



Open Letter from NexCare Health Systems Executive Committee

NexCare Health Systems and its Centers pride themselves on their commitment to operating in a legal and ethical manner. As the health care regulatory environment becomes increasingly complex, it is essential that each and every one of us pledge ourselves to complying with all applicable laws and regulations and to achieving the highest ethical and professional standards.

As a part of NexCare Health Systems and its Centers commitment to corporate compliance, a detailed corporate compliance plan has been developed. The plan explains the legal and ethical standards that govern our business activities. It provides guidance in reaching legal and ethical solutions to the challenges we face in our daily activities. The plan also informs you of the resources available to ensure compliance with applicable laws and regulations as well as to report areas of concern. The corporate compliance plan applies to all owners, employees, suppliers, volunteers and any other entities that have a business relationship with NexCare Health Systems or its Centers.

NexCare Health Systems longstanding commitment to operating legally and ethically is reflected in the personal integrity of our employees. Compliance is a cooperative effort. The Corporate Compliance Code of Conduct and relevant policies indicate how business is to be conducted and reiterates our longstanding commitment to integrity in our dealings with residents, customers, suppliers and competitors.

The NexCare Health Systems Code of Conduct is in the Employee Handbook and is posted in your Center. It can also be found, along with a crosswalk of supporting policies, on the nexcarehealth.com website under the Learning Tab. Please take the time to carefully review the Corporate Compliance Code of Conduct.

Thank you for your commitment to corporate compliance. Your comments, questions, concerns, and suggestions are welcomed and encouraged.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rick Scherrer'.

Rick Scherrer, Chief Financial Officer

A handwritten signature in black ink, appearing to read 'Tom Rau'.

Tom Rau, Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Carolyn Merucci'.

Carolyn Merucci, Corporate Compliance Officer

A handwritten signature in black ink, appearing to read 'Shari Carson'.

Shari Carson, Community Leader

A handwritten signature in black ink, appearing to read 'Henry Boutros'.

Henry Boutros, Community Leader

NexCare Health Systems Code of Conduct

The NexCare Health Systems Code of Conduct provides guiding standards for our decisions and actions as members of the NexCare Health Systems organization. This Code of Conduct reflects our changing business environment and has been approved by the NexCare Health Systems Executive Compliance Committee. It applies to everyone who is employed by or acts on behalf of NexCare Health Systems and its Centers – including but not limited to owners, management, employees, consultants, contingent workers, service providers, product suppliers, and volunteers. In addition to governing conduct among employees, this Code governs conduct between employees and customers, competitors and the numerous business providers (including suppliers, vendors, contractors and agents) who support NexCare Health Systems and its Centers everyday. Although the Code of Conduct cannot cover every situation that may occur nor substitute for common sense, individual judgment, or personal integrity; it is the duty of each member of the NexCare Health Systems organization to adhere, without exception, to the principles set forth herein.

1. NexCare Health Systems and its Centers Shall Comply With All Applicable Laws.

It is the duty of NexCare Health Systems, its Centers, and each member of the NexCare organization to uphold all applicable laws and regulations. All members of the NexCare organization must be aware of the legal requirements and restrictions applicable to their respective positions and duties. NexCare Health Systems and its Centers shall implement programs necessary to further such awareness and to monitor and promote compliance with such laws and regulations.

2. NexCare Health Systems and its Centers Shall Conduct Its Affairs in Accordance With the Highest Ethical Standards.

NexCare Health Systems, its Centers, and each member of the NexCare organization shall conduct all activities in accordance with the highest ethical standards of the organization and their respective professions at all times and in a manner which shall uphold NexCare Health Systems' reputation and standing. No member of the NexCare organization shall make false or misleading statements to any client, resident, family member, government representative, person or entity doing business with NexCare Health Systems and/or its Centers.

3. NexCare Health Systems and its Centers Shall Avoid Conflicts of Interest.

All members of the NexCare organization must faithfully conduct their duties, in their assigned roles and tasks, for the purpose, benefit and interest of NexCare Health Systems and its Centers and those whom it serves. All NexCare community members have a duty to avoid conflicts with the interests of NexCare Health Systems and its Centers and may not use their positions and affiliations with NexCare Health Systems or its Centers for personal benefit. Members of the NexCare organization must consider and avoid not only actual conflicts but also the appearance of conflicts of interest.

4. NexCare Health Systems and its Centers Shall Strive to Attain the Highest Standards for All Aspects of Patient Care.

All members of the NexCare Health Systems organization must support the NexCare mission to foster person centered communities in which residents and employees thrive. The care provided must be reasonable and necessary to the care of each resident as appropriate to the situation, and such care must be provided by properly qualified individuals. All such care must be properly documented as required by law and regulation, payor requirements and professional standards.

5. NexCare Health Systems and its Centers Shall Provide Equal Opportunity and Shall Respect the Dignity of All Members of NexCare Health Systems and its Centers.

NexCare Health Systems and its Centers are committed to providing quality care to its residents, and employment for all persons, without regard to race, color, nationality or ethnic origin, religion, gender, sexual orientation, disability or veteran's status. NexCare Health Systems and its Centers are committed to maintaining an environment that respects the dignity of each individual in the organization. Therefore, prohibited discrimination in any form or context will not be tolerated.

6. NexCare Health Systems and its Centers Shall Maintain the Appropriate Levels of Confidentiality.

Members of the NexCare Health Systems organization have access to a variety of sensitive and proprietary information, the confidentiality of which must be protected. All members of the NexCare Health Systems organization must adhere to the appropriate laws, regulations, policies and procedures to ensure that confidential information is properly maintained and inappropriate or unauthorized release is prevented. NexCare Health

Systems and its Centers shall create and keep records and documentation that conform to legal, professional and ethical standards.

7. NexCare Health Systems and its Centers Shall Maintain a Relationship of Integrity With Each Payor Source.

NexCare Health Systems, its Centers, and the members of its community shall ensure that all requests for payment for healthcare services are (i) reasonable, necessary and appropriate; (ii) provided by properly qualified persons, and (iii) the claims for such services are billed in the correct amount and supported by appropriate documentation.

8. NexCare Health Systems and its Centers Shall Conduct All Business With Honesty and Integrity.

All business practices of NexCare Health Systems and its Centers must be conducted with honesty, integrity, and in a manner that promotes NexCare Health Systems reputation with customers, payors, vendors, suppliers, and competitors. All members of the NexCare community must:

- Adhere to proper business practices and federal and state fraud, abuse and referral prohibitions in dealing with vendors and referral sources;
- Conduct business transactions free from offers or solicitation of gifts, favors or other improper inducements;
- Conform to all applicable antitrust laws and regulations, and ensure that NexCare Health Systems and its Centers do not violate laws and regulations with respect to (i) pricing or other sale terms or conditions, (ii) improper sharing of competitive information, (iii) the allocation of territories or (iv) the impermissible exclusion of others from economic activities;
- Maintain and protect the property and assets of NexCare Health Systems and its Centers, including intellectual property and proprietary information, controlled substances and pharmaceuticals, equipment and supplies, funds of NexCare Health Systems and its Centers, and refrain from converting NexCare Health Systems and its Centers assets to personal use;
- Maintain the confidentiality of proprietary information belonging to other persons or entities doing business with NexCare Health Systems or its Centers; and

- Prepare accurate financial reports, accounting records, research reports, expense accounts, time sheets and other documents so that they completely and accurately represent the relevant facts and true nature of all NexCare Health Systems business transactions.

9. NexCare Health Systems and its Centers Shall Have Proper Regard for Safety.

NexCare Health Systems and its Centers shall provide a workplace that conforms to regulations regarding occupational health and safety. NexCare Health Systems and its Centers are committed to proper maintenance of the earth's environment; therefore, all medical waste, hazardous waste and other products shall be used and disposed of in accordance with all applicable environmental laws and regulations.

10. The Code of Conduct Shall be Integral to the Operation of NexCare Health Systems and its Centers and the Activities of the Organization.

The Code of Conduct exists for the benefit of members of NexCare Health Systems, its Centers, and all business affiliations. It is a dynamic document that will change through the contributions of the NexCare community members. All members of the NexCare organization are encouraged to suggest changes or additions to the Code of Conduct. The Code of Conduct must be incorporated into the daily activities of the members of the NexCare Health Systems and its Centers.

The Code of Conduct augments, but does not limit, specific policies and procedures of NexCare Health Systems and its Centers. Members of the NexCare Organization must perform their duties in accordance with such policies and procedures.

It is the duty of each member of the NexCare Health Systems community to uphold the standards set forth in the Code of Conduct and to report violations by following the reporting procedures established by this Program.

The governing body, managers, and supervisors of NexCare Health Systems and its Centers have a special duty to adhere to the principles set forth in the Code of Conduct, to support other members of the organization in their adherence to the Code of Conduct, to recognize and detect violations of the Code of Conduct, and to enforce the standards set forth in support of the Code.

It is a violation of the Code of Conduct to take any action in reprisal against anyone who reports, in good faith, suspected violations of the Code of Conduct or other NexCare Health Systems and its Centers policies and procedures.

Alleged violations of the Code of Conduct or other policies and procedures of NexCare Health Systems and its Centers will be investigated by persons designated by, and pursuant to procedures established by NexCare Health Systems.

Disciplinary action for violations of the Code of Conduct and other NexCare Health Systems policies and procedures shall be enforced through the disciplinary policies and procedures of NexCare Health Systems. Disciplinary actions are applicable to every employee, staff, agent, and contractor and will be determined on a case-by-case basis. Disciplinary action may include dismissal from employment or termination of contracts/agreements. NexCare Health Systems and its Centers will cooperate with law enforcement authorities in connection with the investigation and prosecution of any member of the NexCare community who violates a law governing the activities of NexCare Health Systems and its Centers.

Any of the following methods may be used to report suspected violations:

- Report to employee's immediate supervisor
- Report to the Center Compliance Liaison/Administrator
- Filing a report with the Corporate Compliance Officer at:
 - compliance@nexcarehealth.com
 - NexCare Health Systems, 10503 Citation Drive - Suite 100, Brighton, MI 48116
- Report to the confidential toll-free compliance hotline number 877-777-7606.

The reporter may report information anonymously, and all attempts will be made to preserve the confidentiality of the matter and anonymity of the reporter to the fullest extent permitted by law. However, confidentiality and anonymity cannot be guaranteed in all situations.

Corporate Compliance Areas of Risk Policy/Support Document Crosswalk

Supporting Policies/Documents

| | Residents Rights | Creation and Retention of Records | Employee Screening | Suppliers | Billing & Cost Reports | Community Involvement | CC Program |
|-----------------------------------|------------------------------------|--|---------------------------------|---|---|---|-------------------------------------|
| QA Committee Policy ADM-108 | QA Committee Policy ADM-108 | Medical Records NRA-MRD-100 | Hiring HRD-100 | Product & Service Supplier Relations Policy ADM-101 | Billing & Cost Reporting Policy ADM-102 | Sales & Promotional Materials BUS-AMS-100 | Confidentiality Agreement NEX -103 |
| Nursing Policy & Procedure Manual | Resident Rights Booklet | Records Retention ADM - 107 | Work Rules HRD-102 | Solicitation, Gifts & Remuneration Policy ADM-105 | | Media ADM-104 | Code of Conduct Policy NEX-100 |
| SilverChair Patient Care Modules | SilverChair Resident Rights Module | QA Committee Policy ADM-108 | Violation Investigation HRD-101 | QA Committee Policy ADM-108 | | | CC Hotline NEX-101 |
| Best Practice Guidelines | | | Disciplinary Action HRD-103 | | | | Center Reported CC Issues NEX-102 |
| | | | QA Committee Policy ADM-108 | | | | CC Education & Distribution NEX-103 |
| | | | | | | | SilverChair CC Module |
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NexCare Health Systems

Solicitation, Gifts and Remuneration Policy

It is the policy of NexCare Health Systems and its Centers that no employee will ever individually offer or solicit anything of value including cash, cash equivalents, gifts, gratuities, entertainment or hospitality to or from any entity or person with whom we do business. Employees will never encourage or imply that any entity or person with whom we do business will gain preferred status or receive referrals for business due to their offering either an individual employee or group of employees anything of value. No employee will ever offer or receive anything of value with the intent to influence or be influenced by any supplier, customer, government official, candidate, holder of public office, or public agency representatives.

As a limited exception, normal business courtesies and promotional items of nominal value may be exchanged with customers and suppliers as long as such items are not offered or provided to influence health care decisions by a beneficiary, family member, or responsible party. Examples of permissible items include pens, T-shirts, water bottles, etc.

NexCare Health Systems and its Centers will accept grants, or other related items of value, only for use in connection with the legitimate business purpose as stated in the grant.

Suspected violations or questionable practices may be reported by any of the following methods:

- Reporting to the employee's immediate supervisor
- Reporting to the Center Compliance Liaison/Administrator
- Filing a report with the Corporate Compliance Officer at:
 - compliance@nexcarehealth.com
 - NexCare Health Systems, 10503 Citation Drive - Suite 100, Brighton, MI 48116
- Report to the confidential toll-free compliance hotline number: 877-777-7606.

The reporter may report information anonymously, and all attempts will be made to preserve the confidentiality of the matter and anonymity of the reporter to the fullest extent permitted by law. However, confidentiality and anonymity cannot be guaranteed in all situations.

Any violation of this policy will subject the employee to disciplinary action including, but not limited to, termination of employment.

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| Title or Subject : Investigation of reported violation of NexCare Health Systems policies, standards and rules Scope of Involvement: Human Resources, Administrator, Corporate Compliance Officer | |
| Policy Number: HRD-101 Origination Date: 10/1/2009 Revised Date: | Approved By: <i>Carolyn Anderson</i> 10-1-09 Corp. Comp. Officer - Date Approved By: _____ Administrator - Date |

POLICY

It is the policy of NexCare Health Systems and its Centers that any reported violation of policies, standards and rules will be investigated.

PROCEDURE

1. Immediately conduct a thorough investigation of the facts and circumstances including:
 - a. What happened
 - b. Who was involved
 - c. When did it happen
 - d. Where did it happen
 - e. Visit the scene and observe the physical surroundings
2. Gather available physical evidence.
3. Review relevant documentation.
4. Interview all witnesses and document statements.
 - a. Seek information in a fair, objective, and nondiscriminatory manner from parties directly involved with the incident.
 - b. Redirect answers to facts only. Avoid hearsay and opinions.
 - c. Ask specific open ended questions directly related to the situation.
 - d. The investigator will document the witness's statement and will obtain the witnesses signature after review of the statement. Statements written by witnesses are not accepted. Each individual should review the information s/he provided for additions or corrections, then have the document signed or initialed by the person who gave the information. Date all information.

5. Interview the employee(s) involved with the alleged violation
 - a. Give employee(s) an opportunity to hear the charges, understand the evidence, and present "the other side of the story" before discipline occurs.
 - b. If the employee declines this opportunity, make note of the declination in the documentation of the investigation.
6. Document the process and results of the investigation
7. Keep all documentation used to support disciplinary action in the investigation file.

Note: Immediate removal of an employee from the workplace may be required. In these instances, the employee is suspended pending the results of the investigation. This is done with the understanding that a final decision will be made after the investigation; and, if there is no case, the employee may receive pay for the lost time if the time away was without pay.

Record of Annual Policy Review

| Initials | Date |
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| Title or Subject: Disciplinary action related to violation of NexCare Health Systems policies, standards and rules | |
| Scope of Involvement: Human Resources, Administrator, Corporate Compliance Officer | |
| Policy Number: HRD-103 | Approved By: <i>Carolyn Anderson</i> 10-1-09 Corp. Comp. Officer - Date |
| Origination Date: 10/1/2009 | Approved By: _____ Administrator - Date |
| Revised Date: | |

POLICY

It is the policy of NexCare Health Systems and its Centers that disciplinary action is taken when it is determined a violation has occurred. NexCare Health Systems and its Centers recognize that the determination of appropriate disciplinary action will depend upon the facts and circumstances of the particular situation.

PROCEDURE

1. Determine if criminal activity has occurred. If so, report this immediately to the Corporate Compliance Officer and Corporate Human Resource Director.
2. Upon review of the incident by the Corporate Compliance Officer and Executive Compliance Committee if reasonable grounds to believe that the misconduct either violates criminal law or constitutes a violation of civil law or rules and regulations governing federally and/or state funded health care programs then NexCare Health Systems will report the misconduct to: Office of the Inspector General, US Department of Health and Human Services and the appropriate State and Federal authorities.
3. If the investigation reveals that criminal misconduct did occur, the employee(s) involved will be immediately terminated.
4. If as a result of misconduct, the organization received overpayments, prompt restitution of such sums to the appropriate programs will be made.
5. Refer to Work Rules Policy for non-criminal violations.

Record of Annual Policy Review

| Initials | Date |
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***CORPORATE
COMPLIANCE
HOTLINE***

877-777-7606

OR

**compliance@
nexcarehealth.com**