

August 5, 2014

COVENANT
HEALTH
SYSTEMS

Our name is our promise

Mr. Kenneth Albert, Director
Division of Licensing and Regulatory Services
Maine Department of Health & Human Services
11 State House Station
Augusta, ME 04333

Mr. Larry Carbonneau
Senior Healthcare Financial Analyst
Health Care Oversight
Division of Licensing and Regulatory Services
Maine Department of Health & Human Services
11 State House Station
Augusta, ME 04333

Dear Mr. Albert and Mr. Carbonneau,

I am writing pursuant to my conversation with Mr. Albert on Monday, August 5, 2014, regarding Covenant Health Systems' entering into a management agreement with St. Joseph Rehabilitation and Residence, a skilled nursing facility, located at 1133 Washington Street, Portland, ME 04103. Covenant has been asked by the Board of Directors and the Bishop of the Roman Catholic Diocese of Portland to replace the existing management company. Our plan was to assume management oversight mid-August, and the Board of Directors and Covenant have communicated that plan to the staff, resident and families.

At Mr. Albert's direction, I am therefore submitting Covenant Health Systems' management contract for your formal technical assistance review, and potential approval. We are most willing amend or edit this agreement to respond to any recommendations you may have. As you will note in this proposed agreement, Covenant will be working under the direction of the Board of Directors of the facility (which includes representatives of the Bishop of Portland) and have included regular reporting requirements by Covenant to the Board to ensure that they are fully informed and able to carry out their fiduciary and licensure responsibilities and oversight of this facility. Given this structure, we do not believe that this relationship amounts to a change of control of the facility.

Maine Department of Health & Human Services
August 5, 2014
Page 2

Mr. Albert has provided assurances of a timely review of this management agreement in order to assist Covenant and the Diocese in meeting the plan which has been outlined to the residents, families and staff regarding implementation. Please let us know if you have any additional questions or need a clarification. We appreciate your assistance and look forward to hearing from you regarding this matter and our proceeding with management services. Thank you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Susan McDonough".

Susan McDonough
Vice President, Strategy & System Development

cc: The Most Reverend Robert P. Deeley, JCD
David Twomey, Chief Financial Officer - Diocese of Portland
Daniel Barrett, Esq., Chairperson