

Greer, Leslie

From: Martone, Kim
Sent: Monday, November 02, 2015 7:57 AM
To: Hansted, Kevin
Cc: Greer, Leslie
Subject: FW: CON Determination Request under Conn. Gen. Stat. Section 19a-486a for The Johnson Evergreen Corporation
Attachments: Evergreen - Letter to Kim Martone Director of OHCA.pdf; Evergreen_-_Letter_to_Attorney_General_George_C__Jepson_dtd_10_30_2015.PDF; Evergreen_Bankruptcy_Court_Order.pdf; Evergreen - Modified Purchase Agreement.pdf; Evergreen Audited Financial Statements 2014 and 2013.pdf; JMMC Audited Financial Statements 2014 and 2013.pdf

From: Tompkins, Mindy [<mailto:mtompkins@reidandriege.com>]
Sent: Friday, October 30, 2015 4:33 PM
To: Martone, Kim
Subject: CON Determination Request under Conn. Gen. Stat. Section 19a-486a for The Johnson Evergreen Corporation

Dear Ms. Martone,

I have attached hereto for submission to the Office of Health Care Access, Department of Public Health, a cover letter and the CON Determination Form for The Johnson Evergreen Corporation. The determination request is being submitted pursuant to Conn. Gen. Stat. Section 19a-486a in connection with Johnson Evergreen Corporation's proposed sale of substantially all of its assets to Athena.

I have attached the following documents in PDF for your review:

1. Cover Letter and CON Determination Form with attachments
2. Copy of the Letter submitted to Attorney General George Jepsen
3. Order of the Bankruptcy Court
4. Modified Purchase Agreement
5. Audited Financial Statements of The Johnson Evergreen Corporation
6. Audited Financial Statements of Johnson Memorial Medical Center, Inc., on a consolidated basis

I appreciate your attention to this matter. If you need anything further, please do not hesitate to call me. Thank you.

Mindy S. Tompkins

Attorney

REID AND RIEGE, P.C.

COUNSELLORS AT LAW

One Financial Plaza

Hartford, CT 06103

p (860) 240-1044

f (860) 240-1144

c (860) 881-9341

mtompkins@rrlawpc.com

www.rrlawpc.com

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REID AND RIEGE, P.C.
COUNSELLORS AT LAW

MINDY S. TOMPKINS
ATTORNEY
ONE FINANCIAL PLAZA
HARTFORD, CT 06103
Phone: (860) 240-1044
Cell: (860) 881-9341
Fax: (860) 240-1002
mtompkins@rrlawpc.com
www.rrlawpc.com
Admitted in Connecticut and Massachusetts

October 30, 2015

Via E-Mail Delivery: Kimberly.Martone@ct.gov

Kimberly Martone, Director
Office of Health Care Access
410 Capitol Avenue
MS #13HCA
Hartford, CT 06134-0308

Re: Request for CON Determination under Conn. Gen. Stat. §19a-486a with respect
The Johnson Evergreen Corporation's Sale of Assets to Athena

Dear Ms. Martone:

Reid and Riege, P.C. represents The Johnson Evergreen Corporation (“**Evergreen**”) in connection with the proposed sale of substantially all of its assets to Athena Stafford Springs Landlord LLC and Stafford Springs CT SNF LLC (collectively, “**Athena**”). Evergreen and Athena entered into a Modified Purchase Agreement dated August 20, 2015, which agreement and sale transaction was approved by the U.S. Bankruptcy Court of the District of Connecticut on August 20, 2015. This letter and the enclosed CON Determination Form are being submitted to your office pursuant to Connecticut General Statutes §19a-486a, regarding the Sale of Nonprofit Hospitals.

Evergreen is requesting a determination that a certificate of need (“CON”) is not required from the Department of Public Health, Office of Health Care Access for the proposed sale transaction by Evergreen to Athena. We do not believe that a CON is required for the sale of Evergreen’s assets to Athena because Evergreen is licensed as a chronic and convalescent nursing home and pursuant to Conn. Gen. Stat. §19a-638(b)(4) a CON is not required for a nursing home.

In addition, we believe that the proposed transaction does not constitute the sale or transfer of a material amount of assets or operations of a “nonprofit hospital” under Conn. Gen. Stat. §19a-486a for the reasons set forth in our letter to the Connecticut Attorney General. A copy of the submission sent concurrently to the Attorney General is attached for your reference.

Kimberly Martone, Director
October 30, 2015
Page 2

We appreciate your prompt attention to this request. If you have any questions or require further information, please do not hesitate to contact me.

Sincerely,



Mindy S. Tompkins

Enclosures

cc: Henry A. Salton, Esq., Assistant Attorney General (*via e-mail: Henry.Salton@ct.gov*)
Michael E. McDonough, Esq.



**State of Connecticut
Office of Health Care Access
CON Determination Form
Form 2020**

All persons who are requesting a determination from OHCA as to whether a CON is required for their proposed project must complete this Form 2020. The completed form should be submitted to the Director of the Office of Health Care Access, 410 Capitol Avenue, MS#13HCA, P.O. Box 340308, Hartford, Connecticut 06134-0308.

SECTION I. PETITIONER INFORMATION

If this proposal has more than two Petitioners, please attach a separate sheet, supplying the same information for each Petitioner in the format presented in the following table.

	Petitioner	Petitioner
Full Legal Name	The Johnson Evergreen Corporation	
Doing Business As	Evergreen Health Care Center	
Name of Parent Corporation	Johnson Memorial Medical Center, Inc.	
Petitioner's Mailing Address, if Post Office (PO) Box, include a street mailing address for Certified Mail	205 Chestnut Hill Road, Stafford Springs CT 06076	
What is the Petitioner's Status: P for profit and NP for Nonprofit	NP	
Contact Person at Facility , including Title/Position: This Individual at the facility will be the Petitioner's Designee to receive all correspondence in this matter.	Stuart E. Rosenberg, President and CEO	

Contact Person's Mailing Address, if PO Box, include a street mailing address for Certified Mail	201 Chestnut Hill Road, Stafford Springs CT 06076	
Contact Person's Telephone Number	860-684-8101	
Contact Person's Fax Number	860-684-8165	
Contact Person's e-mail Address	stuart.rosenberg@jmmc.com	

SECTION II. GENERAL PROPOSAL INFORMATION

- a. Proposal/Project Title: Sale of The Johnson Evergreen Corporation d/b/a Evergreen Health Center to Athena Stafford Springs Landlord LLC and Stafford Springs CT SNF LLC
- b. Estimated Total Project Cost: \$5,000,000, plus the assumption of liabilities of approximately \$1,500,000
- c. Location of proposal, identifying Street Address, Town and Zip Code: 205 Chestnut Hill Road, Stafford Springs, CT 06076
- d. List each town this project is intended to serve:
Residents of Stafford Springs and the surrounding towns
- e. Estimated starting date for the project: November 16, 2015

SECTION IV. PROPOSAL DESCRIPTION

Please provide a description of the proposed project, highlighting each of its important aspects, on at least one, but not more than two separate 8.5" X 11" sheets of paper. At a minimum each of the following elements need to be addressed, if applicable:

See attached description of the proposed project.

1. If applicable, identify the types of services currently provided and provide a copy of each Department of Public Health license held by the Petitioner.

The services The Johnson Evergreen Corporation currently offers at the skilled nursing facility include skilled nursing care, palliative/hospice care, short-term rehabilitation,

respite care, sub-acute and long term care services. The Johnson Evergreen Corporation currently holds a license as a chronic and convalescent nursing home under number CCNH 2081-C registered under the d/b/a Evergreen Health Care Center, as copy of which is attached.

2. Identify the types of services that are being proposed and what DPH licensure categories will be sought, if applicable.

The services currently offered by The Johnson Evergreen Corporation and identified in response to question 1 above will continue under the proposed project. The facility will be licensed as a chronic and convalescent nursing home by the Department of Public Health.

3. Identify the current population served and the target population to be served.

The current and target population will remain the same and will consist of elderly and disabled patients in need of short-term and long-term skilled nursing care.

SECTION V. AFFIDAVIT

(Each Petitioner must submit a completed Affidavit.)

Petitioner: The Johnson Evergreen Corporation

Project Title: Sale of The Johnson Evergreen Corporation d/b/a Evergreen Health Center to Athena Stafford Springs Landlord LLC and Stafford Springs CT SNF LLC

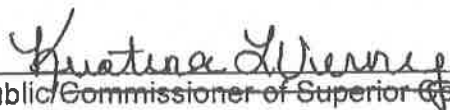
I, Stuart E. Rosenberg, President and CEO
(Name) (Position – CEO or CFO)

of The Johnson Evergreen Corporation being duly sworn, depose and state that the
(Organization Name)

information provided in this CON Determination form is true and accurate to the best of my knowledge.

 10-30-2015
Signature Date

Subscribed and sworn to before me on October 30, 2015


Notary Public/Commissioner of Superior Court

My commission expires: Kristina L. Verry
NOTARY PUBLIC
My Commission Expires July 31, 2019

PROPOSAL DESCRIPTION:

Evergreen is a non-profit, non-stock Connecticut corporation and operates a 180 bed skilled nursing facility located at 205 Chestnut Hill Road, Stafford Springs, CT 06076. Evergreen is licensed as a chronic and convalescent nursing home by the Department of Public Health and provides skilled nursing care, palliative/hospice care, short-term rehabilitation, respite care, sub-acute and long term care. The sole member of Evergreen is Johnson Memorial Medical Center, Inc., a non-profit, non-stock Connecticut corporation (“**JMMC**”). JMMC is also the sole member of Johnson Memorial Hospital, Inc., a non-profit, non-stock Connecticut corporation that is licensed as a general hospital by the Department of Public Health (the “**Hospital**”).

Evergreen filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court of the District of Connecticut on January 14, 2015. Confronted with the reality of difficult market and government regulatory forces in the health care industry, lack of capital, reduced government reimbursement rates, low census levels, and an unsustainable level of debt, Evergreen commenced its chapter 11 case in order to sell its assets pursuant to Bankruptcy Code Section 363. Evergreen initially entered into an asset purchase agreement with Saint Francis Care, Inc. dated January 14, 2015. On January 15, 2015, Evergreen filed a motion with the Bankruptcy Court for orders setting bidding procedures, scheduling a sale hearing, and authorizing the sale of Evergreen’s assets, free and clear of all liens and encumbrances (the “**Sale Motion**”). The Order Approving Bid Procedures and Granting Related Relief (the “**Bid Procedures Order**”) was entered by the Bankruptcy Court on March 30, 2015. In accordance therewith, Evergreen extensively marketed its assets--notice of the sale was sent to 46 different prospects, nine entities requested information as potential bidders, and there were three bids submitted in addition to purchase agreement with Saint Francis. Pursuant to the Bid Procedures Order, an auction was held on July 23, 2015 (the “**Sale Hearing**”), at the end of which it was determined by Evergreen that Athena had submitted the highest and best bid for the assets of Evergreen. On July 28, 2015, the Bankruptcy Court held a hearing on the Sale Motion, found that the Athena offer was the highest and best offer for the assets of Evergreen and granted the Sale Motion. On August 20, 2015, the Bankruptcy Court entered an Order approving the sale transaction to Athena in all respects, a copy which is attached hereto (the “**Sale Order**”). A copy of the Modified Purchase Agreement entered into between Evergreen and Athena is attached hereto (the “**MPA**”).

Athena Stafford Springs Landlord LLC and Stafford Springs CT SNF LLC are both Connecticut limited liability companies and are affiliated with Athena Health Care Associates, Inc. (“**Athena Health**”), which has a principal place of business at 135 South Road, Farmington, Connecticut. Athena Health is one of New England’s largest, for profit, privately-held, long term care management companies and ranked as the 25th largest nursing home operator in the country by *Provider* magazine (June 2015). Athena Health currently manages 43 skilled nursing facilities, 18 in Connecticut, 20 in Massachusetts and 5 in Rhode Island consisting of 5,402 licensed beds, including a pediatric center. In addition, Athena Health manages a 29 unit assisted living facility, 2 hospice agencies located in Massachusetts, 1 hospice agency in Connecticut and a home care agency in Connecticut. Athena Health facilities provide residents with a full spectrum of skilled nursing, short-term rehabilitation and long-term health care services caring for more than 5,000 individuals. Collectively, Athena Health facilities are one of the larger health care employers, with more than 8,000 employees working in Athena Health

managed facilities. Athena Health has a proven track record of successfully managing skilled nursing facilities.

As the Bankruptcy Court found, the sale of Evergreen's assets to Athena will improve the financial condition and stability of the nursing home facility, preserve and maximize the going concern value of the nursing home's property, preserve and provide jobs for its employees, allow for the continued delivery of healthcare services to its nursing home residents, and maximize the return for Evergreen's creditors.

This request is submitted pursuant to Connecticut General Statutes §19a-486a. Evergreen is requesting a determination that a certificate of need ("CON") is not required from the Department of Public Health, Office of Health Care Access for the proposed sale transaction by Evergreen to Athena. We do not believe that a CON is required for the sale of Evergreen's assets to Athena because Evergreen is licensed as a chronic and convalescent nursing home and pursuant to Conn. Gen. Stat. 19a-638(b)(4), a CON is not required for a nursing home. This is consistent with prior CON Determinations from the Office of Health Care Access for similar proposed sales of nursing homes (See 11-31688-DTR, 11-31699-DTR, and 12-31764-DTR).

STATE OF CONNECTICUT

Department of Public Health

LICENSE

License No. 2081-C

Chronic & Convalescent Nursing Home

In accordance with the provisions of the General Statutes of Connecticut Section 19a-493:

Johnson Evergreen Corporation of Stafford Springs CT d/b/a Evergreen Health Care Center is hereby licensed to maintain and operate a Chronic & Convalescent Nursing Home.

Evergreen Health Care Center is located at 205 Chestnut Hill Rd Route 190 Stafford Springs, CT, 06076-4005 with:

*Thomas M Gutner as Administrator
Jennifer A Briggs as Director of Nurses
Dushyant B Parikh as Medical Director

The maximum number of beds shall not exceed at any time:

180 Chronic and Convalescent Nursing Home Beds

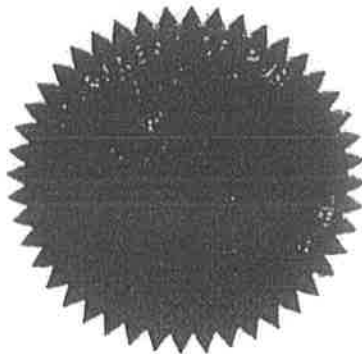
This license expires **June 30, 2016** and may be revoked for cause at any time.

Dated at Hartford, Connecticut, July 1, 2014

Waiver Sec. 19-13-D8t(v)(20)(I) Exp. N/A
Waiver Sec. 19-13-D8u(c)(2)(B) Exp. N/A
Waiver Sec. 19-13-D8t(v)(7)(C) Exp. N/A
Waiver Sec. 19-13-D8t(v)(16)(A)(iii) Exp. N/A
Waiver Sec. 19-13-D8t(v)(8)(C) Exp. N/A

Revised to include:

*Change of Administrator effective 08/2/14



Jewel Mullen

Jewel Mullen, MD, MPH, MPA
Commissioner



STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
Office of Health Care Access

May 26, 2011

David L. Smith
Senior Vice President
Stamford Health System, Inc.
20 Shelburne Road
P.O. Box 9317
Stamford, CT 06904

RE: Certificate of Need Determination Report Number 11-31688-DTR
Sale of Continuing Care Retirement Community of Greater Stamford, Inc.
d/b/a Edgehill by Edgehill to Benchmark Investments LLC and B-IX Edgehill, Inc.

Dear Mr. Smith:

On March 1, 2011, the Office of Health Care Access ("OHCA") received your determination request on behalf of Stamford Health System, Inc. ("SHS") and Continuing Care Retirement Community of Greater Stamford, Inc. d/b/a Edgehill ("Edgehill") with respect to whether a Certificate of Need ("CON") is required for the sale of Edgehill. Edgehill is licensed by the Department of Public Health ("DPH") as a chronic and convalescent nursing home and as an assisted living services agency. SHS is the corporate parent and sole member of Edgehill and proposes to sell Edgehill to Benchmark Investments IX, LLC and B-IX Edgehill, Inc. ("Benchmark"). Pursuant to General Statutes § 19a-638 (b) (4) and (5), a CON is not required for a nursing home or assisted living services agency. Accordingly, no CON is required for the proposed transfer of ownership of Edgehill from SHS to Benchmark.

If you have any questions regarding this letter, please contact Melanie Dillon, Staff Attorney at 860-418-7060.

Sincerely,


Jeannette B. DeJesus, MPA, MSW
Deputy Commissioner, OHCA

cc: Kathleen Silard, Executive Vice President and Chief Operating Officer, SHS
Maureen Weaver, Esq., Wiggin & Dana
Andrea Techman, Senior Vice President and General Counsel, Benchmark
Rose McLellan, License and Applications Supervisor, DPH, DHISR

An Equal Opportunity Employer
410 Capitol Ave., MS#13HCA, P.O.Box 340308, Hartford, CT 06134-0308
Telephone: (860) 418-7001 Toll-Free: 1-800-797-9688
Fax: (860) 418-7053



STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
Office of Health Care Access

May 26, 2011

Dan DeBarba
President and CEO
Norwalk Health Care, Inc.
34 Maple Street
Norwalk, CT 06856

RE: Certificate of Need Determination Report Number 11-31699-DTR
Norwalk Health Care, Inc.
Sale of Honey Hill Rehabilitation & Skilled Nursing Center

Dear Mr. DeBarba:

On April 4, 2011, the Office of Health Care Access ("OHCA") received your determination request on behalf of Norwalk Health Services Corporation ("NHSC") with respect to whether a Certificate of Need ("CON") is required for the sale of the assets of its wholly-owned subsidiary, Norwalk Health Care, Inc. d/b/a Honey Hill Rehabilitation & Skilled Nursing Center ("Honey Hill") to Aurora Holdings V, LLC ("Aurora Holdings V"). Honey Hill is licensed by the Department of Public Health ("DPH") as a chronic and convalescent nursing home. Pursuant to General Statutes § 19a-638 (b) (4), a CON is not required for a nursing home. Accordingly, a CON is not required for the proposed transfer of ownership of Honey Hill from NHSC to Aurora Holdings V.

If you have any questions regarding this letter, please contact Melanie Dillon, Staff Attorney at 860-418-7060.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeannette B. DeJesús".

Jeannette B. DeJesús, MPA, MSW
Deputy Commissioner, OHCA

C: Thomas J. Regan, Esq., Brown Rudnick
Rose McLellan, License and Applications Supervisor, DPH, DHSR



STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
Office of Health Care Access

August 17, 2012

VIA FACSIMILE ONLY

Felicia DeDominicis
Senior Vice President
Chief Legal Officer
HSC Community Services, Inc.
2150 Corbin Avenue
New Britain, CT 06053

RE: Certificate of Need, Report No.: 12-31764-DTR
HSC Community Services, Inc. d/b/a Brittany Farms Health Center
Sale of Business Assets of HSC Community Services, Inc. d/b/a Brittany Farms Health Center to
Aurora Holdings V, LLC

Dear Attorney DeDominicis:

On May 25, 2012, the Office of Health Care Access ("OHCA") received your determination request on behalf of HSC Community Services, Inc. d/b/a Brittany Farms Health Center ("Brittany Farms") and Aurora Holdings V, LLC ("Aurora"), with respect to whether a filing pursuant to 19a-486 of the Connecticut General Statutes ("C.G.S.") is required for the sale of Brittany Farms' business assets to Aurora.

Based on the facts provided in the CON Determination filed with OHCA, it appears that Brittany Farms does not meet the definition of a Health Care Facility pursuant to Connecticut General Statutes Section 19a-630. Therefore, OHCA concludes that a CON is not required for the sale of Brittany Farms' business assets to Aurora.

Thank you for informing OHCA of your plans and if you have any questions regarding this letter, please contact Steven W. Lazarus, Associate Health Care Analyst at (860) 418-7012.

Sincerely,

A handwritten signature in black ink, appearing to read "Kimberly R. Martone".

Kimberly R. Martone
Director of Operations, OHCA

C: Rose McLellan, License and Applications Supervisor, DPH, DHSR



REID AND RIEGE, P.C.
COUNSELLORS AT LAW

MINDY S. TOMPKINS
ATTORNEY
ONE FINANCIAL PLAZA
HARTFORD, CT 06103
Phone: (860) 240-1044
Cell: (860) 881-9341
Fax: (860) 240-1002
mtompkins@rrlawpc.com
www.rrlawpc.com
Admitted in Connecticut and Massachusetts

October 30, 2015

VIA HAND DELIVERY

The Honorable George C. Jepsen
Attorney General
State of Connecticut
55 Elm Street
Hartford, CT 06106

Re: Request for Determination under Conn. Gen. Stat. §19a-486a with respect The Johnson Evergreen Corporation's Sale of Assets to Athena

Dear Attorney General Jepsen:

Reid and Riege, P.C. represents The Johnson Evergreen Corporation (“**Evergreen**”) in connection with the proposed sale of substantially all of its assets to Athena Stafford Springs Landlord LLC and Stafford Springs CT SNF LLC (collectively, “**Athena**”). This letter is being submitted to your office for a determination that the proposed transaction is not subject to the approval requirements of §19a-486 to 19a-486h of the Connecticut General Statutes (the “**Sale of Nonprofit Hospitals Statute**”). As described below, we believe that the proposed transaction does not constitute the sale or transfer of a material amount of assets or operations of a “nonprofit hospital.” A copy of the CON determination letter required under §19a-486a(b) has been concurrently submitted to the Department of Public Health, Office of Health Care Access and a copy is attached for your reference.

Description of the Transaction:

Evergreen is a non-profit, non-stock Connecticut corporation and operates a 180 bed skilled nursing facility located at 205 Chestnut Hill Road, Stafford Springs, CT 06076. Evergreen is licensed as a chronic and convalescent nursing home by the Department of Public Health and provides skilled nursing care, palliative/hospice care, short-term rehabilitation, respite care, sub-acute and long term care. The sole member of Evergreen is Johnson Memorial Medical Center, Inc., a non-profit, non-stock Connecticut corporation (“**JMMC**”). JMMC is also the sole member of Johnson Memorial Hospital, Inc., a non-profit, non-stock Connecticut corporation that is licensed as a general hospital by the Department of Public Health (the “**Hospital**”).

Evergreen filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court of the District of Connecticut on January 14, 2015. Confronted with the reality of difficult market and government regulatory forces in the health care industry, lack of capital, reduced government reimbursement rates, low census levels, and an unsustainable level of debt, Evergreen commenced its chapter 11 case in order to sell its assets pursuant to Bankruptcy Code Section 363. Evergreen initially entered into an asset purchase agreement with Saint Francis Care, Inc. dated January 14, 2015. On January 15, 2015, Evergreen filed a motion with the Bankruptcy Court for orders setting bidding procedures, scheduling a sale hearing, and authorizing the sale of Evergreen's assets, free and clear of all liens and encumbrances (the "**Sale Motion**"). The Order Approving Bid Procedures and Granting Related Relief (the "**Bid Procedures Order**") was entered by the Bankruptcy Court on March 30, 2015. In accordance therewith, Evergreen extensively marketed its assets--notice of the sale was sent to 46 different prospects, nine entities requested information as potential bidders, and there were three bids submitted in addition to purchase agreement with Saint Francis. Pursuant to the Bid Procedures Order, an auction was held on July 23, 2015 (the "**Sale Hearing**"), at the end of which it was determined by Evergreen that Athena had submitted the highest and best bid for the assets of Evergreen. On July 28, 2015, the Bankruptcy Court held a hearing on the Sale Motion, found that the Athena offer was the highest and best offer for the assets of Evergreen and granted the Sale Motion. On August 20, 2015, the Bankruptcy Court entered an Order approving the sale transaction to Athena in all respects, a copy which is attached hereto (the "**Sale Order**"). A copy of the Modified Purchase Agreement entered into between Evergreen and Athena is attached hereto (the "**MPA**").

Athena Stafford Springs Landlord LLC and Stafford Springs CT SNF LLC are both Connecticut limited liability companies and are affiliated with Athena Health Care Associates, Inc. ("**Athena Health**"), which has a principal place of business at 135 South Road, Farmington, Connecticut. Athena Health is one of New England's largest, for profit, privately-held, long term care management companies and ranked as the 25th largest nursing home operator in the country by *Provider* magazine (June 2015). Athena Health currently manages 43 skilled nursing facilities, 18 in Connecticut, 20 in Massachusetts and 5 in Rhode Island consisting of 5,402 licensed beds, including a pediatric center. In addition, Athena Health manages a 29 unit assisted living facility, 2 hospice agencies located in Massachusetts, 1 hospice agency in Connecticut and a home care agency in Connecticut. Athena Health facilities provide residents with a full spectrum of skilled nursing, short-term rehabilitation and long-term health care services caring for more than 5,000 individuals. Collectively, Athena Health facilities are one of the larger health care employers, with more than 8,000 employees working in Athena Health managed facilities. Athena Health has a proven track record of successfully managing skilled nursing facilities.

As the Bankruptcy Court found, the sale of Evergreen's assets to Athena will improve the financial condition and stability of the nursing home facility, preserve and maximize the going concern value of the nursing home's property, preserve and provide jobs for its employees, allow for the continued delivery of healthcare services to its nursing home residents, and maximize the return for Evergreen's creditors.

As noted above and discussed in more detail below, we do not believe the proposed transaction is subject to the approval requirements of the Sale of Nonprofit Hospitals Statute. Nevertheless, we are submitting this letter to your office in an abundance of caution for a determination that you concur with our analysis.

Legal Discussion:

1. **The Proposed Sale Transaction does not Constitute the Sale or Transfer of a Nonprofit Hospital.**

Section 19a-486a(a) of the General Statutes provides that a “nonprofit hospital” shall not enter into an agreement to transfer a material amount of its assets or operations or a change in control of its operations to a person that is organized or operated for profit without first having received approval of the agreement by the Commissioner of Public Health and the Attorney General pursuant to the Sale of Nonprofit Hospitals Statute and the Attorney General’s authority under Section 3-125 of the General Statutes. Section 19a-486(1) of the General Statutes defines a “nonprofit hospital” to mean “a nonprofit entity licensed as a hospital pursuant to this chapter and any entity affiliated with such a hospital through governance or membership, including, but not limited to, a holding company or subsidiary.”

Evergreen is not a licensed hospital. Evergreen does have the same sole member as the Hospital, which is JMMC. So the question is whether Evergreen is an “entity affiliated with ... a hospital *through governance or membership*” (emphasis added) for purposes of the Sale of Nonprofit Hospitals Statute. We believe it is not.

The fact that Evergreen and the Hospital have a common sole member does not mean that they are affiliated within the meaning of the Sale of Nonprofit Hospitals Statute. Evergreen is not a member of the Hospital, nor is the Hospital a member of Evergreen. The Hospital is not the holding company, does not own the assets of Evergreen or directly control Evergreen. While Evergreen and the Hospital may be deemed to be under common control, the definition of “nonprofit hospital” under the Sale of Nonprofit Hospitals Statute does not purport to encompass common control. This omission is significant and must be presumed to have been intentional given the existence of other statutory definitions of affiliation used elsewhere in the health care context that expressly encompass the concept of common control.¹ The fact that the plain language of the Sale of Nonprofit Hospitals Statute does not include “common control” or “common ownership” implies that different criteria apply under this statute. See Saunders v. Firtel, 293 Conn. 515, 527 (2009) (“when a statute, with reference to one subject contains a

¹ See, e.g., Conn. Gen. Stat. §19a-630 (where the term “affiliate” is defined to mean “a person, entity or organization controlling, controlled by or under common control with another person, entity or organization”); Conn. Gen. Stat. §19a-644 (where the term “affiliate” is defined to mean “any person that directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with any health care facility, institution, provider or person that is regulated in any way under this chapter”); and Conn. Gen. Stat. §19a-659 (where the term “affiliate” is defined to mean “a person, entity or organization controlling, controlled by, or under common control with another person, entity or organization”).

given provision, the omission of such provision from a similar statute concerning a related subject ... is significant to show that a different intention existed" [internal quotation marks omitted]). Accordingly, a fair interpretation of the Sale of Nonprofit Hospitals Statute would be that Evergreen is not affiliated with the Hospital "*through governance or membership*" and thus the proposed sale transaction does not constitute the sale or transfer of a "nonprofit hospital." This distinction is appropriate here with respect to the sale of a nursing home that is not owned by or an asset of a hospital, especially given that the statute does not apply more generally to sales of other nonprofit nursing homes that do not have any relationship to a health system that includes a hospital.

2. The Proposed Sale Transaction does not Constitute the Sale or Transfer of a Material Amount of the Assets or Operations of a Nonprofit Hospital.

Even if Evergreen were deemed to be an entity within the definition of a "nonprofit hospital" under the Sale of Nonprofit Hospitals Statute, the assets to be sold by Evergreen do not constitute a material amount of the assets or operations of the consolidated group under JMMC, which includes the nonprofit hospital. Submitted herewith for your information and review are copies of the audited financial statements of Evergreen for fiscal years ending September 30, 2014 and 2013 and the audited consolidated financial statements of JMMC for fiscal years ending September 30, 2014 and 2013.

The following facts evidence the fact that Evergreen does not constitute a material amount of the assets or operations of JMMC:

- Evergreen is insolvent and its liabilities are significantly in excess of its assets. As of September 30, 2014, Evergreen's current liabilities exceeded current assets by \$14,937,409.
- On September 30, 2014 Evergreen had negative net assets of \$11,819,012 and JMMC on a consolidated group basis had negative net assets of \$6,904,100. Thus, neither Evergreen nor JMMC have positive net assets.
- Without taking into consideration outstanding liabilities, the total assets of Evergreen were \$5,622,950 as of September 30, 2014 and the total assets of JMMC were \$51,464,509. Thus, comparing just the total assets without considering liabilities, the total assets of Evergreen represents only 10.9% of the total assets of JMMC.
- The current portion of Evergreen's long-term debt owed was \$14,213,697 on September 30, 2014, compared to \$30,871,799 for JMMC on a consolidated basis. Thus, Evergreen accounts for 46% of the current portion of JMMC's long-term debt.
- The purchase price offered by Athena is approximately \$6.5 million, including \$5,000,000 cash, the purchase of eligible accounts receivables, and the assumption or payment of certain liabilities, including but not limited to, accrued employee related obligations, tail insurance premium, pre-petition provider tax, trade payables not in excess of \$500,000, and healthcare overpayment obligations not in excess of \$200,000.

- However, the purchase price offered by Athena is based upon the assets of Evergreen being sold free and clear of all liens and encumbrances pursuant to Section 363 of the Bankruptcy Code, and therefore does not reflect the actual net negative value of Evergreen to JMMC.
- In accordance with the MPA, the purchase price will be used to pay creditors and other obligations of Evergreen, including more specifically, the \$5 million cash payment will be paid to creditors in accordance with the absolute priority rule of the Bankruptcy Code and the cash payment for eligible accounts receivables will be paid directly to the debtor-in-possession lender.
- The net proceeds of the sale transaction to Evergreen, and ultimately accruing to the benefit of JMMC, is **zero**.

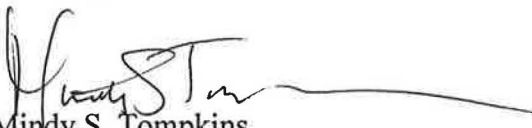
Since there is negative value in Evergreen, it could not be deemed to be a material amount of JMMC's or the Hospital's assets or operations. Therefore, we believe the proposed sale transaction by Evergreen should not be deemed to constitute the sale or transfer of a material portion of the assets or operations of the JMMC consolidated group or the Hospital for purposes of the Sale of Nonprofit Hospitals Statute.

Conclusion:

For the reasons set forth above, we respectfully request a determination by the Attorney General that the proposed sale by Evergreen of substantially all of its assets is not subject to the approval requirements set forth in the Sale of Nonprofit Hospitals Statute either because the proposed sale transaction does not constitute the sale or transfer of a "nonprofit hospital" under the Sale of Nonprofit Hospitals Statute or, alternatively, because the proposed transaction does not constitute the sale or transfer of a material amount of the assets or operations of the consolidated group under JMMC that includes the nonprofit Hospital.

Please do not hesitate to contact me if you have any questions or require any additional information.

Sincerely,


Mindy S. Tompkins

Enclosures

cc: Henry A. Salton, Esq., Assistant Attorney General (*via e-mail: Henry.Salton@ct.gov*)
Ms. Kimberly Martone, Director of the Office of Health Care Access, Dept. of Public Health
Michael E. McDonough, Esq.

UNITED STATES BANKRUPTCY COURT
DISTRICT OF CONNECTICUT
Bridgeport Division

In re	:	CASE NO. 15-20062 (AHWS)
JOHNSON EVERGREEN CORPORATION,	:	Chapter 11
Debtor.	:	Doc. I.D. No. 18

ORDER AUTHORIZING AND APPROVING (I) THE SALE OF SUBSTANTIALLY ALL OF THE ASSETS OF THE JOHNSON EVERGREEN CORPORATION TO ATHENA STAFFORD SPRINGS LANDLORD LLC AND STAFFORD SPRINGS CT SNF LLC.; (II) THE PROCEDURES GOVERNING THE ASSUMPTION AND ASSIGNMENT OF CONTRACTS; AND (III) RELATED RELIEF¹

Upon the motion of The Johnson Evergreen Corporation (the "Debtor"), pursuant to sections 105(a), 363 and 365 of title II of the United States Code (the "Bankruptcy Code") and Federal Rules of Bankruptcy Procedure 2002, 6004, 9007 and 9014 (the "Bankruptcy Rules"), for entry of an order authorizing and approving, among other things, the sale of all or substantially all of its assets, which assets include the assets, real and personal, tangible and intangible, associated with owning, leasing, managing and operating the Facility (the "Business") to Athena Stafford Springs Landlord LLC and Stafford Springs CT SNF LLC (collectively, "Athena") free and clear of all Liens, Claims and Interests (as defined below) and related relief (Docket No. 18) (as amended, the "Motion");² and the Order Approving Bid Procedures and Granting Related Relief (Docket No. 46) (the "Bid Procedures Order"); and it appearing that due and appropriate notice of the Motion, the Bid Procedures Order, the Bid Procedures, the Auction and the Sale Hearing was given; and it appearing that no other notice of the relief granted by this Order need be given; and the Court having conducted a hearing on the Motion on July 28, 2015 (the "Sale Hearing") at which time all interested parties were offered an opportunity to be heard with respect to the Motion; and the Debtor having determined that Athena has submitted the highest and best bid for

¹

FINDINGS OF FACT SHALL BE CONSTRUED AS CONCLUSIONS OF LAW, AND CONCLUSIONS OF LAW SHALL BE CONSTRUED AS FINDINGS OF FACT WHEN APPROPRIATE. SEE FED. R. BANKR. P. 7052.

² Capitalized terms not otherwise defined herein shall have the meanings given to them in that certain Modified Purchase Agreement by and between the Debtor, as seller, and Athena, as buyer (the "MPA"). A copy of the MPA is attached as Exhibit 1 hereto.

the assets of the Debtor that Athena has offered to purchase as more specifically described in the MPA (the "Purchased Assets"); and all parties in interest having been heard, or having had the opportunity to be heard, regarding entry of this Order and approval of the Sale Transaction (as such term is defined in the Bid Procedures Order) and the MPA; and this Court being fully advised in the premises; this Court, based upon the arguments and any testimony and evidence presented to it, hereby makes the following findings of fact and conclusions of law:

A. This Court has jurisdiction to hear and determine the Motion and to grant the relief requested in the Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue of these cases and the Motion in this district is proper under 28 U.S.C. §§ 1408 and 1409.

B. This Order constitutes a final and appealable order within the meaning of 28 U.S.C. § 158(a). To any extent necessary under Bankruptcy Rule 9014 and Rule 54(b) of the Federal Rules of Civil Procedure as made applicable by Bankruptcy Rule 7054, this Court expressly finds that there is no just reason for delay in the implementation of this Order, and expressly directs entry of judgment as set forth herein.

C. This proceeding is a "core proceeding" within the meaning of 28 U.S.C. § 157(b)(2)(A), (N) and (O).

D. The statutory predicates for the Motion are sections 105, 363 and 365 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, 9007 and 9014.

E. As evidenced by the affidavits of service filed with the Court, and based upon the representations of counsel at the Sale Hearing, (i) proper, timely and adequate notice of the Motion, the Bid Procedures Order, the Sale Hearing, the Sale Transaction, the Auction and the Bid Deadline as approved herein has been provided in accordance with Bankruptcy Rules 2002, 6004, 9007 and 9014, (ii) such notice was good, sufficient and appropriate under the circumstances, and (iii) no other or further notice of the Motion, the Bid Procedures Order, the Sale Hearing, the Sale Transaction, the Auction or the Bid Deadline as provided herein is necessary or shall be required.

F. A reasonable opportunity to object or be heard with respect to the Motion and the Sale Transaction has been afforded to all interested persons and entities, including, without limitation: (i) the office of the United States Trustee, (ii) all creditors as defined in Section 101(1) of the Bankruptcy Code, (iii) all entities known to have asserted any lien, interest or encumbrance upon the Debtor's assets, (iv) counsel for Saint Francis Care, Inc. ("SFC"), (v) counsel to the Debtor's prepetition secured lenders, (vi) all entities known by the Debtor to have expressed an interest in acquiring the Debtor's Assets in the previous calendar year, (vii) the United States Attorney's Office, (viii) the Internal Revenue Service, (ix) the Pension Benefit Guaranty Corporation; (x) appropriate state regulatory agencies, including, without limitation, the Connecticut Department of Energy & Environmental Protection, the Connecticut Attorney General's Office (representing the Department of Social Services and the Department of Health), the Connecticut Department of Revenue Services, and the Connecticut Department of Labor; and (xi) all other parties who filed requests for notice under Bankruptcy Rule 2002 in these cases.

G. Notice, as specified in the preceding paragraph and as evidenced by the affidavits of service filed with the Court, has been provided in the form and manner specified in the Motion and required by the Bid Procedures Order, and such notice is reasonable and adequate.

H. The process for the sale of the Purchased Assets was conducted in accordance with the Bid Procedures Order. At the conclusion of the Auction, Athena was deemed the Successful Bidder with the highest and best offer for the Purchased Assets. Nationwide Healthcare Services, LLC (“Nationwide”) was deemed to be the Qualified Bidder having made the next highest or otherwise best bid.

I. The Auction was conducted in accordance with the Bid Procedures Order. The Auction was conducted in a non-collusive, fair and good faith manner and a reasonable opportunity has been given to any interested party to make a higher and better offer for the Purchased Assets.

J. Athena is purchasing the Purchased Assets in good faith and is a good faith purchaser within the meaning of section 363(m) of the Bankruptcy Code, and is therefore entitled to the protection of that provision.

K. The MPA was negotiated, proposed and entered into by the Debtor and Athena without collusion, in good faith and from arms'-length bargaining positions. Neither the Debtor nor Athena have engaged in any conduct that would cause or permit the Sale Transaction or any part of the transactions contemplated by the MPA to be avoidable under section 363(n) of the Bankruptcy Code.

L. As demonstrated by (i) any testimony and other evidence proffered or adduced at the Sale Hearing, and (ii) the representations of counsel made on the record at the Sale Hearing, the Debtor afforded interested potential purchasers a full and fair opportunity to qualify as Qualified Bidders under the Bid Procedures and to submit an offer for the Purchased Assets.

M. Athena is not an “insider” of the Debtor, as that term is defined in section 101 (31) of the Bankruptcy Code.

N. The consideration provided by Athena for the Purchased Assets pursuant to the MPA (i) is fair and reasonable, (ii) is the highest and best offer for the Purchased Assets, (iii) will provide a greater recovery for all of the Debtor’s stakeholders than would be provided by any other practical available alternative and (iv) constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code, the Uniform Fraudulent Transfer Act and all other applicable laws.

O. The Debtor has demonstrated a sufficient basis and compelling circumstances requiring the Debtor to enter into the MPA and sell the Purchased Assets under section 363 of the Bankruptcy Code, and such actions are appropriate exercises of the Debtor’s business judgment and are in the best interests of the Debtor, its estate and its creditors.

P. The marketing and bidding processes implemented by the Debtor and its advisors, as set forth in the Motion, were fair, proper, and reasonably calculated to result in the best value received for the Purchased Assets.

Q. The Debtor has full authority and power to execute and deliver the MPA and related agreements and all other documents contemplated by the MPA, to perform its obligations therein and to consummate the Sale Transaction. Except as set forth in the MPA, no additional consents or approvals are necessary or required for the Debtor to enter into the MPA, perform its obligations therein and consummate the Sale Transaction.

R. Athena would not have entered into the MPA and would not consummate the Sale Transaction, thus adversely affecting the Debtor, the Debtor's patients or residents, the Debtor's overall estate and the Debtor's creditors, if the Purchased Assets were not sold to it free and clear of all Liens, Claims and Interests or if Athena would, or in the future could, be liable for any Liens, Claims and Interests against the Purchased Assets, except as specifically provided in the MPA.

S. Not selling the Purchased Assets free and clear of any and all Liens (other than Permitted Liens ("Liens")), Claims (as defined in section 101(5) of the Bankruptcy Code), security interests, mortgages, encumbrances, obligations, including employee benefit obligations (including, without limitation, under the Employee Retirement Income Security Act or the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), and further including any obligations to former employees of the Debtor under COBRA)), Liabilities (other than Assumed Liabilities), including liabilities under CERCLA and all other Environmental Laws, charges against or interests in property, adverse claims, claims of possession, rights of way, licenses, easements or restrictions of any kind, demands, guarantees, actions, causes of actions, suits, defenses, deposits, credits, allowances, options, rights, restrictions, remedies, limitations, contractual commitments, rights of first refusal, rights of setoff or recoupment, or interests of any kind or nature whether known or unknown, legal or equitable, matured or unmatured, contingent or noncontingent, liquidated or unliquidated, asserted or unasserted, whether arising prior to or subsequent to the commencement of this Chapter 11 case, whether imposed by agreement, understanding, law, equity or otherwise, including, without limitation, any rights or claims based on theories of transferee or successor liability under applicable law, statute, rule, regulation, common law or equitable principle, including, without limitation, any Environmental Laws, labor or employment laws (such as unemployment compensation), ERISA, the Code, and COBRA, of any Governmental Entity, including, without limitation, the Pension Benefit Guaranty Corporation, the IRS, state and local taxing authorities and any Governmental Entity, whether arising before or after the commencement of the Bankruptcy Case and whether imposed by agreement, understanding, law, equity, regulation, custom or otherwise, including, without limitation, the Benefit Plans (as such term is defined in the MPA), save and excepting only those Liabilities expressly assumed by Athena in writing pursuant to the MPA, subject to applicable law, including section 363 of the Bankruptcy Code (collectively, the "Liens, Claims and Interests") would adversely impact the Debtor's overall estate, and the sale of the Purchased Assets other than as free and clear of all Claims and Encumbrances would be of substantially less value to the Debtor's overall estate.

T. The provisions of section 363(f) of the Bankruptcy Code have been satisfied. All holders of Claims and Encumbrances, if any, who did not object, or withdrew their objections to the Sale Transaction, are deemed to have consented to the Sale Transaction.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED, EFFECTIVE IMMEDIATELY, AS FOLLOWS:

1. The relief requested in the Motion is granted and approved in all respects, as set forth herein, the Debtor's entry into the MPA and the Sale Transaction to Athena is hereby approved in all respects. Objections to the relief sought in the Motion that have not been previously resolved or withdrawn are hereby overruled on their merits.

2. The Debtor is authorized and directed to take any and all actions necessary or appropriate to (a) consummate the Sale Transaction in accordance with the Motion, the MPA and this Order, and (b) perform, consummate, implement and close fully the Sale Transaction, together with all additional instruments and documents that may be reasonably necessary or desirable to implement the MPA including, without limitation, consenting to the assignment by Athena of any of its rights under or relating to the MPA.

3. Nationwide shall serve as the Back-up Bidder and, as provided in the Bid Procedures Order, keep its final bid open and irrevocable until one (1) business day after the closing of the Sale Transaction with Athena. If Athena fails to consummate the sale approved herein because of a breach or failure to perform on its part, Nationwide will be deemed to be the new Successful Bidder, and, as set forth in the Bid Procedures Order, the Debtor will be authorized, but not required, to consummate the sale with Nationwide without further order of the Court. Consummation of a sale with Nationwide shall occur by the later of January 14, 2016 or one-hundred twenty (120) days following notice to Nationwide that it is the new Successful Bidder and otherwise in accordance with the terms and conditions of the asset purchase agreement submitted by Nationwide with its bid (with the purchase price reflecting Nationwide's final bid) provided such asset purchase agreement is substantially similar, in form and substance,

to the MPA. In such event, Nationwide shall be deemed to have replaced Athena for purposes of this Order.

4. Those holders of Liens, Claims and Interests and other non-Debtor parties who did not object, or who withdrew their objections to entry of this Order, the Motion, the Bid Procedures Order, the Sale Hearing, the Sale Transaction and the MPA are deemed to have consented to this Order, the Bid Procedures Order, the Sale Transaction and the MPA pursuant to section 363(f)(2) of the Bankruptcy Code and are enjoined from taking any action against Athena, its successors, its assigns, its representatives, its affiliates, its properties, or any agent of the foregoing to recover any claim which such person or entity has against the Debtor or any of its affiliates with respect to the Purchased Assets or any of the Debtor's property. Those holders of Liens, Claims and Interests and other non-Debtor parties who did object, if any, fall within one or more of the other subsections of section 363(f) of the Bankruptcy Code and are adequately protected by having their Liens, Claims and Interests, if any, attach to the proceeds of the Sale Transaction ultimately attributable to the property against or in which they assert a Lien, Claim or Interest.

Sale and Transfer of the Purchased Assets

5. Upon Closing, the Purchased Assets transferred, sold and delivered to Athena shall be free and clear of all Liens, Claims and Interests of any person or entity, except as specifically provided in the MPA. The transfer of the Purchased Assets to Athena constitutes a legal, valid and effective transfer of the Purchased Assets and shall vest Athena with all right, title and interest in and to the Purchased Assets.

6. Upon closing of the Sale Transaction, this Order shall be construed as, and shall constitute for any and all purposes, a full and complete general assignment, conveyance and transfer of the Purchased Assets pursuant to the terms of the MPA.

7. Effective on the Closing, all entities, including, but not limited to, the Debtor, creditors, employees, former employees and shareholders, administrative agencies, tax and regulatory authorities, governmental departments, secretaries of state, federal, state and local officials, and their respective successors or assigns, including, but not limited to, persons asserting any Lien, Claim or Interest against the Purchased Assets, shall be permanently and forever barred, restrained and enjoined from commencing or continuing in any manner any action or other proceeding of any kind against the Purchased Assets or Athena (or its successors, assigns, agents or representatives) as alleged successor or otherwise with respect to any Liens, Claims and Interests on or in respect of the Purchased Assets, except as specifically provided in the MPA.

8. Each and every term and provision of the MPA, together with the terms and provisions of this Order, shall be binding in all respects upon all entities, including, but not limited to the Debtor, Athena, creditors, employees, former employees and shareholders, administrative agencies, governmental departments, secretaries of state, federal, state and local officials and their respective successors or assigns, including but not limited to persons asserting any Lien, Claim or Interest against or interest in the Debtor's estate or the Purchased Assets, Including any subsequent appointment of a trustee or other fiduciary under any section of the Bankruptcy Code.

9. Upon the Closing, all entities holding Liens, Claims and Interests of any kind and nature against the Purchased Assets including without limitation, People's United Bank,

Healthcare Finance Group, LLC, HFG Healthcare LLC, HFG Healthcare-4LLC, Clifford A. Zucker, Renee Prince, Pension Benefit Guaranty Corporation and, SFC, hereby are barred from asserting such Liens, Claims and Interests against Athena (or its successors, assigns, agents or representatives) and/or the Purchased Assets and, effective upon the transfer of the Purchased Assets to Athena upon Closing, the Liens, Claims and Interests shall attach to the proceeds of the Sale Transaction with the same force, validity, priority and effect, if any, as against the Purchased Assets, except as specifically provided in the MPA, including, without limitation, the requirement that the proceeds of the sale of the Debtor's accounts receivable be paid directly to HFG. Except for the requirement that the proceeds of the Debtor's accounts receivable be paid directly to HFG, all parties reserve their rights to claim payment of the cash proceeds of sale in satisfaction of their liens which attach to the proceeds of sale and there shall be no distribution of proceeds of sale absent a further order of this Court authorizing distribution of such sale proceeds. Notwithstanding anything in the foregoing to the contrary, and in accordance with the Bid Procedures Order, in the event of the consummation of the Sale Transaction to Athena, or Nationwide as Back-up Bidder, the Break-Up Fee of \$50,000.00 shall be paid out of the cash proceeds of the sale to SFC.

10. The MPA and the Sale Transaction may be specifically enforced and are binding upon, and not subject to rejection or avoidance by, the Debtor or any Chapter 7 or Chapter 11 trustee of the Debtor appointed pursuant to the Bankruptcy Code or other representative of its estate.

11. This Order (a) is and shall be effective as a determination that, upon Closing, all Liens, Claims and Interests existing as to the Purchased Assets conveyed to Athena have been and hereby are adjudged to be unconditionally released, discharged and terminated, with all such

Liens, Claims and Interests attaching automatically to the proceeds in the same manner and priority, except as specifically provided in the MPA, and (b) shall be binding upon and govern the acts of all entities, including all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrar's of deeds, administrative agencies or units, governmental departments or units, secretaries of state, federal, state and local officials and all other persons and entities who may be required by operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any of the Purchased Assets conveyed to Athena. All Liens, Claims and Interests of record as of the date of this Order shall be removed and stricken as against the Purchased Assets in accordance with the foregoing, except as specifically provided in the MPA. All entities are authorized and specifically directed to strike all such recorded Liens, Claims and Interests against the Purchased Assets from their records, official or otherwise.

12. If any person or entity which has filed financing statements, mortgage, notices of lis pendens or other documents or agreements evidencing Liens, Claims and Interests on the Purchased Assets shall not have delivered to the Debtor prior to closing, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, releases of liens and easements and any other documents necessary for the purpose of documenting the release of all Liens, Claims and Interests which the person or entity has or may assert with respect to the Purchased Assets, the Debtor is hereby authorized and directed upon closing, and Athena is hereby authorized upon closing, to execute and file such statements, instruments, releases and other documents on behalf of such person or entity with respect to the Purchased Assets. Upon closing of the Sale Transaction, each of the Debtor's creditors is

authorized and directed to execute such documents and take all such actions as may be necessary to release their respective Liens, Claims and Interests against the Purchased Assets.

13. Upon closing, Athena (or its successors, assigns, agents or representatives) shall not be deemed to be (a) a successor to the Debtor, (b) de facto merged with the Debtor, or (c) a mere continuation of the Debtor. Without limiting the generality of the foregoing, and except as specifically provided in the MPA, Athena (or its successors, assigns, agents or representatives) shall not be liable for any Liens, Claims and Interests against the Debtor or any of its predecessors or affiliates or assets under any theory of antitrust, environmental, labor or employment, de facto merger, mere continuation, whether known or unknown, other than as expressly provided for in the MPA or in this Order.

Assumption and Assignment of Contracts

14. Upon receipt of all Contracts and Real Property Expense Leases (collectively, "Leases") and not less than thirty (30) days prior to the Closing, Athena shall provide (i) documentation identifying the Leases that Athena wishes to be assumed by the Debtor and assigned by the Debtor to Athena at Closing (the "Transferred Contracts"); (ii) documentation identifying all Contracts or Leases that Athena may, at a later date, wish to be assigned by the Debtor (the "Designated Contracts"); and (iii) all Contracts or Leases that Athena will not request the Debtor to assume or assign (the "Excluded Contracts"). At any time between the Closing and the 10th day following the Closing, Athena may, upon prior notice to the Debtor, re-designate any Designated Contract as either a Transferred Contract or an Excluded Contract. The Debtor agrees not to reject any Contract or Lease on or before the 10th day following the Closing except for Excluded Contracts and to continue to perform all obligations under such Contracts so long as Athena pays any post-closing expenses related thereto. Following the Closing, Athena shall be responsible for any payments that arise under any Designated Contract prior to the Buyer's re-designation of any such Designated Contract as an Excluded Contract. The Debtor shall assume in the Bankruptcy Case, any Transferred Contract that is designated by Athena to the Debtor on or before the 10th day following the Closing, provided that Athena shall pay all scheduled and disclosed cure amounts in connection with such assumption, and assign said Transferred Contracts to Athena. The proposed assignments shall take place pursuant to an order of the Court. This paragraph is not applicable to the Medicare and Medicaid Provider Agreements.

Additional Provisions

15. The provisions of this Order and the MPA and any actions taken pursuant hereto or thereto shall survive entry of any order which may be entered (a) confirming or consummating any plan of reorganization of the Debtor, (b) converting the Debtor's case from Chapter 11 to Chapter 7, (c) dismissing the Debtor's bankruptcy case or (d) appointing a Chapter 11 trustee or examiner, and the terms and provisions of the MPA as well as the rights and interests granted pursuant to this Order and the MPA shall continue in this or any superseding case and shall be binding upon the Debtor, Athena and their respective successors and permitted assigns.

16. Each and every federal, state and governmental agency or department and any other person or entity is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the MPA.

17. Upon Closing, Athena shall pay to the Debtor the Purchase Price, less the Good-Faith Deposit. For the avoidance of doubt, Athena shall pay the Receivables Cash Payment to Healthcare Finance Group, LLC pursuant to the terms of the MPA. The consideration provided by Athena for the Purchased Assets under the MPA constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code, the Uniform Fraudulent Transfer Act and all other applicable laws.

18. Nothing contained in any order of any type or kind entered in this Chapter 11 case or any related proceeding subsequent to entry of this Order, nor in any Chapter 11 plan confirmed in this Chapter 11 case, shall conflict with or derogate from the provisions of the MPA or the terms of this Order. Further, the provisions of this Order and any actions taken pursuant hereto shall survive the entry of an order confirming any plan of reorganization or

liquidation for the Debtor, the conversion of the Debtor's case from Chapter 11 to a case under Chapter 7 of the Bankruptcy Code or the dismissal of the Debtor's bankruptcy case.

19. To the extent, if any, anything contained in this Order conflicts with a provision in the MPA, this Order shall govern and control.

20. Athena is purchasing the Purchased Assets in good faith and is a good faith purchaser within the meaning of section 363(m) of the Bankruptcy Code, and is therefore entitled to the protection of that provision. The consideration provided by Athena for the Purchased Assets is fair and reasonable, and the Sale Transaction may not be avoided under section 363(n) of the Bankruptcy Code.

21. This Court retains jurisdiction, even after conversion of this Chapter 11 case to a case under Chapter 7, to (a) interpret, implement and enforce the terms and provisions of this Order (including any injunctive relief provided in this Order) and the terms of the MPA, all amendments thereto and any waivers and consents thereunder and of each of the agreements executed in connection therewith; (b) protect Athena (and its successors, assigns, agents and representatives) and the Purchased Assets from and against any of the Liens, Claims and Interests; (c) resolve any disputes arising under or related to the MPA or the Sale Transaction; (d) adjudicate all issues concerning alleged pre-Closing Liens, Claims and Interests and any other alleged interests in and to the Purchased Assets, including the extent, validity, enforceability, priority and nature of all such alleged Liens, Claims and Interests and any other alleged interests; (e) adjudicate any and all issues and/or disputes relating to the Debtor's right, title or interest in the Purchased Assets, the Motion and/or the MPA; and (f) dispose of all claims that are not Assumed Liabilities under the MPA.

22. From and after the date hereof, the Debtor shall act in accordance with the terms of the MPA and the Debtor, to the extent it has not already done so, shall execute the MPA at or prior to Closing.

23. This Order constitutes an authorization of conduct by the Debtor and nothing contained herein shall be deemed to constitute a ruling with regard to the sovereign immunity of any state. The failure of any state to object to the entry of this Order shall not operate as a waiver with respect thereto.

24. This Order and the MPA shall be binding in all respects upon all creditors (whether known or unknown) of the Debtor, all successors and assigns of Athena, the Debtor, and their affiliates and subsidiaries, and any subsequent trustee appointed in the Debtor's Chapter 11 case or in any Chapter 7 case or upon (a) a conversion of this Chapter 11 case to a case under Chapter 7 or (b) dismissal of the Debtor's bankruptcy case.

25. The failure specifically to include any particular provisions of the MPA in this Order shall not diminish or impair the efficacy of such provisions, it being the intent of the Court that the MPA and each and every provision, term and condition thereof be, and therefore is, authorized and approved in its entirety.

26. The provisions of this Order are nonseverable and mutually dependent.

27. The automatic stay of section 362(a) of the Bankruptcy Code shall not apply to and otherwise shall not prevent the exercise or performance by any party of its rights or obligations under the MPA, including, without limitation, with respect to any cash held in escrow pursuant to the provisions thereof.

28. This Sale Order shall take effect immediately and shall not be stayed pursuant to Bankruptcy Rules 6004(g), 6004(h), 6006(d), 7062, or otherwise.

29. Notwithstanding anything in the Motion, the MPA or this Order to the contrary, the Medicare Provider Agreements entered into by the Debtor shall not be considered an “asset” that may be sold pursuant to section 363 of the Bankruptcy Code. In the event that the Buyer elects to accept the Debtor’s Medicare Provider Agreements, identified by the CMS Certification Numbers listed on Schedule A hereto (the “Provider Agreements”), then (1) as of the Closing Date, and in accordance with 11 U.S.C. section 365, the Debtor will assume its “Provider Agreements,” and (2) as of the same date, the Buyer will accept automatic assignment of the Debtor’s “Provider Agreements” under 42 C.F.R. section 489.18. Thereafter, said “Provider Agreements” will be governed exclusively by the Medicare statute, regulations, policies and procedures, and without regard to bankruptcy law. These include, but are not limited to, repayment of Civil Monetary Penalties, and adjustment of all payments to the Buyer, to account for all prior overpayments and underpayments, including those relating to the pre-petition and pre-sale periods.

30. Notwithstanding anything in the Motion, the MPA or this Order to the contrary, no Medicaid Provider Agreements entered into by the Debtor shall be considered an “asset” that may be sold pursuant to section 363 of the Bankruptcy Code. In the event that the Buyer elects to accept the Debtor’s Medicaid Provider Agreements entered into by the Debtor, then (1) as of the Closing Date, and in accordance with 11 U.S.C. section 365, the Debtor will assume said Medicaid Provider Agreements, and (2) as of the same date, the Buyer will accept automatic assignment of the Debtor’s Medicaid Provider Agreements. Thereafter, said Medicaid Provider Agreements will be governed exclusively by the Medicaid statute, regulations, policies and procedures, and without regard to bankruptcy law. These include, but are not limited to,

adjustment of all payments to the Buyer, to account for all prior overpayments and underpayments, including those relating to the pre-petition and pre-sale periods.

Dated at Bridgeport, CT this 20th day of August, 2015.

BY:

A rectangular area that has been completely redacted with black ink, obscuring the signature and any text that might have been present.

MODIFIED PURCHASE AGREEMENT

THIS MODIFIED PURCHASE AGREEMENT (this "Agreement"), made as of the 20th day of August, 2015 (the "Execution Date"), by and among Athena Stafford Springs Landlord LLC ("Athena Landlord"), Stafford Springs CT SNF LLC ("Athena Operating"), each a Connecticut limited liability company (collectively, the "Buyer"), on the one hand, and The Johnson Evergreen Corporation, a Connecticut corporation (the "Seller"), on the other hand.

WITNESSETH:

WHEREAS, the Seller, its controlling Member, JMMC, and certain other affiliates of the Seller, specifically JMH, HCHS, and JHC (together with JMMC, the "Affiliated Sellers"), filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code with the Bankruptcy Court on January 14, 2015 (the "Petition Date"); and

WHEREAS, subject to the entry of the Sale Order, this Agreement provides for the sale by Seller to Buyer of substantially all of the assets, real and personal, tangible and intangible, associated with owning, leasing, managing and operating the Facility (the "Business") and having Buyer assume certain liabilities of Seller, in accordance with sections 105, 363, 365, 1123 and/or 1129 of the Bankruptcy Code, as applicable.

NOW, THEREFORE, for and in consideration of the foregoing premises and the agreements, covenants, representations and warranties hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of all of which are acknowledged and agreed, the parties hereto agree as follows:

1. SALE OF ASSETS AND CERTAIN RELATED MATTERS.

1.1 Definitions. Unless otherwise indicated in this Agreement, the following terms shall have the following meanings:

"Accrued Employee Liabilities" shall have the meaning set forth in Section 1.4(a).

"Affiliate" shall mean, as to the entity in question, any person or entity that, directly or indirectly, Controls, is Controlled by or is under common Control with the entity in question.

"Affiliated Sellers" shall have the meaning set forth in the recitals.

"Affiliation Agreements" shall mean that certain (a) Clinical Affiliation Agreement between Saint Francis Care, Inc. ("SFC") and certain of its affiliates and JMMC, JMH and Seller dated as of July 12, 2012, including all sub-agreements thereto, and (b) Business Process Outsourcing Agreement between SFC and certain of its affiliates and JMMC, JMH and Seller dated as of July 12, 2012, including all sub-agreements thereto, each as amended, supplemented and modified from time to time.

"Agreement" shall have the meaning set forth in the introduction.

“Alternative Transaction” shall mean the sale, transfer, lease or other disposition, directly or indirectly, including through an asset sale, stock sale, merger or other transaction, of some or all of the Assets in one or more transactions with one or more persons other than Buyer.

“Assets” shall have the meaning set forth in Section 1.2.

“Assignment and Assumption Agreement” shall have the meaning set forth in Section 1.4(b).

“Assumed Contracts” shall have the meaning set forth in Section 1.2(h).

“Assumed Leases” shall mean, collectively, the Seller’s Real Property Expense Leases and the Seller’s Real Property Income Leases.

“Assumed Liabilities” shall have the meaning set forth in Section 1.4(a).

“Avoidance Actions” means any action that could be brought by Seller, the trustee in the Bankruptcy Case or any other party in interest in the Bankruptcy Case under Section 544, 545, 547, 548, 549, 550, 551 or 553 of the Bankruptcy Code.

“Bankruptcy Case” means, collectively, the cases instituted by Seller and the Affiliated Sellers under the Bankruptcy Code.

“Bankruptcy Code” means title 11 of the United States Code.

“Bankruptcy Court” means the United States Bankruptcy Court for the District of Connecticut.

“Benefit Plans” shall mean all “employee benefit plans” as defined in Section 3(3) of ERISA, all specified fringe benefit plans as defined in Section 6039D of the Code, and all other pension, profit sharing, stock bonus, stock option, deferred compensation, or other retirement plans; welfare benefit plans, including group health and group insurance plans; cafeteria, flexible benefit or tuition assistance plans; executive compensation, bonus, or incentive plans; severance plans; salary continuation plans, programs, or arrangements; vacation, holiday, sick-leave, paid-time-off, or other employee compensation plans, procedures, programs, payroll practices, policies, agreements, commitments, contracts, or understandings; or any annuity contracts, custodial agreements, trusts, escrows or other funding arrangements related thereto, whether oral or written, qualified or nonqualified, funded or unfunded, and all employment agreements, programs, policies or other arrangements (i) that are currently, or have been within the past six (6) years, sponsored, maintained or contributed to by Seller or any Affiliate thereof; (ii) with respect to which Seller or any Affiliate thereof has any Liability to any current or former officer, employee or service provider, or the dependents of any thereof, or (iii) which could result in the imposition of Liability of any kind or nature, whether accrued, absolute, contingent, direct, indirect, perfected or inchoate or otherwise, and whether or not now due or to become due, on Seller or any Affiliate thereof.

“Bill of Sale” shall have the meaning set forth in Section 2.2(b).

“Break-Up Fee” shall have the meaning set forth in Section 1.6(a)(iii).

“Business” shall have the meaning set forth in the recitals.

“Buyer” shall have the meaning set forth in the introduction.

“Casualty Assets” shall have the meaning set forth in Section 1.13(b).

“Casualty Notice” shall have the meaning set forth in Section 1.13(a).

“CDSS” shall have the meaning set forth in Section 5.9(a).

“Closing” shall have the meaning set forth in Section 2.1.

“Closing Date” shall have the meaning set forth in Section 2.1.

“CMS” shall mean Centers for Medicare and Medicaid Services.

“COBRA” shall mean the Consolidated Omnibus Budget Reconciliation Act of 1985, as set forth in Title 42 U.S.C., Section 300bb or, as applicable, Title I, Part 6, of ERISA.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

“Competing Bid” shall have the meaning set forth in Section 6.2(a).

“Contract” means any written or oral agreement, arrangement, lease, license, sublicense, promissory note, binding arrangement or understanding, mortgage, contract, covenant, commitment or instrument.

“Control” means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any entity, whether through the ownership of voting securities, by contract or otherwise.

“Credit Support” shall mean the credit support in the amount of up to \$2,000,000 provided by SFC to JMMC in respect of JMMC’s workers’ compensation insurance policy issued by The Hartford, including, without limitation, a guaranty provided by Buyer to The Hartford, secured by a letter of credit issued by Bank of America, N.A.

“Cure Costs” means all monetary liabilities and obligations of Seller that must be paid or otherwise satisfied to cure all of Seller’s defaults under the Assumed Contracts and the Assumed Leases at the time of the assumption thereof and assignment to Buyer as provided hereunder, all in the amounts set forth in specific orders of the Bankruptcy Court.

“Department of Health” shall mean the State of Connecticut Department of Public Health.

“Deposit” shall have the meaning set forth in Section 1.14.

“Deposit Escrow” shall have the meaning set forth in Section 1.14.

“Deposit Escrow Holder” shall have the meaning set forth in Section 1.14.

“Designated Contracts” shall have the meaning set forth in Section 10.5.

“Designated Lock Box Account” shall have the meaning set forth in Section 1.12.

“DIP Financing Agreement” means that certain Debtor-In-Possession Revolving Loan and Security Agreement, dated as of January 16, 2015, among the Affiliated Sellers, the Seller, Johnson Professional Associates, P.C., HFG, and HFG Healthco-4 LLC, as amended by that certain First Amendment dated May 6, 2015.

“Effective Time” shall have the meaning set forth in Section 2.1.

“Eligible Receivables” shall have the meaning assigned to that term in the DIP Financing Agreement.

“Employee” shall include individuals rendering personal services to Seller with respect to the Business or the Facility as employees, including individuals who are treated as “leased employees” under Code Section 414(n).

“Environmental Laws” means the applicable federal, state (including specifically, but not by way of limitation, the State of Connecticut), and local environmental or health laws, regulations, ordinances, rules and common law in effect on the Execution Date and the Closing Date governing the use, refinement, handling, treatment, removal, storage, production, manufacture, transportation or disposal, emission, discharge, release or threatened release of Materials of Environmental Concern, or otherwise governing protection of the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata), as the same may be amended or modified as of the Execution Date and the Closing Date, including, without limitation, the statutes listed below:

(a) Federal Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901, et seq.;

(b) Federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. Section 9601, et seq.;

(c) Federal Clean Air Act, 42 U.S.C. Section 7401, et seq.;

(d) Federal Water Pollution Control Act, Federal Clean Water Act of 1977, 33 U.S.C. Section 1251, et seq.;

(e) Federal Insecticide, Fungicide, and Rodenticide Act, Federal Pesticide Act of 1978, 7 U.S.C. Section 136, et seq.;

(f) Federal Hazardous Materials Transportation Act, 48 U.S.C. Section 1801, et seq.;

(g) Federal Toxic Substances Control Act, 15 U.S.C. Section 2601, et seq.; and

(h) Federal Safe Drinking Water Act, 42 U.S.C. Section 300f, et seq.

“ERISA” shall mean, collectively, the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

“Escrow Agreement” shall have the meaning set forth in Section 1.14.

“Estimate” shall have the meaning set forth in Section 1.13(a).

“Estimated Net Value” shall have the meaning assigned to that term in the DIP Financing Agreement.

“Evergreen Ground Lease” means the lease between JMH and Seller dated as of January 7, 2015.

“Excluded Assets” shall have the meaning set forth in Section 1.3.

“Excluded Contracts” shall have the meaning set forth in Section 10.5.

“Excluded Liabilities” shall have the meaning set forth in Section 1.5.

“Execution Date” shall have the meaning set forth in the introduction.

“Facility” shall mean Evergreen Health Care Center, located in Stafford Springs, Connecticut.

“Final Order” means an order of the Bankruptcy Court (a) as to which the time to appeal shall have expired and as to which no appeal shall then be pending, or (b) if an appeal shall have been filed or sought, either (i) no stay of the order shall be in effect or (ii) if such a stay shall have been granted by the Bankruptcy Court, then (A) the stay shall have been dissolved or (B) a final order of a court having jurisdiction to hear such appeal shall have affirmed the order and the time allowed to appeal from such affirmance or to seek review or rehearing thereof shall have expired and the taking or granting of any further hearing, appeal or petition for certiorari shall not be permissible, and if a timely appeal of such court order or timely motion to seek review or rehearing of such order shall have been made, any court of appeals having jurisdiction to hear such appeal or motion (or any subsequent appeal or motion to seek review or rehearing) shall have affirmed the court’s (or lower appellate court’s) order upholding the order of the Bankruptcy Court and the time allowed to appeal from such affirmance or to seek hearing, appeal or petition for certiorari shall not be permissible; provided, however, that Buyer in good faith in its reasonable discretion shall have the right to determine that any order for which an appeal, motion to seek review, motion to seek rehearing, or any similar motion is pending is not a Final Order, notwithstanding that such order is not then subject to stay.

“Governmental Entity” means any government or any agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

“Government Patient Receivables” shall mean all accounts receivable arising from the rendering of services and provision of medicine, drugs and supplies to patients or residents by Seller up to the Effective Time and relating to Government Reimbursement Programs, billed and unbilled, recorded or unrecorded, accrued and existing, and other claims of Seller for the provision of goods or services to patients or residents due from beneficiaries or governmental third party payors which by law may not be assigned.

“Government Reimbursement Programs” shall mean Medicare, Medicaid and TRICARE and any other federal or state healthcare programs.

“Hazardous Substances” means any toxic or hazardous waste, pollutants or substances, including without limitation asbestos, PCBs, petroleum products and byproducts, substances defined or listed as “hazardous substance,” “toxic substance,” “toxic pollutant,” or similarly identified substance or mixture, in or pursuant to any Environmental Law.

“Healthcare Reimbursement Obligation” means the Seller’s reimbursement obligation to its (a) self-paying patients, and (b) insurance companies for any overpayments, duplicate payments or payments in error received by the Seller.

“HCHS” shall mean Home & Community Health Services, Inc., a Connecticut corporation.

“HFG” means Healthcare Finance Group, LLC and its successors and assigns.

“HIPAA” means the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations as amended by the Health Information Technology for Economic and Clinical Health Act.

“Hospital” shall mean Johnson Memorial Hospital, located in Stafford Springs, Connecticut.

“Hospital Loan” shall mean that certain loan from People’s to JMMC and JMH in the original principal amount of \$13,700,000, dated August 30, 2006, as evidenced by the Hospital Loan Documents.

“Hospital Loan Documents” shall mean all those certain agreements, documents, and instruments executed in connection with the Hospital Loan by and among People’s, JMMC and JMH.

“Intercompany Obligations” means all intercompany loans, advances, payables and receivables owed by Seller to any Affiliate or Johnson Professional Associates, P.C., which were made or arose out of transactions occurring prior to the Closing.

“IRS” shall mean the Internal Revenue Service.

“Inventories” shall have the meaning set forth in Section 1.2(c).

“JHC” shall mean Johnson Health Care, Inc., a Connecticut corporation.

“JMH” shall mean Johnson Memorial Hospital, Inc., a Connecticut corporation.

“JMMC” shall mean Johnson Memorial Medical Center, Inc., a Connecticut corporation.

“Justice Department” shall mean the United States Department of Justice.

“Liability” means any debt, loss, damage, adverse claim, fine, penalty, liability or obligation (whether direct or indirect, known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, matured or unmatured, determined or determinable, liquidated or unliquidated, or due or to become due, and whether in contract, tort, strict liability or otherwise), and all costs and expenses relating thereto including all fees, disbursements and expenses of legal counsel, experts, engineers and consultants and costs of investigation.

“Lien” means any lien, encumbrance, pledge, mortgage, deed of trust, security interest, claim, lease, charge, option, right of first refusal, interest, put, call, easement, servitude, proxy, covenant, hypothecation, voting trust or agreement and transfer restriction under any agreement, against or with respect to tangible or intangible property or rights, whether imposed by agreement, understanding, law, equity or otherwise.

“Material Adverse Effect” shall mean an event, occurrence, condition, change or effect or a series of events, occurrences, conditions, changes or effects that, individually or in the aggregate, is or may be reasonably expected to be materially adverse to the business, financial condition, operations or properties of the person or business which has suffered such event, occurrence, condition, change or effect, including, but not limited to (i) the loss or revocation of any provider number or (ii) changes in law or regulations that impose additional burdens or obligations or requirements applicable to operations of nursing homes or senior care facilities in Connecticut; provided, however, that Material Adverse Effect shall exclude any changes or conditions as and to the extent such changes or conditions relate to or result from general economic conditions in the United States of America and/or such other conditions that affect the healthcare industry generally.

“Material Loss” shall have the meaning set forth in Section 1.13(b).

“Materials of Environmental Concern” shall mean chemicals, pollutants, contaminants, wastes, toxic substances, petroleum and petroleum products, including Hazardous Substances.

“Medical Records Custody Agreement” shall have the meaning set forth in Section 12.8(a).

“Name Amendment” shall have the meaning set forth in Section 10.2.

“PCBs” shall mean polychlorinated biphenyls.

“Permits and Licenses” shall have the meaning set forth in Section 1.2(d).

“People’s” means People’s United Bank.

“Permitted Liens” shall mean Real Property Permitted Encumbrances and the Liens listed in Schedule 1.4(a)(vi).

“Petition Date” shall have the meaning set forth in the recitals.

“Prepaid Expenses” shall have the meaning set forth in Section 1.2(j).

“Purchase Price” shall have the meaning set forth in Section 1.6(a).

“Purchase Price Allocation” shall have the meaning set forth in Section 12.10.

“Qualified Beneficiaries” shall have the meaning set forth in Section 10.1.

“Real Property” shall mean the Seller’s Owned Real Property and the Seller’s Leased Real Property.

“Real Property Permitted Encumbrances” shall mean all of the following: (a) zoning and building laws, ordinances, resolutions and regulations, and land use regulations; (b) real property taxes and assessments for public improvements not due and payable on or before the Closing; (c) such other exceptions as the Title Company shall commit to insure over, without any additional cost to Buyer, whether such insurance is made available in consideration of payment, bonding, or otherwise (but excluding indemnity of Seller); (d) those encumbrances approved by Buyer, in its sole and absolute discretion; and (e) the Evergreen Ground Lease.

“Receivables Cash Payment” shall have the meaning set forth in Section 1.6(a)(ii).

“Reimbursement Obligation” shall mean the reimbursement obligations of JMMC, JMH, and Seller to SFC in respect of the Credit Support, as set forth in the Amended and Restated Seventh Amendment to Master Affiliation Agreement, dated as of July 14, 2014, among SFC, JMMC, JMH and Seller, as the same may be amended from time to time.

“Reorganization Plan” means a plan of reorganization under Chapter 11 of the Bankruptcy Code.

“Sale Order” means an order of the Bankruptcy Court in form and substance satisfactory to Buyer, in its sole discretion, with such changes as may be made by Buyer (for the avoidance of doubt, including all exhibits and schedules thereto), that, among other things, finds and provides that: (i) this Agreement is the winning bid; (ii) the Assets and Facility sold to Buyer pursuant to this Agreement shall be transferred to Buyer free and clear of all Liens (other than Permitted Liens) and all Liabilities, causes of action, demands, guaranties, rights, restrictions, remedies, and matters of any kind or nature whatsoever, whether at law or in equity, including, without limitation, free and clear of any rights or claims based on theories of transferee or successor liability under any applicable law, statute, rule, regulation, common law or equitable principle, including, without limitation, any Environmental Laws, labor or employment laws (such as unemployment compensation), ERISA, the Code, and COBRA, of any Governmental Entity, including, without limitation, the Pension Benefit Guaranty Corporation, the IRS, state

and local taxing authorities and any Governmental Entity, whether arising before or after the commencement of the Bankruptcy Case and whether imposed by agreement, understanding, law, equity, regulation, custom or otherwise, including, without limitation, the Benefit Plans, save and excepting only those Liabilities expressly assumed by Buyer in writing pursuant to this Agreement; (iii) the Bankruptcy Court shall retain jurisdiction over any claims that are not Assumed Liabilities hereunder; (iv) this Agreement was negotiated, proposed and entered into by the parties without collusion, in good faith and from arm's length bargaining positions; (v) this Agreement and the transactions contemplated hereby may be specifically enforced against and binding upon, and not subject to rejection or avoidance by, Seller or any Chapter 7 or Chapter 11 trustee of Seller appointed pursuant to the Bankruptcy Code or other representative of its estate; and (vi) the Assumed Contracts and the Assumed Leases shall be properly assigned to and assumed by Buyer pursuant to the procedure set forth in Section 10.5 hereof, with only such exceptions as Buyer may agree in writing.

"Second Deposit Account" shall have the meaning set forth in Section 1.12.

"Seller" shall have the meanings set forth in the introduction.

"Seller's Leased Real Property" shall have the meaning set forth in Section 1.2(b).

"Seller's Owned Intellectual Property" shall have the meaning set forth in Section 1.2(m).

"Seller's Owned Real Property" shall have the meaning set forth in Section 1.2(a).

"Seller's Real Property Expense Leases" shall have the meaning set forth in Section 1.2(b).

"Seller's Real Property Income Leases" shall have the meaning set forth in Section 1.2(g).

"Surgery Center Loan" shall mean that certain loan from People's to JMMC in the original principal amount of \$4,500,000, dated August 24, 2004, guaranteed by JMH, as evidence by the Surgery Center Loan Documents.

"Surgery Center Loan Documents" shall mean those certain agreements, documents, and instruments executed in connection with the Surgery Center Loan by and among People's, JMMC and JMH.

"Tangible Property Cash Payment" shall have the meaning set forth in Section 1.6(a)(i).

"Taxes" or "Tax" shall mean all taxes, fees, levies or other assessments, however denominated, including any interest, penalties or other additions to taxes that may become payable in respect thereof, imposed by any federal, territorial, state, local or foreign Governmental Entity, which taxes shall include, without limiting the generality of the foregoing, all income or profits taxes (including, but not limited to, federal income taxes and state income taxes), unrelated business income taxes, payroll and employee withholding taxes, unemployment insurance, social security taxes, sales and use taxes, ad valorem taxes, excise taxes, taxes under Code Section 4958, franchise taxes, gross receipts taxes, business license taxes, occupation taxes, property taxes, stamp taxes, environmental taxes, transfer or conveyance taxes, workers'

compensation, alternative or add-on minimum estimated or other taxes, levies or assessments for unclaimed property under applicable escheat or unclaimed property laws and other obligations having the same nature or a nature similar to any of the foregoing.

“Tax Return” or “Tax Returns” shall mean any report, return, declaration, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto and including any amendment thereof.

“The Hartford” shall mean Hartford Fire Insurance Company.

“Title Company” shall mean the title company Buyer selects to issue as of the Closing Date one or more ALTA owner’s policies of title insurance (Form 2006), with extended coverage and zoning endorsements and such other endorsements as Buyer shall reasonably require.

“Trade Payables” shall mean accounts payable owed to vendors for goods sold and services rendered, in each case in the ordinary course of business, incurred within the three month period prior to the Petition Date or incurred after the Petition Date, but excluding indebtedness for borrowed money.

“Transfer Taxes” shall have the meaning set forth in Section 1.6(a)(vii).

“Transferred Contracts” shall have the meaning set forth in Section 10.5.

“Transferred Employees” shall have the meaning set forth in Section 9.1(a).

“WARN Act” shall have the meaning set forth in Section 9.1(c).

“Workers’ Compensation Liabilities” shall mean the Liability of Affiliated Sellers and Seller under their workers’ compensation insurance policy with The Hartford for the period May 31, 2014 to the Closing Date.

1.2 Sale of Assets. At the Closing, Seller shall sell, transfer, convey, assign and deliver to Buyer all of Seller’s respective right, title and interest in, to and under the assets, properties and business of every kind and description that are owned or held by Seller or used by Seller in connection with the operation of the Facility and the Business, except the Excluded Assets (collectively, the “Assets”), including, without limitation, the following assets and properties listed in this Section 1.2. Pursuant to the Sale Order, the Assets shall be sold and conveyed to Buyer free and clear of all Liens (other than Permitted Liens) and Liabilities (other than Assumed Liabilities), including any and all claims that Buyer is a successor, transferee or continuation of Seller or the Business. The Assets include, without limitation, the following, except as included among the Excluded Assets:

(a) all real property owned by Seller, as more specifically described on Schedule 1.2(a), together with all buildings, improvements and fixtures located thereupon, all easements, rights of way, and other appurtenances thereto (including appurtenant rights in and to public streets), all architectural plans or design specifications relating to the development thereof and all construction in progress (collectively, the “Seller’s Owned Real Property”);

(b) to the extent elected by Buyer pursuant to Section 10.5 hereof, the real property leasehold or sub-leasehold estates described on Schedule 1.2(b) (collectively, the “Seller’s Leased Real Property;” the leases under which Seller holds a leasehold or sub-leasehold estate in the Seller’s Leased Real Property are collectively referred to herein as the “Seller’s Real Property Expense Leases”);

(c) (i) all tangible personal property used in the operation of the Business as of the Effective Time, including, without limitation, all major, minor or other equipment, furniture, fixtures, machinery, office furnishings and instruments set forth in Seller’s depreciation list as of January 14, 2015 previously provided to Buyer, (ii) all vehicles identified on Schedule 1.2(c)(ii) which continue to be owned by a Seller at the Effective Time, or acquired by a Seller between January 14, 2015 and the Effective Time and owned at the Effective Time and (iii) all inventories of supplies, non-expired drugs, food, janitorial and office supplies and other disposables and consumables existing at the Effective Time and located at the Facility, or owned or purchased by Seller for use in connection with the Business (the “Inventories”);

(d) to the extent assignable or transferable, all licenses, franchises, accreditations and registrations and other licenses or permits issued by a Governmental Entity or pending for issuance by a Governmental Entity in connection with the Business, including without limitation those described in Schedule 1.2(d) and to the extent the same may have been or may be renewed from time to time following January 14, 2015 (collectively, the “Permits and Licenses”);

(e) all claims, causes of action and judgments in favor of Seller relating to the physical condition or repair of the Assets, all insurance proceeds due to Buyer under Section 1.13 and, to the extent assignable, all warranties (express or implied) and rights and claims assertable by (but not against) Seller related to the Assets;

(f) all financial, patient, resident, medical staff, personnel (after obtaining any requisite employee consents) and other records relating to the Business or the Assets, including, without limitation, all accounts receivable records, equipment records, medical and administrative libraries, medical records, patient or resident billing records, documents, construction plans and specifications, catalogs, books, records, files, invoices, payroll records, spreadsheets, operating manuals and current personnel records, including any electronic data relating to such records and information stored in any computer, computer server or computer equipment relating to or used in connection with the Business;

(g) to the extent elected by Buyer pursuant to Section 10.5 hereof, all lease agreements pursuant to which Seller, as landlord, has leased to a third party, as tenant, all or some portion of the Seller’s Owned Real Property or the Seller’s Leased Real Property, including without limitation those described on Schedule 1.2(g) to the extent still in effect at the Effective Time or entered into by a Seller between January 14, 2015 and the Effective Time and in effect at the Effective Time (collectively, the “Seller’s Real Property Income Leases”);

(h) to the extent elected by Buyer pursuant to Section 10.5 hereof, all rights of Seller under those Contracts, commitments and agreements and leases (including, without

limitation, any design, engineering and construction contracts for planned, pending or ongoing construction projects) described on Schedule 1.2(h) (collectively, the “Assumed Contracts”);

(i) all goodwill associated with the operation of the Business and the Assets;

(j) any deposits, other current assets, other assets, escrows, prepaid taxes or other advance payments relating to any expenses of the Business, including without limitation items of the type previously provided to Buyer (collectively, the “Prepaid Expenses”);

(k) other than the Government Patient Receivables, Intercompany Obligations and any other Excluded Assets, and subject to the Healthcare Reimbursement Obligations, all notes, accounts receivable and other rights to receive payment for goods and services provided by Seller in connection with the Business or otherwise arising from the operation of the Business, billed or unbilled, recorded or unrecorded, including, without limitation, any such notes, reimbursement credit balances, accounts receivable or other rights that have been charged off as bad debt, and all other notes receivable from patients or residents and notes receivable from physicians as identified in a list previously provided to Buyer to the extent not satisfied prior to the Effective Time;

(l) the right to receive an amount of cash equal to the value of the Government Patient Receivables actually collected by Seller as evidenced by statements provided to Buyer from time to time upon Buyer’s request;

(m) if elected by Buyer prior to Closing, the names used in connection with the Business, including, without limitation, Evergreen Health Care Center, together with all variations thereof, and the goodwill associated therewith, and all patents, trademarks, tradenames, service marks, domain names, trade secrets, copyrights, software (to the extent owned by Seller), computer programs (to the extent owned by Seller) and other intellectual property rights of Seller (to the extent transferable) used in connection with the Business, including without limitation those described on Schedule 1.2(m) hereto (collectively, the “Seller’s Owned Intellectual Property”);

(n) if elected by Buyer prior to Closing, Seller’s Medicare or Medicaid and other government healthcare program and commercial payor provider numbers and agreements to the extent assignable, including those items previously provided to Buyer to the extent still in effect as of the Effective Time, and the right of Seller to settlement and retroactive adjustments, if any, for open cost reporting periods ending on or prior to the Closing Date (whether open or closed) arising from or against the U.S. Government under the terms of the Medicare program or TRICARE and against any state under its Medicaid program and against any third-party payor program that settles on a cost report basis, together with depreciation “recapture”, whether recorded as a current or long-term asset;

(o) all nondisclosure or confidentiality, non-compete, or non-solicitation agreements with employees and agents of Seller or with third parties to the extent relating to the Business or the Assets (or any portion thereof) and which are in favor of Seller, including those set forth on Schedule 1.2(o) hereto to the extent still in effect as of the Effective Time;

(p) to the extent transferable, all of Seller's rights under or pursuant to all warranties, representations and guarantees made by suppliers, manufacturers and contractors to the extent affecting any other Asset, other than any warranties, representations and guarantees pertaining to any Excluded Assets;

(q) all of Seller's cash, cash equivalents, and short-term investments;

(r) Reserved.

(s) Reserved.

(t) except as expressly excluded in Section 1.3 below, all other property owned by Seller, whether tangible or intangible, located at the Facility or used in connection with the Business, and any claims in favor of Seller, whether known or unknown, contingent or otherwise.

The Buyer acknowledges that Schedules 1.2(b), 1.2(c)(ii), 1.2(d), 1.2(m), and 1.2(o) of this Agreement were prepared as of January 14, 2015 and the same have not been updated to reflect any acquisition, lease, sale or other transfer of any of the Assets that occurred between January 14, 2015 and the Execution Date. Moreover, and without limitation, with respect to Assets that are Permits and Licenses, Seller's Owned Intellectual Property, or Contracts, Schedules 1.2(b), 1.2(c)(ii), 1.2(d), 1.2(m), and 1.2(o) have not been updated to reflect any amendment, termination or expiration of the same that occurred between January 14, 2015 and the Execution Date.

The foregoing assets, together with the Excluded Assets, comprise substantially all of the property and assets used in the conduct and operation of the Business as of the Execution Date. Unless otherwise specified herein, the "Assets" also include all assets acquired by or leased by Seller for use in connection with the Business between the Execution Date and the Effective Time.

AS IS/WHERE IS. THE ASSETS SHALL BE TRANSFERRED "AS IS" AND "WHERE IS." SELLER MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND OR NATURE (EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT). NO STATUTORY OR OTHER WARRANTIES AS TO THE CONDITION OF THE ASSETS OR THE MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE ASSETS SHALL BE IMPLIED, AND SELLER HEREBY EXPRESSLY DISCLAIMS ANY REPRESENTATION OR WARRANTY AS TO THE CONDITION OF THE ASSETS OR THEIR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

1.3 Excluded Assets; Non-Assignable Contracts.

(a) The following items are not intended by the parties to be a part of the purchase and sale of assets hereunder and are excluded from the Assets (collectively, the "Excluded Assets"): (i) the corporate record books, minute books and Tax records of Seller; (ii) all Inventories disposed of in the ordinary course of business prior to the Closing and all accounts receivable collected in the ordinary course of business prior to the Closing; (iii) Intercompany Obligations; (iv) subject to the terms of Section 1.2(l), the Government

Patient Receivables; (v) except if Buyer elects pursuant to Section 1.2(n) to accept assignment of Seller's Medicare and Medicaid provider number and provider agreements, rights of Seller to settlement and retroactive adjustments, if any, for open cost reporting periods ending on or prior to the Closing Date (whether open or closed) arising from or against the U.S. Government under the terms of the Medicare program or TRICARE and against any state under its Medicaid program and against any third-party payor program that settles on a cost report basis, together with depreciation "recapture", whether recorded as a current or long-term asset; (vi) rights of Seller arising pursuant to this Agreement; (vii) all executory contracts or unexpired leases, whether oral or written, to which Seller is a party which are not Assumed Contracts or Assumed Leases, and all assets leased, licensed or otherwise held pursuant thereto; (viii) Seller's bankruptcy estate's interest in any and all Avoidance Actions; (ix) personnel records to the extent the employees subject of such records have not consented in writing to the transfer of such records to the extent required by applicable law; (x) all rights with respect to attorney-client privilege, attorney work product, accountant-client privilege and similar privileges and doctrines; (xi) all claims, counterclaims, rights and defenses of Seller with respect to any other Excluded Asset and/or any Excluded Liability; and (xii) any other assets as identified in a list previously provided to Buyer.

(b) Notwithstanding anything to the contrary in this Agreement, and subject to the provisions of this Section 1.3, to the extent that the assignment or transfer, or attempted assignment or transfer, to Buyer of any Assumed Contract or Assumed Lease would result in a violation of applicable law, or would require the consent, authorization, approval or waiver of a person who is not a party to this Agreement or an Affiliate of a party to this Agreement (including any Governmental Entity), and such consent, authorization, approval or waiver shall not have been obtained prior to the Closing, this Agreement shall not constitute an assignment, or transfer, or an attempted assignment or transfer, thereof; *provided, however*, that, subject to the satisfaction or waiver of the conditions contained in Articles VII and VIII, the Closing shall occur notwithstanding the foregoing without any adjustment to the Purchase Price on account thereof. Following the Closing, Seller and Buyer shall use commercially reasonable efforts, and shall cooperate with each other, to obtain any such required consent, authorization, approval or waiver, or any release, substitution or amendment required to novate all Liabilities under any and all Assumed Contracts and Assumed Leases or to obtain in writing the unconditional release of all parties to such arrangements, so that, in any case, Buyer shall be solely responsible for such Liabilities from and after the Closing Date; *provided, however*, that neither Seller nor Buyer shall be required to pay any consideration therefor. Once such consent, authorization, approval, waiver, release, substitution or amendment is obtained, Seller shall be deemed to have assigned and transferred to Buyer the relevant Assumed Contract or Assumed Lease to which such consent, authorization, approval, waiver, release, substitution or amendment relates for no additional consideration retroactive to the Effective Time, without need for further action of any Person, except as may be required by the Bankruptcy Court.

(c) To the extent that any Assumed Contract or Assumed Lease cannot be transferred to Buyer following the Closing, Buyer and Seller shall use commercially reasonable efforts to enter into such arrangements (such as subleasing, sublicensing or subcontracting) to provide to the parties the economic and, to the extent permitted under applicable law, operational equivalent of the transfer of such Assumed Contract or Assumed Lease to Buyer as of the Closing and the performance by Buyer of its obligations with respect thereto. To the extent that

Buyer is receiving such economic and operational benefit, Buyer shall, as agent or subcontractor for Seller, pay, perform and discharge fully the Liabilities of Seller thereunder from and after the Closing Date. To the extent permitted under applicable law, Seller shall, at Buyer's expense, hold in trust for and pay to Buyer promptly upon receipt thereof, such Assumed Contract or Assumed Lease and all income, proceeds and other monies received by Seller to the extent related to such Assumed Contract or Assumed Lease in connection with the arrangements under this Section 1.3.

(d) Notwithstanding the above subsections or anything to the contrary in this Agreement, Seller shall maintain all records in accordance with all applicable laws and make the same available to Buyer upon request related to any governmental requirement or investigation.

1.4 Assets Free and Clear; Assignment and Assumption Agreement.

(a) Notwithstanding any other provision hereof to the contrary, the Assets shall be sold and transferred to Buyer free and clear of all Liabilities and Liens, except (i) Trade Payables in an amount not to exceed Five Hundred Thousand and 00/100 Dollars (\$500,000); (ii) the accrued and unpaid obligations of Seller with respect to payroll, paid-time-off, incentive compensation and expense reimbursements as of the Effective Time (the "Accrued Employee Liabilities"); (iii) the obligations described in subsection (b) below; (iv) Real Property Permitted Encumbrances and other Permitted Liens, being the Liabilities of Seller, and Liens relating thereto, if any, set forth on Schedule 1.4(a)(vi); (v) the Healthcare Reimbursement Obligation in an amount not to exceed Two Hundred Thousand Dollars (\$200,000); and (vi) only if Buyer elects to accept assignment of Seller's Medicare and Medicaid provider number and provider agreements pursuant to Section 1.2(n), all Liabilities under Seller's Medicare and Medicaid provider numbers and agreements (collectively, the "Assumed Liabilities").

(b) Buyer shall expressly assume the Assumed Liabilities and all of Seller's obligations with respect to events or periods on and after the Effective Time under the Assumed Contracts and the Assumed Leases, pursuant to the Assignment and Assumption Agreement (the "Assignment and Assumption Agreement") in substantially the form attached hereto as Exhibit 1.4(b).

(c) Except for the Assumed Liabilities, obligations with respect to events or periods on and after the Effective Time under the Assumed Contracts and obligations with respect to events or periods on and after the Effective Time under the Assumed Leases, Buyer is not assuming, and shall not be deemed to have assumed, any other Liability of Seller or its Affiliates, fixed or contingent, disclosed or undisclosed, recorded or unrecorded, currently existing or hereafter arising, or otherwise, including but not limited to, Reimbursement Obligations directly attributable to Seller, Workers' Compensation Liabilities or Intercompany Obligations.

(d) With respect to any indebtedness secured by a Lien on the Assets, if the indebtedness is not expressly assumed by Buyer, any such Lien shall attach to the proceeds of sale.

1.5 Excluded Liabilities. Other than the Assumed Liabilities, Buyer shall not assume and shall not be liable for any Liabilities of Seller, including but not limited to, Reimbursement Obligations directly attributable to Seller, Workers' Compensation Liabilities or Intercompany Obligations (all Liabilities of Seller that are not Assumed Liabilities are referred to collectively as the "Excluded Liabilities").

1.6 Purchase Price.

(a) Subject to the terms and conditions hereof, in consideration for the Assets, the Buyer agrees to assume the Assumed Liabilities and pay an amount equal to or assume the obligations as follows:

(i) Five Million and 00/100 Dollars (\$5,000,000.00) (such amount being referred to herein as the "Tangible Property Cash Payment");

(ii) An amount equal to the Estimated Net Value of the Seller's Eligible Receivables as of the Closing Date (such amount being referred to as the "Receivables Cash Payment");

(iii) A Break-Up Fee of Fifty Thousand Dollars (\$50,000);

(iv) the Cure Costs under all Assumed Leases and Assumed Contracts in an amount up to Fifty Thousand and 00/100 Dollars (\$50,000.00);

(v) the pre-petition provider tax;

(vi) \$400,000 to be applied to the Workers Compensation Liabilities and Reimbursement Obligation;

(vii) the aggregate amount of Trade Payables assumed by Buyer in an amount up to Five Hundred Thousand Dollars (\$500,000);

(viii) the aggregate amount of any transfer taxes, fees or similar assessments resulting from the sale of the Assets pursuant hereto and paid by Buyer (the "Transfer Taxes");

(ix) the Accrued Employee Liabilities;

(x) the aggregate amount of any premiums to obtain the insurance described in Section 5.6 hereof;

(xi) the Healthcare Reimbursement Obligation in an amount up to Two Hundred Thousand Dollars (\$200,000) (the items in (i) through (xi), inclusive, are, together with the assumption of the Assumed Liabilities, collectively, the "Purchase Price").

(b) The Purchase Price shall be payable as follows:

(i) the Tangible Property Cash Payment and the Receivables Cash Payment shall be payable as more specifically set forth in Schedule 1.6(b)(i), such Schedule to be completed by Buyer prior to Closing.

(ii) the Cure Costs under the Assumed Leases and Assumed Contracts shall be payable as mutually agreed to by Seller and Buyer;

(iii) the payment of the premium for any "tail" or other insurance required by Buyer pursuant to Section 5.6 to the applicable insurance carrier;

(iv) the Trade Payables shall be assumed by the Buyer;

(v) \$400,000 to be applied to the Workers Compensation Liabilities and Reimbursement Obligation;

(vi) the Break-up Fee;

(vii) the Accrued Employee Liabilities shall be paid to or for the benefit of the applicable employees of Seller in accordance with applicable law;

(viii) any Transfer Taxes shall be paid by Buyer to the appropriate Governmental Entity on the Closing Date; and

(ix) the Healthcare Reimbursement Obligations and any other Assumed Liabilities shall be paid by Buyer in the ordinary course of business.

1.7 Reserved.

1.8 Taxes. Subject to the last sentence of Section 1.9 hereof, Seller shall pay all Taxes, if any, applicable to Seller, but not including any Transfer Taxes resulting from the sale of the Assets pursuant thereto. Buyer shall pay all Taxes, if any, applicable to Buyer, and all Transfer Taxes payable on account of the transactions contemplated by this Agreement.

1.9 Tax Obligations. To the extent necessary to transfer Assets to Buyer free and clear of Liens (other than Permitted Liens) and Liabilities (except Assumed Liabilities), Seller shall be responsible for and shall pay any Taxes arising or resulting from or in connection with its ownership and/or operation of the Assets for taxable periods (i) ending before the Effective Time or (ii) for those portions up to the Effective Time of a taxable period that begins prior to, but ends after, the Effective Time. Buyer shall be responsible for and shall pay all Taxes in connection with the ownership of the Assets for taxable periods or portions thereof beginning as of the Effective Time. Notwithstanding the foregoing, prior to the Effective Time, Seller shall pay when due any and all provider taxes and, after the Effective Time, the Buyer shall pay when due any and all provider taxes regardless of whether such taxes are attributable to taxable periods ending before the Effective Time.

1.10 Cooperation With Respect to Taxes. The parties to this Agreement shall reasonably cooperate, including without limitation during times of audit by taxing authorities and in preparation of Tax Returns, to avoid payment of duplicate or inappropriate Taxes, and each

party shall furnish, at the reasonable request of the other, proof of payment of any such Taxes or any other documentation that is a prerequisite to avoiding payment of a duplicate or inappropriate Tax. Such cooperation shall include, without limitation, furnishing information regarding prior years' Tax Returns and related work papers, rulings and determinations by any tax authority.

1.11 Reserved.

1.12 Lock Box. Buyer and Seller shall designate and use an existing "lock box" bank account owned by Seller (the "Designated Lock Box Account"), and after the Closing, Buyer, as agent for Seller and on Seller's behalf, shall deposit in such designated lock box all cash, checks, drafts or other similar items of payment of such Government Patient Receivables. Seller shall provide standing instructions in writing to the financial institution at which such account is maintained directing all proceeds deposited in the Designated Lock Box Account be swept out on a daily basis to another deposit account at the financial institution owned by Seller (the "Second Deposit Account"). Seller shall assign all such amounts deposited on its behalf into the Second Deposit Account to Buyer in full satisfaction of its obligation to transfer to Buyer an amount equal to the value of its Government Patient Receivables actually collected, as set forth in Section 1.2(l). Seller's agreement with the financial institution shall require Seller to provide at least ten (10) days prior written notice to the bank and obtain approval from the Bankruptcy Court before any change to these standing instructions shall become effective and shall require the bank to notify the Buyer of any change to these standing instructions at least five (5) days before becoming effective. Any change in the standing instructions not agreed to in writing in advance by Buyer shall constitute a material breach of the applicable Seller's obligations under this Agreement.

1.13 Casualty and Condemnation Loss Provision.

(a) The risk of loss or damage to any of the Assets shall remain with Seller until the Effective Time, and Seller shall maintain its insurance policies covering the Assets and all other property through the Effective Time. If any material part or portion of the Assets is damaged, lost or destroyed (whether by fire, theft or other casualty event) prior to the Effective Time, Seller shall notify Buyer ("Casualty Notice") as soon as possible of such damage, loss or destruction. The Casualty Notice shall set forth Seller's good faith, reasonable estimate of the fair market value of the cost to repair, replace or restore (as applicable) such damage, loss or destruction (the "Estimate").

(b) In the event that there is damage, loss or destruction to the Assets (collectively, the "Casualty Assets") and (i) it can reasonably be anticipated that such damage, loss or destruction will prevent Buyer from providing a material service at the Facility for more than sixty (60) days after the Closing Date and so as to cause a Material Adverse Effect; or (ii) the Estimate is greater than \$500,000 in excess of any applicable insurance recovery (either (i) or (ii), a "Material Loss"), Buyer may, within ten (10) days after receipt of the Estimate, by written notice to Seller, terminate this Agreement.

(c) If, prior to the Effective Time, any part or portion of the Assets is destroyed, lost or damaged (i) to an extent that does not result in a Material Loss or (ii) to an

extent that there is a Material Loss and Buyer chooses not to terminate this Agreement, Buyer and Seller shall consummate the transactions contemplated in this Agreement, subject to the other terms and conditions of this Agreement, and, at the Effective Time, Seller shall deliver possession of the Assets to Buyer in such physical condition as the same may then exist; provided that, in such event, Seller shall assign to Buyer the right to receive any net insurance proceeds for the property loss or damage to the Assets and reduce the cash portion of the Purchase Price by an amount equal to any deductible or other reduction below fair market value of the applicable Assets of the net insurance proceeds received in connection therewith. For purposes of effecting this Section 1.13, Buyer will be a named additional insured on Seller's property insurance.

(d) If, prior to the Effective Time, Seller becomes aware that any condemnation proceeding is threatened or filed in respect of any Real Property, Seller shall give prompt written notice thereof to Buyer, in which event Seller agrees to negotiate in good faith with Buyer regarding the effect, if any, such a proceeding shall have on the transactions contemplated herein. In the event that the condemnation proceeding relates to a material portion of the Facility as determined by Buyer in good faith, Buyer shall have the option to terminate this Agreement or proceed with Closing, provided, that Buyer shall be entitled to receive the entire condemnation award. Buyer shall have the right to approve or disapprove any proposed settlement concerning any filed or threatened condemnation proceeding relating to any of the Assets. The provisions of this Section 1.13 shall be subject to the rights of People's under the Hospital Loan Documents and the Surgery Center Loan Documents.

1.14 Deposit. Prior to the execution of this Agreement Buyer deposited into an escrow (the "Deposit Escrow") with counsel for the Seller, Reid and Riege, P.C., as escrow agent (the "Deposit Escrow Holder"), an amount equal to Fifty Thousand and 00/100 Dollars (\$50,000.00) (together with interest earned thereon, the "Deposit") in immediately available, good funds. Upon receipt of such funds, the Deposit Escrow Holder shall immediately deposit the Deposit into an interest-bearing account. At Closing, the Deposit shall be paid over to Seller. If this Agreement terminates for any reason, the Deposit shall be paid over to Seller or returned to Buyer, as set forth in Section 11.3 and the Escrow Agreement. In the event that Buyer fails to deposit the Deposit into escrow as set forth herein, Seller shall have the right, in its sole and absolute discretion, to proceed against Buyer to seek such Deposit.

2. CLOSING.

2.1 Closing. The consummation of the purchase and sale of the Assets (the "Closing") shall take place at the offices of Murtha Cullina LLP or such other agreed upon location, at 10:00 A.M. local time on the last business day of the month in which all of the conditions precedent thereto have been satisfied, except those that are to be satisfied at the time of the Closing, or at such other time as the parties hereto may mutually designate in writing (the "Closing Date"), but in no event later than January 14, 2016, or such other date as the parties may agree in writing. The Closing shall be effective for all purposes at 12:01 A.M. on the first calendar day of the next succeeding month or at such other point in time as the parties may agree in writing (the "Effective Time").

2.2 Actions of Seller at Closing. At the Closing, Seller shall deliver, or cause to be delivered, to Buyer the following (Seller hereby acknowledges and agrees that the agreements described in this Section 2.2 shall expressly provide that the Assets shall be delivered free and clear of all Liens (other than Permitted Liens) and Liabilities (other than Assumed Liabilities)):

(a) One or more quitclaim deeds or deeds in transferable and recordable form, reasonably acceptable to each of Buyer and the Title Company, executed by a duly appointed duly authorized officer and/or representative of Seller, conveying to Buyer all of Seller's right and interest to the Seller's Owned Real Property, subject only to the applicable Real Property Permitted Encumbrances that affect any such parcel;

(b) An Assignment and Assumption Agreement executed by a duly authorized officer and/or representative of Seller;

(c) A general bill of sale and assignment substantially in the form attached hereto as Exhibit 2.2(c) (the "Bill of Sale") executed by a duly authorized officer and/or representative of Seller;

(d) An assignment and assumption agreement substantially in the form attached hereto as Exhibit 2.2(d) executed by a duly authorized officer and/or representative of Seller providing for the transfer of the Evergreen Ground Lease to Buyer or its designee or successor in interest;

(e) A secretary's certificate, including copies of resolutions duly adopted by its board of directors or other governing body authorizing and approving the performance of each of the transactions contemplated hereby and the execution and delivery of this Agreement and the documents described herein, together with certificates of incumbency, certified as true and of full force as of the Closing by an appropriate officer of Seller;

(f) A certificate of the respective President or a Vice President of Seller, certifying that the conditions set forth in Sections 7.1, 7.4 (as it relates to Seller), 7.5 and 7.7 have been satisfied;

(g) A certificate of existence of Seller from the Office of the Connecticut Secretary of the State dated not more than ten (10) days prior to Closing;

(h) A title insurance affidavit substantially in the form of Exhibit 2.2(h) hereto as requested by the Title Company;

(i) Consent of the Connecticut Attorney General for this transaction.

(j) Copies of insurance policies and certificates of insurance evidencing the insurance described in Section 5.7;

(k) Reserved.

(l) A certificate of non-foreign status, dated as of the Closing Date, executed by a duly authorized officer of Seller, in form and substance required under the Treasury

Regulations pursuant to Section 1445 of the Code, substantially in the form of Exhibit 2.2(m) hereto;

- (m) Reserved;
- (n) The Medical Records Custody Agreement; and
- (o) Such other instruments and documents as Buyer reasonably deems necessary to effectuate the transactions contemplated hereby.

Simultaneously with the delivery of the foregoing items and as reasonably required at any time thereafter, Seller will take all steps as may reasonably be required to put Buyer in actual possession and operating control of the Assets following the Closing.

2.3 Actions of Buyer at Closing. At the Closing, Buyer shall deliver, or cause to be delivered, to Seller or its representatives:

- (a) Payment of the Purchase Price less the Deposit as determined in accordance with and payable pursuant to Section 1.6 hereof;
- (b) The Assignment and Assumption Agreement executed by a duly authorized officer of Buyer;
- (c) Reserved;
- (d) The Medical Records Custody Agreement;
- (e) A copy of resolutions duly adopted by the board of directors of Buyer authorizing and approving Buyer's performance of the transactions contemplated hereby and the execution and delivery of the documents described herein, certified as true and of full force as of the Closing by an appropriate officer of Buyer;
- (f) A certificate, dated as of the Closing Date, of an appropriate officer of Buyer certifying that the conditions set forth in Sections 8.1 and 8.2 (as it relates to Buyer) have been satisfied;
- (g) A certificate of incumbency, dated as of the Closing Date, for the officers of Buyer making certifications for Closing or executing this Agreement, the Assignment and Assumption Agreement, or any other documents, agreements or certificates contemplated by the terms hereof to be executed and delivered by Buyer; and
- (h) A certificate of existence of Buyer from the Office of the Connecticut Secretary of the State dated not more than ten (10) days prior to Closing.

3. REPRESENTATIONS AND WARRANTIES OF SELLER.

As of the Execution Date and as of the Closing Date, Seller hereby represents and warrants to Buyer the following:

3.1 Existence and Capacity. Seller is a nonstock corporation, duly organized, validly existing and in good standing under the laws of the State of Connecticut with all requisite corporate power and authority to own, operate and lease its properties, including, without limitation, the Assets.

3.2 Binding Agreement. This Agreement constitutes the valid, legal and binding obligation of Seller, enforceable against Seller in accordance with its terms. Upon the execution and delivery by Seller of such other agreements as may be required pursuant to Section 2.2, such agreements will constitute valid, legal and binding obligations of Seller, enforceable against Seller in accordance with their terms.

3.3 Powers; Consents; Absence of Conflicts With Other Agreements. The execution, delivery, and performance of this Agreement by Seller and all other agreements referenced herein, or ancillary hereto, to which Seller is a party, and the consummation of the transactions contemplated herein by Seller:

(a) are within Seller's authority and power, are not in contravention of law or of the terms of such entity's organizational documents and have been duly authorized by all appropriate action of Seller;

(b) except as set forth on Schedule 3.3 and as of January 14, 2015, do not require any approval or consent of, or filing with, any Governmental Entity bearing on the validity of this Agreement which is required by law or the regulations of any such Governmental Entity, assuming the accuracy of Buyer's representation and warranty set forth in Section 4.6; and

(c) assuming the accuracy of Buyer's representation and warranty set forth in Section 4.6, will not violate any statute, law, ordinance, rule or regulation of any Governmental Entity to which Seller or the Assets may be subject; and will not violate any judgment, decree, order, writ or injunction of any court or Governmental Entity to which Seller or the Assets may be subject.

3.4 Sufficiency of Assets. Except for the Excluded Assets, the Assets constitute, in the aggregate, all the assets, interests, rights and property used by Seller in connection with the operation of the Business as currently conducted.

3.5 Title to Tangible Personal Property. Seller has good and valid title to, or a valid leasehold interest in, all tangible personal property included in the Assets.

3.6 Real Property. Schedule 1.2(a) sets forth the Seller's Owned Real Property. Seller has good and marketable fee simple title to the Seller's Owned Real Property. Schedule 1.2(b) sets forth the Seller's Leased Real Property as of January 14, 2015. No Seller has received any written notice of existing, pending or threatened (i) condemnation proceedings affecting the Seller's Owned Real Property or the Seller's Leased Real Property, or (ii) zoning, building code or other moratorium proceedings, or similar matters which would reasonably be expected to materially and adversely affect the ability to operate the Seller's Owned Real Property or the Seller's Leased Real Property as currently operated. Neither the whole nor any

material portion of the Seller's Owned Real Property or the Seller's Leased Real Property has been damaged or destroyed by fire or other casualty.

4. REPRESENTATIONS AND WARRANTIES OF BUYER.

As of the Execution Date and as of the Closing Date, Buyer hereby represents and warrants to Seller the following:

4.1 Existence and Capacity. Buyer is a limited liability company duly organized and validly existing under the laws of the State of Connecticut with all requisite limited liability company power and authority to own, operate and lease its properties.

4.2 Binding Agreement. This Agreement constitutes the valid, legal and binding obligation of Buyer enforceable against Buyer in accordance with its terms. Upon the execution and delivery by Buyer of such other agreements as may be required pursuant to Section 2.3 herein, such agreements will constitute valid, legal and binding obligations of Buyer enforceable against Buyer in accordance with their terms.

4.3 Powers; Consents; Absence of Conflicts With Other Agreements. The execution, delivery, and performance of this Agreement by Buyer and the execution, delivery and performance by Buyer of all other agreements referenced herein, or ancillary hereto, to which Buyer is a party, and the consummation of the transactions contemplated herein by Buyer: are within Buyer's corporate powers, are not in contravention of law or of the terms of Buyer's organizational or governing documents and have been duly authorized by all appropriate action; except as set forth on Schedule 4.3, do not require any approval or consent of, or filing with, any Governmental Entity bearing on the validity of this Agreement which is required by law or the regulations of any such Governmental Entity; will not conflict with, require consent under or result in any breach or contravention of, or the creation of any Lien under, any indenture, agreement, lease, instrument or understanding to which Buyer or its Affiliates is a party or by which any of them is bound or any of their assets is subject; will not violate any statute, law, ordinance, rule or regulation of any Governmental Entity to which Buyer or its Affiliates may be subject; and will not violate any judgment, decree, order, writ or injunction of any court or Governmental Entity to which Buyer or its Affiliates may be subject.

4.4 Reserved.

4.5 Wherewithal to Perform Obligations. Buyer has sufficient funds, personnel, property, assets and other resources to undertake and perform its obligations under this Agreement.

5. COVENANTS PRIOR TO CLOSING.

5.1 Operations. Between the Execution Date and the earlier of the Effective Time or the termination of this Agreement, with respect to the ownership and operation of the Assets and Facility and subject to the terms of the Affiliation Agreements, Seller will:

(a) carry on the Business in substantially the same manner as it has been heretofore conducted, and not make any material change in personnel or operations and not make any change in its finance or accounting policies or practices;

(b) maintain the Assets in substantially as good working order and condition as at present, ordinary wear and tear excepted;

(c) perform in all respects its obligations under agreements relating to or affecting the Assets, including, without limitation, stay current on all executory contracts to which it is a party;

(d) keep in full force and effect present insurance policies or other comparable insurance coverage;

(e) keep current in payment of its wages and maintenance of its benefits to its employees;

(f) keep current on provider taxes;

(g) continue to dispose of any expired drugs and pharmaceuticals in the ordinary course of business and as required by applicable law; and

(h) use commercially reasonable efforts to maintain and preserve its business organization intact, to retain its present employees, to maintain its relationships with suppliers, physicians, patients, residents, and others having business relations with the Facility and to maintain all Permits and Licenses in full force and effect.

5.2 Efforts to Close. Each party hereto shall use commercially reasonable efforts to proceed toward the Closing and to cause the other parties' conditions to Closing to be met as soon as practicable and consistent with the other terms contained herein. Each party hereto shall notify the other parties as soon as practicable of any event or matter which comes to such party's attention which may reasonably be expected to prevent the conditions to such party's obligations being met.

5.3 Consents. Each party hereto will use its respective commercially reasonable efforts to obtain all permits, approvals, authorizations and consents of all third parties necessary or desirable for the purpose of (i) consummating the transactions contemplated hereby or (ii) enabling Buyer to operate the Business in the ordinary course after the Closing. Seller agrees to cooperate reasonably with Buyer in Buyer's efforts (A) to make any required filings and to obtain any third party consents or governmental approvals necessary in order to consummate the transactions contemplated hereby, (B) to respond to any governmental investigation of such transactions, and (C) to defend any legal or administrative proceedings challenging such transactions. Seller will, upon reasonable request, cooperate with Buyer and its representatives and counsel, in the preparation of any document or other material which may be required by any Governmental Entity as a predicate to or result of the transactions herein contemplated. Buyer's and Seller's obligations pursuant to filings with Governmental Entities shall be controlled by Section 5.8.

5.4 Notice; Efforts to Remedy. Prior to the Closing, each party shall promptly give written notice to the other parties hereto upon becoming aware of the impending occurrence of any event which would cause or constitute a breach of any such party's representations, warranties or covenants in this Agreement or cause a Material Adverse Effect. Prior to the Closing, each party shall use its commercially reasonable efforts to prevent or promptly remedy any breach of its representations, warranties or covenants contained in this Agreement.

5.5 Termination of Employees. Effective as of the Closing Date, Seller shall take appropriate action to terminate the employment of all Employees and to remove such Employees from its payrolls, with Buyer responsible for all Accrued Employee Liabilities as an Assumed Liability.

5.6 Tail Insurance. Seller shall obtain "tail" or other insurance, in form and substance acceptable to Buyer, in its commercially reasonable discretion, to insure general and professional liabilities and employee claims (but not directors' and officers' liabilities) and the Business relating to all periods prior to the Effective Time.

5.7 Reserved.

5.8 Regulatory Filings and Notifications.

(a) Each Party hereto shall, as promptly as possible, use its reasonable best efforts to obtain, or cause to be obtained, all consents, authorizations, orders, notifications and approvals from all Governmental Entities, including, without limitation, the Connecticut Department of Social Services ("CDSS"), that may be or become necessary for its execution and delivery of this Agreement and the performance of its obligations pursuant to this Agreement. Each party shall cooperate fully with the other party and its Affiliates in promptly seeking to obtain all such consents, authorizations, orders and approvals. The parties hereto shall not willfully take any action that will have the effect of delaying, impairing or impeding the receipt of any required consents, authorizations, orders and approvals.

(b) Buyer and Seller will coordinate all communications with Governmental Entities. Buyer and Seller will inform one another of any communication from any Governmental Entity concerning this Agreement and the transactions contemplated herein promptly after receiving such communication.

6. BANKRUPTCY COURT APPROVALS.

6.1 Bankruptcy Court Approvals, Generally. This Agreement is subject to approval by the Bankruptcy Court and the consideration by Seller and the Bankruptcy Court of higher or better Competing Bids with respect to an Alternative Transaction. Seller will not solicit, consider, negotiate, agree to, or otherwise take action in furtherance of, any Alternative Transaction that does not include provisions contained herein necessary for the continued operation of the Seller's business.

6.2 Sale Order and Reorganization Plan. Seller shall use reasonable good faith efforts to obtain entry of the Sale Order substantially in the form attached hereto as Schedule 6.2 by the Bankruptcy Court as soon as practicable. The Sale Order shall (i) approve the sale of the Assets

to Buyer on the terms and conditions set forth in this Agreement and authorize Seller to proceed with the transactions contemplated herein, (ii) include a specific finding that Buyer or its designee is a good faith buyer of the Assets, and (iii) state that the sale of the Assets to Buyer or its designee shall be free and clear of all Liabilities and Liens whatsoever (other than Assumed Liabilities and Permitted Liens). Buyer reserves the right to modify the proposed Sale Order prior to the sale hearing.

6.3 Competing Bids and Alternative Transactions. Buyer acknowledges that Seller may receive Competing Bids from prospective purchasers as provided in the sale procedures order. If Seller receives any Competing Bids that are in compliance with the sale procedures order, Seller shall have the right to select and seek final approval by the Bankruptcy Court of the highest and best bid, which will be determined in accordance with the sale procedures order. It is understood that following the date of the Sale Hearing, and only if this Agreement is approved by the Bankruptcy Court, Seller will not participate in any discussions with, or furnish any information to, any person or entity with respect to any Alternative Transaction regardless of the terms thereof. Notwithstanding the foregoing, it is further understood and agreed that Seller shall be permitted to participate in discussions with, or furnish any information to, any person or entity with respect to any Bankruptcy Court-approved Alternative Transaction, subject to the terms of this Agreement.

7. CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYER.

The obligations of Buyer to purchase the Assets in accordance with the terms of this Agreement are subject to the satisfaction, on or prior to the Closing Date, of the following conditions unless waived in writing by Buyer:

7.1 Representations/Warranties. The representations and warranties of Seller made in this Agreement qualified as to materiality shall be true and correct, and those not so qualified shall be true and correct in all material respects when made as of the Closing Date as though such representations and warranties had been made on and as of such Closing Date. Seller shall have duly performed, complied with and satisfied all covenants, agreements and conditions required by this Agreement to be performed, complied with or satisfied in all material respects by it prior to the time of the Closing.

7.2 Pre-Closing Confirmations. Buyer shall have obtained documentation or other evidence confirming the following:

(a) The Sale Order in a form acceptable to Buyer shall have been issued and have become a Final Order;

(b) confirmation and effective transfer or reissuance (upon Closing) of the appropriate registration and/or licensure of the Facility to the extent required by the State of Connecticut for continued operation of the Facility by Buyer after the Closing;

(c) if an assignment of the Medicare and Medicaid provider numbers and agreements is elected by Buyer pursuant to Section 1.2(n) hereof, confirmation of Medicare and Medicaid certification of the Facility or if such assignments are not so elected by Buyer, Buyer and Seller shall have taken all steps necessary and appropriate, including filing of CMS Form

855 and sending notification and any applicable application to the Connecticut Department of Social Services, to apply for and obtain Medicare and Medicaid certification of the Facility as soon as practicable after the Closing;

(d) confirmation from the Department of Health as to any necessary registration and licensure matters with respect to the operation by Buyer of the Facility and all presently authorized services on and after the Closing;

(e) issuance by the CDSS of a certificate (as applicable) approving this Agreement and the transactions contemplated herein without the imposition of any condition deemed by Buyer to be materially burdensome, as determined in Buyer's reasonable discretion; and

(f) confirmation of receipt of all other required approvals, licenses, consents, authorizations, and permits from all Governmental Entities required to consummate the transactions herein contemplated and to permit Buyer to operate the Facility and all presently authorized services on and after the Closing.

7.3 Action/Proceeding. No action, proceeding, investigation or administrative hearing before a court or any other Governmental Entity shall have been instituted or threatened against Seller or Buyer which seeks injunctive relief in anticipation of the sale of the Assets and may reasonably be expected to prohibit the sale of the Assets to Buyer or seeks damages in a material amount by reason of the consummation of the transactions contemplated hereby.

7.4 Adverse Changes. A Material Adverse Effect on the Business, the Assets or the Facility shall not have occurred after the date hereof and be continuing as of the Closing Date, a Material Adverse Effect shall not be in existence, or there shall not have occurred any event that with reasonable certainty would constitute or cause a Material Adverse Effect.

7.5 Proceedings and Documents Satisfactory. Buyer shall have received such certificates, opinions and other documents, including without limitation, those identified in Section 2.2 hereof in order to consummate the transactions contemplated hereby on the terms set forth herein, all of which shall be in form and substance reasonably satisfactory to it and its counsel. All proceedings in connection with the purchase and sale of the Assets and all certificates and documents delivered to Buyer pursuant to this Agreement shall be reasonably satisfactory in form and substance to Buyer and its counsel acting reasonably and in good faith.

7.6 No Investigation. Except as previously disclosed in writing by Seller to Buyer prior to the Execution Date, no regulatory investigation or proceeding involving CMS, the Justice Department or any other federal or state agency and involving or related to Seller that had or reasonably would have a Material Adverse Effect on Seller shall have been commenced.

7.7 Sale Order. The Sale Order shall provide that the Assets shall be conveyed free and clear of all Liens (other than Permitted Liens) and Liabilities (other than Assumed Liabilities) and on the Closing Date shall, in fact, be delivered free and clear of all Liens (other than Permitted Liens) and Liabilities (other than Assumed Liabilities).

7.8 Assumed Liabilities. Each category of Assumed Liabilities set forth in Sections 1.4(a)(i) and (vii) shall not exceed the amounts set forth in such subsections relative to each such Assumed Liability.

7.9 Tail or Other Insurance. Seller shall have obtained "tail" or other insurance, in form and substance acceptable to Buyer, in its commercially reasonable discretion as set forth in Section 5.6 hereof.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLER.

The obligations of Seller to sell the Assets in accordance with the terms of this Agreement are subject to the satisfaction, on or prior to the Closing Date, of the following conditions unless waived in writing by Seller:

8.1 Representations/Warranties. The representations and warranties of Buyer made in this Agreement qualified as to materiality shall be true and correct, and those not so qualified shall be true and correct in all material respects, when made, as of the Closing Date as though such representations and warranties had been made on and as of such Closing Date. Each and all of the terms, covenants, and conditions of this Agreement to be complied with or performed by Buyer on or before the Closing Date pursuant to the terms hereof shall have been duly complied with and performed in all material respects.

8.2 Action/Proceeding. No action, proceeding, investigation or administrative hearing before a court or any other Governmental Entity shall have been instituted or threatened against Seller or Buyer which seeks injunctive relief in anticipation of the sale of the Assets and may reasonably be expected to prohibit the sale of the Assets to Buyer or seeks damages in a material amount by reason of the consummation of the transactions contemplated hereby.

8.3 Proceedings and Documents Satisfactory. Seller shall have received such certificates, opinions and other documents, including without limitation, those identified in Section 2.3 hereof in order to consummate the transactions contemplated hereby, all of which shall be in form and substance reasonably satisfactory to it and its counsel. All proceedings in connection with the purchase and sale of the Assets and all certificates and documents delivered to Seller pursuant to this Agreement shall be reasonably satisfactory in form and substance to Seller and its counsel acting reasonably and in good faith.

8.4 Pre-Closing Confirmations. Seller shall have obtained documentation or other evidence confirming the following:

- (a) the Sale Order shall have been issued and have become a Final Order;
- (b) confirmation and effective transfer or reissuance (upon Closing) of the appropriate registration and/or licensure of the Facility to the extent required by the State of Connecticut for continued operation of the Facility by Buyer after the Closing;
- (c) Seller confirmation that Buyer may use its Medicare and Medicaid provider numbers and agreements;

(d) if an assignment of the Medicare and Medicaid provider numbers and agreements is elected by Buyer pursuant to Section 1.2(n) hereof confirmation of Medicare and Medicaid certification of the Facility or if such assignments are not so elected by Buyer, Buyer and Seller shall have taken all steps necessary and appropriate, including filing of CMS Form 855 and sending notification and any applicable application to the Connecticut Department of Social Services, to apply for and obtain Medicare and Medicaid certification of the Facility as soon as practicable after the Closing;

(e) confirmation from the Department of Health as to any necessary registration and licensure matters with respect to the operation by Buyer of the Facility and all presently authorized services on and after the Closing;

(f) issuance by the CDSS of a certificate (as applicable) approving this Agreement and the transactions contemplated herein; and

(g) confirmation of receipt of all other required approvals, licenses, consents, authorizations, and permits from all Governmental Entities required to consummate the transactions herein contemplated and to permit Buyer to operate the Facility and all presently authorized services on and after the Closing.

9. EMPLOYEE MATTERS.

9.1 Transfer of Employment.

(a) Effective as of the Closing Date, Buyer shall offer at will employment to substantially all employees who are employed by Seller immediately prior to the Effective Time, who satisfy Buyer's standard policies and conditions for employment, and as otherwise provided herein below (the employees who accept such an offer and commence employment with Buyer are collectively referred to herein as the "Transferred Employees"). Each offer of employment shall provide for base salary or hourly wage rates at least equal to such employee's base salary or hourly wage rate in effect immediately prior to the Closing Date. Buyer shall provide employee benefits that are in the aggregate substantially similar, as reasonably determined by Buyer, to the benefits provided to Seller's employees immediately prior to the Closing Date. Nothing herein shall be deemed to affect or limit in any way management prerogatives of Buyer with respect to employees, including the right to amend or terminate any employee benefit plans and programs or limit the obligations of Buyer to amend its plans as needed to comply with applicable law.

(b) As of the Effective Time, Buyer shall take the following actions: (i) waive any eligibility waiting periods under any health and welfare plans maintained for the benefit of the Transferred Employees and, to the extent possible, waive any limitations regarding pre-existing conditions under any welfare plans maintained for the benefit of the Transferred Employees, (ii) provide each Transferred Employee with credit for any co-payments and deductibles paid prior to the Effective Time in satisfying any applicable deductible or out-of-pocket requirements under such health plans, and (iii) for purposes of eligibility, vesting and the allocation of employer contributions under a defined contribution plan (but not for purposes of benefit accrual under a defined benefit plan) under the plans and policies of Buyer, treat all

service by the Transferred Employees with Seller and its Affiliates immediately prior to the Effective Time as service with Buyer. The Buyer shall also recognize accrued but unused paid time off as part of assuming the Accrued Employee Liabilities with respect to the employment period of the Transferred Employees including the Effective Time, and shall credit each Transferred Employee all service by such Transferred Employee with Seller and its Affiliates immediately prior to the Effective Time as service with Buyer for purposes of determining subsequent entitlement to paid time off.

(c) In respect of notices and payments relating to events occurring prior to the Effective Time, Seller shall be responsible for all Liability for any and all notices, payments, fines or assessments due to any Governmental Entity, pursuant to any applicable laws, with respect to the employment, discharge or layoff of employees by Seller prior to the Effective Time, including but not limited to the Worker Adjustment and Retraining Notification Act and any rules or regulations as have been issued in connection with the foregoing (jointly, referred to throughout this Agreement as the "WARN Act"). Buyer shall be responsible and assume (and shall indemnify and hold Seller harmless from and against) all Liability for any and all notices, payments, fines or assessments due to any Governmental Entity, pursuant to the WARN Act, with respect to the employment, discharge, layoff of employees employed by Buyer at or after the Effective Time.

9.2 Reserved.

9.3 Reserved.

9.4 No Third Party Beneficiaries. Nothing herein shall be deemed to create or grant to any such employee or Transferred Employee third-party beneficiary rights or claims or causes of action of any kind or nature.

10. PARTICULAR COVENANTS.

10.1 COBRA Responsibilities. With respect to any current or former employee of Seller who (including any eligible spouse and dependent thereof) incurs a qualifying event, as defined by Code Section 4980B or Part 6 of Subtitle B of Title I of ERISA, as a result of the transaction contemplated by this Agreement, whether or not hired by Buyer, or who incurred a qualifying event prior to the Effective Time (all such employees together with their spouses and eligible dependents are referred to herein as "Qualified Beneficiaries"), Seller shall retain the obligation, if any, for providing notices and continuation coverage under COBRA or other similar continuation coverage obligation and shall offer, if required, such Qualified Beneficiaries continuation coverage under the group health, dental or other medical plans of Seller to the fullest extent required by COBRA. In the event that Seller and its Affiliates do not maintain a group health plan after the Closing, the Qualified Beneficiaries shall become eligible for COBRA continuation coverage under a group health, dental or other medical plan of Buyer.

10.2 Name Change; Change in Case Caption. Seller acknowledges and agrees that Buyer will acquire as part of the Assets the exclusive right to use the name Evergreen Health Care Center and all variations thereof and the goodwill associated therewith and that Seller will not use such name or any derivative thereof subsequent to the Closing, except that Seller's entity

name may include such name on a transitional basis until such time as the Name Amendment described below has been effectuated. Seller further covenants and agrees that, on or before the Closing Date, Seller will have adopted a resolution changing the names of Seller to such names as mutually agreed to by the parties (the "Name Amendment"). The resolutions and the amendments shall have an effective date that is not more than thirty (30) days following the Closing Date. As contemplated by Section 2.2, Seller shall deliver the Name Amendment to Buyer at the Closing, and Buyer is hereby authorized to file the Name Amendment with the office of the Connecticut Secretary of the State at any time following the Closing. Within the later of five (5) days of the entry of the Sale Order or two (2) days following Buyer's notice to Seller that the Name Amendment has been filed with the office of the Connecticut Secretary of the State, Seller shall file a motion with the Bankruptcy Court to change the case caption of the Bankruptcy Case and the name of Seller consistent with the provisions of this Section 10.2.

10.3 Terminating Cost Report. Seller shall prepare and timely file (and provide Buyer a copy) of all terminating cost reports for the Facility in respect of the Medicare and Medicaid programs, or any successor governmental program, reflecting consummation of the transactions contemplated hereby no later than one hundred fifty (150) days after the Closing or any applicable deadline. Buyer, upon reasonable notice from Seller, during normal business hours, will cooperate with Seller in regard to the preparation, filing, handling and appeals of Seller's cost reports related to the Business for periods prior to the Effective Time. After the Effective Time, Buyer agrees to provide Seller with reasonable access to records of the Business necessary and appropriate for the preparation or appeal of Seller's cost reports and to provide services of Buyer's employees to Seller as reasonably necessary and appropriate, subject to Buyer's discretion, in connection with the preparation and/or appeal of such cost reports.

10.4 Required Creditor Notices. Seller shall provide prompt and timely notice of the proposed sale of the Assets, in form and substance reasonably acceptable to Buyer and in such manner as may be required by applicable law, to Seller's creditors and all parties entitled to notice of the sale motion.

10.5 Transferred Contracts. Not less than thirty (30) days prior to the Closing, Buyer shall provide (a) documentation identifying all Contracts Buyer wishes to be assumed by Seller and assigned by the Seller to Buyer at Closing (the "Transferred Contracts"); (b) documentation identifying all Contracts that Buyer may, at a later date, wish to be assigned by the Seller (the "Designated Contracts"); and (c) all Contracts that Buyer will not be seeking to be assigned by the Seller (the "Excluded Contracts"). At any time between the Closing and the 10th day following the Closing, Buyer may re-designate any Designated Contract as either a Transferred Contract or an Excluded Contract. If Buyer does not re-designate any Designated Contract by the 10th day following the Closing, such Designated Contract shall be deemed an Excluded Contract as of such date. Seller agrees not to reject any Contract on or before the 10th day following the Closing except for Excluded Contracts. Seller shall (x) assume in the Bankruptcy Case, any Transferred Contract that is designated by Buyer to Seller on or before the 10th day following the Closing, provided that Buyer shall pay all cure amounts in connection with such assumption, and (y) assign said Transferred Contracts to Buyer.

10.6 Buyer's Right to Supplement Schedules. Not less than seven (7) days prior to Closing, Buyer shall have the right to supplement the schedules to this Agreement to include any asset acquired by or leased by Seller after the Execution Date.

11. TERMINATION.

11.1 Optional Termination. This Agreement may be terminated at any time prior to the Closing as follows:

- (a) by the mutual written consent of Buyer and Seller;
- (b) by Buyer, in accordance with the provisions of Section 1.13;
- (c) by Seller or Buyer, if any court of competent jurisdiction in the United States or other Governmental Entity shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated hereby and such order, decree, ruling or other action shall have become final and non-appealable;
- (d) by Seller, if Buyer commits a material breach of any of the terms hereof, which cannot be or has not been cured within twenty (20) days after the giving of written notice to Buyer of such breach;
- (e) by Buyer, if Seller commits a material breach of any of the terms hereof, which cannot be or has not been cured within twenty (20) days after the giving of written notice to Seller of such breach;
- (f) by Buyer, if Buyer reasonably determines, at any time, that any of the conditions set forth in Article 7 shall not be satisfied on or before the Closing Date; provided, however, that the right to terminate this Agreement under this subsection shall not be available to Buyer if Buyer's failure to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the condition;
- (g) by Seller or Buyer, if the Closing has not occurred on or prior to January 14, 2016; provided, however, that the right to terminate this Agreement under this subsection shall not be available to a party if such party's failure to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing; or
- (h) by Buyer, in the event (i) that Seller recommends or takes any action (other than action approved by Buyer) with respect to, or the Bankruptcy Court approves, an Alternative Transaction; (ii) an appeal of the Sale Order is filed and not resolved to Buyer's satisfaction, in its sole and absolute discretion, by January 14, 2016; (iii) the Bankruptcy Court orders that an amendment be made to this Agreement or to the schedules or exhibits to this Agreement and such amendment is not acceptable to Buyer, in its sole and absolute discretion; or (iv) a proposed Reorganization Plan is filed by Seller that is materially inconsistent with the terms of this Agreement; or (v) the Buyer is not named as the "Successful Bidder" in accordance with the applicable bid procedures.

11.2 Notice of Termination. In the event of any termination pursuant to Section 11.1, written notice shall forthwith be given to the other parties hereto except with respect to a termination pursuant to Section 11.1(a).

11.3 Effect of Termination. Upon termination of this Agreement, no party hereto shall have liability hereunder to any other party, all of which is hereby waived and released; provided, however, (a) if this Agreement is terminated by Seller pursuant to Section 11.1(d), the Deposit, including all interest accrued thereon, if any, shall be paid over to Seller in accordance with the Escrow Agreement as liquidated damages and shall be the exclusive remedy of Seller for any termination or breach of this Agreement by Buyer; (b) if this Agreement is terminated, for any reason other than pursuant to Section 11.1(d), the Deposit, including all interest accrued thereon, if any, shall be paid over to Buyer in accordance with the Escrow Agreement; and (c) if this Agreement is terminated by Buyer pursuant to Section 11.1(e), Buyer shall be entitled to exercise any and all rights and remedies available to Buyer at law or in equity. Notwithstanding any provision herein to the contrary, in the event that Buyer is entitled to terminate this Agreement pursuant to Section 11.1(e), Buyer may elect to seek specific performance of Seller's obligations hereunder in accordance with the terms of this Agreement.

12. GENERAL.

12.1 Additional Assurances. The provisions of this Agreement shall be self-operative and shall not require further agreement by the parties except as may be herein specifically provided to the contrary; provided, however, at the request of either party, the other parties shall execute such additional instruments and take such additional acts as are reasonably necessary to effectuate this Agreement.

12.2 Consents, Approvals and Discretion. Whenever this Agreement requires any consent or approval to be given by a party or a party must or may exercise discretion, the parties agree that such consent or approval shall not be unreasonably withheld or delayed and such discretion shall be reasonably exercised, except as otherwise expressly set forth in any particular provision of this Agreement.

12.3 Choice of Law. THE PARTIES AGREE THAT THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF CONNECTICUT WITHOUT REFERENCE TO ANY PRINCIPLES OF CONFLICTS OF LAWS. FURTHER, THE PARTIES AGREE THAT THE FEDERAL AND STATE COURTS LOCATED IN THE STATE OF CONNECTICUT SHALL RETAIN EXCLUSIVE JURISDICTION OVER ANY AND ALL DISPUTES BETWEEN THE PARTIES ARISING OUT OF OR RELATED TO THIS AGREEMENT.

12.4 Benefit/Assignment. Subject to the provisions herein to the contrary, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives, successors and assigns; provided, however, that no party may assign this Agreement without the prior written consent of the other parties. Notwithstanding the foregoing, pursuant to Section 1.2 hereof, Buyer may make any such assignment to any Permitted Designee, without obtaining the written consent of Seller.

12.5 Finders, Brokerage. Seller agrees to indemnify Buyer from and against all loss, cost, damage or expense arising out of claims for fees or commissions of any advisor, agent or broker employed or alleged to have been employed by Seller. Buyer agrees to indemnify Seller from and against all loss, cost, damage or expense arising out of claims for fees or commissions of any advisor, agent or broker employed or alleged to have been employed by Buyer.

12.6 Cost of Transaction. Whether or not the transactions contemplated hereby shall be consummated, the parties agree as follows: (a) Seller will pay the fees, expenses and disbursements of Seller and its agents, advisers, attorneys and accountants incurred in connection with the subject matter hereof and any amendments hereto; and (b) Buyer shall pay the fees, expenses and disbursements of Buyer and its agents, advisers, attorneys and accountants incurred in connection with the subject matter hereof and any amendments hereto; Buyer shall pay the costs associated with the filing to be made with the Department of Health, if any, and any requisite filing under the HSR Act; and Buyer shall pay all expenses of inspecting the Facility and Assets, including the cost of any environmental surveys and the cost of establishing the lock box contemplated by Section 1.12.

12.7 Reserved.

12.8 Preservation and Access to Records After the Closing.

(a) With regard to patient or resident records, from and after the Effective Time, Buyer shall use its commercially reasonable efforts to maintain the patient or resident records held at the Facility relating to periods prior to the Effective Time in accordance with applicable state and federal and state law, statutes, regulations and rules, including without limitation HIPAA. Buyer and Seller shall enter into a Medical Records Custody Agreement in the form attached as Exhibit 12.8 (the "Medical Records Custody Agreement").

(b) Each party hereto acknowledges that, subsequent to the Closing, the other party may need access to information or documents in the control or possession of such party for the purposes of concluding the transactions contemplated hereby, audits, compliance with governmental requirements and regulations, confirming compliance herewith and the prosecution or defense of third party claims. Accordingly, Seller and Buyer agree that after the Effective Time, each shall make reasonably available to the other's representatives or agents, independent auditors and/or Governmental Entities, upon written request and at the expense of the requesting party, and subject to applicable law, such documents and information as may be available relating to the Business for periods prior and subsequent to the Closing to the extent necessary to facilitate concluding the transactions herein contemplated, audits, compliance with governmental requirements and regulations, confirming compliance herewith and the prosecution or defense of claims. Provided, however, Seller shall make its Medicare and Medicaid provider numbers and agreements available to Buyer with no charge by the Seller.

12.9 Waiver. The waiver by any party of a breach or violation of any term or provision of this Agreement shall not operate as, or be construed to be, a waiver of any subsequent breach of the same provision by any party or of the breach of any other term or provision of this Agreement. The delay of a party to transmit any written notice hereunder shall

not constitute a waiver by such party of any default hereunder or of any other or further default under this Agreement except as may expressly be provided for by the terms of this Agreement.

12.10 Tax Allocation. Buyer shall make an allocation of the Purchase Price (the "Purchase Price Allocation") within 150 days of the Closing Date and shall notify Seller in writing as to such allocation. Seller and Buyer hereby agree that the Purchase Price Allocation shall be used by each of them for all federal and state income tax purposes, and shall be set forth in a statement prepared in accordance with Section 1060 of the Code, which statement shall be prepared in a manner generally consistent with the form of Internal Revenue Service Form 8594. Each party hereto shall file a copy of such statement as required by applicable law.

12.11 Interpretation. Each of the parties has agreed to the use of the particular language of the provisions of this Agreement including all attached Exhibits and Schedules and any questions of doubtful interpretation shall not be resolved by any rule or interpretation against the draftsman but rather in accordance with the fair meaning thereof, having due regard to the benefits and rights intended to be conferred upon the parties hereto and the limitations and restrictions upon such rights and benefits intended to be provided.

12.12 Notice. Any notice, demand or communication required, permitted, or desired to be given hereunder shall be in writing and shall be deemed effectively given when personally delivered or mailed by prepaid certified mail, return receipt requested, addressed as follows:

Seller: The Johnson Evergreen Corporation
c/o Johnson Memorial Medical Center, Inc.
201 Chestnut Hill Road
Stafford Springs, CT 06076
Attn: CEO

With a copy to: Eric Henzy and Jon Newton
Reid and Riege, P.C.
One Financial Plaza
Hartford, CT 06103

Buyer: Athena Stafford Springs Landlord LLC
Stafford Springs CT SNF LLC
135 South Road
Farmington, CT 06032
Attn: Lawrence G. Santilli
Manager

With a copy to: Robert V. Giunta, Jr., Esq.
Murtha Cullina LLP
CityPlace I
185 Asylum Street
Hartford, CT 06103

or to such other address, and to the attention of such other person or officer as any party may designate, with copies thereof to the respective counsel thereof as notified by such party.

12.13 Severability. In the event any provision of this Agreement is held to be invalid, illegal or unenforceable for any reason and in any respect, such invalidity, illegality, or unenforceability shall in no event affect, prejudice or disturb the validity of the remainder of this Agreement, which shall be in full force and effect, enforceable in accordance with its terms, including, without limitation, those terms which contemplate or require the further agreements of the parties. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and still be legal, valid or enforceable.

12.14 Gender and Number. Whenever the context of this Agreement requires, the gender of all words herein shall include the masculine, feminine and neuter, and the number of all words herein shall include the singular and plural.

12.15 Divisions and Headings. The divisions of this Agreement into Sections and subsections and the use of captions and headings in connection therewith are solely for convenience and shall have no legal effect in construing the provisions of this Agreement.

12.16 Survival. All statements made by the parties hereto herein or in the Schedules or in any certificate delivered pursuant hereto shall be deemed representations and warranties of the parties making or delivering the same regardless of any investigation made by or on behalf of the other parties hereto. Furthermore, the representations, warranties, covenants and agreements made by the parties herein shall survive until the Closing Date and then expire, excepting however covenants and agreements which by their terms are to be performed following the Closing.

12.17 Joint and Several Obligations. All obligations of Athena Landlord and Athena Operating shall be joint and several.

12.18 No Third-Party Beneficiaries. The terms and provisions of this Agreement are intended solely for the benefit of Buyer and Seller and their respective permitted successors or assigns, and it is not the intention of the parties to confer, and this Agreement shall not confer, third party beneficiary rights upon any other person.

12.19 Entire Agreement/Amendment. This Agreement supersedes all prior contracts, understandings and agreements, whether written or oral, and constitutes the entire agreement of the parties respecting the within subject matter and no party shall be entitled to benefits other than those specified herein. As between or among the parties, no oral statements or prior written material not specifically included herein shall be of any force and effect; the parties specifically acknowledge that in entering into and executing this Agreement, the parties rely solely upon the representations and agreements contained in this Agreement and no others. No terms, conditions, warranties, or representations, other than those contained herein and no amendments or modifications hereto, shall be binding unless made in writing and signed by the party to be charged. The foregoing notwithstanding and to the extent applicable to Seller, this Agreement does not replace or modify that certain Confidentiality Agreement dated as of April 7, 2015

between Seller and Athena Healthcare Systems which remains in full force and effect, provided such Agreement as it applies to Seller shall terminate without need for further action of any Person upon completion of the Closing.

12.20 Counterparts. This Agreement may be executed in multiple originals or counterparts, each and all of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

12.21 Risk of Loss. Notwithstanding any other provision hereof to the contrary, the risk of loss in respect of casualty to the Assets shall be borne by Seller through the Effective Time and by Buyer thereafter.

12.22 Press Releases. Except as otherwise required by law, any release to the public of information concerning this Agreement or the transactions contemplated hereby will be made only in the form and manner approved by the parties hereto. Each party shall furnish the others with drafts of all such releases prior to their publication or dissemination.

12.23 Bankruptcy Court Approval. As stated herein, this Agreement is expressly subject to the approval of the Bankruptcy Court.

{signature page follows}

Execution Version

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in multiple originals by their duly authorized officers as of the day and year first above written.

BUYER:

Athena Stafford Springs Landlord LLC
Stafford Springs CT SNF LLC

Each By: _____

Name: *Laurence G Santilli*
Title: *Manager*

SELLER:

The Johnson Evergreen Corporation

By: _____

Name: Patrick Mahon
Title: Chairperson of the Board

Execution Version

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in multiple originals by their duly authorized officers as of the day and year first above written.

BUYER:

Athena Stafford Springs Landlord LLC
Stafford Springs CT SNF LLC

Each By: _____

Name:

Title:

SELLER:

The Johnson Evergreen Corporation

By:  _____

Name: Patrick Mahon

Title: Chairperson of the Board

SCHEDULE 1.2(a)

Seller's Owned Real Property

Building at 205 Chestnut Hill Road, Stafford Springs, CT 06076; the Seller does not own the land at this site, which is leased pursuant to the Evergreen Ground Lease

SCHEDULE 1.2(b)

Seller's Real Property Expense Leases

The Evergreen Ground Lease

SCHEDULE 1.2(c)(ii)

Vehicles

2000 Ford F250 Super Duty Truck, VIN: 1FTNF21L9Y59449

SCHEDULE 1.2(d)

Permits and Licenses

The following are Permits and Licenses that to the Seller's knowledge are assignable and transferable, subject to the notification, consent, approval and/or other requirements set forth on Schedule 3.3:

1. Clinical Laboratory Improvements Amendment ("CLIA") Certificate of Waiver, issued by CMS, 07D861583 ("**CLIA Certificate**")
2. Elevator Operation Certificate, issued by the State of Connecticut Department of Construction Services Bureau of Elevators, 134-0029 ("**Elevator Operation Certificate 134-0029**")
3. Elevator Operation Certificate, issued by the State of Connecticut Department of Construction Services Bureau of Elevators, 134-0028 ("**Elevator Operation Certificate 134-0028**")
4. Elevator Operation Certificate, issued by the State of Connecticut Department of Construction Services Bureau of Elevators, 134-0037 ("**Elevator Operation Certificate 134-0037**," collectively with Elevator Operation Certificate 134-0029 and Elevator Operation Certificate 134-0028, "**Elevator Operation Certificates**")
5. Boiler Operating Certificate, issued by the State of Connecticut Department of Construction Services Bureau of Boilers, 82199 ("**Boiler Operating Certificate 82199**")
6. Boiler Operating Certificate, issued by the State of Connecticut Department of Construction Services Bureau of Boilers, 89641 ("**Boiler Operating Certificate 89641**," collectively with Boiler Operating Certificate 82199, "**Boiler Operating Certificates**")
7. Certificate of Approval for the Seller, issued by the Stafford Fire Marshal
8. Food Service License for Evergreen, if any

The following are Permits and Licenses that to the Sellers' knowledge may not be assignable or transferable (assignability and/or transferability subject to determination prior to Closing):

1. Chronic and Convalescent Nursing Home License, issued by the Department of Health, CCNH002081C ("**Chronic and Convalescent Nursing Home License**")

The following are Permits and Licenses that to the Seller's knowledge are not assignable or transferable and are Excluded Assets (the Permits and Licenses listed below, collectively, the "**Excluded Permits and Licenses**"):

1. Food Service License for JMH, issued by North Central District Health Department, 1480
2. Tax-exempt determination letter for the Seller dated October 2, 2000, issued by the Internal Revenue Service

3. Tax Exemption Permit for the Seller, issued by the State of Connecticut Department of Revenue Services, No. 11150

The Seller uses the names evidenced by the following “doing business as” certificates, which are Excluded Assets, in connection with the Business and, to the Seller’s knowledge, the Buyer may also obtain “doing business as” certificates for these names by making filings with, and getting approval from, the Town Clerk of the Town of Stafford:

1. “Doing business as” certificate for the name of “Johnson Evergreen Corporation d/b/a Evergreen Health Care Center,” issued to David T. Panteleakos, Administrator by the Town Clerk of the Town of Stafford (“**Evergreen D/B/A Certificate**”)
2. “Doing business as” certificate for the name of “Johnson Health Network,” issued to JMH, the Seller, and Home & Community Health Services, Inc. by the Town Clerk of the Town of Stafford (“**Johnson Health Network D/B/A Certificate**,” collectively with Evergreen D/B/A Certificate, “**D/B/A Certificates**”)

To the extent requested by the Buyer, prior to Closing the Seller will take such actions that are reasonably necessary to assist the Buyer in obtaining “doing business as” certificates for the names evidenced by the D/B/A Certificates.

The Seller also uses the Connecticut Service Mark (as defined in Schedule 1.2(m)), which is an Excluded Asset, in connection with the Business.

SCHEDULE 1.2(g)

Sellers' Real Property Income Leases

None.

SCHEDULE 1.2(h)

Assumed Contracts

1. The Evergreen Ground Lease; and
2. Other Assumed Leases and Contracts to be determined by the Buyer prior to Closing pursuant to Section 10.5 of the Agreement.

SCHEDULE 1.2(m)

Seller's Owned Intellectual Property

The following domain name and service mark are used in connection with the Business but are owned by JMMC and, provided the Buyer is the purchaser of the Assets at Closing, will be transferred to the Buyer:

1. EVERGREEN-JHN.COM (the "Evergreen Domain")
2. Connecticut Registration for Evergreen Health Care Center and Design owned by JMMC, registered April 19, 1996, Reg. No. 9891 (the "Connecticut Service Mark")



The "doing business as" names evidenced by the D/B/A Certificates are used in connection with the Business. The D/B/A Certificates are Excluded Assets but, to the Seller's knowledge, the Buyer may also obtain "doing business as" certificates for these names by making filings with, and getting approval from, the Town Clerk of the Town of Stafford.

To the extent requested by the Buyer, prior to Closing the Seller will take such actions that are reasonably necessary to assist the Buyer in obtaining "doing business as" certificates for the names evidenced by the D/B/A Certificates.

The Seller may license software from time to time and the Seller's use of such software is governed by, and subject to, the terms and provisions of any Contract applicable to its use, including any terms regarding transferability.

The Seller may own HVAC software called "INET" that runs the heating and air conditioning.

SCHEDULE 1.2(o)

Nondisclosure or Confidentiality, Non-Compete, or Non-Solicitation Agreements

1. Fee Agreement, between FSW Community Sign Language Services (CSLS) and JMMC, signed by JMMC on 12/18/2013 (the parties to this agreement entered into a HIPAA Business Associate Agreement).
2. Software License and Services Agreement between the Seller d/b/a Evergreen Health Care Center and MDI Achieve, Inc., executed on July 9, 2010.
3. Medical Director Agreement by and between Dushyant Parikh, M.D. and the Seller d/b/a Evergreen Health Care Center, effective November 1, 2014
4. Certain entities and individuals involved with and/or engaged by the Seller have executed Business Associate Agreements (as defined by HIPAA regulations) with vendors other than as listed above. These Business Associate Agreements contain regulatory requirements governing the disclosure and use of confidential information by the Seller's Business Associates (as defined in such Business Associate Agreements).
5. The Seller's employees, at their time of hiring, are asked to sign "Johnson Memorial Medical Center – Statement of Confidentiality" the form of which has been provided to the Buyer.
6. Physicians who have access to the JMH computer system, are asked to sign "Statement of Confidentiality – Johnson Memorial Corporation," the form of which has been provided to the Buyer.

SCHEDULE 1.4(a)(vi)

Seller's Liabilities and Liens

1. Real Property Permitted Encumbrances
2. Purchase money security interests and interests under capital leases

SCHEDULE 1.6(b)(i)

Cash Payment

To be prepared by the Buyer prior to Closing in accordance with Section 1.6(b)(i) of the Agreement; *provided* that the Receivables Cash Payment shall be paid directly to HFG at Closing and *provided* that the Tangible Property Cash Payment shall be paid in accordance with the absolute priority rule of the Bankruptcy Code.

SCHEDULE 3.3

Necessary Consents and Approvals for the Seller

Approval from the Bankruptcy Court for the transactions contemplated by this Agreement including as to assignment of the Assumed Contracts

Approval from the CDSS or other relevant Governmental Entities to transfer the Facility

Approval of Connecticut Attorney General

Notice to the Stafford Springs fire marshal of new ownership of Seller's Owned Real Property

Recording of deeds and filing of conveyance tax returns in Stafford Springs

Notice to CMS of change of ownership of the Medicare provider agreement or termination of Medicare provider agreement, as applicable

Notice to the Connecticut Department of Social Services of change of ownership of the provider enrollment agreement or termination of provider enrollment agreement, as applicable

To the extent that the Buyer elects to assume the following Permits and Licenses, the following notices and approvals are required:

1. Notice to Department of Health CLIA Laboratory Program of transfer of CLIA Certificate
2. Notice to State of Connecticut Department of Construction Services Bureau of Elevators of transfer of Elevator Operation Certificates
3. Notice to State of Connecticut Department of Construction Services Bureau of Boilers of transfer of Boiler Operating Certificates

If it is determined prior to Closing that Chronic and Convalescent Nursing Home License is transferable or assignable, then such notice, approval and/or consent as may be required to transfer or assign it.

SCHEDULE 4.3

Necessary Approvals and Consents for Buyer

Approval from the Bankruptcy Court for the transactions contemplated by this Agreement including as to assignment of the Assumed Contracts

Approval from the CDSS or other relevant Governmental Entities to transfer the Facility

Notice to the Stafford Springs fire marshal of new ownership of Seller's Owned Real Property

Recording of deeds and filing of conveyance tax returns in Stafford Springs

Notice to CMS of change of ownership of any such Medicare provider agreement(s), to the extent Buyer elects to assume any such Medicare provider agreement(s), or notice to CMS of rejection of any Medicare provider agreement(s)

Notice to the Connecticut Department of Social Services of change of ownership of any such provider enrollment agreement(s), to the extent Buyer elects to assume any such provider enrollment agreement(s), or notice to the Connecticut Department of Social Services of rejection of any provider enrollment agreement(s)

To the extent that the Buyer elects to assume the following Permits and Licenses, the following notices and approvals are required:

1. Notice to Department of Health CLIA Laboratory Program of transfer of CLIA Certificate
2. Notice to State of Connecticut Department of Construction Services Bureau of Elevators of transfer of Elevator Operation Certificates
3. Notice to State of Connecticut Department of Construction Services Bureau of Boilers of transfer of Boiler Operating Certificates

If it is determined prior to Closing that Chronic and Convalescent Nursing Home License is transferable or assignable, then such notice, approval and/or consent as may be required to transfer or assign it.

Exhibit 1.4(b)

**ASSIGNMENT AND ASSUMPTION OF
ASSUMED LIABILITIES, ASSUMED CONTRACTS AND ASSUMED LEASES**

THIS ASSIGNMENT AND ASSUMPTION OF ASSUMED LIABILITIES, ASSUMED CONTRACTS AND ASSUMED LEASES (this "Agreement"), is made as of [_____, 20__], by and among Athena Stafford Springs Landlord LLC ("Athena Landlord") and Stafford Springs CT SNF LLC ("Athena Operating"), each a Connecticut limited liability company (collectively, the "Buyer"), on the one hand, and The Johnson Evergreen Corporation, a Connecticut corporation (the "Seller"), on the other hand. Capitalized terms used but not otherwise defined herein shall have the meanings given to such terms in the APA (as defined below).

WHEREAS, reference is made to (i) that certain Asset Purchase Agreement, effective as of August _____, 2015, by and among the Buyer and the Seller (as may be amended, modified, supplemented or restated from time to time, collectively, the "APA"); and (ii) that certain Sale Order.

NOW, THEREFORE, for good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, and as contemplated by the APA and the Sale Order:

1. The Seller hereby sells, transfers, assigns, conveys, grants, delegates and delivers to the Buyer, and the Buyer hereby accepts and assumes, effective as of the Effective Time, all of the Seller's right, title, and interest in and to, and the obligations under and with respect to, the Assumed Liabilities, and to the extent relating to events or periods on or after the Effective Time, all of the Seller's obligations under the Assumed Contracts and the Assumed Leases, only to the extent and in accordance with Section 1.4 of the APA and the Sale Order.

2. Buyer hereby agrees that the Buyer shall be liable for, and hereby assumes and agrees to pay, perform, and discharge when due, effective as of the Effective Time, the Assumed Liabilities, and to the extent relating to events or periods on or after the Effective Time, all of the Seller's obligations under the Assumed Contracts and the Assumed Leases, except as set forth in Paragraphs 1 and 3 hereof.

3. Nothing expressed or implied in this Agreement is intended to confer upon the Buyer any right, title, or interest in any of the Excluded Liabilities or Excluded Assets (as such term is defined in the APA), and the Buyer shall have no liability thereunder.

4. Nothing expressed or implied in this Agreement is intended to confer upon any person, other than the parties hereto, or their respective successors or assigns, any rights, remedies, obligations, or liabilities under or by reason of this Agreement.

5. The Seller expressly agrees to obtain, execute, acknowledge and deliver such documents and other instruments, and take such other actions, as may be required to evidence or effectuate the sale, transfer, assignment, conveyance, grant, delegation and delivery of the

Assumed Liabilities, Assumed Contracts or Assumed Leases to the Buyer as set forth herein, and the Buyer expressly agrees to obtain, execute, acknowledge and deliver such documents and other instruments, and take such other actions, as may be required to evidence or effectuate the acceptance and assumption of the Assumed Liabilities, Assumed Contracts or Assumed Leases by the Buyer as set forth herein.

6. This Agreement shall be governed by and construed in accordance with the laws of the State of Connecticut without regard to the principles of conflicts of laws thereunder.

7. This Agreement may be executed in counterparts (including by facsimile or optically-scanned electronic mail attachment), each of which shall be deemed to be original, but all of which together shall constitute one and the same instrument.

8. Nothing in this Agreement shall be deemed to supersede, enlarge or modify any of the provisions of the Sale Order or the APA (as applicable), all of which shall survive the execution and delivery of this Agreement as provided in, and subject to the limitations set forth in, the Sale Order or the APA (as applicable). If any conflict exists between the terms of this Agreement, on the one hand, and the terms of the Sale Order or the APA (as applicable) on the other hand, the terms of the Sale Order or the APA (as applicable) shall govern and control.

* * *

The remainder of this page is left blank intentionally. Signatures follow on the next page.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as an instrument under seal as of the date first written above.

BUYER:

Athena Stafford Springs Landlord LLC
Stafford Springs CT SNF LLC

Each By: _____
Name:
Title:

SELLER:

The Johnson Evergreen Corporation

By: _____
Name: Patrick Mahon
Title: Chairperson of the Board

Exhibit 2.2(c)

BILL OF SALE AND GENERAL ASSIGNMENT

THIS BILL OF SALE AND GENERAL ASSIGNMENT (this "**Bill of Sale**"), is made as of [_____, 20__], by and among Athena Stafford Springs Landlord LLC ("Athena Landlord") and Stafford Springs CT SNF LLC ("Athena Operating"), each a Connecticut limited liability company (collectively, the "**Buyer**"), on the one hand, and The Johnson Evergreen Corporation, a Connecticut corporation (the "**Seller**"), on the other hand.

WITNESSETH:

WHEREAS, pursuant to (i) that certain Asset Purchase Agreement, effective as of August __, 2015, by and among the Buyer and the Seller (as may be amended, modified, supplemented or restated from time to time, collectively, the "**APA**"), and (ii) that certain Sale Order, the Seller has agreed to sell, transfer, convey and assign to the Buyer, and the Buyer has agreed to purchase and acquire from the Seller, the Assets.

NOW, THEREFORE, for good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, and as contemplated by the APA:

1. The Seller hereby unconditionally sells, transfers, assigns, conveys, grants and delivers to the Buyer, effective as of the Effective Time, all of the Seller's rights, title and interests in and to all of the Assets, subject and pursuant to the Sale Order. Without limiting the generality of the foregoing, the Seller hereby sells, transfers, assigns, conveys, grants, delegates and delivers to the Buyer, and Buyer hereby accepts and assumes, effective as of the Effective Time, all of Seller's right, title, and interest, including, without limitation, any Assumed Liabilities relating thereto (but not any Excluded Liabilities), to the extent relating to the period from and after the Effective Time, in and to the Assumed Leases and the Assumed Contracts (the "**Transferred Contracts**"), a list of which is attached hereto as **Schedule A** and the vehicle listed on **Schedule B** attached hereto. For the avoidance of doubt, the Seller hereby sells, transfers, assigns and quitclaims to the Buyer any of the rights of Seller in and to the name "Evergreen Health Care Center."

2. At and after the Effective Time, the Buyer shall have the right and authority to collect all sums accruing for any and all periods or partial periods with respect to the Transferred Contracts, and the Buyer shall have the right and authority to endorse the name of the Seller on any checks or drafts received that evidence payment of any such sums. All amounts collected by the Buyer with respect to the Transferred Contracts, shall be for the Buyer's own account. The Seller agrees to promptly transfer and deliver to the Buyer from time to time any cash or other property that the Seller may receive at or after the Effective Time in respect of any of the Transferred Contracts. All amounts collected under the Transferred Contracts from and after the Effective Time shall be attributed first to current amounts due thereunder, and then to amounts past due, in reverse order of maturity.

3. Subject to Section 1.6 of the APA, Buyer and the Seller hereby agree that the Buyer shall be responsible for the payment of Cure Costs.

4. Nothing expressed or implied in this Bill of Sale is intended to confer upon any person, other than the parties hereto, or their respective successors or assigns, any rights, remedies, obligations, or liabilities under or by reason of this Bill of Sale.

5. The Seller, for itself and its successors and assigns, expressly agrees to obtain, execute, acknowledge and deliver such documents and other instruments, and take such other actions, as may be required to evidence or effectuate the sale, transfer, assignment, conveyance, grant and delivery to the Buyer of the Seller's rights, title and interests in and to the Assets.

6. This Bill of Sale shall be governed by and construed in accordance with the laws of the State of Connecticut without regard to the principles of conflicts of laws thereunder.

7. This Bill of Sale may be executed in counterparts (including by facsimile or optically-scanned electronic mail attachment), each of which shall be deemed to be original, but all of which together shall constitute one and the same instrument.

8. Nothing in this Bill of Sale shall be deemed to supersede, enlarge or modify any of the provisions of the APA or the Sale Order (as applicable), all of which shall survive the execution and delivery of this Bill of Sale as provided in, and subject to the limitations set forth in, the APA or the Sale Order (as applicable). If any conflict exists between the terms of this Bill of Sale and the terms of the APA or the Sale Order (as applicable), the terms of the APA or the Sale Order (as applicable) shall govern and control. All capitalized terms used but not defined in this Bill of Sale shall have the meaning assigned thereto in the APA or the Sale Order (as applicable).

* * *

The remainder of this page is left blank intentionally. Signatures follow on the next page.

IN WITNESS WHEREOF, the parties hereto have caused this Bill of Sale and General Assignment to be duly executed and delivered as an instrument under seal as of the date first written above.

BUYER:

Athena Stafford Springs Landlord LLC
Stafford Springs CT SNF LLC

Each By: _____
Name:
Title:

SELLER:

The Johnson Evergreen Corporation

By: _____
Name: Patrick Mahon
Title: Chairperson of the Board

SCHEDULE A
TRANSFERRED CONTRACTS

SCHEDULE B

TRANSFERRED VEHICLES

2000 Ford F250 Super Duty Truck, VIN: 1FTNF21L9Y59449 – Value \$500.00

Exhibit 2.2(d)

ASSIGNMENT AND ASSUMPTION OF LEASE

THIS ASSIGNMENT AND ASSUMPTION OF LEASE (this "Agreement") is made as of [_____, 20__] by The Johnson Evergreen Corporation, a Connecticut corporation, ("Assignor") in favor of Athena Stafford Springs Landlord LLC, a Connecticut limited liability company (the "Assignee"). Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to them in the APA (as defined below).

WHEREAS, Assignor is the Lessee under that certain ground lease, dated January 7, 2015, between Assignor and Johnson Memorial Hospital, Inc., a Connecticut corporation (the "Lessor"), a copy of which is attached hereto as Exhibit A (as may be amended, modified, supplemented or restated from time to time, collectively, the "Lease"); and

WHEREAS, reference is made to (i) that certain Asset Purchase Agreement, effective as of August __, 2015, by and between Assignee, Stafford Springs CT SNF LLC and Assignor (as may be amended, modified, supplemented or restated from time to time, collectively, the "APA"), and (ii) that certain Sale Order.

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

1. ***Assignment of Lease.*** Contingent upon the Closing, and effective as of the Effective Time, Assignor hereby sells, assigns, conveys, grants, delegates and delivers all of its right, title and interest in and to the Lease, including all right, title and interest of Assignor in all buildings and improvements located on the leased premises, to Assignee.

2. ***Assumption by Assignee.*** Contingent upon the Closing, and effective as of the Effective Time, Assignee hereby accepts the assignment of the Lease and hereby assumes and agrees to perform all of the obligations of "tenant" under the Lease arising from and after the Effective Time.

3. ***Proof of Assignment.*** This Assignment or a copy thereof may be used by Assignee as proof of the assignment of the Lease.

4. ***Assignor's Estoppel.***

(a) Assignor hereby represents and warrants to Assignee as follows:

(i) The copy of the Lease attached hereto as Exhibit A is a true, correct and complete. The Lease is in full force and effect in accordance with its terms.

- (ii) To the best of Assignor's knowledge, there are no defaults on the part of Assignor under the Lease.

5. **Further Assurances.** The Assignor expressly agrees to obtain, execute, acknowledge and deliver such documents and other instruments, and take such other actions, as may be required to evidence or effectuate the sale, transfer, assignment, conveyance, grant, delegation and delivery of the Lease to the Assignee as set forth herein, and the Assignee expressly agrees to obtain, execute, acknowledge and deliver such documents and other instruments, and take such other actions, as may be required to evidence or effectuate the acceptance and assumption of the Lease.

6. **No Offset or Defaults.** Assignor represents and warrants to Assignee that it has no claim or offset against any amount due Lessor pursuant to the Lease, Lessor is not in default under the Lease, and to the best of Assignor's knowledge, no event has occurred and is continuing which with or without the passage of time or the giving of notice would constitute a default by Lessor in the performance of Lessor's obligations pursuant to the Lease.

7. **Governing Law.** This Assignment shall be governed by, and construed and enforced in accordance with, the laws of the State of Connecticut without regard to the principles of conflicts of laws thereunder.

8. **Successors and Assigns.** This Assignment shall be binding on and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors in interest and assigns.

9. **No Third Party Beneficiaries.** Nothing expressed or implied in this Agreement is intended to confer upon any person, other than the parties hereto, or their respective successors or assigns, any rights, remedies, obligations, or liabilities under or by reason of this Agreement.

10. **Counterparts.** This Agreement may be executed in counterparts (including by facsimile or optically-scanned electronic mail attachment), each of which shall be deemed to be original, but all of which together shall constitute one and the same instrument.

11. **APA and Sale Order Unaffected.** Nothing in this Agreement shall reduce, enlarge or otherwise modify the respective rights, obligations, representations, warranties or covenants of the Assignor and the Assignee arising under the APA. If any conflict exists between the terms of this Agreement, on the one hand, and the terms of the Sale Order or the APA (as applicable) on the other hand, the terms of the Sale Order or the APA (as applicable) shall govern and control.

* * *

The remainder of this page is left blank intentionally. Signatures follow on the next page.

IN WITNESS WHEREOF, this Assignment has been executed as of the date first set forth above.

ASSIGNOR:

The Johnson Evergreen Corporation

By: _____

Name: Patrick Mahon

Title: Chairperson of the Board

ASSIGNEE:

ATHENA STAFFORD SPRINGS
LANDLORD LLC

By: _____

Name: _____

Title: _____

LESSOR CONSENT

Lessor hereby consents to the foregoing Assignment and Assumption of Lease; provided, however that nothing contained herein shall be deemed to modify or amend the provisions of the Lease and nothing contained herein shall relieve Assignor of Assignor's obligations under the Lease arising prior to the Effective Time.

LESSOR:

JOHNSON MEMORIAL HOSPITAL, INC.

By: _____

Name: Patrick Mahon

Title: Chairperson of the Board

EXHIBIT A

LEASE

Exhibit 2.2(h)

(Attached)

**COMMONWEALTH LAND TITLE INSURANCE COMPANY
AFFIDAVIT AND INDEMNITY AGREEMENT**

State of _____)
County of _____) ss. (town) _____, _____, 20__

BEFORE ME, the undersigned authority, personally appeared [Name of officer signing] (the "Affiant") the [Title of officer signing] of THE JOHNSON EVERGREEN CORPORATION (the "Lessee"), who first being duly sworn, deposes and says, to the best of my knowledge:

- (1) That Affiant is duly authorized to make this affidavit on behalf of the Lessee.
- (2) That the Lessee is the owner of a leasehold interest in that certain real property owned by Johnson Memorial Hospital, Inc. (the "Owner") and described in that certain title policy number MP2322579, as amended (the "Title Commitment"), commonly known as 205 Chestnut Hill (a 5.44 acre portion of property known as 201 Chestnut Hill), Stafford, CT (the "Property").
- (3) That the Lessee is entitled to possession of the Property, and there is no person or entity in possession that has any right in the Property other than as provided in (7) below.
- (4) That the Lessee has not entered into any written agreement with any real estate broker, nor is Lessee aware of anyone who has provided licensed services that resulted in the procuring of a person or entity for the purpose of buying, selling, or otherwise conveying or acquiring any interest in the Property.
- (5) That there are no unrecorded labor, mechanics', or materialmen's liens against the Property, and no material has been furnished to or labor performed upon the Property except such that has been paid for in full, except for such labor or material for which Mechanic's Lien Subordinations have been attached hereto or as otherwise shown in Exhibit "A" attached hereto.
- (6) That there are no unrecorded options or contracts to purchase, contracts for deed or mortgage commitments, sales agreements, participation agreements, mortgages, security interests, or unrecorded deeds, easements or rights-of-way with respect to the Property that will continue to apply to the Property following the completion of the sale of the Property to the purchaser identified in the above-referenced Title Commitment (the "Purchaser") pursuant to the Sale Order granted in the bankruptcy proceeding identified in the above-referenced Title Commitment (the "Bankruptcy Proceeding").
- (7) That there are no existing tenancies, leases or other occupancies affecting the Property, except as shown in Exhibit "A" attached hereto, and that such tenancies, leases or other occupancies, if any, contain no options to purchase the Property or rights of first refusal to purchase the Property.
- (8) That there is no action or proceeding, including but not limited to bankruptcy, which is now pending against Lessee in any State or Federal Court which may be satisfied through a lien or attachment against the Property, nor is there any attachment or judgment which may now constitute a lien upon the Property, nor are there any claims or pending claims against Lessee which may be satisfied through a lien or attachment against the Property, except in each case (a) as set forth in the above-referenced Title Commitment, or (b) that will continue to have such status or potential or actual effect following the completion of the sale of the Property to the Purchaser pursuant to the Sale Order granted in the Bankruptcy Proceeding.
- (9) That Lessee has received any and all corporate resolutions necessary in order to authorize the conveyance of any and all of its interests in the Property. Should the Title Company request a copy of the resolutions, Lessee shall furnish copies within a reasonable time period.
- (10) That the Lessee is not a foreign Person, but rather is a "United States Person" within the meaning of Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the "Code"), and that Lessee's true and correct United States taxpayer identification number (or Social Security number) is

set forth below opposite the signature of Lessee. Lessee is making the statements set forth herein for the purpose of releasing the Purchaser and/or Settlement Agent from any withholding obligation which might otherwise be imposed under Section 1445 (a) of the Code.

Nothing in the Affidavit shall affect in any way title insurance coverage heretofore provided to Lessee by COMMONWEALTH LAND TITLE or its affiliates, or their respective predecessors-in-interest, with respect to the Property.

Dated as of this ____ day of _____, 20__.

THE JOHNSON EVERGREEN CORPORATION

US Taxpayer ID No.

By: _____
Name:
Title:

Sworn to and subscribed before me this ____ day of _____, 20__.

Notary Public

My Commission Expires: _____

Exhibit 2.2(m)

(Attached)

CERTIFICATE OF NON-FOREIGN STATUS

Entity Transferor

Section 1445 of the Internal Revenue Code of 1986, as amended (the "Code") provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. For U.S. tax purposes (including Code Section 1445), the owner of a disregarded entity (which has legal title to a U.S. real property interest under local law) will be the transferor of the property and not the disregarded entity. To inform the transferee that withholding of tax is not required upon the disposition of a U.S. real property interest by The Johnson Evergreen Corporation, a Connecticut corporation (the "Company"), the undersigned hereby certifies the following on behalf of the Company:

1. The Company is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Code and Income Tax Regulations);
2. The Company is not a disregarded entity as defined in Treasury Regulations Section 1.1445-2(b)(2)(iii);
3. The Company's U.S. employer identification number is [____]; and
4. The Company's office address is:

201 Chestnut Hill Road
Stafford Springs, CT 06076

The Company understands that this certification may be disclosed to the Internal Revenue Service by the transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalties of perjury I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct, and complete, and I further declare that I have authority to sign this document on behalf of the Company.

By: _____

Name: _____

Title: _____

Date: _____, 20__

Schedule 6.2

UNITED STATES BANKRUPTCY COURT
DISTRICT OF CONNECTICUT
Bridgeport Division

In re	:	CASE NO. 15-20062 (AHWS)
JOHNSON CORPORATION,	:	Chapter 11
Debtor.	:	Doc. I.D. No. 18

**ORDER AUTHORIZING AND APPROVING (I) THE SALE OF
SUBSTANTIALLY ALL OF THE ASSETS OF THE JOHNSON
EVERGREEN CORPORATION TO ATHENA STAFFORD SPRINGS
LANDLORD LLC AND STAFFORD SPRINGS CT SNF LLC;
(II) THE PROCEDURES GOVERNING THE ASSUMPTION AND
ASSIGNMENT OF CONTRACTS; AND (III) RELATED RELIEF¹**

Upon the motion of The Johnson Evergreen Corporation (the “Debtor”), pursuant to sections 105(a), 363 and 365 of title II of the United States Code (the “Bankruptcy Code”) and Federal Rules of Bankruptcy Procedure 2002, 6004, 9007 and 9014 (the “Bankruptcy Rules”), for entry of an order authorizing and approving, among other things, the sale of all or substantially all of its assets, which assets include the assets, real and personal, tangible and intangible, associated with owning, leasing, managing and operating the Facility (the “Business”) to Athena Stafford Springs Landlord LLC and Stafford Springs CT SNF LLC (collectively, “Athena”) free and clear of all Liens, Claims and Interests (as defined below) and related relief (Docket No. 18) (as amended, the “Motion”);² and the Order Approving Bid Procedures and Granting Related Relief (Docket No. 46) (the “Bid Procedures Order”); and it appearing that due and appropriate notice of the Motion, the Bid Procedures Order, the Bid Procedures, the Auction and the Sale Hearing was given; and it appearing that no other notice of the relief granted by this Order need be given; and the Court having conducted a hearing on the Motion on July 28, 2015 (the “Sale Hearing”) at which time all interested parties were offered an opportunity to be heard

¹ Findings of fact shall be construed as conclusions of law, and conclusions of law shall be construed as findings of fact when appropriate. See Fed. R. Bankr. P. 7052.

² Capitalized terms not otherwise defined herein shall have the meanings given to them in that certain Modified Purchase Agreement by and between the Debtor, as seller, and Athena, as buyer (the “MPA”). A copy of the MPA is attached as Exhibit 1 hereto.

with respect to the Motion; and the Debtor having determined that Athena has submitted the highest and best bid for the assets of the Debtor that Athena has offered to purchase as more specifically described in the MPA (the "Purchased Assets"); and all parties in interest having been heard, or having had the opportunity to be heard, regarding entry of this Order and approval of the Sale Transaction (as such term is defined in the Bid Procedures Order) and the MPA; and this Court being fully advised in the premises; this Court, based upon the arguments and any testimony and evidence presented to it, hereby makes the following findings of fact and conclusions of law:

A. This Court has jurisdiction to hear and determine the Motion and to grant the relief requested in the Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue of these cases and the Motion in this district is proper under 28 U.S.C. §§ 1408 and 1409.

B. This Order constitutes a final and appealable order within the meaning of 28 U.S.C. § 158(a). To any extent necessary under Bankruptcy Rule 9014 and Rule 54(b) of the Federal Rules of Civil Procedure as made applicable by Bankruptcy Rule 7054, this Court expressly finds that there is no just reason for delay in the implementation of this Order, and expressly directs entry of judgment as set forth herein.

C. This proceeding is a "core proceeding" within the meaning of 28 U.S.C. § 157(b)(2)(A), (N) and (O).

D. The statutory predicates for the Motion are sections 105, 363 and 365 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, 9007 and 9014.

E. As evidenced by the affidavits of service filed with the Court, and based upon the representations of counsel at the Sale Hearing, (i) proper, timely and adequate notice of the Motion, the Bid Procedures Order, the Sale Hearing, the Sale Transaction, the Auction and the Bid Deadline as approved herein has been provided in accordance with Bankruptcy Rules 2002, 6004, 9007 and 9014, (ii) such notice was good, sufficient and appropriate under the circumstances, and (iii) no other or further notice of the Motion, the Bid Procedures Order, the Sale Hearing, the Sale Transaction, the Auction or the Bid Deadline as provided herein is necessary or shall be required.

F. A reasonable opportunity to object or be heard with respect to the Motion and the Sale Transaction has been afforded to all interested persons and entities, including, without limitation: (i) the office of the United States Trustee, (ii) all creditors as defined in Section 101(1) of the Bankruptcy Code, (iii) all entities known to have asserted any lien, interest or encumbrance upon the Debtor's assets, (iv) counsel for Saint Francis Care, Inc. ("SFC"), (v) counsel to the Debtor's prepetition secured lenders, (vi) all entities known by the Debtor to have expressed an interest in acquiring the Debtor's Assets in the previous calendar year, (vii) the United States Attorney's Office, (viii) the Internal Revenue Service, (ix) the Pension Benefit Guaranty Corporation; (x) appropriate state regulatory agencies, including, without limitation, the Connecticut Department of Energy & Environmental Protection, the Connecticut Attorney General's Office (representing the Department of Social Services and the Department of Health), the Connecticut Department of Revenue Services, and the Connecticut Department of Labor; and (xi) all other parties who filed requests for notice under Bankruptcy Rule 2002 in these cases.

G. Notice, as specified in the preceding paragraph and as evidenced by the affidavits of service filed with the Court, has been provided in the form and manner specified in the Motion and required by the Bid Procedures Order, and such notice is reasonable and adequate.

H. The process for the sale of the Purchased Assets was conducted in accordance with the Bid Procedures Order. At the conclusion of the Auction, Athena was deemed the Successful Bidder with the highest and best offer for the Purchased Assets. Nationwide Healthcare Services, LLC ("Nationwide") was deemed to be the Qualified Bidder having made the next highest or otherwise best bid.

I. The Auction was conducted in accordance with the Bid Procedures Order. The Auction was conducted in a non-collusive, fair and good faith manner and a reasonable opportunity has been given to any interested party to make a higher and better offer for the Purchased Assets.

J. Athena is purchasing the Purchased Assets in good faith and is a good faith purchaser within the meaning of section 363(m) of the Bankruptcy Code, and is therefore entitled to the protection of that provision.

K. The MPA was negotiated, proposed and entered into by the Debtor and Athena without collusion, in good faith and from arms'-length bargaining positions. Neither the Debtor nor Athena have engaged in any conduct that would cause or permit the Sale Transaction or any part of the transactions contemplated by the MPA to be avoidable under section 363(n) of the Bankruptcy Code.

L. As demonstrated by (i) any testimony and other evidence proffered or adduced at the Sale Hearing, and (ii) the representations of counsel made on the record at the Sale Hearing, the Debtor afforded interested potential purchasers a full and fair opportunity to qualify as Qualified Bidders under the Bid Procedures and to submit an offer for the Purchased Assets.

M. Athena is not an "insider" of the Debtor, as that term is defined in section 101 (31) of the Bankruptcy Code.

N. The consideration provided by Athena for the Purchased Assets pursuant to the MPA (i) is fair and reasonable, (ii) is the highest and best offer for the Purchased Assets, (iii) will provide a greater recovery for all of the Debtor's stakeholders than would be provided by any other practical available alternative and (iv) constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code, the Uniform Fraudulent Transfer Act and all other applicable laws.

O. The Debtor has demonstrated a sufficient basis and compelling circumstances requiring the Debtor to enter into the MPA and sell the Purchased Assets under section 363 of the Bankruptcy Code, and such actions are appropriate exercises of the Debtor's business judgment and are in the best interests of the Debtor, its estate and its creditors.

P. The marketing and bidding processes implemented by the Debtor and its advisors, as set forth in the Motion, were fair, proper, and reasonably calculated to result in the best value received for the Purchased Assets.

Q. The Debtor has full authority and power to execute and deliver the MPA and related agreements and all other documents contemplated by the MPA, to perform its obligations therein and to consummate the Sale Transaction. Except as set forth in the MPA, no additional consents or approvals are necessary or required for the Debtor to enter into the MPA, perform its obligations therein and consummate the Sale Transaction.

R. Athena would not have entered into the MPA and would not consummate the Sale Transaction, thus adversely affecting the Debtor, the Debtor's patients or residents, the Debtor's overall estate and the Debtor's creditors, if the Purchased Assets were not sold to it free and clear of all Liens, Claims and Interests or if Athena would, or in the future could, be liable for any Liens, Claims and Interests against the Purchased Assets, except as specifically provided in the MPA.

S. Not selling the Purchased Assets free and clear of any and all Liens (other than Permitted Liens ("Liens")), Claims (as defined in section 101(5) of the Bankruptcy Code), security interests, mortgages, encumbrances, obligations, including employee benefit obligations (including, without limitation, under the Employee Retirement Income Security Act or the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), and further including any obligations to former employees of the Debtor under COBRA)), Liabilities (other than Assumed Liabilities), including liabilities under CERCLA and all other Environmental Laws, charges against or interests in property, adverse claims, claims of possession, rights of way, licenses, easements or restrictions of any kind, demands, guarantees, actions, causes of actions, suits, defenses, deposits, credits, allowances, options, rights, restrictions, remedies, limitations, contractual commitments, rights of first refusal, rights of setoff or recoupment, or interests of any kind or nature whether known or unknown, legal or equitable, matured or unmatured, contingent or noncontingent, liquidated or unliquidated, asserted or unasserted, whether arising prior to or subsequent to the commencement of this Chapter 11 case, whether imposed by agreement, understanding, law, equity or otherwise, including, without limitation, any rights or claims based on theories of transferee or successor liability under applicable law, statute, rule, regulation, common law or equitable principle, including, without limitation, any Environmental Laws, labor or employment laws (such as unemployment compensation), ERISA, the Code, and COBRA, of any Governmental Entity, including, without limitation, the Pension Benefit Guaranty Corporation, the IRS, state and local taxing authorities and any Governmental Entity, whether arising before or after the commencement of the Bankruptcy Case and whether imposed by agreement, understanding, law, equity, regulation, custom or otherwise, including, without limitation, the Benefit Plans (as such term is defined in the MPA), save and excepting only those Liabilities expressly assumed by Athena in writing pursuant to the MPA, subject to applicable law, including section 363 of the Bankruptcy Code (collectively, the "Liens, Claims and Interests") would adversely impact the Debtor's overall estate, and the sale of the Purchased Assets other than as free and clear of all Claims and Encumbrances would be of substantially less value to the Debtor's overall estate.

T. The provisions of section 363(f) of the Bankruptcy Code have been satisfied. All holders of Claims and Encumbrances, if any, who did not object, or withdrew their objections to the Sale Transaction, are deemed to have consented to the Sale Transaction.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED, EFFECTIVE IMMEDIATELY, AS FOLLOWS:

1. The relief requested in the Motion is granted and approved in all respects, as set forth herein, the Debtor's entry into the MPA and the Sale Transaction to Athena is hereby approved in all respects. Objections to the relief sought in the Motion that have not been previously resolved or withdrawn are hereby overruled on their merits.

2. The Debtor is authorized and directed to take any and all actions necessary or appropriate to (a) consummate the Sale Transaction in accordance with the Motion, the MPA and this Order, and (b) perform, consummate, implement and close fully the Sale Transaction, together with all additional instruments and documents that may be reasonably necessary or desirable to implement the MPA including, without limitation, consenting to the assignment by Athena of any of its rights under or relating to the MPA.

3. Nationwide shall serve as the Back-up Bidder and, as provided in the Bid Procedures Order, keep its final bid open and irrevocable until one (1) business day after the closing of the Sale Transaction with Athena. If Athena fails to consummate the sale approved herein because of a breach or failure to perform on its part, Nationwide will be deemed to be the new Successful Bidder, and, as set forth in the Bid Procedures Order, the Debtor will be authorized, but not required, to consummate the sale with Nationwide without further order of the Court. Consummation of a sale with Nationwide shall occur by the later of January 14, 2016 or one-hundred twenty (120) days following notice to Nationwide that it is the new Successful Bidder and otherwise in accordance with the terms and conditions of the asset purchase agreement submitted by Nationwide with its bid (with the purchase price reflecting Nationwide's

final bid) provided such asset purchase agreement is substantially similar, in form and substance, to the MPA. In such event, Nationwide shall be deemed to have replaced Athena for purposes of this Order.

4. Those holders of Liens, Claims and Interests and other non-Debtor parties who did not object, or who withdrew their objections to entry of this Order, the Motion, the Bid Procedures Order, the Sale Hearing, the Sale Transaction and the MPA are deemed to have consented to this Order, the Bid Procedures Order, the Sale Transaction and the MPA pursuant to section 363(f)(2) of the Bankruptcy Code and are enjoined from taking any action against Athena, its successors, its assigns, its representatives, its affiliates, its properties, or any agent of the foregoing to recover any claim which such person or entity has against the Debtor or any of its affiliates with respect to the Purchased Assets or any of the Debtor's property. Those holders of Liens, Claims and Interests and other non-Debtor parties who did object, if any, fall within one or more of the other subsections of section 363(f) of the Bankruptcy Code and are adequately protected by having their Liens, Claims and Interests, if any, attach to the proceeds of the Sale Transaction ultimately attributable to the property against or in which they assert a Lien, Claim or Interest.

Sale and Transfer of the Purchased Assets

5. Upon Closing, the Purchased Assets transferred, sold and delivered to Athena shall be free and clear of all Liens, Claims and Interests of any person or entity, except as specifically provided in the MPA. The transfer of the Purchased Assets to Athena constitutes a legal, valid and effective transfer of the Purchased Assets and shall vest Athena with all right, title and interest in and to the Purchased Assets.

6. Upon closing of the Sale Transaction, this Order shall be construed as, and shall constitute for any and all purposes, a full and complete general assignment, conveyance and transfer of the Purchased Assets pursuant to the terms of the MPA.

7. Effective on the Closing, all entities, including, but not limited to, the Debtor, creditors, employees, former employees and shareholders, administrative agencies, tax and regulatory authorities, governmental departments, secretaries of state, federal, state and local officials, and their respective successors or assigns, including, but not limited to, persons asserting any Lien, Claim or Interest against the Purchased Assets, shall be permanently and forever barred, restrained and enjoined from commencing or continuing in any manner any action or other proceeding of any kind against the Purchased Assets or Athena (or its successors, assigns, agents or representatives) as alleged successor or otherwise with respect to any Liens, Claims and Interests on or in respect of the Purchased Assets, except as specifically provided in the MPA.

8. Each and every term and provision of the MPA, together with the terms and provisions of this Order, shall be binding in all respects upon all entities, including, but not limited to the Debtor, Athena, creditors, employees, former employees and shareholders, administrative agencies, governmental departments, secretaries of state, federal, state and local officials and their respective successors or assigns, including but not limited to persons asserting any Lien, Claim or Interest against or interest in the Debtor's estate or the Purchased Assets, Including any subsequent appointment of a trustee or other fiduciary under any section of the Bankruptcy Code.

9. Upon the Closing, all entities holding Liens, Claims and Interests of any kind and nature against the Purchased Assets including without limitation, People's United Bank,

Healthcare Finance Group, LLC, HFG Healthcare LLC, HFG Healthcare-4LLC, Clifford A. Zucker, Renee Prince, Pension Benefit Guaranty Corporation and, SFC, hereby are barred from asserting such Liens, Claims and Interests against Athena (or its successors, assigns, agents or representatives) and/or the Purchased Assets and, effective upon the transfer of the Purchased Assets to Athena upon Closing, the Liens, Claims and Interests shall attach to the proceeds of the Sale Transaction with the same force, validity, priority and effect, if any, as against the Purchased Assets, except as specifically provided in the MPA, including, without limitation, the requirement that the proceeds of the sale of the Debtor's accounts receivable be paid directly to HFG. Except for the requirement that the proceeds of the Debtor's accounts receivable be paid directly to HFG, all parties reserve their rights to claim payment of the cash proceeds of sale in satisfaction of their liens which attach to the proceeds of sale and there shall be no distribution of proceeds of sale absent a further order of this Court authorizing distribution of such sale proceeds. Notwithstanding anything in the foregoing to the contrary, and in accordance with the Bid Procedures Order, in the event of the consummation of the Sale Transaction to Athena, or Nationwide as Back-up Bidder, the Break-Up Fee of \$50,000.00 shall be paid out of the cash proceeds of the sale to SFC.

10. The MPA and the Sale Transaction may be specifically enforced and are binding upon, and not subject to rejection or avoidance by, the Debtor or any Chapter 7 or Chapter 11 trustee of the Debtor appointed pursuant to the Bankruptcy Code or other representative of its estate.

11. This Order (a) is and shall be effective as a determination that, upon Closing, all Liens, Claims and Interests existing as to the Purchased Assets conveyed to Athena have been and hereby are adjudged to be unconditionally released, discharged and terminated, with all such

Liens, Claims and Interests attaching automatically to the proceeds in the same manner and priority, except as specifically provided in the MPA, and (b) shall be binding upon and govern the acts of all entities, including all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrar's of deeds, administrative agencies or units, governmental departments or units, secretaries of state, federal, state and local officials and all other persons and entities who may be required by operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any of the Purchased Assets conveyed to Athena. All Liens, Claims and Interests of record as of the date of this Order shall be removed and stricken as against the Purchased Assets in accordance with the foregoing, except as specifically provided in the MPA. All entities are authorized and specifically directed to strike all such recorded Liens, Claims and Interests against the Purchased Assets from their records, official or otherwise.

12. If any person or entity which has filed financing statements, mortgage, notices of lis pendens or other documents or agreements evidencing Liens, Claims and Interests on the Purchased Assets shall not have delivered to the Debtor prior to closing, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, releases of liens and easements and any other documents necessary for the purpose of documenting the release of all Liens, Claims and Interests which the person or entity has or may assert with respect to the Purchased Assets, the Debtor is hereby authorized and directed upon closing, and Athena is hereby authorized upon closing, to execute and file such statements, instruments, releases and other documents on behalf of such person or entity with respect to the Purchased Assets. Upon closing of the Sale Transaction, each of the Debtor's creditors is

authorized and directed to execute such documents and take all such actions as may be necessary to release their respective Liens, Claims and Interests against the Purchased Assets.

13. Upon closing, Athena (or its successors, assigns, agents or representatives) shall not be deemed to be (a) a successor to the Debtor, (b) de facto merged with the Debtor, or (c) a mere continuation of the Debtor. Without limiting the generality of the foregoing, and except as specifically provided in the MPA, Athena (or its successors, assigns, agents or representatives) shall not be liable for any Liens, Claims and Interests against the Debtor or any of its predecessors or affiliates or assets under any theory of antitrust, environmental, labor or employment, de facto merger, mere continuation, whether known or unknown, other than as expressly provided for in the MPA or in this Order.

Assumption and Assignment of Contracts

14. Upon receipt of all Contracts and Real Property Expense Leases (collectively, "Leases") and not less than thirty (30) days prior to the Closing, Athena shall provide (i) documentation identifying the Leases that Athena wishes to be assumed by the Debtor and assigned by the Debtor to Athena at Closing (the "Transferred Contracts"); (ii) documentation identifying all Contracts or Leases that Athena may, at a later date, wish to be assigned by the Debtor (the "Designated Contracts"); and (iii) all Contracts or Leases that Athena will not request the Debtor to assume or assign (the "Excluded Contracts"). At any time between the Closing and the 10th day following the Closing, Athena may, upon prior notice to the Debtor, re-designate any Designated Contract as either a Transferred Contract or an Excluded Contract. The Debtor agrees not to reject any Contract or Lease on or before the 10th day following the Closing except for Excluded Contracts and to continue to perform all obligations under such Contracts so long as Athena pays any post-closing expenses related thereto. Following the

Closing, Athena shall be responsible for any payments that arise under any Designated Contract prior to the Buyer's re-designation of any such Designated Contract as an Excluded Contract. The Debtor shall assume in the Bankruptcy Case, any Transferred Contract that is designated by Athena to the Debtor on or before the 10th day following the Closing, provided that Athena shall pay all scheduled and disclosed cure amounts in connection with such assumption, and assign said Transferred Contracts to Athena. The proposed assignments shall take place pursuant to an order of the Court. This paragraph is not applicable to the Medicare and Medicaid Provider Agreements.

Additional Provisions

15. The provisions of this Order and the MPA and any actions taken pursuant hereto or thereto shall survive entry of any order which may be entered (a) confirming or consummating any plan of reorganization of the Debtor, (b) converting the Debtor's case from Chapter 11 to Chapter 7, (c) dismissing the Debtor's bankruptcy case or (d) appointing a Chapter 11 trustee or examiner, and the terms and provisions of the MPA as well as the rights and interests granted pursuant to this Order and the MPA shall continue in this or any superseding case and shall be binding upon the Debtor, Athena and their respective successors and permitted assigns.

16. Each and every federal, state and governmental agency or department and any other person or entity is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the MPA.

17. Upon Closing, Athena shall pay to the Debtor the Purchase Price, less the Good-Faith Deposit. For the avoidance of doubt, Athena shall pay the Receivables Cash Payment to Healthcare Finance Group, LLC pursuant to the terms of the MPA. The consideration provided by Athena for the Purchased Assets under the MPA constitutes reasonably equivalent value and

fair consideration under the Bankruptcy Code, the Uniform Fraudulent Transfer Act and all other applicable laws.

18. Nothing contained in any order of any type or kind entered in this Chapter 11 case or any related proceeding subsequent to entry of this Order, nor in any Chapter 11 plan confirmed in this Chapter 11 case, shall conflict with or derogate from the provisions of the MPA or the terms of this Order. Further, the provisions of this Order and any actions taken pursuant hereto shall survive the entry of an order confirming any plan of reorganization or liquidation for the Debtor, the conversion of the Debtor's case from Chapter 11 to a case under Chapter 7 of the Bankruptcy Code or the dismissal of the Debtor's bankruptcy case.

19. To the extent, if any, anything contained in this Order conflicts with a provision in the MPA, this Order shall govern and control.

20. Athena is purchasing the Purchased Assets in good faith and is a good faith purchaser within the meaning of section 363(m) of the Bankruptcy Code, and is therefore entitled to the protection of that provision. The consideration provided by Athena for the Purchased Assets is fair and reasonable, and the Sale Transaction may not be avoided under section 363(n) of the Bankruptcy Code.

21. This Court retains jurisdiction, even after conversion of this Chapter 11 case to a case under Chapter 7, to (a) interpret, implement and enforce the terms and provisions of this Order (including any injunctive relief provided in this Order) and the terms of the MPA, all amendments thereto and any waivers and consents thereunder and of each of the agreements executed in connection therewith; (b) protect Athena (and its successors, assigns, agents and representatives) and the Purchased Assets from and against any of the Liens, Claims and Interests; (c) resolve any disputes arising under or related to the MPA or the Sale Transaction;

(d) adjudicate all issues concerning alleged pre-Closing Liens, Claims and Interests and any other alleged interests in and to the Purchased Assets, including the extent, validity, enforceability, priority and nature of all such alleged Liens, Claims and Interests and any other alleged interests; (e) adjudicate any and all issues and/or disputes relating to the Debtor's right, title or interest in the Purchased Assets, the Motion and/or the MPA; and (f) dispose of all claims that are not Assumed Liabilities under the MPA.

22. From and after the date hereof, the Debtor shall act in accordance with the terms of the MPA and the Debtor, to the extent it has not already done so, shall execute the MPA at or prior to Closing.

23. This Order constitutes an authorization of conduct by the Debtor and nothing contained herein shall be deemed to constitute a ruling with regard to the sovereign immunity of any state. The failure of any state to object to the entry of this Order shall not operate as a waiver with respect thereto.

24. This Order and the MPA shall be binding in all respects upon all creditors (whether known or unknown) of the Debtor, all successors and assigns of Athena, the Debtor, and their affiliates and subsidiaries, and any subsequent trustee appointed in the Debtor's Chapter 11 case or in any Chapter 7 case or upon (a) a conversion of this Chapter 11 case to a case under Chapter 7 or (b) dismissal of the Debtor's bankruptcy case.

25. The failure specifically to include any particular provisions of the MPA in this Order shall not diminish or impair the efficacy of such provisions, it being the intent of the Court that the MPA and each and every provision, term and condition thereof be, and therefore is, authorized and approved in its entirety.

26. The provisions of this Order are nonseverable and mutually dependent.

27. The automatic stay of section 362(a) of the Bankruptcy Code shall not apply to and otherwise shall not prevent the exercise or performance by any party of its rights or obligations under the MPA, including, without limitation, with respect to any cash held in escrow pursuant to the provisions thereof.

28. This Sale Order shall take effect immediately and shall not be stayed pursuant to Bankruptcy Rules 6004(g), 6004(h), 6006(d), 7062, or otherwise.

29. Notwithstanding anything in the Motion, the MPA or this Order to the contrary, the Medicare Provider Agreements entered into by the Debtor shall not be considered an “asset” that may be sold pursuant to section 363 of the Bankruptcy Code. In the event that the Buyer elects to accept the Debtor’s Medicare Provider Agreements, identified by the CMS Certification Numbers listed on Schedule A hereto (the “Provider Agreements”), then (1) as of the Closing Date, and in accordance with 11 U.S.C. section 365, the Debtor will assume its “Provider Agreements,” and (2) as of the same date, the Buyer will accept automatic assignment of the Debtor’s “Provider Agreements” under 42 C.F.R. section 489.18. Thereafter, said “Provider Agreements” will be governed exclusively by the Medicare statute, regulations, policies and procedures, and without regard to bankruptcy law. These include, but are not limited to, repayment of Civil Monetary Penalties, and adjustment of all payments to the Buyer, to account for all prior overpayments and underpayments, including those relating to the pre-petition and pre-sale periods.

30. Notwithstanding anything in the Motion, the MPA or this Order to the contrary, no Medicaid Provider Agreements entered into by the Debtor shall be considered an “asset” that may be sold pursuant to section 363 of the Bankruptcy Code. In the event that the Buyer elects to accept the Debtor’s Medicaid Provider Agreements entered into by the Debtor, then (1) as of

the Closing Date, and in accordance with 11 U.S.C. section 365, the Debtor will assume said Medicaid Provider Agreements, and (2) as of the same date, the Buyer will accept automatic assignment of the Debtor's Medicaid Provider Agreements. Thereafter, said Medicaid Provider Agreements will be governed exclusively by the Medicaid statute, regulations, policies and procedures, and without regard to bankruptcy law. These include, but are not limited to, adjustment of all payments to the Buyer, to account for all prior overpayments and underpayments, including those relating to the pre-petition and pre-sale periods.

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Exhibit 12.8

MEDICAL RECORDS CUSTODY AGREEMENT

This **MEDICAL RECORDS CUSTODY AGREEMENT** (this "Agreement"), is made as of [_____, 20__], by and among Athena Stafford Springs Landlord LLC ("Athena Landlord") and Stafford Springs CT SNF LLC ("Athena Operating"), each a Connecticut limited liability company (collectively, the "Buyer"), on the one hand, and The Johnson Evergreen Corporation, a Connecticut corporation (the "Seller"), on the other hand, in connection with that certain Asset Purchase Agreement, effective as of August __, 2015, by and among the Buyer and the Seller (as may be amended, modified, supplemented or restated from time to time, collectively, the "APA"). Capitalized terms used but not otherwise defined herein shall have the meanings given to such terms in the APA. This Agreement shall be deemed to be effective from and after the Effective Time.

RECITALS:

WHEREAS, the Seller has filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the District of Connecticut;

WHEREAS, the Buyer and the Seller have entered into the APA. Under the APA and the Sale Order, the Buyer is acquiring substantially all of the Seller's assets, real and personal, tangible or intangible, associated with owning, leasing, managing and operating the Facility and in particular the Acquired Medical Records (as such term is defined below) and assuming certain liabilities of the Seller, in accordance with sections 105, 363 and 365 of the Bankruptcy Code; and

WHEREAS, as part of such acquisition and as set forth in the APA, the Buyer is taking ownership and custody of certain medical records (the "Acquired Medical Records").

NOW THEREFORE, in consideration of the mutual promises set forth in the APA, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree to the following:

1. Transfer of Acquired Medical Records. The Seller hereby transfers, and the Buyer hereby accepts, ownership and possession of, all Acquired Medical Records in whatever format such records are now maintained by the Seller, including both hard paper copy and electronic formats. The Seller hereby transfers title, to the extent permissible under applicable law, and delivers custody to the Buyer of all of its Acquired Medical Records. The Seller hereby appoints the Buyer as the custodian of its Acquired Medical Records, and as custodian the Buyer hereby agrees to assume control, custody and possession of the Seller's Acquired Medical Records and to provide for the maintenance and safekeeping of all of the Seller's Acquired Medical Records.

2. Maintenance and Access. The Buyer hereby agrees to use commercially reasonable efforts to retain, manage, and safeguard the Acquired Medical Records pursuant to the terms of this Agreement and all applicable federal and state laws, statutes, regulations, and

rules, including without limitation, the HIPAA Privacy and Security Rules, as amended under the HITECH Act. The Buyer shall, to the extent reasonably practicable and permitted by law, permit the Seller to access its Acquired Medical Records, and make copies of such Acquired Medical Records at no charge in the event the Seller ever needs to access any of its Acquired Medical Records (i) to support billing and collection efforts for professional services rendered by the Seller prior to the Closing Date, (ii) to respond to any inquiry related to the professional services rendered by the Seller, (iii) to investigate and defend any allegation relating to the rendition of professional services, or (iv) for any other legitimate purpose. The Buyer agrees to process all requests for release of the Acquired Medical Records pursuant to policies and procedures customarily applied by the Buyer with respect to its medical records and to notify the Seller promptly of receipt of any request for the Seller's Acquired Medical Records other than from a former patient or resident of the Seller (by way of example and not limitation, subpoenas and court orders) which names the Seller or any individual formerly employed by or otherwise associated with the Seller. The Buyer shall also respond to any request for, or otherwise concerning, the Acquired Medical Records from patients or residents ("Patient/Resident Requests") in compliance with all applicable federal and state laws including, without limitation, limits on copying charges, and all Patient/Resident Requests shall be subject to the Buyer's established copying charges.

3. Inquiries to Seller. In the event an inquiry relative to the Acquired Medical Records is received by the Seller rather than by the Buyer as the custodian, the Seller shall promptly notify the inquiring party that the Buyer is maintaining exclusive custody and control of the Acquired Medical Records and direct such inquiring party to contact the Medical Records Director of the Buyer.

4. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Connecticut without regard to the principles of conflicts of laws thereunder.

5. Counterparts. This Agreement may be executed in counterparts (including by facsimile or optically-scanned electronic mail attachment), each of which shall be deemed to be original, but all of which together shall constitute one and the same instrument.

* * *

The remainder of this page is left blank intentionally. Signatures follow on the next page.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as an instrument under seal as of the date first written above.

BUYER:

Athena Stafford Springs Landlord LLC
Stafford Springs CT SNF LLC

Each By: _____
Name:
Title:

SELLER:

The Johnson Evergreen Corporation

By: _____
Name: Patrick Mahon
Title: Chairperson of the Board

JOHNSON EVERGREEN CORPORATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 AND 2013

JOHNSON EVERGREEN CORPORATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Johnson Evergreen Corporation

We have audited the accompanying financial statements of Johnson Evergreen Corporation (the Company), which comprise the balance sheets as of September 30, 2014 and 2013, and the related statements of operations and changes in net assets (deficit) 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit 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 preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Johnson Evergreen Corporation as of September 30, 2014 and 2013, and the results of its operations, changes in net assets (deficit) and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 2 to the financial statements, the Company has experienced recurring losses from operations, had current liabilities that exceeded current assets by \$14,937,409 and had a net asset deficit of \$11,819,012 as of September 30, 2014. The Company is jointly and severally liable to a lender for \$1,604,830 of borrowings made by Johnson Memorial Hospital under a revolving credit agreement which was in default as of September 30, 2014. The Company also failed certain covenants under its mortgage and defaulted on all mortgage payments and amounts due to creditors during 2014. In addition, the Company filed for relief under Chapter 11 of the U.S. Bankruptcy Code subsequent to September 30, 2014 and entered into an asset purchase agreement for the sale of the Company which is contingent on a number of conditions, including the approval of the Bankruptcy Court. These conditions raise substantial doubt about the Company's ability to continue as a going concern. 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.

Marcum LLP

Hartford, CT
March 30, 2015

JOHNSON EVERGREEN CORPORATION

BALANCE SHEETS

SEPTEMBER 30, 2014 AND 2013

	2014	2013
Assets		
Current Assets		
Cash	\$ 300	\$ 300
Patient trust funds	59,530	69,759
Accounts receivable, net of allowance for doubtful accounts of \$403,000 in 2014 and \$325,000 in 2013	1,598,868	1,560,623
Other receivables	414,903	296,162
Prepaid expenses and other current assets	<u>426,302</u>	<u>118,914</u>
Total Current Assets	<u>2,499,903</u>	<u>2,045,758</u>
Property and Equipment		
Land improvements	1,526,367	1,526,367
Building and improvements	13,378,061	13,378,061
Equipment	<u>2,532,580</u>	<u>2,532,580</u>
	17,437,008	17,437,008
Less accumulated depreciation	<u>(14,437,008)</u>	<u>(11,437,008)</u>
Total Property and Equipment	<u>3,000,000</u>	<u>6,000,000</u>
Other Assets - Deferred costs, net of accumulated amortization of \$28,100 in 2014 and \$24,224 in 2013	<u>123,047</u>	<u>126,923</u>
	<u>\$ 5,622,950</u>	<u>\$ 8,172,681</u>

The accompanying notes are an integral part of these financial statements.

JOHNSON EVERGREEN CORPORATION

BALANCE SHEETS (CONTINUED)

SEPTEMBER 30, 2014 AND 2013

	2014	2013
Liabilities and Net Asset Deficit		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,572,806	\$ 1,333,896
Accrued payroll related expenses	702,831	522,912
Patient trust funds	59,530	69,759
Estimated amounts due to third-party payers	187,353	176,598
Current portion of payments due under plan of reorganization	205,000	102,500
Current portion of long-term debt	14,213,697	14,213,697
Other current liabilities	332,908	296,162
Due to affiliates	<u>163,187</u>	<u>79,991</u>
Total Current Liabilities	<u>17,437,312</u>	<u>16,795,515</u>
Long-Term Liabilities		
Payments due under plan of reorganization	<u>4,650</u>	<u>86,240</u>
Total Long-Term Liabilities	<u>4,650</u>	<u>86,240</u>
Total Liabilities	17,441,962	16,881,755
Unrestricted Net Asset Deficit	<u>(11,819,012)</u>	<u>(8,709,074)</u>
	<u>\$ 5,622,950</u>	<u>\$ 8,172,681</u>

The accompanying notes are an integral part of these financial statements.

JOHNSON EVERGREEN CORPORATION

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Operating Revenue		
Net patient service revenue	\$ 16,587,545	\$ 16,055,367
Provision for bad debts	<u>107,536</u>	<u>50,053</u>
	16,480,009	16,005,314
Other revenue	<u>132,823</u>	<u>98,000</u>
Total Operating Revenue	<u>16,612,832</u>	<u>16,103,314</u>
Expenses		
Salaries	9,138,995	8,962,330
Fringe benefits	2,812,886	2,629,996
Professional fees	281,426	334,460
Interest	482,053	479,837
Outsourced staffing and contract services	585,708	570,293
Depreciation and amortization	551,550	800,764
Supplies, drugs and other patient care	1,152,088	995,359
Leases and service agreements	27,971	28,079
Occupancy	549,739	527,464
Insurance	133,428	120,347
Other	695,512	718,333
Provider tax	<u>859,088</u>	<u>899,469</u>
Total Expenses	<u>17,270,444</u>	<u>17,066,731</u>
Loss from Operations Before		
Impairment Loss on Long-Lived Assets	(657,612)	(963,417)
Impairment Loss on Long-Lived Assets	<u>(2,452,326)</u>	<u>(2,355,632)</u>
Loss from Operations	(3,109,938)	(3,319,049)
Unrestricted Net Asset Deficit - Beginning	<u>(8,709,074)</u>	<u>(5,390,025)</u>
Unrestricted Net Asset Deficit - End	<u>\$ (11,819,012)</u>	<u>\$ (8,709,074)</u>

The accompanying notes are an integral part of these financial statements.

JOHNSON EVERGREEN CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Cash Flows from Operating Activities		
Change in unrestricted net asset deficit	\$ (3,109,938)	\$ (3,319,049)
Adjustments to reconcile change in unrestricted net asset deficit to net cash (used in) provided by operating activities:		
Impairment loss on long-lived assets	2,452,326	2,355,632
Depreciation and amortization	551,550	800,764
Provision for bad debts	107,536	50,053
Changes in assets and liabilities:		
Accounts receivable	(145,781)	161,577
Prepaid expenses and other current assets	(307,388)	33,492
Accounts payable and accrued expenses	439,739	282,409
Estimated amounts due to third-party payers	10,755	28,233
Other receivables	(118,741)	146,110
Other current liabilities	36,746	(146,110)
Net Cash (Used In) Provided by Operating Activities	(83,196)	393,111
Cash Flows from Investing Activities		
Purchase of property and equipment	--	(12,303)
Cash Flows from Financing Activities		
Principal payments on debt	--	(205,405)
Payments on capital lease obligations	--	(12,054)
Net payments received from (paid to) affiliates	83,196	(163,349)
Net Cash Provided by (Used in) Financing Activities	83,196	(380,808)
Net Change in Cash and Cash Equivalents	--	--
Cash and Cash Equivalents - Beginning of year	300	300
Cash and Cash Equivalents - End of year	\$ 300	\$ 300
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	\$ 38,348	\$ 241,929

The accompanying notes are an integral part of these financial statements.

JOHNSON EVERGREEN CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 1 - ORGANIZATION

Johnson Evergreen Corporation (the Company or Evergreen) is a subsidiary of Johnson Memorial Medical Center (JMMC) and is affiliated with Johnson Memorial Hospital (the Hospital or JMH) through its common parent. The Company is currently licensed as a 180-bed not-for-profit, skilled nursing facility and is located in Stafford Springs, Connecticut. All beds are Medicaid and Medicare certified, providing a full range of services, including physical therapy, occupational therapy, speech therapy and pulmonary services.

JANUARY 14, 2015 BANKRUPTCY FILING

On January 14, 2015, JMMC, the Hospital, and certain other affiliates filed a voluntary joint petition for relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for District of Connecticut, Hartford Division (Bankruptcy Court). Evergreen also filed a separate Chapter 11 petition on January 14, 2015. The aforementioned entities are collectively referred to as the Debtors.

In connection with these bankruptcy filings, the Debtors filed motions with the Bankruptcy Court under Bankruptcy Code Section 363 to sell JMMC, Evergreen, the Hospital, Home and Community, and Health Care to Saint Francis Care, Inc. (Saint Francis).

Saint Francis and JMMC have negotiated two separate asset purchase agreements, one for the sale of JMMC, the Hospital, and other affiliates and a separate agreement for the sale of Evergreen which are both subject to Bankruptcy Court approval. Saint Francis will not purchase Evergreen unless it is successful in executing the other asset purchase agreement.

The sales process in the Bankruptcy Court will be the subject of a number of court hearings and the creditors may object to the proposed sale. Also, the proposed sale of Evergreen to Saint Francis will be subject to the best offer as there will be an opportunity for other potential buyers to submit competing offers and an auction is expected to occur if there are competing bids.

In addition to Bankruptcy Court approval, approval from the State of Connecticut Office of Health Care Access (OHCA), the Office of the Attorney General and from state and federal antitrust authorities is required.

Under the proposed terms of the asset purchase agreement, none of Evergreen's mortgage debt is expected to be assumed by Saint Francis as part of the proposed sales transactions.

It is uncertain whether Evergreen will be acquired by Saint Francis.

JOHNSON EVERGREEN CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 1 – ORGANIZATION (CONTINUED)

JANUARY 14, 2015 BANKRUPTCY FILING (CONTINUED)

On January 16, 2015, the Debtors and a lender have negotiated the terms of a debtor in possession loan of up to \$7 million, subject to certain limits, to finance the Debtors' operations through the bankruptcy process.

ORIGINAL BANKRUPTCY FILING

As a result of the Company's financial operating deficits, management determined it would be unable to pay its obligations in the normal course of business during fiscal year 2009 or service its debt in a timely fashion. On November 4, 2008, the Company, JMMC and JMH filed voluntary petitions for relief under Chapter 11. This generally delayed payments of liabilities incurred prior to filing those petitions while the Company developed a plan of reorganization that was satisfactory to its creditors, and allowed it to continue as a going concern.

On August 11, 2010, the Bankruptcy Court confirmed the Company's plan of reorganization which was subject to the Company's satisfaction of a number of conditions precedent. One of the conditions precedents was that the Company, JMMC, and JMH were required to obtain a line of credit of at least \$6 million. On September 30, 2010, the plan of reorganization became effective when these debtors received financing under an \$8 million line of credit and all other material conditions precedent to the plan becoming binding were resolved. The Bankruptcy Court issued a final decree on December 29, 2010.

There was no change in control as the Company's Board of Directors immediately prior to the confirmation of the plan of reorganization retained control upon emergence from the Chapter 11 proceedings, therefore, the Company did not adopt fresh-start reporting.

As of September 30, 2014 and 2013, liabilities compromised by the confirmed plan have been recorded at the present values of amounts to be paid, determined at the interest rate of 6.75%.

The Company's original confirmed plan provided for the following:

Secured Debt - The Company's secured debt with a bank (secured by a first mortgage lien on land and buildings located in Stafford Springs, Connecticut and a blanket lien on all furniture, fixtures, and equipment) was reinstated as such maturity existed before any default, and was payable in quarterly installments through September 1, 2047. Reference is made to Note 8.

JOHNSON EVERGREEN CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 1 – ORGANIZATION (CONTINUED)

ORIGINAL BANKRUPTCY FILING (CONTINUED)

Priority and Administrative Claims - All priority and administrative claims were to be paid as allowed by the Court.

Trade and Other Miscellaneous Claims - The holders of approximately \$928,000 of trade and other miscellaneous claims were entitled to receive \$75,750 on the effective date, \$27,500 on the first anniversary of the effective date, \$52,500 on the second anniversary of the effective date and \$102,500 on the each of the third, fourth, and fifth anniversaries of the effective date. The holders of approximately \$30,000 of convenience claims were entitled to receive 50% of their allowed claim. Unexpired leases and executor contracts not rejected by the Company were scheduled to be paid according to their original or negotiated terms.

The Company failed to pay the amounts owed to the unsecured creditors that were due on October 1, 2013 and October 1, 2014

In addition, mortgage payments totaling approximately \$1,309,000 were past due under the secured mortgage as of September 30, 2014. The \$14,213,697 balance of the mortgage has been classified as a current liability at September 30, 2014.

AFFILIATION WITH SAINT FRANCIS CARE, INC.

On July 12, 2012, the Company, along with Johnson Memorial Hospital and Johnson Memorial Medical Center (collectively, the Johnson Entities) entered into an affiliation agreement with Saint Francis Care designed to establish a long-term stable relationship between the two systems, allowing them to work together to maintain and strengthen JMMC's operating viability and the Hospital's presence in the community as a community hospital, expand the array of health care services available, support the Hospital's medical staff, and enhance JMMC's efforts to fulfill its mission.

Saint Francis made an initial payment to the Hospital of \$1,300,000 on the date of the affiliation agreement and made an additional payment of \$1,050,000 on October 1, 2012, both payments to be used by the Johnson Entities to satisfy outstanding claims owed under the reorganization plan (the Plan) to the Pension Benefit Guaranty Corporation (PBGC) and the unsecured creditors in classes A6 and B6 of the Plan.

JOHNSON EVERGREEN CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 1 – ORGANIZATION (CONTINUED)

AFFILIATION WITH SAINT FRANCIS CARE, INC. (CONTINUED)

All payments made by Saint Francis under this agreement will constitute an unsecured loan. Under the terms of the affiliation agreement, this loan would be payable in the event that JMMC sought the closing of an alternative transaction, if the proceeds of this alternative transaction exceeded the amounts necessary to satisfy all other secured and unsecured debt owed by JMMC.

In connection with the \$1,300,000 initial payment, Saint Francis was provided with the right to appoint three members to the Boards of Directors of Johnson Memorial Medical Center, Johnson Memorial Hospital, and Johnson Evergreen Corporation.

The affiliation agreement requires the Johnson Entities to obtain the consent of Saint Francis prior to the occurrence of the following events: merger, dissolution, dilution of Saint Francis' board representation, incurrence of certain additional debt, prepayment of debt, creation of liens, entering into lease obligations in excess of \$1 million, the sale or disposition of properties in excess of defined thresholds, distributions of cash, or the addition or termination of any material clinical service.

Saint Francis will provide medical leadership in the Hospital's oncology program, infectious disease program, hospitalist program and management services in both case management and psychiatry in an effort to help the Hospital to attract additional volume.

On May 17, 2013 the Johnson Entities amended the affiliation agreement with Saint Francis to include additional advances of up to \$1,000,000 to be used solely for general working capital purposes. Advances under this amendment are subject to interest effective October 1, 2013 at the prime rate plus 2%. As of September 30, 2014, there were no additional advances to the Johnson Entities.

During 2014, Saint Francis agreed to provide credit support of \$2 million to the Johnson Entities in the form of a guaranty and letter of credit issued by a bank as security for the Johnson Entities' deductible under their workers' compensation policy. Certain fees and interest will be owed to Saint Francis under this agreement. As of September 30, 2014, there were no borrowings under this letter of credit.

JOHNSON EVERGREEN CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company experienced recurring losses from operations, had current liabilities that exceeded current assets by \$14,937,409, and had a net asset deficit of \$11,819,012 as of September 30, 2014. As stated in Note 8, the Company, JMMC, the Hospital and other affiliates entered into a revolving credit agreement which was in default as of September 30, 2014. The Company also failed certain covenants under its mortgage and defaulted on its mortgage payments and payments due to its creditors. In addition, the Company filed for relief under Chapter 11 of the U.S. Bankruptcy Code subsequent to September 30, 2014.

As of September 30, 2014, the Company is jointly and severally liable for \$1,604,830 of borrowings made by JMH under the revolving credit agreement that was in default. The Company has granted this lender a security interest in accounts receivable and certain cash received was utilized to make loan repayments to the lender on behalf of JMH.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

It is the plan of management to ensure that the Company continues as a going concern and JMMC is pursuing the potential sale of the Company and the other Debtors to Saint Francis under Bankruptcy Code Section 363. Management believes that such a sale will preserve and maximize the going concern value of the Debtors' properties, provide jobs for the Debtors' employees, and allow for the continued delivery of health care services to residents of North Central Connecticut.

The actions taken by JMMC with respect to the potential transaction with Saint Francis and the courses of action taken by Bankruptcy Court and the creditors of the Company will have an impact on the Company's ability to continue as a going concern.

The Company's continuation as a going concern is also ultimately dependent upon its future financial performance, which will be affected by general economic, competitive and other factors, many of which are beyond the Company's control. There can be no assurance that the Company's plans to ensure continuation as a going concern will be successful.

JOHNSON EVERGREEN CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

USE OF 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Financial statement areas where management applies the use of estimates consist primarily of the allowance for uncollectible accounts, the allowance for contractual adjustments, amounts due to third-party payers, malpractice reserves and workers' compensation reserves.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are maintained in bank accounts and overnight time deposits and have maturities of three months or less. The carrying value of cash equivalents approximates its fair value.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. The Company recorded impairment losses of \$2,452,326 and \$2,355,632 during the years ended September 30, 2014 and 2013, respectively. Reference is made to Note 5.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. As of September 30, 2014 and 2013, the Company reduced the carrying value of the building and improvements by \$2,452,326 and \$2,355,632, respectively, related to the aforementioned impairment losses. The adjusted carrying amount is the new cost basis. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets ranging from three to thirty years.

JOHNSON EVERGREEN CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT (CONTINUED)

Estimated useful lives are as follows:

	<u>Useful Lives</u>
Buildings	30 years
Land and building improvements	5 – 20 years
Equipment	3 – 20 years

Expenditures for maintenance and repairs are charged to operations as incurred. Expenditures for renewals and betterments are capitalized. The cost and related accumulated depreciation of assets are removed from the accounts when such assets are retired or sold, and any related gains or losses are reflected in the statement of operations for the period.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of all assets and liabilities that are considered to be financial instruments approximates fair value based on current market conditions (Level 1 inputs which represent quoted prices in active markets for identical assets or liabilities).

ACCOUNTS RECEIVABLE

Patient accounts receivable result from the various health care services provided by the Company. The amount of the allowance for uncollectible accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage and other collection indicators. See Note 3 for additional information relative to net patient service revenue recognition and third-party payer programs.

ESTIMATED MALPRACTICE AND WORKERS' COMPENSATION COSTS

The provision for estimated medical malpractice and workers compensation claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

The Company accounts for its insurance claims and related insurance recoveries in accordance with the provisions of ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, which indicates that health care entities should not net insurance recoveries against the related claim liabilities.

JOHNSON EVERGREEN CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFICIENCY OF REVENUES OVER EXPENSES

The statements of operations and changes in net assets include the deficiency of revenues over expenses as the performance indicator. Changes in unrestricted net assets which are excluded from the deficiency of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets) and permanent transfers of assets to and from affiliates for other than goods and services.

NET ASSET CATEGORIES

To ensure observance of limitations and restrictions placed on the use of resources available to the Company, the accounts of the Company are maintained as unrestricted, temporarily restricted, or permanently restricted. Unrestricted net assets represent available resources which can be used for the general operations of the Company. All of the Company's net assets are unrestricted in nature as of September 30, 2014 and 2013.

INCOME TAXES

The Company is a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and its related income is exempt from federal income tax under Section 501(a) except for unrelated business income. The Company accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be the taken in a tax return.

Management has analyzed the tax positions taken and has concluded that as of September 30, 2014, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Company is no longer subject to income tax examinations prior to 2011.

BAD DEBTS

The Company records an allowance for doubtful accounts against its outstanding accounts receivable based on the Company's past experience with collecting its receivables and an analysis of the current accounts receivable aging. The provision for bad debts recorded in the statements of operations was \$107,536 and \$50,053 for the years ended September 30, 2014 and 2013, respectively.

JOHNSON EVERGREEN CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS

The Company evaluates the impact of subsequent events, events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date or for disclosure in the notes to the financial statements. The Company evaluated events occurring subsequent to September 30, 2014 through March 30, 2015, the date on which the accompanying financial statements were available to be issued. During this period, there were no subsequent events that required disclosure or recognition in the financial statements other than the disclosures related to the January 14, 2015 bankruptcy filing described in Notes 1 and 8.

NOTE 3 - NET REVENUES FROM PATIENT SERVICES

The following table summarizes net revenues from services to patients during the years ended September 30:

	<u>2014</u>	<u>2013</u>
Gross patient service revenue	\$ 24,201,714	\$ 23,468,305
Deductions:		
Contractual allowances and adjustments	<u>7,614,169</u>	<u>7,412,938</u>
Net patient service revenue	16,587,545	16,055,367
Provision for bad debts	<u>(107,536)</u>	<u>(50,053)</u>
Net patient service revenue less provision for bad debts	<u>\$ 16,480,009</u>	<u>\$ 16,005,314</u>

JOHNSON EVERGREEN CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 3 - NET REVENUES FROM PATIENT SERVICES (CONTINUED)

The following summarizes all payers and their percentage of revenues for the years ended September 30:

	2014		2013	
	Net Patient Service Revenue	Percentage	Net Patient Service Revenue	Percentage
Medicaid	\$ 7,329,280	45%	\$ 7,885,429	49%
Medicare	4,342,180	26%	3,870,615	24%
Private	2,532,777	15%	2,194,155	14%
Managed care	<u>2,275,772</u>	<u>14%</u>	<u>2,055,115</u>	<u>13%</u>
	<u>\$ 16,480,009</u>	<u>100%</u>	<u>\$ 16,005,314</u>	<u>100%</u>

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are recorded on an estimated basis in the period the related services are rendered and such amounts are adjusted in future periods as final settlements are determined. For the years ended September 30, 2014 and 2013, there were no changes in estimates recorded in the statements of operations related to the finalization of prior year third-party payer settlements.

Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Company.

The Company's provision for bad debts is based primarily upon the type and age of the patient accounts receivable and the effectiveness of the Company's collection efforts. The Company's policy is to specifically reserve for individual (private-pay) receivables and receivables from patients without financial resources who have not qualified for Medicaid. When management determines that the ultimate collectability of these accounts is uncertain, the Company records an allowance. The Company reviews its accounts receivable balances and various analytics to support the basis for its estimates on a monthly basis. These efforts include a review of the following:

- Changes in the aging and payer mix of accounts receivable,
- Applicable accounts due from uninsured patients including those accounts that represent patients who have not qualified for Medicaid coverage, and
- Various allowance/reserve statistics.

JOHNSON EVERGREEN CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 3 - NET REVENUES FROM PATIENT SERVICES (CONTINUED)

The Company regularly performs hindsight procedures to evaluate historical write-off and collection experience throughout the year to assist in determining the reasonableness of its process for estimating the allowance for doubtful accounts.

A summary of the Company's allowance for doubtful accounts activity for the years ended September 30, 2014 and 2013 is as follows:

	Balance at Beginning of Period	Additions Recorded in the Provision for Bad Debts	Accounts Written off, Net of Recoveries and Other	Balance at End of Period
Allowance for doubtful accounts:				
Year ended September 30, 2013	\$ (275,000)	\$ (50,053)	\$ 53	\$ (325,000)
Year ended September 30, 2014	\$ (325,000)	\$ (107,536)	\$ 29,536	\$ (403,000)

ICD-10 IMPLEMENTATION

The Company is subject to the administrative simplification provisions of HIPAA which require the use of uniform electronic data transmission standards for health care claims and payment transactions submitted or received electronically.

In January 2009, the Centers for Medicare and Medicaid Services (CMS) published its tenth revision of International Statistical Classification of Diseases and Related Health Problems (ICD-10) and related changes to the formats used for certain electronic transactions. ICD-10 contains significantly more diagnostic and procedural codes than the existing ICD-9 coding system, and as a result, the coding for the services provided by the Company will require much greater specificity when ICD-10 becomes effective on October 1, 2015.

The implementation of ICD-10 will require a significant investment in technology and training. The Company may experience delays in reimbursement while the Company and the payers from which it seeks reimbursement make the transition to ICD-10. If the Company fails to implement the new coding systems by the deadline, the Company will not be paid for services. Management is not able to reasonably estimate the overall financial statement impact of the Company's transition to ICD-10.

JOHNSON EVERGREEN CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 4 - REGULATORY ENVIRONMENT

The health care industry is subject to numerous laws and regulations of federal, state and local government. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Management believes that the Company is in compliance with fraud and abuse as well as other applicable government laws and regulations.

NOTE 5 – IMPAIRMENT OF LONG-LIVED ASSETS

During the years ended September 30, 2014 and 2013, the Company continued to experience operating losses and had an average occupancy below the level required to generate positive cash flows from operations and to make debt and other payments as they became due.

As a result of these factors, management performed testing during the years ended September 30, 2014 and 2013 to compare the carrying values of the assets to the undiscounted cash flows expected to result from the continued operations of the Company, and in 2014 considered the estimated proceeds from the potential sale of the Company, and concluded that the recorded carrying values of the assets were not recoverable.

Fair value was estimated by management based on a cash flow analysis which indicated that the fair value of the property and equipment was approximately \$3 million as of September 30, 2014 which was less than the recorded carrying value. As of September 30, 2013, management estimated the carrying value to be \$6 million based on cash flows resulting from projected growth in the census that was expected to result from the establishment of an assisted living program and hospice program. However, such growth in the census did not materialize in 2014 and future cash flow projections no longer supported the \$6 million carrying value that was estimated at September 30, 2013. The Company recorded impairment losses on long-lived assets of \$2,452,326 and \$2,355,632 during the years ended September 30, 2014 and 2013, respectively.

JOHNSON EVERGREEN CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 6 - MANAGEMENT AGREEMENT

Under a management agreement, the Company utilizes JMMC to direct the management and operation of the Company. Under this agreement, the Company expensed \$291,808 and \$224,472 of cost sharing expenses in 2014 and 2013, respectively, which are included in salaries expense in the statements of operations and changes in net assets (deficit).

NOTE 7 - DEFERRED COSTS

Deferred financing costs represent costs incurred in connection with the Company's August 2007 debt refinancing. Such costs are being amortized over the term of the related debt (see Note 8). Total amortization expense amounted to \$3,876 for each of the years ended September 30, 2014 and 2013, respectively.

NOTE 8 - DEBT

On August 28, 2007, the Company entered into a \$15,200,000 Loan Agreement (the Agreement) with a bank which was evidenced by a promissory note in the amount of \$14,200,000 and a second note of \$1,000,000. The \$1,000,000 note is collateralized by a mortgage deed and security agreement from the Company. The \$14,200,000 note is collateralized by a mortgage deed and security agreement from the Company and was converted from a construction loan to term loan effective November 30, 2010.

Upon conversion to a term loan, fifty percent of the outstanding principal balance of the \$14,200,000 note began to accrue interest at the variable rate equal to three month LIBOR plus 1.20% (1.43% at September 30, 2014).

The remaining fifty percent of the principal will accrue interest at the fixed rate based on the bank's ten year cost of borrowing plus 1.20% (4.73%) through November 30, 2020 at which time the fixed rate is scheduled to be adjusted for another ten year period based on the aforementioned methodology.

Principal is payable in quarterly payments in the amount of \$95,946 through September 1, 2047 at which time the outstanding principal balance plus accrued interest thereon is scheduled to be due and payable. Interest is payable on a quarterly basis.

The fixed rate portion of the loan may be prepaid, but is subject to a prepayment fee equal to 2% of the amount prepaid. No prepayment fees will be required for prepayments made after November 30, 2020.

JOHNSON EVERGREEN CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 8 – DEBT (CONTINUED)

The \$1,000,000 loan will accrue interest at the fixed rate based on the bank's ten year cost of borrowing plus 1.20% (4.73%) through November 30, 2020 at which time the fixed rate is scheduled to be adjusted for another ten year period based on the aforementioned methodology. Principal is payable quarterly in the amount of \$6,757 through September 1, 2047 at which time the outstanding principal balance plus accrued interest thereon is scheduled to be due and payable. Interest is also payable on a quarterly basis. This loan may be prepaid, but is subject to a prepayment fee equal to 2% of the amount prepaid. No prepayment fees will be required for prepayments made after November 30, 2020.

The Company is required to meet certain financial covenants under the Agreement. During the years ended September 30, 2024 and 2013, the Company failed certain covenants and failed to make certain loan payments resulting in a delinquent balance of \$1,309,000 at September 30, 2014. The bank has the right to demand immediate payment of the \$14,213,697 balance of the loan which has been classified as a current liability as of September 30, 2014 and 2013. The net book value of the collateral for the mortgage was approximately \$3,000,000 as of September 30, 2014.

In September 2010, the Company, along with several affiliates (the Borrowers), entered into a Revolving Loan and Security Agreement with a lender for an amount not to exceed the lesser of \$8 million or the maximum borrowing base (85% of the book value of all eligible receivables). Under the original agreement, amounts outstanding bear interest at the 3 month LIBOR rate plus 4.25% payable monthly in arrears. In the event of a default, the agreement provides for an increase in the interest rate by 4%. The Company has granted the lender a security interest in accounts receivable. The Company is jointly and severally liable for the full payment of the debt under this agreement, including the debt of JMH and Home & Community Health Services, Inc. As of September 30, 2014, JMH owed the lender \$1,604,830 under the Loan and Security Agreement. In connection with the bankruptcy filing, on January 16, 2015, this lender entered into a debtor in possession loan agreement with the Borrowers which replaced the Revolving Loan and Security Agreement.

JOHNSON EVERGREEN CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 8 – DEBT (CONTINUED)

The Borrowers are subject to a number of covenants and restrictions under the Revolving Loan and Security Agreement. These include the following affirmative and negative covenants: provision of monthly, quarterly and annual financial information, adequate insurance coverage, notice of certain events and changes, change in ownership or management, restrictions on indebtedness and lease agreements, sale of assets, protection of collateral and financial covenants prepared on a consolidated basis for the Borrowers including cash flow and debt service coverage ratio requirements.

During 2014, the Borrowers failed to comply with various covenants under the Revolving Loan and Security Agreement which resulted in the lender imposing an interest penalty on JMH's borrowings on the line.

NOTE 9 - LEASE OBLIGATIONS

The Company leases its land from JMH under the terms of a month-to-month lease. Land rent expense was \$180,000 annually for the years ended September 30, 2014 and 2013.

NOTE 10 - AFFILIATE TRANSACTIONS

During 2014 and 2013, the Company was charged \$180,000 annually for its land lease with JMH. The Company was charged \$291,808 and \$224,472 for management fees by JMMC in 2014 and 2013, respectively.

As of September 30, 2014 and 2013, the Company owed \$96,892 and \$13,696, respectively, to JMH for payments made by JMH to the lender on behalf of the Company for the repayment of borrowings on the revolving line of credit. In addition, \$66,295 was due to JMH for patient care and other services as of September 30, 2014 and 2013. These amounts are included in due to affiliates within the balance sheets.

As described in Note 8, the Company is jointly and severally liable for the full payment of amounts owed by the Borrowers under the Revolving Loan and Security Agreement with a lender. The balance owed by JMH under this agreement was \$1,604,830 as of September 30, 2014.

In connection with the original plan of reorganization, the Company will be required to make payments to the Pension Benefit Guaranty Corporation if JMH fails to make payments to the PBGC for the pension termination premium of \$2 million which is payable in 5 annual payments of \$400,000 commencing on September 30, 2016. Under the plan of reorganization, JMH is permitted to satisfy this liability for \$500,000 if the payment is made prior to October 1, 2016.

JOHNSON EVERGREEN CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 11 - DEFINED CONTRIBUTION PLAN

The Company has a defined contribution plan (the Plan) whereby all employees who have attained the age of 21 and completed one year of employment (1,000 hours of service) are eligible to participate and become fully vested after 5 years. Annually, the Company may contribute a defined amount of employees' salaries to the Plan. Effective January 1, 2011, the Company suspended the matching of employee contributions. There were no expenses incurred by the Company for contributions in 2014 or 2013. It is uncertain whether this match will be reinstated.

NOTE 12 - PROFESSIONAL, GENERAL LIABILITY AND WORKERS' COMPENSATION INSURANCE

For claims incurred through August 31, 2009, the Company was self-insured for professional liability and general liability claims, under a claims made policy, which covered JMMC's entire health system. JMMC has an excess umbrella claims made policy for claims in excess of JMMC's self-insured limits.

For claims incurred after August 31, 2009, the Company obtained commercial claims made malpractice insurance policy with no deductible and coverage of \$1,000,000 per claim and an annual aggregate of \$3,000,000 for all of the entities covered under the policy including the Company, the Hospital and a number of other affiliates (Insured Group).

JMMC's independent actuary estimated the ultimate costs of claims that have been incurred but not reported. Accrued losses have been discounted at 3%. The Company has recorded \$53,273 and \$56,819 for the estimated claims that have been incurred but not reported for its professional liability and general liability insurance risks as of September 30, 2014 and 2013, respectively.

The Company was also self-insured for workers' compensation claims through March 16, 2009 at which time it obtained commercial insurance. The Company's workers' compensation policy had no deductible and policy limits of \$1,000,000 per case with no aggregate limit for cases incurred by the Insured Group after March 16, 2009 through May 30, 2014. Effective May 31, 2014, the Company obtained a new workers' compensation insurance policy that had a \$250,000 deductible per claim and a \$2,000,000 aggregate deductible. The policy provides for policy limits of \$1,000,000 per case with no annual limit.

As of September 30, 2014, the Company recorded a liability of \$156,579 related to its estimated portion of the deductible for workers' compensation incidents that occurred between May 31, 2014 and September 30, 2014.

JOHNSON EVERGREEN CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 12 - PROFESSIONAL, GENERAL LIABILITY AND WORKERS' COMPENSATION INSURANCE (CONTINUED)

In accordance with the provisions of ASU 2010-24, the Company recorded recoverables from insurance companies for the estimated costs to settle fully insured workers' compensation claims in the amounts of \$332,908 and \$296,162 as of September 30, 2014 and 2013, respectively. The Company has recorded liabilities equal to these amounts as of September 30, 2014 and 2013.

NOTE 13 - CONCENTRATIONS OF CREDIT RISK

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of accounts receivable.

The Company grants credit without collateral to its patients, most of whom are local residents and are covered under payer agreements. Management has provided an allowance for potential credit losses and such losses have historically been within management's expectations.

The mix of receivables from patients and payers as of September 30 are as follows:

	2014	2013
Medicare	31%	30%
Managed care and commercial insurers	14%	7%
Self-pay	7%	15%
Medicaid	<u>48%</u>	<u>48%</u>
	<u>100%</u>	<u>100%</u>

JOHNSON EVERGREEN CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 14 - FUNCTIONAL EXPENSES

The Company provides various health care services to residents within its geographic location. Expenses related to providing these services are as follows for the years ended September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Patient care services	\$ 14,016,044	\$ 13,315,349
General and administrative (including depreciation, interest and other expenses)	<u>3,254,400</u>	<u>3,751,382</u>
	<u>\$ 17,270,444</u>	<u>\$ 17,066,731</u>

JOHNSON MEMORIAL MEDICAL CENTER

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2014 AND 2013

JOHNSON MEMORIAL MEDICAL CENTER

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Johnson Memorial Medical Center

We have audited the accompanying consolidated financial statements of Johnson Memorial Medical Center (the Organization), which comprise the consolidated balance sheets as of September 30, 2014 and 2013, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Johnson Memorial Medical Center as of September 30, 2014 and 2013, and the results of its operations, changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying consolidated financial statements have been prepared assuming that the Organization will continue as a going concern. As described in Note 1, the Organization experienced recurring losses from operations, had an unrestricted net asset deficit of \$12,121,840, and had current liabilities that exceeded current assets by \$32,273,795 as of September 30, 2014. The Organization has a credit agreement and mortgages that require certain financial and non-financial covenants be maintained. The Organization failed certain covenants during the year ended September 30, 2014 and defaulted on certain payments due on its mortgages and due to creditors. In addition, the Organization filed for relief under Chapter 11 of the U.S. Bankruptcy Code subsequent to September 30, 2014 and entered into asset purchase agreements for the sale of the Organization which are contingent on a number of conditions, including the approval of the Bankruptcy Court. These conditions raise substantial doubt about the Hospital's ability to continue as a going concern. The consolidated 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.

Marcum LLP

Hartford, CT
March 30, 2015

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2014 AND 2013

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,469,221	\$ 805,902
Patient trust funds	59,530	69,759
Patients accounts receivable, net of allowances for uncollectible accounts of \$5,186,000 in 2014 and \$4,170,000 in 2013	11,658,028	10,135,389
Insurance and other receivables	1,078,149	2,026,862
Inventories	1,295,797	1,317,470
Prepaid expenses and other current assets	2,288,803	1,110,135
Total Current Assets	<u>17,849,528</u>	<u>15,465,517</u>
Assets Whose Use is Limited		
Beneficial interests in perpetual trusts	3,793,323	3,729,727
Restricted cash and board designated investments	224,048	268,338
Cash and investments restricted by donor	1,029,209	1,030,601
Total Assets Whose Use is Limited	<u>5,046,580</u>	<u>5,028,666</u>
Other Assets		
Property, plant and equipment, net	23,269,815	27,034,256
Investment in joint ventures and other assets	3,408,630	3,173,049
Investments, other	1,100	1,100
Deferred financing costs, net	288,663	299,787
Other noncurrent assets	1,600,193	476,000
Total Other Assets	<u>28,568,401</u>	<u>30,984,192</u>
	<u>\$ 51,464,509</u>	<u>\$ 51,478,375</u>

The accompanying notes are an integral part of these consolidated financial statements.

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATED BALANCE SHEETS (CONTINUED)

SEPTEMBER 30, 2014 AND 2013

	2014	2013
Liabilities and Net Assets (Deficit)		
Current Liabilities		
Trade accounts payable and accrued expenses	\$ 8,408,688	\$ 7,095,451
Accrued payroll and related costs	2,789,581	2,807,220
Current portion of payments due under plan of reorganization	4,100,000	2,050,000
Patient trust funds	59,530	69,759
Senior debt under revolving line of credit	1,604,830	2,208,858
Current portion of mortgage payable	29,141,197	29,202,278
Current portion of subordinated and other debt	125,772	457,587
Current portion of capital lease obligations	197,299	14,365
Estimated amounts due to third-party reimbursement agencies	2,911,614	2,784,065
Other current liabilities	784,812	672,681
Total Current Liabilities	50,123,323	47,362,264
Long-Term Liabilities		
Payments due under plan of reorganization - less current portion	2,411,446	4,017,048
Subordinated debt - less current portion	17,435	125,022
Other long-term debt	2,350,000	2,350,000
Self-insurance liabilities and reserves for incurred but not reported professional liability claims	2,344,272	641,424
Other liabilities	401,097	623,786
Obligations under capital lease - less current portion	721,036	45,579
Total Long-Term Liabilities	8,245,286	7,802,859
Total Liabilities	58,368,609	55,165,123
Net Assets (Deficit)		
Unrestricted	(12,121,840)	(8,766,006)
Temporarily restricted	410,595	335,709
Permanently restricted	4,807,145	4,743,549
Total Net Assets (Deficit)	(6,904,100)	(3,686,748)
	\$ 51,464,509	\$ 51,478,375

The accompanying notes are an integral part of these consolidated financial statements.

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Operating Revenue		
Net patient service revenue	\$ 96,614,360	\$ 91,030,996
Provision for bad debts	4,537,178	4,709,325
Net patient service revenue less provision for bad debts	92,077,182	86,321,671
Grant and other income	501,330	370,611
Other revenue	550,814	526,531
Net assets released from restriction	269,758	459,171
Total Operating Revenue	<u>93,399,084</u>	<u>87,677,984</u>
Expenses		
Salaries	40,411,635	43,355,432
Employee benefits	10,541,692	10,483,743
Professional fees	6,908,956	5,014,763
Depreciation and amortization	3,226,575	4,269,259
Outsourced staffing and contracted services	5,192,947	4,934,252
Supplies, drugs and patient care	12,822,617	10,543,386
Leases and service contracts	1,624,365	1,622,194
Occupancy costs	3,441,747	3,489,884
Insurance	1,669,982	1,292,568
Provider tax	859,088	899,469
Other expenses	6,010,913	5,267,473
Interest	1,985,339	1,899,374
Total Expenses	<u>94,695,856</u>	<u>93,071,797</u>
Loss from Operations Before		
Impairment Loss on Long-Lived Assets	(1,296,772)	(5,393,813)
Impairment Loss on Long-Lived Assets	<u>(2,452,326)</u>	<u>(2,355,632)</u>
Loss from Operations	(3,749,098)	(7,749,445)
Nonoperating Revenue (Loss)		
Investment income	166,175	160,097
(Loss) gain on sale of equipment	(13,263)	1,200
Equity earnings in joint ventures	232,022	72,279
	<u>384,934</u>	<u>233,576</u>
Deficiency of Revenues over Expenses	<u>\$ (3,364,164)</u>	<u>\$ (7,515,869)</u>

The accompanying notes are an integral part of these consolidated financial statements.

JOHNSON MEMORIAL MEDICAL CENTER
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Unrestricted Net Assets		
Deficiency of revenues over expenses	\$ (3,364,164)	\$ (7,515,869)
Net assets released from restriction for purchase of property and equipment	<u>8,330</u>	<u>89,765</u>
Change in Unrestricted Net Assets	<u>(3,355,834)</u>	<u>(7,426,104)</u>
Temporarily Restricted Net Assets		
Grants and other contributions	352,974	583,123
Income and realized gains on investments	--	148
Net assets released from restriction	<u>(278,088)</u>	<u>(548,936)</u>
Change in Temporarily Restricted Net Assets	<u>74,886</u>	<u>34,335</u>
Permanently Restricted Net Assets		
Increase in fair value of beneficial interest in perpetual trusts	<u>63,596</u>	<u>113,235</u>
Change in Net Assets	(3,217,352)	(7,278,534)
Net Assets (Deficit) - Beginning	<u>(3,686,748)</u>	<u>3,591,786</u>
Net Assets (Deficit) - End	<u>\$ (6,904,100)</u>	<u>\$ (3,686,748)</u>

The accompanying notes are an integral part of these consolidated financial statements.

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Cash Flows From Operating Activities and Reorganization Items		
Change in net assets	\$ (3,217,352)	\$ (7,278,534)
Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities:		
Impairment loss on long-lived assets	2,452,326	2,355,632
Depreciation and amortization	3,226,575	4,269,259
Accretion of asset retirement obligation	11,074	10,374
Provision for bad debt	4,537,178	4,709,325
Loss (gain) on disposal of assets	13,263	(1,200)
Equity earnings in joint ventures	(232,022)	(72,279)
Change in net realized and unrealized gains on investments	(63,596)	(113,235)
Changes in assets and liabilities:		
Patient accounts receivable	(6,059,817)	(3,795,003)
Insurance and other receivables	948,713	(1,318,655)
Prepaid expenses and other current assets	(1,178,668)	32,094
Inventories	21,673	(62,879)
Restricted cash and board designated investments	45,682	96,476
Restricted grants and contributions	(352,974)	(583,123)
Other noncurrent assets	(1,127,752)	(31,000)
Payments due under plan of reorganization	443,398	(658,897)
Accounts payable and accrued expenses	1,313,237	2,249,014
Accrued payroll and related costs	(17,639)	(211,035)
Estimated amounts due to third-party reimbursement agencies	127,549	1,289,797
Self-insurance liabilities	1,702,848	(499,676)
Other current liabilities	112,131	(190,080)
Other liabilities	(222,689)	(159,817)
Net Cash Provided by Operating Activities and Reorganization Items	<u>2,483,138</u>	<u>36,558</u>
Cash Flows From Investing Activities		
Capital expenditures	<u>(961,673)</u>	<u>(502,463)</u>
Net Cash Used in Investing Activities	<u>(961,673)</u>	<u>(502,463)</u>

The accompanying notes are an integral part of these consolidated financial statements.

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Cash Flows From Financing Activities		
Restricted grants and contributions	\$ 352,974	\$ 583,123
Principal payments on mortgage and subordinated debt	(500,483)	(535,012)
Proceeds from other debt	--	1,400,000
Payments on revolving line of credit	(604,028)	(1,295,355)
Principal payments on capital lease obligations	(106,609)	(72,300)
Net Cash Used in Financing Activities	<u>(858,146)</u>	<u>80,456</u>
Net Change in Cash and Cash Equivalents	663,319	(385,449)
Cash and Cash Equivalents - Beginning	<u>805,902</u>	<u>1,191,351</u>
Cash and Cash Equivalents - Ending	<u>\$ 1,469,221</u>	<u>\$ 805,902</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	<u>\$ 1,258,348</u>	<u>\$ 1,258,897</u>

The accompanying notes are an integral part of these consolidated financial statements.

JOHNSON MEMORIAL MEDICAL CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

ORGANIZATION

Johnson Memorial Medical Center (the Corporation or JMMC) is a not-for-profit, non-stock holding company located in Stafford Springs, Connecticut. The Corporation through its subsidiaries provides health care services to residents throughout the Hartford and Tolland Connecticut counties. The Corporation's non-profit subsidiaries include Johnson Memorial Hospital (the Hospital or JMH), Johnson Evergreen Corporation (Evergreen or EHCC), Johnson Health Care, Inc. (Health Care or JHC), and Home & Community Health Services, Inc. (HCHS). Johnson Medical Specialists, P.C. (JMS) is a professional corporation that is controlled by the Corporation. The Hospital has controlling interests in Johnson Development Fund, Inc. (Development) and its for-profit subsidiary WellCare, Inc. and Johnson Professional Associates, P.C. (JPA). The above entities are collectively referred to as the Organization in this consolidated presentation.

The Organization's major accounting policies are as summarized below and in Note 2.

JANUARY 14, 2015 BANKRUPTCY FILING

On January 14, 2015, the Corporation, Hospital, HCHS, Health Care and JPA filed a voluntary joint petition for relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for District of Connecticut, Hartford Division (Bankruptcy Court). Evergreen filed a separate Chapter 11 petition on January 14, 2015. The aforementioned entities are collectively referred to as the Debtors.

In connection with these bankruptcy filings, the Debtors filed motions with the Bankruptcy Court under Bankruptcy Code Section 363 to sell the Corporation, Hospital, Evergreen, Home and Community, and Health Care to Saint Francis Care, Inc. (Saint Francis).

Saint Francis and the Corporation have negotiated two separate asset purchase agreements, one for the sale of the Corporation, Hospital, HCHS, and Health Care and a separate agreement for the sale of Evergreen which are both subject to Bankruptcy Court approval. Saint Francis will not purchase Evergreen unless it is successful in executing the other asset purchase agreement.

The sales process in the Bankruptcy Court will be the subject of a number of court hearings and the creditors may object to the proposed sale. Also, the proposed sale of Evergreen to Saint Francis will be subject to the best offer as there will be an opportunity for other potential buyers to submit competing offers and an auction is expected to occur if there are competing bids.

JOHNSON MEMORIAL MEDICAL CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

JANUARY 14, 2015 BANKRUPTCY FILING (CONTINUED)

In addition to Bankruptcy Court approval, approval from the State of Connecticut Office of Health Care Access (OHCA), the Office of the Attorney General and from state and federal antitrust authorities is required.

Saint Francis and People's United Bank (People's) have negotiated the restructuring of the People's mortgage debt owed by the Hospital and JMMC in order for a portion of the debt to be assumed by Saint Francis as part of the proposed sales transactions. None of the People's debt related to Evergreen is expected to be assumed by Saint Francis under the proposed Evergreen asset purchase agreement.

On January 16, 2015, the Debtors and a lender have negotiated the terms of a debtor in possession loan in the amount of up to \$7 million, subject to certain limits, to finance the Debtors' operations through the bankruptcy process.

During the year ended September 30, 2014, the Organization expensed legal and consulting costs of approximately \$850,000 related to the bankruptcy filing and the proposed sales transactions.

ORIGINAL BANKRUPTCY FILING

As a result of the severe financial operating deficits, management determined it would be unable to pay its obligations in the normal course of business during fiscal year 2009 or service its debt in a timely fashion. On November 4, 2008, the Hospital, the Corporation and Evergreen, filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code. This generally delayed payments of liabilities incurred prior to filing those petitions while the Corporation, the Hospital and Evergreen developed a joint plan of reorganization that was satisfactory to their creditors, and allowed these entities to continue as going concerns.

On August 11, 2010, the Bankruptcy Court confirmed the original plan of reorganization which was subject to the satisfaction of a number of conditions precedent. One of the conditions was that the Hospital, the Corporation, and Evergreen were required to obtain a line of credit of at least \$6 million. On September 30, 2010, the plan of reorganization became effective when these debtors received financing under an \$8 million line of credit and all other material conditions precedent to the plan becoming binding were resolved. The Bankruptcy Court issued a final decree on December 29, 2010.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

ORIGINAL BANKRUPTCY FILING (CONTINUED)

There was no change in control as the Organization's Board of Directors immediately prior to the confirmation of the plan retained control upon emergence from the Chapter 11 proceedings, therefore, the Organization did not adopt fresh-start reporting.

As of September 30, 2014 and 2013, liabilities compromised by the confirmed plan have been recorded at the present values of amounts to be paid, determined at the interest rate of 6.75%.

The Debtor's original confirmed plan provided for the following:

Secured Debt – The Hospital's secured debt with a bank (secured by a first mortgage lien on land and buildings located in Stafford Springs, Connecticut and a blanket lien on all furniture, fixtures, and equipment) was reinstated as such maturity existed before any default, and is payable in quarterly installments through January 1, 2048. The Hospital will also remain obligated as guarantor of the Corporation's secured debt in the amounts of \$2,940,000 and \$3,001,081, respectively, as of September 30, 2014 and 2013 and Evergreen's secured debt of \$14,213,697 as of September 30, 2014 and 2013.

Evergreen's secured debt with a bank (secured by a first mortgage lien on land and buildings located in Stafford Springs, Connecticut and a blanket lien on all furniture, fixtures, and equipment) was reinstated as such maturity existed before any default, and is payable in quarterly installments through September 1, 2047.

The Corporation's secured debt with a bank (secured by a lien on land and buildings located in Enfield, Connecticut and a blanket lien on all furniture, fixtures, and equipment) was reinstated as such maturity existed before any default, and is payable in monthly installments through September 30, 2014 at which time the outstanding principal balance plus accrued interest thereon became due and payable, however, the loan has not been repaid.

Other Secured Debt – The Hospital's loan to finance information technology equipment was restructured to be paid in 60 monthly installments of \$10,000, including interest. The carrying value of this compromised debt was \$125,022 and \$232,609 as of September 30, 2014 and 2013, respectively.

Priority and Administrative Claims – All priority and administrative claims were to be paid as allowed by the Court.

JOHNSON MEMORIAL MEDICAL CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

ORIGINAL BANKRUPTCY FILING (CONTINUED)

Trade and Other Miscellaneous Claims – The holders of approximately \$11 million of trade and other miscellaneous claims were entitled to receive \$780,802 on the effective date, \$283,525 on the first anniversary of the effective date, \$541,275 on the second anniversary of the effective date and \$1,056,775 on the each of the third, fourth, and fifth anniversaries of the effective date.

The holders of approximately \$175,000 of convenience claims were entitled to receive 50% of their allowed claim. Unexpired leases and contracts not rejected by the Debtors were scheduled to be paid according to their original or negotiated terms.

Pension Benefit Guaranty Corporation (PBGC) Claims – The PBGC was entitled to receive \$730,402 on the effective date, \$266,475 on the first anniversary of the effective date, \$508,725 on the second anniversary of the effective date and \$993,225 on the each of the third, fourth, and fifth anniversaries of the effective date. The Hospital has also recorded a liability of \$468,384 and \$438,767 as of September 30, 2014 and 2013, respectively, for the pension termination premium that is owed to the PBGC prior to October 1, 2016. If the premium is not paid by this date, the pension termination premium will increase to \$2 million under the terms of the plan of reorganization.

The Hospital and Evergreen failed to pay the amounts owed to the unsecured creditors and the PBGC that were due on October 1, 2013 and October 1, 2014.

In addition, mortgage payments totaling approximately \$5,572,000 were past due under the secured mortgages as of September 30, 2014. The \$29,141,197 balance of the mortgages has been classified as a current liability at September 30, 2014 based on the fact that People's Bank had the right to demand repayment at September 30, 2014.

AFFILIATION WITH SAINT FRANCIS CARE, INC.

On July 12, 2012, the Corporation, along with the Hospital and Evergreen (collectively, the Johnson Entities) entered into an affiliation agreement with Saint Francis Care designed to establish a long-term stable relationship between the two systems, allowing them to work together to maintain and strengthen the Corporation's operating viability and the Hospital's presence in the community as a community hospital, expand the array of health care services available, support the Hospital's medical staff, and enhance the Corporation's efforts to fulfill its mission. Saint Francis made an initial payment to the Johnson Entities of \$1,300,000 on the date of the affiliation agreement and made an additional payment of \$1,050,000 on October 1, 2012, both payments to be used by the Johnson Entities to satisfy outstanding claims owed under the reorganization plan (the Plan) to the Pension Benefit Guaranty Corporation and the unsecured creditors in classes A6 and B6 of the Plan.

JOHNSON MEMORIAL MEDICAL CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

AFFILIATION WITH SAINT FRANCIS CARE, INC. (CONTINUED)

All payments made by Saint Francis under this agreement were considered to be an unsecured loan. Under the terms of the affiliation agreement, this loan would be payable in the event that the Corporation sought the closing of an alternative transaction, if the proceeds of this alternative transaction exceeded the amounts necessary to satisfy all other secured and unsecured debt owed by the Corporation.

In connection with the \$1,300,000 initial payment, Saint Francis was provided with the right to appoint three members to the Boards of Directors of Johnson Memorial Medical Center, the Hospital, and Evergreen.

The affiliation agreement requires the Johnson Entities to obtain the consent of Saint Francis prior to the occurrence of the following events: merger, dissolution, dilution of Saint Francis' board representation, incurrence of certain additional debt, prepayment of debt, creation of liens, entering into lease obligations in excess of \$1 million, the sale or disposition of properties in excess of defined thresholds, distributions of cash, or the addition or termination of any material clinical service.

Saint Francis will provide medical leadership in the Hospital's oncology program, infectious disease program, hospitalist program and management services in both case management and psychiatry in an effort to help the Hospital to attract additional volume.

On May 17, 2013, the Johnson Entities amended the affiliation agreement with Saint Francis to include additional advances of up to \$1,000,000 to be used solely for general working capital purposes. Advances under this amendment are subject to interest effective October 1, 2013 at the prime rate plus 2%. As of September 30, 2014, there were no advances under this letter of credit and \$350,000 was advanced to the Hospital as of September 30, 2013.

During 2014, Saint Francis agreed to provide credit support of \$2 million to the Johnson Entities in the form of a guaranty and letter of credit issued by a bank as security for the Johnson Entities' deductible under their workers' compensation policy. Certain fees and interest will be owed to Saint Francis under this agreement. As of September 30, 2014, there were no borrowings under this letter of credit.

JOHNSON MEMORIAL MEDICAL CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

GOING CONCERN

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. During 2014, the Organization experienced recurring losses from operations, had an unrestricted net asset deficit of \$12,121,840, and had current liabilities that exceeded current assets by \$32,273,795 as of September 30, 2014. The Hospital, EHCC and JMMC failed certain debt covenants during the year ended September 30, 2014 and defaulted on certain payments due on their mortgages and amounts due to their creditors. In addition, the Corporation filed for relief under Chapter 11 of the U.S. Bankruptcy Code subsequent to September 30, 2014. These conditions raise substantial doubt about the Corporation's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

It is the plan of management to ensure that the Corporation continues as a going concern and the Corporation is pursuing the potential sale of the Hospital and the other Debtors to Saint Francis under Bankruptcy Code Section 363. Management believes that such a sale will preserve and maximize the going concern value of the Debtors' properties, provide jobs for the Debtors' employees, and allow for the continued delivery of health care services to residents of North Central Connecticut.

The actions taken by the Corporation with respect to the potential transaction with Saint Francis and the courses of action taken by Bankruptcy Court and the creditors of the Corporation will have an impact on the Corporation's ability to continue as a going concern.

The Corporation's continuation as a going concern is also ultimately dependent upon its future financial performance, which will be affected by general economic, competitive and other factors, many of which are beyond the Corporation's control. There can be no assurance that the Corporation's plans to ensure continuation as a going concern will be successful.

PRINCIPLES OF CONSOLIDATION AND PRESENTATION

The accompanying consolidated financial statements include the accounts of Johnson Memorial Medical Center, Johnson Memorial Hospital, The Johnson Evergreen Corporation, Home & Community Health Services, Johnson Health Care, Inc., Johnson Professional Associates, P.C., Johnson Medical Specialists, P.C., and Johnson Development Fund, Inc. JPA and Development are entities in which the Hospital has a controlling financial interest. All inter-company accounts have been eliminated in consolidation.

JOHNSON MEMORIAL MEDICAL CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

PRINCIPLES OF CONSOLIDATION AND PRESENTATION (CONTINUED)

ASC 810-25, *Consolidations*, requires a not-for-profit entity, among other things, to consolidate into its financial statements the financial results of another not-for-profit in which it has a controlling financial interest and to make certain disclosures. Reference is made to Note 2.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

NET ASSET CATEGORIES

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in the following net asset categories:

Unrestricted – Unrestricted net assets represent available resources which can be used for general operations of the Organization. Included in unrestricted net assets are assets set aside by the Board of Directors.

Temporarily Restricted – The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in within the same year as received are reflected as unrestricted contributions in the accompanying financial statements. At September 30, 2014 and 2013, the Organization had temporarily restricted net assets of \$410,595 and \$335,709, respectively.

Permanently Restricted – Permanently restricted net assets represent contributions received with the donor restriction that the principal be invested in perpetuity and that income earned thereon is available for operations or a specific purpose.

JOHNSON MEMORIAL MEDICAL CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

USE OF 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 the reported amounts of assets, including estimated uncollectible accounts receivable and contractual allowances and liabilities, including estimated net settlements with third-party reimbursement agencies and professional liabilities, and disclosure of contingent assets and contingent liabilities at the date of the financial statements. Estimates also affect the amounts of revenues and expenses reported during the period. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates.

REGULATORY MATTERS

The Hospital is required to file annual operating information with the State of Connecticut Office of Health Care Access.

DONOR RESTRICTED GIFTS

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

CASH AND CASH EQUIVALENTS

The Organization considers all highly liquid investments with remaining maturities of three months or less at date of purchase to be cash equivalents. Cash and cash equivalents are held at a limited number of financial institutions and at times, the amounts on deposit exceed insured limits.

BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

The Hospital is the beneficiary of several trust funds. Although the principal balances in the trust funds are permanently restricted, the income earned on the trust funds is unrestricted. The increases in unrealized gains from the trust funds were \$63,596 in 2014 and \$113,235 in 2013 and are included in changes in permanently restricted net assets.

JOHNSON MEMORIAL MEDICAL CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

INVESTMENTS PERMANENTLY RESTRICTED BY DONOR

Investments permanently restricted by donor (other than beneficial interests in perpetual trusts) represent the funds held to support the permanently restricted endowment funds and earnings thereon. Investments in securities with readily determinable fair values are measured at fair value in the balance sheets. Fair value is determined based upon quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the deficiency of revenue over expenses unless restricted by the donor or law.

Unrealized gains and losses on investments related to certain permanently restricted net assets (excluding beneficial interests in perpetual trusts) and certain temporarily restricted net assets are included in temporarily restricted net assets under State law which allows the Board of Directors to appropriate as much of the net appreciation of investments as is prudent considering the Organization's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. Reference is made to Note 8.

ACCOUNTS RECEIVABLE

Patient accounts receivable result from the health care services provided by the Corporation's subsidiaries. The amount of the allowance for uncollectible accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage and other collection indicators. See Note 3 for additional information relative to net patient service revenue recognition and third-party payer programs.

INVESTMENTS

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the deficiency of revenues over expenses unless the income or loss is restricted by donor or law.

Unrealized gains and losses on investments on the Organization's beneficial interests in perpetual trusts are recorded as changes in permanently restricted net assets.

JOHNSON MEMORIAL MEDICAL CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

INVESTMENT IN JOINT VENTURES

The Hospital has three joint ventures that it accounts for using the equity method. The change in the Hospital's share in the equity of these joint ventures is recorded as a component of nonoperating revenues in the consolidated statements of operations. The Hospital has a 25% interest in Northeast Regional Radiation Oncology Network, Inc. (NRRON) (\$3,299,195 and \$3,108,378 as of September 30, 2014 and 2013, respectively) and has a 15% ownership interest in Tolland Imaging Center, LLC (\$81,604 and \$41,285 as of September 30, 2014 and 2013, respectively). JMMC leases space to NRRON under the terms of an operating lease and recognized rental income of \$232,000 and \$225,240 for the years ended September 30, 2014 and 2013, respectively.

INVENTORIES

Inventories of drugs and supplies are stated at the lower of cost or market, determined using the first in first out method.

IMPAIRMENT OF LONG-LIVED ASSETS

The Organization records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. Evergreen recorded impairment losses of \$2,452,326 and \$2,355,632 during the years ended September 30, 2014 and 2013, respectively. Management believes that the other entities with long-lived assets included in the consolidated financial statements will generate undiscounted cash flows that will at least recover the value in their long-lived assets at their current carrying values.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. As of September 30, 2014 and 2013, Evergreen reduced the carrying value of its building and improvements by \$2,452,326 and \$2,355,632, respectively, related to the aforementioned impairment loss. The adjusted carrying value is the new cost basis. The Organization provides for depreciation of property, plant and equipment and amortization of assets recorded under capital leases using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Useful Lives</u>
Buildings and improvements	5 – 40 years
Land improvements	5 – 20 years
Equipment	3 – 20 years

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Expenditures for maintenance and repairs are charged to operations as incurred. Expenditures for renewals and betterments are capitalized.

Financial Accounting Standards Board ASC 410-20, *Accounting for Asset Retirement Obligations*, provides guidance on accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. Asset retirement obligations include, but are not limited to, certain types of environmental issues which are legally required to be remediated upon an asset's retirement as well as contractually required asset retirement obligations. ASC 410-20 provides clarifying guidance on conditional asset retirement obligations. Conditional asset retirement obligations are obligations whose settlement may be uncertain. ASC 410-20's guidance requires such conditional asset retirement obligations to be estimated and recognized. Application of these pronouncements affects the Hospital with respect to required future asbestos remediation.

Conditional asset retirement obligations of \$346,001 and \$334,927 as of September 30, 2014 and 2013, respectively, were recorded in other liabilities on the balance sheets. These retirement obligations have been discounted at a rate of 6.75%. The undiscounted amounts of the obligations were \$346,001 at September 30, 2014 and 2013. There were no retirement obligations incurred or settled during 2014 and 2013. Reference is made to Note 16 regarding other environmental exposures.

RISKS AND UNCERTAINTIES

The Hospital and HCHS invest in a variety of investment securities which are exposed to various risks, such as interest rate risk, financial market risk and credit risk. Due to the level of risk associated with investment securities, coupled with the current economic events, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Organization's financial statements.

NONOPERATING REVENUE

Activities, other than in connection with providing health care services, are considered to be nonoperating. Nonoperating revenue consists primarily of income on invested funds, gains and losses on sales of equipment, and the changes in the Organization's share of equity of the joint ventures accounted for under the equity method.

JOHNSON MEMORIAL MEDICAL CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

DEFICIENCY OF REVENUE OVER EXPENSES

The statements of operations and changes in net assets include the deficiency of revenue over expenses as the performance indicator. Changes in unrestricted net assets which are excluded from the deficiency of revenue over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

INCOME TAXES

The Corporation, the Hospital, Evergreen, HCHS, Health Care, and Development are generally exempt from income taxes under Internal Revenue Code, Section 501(a), as organizations described in Section 501(c)(3). JPA is a professional corporation that has experienced losses since inception and accordingly, no provisions for federal or state income taxes have been recorded.

The Organization accounts for uncertainty in income tax positions in the consolidated financial statements by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Management has analyzed the tax positions taken and has concluded that as of September 30, 2013, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Corporation and its subsidiaries are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes that these organizations are no longer subject to income tax examinations prior to 2011.

ADVERTISING

The Organization expenses advertising costs as incurred. Advertising expenses for the years ended September 30, 2014 and 2013 were \$5,039 and \$40,673, respectively.

RECOGNITION OF GRANT REVENUE

Grants are generally considered to be exchange transactions in which the grantor requires the performance of specified activities. Entitlement to cost reimbursement grants is conditioned on the expenditure of funds in accordance with grant restrictions and, therefore, revenue is recognized to the extent of grant expenditures. Entitlement to performance based grants is conditioned on the attainment of specific performance.

JOHNSON MEMORIAL MEDICAL CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

CHARITY CARE

The Organization provides care to patients who meet certain criteria under its charity care policies without charge, or at amounts less than its established rates. The Organization does not pursue collection of amounts determined to be charity care and these amounts are not reported as net patient service revenues. For the year ended September 30, 2014 the charges and costs related to charity care were \$421,153 and \$219,000 and for the year ended September 30, 2013, the charges and costs related to charity care were \$353,488 and \$152,000, respectively.

ESTIMATED MEDICAL MALPRACTICE AND WORKERS' COMPENSATION COSTS

The provision for estimated medical malpractice and workers' compensation claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

The Organization accounts for its insurance claims and related insurance recoveries in accordance with the provisions of ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, which indicates that health care entities should not net insurance recoveries against the related claim liabilities.

BAD DEBTS

ASU 2011-07, *Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts*, requires certain health care entities to present the provision for bad debts associated with patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) rather than as an operating expense. Refer to Note 3 for the additional disclosures required by ASU 2011-07.

RECLASSIFICATIONS

Certain 2013 reported amounts have been reclassified to conform to the 2014 financial statement presentation.

SUBSEQUENT EVENTS

The Organization evaluates the impact of subsequent events, events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date or for disclosure in the notes to the financial statements. The Organization evaluated events occurring subsequent to September 30, 2014 through March 30, 2015, the date on which the accompanying financial statements were available to be issued. During this period, there were no subsequent events that required disclosure or recognition in the consolidated financial statements, other than the disclosures related to the January 14, 2015 bankruptcy filing.

JOHNSON MEMORIAL MEDICAL CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 2 – CONSOLIDATED ENTITIES

Johnson Memorial Hospital is an acute care hospital located in Stafford Springs, Connecticut. The Hospital is licensed for 92 beds and provides a broad range of inpatient and outpatient services primarily throughout Hartford and Tolland Connecticut counties. Admitting physicians are primarily practitioners in the same geographic area. The Hospital has a controlling interest in JPA and Development.

JPA is a medical practice that is controlled by the Hospital. Although the Hospital does not have direct ownership interests in JPA, the Hospital has a controlling voting interest in the Board of JPA, thus enabling the Hospital to control the economic activities of JPA. Also, the Hospital provides funding to JPA to fund its operating losses.

Johnson Memorial Hospital Development Fund, Inc. is a not-for-profit organization that raises funds for the Hospital and other affiliates in which the Hospital has a controlling financial interest by virtue of control of its board of directors and the fact that substantially all of Development's assets are for the use of the Hospital.

Johnson Evergreen Corporation is a subsidiary of the Corporation. Evergreen is currently licensed as a 180-bed not-for-profit, skilled nursing facility located in Stafford Springs, CT.

Home & Community Health Services, Inc. is a subsidiary of the Corporation. HCHS is a tax-exempt, non-stock corporation, which provides and administers a comprehensive, multi-disciplinary, home health care and hospice program primarily to residents in North Central Connecticut.

JMS is a medical practice that is controlled by the Corporation. Although the Corporation does not have direct ownership interests in JMS, the Corporation has a controlling voting interest in the Board of JMS, thus enabling the Corporation to control the economic activities of JMS. The Corporation is in the process of dissolving JMS as it has not rendered medical services in several years.

Johnson Health Care Inc. (d/b/a Johnson Occupational Medicine Center) is an occupational medicine practice controlled by JMMC. The facility is located in Enfield, CT to treat patients injured on the job and performs other health care services related to the workplace including physical exams, drug screenings, rehabilitation, ergonomic evaluations, medical surveillance exams and travel immunizations. All services are designed to meet the needs of business and corporate clients.

JOHNSON MEMORIAL MEDICAL CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 3 – NET REVENUE FROM SERVICES TO PATIENTS AND CHARITY CARE

The following table summarizes net revenue from services to patients during the years ended September 30, 2014 and 2013:

	2014	2013
Gross patient service revenue	\$ 208,384,764	\$ 199,573,726
Contractual and other allowances	111,770,404	108,542,730
Net patient service revenue	96,614,360	91,030,996
Provision for bad debts	4,537,178	4,709,325
Net patient service revenue less provision for bad debts	\$ 92,077,182	\$ 86,321,671

Patient accounts receivable and revenue are recorded when patient services are performed. Amounts received from most payers are different from the established billing rates of the Organization, and these differences are accounted for as allowances.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. For the years ended September 30, 2014 and 2013, the Organization recorded approximately \$310,000 and (\$469,000), respectively, as an increase (decrease) to net patient service revenue for changes in estimates related to third-party payer settlement accruals recorded in prior years.

The following table represents the percentages of net revenue received from payers during the years ended September 30, 2014 and 2013:

	2014	2013
Medicare	37%	36%
Medicaid	19%	15%
Third Parties	37%	36%
Other	7%	13%

Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Organization.

JOHNSON MEMORIAL MEDICAL CENTER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 3 – NET REVENUES FROM SERVICES TO PATIENTS AND CHARITY CARE (CONTINUED)

The current Connecticut Medicaid inpatient hospital reimbursement model of interim per diem rates and case rate settlements will transition to an All Patient Refined Diagnosis Related Group System (APR-DRG) where hospital payments will be established prospectively. Connecticut Medicaid outpatient hospital reimbursement will move from the current system of reimbursement based on Revenue Center Codes to a prospective payment system based on the complexity of services performed. The new inpatient reimbursement methodology will be effective for admissions on or after January 1, 2015; while the new outpatient reimbursement methodology will not be implemented until at least January 1, 2016. The Hospital has not determined the estimated impact of these proposed changes on net patient service revenue in future years.

The significant concentrations of net accounts receivable for services to patients by payer at September 30, 2014 and 2013 follow:

	2014	2013
Medicare	38%	31%
Medicaid	23%	18%
Third Parties	36%	35%
Other	3%	16%

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. The Organization believes that it is in compliance with all applicable laws and regulations. Cost reports for the Hospital, which serve as a basis for final settlement with government payers, have been settled by final settlement through 2010 for Medicare and 2007 for Medicaid. Other years remain open for settlement.

The health care subsidiaries of the Corporation have agreements with various Health Maintenance Organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the HMOs make fee-for-service payments for certain covered services based upon discounted fee schedules.

JOHNSON MEMORIAL MEDICAL CENTER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 3 – NET REVENUES FROM SERVICES TO PATIENTS AND CHARITY CARE (CONTINUED)

MEASURING CHARITY CARE

The Organization accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to the established policies of the Organization. Essentially, these policies define charity services as those services for which no payment is possible. In assessing a patient's inability to pay, the Organization utilizes the generally recognized poverty income levels for the state, but also includes certain cases where incurred charges are significant when compared to incomes. These charges are not included in net patient service revenue for financial reporting purposes.

Self-pay revenues are derived primarily from patients who do not have any form of health care coverage. The revenues associated with self-pay patients are generally reported at the Organization's gross charges.

The Organization evaluates these patients, after the patient's medical condition is determined to be stable, for their ability to pay based upon federal and state poverty guidelines, qualifications for Medicaid or other governmental assistance programs, as well as the Organization's policy for charity care. The Organization provides care without charge to certain patients that qualify under its charity care policy. For the years ended September 30, 2014 and 2013, the Organization estimates that its costs of care provided under its charity care programs approximated \$219,000 and \$152,000, respectively.

The Organization's management estimates its costs of care provided under its charity care programs utilizing a calculated ratio of costs to gross charges multiplied by the Organization's gross charity care charges provided. The Organization's gross charity care charges include only services provided to patients who are unable to pay and qualify under the Organization's charity care policies. To the extent the Organization receives reimbursement through the various governmental assistance programs in which it participates to subsidize its care of indigent patients, the Organization does not include these patients' charges in its cost of care provided under its charity care program. Additionally, the Organization does not report a charity care patient's charges in revenues or in the provision for bad debts as it is the Organization's policy not to pursue collection of amounts related to these patients.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 3 – NET REVENUES FROM SERVICES TO PATIENTS AND CHARITY CARE (CONTINUED)

BAD DEBTS

The Organization's estimation of the allowance for uncollectible accounts is based primarily upon the type and age of the patient accounts receivable and the effectiveness of the Organization's collection efforts. The Organization's policy is to reserve a portion of all self-pay receivables, including amounts due from the uninsured and amounts related to co-payments and deductibles, as these charges are recorded. On a monthly basis, the Organization reviews its accounts receivable balances, the effectiveness of the Organization's reserve policies and various analytics to support the basis for its estimates. These efforts primarily consist of reviewing the following:

- Revenue and volume trends by payer, particularly the self-pay components;
- Changes in the aging and payer mix of accounts receivable, including increased focus on accounts due from the uninsured and accounts that represent co-payments and deductibles due from patients; and
- Various allowance coverage statistics.

The Organization regularly performs hindsight procedures to evaluate historical write-off and collection experience throughout the year to assist in determining the reasonableness of its process for estimating the allowance for uncollectible accounts.

A summary of the Organization's allowance for doubtful accounts activity for the years ended September 30, 2014 and 2013 is as follows:

	Balance at Beginning of Period	Additions Recorded in the Provision for Bad Debts	Accounts Written off, Net of Recoveries and Other	Balance at End of Period
Allowance for doubtful accounts:				
Year ended September 30, 2013	\$ (3,032,000)	\$ (4,709,325)	\$ 3,571,325	\$ (4,170,000)
Year ended September 30, 2014	\$ (4,170,000)	\$ (4,537,178)	\$ 3,521,178	\$ (5,186,000)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 3 – NET REVENUES FROM SERVICES TO PATIENTS AND CHARITY CARE (CONTINUED)

ICD-10 IMPLEMENTATION

The Organization is subject to the administrative simplification provisions of HIPAA which require the use of uniform electronic data transmission standards for health care claims and payment transactions submitted or received electronically.

In January 2009, the Centers for Medicare and Medicaid Services (CMS) published its tenth revision of International Statistical Classification of Diseases and Related Health Problems (ICD-10) and related changes to the formats used for certain electronic transactions. ICD-10 contains significantly more diagnostic and procedural codes than the existing ICD-9 coding system, and as a result, the coding for the services provided by the Organization will require much greater specificity when ICD-10 becomes effective on October 1, 2015.

Implementation of ICD-10 will require a significant investment in technology and training. The Organization may experience delays in reimbursement while the Organization and the payers from which it seeks reimbursement make the transition to ICD-10. If the Organization fails to implement the new coding system by the deadline, the Organization will not be paid for services. Management is not able to reasonably estimate the overall financial impact of the Organization's transition to ICD-10.

NOTE 4 – REGULATORY ENVIRONMENT

The health care industry is subject to numerous laws and regulations of federal, state and local government. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 5 – DEFERRED FINANCING COSTS

Deferred financing costs, which were incurred in connection with the debt, are being amortized over the term of the related debt. Amortization expense for deferred financing costs amounted to \$11,124 for the years ended September 30, 2014 and 2013.

NOTE 6 – ASSETS WHOSE USE IS LIMITED

The composition of assets whose use is limited, which include beneficial interests in perpetual trusts, cash restricted for payment of workers' compensation claims, and investments permanently restricted by donors, are set forth in the following table. Investments are recorded on the balance sheets at fair value.

September 30, 2014:	2014	
	Cost	Fair Value
Cash and cash equivalents	\$ 1,386,944	\$ 1,386,944
Money market funds	12,122	12,122
Mutual funds - equity	56,730	65,074
Mutual funds - fixed	44,414	44,516
Collective funds - equity	496,374	523,180
Collective funds - fixed	332,613	351,046
Equities		
U.S. large cap	783,027	864,449
U.S. mid cap	359,596	414,548
U.S. small cap	189,136	208,034
International developed	487,064	521,272
Emerging markets	256,803	264,411
Real estate	247,151	247,414
Tangible assets - commodities	168,678	143,570
	<u>\$ 4,820,652</u>	<u>\$ 5,046,580</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 – ASSETS WHOSE USE IS LIMITED (CONTINUED)

September 30, 2013:	2013	
	Cost	Fair Value
Cash and cash equivalents	\$ 1,323,359	\$ 1,323,359
Money market funds	20,460	20,460
Mutual funds - equity	560,817	577,579
Mutual funds - fixed	110,126	104,946
Collective funds - equity	70,415	80,670
Collective funds - fixed	332,391	401,844
Investment grade taxable bonds	33,233	31,947
Global high yield bonds	99,698	105,211
Equities		
U.S. large cap	807,823	894,907
U.S. mid cap	216,666	258,354
U.S. small cap	201,958	225,209
International developed	329,802	352,583
Emerging markets	260,180	244,309
Real estate	199,572	188,086
Tangible assets - commodities	233,497	219,202
	\$ 4,799,997	\$ 5,028,666

Investment income on investments recorded in the consolidated statements of operations for the years ended September 30 are below.

	2014	2013
Investment income		
Dividends and interest	\$ 210,158	\$ 199,475
Less investment management fees	(43,983)	(39,378)
Net investment income	\$ 166,175	\$ 160,097

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 – FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the financial statements are categorized, for disclosure purposes, based upon whether the inputs used to determine their fair values are observable or unobservable utilizing a three-level fair value hierarchy that prioritizes the inputs used to measure assets and liabilities at fair value. Level inputs are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access on the reporting date.

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specific (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs that are unobservable for the asset or liability.

The fair values of Level 1 securities were determined through quoted market prices, while fair values of Level 2 securities were determined primarily through prices obtained from third party pricing sources, where quoted market prices for such securities were not available. The fair values of Level 3 securities were determined primarily through information obtained from the relevant counterparties for such investments, as information on which these securities' fair values are based is generally not readily available in the market.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes fair value measurements, by level, at September 30, 2014 and 2013 for all assets and liabilities which are measured at fair value on a recurring basis in the financial statements:

	Level 1	Level 2	Level 3	Total
September 30, 2014				
Beneficial interests in perpetual trusts:				
Cash and cash equivalents	\$ 133,687	\$ --	\$ --	\$ 133,687
Money market funds	12,122	--	--	12,122
Mutual funds - equity	65,074	--	--	65,074
Mutual funds - fixed	44,516	--	--	44,516
Collective funds - equity	--	--	523,180	523,180
Collective funds - fixed	--	--	351,046	351,046
Equities				
U.S. large cap	864,449	--	--	864,449
U.S. mid cap	414,548	--	--	414,548
U.S. small cap	208,034	--	--	208,034
International developed	521,272	--	--	521,272
Emerging markets	264,411	--	--	264,411
Real estate	247,414	--	--	247,414
Tangible assets - commodities	--	--	143,570	143,570
Total Beneficial interests in perpetual trusts	2,775,527	--	1,017,796	3,793,323
Restricted cash and board designated investments	224,048	--	--	224,048
Cash and investments permanently restricted by donor	1,029,209	--	--	1,029,209
	<u>\$ 4,028,784</u>	<u>\$ --</u>	<u>\$ 1,017,796</u>	<u>\$ 5,046,580</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

	Level 1	Level 2	Level 3	Total
September 30, 2013				
Beneficial interests in perpetual trusts:				
Cash and cash equivalents	\$ 24,420	\$ --	\$ --	\$ 24,420
Money market funds	20,460	--	--	20,460
Mutual funds - equity	577,579	--	--	577,579
Mutual funds - fixed	104,946	--	--	104,946
Collective funds - equity	--	--	80,670	80,670
Collective funds - fixed	--	--	401,844	401,844
Investment grade taxable bonds	31,947	--	--	31,947
Global high yield bonds	105,211	--	--	105,211
Equities				
U.S. large cap	894,907	--	--	894,907
U.S. mid cap	258,354	--	--	258,354
U.S. small cap	225,209	--	--	225,209
International developed	352,583	--	--	352,583
Emerging markets	244,309	--	--	244,309
Real estate	188,086	--	--	188,086
Tangible assets - commodities	--	--	219,202	219,202
Total Beneficial interests in perpetual trusts	3,028,011	--	701,716	3,729,727
Restricted cash and board designated investments	268,338	--	--	268,338
Cash and investments permanently restricted by donor	1,030,601	--	--	1,030,601
	<u>\$ 4,326,950</u>	<u>\$ --</u>	<u>\$ 701,716</u>	<u>\$ 5,028,666</u>

JOHNSON MEMORIAL MEDICAL CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

The changes in fair value of assets measured using significant unobservable inputs (Level 3) were comprised of the following:

	Beneficial interests in <u>perpetual trusts</u>
Balance at September 30, 2012	\$ 237,296
Purchases of investments	233,497
Changes in fair value	<u>230,923</u>
Balance at September 30, 2013	701,716
Purchases of investments	426,381
Sales of investments	(64,819)
Changes in fair value	<u>(45,482)</u>
Balance at September 30, 2014	<u><u>\$ 1,017,796</u></u>

NOTE 8 – RESTRICTED ENDOWMENTS

The Organization’s endowments consist of donor-restricted endowment funds and beneficial interests in perpetual trusts. Net assets associated with endowment funds are classified and reported based on donor-imposed restrictions.

The Organization’s Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds, absent explicit donor stipulations to the contrary. This does not apply to beneficial interests in perpetual trusts where the fair value of the investments is the basis for the amount recorded as permanently restricted net assets.

As a result of the interpretation of UPMIFA, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and, if applicable, (c) accumulations to the permanent endowment made in accordance with the related gift’s donor instructions. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted or unrestricted net assets based on the donors’ stipulations and those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard for expenditures as proscribed by UPMIFA.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 8 – RESTRICTED ENDOWMENTS (CONTINUED)

In accordance with UPMIFA, the Organization considers the following factors in making determinations to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

RETURN OBJECTIVES AND RISK PARAMETERS

For the permanently restricted endowment funds, the bank, acting in its capacity as trustee, determines and directs the investment policy and asset allocation. The Organization expects these endowment funds, over time, to provide an average rate of return that exceeds the rate of inflation annually. Actual returns in any given year may vary from this amount.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO THE SPENDING POLICY

The Organization has a policy of evaluating the spending decisions for each endowment fund based upon the intentions of the donors and specific contractual agreements. In determining the annual amount to be spent, the Organization considers the long-term expected return on its endowment. The spending policy is designed to limit spending to the expected long-term real rate of return. The annual distribution from the endowment funds is expected to be contained within a range of the trusts' market value that is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

JOHNSON MEMORIAL MEDICAL CENTER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 8 – RESTRICTED ENDOWMENTS (CONTINUED)

ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND AS OF SEPTEMBER 30, 2014 AND 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
September 30, 2014				
Donor-restricted endowment funds	\$ (8,047)	\$ 23,434	\$ 1,013,822	\$ 1,029,209
Beneficial interests in perpetual trusts	--	--	3,793,323	3,793,323
	<u>\$ (8,047)</u>	<u>\$ 23,434</u>	<u>\$ 4,807,145</u>	<u>\$ 4,822,532</u>
September 30, 2013				
Donor-restricted endowment funds	\$ (7,680)	\$ 24,459	\$ 1,013,822	\$ 1,030,601
Beneficial interests in perpetual trusts	--	--	3,729,727	3,729,727
	<u>\$ (7,680)</u>	<u>\$ 24,459</u>	<u>\$ 4,743,549</u>	<u>\$ 4,760,328</u>

CHANGES IN ENDOWMENT NET ASSET FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
September 30, 2014				
Endowment net assets, beginning	\$ (7,680)	\$ 24,459	\$ 4,743,549	\$ 4,760,328
Investment return:				
Investment income	165,130	--	--	165,130
Net unrealized gains	--	--	63,596	63,596
Total investment return	<u>165,130</u>	<u>--</u>	<u>63,596</u>	<u>228,726</u>
Appropriation of endowment assets for expenditure	<u>(165,497)</u>	<u>(1,025)</u>	<u>--</u>	<u>(166,522)</u>
Endowment net assets, ending	<u>\$ (8,047)</u>	<u>\$ 23,434</u>	<u>\$ 4,807,145</u>	<u>\$ 4,822,532</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 8 – RESTRICTED ENDOWMENTS (CONTINUED)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
September 30, 2013				
Endowment net assets, beginning	\$ (7,865)	\$ 26,361	\$ 4,630,314	\$ 4,648,810
Investment return:				
Investment income	158,185	148	--	158,333
Net unrealized gains	<u> --</u>	<u> --</u>	<u>113,235</u>	<u>113,235</u>
Total investment return	<u>158,185</u>	<u>148</u>	<u>113,235</u>	<u>271,568</u>
Appropriation of endowment assets for expenditure	<u>(158,000)</u>	<u>(2,050)</u>	<u> --</u>	<u>(160,050)</u>
Endowment net assets, ending	<u>\$ (7,680)</u>	<u>\$ 24,459</u>	<u>\$ 4,743,549</u>	<u>\$ 4,760,328</u>

NOTE 9 – TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets as of September 30 are as follows:

	2014	2013
Grant proceeds subject to use restrictions	\$ 332,881	\$ 268,927
Other receivables subject to time restrictions	35,846	31,703
Indigent, elderly women's care	12,130	12,187
Scholarships	8,937	9,997
Other	<u>20,801</u>	<u>12,895</u>
	<u>\$ 410,595</u>	<u>\$ 335,709</u>

Permanently restricted net assets as of September 30 are restricted in perpetuity, the income from which is expendable to support the following:

	2014	2013
Health care services and operations	\$ 4,744,256	\$ 4,680,660
Elderly assistance	40,261	40,261
Scholarships	<u>22,628</u>	<u>22,628</u>
	<u>\$ 4,807,145</u>	<u>\$ 4,743,549</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

The components of cost and the related accumulated depreciation comprising property, plant and equipment as of September 30, 2014 and 2013 are as follows:

	2014	2013
Land	\$ 406,997	\$ 406,997
Land improvements	4,084,387	4,074,402
Building and improvements	46,608,488	46,451,537
Fixed and movable equipment	<u>37,638,836</u>	<u>36,276,022</u>
	88,738,708	87,208,958
Less accumulated depreciation	<u>(65,468,893)</u>	<u>(60,174,702)</u>
	<u>\$ 23,269,815</u>	<u>\$ 27,034,256</u>

Depreciation expense for property, plant and equipment amounted to \$3,215,451 and \$4,258,135 for the years ended September 30, 2014 and 2013, respectively. Included within depreciation and amortization expense on the statements of operations is amortization for capital leased assets of \$21,606 and \$19,084 for the years ended September 30, 2014 and 2013, respectively (see Note 12).

IMPAIRMENT OF LONG-LIVED ASSETS

During the years ended September 30, 2014 and 2013, Evergreen continued to experience operating losses and had an average occupancy below the level required to generate positive cash flows from operations and to make debt and other payments as they became due.

As a result of these factors, management performed testing during the years ended September 30, 2014 and 2013 to compare the carrying values of the assets to the undiscounted cash flows expected to result from the continued operations, and in 2014 considered the estimated proceeds from the potential sale of Evergreen, and concluded that the recorded carrying values of the assets were not recoverable.

Fair value was estimated by management based on a cash flow analysis which indicated that the fair value of the property and equipment was approximately \$3 million as of September 30, 2014 which was less than the recorded carrying value. As of September 30, 2013, management estimated the carrying value to be \$6 million based on cash flows resulting from projected growth in the census that was expected to result from the establishment of an assisted living program and hospice program. However, such growth in the census did not materialize in 2014 and future cash flow projections no longer supported the \$6 million carrying value that was estimated at September 30, 2013. Evergreen recorded impairment losses on long-lived assets of \$2,452,326 and \$2,355,632 during the years ended September 30, 2014 and 2013, respectively.

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NOTE 11 – DEBT

On August 1, 2006, the Hospital entered into a \$13,700,000 commercial construction mortgage loan with a bank. The loan was used to finance the expansion and renovation of the emergency department, three nursing units, the psychiatric unit, and two medical and surgical units, and to refinance the Hospital's existing loans (collectively, the Project). In December 2007, the loan was converted to a term loan, which is guaranteed by the United States Department of Agriculture (USDA) through the USDA Rural Development Community Facilities Program. The term loan calls for equal quarterly principal payments of \$85,625 over 40 years and will mature on January 1, 2048. Fifty percent of the loan bears interest at the bank's five year cost of borrowing plus 1.50% and fifty percent of the loan bears interest at the three month LIBOR plus 1.25%. The interest rates in effect at September 30, 2014 were 6.63% and 1.48%, respectively. The interest rates in effect at September 30, 2013 were 6.63% and 1.52%, respectively.

As of September 30, 2014, there was a principal balance of \$11,987,500 due on the Hospital's mortgage.

The Hospital is required to meet certain financial covenants under the mortgage. During the year ended September 30, 2014, the Hospital failed certain covenants and failed to make any mortgage principal payments resulting in a delinquent balance of approximately \$1,256,000 at September 30, 2014. The bank has the right to demand immediate payment of the \$11,987,500 balance of the mortgage which has been classified as a current liability as of September 30, 2014.

In 2006, the Hospital entered into a loan to finance certain information systems equipment at an interest rate of 5.5%. The Hospital failed to make payments in accordance with the loan terms. The Hospital's loan to refinance information equipment was restructured to be paid in 60 monthly installments of \$10,000. The present value of the settlement value of this loan was \$125,022 and \$232,609 at September 30, 2014 and 2013, respectively.

On August 28, 2007, Evergreen entered into a \$15,200,000 Loan Agreement with a bank which is evidenced by a promissory note in the amount of \$14,200,000 and a second note of \$1,000,000. The \$1,000,000 note is collateralized by a mortgage deed and security agreement from Evergreen. The \$14,200,000 note is collateralized by a mortgage deed and security agreement from Evergreen and was converted from a construction loan to term loan effective November 30, 2010.

Upon conversion to a term loan, fifty percent of the outstanding principal balance of the \$14,200,000 note began to accrue interest at the variable rate equal to three month LIBOR plus 1.20% (1.43% at September 30, 2014 and 1.47% at September 30, 2013).

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NOTE 11 – DEBT (CONTINUED)

The remaining fifty percent of the principal will accrue interest at the fixed rate based on the bank's ten year cost of borrowing plus 1.20% (4.73%) through November 30, 2020 at which time the fixed rate will be adjusted for another ten year period based on the aforementioned methodology.

Principal is payable in quarterly payments in the amount of \$95,946 through September 1, 2047 at which time the outstanding principal balance plus accrued interest thereon shall be due and payable. Interest is payable on a quarterly basis.

The fixed rate portion of the loan may be prepaid, but is subject to a prepayment fee equal to 2% of the amount prepaid. No prepayment fees will be required for prepayments made after November 30, 2020.

The \$1,000,000 loan will accrue interest at the fixed rate based on the bank's ten year cost of borrowing plus 1.20% (4.73%) through November 30, 2020 at which time the fixed rate will be adjusted for another ten year period based on the aforementioned methodology. Principal is payable quarterly in the amount of \$6,757 through September 1, 2047 at which time the outstanding principal balance plus accrued interest thereon shall be due and payable. Interest is also payable on a quarterly basis. This loan may be prepaid, but is subject to a prepayment fee equal to 2% of the amount prepaid. No prepayment fees will be required for prepayments made after November 30, 2020.

As of September 30, 2014, there was a balance of \$14,213,697 due on Evergreen's loans.

Evergreen is required to meet certain financial covenants. During the year ended September 30, 2014, Evergreen failed certain covenants and failed to make certain loan payments resulting in a delinquent balance of \$1,308,603 at September 30, 2014. The bank has the right to demand immediate payment of the \$14,213,697 balance of the loan which has been classified as a current liability as of September 30, 2014.

In August 2004, JMMC entered into a mortgage loan with a bank in the amount of \$4,500,000 for the purpose of refinancing certain mortgage loans. The loan bears interest at a variable rate based on LIBOR plus 1.50% (1.73% at September 30, 2014 and 1.77% at September 30, 2013). Principal is payable in monthly installments of \$15,000. The balance of the JMMC mortgage loan was \$2,940,000 at September 30, 2014. JMMC failed to make mortgage payments resulting in a delinquent balance at September 30, 2014. The loan has been classified as a current liability as of September 30, 2014.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 11 – DEBT (CONTINUED)

The other long-term debt of \$2,350,000 as of September 30, 2014 and 2013 and \$350,000 of other current debt at September 30, 2013, represented the amounts owed to Saint Francis under the terms of the affiliation agreement. Reference is made to Note 1. The long-term portion of this debt is not subject to interest.

In September 2010, the Corporation, the Hospital, Evergreen, HCHS, JHC, Development, WellCare, Inc., JPA and JMS (the Borrowers) entered into a Revolving Loan and Security Agreement (senior debt under revolving line of credit) with a lender for an amount not to exceed the lesser of \$8 million or the maximum borrowing base (85% of the book value of all eligible receivables). Under the original agreement, amounts outstanding bear interest at the rate of the 3 month LIBOR rate plus 4.25% payable monthly in arrears. In the event of a default, the agreement provides for an increase in the interest rate by up to 4%. The interest rate as of September 30, 2014 was 7.75%. The Organization has granted the lender a security interest in accounts receivable. In connection with the bankruptcy filing, on January 16, 2015, this lender entered into a debtor in possession loan agreement with the Borrowers which replaced the Revolving Loan and Security Agreement.

As of September 30, 2014 and 2013, there were outstanding borrowings of \$1,604,830 and \$2,208,858, respectively, under the Loan and Security Agreement.

The Borrowers are subject to a number of covenants and restrictions under the Revolving Loan and Security Agreement. These include the following affirmative and negative covenants: provision of monthly, quarterly and annual financial information, adequate insurance coverage, notice of certain events and changes, change in ownership or management, restrictions on indebtedness and lease agreements, sale of assets, protection of collateral and financial covenants prepared on a consolidated basis for the Borrowers including cash flow and debt service coverage ratio requirements.

During 2014, the Borrowers failed to comply with various covenants under the Revolving Loan and Security Agreement which resulted in the lender imposing an interest penalty.

JOHNSON MEMORIAL MEDICAL CENTER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 12 – LEASE OBLIGATIONS

CAPITAL LEASES

The Organization has entered into non-cancelable capital lease obligations for certain equipment. The cost of the assets is being amortized over the useful lives of the assets or the shorter of the respective lease term or useful life if the asset does not transfer to the Organization at the end of the lease term and is summarized as of September 30, 2014 and 2013 are as follows:

	2014	2013
Medical and other equipment	\$ 1,026,398	\$ 132,248
Less accumulated amortization	<u>(43,686)</u>	<u>(37,431)</u>
	<u>\$ 982,712</u>	<u>\$ 94,817</u>

The Hospital entered into a five year capital lease agreement to lease generators with a cost of \$688,000 which commenced on March 1, 2014. The monthly lease payments, including interest, will be \$10,500 for the first year and \$15,400 for the remainder of the lease term with total payments of \$865,296. The Hospital made a security deposit of \$206,000 to secure the lease that is returnable at the end of the lease period.

The Hospital entered into a three year capital lease agreement to lease a magnetic chiller with a cost of \$277,000 which commenced on September 1, 2014. The monthly lease payments, including interest, will be \$7,829 over the lease term with total payments of \$281,844. The Hospital made a security deposit of \$15,658 to secure the lease that is returnable at the end of the lease period.

Future minimum lease payments under the capital leases together with the present value of future minimum lease payments, as of September 30, 2014 are as follows:

2015	\$ 253,947
2016	278,772
2017	270,943
2018	184,824
2019	<u>77,010</u>
Total future minimum lease payments	1,065,496
Less amounts representing interest	<u>147,161</u>
Present value of future minimum lease payments	918,335
Less current portion	<u>197,299</u>
	<u>\$ 721,036</u>

JOHNSON MEMORIAL MEDICAL CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 12 – LEASE OBLIGATIONS (CONTINUED)

OPERATING LEASES

HCHS leases office space from an unaffiliated party in Enfield, Connecticut under a lease agreement. The lease commenced on December 1, 2011 and expires on November 30, 2016. The monthly rent is \$8,301 per month under the agreement plus additional rent for HCHS's proportional share of building operating expenses. The rent expense under this lease was \$140,762 and \$149,233 for the years ended September 30, 2014 and 2013, respectively.

The Organization leases various computer equipment, medical equipment and office space under operating leases, which expire at various dates through 2015. Rent expense under the operating leases was \$2,196,762 in 2014 and \$2,223,374 in 2013. These leases have various terms and conditions.

Minimum future rental commitments on non-cancelable operating leases with initial or remaining terms of more than one year as of September 30, 2014 are as follows:

2015	\$	493,879
2016		99,612
2017		16,602
	<u>\$</u>	610,093

NOTE 13 – EMPLOYEE BENEFIT PLANS

The Hospital had a defined benefit pension plan that covered certain employees. Pursuant to the plan of reorganization, the Pension Benefit Guaranty Corporation assumed control of the defined benefit plan effective September 1, 2011.

The Hospital has a defined contribution plan (the Plan) whereby all employees who have attained the age of 21 and completed one year of employment (1,000 hours of service) are eligible to participate and become fully vested after 5 years. Annually, the Hospital may contribute a defined amount of employees' salaries to the Plan. Effective January 1, 2011, the Hospital suspended the matching of non-union employee contributions; it continued to pay the match on union employees up until June 2012, at which time only those union employees that had been grandfathered in to the pension plan were matched. The total expense incurred by the Hospital for contributions to the Plan was \$272,339 and \$147,244 in 2014 and 2013, respectively.

JOHNSON MEMORIAL MEDICAL CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 13 – EMPLOYEE BENEFIT PLANS (CONTINUED)

Evergreen has a defined contribution plan whereby all employees who have attained the age of 21 and completed one year of employment (1,000 hours of service) are eligible to participate and become fully vested after 5 years. Annually, Evergreen may contribute a defined amount of employees' salaries to the Plan. Effective January 1, 2011, Evergreen suspended the matching of employee contributions. There were no expenses incurred by Evergreen for contributions in 2014 and 2013. It is uncertain whether this match will be reinstated.

HCHS has a defined contribution pension plan covering substantially all employees who have satisfied certain eligibility requirements. As of January 1, 2011, management suspended the matching of employee contributions and no expense was recorded in the 2014 and 2013 statement of operations. It is uncertain whether this match will be reinstated.

NOTE 14 – SELF-INSURANCE CLAIMS

There have been medical malpractice and workers' compensation claims that have been asserted against the Organization. In addition, there are known incidents that have occurred through September 30, 2014 that may result in the assertion of claims. Management of the Organization has accrued its best estimate of these contingent losses. Other claims may be asserted arising from services provided to patients or workers' compensation incidents in the past. Management of the Organization has provided reserves for these contingent liabilities.

NOTE 15 – PROFESSIONAL, GENERAL LIABILITY AND WORKERS' COMPENSATION INSURANCE

For claims incurred through August 31, 2009, the Organization was self-insured for professional liability and general liability claims, under a claims made policy, which covered the Organization's entire health system. The Organization has an excess umbrella claims made policy for claims in excess of the Organization's self-insured limits.

For claims incurred after August 31, 2009, the Organization was covered under commercial claims made policies with no deductible and coverage of \$1,000,000 per claim and an annual aggregate of \$3,000,000 for all of the entities covered under the policy.

The Organization's independent actuary estimated the expected costs to settle claims incurred during the self-insured period and claims that were incurred but not reported (IBNR) under its claims made insurance policy. Accrued losses have been discounted at 3%.

JOHNSON MEMORIAL MEDICAL CENTER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 15 – PROFESSIONAL, GENERAL LIABILITY AND WORKERS’ COMPENSATION INSURANCE (CONTINUED)

The Organization has recorded accrued liabilities of \$690,063 and \$729,965 for the estimated claims that have been incurred but not reported and cases incurred during the self-insured period for its professional liability and general liability insurance risks as of September 30, 2014 and 2013, respectively.

The Organization was also self-insured for workers compensation claims through March 16, 2009 at which time it obtained commercial insurance. The Hospital’s workers’ compensation policy had no deductible and policy limits of \$1,000,000 per case with no aggregate limit for claims incurred after March 16, 2009 through May 30, 2014. Effective May 31, 2014, the Hospital obtained a new workers’ compensation insurance policy that had a \$250,000 deductible per claim and a \$2,000,000 aggregate deductible. The policy provides for policy limits of \$1,000,000 per case with no annual limit.

As of September 30, 2014, the Organization recorded a liability of \$330,738 related to its estimated portion of the deductible for workers’ compensation incidents that occurred between May 31, 2014 and September 30, 2014.

In accordance with the provisions of ASU 2010-24, the Organization recorded recoverables from insurance companies for the estimated costs to settle fully insured malpractice and workers’ compensation claims in the amounts of \$2,197,508 and \$740,156 as of September 30, 2014 and 2013, respectively. The Organization has recorded liabilities equal to these amounts as of September 30, 2014 and 2013.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

The Organization is a party to various lawsuits incidental to its business. The Organization also has the following environmental exposures. The Connecticut Department of Environmental Protection (DEP) issued a consent order (Sewer Order) which requires the Hospital to perform repairs or replacements to the aging wastewater treatment system at the Hospital.

The Sewer Order requires a short-term and a long-term solution. The short-term work has been completed in accordance with the Sewer Order and the Hospital has been reporting to the DEP on the status of the short-term solution. Under the long-term solution, the Hospital was required to submit to the DEP for review and approval a schedule for: (i) the investigation of and remedial action alternatives to abate any pollution at the site arising from the operation of the on-site sewage treatment system or (ii) the construction of sanitary sewers to connect the Hospital to the Stafford Water Pollution Control Facility.

JOHNSON MEMORIAL MEDICAL CENTER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 16 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

The schedule originally provided for completion of the actions not later than December 31, 2014, but this deadline was extended until July 31, 2015. The Hospital signed a letter of intent with the Town of Stafford to participate in a project that will connect the Hospital to the Stafford Water Pollution Control Facility, as well as to connect it to services from Connecticut Water Company and Yankee Gas. As of September 30, 2014, funds to finance the project had not been secured.

The DEP filed a civil suit in 2007 in which the DEP sought civil penalties and temporary and permanent injunctions prohibiting the Hospital from violating the hazardous waste management regulations, preventing the Hospital from maintaining a discharge to the waters of the state and violating its air permit. Five of the six counts arose from allegations relating to the use of an underground storage tank for the storage of x-ray developer fixer and the release of the developer fixer from the tank. Use of that tank ended in April 2004 and the tank was removed. Part of the injunctive relief sought is an order requiring the investigation and remediation of the release of x-ray development fixer. The sixth count alleged that the Hospital violated its general air permit by submitting its annual compliance certification for 2005 ten months late. The Hospital has recorded a conditional retirement obligation related to the costs of an environmental investigation, but has not recorded a liability for any potential costs to remediate the site due to the fact that such costs, if any, cannot be reasonably estimated until the investigation is performed. The Hospital previously remediated the site when the tank was originally removed.

By letter dated April 7, 2014, the DEP agreed with a recommendation made in the January 2014 report that the consultant cease monitoring for nitrate based on the testing results for that constituent. The DEP expressed a concern and made a request that the consultant establish background concentrations for sulfate in groundwater for the site that is unaffected by release such as the on-site septic system or from the former x-ray developer tank. In October 2014, the DEP staff concurred with the consultant's proposed plan to continue monitoring on a semiannual basis, ammonia and nitrate in the remaining monitoring wells.

The engineer's estimate for semiannual monitoring is approximately \$27,000 per year. The duration of monitoring and determination whether soil remediation is warranted is dependent upon the results of future monitoring and an estimate of the total costs was not determinable as of September 30, 2014.

JOHNSON MEMORIAL MEDICAL CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 17 – CONCENTRATIONS OF CREDIT RISK

The Organization’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash, investments and accounts receivable.

The Organization places its cash deposits with high credit-quality institutions, which, at times, may exceed the Federal Deposit Insurance Corporation limits of \$250,000 per bank. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 18 – FUNCTIONAL EXPENSES

The Organization provides patient care services to residents within its geographic location. Expenses related to providing these services are as follows for the years ended September 30:

	<u>2014</u>	<u>2013</u>
Patient care services	\$ 77,537,882	\$ 76,620,100
General and administrative (including depreciation and amortization, interest and operations)	<u>17,157,974</u>	<u>16,451,697</u>
	<u>\$ 94,695,856</u>	<u>\$ 93,071,797</u>



**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

Board of Directors
Johnson Memorial Medical Center

We have audited the consolidated financial statements of Johnson Memorial Medical Center as of and for the years ended September 30, 2014 and 2013, and our report thereon dated March 30, 2015, which contained a going concern opinion on those consolidated financial statements, appears on page 1. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Marcum LLP

Hartford, CT
March 30, 2015



JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING BALANCE SHEET

SEPTEMBER 30, 2014

	JMMC	Hospital	EHCC	HCHS	JMS	JHC	Elimination	Total
Assets								
Current Assets								
Cash and cash equivalents	\$ 765,196	\$ 445,784	\$ 300	\$ 800	\$ 1,673	\$ 255,468	\$ --	\$ 1,469,221
Patient trust funds	--	--	59,530	--	--	--	--	59,530
Patients accounts receivable, net of allowances for uncollectible accounts	--	8,776,261	1,598,868	1,230,587	--	52,312	--	11,658,028
Insurance and other receivables	3,960	607,918	414,903	51,368	--	--	--	1,078,149
Inventories	--	1,295,797	--	--	--	--	--	1,295,797
Prepaid expenses and other current assets	14,965	1,729,849	426,302	113,043	--	4,644	--	2,288,803
Total Current Assets	<u>784,121</u>	<u>12,855,609</u>	<u>2,499,903</u>	<u>1,395,798</u>	<u>1,673</u>	<u>312,424</u>	<u>--</u>	<u>17,849,528</u>
Assets Whose Use is Limited								
Beneficial interests in perpetual trusts	--	3,793,323	--	--	--	--	--	3,793,323
Restricted cash and board designated investments	--	224,048	--	--	--	--	--	224,048
Cash and investments restricted by donor	--	843,587	--	185,622	--	--	--	1,029,209
Total Assets Whose Use is Limited	<u>--</u>	<u>4,860,958</u>	<u>--</u>	<u>185,622</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>5,046,580</u>
Other Assets								
Property, plant and equipment, net	3,715,717	16,509,196	3,000,000	44,902	--	--	--	23,269,815
Investment in joint ventures and other assets	--	3,397,937	--	10,693	--	--	--	3,408,630
Investment deficit in affiliated corporations	(3,119,194)	--	--	--	--	--	3,119,194	--
Investments, other	1,100	--	--	--	--	--	--	1,100
Due from affiliated corporations	2,289,450	--	--	--	--	--	(2,289,450)	--
Deferred financing costs, net	--	165,616	123,047	--	--	--	--	288,663
Other noncurrent assets	--	1,600,193	--	--	--	--	--	1,600,193
Total Other Assets	<u>2,887,073</u>	<u>21,672,942</u>	<u>3,123,047</u>	<u>55,595</u>	<u>--</u>	<u>--</u>	<u>829,744</u>	<u>28,568,401</u>
	<u>\$ 3,671,194</u>	<u>\$ 39,389,509</u>	<u>\$ 5,622,950</u>	<u>\$ 1,637,015</u>	<u>\$ 1,673</u>	<u>\$ 312,424</u>	<u>\$ 829,744</u>	<u>\$ 51,464,509</u>

See independent auditors' report on supplementary information.

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING BALANCE SHEET (CONTINUED)

SEPTEMBER 30, 2014

	JMMC	Hospital	EHCC	HCHS	JMS	JHC	Elimination	Total
Liabilities and Net Assets (Deficit)								
Current Liabilities								
Trade accounts payable and accrued expenses	\$ 95,585	\$ 6,252,350	\$ 1,572,806	\$ 450,777	\$ --	\$ 37,170	\$ --	\$ 8,408,688
Accrued payroll and related costs	--	1,864,833	702,831	204,729	--	17,188	--	2,789,581
Current payments due under plan of reorganization	--	3,895,000	205,000	--	--	--	--	4,100,000
Patient trust funds	--	--	59,530	--	--	--	--	59,530
Senior debt under line of credit	--	1,604,830	--	--	--	--	--	1,604,830
Current portion of mortgage payable	2,940,000	11,987,500	14,213,697	--	--	--	--	29,141,197
Current portion of subordinated debt	18,185	107,587	--	--	--	--	--	125,772
Current portion of capital lease obligations	--	197,299	--	--	--	--	--	197,299
Estimated amounts due to third-party reimbursement agencies	--	2,675,513	187,353	48,748	--	--	--	2,911,614
Due to affiliated corporations	--	--	163,187	678,239	--	9,562	(850,988)	--
Other current liabilities	--	254,953	332,908	196,951	--	--	--	784,812
Total Current Liabilities	<u>3,053,770</u>	<u>28,839,865</u>	<u>17,437,312</u>	<u>1,579,444</u>	<u>--</u>	<u>63,920</u>	<u>(850,988)</u>	<u>50,123,323</u>
Long-Term Obligations								
Due to affiliate corporations	--	1,873,147	--	--	--	--	(1,873,147)	--
Payments due under plan of reorganization - less current portion	--	2,406,796	4,650	--	--	--	--	2,411,446
Mortgage payable - less current portion	--	--	--	--	--	--	--	--
Subordinated debt - less current portion	--	17,435	--	--	--	--	--	17,435
Other long-term debt	--	2,350,000	--	--	--	--	--	2,350,000
Self-insurance liabilities and IBNR	--	2,344,272	--	--	--	--	--	2,344,272
Other liabilities	53,408	346,001	--	--	--	--	1,688	401,097
Obligations under capital lease - less current portion	--	721,036	--	--	--	--	--	721,036
Total Long-Term Obligations	<u>53,408</u>	<u>10,058,687</u>	<u>4,650</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(1,871,459)</u>	<u>8,245,286</u>
Total Liabilities	<u>3,107,178</u>	<u>38,898,552</u>	<u>17,441,962</u>	<u>1,579,444</u>	<u>--</u>	<u>63,920</u>	<u>(2,722,447)</u>	<u>58,368,609</u>

See independent auditors' report on supplementary information.

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING BALANCE SHEET (CONTINUED)

SEPTEMBER 30, 2014

	JMMC	Hospital	EHCC	HCHS	JMS	JHC	Elimination	Total
Net Assets (Deficit)								
Unrestricted	\$ 543,215	\$ (4,478,834)	\$(11,819,012)	\$ (169,577)	\$ 1,673	248,504	\$ 3,552,191	\$(12,121,840)
Temporarily restricted	20,801	332,881	--	56,913	--	--	--	410,595
Permanently restricted	--	4,636,910	--	170,235	--	--	--	4,807,145
Total Net Assets (Deficit)	<u>564,016</u>	<u>490,957</u>	<u>(11,819,012)</u>	<u>57,571</u>	<u>1,673</u>	<u>248,504</u>	<u>3,552,191</u>	<u>(6,904,100)</u>
	<u>\$ 3,671,194</u>	<u>\$ 39,389,509</u>	<u>\$ 5,622,950</u>	<u>\$ 1,637,015</u>	<u>\$ 1,673</u>	<u>\$ 312,424</u>	<u>\$ 829,744</u>	<u>\$ 51,464,509</u>

See independent auditors' report on supplementary information.

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING BALANCE SHEET

SEPTEMBER 30, 2013

	JMMC	Hospital	EHCC	HCHS	JMS	JHC	Elimination	Total
Assets								
Current Assets								
Cash and cash equivalents	\$ 347,057	\$ 210,152	\$ 300	\$ 400	\$ 1,924	\$ 246,069	\$ --	\$ 805,902
Patient trust funds	--	--	69,759	--	--	--	--	69,759
Patients accounts receivable, net of allowances for uncollectible accounts	--	7,632,109	1,560,623	874,130	--	68,527	--	10,135,389
Insurance and other receivables	15,996	1,691,228	296,162	23,476	--	--	--	2,026,862
Inventories	--	1,317,470	--	--	--	--	--	1,317,470
Prepaid expenses and other current assets	14,934	899,407	118,914	74,997	--	1,883	--	1,110,135
Total Current Assets	<u>377,987</u>	<u>11,750,366</u>	<u>2,045,758</u>	<u>973,003</u>	<u>1,924</u>	<u>316,479</u>	<u>--</u>	<u>15,465,517</u>
Assets Whose Use is Limited								
Beneficial interests in perpetual trusts	--	3,729,727	--	--	--	--	--	3,729,727
Restricted cash and board designated investments	--	268,338	--	--	--	--	--	268,338
Cash and investments restricted by donor	--	843,587	--	187,014	--	--	--	1,030,601
Total Assets Whose Use is Limited	<u>--</u>	<u>4,841,652</u>	<u>--</u>	<u>187,014</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>5,028,666</u>
Other Assets								
Property, plant and equipment, net	3,954,536	17,066,172	6,000,000	13,548	--	--	--	27,034,256
Investment in joint ventures and other assets	--	3,165,915	--	7,134	--	--	--	3,173,049
Investment deficit in affiliated corporations	(3,119,194)	--	--	--	--	--	3,119,194	--
Investments, other	1,100	--	--	--	--	--	--	1,100
Due from affiliated corporations	1,905,133	--	--	70,249	--	--	(1,975,382)	--
Deferred financing costs, net	--	172,864	126,923	--	--	--	--	299,787
Other noncurrent assets	--	476,000	--	--	--	--	--	476,000
Total Other Assets	<u>2,741,575</u>	<u>20,880,951</u>	<u>6,126,923</u>	<u>90,931</u>	<u>--</u>	<u>--</u>	<u>1,143,812</u>	<u>30,984,192</u>
	<u>\$ 3,119,562</u>	<u>\$ 37,472,969</u>	<u>\$ 8,172,681</u>	<u>\$ 1,250,948</u>	<u>\$ 1,924</u>	<u>\$ 316,479</u>	<u>\$ 1,143,812</u>	<u>\$ 51,478,375</u>

See independent auditors' report on supplementary information.

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING BALANCE SHEET (CONTINUED)

SEPTEMBER 30, 2013

	JMMC	Hospital	EHCC	HCHS	JMS	JHC	Elimination	Total
Liabilities and Net Assets (Deficit)								
Current Liabilities								
Trade accounts payable and accrued expenses	\$ 58,838	\$ 5,189,596	\$ 1,333,896	\$ 494,844	\$ --	\$ 21,855	\$ (3,578)	\$ 7,095,451
Accrued payroll and related costs	--	2,048,896	522,912	215,219	--	20,193	--	2,807,220
Current payments due under plan of reorganization	--	1,947,500	102,500	--	--	--	--	2,050,000
Patient trust funds	--	--	69,759	--	--	--	--	69,759
Senior debt under line of credit	--	2,208,858	--	--	--	--	--	2,208,858
Current portion of mortgage payable	3,001,081	11,987,500	14,213,697	--	--	--	--	29,202,278
Current portion of subordinated debt	--	457,587	--	--	--	--	--	457,587
Current portion of capital lease obligations	--	14,365	--	--	--	--	--	14,365
Estimated amounts due to third-party reimbursement agencies	--	2,564,571	176,598	42,896	--	--	--	2,784,065
Due to affiliated corporations	--	--	79,991	--	--	7,465	(87,456)	--
Other current liabilities	--	168,332	296,162	208,187	--	--	--	672,681
Total Current Liabilities	<u>3,059,919</u>	<u>26,587,205</u>	<u>16,795,515</u>	<u>961,146</u>	<u>--</u>	<u>49,513</u>	<u>(91,034)</u>	<u>47,362,264</u>
Long-Term Obligations								
Due to affiliate corporations	--	2,317,342	--	--	--	--	(2,317,342)	--
Payments due under plan of reorganization - less current portion	--	3,930,808	86,240	--	--	--	--	4,017,048
Mortgage payable - less current portion	--	--	--	--	--	--	--	--
Subordinated debt - less current portion	--	125,022	--	--	--	--	--	125,022
Other long term debt	--	2,350,000	--	--	--	--	--	2,350,000
Self-insurance liabilities and IBNR	--	641,424	--	--	--	--	--	641,424
Other liabilities	18,859	604,927	--	--	--	--	--	623,786
Obligations under capital lease - less current portion	--	45,579	--	--	--	--	--	45,579
Total Long-Term Obligations	<u>18,859</u>	<u>10,015,102</u>	<u>86,240</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(2,317,342)</u>	<u>7,802,859</u>
Total Liabilities	<u>3,078,778</u>	<u>36,602,307</u>	<u>16,881,755</u>	<u>961,146</u>	<u>--</u>	<u>49,513</u>	<u>(2,408,376)</u>	<u>55,165,123</u>

See independent auditors' report on supplementary information.

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING BALANCE SHEET (CONTINUED)

SEPTEMBER 30, 2013

	JMMC	Hospital	EHCC	HCHS	JMS	JHC	Elimination	Total
Net Assets (Deficit)								
Unrestricted	\$ 27,889	\$ (3,971,579)	\$ (8,709,074)	\$ 65,680	\$ 1,924	\$ 266,966	\$ 3,552,188	\$ (8,766,006)
Temporarily restricted	12,895	268,927	--	53,887	--	--	--	335,709
Permanently restricted	--	4,573,314	--	170,235	--	--	--	4,743,549
Total Net Assets (Deficit)	<u>40,784</u>	<u>870,662</u>	<u>(8,709,074)</u>	<u>289,802</u>	<u>1,924</u>	<u>266,966</u>	<u>3,552,188</u>	<u>(3,686,748)</u>
	<u>\$ 3,119,562</u>	<u>\$ 37,472,969</u>	<u>\$ 8,172,681</u>	<u>\$ 1,250,948</u>	<u>\$ 1,924</u>	<u>\$ 316,479</u>	<u>\$ 1,143,812</u>	<u>\$ 51,478,375</u>

See independent auditors' report on supplementary information.

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	JMMC	Hospital	EHCC	HCHS	JMS	JHC	Elimination	Total
Operating Revenue								
Net patient service revenue	\$ --	\$ 73,858,252	\$ 16,587,545	\$ 5,638,621	\$ --	\$ 529,942	\$ --	\$ 96,614,360
Provision for bad debts	--	4,311,679	107,536	113,657	--	4,306	--	4,537,178
Net patient service revenue less provision for bad debts	--	69,546,573	16,480,009	5,524,964	--	525,636	--	92,077,182
Grant and other income	--	452,889	--	48,441	--	--	--	501,330
Other revenue	1,210,840	--	132,823	52,876	--	--	(845,725)	550,814
Net assets released from restriction	--	235,925	--	33,833	--	--	--	269,758
Total Operating Revenue	<u>1,210,840</u>	<u>70,235,387</u>	<u>16,612,832</u>	<u>5,660,114</u>	<u>--</u>	<u>525,636</u>	<u>(845,725)</u>	<u>93,399,084</u>
Expenses								
Salaries	--	27,728,732	9,138,995	3,256,456	--	287,452	--	40,411,635
Employee benefits	--	6,826,133	2,812,886	863,794	--	38,879	--	10,541,692
Professional fees	28,287	6,456,495	281,426	51,021	--	91,727	--	6,908,956
Depreciation and amortization	288,025	2,341,190	585,708	11,652	--	--	--	3,226,575
Outsourced staffing and contracted services	60,739	4,220,508	551,550	356,751	--	3,399	--	5,192,947
Supplies, drugs and patient care	--	10,710,946	1,152,088	913,521	--	46,062	--	12,822,617
Leases and service contracts	--	1,582,064	27,971	12,830	--	1,500	--	1,624,365
Occupancy costs	196,826	3,357,185	549,739	140,762	--	42,960	(845,725)	3,441,747
Insurance	7,980	1,452,164	133,428	63,427	--	12,983	--	1,669,982
Provider tax	--	--	859,088	--	--	--	--	859,088
Other expenses	65,384	5,005,309	695,512	225,835	250	18,623	--	6,010,913
Interest	48,784	1,454,502	482,053	--	--	--	--	1,985,339
Total Expenses	<u>696,025</u>	<u>71,135,228</u>	<u>17,270,444</u>	<u>5,896,049</u>	<u>250</u>	<u>543,585</u>	<u>(845,725)</u>	<u>94,695,856</u>
Loss from Operations Before								
Impairment Loss on Long-Lived Assets	514,815	(899,841)	(657,612)	(235,935)	(250)	(17,949)	--	(1,296,772)
Impairment Loss on Long-Lived Assets	<u>--</u>	<u>--</u>	<u>(2,452,326)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(2,452,326)</u>
Income (Loss) from Operations	<u>514,815</u>	<u>(899,841)</u>	<u>(3,109,938)</u>	<u>(235,935)</u>	<u>(250)</u>	<u>(17,949)</u>	<u>--</u>	<u>(3,749,098)</u>

See independent auditors' report on supplementary information.

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING STATEMENT OF OPERATIONS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	JMMC	Hospital	EHCC	HCHS	JMS	JHC	Elimination	Total
Nonoperating Revenue (Loss)								
Investment income	\$ --	\$ 165,497	\$ --	\$ 678	\$ --	\$ --	\$ --	\$ 166,175
Loss on sale of equipment	--	(13,263)	--	--	--	--	--	(13,263)
Equity earnings in joint ventures	--	232,022	--	--	--	--	--	232,022
	--	384,256	--	678	--	--	--	384,934
Excess (Deficiency) of Revenues over Expenses	<u>\$ 514,815</u>	<u>\$ (515,585)</u>	<u>\$ (3,109,938)</u>	<u>\$ (235,257)</u>	<u>\$ (250)</u>	<u>\$ (17,949)</u>	<u>\$ --</u>	<u>\$ (3,364,164)</u>

See independent auditors' report on supplementary information.

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	JMMC	Hospital	EHCC	HCHS	JMS	JHC	Elimination	Total
Operating Revenue								
Net patient service revenue	\$ --	\$ 68,075,182	\$ 16,055,367	\$ 6,354,913	\$ --	\$ 545,534	\$ --	\$ 91,030,996
Provision for bad debts	--	4,584,989	50,053	73,882	--	401	--	4,709,325
Net patient service revenue less provision for bad debts	--	63,490,193	16,005,314	6,281,031	--	545,133	--	86,321,671
Grant and other income	420	324,460	--	30,096	--	15,635	--	370,611
Other revenue	1,209,979	--	98,000	64,277	--	--	(845,725)	526,531
Net assets released from restriction	--	443,523	--	15,648	--	--	--	459,171
Total Operating Revenue	<u>1,210,399</u>	<u>64,258,176</u>	<u>16,103,314</u>	<u>6,391,052</u>	<u>--</u>	<u>560,768</u>	<u>(845,725)</u>	<u>87,677,984</u>
Expenses								
Salaries	--	30,381,654	8,962,330	3,724,353	--	287,095	--	43,355,432
Employee benefits	--	6,806,518	2,629,996	994,891	--	52,338	--	10,483,743
Professional fees	25,000	4,548,191	334,460	45,420	--	61,692	--	5,014,763
Depreciation and amortization	332,413	3,115,981	800,764	20,101	--	--	--	4,269,259
Outsourced staffing and contracted services	23,964	3,902,675	570,293	430,169	--	7,151	--	4,934,252
Supplies, drugs and patient care	--	8,704,335	995,359	800,777	--	42,915	--	10,543,386
Leases and service contracts	--	1,563,348	28,079	13,877	--	16,890	--	1,622,194
Occupancy costs	196,490	3,419,322	527,464	149,233	--	43,100	(845,725)	3,489,884
Insurance	7,541	1,092,058	120,347	61,169	--	11,453	--	1,292,568
Provider tax	--	--	899,469	--	--	--	--	899,469
Other expenses	109,788	4,210,400	718,333	214,952	250	13,750	--	5,267,473
Interest	51,292	1,368,245	479,837	--	--	--	--	1,899,374
Total Expenses	<u>746,488</u>	<u>69,112,727</u>	<u>17,066,731</u>	<u>6,454,942</u>	<u>250</u>	<u>536,384</u>	<u>(845,725)</u>	<u>93,071,797</u>
Loss from Operations Before								
Impairment Loss on Long-Lived Assets	463,911	(4,854,551)	(963,417)	(63,890)	(250)	24,384	--	(5,393,813)
Impairment Loss on Long-Lived Assets	<u>--</u>	<u>--</u>	<u>(2,355,632)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(2,355,632)</u>
Income (Loss) from Operations	<u>463,911</u>	<u>(4,854,551)</u>	<u>(3,319,049)</u>	<u>(63,890)</u>	<u>(250)</u>	<u>24,384</u>	<u>--</u>	<u>(7,749,445)</u>

See independent auditors' report on supplementary information.

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING STATEMENT OF OPERATIONS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	JMMC	Hospital	EHCC	HCHS	JMS	JHC	Elimination	Total
Nonoperating Revenue (Loss)								
Investment income	\$ --	\$ 158,800	\$ --	\$ 1,297	\$ --	\$ --	\$ --	\$ 160,097
Gain on sale of equipment	--	1,200	--	--	--	--	--	1,200
Equity earnings in joint ventures	--	72,279	--	--	--	--	--	72,279
	--	232,279	--	1,297	--	--	--	233,576
Excess (Deficiency) of Revenues over Expenses	<u>\$ 463,911</u>	<u>\$ (4,622,272)</u>	<u>\$ (3,319,049)</u>	<u>\$ (62,593)</u>	<u>\$ (250)</u>	<u>\$ 24,384</u>	<u>\$ --</u>	<u>\$ (7,515,869)</u>

See independent auditors' report on supplementary information.

Greer, Leslie

From: Greer, Leslie
Sent: Monday, November 16, 2015 3:56 PM
To: 'mtompkins@rrlawpc.com'
Cc: Hansted, Kevin; Martone, Kim; Olejarz, Barbara
Subject: The Johnson Evergreen Corporation CON Determination
Attachments: 32035.pdf

Tracking:	Recipient	Delivery
	'mtompkins@rrlawpc.com'	
	Hansted, Kevin	Delivered: 11/16/2015 3:56 PM
	Martone, Kim	Delivered: 11/16/2015 3:56 PM
	Olejarz, Barbara	Delivered: 11/16/2015 3:56 PM

Attorney Tompkins,
Attached is the CON Determination (DN-15-32035-DTR) for The Johnson Evergreen Corporation's sale of assets to Athena.

Leslie M. Greer
Office of Health Care Access
Connecticut Department of Public Health
410 Capitol Avenue, MS#13HCA, Hartford, CT 06134
Phone: (860) 418-7013 Fax: (860) 418-7053
Website: www.ct.gov/ohca





STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
Office of Health Care Access

November 16, 2015

Mindy S. Tompkins, Esq.
Reid & Riege, P.C.
One Financial Plaza
Hartford, CT 06103

RE: Certificate of Need Determination Report Number 15-32035-DTR
The Johnson Evergreen Corporation's Sale of Assets to Athena

Dear Attorney Tompkins:

On October 30, 2015, the Office of Health Care Access ("OHCA") received your Certificate of Need ("CON") Determination Form on behalf of The Johnson Evergreen Corporation with respect to the sale The Johnson Evergreen Corporation d/b/a Evergreen Health Center ("Evergreen") to Athena Stafford Springs Landlord LLC and Stafford Springs CT SNF LLC. Evergreen is licensed as a chronic and convalescent nursing home by the State of Connecticut Department of Public Health.

Connecticut General Statutes § 19a-638(b)(4), exempts from CON requirements "Residential care homes, nursing homes and rest homes, as defined in subsection (c) of section 19a-490". Based upon the foregoing, OHCA concludes that a **CON is not required** for Evergreen's proposal. Please note that this determination does not constitute a finding by the State of Connecticut Department of Social Services, whose review may or may not be required for Evergreen's proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Kimberly R. Martone".

Kimberly R. Martone
Director of Operations

An Equal Opportunity Provider

(If you require aid/accommodation to participate fully and fairly, contact us either by phone, fax or email)
410 Capitol Ave., MS#13HCA, P.O.Box 340308, Hartford, CT 06134-0308
Telephone: (860) 418-7001 Fax: (860) 418-7053 Email: OHCA@ct.gov