

RECEIVED

Before the Certification of Need Review Board, FEB 03 2014
Alabama State Health & Development Agency
STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY

Project Modification Request

Supplement Handout

LaRocca Nursing Home

Project Number 2012-007

CON 2562-NH-MOD1

February 3, 2014

PROJECT MODIFICATION

LaRocca Nursing Home

Project Number 2012-007

CON Number 2562-NH-MOD1

February 3, 2014

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JohnstonBarton
ATTORNEYS

February 3, 2014

Via Hand Delivery

Alva Lambert, Esq.
Executive Director
Alabama State Health Planning
And Development Agency
RSA Tower
100 North Union Street, Suite 870
Montgomery, Alabama 36104

**Re: Notice of Request for Project Modification
LaRocca
Project Number: AL-2012-007
CON-2562-NH-MOD-1**

Dear Mr. Lambert:

Pursuant to Alabama Certificate of Need Program Rules and Regulations (“CON Rules”) § 410-1-10-.03, please accept this letter as a Notice of Request for Project Modification for the above referenced certificate of need (“CON”). In accordance with the CON Rules, a copy of this request has been served on all parties of record.

Background:

1. On or about November 28, 2011, Hardy, LLC, as fee owner and landlord (“Hardy”), and LaRocca, Inc., as tenant and licensee (“LaRocca” and Hardy and LaRocca referred to collectively as the “Applicant”), filed their application for CON to the Alabama State Health Planning and Development Agency (“SHPDA”) to construct a 75-bed replacement nursing facility in Tuscaloosa County, Alabama (the “Replacement Facility”). The project was deemed complete and assigned Project Number AL-2012-007 (“CON Application”). This project was made necessary by the complete destruction in the April 2011 tornado of the 75-bed LaRocca Nursing Home.
2. The CON Application was unopposed and received over 44 letters of support. On March 21, 2012, the CON Review Board heard and voted to approve the CON Application. CON 2562-NH was issued as of April 5, 2012. A copy of the issued certificate of need (“CON”) is attached as Exhibit A.
3. On February 6, 2013, the Applicant filed for a project modification to due to increased construction costs and notified SHPDA that it was in litigation over insurance proceeds related to the tornado. On February 21, 2013, SHPDA’s

executive director approved the project modification and SHPDA issued Con 2562-MOD-1. A copy of the Project modification approval is attached as Exhibit B.

4. On July 1, 2013, the Applicant filed its progress report with SHPDA and notified the agency that the insurance litigation had been resolved as of June 11, 2013. Under the CON Rules, the time for a CON is tolled during litigation. The litigation covered the entire period that the CON was issued. As a result, SHPDA reissued the CON with a termination date of June 10, 2014. A copy of the Progress Report and new CON is attached as Exhibit C.
5. All of the membership interests in Hardy and all of the stock of LaRocca are owned by members of the Hardy family. The Hardy Family had originally selected a site at the retirement village on the University of Alabama's Tuscaloosa campus. While the Applicant spent considerable time and effort to develop plans that would work for the planned Replacement Facility, the site proved marginal at best, and even after designing a 2-story facility, the lack of space for parking and outdoor activities remained challenging. The site was the only available parcel of property at Capstone Village. Both the Hardy family and University officials agreed on this later determination.
6. The Hardy family was approached by Northport Holding, LLC, a local nursing home owner ("NHS"), about NHS's assuming the project. After careful consideration, NHS reached an accord with the Hardy Family to acquire from Hardy, LLC, as permitted pursuant to Alabama Code § 22-21-270(f) (1975), as amended, the membership interests of a newly formed and wholly-owned limited liability company subsidiary of Hardy, LLC (the "CON Holding LLC"), into which Hardy LLC, would contribute the CON pursuant to a transaction permitted under Alabama Code § 22-21-270 (e) (1975) as amended¹. The membership interests of CON Holding, LLC would be acquired from Hardy, LLC by West Alabama Health Properties, LLC, a subsidiary of NHS ("West Properties"). CON Holding would be the wholly owned subsidiary of West Properties, and would transfer the CON to West Properties under a transaction permitted under Alabama Code § 22-21-270 (e) (1975) as amended. The transactions are referred to herein as (the "Permitted Transfers").
7. Prior to undertaking any of these Permitted Transfers, LaRocca and Hardy would file with SHPDA for a reviewability determination request under § 410-1-7-.02 of the CON Rules, and undertake the Permitted Transfers only upon receipt of approval of the reviewability determination request.

¹ An intermediate step is contemplated under which LaRocca, LLC would first own the membership interests in the CON Holding LLC for the purpose of contributing to it all of its rights and interests in the CON and right to be licensed. It would then transfer the membership interests to Hardy. These intermediate transactions would be in compliance with Alabama Code § 22-21-270(e) and (f).

8. To bring the project into being, NHS located another parcel of property in Tuscaloosa County on Hospital Drive that is contiguous to the campus of Northport Medical Center, a 204-bed acute care hospital. This property is proving to be more suitable than the small parcel available at Capstone Village.
9. It is further contemplated that West Properties, as the holder of the CON under the Permitted Transfers, would construct the Replacement Facility and lease it to CON Holding, LLC, or its affiliate, under an operating lease (the Lessee/Licensee). A change of ownership determination request (the "CHOW") would be filed with SHPDA prior to Lessee/Licensee applying for a license to operate the Replacement Facility.
10. This project modification is necessary to ask approval to (i) relocate the project from UA's Tuscaloosa campus to the campus of Northport Medical Center, and (ii) for below described increased project costs that are projected to be in excess of 10% of the original project costs.

Proposed Project Modification:

1. The project will be relocated to a 4.6 acre site contiguous to the campus of Northport Medical Center, a 204-acute care hospital in Northport Alabama. .
2. The overall construction related costs for the project will be decreased by \$57,609, as follows:²
 - a. Predevelopment costs and site work is estimated to be \$650,000.
 - b. Site acquisition of \$1,000,000.
 - c. Construction costs will be reduced by \$2,012,740. This is a function of building a one story facility as opposed to a two story facility and using NHS's superior buying power.
 - d. Due to the decrease in construction costs, architect and engineering fees correspondingly will be decreased by \$90,674.
 - e. The loan amount is increased³ causing a rise in interest during construction of \$365,805.

² See Exhibit D attached showing a comparison by category of the submitted Construction related costs and the modified costs.

³ The Hardy family planned to use insurance proceeds that are not available to NHS.

Alva Lambert, Esq.
Project Modification LaRocca Nursing Home
February 3, 2014
Page 4 of 4

- f. Attorney and consulting fees are increased by \$30,000 to account for the zoning, site acquisition, and bank financing associated with developing the site.
3. The cost of furnishings is increased by \$540,000. This is a function of the type furnishings and equipment NHS uses in its facilities.
4. There will no longer be a ground lease, reducing that cost by \$65,000.
5. The increase in annual operating expenses is \$4,670,943⁴. This is caused by two main factors. First, NHS plans to use this facility for post-acute care stays. These type of short term post hospital stays involve more nursing and therapy than a typical long term care resident in a nursing home. Second, this project is being completed several years after the Applicant projected. Thus, there has been about a 10% increase in overall operational costs. A copy of the revised Organization Financial Information is attached as Exhibit E.

We are also attaching the floor plan schematical drawing for the proposed facility as Exhibit F, and the revised Architect's Page as Exhibit G.

Based on the foregoing and the attached exhibits, we respectfully request the CON Review Board's approval of the modifications for this very important project.

Please contact me if you have any questions or if we can provide you with any additional information.

Sincerely,



Richard J. Brockman
One of the Attorneys for the Applicants

Enclosures

C: Mr. Michael Hardy
Ray Dyer, CPA
Mr. Claude Lee
Peck Fox, Esquire

⁴ This represents the increase in first year operating expenses over what LaRocca experienced in its last full year of operation.



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

100 NORTH UNION STREET, SUITE 870
MONTGOMERY, ALABAMA 36104

April 5, 2012

Monica Nelson Fischer, Esquire
Johnston Barton
569 Brookwood Village, Suite 901
Birmingham, AL 35209

RE: AL2012-007, CON 2562-NH
LaRocca Nursing Home

Dear Ms. Fischer:

Reference is made to your application for review under Title 22, Chapter 21, Article 9, Code of Alabama, 1975 and the *Alabama Certificate of Need Program Rules and Regulations*.

Rule 410-1-8-.07 of the *Alabama Certificate of Need Program Rules and Regulations* provides that within fifteen (15) days after the public hearing is concluded, the Certificate of Need Review Board (CONRB) shall issue a final order respecting the award of a Certificate of Need. Enclosed is the final order of the Certificate of Need Review Board for the above referenced project along with the Certificate of Need No. 2562-NH. The enclosed Certificate of Need is not transferable and will expire on April 4, 2013. The obligation for capital expenditure on this project should be incurred prior to the expiration date.

When valid contracts are signed for the project, please notify this Agency and enclose a copy. Please be aware that the *Rules and Regulations* address situations such as project modifications after issuance of the CON, cost overruns, failure to incur the obligation, and failure to commence construction, as well as other stipulations. You must abide by the *Rules and Regulations* and inform the Agency prior to undertaking any of the above conditions.

You are requested to provide the Agency with a progress report every six months until completion of this project. Upon completion, you should also submit a final report detailing total expenses for this project.

Sincerely,

Alva M. Lambert
Executive Director

AML:bws

cc: Jeff Ingram
Ray Sherer

Enclosures: As stated

ALABAMA
STATE HEALTH PLANNING & DEVELOPMENT AGENCY
CERTIFICATE OF NEED
FOR HEALTH CARE SERVICES

I. IDENTIFICATION

1. Certificate of Need 2562-NH	2. Date Issued: April 5, 2012	3. Termination Date: April 4, 2013
4. Project Number: AL2012-007	5. Name of Facility: LaRocca Nursing Home	
6. Service Area: Tuscaloosa County	7. Location of Facility: 405 – 34 th Avenue E Tuscaloosa, AL 35404	
8. Type of Facility: NH	9. Number of Beds: 75	10. Estimated Cost: \$10,129,185.00

11. Services to be provided: Construction of a 75-bed skilled nursing facility as a replacement for the LaRocca Nursing Home destroyed by tornado on April 27, 2011. The facility will be constructed within the campus of Capstone Village owned by the University of Alabama. Outpatient services for speech, occupational and physical therapy will be added.

II. CERTIFICATE OF NEED

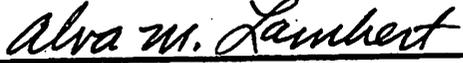
In accordance with Section 22-21-260 through 22-21-279, Code of Alabama, 1975, the Certificate of Need Review Board finds as follows:

1. There is a need for the project.
2. There are in force in the State of Alabama reasonable minimum standards of licensure and methods of operation for hospitals and health facilities.
3. The prescribed standards of licensure and operation will be applied and enforced with respect to the applicant, hospital or other health facility.

III. ISSUANCE OF CERTIFICATE OF NEED

This Certificate of Need is issued to LaRocca, Inc. d/b/a LaRocca Nursing Home only, for a period not to exceed 12 months from the date of issuance. This Certificate of Need is not transferable and any action on the part of the Applicant to transfer this Certificate of Need will render the Certificate of Need null and void.

Original



Alva M. Lambert
Executive Director

Ruling of the Certificate of Need Review Board
AL2012-007
LaRocca, Inc. d/b/a LaRocca Nursing Home
Tuscaloosa, Alabama

FACTS:

1. LaRocca, Inc. d/b/a LaRocca Nursing Home proposes to relocate its seventy-five (75) bed nursing home facility, which was destroyed by a tornado on April 27, 2011, to a location within the campus of Capstone Village, owned by the University of Alabama, and add outpatient services for speech, occupational and physical therapy.
2. Total costs associated with this project are projected to be \$10,129,185.00, which includes construction costs (\$9,138,664.00), cost of equipment (\$500,000.00), land lease per year (\$65,000.00) and first year annual operating costs (\$425,521.00).
3. This project will be funded with a commercial loan of \$2,370,157.00, new earnings and revenues of \$490,522.00 and insurance proceeds in the amount of \$7,268,506.00.
4. The primary service area for this project is Tuscaloosa County, Alabama. The applicant states that the secondary service area includes Bibb, Fayette, Greene, Hale, Jefferson, Pickens and Walker counties.
5. The *2004-2007 Alabama State Health Plan* does not specifically address relocations or outpatient nursing home therapy. Nursing Homes are addressed in ALA. ADMIN. CODE r. 410-2-4-.03 (2010), which does not show a need for new nursing home beds. Executive Order 14 placed a moratorium on the addition of new nursing home beds; however, this project is for the relocation of existing beds, not the addition of new beds.

Planning Policy (9)(d)6. provides that new freestanding nursing homes should not be less than fifty (50) beds in size. This facility will house seventy-five (75) nursing home beds.

6. The *State Health Plan* addresses Replacements in ALA. ADMIN. CODE r. 410-2-4-.14 (2010). A replacement is defined as a project for the erection, construction, creation or other acquisition of a physical plant or facility, where the proposed new structure will replace an existing structure and will be located in the same county and market area. Construction of the replacement facility will allow the applicant to continue to serve the needs of patients in Tuscaloosa and the surrounding areas, who were displaced by the tornado.
7. Approximately forty-four (44) letters were received in support of the application. There was no opposition.

8. Tuscaloosa County had an estimated population of 164,875 in the year 2000. By 2014, the Center for Business and Economic Research ("CBER") at the University of Alabama estimates that Tuscaloosa County's population will be 179,682, for an overall increase of 9.0%. In the year 2000, Tuscaloosa County had an estimated population age 65 and older of 18,565 and is projected to have an estimated 22,569 persons age 65 and older by 2014, for an increase of 21.6%.
9. The proposed relocation will place nursing home beds in Capstone Retirement Village, which will create a continuity of care within a single campus.
10. Upon consideration of the totality of the evidence presented, the Board concludes that the proposal is financially feasible. Further, the Board concludes that the applicant is an "appropriate applicant," as defined by the applicable regulations.
11. The Board concludes that the applicant has demonstrated a substantially unmet community need for the proposal.

Based on the foregoing factual findings and representations, the evidence of record, and pursuant to ALA. CODE § 22-21-266 (1975 as amended), the Certificate of Need Review Board finds the following:

- (1) that the application is consistent with the current *State Health Plan*;
- (2) that there are no less costly, more efficient, or more appropriate alternatives to such inpatient services available and that the development of such alternatives has been studied and found not practicable;
- (3) that similar services to those proposed are being used in an appropriate and efficient manner;
- (4) that in the case of new construction, alternatives have been considered and implemented to the extent possible; and
- (5) that patients will experience serious problems in obtaining inpatient care of the type proposed in the absence of the proposed reopening of this facility.

Accordingly, based on the foregoing, separately and severally, and upon the totality of the evidence presented, by vote of the Certificate of Need Review Board on March 21, 2012, Project Number AL2012-007 is hereby **APPROVED**.



Neal G. Morrison, Chairman
Certificate of Need Review Board

April 5, 2012

Date

Exhibit B



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

100 NORTH UNION STREET, SUITE 870

MONTGOMERY, ALABAMA 36104

February 21, 2013

Monica Nelson Fischer, Esquire
Johnston, Barton, Proctor & Rose, LLP
Colonial Brookwood Center
569 Brookwood Village, Suite 901
Birmingham, AL 35209

RE: AL2012-007, CON 2562-NH-MOD1
LaRocca Nursing Home, Tuscaloosa, AL

Dear Ms. Fischer:

According the *Alabama Certificate of Need Rules and Regulations*, 410-1-10-.03, a project modification may be approved by the Executive Director ten (10) business days after publication on the SHPDA website provided the project falls below financial thresholds and does not involve relocation. Your request for a project modification for CON 2562-NH was received and published on February 07, 2013.

You have requested a project modification of \$800,000 to cover increased costs pertaining to construction and major medical equipment. Inasmuch as the total construction and equipment costs of \$800,000 are below thresholds, your request is hereby approved. Enclosed is a copy of the revised Certificate of Need. If you have questions or comments, please call David A. Tapley directly at (334) 242-4040. However, if your concerns are of official matters, please submit such in writing.

Sincerely,

Alva M. Lambert
Executive Director

AML:dat

Enclosure

**ALABAMA
STATE HEALTH PLANNING & DEVELOPMENT AGENCY
CERTIFICATE OF NEED
FOR HEALTH CARE SERVICES**

I. IDENTIFICATION

1. Certificate of Need 2562-NH-MOD1	2. Date Issued: February 21, 2013	3. Termination Date: February 20, 2014
4. Project Number: AL2012-007	5. Name of Facility: LaRocca, Inc. d/b/a LaRocca Nursing Home	
6. Service Area: Tuscaloosa County	7. Location of Facility: 403 - 34 th Avenue, East Tuscaloosa, AL 35404	
8. Type of Facility: NH	9. Number of Beds: 75	10. Estimated Cost: \$10,929,185.00

11. Services to be provided: Construction of a 75-bed skilled nursing facility as a replacement for the LaRocca Nursing Home destroyed by tornado on April 27, 2011. The facility will be constructed within the campus of Capstone Village owned by the University of Alabama. Outpatient services for speech, occupational and physical therapy will be added. This project modification is an increase of \$800,000 due minor design changes and inflationary construction costs.

II. CERTIFICATE OF NEED

In accordance with Section 22-21-260 through 22-21-279, Code of Alabama, 1975, the Certificate of Need Review Board finds as follows:

1. There is a need for the project.
2. There are in force in the State of Alabama reasonable minimum standards of licensure and methods of operation for hospitals and health facilities.
3. The prescribed standards of licensure and operation will be applied and enforced with respect to the applicant, hospital or other health facility.

III. ISSUANCE OF CERTIFICATE OF NEED

This Certificate of Need is issued to LaRocca, Inc. d/b/a LaRocca Nursing Home only, for a period not to exceed 12 months from the date of issuance. This Certificate of Need is not transferable and any action on the part of the Applicant to transfer this Certificate of Need will render the Certificate of Need null and void.

Project Modification #1



Alva M. Lambert
Executive Director

Exhibit C



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY
100 NORTH UNION STREET, SUITE 870
MONTGOMERY, ALABAMA 36104

July 19, 2013

Monica Nelson Fischer, Esquire
Johnston, Barton, Proctor & Rose, LLP
Colonial Brookwood Center
569 Brookwood Village, Suite 901
Birmingham, AL 35209

RE: AL2012-007, CON 2562-NH-MOD1
LaRocca Nursing Home, Tuscaloosa, AL

Dear Ms. Fischer:

This is written in response to your letter filed on July 2, 2013 in which you requested a revised Certificate of Need in relation to its term of expiration due to LaRocca's recent litigation settlement with OneBeacon America Insurance Company. Pursuant to CON Rule 410-1-11-.01, the settlement date of June 11, 2013, will become the new 'issue' date for CON 2562-NH-MOD1 and will expire on June 10, 2014. If you have questions or comments, please call David A. Tapley directly at (334) 242-4040.

Sincerely,

Alva M. Lambert
Executive Director

AML:dat

Enclosure

ALABAMA
STATE HEALTH PLANNING & DEVELOPMENT AGENCY
CERTIFICATE OF NEED
FOR HEALTH CARE SERVICES

I. IDENTIFICATION

1. Certificate of Need 2562-NH-MOD1	2. Date Issued: June 11, 2013	3. Termination Date: June 10, 2014
4. Project Number: AL2012-007	5. Name of Facility: LaRocca, Inc. d/b/a LaRocca Nursing Home	
6. Service Area: Tuscaloosa County	7. Location of Facility: 403 - 34 th Avenue, East Tuscaloosa, AL 35404	
8. Type of Facility: NH	9. Number of Beds: 75	10. Estimated Cost: \$10,929,185.00

11. Services to be provided: Construction of a 75-bed skilled nursing facility as a replacement for the LaRocca Nursing Home destroyed by tornado on April 27, 2011. The facility will be constructed within the campus of Capstone Village owned by the University of Alabama. Outpatient services for speech, occupational and physical therapy will be added. This project modification is an increase of \$800,000 due minor design changes and inflationary construction costs.

II. CERTIFICATE OF NEED

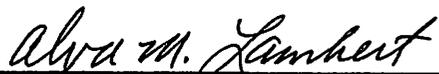
In accordance with Section 22-21-260 through 22-21-279, Code of Alabama, 1975, the Certificate of Need Review Board finds as follows:

1. There is a need for the project.
2. There are in force in the State of Alabama reasonable minimum standards of licensure and methods of operation for hospitals and health facilities.
3. The prescribed standards of licensure and operation will be applied and enforced with respect to the applicant, hospital or other health facility.

III. ISSUANCE OF CERTIFICATE OF NEED

This Certificate of Need is issued to **LaRocca, Inc. d/b/a LaRocca Nursing Home** only, for a period not to exceed 12 months from the date of issuance. This Certificate of Need is not transferable and any action on the part of the Applicant to transfer this Certificate of Need will render the Certificate of Need null and void.

Project Modification #1
Revised June 11, 2013



Alva M. Lambert
Executive Director

JohnstonBarton
ATTORNEYS

Monica Nelson Fischer
Direct Dial: (205) 458-9430
Email: mnf@johnstonbarton.com

July 1, 2013

Via Federal Express

Alva Lambert, Esq.
Executive Director
Alabama State Health Planning
And Development Agency
RSA Tower
100 North Union Street, Suite 870
Montgomery, Alabama 36104

**Re: LaRocca Nursing Home ("LaRocca")
Certificate of Need No. 2562-NH ("the LaRocca CON")**

Dear Mr. Lambert,

On February 21, 2013, this Agency granted a project modification request for the LaRocca CON as a result of minor design changes and inflationary construction costs (CON 2562-NH-MOD1). At that time, we notified the Agency that the project was delayed due to litigation with LaRocca's insurer over the scope of insurance proceeds. This litigation was settled effective June 11, 2013. A copy of the Release and Settlement Agreement for this litigation is enclosed with this letter.

Under CON Rule 410-1-11-.01, "the running of the duration of the initial twelve month period, or an extension thereof, shall be tolled from the date of the filing of a civil action" and "until such action is dismissed from the judicial process." Because the litigation between LaRocca and its insurer was settled on June 11, 2013, the twelve month period for the LaRocca CON should begin running on June 11, 2013 and terminate on June 10, 2014.

Thank you for your attention to this matter. Please contact me if you have any questions or if I can provide you with any additional information.

Sincerely,


Monica Nelson Fischer

Enclosures

cc: Mr. Michael Hardy (via electronic mail, w/enclosures)
Mark Wilkerson, Esq. (via electronic mail, w/enclosures)
Richard J. Brockman, Esq. (via electronic mail, w/enclosures)

RELEASE AND SETTLEMENT AGREEMENT

This Release and Settlement Agreement (“Release Agreement”) is made and entered into by LARocca, INC. d/b/a LARocca NURSING HOME and HARDY, LLC for the purpose of fully settling and resolving *LaRocca, Inc. d/b/a LaRocca Nursing Home v. OneBeacon America Insurance Company*, Civil Action File No 7:12-cv-02739-SLB, pending in the United States District Court for the Northern District of Alabama, Western Division (hereinafter referred to as the “Lawsuit”) and to resolve any other claims and rights that LaRocca, Inc. d/b/a LaRocca Nursing Home (hereinafter referred to as “LaRocca”) could have against OneBeacon America Insurance Company (hereinafter referred to as “OneBeacon”) in the Lawsuit and related insurance claim.

RECITALS

WHEREAS, LaRocca, a nursing home located at 403 34th Avenue E in Tuscaloosa, Alabama (“the Property”) was damaged as the result of a tornado that occurred on or about April 27, 2011;

WHEREAS, the Property was insured by OneBeacon pursuant to the terms and conditions of Policy No. 710-02-22-99-0002 (“the Policy”);

WHEREAS, OneBeacon previously issued payments to LaRocca or on LaRocca’s behalf totaling ██████████ as a result of the April 27, 2011 loss;

WHEREAS, LaRocca instituted the Lawsuit based on OneBeacon’s refusal to pay certain additional damages from the tornado loss;

WHEREAS, OneBeacon has denied, and continues to deny any liability arising out of or relating to the additional damages claimed by LaRocca in the Lawsuit; and

WHEREAS, LaRocca wishes to settle the disputed claims arising out of or relating to the tornado loss to the Property and the Lawsuit without the necessity of further expense.

AGREEMENTS

NOW, THEREFORE, LAROCCA, INC. D/B/A LAROCCA NURSING HOME and HARDY, LLC ("THE UNDERSIGNED") HEREBY AGREE AS FOLLOWS:

THE UNDERSIGNED acknowledge receipt of an additional and final payment from OneBeacon for all damages incurred from the tornado loss on April 27, 2011 in the total amount of [REDACTED]

[REDACTED] The draft is made payable to "LaRocca, Inc. and Hardy, LLC and Huber, Slack, Houghtaling, Pandit & Thomas, LLP." This draft, together with all previous payments, constitutes consideration for the full release and discharge by the Undersigned of any and all claims, demands, rights and causes of action of whatever nature against OneBeacon, its successors, assigns, parent companies, managers, affiliates, subsidiaries, officers, agents, representatives, attorneys, and employees for any and all claims related to the tornado loss that occurred on or about April 27, 2011 at the Property, and the subsequent handling of the Undersigned's insurance claim, including any allegations of bad faith.

MOREOVER, upon receipt of the final payment noted herein, it is agreed that the total payments are [REDACTED]. Of this total payment, the allocation of such is as follows: a) LaRocca, Inc.: [REDACTED] (business income) and [REDACTED] (contents and storage); and b) Hardy, LLC: [REDACTED] (building damage), [REDACTED] (demolition costs) and [REDACTED] (building settlement).

BY THIS RELEASE, the Undersigned hereby release, acquit, and forever discharge any and all claims, demands, rights and causes of action of whatever nature, including, but not

limited to, claims for replacement cost value, Building Ordinance coverage or any other coverage benefit provided by the Policy, against OneBeacon, its successors, assigns, parent companies, managers, affiliates, subsidiaries, officers, agents, representatives, attorneys, and employees for any and all claims related to the tornado loss that occurred on April 27, 2011 at the Property, and the subsequent handling of the Undersigned's insurance claim, including any allegations of bad faith.

BY THIS RELEASE, the Undersigned hereby release, acquit, and forever discharge its right to file a lawsuit against OneBeacon, its successors, assigns, parent companies, managers, affiliates, subsidiaries, officers, agents, representatives, attorneys, and employees in conjunction with any dispute arising from or to arise from, in the past, present or future, or in any way related to the tornado loss at the Property and any related claims made by the Undersigned. The Undersigned further acknowledges and agrees that OneBeacon does not have any further liability to the Undersigned under Policy No. 710-02-22-99-0002 for the April 27, 2011 tornado loss to the Property and the Undersigned's insurance claim.

BY THIS RELEASE, the Undersigned hereby release, acquit, and forever discharge OneBeacon, its successors, assigns, parent companies, managers, affiliates, subsidiaries, officers, agents, representatives, attorneys, and employees from any and all claims, demands, rights, and causes of action in any way arising from or to arise from, in the past, present or future, or in any way related to any and all damages to real or personal property (and the consequences thereof, including, but not limited to, all damages which at this time are unknown and unanticipated and which may develop at some time in the future and all unforeseen developments arising from known damages), resulting from, or to result from, or in any way related to the tornado loss to the Property that occurred on or about April 27, 2011.

IT IS EXPRESSLY UNDERSTOOD and agreed that this Release is a final and full Release of all disputed claims.

IT IS EXPRESSLY UNDERSTOOD that no promise, inducement, or agreement not herein expressed has been made to the Undersigned by OneBeacon or its representatives. This Release contains the entire agreement between the parties.

IT IS EXPRESSLY UNDERSTOOD and agreed that this Agreement is given by the Undersigned voluntarily and not based upon any representations or statements as to the merits, legal liability, tax consequences or value of the Undersigned's claim.

IT IS EXPRESSLY UNDERSTOOD and agreed that LaRocca, Inc. and Hardy, LLC is authorized to settle and sign this Release and Settlement Agreement.

IT IS EXPRESSLY UNDERSTOOD and agreed that this Release and Settlement Agreement is intended to and does operate to release, acquit and discharge any and all claims which were raised, or which could have been raised by way of amendment or otherwise, in the case of *LaRocca, Inc. d/b/a LaRocca Nursing Home v. OneBeacon America Insurance Company*, Civil Action File No 7:12-cv-02739-SLB, in the United States District Court for the Northern District of Alabama, Western Division. The Undersigned will file a Dismissal with Prejudice of said litigation contemporaneously herewith, authorizing the Clerk of Court to mark the Lawsuit settled, satisfied, and finally dismissed with prejudice.

LAROCCA, INC. d/b/a LAROCCA NURSING HOME & HARDY, LLC represents and warrants that it owns all of the claims released herein and that it has neither assigned or transferred, nor purported to have assigned or transferred voluntarily, by operation of law or otherwise, any of the claims released herein, in whole or in part.

ALL AGREEMENTS AND UNDERSTANDINGS between the parties hereto are embodied and expressed herein, and the terms of this agreement are contractual and are not mere recitals. The Undersigned have read the foregoing agreement and fully understand its terms and that the consideration is accepted voluntarily by the Undersigned for the purpose of making full settlement of all claims, demands, causes of action, and rights arising from any claims made in association with the tornado loss of April 27, 2011 to the Property. This Release constitutes an accord and satisfaction of any and all claims of the Undersigned against OneBeacon, including, but not limited to, claims for replacement cost benefits. The Undersigned hereby expressly acknowledge bona fide disputes with regard to these claims.

ALL THE FOREGOING REPRESENTATIONS are made in order for the parties released hereby to rely upon them in effecting this settlement. The Undersigned have read the foregoing Release and fully understand its terms, and that this Release is signed voluntarily for the purpose of making full compromise and settlement of all claims, demands, causes of action, and rights arising from the above-described loss.

THIS AGREEMENT SHALL BE construed and interpreted in according with the laws of the State of Alabama.

[SIGNATURES ON FOLLOWING PAGE.]

Witness our hands and seals, this 11th day of JUNE, 2013.

Michael B Hardy
by: MICHAEL B HARDY
its: PRESIDENT (SEAL)
LAROCCA, INC. d/b/a LAROCCA NURSING HOME

SWORN TO AND SUBSCRIBED
before me this 11 day of
June, 2013.

Virginia Z. Bailey
Notary Public

My Commission Expires:
Aug. 9, 2016
(AFFIX NOTARIAL SEAL)

Michael B Hardy
by MICHAEL B HARDY.
its: Personal Representative of the Estate
of Evelyn W Hardy, managing member
of Hardy LLC (SEAL)
HARDY, LLC

SWORN TO AND SUBSCRIBED
before me this 11 day of
June, 2013.

Virginia Z. Bailey
Notary Public

My Commission Expires:
Aug. 9, 2016
(AFFIX NOTARIAL SEAL)

Application for Project Modification for Certificate of Need No. 2562-NH-MOD1, Project No: 2012-007

AMENDED REPLACEMENT PAGE

(LaRocca Nursing Home)
Project Cost

IV. Cost

A. Construction

	Approved ¹ CON 2562-NH	Modification	Increase (Decrease)
1. Predevelopment	\$-0-	\$-0-	\$-0-
2. Site Acquisition ²	-0-	1,000,000	1,000,000
3. Site Development	-0-	650,000	650,000
4. Construction	6,955,000	7,200,000	245,000
5. Architect and Engineering Fees	600,924	510,250	(90,674)
6. Renovation	0	0	0
7. Interest During time period of construction	0	365,805	365,805
8. Attorney and Consultant Fees	70,000	100,000	30,000
9. Bond Issue Costs	0	0	0
10. Other (Gen. Contractor General conditions)	1,366,952	0	(1,366,952)
11. Other Construction Mgt Fee	890,788	0	(890,788)
TOTAL COST OF CONSTRUCTION	\$9,883,664	\$9,826,055	(\$57,609)

B. Purchase

1. Facility	\$0	\$-0-	\$-0-
2. Major Medical Equipment/furnishing	585,000	1,125,000	540,000
3. Other Equipment	0	0	0
TOTAL COST OF PURCHASE	\$585,000	1,125,000	540,000

C. Lease

1. Facility Cost Per Year ___ x ___ Years	\$ _____	\$ _____	\$ _____
2. Equipment Cost Per Month ___ x ___ Months	\$ _____	\$ _____	\$ _____
3. Land Only Lease Cost Per Year 65,000 x 50 Years	\$65,000 ³	-\$0-	(\$65,000)
TOTAL COST OF LEASE	\$65,000	-\$0-	(\$65,000)

(compute according to generally accepted accounting principles)

D. Services

1. ___ New Service
2. ___ Expansion ___ Reduction or Termination
3. X Other (Build replacement 75-bed Nursing Facility)

FIRST YEAR ANNUAL OPERATING COST \$425,521⁴ \$5,830,862 \$5,405,341

E. Total Cost of this Project (Total A through D)

(should equal V-C on page A-4) \$10,959,185 \$16,781,917 \$5,822,732

¹ As per approved 2013 project modification request

² Site is being contributed to project by co-venturer DCH Medical Center from owned property

³ Ground lease is no longer being used. Instead project will be constructed on contributed site.

⁴ Shows only the increase in first year's annual operating costs over the annual operating costs of existing facility.

AMENDED REPLACEMENT PAGE

(LaRocca Nursing Home –CON No. 2562-NH-MOD1, Project Number 2012-007)

IV. COST (continued)

	Approved CON 2562-NH	Modification	Increase (Decrease)
F. Proposed Finance Charges			
1. Total Amount to be Financed	\$3,170,158	\$9,200,000	\$6,029,842
2. Anticipated Interest Rates	8.5%	4%	0
3. Term of Loan	5 yr/25 amortization	5 yr/25 amortization	
4. Method of Calculating Interest on Principal Payment	daily		

V. ANTICIPATED SOURCE OF FUNDING

A. Federal

1. Grants
2. Loans

B. Non-Federal

1. Commercial Loan	\$3,170,158 ⁵	\$9,200,000	\$6,029,842
2. Tax-exempt Revenue Bonds	_____	_____	_____
3. General Obligation Bonds	_____	_____	_____
4. New Revenue and Earnings	520,521 ⁶	6,581,917 ⁷	6,061,396
5. Charitable Fund Raising	_____	_____	_____
6. Cash on Hand		1,000,000	1,000,000
Other (insurance proceeds)	7,268,506 ⁸	-0-	(7,268,506)
C. TOTAL (should equal IV-E on page A-3)	\$10,959,185	\$16,781,917	\$5,822,732

VI. TIMETABLE

- | | |
|---|---|
| A. Modified Projected Start/Purchase Date | As soon as practicable, but within time permitted |
| B. Modified Projected Completion Date | As soon as practicable, but within time permitted |

⁵ Corrected a one dollar scrivener's error in original application. Addition is unchanged.

⁶ There was a \$30,000 arithmetic error in the previous project modification. Revenue from operations far exceeds \$520,521.

⁷ The first year's operating costs will be funded by revenues from operations which are projected to far exceed this amount.

⁸ LaRocca's physical plant was destroyed by the April 29, 2011 Tuscaloosa tornado. These insurance proceeds will no longer be used for the project.

LARocca

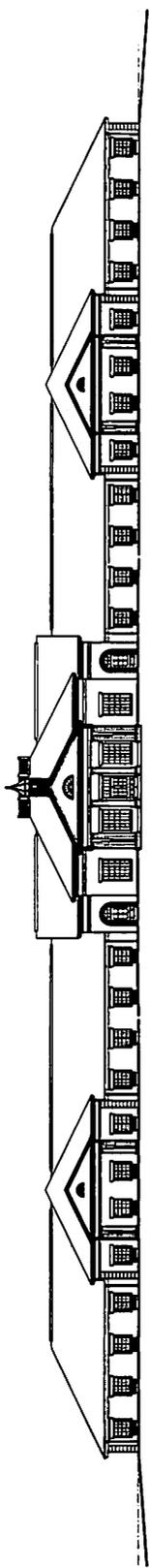
V. A. ORGANIZATION FINANCIAL INFORMATION

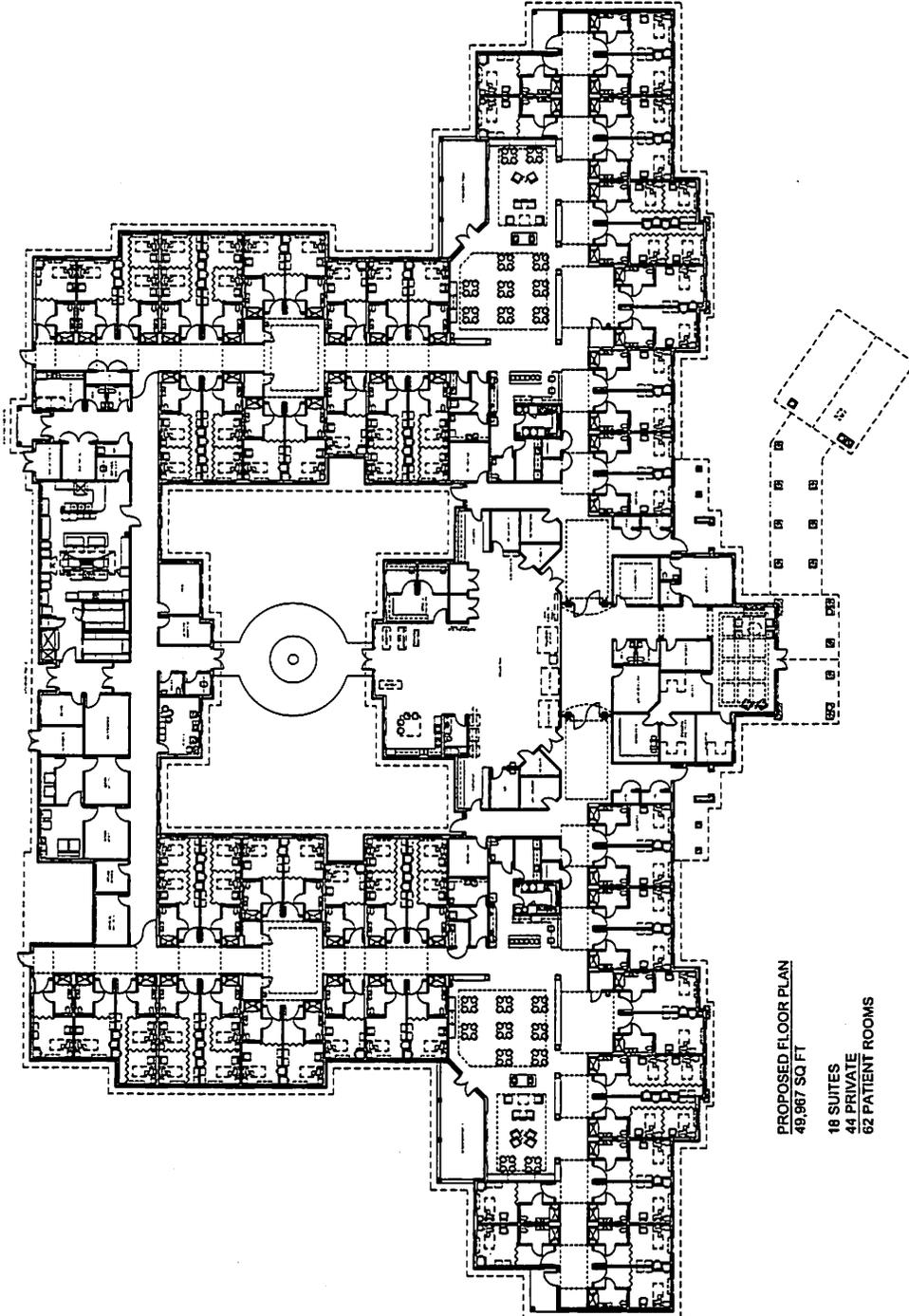
STATEMENT OF INCOME AND EXPENSE	HISTORICAL DATA (Give information for last 3 years for which complete data are available)			PROJECTED DATA PER APPLICATION (First 2 years after completion of project)		MODIFIED PROJECTED DATA (First 2 years after completion of project)	
	2008 (Total)	2009 (Total)	2010 (Total)	Y1 (Total)	Y2 (Total)	Y1 (Total)	Y2 (Total)
Revenue from Services to Patients							
Inpatient Services							
Routine (nursing service areas)	2,963,060	2,964,372	2,918,328	5,122,200	5,348,616	9,570,524	9,857,639
Other	0	0	0	0	0	0	0
Outpatient Services							
Emergency Services							
Gross Patient Revenue	2,963,060	2,964,372	2,918,328	5,122,200	5,348,616	9,570,524	9,857,639
Deductions from Revenue							
Contractual Adjustments							
Discount/Miscellaneous Allowances	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Deductions	0	0	0	N/A	N/A	N/A	N/A
NET PATIENT REVENUE (Gross patient revenue less deductions)	2,963,060	2,964,372	2,918,328	5,122,200	5,348,616	9,570,524	9,857,639
Other Operating Revenue							
NET OPERATING REVENUE	2,963,060	2,964,372	2,918,328	5,122,200	5,348,616	9,570,524	9,857,639
OPERATING EXPENSES							
Salaries, Wages, and Benefits	1,755,604	1,765,171	17,163,949	2,431,053	2,503,985	2,643,827	2,723,142
Physician Salaries and Fees	5,500	6,615	9,641	4800	4944	25,000	25,000
Supplies and other	330,874	333,544	281,309	417,311	429,381	450,000	475,000
Uncompensated Care (less recoveries) per State Health Plan 410-2-2-.06(d)							
Other Expenses	601,859	633,709	639,535	617,604	636,132	4,622,071	4,734,803
Total Operating Expenses	2,693,837	2,739,039	2,644,434	3,470,768	3,574,892	7,740,898	7,957,945

LAROCCA PROJECT CONTINUED

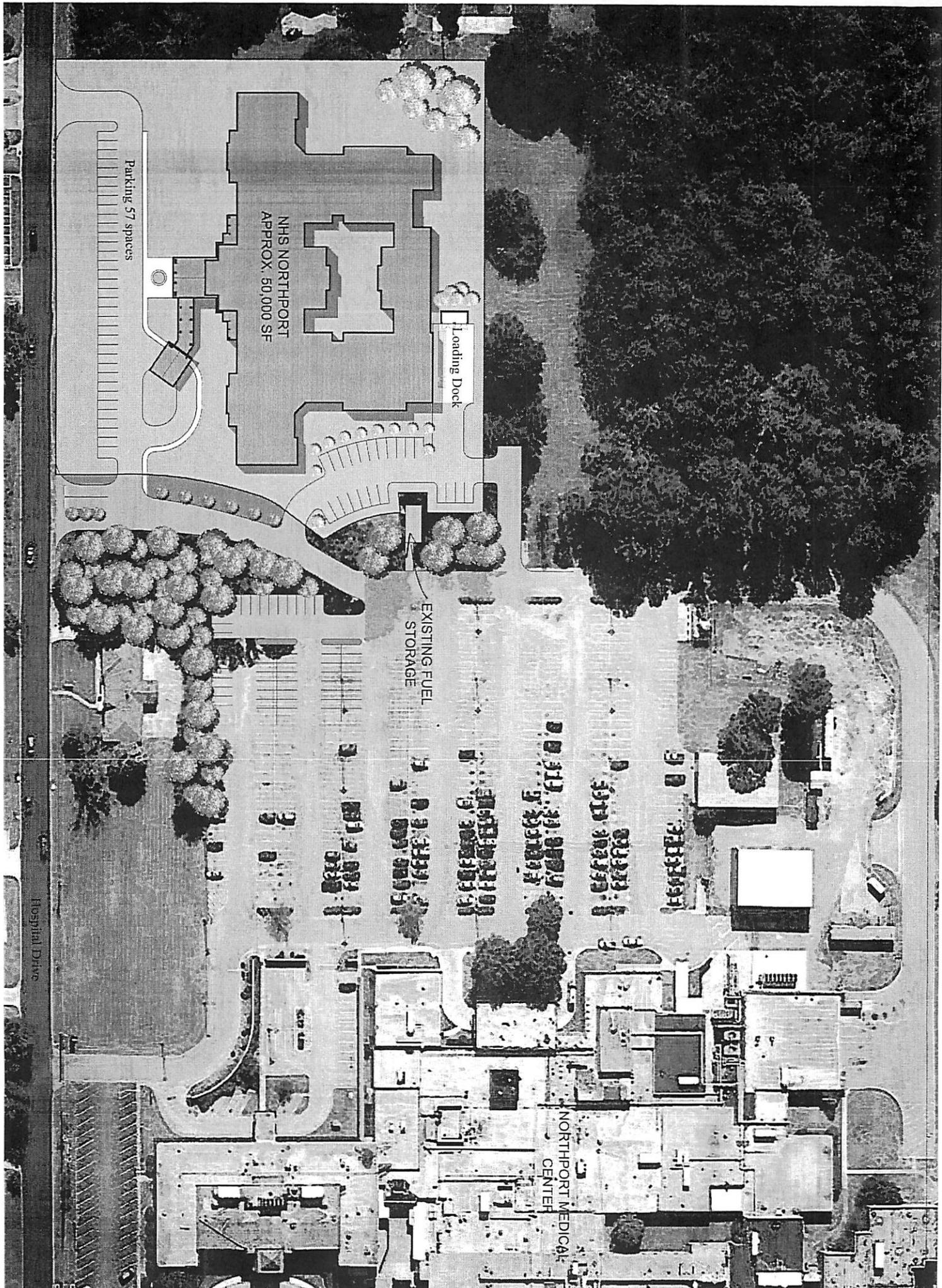
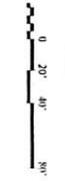
NON-OPERATING EXPENSES							
Taxes	138,543	137,858	201,563	238,575	245,733	0	0
Depreciation	58,594	59,737	48,797	81,497	83,492	690,979	690,979
Mortgage Interest			6479	0	0	360,258	347,842
Rent Expense	72,560	72,560	60,000	137000	137000	<u>N/A</u>	<u>N/A</u>
Total Non-Operating Expenses	269,697	270,163	316,839	457,072	466,675	1,051,237	1,038,821
TOTAL EXPENSES (Operating & Capital)	2,963,534	3,009,202	2,961,273	3,927,840	4,041,567	8,792,135	8,996,766
Operating Income (Loss)	-474	-44,830	-42,945	1,042,944	1,151,091	778,389	860,873
Other Revenue (Expense) -- Net	666	0	5750	-600	-618	0	0
NET INCOME (Loss)	192	-44,830	37,195	1,042,344	1,150,473	778,389	860,873
Projected Capital Expenditure	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	N/A	N/A	N/A	N/A
Interest	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	N/A	N/A	N/A	N/A

Exhibit F





PROPOSED FLOOR PLAN
48,967 SQ FT
18 SUITES
44 PRIVATE
62 PATIENT ROOMS



NHS NORTHPORT
APPROX. 50,000 SF

Parking 57 spaces

Loading Dock

EXISTING FUEL
STORAGE

NORTHPORT MEDICAL
CENTER

Hospital Drive

NHS Northport
Approx. 180,000 sq ft of projects
Northport, AL

PART THREE: CONSTRUCTION OR RENOVATION ACTIVITIES (Project 2012-07 LaRocca as Modified)

Complete the following if construction/renovation is involved in this project. Indicate N/A for any questions not applicable.

I. ARCHITECT: Dave Reese, AIA

Firm TurnerBatson Architects, P.C.

Address 1950 Stonegate Drive, Suite 200

City/State/Zip Birmingham, Alabama 35242

Contact Person Dave Reese

Telephone (205) 403-6201

Architect's Project Number 2626

II. ATTACH SCHEMATICS AND THE FOLLOWING INFORMATION

A. Describe the proposed construction/renovation

The proposed construction consists of a new 75 bed facility including a Rehabilitation unit and Skilled Nursing unit. Full service kitchen and laundry areas are to be included in the facility. There are 62 sleeping rooms with a mix of suites, private and semi-private rooms, each with its own restroom/shower. Each unit will include separate dining and living space for the residents. A fully enclosed courtyard and several fenced outdoor gardens will be available for the residents of the facility. Draft schematics and a proposed elevation are attached as Exhibit F.

The drives around the building provide convenient access for residents and their families as well as employees, deliveries and emergency vehicles.

B. Total gross square footage to be constructed/renovated 49,970 SF

C. Net useable square footage (not including stairs, elevators, corridors, toilets) 38,325 SF

D. Acres of land to be purchased or leased 4.6 acres

E. Acres of land owned on site none

F. Anticipated amount of time for construction or renovations 11 (months)

G. Cost per square foot¹ \$ 196.64

H. Cost per bed (if applicable) \$ 131,014

¹ This cost includes site work, predevelopment, construction, architect & engineering, interest during construction, and fees.