 are hereby adopted and approved by the Members.

B. WHEREAS, the Members desire to execute this Agreement in order to provide for the governance of the Company and the conduct of its business and to specify its relative rights and obligations.

C. WHEREAS, NOW THEREFORE, the Members hereby agree as follows:

ARTICLE I: DEFINITIONS

Capitalized terms used in this Agreement have the meanings specified in this Article I or elsewhere in this Agreement and when not so defined shall have the meanings set forth in the California Corporations Code.

1.1. "Act" means the California Revised Uniform Limited Liability Company Act (California Corporations Code §§17701.01-17713.13), including amendments from time to time.

1.2. "Articles of Organization" as applied to this Company shall be defined as in California Corporations Code §17701.02(b).

1.3. "Capital Account" means, for any Member, a separate account maintained and adjusted in accordance with Article III.

1.4. "Capital Contribution" means, with respect to any Member, the amount of money, services to be rendered and/or the fair market value of any property contributed to the Company (net of liabilities secured by the contributed property that the Company is considered to assume or take "subject to" under Internal Revenue Code §752) in consideration of a Percentage Interest held by that Member. A Capital Contribution shall not be deemed a loan.

1.5. "Capital Event" means a sale or disposition of any of the Company's capital assets, the receipt of insurance and other proceeds on account of an involuntary conversion of Company property, the receipt of proceeds from a refinancing of Company property, or a similar event with respect to Company property or assets.

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

1.7. “Involuntary Transfer” means, with respect to any Membership Interest, or any part of it, any Transfer or Encumbrance, by operation of law, under court order, foreclosure of a security interest, execution of a judgment or other legal process, or otherwise, including a purported transfer to or from a trustee in bankruptcy, receiver, or assignee for the benefit of creditors

1.8. “Losses” See “Profits and Losses.”

1.9. “Majority of Members” means a Member or Members whose Percentage Interests represent more than 50 percent of the Percentage Interests of all Members.

1.10. “Managing Member” means the Person or Persons referred to in Section 5.1.

1.11. “Meeting” a formal meeting of the Members by giving at least 48-hours’ Notice to each Member together with the time and place of such meeting and then general nature of the business to be conducted.

1.12. “Member” means a Person who otherwise acquires a Membership Interest, as permitted under this Agreement, and who remains a Member.

1.13. “Notice” means a written notice required or permitted under this Agreement. A notice shall be deemed given or sent when deposited, as certified US mail, postage prepaid; when sent via overnight delivery, charges prepaid or charged to the sender’s account; when personally delivered to the recipient; when transmitted by electronic transmission by or to the Company; or when delivered to the home or office of a recipient in the care of a person whom the deliverer has reason to believe shall promptly communicate the notice to the recipient.

1.14. “Percentage Interest” means a fraction, expressed as a percentage, the numerator of which is the total of a Member’s Capital Account and the denominator of which is the total of all Capital Accounts of all Members.

1.15. “Person” means an individual, partnership, limited partnership, trust, estate, association, corporation, limited liability company, or other entity, whether domestic or foreign.

1.16. “Profits and Losses” means, for each fiscal year or other period as specified in this Agreement, an amount equal to the Company’s taxable income or loss for the year or period, determined in accordance with Internal Revenue Code §703(a).

1.17. “Proxy” means a written authorization signed or an electronic transmission authorized by a Member or the Member’s attorney-in-fact giving another Person the power to exercise the voting rights of that Member. A Proxy may not be transmitted orally.

1.18. “Regulations” means the income tax regulations promulgated by the United States Department of the Treasury and published in the Federal Register for the purpose of interpreting and applying the provisions of the Internal Revenue Code, as those Regulations may be amended from time to time, including corresponding provisions of applicable successor regulations.

1.19. "Transfer" means any assignment, conveyance, lease, sale, gift, Involuntary Transfer, or other disposition of a Membership Interest or any part of a Membership Interest, directly or indirectly that is expressly permitted under this Agreement.

1.20. "Transferable Interest" means a Person's right to share in the income, gains, losses, deductions, credit, or similar items of the Company, and to receive distributions from the Company under this Agreement or under the Act, but does not include any other rights of a Member, including the right to vote, the right to participate in the management of the Company, or, except as provided in California Corporations Code, any right to information concerning the business and affairs of the Company.

1.21. "Transferee" means a Person who has acquired all or part of a Transferable Interest in the Company, by way of a Transfer in accordance with the terms of this Agreement, but who has not become a Member.

1.22. "Transferring Member" means a Member who by means of a Transfer has transferred a Transferable Interest in the Company to a Transferee.

1.23. "Vote" means a written consent or approval, a ballot cast at a Meeting, or a voice vote.

1.24. "Voting Interest" means, with respect to a Member, the right to Vote or participate in management and any right to information concerning the business and affairs of the Company provided under the Act, except as limited by the provisions of this Agreement. A Member's Voting Interest shall be directly proportional to that Member's Percentage Interest.

1.25. "Written" or "in writing" means any form of recorded message capable of comprehension by ordinary visual means, including facsimile transmission and electronic communications as described in the California Corporations Code.

ARTICLE II: ARTICLES OF ORGANIZATION

2.1 Articles of Organization were filed with the California Secretary of State on September 26, 2016.

2.2 The name of the Company is GSM Healthcare Services, LLC.

2.3 The principal executive office of the Company is at 445 S. Fair Oaks Avenue, Pasadena, California 91105.

2.4 The agent for service of process of the Company is Mercado. The Members may, from time to time, change the Company's agent for service of process.

2.5 The Company was formed for the purposes of engaging in the business of any lawful act or activity for which a limited liability company is organized under the Act.

2.6 The term of existence of the Company commenced on the effective date of the filing of the Articles of Organization and shall continue until terminated by the provisions of this Agreement or as provided by law.

ARTICLE III: CAPITALIZATION

3.1 Each Member shall contribute to the capital of the Company as the Member's Capital Contribution the funds, services or property specified in Exhibit "A" to this Agreement. Unless otherwise agreed to in writing, no Member shall be required to make additional Capital Contributions.

3.2 An individual Capital Account shall be maintained for each Member consisting of that Member's Capital Contribution, (1) increased by that Member's share of Profits, (2) decreased by that Member's share of Losses, and (3) adjusted as required in accordance with applicable provisions of the Code and Treasury Regulations.

3.3 A Member shall not be entitled to withdraw any part of the Member's Capital Contribution or to receive any distributions, whether of money or property, from the Company except as provided in this Agreement.

3.4 No interest shall be paid on funds or property contributed to the capital of the Company or on the balance of a Member's Capital Account.

3.5 The Members shall not be bound by, or be liable for, the expenses, liabilities, or obligations of the Company except as otherwise provided in the Act or in this Agreement.

3.6 No Member shall have priority over any other Member with respect to the return of a Capital Contribution or distributions or allocations of income, gain, losses, deductions, credits, or items thereof.

ARTICLE IV: ALLOCATIONS AND DISTRIBUTIONS

4.1 The Profits and Losses of the Company for each fiscal year or other period as specified in this Agreement and all items of Company income, gain, loss, deduction, or credit shall be allocated to the Members in accordance with that Member's Percentage Interest.

4.2 Any unrealized appreciation or unrealized depreciation in the values of Company property distributed in kind to the Members shall be treated in accordance with applicable law.

4.3 In the case of a Transfer of a Transferable Interest during any fiscal year, the Transferring Member and Transferee shall each be allocated the share of Profits or Losses based on the number of days each held the Transferable Interest during that fiscal year.

4.4 All cash resulting from the normal business operations of the Company and from any Capital Event shall be distributed among the Members in proportion to their Percentage Interests at such times as the Members may agree.

4.5 If the proceeds from a sale or other disposition of a Company asset consist of property other than cash, the value of the property shall be as determined by the Members. Noncash proceeds shall then be allocated among all the Members in proportion to their Percentage Interests. If noncash proceeds are subsequently reduced to cash, the cash shall be distributed to each Member in accordance with Section 4.4

4.6 Notwithstanding any other provisions of this Agreement to the contrary, when there is a distribution in liquidation of the Company, or when any Member's Interest is liquidated, all items of income and loss first shall be allocated to the Members' Capital Accounts and other credits and deductions to the Members' Capital Accounts shall be made before the final distribution is made. The final distribution to the Members shall be made to the Members to the extent of and in proportion to their positive Capital Account balances.

ARTICLE V: MANAGEMENT

5.1 The Members appoint Grace S. Mercado as the Managing Member of the Company. All decisions concerning the conduct and management of the Company's business and affairs shall be made by the Managing Member. The Managing Member may sign any instruments, contracts, agreements, or other documents on behalf of the Company, including, without limitation, for the acquisition, encumbrance, or disposition of the Company's property. The Managing Member shall have the right to act for and bind the Company. The Managing Member has the right and authority to amend the terms and conditions of this Agreement and the Articles of Organization without the consent of any other member. The Managing Member may authorize and designate an individual, which need not be a Member, to sign instruments, contracts, agreements, or other documents on behalf of the Company, for limited purposes, with respect to actions or decisions approved by the Managing Member and such authorization shall be made in a written resolution signed by the Managing Member.

5.2 The Managing Member may resign at any time and a new managing member may be appointed upon an agreement of a Majority of Members, or, the Members may decide, upon the resignation of the existing Managing Member, not to appoint a new managing member in which case the conduct and management of the Company's business and affairs shall be managed by the Members and all decisions shall be made by Majority of Members.

5.3 The Members are not required to hold meetings, and any decisions which are to be made by Members (as required by the Act or set forth in this Agreement) shall be made by a Majority of the Members either through one or more informal consultations or by a written consent of a Majority of Members which may be signed by the Managing Member or by the Members.

5.4 The Managing Member may be entitled to compensation for her services.

5.5 The Managing Member may appoint officers of the Company, who may be, but need not be Members. The Managing Member may alter the powers, duties, and compensation of all such officers.

5.6 All assets of the Company, whether real or personal, shall be held in the name of the Company.

5.7 All funds of the Company shall be deposited in one or more accounts with one or more recognized financial institutions in the name of the Company, at locations determined by the Managing Member. Withdrawal from those accounts shall require the signature of the Managing Member.

ARTICLE VI: ACCOUNTS AND RECORDS

6.1 Complete books of accounting of the Company's business, in which each Company transaction shall be fully and accurately entered, shall be kept at the Company's principal executive office and shall be open to inspection and copying by each Member or the Member's authorized representatives on reasonable Notice during normal business hours. The costs of inspection and copying shall be borne by the Member.

6.2 Financial books and records of the Company shall be kept on the accrual method of accounting which shall be the method of accounting followed by the Company for federal income tax purposes. A balance sheet and income statement of the Company shall be prepared promptly following the close of each fiscal year in a manner appropriate to and adequate for the Company's business and for carrying out the provisions of this Agreement. The fiscal year of the Company shall be January 1 through December 31.

6.3 At all times during the term of existence of the Company, and beyond that term if the Members deems it necessary, the Members shall keep or cause to be kept the books of accounting referred to in this Article VI, and the following:

(a) A current list of the full name and last known business of the Members together with their Capital Contribution and the share in Profits and Losses of the Members and holder of a Transferable Interest;

(b) A copy of the Articles of Organization, as amended;

(c) Copies of the Company's federal, state, and local income tax or information returns and reports, if any, for the ten (10) most recent taxable years;

(d) Financial statements of the Company, if any, for the six (6) most recent fiscal years;

(e) Executed counterparts of this Agreement and all amendments thereto;

(f) Any powers of attorney under which the Articles of Organization or any amendments were executed; and

(g) The books and records of the Company as they relate to the Company's internal affairs for the current and past four (4) fiscal years.

6.4 Within ninety (90) days after the end of each taxable year of the Company, the Company shall send to each of the Members all information necessary for the Members to complete their federal and state income tax or information returns, and a copy of the Company's federal, state, and local income tax or information returns for that year.

ARTICLE VII: MEMBERS AND VOTING

7.1 There shall be only one class of membership and no Member shall have any rights or preferences in addition to or different from those possessed by any other Member. Each Member shall Vote in proportion to the Member's Percentage Interest as of the governing record date, determined in accordance with Section 7.2. Any action that may or that must be taken by the Members shall be by a Majority of Members.

7.2 The record date for determining the Members entitled to Notice of any Meeting to Vote, to receive any distribution, or to exercise any right in respect of any other lawful action shall be the date set by a Majority of Members, provided that the record date may not be more than thirty (30), nor less than ten (10), days prior to the date of the Meeting. In the absence of any action setting a record date, the record date shall be determined in accordance with applicable law.

7.3 A Member may Vote in person or by Proxy. The Proxy shall be filed with any Member before or at the time of the Meeting, and may be filed by facsimile transmission or other electronic transmission to the Company or a Member at the principal executive office of the Company or any other address given by a Majority of Members to the Members for that purpose.

ARTICLE VIII: TRANSFER OF MEMBERSHIP INTERESTS

8.1 Except as expressly provided in this Agreement, a Member shall not Transfer any part of the Member's Membership Interest in the Company, whether now owned or later acquired, unless (a) the Managing Member approves, in writing, the Transferee's admission to the Company as a Member and (b) the Membership Interest to be transferred, when added to the total of all other Membership Interests transferred in the preceding 12 months, shall not cause the termination of the Company under the Act. Any Transfer of a Membership Interest without prior written approval of the Managing Member shall be void.

8.2 Notwithstanding any other provision of this Agreement and without approval from the Managing Member, a Member who is a natural person may transfer all or any portion of his or her Membership Interest to any revocable trust created for the benefit of the Member, or any combination between or among the Member, the Member's spouse or domestic partner, and the Member's issue if the Member retains a beneficial interest in the trust and all Voting Interest included in the Membership Interest.

8.3 A transfer of a Member's entire beneficial interest in the trust or failure to retain a Voting Interest shall be deemed a Transfer of a Membership Interest which requires the prior written approval of the Managing Member.

8.4 Upon the death or incapacity of a Member, other than a Managing Member, such deceased or incapacitated Member's legal representative, successors or heirs (collectively "Member's Estate") will retain the Member's Membership Interest subject to the terms of this Agreement, but will not be entitled to participate in the management of the Company. The Member's death will not release the Member's Estate from any obligations or liabilities incurred before death. The death of a Member will not cause the termination or dissolution of the Company.

8.5 Upon the death or incapacity of a Member, other than a Managing Member, the Company and the other Members shall have the option to purchase the deceased or incapacitated Member's Membership Interest by delivering written notice to the Member's Estate within sixty (60) days after the death of the Member. The purchase price shall be the fair market value of the Membership Interest. Each of the parties shall use his, her, or its best efforts to mutually agree on the fair market value. If the parties are unable to so agree within ninety (90) days of the date on which the option is first exercisable the parties shall appoint a third-party appraiser to determine the fair market value of the Membership Interest.

8.6 Upon the death or incapacity of the Managing Member, the deceased or incapacitated Managing Member's legal representative, successors or heirs (collectively "Managing Member's Estate") will retain the Managing Member's Membership Interest subject to the terms of this Agreement, and will have the right to actively participate in the management of the Company. Upon the death or incapacity of the Managing Member, all decisions concerning the management of the Company shall be made by the Members by agreement of a Majority of Members, rather than by a managing member.

8.7 The initial Membership Interests in the Company to the initial Members has not been qualified or registered under the securities laws of any state, or registered under the Securities Act of 1933, as amended, in reliance on exemptions from the registration provisions of those laws. No attempt has been made to qualify the offering and sale of Membership Interests to Members under the California Corporate Securities Law of 1968, as amended, also in reliance on an exemption from the requirement that a permit for issuance of securities be procured. Notwithstanding any other provision of this Agreement, Membership Interests may not be Transferred unless registered or qualified under applicable state and federal securities laws or unless, in the opinion of legal counsel satisfactory to the Company, qualification or registration is not required. A Member who desires to transfer a Membership Interest shall be responsible for all legal fees incurred in connection with that opinion.

ARTICLE IX: DISSOLUTION AND WINDING UP

9.1 The Company shall be dissolved on the first to occur of the following events:

- (a) The decision of the Majority of Members to dissolve the Company.
- (b) The sale or other disposition of substantially all of the Company's assets.
- (c) Entry of a decree of judicial dissolution under California Corporations

Code.

9.2 Upon the dissolution of the Company, it shall engage in no further business other than that necessary to wind up its business and affairs. The Members shall wind up the affairs of the Company and give written Notice of the commencement of winding up by mail to all known creditors and claimants against the Company whose addresses appear in the records of the Company. After paying or adequately providing for the payment of all known debts of the Company (except debts owing to the Members), the remaining assets of the Company shall be distributed or applied in the following order of priority:

- (a) To pay the expenses of liquidation.
- (b) To repay outstanding loans to the Members.
- (c) To the Members.

ARTICLE X: GENERAL PROVISIONS

10.1 Where, in accordance with the terms and conditions of this Agreement, the approval of the Managing Member is required, and there is no Managing Member, the approval of a Majority of Members shall be required.

10.2 This Agreement constitutes the whole and entire agreement with respect to the subject matter of this Agreement.

10.3 This Agreement shall be construed and enforced in accordance with the laws of the state of California. If any provision of this Agreement is determined by any court of competent jurisdiction or duly authorized arbitrator(s) to be invalid, illegal, or unenforceable to any extent, that provision shall, if possible, be construed as though more narrowly drawn, if a narrower construction would avoid that invalidity, illegality, or unenforceability or, if that is not possible, that provision shall, to the extent of that invalidity, illegality, or unenforceability, be severed, and the remaining provisions of this Agreement shall remain in effect.

10.4 The article, section, and subsection titles and headings in this Agreement are inserted as a matter of convenience and for ease of reference only and shall be disregarded for all other purposes, including the construction or enforcement of this Agreement or any of its provisions.

10.5 This Agreement may be altered, amended, or repealed only by a writing signed by the Members.


10.6 Time is of the essence for every provision of this Agreement that specifies a time for performance.

10.7 This Agreement is made solely for the benefit of the Members and the Members' permitted successors and assigns, and no other person or entity shall have or acquire any right by virtue of this Agreement.

[Signatures on following page]

IN WITNESS HERETO, the Members hereby execute this Agreement as of the date first written above.

MEMBERS

By: 
Name: Grace S. Mercado

By: 
Name: Rupert Ouano

EXHIBIT A

MEMBERS CONTRIBUTION

MEMBERS	PERCENTAGE INTERESTS	CONTRIBUTION
Grace S. Mercado	50%	
Rupert Quano	50%	

Exhibit 17

Section 999.5(d)(9)

The financial statements of the purchaser are deemed as confidential and will be submitted under separate cover.

Section 999.5(d)(10) The written notice of any proposed agreement or transaction set forth in section 999.5(a)(1) shall include a description of the applicant's efforts to inform local governmental entities, professional staff and employees of the health facility or facility that provides similar health care and the general public of the proposed transaction. This description shall include any comments or reaction to this effort.

As outlined in Section 999.5(d)(2)C, both the announcement of the withdrawal of the Little Sisters of the Poor in February 2020 and the announcement of G & E as the purchaser on May 26, 2020 were public announcements and all of the constituencies involved in the Home were invited to participate. Also, as mentioned earlier, the County of Los Angeles expressed interest in purchasing the facility and meetings were held with County officials. Finally, there were newspaper articles published relating to the sale process.

The reaction was both sadness that the Little Sisters of the Poor could no longer minister in the Los Angeles area but also optimism that a purchaser would be found so that the Home would continue to receive residents. When the purchaser was announced in May 2021, there was a sense of relief, especially on the part of the residents and their families.

Section 999.5(d)(11) The written notice of any proposed agreement or transaction set forth in section 999.5(a)(1) of these regulations shall include the following attachments if they are available and if they are not included in another section of the written notice:

Section 999.5(d)(11)(A) Any board minutes or other documents relating or referring to consideration by the board of directors of the applicant and any related entity, or any committee thereof of the agreement or transaction or of any other possible transaction involving any of the health facilities or facilities that provide similar health care that are the subject of agreement or transaction.

Exhibit 18 are copies of the minutes and the resolution of the board of directors of the applicant authorizing the sale of the assets to the purchaser.

Exhibit 18

Section 999.5(d)(11)(A)

**LITTLE SISTERS OF LOS ANGELES
D/B/A JEANNE JUGAN RESIDENCE**

MINUTES - SPECIAL MEETING OF THE BOARD OF DIRECTORS

The Board of Directors of LITTLE SISTERS OF THE POOR OF LOS ANGELES conducted a Special Meeting of the board on Wednesday May 26,, 2021 after a Special meeting of the Members at 2100 S. Western Avenue, San Pedro California, waived notice and consented to the transaction of the business of the Corporation.

Present: Sr. Margaret Hogarty, Sister Clotilde Jardim, Sister Julie Horseman

Invited: Fr. Mark Cregan, Esq. Counsel

The Board elected the Officers of the Corporation. Officers elect were:

President -	Sister Margaret Hogarty
Secretary & Asst Treasurer -	Sister Clotilde Jardim
Treasurer & Ass. Secretary -	Sister Julie Horseman

The Board then reviewed and adopted Amended Bylaws of the Corporation,

The Board then discussed the sale of Jeanne Jugan Residence to G znd E Healthcare Services, Inc. They then unanimously approved the Resolution authorizing the sale of the Real Property, the Business and the Other Assets of the Corporation. A copy of the Resolution is annexed to these minutes.

The Board then discussed transition issues relating to the transfer of the property. The key issue is when the Corporation can transfer the operations and the management of the units to entities operated and managed by the Purchaser. The Board instructed counsel to explore all options and report back.

There being no other business, the Board adjourned.

Dated: May 26, 2021

Submitted by

Sr. Clotilde Jardim, Secretary

RESOLUTION

WHEREAS **LITTLE SISTERS OF THE POOR OF LOSANGELES**, a California nonprofit corporation, (“Seller” and “Old Operator”) is desirous of selling and conveying the land and improvements located at 2100 South Western Avenue, San Pedro California (the “Real Property”); the business of operating a facility with 27 skilled nursing beds, 62 residential care facility for the elderly (“RCFE”) beds and 14 Independent Living Apartments (the “Business”); and all of the other assets necessary to conduct the Business (“Other Assets”) which pertain thereto; and

WHEREAS the Seller is desirous of transferring the Real Property, the Business and the Other Assets to **G and E HEALTHCARE SERVICES, LLC**, a California Limited Liability Company or its nominee (the Buyer”); and

WHEREAS the Buyer will enter into a lease with affiliated entities to operate the Skilled Nursing unit (“New Operator”) and manage the RCFE units (“New Manager”); and

WHEREAS the Old Operator will enter into an Operations Transfer Agreement with the New Operator and a Management Transfer Agreement with the New Manager whereby the parties will transfer the operations and the management of the Business from the Old Operator to the New Operator and New Manager; and


WHEREAS the Board of Directors of the Seller at a duly called Special Meeting of the same held on May 26, 2021 approved the sale of the Real Property, the Business and the Other Assets to the Buyer for TWENTY MILLION DOLLARS (\$20,000,000.00) by unanimous vote.


NOW THEREFORE:

BE IT RESOLVED THAT

1. The Board of Directors of the Seller approves the sale of the Real Property, the Business and the Other Assets to the Buyer for TWENTY MILLION DOLLARS (\$20,000,000.00); and it is further resolved that
2. The attorneys for the Seller, Law Office of Mark T. Cregan, PLLC and Michael Kanne, Esq. are authorized to negotiate the terms for the sale of the Real Property, the Business and the Other Assets; and to represent the Seller in the sale and transfer; and it is further resolved that
3. The Officers of the Seller are authorized to execute all contracts, instruments and other documents in furtherance of the sale of the Assets and the transfer of operations.

Dated: May 26, 2021


Sister Margaret Hogarty, President


Sister Clotilde Jardim, Secretary

Section 999.5(d)(11)(B) Copies of all documents relating or referring to the reasons why any potential transferee was excluded from further consideration as a potential transferee for any of the health facilities or facilities that provide similar health care that are the subject of the agreement or transaction.

There are no documents relating or referring to why potential transferees were excluded from consideration. As stated above, an offer price of \$20,000,000.00 was made to the four finalists that were identified by the applicant. One of the four chose not to accept the offer. Then after further due diligence with the other three potential transferees, the applicant chose the purchaser based on two criteria: the purchaser's ability to operate their facilities successfully and the commitment to maintaining a Catholic culture in the facility post-closing.

Section 999.5(d)(11)(C) Copies of all Requests for Proposal sent to any potential transferee, and all responses received thereto.

There were no Requests for Proposals solicited by the applicant from any potential transferee.

Section 999.5(d)(11)(D) All documents reflecting the deliberative process used by the applicant and any related entity in selecting the transferee as the entity to participate in the proposed agreement or transaction.

The deliberative process was outlined in section 999.5(d)(2)(c). There were no documents generated; the process was conducted through meetings by the applicant with prospective purchasers followed by evaluation and consultation.

Section 999.5(d)(11)(E) Copies of each Proposal received by the applicant from any potential transferee suggesting the terms of a potential transfer of applicant's health facilities or facilities that provide similar health care, and any analysis of each such Proposal.

There were no proposals from potential transferees received by the applicant.

Section 999.5(d)(11)(F) The applicant's prior two annual audited financial statements, the applicant's most current unaudited financial statement, business projection data and current capital asset valuation data.

Exhibit 19 are the applicant's prior two annual audited financial statements, the applicant's most current unaudited financial statement, business projection data and current capital asset data.

Exhibit 19

Section 999.5(d)(11)(F)

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2020 and 2019



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LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

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INDEPENDENT AUDITORS' REPORT

Governing Board
Little Sisters of the Poor of Los Angeles
(Jeanne Jugan Residence)
San Pedro, California

We have audited the accompanying financial statements of Little Sisters of the Poor of Los Angeles, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Little Sisters of the Poor of Los Angeles as of December 31, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Governing Board
Little Sisters of the Poor of Los Angeles
(Jeanne Jugan Residence)

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying combining statements of financial position and combining statements of activities are presented for purposes of additional analysis are not a required part of the financial statements. Such information is the responsibility management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California
June 17, 2021

FINANCIAL SECTION

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,783,184	\$ 365,469
Accounts receivable	240,339	409,162
Prepaid expenses and other assets	28,500	46,911
Amounts held for the benefit of residents	22,092	16,258
Total current assets	2,074,115	837,800
Noncurrent assets		
Cash and cash equivalents - restricted for capital improvement	215,581	193,886
Investments - restricted for capital improvement	133,321	311,622
	348,902	505,508
Property and equipment:		
Land	465,340	465,340
Building and improvements	22,816,065	22,479,387
Furniture and equipment	1,380,563	1,359,887
Vehicles	244,494	244,494
	24,906,462	24,549,108
Less: accumulated depreciation	(16,063,631)	(15,539,351)
	8,842,831	9,009,757
Construction in progress	53,533	217,413
Total property and equipment, net	8,896,364	9,227,170
Total noncurrent assets	9,245,266	9,732,678
Total assets	\$ 11,319,381	\$ 10,570,478
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 171,950	\$ 164,930
Accrued compensation and benefits	401,846	557,358
Amounts held for benefit of residents	22,092	16,258
Accrued Provider Relief Funds	166,650	-
PPP Loan payable	911,000	-
Total current liabilities	1,673,538	738,546
Note payable - Affiliate	300,000	-
Total liabilities	1,973,538	738,546
Net assets		
Without donor restrictions	8,952,457	9,222,645
With donor restrictions	393,386	609,287
Total net assets	9,345,843	9,831,932
Total liabilities and net assets	\$ 11,319,381	\$ 10,570,478

See the independent auditors' report and accompanying notes to the financial statements.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Support:			
Legacies	\$ 1,626,431	\$ -	\$ 1,626,431
Contributions	1,258,454	19,585	1,278,039
Foundations	479,397	-	479,397
Events	1,073	-	1,073
Donated goods	64,537	-	64,537
Total support	3,429,892	19,585	3,449,477
Revenue:			
Patient service	2,561,830	-	2,561,830
Independent living	816,442	-	816,442
Assisted living	192,731	-	192,731
Miscellaneous	23,510	-	23,510
Net assets released from restriction	235,486	(235,486)	-
Total support and revenue	7,259,891	(215,901)	7,043,990
Operating expenses:			
Program expenses	5,749,101	-	5,749,101
Operating margin	1,510,790	(215,901)	1,294,889
Support services expenses	1,822,254	-	1,822,254
Support and revenue less expenses before nonoperating income	(311,464)	(215,901)	(527,365)
Nonoperating income:			
Investment gain	41,276	-	41,276
Change in net assets	(270,188)	(215,901)	(486,089)
Net assets, beginning of year	9,222,645	609,287	9,831,932
Net assets, end of year	\$ 8,952,457	\$ 393,386	\$ 9,345,843

See the independent auditors' report and accompanying notes to the financial statements.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Support:			
Legacies	\$ 397,095	\$ -	\$ 397,095
Contributions	1,409,703	180,287	1,589,990
Foundations	419,322	-	419,322
Events	59,341	-	59,341
Donated goods	121,302	-	121,302
Total support	2,406,763	180,287	2,587,050
Revenue:			
Patient service	2,265,398	-	2,265,398
Independent living	811,945	-	811,945
Assisted living	189,755	-	189,755
Miscellaneous	16,400	-	16,400
Net assets released from restriction	221,218	(221,218)	-
Total support and revenue	5,911,479	(40,931)	5,870,548
Operating expenses:			
Program expenses	5,583,517	-	5,583,517
Operating margin	327,962	(40,931)	287,031
Support services expenses	2,029,459	-	2,029,459
Support and revenue less expenses before nonoperating income	(1,701,497)	(40,931)	(1,742,428)
Nonoperating income:			
Investment gain	190,820	-	190,820
Change in net assets	(1,510,677)	(40,931)	(1,551,608)
Net assets, beginning of year	10,733,322	650,218	11,383,540
Net assets, end of year	\$ 9,222,645	\$ 609,287	\$ 9,831,932

See the independent auditors' report and accompanying notes to the financial statements.

**LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)**

**STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020**

	Program Services			Support Services			Total Program and Support Expenses
	Skilled Nursing	Residential	Total	General and	Fundraising	Total	
	Facility	Facilities		Admin			
Compensation and related expenses							
Compensation	\$ 1,929,657	\$ 1,685,618	\$ 3,615,275	\$ 581,444	\$ 147,481	\$ 728,925	\$ 4,344,200
Payroll taxes	140,379	127,072	267,451	35,760	7,041	42,801	310,252
Employee benefits	295,953	267,899	563,852	75,391	14,845	90,236	654,088
	<u>2,365,989</u>	<u>2,080,589</u>	<u>4,446,578</u>	<u>692,595</u>	<u>169,367</u>	<u>861,962</u>	<u>5,308,540</u>
Advertising	-	-	-	-	5,842	5,842	5,842
Bank charges	-	-	-	-	5,668	5,668	5,668
Contract services	31,175	34,632	65,807	79,565	7,750	87,315	153,122
Data processing/computer	-	-	-	62,238	-	62,238	62,238
Dues and subscriptions	-	-	-	8,380	-	8,380	8,380
Education	-	-	-	6,583	-	6,583	6,583
Equipment	5,226	784	6,010	13,996	-	13,996	20,006
Event	-	-	-	-	35,135	35,135	35,135
Food	43,831	102,271	146,102	-	-	-	146,102
Food - donated	17,962	41,911	59,873	-	-	-	59,873
Insurance	-	-	-	72,572	-	72,572	72,572
Legal and accounting	-	-	-	82,135	-	82,135	82,135
Licenses	176,231	-	176,231	-	602	602	176,833
Miscellaneous	834	2,093	2,927	14,546	2,130	16,676	19,603
Payroll processing	-	-	-	29,965	-	29,965	29,965
Pharmacy	6,623	-	6,623	-	-	-	6,623
Postage and shipping	-	-	-	11,237	3,720	14,957	14,957
Printing and publications	-	-	-	-	1,346	1,346	1,346
Property tax	3,107	6,525	9,632	5,903	-	5,903	15,535
Repairs	38,564	87,420	125,984	41,760	-	41,760	167,744
Supplies	101,557	77,108	178,665	21,383	345	21,728	200,393
Telephone	-	-	-	103,525	-	103,525	103,525
Travel	-	-	-	23,119	-	23,119	23,119
Utilities	65,191	134,424	199,615	121,621	-	121,621	321,236
	<u>490,301</u>	<u>487,168</u>	<u>977,469</u>	<u>698,528</u>	<u>62,538</u>	<u>761,066</u>	<u>1,738,535</u>
Depreciation	104,856	220,198	325,054	199,226	-	199,226	524,280
	<u>\$ 2,961,146</u>	<u>\$ 2,787,955</u>	<u>\$ 5,749,101</u>	<u>\$ 1,590,349</u>	<u>\$ 231,905</u>	<u>\$ 1,822,254</u>	<u>\$ 7,571,355</u>

See the independent auditors' report and accompanying notes to the financial statements.

**LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)**

**STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019**

	Program Services			Support Services			Total Program and Support Expenses
	Skilled Nursing Facility	Residential Facilities	Total	General and Admin	Fundraising	Total	
Compensation and related expenses							
Compensation	\$ 1,817,539	\$ 1,628,455	\$ 3,445,994	\$ 594,755	\$ 140,231	\$ 734,986	\$ 4,180,980
Payroll taxes	127,021	125,831	252,852	39,402	7,977	47,379	300,231
Employee benefits	318,201	315,219	633,420	98,705	19,983	118,688	752,108
	<u>2,262,761</u>	<u>2,069,505</u>	<u>4,332,266</u>	<u>732,862</u>	<u>168,191</u>	<u>901,053</u>	<u>5,233,319</u>
Advertising	-	-	-	-	24,173	24,173	24,173
Bank charges	-	-	-	29	5,420	5,449	5,449
Contract services	43,751	33,399	77,150	82,357	3,750	86,107	163,257
Data processing/computer	-	-	-	59,730	-	59,730	59,730
Dues and subscriptions	-	-	-	9,389	-	9,389	9,389
Education	-	-	-	12,141	-	12,141	12,141
Equipment	2,998	167	3,165	60,943	-	60,943	64,108
Event	-	-	-	-	116,282	116,282	116,282
Food	49,840	116,293	166,133	-	-	-	166,133
Food - donated	23,127	53,962	77,089	-	-	-	77,089
Insurance	-	-	-	59,749	-	59,749	59,749
Legal and accounting	-	-	-	97,137	-	97,137	97,137
Licenses	47,064	-	47,064	-	651	651	47,715
Miscellaneous	2,341	995	3,336	18,657	-	18,657	21,993
Payroll processing	-	-	-	32,400	-	32,400	32,400
Pharmacy	8,447	-	8,447	-	-	-	8,447
Postage and shipping	-	-	-	12,534	15,971	28,505	28,505
Property tax	5,118	10,747	15,865	9,723	-	9,723	25,588
Repairs	51,380	112,059	163,439	24,756	-	24,756	188,195
Supplies	68,539	74,934	143,473	36,378	2,776	39,154	182,627
Telephone	-	-	-	79,519	-	79,519	79,519
Travel	-	-	-	29,625	-	29,625	29,625
Utilities	72,381	150,680	223,061	136,330	-	136,330	359,391
	<u>374,986</u>	<u>553,236</u>	<u>928,222</u>	<u>761,397</u>	<u>169,023</u>	<u>930,420</u>	<u>1,858,642</u>
Depreciation	104,203	218,826	323,029	197,986	-	197,986	521,015
	<u>\$ 2,741,950</u>	<u>\$ 2,841,567</u>	<u>\$ 5,583,517</u>	<u>\$ 1,692,245</u>	<u>\$ 337,214</u>	<u>\$ 2,029,459</u>	<u>\$ 7,612,976</u>

See the independent auditors' report and accompanying notes to the financial statements.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (486,089)	\$ (1,551,608)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	524,280	521,015
Realized investment gains	(93,748)	(133,224)
Unrealized investment (gains) losses	58,957	(37,571)
Noncash contributions	(64,537)	(121,302)
Contributions restricted for capital	(17,565)	(151,336)
Change in:		
Accounts receivable	168,823	(113,258)
Prepaid expenses and other assets	18,411	(60)
Accounts payable and accrued expenses	7,020	16,583
Accrued salaries and related liabilities	(155,512)	59,603
Accrued provider relief funds	166,650	-
Net cash provided (used) by operating activities	<u>126,690</u>	<u>(1,511,158)</u>
 Cash flows from investing activities		
Purchase of property and equipment	(193,475)	(105,066)
Purchase of investments	(22,610)	(202,731)
Proceeds from sale of investments	306,074	1,718,301
Net cash provided by investing activities	<u>89,989</u>	<u>1,410,504</u>
 Cash flows from financing activities		
Proceeds from restricted contributions for capital related activities	17,565	151,336
Proceeds from PPP loan	911,000	-
Proceeds from note payable - affiliate	300,000	-
Net cash provided by financing activities	<u>1,228,565</u>	<u>151,336</u>
 Net increase in cash and cash equivalents	1,445,244	50,682
 Cash and cash equivalents - beginning of year	<u>575,613</u>	<u>524,931</u>
 Cash and cash equivalents - end of year	<u>\$ 2,020,857</u>	<u>\$ 575,613</u>
 Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	\$ 1,783,184	\$ 365,469
Amounts held for the benefit of residents	22,092	16,258
Restricted cash and cash equivalents	215,581	193,886
	<u>\$ 2,020,857</u>	<u>\$ 575,613</u>

See the independent auditors' report and accompanying notes to the financial statements.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Little Sisters of the Poor of Los Angeles (Jeanne Jugan Residence) (LSPLA) is a California nonprofit public benefit corporation that operates a skilled nursing facility providing long-term care to the needy elderly.

LSPLA is one of several corporations established for the purpose of furthering the charitable purposes of the Little Sisters of the Poor as directed by the Mother House of France (LSPF). In the United States, Little Sisters of the Poor is organized into three provinces; LSPLA belongs to the Chicago Province. Both French Mother House and the Chicago Province (LSPP) provide general management oversight to LSPLA and approve significant expenditures. For the years ended December 31, 2020 and 2019, \$188,699 and \$221,819, were paid by LSPLA to LSPP for general management and shared expenditures, respectively. In addition, from time to time, funds are transferred between LSPLA, LSPF and LSPP. For the year ended December 31, 2019, no cash transfers were made. Refer to Note 10 for discussion on affiliate borrowing during year ended December 31, 2020.

LSPLA provides high quality long-term care to low-income elderly who might not otherwise be able to obtain such services. LSPLA provides three levels of care, independent residential living, assisted living and skilled nursing care. Consistent with this philosophy, LSPLA's policy is to admit primarily only those who are eligible to participate in the Medi-Cal program. Medi-Cal reimbursements are substantially lower than LSPLA's costs.

The financial statements include the activity of the Auxiliary of LSPLA (Auxiliary), a volunteer organization which operates under the umbrella of LSPLA. Each year the Auxiliary hosts a major fund-raising event which benefits LSPLA.

Basis of Preparation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America.

Financial Statement Presentation

LSPLA has adopted ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* which required LSPLA to report information regarding its financial position and activities according to classes of net assets. Accordingly, the net assets of LSPLA are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

Cash and cash equivalents includes highly liquid investments with an original maturity of three months or less. LSPLA primarily transacts its business with the one financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit insurance Corporation (FDIC) and are collateralized by the respective financial institution. At December 31, 2020 and 2019, LSPLA had deposits with a carrying amount of \$2,020,857 and \$575,613, respectively, and bank balances of \$2,083,224 and \$676,757, respectively, of which \$418,228 and \$350,469 was insured and \$1,664,996 and \$326,288, respectively, were uninsured. Management regularly monitors the financial condition of the institutions in which it has depository accounts and believes the risk of loss is minimal.

Cash held for the benefit of residents at December 31, 2020 and 2019 represent cash held by LSPLA for the benefit of facility residents. An offsetting liability is included on the statement of financial position. LSPLA holds this cash in a fiduciary capacity in an interest bearing account.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or use) in the reporting period in which the income and gains are recognized.

Securities held at investment brokers are insured by Securities Investor Protection Corporation (SIPC) up to \$500,000. SIPC insures LSPLA's investments from risk of loss in the event the brokerage firms go out of business. SIPC insurance does not provide insured coverage related to the economic performance of individual investment securities. LSPLA's securities have exceeded the SIPC insurance limit. Additional brokerage insurance, in addition to SIPC, is provided through underwriters with Lloyd's of London. For customers who have received the full SIPC limits, further protection is provided.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Receivable

Accounts receivable is carried at the original invoice amount. An allowance for doubtful accounts is not recorded as LSPLA has not historically experienced significant losses from bad debt.

Restricted Assets

LSPLA separately presents restricted assets held for long-term purposes as required by donor-imposed restrictions.

Property and Equipment

It is LSPLA's policy to capitalize amounts above \$500. Amounts less than \$500 are expensed. Purchased fixed assets are capitalized at cost. Donations of fixed assets are recorded as contributions at their fair value. Fixed assets are depreciated using the straight-line method over the useful life of the assets generally as follows:

Buildings	40 years
Improvements	7 to 40 years
Furniture and equipment	5 to 10 years
Vehicles	4 years

Compensated Absences

Vacation – Benefit-eligible employees generally earn vacation after completing continuous years of service based on the following: 1) two vacation weeks after the first calendar year, 2) three vacation weeks after five years or 3) Four vacation weeks after ten years. Vacation cannot be accumulated from one year to the next. Employees earn vacation throughout the year but are vested on January 1 of the following year. Subject to management's approval, employees may request a once a year to cash out up to 50% of their unused vacation.

Sick – Benefit-eligible employees begin accruing sick pay after completing the first three months of their introductory employment, and accrue sick leave at a rate of one day per month up to a maximum of 30 days. LSPLA also offers eligible employees the option to exchange up to five of their accumulated sick days for regular straight-rate pay. Employees may cash out up to five unused sick days during a calendar year but must leave at least 15 in bank. Employees may be compensated up to 50% of unused sick time with proper notice of resignation.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accrued Provider Relief Funds

As part of LSPLA's response to the COVID-19 pandemic, it received payments from the CARES Act Provider Relief Fund (PRF), which is administered by the U.S. Department of Health and Human Services. LSPLA received PRF payments in the amount of \$166,650 which have been recorded in accrued provider relief funds on the balance sheet at December 31, 2020. The PRF payments have terms and conditions that LSPLA is required to follow and these funds are subject to audit. As part of the PRF terms and conditions, amounts received by LSPLA could potentially be recouped if not spent in full or if the amounts are not spent in accordance with the terms and conditions. Management believes the amounts have been recognized appropriately as of December 31, 2020.

Contributions

LSPLA recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until conditions on which they dependent have been met. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. During 2020, one donor gift represented 15% of total income received.

Resident Services Revenue

Resident service revenue is reported at the amount that reflects the consideration to which LSPLA expects to be entitled in exchange for providing resident room, board and care. The services provided by LSPLA have no fixed duration and can be terminated by the resident/patient or the facility at any time. The nature, amount, timing and uncertainty of revenue and cash flows is affected by payor type as Medi-Cal, managed care and private pay residents have different reimbursement/payment methodologies.

Patient Service Revenue

These amounts are due from residents, third-party payors and others (including health insurers and government programs). LSPLA bills after the services are performed and therefore revenue is recognized when an obligation to provide services has been satisfied. LSPLA charges all patients the Medi-Cal reimbursement rate for skilled nursing services. Accordingly, no contractual allowance is recognized.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Independent Living Revenue and Assisted Living Revenue

These amounts are due from residents and government programs. Resident and assisted living revenue is billed and recognized monthly based on contract rates at time of entrance and adjusted annually based on assessment of ability to pay. Assisted living residents participating in the Medi-Cal Waiver Pilot Program are charged a tiered Medi-Cal reimbursement rate.

Charity Care

Room, board, and care provided to residents not participating in the Medi-Cal program are adjusted based on demonstrated inability to pay. For the years ended December 31, 2020 and 2019, charity care, which is based on estimated cost per day in excess of service fees received was estimated at \$1.6 million in both years. Charity Care estimates exclude residents billed at Medi-Cal rates.

Donated Goods and Services (Non-Capital)

Donated goods are recorded at their fair value when an unconditional promise to give has been made or when goods have been received. The amounts reflected in the accompanying statement of activities as donated goods are offset by like amounts included in program service expenses.

Contributed professional services are recognized if the service received creates or enhances long-lived assets or required specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services represent services valued at rates normally charged for similar services. No amounts have been reflected in the financial statement for donated services since the services received have not met the criteria for recognition.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain joint costs have been allocated to functional classifications on the basis using factors such as direct payroll allocation, square footage, and number of patients and residents within each department.

Income Taxes

LSPLA is exempt from federal income and California franchise taxes under Sections 501 (C) (3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code. In addition, the Internal Revenue Service has classified LSPLA as other than a private foundation. There was no

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

unrelated business income for the year ended December 31, 2020 and 2019. Accordingly, no provision for federal income or state franchise taxes has been included in these financial statements.

LSPLA has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to its continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. It is at least reasonably possible that the estimates will change within one year of the date of the financial statements. Actual results could differ from those estimates.

Reclassifications

Amounts held for the benefit of residents in the prior year statement of cash flows has been reclassified to conform with the current year presentation. This reclassification had no effect on LSPLA's overall net assets.

Operating Margin

Operating margin is used to measure the amount of program service expenses covered by total support and revenue from unrestricted net assets. Operating margin excludes support services and investment income as well as certain items such as net asset transfers not used for operating expenses, receipt of restricted contributions, and contributions of long-lived assets. For the year ended December 31, 2020 and 2019, total program service support and revenue exceeded expenses by \$1,294,889 and \$287,031, respectively.

NOTE 2: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 2: LIQUIDITY AND AVAILABILITY

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,783,184	\$ 365,469
Accounts receivable	240,339	409,162
Less amounts restricted by donor, non-capital	<u>(44,484)</u>	<u>(103,779)</u>
	<u>\$ 1,979,039</u>	<u>\$ 670,852</u>

As part of LSPLA's liquidity management plan, LSPLA deposits cash in checking accounts and invests in mutual funds, money market funds, certificates of deposit with maturity dates of less than one year, U.S. equity securities and exchange traded funds.

NOTE 3: FAIR VALUE MEASUREMENTS

LSPLA reports certain financial assets and liabilities at fair value in the financial statements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for the asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of nonperformance risk including LSPLA's own credit risk.

A fair value hierarchy prioritizes valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels, which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. Financial Assets in Level 1 include domestic and international equities and exchange-traded management accounts.

Level 2 – Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial assets in this category generally include certificates of deposit, short-term commercial paper, government agencies and municipal bonds, asset-backed securities and corporate bonds.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 3: FAIR VALUE MEASUREMENTS

Level 3 – Pricing inputs are generally unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management’s judgment or estimation of assumptions that market participants would use

in pricing the assets or liabilities. The fair values are therefore determined using factors that involve judgment including private and public comparable data, third party appraisals, discounted cash flow models, and fund manager estimates. Financial assets in this category include alternative investments.

Assets Recorded at Fair Value

The following table presents information about LSPLA’s assets measured at fair value on a recurring basis as of December 31:

	2020	2019
<u>Level 1:</u>		
U.S. equity securities	\$ 133,321	\$ 311,622
	\$ 133,321	\$ 311,622

There were no assets or liabilities measured at fair value on a nonrecurring basis as of December 31, 2020 and 2019.

During the year ended December 31, 2020 and 2019, there were no significant transfers in or out of Levels 1 and 2 due to measurement techniques. LSPLA’s policy is to recognize transfers in and out as of the actual date of the event or change in circumstance that caused the transfer.

NOTE 4: INVESTMENTS

Investments consist of the following at December 31, 2020:

	Fair Value	Unrealized Depreciation
U.S. equity securities	\$ 133,321	\$ (39,835)

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 4: INVESTMENTS

Investments consist of the following at December 31, 2019:

	Fair Value	Unrealized Appreciation
U.S. equity securities	<u>\$ 311,622</u>	<u>\$ 138,466</u>

The investment portfolio is professionally managed and the assets are maintained in accounts with nationally recognized investment brokers.

Investments are carried at fair value; therefore, realized and unrealized gains and losses are reflected in the statement of activities in the year incurred. Investment income for the year ended December 31, 2020 and 2019 were as follows:

	2020	2019
Net realized and unrealized gains (loss) on securities	\$ 34,791	\$ 170,795
Interest and dividends	7,821	25,651
Investment fees	(1,336)	(5,626)
	<u>\$ 41,276</u>	<u>\$ 190,820</u>

NOTE 5: PAYCHECK PROTECTION PROGRAM

On April 13, 2020, LSPLA received a loan through the Small Business Administration (SBA) Paycheck Protection Program (PPP) of \$911,000. The loan accrues interest at 1% with principal and interest payments due monthly starting either (1) the date the SBA remits the borrower's loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period. The loan payments will be due over 18 months. There are provisions under the PPP loan program where all or a portion of the loan may be forgiven based on certain requirements being met. As of June 4, 2021, the PPP loan forgiveness application was submitted to the lender and is awaiting final forgiveness from the SBA.

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of \$393,386 and \$609,287 at December 31, 2020 and 2019 are available to be used on various programs as specified by the donor. Net assets with donor restrictions are available for the following purposes:

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

	<u>2020</u>	<u>2019</u>
Apartment independent living renovations	\$ 117,448	\$ 126,201
Chapel roof repair	99,900	99,900
Kitchen renovations	103,825	249,226
Linens	34,831	37,087
Dining room	8,052	8,052
Meet the challenge (building renovations)	-	48,226
Sound system	19,677	19,677
Over the counter medication	6,490	13,484
Miscellaneous	3,163	7,434
	<u>\$ 393,386</u>	<u>\$ 609,287</u>

NOTE 7: PATIENT SERVICE REVENUE

A substantial portion of LSPLA's revenue for health care services is provided on behalf of patients under Managed Care billed at Medi-Cal reimbursement rates. The major sources of revenue are as follows:

	<u>2020</u>	<u>2019</u>
Medi-Cal	\$ 195,267	\$ 152,001
Managed care	2,279,637	2,107,567
Private Pay	86,926	5,830
Net patient revenue	<u>\$ 2,561,830</u>	<u>\$ 2,265,398</u>

For the years ended December 31, 2020 and 2019, LSPLA derived approximately 7.62% and 6.71%, respectively, of its patient service revenue from Medi-Cal and 88.98% and 93.03%, respectively, from Managed Care.

Funds received from Medi-Cal are subject to governmental audit, which could result in retroactive adjustments. At this time, management is not aware of any ongoing or pending audits.

NOTE 8: RETIREMENT PLAN

LSPLA participates in the Christian Brothers Employee Retirement Plan (the Plan). It is a multiemployer defined benefit pension plan for Catholic organizations. The Plan covers all employees

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 8: RETIREMENT PLAN

with at least one year of service and who work at least 30 hours per week. The benefits are based on past service and future service compensation. The Plan is financed by employer contributions as a percentage of salary on a pay-as-you-go basis and by the investment return on the Plan's assets. The benefit formula and corresponding contribution rate is selected by the employer. Effective July 1, 2015, a Withdrawal Liability provision was added to the Plan, such that a withdrawing employer will be assessed a liability equal to its proportional share of the unfunded liability existing at the time of the withdrawal.

Actuarial data was not available to determine net periodic pension costs, accumulated benefit obligation and plan assets in excess of projected benefit obligation information separately for LSPLA. As an employer participating in a multiemployer define benefit pension plan, LSPLA recognizes the required contribution for the year as an expense of that period in which it relates.

The table below presents information about the Plan for the years ended June 30, 2020 and 2019, the most recent period available:

Legal Name of Plan	Christian Brothers Employee Retirement Plan
Plan Number	#333
Funded Ratio	63.89% and 75.30%, respectively
Employer Contribution for the year ended December 31, 2020 and 2019	\$121,282 and \$114,617, respectively
Percentage of LSPLA contributions of total plan contributions:	Less than 5%
Funding Improvement or Rehabilitation Plan	Not in place or pending
Surcharge Paid by LSPLA	None
Nature of Plan Benefits	The annual future retirement income accrues at 1.32% of total earnings. The percentage is multiplied by the participant's total earnings for each year of creditable service.
Market Value of Plan Assets for the years ended December 31, 2020 and 2019	\$1,468,910,680 and \$1,528,288,017 , respectively
Actuarial Present Value of Accrued Benefits for the years ended December 31, 2020 and 2019	\$2,112,747,503 and \$2,033,622,139, respectively
Contributions Received by the Plan for the years ended December 31, 2020 and 2019	\$51,683,896 and \$88,569,682, respectively

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 8: RETIREMENT PLAN

LSPLA also participates in the Christian Brothers Retirement Savings Plan which is a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The eligible employees may make contributions to the Plan under a salary deferral agreement. The Plan is noncontributory for the employer.

NOTE 9: COMMITMENTS AND CONTINGENCIES

LSPLA can be subject to various claims and legal actions from time-to-time. As of December 31, 2020 and 2019, LSPLA has not recorded a provision in the financial statements for any such claims or legal actions. In the opinion of management, any potential claims or legal actions are not considered significant.

COVID-19 Pandemic

In March 2020, The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to LSPLA, COVID-19 has impacted various parts of its fiscal year 2020 and 2021 operations and financial results, including but not limited to, additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. Management believes LSPLA is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2020.

NOTE 10: NOTE PAYABLE AFFILIATE

On March 24, 2020, LSPLA has entered into a promissory note with Little Sisters of the Poor - Chicago Province (LSPP) in the amount of \$300,000, due on March 24, 2025 and accruing 3% interest annually, and is shown as a note payable – affiliate on the statement of financial position at December 31, 2020.

In addition, LSPLA can request additional assistance to support cash flow needs in the form of additional promissory notes and under similar terms.

NOTE 11: SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to December 31, 2020 to determine the need for any adjustments to and/or disclosures within the accompanying financial statements. Management has performed this analysis through June 17, 2021, the date the financial statements were available to be issued.

**LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019**

NOTE 11: SUBSEQUENT EVENTS

On May 26, 2021, LSPLA entered into an asset purchase agreement in the amount of \$20,000,000 with Grace S. Mercado (purchaser) for the sale of assets of the skilled nursing, residential care, and independent living units. A deposit of \$350,000 was required to be placed in escrow within three days of the effective date of the agreement. Facilities and operations are expected to transfer upon the completion of all the regulatory approvals and licensure transfers necessary for the purchaser to own and operate the facility. Transfer is expected to occur sometime in 2022.

SUPPLEMENTARY INFORMATION

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS	LSPLA	Auxiliary	Total
Current assets			
Cash and cash equivalents	\$ 1,775,773	\$ 7,411	\$ 1,783,184
Accounts receivable, net	240,339	-	240,339
Prepaid expenses and other assets	28,500	-	28,500
Amounts held for the benefit of residents	22,092	-	22,092
Total current assets	<u>2,066,704</u>	<u>7,411</u>	<u>2,074,115</u>
Noncurrent assets			
Cash and cash equivalents - restricted for capital improvement	215,581	-	215,581
Investments - restricted for capital improvement	133,321	-	133,321
	<u>348,902</u>	<u>-</u>	<u>348,902</u>
Property and equipment:			
Land	465,340	-	465,340
Building and improvements	22,816,065	-	22,816,065
Furniture and equipment	1,380,563	-	1,380,563
Vehicles	244,494	-	244,494
	<u>24,906,462</u>	<u>-</u>	<u>24,906,462</u>
Less: accumulated depreciation	<u>(16,063,631)</u>	<u>-</u>	<u>(16,063,631)</u>
	<u>8,842,831</u>	<u>-</u>	<u>8,842,831</u>
Construction in progress	53,533	-	53,533
Total property and equipment	<u>8,896,364</u>	<u>-</u>	<u>8,896,364</u>
Total noncurrent assets	<u>9,245,266</u>	<u>-</u>	<u>9,245,266</u>
Total assets	<u>\$ 11,311,970</u>	<u>\$ 7,411</u>	<u>\$ 11,319,381</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued expenses	\$ 171,950	\$ -	\$ 171,950
Accrued compensation and benefits	401,846	-	401,846
Amounts held for benefit of residents	22,092	-	22,092
Accrued Provider Relief Funds	166,650	-	166,650
PPP Loan payable	911,000	-	911,000
Total current liabilities	<u>1,673,538</u>	<u>-</u>	<u>1,673,538</u>
Note payable - Affiliate	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Total liabilities	<u>1,973,538</u>	<u>-</u>	<u>1,973,538</u>
Net assets			
Without donor restrictions	8,945,046	7,411	8,952,457
With donor restrictions	393,386	-	393,386
Total net assets	<u>9,338,432</u>	<u>7,411</u>	<u>9,345,843</u>
Total liabilities and net assets	<u>\$ 11,311,970</u>	<u>\$ 7,411</u>	<u>\$ 11,319,381</u>

See the independent auditor's report and accompanying notes to the supplementary information.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2019

	LSPLA	Auxiliary	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 335,630	\$ 29,839	\$ 365,469
Accounts receivable, net	409,162	-	409,162
Prepaid expenses and other assets	46,911	-	46,911
Amounts held for the benefit of residents	16,258	-	16,258
Total current assets	807,961	29,839	837,800
Noncurrent assets			
Cash and cash equivalents - restricted for capital improvement	193,886	-	193,886
Investments - restricted for capital improvement	311,622	-	311,622
	505,508	-	505,508
Property and equipment:			
Land	465,340	-	465,340
Building and improvements	22,479,387	-	22,479,387
Furniture and equipment	1,359,887	-	1,359,887
Vehicles	244,494	-	244,494
	24,549,108	-	24,549,108
Less: accumulated depreciation	(15,539,351)	-	(15,539,351)
	9,009,757	-	9,009,757
Construction in progress	217,413	-	217,413
Total property and equipment	9,227,170	-	9,227,170
Total noncurrent assets	9,732,678	-	9,732,678
Total assets	\$10,540,639	\$ 29,839	\$10,570,478
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued expenses	\$ 164,930	\$ -	\$ 164,930
Accrued compensation and benefits	557,358	-	557,358
Amounts held for benefit of residents	16,258	-	16,258
Total current liabilities	738,546	-	738,546
Net assets			
Without donor restrictions	9,192,806	29,839	9,222,645
With donor restrictions	609,287	-	609,287
Total net assets	9,802,093	29,839	9,831,932
Total liabilities and net assets	\$10,540,639	\$ 29,839	\$10,570,478

See the independent auditor's report and accompanying notes to the supplementary information.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

COMBINING STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

	<u>LSPLA</u>		Auxiliary	<u>Total</u>
	<u>Without Donor</u>	<u>With Donor</u>	Without	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Donor</u>	
			<u>Restrictions</u>	
Support and revenue				
Support:				
Legacies	\$ 1,626,431	\$ -	\$ -	\$ 1,626,431
Contributions	1,245,401	19,585	13,053	1,278,039
Foundations	479,397	-	-	479,397
Events	1,073	-	-	1,073
Donated goods	64,537	-	-	64,537
Total support	<u>3,416,839</u>	<u>19,585</u>	<u>13,053</u>	<u>3,449,477</u>
Revenue:				
Patient service	2,561,830	-	-	2,561,830
Independent living	816,442	-	-	816,442
Assisted living	192,731	-	-	192,731
Miscellaneous	23,510	-	-	23,510
Net assets released from restrictions	235,486	(235,486)	-	-
Total support and revenue	<u>7,246,838</u>	<u>(215,901)</u>	<u>13,053</u>	<u>7,043,990</u>
Operating expenses:				
Program expenses	5,749,101	-	-	5,749,101
Operating margin	1,497,737	(215,901)	13,053	1,294,889
Support services expenses	1,786,773	-	35,481	1,822,254
Support and revenue less expenses before nonoperating income	(289,036)	(215,901)	(22,428)	(527,365)
Nonoperating income:				
Investment gain	41,276	-	-	41,276
Interfund transfers	-	-	-	-
Change in net assets	(247,760)	(215,901)	(22,428)	(486,089)
Net assets, beginning of year	9,192,806	609,287	29,839	9,831,932
Net assets, end of year	<u>\$ 8,945,046</u>	<u>\$ 393,386</u>	<u>\$ 7,411</u>	<u>\$ 9,345,843</u>

See the independent auditor's report and accompanying notes to the supplementary information.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

COMBINING STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

	LSPLA		Auxiliary Without Donor Restrictions	Total
	Without Donor Restrictions	With Donor Restrictions		
Support and revenue				
Support:				
Legacies	\$ 397,095	\$ -	\$ -	\$ 397,095
Contributions	1,098,240	180,287	311,463	1,589,990
Foundations	419,322	-	-	419,322
Events	59,341	-	-	59,341
Donated goods	121,302	-	-	121,302
Total support	<u>2,095,300</u>	<u>180,287</u>	<u>311,463</u>	<u>2,587,050</u>
Revenue:				
Patient service	2,265,398	-	-	2,265,398
Independent living	811,945	-	-	811,945
Assisted living	189,755	-	-	189,755
Miscellaneous	16,400	-	-	16,400
Net assets released from restrictions	221,218	(221,218)	-	-
Total support and revenue	<u>5,600,016</u>	<u>(40,931)</u>	<u>311,463</u>	<u>5,870,548</u>
Operating expenses:				
Program expenses	5,583,517	-	-	5,583,517
Operating margin	16,499	(40,931)	311,463	287,031
Support services expenses	1,947,646	-	81,813	2,029,459
Support and revenue less expenses before nonoperating income	(1,931,147)	(40,931)	229,650	(1,742,428)
Nonoperating income:				
Investment gain	190,820	-	-	190,820
Interfund transfers	230,000	-	(230,000)	-
Change in net assets	(1,510,327)	(40,931)	(350)	(1,551,608)
Net assets, beginning of year	10,703,133	650,218	30,189	11,383,540
Net assets, end of year	<u>\$ 9,192,806</u>	<u>\$ 609,287</u>	<u>\$ 29,839</u>	<u>\$ 9,831,932</u>

See the independent auditor's report and accompanying notes to the supplementary information.

**LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)**

**NOTES TO SUPPLEMENTARY INFORMATION
Years Ended December 31, 2020 and 2019**

NOTE 1: PURPOSE OF SCHEDULES

Combining Financial Statements

Combining statements of financial position and statements of activities have been presented for the LSPLA and Auxiliary funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to the financial statements.

**LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2019 and 2018



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LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

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INDEPENDENT AUDITORS' REPORT

Governing Board
Little Sisters of the Poor of Los Angeles
(Jeanne Jugan Residence)
San Pedro, California

We have audited the accompanying financial statements of Little Sisters of the Poor of Los Angeles, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Governing Board
Little Sisters of the Poor of Los Angeles
(Jeanne Jugan Residence)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Little Sisters of the Poor of Los Angeles as of December 31, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As discussed in Note 1 to the financial statements, during fiscal year ended December 31, 2019, Little Sisters of the Poor of Los Angeles adopted the Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606); ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*; and ASU No. 2016-18 *Statement of Cash Flows* (Topic 230) *Restricted Cash*. Our auditors' opinion was not modified with respect to these matters.

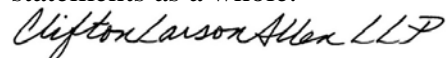
Regarding Going Concern

The accompanying financial statements have been prepared assuming that the entity will continue as a going concern. As discussed in Note 9 to the financial statements, the entity continues to experience significant decreases in net assets, and has stated that substantial doubt exists about the entity's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plan regarding these matters also are described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying combining statements of financial position and combining statements of activities are presented for purposes of additional analysis are not a required part of the financial statements. Such information is the responsibility management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



CliftonLarsonAllen LLP
Glendora, California
May 20, 2020

FINANCIAL SECTION

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 365,469	\$ 500,041
Investments	-	482,983
Accounts receivable	409,162	295,904
Prepaid expenses and other assets	46,911	46,851
Amounts held for the benefit of residents	16,258	24,890
Total current assets	837,800	1,350,669
Noncurrent assets		
Investments	-	546,873
Cash and cash equivalents - restricted for capital improvement	193,886	-
Investments - restricted for capital improvement	311,622	513,871
	505,508	1,060,744
Property and equipment:		
Land	465,340	465,340
Building and improvements	22,479,387	22,434,785
Furniture and equipment	1,359,887	1,340,951
Vehicles	244,494	205,206
	24,549,108	24,446,282
Less: accumulated depreciation	(15,539,351)	(15,018,336)
	9,009,757	9,427,946
Construction in progress	217,413	215,173
Total property and equipment, net	9,227,170	9,643,119
Total noncurrent assets	9,732,678	10,703,863
Total assets	\$ 10,570,478	\$ 12,054,532

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	\$ 164,930	\$ 148,347
Accrued compensation and benefits	557,358	497,755
Amounts held for benefit of residents	16,258	24,890
Total current liabilities	738,546	670,992
Net assets		
Without donor restrictions	9,222,645	10,733,322
With donor restrictions	609,287	650,218
Total net assets	9,831,932	11,383,540
Total liabilities and net assets	\$ 10,570,478	\$ 12,054,532

See the independent auditors' report and accompanying notes to the financial statements.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Support:			
Legacies	\$ 397,095	\$ -	\$ 397,095
Contributions	1,409,703	180,287	1,589,990
Foundations	419,322	-	419,322
Events	59,341	-	59,341
Donated goods	121,302	-	121,302
Total support	2,406,763	180,287	2,587,050
Revenue:			
Patient service	2,265,398	-	2,265,398
Independent living	811,945	-	811,945
Assisted living	189,755	-	189,755
Miscellaneous	16,400	-	16,400
Net assets released from restriction	221,218	(221,218)	-
Total support and revenue	5,911,479	(40,931)	5,870,548
Operating expenses:			
Program expenses	5,583,517	-	5,583,517
Operating margin	327,962	(40,931)	287,031
Support services expenses	2,029,459	-	2,029,459
Support and revenue less expenses before non-operating income	(1,701,497)	(40,931)	(1,742,428)
Non-operating income:			
Investment gain	190,820	-	190,820
Change in net assets	(1,510,677)	(40,931)	(1,551,608)
Net assets, beginning of year	10,733,322	650,218	11,383,540
Net assets, end of year	\$ 9,222,645	\$ 609,287	\$ 9,831,932

See the independent auditors' report and accompanying notes to the financial statements.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Support:			
Legacies	\$ 230,136	\$ -	\$ 230,136
Contributions	1,801,777	583,413	2,385,190
Foundations	388,033	-	388,033
Events	90,945	-	90,945
Donated goods	95,688	-	95,688
Total support	2,606,579	583,413	3,189,992
Revenue:			
Patient service	2,267,532	-	2,267,532
Independent living	762,250	-	762,250
Assisted living	180,785	-	180,785
Miscellaneous	4,730	-	4,730
Net assets released from restriction	418,309	(418,309)	-
Total support and revenue	6,240,185	165,104	6,405,289
Operating expenses:			
Program expenses	5,953,354	-	5,953,354
Operating margin	286,831	165,104	451,935
Support services expenses	2,127,843	-	2,127,843
Support and revenue less expenses before non-operating income	(1,841,012)	165,104	(1,675,908)
Non-operating income:			
Investment loss	(24,669)	-	(24,669)
Change in net assets	(1,865,681)	165,104	(1,700,577)
Net assets, beginning of year	12,599,003	485,114	13,084,117
Net assets, end of year	\$ 10,733,322	\$ 650,218	\$ 11,383,540

See the independent auditors' report and accompanying notes to the financial statements.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services			Support Services			Total Program & Support Expenses
	Skilled Nursing	Residential	Total	General and	Fundraising	Total	
	Facility	Facilities		Admin			
Compensation and related expenses							
Compensation	\$ 1,817,539	\$ 1,628,455	\$ 3,445,994	\$ 594,755	\$ 140,231	\$ 734,986	\$ 4,180,980
Payroll taxes	127,021	125,831	252,852	39,402	7,977	47,379	300,231
Employee benefits	318,201	315,219	633,420	98,705	19,983	118,688	752,108
	<u>2,262,761</u>	<u>2,069,505</u>	<u>4,332,266</u>	<u>732,862</u>	<u>168,191</u>	<u>901,053</u>	<u>5,233,319</u>
Advertising	-	-	-	-	24,173	24,173	24,173
Bank charges	-	-	-	29	5,420	5,449	5,449
Contract services	43,751	33,399	77,150	82,357	3,750	86,107	163,257
Data processing/computer	-	-	-	59,730	-	59,730	59,730
Dues and subscriptions	-	-	-	9,389	-	9,389	9,389
Education	-	-	-	12,141	-	12,141	12,141
Equipment	2,998	167	3,165	60,943	-	60,943	64,108
Event	-	-	-	-	116,282	116,282	116,282
Food	49,840	116,293	166,133	-	-	-	166,133
Food - donated	23,127	53,962	77,089	-	-	-	77,089
Insurance	-	-	-	59,749	-	59,749	59,749
Legal and accounting	-	-	-	97,137	-	97,137	97,137
Licenses	47,064	-	47,064	-	651	651	47,715
Miscellaneous	2,341	995	3,336	18,657	-	18,657	21,993
Payroll processing	-	-	-	32,400	-	32,400	32,400
Pharmacy	8,447	-	8,447	-	-	-	8,447
Postage and shipping	-	-	-	12,534	15,971	28,505	28,505
Printing and publications	-	-	-	-	-	-	-
Property tax	5,118	10,747	15,865	9,723	-	9,723	25,588
Repairs	51,380	112,059	163,439	24,756	-	24,756	188,195
Supplies	68,539	74,934	143,473	36,378	2,776	39,154	182,627
Telephone	-	-	-	79,519	-	79,519	79,519
Travel	-	-	-	29,625	-	29,625	29,625
Utilities	72,381	150,680	223,061	136,330	-	136,330	359,391
	<u>374,986</u>	<u>553,236</u>	<u>928,222</u>	<u>761,397</u>	<u>169,023</u>	<u>930,420</u>	<u>1,858,642</u>
Depreciation	104,203	218,826	323,029	197,986	-	197,986	521,015
	<u>\$ 2,741,950</u>	<u>\$ 2,841,567</u>	<u>\$ 5,583,517</u>	<u>\$ 1,692,245</u>	<u>\$ 337,214</u>	<u>\$ 2,029,459</u>	<u>\$ 7,612,976</u>

See the independent auditors' report and accompanying notes to the financial statements.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services			Support Services			Total Program & Support Expenses
	Skilled Nursing Facility	Residential Facilities	Total	General and Admin	Fundraising	Total	
Compensation and related expenses							
Compensation	\$ 1,912,795	\$ 1,652,109	\$ 3,564,904	\$ 643,782	\$ 150,712	\$ 794,494	\$ 4,359,398
Payroll taxes	136,366	115,820	252,186	40,492	9,981	50,473	302,659
Employee benefits	318,341	270,380	588,721	94,528	23,299	117,827	706,548
	<u>2,367,502</u>	<u>2,038,309</u>	<u>4,405,811</u>	<u>778,802</u>	<u>183,992</u>	<u>962,794</u>	<u>5,368,605</u>
Advertising	-	-	-	-	18,497	18,497	18,497
Bank charges	-	-	-	687	10,416	11,103	11,103
Contract services	65,074	25,280	90,354	97,847	-	97,847	188,201
Data processing/computer	-	-	-	57,095	-	57,095	57,095
Dues and subscriptions	-	-	-	14,622	-	14,622	14,622
Education	-	-	-	6,460	-	6,460	6,460
Equipment	6,989	1,420	8,409	26,710	-	26,710	35,119
Event	-	-	-	-	133,632	133,632	133,632
Food	45,728	106,700	152,428	-	-	-	152,428
Food - donated	26,115	60,934	87,049	-	-	-	87,049
Insurance	-	-	-	66,674	-	66,674	66,674
Legal and accounting	-	-	-	40,900	-	40,900	40,900
Licenses	180,966	-	180,966	-	591	591	181,557
Miscellaneous	2,495	4,065	6,560	25,949	-	25,949	32,509
Payroll processing	-	-	-	24,007	-	24,007	24,007
Pharmacy	14,426	-	14,426	-	-	-	14,426
Postage and shipping	-	-	-	13,221	14,163	27,384	27,384
Printing and publications	-	-	-	-	5,827	5,827	5,827
Property tax	4,312	9,272	13,584	7,978	-	7,978	21,562
Repairs	54,578	116,218	170,796	38,101	-	38,101	208,897
Supplies	71,813	67,044	138,857	51,579	5,054	56,633	195,490
Telephone	60	-	60	69,831	-	69,831	69,891
Travel	-	-	-	34,022	-	34,022	34,022
Utilities	70,054	148,563	218,617	127,834	-	127,834	346,451
	<u>542,610</u>	<u>539,496</u>	<u>1,082,106</u>	<u>703,517</u>	<u>188,180</u>	<u>891,697</u>	<u>1,973,803</u>
Depreciation	147,758	317,679	465,437	273,352	-	273,352	738,789
	<u>\$ 3,057,870</u>	<u>\$ 2,895,484</u>	<u>\$ 5,953,354</u>	<u>\$ 1,755,671</u>	<u>\$ 372,172</u>	<u>\$ 2,127,843</u>	<u>\$ 8,081,197</u>

See the independent auditors' report and accompanying notes to the financial statements.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ (1,551,608)	\$ (1,700,577)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation expense	521,015	738,789
Realized investment gains	(133,224)	(267,714)
Unrealized investment (gains) losses	(37,571)	326,811
Noncash contributions	(121,302)	(84,382)
Contributions restricted for capital	(151,336)	(400,000)
Change in:		
Accounts receivable	(113,258)	160,498
Prepaid expenses and other assets	(60)	(1,502)
Accounts payable and accrued expenses	16,583	(26,477)
Accrued salaries and related liabilities	59,603	134,589
Net cash used in operating activities	(1,511,158)	(1,119,965)
 Cash flows from investing activities		
Purchase of property and equipment	(105,066)	(253,230)
Purchase of investments	(194,099)	(1,293,841)
Proceeds from sale of investments	1,718,301	1,767,064
Net cash provided by investing activities	1,419,136	219,993
 Cash flows from financing activities		
Proceeds from restricted contributions for capital related activities	151,336	400,000
Net increase (decrease) in cash and cash equivalents	59,314	(499,972)
Cash and cash equivalents - beginning of year	500,041	1,000,013
Cash and cash equivalents - end of year	\$ 559,355	\$ 500,041
 Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	\$ 365,469	\$ 500,041
Restricted cash and cash equivalents	193,886	-
	\$ 559,355	\$ 500,041

See the independent auditors' report and accompanying notes to the financial statements.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Little Sisters of the Poor of Los Angeles (Jeanne Jugan Residence) (LSPLA) is a California nonprofit public benefit corporation that operates a skilled nursing facility providing long-term care to the needy elderly.

LSPLA is one of several corporations established for the purpose of furthering the charitable purposes of the Little Sisters of the Poor as directed by the Mother House of France (LSPF). In the United States, Little Sisters of the Poor is organized into three provinces; LSPLA belongs to the Chicago Province. Both French Mother House and the Chicago Province (LSPP) provide general management oversight to LSPLA and approve significant expenditures. For the years ended December 31, 2019 and 2018, \$221,819 and \$230,861, were paid by LSPLA to LSPP for general management and shared expenditures, respectively. In addition, from time to time, funds are transferred between LSPLA, LSPF and LSPP. For the years ended December 31, 2019 and 2018, no cash transfers was made.

LSPLA provides high quality long-term care to low-income elderly who might not otherwise be able to obtain such services. LSPLA provides three levels of care, independent residential living, assisted living and skilled nursing care. Consistent with this philosophy, LSPLA's policy is to admit primarily only those who are eligible to participate in the Medi-Cal program. Medi-Cal reimbursements are substantially lower than LSPLA's costs.

The financial statements include the activity of the Auxiliary of LSPLA (Auxiliary), a volunteer organization which operates under the umbrella of LSPLA. Each year the Auxiliary hosts a major fund-raising event which benefits LSPLA.

Basis of Preparation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America.

Financial Statement Presentation

LSPLA has adopted ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* which required LSPLA to report information regarding its financial position and activities according to classes of net assets. Accordingly, the net assets of LSPLA are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

Cash and cash equivalents includes highly liquid investments with an original maturity of three months or less. LSPLA primarily transacts its business with the one financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At December 31, 2019 and 2018, LSPLA had deposits with a carrying amount of \$575,613 and \$524,431, respectively, and bank balances of \$676,757 and \$524,865, respectively, of which \$350,469 and \$339,847 was insured and \$326,288 and \$185,518, respectively, were uninsured. Management regularly monitors the financial condition of the institutions in which it has depository accounts and believes the risk of loss is minimal.

Cash held for the benefit of residents at December 31, 2019 and 2018 represent cash held by LSPLA for the benefit of facility residents. An offsetting liability is included on the statement of financial position. LSPLA holds this cash in a fiduciary capacity in an interest bearing account.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or use) in the reporting period in which the income and gains are recognized.

Securities held at investment brokers are insured by Securities Investor Protection Corporation (SIPC) up to \$500,000. SIPC insures LSPLA's investments from risk of loss in the event the brokerage firms go out of business. SIPC insurance does not provide insured coverage related to the economic performance of individual investment securities. LSPLA's securities have exceeded the SIPC insurance limit. Additional brokerage insurance, in addition to SIPC, is

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

provided through underwriters with Lloyd’s of London. For customers who have received the full SIPC limits, further protection is provided.

Accounts Receivable

Accounts receivable is carried at the original invoice amount. An allowance for doubtful accounts is not recorded as LSPLA has not historically experienced significant losses from bad debt.

Restricted Assets

LSPLA separately presents restricted assets held for long-term purposes as required by donor-imposed restrictions.

Property and Equipment

It is LSPLA’s policy to capitalize amounts above \$500. Amounts less than \$500 are expensed. Purchased fixed assets are capitalized at cost. Donations of fixed assets are recorded as contributions at their fair value. Fixed assets are depreciated using the straight-line method over the useful life of the assets generally as follows:

Buildings	40 years
Improvements	7 to 40 years
Furniture and equipment	5 to 10 years
Vehicles	4 years

Compensated Absences

Vacation – Benefit-eligible employees generally earn vacation after completing continuous years of service based on the following: 1) two vacation weeks after the first calendar year, 2) three vacation weeks after five years or 3) Four vacation weeks after ten years. Vacation cannot be accumulated from one year to the next. Employees earn vacation throughout the year but are vested on January 1 of the following year. Subject to management’s approval, employees may request a once a year to cash out up to 50% of their unused vacation.

Sick – Benefit-eligible employees begin accruing sick pay after completing the first three months of their introductory employment, and accrue sick leave at a rate of one day per month up to a maximum of 30 days. LSPLA also offers eligible employees the option to exchange up to five of their accumulated sick days for regular straight-rate pay. Employees may cash out up to five

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

unused sick days during a calendar year but must leave at least 15 in bank. Employees may be compensated up to 50% of unused sick time with proper notice of resignation.

Contributions

LSPLA recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until conditions on which they dependent have been met. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Resident Services Revenue

Resident service revenue is reported at the amount that reflects the consideration to which LSPLA expects to be entitled in exchange for providing resident room, board and care. The services provided by LSPLA have no fixed duration and can be terminated by the resident/patient or the facility at any time. The nature, amount, timing and uncertainty of revenue and cash flows is affected by payor type as Medi-Cal, managed care and private pay residents have different reimbursement/payment methodologies.

Patient Service Revenue

These amounts are due from residents, third-party payors and others (including health insurers and government programs). LSPLA bills after the services are performed and therefore revenue is recognized when an obligation to provide services has been satisfied. LSPLA charges all patients the Medi-Cal reimbursement rate for skilled nursing services. Accordingly, no contractual allowance is recognized.

Independent Living Revenue and Assisted Living Revenue

These amounts are due from residents and government programs. Resident and assisted living revenue is billed and recognized monthly based on contract rates at time of entrance and adjusted annually based on assessment of ability to pay. Assisted living residents participating in the Medi-Cal Waiver Pilot Program are charged a tiered Medi-Cal reimbursement rate.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Charity Care

Room, board and care provided to residents not participating in the Medi-Cal program are adjusted based on demonstrated inability to pay. For the years ended December 31, 2019 and 2018, charity care, which is based on estimated cost per day in excess of service fees received was estimated at \$1.6 million and \$1.7 million, respectively. Charity Care estimates exclude residents billed at Medi-cal rates.

Donated Goods and Services (Non-Capital)

Donated goods are recorded at their fair value when an unconditional promise to give has been made or when goods have been received. The amounts reflected in the accompanying statement of activities as donated goods are offset by like amounts included in program service expenses.

Contributed professional services are recognized if the service received creates or enhances long-lived assets or required specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services represent services valued at rates normally charged for similar services. No amounts have been reflected in the financial statement for donated services since the services received have not met the criteria for recognition.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain joint costs have been allocated to functional classifications on the basis using factors such as direct payroll allocation, square footage, and number of patients and residents within each department.

Income Taxes

LSPLA is exempt from federal income and California franchise taxes under Sections 501 (C) (3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code. In addition, the Internal Revenue Service has classified LSPLA as other than a private foundation. There was no unrelated business income for the year ended December 31, 2019 and 2018. Accordingly, no provision for federal income or state franchise taxes has been included in these financial statements.

LSPLA has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

tax positions evaluated are related to its continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. It is at least reasonably possible that the estimates will change within one year of the date of the financial statements. Actual results could differ from those estimates.

Reclassifications

Resident revenues in the statement of activities for the year ended December 31, 2018 have been reclassified to conform to the current year presentation for patient service revenue, independent living revenue and assisted living revenue accounts.

Operating Margin

Operating margin is used to measure the amount of program service expenses covered by total support and revenue from unrestricted net assets. Operating margin excludes support services and investment income as well as certain items such as net asset transfers not used for operating expenses, receipt of restricted contributions, and contributions of long-lived assets. For the year ended December 31, 2019 total program service support and revenue exceeded expenses by \$92,928. For the year ended and December 31, 2018 total program service expenses exceeded support and revenue by \$30,865.

Changes in Accounting Principle

ASU No. 2014-09 *Revenue from Contracts with Customers (Topic 606)* – Under the amended standard, the recognition of revenue occurs when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. This change is intended to provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

LSPLA has evaluated the nature, amount, timing and uncertainty of revenue and cash flows using the five-step process provided within Topic 606, which requires organizations to exercise more judgment in recognizing revenue. Revenue is primarily derived from housing for residents and patient care services rendered to residents. The services provided by LSPLA have no fixed duration and can be terminated by the resident/patient or the facility at any time, and therefore, each service is its own stand-alone contract. Changes in the standard also have no impact on the Organization's accounts receivable as it has historically recorded residential and patient revenue at net realizable value.

The analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

ASU No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958) – This standard clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

Analysis of various provisions of this standard resulted in no significant changes in the way LSPLA recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

ASU No. 2016-18 Statement of Cash Flows - Restricted Cash (Topic 230) – This standard provides clarified guidance on the classification and presentation of restricted cash in the statement of cash flows and reduces diversity in practice. LSPLA includes in its cash and cash equivalent balances in the statement of cash flows those amounts that are defined as restricted cash and restricted cash equivalents and discloses the nature of these restrictions.

NOTE 2: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

NOTE 2: LIQUIDITY AND AVAILABILITY

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 365,469	\$ 500,041
Current investments	-	482,983
Accounts receivable	409,162	295,904
Less amounts restricted by donor, non-capital	<u>(103,779)</u>	<u>-</u>
	<u>\$ 774,631</u>	<u>\$ 1,278,928</u>

As part of LSPLA’s liquidity management plan, LSPLA deposits cash in checking accounts and invests in mutual funds, money market funds, certificates of deposit with maturity dates of less than one year, U.S. equity securities and exchange traded funds.

NOTE 3: FAIR VALUE MEASUREMENTS

LSPLA reports certain financial assets and liabilities at fair value in the financial statements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for the asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including LSPLA’s own credit risk.

A fair value hierarchy prioritizes valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels, which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. Financial Assets in Level 1 include domestic and international equities and exchange-traded management accounts.

Level 2 – Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial assets in this category generally include certificates of deposit, short-term commercial paper, government agencies and municipal bonds, asset-backed securities and corporate bonds.

Level 3 – Pricing inputs are generally unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the investment. The inputs into the

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

NOTE 3: FAIR VALUE MEASUREMENTS

determination of fair value require management’s judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using factors that involve judgment including private and public comparable data, third party appraisals, discounted cash flow models, and fund manager estimates. Financial assets in this category include alternative investments.

Assets Recorded at Fair Value

The following table presents information about LSPLA’s assets measured at fair value on a recurring basis as of December 31:

	<u>2019</u>	<u>2018</u>
<u>Level 1:</u>		
U.S. equity securities	\$ 311,622	\$ 797,634
<u>Level 2:</u>		
Corporate bonds	-	546,873
Certificates of deposit	-	199,220
	<u>\$ 311,622</u>	<u>\$ 1,543,727</u>

There were no assets or liabilities measured at fair value on a nonrecurring basis as of December 31, 2019 and 2018.

During the year ended December 31, 2019 and 2018, there were no significant transfers in or out of Levels 1 and 2 due to measurement techniques. LSPLA’s policy is to recognize transfers in and out as of the actual date of the event or change in circumstance that caused the transfer.

As of December 31, 2018, the Level 2 instruments listed in the fair value hierarchy table above use the following valuation techniques and inputs:

Corporate bonds and certificates of deposit: The fair value of corporate bonds classified as level 2 is primarily determined by the market approach using a multi-dimensional relational model significant observable inputs include benchmark, yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

NOTE 4: INVESTMENTS

Investments consist of the following at December 31, 2019:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
U.S. equity securities	\$ 173,156	\$ 311,622	\$ 138,466

Investments consist of the following at December 31, 2018:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
U.S. equity securities	\$ 667,190	797,634	130,444
Certificates of deposit	200,001	199,220	(781)
Corporate bonds	569,646	546,873	(22,773)
 Total investments	 <u>\$ 1,436,837</u>	 <u>\$ 1,543,727</u>	 <u>\$ 106,890</u>

The investment portfolio is professionally managed and the assets are maintained in accounts with nationally recognized investment brokers.

Investments are carried at fair value; therefore, realized and unrealized gains and losses are reflected in the statement of activities in the year incurred. Investment income for the year ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Net realized and unrealized gains (loss) on securities	\$ 170,795	\$ (59,097)
Interest and dividends	25,651	46,591
Investment fees	(5,626)	(12,163)
	<u>\$ 190,820</u>	<u>\$ (24,669)</u>

NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of \$609,287 and \$650,218 at December 31, 2019 and 2018 are available to be used on various programs as specified by the donor. Net assets with donor

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS

restrictions are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Apartment independent living renovations	\$ 126,201	\$ 128,547
Chapel roof repair	99,900	-
Kitchen renovations	249,226	315,324
Linens	37,087	49,339
Dining room	8,052	50,000
Meet the challenge (building renovations)	48,226	48,226
Sound system	19,677	20,000
Over the counter medication	13,484	21,953
Miscellaneous	7,434	16,829
	<u>\$ 609,287</u>	<u>\$ 650,218</u>

NOTE 6: PATIENT SERVICE REVENUE

A substantial portion of LSPLA’s revenue for health care services is provided on behalf of patients under Managed Care billed at Medi-Cal reimbursement rates. The major sources of revenue are as follows:

	<u>2019</u>	<u>2018</u>
Medi-Cal	\$ 152,001	\$ 51,877
Managed care	2,107,567	2,209,067
Private Pay	5,830	6,588
Net patient revenue	<u>\$ 2,265,398</u>	<u>\$ 2,267,532</u>

For the years ended December 31, 2019 and 2018, LSPLA derived approximately 6.71% and 2.29%, respectively, of its patient service revenue from Medi-Cal and 93.03% and 97.42%, respectively, from Managed Care.

Funds received from Medi-Cal are subject to governmental audit, which could result in retroactive adjustments. At this time, management is not aware of any ongoing or pending audits.

NOTE 7: RETIREMENT PLAN

LSPLA participates in the Christian Brothers Employee Retirement Plan (“the Plan”). It is a multi-employer defined benefit pension plan for Catholic organizations. The Plan covers all

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

NOTE 7: RETIREMENT PLAN

employees with at least one year of service and who work at least 30 hours per week. The benefits are based on past service and future service compensation. The Plan is financed by employer contributions as a percentage of salary on a pay-as-you-go basis and by the investment return on the Plan's assets. The benefit formula and corresponding contribution rate is selected by the employer. Effective July 1, 2015, a Withdrawal Liability provision was added to the Plan, such that a withdrawing employer will be assessed a liability equal to its proportional share of the unfunded liability existing at the time of the withdrawal.

Actuarial data was not available to determine net periodic pension costs, accumulated benefit obligation and plan assets in excess of projected benefit obligation information separately for LSPLA. As an employer participating in a multi-employer define benefit pension plan, LSPLA recognizes the required contribution for the year as an expense of that period in which it relates.

The table below presents information about the Plan for the years ended June 30, 2019 and 2018, the most recent period available:

Legal Name of Plan	Christian Brothers Employee Retirement Plan
Plan Number	#333
Funded Ratio	75.30% and 81.09%, respectively
Employer Contribution for the year ended December 31, 2019 and 2018	\$114,617 and \$119,067, respectively
Percentage of LSPLA contributions of total plan contributions:	Less than 5%
Funding Improvement or Rehabilitation Plan	Not in place or pending
Surcharge Paid by LSPLA	None
Nature of Plan Benefits	The annual future retirement income accrues at 1.32% of total earnings. The percentage is multiplied by the participant's total earnings for each year of creditable service.
Market Value of Plan Assets for the years ended December 31, 2019 and 2018	\$1,528,288,017 and \$1,468,042,325, respectively
Actuarial Present Value of Accrued Benefits for the years ended December 31, 2019 and 2018	\$2,033,622,139 and \$1,860,512,686, respectively
Contributions Received by the Plan for the years ended December 31, 2019 and 2018	\$88,569,682 and \$65,047,411, respectively

LSPLA also participates in the Christian Brothers Retirement Savings Plan which is a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

NOTE 7: RETIREMENT PLAN

eligible employees may make contributions to the Plan under a salary deferral agreement. The Plan is non-contributory for the employer.

NOTE 8: COMMITMENTS AND CONTINGENCIES

LSPLA can be subject to various claims and legal actions from time to time. As of December 31, 2019 and 2018, LSPLA has not recorded a provision in the financial statements for any such claims or legal actions. In the opinion of management, any potential claims or legal actions are not considered significant.

NOTE 9: GOING CONCERN AND DEFICIT SPENDING

During the years 2019 and 2018, LSPLA experienced a total decrease in net assets of \$1,603,150 and \$1,700,577, respectively, of which \$1,793,970 and \$1,675,908, respectively, were related to operating and supporting activities. As of December 31, 2019, current assets exceed current liabilities by \$47,712; however, in recent years and including the current year, substantial negative cash flow from operating and supporting activities has resulted in a sustained draw down from available liquid reserves. In the subsequent period and through the report date of OPEN DATE LSPLA continues to record expenses in excess of revenue and contributions and continues to utilize reserve funds and financing sources to meet its obligations.

Management and the Governing Board continue to evaluate LSPLA's plan to reduce costs, including reductions to overtime and non-essential repairs, and increase donor support through focused grant writing, estate planning and other fundraising efforts. In addition, LSPLA can request assistance to support cash flow needs from the Little Sisters of the Poor - Chicago Province (LSPP) under the terms of signed promissory notes. The notes can be requested as necessary and bear interest at 3 percent simple per year. The term of the notes provide for interest payments as the working capital of the home permits. All notes are due five years from the date of the advance. If a note comes due unpaid, it is renewed for a new five year term.

Subsequent to year end, and as of the report date of May 20, 2020, LSPLA has entered into a promissory note with LSPP in the amount of \$300,000, due on March 24, 2025 and accruing 3 percent interest annually. In addition, LSPP applied for and was awarded \$911,000 under the Paycheck Protection Program in the amount of \$911,000. Any amount not forgiven under the terms of the program is due to be repaid on March 13, 2022 accruing 1 percent interest annually.

Management and the Governing Board believe that the combination of cash flow assistance and the measures to improve operational outcomes and support may not be sufficient to allow LSPLA to meet its obligations and over time correct the net deficit. In February 2020, LSPP announced a plan to actively seek a buyer for LSPLA.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

NOTE 10: SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to December 31, 2019 to determine the need for any adjustments to and/or disclosures within the accompanying financial statements. Management has performed this analysis through May 20, 2020, the date the financial statements were available to be issued.

In addition to the subsequent events communicated in Note 9, subsequent to year end, the World Health Organization declared the spread of coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the LSPLA, COVID-19 may impact various parts of its 2020 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. In addition, efforts to market LSPLA for sale have been delayed. Management believes that LSPLA is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2019.

SUPPLEMENTARY INFORMATION

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2019

	LSPLA	Auxiliary	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 335,630	\$ 29,839	\$ 365,469
Accounts receivable, net	409,162	-	409,162
Prepaid expenses and other assets	46,911	-	46,911
Amounts held for the benefit of residents	16,258	-	16,258
Total current assets	807,961	29,839	837,800
Noncurrent assets			
Cash and cash equivalents - restricted for capital improvement	193,886	-	193,886
Investments - restricted for capital improvement	311,622	-	311,622
	505,508	-	505,508
Property and equipment:			
Land	465,340	-	465,340
Building and improvements	22,479,387	-	22,479,387
Furniture and equipment	1,359,887	-	1,359,887
Vehicles	244,494	-	244,494
	24,549,108	-	24,549,108
Less: accumulated depreciation	(15,539,351)	-	(15,539,351)
	9,009,757	-	9,009,757
Construction in progress	217,413	-	217,413
Total property and equipment	9,227,170	-	9,227,170
Total noncurrent assets	9,732,678	-	9,732,678
Total assets	\$ 10,540,639	\$ 29,839	\$ 10,570,478
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued expenses	\$ 164,930	\$ -	\$ 164,930
Accrued compensation and benefits	557,358	-	557,358
Amounts held for benefit of residents	16,258	-	16,258
Total current liabilities	738,546	-	738,546
Net assets			
Without donor restrictions	9,192,806	29,839	9,222,645
With donor restrictions	609,287	-	609,287
Total net assets	9,802,093	29,839	9,831,932
Total liabilities and net assets	\$ 10,540,639	\$ 29,839	\$ 10,570,478

See the independent auditor's report and accompanying notes to the supplementary information.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2018

	LSPLA	Auxiliary	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 469,852	\$ 30,189	\$ 500,041
Investments	482,983	-	482,983
Accounts receivable, net	295,904	-	295,904
Prepaid expenses and other assets	46,851	-	46,851
Amounts held for the benefit of residents	24,890	-	24,890
Total current assets	1,320,480	30,189	1,350,669
Noncurrent assets			
Investments	546,873	-	546,873
Investments - restricted for capital improvement	513,871	-	513,871
	1,060,744	-	1,060,744
Property and equipment:			
Land	465,340	-	465,340
Building and improvements	22,434,785	-	22,434,785
Furniture and equipment	1,340,951	-	1,340,951
Vehicles	205,206	-	205,206
	24,446,282	-	24,446,282
Less: accumulated depreciation	(15,018,336)	-	(15,018,336)
	9,427,946	-	9,427,946
Construction in progress	215,173	-	215,173
Total property and equipment	9,643,119	-	9,643,119
Total noncurrent assets	10,703,863	-	10,703,863
Total assets	\$12,024,343	\$ 30,189	\$12,054,532
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued expenses	\$ 148,347	\$ -	\$ 148,347
Accrued compensation and benefits	497,755	-	497,755
Amounts held for benefit of residents	24,890	-	24,890
Total current liabilities	670,992	-	670,992
Net assets			
Without donor restrictions	10,703,133	30,189	10,733,322
With donor restrictions	650,218	-	650,218
Total net assets	11,353,351	30,189	11,383,540
Total liabilities and net assets	\$12,024,343	\$ 30,189	\$12,054,532

See the independent auditor's report and accompanying notes to the supplementary information.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

COMBINING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	LSPLA		Auxiliary Without Donor Restrictions	Total
	Without Donor Restrictions	With Donor Restrictions		
Support and revenue				
Support:				
Legacies	\$ 397,095	\$ -	\$ -	\$ 397,095
Contributions	1,098,240	180,287	311,463	1,589,990
Foundations	419,322	-	-	419,322
Events	59,341	-	-	59,341
Donated goods	121,302	-	-	121,302
Total support	<u>2,095,300</u>	<u>180,287</u>	<u>311,463</u>	<u>2,587,050</u>
Revenue:				
Patient service	2,265,398	-	-	2,265,398
Independent living	811,945	-	-	811,945
Assisted living	189,755	-	-	189,755
Miscellaneous	16,400	-	-	16,400
Net assets released from restrictions	<u>221,218</u>	<u>(221,218)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>5,600,016</u>	<u>(40,931)</u>	<u>311,463</u>	<u>5,870,548</u>
Operating expenses:				
Program expenses	<u>5,583,517</u>	<u>-</u>	<u>-</u>	<u>5,583,517</u>
Operating margin	16,499	(40,931)	311,463	287,031
Support services expenses	<u>1,947,646</u>	<u>-</u>	<u>81,813</u>	<u>2,029,459</u>
Support and revenue less expenses before non-operating income	(1,931,147)	(40,931)	229,650	(1,742,428)
Non-operating income:				
Investment gain	<u>190,820</u>	<u>-</u>	<u>-</u>	<u>190,820</u>
Interfund transfers	230,000	-	(230,000)	-
Change in net assets	(1,510,327)	(40,931)	(350)	(1,551,608)
Net assets, beginning of year	<u>10,703,133</u>	<u>650,218</u>	<u>30,189</u>	<u>11,383,540</u>
Net assets, end of year	<u><u>\$ 9,192,806</u></u>	<u><u>\$ 609,287</u></u>	<u><u>\$ 29,839</u></u>	<u><u>\$ 9,831,932</u></u>

See the independent auditor's report and accompanying notes to the supplementary information.

LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)

COMBINING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

	LSPLA		Auxiliary Without Donor Restrictions	Total
	Without Donor Restrictions	With Donor Restrictions		
Support and revenue				
Support:				
Legacies	\$ 230,136	\$ -	\$ -	\$ 230,136
Contributions	1,486,029	583,413	315,748	2,385,190
Foundations	388,033	-	-	388,033
Events	90,945	-	-	90,945
Donated goods	95,688	-	-	95,688
Total support	<u>2,290,831</u>	<u>583,413</u>	<u>315,748</u>	<u>3,189,992</u>
Revenue:				
Patient service	2,267,532	-	-	2,267,532
Independent living	762,250	-	-	762,250
Assisted living	180,785	-	-	180,785
Miscellaneous	4,730	-	-	4,730
Net assets released from restrictions	418,309	(418,309)	-	-
Total support and revenue	<u>5,924,437</u>	<u>165,104</u>	<u>315,748</u>	<u>6,405,289</u>
Operating expenses:				
Program expenses	<u>5,953,354</u>	<u>-</u>	<u>-</u>	<u>5,953,354</u>
Operating margin	(28,917)	165,104	315,748	451,935
Support services expenses	<u>2,044,696</u>	<u>-</u>	<u>83,147</u>	<u>2,127,843</u>
Support and revenue less expenses before non-operating income	(2,073,613)	165,104	232,601	(1,675,908)
Non-operating income:				
Investment loss	<u>(24,669)</u>	<u>-</u>	<u>-</u>	<u>(24,669)</u>
Interfund transfers	<u>220,000</u>	<u>-</u>	<u>(220,000)</u>	<u>-</u>
Change in net assets	(1,878,282)	165,104	12,601	(1,700,577)
Net assets, beginning of year	<u>12,581,415</u>	<u>485,114</u>	<u>17,588</u>	<u>13,084,117</u>
Net assets, end of year	<u>\$ 10,703,133</u>	<u>\$ 650,218</u>	<u>\$ 30,189</u>	<u>\$ 11,383,540</u>

See the independent auditor's report and accompanying notes to the supplementary information.

**LITTLE SISTERS OF THE POOR OF LOS ANGELES
(JEANNE JUGAN RESIDENCE)**

**NOTE TO THE SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2019 and 2018**

NOTE 1: PURPOSE OF SCHEDULES

Combining Financial Statements

Combining statements of financial position and statements of activities have been presented for the LSPLA and Auxiliary funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to the financial statements.

Little Sisters of the Poor Los Angeles
 Balance Sheet
 7/31/2021

	<u>7/31/2021</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 963,316
Investments	587,425
Accounts receivable	220,334
Prepaid expenses and other assets	26,470
Amounts held for the benefit of residents	22,092
Total current assets	<u>1,819,637</u>
Noncurrent assets	
Investments	<u>279,303</u>
	<u>279,303</u>
Property and equipment - held for sale:	
Land	465,340
Building and improvements	22,816,065
Furniture and equipment	1,391,846
Vehicles	244,494
	<u>24,917,745</u>
Less: accumulated depreciation	<u>(16,063,631)</u>
	<u>8,854,114</u>
Construction in progress	<u>53,533</u>
Total property and equipment, net	<u>8,907,647</u>
Total noncurrent assets	<u>9,186,950</u>
Total assets	<u>\$ 11,006,587</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	\$ 138,262
Accrued compensation and benefits	403,919

Amounts held for benefit of residents	22,092
Provider Relief Funds	
PPP Loan payable	<u>911,000</u>
Total current liabilities	<u>1,475,273</u>
Note payable - Affiliate	<u>300,000</u>
Total liabilities	<u>1,775,273</u>
Net assets	
Without donor restrictions	8,861,845
With donor restrictions	<u>369,469</u>
Total net assets	<u>9,231,314</u>
Total liabilities and net assets	<u>\$ 11,006,587</u>

Little Sisters of the Poor Los Angeles
Income Statement
7/31/2021

Support and revenue	Without Donor Restrictions	With Donor Restrictions	Total
Support:			
Legacies	\$ 810,792	\$ -	\$ 810,792
Contributions	949,993	15,385	965,378
Grants - government	25,447		25,447
Foundations	239,185	-	239,185
Donated goods	38,137	-	38,137
Total support	<u>2,063,554</u>	<u>15,385</u>	<u>2,078,939</u>
Revenue:			
Resident services	1,772,766	-	1,772,766
Apartment Rents	88,137	-	88,137
Miscellaneous	24,478	-	24,478
Net assets released from restriction	39,302	(39,302)	-
Total support and revenue	<u>3,988,237</u>	<u>(23,917)</u>	<u>3,964,320</u>
Expenses:			
Sisters' Services	64,211	-	64,211
Salaries	2,424,701	-	2,424,701
Payroll Taxes	183,065	-	183,065
Employee Benefits	504,044	-	504,044
Food	121,319	-	121,319
Dietary - Other	37,267	-	37,267
Laundry	9,117	-	9,117
Housekeeping - Supplies	27,318	-	27,318
Personal Care	55,537	-	55,537
Pastoral Care	12,455	-	12,455
Property/Fire Insurance	10,852	-	10,852
Liability/Auto/Other Insurance	15,642	-	15,642
Administrative Expenses	261,763	-	261,763
Rentals	7,203	-	7,203
Utilities	190,249	-	190,249
Maintenance/Repairs	164,282	-	164,282
Equipment	11,283	-	11,283
Other Costs	6,332	-	6,332
Total expense	<u>4,106,641</u>	<u>-</u>	<u>4,106,641</u>

Support and revenue less expenses before nonoperating income	(118,404)	(23,917)	(142,321)
Nonoperating income:			
Investment gain	<u>27,792</u>	<u>-</u>	<u>27,792</u>
Change in net assets	(90,612)	(23,917)	(114,529)
Net assets, beginning of year	<u>8,952,457</u>	<u>393,386</u>	<u>9,345,843</u>
Net assets, end of year	<u><u>\$ 8,861,845</u></u>	<u><u>\$ 369,469</u></u>	<u><u>\$ 9,231,314</u></u>

Little Sisters of the Poor Los Angeles

Cash Flow

7/31/2021

7/31/2021

Cash flows from operating activities

Change in net assets	(114,529)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation expense	
Realized investment gains	(55,351)
Unrealized investment (gains) losses	28,905
Change in:	
Accounts receivable	20,005
Prepaid expenses and other assets	2,030
Accounts payable and accrued expenses	(33,688)
Accrued salaries and related liabilities	2,073
Accrued provider relief funds	(166,650)
Net cash provided (used) by operating activities	<u>(317,205)</u>

Cash flows from investing activities

Purchase of property and equipment	(11,284)
Net Purchase/Sale of investments	<u>(706,960)</u>
Net cash provided (used) by investing activities	<u>(718,244)</u>

Cash flows from financing activities

Proceeds from PPP loan	-
Proceeds from note payable - affiliate	-
Net cash provided by financing activities	<u>-</u>

Net increase(decrease) in cash and cash equivalents (1,035,449)

Cash and cash equivalents - beginning of year 2,020,857

Cash and cash equivalents - end of year 985,408

Reconciliation of cash and cash equivalents:

Cash and cash equivalents	963,316
Amounts held for the benefit of residents	<u>22,092</u>
	<u><u>985,408</u></u>

	Beginning	LSOP 2021 Contributions through 7/31/2021					Ending	
	Restricted	<u>Foundations</u>	<u>Legacies</u>	<u>Contributions</u>	<u>Circle of Friends</u>	Total	Expenditures	Restricted
Activities-Movies/Outdoor Activities	288					-		288
	-					-		-
	-					-		-
Apartment Independent Living Renovations	117,448					-	(14,234.99)	103,213
	-					-		-
Building/Capital Campaign/MTC (bldg & operating)	(0)					-		(0)
Capital Campaign (bldg & operating)	-					-		-
	-					-		-
	-					-		-
Chapel Roof Repair	99,900					-		99,900
Clara Ann Jubilee	746					-		746
	-					-		-
Dinning Room	8,052					-		8,052
	-					-		-
Food Order for Residents	(0)					-		(0)
Freezer/Oven/Stove	43,652					-		43,652
	-					-		-
Hurricane Harvey	130					-		130
Linens	19,943					-	(1,635.60)	18,307
	-					-		-
Mattresses/Stove	60,173					-		60,173
	-					-		-
Organ/Keyboard/Piano Donation	418					-		418
Over The Counter Medication	6,490					-	(6,510.44)	(20)
	-					-		-
Plumbing Issue- Laundry Room	-			15,000		15,000	(15,275.00)	(275)
Printer Resident Desk- Blue Dog	367					-		367
Refrigeration Curtain	1,214					-		1,214
	-					-		-

From 3000.0

Second Floor Linens	14,888				-	(1,258.06)	13,630
Sound System	19,677				-		19,677
Sysco Invoice 445405516	-			384	384	(387.47)	(3)
Total	393,386	-	-	15,384	-	15,384	(39,302)

	Beginning	LSOP 2021 Contributions through 7/31/2021				From 3000.0		Ending
	<u>Restricted</u>	<u>Foundations</u>	<u>Legacies</u>	<u>Contributions</u>	<u>Circle of Friends</u>	<u>Total</u>	<u>Expenditures</u>	<u>Restricted</u>
Activities-Movies/Outdoor Activities	288					-		288
	-					-		-
Apartment Independent Living Renovations	103,213					-		103,213
	-					-		-
Building/Capital Campaign/MTC (bldg & operating)	(0)					-		(0)
Capital Campaign (bldg & operating)	-					-		-
	-					-		-
Chapel Roof Repair	99,900					-	(99,900.00)	-
Clara Ann Jubilee	746					-		746
	-					-		-
Dinning Room	8,052					-		8,052
	-					-		-
Food Order for Residents	(0)					-		(0)
Freezer/Oven/Stove	43,652					-		43,652
	-					-		-
Hurricane Harvey	130					-		130
Linens	18,307					-		18,307
	-					-		-
Mattresses/Stove	60,173					-		60,173
	-					-		-
Organ/Keyboard/Piano Donation	418					-		418
Over The Counter Medication	(20)					-		(20)
	-					-		-
Plumbing Issue- Laundry Room	(275)					-		(275)
Printer Resident Desk- Blue Dog	367					-		367
Refrigeration Curtain	1,214					-		1,214
	-					-		-
Second Floor Linens	13,630					-		13,630
Sound System	19,677					-		19,677
Sysco Invoice 445405516	(3)					-		(3)
Total	369,469	-	-	-	-	-		269,569

Section 999.5(d)(11)(G) Any requests for opinions to the Internal Revenue Service for rulings attendant to this transaction and any Internal Revenue Service responses thereto.

There were no requests for opinions to the Internal Revenue Service attendant to this transaction.

Section 999.5(d)(11)(H) Pro forma post-transaction balance sheet for the surviving or successor nonprofit corporation.

Exhibit 20 is a copy of the post-transaction balance sheet for the surviving corporation.

Exhibit 20

Section 999.5(d)(11)(H)

Little Sisters of the Poor Los Angeles
 Balance Sheet
 7/31/2022 - Projected

	<u>7/31/2022</u>	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 373,717	includes cash transfer account balance of \$40,679
Investments	20,587,425	anticipates gross proceeds from sale \$20,000,000; no change in investment value
Accounts receivable	263,889	estimated one month resident services and apartment rents
Prepaid expenses and other assets	26,470	primarily pre-paid insurance to be cleared
Amounts held for the benefit of residents	<u>22,092</u>	to be disbursed
Total current assets	<u>21,273,593</u>	
Noncurrent assets		
Investments	<u>307,650</u>	includes \$28,348 in projected earnings
	<u>307,650</u>	
Property and equipment - held for sale:		
Land		
Building and improvements		
Furniture and equipment		
Vehicles		
	-	
Less: accumulated depreciation		
	<u>-</u>	
Construction in progress		
Total property and equipment, net	<u>-</u>	
Total noncurrent assets	<u>307,650</u>	
Total assets	<u>\$ 21,581,243</u>	

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable and accrued expenses	\$	130,430	anticipates one month of expense outstanding
Accrued compensation and benefits		453,717	anticipates one month of expense outstanding
Amounts held for benefit of residents		22,092	
Provider Relief Funds			
PPP Loan payable		-	
Total current liabilities		<u>606,239</u>	

Note payable - Affiliate

Total liabilities		<u>-</u>
		606,239

Net assets

Without donor restrictions		20,705,435
With donor restrictions		<u>269,569</u>
Total net assets		<u>20,975,004</u>
Total liabilities and net assets	\$	<u>21,581,243</u>