Dear Associate:

The true foundation of Life Care Centers of America, Inc., Life Care Physician Services, LLC, and their affiliates (collectively “Life Care”) is our mission to preserve the dignity and quality of life of each resident and patient we serve. As part of this mission, we are committed to ensuring an ethical and compassionate approach to the delivery of healthcare and the management of our facilities and services.

Life Care is committed to the standards reflected in our Mission and Values Statement and in the Code of Conduct. We also are equally committed to assuring that our actions consistently reflect our words. In this spirit, we want Life Care to be a family of men and women with shared values, and we expect all Associates’ actions to reflect the standards set forth in the Code.

We trust each of you as a valuable member of our Life Care team. Our commitment, the provision of services based upon integrity, assures that we move beyond merely being in compliance. We ask each of you to work together in assisting our organization in supporting the values and principles that are necessary to achieve our mission. Thank you for your commitment to “doing the right thing.”

Sincerely,

Forrest L. Preston
Chairman
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Our Commitment to Integrity

Introduction

Life Care Centers of America, Inc., Life Care Physician Services, LLC, and their affiliates (collectively referred to as “Life Care” or the “Company”) are committed to integrity as the fundamental guiding principle for all the actions taken by our employees and any others who act on our behalf. This Code of Conduct (the “Code”) is a symbol of that commitment and defines the ethical and legal standards that Life Care expects every employee and others acting on its behalf to follow. In addition to providing a copy of the Code to new employees, the Code is posted to the Company’s intranet site. The distribution of the Code is the responsibility of supervisors within the Company.

Compliance with the Code is required for all of Life Care’s directors, officers and employees (collectively referred to as “Associates”) as well as other individuals acting on Life Care’s behalf including, but not limited to, vendors; medical directors, attending physicians, and healthcare professionals providing treatment to our residents and patients; and contractors.

This Code addresses many areas of potentially unethical or illegal behavior. It is designed as a resource to help you properly respond to situations that you may face in performing your everyday duties. However, it is not intended to address every situation that you may encounter that could raise compliance concerns. In many instances, you may need to refer to one or more of Life Care’s detailed policies or procedures. You may also need to seek additional guidance from your supervisor, another member of management, or, depending on the nature of the issue, from other corporate resources available to you such as the Human Resources Department, Clinical Services Department, the Legal and Risk Services Department, or the Compliance Department.

If you encounter situations about which you are unsure, you should not hesitate to utilize these resources that are available to you. Remember - always ask before you act if you are unsure.

What Is Required

“Doing the Right Thing” is a shared commitment among all Life Care Associates. Following the Code is a condition of employment at Life Care. Accordingly, all Associates are expected to:

- **Know the standards and apply them.**
  
  As a Life Care Associate, you are expected to know and understand the guidance set forth in the Code, other Life Care policies, and applicable laws and professional standards, as well as to live by the letter and spirit of these standards every day in the course of your work. You should never feel expected to violate any of these standards. If you ever feel pressure to do so or have any questions about the standards, you should consult with your supervisor, another supervisor in your chain of command, or the Compliance Department.
• **Know the law and ask questions.** Life Care does not expect you to be a legal expert, but you are expected to be aware of the basic laws and regulations that affect your particular job and level of responsibility. Pay close attention to training that is offered and ask questions if you do not understand.

• **Be part of the Life Care team.** Be quick to offer suggestions on how to make improvements to processes and make policies and procedures easier to understand.

• **Report potential violations of law or Life Care policy.** If you become aware of a potential or an actual violation of law or Life Care policy, or if you develop concerns regarding the legal or policy implications of a situation, talk to your supervisor, another supervisor in your chain of command, or the Compliance Department. Do not assume that management is aware of or does not care about an issue. Always speak up if you have concerns. Life Care strictly prohibits retaliation against an Associate who reports a concern.

  Supervisors and managers have the additional responsibility to ensure that all Associates and others acting on behalf of Life Care understand the principles outlined in the Code and company policies. They must never ask or expect an Associate to violate laws, regulations, or Life Care policies. Supervisors and managers should:

  • **Be proactive.** Always ensure that Associates are properly trained and understand their obligations. Make it clear that you expect them to always comply with the law and other applicable standards.

  • **Be receptive.** Maintain an “open-door” policy. Make it known that you are open to questions or concerns about compliance-related issues that are brought to you.

  • **Be responsive.** If a suspected violation of law or policy is brought to you, take prompt and appropriate action. If you do not know the answer, promptly seek assistance from your supervisor, senior leadership or other resources such as the Legal Services Department or Compliance Department.

  • **Do not allow retaliation.** Do not allow anyone who makes a good faith report of a suspected violation of law or policy to be the subject of retaliation.

**Our Compliance Program**

Life Care’s Compliance Program (the “Program”) is designed to promote and support ethical and legal conduct through a system of accountability with
compliance standards, policies, and procedures. Life Care is committed to providing the quality care and services necessary to attain or maintain the highest practicable physical, mental, and psychosocial well-being of our residents and patients. Life Care is equally committed to preventing and detecting fraud and abuse and to complying with all applicable laws.

The Program is based on the following elements:

- Written standards of conduct that promote Life Care’s commitment to compliance;
- Oversight by a Chief Compliance Officer supported by a Compliance Department;
- Education and training programs for all affected persons;
- Open lines of communication including reporting mechanisms and a policy of non-retaliation;
- Monitoring and auditing to identify and reduce problems;
- Enforcement of appropriate corrective action as well as standards preventing association with excluded individuals or entities; and
- Prompt investigation and response.

The Program is led by the Chief Compliance Officer who reports directly to Life Care’s Board of Directors and Life Care’s Chairman and Chief Executive Officer. The Chief Compliance Officer also chairs the Compliance Advisory Board (the “CAB”) that includes members of Life Care’s senior leadership team. The CAB meets periodically to provide guidance and support to the Chief Compliance Officer with administration of the Program including compliance policy development and implementation, education, and other compliance issues.

The Compliance Department supports the Chief Compliance Officer in administering the Program. It is responsible for:

- Serving as a resource to Life Care and its Associates on compliance issues;
- Managing the day-to-day operations of the Program;
- Developing compliance education programs;
- Performing assessments of regulatory risks including the policies and procedures in place to address those risks;
- Managing the system for reporting compliance issues and concerns;
- Investigating allegations involving potential violations of laws, regulations, policies and procedures, and the Code; and
- Performing auditing and monitoring activities involving compliance issues.

**Consequences of Non-Compliance**

Failure to comply with laws and regulations could have serious potential consequences for Life Care, you, your fellow Associates, and others. These include: termination of employment; prison; personal or corporate fines; exclusions
from Medicare and other healthcare programs; the loss of credibility amongst our business partners and the communities we serve; and the loss of respect of our residents, patients, and their families.

Following the Code is a condition of employment at Life Care. Disciplinary action, up to and including termination, will be taken against any Associate who:

• Authorizes or participates in a violation of law or regulation, the Code, or Life Care policy;
• Refuses to cooperate, is untruthful, or attempts to hinder any internal investigation or audit; or
• Threatens or retaliates against another Associate who reports a known or suspected violation in good faith.

In addition, failure to report known or suspected wrongdoing may itself result in disciplinary action against those who failed to report the incident.

Reporting Possible Violations and Non-Retaliation

As part of its commitment to moral, ethical and legal conduct, Life Care encourages open discussion of legal and policy issues. We are also committed to a culture that encourages timely disclosure of such concerns, and we strictly prohibit retribution or retaliation against any Associate who reports such concerns in good faith.

Accordingly, Life Care requires all of its Associates to promptly report all compliance issues involving suspected or actual violations of law, regulation, policy, procedure, or the Code through any of the available channels. These channels include:

• Your Supervisor – Your supervisor knows you and the potential issues that you face and can help you decide the best course of action in most situations. Your supervisor may also have access to other company resources to promptly address your questions and concerns.

• Another Supervisor In Your Chain of Command – In some instances, issues and concerns may involve your supervisor or you may feel uncomfortable talking to him or her for different reasons. If this is the case, you should feel free to contact another supervisor in your chain of command for assistance.

• The Human Resources Department – If you have a concern involving a human resources or general workplace issue that you are unable to resolve with your supervisor, you should contact your facility’s human resources manager,
division’s human resources director, or the corporate Human Resources Department.

- **Information Technology Customer Support Center** – If you suspect a violation of Life Care’s network or computer systems has occurred, you should call the Customer Support Center at (800) 275-LCCA (5222 if you are outside of the Cleveland, Tennessee, calling area. Associates in the Cleveland area should call (423) 339-8313.

- **The Compliance Department** - Questions or concerns also may be reported directly to the Compliance Department in one of the following ways:
  - By mailing a written description of the violation or concern to the following address:
    
    Chief Compliance Officer  
    Life Care Centers of America, Inc.  
    3001 Keith St. NW  
    Cleveland, Tennessee 37312
  - By faxing a written description of the violation or concern to (423) 339-8318.
  - By utilizing Life Care’s confidential disclosure system to provide a description of the violation or concern by calling our hotline (1-877-423-8305, toll-free telephone with no Caller-ID) or using the internet www.LCCA.ethicspoint.com.
  - If you feel more comfortable reporting an actual or suspected misconduct anonymously, you may choose to do so. Your anonymity will be protected up to the limits of the law if you wish to remain anonymous.

**Your Responsibility**

The policies and guidance outlined in the Code are intended to help all of us better understand what we believe to be in the best interest of our fellow Associates, residents, and patients, as well as those with whom we do business and the public at large. Ultimately, however, Life Care depends upon you using your individual judgment in deciding on the correct course of action.

As you consider a particular situation, thinking about the following factors may help you arrive at a suitable answer:

- Is my action consistent with Life Care’s standards?
- Does my action give the appearance of impropriety?
- Will the action potentially discredit any Associate or Life Care if it is disclosed to the public?
- Can I defend my action to my supervisor, other Associates, and to the general public?
- Does my action meet my personal code of behavior?
- Does my action conform to the spirit of this Code?

Please help us maintain the highest ethical standards in everything we do at Life Care.
Quality Care

It is our responsibility to provide residents and patients whom we serve with the necessary care and services so that they can attain or maintain the highest practical physical, mental and psychosocial well-being. In addition, through all of our efforts, Life Care is committed to the provision of quality care.

The provision of quality care has many components, including efforts to:

• Provide services to all persons who require them, regardless of race, color, creed, age, handicap, gender, national origin, marital status or source of payment;
• Provide appropriate and qualified staffing;
• Protect patient privacy and maintain appropriate records;
• Ensure appropriate care tailored to meet the resident’s or patient’s clinical needs;
• Educate residents and/or their families concerning care provided; and
• Ensure patient safety.

Our commitment to quality care also includes a responsibility to recognize and bring attention to those practices and instances when quality care could be or has been jeopardized. As a condition of continued employment, all Associates are expected to immediately bring issues or concerns regarding quality of care to the attention of his or her supervisor. Associates may also notify another supervisor in his or her chain of command or the Compliance Department.

Nursing Facility Resident Rights

We believe in the preservation of dignity, self-respect, and resident rights in a loving and caring environment. It is Life Care’s policy that all residents in its nursing facilities have, among other rights, a right to a dignified existence, self-determination, and communication with and access to people and services both inside and outside the facility. We are committed to ensuring that each resident is aware of his or her rights.

Life Care will not tolerate any type of abuse or neglect. As an Associate, you have a duty to ensure that residents are protected to the...
extent possible from physical, mental, sexual and verbal abuse and neglect, not only from fellow Associates, but also from other residents, patients, volunteers, agency staff, family members, visitors, legal guardians, friends or any other persons.

Associates who abuse or neglect a resident or patient are subject to dismissal and will be reported to the appropriate state agencies, which may result in legal or criminal actions. All Associates who become aware of suspected or known abuse must report it immediately to their supervisor or another supervisor in their chain of command to protect the applicable residents and patients. Associates may also later notify the Compliance Department about their concerns.

**Safeguarding the Privacy of Our Residents and Patients**

Our professional duties require that we gather a great deal of personal information about our residents and patients. Federal law requires that we maintain the confidentiality of their medical, financial, and personal information. This includes all such information exchanged verbally or maintained in written or electronic form. Life Care has developed policies and procedures to ensure the confidentiality and protection of patient information.

Any Life Care Associate or agent who engages in the unauthorized use or disclosure of information (oral, written, or electronic) in violation of the privacy rights of our residents may be subject to termination, as well as civil and criminal violations which may include fines and imprisonment. Any Associate who becomes aware of such unauthorized use or disclosure must report it immediately to his or her supervisor, another supervisor in their chain of command, or the Compliance Department.

**Gifts To or From Residents, Patients, and Families**

Occasionally, residents, patients, and families may offer gifts to Associates as an expression of gratitude. Accepting a gift, gratuity, or tip from a resident, a patient, or his or her family may give the impression that we are somehow favoring a particular resident or patient, or providing him or her with special care. In addition, offering a gift to a resident or patient may give the impression that we are in some way inducing them to stay longer at our facility or agreeing to medically unnecessary services.

Consequently, Associates must follow the requirements of Life Care’s Gifts and Entertainment policy located on Village Square. For example, Associates are prohibited from soliciting or accepting gifts, tips, and gratuities from potential or current residents, patients, or their families. However, incidental gifts (e.g., perishables such as food) that can be shared with other Associates may be accepted from residents, patients or their families at the discretion of facility management.

Associates with questions regarding gifts and entertainment should consult Life Care’s Gift and Entertainment Policy, his or her supervisor, another supervisor in his or her chain of command, or the Compliance Department.
Medicare and Medicaid Requirements

Life Care participates in the Medicare and Medicaid programs which are both governed by complicated laws and regulations that must be met by those who provide healthcare services to these programs’ beneficiaries. The applicable laws and regulations impose requirements on healthcare providers that may be substantially different and more extensive than those commonly encountered in non-government commercial contracts. For example, Medicare and Medicaid have very complicated payment guidelines that identify both the circumstances under which and the amounts those programs will reimburse Life Care for goods and services rendered to program beneficiaries. These guidelines frequently differ from directives received from other third party payors.

Violation of Medicare and Medicaid laws and regulations may result in civil and/or criminal sanctions being imposed not only on the persons actually involved, but also on the organization on whose behalf those persons acted. Furthermore, violation of these laws could lead to exclusion from participating in the Medicare and Medicaid programs. Consequently, it is imperative that we comply with all Medicare and Medicaid laws and regulations while providing services under these government programs.

Billing for Life Care’s Services

Life Care and its associated professionals provide a wide range of services to fulfill its obligations to its residents, patients, and the community. When billing statements are provided to residents, patients, and third party payors responsible for payment, it is imperative that these statements accurately reflect: the services actually provided and documented in the medical record; the precise charges for those services; and all other pertinent data relating to the residents and patients, including the medical necessity of the services.

The Federal False Claims Act prohibits knowingly submitting a false claim to the government for payment. A false claim could include:

- Billing for:
  - A service or item that was not provided,
  - The same item or service more than once,
  - Items or services that were not medically necessary,
  - Non-covered services as covered services,
  - Services separately that are included in the room rate,
  - Inadequate or substandard care;
  - Assigning an inaccurate code or patient status to increase reimbursement;
  - Failing to identify and refund overpayments owed to payors and patients; or
  - Submitting bills without the necessary supporting clinical documentation.
An innocent misunderstanding, careless mistake, or error related to billing has potentially serious consequences. For instance, improperly prepared bills or bills listing undocumented or unnecessary services can lead to allegations of fraudulent billing or other questions as to the legality of Life Care’s billing practices (e.g., submission of false claims), which could expose Life Care and its Associates to potential civil or criminal liability.

As a result, Associates must always follow all instructions from regulatory agencies, government programs and third-party payors when preparing and submitting billing documentation. Associates not directly involved in the billing process may help ensure regulatory compliance in the billing process by providing accurate, timely, and complete documentation of the services that they provide.

If you have questions regarding the preparation of a bill, or if you observe or suspect that billing errors have occurred or may be occurring, you should immediately report the situation to your supervisor, another supervisor in your chain of command, or the Compliance Department.

**Doing the Right Thing**

In conformance with the Deficit Reduction Act of 2005 (DRA), Life Care’s policies require compliance with all laws applicable to the company’s business, including compliance with all applicable federal and state laws dealing with false claims and false statements. Life Care strives to prevent, detect, and eliminate fraud, waste, and abuse in all government-funded programs from which the Company receives payments, such as the Medicare and Medicaid programs. Life Care’s policies and procedures regarding the DRA’s provisions can be found on the Company’s intranet (Village Square), internet website, and in the Associate Handbook. If you have any questions regarding the DRA and its requirements, you should consult with Life Care’s Legal Services Department or its Compliance Department.

**Relationships with Referral Sources**

Many Life Care Associates have close relationships with physicians, hospitals, and other referral sources. As part of our commitment to integrity, we must maintain open, honest and legal relationships with all actual or potential referral sources.

The two applicable federal laws related to our relationships with referral sources are the Federal Anti-Kickback Statute (“AKS”) and the Physician Self-Referral Law or “Stark” Law. Many states have similar laws.

The Federal AKS prohibits healthcare providers from offering, paying, requesting or receiving a kickback,
or anything of value to or from anyone for the referral of a patient or the purchase of goods or services reimbursed by a federal healthcare program. Violations of the AKS may result in fines and/or imprisonment.

The Stark Law only applies to financial relationships with physicians and their immediate family members. It is crucial that Associates who interact with physicians, particularly those involved in marketing or making payments to physicians, such as for medical director services, are aware of the requirements of the Stark Law and the AKS, as well as any applicable state laws, regulations, and Life Care policies that address relationships with physicians.

To list everything that may be a violation under any of these laws would be difficult; however, one thing is clear. Care must always be taken to avoid a situation where Life Care is offering an improper inducement to those who may be in a position to refer or influence the referral of patients to Life Care. For example, the offering of free goods or services, or those priced below fair market value, with the purpose of favorably influencing the referral of residents to a Life Care facility or utilizing the professional services offered by Life Care would be improper.

Similarly, as a provider of patient care, Life Care must not request or receive any improper inducement from its vendors to influence it in making decisions regarding the purchase of goods
or services. An example of an improper inducement would be the acceptance of free goods or services, or those priced below market value, from vendors where the provision of such goods or services can be construed as an attempt to influence Life Care to purchase, refer or recommend to residents particular providers of goods and services that would be paid for by federal healthcare programs.

Before entering into any relationship with any person or entity that may refer residents, patients, or healthcare-related business, you should consult with your supervisor, another supervisor in your chain of command, or the Compliance Department. In addition, agreements with physicians and all other referral sources should be in writing and expressly approved by Life Care’s Legal Services Department to ensure compliance with applicable laws, regulations and Life Care policies.

**Business Courtesies**

Business courtesies represent an area of potential conflict in relationship with vendors, contractors, potential business affiliates, and other individuals and entities outside of Life Care. Giving or accepting gifts, entertainment, or other business courtesies can be construed as an attempt to unduly influence the relationship. Life Care’s Gift and Entertainment policy prohibits Associates from soliciting gifts, entertainment or other business courtesies. In addition, Associates may not offer or accept gifts of cash or cash equivalents. However, Associates may offer or accept gifts, entertainment, and other business courtesies in accordance with requirements of the Gifts and Entertainment policy.

The practice of receiving materials, funding or other resources from vendors and others outside of Life Care for education of Associates should be evaluated by the Legal Services Department on a case-by-case basis. Consequently, you must obtain approval before accepting any of these type of offers.

**Dealings with Government Personnel**

You may not provide or pay for meals, travel or lodging expenses for government employees. Strict guidelines prohibit any type of gratuity, and your compliance is required. Government employees are also well aware of these regulations and should automatically decline any gratuity which they feel could jeopardize their compliance.

As a basic rule, government employees must pay their fair share whenever Life Care and government personnel participate in a joint endeavor. For example, if business extends over the noon hour, you must make arrangements for the government personnel to pay for their own lunch.

You should be aware that there may also be rules in effect by state or local governments regulating the acceptance of business courtesies, such as meals and refreshments, which you must observe.

The laws could be violated if anything of value is given to a government employee even if there is no intent to influence an official action or decision. Therefore, no employee should entertain a public
official or otherwise engage in lobbying efforts without authorization from Life Care’s Director of Public Relations (see also section entitled “Political Participation”).

**Licensure and Professional Practice Acts**

All Associates and contractors acting on behalf of Life Care are expected to maintain an active license, certification, or other credentials for the state(s) in which they provide services to our residents and patients, and to conform to the applicable state professional acts and professional codes of ethics at all times. Supervisors and managers are expected to be aware of such standards and promote compliance. If you have an action taken against you related to your professional license (e.g., suspension or revocation), you must immediately notify your supervisor.

**Convictions, Exclusions, and Sanctions**

It is your responsibility to inform your supervisor, another supervisor in your chain of command, or the Compliance Department if you are convicted of a felony, are informed that you are under investigation, or advised that you are no longer eligible to participate in any federal or state program or contract such as Medicare or Medicaid.

**Pharmaceutical, Prescription Drugs, and Controlled Substances**

Many Associates have the responsibility for or access to prescription drugs, controlled substances, drug samples, and other regulated pharmaceuticals. Life Care is legally responsible for the proper distribution and handling of these pharmaceutical products. Federal, state and local laws covering prescription drugs and controlled substances are intended to maintain the integrity of our national drug distribution system and protect consumers by assuring that prescription drugs are safe, properly labeled, and administered to the proper patients.

These laws include prohibitions against diversion of any prescription drug or controlled substance in any amount and for any reason to an unauthorized individual or entity. The distribution of adulterated, misbranded, mislabeled, expired, or diverted pharmaceuticals is a violation of federal and state law for which criminal penalties may be imposed on individual violators as well as on Life Care.

It is Life Care’s policy that all Associates be both diligent and vigilant in carrying out their obligations to handle and dispense prescription drugs and controlled substances at Life Care facilities in accordance with all applicable laws, regulations, and Life Care procedures. These Life Care procedures and policies are available at the facility level. Every Associate authorized to prescribe, dispense, or handle prescription drugs or controlled substances is expected to
maintain professional standards in safeguarding pharmaceuticals of all kinds and in preventing unauthorized access to them.

Violation of any law or of any Life Care policy involving prescription drugs, controlled substances or other pharmaceuticals will constitute grounds for dismissal. If you become aware of any potential lapses in security, or any actual infringement of any law, policy or regulation relating to drugs, such as diversion of narcotics, you should report it immediately to your supervisor, another supervisor in your chain of command, or Life Care’s Compliance Department.
Proper Use of Life Care’s Assets

It is against Life Care policy for any Associate or any other person acting on behalf of Life Care to make or authorize any payment for an illegal act or to misuse Life Care assets in any way. Furthermore, established accounting practices and procedures must be followed to assure the complete and accurate recording of all transactions. If you become aware of any improper use of, or accounting for, Life Care’s resources, you should report the matter to your supervisor, another supervisor in your chain of command, or the Compliance Department.

All managers are responsible for the establishment of appropriate internal controls over all areas under their supervision to ensure the safeguarding of Life Care’s assets and the accuracy of its financial records and reports. All Associates within their respective areas of responsibility are expected to adhere to these established controls.

Associates must first obtain permission from their supervisor before enrolling the company name and any facility resources, funds, or property into community events or fundraisers. Political fundraisers or events are strictly prohibited. A useful test to apply in determining whether a payment or any other transaction is proper is whether the transaction, if disclosed publicly, could adversely affect Life Care’s reputation. If you have any doubts as to whether a payment is lawful or in accordance with company policy, you should consult your supervisor, another supervisor in your chain of command, or the Compliance Department.

Confidentiality of Life Care Information

One of Life Care’s assets is its body of proprietary and commercial information. The widespread use of computers and electronic systems has caused this information to be accessible by many Associates. All Associates are provided with information regarding confidentiality and computerized information access and sign a General Confidentiality and Computerized Information Access Agreement before being granted access to information generated or stored on Life Care’s computers. Failure to adequately protect this information can lead to the loss of highly confidential data. No Associate may use, whether during or after the term of employment, for the Associate’s or another’s benefit any confidential information obtained during his or her employment with Life Care without Life Care’s written consent.

Confidential information includes Life Care’s methods, processes, techniques, computer software, equipment, service marks, copyrights, research data, clinical data, marketing and sales information, personnel data, patient lists, financial data, plans, and all other know-how and trade secrets which are in Life Care’s possession and which have not been published or disclosed to the general public.

As an Associate, you are responsible and accountable for the integrity and protection of this business information and must take steps to protect information that has been entrusted to you. For example, you must not make
inappropriate modifications of or destroy or disclose such information. Documents containing sensitive data, including information concerning residents, should be handled carefully during work hours and must be properly secured at the end of the business day. If you observe individuals whom you do not recognize using terminals in your area, report this to your supervisor immediately.

Particular attention must be paid to the security of data stored on the computer system. You must never store or access confidential information on a personal computer or other media (e.g., a personal USB drive). All computers and other devices, including storage media, should be obtained from or authorized by Life Care’s Information Technology Department if it is to be used to store or access confidential information.

Use of Internet, Email, and Computer Systems

• **Purpose of Use.** The computers and computer accounts given to Life Care Associates are to assist with job performance. As a condition of employment, each user is personally responsible for following Life Care’s policy and guidelines related to the Internet, email, and computer systems.

• **Monitoring.** Life Care reserves the right to monitor usage of its equipment, network, and systems. Life Care may use automated software to monitor material created, stored, sent, or received on its computer network. No individual should have any expectation of privacy in terms of his or her Internet or email usage.

• **Contents.** Contents of electronic communications should be accurate and business-like. Users should use the same care in drafting emails and other electronic documents as they would for any other written communication. The quality of writing and/or the message may adversely affect your and the Company’s reputation. It also determines the impact on how your message is received. Discretion should be used when discussing confidential information regarding Life Care or its residents or patients. Always keep in mind that email and the Internet are public methods of communication. Anything created on the computer may, and likely will, be viewed by others and could be used in a court of law.

Conflicts of Interest and Loyalty

Life Care expects its Associates to serve the Company and its residents and patients with undivided loyalty. You should always:

• Put the interests of Life Care and its residents and patients ahead of any other individual
business or commercial interest you may have;
• Avoid situations in which a conflict of interest could arise; and
• Disclose any potential conflict of interest you may have regarding your responsibilities to Life Care and remove the conflict.

Life Care expects each Associate to recognize and avoid activities and relationships that involve or might appear to involve conflicts of interest, and to avoid behavior that may cause embarrassment to Life Care or compromise its integrity.

Life Care Associates in a position to select business partners or vendors are required to make selections solely based on the merits of the potential partner or vendor, in the best interest of Life Care, and without regard to non-business considerations.

Securities, Trade Practices, and Antitrust

Life Care is a privately-held entity and as such does not offer its stock for sale on any publicly traded exchange. However, from time to time Life Care’s Associates may acquire, from business partners or competitors, material, proprietary, sensitive or other “inside information” concerning the profitability or decline of such business partner or competitor. The use of such inside information by Life Care or any of its Associates to further their personal benefit is strictly prohibited.

Antitrust laws are designed to preserve and promote fair and honest competition. The greatest danger for violations of antitrust laws rests in contacts with competitors. Antitrust laws make illegal any agreement or understanding, expressed or implied, written or oral, that restricts competition or interferes with the ability of the free market system to function properly. Antitrust laws are vigorously enforced. Penalties for antitrust violations are severe and may include substantial fines against Life Care and against the participating individual, as well as imprisonment.

Life Care requires compliance with the antitrust laws. Consequently, no Associate, under any circumstances, should participate in any behavior that may be viewed as restricting competition. For example, you should not engage in discussions with competitors regarding the circumstances under which business will be conducted with suppliers or customers (including boycotts). Further, you should avoid discussions regarding the future business plans of Life Care or those of its competitors. Finally, you should not have any discussions regarding current prices or reimbursement levels.

Anyone who violates the law or knowingly permits a subordinate to do so is subject to disciplinary action. If you have questions or are uncertain about how antitrust laws may apply to certain activity, contact your supervisor, another member of management in your chain of command, or the Compliance Department.
Political Participation

Participation in the political process is one of every American’s most basic rights. Federal and state laws, however, limit the nature and extent of individual and organizational political participation.

Life Care encourages Associates to participate in the political process as they so desire. They may make personal political contributions, or communicate their personal beliefs to elected officials. However, federal law prohibits individuals from being reimbursed for personal political contributions. Personal compensation will not be altered in any way under any circumstances to reflect such contributions.

It is important, however, to distinguish between personal and organizational political activities. Life Care occasionally will speak out on issues of importance. Senior management is responsible for developing Life Care’s position on relevant legislative and regulatory issues. Unless you are specifically requested or authorized by Life Care to represent it before legislative or other governmental bodies, be sure you clearly label any personal communication with legislators as your own. If you are contacted by legislators or regulators regarding Life Care’s position on public issues, you should refer them to your supervisor.

Lobbying

Certain Life Care management personnel may periodically be called upon by the Company to make contact with members of city, county, state or federal legislative bodies and other officials to set forth and advocate for Life Care’s positions on issues. These persons are expected to abide by all applicable laws. To assure full compliance with these laws, Associates should never engage in lobbying without express authorization from the Chief Executive Officer.

Life Care also periodically engages lobbyists or lobbying firms to help promote its interests, and has established internal controls to assure that all activities are legal. Express authorization must be obtained from the Chief Executive Officer before engaging any lobbyist, outside legal counsel or
consultant to lobby for or otherwise promote Life Care’s interests on any legislative, regulatory or other governmental issue.

**Community Involvement**

Life Care strives to be a responsible citizen in the communities and areas in which it operates. In this effort, Life Care provides support to various educational, cultural, and civic endeavors. Such support may involve gifts of time, scholarships, sponsoring activities, and serving on community or university boards.

Life Care encourages Associates to become actively involved in their communities. You should use your good judgment to assure that your participation does not conflict with your responsibilities to Life Care.

**Information Owned by Others**

Like Life Care, other organizations have intellectual property to protect. If you receive another party’s confidential information, you must proceed with caution to prevent any accusations that Life Care misappropriated or misused the confidential information.
To avoid the risk of Life Care being accused of misappropriating or misusing someone’s confidential or restricted information, you should take certain steps before receiving such information. The receipt of confidential or restricted information (oral, written, or electronic), must not take place until the terms of its use have been formally agreed to by Life Care and the other party. That means a written agreement approved by the Legal Services Department must be fully executed (i.e., signed by the parties involved). Furthermore, unless otherwise delegated, establishing such an agreement for the receipt of confidential or restricted information of another party will require the prior written approval of an appropriate Life Care Officer. Once another party’s confidential or restricted information is properly in your hands, you must not use, copy, distribute or disclose that information unless you do so in accordance with the terms of the agreement.

Special care should be taken in acquiring software from others. As intellectual property, software is protected by copyright laws and may also be protected by patent or trade secret laws, or as confidential information. Such software includes computer programs, databases and related documentation owned by the party with whom you are dealing or by another party. Before you accept software or sign a license agreement, you must follow established Life Care procedures. The terms and conditions of such license agreements (e.g., provisions not to copy or distribute programs), must be followed. Also, if you acquire software for your personally-owned equipment, you should not copy any part of such software in any work you do for Life Care, place such software on any Life Care-owned computer system, or generally bring such software onto Life Care premises. In any case, do not take the status of information for granted. If you have information in your possession that you believe may be confidential to a third party or may have restrictions placed on its use, you should consult with your supervisor.

**Communication with the Media**

Associates should refer any and all requests for information from any news media representative to the President’s Office or Life Care’s Director of Public Relations.
Social Media

The Internet provides unique opportunities to participate in interactive discussions and share information using a variety of social media, such as email discussion groups, blogs or chat rooms, Facebook, Twitter, LinkedIn, Flickr, Digg, etc. ("social media"). Because information posted on social media sites is available to the public, Life Care has established a policy that sets forth guidelines for Associates’ participation in social media.

The policy is designed to protect Life Care and its Associates rather than to restrict protected speech and the flow of useful and appropriate information. It is not intended nor should it be interpreted to restrict or interfere with an Associate’s constitutional or statutory rights.

Associates may not access social media sites from Company-issued equipment or systems at any time unless the sites are being utilized in the performance of their job duties and have been approved by their supervisor. Associates should use good judgment and exercise personal responsibility to avoid postings that may adversely impact Life Care’s business and consult their supervisors if they are uncertain of the correct action. If Associates identify themselves as Life Care Associates or discuss matters related to Life Care or the healthcare industry on a social media site, they should include a clear disclaimer stating that the views and opinions are theirs alone and do not represent the official views of Life Care.

Associates should also bear in mind that disclosing confidential company information or posting resident images, personal medical information, or other resident information is strictly prohibited pursuant to Life Care policy.
A violation of Life Care’s social media policy may result in discipline, up to and including, termination.

**Records Maintenance, Retention, and Destruction**

It is the responsibility of every Life Care Associate to maintain accurate and complete records of all types, including patient records, work records, financial records, and all other corporate documents. Life Care is required by law to retain certain types of medical and business records, usually for a specified period of time. Failure to retain such documents for such minimum period could subject Life Care to penalties and fines, cause the loss of rights, obstruct justice, place Life Care in contempt of court, or put Life Care at a serious disadvantage in litigation. Accordingly, Life Care has established policies and procedures to ensure the accurate maintenance and retention of records. All company records should be retained and destroyed in accordance with the schedules outlined in relevant policies. Even if a document is retained for the minimum period, legal liability could still result if a document is destroyed before its scheduled destruction date.

Care also should be taken to appropriately destroy “incidental” information containing protected information that may be obtained in the everyday course of business. It is imperative that all confidential information is destroyed appropriately.

You are expected to comply with the records retention and destruction schedule for the department, division, region, or facility in which you work. In addition, you must also comply with all legal hold mandates you receive from Life Care’s Legal Services Department. If you believe that documents should be saved beyond the applicable retention period, consult your supervisor or Life Care’s Legal Services Department.
Life Care recognizes that its greatest strength lies in the talent and ability of its Associates. While specific human resources programs and policies may differ somewhat by department, division, region, or facility, these goals have been established to guide Life Care’s activities in employee relations. It is Life Care’s policy to:

• Provide equal opportunity for employment and advancement on the basis of ability and aptitude without regard to race, color, religion, age, gender, disability, veteran status, genetic information, or national origin;

• Protect the health and safety of Associates in their work environment; and

• Compensate Associates fairly according to their performance, and to provide equitable benefits within the framework of prevailing practices.

Life Care has prepared an extensive set of policies designed to implement the above-stated goals. It is your responsibility to ensure that you are familiar with and adhere to Life Care’s Human Resource policies.

Use of Alcohol and Drugs
Life Care is committed to:

• Providing a safe working environment to protect its Associates, our residents and others;

• Providing the highest level of service; and

• Minimizing the risk of accidents and injuries.

Accordingly, Associates and others acting on behalf of Life Care are expected to be free from the influence of alcohol and illegal drugs while on facility property or while otherwise performing job duties on behalf of Life Care. Included within this prohibition are lawful controlled substances that have been illegally or improperly obtained. All Associates are also prohibited from distributing, dispensing, or possessing alcohol at work or on duty. In addition, off-the-job manufacturing, distribution, dispensation, or possession of illegal or unauthorized substances is prohibited. Off-the-job use that results in impaired work performance, including but not limited to, absenteeism, tardiness, or poor job performance, is also prohibited.

Any Associate convicted of a drug violation must notify his or her supervisor immediately.
Workplace Violence

Life Care has a zero tolerance policy regarding physical violence or threats of violence. This includes abusive or aggressive behavior intended to threaten or intimidate another person. No firearms or weapons will be allowed upon Life Care property except for those carried by duly commissioned law enforcement officers. If you experience or observe threats or violence, you should immediately report the incident to your supervisor, another supervisor in your chain of command, or the Human Resources Department.

Diversity, Discrimination, and Harassment

Life Care respects the diversity of our Associates. Life Care does not tolerate unlawful discrimination or harassment by or against its Associates, residents, physicians, vendors, or others acting on its behalf. This includes any unwelcome comments or conduct based on race, ethnicity, gender, religion, national origin, color, religion, age, disability, citizenship status, or any other classification protected by law. Unlawful harassment may include, but is not limited to, slurs, epithets, verbal or non-verbal threats, written or electronic communications or derogatory comments. It also includes verbal or physical conduct of a sexual nature that creates an intimidating, hostile, or offensive working environment. If you experience or observe any discrimination or harassment, you should report your concerns to your supervisor, another supervisor in your chain of command, or the Human Resources Department.

Environment, Health, and Safety

In the course of Life Care’s operations, hazardous and infectious materials and wastes are often used or generated. Life Care is responsible for the proper handling and disposal of these materials.

It is essential for Associates and others acting on Life Care’s behalf who deal with these materials to comply with the applicable laws and regulations, as well as follow the safety procedures and protocols explained in Life Care’s programs and manuals. Associates are expected to ensure that Life Care:

- Complies with all laws governing the handling, storage and usage of hazardous materials, other pollutants and waste;
- Complies with its permits (as required) that allow it to safely discharge pollutants into the air, sewage systems, water pollution control facilities, or onto land;
- Hires only reputable, licensed services to transport and dispose of hazardous and/or pollutants and infectious wastes; and
- Accurately maintains all records including permits, approvals, records and controls in the manner required by environmental laws and regulations.

None of these records may be destroyed without the express permission of Life Care’s Legal Services Department. No one at Life Care may participate in concealing improper discharge or disposal of hazardous materials, pollutants, or infectious wastes. If you have reason to believe that there may have
been a violation of these mandates or any other aspects of Life Care’s environmental compliance procedures, you should promptly report your concern to the Legal Services Department.

**Immigration**

Federal law prohibits Life Care from hiring Associates who are not legally authorized to work in this country. Unless an Associate is a U.S. citizen, or has a “green card” or visa which authorizes him or her to work in the position in question, Life Care may be subject to civil or criminal penalties if he or she is placed on the payroll. All prospective Associates must present appropriate documentation of their citizenship or immigration status to the appropriate individual within Life Care’s facility or corporate structure. Questions on immigration issues should be referred to Life Care’s Human Resources Department.

**External Reporting**

In addition to Life Care’s internal reporting mechanisms, Associates and others who have concerns about the safety or quality of care provided may report these concerns to an appropriate federal or state agency. In these instances, the reporters must not be the subject of retaliation, retribution, or harassment by Life Care or any of its Associates.

**Elder Justice Act**

Pursuant to § 6703(b)(3) of the Elder Justice Act (EJA), an employee, owner, manager, agent, or contractor (“covered individual”) of a long-term care facility that receives at least $10,000 in federal funds annually, must report any reasonable suspicion of a crime committed against any individual who is a resident of, or is receiving care from, the facility. Each covered individual is required to report the suspected crime to one or more local law enforcement agencies and to the applicable state survey agency. The report must be made within 2 hours of forming a “reasonable suspicion” that a crime has occurred if there is a serious bodily injury, and within 24 hours of forming a reasonable suspicion that a crime has occurred if there is no serious bodily injury.

Life Care is committed to compliance with the EJA and has developed policies and procedures to comply with its requirements. All Associates working in any of Life Care’s long-term care facilities are notified of the EJA’s requirements as part of their new hire orientation and
annually thereafter, as well as Life Care’s policies to comply with the EJA, and their related rights and responsibilities. If you have any questions about the EJA and its requirements, you should consult with your supervisor, the Clinical Services Department, or the Compliance Department.