AGREEMENT

TO

ADVANCE THE FUTURE OF NURSING HOME CARE IN CALIFORNIA

February 6, 2004

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AGREEMENT TO ADVANCE THE FUTURE OF NURSING HOME CARE IN CALIFORNIA

Overview:
California's nursing home employers and the Service Employees International Union share a common goal of maintaining and promoting the quality of nursing home care in California. We are committed to developing a stable and well-trained workforce, promoting the financial viability of employers, and building public respect for the profession. We seek to execute a joint action plan to address these broader issues that cannot be resolved at the bargaining table alone. We intend to develop a more productive working relationship focused on problem solving for mutual benefit rather than destructive conflict.

NOW THEREFORE, for good and valuable consideration, the parties hereby agree as follows:

Parties:
Locals 250, 434B and 2028 of the Service Employees International Union (herein called the "union" or "SEIU") and each individual employer listed in Appendix A (herein called the "employer" or "employers") enter into this Agreement as of the 6th day of February, 2004 (the "Effective Date"). Although California Association of Health Facilities (herein called "CAHF") is not a party to this Agreement and has no authority to bind the employers, it may act as the employers' designated agent for legislative activities at the employers' sole discretion. An individual employer who legitimately either withdraws from the Alliance or is terminated shall no longer be a party to the Agreement.

Purpose:
This Agreement shall define the working relationship between the union and the employers to enhance the quality of care delivered in California nursing homes. It shall promote the involvement of employers' nursing home workers in lobbying, coalition building, and community education. It shall undertake major public relations efforts to build support for its goals, increase respect for employers and employees, and publicize inadequacies in the current reimbursement and civil liability systems.

Phases and Benchmarks:
The parties agree to measure this joint ventures' value solely by the completion of objective benchmarks that define success in three phases. The parties agree that failure to complete every benchmark in a Phase constitutes a total failure of that Phase and therefore parties will not move to the subsequent Phase and this Agreement shall terminate.

Phase I:
Phase I commenced immediately upon execution of the December 9, 2002 version of this Agreement. In Phase I, parties designed: (a) a new Medi-Cal reimbursement system, (b) a template facility collective bargaining agreement, (c) a template employer neutrality agreement, and (d) tort reform strategies that make more Medi-Cal funds available for quality care by minimizing employers' civil liability costs. Concurrently, parties built a coalition of sufficient

scale to enable satisfactory performance of all Phase I, II and III benchmarks. To that end, during Phase I the parties:

- Met as necessary to jointly design a new Medi-Cal reimbursement system, template facility collective bargaining agreement, template employer neutrality agreement and tort reform strategy;
- Shared information as necessary to facilitate the design process;
- Built upon the latest drafts of existing proposals attached to the December 9, 2002 version of this Agreement; and
- Secured commitment to Phase I, II and III benchmarks from sufficient employer organizations to enable satisfaction of all expected performance in Phase II and Phase III.

The term "unanimous agreement" used in Phase I Benchmarks meant the agreement by SEIU and every individual employer who was both a party to the December 9, 2002 version of this Agreement and chose to remain a member when the Agreement moved to Phase II. Individual employers who do not agree with the final versions of Medi-Cal reimbursement reform, template facility collective bargaining agreement, template employer neutrality agreement and tort reform strategy voluntarily withdrew from the December 9, 2002 version of this Agreement within ten (10) days after written notification of the formation of the Labor Management Committee on April 28, 2003. Similarly, it was anticipated that individual employers who were not initially listed as Parties to the Alliance in Appendix A of the December 9, 2002 version of this Agreement would join as parties prior to formation of the LMC.

Phase I Benchmarks:

1. The parties' unanimous agreement of a new Medi-Cal reimbursement system for nursing home care and preparation of draft legislation and supportive documents. The parties may seek to accelerate adoption of the new reimbursement system through creation of a new Phase II benchmark centered on use of provider funding (i.e., bed tax) to achieve compatible interim relief for the 2003-2004-rate year. Proportional consideration for such an accelerated interim benchmark would come from the one hundred (100) nursing homes in Phase III. The parties understand that to the extent they create such a new benchmark to accelerate Medi-Cal reimbursement reform, it will need to be adopted as an amendment to the Agreement.
2. The parties' unanimous agreement of a template facility collective bargaining agreement and employer neutrality agreement for use in Phase II and Phase III that are similar to those attached in Appendix D and Appendix E. The template facility collective bargaining agreement benchmark may be achieved though either: (1) unanimous adoption of one template agreement for all of California; (2) unanimous adoption of one template agreement for the Bay Area Counties (hereinafter "BAC") and a different template agreement for all other California counties; or (3) unanimous adoption of a template agreement for all of California except the BAC and a commitment by individual employers and SEIU to continue seeking agreement during Phase II to adopt as necessary employer-specific agreements in their facilities located in the BAC. The template facility collective bargaining agreement shall not determine composition of the bargaining unit, as that will be negotiated individually between SEIU and each employer. The template facility collective bargaining agreement and all new employer facility-specific agreements negotiated pursuant to this Agreement shall contain a no strike clause that

shall be effective during the term of the agreement(s). To the extent an individual employer agrees to binding interest arbitration, that employer's facility-specific agreement(s) (negotiated pursuant to this Agreement) shall prohibit workers from engaging in a work stoppage over labor contract disputes upon expiration of such facility-specific agreements. For purposes of this Benchmark, the Bay Area Counties (or BAC) are defined as the county of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Sonoma and Soldano.

3. The parties' unanimous agreement to advocate for increased staffing levels or staffing ratios conditioned on the following four factors that have been specifically defined to every party's satisfaction: (1) the State Budget providing reimbursement to adequately fund the change in staffing requirements; (2) an objective government agency's labor market analysis verifying that there is an adequate number of qualified workers available to meet the new staffing requirement; (3) the State Budget adequately funding sufficient caregiver training programs to create the needed workers; and (4) any change in staffing requirements is phased-in over time and allows reasonable flexibility for employer's good faith efforts to comply with the new mandate.
4. The parties' unanimous agreement on tort reform strategies. The parties will seek consumer support for tort reform strategies throughout the life of the Agreement.
5. The parties' unanimous agreement that an employer coalition has been formed of sufficient scale to enable satisfactory performance of all Phase II and III benchmarks.

Phase II:
Under the December 9, 2002 version of this Agreement, Phase II commenced on April 8, 2002 upon completion of all Phase I Benchmarks to the satisfaction of all parties. Phase II shall end on December 31, 2006 if it has not already ended per the commencement of Phase III, unless the parties extend it by written mutual agreement.

At the start of Phase II, the parties formed a Labor Management Committee (herein called "LMC") pursuant to Section 6(b) of the Labor Management Cooperation Act of 1978 (Pub. Law No. 95-524) (Appendix B hereto sets forth the terms of the LMC Bylaws as of November 2003.).

The primary objectives of the LMC shall be to:

- Focus legislative, community, employee, consumer and public attention on enactment of mutually agreed upon changes in the Medi-Cal reimbursement program that improve quality through substantially increased nursing home funding.
- Ensure that any regulations adopted to increase staffing levels and/or establish staff-to-patient ratios for direct caregivers and licensed nurses also provide for sufficient new funding to train and pay for such staff and implementation conditioned upon both an objectively verified adequate labor supply and an enforcement program limited to verifying good faith compliance activities within an employer's control.
- Support new regulatory strategies that can be expected to effectively improve the quality of long term care services provided in California's nursing homes.
- Oppose any long-term care specific staffing and reimbursement legislation or regulation that fails to meet mutually agreed objectives.

- Support effective execution of the tort reform strategies jointly-agreed in Phase I, or mutually agreed during Phase II.
- Develop mutually agreed caregiver training proposals and advocate for implementation resources.
- Work jointly in the State to improve the operating environment for the long-term care profession for the mutual benefit of nursing home residents, labor and, management and coordinate the parties' ongoing lobbying work to more fully express and implement the campaign supporting the LMC's work.
- Explore and develop different approaches to resolve areas of mutual concern and to implement strategic campaigns to address issues in California that create an unfavorable operating environment for the nursing home profession, to the extent permitted by law.
- Determine whether Benchmarks in this Agreement have been satisfactorily met.

Phase II Benchmarks:

1. Collective bargaining relationships established between SEIU and one of each LMC-Employer's California nursing homes that are rooted in mutual recognition of their shared goals and that number in total either the greater of the sum of all LMC-employers on the Board of Trustees or twenty (20).
2. Enactment of mutually-agreed upon changes in the Medi-Cal reimbursement program that substantially increase funding and have an outcome effect of treating the nursing home profession as a quasi-public utility with a guaranteed mutually agreed rate of return. In order for this benchmark to be completed, nursing operators must actually be receiving the substantially increased funding, although it may not at that time be completely realized at the envisioned level of $1.2 billion (see *Note 1* below). A compromise version of rate reform agreed upon in Phase I shall meet this Benchmark only if it receives a binding vote of support from the LMC, which will require a vote of ¾'s of the LMC's employers and from SEIU, or if the LMC Board authorizes a subcommittee to conduct negotiations in the legislative process, that subcommittee shall be given the authority to bind the LMC in this matter.

   Note 1: Parties to the Statewide Agreement understand that creating a consistent and dependable funding stream to fully realize the desired outcome of full satisfaction of Phase II Benchmark 2 (ie. Medi-Cal Reform with $1.2 billion in new revenues for SNF rate increases) will take many years. Full satisfaction of Benchmark 2 will therefore be determined by the LMC Board in recognition that adding $300 million from a provider tax does not constitute a "change in the Medi-Cal reimbursement program that substantially increase funding." At the same time, the LMC Board recognizes that legislative outcomes that can only lead toward fully realizing the $1.2 billion additional funding over a period of five years will satisfy the benchmark.

3. Ensured that all regulations adopted to increase staffing levels or mandate staffing ratios met all conditions specifically defined at the end of Phase I in Benchmark Three (3) as determined by a vote of ¾'s of the LMC's employers.
4. . The legislative enactment of mutually-agreed upon package of tort and regulatory reforms consistent with the ongoing satisfaction of benchmarks 3 and 5. In order for this benchmark to be completed, this change must be set forth in statute and signed into law

by the Governor. The tort and regulatory reform agreed upon shall meet this Benchmark only if it receives a binding vote of support from the LMC, which will require a vote of ¾'s of the LMC's employers and from SEIU, or if the LMC Board authorizes a subcommittee to conduct negotiations in the legislative process, that subcommittee shall be given the authority to bind the LMC in this matter.

5. The LMC and SEIU supported only long term care regulatory strategies that all parties agreed were expected to effectively improve the quality of long-term care services provided in California's nursing homes.
6. Establishment of a mutually agreed Taft-Hartley(s) and/or QCHF caregiver-training program that maximizes use of state and/or federal funding to materially increase the pool of employees qualified to work in long term care facilities.
7. The LMC mobilized workers at employer's non-organized nursing homes to participate in effective grassroots lobbying efforts without such workers and/or SEIU requesting union representation at any nursing home other than: (a) the initial ones organized under the limited neutrality agreement at the onset of Phase II; or (b) that an employer solely agreed were organized due to circumstances beyond the control/influence of the union. The parties understand that every one of employer's non-union nursing homes that are organized by SEIU during the life of this Agreement shall be counted for purposes of satisfaction of employer performance under this Agreement, regardless of how the nursing home came to be organized.
8. The parties may seek to achieve desirable interim relief for the 2004-2005-rate year. Proportional consideration for such an accelerated interim benchmark would come from the one hundred (100) nursing homes in Phase III per the conditions set in Benchmark 11.B.
9. The parties agree to undertake a legislative support campaign for tort reform, budget issues and rate reform. In addition to the proactive grassroots mobilization and political/legislative work around rate reform, provider tax and tort, there could be a defensive effort that might stretch from January through late summer. Similar to last year's campaign, we will engage in the following: develop allies support through mobilization both in the districts and the Capitol; district based lobbying and mobilization activities, including rallies, press conferences, other earned media, release of white papers, phone banking out of the homes, letter writing; family member and resident involvement; and Sacramento activities including lobbying, press conferences, rallies.
10. The parties agree to build upon the work undertaken in developing a model agreement and seek to develop a single statewide master contract to cover all facilities and all companies. Such an agreement will recognize the unique market and operational positions of individual firms, the distinct standards gained within various markets, while striving to achieve statewide equity within a framework of flexibility and efficiency. A workgroup will commence discussions prior to March 9,2004. The parties' inability to completely satisfy this benchmark will not prevent the commencement of Phase III.
11. Collective bargaining relationships established between SEIU and LMC-Employer's California nursing homes that are rooted in mutual recognition of their shared goals according to the following schedule that constitutes an opportunity for SEIU to accelerate the sequencing of Phase III's 100 SNF total while working toward satisfaction of all Phase II benchmarks. Such accelerated sequencing will occur per the schedule below immediately following the LMC Board's binding vote that determines all performance

criteria has been satisfied, including ongoing partial satisfaction of all other Phase II benchmarks.

A. Achievement of Benchmark 4 - 30 (thirty) facilities.
B. Achievement of Benchmark 8 – from 10 (ten) to 20 (twenty) facilities in total as follows: (1) 10 (ten) facilities for the 2004-2005 SNF Medi-Cal rate not being reduced from where it is presently frozen; and (2) 5 (five) facilities for increasing the frozen 2004-2005 SNF Medi-Cal rate by a statewide average of at least 3%. Timing of facility neutrality will begin immediately after the provider actually receives the foregoing benefit(s) (i.e. Legislative enactment of a final 2004-2005 budget that does not reduce SNF Medi-Cal rates; when the SNF provider actually receives the higher rate from Medi-Cal). (3) 5 (five) facilities for California's government officially submitting a provider tax funding plan to CMS that was approved in final form by a binding vote of the LMC Board. The plan must at least achieve the result of the net proceeds from the provider tax funding a substantial increase in the Medi-Cal rate (i.e., at least 7%) that first fully compensates all provider overhead costs allowed by Medi-Cal before being allocated to wage, benefit and/or staffing increases.
C. Achievement of Benchmark 2 to the extent of CMS's official notice to California of approval of the State Plan Amendment enacting the mutually-agreed upon changes in the Medi-Cal reimbursement program - 10 (ten) facilities.

Phase III:

Phase III shall commence immediately following the LMC's Board's determination per this Agreement that all Phase II Benchmarks have been satisfactorily completed. During Phase III the LMCs' work may expand to focus on objectives that may not require specific legislative action, such as, employee vocational training, employee safety training, and Taft-Hartley programs that improve recruitment and retention of employers' employees.

During Phase III, it is anticipated that collective bargaining relationships will be established between SEIU and the employers. The parties shall root any such relationship in mutual recognition of shared goals. During this phase, upon request of the union, representation elections or mutually agreed card checks will be scheduled at individual employer facilities. Elections or mutually agreed card checks will be conducted amongst the facilities of all employers over the twelve (12) months following the commencement of Phase III and shall number in total no more than the greater of either: (a) fifty (50) percent of the total Phase III nursing homes remaining (i.e., 100 total minus the number accelerated per Phase II benchmark 11); (b) 21% of the participating employer's non-union facilities if none were accelerated per Benchmark 11; or (c) or 9% of the participating employer's non-union facilities if any were accelerated per Benchmark 11. Elections or mutually agreed card checks will also be conducted amongst the facilities of all employers in the remaining twelve (12) months of Phase III and shall number in total no more than the greater of either: (a) all nursing homes remaining from the Phase III total of 100; (b) 27% of the participating employer's non-union facilities if none were accelerated per Phase II Benchmark 11; or (c) 13% of the participating employer's non-union facilities if any were accelerated per Phase 2 Benchmark 11

THE REMAINDER OF THIS DOCUMENT APPLIES TO ALL THREE PHASES OF THIS AGREEMENT.

Voluntary Termination:
Any Employer may withdraw from the Alliance and terminate this Agreement at anytime for any reason; provided, however, such withdrawal and termination shall both require the approval of a majority of the employer representatives on the Board of Directors of the Labor Management Committee and leave the remaining employers with the ability to fully satisfy all obligations under this Agreement.

Prohibition on Organizational Activity During the Life of this Agreement:
The prohibition on organizational activity described below shall apply to all California skilled nursing facilities owned or operated by all a signatory company and/or member of the LMCs' Board of Directors.

Since substantial dedication of time and resources shall be necessary to effectively mobilize the LMCs' grassroots political activity, the parties agree to focus their collective energies on those efforts rather than the promotion and opposition to SEIU-sponsored organizational campaigns. Therefore, during all three Phases of this Agreement, the union will not seek to organize for collective bargaining, nor demand recognition, nor file a petition to become the collective bargaining agent for employees in the employers' facilities except as specifically allowed during Phase II and Phase III. In the event an individual or organization claiming to be affiliated with the SEIU files a petition, the union will immediately disclaim interest. Except as specifically provided herein, no collective bargaining will take place during: (a) Phase I of this partnership; (b) Phase II, in the event Phase I Benchmarks are met; or (c) Phase III in the event Phase II Benchmarks are met. However, if another union seeks to organize employers' facility, SEIU will be released from these organizational commitments with regard to that particular facility; provided, however, that the union pursues all internal administrative remedies available to it under the constitution and bylaws of the ALF-CIO. All facilities organized under the foregoing exception to the prohibition on organizational activity will be counted in the total number(s) of facilities organized as specifically allowed in Phase II and Phase III.

Cap on Organization of Facilities of Any One Employer:
Following each employers' initial consideration of neutrality in one California nursing home, throughout and including all phases of this Agreement, no more than 30% of any individual employer's nonunion facilities in the State may be organized by the Union unless necessary to meet the employer performance guarantees in Phase II and III.

Prohibition on Organization Activity Following Life of This Agreement:
For a period of twelve (12) months following the life of this Agreement, the union shall not seek to organize for collective bargaining nor demand recognition nor file a petition to become the collective bargaining agent at any California skilled nursing facility owned or operated by a signatory company and/or the last official list of the LMCs' Board of Directors.

Negative Rhetoric:

To create an environment for this joint venture to thrive and succeed, the parties recognize the need to present a united voice on common goals and eliminate divisive rhetoric between them on those goals. While the parties may continue to have honest disagreements over certain public policy goals, they agree that their public and private dialog shall focus on constructive resolution of substantive disagreements relating to those shared goals.

Accordingly, during the life of this Agreement, the parties shall not engage in personal attacks or derogatory comments concerning the mission, motivation, leadership, character, or representatives of their respective organizations. The employer shall not express opinions about the merits of unionization, and the union shall not express opinions about the employer's operation of its facilities.

Similarly, neither the employers nor the union shall involve external organizations (i.e., media, legislators, regulators, healthcare providers) in any effort to damage the reputation or credibility of the other party, nor will the union attempt to leverage employer acquiescence through voluntary adverse reporting to any regulatory or other oversight agency having jurisdiction over operations; provided, however, that this provision shall not apply to any employee mandatory reporting of suspected abuse or neglect which shall continue to be reported consistent with the requirements of California and/or federal law. Before filing a complaint with an outside agency against the other or otherwise transmitting any complaint, petition or request to any outside person(s), agencies, organization, or authorities seeking action or relief of any kind against the other, the employer or union will raise the specific concern with the other in a sincere attempt to resolve the matter without the need to resort to outside agencies. This commitment shall not prohibit union members from complying with all mandatory reporting laws applicable to their professional license status or status as a nursing home employee.

MEDIATION AND ARBITRATION

Problem Solving Task Force. Each party shall designate a representative to a problem solving task force (the "Task Force"). The Task Force shall regularly communicate by phone conference and/or in person regarding any significant problem that arises over compliance with either the letter or the spirit of this Agreement, or that may otherwise jeopardize and/or undermine the purpose of this Agreement.

Mediation: If the foregoing Problem Solving Task Force is unable to resolve any problem under this Agreement to the satisfaction of all parties concerned within thirty (30) days after the problem is first identified for Task Force resolution, the parties agree to engage in a process of mediation and then arbitration, if necessary, to resolve the problem(s). As soon as possible after the effective date of this Agreement, the parties shall select a person acceptable to all to serve as a permanent mediator to help resolve any outstanding problems. The mediator shall have a period of thirty (30) days from the date on which a matter is referred in writing to the mediator to facilitate a meaningful dialogue that resolves the problem(s). All costs of the mediation shall be split equally between the union and the specific employer(s) involved in the dispute.

Arbitration: If the foregoing Mediation process fails to resolve the problem to the satisfaction of all parties, the parties agree to then engage in a process of binding arbitration. The Union shall select one qualified arbitrator to participate on a three-person arbitration panel. The employer(s)

involved in the problem shall select a second qualified arbitrator for the panel. The two selected arbitrators shall then select a third arbitrator and the panel of three arbitrators will then work together to decide the matter within thirty (30) days of the selection of the third arbitrator. The arbitration shall be conducted in accordance with the expedited dispute resolution rules of the American Arbitration Association and the three-person arbitration panel shall be authorized, by a majority vote, to render a final and binding decision, including authorization to fashion an appropriate remedy. All costs of the arbitration shall be split equally between the union and the employer(s) involved in the dispute.

Collective Bargaining:

The parties acknowledge that their current collective bargaining process and agreements may not be the most effective manner and model to serve the interests of workers, patients and employers. During the Term of this Agreement, the Union and the employers will continue to undertake concurrent discussions on reinventing collective bargaining in the long term care profession. Upon execution of this Agreement, representatives of the Union and each employer shall designate representatives to continue ongoing discussions of an alternative collective bargaining model for consideration at bargaining unit locations that is consistent with the collaborative spirit and ease of labor contract administration of this approach. The parties acknowledge that the interests of California's nursing home patients are served best when each seeks a contract that minimizes potential disruption of facility operation for any reason. While the parties hope they can reach agreement, participation in this process shall not commit any party to any outcome or serve as a substitute for collective bargaining obligations under the NLRA.

During Phase II and Phase III, it is anticipated that collective bargaining relationships will be established between the union and one or more employers. The parties shall root any such relationship in mutual recognition of shared goals. The parties shall not establish a collective bargaining relationship at an employer facility that would permit workers to stop work over labor contract disputes since this would directly conflict with the healthcare needs and best interests of the functionally-dependent patients. Further, the parties' shall not establish a collective bargaining relationship that would create an economic disadvantage to an employer by requiring increases in worker pay or benefits that both were not adequately reimbursed by Medi-Cal and prevented employer's reasonable economic return on operations. If an employer agrees to binding interest arbitration, the union and that employer shall establish a collective bargaining relationship that prohibits workers from engaging in a work stoppage over labor contract disputes at any time.

During Phase II and Phase III, upon request of the union, it is anticipated that representation elections or mutually agreed card checks will be scheduled at individual facilities. The parties agree that for the life of this Agreement, employers' personnel who fall within the NLRB's definition of "supervisor" shall not be included in any bargaining unit recognized pursuant to this Agreement. The decision to include or exclude non-supervisory personnel in any bargaining unit recognized pursuant to this Agreement shall be determined through negotiations with individual employers at the individual facilities. Representation elections or mutually agreed card checks will be scheduled within sixty (60) days of the union's request and final representation election or card check rules shall be agreed upon consistent with the provisions of this Agreement prior to

conclusion of Phase I and then again at the conclusion of Phase II. The American Arbitration Association (or another mutually-agreed upon, neutral third party) will conduct all representation elections or mutually agreed card checks under this Agreement. Parties will first attempt to resolve all disputes under the arbitration process outlined in this Agreement.

In requesting representation elections or mutually agreed card checks, the union will not prioritize the facilities owned by any employer over facilities owned by other employers. While the parties recognize that employees at certain facilities may be more interested in unionizing than employees at other facilities, the union will not target one employer over the others in requesting elections. Parties will first consider desired strengthening of political alliances within the context of the LMC when identifying potential employer facilities for representation elections or mutually agreed card checks. Each Employer shall then make the final decision on which of their California skilled nursing facilities is selected for a representation election or mutually agreed card check in satisfaction of applicable Benchmark performance. If the employees in a facility reject unionization then the employer shall select additional facilities until their commitment is met.

Employer's facilities that will be deemed eligible for selection for all representation elections or mutually agreed card checks in satisfaction of these terms shall be selected equally among all employer facilities based on an equal percent of their facilities without existing collective bargaining agreements. Except for the initial contribution of neutrality in one nonunion nursing home required for participation in this Agreement, all employers operating only one or fewer facilities without existing collective bargaining agreements, shall enter a lottery each time facilities are selected for satisfaction of election performance and a proportional percentage (%) of such facilities shall be selected toward the total regardless of the provision in this Agreement concerning a 30% cap. All employers without any facility lacking an existing collective bargaining agreement shall make other in-kind contributions to the LMC as required by the Board of Trustees.

Bargaining for an initial agreement that will cover all facilities at which the union is recognized in accordance with this Agreement will be conducted on a single employer basis. The provisions of the template facility collective bargaining agreement adopted at the conclusion of Phase I shall be common to all agreements, to the extent desired by each employer. If complete agreement for the first contract of a newly organized facility is not reached within 150 days of the first bargaining session, unresolved issues will be submitted to binding arbitration, which will be conducted on an employer-by-employer, issue-by-issue, last-best-offer basis. In evaluating economic proposals, the arbitrator shall consider all the factors normally considered in such interest arbitration cases; provided, that to the extent the employer's financial circumstances are considered, the arbitrator shall limit his/her consideration to the financial circumstances of the specific facility involved in the arbitration. Employers will not be required to provide their financial records to the union, the LMC Directors, the Executive Committee, or arbitrators. The foregoing requirement for interest arbitration of unresolved disputes concerning the first contract at employer facilities newly organized in satisfaction of this Agreement is limited to the first contract only and whether interest arbitration is included in actual facility-specific contract language shall be to the extent desired by each employer.

GENERAL PROVISIONS

Governing Law. This Agreement shall be governed by and construed under the laws of the State of California as applicable to contracts between residents of that State, which are to be wholly performed within that State. The union and employers shall comply in all respects with all applicable laws, including without limitation the National Labor Relations Act, the Labor Management Cooperation Act of 1978 and State law.

Enforceability; Severability. This Agreement shall not impose on the Union or any employer (or their respective affiliates) any obligation in violation of any federal or State laws or regulations. The parties agree to re-negotiate in good faith to amend any part of the Agreement to conform to the law if such part is determined by a court of competent jurisdiction, a federal, state, or local government agency or instrumentality, or by legal counsel of any party that any part of this Agreement is in violation of applicable law, or that any statutory or regulatory amendments or judicial or administrative interpretations render any part of this Agreement in violation of applicable law. Should any provision of this Agreement be deemed void, invalid, unenforceable, or illegal by a court or any other means, the validity and enforceability of any other provision of this Agreement shall not be affected.

Construction of Agreement. This Agreement shall not be construed against the party preparing it but shall be construed as if both parties jointly prepared it. Any uncertainty or ambiguity shall not be interpreted against any one party. All appendixes attached hereto or referred to herein are incorporated into this Agreement and made a part hereof by this reference.

Confidentiality. The parties shall not release this Agreement to the media. This Agreement shall be held in confidence to the full extent allowed by law. Moreover, the parties agree that all information obtained in the course of working together under this Alliance shall be subject to the confidentiality and disclosure provisions of both federal and state law and all applicable regulations. Except as necessary to perform obligations hereunder, parties shall maintain in the strictest confidence and not disclose or reveal to any third persons any financial, statistical, personal, or organizational information obtained from each other. Parties shall not be required to keep any data confidential which is publicly available.

Duplicate Originals. This Agreement may be executed in any number of duplicate counterpart originals, each of which will be deemed an original and all of which, taken together, shall constitute one and the same instrument.

Application of Agreement. All of the provisions contained in this Agreement apply only to the employers' California skilled nursing facilities as well as employers' employees at these specific facilities. These provisions do not apply in any manner to any of employers' or their affiliates business operations not specifically mentioned above. Accordingly, this Agreement shall have no application to any of the employers' operations outside the State of California.

Effect of Agreement. This Agreement embodies the entire agreement among the parties with respect to the subject matter hereof and supercedes all prior and contemporaneous negotiations, understandings, and agreements, both oral and written.

Amendment. This Agreement may be modified or amended only by written consent of all parties.

Waiver. No waiver of any term, covenant, or condition of this Agreement shall be effective unless set forth in writing and signed by the party against whom enforcement of the waiver is sought. The waiver by any party of any term, covenant, or condition of this Agreement shall not be deemed to be a waiver of any other term, covenant, or condition of this Agreement or to be a continuing waiver of a waiver as to future events. Failure of any party to enforce any provision of this Agreement shall not constitute or be construed as a waiver of such provision or of the right to enforce such provision.

Assignment. Neither this Agreement nor any rights created in either party hereunder may be assigned or otherwise transferred without the written consent of all parties nor shall any party subcontract with or otherwise seek to delegate any obligations under this Agreement without the other parties' unanimous written consent. Any attempt at such assignment or delegation without such consent shall be null, void and of no force or effect *ab initio*.

Cooperation; Time of the Essence. All parties shall execute and deliver all documents, papers, and instruments necessary to conveniently carry out the terms of this Agreement. The parties acknowledge that time is of the essence in the performance of any obligation under this Agreement.

Notices. All notices or other communications required and given in connection with this Agreement shall be given in writing and deposited in the United States mail, registered or certified, postage prepaid, with a return receipt requested, addressed to the party to whom it is given at the addresses set forth in Appendix "A" attached hereto and shall be deemed effective only when documented as received by the party to be notified or when delivery is refused or declined by that party.

Continuing Obligations. Any obligations arising from this Agreement shall be governed by the terms set forth herein until satisfied.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date first written above.

SEIU International	SEIU Local 250
By: _____	By: _____
It'sAuthorized Representative	It's Authorized Representative

SEIU Local 434B

By: _____
It's Authorized Representative

Beverly Enterprises California, Inc.

By: _____
It's Authorized Representative

Compass Health, Inc

By: _____
It's Authorized Representative

Covenant Care

By: _____
It's Authorized Representative

Golden State Healthcare

By: _____
It's Authorized Representative

Foresight Management

By: _____
It's Authorized Representative

Longwood

By: _____
It's Authorized Representative

Meritcare, Inc

By: _____
It's Authorized Representative

Pleasantcare

By: _____
It's Authorized Representative

SEIU Local 2028

By: _____
It's Authorized Representative

Chase Group, LLC

By: _____
It's Authorized Representative

Country Villa Health Services

By: _____
It's Authorized Representative

Evergreen Healthcare, LLC

By: _____
It's Authorized Representative

Horizon West Inc.

By: _____
It's Authorized Representative

Kindred Nursing Centers West, LLC

By: _____
It's Authorized Representative

GranCare, LLC

By: _____
It's Authorized Representative

Ocadian Hospitals & Health Centers

By: _____
It's Authorized Representative

Skilled Healthcare Group

By: _____
It's Authorized Representative

SunBridge Healthcare Corp	Sun Mar Healthcare
By: _____	By: _____
It's Authorized Representative	It's Authorized Representative

APPENDIX "A"

Signatory List and Official Mailing Address

SEIU	MAILING ADDRESS
International	1313 L Street, NW Washington, DC 20005 Attention: Andrew Stern
Local 2028	4004 Kearny Mesa Road San Diego, CA 92111 Attn: Mary Grillo
Local 250	560 20th Street Oakland, CA 94612 Attn: Sal Rosselli
Local 434B	2515 Beverly Blvd. Los Angeles, CA 90057 Attn: Tyrone Freeman
EMPLOYER	MAILING ADDRESS
Beverly Enterprises California Inc.	2984 North Maroa Fresno, CA 93704 Attn: Julianne Vink
Compass Health, Inc.	200 So. 13th St, Suite 205 Grover Beach, CA 93433 Attn: Mark Woolpert
Country Villa Health Services	4551 Glencoe Avenue, Floor 3 Marina del Rey, CA 90292 Attn: Karen Siteman
Covenant Care	27071 Aliso Creek Road, Suite 100 Aliso Viejo, CA 92656 Attn: Robert Levin
Evergreen Healthcare LLC	4601 NE 77th Avenue, Suite 300 Vancouver, WA 98662 Attn: Mark Rubenstein
Golden State Healthcare	13347 Ventura Boulevard Sherman Oaks, CA 9142 Attn: David Schacter
Horizon West Inc.	4020 Sierra College Blvd., Suite 190 Rocklin, CA 95677 Attn: Brad Wilcox
Independent Quality Care (Foresight Management)	3 Crow Canyon Court San Ramon, CA 94583 Attn: Dan Alger
Kindred Healthcare, Inc.	1359 Pine Street San Francisco, CA 94114 Attn: Paul Tunnell
Longwood	4032 Wilshire Boulevard, Suite 600

	Los Angeles, CA 90010 Attn: Randy Adler
GranCare, LLC A wholly-owned Subsidiary of Mariner Health Care, Inc.	1939 Tulip Tree Lane La Canada, CA 91011 Attn: Todd Andrews
Meritcare Inc.	1005 Elmhurst Road Pittsburgh, PA 15215 Attn: James Wilkinson
Ocadian Hospitals & Care Centers	5725 Paradise Drive, Suite 900 Corte Madera, CA 94925 Attn: Robert Peirce
Pleasantcare	2258 Foothill Boulevard La Canada, CA 91011 Attn: Manny Bernabe
Sun Mar Healthcare	3050 Saturn Street, Suite 201 Brea, CA 92821 Attn: Irv Bauman
SunBridge Healthcare Corporation, a New Mexico corporation	18831 Von Karman Avenue Irvine, CA 92615 Attention: Rick Matros
The Chase Group	3075 E. Thousand Oaks Blvd. Thousand Oaks, CA 91362 Attn: Phil Chase
Skilled Healthcare, LLC	27442 Portola Parkway, Suite 200 Foothill Ranch, CA 92610 Attn: Jose Lynch

APPENDIX "B"

BYLAWS OF

CALIFORNIA ALLIANCE TO ADVANCE NURSING HOME CARE, INC.
a California Nonprofit Mutual Benefit Corporation

(last revised November 1, 2003)

ARTICLE I
NAME

The name of this corporation is

CALIFORNIA ALLIANCE TO ADVANCE NURSING HOME CARE, INC.

ARTICLE II
OFFICES

Section 1. PRINCIPAL OFFICE

The principal office for the transaction of the activities and affairs of the corporation ("principal office") is located at 2515 Beverly Boulevard in the City of Los Angeles, County of Los Angeles, California, subject to change by the Board of Directors. The Board of Directors ("the Board") may change the principal office from one location to another. Any change of location of the principal office shall be noted by the Secretary on these Bylaws opposite this section, or this section may be amended to state the new location.

Section 2. OTHER OFFICES

The Board may at any time establish branch or subordinate offices at any place or places where the corporation is qualified to conduct its activities.

ARTICLE III
PURPOSES AND LIMITATIONS

Section 1. PURPOSES; COMMITMENTS

1.1 This corporation is a nonprofit mutual benefit corporation organized under the California Nonprofit Mutual Benefit Corporation Law. The corporation has been formed pursuant to that certain Agreement to Advance the Future of Nursing Home Care in California dated December 9, 2002 (the "Alliance Agreement") among Locals 250, 434B, and 2928 of the Service Employees International Union (the "Union") and the individual employers listed on Appendix A thereto (the "Employers"). The specific purpose of the corporation is to form an alliance between the Union and the individual employers listed on Exhibit 1 hereto

("Employers", provided that, as used herein, "Employers" shall include any individual employers admitted as, and exclude any individual employers who cease to be, Members of the corporation after the date of adoption of these Bylaws, and Exhibit I automatically shall be deemed amended to such effect) as a labor-management committee limited to the State of California (the "State") established pursuant to Section 6(b) of the Labor Management Cooperation Act of 1978 (Pub. Law No. 95-524), including without limitation 29 U.S.C. §§ 173, 175a and186(c)(9) (collectively, the "1978 Act"), with the following general purposes and objectives:

(a) To improve communication between representatives of labor and management;

(b) to provide workers and employers with opportunities to study and explore new and innovative joint approaches to achieving organizational effectiveness;

(c) to assist workers and employers in resolving issues of mutual concern not susceptible to resolution within the collective bargaining process;

(d) to study and explore ways of eliminating potential problems which reduce competitiveness and inhibit the economic development of the industry;

(e) to enhance the involvement of workers in making decisions that affect their working lives;

(f) to expand and improve working relationships between workers and mangers;

(g) to obtain Federal and other assistance to the parties as warranted; and

(h) to operate the parties programs in furtherance of the purposes set forth above.

1.2 The objective of the corporation is to improve the quality of care received by functionally dependent Californians residing in skilled nursing facilities. In pursuit of the foregoing objective, the corporation shall:

(a) Focus legislative, community, employee, consumer and public attention on the challenges facing the long-term care profession so that the public is mobilized to support initiatives that will improve funding of quality long-term care;

(b) align with California consumers and utilize political resources within that State to engage in an effective public campaign to generate political support for solutions to the problems of nursing home professionals, including grassroots pressure created by mobilizing workers, residents and family members;

(c) work jointly at a federal level and in the State to improve the operating environment for the long-term care profession for the mutual benefit of nursing home residents, labor and management and coordinate the parties' ongoing lobbying work to more fully express and implement the campaign supporting the corporation's work;

(d) recognize and account for (i) the need for healthcare workers to improve their wages and benefits, (ii) the primary role government plays in this area, (iii) the need for a strong financial base for nursing homes, including adequate funding to make capital improvements, support debt service and provide a fair rate of return, (iv) the need to consider a broad range of workplace alternatives that balance the Union's current approach fostering employer accountability through staffing ratios with the operational needs of the employers and (v) the greater opportunities available to the Union and Employers to achieve significant funding improvements and restore financial viability to the nursing home profession by working together as set forth in this Agreement;

(e) explore and develop different approaches to resolve areas of mutual concern and to implement strategic campaigns to address issues in California that create an unfavorable operating environment for the nursing home profession, to the extent permitted by law; and

(f) determine whether the Alliance Agreement's Phase II Benchmarks have been satisfactorily achieved for the specific purpose of moving the parties into Phase III under the Alliance Agreement.

1.3 The corporation is intended to create and effectively execute specific strategies and campaigns in the State for the following lawful purposes:

(a) focus government resources on increasing Medi-Cal reimbursement to a level that will support a higher quality of skilled nursing facility-based care throughout the State;

(b) promote actively a positive relationship between the Union and Employers to reduce the potential for dispute or disharmony between management and labor that could detract from or limit the quality of long term care in the employers' facilities within the State;

(c) act as a vehicle for pro-active problem solving between the Union and the Employers regarding issues arising in long-term care within the employers' facilities in the State;

(d) create a grass roots organization to change the image of the long-term care profession in the State and influence public support for adequate funding of long-term care within the State;

(e) pool resources and better coordinate mutually beneficial efforts in the areas of public relations and political lobbying;

(f) focus appropriate responsibility for inadequacies within the nursing home system to those persons and entities who control funds available for providing nursing home care in an effort to foster the creation of reimbursement systems that effectively support the desired quality of care;

(g) create government-funded training opportunities for education and certification of workers appropriate for employment in employer's nursing homes. Such training programs will compete for State and federal funds to pay for the training administered by an appropriate training program;

(h) promote Employers' facilities to trainees and provide for clinical training at Employer worksites to the extent allowed by California and federal regulation. Employers agree to extend a non-exclusive preference for hiring to applicants who are certified graduates of the training programs to the extent permitted by law. The Union will use its best efforts to recruit appropriate candidates for such training programs from Union members employed in healthcare, including the home healthcare sector;

(i) improve the public, political and private perception of the quality of nursing home care provided by Employers;

(j) educate all Employer personnel about the spirit of cooperation intended to exist among the parties;

(k) reinforce positive collaboration behaviors and extinguish behaviors inconsistent with the spirit of cooperation intended to exist among the parties;

(l) reduce nursing home operating expenses, such as insurance costs, non-meritorious litigation and workers compensation, that drain the limited funds available to finance Californian's long-term care needs; and

(m) modify regulatory requirements in areas that will reduce expense arising from compliance efforts without negatively affecting resident care outcomes.

1.4 To ensure the corporation's effectiveness:

(a) The corporation will form the basis of a grass roots organization to achieve the specific benchmarks enumerated in Phase II of the Alliance Agreement. The grass roots organization will also seek to achieve the broader goals of changing the nursing home profession's image and lobbying California officials on issues affecting care for seniors.

(b) Each of the Members shall commit its personnel and other resources toward new joint campaigns to achieve the Phase II benchmarks.

(c) During the life of the Corporation, the Union Member and Employer Members shall cooperate in a public relations campaign designed to educate the public, elected officials and persons seeking elected office regarding the issues facing long term care, including but not limited to, educating such persons that:

(1) quality of care is dependent upon adequate funding and staffing levels, a fairly compensated workforce and financially viable employers;

(2) 80% of residents in nursing facilities are funding by federal and State programs;

(3) quality of care must be purchased and cannot be mandated by regulation without funding; and

(4) the decision-makers who can properly fund the system in California are the Governor, State Assembly Members and State Senators and that such persons, rather than the employers, determine the amount of money available for wages, benefits, staffing, food and all aspects of patient care.

(d) The Corporation's grassroots organization will seek to join together all people and organizations affected by long-term care, including residents, family members, vendors, seniors, religious and community leaders, to reach out to elected officials by making calls, sending cards and letters, visiting elected officials, speaking out in the community, speaking to the media, and generally working together for the common purpose of improving the image, the funding, and the quality of care by getting adequate

funding from the government so as to provide the services that seniors not only want but deserve.

(e) The Union Member will mobilize its members and deploy its statewide resources in support of the grassroots campaign. In addition, corporation representatives will mobilize employees of the Employer Members and deploy the Employer Members' statewide resources in support of the grassroots campaign per the following two provisions.

(1) Each of the Employer Members grants corporation representatives access to its employees for the sole purpose of organizing the work of the grassroots organization as defined above. The parties understand that the type of access will vary according to the needs of a particular project, and shall not interfere with or disrupt resident care. The range of mobilization activities necessary to execute and implement the expected aims of the corporation's grass roots organization are anticipated to include face-to-face meetings with employees, distribution of literature/postings related to the project and the development of and access to an employee data base (consisting entirely of information voluntarily released by the affected employees) for phone banks and mailings. The Employer Members will not release resident or family information to the union but will send corporation-approved mailings to family members and will cooperate in organizing meetings for family members, and where appropriate, for residents.

(2) Corporation representatives shall, upon reasonable advance notice, be allowed to meet with employees in non-work areas on non-work time. Such permission to enter at a time convenient to the corporation representative shall not be unreasonably denied. Employer Member representatives may, at their sole discretion, participate in any workplace meetings between corporation representatives and employees of the Employer Member. Parties agree that it would violate both the letter and spirit of this Agreement for representatives of the Union Member to use any communication opportunities at non-union Employer Member nursing homes to communicate the benefits of Union membership. The corporation also intends that participation of non-union employees in significant grassroots political activity will help further the corporation's political goals. The corporation's Board or its valid designee shall approve all written communications to employees (including both Union and non-Union employees) prior to any publication or other dissemination thereof.

Section 2. LIMITATIONS

The property, assets, profits and net income are dedicated irrevocably to the purposes set forth in Section 1 of this Article III. No part of the profits or net earnings of this corporation shall ever inure to the benefit of any of its directors, trustees, officers, Members, employees, or to the benefit of any private individual.

ARTICLE IV
MEMBERSHIP

Section 1. CLASSES

The corporation shall have two classes of Members, designated as "Employer Members" and "Union Member." Subject to the Board adding or removing Members as provided in Article IV, Section 2, each Employer identified on Exhibit I hereto (subject to increase or decrease of Employer Members, as provided in these Bylaws) shall be an Employer Member, and the Union shall constitute the Union Member.

Section 2. RIGHTS OF MEMBERSHIP

2.1 **General.** All Members shall have the right to vote, as set forth in these Bylaws, on the disposition of all or substantially all of the assets or outstanding stock of the corporation, on any merger and its principal terms and any amendment of those terms, and on any election to dissolve the corporation. If the corporation is dissolved, the Employer Members, on the one hand, and the Union Member, on the other hand, each shall receive a distribution equal to fifty percent (50%) of all assets remaining after payment or provision for payment of the corporation's debts and obligations and provision for any other payment required under applicable law.

2.2 **Member Votes.** Subject to the provisions of Paragraphs 2.3, 2.4 and 2.5 of Section 2 of this Article IV and Paragraphs 2.2, 2.3 and 2.4 of Section 2 of Article V, on any matter submitted to the Members under these Bylaws or under the California Nonprofit Mutual Benefit Corporation Law, such matter shall be considered approved by the Members if (a) at least 75% of each of the Employer Members, voting as a class, and (b) the Union Member, voting as a class, each approve the matter.

2.3 **Addition of Members.**

(a) Any operator of a nursing home in California is eligible to be admitted as an Employer Member of the corporation upon the unanimous consent of the other Members.

(b) An application for admission to the corporation as a Member shall be prescribed by the Board, who also shall determine the required capital contribution (which shall be equal to the amount paid in to date by each existing Employer Member) prescribe and preconditions to membership. As soon as practicable after receipt by the corporation of a completed membership application and the required capital contribution, a request for consent shall be presented to the Board, which consent shall briefly describe

the entity or person applying to be admitted as an Employer Member and the proposed effective date of admission of the applicant as an Employer Member. At the time a new Employer Member is admitted and makes its initial capital contribution, the Union Member shall make an additional capital contribution in like amount.

2.4 **Removal of Members.** Subject to the provisions of Paragraph 2.5 of Section 2 of this Article IV, an Employer Member may withdraw or be removed as a Member in the corporation as follows:

(a) By the voluntary withdrawal at any time and for any reason of the Employer Member upon notice given to the Board and the payment to the corporation by the withdrawing Employer Member of all amounts due to the corporation pursuant to the Alliance Agreement or these Bylaws through the date of withdrawal. After January 1, 2004, the majority of Employer Members must approve the withdrawal of any Employer Member;

(b) By the Board for nonpayment by a Member of amounts due to the corporation pursuant to the Alliance Agreement or the Bylaws where such non-payment continues for a period of thirty (30) days after written notice of delinquency to the Member failing to pay such amounts; provided, however, that such termination shall not relieve the terminated Member from continuing liability for payment of amounts due to the corporation accrued through the date of termination; or

(c) For any violation of any of the orders or directives of the Board (provided such orders or directives are not in conflict with the express provisions of the Alliance Agreement or these Bylaws), where the Member has failed to comply within thirty (30) days after written notice.

2.5 **Involuntary Removal Procedure.** No involuntary removal of an Employer Member shall take effect until the following procedures have taken place. First, the Board shall determine the effective date thereof, in the event such termination is finally determined to be appropriate. Second, the Member shall be given at least fifteen (15) days before the effective date to present its facts, reasons and arguments to the Board as to why such termination should not take place. Thereafter, the Board shall determine whether to enforce the involuntary termination of the Member through a binding vote.

2.6 **Transfer not Permitted.** No membership or right arising from membership shall be transferable, and any purported transfer of a membership right or interest in the corporation shall be void *ab initio*. For purposes of this section, an assignment by an Employer to an entity that acquires the Employer in a stock or asset transaction shall not be considered a void transfer, provided that the acquirer agrees to be bound by the Alliance Agreement.

Section 3. MEMBERS' DUES, FEES AND ASSESSMENTS

3.1 **Initial Capital Contribution; Additional Contributions.** As soon as practicable following the corporation's adoption of these Bylaws, the Union shall contribute the

sum of Fifteen Thousand Dollars ($15,000) and the Employers shall collectively contribute, in their respective equal prorata portions, the aggregate sum of Fifteen Thousand Dollars ($15,000) to the capital of the corporation as such parties' initial capital contributions. Thereafter, the Union shall contribute fifty percent (50%), and the Employer Members shall collectively contribute, in their respective equal prorata portions, fifty percent (50%), of the funds determined by a binding vote of the Board to be required for the ordinary and necessary operations (e.g., fees for outside lobbyist; salaries and expenses for staff, office and other administrative items) of the corporation as additional contributions to the capital of the corporation; provided, however, that contributions which a binding vote of the Board determines are required for expenses to be incurred outside the corporation's ordinary and necessary operations (e.g., for outside fees and expenses for public relations campaigns) shall be contributed as follows: fifty percent (50%) contributed by the Union Member and fifty percent (50%) collectively contributed by Employer Members, with each Employer Member's portion determined by a fraction, the numerator of which is the total number of beds then licensed in that Employer's California nursing homes and the denominator of which is the total number of beds then licensed in all California nursing homes of all the Employer Members. *Additionally, each Employer Members share of the contribution for the ordinary and necessary operations of the corporation, as set forth herein, shall be limited to a maximum contribution of $2.00/bed/month then licensed in that Employer's California nursing homes and should the required contribution hit the maximum for any one or more employer then any amount over that shall be contributed by the balance of employers on a pro rata basis. (revised per Motion #21, 6/6/03)*

3.2 **Treatment of Contributions.** The corporation will collect such contributions from the parties and hold them in a bank account vested in the name of the corporation and otherwise consistent with law and as directed by the Board. Contributions of services to the corporation shall not be treated as a capital contribution. In no event shall any party have any right to withdraw or demand a return of its contributions to the corporation.

3.3 **Expenditures.** Funds of the corporation shall be expended only under the authority and in accordance with the purposes of the corporation and at the direction of the Board.

ARTICLE V
DIRECTORS

Section 1. POWERS

1.1 **General Corporate Powers.** Subject to the provisions and limitations of the California Nonprofit Mutual Benefit Corporation Law and any other applicable laws, and any limitations of the Articles of Incorporation and of these Bylaws, the activities and affairs of the corporation shall be managed, and all corporate powers shall be exercised, by or under the direction of the Board.

1.2 **Specific Powers.** Without prejudice to these general powers, but subject to the same limitations, the Board shall have the power to:

(a) Appoint and remove, at the pleasure of the Board, all officers, agents and employees of the corporation; prescribe powers and duties for them that are consistent with law, with the Articles of Incorporation and with these Bylaws; and fix their compensation and require from them security for faithful performance of their duties;

(b) Change the principal office or the principal business office in the State of California from one location to another; cause the corporation to be qualified to conduct its activities in any other state, territory, dependency or country and conduct its activities within or outside the State of California; and designate any place within or outside the State of California for the holding of any meeting, including annual meetings;

(c) Adopt and use a corporate seal and alter the form thereof; and

(d) Borrow money and incur indebtedness on behalf of the corporation and cause to be executed and delivered for the purposes of the corporation, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations and other evidences of debt and securities.

Section 2. NUMBER AND SELECTION OF DIRECTORS

2.1 Authorized Number. The Board initially shall consist of twenty-three (23) directors, provided that, concurrently with the addition or removal of any Members, these Bylaws automatically shall be deemed amended to increase or reduce, as the case may be, the number of directors to the sum of the number of Employer Members plus the number of "Union Directors" (as defined below).

2.2 Selection of Directors. The initial Board shall be chosen in the following manner: each Employer Member shall designate one director (each an "Employer Director" and collectively the "Employer Directors"), and the Union Member shall designate seven (7) directors (each a "Union Director" and collectively the "Union Directors"). A person may serve as both a Member and a director. Directors need not be residents of the State of California.

2.3 Change in Number of Authorized Directors.

(a) If an Employer Member ceases to be a Member of the corporation or a new employer becomes an Employer Member under Paragraph 2.3 of Section 2 of Article IV above, then Paragraph 2.1 of Section 2 of this Article V automatically shall be deemed amended to provide that the number of directors is equal to the sum of the number of Employers Members of this corporation plus the number of Union Directors. The Union Member may, in its sole discretion, increase or decrease the number of Union Directors effective as of the later of (a) twenty (20) business days following delivery of written notice to such effect to the corporation's Executive Director and Secretary, and to each of the Employer Members, and (b) if a notice for any meeting of the Board has been mailed, electronically transmitted or personally delivered for a Board meeting which has

not yet occurred, five (5) business days after the Board meeting has occurred. If the Union Member increases or decreases the number of Union Directors, then Paragraph 2.1 of Section 2 of this Article V automatically shall be deemed amended to provide that the number of directors is equal to the sum of the number of Employer Members of this corporation plus the number of Union Directors.

(b) A new Employer Member shall be entitled to appoint an Employer Director upon becoming a Member of the corporation.

(c) If an Employer Member ceases to be a Member of the corporation, the Employer Director appointed by that Employer Member automatically shall be deemed removed from the Board.

2.4 **Removal of Directors.** Each of the Employer Directors and the Union Directors serves at the will of the Employer Member or Union Member, respectively, that designated the director. Any director may be removed and replaced without cause at any time by the Employer Member or Union Member that designated him or her.

Section 3. TERM OF OFFICE OF DIRECTORS

The directors newly appointed, or selected in accordance with Section 2 of this Article IV shall hold office for a term of one (1) year.

Section 4. VACANCIES

4.1 **Events causing vacancy.** A vacancy or vacancies on the Board shall exist on the occurrence of the following: (1) the removal of a director by the Employer Member or Union Member that designated the director; (2) the death or resignation of any director; or (3) the declaration by resolution of the Board of a vacancy in the office of a director who has been declared of unsound mind by an order of court or convicted of a felony.

4.2 **Resignations.** Any director may resign effective upon giving written notice to the Board, unless such notice specifies a later time for the resignation to become effective.

4.3 **Filling vacancies.** Any vacancy on the Board shall be filled by the Employer Member or Union Member that designated the director whose departure caused the vacancy.

Section 5. PLACE OF MEETINGS; MEETINGS BY TELEPHONE

Meetings of the Board shall be held at the principal office of the corporation or at such other place as has been designated by the Board. In the absence of any such designation, meetings shall be held at the principal office of the corporation. Any meeting may be held by conference telephone or similar communication equipment, so long as all Directors participating

in the meeting can hear one another, and all such Directors shall be deemed to be present in person at such meeting.

Section 6. ANNUAL, REGULAR AND SPECIAL MEETINGS

6.1 Annual Meeting. The Board shall hold an annual meeting in conjunction with the regularly scheduled Board meeting on the second Tuesday in the month of November of each year for the purpose of organization, election of officers and the transaction of other business; provided, however, that the Board may fix another time for the holding of its annual meeting. Notice of this meeting shall not be required.

6.2 Other Regular Meetings. Between the Board's annual meetings, a regular meeting of the Board shall be convened at least once every three (3) months. Such meetings shall be held on the second Tuesday of each August, February and May, unless and until this Article V, Section 6.2 is amended.

6.3 Special Meetings. Special meetings of the Board for any purpose may be called at any time at the request of (i) any four Employer Directors and the Union Director, (ii) the Executive Committee, or (iii) the Board. The notice for the special meeting shall state the time, place and the purpose for which the special meeting is called. No other business shall be transacted other than that noticed.

6.4 Notice.

(a) Notices of annual, regular or special meetings of the Board, stating the time and place thereof, shall be mailed and electronically transmitted or personally delivered to each director no less than fourteen (14) nor more than sixty (60) days before the day appointed for the meeting. Such notices shall be given by first-class mail or delivered personally or by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail, or other electronic means. The effective date of such notice shall be the date of mailing, telephone call, electronic transmission or personal delivery. An entry of the service of notice, given in the manner provided above, shall be made in the minutes of the proceedings of the Board, and such entry shall be conclusive on the question of service. If a quorum is present at any meeting of the Board, and if none of the directors present at such meeting protests the holding thereof due to the absence of proper call or notice, prior to such meeting or immediately upon its commencement, or if all directors sign a waiver of notice or a written consent to the holding of such meeting, then any business may be transacted at such meeting, and the transaction shall be valid, irrespective of the manner in which the meeting is called or the place where it is held.

(b) Each director shall inform the corporation's Executive Committee in writing of the address, including a facsimile number and electronic mail

address, where notices to that director shall be sent, and if no such information has been given, the Executive Committee shall direct such notice to the last address of such director appearing in the records of this corporation.

Section 7. QUORUM; VOTING

7.1 **Quorum.** A quorum for the transaction of all business of the Board shall exist when at least 75% of the total number of Employer Directors is present along with at least 75% of the total number of Union Directors.

7.2 **Voting.** Each director shall have one vote on any matter submitted to or otherwise considered by the Board for determination. A binding vote of the Board is required for any act or decision taken at meeting of the Board to be considered valid as an act of the Board. No director shall have the right, power or authority to bind the corporation unless and until such director is authorized to execute any such commitment on behalf of the corporation by a binding vote of the Board. A binding vote of the Board is defined as the affirmative votes of both (a) at least 75% of the number of Employer Directors, and (b) 75% of the number of Union Directors present at a meeting duly held at which a quorum is present.

Section 8. WAIVER OF NOTICE

Notice of a meeting need not be given any director who signs a waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meetings. Notice of a meeting need not be given any director who attends the meeting without protesting before or at its commencement the lack of notice to such director.

Section 9. ADJOURNMENT

A majority of the Directors present, whether or not a quorum is present, may adjourn any regular or special meeting from time to time and day to day without further notice, until a quorum shall attend, and when a quorum shall attend, any business may be transacted which might have been transacted at the meeting had the same been held on the day on which the same was originally appointed or called.

Section 10. ACTION WITHOUT MEETING

Any action required or permitted to be taken by the Board may be taken without a meeting, if all directors consent in writing to that action. Such action by written consent shall have the same force and effect as any other validly approved action of the Board. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. For the purposes of this Article V, Section 10 only, "all members of the Board" shall not include directors who have a material financial interest in a transaction to which the corporation is a party.

ARTICLES VI
COMMITTEES

Section 1. EXECUTIVE COMMITTEE

1.1 **Management by Executive Committee.** An Executive Committee of the Board, comprised of three (3) Employer Directors and three (3) Union Directors, shall jointly manage the corporation between meetings of the Board, and during those interim periods shall have the such authority and powers as the Board has delegated to the Committee, provided that: (a) the Executive Committee may only act upon unanimous affirmative vote or unanimous written consent of its members (provided, however, that if a member of the Committee has a material financial interest in the matter being voted upon, he or she shall not vote on, and his or her affirmative vote shall not be required, on such matter), and (b) all non-unanimous votes (except as provided in the parenthetical to clause (a) of the Executive Committee on any matter within its purview shall be referred to the Board for final decision.

1.2 **Duties of the Executive Committee.** The Executive Committee shall:

(a) Carry out, or cause to be carried out, the policies, resolutions, rules, regulations, motions and orders of the Board;

(b) Perform such other duties as are otherwise provided by the law, by this Agreement, and as may be prescribed from time to time by the Board; and

(c) Ensure that only the full Board makes all decisions concerning determination of Benchmark satisfaction in accordance with the Alliance Agreement, removal of Employer Members, and other issues that are specifically identified by a binding vote of the Board.

1.3 **Composition.** Two of the directors serving on the Executive Committee shall also serve as Co-Chairs of the Board. One Co-Chair shall be selected by a 75% majority vote of Employer Members and the other shall be selected by the Union. Co-Chairs must serve on the Executive Committee. The Co-Chairs shall preside at all meetings of the Board.

1.4 **Meetings.** The Executive Committee may meet as necessary between Board meetings to conduct the business of the corporation that could not be delayed until the next scheduled Board meeting without a negative impact upon the corporation. Such meetings may be scheduled by the Board or by unanimous vote or unanimous written consent of the Committee members, or may be called by the Board or either or both of the Co-Chairs, and shall be held upon four days' notice by first-class mail or 48 hours' notice delivered personally or by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail, or other electronic means. If all of the members of the Executive Committee are present at any meeting of the Committee, and if none of such

directors present at such meeting protests the holding thereof due to the absence of proper call or notice, prior to such meeting or immediately upon its commencement, or if all of the members of the Committee sign a waiver of notice or a written consent to the holding of such meeting, then any business within the authority of the Committee may be transacted at such meeting, and the transaction shall be valid, irrespective of the manner in which the meeting is called or the place where it is held, subject to the immediately following sentence. Any action taken by the Executive Committee shall be ratified at the next scheduled meeting of the Board, provided the Board may reverse or invalidate any unratified action taken by the Executive Committee, through a binding vote of the Board.

1.5 **Reports.** At regular Board meetings, the Executive Committee shall make a report of its activities since the last Board meeting.

1.6 **Limitation on Authority.** The Executive Committee may not modify any action taken by the Board.

Section 2. OTHER COMMITTEES OF THE BOARD

The Board may create one or more other committees, each consisting of equal numbers of Employer Directors and Union Directors, to serve at the pleasure of the Board. Appointments to committees of the Board shall be by a binding vote of the Board. The Board may appoint one or more Directors as alternate members of any such committee, who may replace an absent member at any meeting. Any such committee, to the extent provided in the resolution of the Board, shall have all of the authority of the Board, except that no committee, regardless of Board resolution, may:

(a) fill vacancies on the Board or in any committee which has the authority of the Board;

(b) establish or fix compensation of the Directors for serving on the Board or on any committee;

(c) amend or repeal Bylaws or adopt new Bylaws;

(d) amend or repeal any resolution of the Board which by its express terms is not so amendable or repealable; and

(e) appoint any other committees of the Board or the members of these committees.

Section 3. MEETINGS AND ACTIONS OF THE COMMITTEES

Except to the extent otherwise provided in Article VI, meetings and actions of committees of the Board shall be governed by, held and taken in accordance with the provisions of Article V of these Bylaws concerning meetings and other actions of the Board. Minutes shall be kept of each meeting of any committee of the Board and shall be filed with the corporate records. The Board may adopt rules for the government of any committee not inconsistent with

the provisions of these Bylaws or in the absence of rules adopted by the Board, the committee may adopt such rules. Any meeting of a committee may be held by conference telephone or similar communication equipment, so long as all members of the Committee participating in the meeting can hear one another, and all such members of the committee shall be deemed to be present in person at such meeting. Any action required or permitted to be taken by any committee may be taken without a meeting, if all members of the committee consent in writing to that action. Such action by written consent of the committee shall have the same force and affect as any other validly approved action of the committee. Such written consent or consents shall be filed with the minutes of the proceedings of the committee.

ARTICLE VII
OFFICERS

Section 1. OFFICERS

1.1 **Executive Director.** The Board may establish the office of and may authorize the employment of an Executive Director who shall serve as the chief operating officer of the corporation. The Executive Director shall report to the Board at each Board meeting.

1.2 **Secretary.** The Board may establish the office of and may authorize the employment of Secretary of the corporation. The Secretary shall keep or cause to be kept, at the principal office or such other place as the Board may direct, a book of minutes of all meetings and actions of the Board and of committees of the Board. The Secretary shall also keep, or cause to be kept, at the principal office in the State of California, a copy of the Articles of Incorporation and Bylaws, as amended to date. The Secretary shall also maintain a complete and accurate record of the membership of the corporation, as well as a record of the proceedings of any meetings of the membership. The Secretary shall give, or cause to be given, notice of all meetings of the Board and of committees of the Board required by these Bylaws to be given. The Secretary shall keep the seal of the corporation in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

1.3 **Treasurer.** The Board may establish the office of and may authorize the employment of Treasurer of the corporation. The Treasurer shall keep or maintain, or cause to be kept or maintained, adequate and correct books and accounts of the properties and transactions of the corporation, and shall send or cause to be sent to the Board such financial statements and reports as are required by law or these Bylaws to be given. The books of account shall be open to inspection by any director at all reasonable times. The Treasurer shall also deposit all money and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board, shall disburse the funds of the corporation as may be ordered by the Board, shall render to the Executive Committee, when requested, an account of all transactions and of the financial condition of the corporation and shall have other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

1.4 **Other Officers.** The Board may further authorize such other officers and administrative personnel as may be necessary. Any number of offices may be held by the same person.

Section 2. ELECTION OF OFFICERS

The officers of the corporation shall be chosen by the Board, and each shall serve at the pleasure of the Board, subject to the rights, if any, of an officer under any contract of employment. The Board may, at its discretion, authorize the Executive Committee, the Executive Director or another officer to appoint any other officers that the corporation may require, each of whom shall have the title, hold office for the period, have the authority and perform the duties specified in the Bylaws or determined from time to time by the Board.

Section 3. REMOVAL OF OFFICERS

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, with or without cause, by the Board, or, except in case of an officer chosen by the Board, by an officer on whom such power of removal may be conferred by the Board.

Section 4. RESIGNATION OF OFFICERS

Any officer may resign upon written notice to the corporation without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

Section 5. VACANCIES IN OFFICE

A vacancy occurring in any office because of death, resignation, removal or other cause, shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

ARTICLE VIII
INDEMNIFICATION AND INSURANCE

Section 1. INDEMNIFICATION

1.1 **Right of Indemnity.** To the full extent permitted by law, this corporation shall indemnify its directors, officers, employees and other persons described in Section 7237(a) of the California Corporation Code, including persons formerly occupying any such position, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any "proceeding", as that term is used in such Section and including an action by or in the right of the corporation, by reason of the fact that such person is or was a person described by such Section. "Expenses", as used in this Bylaw, shall have the same meaning as in Section 7237(a) of the California Corporation Code.

1.2 **Approval of Indemnity.** Upon written request to the Board by any person seeking indemnification under Section 7237(b) or Section 7237(c) of the California Corporation Code, the Board shall promptly determine in accordance with

Section 7237(e) of the Code whether the applicable standard of conduct set forth in Section 7237(b) or Section 7237(c) has been met and, if so, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of directors who are parties to the proceeding with respect to which indemnification is sought is such as to prevent the formation of a quorum of directors who are not parties to such proceeding, the Board or the attorney or other person rendering services in connection with the defense shall apply to the court in which such proceeding is or was pending to determine whether the applicable standard of conduct set forth in Section 7237(b) or Section 7237(c) has been met.

1.3 Advancement of Expenses. To the full extent permitted by law and except as is otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under these Bylaws in defending any proceeding covered by these Bylaws shall be advanced by the corporation prior to the final disposition of the proceeding upon receipt by the corporation of an undertaking by or on behalf of such person that the advance will be repaid unless it is ultimately determined that such person is entitled to be indemnified by the corporation therefor.

Section 2. INSURANCE

The corporation shall have the right to purchase and maintain insurance to the full extent permitted by law on behalf of its officers, directors, employees and other agents of the corporation, against any liability asserted against or incurred by an officer, director, employee or agent in such capacity or arising out of the officer's, director's, employee's or agent's status as such.

ARTICLE IX
RECORDS AND REPORTS

Section 1. MAINTENANCE OF CORPORATE RECORDS

The corporation shall keep:

(a) Adequate and correct books and records of account;

(b) Minutes in written form of the proceedings of the Board and committees of the Board; and

(c) If applicable, a record of its members, giving their names and addresses and the class of membership held.

Section 2. INSPECTION BY DIRECTORS

Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of every kind and the physical properties of the corporation and the records of each of its subsidiary corporations. This inspection by a director may be made in person or by an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents.

Section 3. ANNUAL REPORT

Except as provided under Section 8321 of the California Corporations Code, not later than one hundred twenty (120) days after the close of the fiscal year of the corporation, the Board shall cause an annual report to be sent to all members of the Board. Such report shall contain the following information in reasonable detail:

(a) The assets and liabilities of the corporation as of the end of the fiscal year;

(b) The principal changes in assets and liabilities during the fiscal year;

(c) The revenue or receipts of the corporation, both unrestricted and restricted to Particular purposes, for the fiscal year;

(d) The expenses or disbursements of the corporation, for both general and restricted purposes, during the fiscal year; and

(e) Any information required by Section 4 of this Article IX.

Section 4. ANNUAL STATEMENT OF CERTAIN TRANSACTIONS AND INDEMNIFICATIONS

The corporation shall prepare annually and furnish to each director a statement of any transaction or indemnification of the following kind within one hundred twenty (120) days after the close of the fiscal year of the corporation:

(a) Any transaction to which the corporation, its parent or its subsidiary was a party, and in which any director or officer of the corporation, its parent or subsidiary (but mere common directorship shall not be considered such an interest) had a direct or indirect material financial interest, if such transaction involved over fifty thousand dollars ($50,000), or was one of a number of transactions with the same person involving, in the aggregate, over fifty thousand dollars ($50,000).

(b) Any indemnifications or advances aggregating more than ten thousand dollars ($10,000) paid during the fiscal year to any officer or director of the corporation pursuant to Article VIII hereof.

The statement shall include a brief description of the transaction, the names of the director(s) or officer(s) involved, their relationship to the corporation, the nature of such person's interest in the transaction and, where practicable, the amount of such interest; provided, that in the case of a partnership in which such person is a partner, only the interest of the partnership need be stated.

ARTICLE X
CONSTRUCTION AND DEFINITIONS

Unless the context otherwise requires, the general provisions, rules of construction and definitions in the California Nonprofit Mutual Benefit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, the singular includes the plural and the plural includes the singular and the term "person" includes both a legal entity and a natural person.

ARTICLE XI
LIQUIDATION

Upon any termination of the corporation, the Board shall immediately wind up all business and affairs of the corporation, pay all amounts owed to all third party creditors, then pay any debts owed to any of the directors and thereafter shall distribute any remaining assets to a charitable organization selected by the majority vote of the Board, or to the extent allowed by law, shall distribute any remaining assets equally to the Union and the Employers. Thereafter, the Executive Director, or if one has not been appointed, a director duly authorized by the Board shall file any statement of dissolution of the corporation required by law and the corporation shall thereupon be formally dissolved.

ARTICLE XII
AMENDMENTS

Section 1. ACTION BY THE BOARD

The Bylaws may be amended or repealed and new Bylaws may by adopted by a binding vote of the Members or the Board.

Section 2. MAINTENANCE OF RECORDS

The Secretary of the corporation shall see that a true and correct copy of all amendments of the Bylaws, duly certified by the Secretary, is attached to the official Bylaws of the corporation and is maintained with the official records of the corporation at the principal office of the corporation.

CERTIFICATE OF SECRETARY

I, the undersigned, certify that I am the presently elected and acting Secretary of CALIFORNIA ALLIANCE TO ADVANCE NURSING HOME CARE, INC., a California Nonprofit Mutual Benefit Corporation, and the above Bylaws are the Bylaws of this corporation as adopted by written consent of the Board of Directors on _____, 2003.

Date: _____, 2003

_____

_____, Secretary

EXHIBIT I

EMPLOYER MEMBERS

Name	Address
Beverly Enterprises California, Inc.	2984 North Moroa Fresno, CA 93704 Attn: Julianne Vink
Compass Health, Inc.	200 S 13th Street, Suite 205 Grover Beach, CA 93433 Attn: Mark Woolpert
Country Villa Health Services	4551 Glencoe Avenue, Third Floor Marina del Rey, CA 90292 Attn: Karen Siteman
Covenant Care	27071 Aliso Creek Road, Suite 100 Aliso Viejo, CA 92656 Attn: Robert Levin
Evergreen Healthcare, LLC	4601 NE 77th Avenue, Suite 300 Vancouver, WA 98662 Attn: Mark Rubenstein
Skilled Healthcare, LLC	27442 Portola Parkway, Suite 200 Foothill Ranch, CA 92610 Attn: Jose Lynch
Golden State Healthcare	13347 Ventura Boulevard Sherman Oaks, CA 91423 Attn: David Schacter
Horizon West, Inc.	4020 Sierra College Blvd., Suite 190 Rocklin, CA 95677 Attn: Brad Wilcox
Independent Quality Care (Foresight Management)	3 Crow Canyon Court San Ramon, CA 94583 Attn: Dan Alger
Kindred Healthcare, Inc.	1359 Pine Street San Francisco, CA 94114

	Attn: Paul Tunnell
Longwood Management, Inc	4032 Wilshire Boulevard, Suite 600 Los Angeles, CA 90010 Attn: Randy Adler
GranCare, LLC a wholly-owned subsidiary of Mariner Health Care, Inc.	1939 Tulip Tree Lane La Canada, CA 91011 Attn: Todd Andrews
Meritcare, Inc.	1005 Elmhurst Road Pittsburgh, PA 15215 Attn: James Wilkinson
Ocadian Hospitals & Care Centers	5725 Paradise Drive, Suite 900 Corte Madera, CA 94925 Attn: Bob Peirce
SunBridge Healthcare Corporation, a New Mexico Corporation	18831 Von Karman Ave. Irvine, CA 92615 Attn: Rick Matros
SunMar Healthcare	3050 Saturn Street , Suite 201 Brea, CA 92821 Attn: Irv Bauman
The Chase Group	3075 E Thousand Oaks Blvd. Thousand Oaks, CA 91362 Attn: Phil Chase
Pleasantcare	2258 Foothill Boulevard La Canada, CA 91011 Attn: Manny Bernabe

BYLAWS OF

CALIFORNIA ALLIANCE TO ADVANCE NURSING HOME CARE, INC.

a California Nonprofit Mutual Benefit Corporation

APPENDIX "C"

NEUTRALITY IN ORGANIZING AGREEMENT

This Agreement is by and between _____ ("the Employer") and Local 434B, Local 250 and Local 2028 of the Service Employees International Union ("the Union.").

WHEREAS, the Employer and the Union are signatories to the Agreement to Advance the Future of Nursing Home Care in California ("Advancement Agreement");

WHEREAS, the Advancement Agreement provides that the Employer shall be neutral in the Union's efforts to organize a limited number of the Employer's facilities;

WHEREAS, the parties understand that the Union will not attempt to organize any other facilities of the Employer except as provided under this Agreement and the Advancement Agreement;

WHEREAS, the parties further desire to specify the conditions, procedures and dispute resolution mechanisms under which the Union's organization efforts and the Employer's neutrality shall occur;

WHEREAS, the parties understand and agree that this Agreement must be interpreted in accordance and in conjunction with the Advancement Agreement.

I. NEUTRALITY COMMITTMENT

The Employer hereby agrees to remain neutral in any effort by the Union to organize non-supervisory regular full-time, regular part-time, short-hour and per diem employees in any appropriate bargaining units in the facility or facilities selected as provided in the Advancement Agreement. The parties agree that for the life of the Advancement Agreement, employers' personnel who fall within the NLRB's definition of "supervisor" shall not be included in any bargaining unit recognized pursuant to the Advancement Agreement. **[The decision to include or exclude non-supervisory personnel in any bargaining unit recognized pursuant to the Advancement Agreement shall be determined through negotiations with individual employers at the individual facilities.]**

In requesting representation elections or mutually agreed card checks, the union will not prioritize the facilities owned by any employer over facilities owned by other employers. While the parties recognize that employees at certain facilities may be more interested in unionizing than employees at other facilities, the union will not target one employer over the others in requesting elections. Parties will first consider desired strengthening of political alliances within

the context of the LMC when identifying potential employer facilities for representation elections or mutually agreed card checks. Each employer shall then make the final decision on which of their California skilled nursing facilities is selected for a representation election or mutually agreed card check in satisfaction of applicable Benchmark performance. If the employees in a facility reject unionization then the employer shall select additional facilities until their commitment is met.

Employer's facilities that will be deemed eligible for selection for all representation elections or mutually agreed card checks in satisfaction of the terms of the Advancement Agreement shall be selected equally among all employer facilities based on an equal percent of their facilities without existing collective bargaining agreements. Except for the initial contribution of neutrality in one nonunion nursing home required for participation in Phase II of the Advancement Agreement, all employers operating only one or fewer facilities without existing collective bargaining agreements, shall enter a lottery each time facilities are selected for satisfaction of election performance and a proportional percentage (%) of such facilities shall be selected toward the total regardless of the provision in the Advancement Agreement concerning a 30% cap.

II. PROHIBITION OF ORGANIZATIONAL ACTIVITY

The Union will not seek to organize for collective bargaining, nor demand recognition, nor file a petition to become the collective bargaining agent for employees in any of the Employer's facilities except as specifically authorized and provided for in this Agreement. In the event an individual or organization claiming to be affiliated with the SEIU files a petition in an Employer building, the Union will immediately disclaim interest. If, however, another union seeks to organize an Employer's facility not listed herein, the Union shall be allowed to attempt to organize such facility provided, however, that the Union pursues all internal administrative remedies available to it under the constitution and bylaws of the ALF-CIO. All facilities organized under the foregoing exception to the prohibition on organizational activity will be counted in the total number(s) of facilities organized as specifically allowed in the Advancement Agreement.

III. PROCEDURE FOR ORGANIZING EFFORTS

A. Provision of Written Notice of Request to Organize

At least twenty-one (21) calendar days prior to initiating organizing efforts at a facility consistent with the Advancement Agreement, the Union shall provide the Employer with written notice of its request to organize the facility ("Notice of Organizing"). The Notice of Organizing must comport with the provisions of this Agreement and the Advancement Agreement. The Notice of Organizing shall be directed and sent by certified mail to the signatory of the Advancement Agreement at the address listed with the LMC. The Notice of Organizing shall list the facility or facilities to be organized, describe the proposed bargaining unit(s) (including job titles) and state the date upon which the Union intends to begin its organizing efforts. If the Employer disagrees with the scope of any proposed bargaining unit(s), the parties shall resolve the dispute in accordance with the "Dispute Resolution" section of this Agreement. Despite the existence of

any dispute concerning bargaining unit(s), the Union's organizing efforts shall commence as set forth in the Notice of Organizing provided that the Notice and commencement date comply with the provisions of this Agreement.

B. Employer Neutrality Commitment

Upon receipt of a valid written Notice of Organizing, the Employer shall remain neutral on the question of whether employees of the affected facility should choose to be represented by the Union. The Union agrees that none of its written and/or verbal communications made during the organizing campaign shall disparage or reflect negatively in any manner on the Employer or any of its owners, managers or supervisors or any of the services that the Employer provides. Within ten (10) calendar days after Employer receipt of the Union's Notice of Organizing, the Employer shall issue a letter to all non-union employees confirming the Employer's position of neutrality. Prior to distribution, the Union and Employer shall agree on the specific wording of the letter to ensure that it both reflects the cooperative nature of the Advancement Agreement and confirms the neutral position of the employer. The Union and the Employer will also agree to specific wording of a notice to be posted in the facility announcing the neutrality agreement and allowing the employees the right to withhold their phone number from the bargaining unit information provided to the Union. To the extent that the Union distributes written communication(s) to the Employer's employees concerning or relating to its organizing efforts, the Union shall provide a copy of the communication(s) to the Employer.

The Employer shall take all reasonable steps to insure that its owners, managers, supervisors, and other agents remain neutral on this question and do not attempt to influence employees' choice in any manner. The Employer shall instruct its owners, managers, supervisors and other agents to refrain from initiating or participating in conversations with employees in the proposed bargaining unit about the Union or Union representation. If an employee in the proposed bargaining unit asks an owner, manager, supervisor or agent a question about the Union or Union representation, the employee shall be told only that the Employer is neutral on the question of Union representation, that the choice of whether the employee wants to be represented by a Union, including the union selected for representation, is for the employee to make and that the Employer will honor that decision and bargain in good faith with any Union selected by a majority of the employees in the bargaining unit.

On or after the date set forth in a valid Notice of Organizing as the commencement of the Union's organizing efforts, the Employer and the Union shall jointly conduct a meeting with employees to inform them of their rights to choose whether to be represented by the Union or to reject representation.

C. Bargaining Unit Information

Within twenty-one (21) days after Employer's receipt of a valid Notice of Organizing from the Union, the Employer shall provide the Union with a current list of eligible employees in the

proposed bargaining unit. Eligible employees shall be those who are in the classifications encompassed within the Union's proposed bargaining unit who are on the facility's payroll at the time the Union provides the Notice of Organizing to the Employer. The list provided to the Union shall include names, addresses, and telephone numbers, classifications and shifts; provided that the provision of such information does not violate employees' privacy rights. Prior to providing the list to the Union, the Employer will inform—by the posted notice specified in Section III.B.—the employees of the information to be released to the Union. The Union and the Employer will honor any employee's request to exclude that employee's telephone number from the list.

D. Access to Employer's Premises

At any of the facilities for which the Union has given the Employer proper written notice per this Neutrality Agreement to organize the work force, the Employer shall grant reasonable access to non-working areas of said facilities to union representatives for the purpose of allowing them to communicate with employees on non-working time and gather evidence of majority support. "Reasonable access to non-working areas within the facility" is intended to mean that union representatives may be in those areas for up to two (2) hours each during the day and evening shifts and one (1) hour during the night shift. Such right of access shall begin on the date set forth in the Union's Notice of Organizing as the commencement of organizing efforts

E. Process For Determining Majority Support

Representation elections or mutually agreed card checks will be scheduled within sixty (60) days of the union's written notice of request to organize. The determination of whether employees in the proposed bargaining unit desire Union representation shall be made by secret ballot election unless the parties mutually agree to card check. The election or card check shall be scheduled to occur between thirty-one (31) and sixty (60) days after Employer's receipt of Union's Notice of Organizing. The Employer shall participate in the election or card check within ten (10) days of written request by the Union.

The American Arbitration Association ("AAA") or the Federal Mediation and Conciliation Service ("FMCS") shall conduct the election or perform the card check. The Union shall be considered the representative of employees in the bargaining unit if a majority of the eligible employees voting in the election vote in favor of union representation. In the event of card check, the Union shall be considered the representative of the bargaining unit if it acquires the signatures of more than 50% of the employees in the bargaining unit on valid authorization cards. Disputes concerning the eligibility of voters, the composition of the bargaining unit or the validity of authorization cards shall be resolved in accordance with the "Resolution of Disputes" section below.

The AAA or FMCS (whichever is selected by the parties) shall certify the results of the election or card check within seven (7) calendar days; provided that any and all disputes that would affect the outcome of the election or card check have been resolved by that time. All AAA or FMCS costs and fees incurred from the election or card check shall be borne equally by the parties.

F. Recognition and Bargaining

If the Union is certified as the bargaining representative of employees in the bargaining unit, the Union and the Employer shall engage in negotiations for a collective bargaining agreement. The parties understand and agree that prior to signing this Neutrality In Organizing Agreement, the Union and the Employer signatories of the Advancement Agreement negotiated a template facility collective bargaining agreement, which is attached hereto as Exhibit A ("Template Agreement"). The provisions of the Template Agreement shall be adopted in any collective bargaining agreement reached between the Union and the Employer outside the nine Bay Area Counties, to the extent desired by the Employer. The parties shall enter into expedited negotiations over a first contract, relying on the Template Agreement as a guideline. If the parties are unable to reach full agreement on a contract within ninety (90) days from the date that the election/card check results are certified, they shall submit the matter to final and binding first contract arbitration, pursuant to the arbitration procedure below.

For purposes of this section, the Bay Area Counties are defined as the county of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Sonoma and Soldano.

IV. RESOLUTION OF DISPUTES

A. Disputes Concerning The Appropriate Scope Of The Bargaining Unit

If the Employer objects to any aspect of the Union's proposed bargaining unit, it shall mail written objections to the Union no later than fourteen (14) days after receipt of the Notice of Organizing. The parties shall then attempt to negotiate a resolution to the bargaining unit dispute.

If, after seven (7) calendar days following the commencement of negotiations, the parties are unable to resolve their dispute, the Union or the Employer may submit the dispute to expedited arbitration before the AAA or FMCS. The party requesting arbitration shall request a panel of seven (7) arbitrators from the AAA or FMCS who have experience in labor representation matters and who would be available to preside over arbitration within twenty-one (21) days of the request. Within three (3) days, excluding weekends and holidays, of all parties' receipt of the arbitrator panel from the AAA, the parties shall alternatively strike names from the panel until one name remains. That person shall serve as the Arbitrator. Arbitration of the bargaining unit dispute shall be scheduled no less than fourteen (14) and no more than twenty-one (21) days following the selection of the Arbitrator. In resolving bargaining unit disputes, the Arbitrator shall use the principles outlined in federal labor law concerning appropriate bargaining units in nursing homes.

The existence of a dispute concerning the proposed bargaining unit(s) shall not delay the Union's organizing efforts or any election or card check. If a dispute over the bargaining unit has not been resolved as of the date of the election or card check, the ballots/authorization cards of the challenged employees shall be placed in a sealed envelope and not reviewed by anyone until the dispute is resolved. If the challenged ballot(s)/authorization cards would not impact the results

of the election or card check the election/card check shall be certified accordingly and, if the union prevails, the challenged ballots shall be resolved by the Arbitrator within fourteen (14) days of certification. If the challenged ballot(s)/authorization cards would impact the results of the election or card the election/card check shall not be certified until the issue is resolved.

B. First Contract Interest Arbitration

If complete agreement for the first contract of a newly organized facility is not reached within ninety (90) days of the first bargaining session, unresolved issues will be submitted to binding arbitration, which will be conducted on an employer-by-employer, issue-by-issue, last best offer basis. In selecting the arbitrator for such arbitration, the parties shall jointly request a panel of seven (7) arbitrators from the FMCS unless the parties mutually agree to select the arbitrator from some other neutral third party arbitration service. When making such request, the parties shall specify that the arbitrators must have experience in labor interest arbitration. To determine which arbitrator shall preside over the arbitration, the parties shall alternatively strike arbitrators from the FMCS-provided panel until only one name remains. That person shall serve as the Arbitrator.

The first collective bargaining contract shall not create an economic disadvantage to Employer by requiring increases in either bargaining unit employee pay or benefits, that both were not adequately reimbursed by Employer's receipt of Medi-Cal revenue and prevented Employer's reasonable economic return on operations from the service of Medi-Cal patients at the nursing facility covered by the new collective bargaining agreement. In evaluating economic proposals, the Arbitrator shall consider all the factors normally considered in such interest arbitration cases; provided, that to the extent the employer's financial circumstances are considered, the arbitrator shall limit consideration to the financial circumstances of the specific facility involved in the arbitration. Employer will not be required to provide financial records to the Union, the California Alliance to Advance Nursing Home Care or arbitrators. If California creates a voluntary mediation and binding arbitration process to resolve collective bargaining disputes, the parties will consider utilizing such services before proceeding to the traditional arbitration process.

The parties understand and agree that, unless the Union and the Employer agree otherwise, only the first collective bargaining agreement is subject to interest arbitration. Any re-openers, renewals or subsequent contracts covering the same facility shall not be subject to interest arbitration unless the Union and the Employer expressly agree to such arbitration. If the Union and the Employer agree to interest arbitration, the Union shall agree to a no-strike clause that survives the expiration of the collective bargaining agreement. To the extent that the Union's and/or the Employer's last best offer concerning mechanisms for settling future contracts and/or re-openers does not contain an interest arbitration provision, the Arbitrator shall not include interest arbitration, or a no-strike clause that survives contract termination, in any final collective bargaining agreement.

C. Disputes Concerning Application Of This Agreement

In the event that a party believes that the other is in breach of this Agreement, such party shall send a certified letter to the party allegedly in breach that specifies the provisions allegedly violated and the actions that purportedly constitute the violation ("Dispute Letter"). Representatives of the parties with authority to enter into binding agreements on behalf of their respective organizations shall meet in person or via telephone to discuss the alleged breach within three (3) business days, not including weekends or holidays, of receipt of the Dispute Letter. If a mutually acceptable resolution is not reached within five (5) business days, not including weekends and holidays, the dispute will be immediately referred to the FMCS for mediation, and, if not resolved, to an Arbitrator from the following pre-selected panel for an expedited and binding arbitration. Disputes shall be assigned to an arbitrator in the order that the Arbitrator is listed on the panel with the first dispute being submitted to the first arbitrator. If that Arbitrator cannot conduct the arbitration within seven (7) calendar days of assignment, the Arbitrator whose name appears next on the list shall be assigned to the dispute. This process shall repeat until an Arbitrator is able to hear the dispute within seven (7) calendar days of assignment of the dispute to that Arbitrator. In no event shall any arbitration occur less than seven (7) calendar days following the selection of the Arbitrator. The Arbitrator shall issue a decision within fourteen (14) calendar days after the conclusion of the arbitration.

[INSERT ARBITRATOR PANEL]

The jurisdiction and authority of the Arbitrator and his/her opinion and award shall be confined exclusively to the interpretation and/or application of the provision(s) of this Agreement. S/he shall have no authority to add to, detract from, alter, amend, or modify any terms or provisions of this Agreement; or to impose on either party a limitation or obligation not provided for in this Agreement. The decision of the Arbitrator shall be final and binding.

D. Fees and Costs of Arbitration

The fees and costs of any arbitration, including the costs of any court reporter and transcripts of proceedings regardless of which party requests a court reporter, regardless of its nature, shall be borne equally by the parties. The parties shall bear the fees and costs of their own attorneys and/or witnesses.

V. WITHDRAWAL, TERMINATION AND DURATION OF AGREEMENT

A. Voluntary Termination Prior To January 1, 2004

If, prior to January 1, 2004, the Employer voluntarily withdraws from the Advancement Agreement, any organizing and/or neutrality commitments made under this Agreement shall be extinguished and terminated. If an election or card check has been held at one or more of the Employer's facilities prior to the Employer's withdrawal and the Union prevails, the Employer shall recognize and bargain with the Union and all provisions of this Agreement concerning such bargaining shall apply.

B. Voluntary Termination After January 1, 2004

The Employer will be allowed to voluntarily withdraw from the Advancement Agreement after January 1, 2004 by a vote of a majority of the remaining employers provided that such withdrawal will leave the remaining employers with the ability to fully satisfy all obligations under the Advancement Agreement. The remaining employers will be deemed unable to satisfy such obligations if the requesting employer's withdrawal would require any remaining employer to commit to neutrality in more than 30% of its non-union buildings in order to meet the organizing commitments under the Advancement Agreement. If the Employer is allowed to withdraw after January 1, 2004, this Agreement shall be null and void except as provided below.

If the Employer is allowed to terminate its participation in the Advancement Agreement on or after January 1, 2004, the Employer shall remain bound to the organizing commitments made by it as of the date of termination. For purposes of this paragraph, an Employer will be deemed to have made an "organizing commitment" if the Union has delivered a valid Notice of Organizing before the effective date of termination.

C. Involuntary Termination

If an Employer is involuntarily terminated from the Advancement Agreement, any organizing and/or neutrality commitments made under this Agreement shall be extinguished. If an election or card check has been held at one or more of the Employer's facilities under this Agreement prior to the Employer's termination and the Union prevails, the Employer shall recognize and bargain with the Union and all provisions of this Agreement concerning such bargaining shall apply.

D. Term of Agreement

Any party may terminate this Agreement prior to January 1, 2004. Any obligations under this Agreement shall be governed by the section entitled "Voluntary Termination Prior to January 1, 2004" above. Termination of the Agreement after January 1, 2004 shall occur only if the Employer terminates or withdraws from the Advancement Agreement and shall be in accordance with the provisions set forth above. This Agreement shall expire upon the expiration of the Advancement Agreement or the Union's withdrawal from the Advancement Agreement, whichever is sooner.

E. Prohibition On Organizing Following Termination Or Expiration Of Agreement

For a period of twelve (12) months following the life of this Neutrality Agreement, the Union shall not seek to organize for collective bargaining nor demand recognition nor file a petition to become the collective bargaining representative at any California skilled nursing facility owned or operated by the Employer.

VI. GENERAL PROVISIONS

A. Governing Law

This Agreement shall be governed by and construed under the laws of the State of California as applicable to contracts between residents of that State, which are to be wholly performed within that State. The Union and Employer shall comply in all respects with all applicable laws, including without limitation the National Labor Relations Act, the Labor Management Cooperation Act of 1978 and State law.

B. Enforceability; Severability

This Agreement shall not impose on the Union or the Employer (or their respective affiliates) any obligation in violation of any federal or state laws or regulations. The parties agree to re-negotiate in good faith to amend any part of the Agreement to conform to the law if such part is determined by a court of competent jurisdiction, a federal, state, or local government agency or instrumentality, or by legal counsel of any party that any part of this Agreement is in violation of applicable law, or that any statutory or regulatory amendments or judicial or administrative interpretations render any part of this Agreement in violation of applicable law. Should a court or any other means deem any provision of this Agreement void, invalid, unenforceable, or illegal, the validity and enforceability of any other provision of this Agreement shall not be affected.

C. Construction of Agreement

This Agreement shall not be construed against the party preparing it but shall be construed as if both parties jointly prepared it. Any uncertainty or ambiguity shall not be interpreted against any one party. All appendixes attached hereto or referred to herein are incorporated into this Agreement and made a part hereof by this reference.

D. Confidentiality

The parties shall not release this Agreement to the media. This Agreement shall be held in confidence to the full extent allowed by law. Moreover, the parties agree that all information obtained in the course of working together under this Alliance shall be subject to the confidentiality and disclosure provisions of both federal and state law and all applicable regulations. Except as necessary to perform obligations hereunder, parties shall maintain in the strictest confidence and not disclose or reveal to any third persons any financial, statistical, personal, or organizational information obtained from each other. Parties shall not be required to keep any data confidential which is publicly available.

E. Duplicate Originals

This Agreement may be executed in any number of duplicate counterpart originals, each of which will be deemed an original and all of which, taken together, shall constitute one and the same instrument.

F. Application of Agreement

All of the provisions contained in this Agreement apply only to the Employer's California skilled nursing facilities as well as employers' employees at these specific facilities. These provisions do not apply in any manner to any of the Employer's or its affiliates business operations not specifically mentioned above. Accordingly, this Agreement shall have no application to any of the Employer's operations outside the State of California.

G. Effect of Agreement

This Agreement and the Advancement Agreement embody the entire agreement among the parties with respect to the subject matter hereof and supercedes all prior and contemporaneous negotiations, understandings, and agreements, both oral and written.

H. Amendment

This Agreement may be modified or amended only by written consent of all parties.

I. Waiver

No waiver of any term, covenant, or condition of this Agreement shall be effective unless set forth in writing and signed by the party against whom enforcement of the waiver is sought. The waiver by any party of any term, covenant, or condition of this Agreement shall not be deemed to be a waiver of any other term, covenant, or condition of this Agreement or to be a continuing waiver of a waiver as to future events. Failure of any party to enforce any provision of this Agreement shall not constitute or be construed as a waiver of such provision or of the right to enforce such provision.

J. Assignment

Neither this Agreement nor any rights created in either party hereunder may be assigned or otherwise transferred without the written consent of all parties nor shall any party subcontract with or otherwise seek to delegate any obligations under this Agreement without the other parties' unanimous written consent. Any attempt at such assignment or delegation without such consent shall be null, void and of no force or effect *ab initio*.

K. Cooperation; Time of the Essence

All parties shall execute and deliver all documents, papers, and instruments necessary to conveniently carry out the terms of this Agreement. The parties acknowledge that time is of the essence in the performance of any obligation under this Agreement.

L. Notices

All notices or other communications required and given in connection with this Agreement shall be given in writing and deposited in the United States mail, registered or certified, postage prepaid, with a return receipt requested, and shall be deemed effective only when documented as received by the party to be notified or when delivery is refused or declined by that party.

_____ _____

For the Employer **Date**

_____ _____

For the Union **Date**

APPENDIX "D"

Appendix A

TEMPLATE FACILITY COLLECTIVE BARGAINING AGREEMENT

SECTION I RECOGNITION

This Agreement is between _____

(hereafter referred to as the "Employer") and _____

(hereafter referred to as the "Union").

The Employer recognizes the Union as the exclusive collective bargaining representative for *[the bargaining unit shall be the unit certified in accordance with the terms of the parties' neutrality agreement covering the facility that is the subject of this Agreement]* employees employed by this Employer at the following locations:

SECTION II MUTUAL BENEFIT

The Employer and the Union agree to work together for the mutual benefit of the employees, the residents, the Employer and the Union. *[The Employer may negotiate with the Union to modify the function and interaction of the following two Labor Management Committees. The Employer and Union intend for the Industry-wide Labor Management Committee established under the California Alliance to Advance Nursing Home Care to limit itself to decisions impacting broad public policy and state-wide politic; not in determining issues that would impact employer-specific collective bargaining relationships.]*

The Employer and the Union will establish a facility-based Joint Labor Management Committee within the facility. This committee will be composed of the Union field representative, and three (3) employees and four (4) members of management. The committee will meet quarterly, or as often as needed, to discuss issues, concerns, suggestions and ideas related to the facility, the employees and the residents and to promote better understanding between the Union, the Company and the residents. This committee will also advise facility management on recruitment and retention issues. Minutes of the meetings will be posted within the facility.

The Employer and the Union further agree to establish a California Master Agreement Labor Management Committee specific to the Employer on a statewide basis. This committee will be composed of appropriate employees of Employer, such as Facility Administrators, Regional Managers, Vice President of Labor Relations, and/or Human Resource Directors. The committee will also be composed of appropriate members of the Union, such as Union Representatives, shop stewards, and/or the Local President (or his/her designee). This committee will meet on a quarterly basis, or as often as needed, but will not create a financial hardship for Employer by requiring Employer-paid travel by committee members. The regional committee

will discuss joint training initiatives, joint safety initiatives, joint public relation initiatives, and other issues of mutual benefit. Minutes of the meetings will be posted in all facilities.

Nothing in this section shall limit the Employer's sole and exclusive right to manage the facility.

SECTION III MANAGEMENT RIGHTS

The Employer retains the exclusive right to manage the business, to direct, control and schedule its operations and work force and to make any and all decisions affecting the business, whether or not specifically mentioned herein, and whether or not heretofore exercised except as specifically limited by the express terms of this Agreement. Such prerogatives shall include, but not be limited to, the sole and exclusive rights to:

Hire, promote, demote; layoff, assign, transfer, suspend, discharge and discipline employees; set pay rates, hiring rates, pay plans, wage increases, and incentive plans for employees; determine employee benefits; determine overtime rules; select and determine the number of its employees, including the number assigned to any particular work or work unit; to increase or decrease that number; direct and schedule the workforce; determine the location and type of operation; determine and schedule when overtime shall be worked; install or remove equipment; discontinue the operation of the business by sale or otherwise, in whole or in part at any time; subcontract bargaining-unit work, determine the methods, procedures, materials and operations to be utilized or to discontinue their use; transfer or relocate any or all of the operations by sale or otherwise, in whole or in part, at any time; determine the work duties of employees; promulgate, post and enforce rules and regulations governing the conduct and acts of employees during working hours; require that duties other than those normally assigned to be performed; select supervisory employees; train employees; discontinue or reorganize or combine any department or branch of operation with any consequent reduction or other change in the work force; introduce new or improved methods or facilities, regardless of whether or not the same cause a reduction in the working force; establish, change, combine or abolish job classifications; transfer employees, either temporarily or permanently, within programs and/or job classifications; determine job qualifications, work shifts, work pace, work performance levels, standards of performance, and methods of evaluation of the employees, and in all respect carryout, in addition, the ordinary and customary functions of management, all without hindrance or interference by the Union except as specifically abridged, altered or modified by the express terms of this Agreement.

The provisions of this Agreement do not prohibit the Employer from directing any person not covered by this Agreement from performing any task. The Employer, therefore, has the right to schedule its management and supervisory personnel at any time. The selection of supervisory personnel shall be the sole responsibility of the Employer and shall not be subject to the grievance and arbitration provisions of this Agreement.

The foregoing statement of the rights of management and of Employer functions are not all-inclusive, but indicate the type of matters or rights, which belong to and are inherent in management and shall not be construed in any way to exclude other Employer functions not

specifically enumerated. The Employer shall maintain the wages of employees covered by this Agreement, as of the effective date of this Agreement, unless explicitly modified by the terms of this or any subsequent Agreement. The Employer shall have the unilateral right to modify the terms or conditions of employment of covered employees, which are not the subject of explicit terms of this Agreement or any subsequent Agreement, after notice of such change to the Union and an opportunity to meet and discuss the changes with the Employer, if requested by the Union within ten (10) days of notice of the change.

SECTION IV UNION MEMBERSHIP AND VOLUNTARY ASSIGNMENT OF WAGES

Not later than the thirty-first (31st) day following the beginning of employment, or the effective date of this Agreement, or the execution date of this Agreement, whichever is later, every employee subject to the terms of this Agreement shall, as a condition of employment, become and remain a member of the Union, paying the periodic dues and initiation fees uniformly required, or, in the alternative, shall, as a condition of employment, pay a fee in the amount equal to the periodic dues and initiation fees uniformly required as a condition of acquiring or retaining membership, or, if the employee objects to the payment of that agency fee, such employee shall, as a condition of employment, pay that portion of the agency fee that is related to the Union's representation costs.

Upon voluntary signed authorization by an employee and a statement from the Union of the dollar amounts due for each employee, the Employer agrees to deduct the Union dues and initiation fees, and remit it to the office of the Union not later than the 30th day of the month following the month in which the dues were deducted.

The Union shall indemnify and hold harmless the Employer with respect to any asserted claim or obligation or cost of defending against any such claim or obligation of any person arising out of the Employer's deducting and remitting of Union dues. Once every month, the Employer shall inform the Union of new hires and terminated employees in the classifications listed herein in Unit Classifications.

The Employer will honor written assignment of wages to the Union for the payment of voluntary contributions to the Union's Committee on Political Education (COPE) Fund. The Employer will remit such contributions to the Union in accordance with the procedure set forth in this section.

SECTION V UNION VISITATION

An official representative of the Union will be permitted to visit the premises of the Employer for the purpose of ascertaining that the provisions of this Agreement are being observed and/or conferring with employees covered by this Agreement during their non-work time and in break areas. Such visits shall not interfere with the operation of the nursing home or the performance of the employees' duties and the Union Representative shall inform the Administrator or Director of Nursing of his/her visits prior to entering the nursing home's premises.

The Union will furnish in writing the name of the authorized representative, and the Employer is obliged only for admission of such authorized representative. Employers shall not unreasonably deny access to employee break areas during all working hours for above-stated reasons.

SECTION VI SHOP STEWARD

The Union shall designate up to two employees per work shift as shop stewards. Immediately following designation of said shop steward, the Union shall confirm this appointment by written notice to the Employer. The activities of the steward shall not interfere with the performance of his/her work or the work of other employees of the Employer. Any time spent by the shop steward on Union matters or acting in his/her capacity will not be compensated by Employer, except for time spent investigating and presenting grievances. Stewards will not be compensated by the Employer for time spent in adjusting grievances beyond that which the Employer judges to be reasonable. In no case will the Employer be required to pay for time spent adjusting grievances to the extent such time would result in overtime. Under no circumstances shall the Employer be required to pay more than one (1) Steward for attendance at a grievance meeting.

A shop steward may not communicate with employees, the Union, or representatives of the Employer concerning Union business on working time without first obtaining the permission of his/her immediate supervisor or other representative of the Employer. Such permission shall not be unreasonably denied.

The shop steward shall not direct any employee how to perform or not to perform his/her work in his/her role as shop steward, shall not countermand the order of any supervisor and shall not interfere with the normal operations of the Employer or any other employee.

A shop steward may not communicate with the Union office by telephone during working time without first obtaining the permission of his/her immediate supervisor or other representative of the Employer. Such permission shall not be unreasonably denied.

The Union office may communicate with the shop steward during working hours by telephoning the steward's immediate supervisor or department manager. Such calls to the Shop Steward shall be limited to two (2) calls per day of five (5) minutes in duration.

Any notification by the Company to the Union shall be in writing delivered to the Union at its offices with a copy to the shop steward designated by the Union.

A Shop Steward will be allowed up to thirty (30) minutes after the Company orientation to meet with the group of new bargaining unit employees who have completed the facility orientation provided by the Company. The Steward will obtain prior supervisory approval before he/she will be released to participate in this meeting. The Employer has a right to have a representative present during the Shop Stewards participation in the facility orientation.

SECTION VII BULLETIN BOARDS

The Employer shall provide a bulletin board that shall be used for the purpose of posting proper Union notices. The Union agrees that the Employer shall be provided with a copy of all notices prior to posting. The Union further agrees not to post or distribute any material, which is false or derogatory of the Employer, its services or supervisors, or inconsistent with the spirit of mutual collaboration inherent in this Agreement.

SECTION VIII VACANCIES

A vacancy is defined to mean any permanent full-time or part-time job opening within the job classifications in this Agreement, which the Employer determines to fill. The Employer reserves the exclusive right to determine if a vacancy exists. If, in the sole judgment of the Employer, all qualifications of employees who apply for a vacant position are equal, the employee with the most seniority shall be offered the position.

SECTION IX NO DISCRIMINATION

Section 1 No employee or applicant for employment covered by this Agreement shall be discriminated against because of membership in the Union or activities on behalf of the Union. Neither the Employer nor the Union shall unlawfully discriminate for or against any employee or applicant covered by this Agreement on account of race, color, religious creed, national origin, lawful political affiliation, physical handicap, medical condition, sexual orientation, gender, age, martial status or any other protected class.

Section 2 Wherever the masculine provision is used in this Agreement, it is understood that it applies to the feminine as well.

Section 3 Privacy Rights: Immigration and Naturalization Service

A. The Union is obligated to represent all employees without discrimination based upon national or ethnic origin. The Union is therefore obligated to protect employees against violations of their legal rights occurring in the workplace, including unreasonable search and seizure. The Employer is obligated to comply with all applicable federal, state and local regulations in addition to operating within all parameters and specific conditions set in their private compliance agreement with federal state and local regulatory officials.

B. To the extent permitted by law, the Employer shall notify the Union as quickly as possible, if any I.N.S. agent contacts the facility to enable a Union representative or attorney to take steps to protect the rights of employees. Additionally, to the extent permitted by law, the Employer shall notify the Union immediately upon receiving notice from the I.N.S., or when an SSA audit of employee records (for any purpose) is scheduled or proposed and shall provide the Union with any list received from such governmental agencies identifying employees with documentation or social security problems.

C. To the extent permitted by law, the Employer shall not infringe the privacy rights of employees, without their express consent, by revealing to the I.N.S. any employees' name, address or other similar information. To the extent permitted by law, the Employer shall notify the affected employee and the Union in the event it furnished such information to the I.N.S.

D. To the extent permitted by law, the Employer may provide paid or unpaid leaves of absences for any employee who requests such leave in advance because of court or agency proceedings relating to immigration matters as outlined in its Employer Policies and consistent with all state and federal leave requirements. The decision of whether to grant the leave and the maximum duration of the leave shall be determined in the Employer's sole discretion.

E. To the extent permitted by law, employees shall not be discharged, disciplined, suffer loss of seniority or any other benefit or be otherwise adversely affect by a lawful change of name or social security number. Employees who have falsified any records concerning their identity and/or social security number will be terminated. Nothing in this section shall restrict the Employer's right to terminate an employee who falsifies other types of records or documents.

F. An employee may not be discharged or otherwise disciplined because:

1. The employee (hired on or before November 6, 1986) has been working under a name or social security number other than their own;

2. The employee (hired on or before November 6, 1986) requests to amend his/her employment record to reflect his/her actual name or social security number;

3. The employee (hired on or before November 6, 1986) fails or refuses to provide to the Employer additional proof of his/her immigration status.

SECTION X PROBATIONARY PERIOD

All employees covered by this Agreement who are hired or transferred into a covered position on or after the effective date of this Agreement, whether or not previously employed by the Employer shall be subject to a probationary period of ninety (90) days. The Employer in its sole discretion may elect to extend this probationary period. Such extension must be presented to the employee in writing. Seniority shall not accrue to employees during their probationary period. However, upon successful completion of said probationary period, all employees shall be deemed to be regular employees covered by the terms of this Agreement and their seniority shall revert back to the date of hire.

Probationary employees may be terminated during their probationary period at the discretion of the Employer without recourse to the Grievance and Arbitration Procedure.

SECTION XI CATEGORIES OF EMPLOYEES

[Either the parties can bargain categories of employees on an Employer facility-specific basis based upon the Employer's current definition of full and part-time employees, or the Employer can agree to the following minimum language.]

A regular full-time employee is one who is scheduled to work or normally works [***either to be determined in negotiation with Employer or a minimum of thirty (30) or more hours a week***]. Full-time employees are eligible for all benefits or hourly differentials as provided for in the Employer's Policies.

A regular part-time employee is one who is scheduled to work or normally works [***either to be determined in negotiation with Employer or a minimum of twenty-four (24) or more but less than thirty (30) hours a week***]. Whether part-time employees are eligible for company benefits or pay in lieu of benefits shall be determined in accordance with the Employer's Policies.

A casual, on-call or per diem employee is one with no regular schedule, but who works intermittently as required and depending on the availability of work. Casual, on-call or per diem employees are not eligible for any benefits.

A temporary employee is one who is hired as a replacement for a regular employee on an approved leave of absence not to exceed the period of the leave. Temporary employees are not eligible for any benefits.

SECTION XII DISCHARGE, DISCIPLINE OR SUSPENSION

The Employer shall have the right to maintain discipline and efficiency of its operations, including the right to discharge, suspend or discipline an employee for just cause. Grounds for discipline or discharge, including immediate discharge are set forth in the Employer's Policies ***[copies of such relevant policies will be turned over to the Union during contract negotiation]***. Any probationary employee may be discharged or disciplined by the Employer in its sole discretion. No question concerning the disciplining or discharge of probationary employees shall be the subject of the grievance or arbitration procedure.

The Grievance Procedure appearing under Section XXIV is the minimum standard and shall apply to all cases of discipline of Union members except Employer Policies that provide greater protection shall be substituted as determined individually by each employer and SEIU. The Shop Steward may meet and discuss any disciplinary action of a Union member with Employer. The Employer retains the unilateral right to determine final resolution regardless of the meeting outcome. Arbitration shall apply only to discharge of an employee. *[Employers will have the option of adopting a mediation process as an interim step to arbitration of disputes over employee discharge.]*

SECTION XIII SENIORITY

Seniority shall be defined as the employee's length of continuous service with the Employer in the bargaining unit commencing with the date and hour on which the employee first began work in a bargaining unit position.

Seniority shall not accrue to probationary employees during the probationary period. However, at the successful completion of the probationary period, the employee's seniority shall be retroactive to the employee's first day of work in the bargaining unit position, and shall accrue during his/her continuous employment with the Employer within the bargaining unit covered by this Agreement.

Seniority shall accrue and not be lost during an employee's vacation.

An employee shall not accrue seniority while on layoff or on an unpaid leave of absence.

An employee shall lose accumulated seniority and seniority shall be broken for any of the following reasons:

1. Voluntary quit.

2. Discharge.

3. Failure to report to work after a layoff, within three (3) days after receipt of written notice of recall sent by the Employer to the employee at his/her last address of record on file with the Employer or ten (10) days after written notice of recall is sent to the address that was last provided by the employee.

4. Layoff which either extends (a) in excess of six (6) consecutive months, or (b) for the period of the employee's length of service, whichever is less.

5. Absence from work without notifying the Employer.

6. Unauthorized failure to report to work at the expiration of a leave of absence pursuant to this Agreement.

7. Taking employment elsewhere during the period of a contractual leave of absence without the express consent of the Employer.

An employee whose seniority is lost for any of the reasons outlined above shall be considered as a new employee if the Employer again employs him. The failure of the Employer to rehire said employee after the loss of seniority shall not be subject to the grievance and arbitration provisions of this Agreement.

In the event the Employer finds it necessary and desires to reduce its staff by laying off employees, it shall notify the Union as expeditiously as possible of its intention, and shall inform

the Union of the names of the employees who have been or who are to be laid off, as well as the effective date of the layoff.

In cases of layoff, probationary employees shall be laid off first without regard to their individual periods of employment. If all qualifications of the remaining employees, in the sole judgment of the Employer, are equal, the employee with the least seniority shall be laid off.

Whenever a vacancy occurs, employees who are on layoff shall be recalled with the last person laid off in that job classification being recalled first. Recall shall thereafter continue in reverse order of layoff.

Nothing contained herein shall deprive the Employer of the right, at its discretion, to hire a temporary employee for the duration of an employee's contractual leave of absence or for the duration of an employee's absence as a result of sickness, accident, or injury on the job, vacation or any other absence.

In the event an Employee covered by this Agreement is offered and accepts a position outside the bargaining unit, such Employee shall lose all of his/her seniority rights under this Agreement.

It shall be the responsibility of the employee to keep the Employer informed of his/her present address and telephone number and to notify the Employer, in writing of any such changes within two (2) days of the date of any change.

SECTION XIV HOURS OF WORK, OVERTIME, SCHEDULING, MEAL AND REST PERIODS, PAY PERIODS, AND PAY DAYS

The normal workweek shall be no more than 40 hours per week. The normal workday shall be no more than 8 hours per day. The Employer reserves the right to modify the workweek or workday for some or all employees at its sole discretion. If the Employer operates on an 8 and 80 schedule it may continue that schedule. Consistent with applicable California law, the Employer may institute twelve (12) hour shifts with overtime after forty (40) hours per week.

The recitation of a normal workweek or workday shall not imply a guarantee of any number of hours in a workweek or a workday.

Overtime shall be paid in accordance with the Employee Handbook and federal and state law. The Employer may schedule mandatory overtime to meet the needs of the business. No overtime shall be worked unless approved in advance.

The Employer shall fix the hours of work. A supervisor shall assign employees specific starting and ending times and schedule meal and rest periods.

Employee work schedules shall be posted at least seven (7) days prior to the first workday on the schedule. Changes to the posted schedule may be made by the Employer to meet the needs of the business, including the right to send employees home after the start of their shift.

If an employee wishes to change a scheduled day with another employee, both employees must sign a written request, and it must be approved by a supervisor. No employee changes will be approved if they result in overtime.

The Employer will provide employees who work a full shift with a half-hour unpaid meal period.

The Employer will provide a ten (10) minute rest period during each four (4) hour half shift.

Pay periods and paydays shall be as outlined in the Employer's Policies.

SECTION XV

ECONOMICS

This collective bargaining Agreement shall not create an economic disadvantage to Employer by requiring increases in either bargaining unit employee pay, benefits, staffing and/or shift ratios that both were not adequately reimbursed by Employer's receipt of Medi-Cal revenue and prevented Employer's reasonable economic return on operations from the service of Medi-Cal patients at the nursing facility covered by this collective bargaining agreement. For purposes of this Agreement, "Employer's reasonable economic return on operations from the service of Medi-Cal patients" is defined as the California Alliance to Advance Nursing Home Care's position on rate reform during Phase 2 up until the time when that position is superceded by the actual language adopted by DHS in Medi-Cal's final regulations.

Maintenance of Pre-Collective Bargaining Unit Cost Percent of Total Medi-Cal Revenue: The parties agree that the current overall percent cost of total Medi-Cal revenues allocated to wages and benefits represents the floor for total bargaining unit employee compensation and will not be reduced unless Employer's receipt of Medi-Cal revenues is subsequently reduced. Under this agreement, the Employer has the right to reallocate dollars among categories of bargaining unit employee benefits, as provided in Sections XVII and XVIII, as long as the total bargaining unit employee compensation cost percentage of total Medi-Cal revenues is maintained at the pre-collective bargaining level. The parties agree that based upon the most recent Medi-Cal cost report filed by Employer for the facility covered by this agreement, bargaining unit employee compensation cost equals ____% of Employer's total Medi-Cal revenue for the facility.

Negotiation of Post-Collective Bargaining Agreement Changes in Medi-Cal Revenue: The parties agree that the total amount of wages and benefits available to bargaining unit employees for negotiation under this collective bargaining agreement is directly linked (i.e., proportionate increase or reduction) to the Employer's level of net income from Medi-Cal program receipts (i.e., revenue in excess of current operating costs) at the facility covered by this collective bargaining agreement. A portion of any new Medi-Cal revenues attributable to the California Alliance to Advance Nursing Home Care's efforts will be applied as negotiated by the parties to wage, benefit, staffing level and/or shift ratio increases unless such changes have already been set by statutory or regulatory mandate(s) such as the 2001 WARP program. Such new wage, benefit, staffing level and/or shift ratio increases or reductions shall apply to the parties only

upon actual Employer receipt of the change in Medi-Cal revenue. To the extent that statutory limitations mandate a set amount of the Medi-Cal revenue increase for wages, benefits, staffing levels and/or shift ratio increases, the remaining revenue will not be negotiated by the parties and will remain with Employer to spend at their sole discretion. A change in bargaining unit employee's wage, benefit, staffing level and/or shift ratio that is both—in response to changes in Medi-Cal revenues received by Employer at the facility covered by this agreement and bargained for per the re-opener condition within Section XXIX—cannot be unilaterally modified by the Employer and must be bargained with the Union.

THE FINAL PARAGRAPH IN THIS SECTION DOES NOT APPLY TO AN EMPLOYER WHO CHOOSES TO ALLOW BARGAINING UNIT EMPLOYEE STRIKES ON REOPENER PER SECTION XXIX.

Any dispute between the parties about the application or interpretation of this Section in the context of Section XXIX shall be submitted to an arbitrator and the decision of the Arbitrator shall be final and binding on the parties and employees. In evaluating economic proposals, the arbitrator shall consider all the factors normally considered in interest arbitration cases; provided, that to the extent the employer's financial circumstances are considered, the arbitrator shall limit his/her consideration to the financial circumstances of the specific facility involved in the arbitration. Employers will not be required to provide their financial records to the union or arbitrators.

SECTION XVI HIRING RATES AND WAGES

[Hiring rates will be negotiated on an employer-by-employer and/or facility-by-facility basis determined by the market in which a particular facility operates. If Employer hiring rates and/or wages are negotiated with the Union to be flexible, then their impact upon total compensation of bargaining unit employees must be consistent with the provisions of Section XV.]

The Employer agrees to meet and discuss the hiring rates for any new covered positions prior to implementation as long as the meeting occurs within thirty (30) calendar days after the Union receives notice of the rates.

The Employer may, at its sole discretion, implement, modify or eliminate incentives to hire new employees, encourage safe working practices, or for any other business reason.

SECTION XVII PAID TIME OFF/HOLIDAY, SICK, VACATION

The Employer, in its sole discretion, may implement, modify or eliminate paid time off/holiday, sick, or vacation benefits as outlined in Employer policies. Paid time off/holiday, sick, vacation shall be offered and administered as outlined in the Employer's paid time off/holiday, sick, or vacation policies. Prior to implementing any substantial and material change to paid time off/holiday, sick or vacation benefits, the Employer shall notify the union and will meet with the union to discuss the benefit changes provided that the union requests such a meeting within thirty (30) calendar days of receiving notice of the changes. If Employer's foregoing modification

results in less total compensation for employees in the bargaining unit, the Employer shall negotiate with the Union per the provisions of Section XV.

SECTION XVIII INSURED BENEFITS

The Employer, in its sole discretion, may implement, modify or eliminate health, dental, life, vision and/or disability benefits as outlined in Employer policies. The Employer may select, change, eliminate or modify insurance carriers, benefit plans, benefit levels, employee co-pays and/or employee premiums. Prior to implementing any substantial and material change in insured benefits, the Employer shall meet with the Union to discuss the changes provided the union requests such a meeting within thirty (30) calendar days of receiving notice of the changes. If Employer's foregoing modification results in less total compensation for employees in the bargaining unit, the Employer shall negotiate with the Union per the provisions of Section XV.

SECTION XIX RETIREMENT/401(k) PLAN

The Employer, in its sole discretion, may implement, modify or eliminate a defined benefit plan, a defined contribution plan, and/or a Retirement/401(k) Plan as outlined in the Employer Plan Documents. The Employer reserves the right to implement, modify or eliminate its Retirement/401(k) Plan and shall meet with the Union to discuss any substantial and material change provided the union requests such a meeting within thirty (30) calendar days of receiving notice of the changes. If Employer's foregoing modification changes a fixed cost component (i.e., negotiated and specified by the parties per the provisions of Section XV) of the bargaining unit's retirement/401(k) plan, the Employer shall negotiate with the Union per the provisions of Section XV. If, however, Employer's foregoing modification changes a variable cost component (i.e., voluntary employer contribution, stock option or something of the equivalent), of the bargaining unit's retirement/401(k) plan, the Employer need only comply with the requirements of this provision.

SECTION XX LEAVES OF ABSENCE

The Employer may implement, modify or eliminate paid or unpaid leaves of absences as outlined in its Employer Policies and consistent with all state and federal leave requirements. The Employer reserves the right to modify its Leave of Absence policies. The Employer will inform the Union of any material and substantial changes in its Leave of Absence policies prior to implementation.

Employees may request an unpaid leave of absence to perform work for the Union with thirty (30) days notice to the Employer. Such leaves may be for any duration up to six (6) months and may be extended by mutual consent. Seniority will not accrue during the leave of absence. The Employer will take the needs of the business into account, but will not unreasonably withhold approval of such leave or extension.

To the extent allowed by the business, the Employer shall return the employee to the same job and position that he/she held at the time they went on Union leave with no loss in seniority and

with any intervening increases in wages or benefits applied as if they had been working. Employees must give the Employer at least ten (10) days written notice of their return to work.

SECTION XXI BEREAVEMENT LEAVE

When a death occurs in the family of an employee, he/she shall be entitled to Bereavement Leave as outlined in the Employer's Policies. The Employer reserves the right to implement, modify or eliminate the Bereavement benefit. Prior to implementing any substantial and material change in the Bereavement benefit, the Employer shall meet with the Union to discuss the changes provided the union requests such a meeting within thirty (30) calendar days of receiving notice of the changes.

SECTION XXII JURY DUTY PAY

When an employee is called for Jury Duty he/she shall be entitled to Jury Duty Pay as outlined in the Employer's Policies. The Employer reserves the right to implement, modify or eliminate the Jury Duty benefit. Prior to implementing any substantial and material change in Jury Duty Pay benefit, the Employer shall meet with the Union to discuss the changes provided the union requests such a meeting within thirty (30) calendar days of receiving notice of the changes.

SECTION XXIII NO-STRIKE CLAUSE (DURING TERM)

At no time shall there be a strike at the facility organized under this Agreement. During the term of this Agreement or any written extension hereof, the Union, on behalf of its officers, agents and members, agrees that it will not cause, sanction or take part in any strike (whether it be economic, unfair labor practice, sympathy or otherwise), slowdown, walkout, sit-down, picketing, any kind of hand billing, stoppage of work, retarding of work or boycott, or any other activities which interfere, directly or indirectly, with the Employer's operations at this facility. The Employer agrees that there shall be no lockout at this facility during the life of this Agreement.

The Company shall have the unqualified right to discharge or discipline any or all employees who engage in any conduct in violation of this Section.

Should any strike (whether it be economic, unfair labor practice, sympathy or otherwise), slowdown, walkout, sit-down, picketing, stoppage of work, retarding of work or boycott, whether it be of a primary or secondary nature, and/or any other activity which interferes, directly or indirectly, with the Employer's operation and/or the operation of any facilities for which the Employer provides services, the Union, within twenty-four (24) hours of a request by the Employer, shall:

A. Publicly disavow such action by the employees;

B. Notify the employees of its disapproval of such action and instruct such employees to cease such action and return to work immediately;

C. Post notices on Union bulletin boards advising that it disapproves such action, and instructing employees to return to work immediately.

The Union's actions detailed above in sections A, B and C, and the performance thereof, shall relieve the Union of liability for any damages suffered by the Employer as a result of the violation of this Section of the collective bargaining agreement.

The term "strike" shall include a failure to report for work because of a primary or secondary picket line at the Employer's premises, whether established by this or any other union and any slowdown, sit down, walk out, sick out or any withholding of labor during working hours for any unexcused reason.

NO STRIKE CLAUSE (UPON TERM EXPIRATION)

Per selection of the optional provision in SECTION XXIX TERM OF AGREEMENT AND REOPENER , Employers who agree to binding interest arbitration can prohibit workers from engaging in work stoppage over labor contracts disputes that occur upon expiration of this agreement.

SECTION XXIV GRIEVANCE PROCEDURE

Any grievance or dispute arising out of the application or meaning of the terms of this Agreement during the term of this Agreement and not specifically excluded from the grievance and arbitration procedure by this or any other provision of this Agreement shall be taken up in the manner set forth below.

All grievances must be presented in writing at every step. Such writing shall specify in detail the acts upon which the grievance is based and the particular provisions of this Agreement allegedly violated by said acts. Failure to properly present a grievance in writing at this stage of the grievance procedure shall constitute a waiver of such grievance and bar all further action thereon. Failure on the part of the Employer to answer a grievance at any step shall not be deemed acquiescence thereto and the Union may proceed to the next step. Employees have a right to Union representation for any grievance in dispute arising out the application of the Agreement. It is mutually understood and agreed that nothing herein will prevent an employee from discussing any problem with his/her supervisor or other representative of Management at any time, with or without his/her Union steward, prior to initiating a formal grievance. Failure to present a grievance within ten (10) days of the date the Employee became aware of the issue shall nullify the grievance.

Grievances shall be handled in accordance with Employer's Policies, provided workers receive at least the minimum standard of grievance procedure as stated above and with the exception that the last step in all grievances shall include a meeting between the Shop Steward and a company representative. Where Employer both does not have an existing grievance procedure and believes the foregoing minimum grievance procedure is inadequate, the parties shall negotiate a procedure that better meets Employer needs.

[Employers will have the option of adopting a mediation process as an interim step to arbitration of disputes over employee discharge.]

SECTION XXV ARBITRATION PROCEDURE

If a grievance over an employee's termination or Section XV Economics is not settled under the Employer's grievance policy, the Union may refer it to arbitration within ten (10) days of the Employer's decision. No issues other than employee termination and Section XV Economics are arbitrable under this Agreement. The Union's request for arbitration must be made in writing, by the tenth day, after the Employer's answer to the last step in the grievance procedure has been served on the Union, or the grievance will be deemed to have been resolved on the basis of the Employer's last answer and will not be arbitrable. It is understood and agreed that a decision of the Union not to exercise its right to request arbitration shall be final and binding upon the members of the bargaining unit, and further that the Union, through its designated representatives, has authority to settle any grievance at any step.

By mutual consent, the Union and the Employer shall select a permanent Arbitrator or panel of Arbitrators who shall arbitrate grievances regarding employee terminations and Section XV, Economics. The Union shall submit the unresolved grievance in writing to the Arbitrator with a copy to Employer.

The Arbitrator may consider and decide only the particular grievance presented to him in a written stipulation by the Employer and the Union, and his decision shall be based solely upon an interpretation of the provisions of this Agreement. The award of the Arbitrator so appointed shall be final and binding upon the parties. The Arbitrator shall have no authority to alter, amend, add to, subtract from or otherwise modify or change the terms and conditions of this Agreement. Only one grievance shall be submitted to the Arbitrator at a time, unless the parties mutually agree otherwise.

The cost of arbitration, which shall include the fees and expenses of the Arbitrator, the Court Reporter and the transcript shall be borne equally by the parties. Each party shall pay any fees of its own representatives and witnesses for time lost.

Occurrences prior to the execution date or subsequent to the expiration date of this Agreement shall not be subject to arbitration.

Since it is important that grievances and arbitrations be processed expeditiously, the number of days indicated at each level shall not be considered as merely procedural, but shall be deemed of the essence and any grievance shall be waived if not appealed to the next step or to arbitration within the time limits set forth herein.

The parties agree that the arbitrator shall accept a written statement signed by a resident or patient in lieu of their sworn testimony. The parties agree that neither shall call a resident or patient as a witness.

SECTION XXVI SEPARABILITY

In the event that any provision of this Agreement shall, at any time, be declared invalid or void by any court of competent jurisdiction or by any legislative enactment or by Federal or State statute enacted subsequent to the effective date of this Agreement, such decision, legislative enactment or statute shall not invalidate the entire Agreement, it being the express intention of the parties hereto that all other provisions not declared invalid or void shall remain in full force and effect.

In the event that any decision, legislative enactment or statute shall have the effect of invalidating or voiding any provision of this Agreement, the parties hereto shall meet solely for the purpose of negotiating with respect to the matter covered by the provision which may have been so declared invalid or void.

SECTION XXVII NOTICE OF SALE

In the event a facility covered by this Agreement is to be sold, assigned, leased or transferred, the Employer will notify the Union as soon as possible of the name and address of the new owners, assignee, lessee or transferee, and meet with the Union to negotiate over the effects of the transaction on bargaining unit employees.

SECTION XXVIII MOST FAVORED EMPLOYER CLAUSE

Upon request of Employer and effective immediately upon notice to the Union, any term or provision of this collective bargaining agreement except hiring rates and wage scales shall be changed and updated to mirror specific language that both: (1) appears in a subsequent collective bargaining agreement between Union and an employer member of the *California Alliance to Advance Nursing Home Care*; and (2) is more favorable for the Employer. If the Union asserts that Employer's requested language change(s) fails to meet the foregoing condition "more favorable for the Employer," and such requested language change(s) arise within an arbitrable clause in this Collective Bargaining Agreement, the determination of whether it is truly "more favorable for the Employer" will be arbitrable. When changing specific language to mirror subsequent contract language that is more favorable for Employer, the Union and Employer shall amend this Agreement in writing and initial and date each such revision.

SECTION XXIX TERM OF AGREEMENT AND REOPENER

This Agreement shall be effective as of _____ and shall remain in full force and effect unless amended by mutual written agreement of the parties through the end of the term _____ and year to year thereafter provided, however, that either party may serve written notice on the other at least ninety (90) days prior to the expiration date, or subsequent expiration anniversary date, of its desire to amend any provision hereof. Notwithstanding the above, the parties agree that either party may make a written request to reopen the Agreement for negotiations over wages and benefits consistent with Section XV Economics up to sixty (60)

days following Employer's receipt of written notification by an official and authoritative representative of California's Government reporting the specific scope of scheduled changes (i.e., increase or decrease) to the Medi-Cal skilled nursing facility rate. If either party does not agree with the other's request to reopen the Agreement per the foregoing statement, the determination of whether "written notification by an official and authoritative representative of California's Government reporting the specific scope of scheduled changes to the Medi-Cal skilled nursing facility rate" exists shall be arbitrable under this Agreement. Since numerous historical examples exist of California's Government Representatives announcing scheduled Medi-Cal rate changes and then failing to implement such changes as specifically announced (i.e., most recently the WARP program), the parties agree that any wages and/or benefit change agreement negotiated through the foregoing re-opener provision shall not be effective until Employer actually receives the rate change as specifically promised by the official and authoritative representative of California's Government.

The Remainder of This Section Shall Apply Only If Agreed To By The Employer

Upon the termination of this Agreement, **Section XXIII No Strike Clause** shall remain in full force prohibiting workers from engaging in work stoppage over labor contract disputes and Employer agrees to binding interest arbitration as defined below.

In evaluating economic proposals, Employer, Union and/or Arbitrator, shall consider factors normally considered in interest arbitration cases; provided, that to the extent the employer's financial circumstances are considered, the Employer, Union and/or arbitrator shall limit consideration to the financial circumstances of the specific Employer-facility involved in this Agreement. The Employer, Union and/or Arbitrator shall not establish a collective bargaining relationship that would create an economic disadvantage to Employer by requiring increases in worker pay, benefits, staffing levels and/or shift ratios that both were not adequately reimbursed by Medi-Cal revenues and prevented Employer's reasonable economic return on operation of the specific Employer-facility covered by this Agreement. Employer will not be required to provide financial records to Union or arbitrators. If California creates a voluntary mediation and binding arbitration process to resolve collective bargaining disputes, the parties will consider utilizing such services before proceeding to the traditional arbitration process. The provisions of this collective bargaining agreement shall be common to all future collective bargaining agreements at this facility, to the extent desired by Employer. Within the foregoing context, the parties agree that negotiations to renew the term of Agreement can be expanded to include up to the following eight topics.

1. Wages and economic benefits (i.e., increases or decreases in worker wages and economic benefits that are consistent with changes in Employer's receipt of Medi-Cal revenues).

2. Employee health and safety (i.e., worker training and/or capital equipment available to prevent on-the-job injury).

3. Immigration (i.e., update existing provision to reflect new legislation).

4. Discrimination (i.e., worker remedies for discrimination such as the potential creation of process for a neutral third party to adjudicate outcome and require worker use such internal process before seeking relief from EOC).

5. Training (i.e., create Taft-Hartley vehicle to fund bargaining unit employee training programs).

6. Career Development (i.e., create bargaining unit employee training programs that enable workers to pursue advanced professional development).

7. Job Security (i.e., create a fund for use by bargaining unit employees financially harmed when a nursing home is downsized or closed; if SEIU creates an economically competitive nursing registry that can serve Employer's facility, than give it right of first refusal for Employer's registry needs).

   Non-adversarial problem resolution to improve: (a) bargaining unit employee recruitment and retention outcomes; (b) bargaining unit employee morale; (b) patient care and quality of life outcomes not related to staffing levels or shift ratios; and (3) efficiency of facility operation (i.e. create new policy and procedure that adds value to Employer's business).

SECTION XXX ALLIANCE AGREEMENT REQUIRED

All signatories to this agreement will join the *California Alliance to Advance Nursing Home Care* and sign the Agreement to Advance the Future of Nursing Home Care in California.

For the Union	**For the Employer**
Date	**Date**