



AMERICAN HEALTHCARE, LLC

Code of Conduct And Business Ethics



Compliance


AMERICAN HEALTHCARE, LLC

Dear American HealthCare Colleague:

As you are aware, American HealthCare, LLC completed its participation in a Corporate Integrity Agreement (CIA) with the Office of the Inspector General of the Department of Health and Human Services. An integral part of the CIA was, and continues to be, American HealthCare's Compliance Program and the centerpiece of the Compliance Program is our Code of Conduct. It provides guidance to ensure that the work that we do is both legal and ethical.

We are here to serve our patients, and we have an obligation to the communities we serve and to our American HealthCare colleagues. We must ensure that we deliver healthcare compassionately, and we must act with absolute integrity at work and in the way that we live our lives.

Please review the Code of Conduct in this booklet carefully. Your adherence to its specific provisions is critical to American HealthCare's future.

If you have any questions regarding our Code of Conduct, or if you encounter any situation that you feel violates any provision of this Code, you should immediately consult with your supervisor, another member of management at your facility, your facility Human Resources Manager, your facility Compliance Officer (your Administrator), or the Company Compliance Officer. If you still feel that the situation is unaddressed or unresolved, you may call the Compliance Hotline number. (1-800-826-6762) You have our personal assurance that there will be no retribution for asking questions or raising concerns about the Code of Conduct or for reporting possible improper conduct.

Nothing in this booklet or in your Compliance Training can substitute for each individual's own sense of fairness, honesty, and integrity. We value your perspective and your input.

We want American HealthCare to be an organization whose colleagues share the values specified in our Code of Conduct and, in that regard, we expect all of our colleagues' actions to reflect the high standards set forth in this Code of Conduct.

May your tenure at American HealthCare be a rich and rewarding one. I look forward to working with you.

Best Regards,

James L. Haines

Chief Compliance Officer

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INTRODUCTION

This handbook contains our company's *Code of Conduct and Business Ethics* ("the Code"). Each employee should read it with care and feel free to ask questions about the information it contains.

Purpose of the Code

The purpose of the Code is to assist each of us as employees in maintaining the high ethical standards of our company in all of our business dealings. It will help guide you in making decisions that conform to the ethical and legal standards expected of you. It will also help ensure our company's compliance with the laws that regulate its business.

Definitions of Terms

All references in the Code to "employee" or "employees" should be read to include all officers and other employees of the company, unless otherwise indicated.

The term "company" includes any and all companies, including subsidiaries and divisions that use the resources of American HealthCare, LLC.

"Resident" refers to anyone receiving care performed by an employee.

"Facility" refers to any location where residents receive service.

Questions about the Code

After you have read the Code, you may have questions about its contents, how it applies to situations you may face, or what to do when a conflict of interest arises. Use our company's Compliance Communication Process (which is explained on the next page) to get answers to your questions.

Our company's Compliance Officer and the company's internal auditors have the right and duty to conduct an investigation of any alleged noncompliance with our Code.

Acknowledgement Form

After you have read the Code and had the opportunity to have your questions answered, you should go to the end of this handbook to the "Compliance and Disclosure Form: which requires your signature and any needed disclosures. By signing this form, you are acknowledging that you have read and understand the Code. Your signature is also an agreement to inform a supervisor should you receive a notice of exclusion or are convicted of a crime. Finally, the form provides space for you to disclose possible conflicts of interest, including outside business affiliations, as discussed in the code section titled "Conflicts of Interest."

*Everything that is, is of everything else that is. Nothing is of itself alone. All created things are indissolubly united.
This is the law of the entire substance of divine mind.
This is the law of the souls of things.
This is the law of love.
It is the law of the One-ness of the universe.
All that is, is One.*

~ Walter Russell, from The Universal One

You should complete the form promptly and give it to your supervisor. If during the year your situation changes in a way that may be considered a conflict of interest, or if you become involved with an outside business affiliation, you must discuss the situation with your supervisor. At that time, you will be required to sign and submit a new form. Also, you will be asked to recertify each year that you understand our code of conduct. At that time you are provided an opportunity to update any disclosures that must be made.

COMMUNICATIONS

Compliance Communication Process

The Compliance Communication Process (the “Process”) is your guide to handling Compliance issues. If you have a compliance concern or simply want guidance regarding a compliance issue, you should use the Process. You should also use the Process to report suspected violations of federal or state laws, rules or regulations, as well as to report suspected violations of our Code of Conduct.

Most questions or issues can be, and should be, handled at the local level. Thus, the Process has been designed to give those closest to the employee the opportunity to address matters as they arise. The process then allows for matters to be advanced to the division and company level, as appropriate.

The Compliance Communication Process

First talk to your supervisor. He or she will be familiar with the laws, regulations and policies that relate to your work and will be able to handle most matters.

If you are not comfortable talking with your supervisor (for example, if you are questioning the actions of your supervisor) talk to your supervisor’s supervisor or your Human Resources representative, or your Administrator. If you feel the matter cannot be handled at your local level, please contact your Regional Vice President of Operations or Resource Center Human Relations Representative. The Vice President of Operations will advance matters to the company Compliance Officer as needed, or you may call the Compliance Officer yourself. If you wish to contact the Compliance Officer, you can call 540-774-4263 and tell the operator you wish to speak with the Compliance Officer. If none of the above steps resolves your questions or concerns, or if you prefer, call the toll-free Employee Compliance Hotline (the “Compliance Hotline” at 800-826-6762). All calls are confidential, and you may call anonymously if you choose.



The above process is in place to provide an opportunity for individuals to report misconduct. Any retaliation toward anyone who in good faith reports misconduct is a category-one violation of company policy and is a terminable offense.

When Should You Call the Hotline?

You should call the compliance Hotline anytime you are aware of an actual or potential violation of the Code, laws or regulations, and you feel that you cannot go to your supervisor or to the other personnel designated in the Compliance Communication Process.

When Should You *Not* Call the Hotline?

If you have questions about employment policies, or procedures, talk to your supervisor. For questions about medical, dental or disability plans or claims, call your provider. If you still have questions regarding policies, procedures or benefits, talk to your Human Resources Representative

FALSE CLAIMS ACT

False Claims Act

The federal government has a statute that prohibits knowingly submitting a false claim to a federal payer for reimbursement. A “false claim” includes (1) making a false statement regarding a claim for payment, (2) falsifying information in the medical record, (3) double-billing for items or services, (4) billing for services not performed or furnished, and (5) submitting claims that are related to other violations of laws or rules, such as anti-kickback laws.

Virginia also has a False Claims act that prohibits and penalized providers that knowingly submit a false claim.

Our company has training to prevent improper billing, policies and procedures to prevent, detect and correct incorrect claims; as well as edits in place to prevent the submission of an incorrect claim. Further, our non-retaliation policy and Compliance Communication Process empowers the employee, vendor or related entity to express concerns regarding billing and claim submission so that any needed corrections or process improvements can be made.

The federal False Claims Act, as well as several state False Claims Acts, have so-called “whistleblower” or “qui tam” provisions. These allow private persons to file

lawsuits in the name of the government for violations of the Act. The government may or may not choose to act on the information brought forward, If it does not act, the individual has the right to pursue the action independent of the government. Should an entity be found in violation of the Act, the individual who brought the action forward may be entitled to a percentage of the recovery. If it is determined that the action was frivolous or brought forward primarily for harassment, the individual can be made responsible for the costs incurred by the entity. Additionally, in a situation where the person bringing forward the action has a part in the violation, any share of the proceeds may be reduced or even eliminated. Our company believes that the claims we submit for payment will be just and accurate when we follow our policies and procedures and use the systems we have in place. Should you have a concern regarding submission of claims for payment, there are many options for offering this communication. The qui tam provisions of the False Claims Act do not require an individual to report their concerns to the entity before they bring them forward in the name of the government. However, should you have a legitimate concern regarding submission of claims for payment, our company needs to know so that we can review the information, investigate, and clarify or correct the situation promptly as appropriate. Our Code of Conduct requires all of us to bring forward to a supervisor any concerns we have about how our company does business. Use the Compliance Communication Process to ensure that any concerns you have are heard and acted upon. Just as our Code of Conduct has always protected you from any sort of retaliation or retribution for sharing your concerns, the civil False Claims Act also provides protection from retaliation for any employee who reports a concern.

EMPLOYEE CONDUCT

Documentation and Record Keeping

Each employee who works at our company has an obligation for accurate and true record keeping. Employees are prohibited from making false or fraudulent statements in any documentation or record. This documentation may include but is not limited to clinical documentation, billing documents, payroll records, financial documents, contracts, expense reports and receipts, and reports to the Company Hotline. Additionally, information that has been entered into any record may never be changed or tampered with causing the entry to be false or inaccurate. Only the original author may make corrections after consulting with a supervisor to discuss the reason for the change, the validation that the information being added or changed is accurate, and the proper methodology for making the correction. If the original author is not available to make the needed correction, the supervisor will direct the correction process. The signature of the employee creating the documentation or record must be present. Each employee must never sign a document or record for another employee.

EEO and Unlawful Harassment

Employees work best in an atmosphere of fairness, cooperation and equal opportunity. To promote this atmosphere, our company and all of its employees must comply fully with these guidelines and employment laws. While it is difficult to develop clear, practical rules and policies to cover every conceivable situation, included here are

minimum standards for our employees.

Equal Employment Opportunity

Our company is an equal opportunity employer. Our policy is to provide each job applicant and employee with equal opportunities for employment, training, promotion, benefits and all other personnel actions without regard to any protected category or class (i.e., without regard to race, color, creed, religion, gender, national origin, age, veteran status, or disability).



VISION

Pablo Casals

I feel the capacity to care is the thing which gives life its deepest significance.

Unlawful Harassment

Conduct at work and at company-sponsored and related functions (including activities that are an extension of such functions) must be professional at all times, keeping in mind that this includes all conduct whether it is through actions, verbal comments or electronic communication. Technology today allows electronic communication, pictures and video to quickly reach across the globe. While there are many benefits to that technology, we have to remember the common rules of good judgment to ensure that any and all communications and/or postings are dignified, respectful and professional. The posting of information on a social Web site or on an Internet blog has the potential to impact relationship among co-workers and the company's reputation. We consider sound character and judgment to be reasons we decided to hire you as an employee. Behavior that does not reflect sound character or judgment, whether on duty or off duty, whether face-to-face or through the transfer or posting of digital messages or media, violates our company expectation of how you as our employee should represent yourself on behalf of our company. Anything that labels or otherwise identifies our company with actions that can prove harmful to the company's reputation—or to the credibility of any of our employees, families or the people we care for—will not be tolerated and may result in disciplinary action, up to and including termination, unless such actions are protected by law.

There must be:

- No derogatory references made to or about any person, especially relating to gender, religion, race or any other protected class.
- No unwanted or otherwise inappropriate physical conduct (such as suggestive

- gesture, uninvited touching or sexual advances).
- No sexually explicit, vulgar, crude or offensive language, jokes, photographs or other materials.
 - No other conduct that creates an inappropriate, intimidating and/or hostile environment or the impression of such an environment.

*The best portion of a good
man's life; his little nameless,
unremembered acts of kindness
and love.*

William Wordsworth

Behavior at Company-Sponsored Events

- In addition to the minimum standards referred to above, at company-sponsored events there must also be:
- No function (such as a sporting event, golf outing or fishing trip) that excludes a person's participation based on any protected category or class.
- No activity that tends to demean any person based on any protected category or class (Example: Hiring strippers, exotic dancers or singing telegrams to appear at meetings.)
- No practice or custom that tends to lead to uncomfortable situations or improper behavior. (Example: Engaging a dance band at a function where spouses are not in attendance.)
- No pressure on anyone to engage in the consumption of alcoholic beverages or participation in gambling activities.

Retaliation

There must be no retaliation of any kind against anyone alleging or reporting harassment, conflicts of interest, hostility or unlawful-discrimination, or potential violation of laws and regulations. Assurances of our "no retaliation" policy should be given to those who have made a report, whether the report is made using the compliance Communication Process or to an outside entity.

Violations

The above-stated standards for behavior are in addition to established company policies dealing with the avoidance of sexual harassment, other unlawful harassment and discrimination. Violation of these company standards and policies may result in disciplinary action up to and including termination.

These standards are not intended to regulate personal morality, but rather to ensure that the work environment is free of harassment, conflicts of interest, hostility and unlawful discrimination



*From what we get, we can make a living; what we give,
however, makes a life.*

Arthur Ashe

EMPLOYEE CONDUCT WITH RESIDENTS

All residents must be treated with respect and dignity at all times. As our employee and as a caregiver you must work to promote an atmosphere favorable to excellent care.

Principles for Good Conduct

The following principles were developed to comply with company objectives and applicable legal requirements:

- All residents have a right to be free from verbal, sexual, physical and mental abuse, corporal punishment and involuntary seclusion. Any employee found to have committed any form of abuse or willful neglect of a resident will be subject to disciplinary action.*
- Any employee found to have tampered with or stolen a resident's funds—whether from the resident's trust account or a separate account of the resident, or who has misappropriated a resident's property—will be subject to disciplinary action and potential legal action.*
- Employees are not allowed to date residents. Any employee who violates this rule will be subject to disciplinary action.*
- Any employee who engages in sexual contact or sexual relations with a resident will be subject to disciplinary action,* even if the sexual contact or relations are consensual.

Employees shall *not* serve as witnesses for any legal documents concerning a resident's wishes regarding:

- Disposition of property or assets.
- Termination or treatment or any other aspect of care.
- Control of property or other assets.

Employees *may* witness:

- The signing of admission paperwork.
- Disbursements from resident trust accounts.
- The deposit to and/or removal from the safekeeping of a facility of a resident's valuables.
- Other routine consent, such as consent to open a resident's mail.

In order to prevent situations where the perception is that the caregiver (you as an employee, or any vendor) used influence, pressure or intimidation to obtain an unfair economic advantage over a resident and/or their property, employees are not allowed to be direct participants in the sale and/or purchase of a resident's assets.

Should you wish to purchase personal property from a resident, you must have prior approval of the Compliance Officer, the purchase must be made in an open-market setting with all details disclosed, and the purchase must be made at fair market value.

**"Disciplinary action" means up to and including termination and referral for possible prosecution under applicable statutes.

Gifts from Residents

Residents, resident councils and families or residents sometimes wish to give gifts to show appreciation to employees for good service. These are well-intentioned gestures, but the acceptance of a gift could give the impression that you are favoring a resident or giving him or her special care. It could also give the impression that you are taking advantage of the resident (such as a patient with dementia giving away a precious heirloom without understanding what he or she is doing).

No employee may accept gifts or tips from residents, families or others that compensate or reward an individual employee.

Accepting gifts is permissible only if they are donated to the facility for fair distribution among all employees at the facility. This is an acceptable option only if no employee has solicited or encouraged such gifts.

All other gifts or offers of gifts should be refused with the explanation that acceptance would violate company policy. If the presenter of the gift continues to offer the gift, you should direct the individual or group to your Administrator.

Loans from Residents or Residents' Family Members

Residents and their family members often form close bonds with employees of our

company. They also are sensitive to the personal difficulties that at times arise, and may wish to offer help. Employees who make residents aware of personal financial difficulty may create pressure or an expectation for the resident to help resolve the problem by offering a loan. Our company strictly prohibits any employee from accepting or soliciting a loan from any resident or resident's family members.

Ralph Waldo Emerson | It's not length of life, but depth
of life

Criminal Conduct

Our company does not permit or condone criminal activity with respect to any aspect of its business.

Any employee who becomes aware of suspected criminal activity is required to report the activity using the Compliance Communication Process. The Compliance department also must be notified of the occurrence, the investigational findings, and the required actions related to reports of fraudulent or other criminal acts.

If an employee is convicted of criminal conduct, he or she must report the conviction to their supervisor within five days after the conviction. The supervisor will work with the Human Resources department to determine any necessary action.

Any employee found to have engaged in criminal conduct will be subject to disciplinary action up to and including termination. The Company will refer all instances of suspected criminal conduct to the appropriate governmental authorities for possible criminal prosecution.

CONFLICTS OF INTEREST

When considering whether or not you may have a potential conflict of interest, you should consider your duty to promote the best interest of our company and the residents we serve. If you are involved in a business or other situation that might cause you to promote the interest of another—whether for your personal gain or for the gain of friends, relatives or businesses associates—then you may have a conflict of interest. Our Code of Conduct requires you to immediately discuss any potential conflict with your supervisor and disclose that information using the Compliance and Disclosure Form at the back of this handbook.

By not disclosing a potential conflict of interest, an unfair advantage may be gained. In situations where a conflict is not disclosed, all parties may believe their interests are

being equally promoted, when in fact they may not be.

Should you find yourself in a potential conflict of interest, simply complete the Compliance and Disclosure Form and talk with your supervisor. Depending on the circumstances, some conflicts may be resolved if they are handled properly. Two steps necessary to help resolve a conflict include disclosing the conflict or perceived conflict and then removing yourself from participating in any decisions regarding the competing interest. This practice will ensure all interests are represented and promoted fairly.



Each employee must avoid any situation involving a conflict between their personal interests (including those of close family members) and the interests of the company.

Employees should not contract with close family members or incur any financial or personal obligation that might affect, or appear to affect, their judgment in dealing with other employees or with outside firms or individuals. *Note:* A “close family member” includes a spouse, domestic partner, parent, sibling, child, in-law and “step”-relative equivalents.

Potential Conflicts: Business Interests

To better understand a possible conflict of interest, we have provided some examples of conflicts between personal interests and the interests of the company:

- If you, or a close family member, receive personal gain by participating in any purchase or business decision made by the company.
- Dealing in equipment, supplies, materials or property purchased by the company, or dealing in products or services sold by the company.
- Borrowing money from suppliers, customers, residents, individuals or companies with who the company does business.
- Acquiring any real-property interest in which it is known that the company also has or may acquire an interest.
- Having a business or financial interest in any organization that:
 - Sells rents or leases any goods, services or real property to the company.
 - Buys rents or leases any goods, services or real property from the company.
 - Is in competition with the company.

Having “a business or financial interest” in an organization means the individual is involved in any of several capacities:

- An owner, consultant or employee.
- A stockholder having a one-percent (1%) or greater interest in a publicly traded

company.

- The holder of any interest in a privately held company, partnership, brokerage or joint venture (including as a creditor, guarantor or director).
- An employee of or paid consultant to another organization in areas similar to those in which the employee provides services to our company.

Note: Each full-time employee ordinarily is expected to serve the company's interests on a full-time basis. Permission to provide similar services to others should be obtained from the employee's supervisor and must be approved by the Compliance Officer. Positions with educational, charitable or non profit entities need not be disclosed unless the company has been asked in the last two years, or will be asked in the future, to contribute to such entity.

Dating Relationships

No employee shall have a dating relationship with another employee:

- Who is in a reporting or supervisory chain.
- For whom he or she has bookkeeping or payroll responsibility.
- Whose terms or conditions of employment may be influenced by the relationship.

Note: For the purpose of this policy, a "dating relationship" is any relationship that includes sexual, romantic or other intimate involvement.

If a situation occurs that could be perceived as a violation of this standard, the employees must disclose the relationship to management. The company will then make reasonable efforts to reassign or transfer one of the employees involved to avoid any actual or perceived conflict of interest.

If no suitable accommodation can be arranged, it may be necessary for one employee to leave the company. The employees will be permitted to determine which of them will resign. If one of the two employees does not resign, management will decide which of the employees will leave. If you have any questions regarding whether a dating relationship violates this Code of Conduct and Business Ethics, you should consult with Resource Center Human Resources, who will resolve any question you may have.



Employee Responsibility

Determining whether you have a conflict of interest, and if so what to do about it, may be difficult. If you have questions, you should discuss them with your supervisor so that together you can deal properly with the situation.

The Compliance and Disclosure Form at the end of this handbook is provided for the purpose of documenting potential or actual conflicts of interest. Any employee who does not disclose a conflict of interest on the Compliance and Disclosure Form is subject to disciplinary action up to and including termination.

Supervisor Responsibility

Supervisors must refer each potential conflict of interest situation to the Compliance Officer, who will determine whether it poses a potential for harm to the company's business interests or creates an appearance of improper influence.

- If either problem exists, the Compliance Officer will work with the supervisor and the employee to determine a course of action to remove the conflict situation as soon as possible.
- If no problem exists, the Compliance Officer will approve the situation in writing, with a copy placed in the employee's personnel file.

In either case, the Compliance Officer will document the particular facts disclosed to him or her and the basis for his or her decision in each case.

VENDOR RELATIONSHIPS

Vendor Gifts and Solicitations

Vendor Gifts

Employees may not accept gifts from anyone with whom the company does or proposes to do business, except as described later in this section of the Code. Similarly, employees may not offer or give anything of value to anyone with whom the company does or proposes to do business.

It is important that employees avoid any situation in which it might appear that improper influence affected a company policy or decision.

Seneca

Wherever
there is
a human being,
there is an
opportunity
for kindness.

Gifts of Nominal Value

Courtesy gifts of nominal value—including reasonable paid meals, ancillary to business meetings for the company and unsolicited promotional items such as pens and calendars that are not intended to invite any form or reciprocation—are permissible as long as public scrutiny of the gift would not cause the company embarrassment. No gifts—not even gifts of nominal value—should be accepted from or offered to anyone who refers or might refer residents or other reimbursable business to or from our company.

Travel and Entertainment Expenses

Our company pays travel and entertainment expenses in accordance with the company's Travel Policy. Acceptance of an occasional business meal or entertainment of nominal value from someone with who our company does business is permissible under these circumstances:

- If required as a courtesy in the normal course of business relations *AND*
- If the employee is able to reciprocate.

Stipends and Travel Expenses

Stipends and travel expenses paid to an employee by an outside source for work done on our company's behalf must be reported to the employee's supervisor and either declined or remitted in full back to the outside source.

Bribes and Kickbacks

Employees must never give to, or receive from, any vendor or potential vendor any bribe, kickback or other unusual payment.

Federal and state laws specifically make it a crime for anyone to offer or accept a bribe, kickback or other thing of value for referring residents or other business.

Vendor Solicitation

All business dealings on behalf of our company must be the result of usual and proper business considerations. Business dealings must never be the result of undue influence exerted by, or special favors bestowed by, any vendor. You may never solicit from vendors any monies, contributions without prior approval, or other property or favors.

No services or supplies shall be accepted for free or purchased at less than fair market value as an inducement to obtain contracts for any other services, including, but not limited to, X-ray, laboratory, ambulance, pharmacy, therapy and dietary services.

If any gift or payment cannot withstand public scrutiny under these rules, it should not be made, accepted or solicited on the company's behalf.

Free Products or Services

Our company may not accept free or substantially discounted goods or services unless

the company Compliance Officer has specifically approved a request.

Preferential Treatment and Discounts

Employees shall not accept personal discounts or other preferential treatment offered by vendors or potential vendors because of the employee's position in the company. Use of our company's vendor contracts, name or influence to receive personal discounts from vendors is specifically prohibited.



A kind heart is a foundation of gladness,
Making everything in its vicinity freshen into smiles.

Washington Irving

RESPONDING TO REQUESTS FOR INFORMATION

Government Requests for Information

It is our company's policy to cooperate with every reasonable request of federal, state and local authorities seeking information concerning company operations.

At the same time, our company is entitled to the safeguards provided by law, including the representation of legal counsel. The company may be asked for resident information that is protected by privacy laws and may be obliged to ensure privacy in responding to such request.

Responding to Governmental Inquiries

If a representative of a governmental agency requests an interview with company personnel or seeks data, copies of documents or access to files, he or she should be told that the company intends to cooperate but that the matter must first be discussed with the company's lawyers.

All such requests, written or oral, must be reported to the Law department by telephone immediately. Our legal team will advise as to further action.

Other Requests for Information

Requests from your fiscal intermediary, quality improvement organization and/or other Centers for Medicare and Medicaid Services (CMS) contractors should be reviewed

with the Compliance Department prior to response.

Information for Surveyors

Surveyors conducting licensure and certification surveys should have access to all routine information. If any questions arise during a survey as to the propriety of the surveyor's requests for information, the Law department should be contacted immediately. Requests by surveyors that must be reviewed by the Law department include:

- Requests for information not routinely reviewed.
- Requests for interviews not routinely sought.
- Requests for written statements.
- Any other non-routine requests.

CONFIDENTIAL INFORMATION

Resident information is protected by state and federal privacy laws and must be kept confidential. In addition, information concerning the management and operation of our business is generally not known to the public or our competitors and should be kept confidential. Examples of confidential information are:

- Resident information (medical and financial).
- Future/pending sales, acquisitions and mergers.
- Pricing and marketing information
- Customer and vendor lists.
- Employee information (names, addresses, home phone numbers, salary or wages, medical data and personnel documents).
- The company's strategic business plans.
- Data developed or purchased by the company or entrusted to us by customers or suppliers if identified as confidential.

Guidelines for Protecting Confidentiality

It is important that we diligently protect the confidentiality of both resident information and Company information. The following guidelines have been developed for this purpose:

- Confidential information should be shared only with those inside our company whose jobs require them to have access to the information. At the direction of our Law department, confidential information may be released or protected in accordance with the law.
- Employees should not disclose non-public and/or sensitive information to anyone, inside or outside of our company, who does not have a business need for and entitlement to this information. Doing so could jeopardize company initiatives, or could be a violation of healthcare laws and regulations.
- Employees should refrain from discussing confidential, sensitive or non-public information in a public place. Conversations among peers, via the telephone or even transmitted on a computer screen, can be overheard or seen by individuals who do not have a right to that information.
- When a business relationship requires the disclosure of information, only the

minimum amount of information necessary to accomplish the function should be disclosed. There must be an understanding and agreement that the information will be kept in strict confidence and used only for the intended purpose.

- Documents containing sensitive information—including information stored on computer systems—should be handled carefully during working hours and must be properly secured at the end of the day.
- Discussions between our company and its lawyers are usually privileged and should be kept confidential. Any disclosure of those discussions to a third party may result in a waiver of the attorney-client privilege and possible harm to our company's interests.

Resident Information

Original or copies of medical records should never leave the facility unless authorized by the Law department.

A resident or the resident's legally authorized representative may request a copy of his or her own medical records in writing. Additionally, other entities may receive a copy of the medical records if the proper consent is obtained from the resident or resident's legally authorized representative. If a question arises as to whether a resident has the capacity to consent to the release of records, or whether the individual requesting the medical records is entitled to have them, the Law department should be contacted prior to providing the requested copies.

Under no circumstances should employees take originals or photocopies of medical records from the facility without the approval of the Law department.

INFORMATION SECURITY

Information contained in our company's computer systems, as well as information contained in our company's manual information systems, is confidential and proprietary. "Information security" refers to safeguarding this confidential information from damage, loss, unauthorized access and/or unauthorized modification. The company uses industry-approved measures to help guard against unauthorized access to information contained within our computer systems.

Computer System Security

Employees are granted access to our company computer systems based on the requirements of their duties. Your responsibilities that accompany this access include:

- Keeping your computer access password(s) confidential.
- Installing only company-provided software onto company computers.
- Never removing software from company computers (e.g., removal of anti-virus software creates security vulnerability).
- Informing your supervisor whenever the employee password protects an office computer or data files contained within the computer.
- Locking your computer when it is unattended to protect it from use by unauthorized persons. The method of "locking" will depend on the particular

system and location (e.g., a password-protected Screensaver). Consult your supervisor for the details that apply to your location.

- Taking care to protect confidential information from being viewed by onlookers during data entry or review.
- Logging off and powering off your workstation when you leave for the day. Supervisors may designate exceptions for shift-change or shift-transition purposes.

Security of Records

Documents containing sensitive information should be kept in their designated storage locations when not in use. Information regarding the length of time for record retention can be found in our company's record-retention policies.

Documents containing sensitive information must be disposed of properly. Normally this means they must be shredded or deposited in a designated location for removal and destruction. Documents should be retrieved from printers, fax machines and copy machines in a timely manner.

Violations and Penalties

Employees who violate Information security policies are subject to disciplinary action by our company, up to and including termination. Our company also retains the right to seek civil relief and to refer incidents for criminal prosecution.

Violations that result in disruption of service (e.g., disabling anti-virus software) may result in the employee being immediately disconnected from the system, pending investigation into the circumstances.

COMPANY ASSETS AND RECORDS

Our company prohibits the recording, or causing the recording, of false or misleading information in any company record regardless of the perceived justification to make the entry. Current company policies and monitoring systems have been adopted to provide assurance that all company-related documents and records reflect accurately the results of operations and clinical care. It is imperative that information being provided can be relied upon to be accurate as the records provide the basis for business, operational or clinical decisions to be made. An entry that is false or tends to mislead has the potential for adversely impacting the ability to make sound business, operational or clinical decisions.

No unrecorded fund or asset of the company shall be established for any purpose. No payment on behalf of our company or any subsidiary shall be approved or made with the intention, understanding or agreement that any part of such payment will be used for any purpose other than that described by the documents supporting the payment.

Violation of this Code section will result in disciplinary action up to and including

termination.

Rules for Using Company Assets

Assets include anything that was acquired using company funds or the skills of our employees to develop. These rules should be followed concerning the use of company assets:

- Company funds, assets and purchasing cards shall be used only for approved company expenses and shall not be used for any improper or unlawful purpose.
- Employees shall not take company property or other assets (e.g., office or facility supplies) for personal use.
- Employees shall not use company assets for non-company purposes or use the personal services of other employees working on company time. *Exceptions* Supervisors may approve occasional exceptions to this rule if the exception is reasonable and is in our company's best interest.
- Each employee shall create, retain and dispose of records in accordance with our company's record-retention policies.
- Upon an employee's termination of employment with this company, electronic and paper copies of company information, reports, manuals and other items developed while an employee of this company will be turned over to the employee's supervisor and shall not be modified from their original format or content.
- Our company values the expertise of our employees. Any material developed while a person is employed by our company is considered to be company assets and may not be used for personal gain.
- Copying and distributing materials that are licensed or copyrighted by our company is prohibited unless specifically authorized by the company Compliance Officer.
- Any information obtained about a company initiative or residents in our care may not be shared, sold, or placed electronically or otherwise outside of our company reports, records, manuals and computer systems. In certain situations, the Law department may direct the release of information when it is related to the best interests of the company or the resident and when it is within appropriate legal boundaries.

If you have or know of someone who has, information or knowledge of any unrecorded fund or asset—or any act involving fraud or the falsification of company or resident records—you must immediately report such matter to your supervisor and the Compliance Officer, even if the knowledge was acquired or the act occurred before receipt of this policy statement.

COPYRIGHT LAWS

Printed and Online Publications

Our company purchases and/or subscribes to a variety of printed and online publications. These publications are protected by copyright laws, which, with some limited exceptions, prohibit the reproduction or copying of the material without the

specific authorization of the publisher.

Employees who make, acquire or use unauthorized copies of printed or online publications will be subject to disciplinary action up to and including termination. In addition, federal copyright law makes the illegal copying or printed or online publications subject to substantial civil damages.

Computer Software and Documentation

Our company purchases and licenses a variety of computer software. In most instances, we do not own the copyright to the software or its related documentation. Further, unless specifically authorized by the software developer, we do not have the right to reproduce it. Employees who make, acquire or use unauthorized copies of computer software will be subject to disciplinary action up to and including termination. In addition, federal copyright law makes the illegal reproduction of software subject to substantial civil damages and even criminal penalties.



FAIR COMPETITION RULES

Marketing and Recruiting

Our company's competitive appeal must be based on the quality and value of our services and the employment opportunities and benefits we offer, and must never be on questionable marketing or recruiting practices. Our company's—and each employee's—reputation for integrity, quality services and fair employment practices is a priceless asset and the result of the continuous effort of each employee.

The following guidelines govern our marketing practices:

- The company's advertising shall always be truthful.
- No employee shall label or market our company's services in any way that may intentionally cause confusion between company's services and those of any of its competitors.

- All employees should be alert to and never enter into any business arrangement or contract in which the company or employee pays or receives any compensation, or gives or receives any gift, in return for referral of business that may be subject to payment by a federal or state reimbursement program.
- The Compliance Officer, in consultation with the Law department, must approve in advance any arrangement that involves compensation for referring privately funded business.
- Any attempt by a competitor to mislead potential customers or employees about the identity of a service provider should be reported to your supervisor.
- Employees shall never pay any bribe, gratuity, kickback, excessive entertainment or any similar payment to anyone—including agents of our residents and/or members of their families—in connection with the availability and/or sale of its services. Should any such payment be requested, you should immediately notify the Law department. Our company will forego any business that can only be obtained by improper or illegal payments or compensation.
- Employees shall never speak negatively about the facilities, services or employees of any of our company's competitors. If a comparison of our company's services is conducted against those of a competitor, such comparison shall be fair and accurate. Comparative advertising shall not be conducted, unless the Law department has approved the advertising copy in advance.
- Employees shall use the company's trademarks, trade names and service marks in accordance with policy governing their use. This shall include the use of trademark or service mark designations where appropriate.

Employees shall not use gifts of greater than nominal value, excessive entertainment, improper bonuses, finder fees or any other means of improperly influencing our residents, potential residents or employees. All employees shall at all times market our company's healthcare business—and recruit employees—on the basis of the company's price, benefits, quality and services.

Promotional Items of Nominal Value

Unsolicited promotional items of nominal value are permissible under the following conditions.

- Promotional items may be offered or received only in an effort to build awareness regarding a company product or service and should not be intended to invite any form of reciprocation.
- Promotional items may never be accepted or offered with the expectation of referral or expectation of a business agreement.
- Promotional items must have been developed by the Sales and Marketing department and must be approved by the Law and Compliance departments.

CONTRACT WITH GOVERNMENTAL OFFICIALS AND POLITICAL CONTRIBUTIONS

Our company believes strongly in the right of employees to participate in the political process. Employees are encouraged to be politically active as individual citizens on their own time and at their own expense in their communities. The following guidelines are intended to prevent our employees from inadvertently violating the complex federal and state laws that govern the political activities of businesses and their employees.

Federal Elections

Federal law prohibits the company from contributing directly or indirectly in support of federal political candidates, parties or committees. Thus, while officers and employees may spend their own time and funds supporting political candidates and issues, the company shall not reimburse or otherwise compensate such officers or employees in any way for their time or for their financial contributions to political candidates, parties or committees. Furthermore, company assets, services, facilities and resources (including telephones, computers, and fax or copy machines) may not be used for political purposes by company employees or in the name of the company. In addition, no employee may represent that he or she is making political contributions or providing support on behalf of the company.

State and Local Elections

Where political contributions by businesses and companies are prohibited under applicable state and local law, our company's policy is the same as that for federal elections.

ANTITRUST LAWS

Anti-Competitive Agreements

Agreements that unreasonably lessen business competition are the core concern of the antitrust laws and may result in severe penalties, both civil and criminal, to the company and the individuals who act on the company's behalf.

In general, federal and state antitrust laws prohibit competitors from entering into any agreement or understanding that restricts competition. It is important to note how easily such an agreement can be established. For example, the courts have found illegal agreements to exist where there is no written contract or even an oral contract. An agreement may be inferred where the facts indicate that the parties understood what they would do without any direct communication between them.

Anti-Competitive Activities

Employees must never have discussions with the representatives of any competitor that might be considered an anti-competitive activity. Examples of these prohibited activities are:

- *Price fixing*—Agreement among competitors to raise, lower or stabilize prices. No employee may have any discussion with a competitor in which price information is shared, whether directly or indirectly, however surveys can be performed.
- *Division of markets*—Agreement among competitors to allocate trade territories.

- *Group boycott and refusal to deal*—Agreement among competitors to refuse to deal with certain customers or other competitors.
- *Tie-in*—The sale of one product or service on the condition that the buyer purchase a separate product or service, if the seller has a substantial share of the market for either product or service.
- *Favoritism*—Treating similarly situated customers differently or otherwise showing favoritism in sales or purchasing practices.

Most violations of antitrust laws arise from contacts with competitors. If prices are discussed with a competitor, that action alone may be considered an unlawful understanding or agreement. No such discussion should ever occur.

Penalties

Penalties for engaging in anti-competitive activities may be severe for the company and the participating individuals. These penalties may include:

- Imprisonment.
- Substantial fines.
- Monetary damages, including punitive damages in some instances.
- Attorney fees and court costs to the injured party or the government.
- Injunctions or consent decrees prohibiting certain activities in the future.

Trade Association Meetings

Trade association meetings present special problems because they may involve meetings of competitors.

If you attend a trade association meeting and someone attempts to have the group discuss any anti-competitive practices, you should immediately attempt to stop the discussion. If that fails, you should leave the meeting and report the incident to the Law department so that an account of the incident may be prepared. Your behavior in objecting to and leaving the meeting should be such that others in attendance will remember it. This can protect both you and our company from antitrust violations.

LAW DEPARTMENT

Contracts

The company has developed “standard agreements” for us in most contracting situations. These contracts may not be modified. It is our company’s policy to use these standard agreements whenever possible. Both “standard agreements” and “Customized contracts” when required, must be reviewed and approved by the Law department. All contracts must be signed by the President and CEO, or with his express authority.

The following guidelines apply to all contracts, whether standard agreements or customized contracts:

No written agreement shall be subject to any oral side agreements.

All notices received by a facility with respect to any contract or real estate matter or dispute should be immediately forwarded to the Law department by email or fax, with

the original sent by certified or overnight mail.

All company contracts are subject to review for potential conflicts of interest as identified in the Code section titled “Conflicts of Interest.”

Contract expiration dates should be monitored by the company representative, requiring the contract and renewed timely to avoid using services for which there is no logical agreement.

Legal Action and Compliance

Legal Action

Our company’s lawyers are the only employees who may seek out or retain outside legal counsel for any purpose. The company’s lawyers should be notified immediately when any notice of a legal action against the company is received or when there is an unusual occurrence that could result in legal action against our company.

Legal Compliance

Our company will comply with all laws that apply to its business.

The healthcare industry is subject to many laws and regulations that address business practices and the delivery of services. In some instances, these laws and regulations may be difficult to understand.

When any question exists as to our company’s legal rights and obligations, the Law department should be consulted for advice to assure compliance with all applicable laws and regulations.

THE MEDIA

Media Relations

If you are contacted by a member of the media regarding our facilities or our company—whether television, radio or newspaper—you should follow these guidelines:

- Do not engage in an interview with the reporter or answer his or her questions.
- Tell the reporter that a company representative will return his or her call.
- Find out more information about what the reporter wants. Obtain the reporter’s name, telephone number, station or publication, purpose of the call and deadline.
- Immediately notify your Administrator, VP of Operations, and the Public Relations department.
- A Public Relations representative will determine how the media inquiry should be handled and who will respond:
 - The Administrator of the facility involved usually addresses inquiries about local events.
 - Inquiries about survey results, resident incidents, legal matters, natural disasters, domestic disputes and all potentially negative incidents shall be coordinated with the regional vice president, Law department and Risk Management department. In most cases, a divisional or other company executive will conduct the media interview.

Compliance with the Code of Conduct

As a condition of continued employment with the company, employees are expected to comply with the company's *Code of Conduct and Business Ethics* as well as any related policies and procedures.

Supervisors are responsible for understanding and enforcing this Code of Conduct as well as company policies and procedures.

Violation of any part of the *Code of Conduct and Business Ethics* is grounds for disciplinary action up to and including termination.

Vendors are responsible for ensuring that their employees adhere to our Code of Conduct during any business dealings with our company and our employees. Violations by a vendor or its employees must be reported immediately, and may lead to termination of our business agreement with that vendor.

Reporting Violations

It is the duty of any employee who discovers a violation of the *Code of Conduct and Business Ethics* to report the violation. The company has a specific communication and reporting process for compliance issues called the Compliance Communication Process, which is explained earlier in this Code of Conduct.

Note that failure to report a violation is itself a violation of this Code of Conduct and could be grounds for disciplinary action up to and including termination.

Retaliation is Prohibited

Employees will not be subject to discipline or otherwise retaliated against with respect to employment for reporting in good faith a possible violation of this Code of conduct.

Any employee who violates this prohibition on retaliation against another employee will be subject to disciplinary action up to and including termination.

The majority of us lead quiet, unheralded lives as we pass through this world.

There will be no ticker tape parades for us, no monuments created in our honor. But that does not lessen our possible impact, for there are scores of people waiting for someone just like us to come along; people who will appreciate our compassion, our unique talents.

Someone who will live a happier life merely because we took the time to share what we had to give. Too often we underestimate the power of a touch, a smile, a kind word, a listening ear, an honest compliment, or the smallest act of caring, all of which have a potential to turn a life around. It's overwhelming to consider the continuous opportunities there are to make our love felt.

~ Leo Buscaglia ~



COMPLIANCE AND DISCLOSURE FORM

Agreement

I have read the entire *Code of Conduct and Business Ethics*.

I have had the opportunity to ask questions regarding the contents of the *Code of Conduct and Business Ethics*; and to keep this handbook for future reference.

I agree to inform my supervisor or contract manager within five days of receipt if, during my employment or association with this company, I receive a notice of exclusion or sanction of if I am convicted of a crime.

I am aware of no possible or actual conflicts of interest between the company and me, as defined in the section titled "Conflicts of Interest," except as shown on this form.

Conflicts of Interest

Are you aware of any interest(s) or position(s) involving or held by you or a close family member that would likely constitute a conflict of interest with the company?

No

Yes

Certification

I hereby certify that the information supplied on this form is true, correct and complete to the best of my knowledge and belief.

EMPLOYEE NAME (PRINTED)

EMPLOYEE SIGNATURE

DATE SIGNED

INSTRUCTIONS: Complete this form promptly and give it to your supervisor. It will be included in your personnel records. You must submit a new form each time a situation arises that would be a potential conflict of interest.

Resolution of Conflict of Interest Situations

Your supervisor, your facility administrator, and the company Compliance Officer will review potential conflict of interest situations. The resolution of the situation will be documented and included in your personnel file.

REVIEWED AND APPROVED (BY SUPERVISOR)

DATE APPROVED (BY SUPERVISOR)

DATE APPROVED (BY ADMINISTRATOR)

REVIEWED AND APPROVED (BY COMPLIANCE OFFICER)

DATE APPROVED (BY COMPLIANCE OFFICER)
