MASTER PLAN OF CONVERSION

Total Community Options, Inc.
And Its Subsidiaries

This Plan of Conversion (this "**Plan**") is dated October 30, 2015, and is hereby adopted by Total Community Options, Inc., d/b/a/ InnovAge (the "**Parent Entity**"), Total Longterm Care, Inc. ("**TLTC**"), Seniors!, Inc. ("**Seniors**"), and Continental Community Housing, Inc. ("**CCH,**" together with TLTC and Seniors, the "**Subsidiaries.**" Together the Subsidiaries and the Parent Entity, the "**Converting Entities**"), each a Colorado nonprofit corporation, in order to set forth the terms, conditions and procedures governing the conversion of Converting Entities into Colorado for-profit corporations pursuant to Sections 7-131-101.5, 7-90-201 and 7-90-202 of the Colorado Revised Statutes (as amended, the "**C.R.S.**").

WHEREAS, The Parent Entity has been and continues to be a leader in the delivery of services to the frail elderly population through its core businesses, including its Program of All-Inclusive Care for the Elderly, home care agencies, and other programs designed to provide health care, housing and other services to the frail elderly (the "**Business**");

WHEREAS, The Parent Entity has recently engaged in a strategic planning process and made an assessment of the capital and other needs necessary to continue to grow and provide high quality services to the frail elderly population, and the results of this process was a determination that without additional capital and the ability to address market needs through a for-profit structure and an alignment with a capital partner, the long term goals of the system would become increasingly difficult to achieve;

WHEREAS, Accordingly, the Parent Entity has determined to pursue its goals through a conversion of itself and the Subsidiaries to for profit status as Colorado for profit corporations as part of a capitalization transaction with Welsh, Carson, Anderson & Stowe XII, L.P. ("**Welsh**") in order to provide capital to the enterprise;

WHEREAS, The Parent Entity has certain rights with respect to the governance of TLTC and Seniors, and TLTC has certain rights with respct to the governance of CCH; and

WHEREAS, Parent Entity's Board of Directors, and the Board of Directors of each of the Subsidiaries, has approved the Conversions, as defined below.

Now, therefore, each Converting Entity does hereby adopt this Plan to effectuate the conversion of the Converting Entities into Colorado for-profit corporations, as follows:

1. **Conversion**. Upon and subject to the terms and conditions of this Plan and pursuant to the relevant provisions of the C.R.S, including, without limitation, Sections 7-90-201 and 7-90-202 of the C.R.S., each Converting Entity will convert (referred to herein as the "**Conversion**") from a Colorado nonprofit corporation into a Colorado corporation (each referred to herein as a "**Resulting Entity**") at the Effective Time (as defined in Section 3 below).

Resulting Entities will thereafter be subject to all of the provisions of the Colorado Corporations and Associations Act, except that notwithstanding anything therein to the contrary, the existence of each Resulting Entity will be deemed to have commenced on the date of incorporation of the corresponding Converting Entity.

(a) At the Effective Time, upon the Conversion of the Parent Entity, the Parent Entity's nonprofit limited liability company subsidiaries listed on Exhibit A attached hereto (the "**LLC Subsidiaries**") will be automatically converted to for-profit limited liability companies. The governance and membership of the LLC Subsidiaries will remain the same following the Conversion.

(b) At the Effective Time, upon the Conversion of the Parent Entity, the Resulting Parent Entity will relinquish any rights it has in the governance or election of directors of the Total Community Options Foundation, a Colorado nonprofit, tax-exempt corporation (the "**Foundation**"), and the Foundation will continue as a member-less nonprofit corporation, independent of the Parent Entity. The governance of the Foundation following the Conversion is described in Exhibit B attached hereto.

(c) Attached hereto as Exhibit C is a copy of the results of an independent valuation of the fair market value of the Business.

(d) Attached hereto as Exhibit D is a detailed explanation of the plans for distribution of the proceeds of the Conversion and the transactions contemplated by the Purchase Agreement (as defined below).

(e) No incentive payments have been paid to the executives of the Parent Entity and its Subsidiaries in connection with the Conversion. The executives of the Parent Entity have had employment and/or severance agreements with the Parent Entity in place since 2013, prior to the negotiations of the Conversion and the Purchase Agreement. Attached as Exhibits E 1-7 are copies of the executive employment agreements of the executive team in effect as of the date of execution of this Agreement.

(f) Attached hereto as Exhibits F 1-3 are the consolidated audited financial statements of the Parent Entity for its three (3) most recent fiscal years for operations within Colorado, and for those operations outside of Colorado, for such operations that may be related to the Conversion.

2. **Effect of Conversion**. Following the Conversion, each Resulting Entity will, for all purposes of the laws of the State of Colorado, be deemed to be the same entity as the applicable Converting Entity. Upon the Effective Time, all of the rights, privileges and powers of each Converting Entity, and all property, real, personal and mixed, and all debts due to such Converting Entity, as well as all other things and causes of action belonging to a Converting Entity, will remain vested in the corresponding Resulting Entity and will be the property of the Resulting Entity and the title to any real property vested by deed or otherwise in each Converting

Entity will not revert or be in any way impaired, but all rights of creditors and all liens upon any property of each Converting Entity will be preserved unimpaired, and all debts, liabilities and duties of each Converting Entity will remain attached to the corresponding Resulting Entity and may be enforced against it to the same extent as if said debts, liabilities and duties had originally been incurred or contracted by it in its capacity as a Colorado corporation. The Conversion will not be deemed to affect any obligations or liabilities of any Converting Entity incurred prior to the Effective Time or the personal liability of any person incurred prior thereto. No Converting Entity will be required to wind up its affairs or pay its liabilities and distribute its assets, and the Conversion will not be deemed to constitute dissolution of any Converting Entity and will constitute a continuation of the existence of each Converting Entity in the form of a Colorado corporation. Each Converting Entity is the same entity as its corresponding Resulting Entity.

3. **Effective Time**. Provided that this Plan has not been terminated or deferred pursuant to Section 7 hereof, the Conversion will be effected as of the closing of the transactions contemplated by the Stock Purchase Agreement by and between the Parent Entity, the Foundation, TCO Acquisition Corporation (the "Buyer"), and TCO Group Holdings, Inc. (the "Parent," both Buyer and Parent are entities affiliated with Welsh) (the "**Purchase Agreement**"). Subject to the foregoing, unless another date and time is specified, the Conversion will be effective for each Converting Entity upon (a) the filing with the Secretary of State of the State of Colorado of a duly executed Statement of Conversion meeting the requirements of Section 7-90-201.7 of the C.R.S. and (b) a duly executed Articles of Incorporation of Resulting Entity in the form specified below (the "**Effective Time**").

4. **Governance and Other Matters Related to Resulting Entities.**

(a) **Articles of Incorporation**. At the Effective Time, the Articles of Incorporation of each Resulting Entity will be in substantially in the form as set forth in Exhibit G (the "**Articles**") and each will be filed with the Secretary of State of the State of Colorado. Each Converting Entity will retain its name upon the filing of the Articles.

(b) **Ownership of Shares**. At the Effective Time, each Resulting Entity will issue shares of Common Stock as follows:

i. 100% of the shares of stock of the Resulting Parent Entity will be issued to the Buyer, in connection with the Transactions outlined in the Purchase Agreement.

ii. 100% of the shares of stock of Resulting TLTC and Resulting Seniors will be issued to the Resulting Parent Entity, who will be the sole shareholder of each.

iii. 100% of the shares of stock of Resulting CCH will be issued to Resulting TLTC who will be the sole shareholder of Resulting CCH.

Each Resulting Entity will issue stock certificates documenting such shares in accordance with the Bylaws of each Resulting Entity and the terms of the Purchase Agreement.

(c) **Bylaws**. At the Effective Time, the Bylaws of each Resulting Entity (the "**Bylaws**") will be substantially in the form as set forth in Exhibits H and each will be adopted by the corresponding Resulting Entity. Thereafter, the Bylaws may be amended in accordance with their terms.

(d) **Repeal of Corporate Governance Documents**. At the Effective Time, the Articles of Incorporation and Bylaws of each Converting Entity, as previously in effect, will be repealed and supplanted by the Articles of Incorporation and Bylaws of the corresponding Resulting Entities.

5. **Filings, Licenses, Permits, and Titled Property**. As necessary, each Resulting Entity will apply for new qualifications to conduct business (including as a foreign corporation), licenses, permits and similar authorizations on its behalf and in its own name in connection with the Conversion and to reflect the fact that it is a corporation. As required or appropriate, all real, personal or intangible property of any Converting Entity which was titled or registered in the name of Converting Entity will be re-titled or re-registered, as applicable, in the name of the corresponding Resulting Entity by appropriate filings and/or notices to the appropriate parties (including, without limitation, any applicable governmental agencies).

6. **Further Assurances**. Any time after the Effective Time, each Resulting Entity will be and hereby is authorized to execute and deliver, in the name and on behalf of the corresponding Converting Entity, all such deeds, bills of sale, assignments, agreements, documents and assurances and do, in the name and on behalf of such Converting Entity, all such other acts and things necessary, desirable to vest, perfect or confirm, of record or otherwise, in the corresponding Resulting Entity its right, title or interest in, to or under any of the rights, privileges, immunities, powers, purposes, franchises, properties or assets of each Converting Entity, or to otherwise carry out the purposes of this Plan and the Conversion.

7. **Implementation and Interpretation; Termination and Amendment**. This Plan will be implemented and interpreted, prior to the Effective Time, by the Boards of Directors of each Converting Entity, or a designated representative, and, upon the Effective Time, by the Board of Directors of each Resulting Entity, or a designated representative, (a) each of which will have full power and authority to delegate and assign any matters covered hereunder to any other party(ies), and (b) the interpretations and decisions of which will be final, binding, and conclusive on all parties.

8. **Amendment**. This Plan may be amended or modified by the vote of the Boards of the Converting Entities at any time prior to the Effective Time and thereafter in accordance with the Bylaws of each Resulting Entity.

9. **Third Party Beneficiaries**. This Plan will not confer any rights or remedies upon any person or entity other than as expressly provided herein.

10. **Severability**. Whenever possible, each provision of this Plan will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this plan

is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Plan.

[Signature Page Follows]

This Plan is hereby entered into and adopted as of October 30, 2015.

Converting Entities:

Total Community Options, Inc., d/b/a/ InnovAge

Maureen L. Hewitt

By:
Name:_Maureen Hewitt
Title: President and Chief Executive Officer

Total Longterm Care, Inc.

Maureen L. Hewitt

By:
Name: Maureen Hewitt
Title: President and Chief Executive

Seniors!, Inc.

Maureen L. Hewitt

By:
Name:_Maureen Hewitt
Title:_ Chief Executive Officer

Continental Community Housing, Inc.

Maureen L. Hewitt

By:
Name:_Maureen Hewitt
Title: Chief Executive Officer

EXHIBIT A
LLC SUBSIDIARIES

TLC Inland, LLC
InnnovAge Greater Colorado PACE – Loveland, LLC
Total Community Care, LLC
Innovage Senior Housing-Thornton, LLC
Innovage Senior Housing-Thornton II, LLC

EXHIBIT B
Foundation Governance and Operations Plan

As reflected in Exhibit D to the Master Plan of Conversion, and for the reasons set forth below, at the Effective Time of the Conversion the proceeds will be distributed to Total Community Options Foundation (the "Foundation"), an existing Colorado nonprofit corporation exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. Following the Conversion, the Foundation will be governed by Amended Articles of Incorporation and Amended Bylaws, in addition to relevant provisions of state and federal law applicable to nonprofit, tax exempt organizations. The Amended Articles and Amended Bylaws will reflect the Foundation's separation from and severance of its previous relationship to Parent Entity on a going-forward basis. The renamed Foundation will be governed and administered by an independent board of directors and new management having demonstrated expertise and experience in relevant philanthropic and community service will be engaged to support the Foundation's activities.

As will be reflected in its amended corporate documents, the restructured Foundation's charitable purposes include funding mission-driven senior care and other related initiatives that improve community services directed toward the aging population and associated caregivers.

With one exception noted below, the Foundation will be a grantmaking, not an operational, charity promoting independence and dignity for the vulnerable and under-served aging population by encouraging and supporting innovative, affordable and coordinated services and initiatives. It will be a leader in improving the well-being of the vulnerable, under-served aging population, and is committed to accountability and transparency in a collaborative environment with a diversity of partners to address issues of aging in a holistic manner.

The Parent Entity and the Foundation recognize the overriding responsibility to utilize the proceeds of the Conversion in an appropriate manner which furthers the Foundation's charitable purposes and serves the community, both now and in the future. Consistent with the requirements of CRS 25.5-5-42(14)(a)(I)(B), significant due diligence has been conducted regarding the work of other local and national charities in meeting the needs of the aging population. Following careful review, an informed decision was made by the Parent Entity that distributing the Conversion proceeds to the Foundation would have a substantial impact in a highly focused manner with great potential to promote the best interests of the under-served aging population historically served by InnovAge.

In addition to the foregoing grantmaking activities which will constitute its principal focus, the Foundation plans to step into the shoes of the Parent Entity after the Conversion to continue supporting and operating the nonprofit Johnson Center in Englewood, a legacy provider of specialized adult day care and related services for the frail and aging population in the Denver-metro community.

Pursuant to its amended company documents, the Foundation will be a Colorado non-member corporation governed by its Board of Directors; Board size may range between seven and seventeen Directors serving staggered three year terms. New Board members will be elected annually by the existing Board as vacancies arise, and Directors will serve a maximum of two consecutive three year terms. The Foundation's permanent governing Board will be a broad, community-based body which reasonably represents its diverse constituency taking into account geographic, cultural and other relevant considerations, and Directors will be well-qualified to oversee and advance the Foundation's charitable purposes.

As of the Effective Time, to facilitate an efficient and effective transition, an initial Board comprised of nine individuals will be seated for an interim term until the Foundation Board's annual meeting in 2017, when the permanent community-based Board structure is fully implemented. The following persons are anticipated to serve as Directors for an initial term expiring in 2017.

Parrish S. Boren
Marco Chayet
Joie Glenn
Maureen Hanrahan
Jill Higham
Greg Ibsen
Randy McCall
Tim Owen
Janice Torrez

The Parent Entity recognizes and supports this opportunity to achieve public good. Distribution of the Conversion proceeds to the restructured Foundation will significantly benefit the public interest of Colorado's citizens in a lawful and appropriate manner.

EXHIBIT C
Valuation

Final Report

Total Community Options, Inc. d/b/a InnovAge

July 22, 2014

VMG HEALTH

WE VALUE HEALTHCARE

Business Valuation • Professional Services Valuations • Asset Appraisals • Real Estate • Transaction Advisory • Consulting
Dallas • Nashville

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Appendix

TOTAL COMMUNITY OPTIONS, INC. D/B/A INNOVAGE

EXECUTIVE SUMMARY

VMG HEALTH
WE VALUE HEALTHCARE

Valuation Overview & Conclusion

Value Management Group, LLC d/b/a VMG Health ("VMG") has been engaged by Total Community Options d/b/a InnovAge ("InnovAge" or the "Company") to provide a third party, independent Fair Market Value ("FMV") analysis of the Company, as of the current date. The report herein references the Company's PACE Programs (the "PACE Program"). The PACE Program provides all-inclusive care to disabled patients over the age of 55, and operates in California, Colorado, and New Mexico. The Company also operates InnovAge Homecare services and InnovAge Solutions, a management services organization. Reference to an independent opinion of both InnovAge Homecare and InnovAge Solutions can be found in the appendix. It is our understanding that our report will be used by InnovAge management for planning regarding potential transactions.

Our report is intended for use solely by InnovAge management and only for the indicated purpose. Our analysis is to be used for no other purpose or distributed, in whole or in part, to third parties, other than the Internal Revenue Service, Office of Inspector General or other regulatory authorities, without the express written consent of VMG. Furthermore, the result of our analysis should not be construed as a fairness opinion or investment recommendation. The term FMV means the price at which property would change hands between a willing buyer and willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of the relevant facts.

VMG has not taken any steps in auditing the financials statements provided. We have relied upon the representation that the latest financial statements are accurate and represent the financial and operational assets of the subject Company in a reasonable manner. The obligation of VMG is solely a corporate obligation, and no officer, principal, director, employee, agent, shareholder, or controlling person shall be subjected to any personal liability whatsoever to any person or entity, nor will any such claim be asserted by or on behalf of any other party to this agreement or any person relying on the opinion. In reaching our final conclusion with respect to the FMV, we considered the factors set forth in Revenue Ruling 59-60, 1959-1, C.b. 237, including:

- The nature of the business and the history of the enterprise from its inception;
- The economic outlook in general and the condition and outlook of the specific industry in particular;
- The book value of the stock and the financial condition of the enterprise;
- The earning capacity of the enterprise;
- The dividend-paying capacity of the enterprise;
- Whether or not the enterprise has goodwill or other intangible value;
- Prior sales of the stock and the size of the block of stock to be valued; and
- The market price of stock of corporations engaged in the same or a similar line of business, having their stocks actively traded on an exchange or over-the-counter market.

Valuation Overview & Conclusion

Based on and subject to the facts, limiting conditions, and assumptions presented in this report and attached exhibits, as of a current date, the FMV of the total invested capital ("TIC") at the enterprise level of the PACE Program is reasonably represented at approximately **$120.2 million**. As of the February 28, 2014 balance sheet, the PACE Program had no interest bearing debt, however, the PACE Program had a considerable amount of excess cash. Please note that all debt related to real estate is excluded. The value of this excess cash is estimated to equal approximately $37.3 million and is included in our conclusion of the FMV. Therefore, the FMV of the equity including excess cash at the enterprise level of the PACE Program is reasonably represented in a range between approximately **$149.7 million** and **$165.4 million**.

Fair Market Value Summary	Consolidated
Fair Market Value of the PACE Programs, Total Invested Capital Level	$120,220,000
Plus: Working Capital Surplus	37,320,000
Fair Market Value of the PACE Programs, Enterprise TIC Level Plus Working Capital Surplus	**$157,540,000**
Less: Interest-Bearing Debt Outstanding as of February 28, 2014, excludes debt related to real estate	-
Fair Market Value of the PACE Programs, Enterprise TIC Level Less Interest-Bearing Debt	**$157,540,000**

Enterprise TIC Level Plus Working Capital Surplus Range (+/- 5.0%) (Rounded):		
Low	**Mid**	**High**
$149,700,000	**$157,540,000**	**$165,400,000**

Included within the above FMV indication are all operating assets of the subject PACE Program including a normalized level of working capital, fixed assets (excluding real estate), and intangible assets, excluding real estate assets held by Working capital is defined as current assets minus current liabilities. Working capital includes cash, accounts receivable and other current assets less non-interest bearing debt that permit a business to conduct day-to-day operations and maintain liquidity. Our above value assumes that a reasonable level of working capital exists on the balance sheet of the business as of the transaction date. Based upon our analysis of the PACE Program's historical working capital requirements and observed working capital requirements for other client health plans, we have estimated a normalized level of working capital at 15.0% of net revenues. As detailed above, there was considerable surplus working capital as of February 28, 2014.

Situational Analysis

Value Management Group, LLC d/b/a VMG Health ("VMG") has been engaged by Total Community Options d/b/a InnovAge ("InnovAge" or the "Company") to provide a third party, independent Fair Market Value ("FMV") analysis of the Company, as of the current date. The report herein references the Company's PACE Programs (the "PACE Program"). The PACE Program provides all-inclusive care to disabled patients over the age of 55, and operates in California, Colorado, and New Mexico. The Company also operates InnovAge Homecare services and InnovAge Solutions, a management services organization. Reference to an independent opinion of both InnovAge Homecare and InnovAge Solutions can be found in the appendix. It is our understanding that our report will be used by InnovAge management for planning regarding potential transactions.

The Company was formed in May 2007 as a parent company for numerous entities, including the PACE Program, which provides all-inclusive care to disabled patients over the age of 55. To qualify for PACE Program care, patients must require a level of care given in nursing homes and be eligible for either Medicare or Medicaid. The PACE Program is active in 3 states: Colorado, New Mexico, and California. The PACE Program's Colorado operations, InnovAge Greater Colorado PACE (IGCP), was formed in 1989 and is a nonprofit corporation operating in the Denver area. The PACE Program's New Mexico operations, InnovAge Greater New Mexico PACE (IGNMP), was formed in 2003 to provide PACE Program services to patients in New Mexico. In 2011, a subsidiary (TLC Inland, LLC) was formed to develop the PACE Program's California operations in San Bernardino County and Riverside County, California. The Company currently operates PACE Programs at seven locations, five of which are in Colorado, including Aurora, Denver, Lakewood, Pueblo, and Thornton. The locations in California and New Mexico are San Bernardino and Albuquerque, respectively.

During the trailing twelve month period ending February 28, 2014 ("TTM 2014"), the PACE Program generated net revenues of approximately $173.1 million, an increase of 5.6% from FYE 2013 net revenues of approximately $163.9 million. The PACE Program's total cumulative census was 28,820 in TTM 2014, an increase of 2.0% from 28,247 in FYE 2013. This growth was driven entirely by IGCP.

The engagement was conducted in accordance with generally accepted valuation methodologies. In the valuation of a privately-held business, three general approaches are considered in the determination of value: the Cost Approach, Market Approach and Income Approach. The nature and characteristics of the business and the objective of the engagement indicate which approach, or approaches, are most applicable for valuation purposes. The Income Approach was relied upon in this engagement, the applicability of which is discussed later in the report.

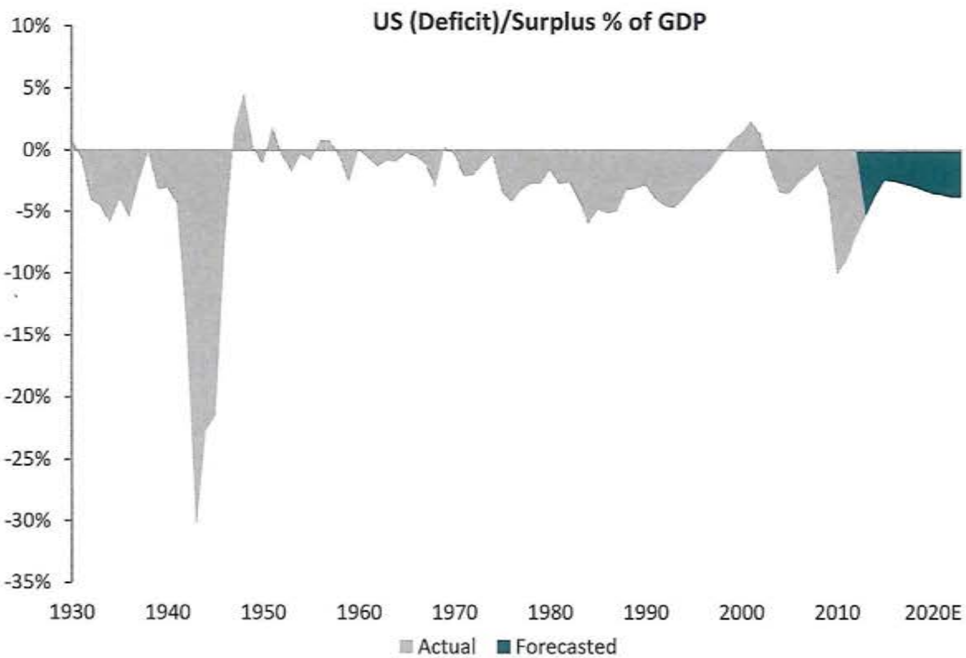
Total Community Options, Inc. d/b/a InnovAge

Market Overview

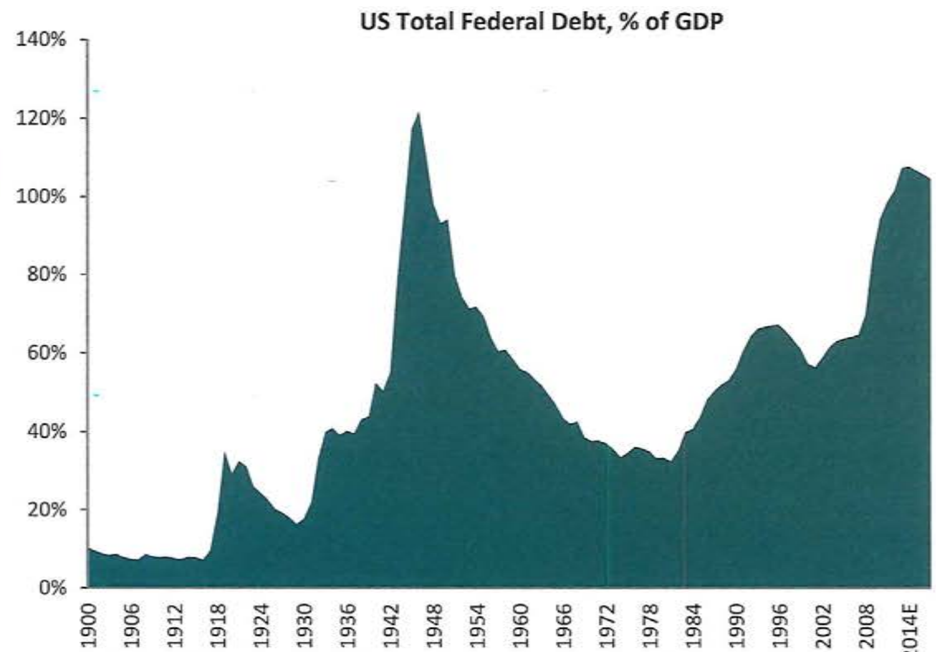
VMG HEALTH
WE VALUE HEALTHCARE

Economic Analysis

The federal budget deficit continues to be a lingering problem for law makers and the private sector. While the deficit has contracted over the past few years, the current level of U.S. debt remains at a near all-time high. The degree to which the deficit will contract in the future depends greatly on the presently challenging political environment and the economy's ability to grow. At approximately 100% of gross domestic product ("GDP"), the U.S. federal deficit lags slightly behind other countries with similar economic conditions and policy headwinds. While the process may be cumbersome and difficult, Congress is poised to reduce the federal deficit through austerity measures and revenue generation.



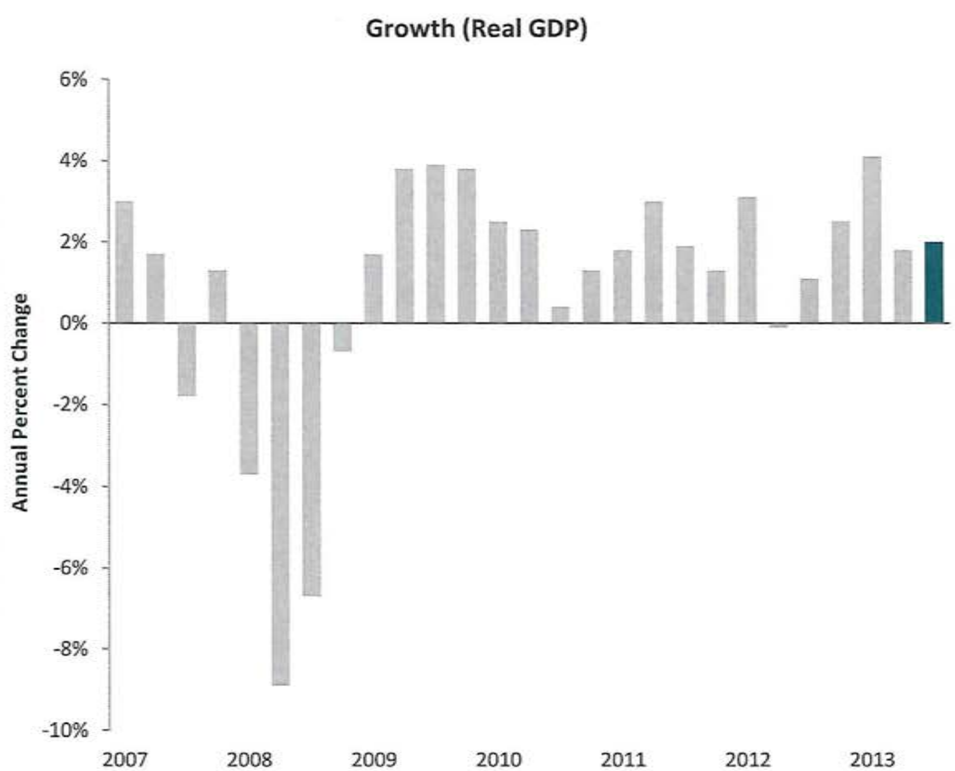
Source: Office of Management and Budget, Congressional Budget Office



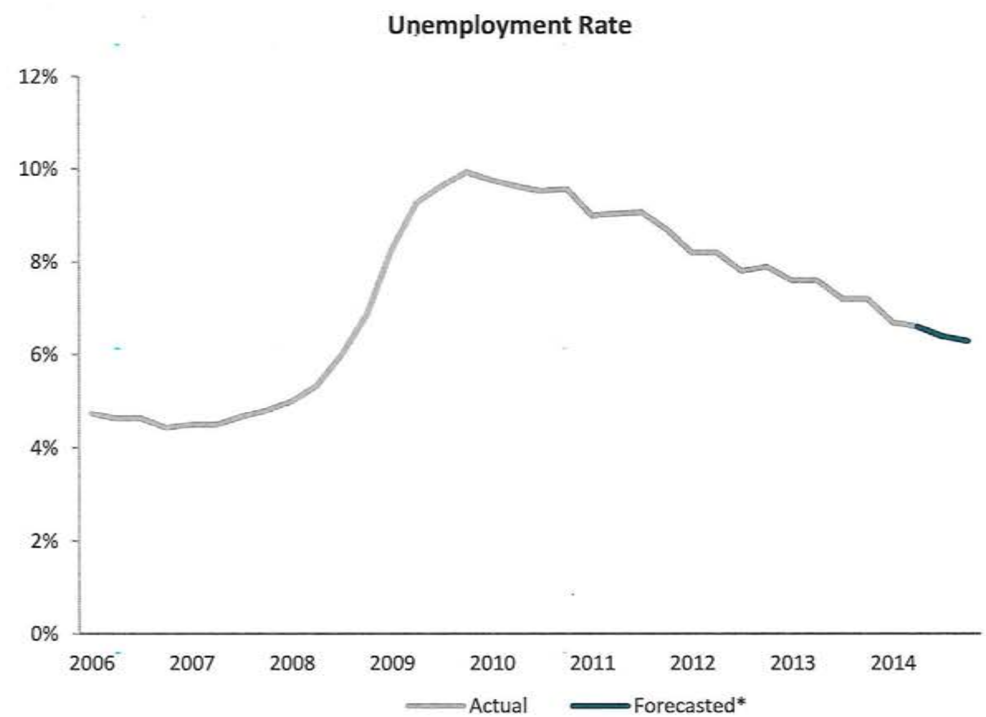
Source: Office of Management and Budget, Congressional Budget Office

Economic Analysis

Real GDP growth has ranged from 1.8% to 2.8% annually since 2010 after contracting in the years 2008 and 2009. During 2013, GDP has risen 1.1%, 2.5%, 4.1%, and 1.8% each quarter. According to the Philadelphia Fed Survey of Professional Forecasters, GDP growth is expected to grow at approximately 2.0% during the first quarter of 2014. The Survey also predicts real GDP growth near 2.8% for 2014.



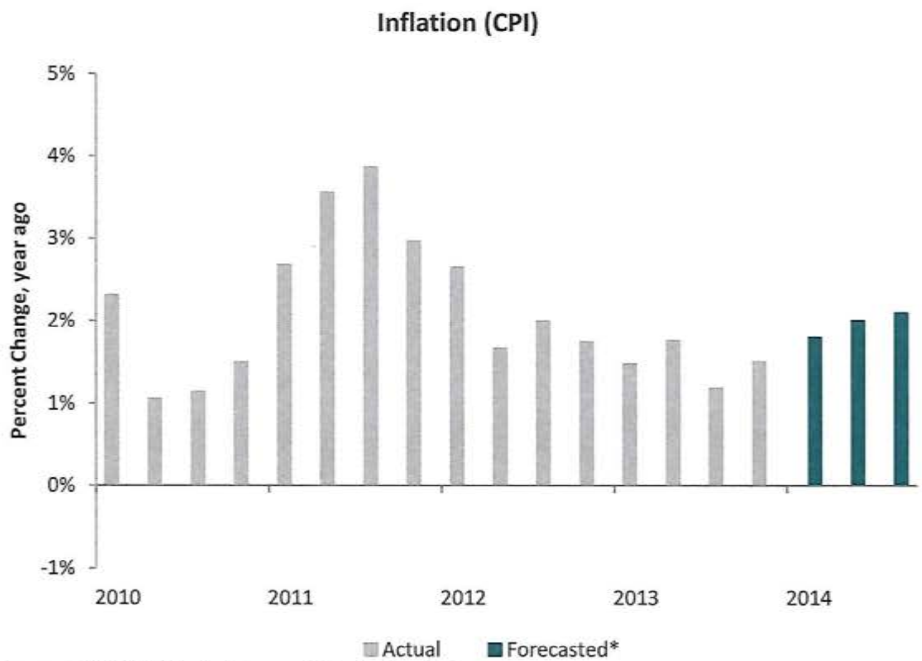
Source: U.S. Bureau of Economic Analysis



*Philadelphia Fed Survey of Professional Forecasters
Source: U.S. Bureau of Labor Statistics

Economic Analysis

Inflation as measured by the Consumer Price Index ("CPI") in 2012 dropped below 2.0% for first time since 2010 and is not expected to rise above 2.0% until 2014. In Q4 of 2013, inflation declined to 1.5% from 1.7% in Q4 of 2012, the lowest since 2010. According to the Philadelphia Survey of Forecasters, inflation is expected to increase to approximately 1.8% for the first quarter of 2014 with steady increases throughout remainder of the year. Over the year 2013, treasury yields have risen from 1.8% to 3.0%, a 68.5% increase.



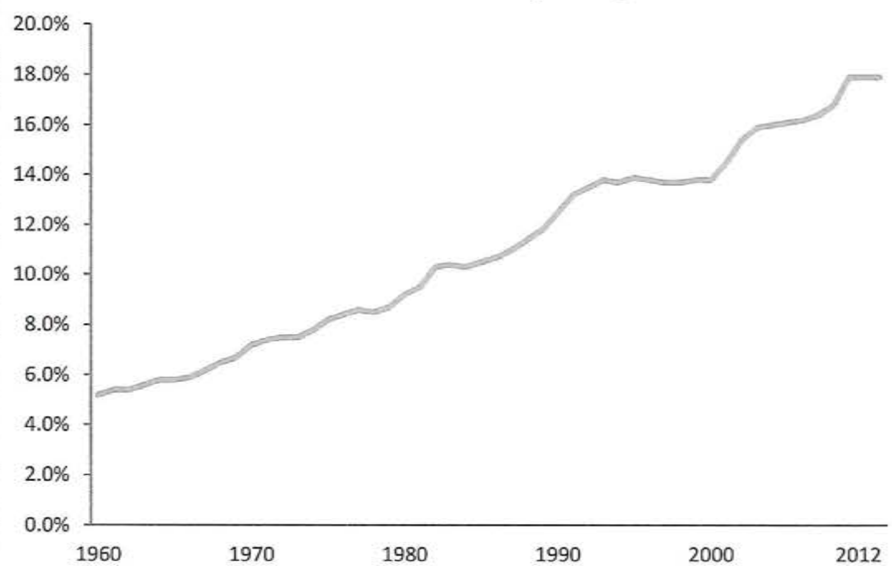
Source: Philadelphia Fed Survey of Professional Forecasters

Source: S&P Capital IQ

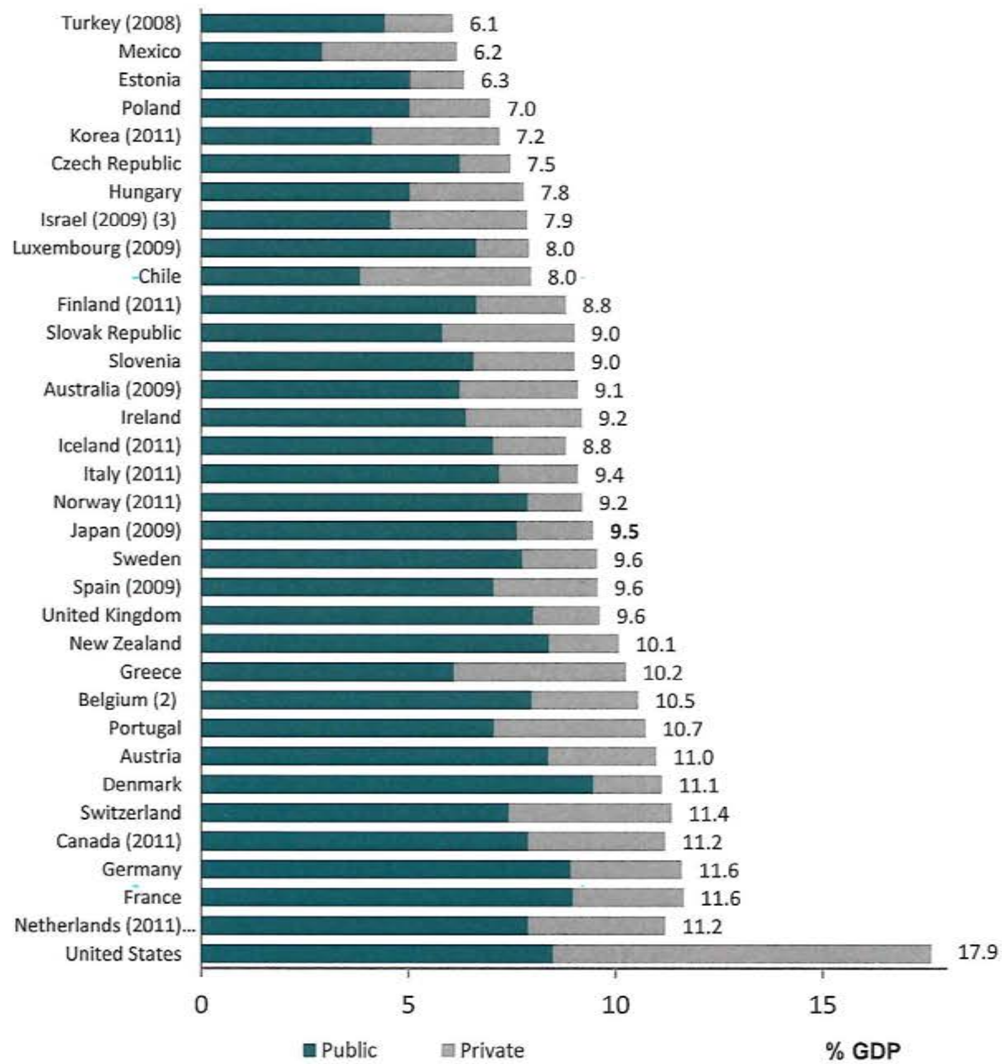
U.S. Healthcare System

Over the last 50 years, healthcare spending as a percentage of GDP has increased from 5.2% to 17.2%. This steady rise in healthcare spending is illustrated in the graph below. Healthcare spending in the U.S. grew 3.7% in 2012, which was less than the increase in 2011. Total health expenditures reached approximately $2.8 trillion in 2012, which translates to approximately $8,915 per person or 17.2% of the nation's GDP. By 2022, national health spending is expected to reach $4.5 trillion and comprise 19.2% of GDP. According to the World Health Organization, the U.S. spends more on healthcare, both per capita, and as a share of GDP, than any other country in the world (graph to the right).

National Healthcare Spending as a % of GDP



Health expenditure as a share of GDP, OECD countries, 2010



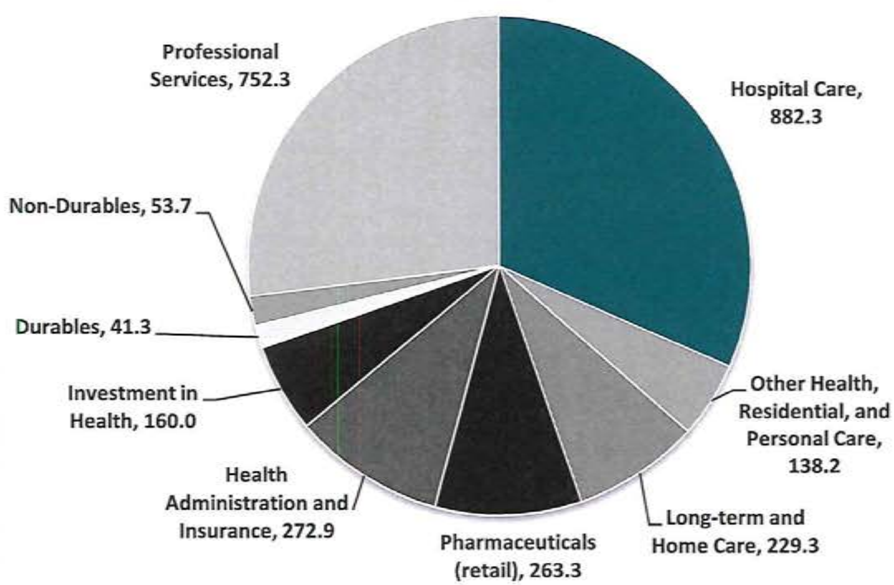
1. In the Netherlands, it is not possible to distinguish clearly the public and private share for the part of health expenditures related to investments.
2. Total expenditure excluding investments.
Source: *OECD Health Data 2012*

U.S. Healthcare System

Hospital care (31.6%) and professional services (26.9%) accounted for the majority of healthcare spending in 2012. Though hospital expenditures account for the largest portion of healthcare spending in the U.S., the non-durables, long-term and home care and other health, residential and personal care spending categories experienced compound annual growth rates exceeding 5.0% between 2006 to 2012. Recent spending trends and growth rates signify that burgeoning healthcare spending is slowing as a result of the transition of care from an inpatient setting to an outpatient setting. In 2012, year-over-year hospital spending growth was 4.9%. While hospital spending growth has slowed in recent years, hospital spending continues to be a significant driver in the rising cost of healthcare. On average, annual hospital spending growth has outpaced average annual healthcare spending growth in the U.S. over the last five years.

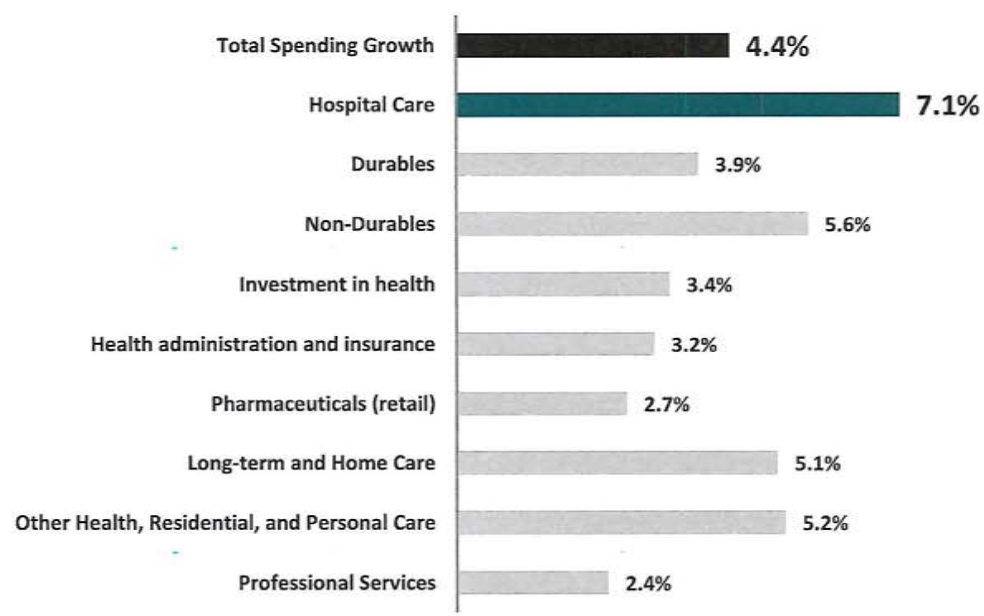
Total Healthcare Spending by Category, 2012 (in billions)

Total 2012 Spending: $2.8 trillion



Source: Center for Medicare & Medicaid Services

Yearly Growth Since 2006
Spending by Category: 2006-2012

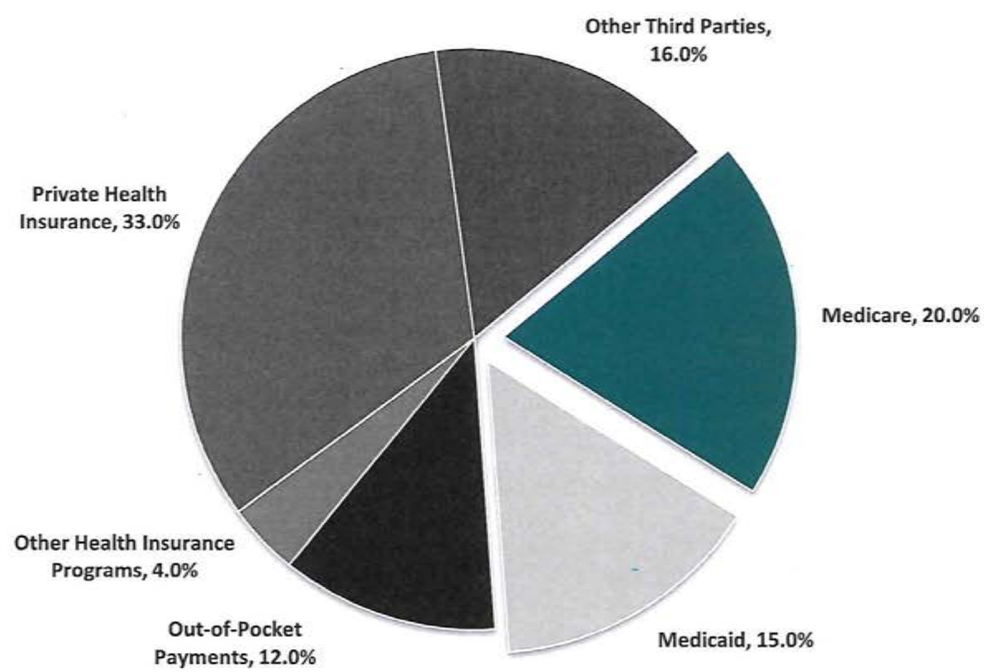


Source: Center for Medicare & Medicaid Services

U.S. Healthcare System

A combination of private and public sources finance healthcare in the U.S. Most Americans under the age of 65 have private health insurance obtained through an employer. According to the Center for Medicare & Medicaid Services ("CMS") estimates, in 2012, about 56.0% of the population (150 million people) had employment-based coverage, and about 5.0% (13 million people) had private coverage purchased directly from an insurer. In 2012 about 110 million people were covered by Medicare and Medicaid, the two main sources of public financing for healthcare. In the same year, federal spending for Medicare and Medicaid made up approximately 35.0% of national health expenditures.

National Health Expenditures in the U.S. by Source of Payment, 2012



Source: Center for Medicare & Medicaid Services

U.S. Healthcare System

Government Funding

Medicare provides federal health insurance for 45 million people who are elderly or disabled (the elderly make up about 85.0% of enrollees) or who have end-stage renal disease or amyotrophic lateral sclerosis (also known as Lou Gehrig's disease). Individuals become eligible for Medicare on the basis of age when they reach 65; disabled individuals become eligible for Medicare 24 months after they become eligible for benefits under Social Security's Disability Insurance program.

Medicaid is a joint federal–state program that pays for healthcare services for a variety of low-income individuals. The program, created in 1965 by the same legislation that created Medicare, replaced an earlier program of federal grants to states to provide medical care to people who had low income. In fiscal year 2012, federal spending for Medicaid was approximately $421.2 billion. The federal government's share of Medicaid's spending for benefits varies among the states but generally averages 57.0%. Medicare spending has grown by approximately 9.0% each year from $37.4 billion in 1980 to $572.5 billion in 2012. Prior to the recent reform measures, healthcare spending was projected to increase 25.0% by 2030, according to the Center for Disease Control ("CDC").

U.S. Government Healthcare Expenditures, 1980-2012 ($ in Billions)																CAGR		
Program	1980	1990	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	1980-2012	1990-2012	2000-2012
Medicare	$37.4	$110.2	$224.8	$247.7	$265.4	$282.7	$311.2	$339.8	$403.7	$433.6	$468.2	$500.4	$522.0	$554.3	$572.5	8.9%	7.8%	8.1%
Medicaid	26.0	73.7	200.5	224.2	248.2	269.1	290.9	309.5	306.9	326.2	344.9	375.4	397.7	407.7	421.2	9.1%	8.2%	6.4%
Total	**$63.4**	**$183.9**	**$425.3**	**$471.9**	**$513.6**	**$551.8**	**$602.1**	**$649.3**	**$710.6**	**$759.8**	**$813.1**	**$875.8**	**$919.7**	**$962.0**	**$993.7**	**9.0%**	**8.0%**	**7.3%**

Source: CMS

Healthcare Reform

Because of the increasing cost of healthcare, in March 2010, Congress passed and the President signed into law two pieces of legislation—the Patient Protection and Affordable Care Act ("PPACA," Public Law 111-148) and the healthcare and Education Reconciliation Act of 2010 (P.L. 111-152)—that make major changes regarding the provision of health insurance, subsidies for insurance coverage, payments for healthcare through federal programs, and tax revenues. Discussion of the new legislation has dominated the healthcare industry as industry participants attempt to determine how to adjust to new market conditions.

U.S. Healthcare System

Healthcare Reform

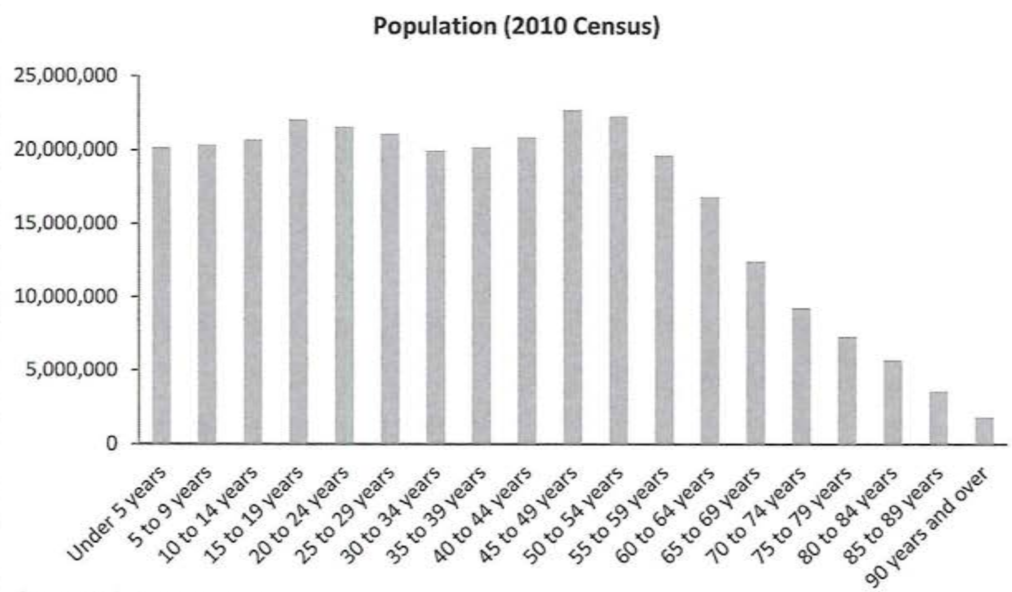
Major provisions of PPACA include: the creation of accountable care organizations; reductions in Medicare reimbursements; creation of an Independent Payment Advisory Board; value-based payments for hospital services; elimination of physician-owned hospitals; increased Medicaid payments for primary care; individual health insurance coverage mandate; elimination of the Medicare Part D donut hole; flexible spending accounts; and numerous additional programs. While much of the healthcare overhaul will not take effect until 2014 or beyond, implementation of some programs began in 2011. Healthcare providers are currently determining how best to adapt to changes in the system, with emphasis on increased integration, increased accountability, growth of large health systems and improved implementation of technology.

Despite controversy over the legislation, the majority of analysts agree that an increased portion of the population will be insured in the long-term due to the new legislation. According to the Congressional Budget Office, 27 million Americans who are currently uninsured will be covered by insurance by 2020. This significant increase in the insured population is expected to drive increased demand for medical services.

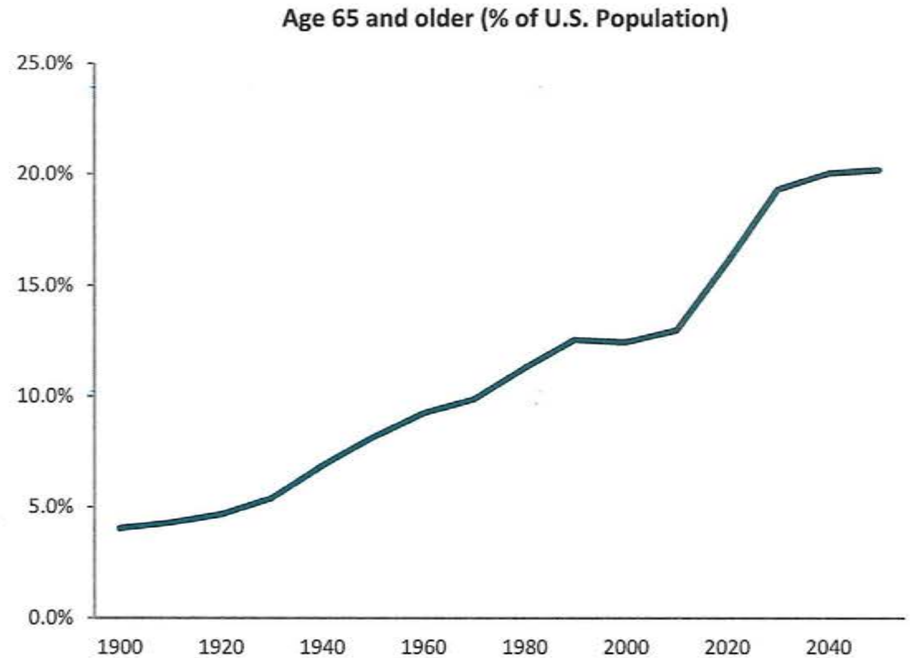
The increased demand for medical services is a factor in the projected shortfall in the number of physicians. According to the Association of American Medical Colleges ("AAMC"), the U.S. will face a shortage of more than 90,000 doctors by 2020. The Council on Graduate Medical Education ("COGME") also projects an upcoming physician shortage, predicting a 10.0% shortfall by 2020. Despite some controversy regarding the future physician supply, overall demand in the healthcare market is projected to increase in the coming years.

Demographic Analysis

Between 2010 and 2050, the United States is projected to experience rapid growth in its older population. In 2050, the number of Americans aged 65 and older is projected to be 88.5 million (20% of the population), more than double its population of 40.2 million in 2010 (13% of the population). The baby boomers are largely responsible for this increase in the older population, as they will begin crossing into this category in 2011. The aging of the population will have wide-ranging implications for the country and the healthcare system including but not limited to: increased demand for Medicare funding and increased demand for geriatric services.



Source: U.S. Census Bureau



Source: U.S. Census Bureau

Managed Care Organizations

A managed care organization ("MCO") can be defined as an integrated system that manages healthcare services for an enrolled population rather than simply providing or paying for healthcare services. Healthcare services within MCOs are usually delivered by providers who are under contract.

Medical services have historically been provided on a fee-for-service basis with insurance companies or individuals taking the responsibility for paying all or part of the fees. The high inflation rate for medical care caused insurers along with state and federal governments to seek out methods to reduce the rate of healthcare inflation. The most sustainable change in this process has been a shift from the fee-for-service method to a managed care model.

MCOs control the financing, insurance, delivery and payment of healthcare services. MCOs try to control cost by introducing efficiencies of management, utilization analysis and aggressive negotiation of contracts with the providers. Since they are responsible for all the costs of treatment and have a fixed income, their profitability is dependent on how well they control the costs. This is different from traditional indemnity insurance model, which reimburses the provider or the patient for each episode of care.

MCOs use a variety of approaches to manage care, including:

- Care management tools such as hospital pre-certification, practice performance profiling and disease management;
- Non-traditional provider targeted financial arrangements such as capitation, risk-sharing, incentive-based payments, or consumer targeted financial arrangements; and
- Non-traditional provider organizational/delivery arrangements such as mandated primary care gatekeepers, closed or preferred provider networks and consumer defined networks.

Through these approaches, MCOs attempt to contain the cost of healthcare by negotiating contracts with hospitals, physicians and other providers to deliver healthcare to members at favorable rates. These products usually feature medical management and other quality and cost optimization measures such as pre-admission review and approval for certain non-emergency services, pre-authorization of outpatient surgical procedures, network credentialing to determine that network doctors and hospitals have the required certifications and expertise, and various levels of care management programs to help members better understand and navigate the medical system.

Industry Analysis

The managed care industry has experienced significant change in the last decade. The increasing focus on healthcare costs by employers, the government and consumers has led to the growth of alternatives to traditional indemnity health insurance. The common categories and variants of MCOs include:

- **Preferred Provider Organization ("PPO")** - PPOs offer the member an option to select any healthcare provider, with benefits reimbursed by the MCO at a higher level when care is received from a participating network provider. Coverage is subject to co-payments or deductibles and coinsurance, with member cost sharing usually limited by out-of-pocket maximums.

- **Consumer-Driven Health Plans ("CDHP")** - CDHPs provide consumers with increased financial responsibility, choice and control regarding how their healthcare dollars are spent. Generally, CDHPs combine a high-deductible PPO plan with an employer-funded and/or employee-funded personal care account. Some or all of the dollars remaining in the personal care account at year-end can be rolled over to the next year for future healthcare needs.

- **Traditional Indemnity** - Indemnity products offer the member an option to select any healthcare provider for covered services. Coverage is subject to deductibles and coinsurance, with member cost sharing usually limited by out-of-pocket maximums.

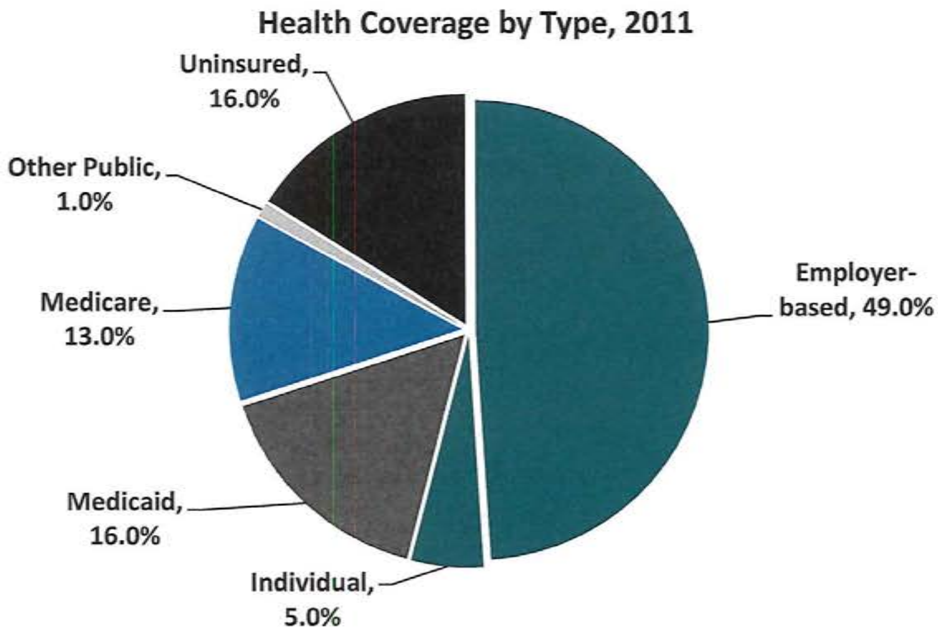
- **Point-of-Service ("POS")** - POS products blend the characteristics of HMO and indemnity plans. Members can have comprehensive HMO-style benefits through participating network providers with minimum out-of-pocket expenses and also can go directly, without a referral, to any provider they choose, subject to, among other things, certain deductibles and coinsurance. Member cost sharing is limited by out-of-pocket maximums.

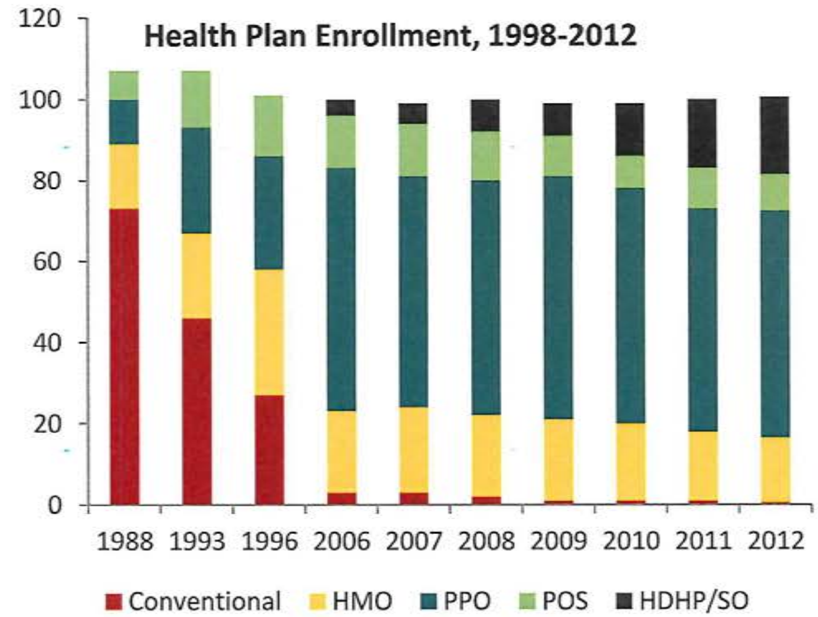
- **Health Maintenance Organization ("HMO")** - HMO products are licensed at the state level. An HMO is a coordinated delivery system that combines both the financing and delivery of healthcare for enrollees. Each enrollee is assigned a primary care physician ("PCP") who is responsible for the overall care of the enrollee. Specialty services require a specific referral from the PCP to the specialist. Non-emergency hospital admissions also require pre-authorization by the PCP. Typically, services are not covered if performed by a provider not an employee of or specifically approved by the HMO, unless it is an emergency situation as defined by the HMO.

Source: Wellpoint Inc. Annual Reports

Industry Analysis

Insurance in the U.S.



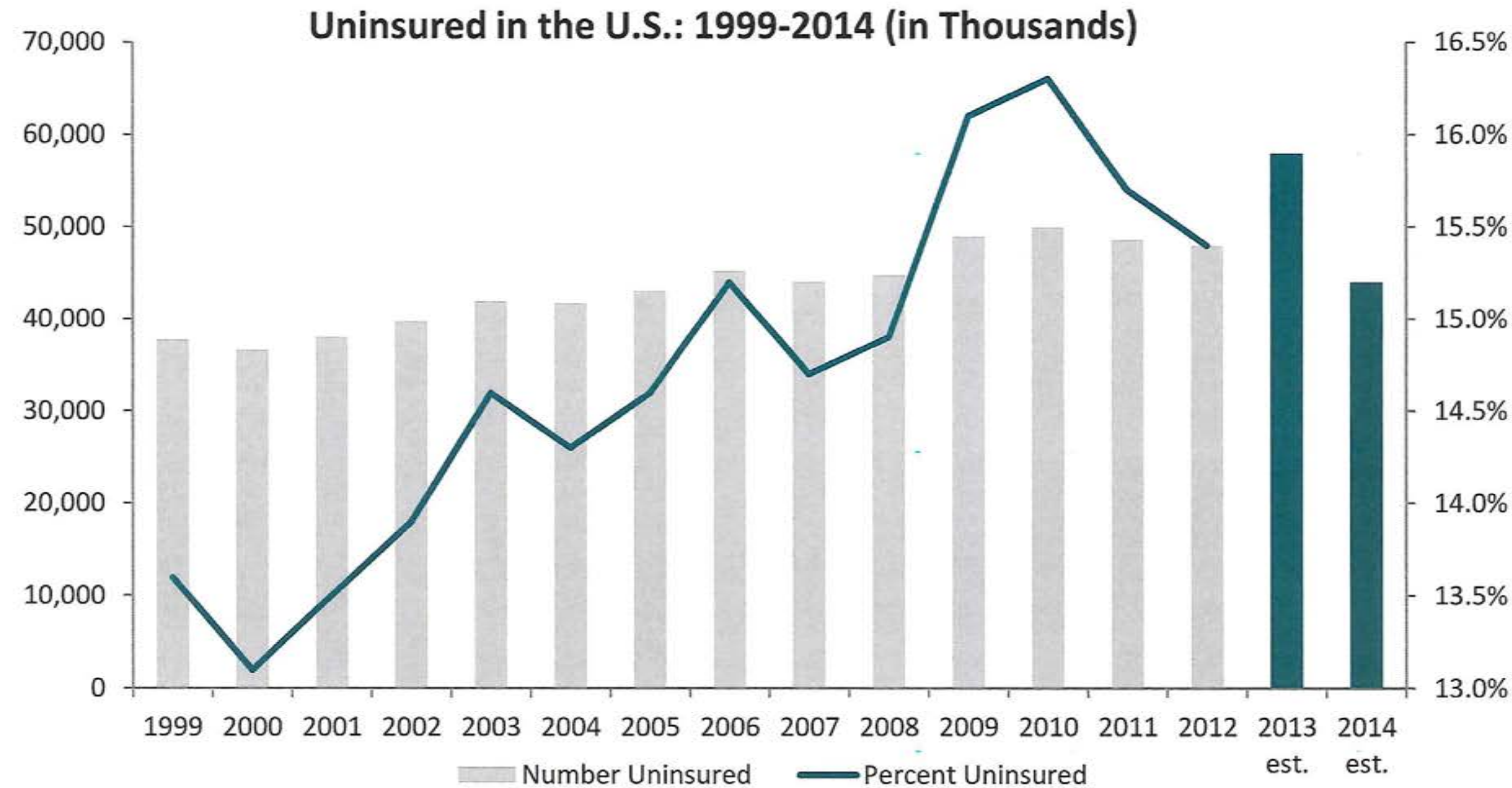


According to the U.S. Census Bureau, approximately 54.0% of all Americans receive healthcare coverage from a commercial provider. Fueled by consumer preference and several other factors, the percentage of Americans insured by PPO plans has increased drastically since the late eighties. As of 2012, over 56.0% of commercially insured Americans were covered by a PPO plan. As the chart illustrates, the popularity of high deductible health plans with savings options ("HDHP/SO") have become more popular in recent years. Spurred partly by the rising costs of premiums, the percentage of Americans insured by HDHP/SO plans has risen from 4.0% in 2006 to 19.0% in 2012.

Source: Kaiser Family Foundation

Uninsured Americans

As illustrated in the chart below, the number and percentage of Americans without health insurance decreased from 2010-2012. The number of uninsured Americans increased from approximately 48.0 million in 2012 to an estimated 58.0 million in 2013, before decreasing to an estimated 44.0 million in 2014. The percentage of Americans without health insurance decreased from 16.3% of the total population in 2010 to 15.4% of the total population in 2012.



Sources: Historical Data US Census Bureau, Estimates: CBO.gov

HMOs

HMOs are regulated at both the state and federal levels. HMOs are licensed at the state level under a license known as a certificate of authority rather than under an insurance license. In addition to using their contracts with providers for services at a lower price, HMOs hope to gain an advantage over traditional insurance plans by managing their patients' healthcare and reducing unnecessary services. To achieve this, most HMOs require members to select a PCP, a doctor who acts as a "gatekeeper" to medical services. PCPs are usually internists, pediatricians, family doctors, or general practitioners. In a typical HMO, most medical needs must first go through the PCP, who authorizes referrals to specialists or other doctors if deemed necessary. Emergency medical care does not require prior authorization from a PCP, and many plans allow women to select an OB/GYN in addition to a PCP, whom they may see without a referral. In some cases, a chronically ill patient may be allowed to select a specialist in the field of their illness as a PCP.

As with most health insurance plans in the United States, HMOs also manage care through utilization review. The amount of utilization is usually expressed as a number of visits or services or a dollar amount per member per month ("PMPM"). Utilization review is intended to identify providers providing an unusually high amount of services, in which case some services may not be medically necessary, or an unusually low amount of services, in which case patients may not be receiving appropriate care and are in danger of worsening a condition. HMOs often provide preventive care for a lower copayment or for free, in order to keep members from developing a preventable condition that would require a great deal of medical services. When HMOs were coming into existence, indemnity plans often did not cover preventive services, such as immunizations, well-baby checkups, mammograms, or physicals. It is this inclusion of services intended to maintain a member's health that gave the HMO its name. Some services, such as outpatient mental health care, are often provided on a limited basis, and more costly forms of care, diagnosis, or treatment may not be covered. Experimental treatments and elective services that are not medically necessary (such as elective plastic surgery) are almost never covered.

Other methods for managing care are case management, in which patients with catastrophic cases are identified, or disease management, in which patients with certain chronic diseases like diabetes, asthma, or some forms of cancer are identified. In either case, the HMO takes a greater level of involvement in the patient's care, assigning a case manager to the patient or a group of patients to ensure that no two providers provide overlapping care, and to ensure that the patient is receiving appropriate treatment, so that the condition does not worsen beyond what can be helped.

HMOs

HMOs often shift some financial risk to providers through a system called capitation, where certain providers (usually PCPs) receive a fixed PMPM and in return provide certain services for free. Under this arrangement, the provider does not have the incentive to provide unnecessary care, as he will not receive any additional payment for such care. However, as a side effect of the contractually structured payment plan given to the provider there is an incentive to provide only the minimal contractually obligated healthcare thereby maximizing profits. To counterbalance this trend some plans offer a bonus to providers whose care meets a predetermined level of quality.

HMO Models

The relationship between the provider and the HMO usually fits under one of five models: the staff model, the group model, the direct contract model, the Independent Practice Association ("IPA") model, or the network model.

- **Staff Model:** The HMO employs physicians to provide healthcare services directly to the patients from HMO-owned facilities. Physicians are employed by and paid by the HMO. Outside physicians and specialists are contracted when the enrollee requires services beyond the scope of the HMO.
- **Group Model:** The HMO contracts with physician groups to provide services to the enrollee, including both primary and specialty services. The physician group employs their own physicians and the HMO has no control or influence over their decisions. Services can be provided in either private or HMO facilities.
- **Direct Contract Model:** Private physicians and specialists contract directly with the HMO. Enrollees are then required to choose a PCP from a list of physicians provided to them by the HMO. The PCP provides general healthcare services to the enrollee, and if necessary, refers the enrollee to HMO approved specialists.
- **IPA Model:** An IPA is a separate legal entity, made up of a group of physicians. The individual physicians/members of the IPA provide services to enrollees directly out of their own personal offices, and are not limited to providing services only to the HMO enrollees, but can contract with other facilities as well. The IPA is paid a certain sum directly by the HMO, which is then distributed among the physicians/providers.
- **Network Model:** The network model is a combination of all the other models. IPAs, medical groups, and private physicians contract with network HMOs to provide services to enrollees. In addition, providers that do not have a contract with the HMO can provide services to enrollees.

It should be noted that most HMOs today do not fit neatly into one form: they can have multiple divisions, each operating under a different model, or blend two or more models together

Source: Richard C. Miller of MMMPA Law, What is an HMO?, mmmpalaw.com

Medicare Advantage

Approximately 27.0% of Medicare beneficiaries receive their Medicare benefits through private health plans that receive payments from Medicare under Medicare Advantage ("MA") plans. The Balanced Budget Act of 1997 authorized new Medicare plans, including PPO, provider-sponsored organizations ("PSO"), private fee-for-service plans ("PFFS"), and high deductible plans linked to medical savings accounts. The Medicare Modernization Act of 2003 created new regional PPOs and special need plans ("SNPs") for duel eligibles and other vulnerable populations. Along with these plans, MA insurers offer MA Medical Savings Accounts ("MSAs"), which are used by MA enrollees to fund pre-deductible healthcare expenses.

Medicare pays plans to provide basic Medicare benefits, and plans must use any savings to provide additional benefits, reduce cost-sharing, or reduce Medicare Part B or supplemental premiums. Examples of additional benefits include limits on out-of-pocket spending, vision care, and preventive dental services. Medicare Advantage plans are typically required to offer at least one plan that includes the basic Medicare drug benefit or a plan with enhanced alternative drug coverage.

Medicare pays plans a capitated rate to provide Part A and Part B benefits to enrollees, totaling a projected $67 million in 2007. In 2006, Medicare began to pay plans under a bidding process. Plans (other that regional PPOs) bid against county level benchmarks established by the CMS based on the prior year's Medicare Advantage payment rate, increased by the projected national growth rate in per capita Medicare spending. If a plan's bid is higher than the benchmark, enrollees pay the difference in the form of a monthly premium. If the bid is lower than the benchmark, the Medicare programs retains 25.0% of the savings and the plan gets the other 75.0% as a rebate, which must be returned to the enrollees in the form of supplemental benefits or lower premiums. All plan payments are adjusted based on their enrollees' risk profiles.

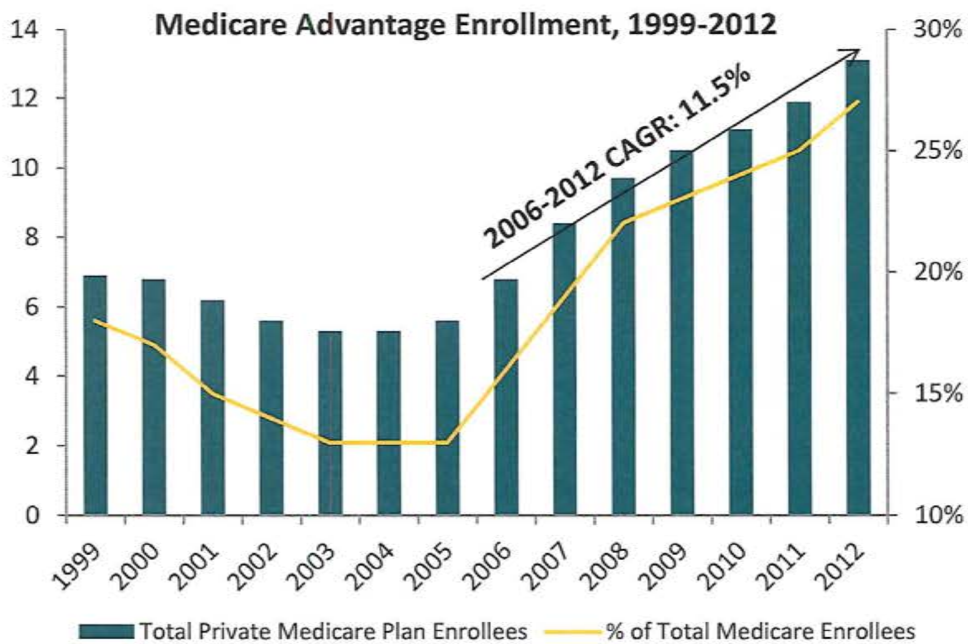
Medicare Advantage Reimbursement

In an effort to slow MA spending, in February 2013 the Centers for Medicare and Medicaid Services ("CMS") announced that it would cut per-beneficiary reimbursement rates by 2.2% in 2014. When the cuts were first announced, insurers warned that the 2.2% haircut would drive MA monthly premiums up by $50 to $90 per month.

In April 2013, CMS reversed its plan to slash MA payments. Instead of receiving cuts, MA plans will receive a 3.3% payment increase in 2013. CMS acknowledged a main reason for the reversal in the likeliness that congress would reverse cuts to the physician fee schedule associated with the sustainable growth rate ("SGR") formula for 2014.

Industry Analysis

Medicare Advantage



February 2013 Top Medicare Advantage Organizations				
Parent	12-Feb	13-Feb	Percent Growth	Feb-13 Market Share
UnitedHealth	2,663,145	3,037,520	14.1%	20.8%
Humana	2,266,233	2,428,250	7.1%	16.7%
Kaiser	1,077,483	1,149,866	6.7%	7.9%
Aetna	432,902	627,753	45.0%	4.3%
WellPoint	685,933	611,114	-10.9%	4.2%
TOTAL	**7,125,696**	**7,854,503**	**10.2%**	**53.9%**
All Others	4,947,212	5,331,011	7.8%	36.6%

Source: Mark Farrah Associates analysis of CMS data

As of 2012, The Kaiser Family Foundation estimates that MA enrollment has grown by approximately 5.0% each year since 2009. Since 2006 however, the total number of MA enrollees have grown by 92.0% to approximately 13.1 million lives, or approximately 11.5% compounded annually. According to the Common Wealth Foundation, MA enrollment is expected to grow by 11.0% in 2013. Similar to total MA enrollment growth, the percentage of Medicare beneficiaries opting for MA plans has grown substantially during the same time period.

Similar to other private commercial plans, the MA market is concentrated, with the top five MA plan providers owning 53.9% of the total market.

Patient Protection and Affordable Care Act Timeline

2010

- Adult coverage until age 26
- Lifetime dollar limits prohibited
- No pre-existing conditions for children until age 19
- Temporary high-risk pool

2011

- Increased penalty for non-qualified HAS withdraws
- Medical Loss Ratio:
  - 85.0% for large group
  - 80.0% for small / individual group
- Non-discrimination policies
- Rate reviews

2012

- First medical loss ratio rebates paid
- Quality of care reporting requirements

2013

- PCORI fee increases to $2 per member/year

2014

- Annual insurance industry tax
- Health benefit exchanges
- Individual mandate
- No pre-existing condition exclusions
- Standardized essential health benefits

The timeline above highlights the major provisions of the PPACA pertaining to managed care organizations. As stated earlier, the bills is expected to expand coverage to millions in the U.S. with the aims of reducing cost increasing quality of care. The PPACA however presents MCOs with several challenges, some of which are highlighted in the following slides.

Patient Protection and Affordable Care Act – Selected Provisions

Medical Loss Ratio ("MLR")

Made effective in 2011, the PPACA imposed MLRs for commercial insurance providers. These MLRs require commercial insurance companies to payout 80.0% (for small markets) and 85.0% (for large markets) of a commercial payor's received total premiums for patient care purposes. Aimed at protecting consumers, this component of the PPACA limits the margins that insurance companies may earn. If insurance companies do not meet their MLRs, any excess over the MLR thresholds must be paid out to beneficiaries through rebates. According the U.S. Department of Health and Human Services ("HHS"), insurance providers paid approximately $1.1 billion in MLR rebates to 12.8 million beneficiaries (or approximately $85.94 per beneficiary) in 2012.

Individual and Employer Mandate

Set to take effect in 2014, the PPACA requires that all Americans have health insurance. In addition to the individual mandate, employers with 50 or more employees must provide health plan options to employees.

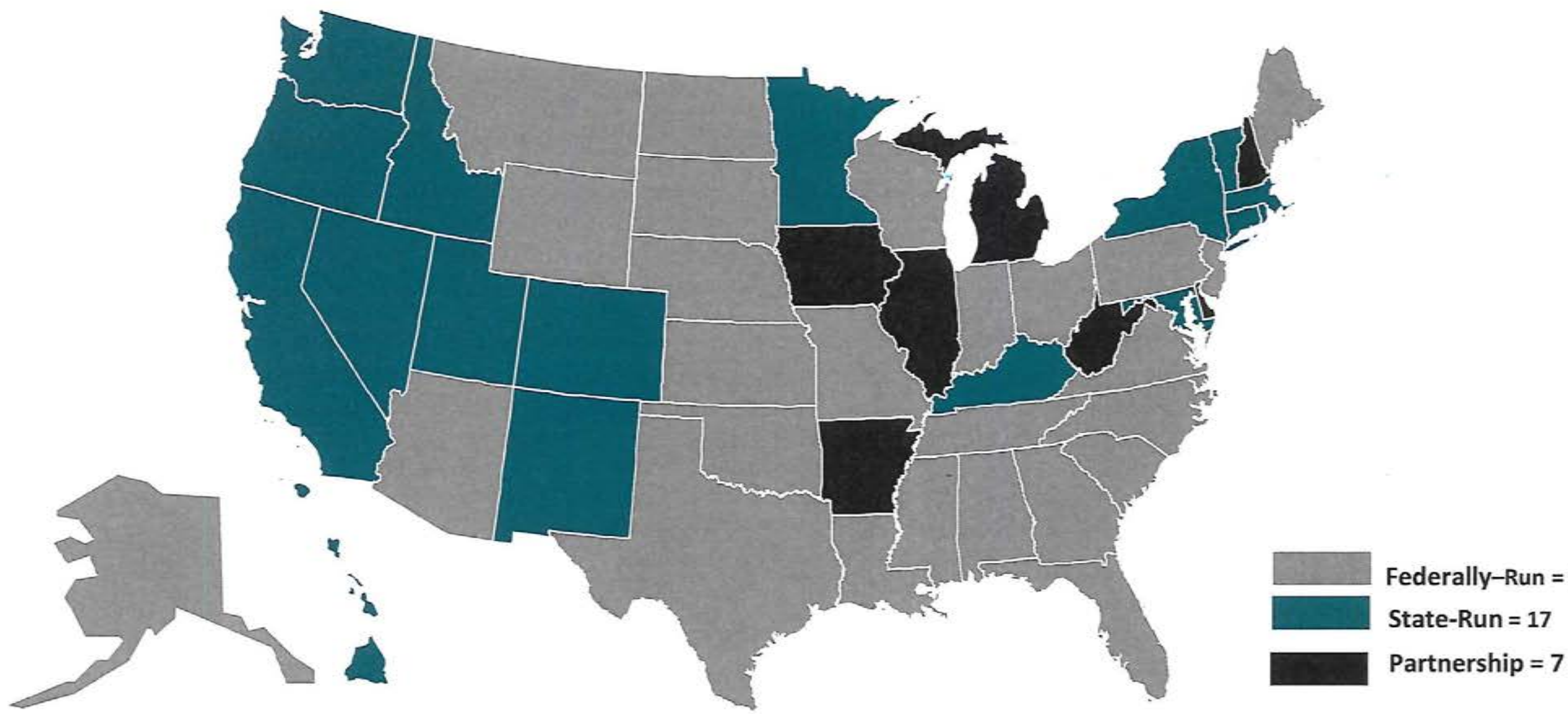
To avoid facing penalties, employers and individuals must purchase plans that conform to the PPACA's standards for Essential Health Benefits ("EHB"). In a February 2013 final rule, CMS stipulated that EHB are defined "based on a state-specific benchmark plan." States are allowed to select benchmark plans from many options, including the largest small group private health insurance plan in each state. Benchmark plan options include:

- The largest plan by enrollment in any of the three largest products by enrollment in the state's small group market;
- Any of the largest three state employee health benefit options by enrollment;
- Any of the largest three national Federal Employees Health Benefits Program plan options by enrollment; and,
- The HMO plan with the largest insurance commercial non-Medicaid enrollment in the state.

Each benchmark must include EHB based on ten separate categories of care, including ambulatory patient services, emergency services, hospitalization, maternity and newborn care, mental health and substance abuse, prescription drugs, rehabilitative and habilitative services, laboratory services, preventative and wellness services and finally pediatric services.

Regulations and the Affordable Care Act – Health Exchanges

To facilitate consumer decision making under the individual mandate, the PPACA requires that individual states start health insurance exchanges called American Health Benefits ("AHB") Exchanges. These exchanges are meant to be a "one-stop shop" to purchase health insurance. Under the law, states have the option to maintain their own exchange or partner with or allow the federal government to manage the state's respective exchange. The map below illustrates each state's method for managing its respective AHB Exchange:



Source: The Advisory Board

Public Companies

A variety of public companies specialize in the ownership and operation of insurance companies. We have provided a brief description of the five larges operators (in terms of market capitalization) below:

UnitedHealth Group – (NYSE: UNH) UnitedHealth Group Incorporated operates as a diversified health and well-being company in the United States. The company's UnitedHealthcare segment offers consumer-oriented health benefit plans and services for large national employers, public sector employers, mid-sized employers, small businesses, and individuals; health care coverage, and health and well-being services to individuals aged 50 and older addressing their needs for preventive and acute health care services, as well as services dealing with chronic disease and other specialized issues for older individuals; health plans and care programs to beneficiaries of acute and long-term care Medicaid plans; and specialty benefits, such as dental, vision, life, and disability products. This segment serves through a network of 780,000 physicians and other health care professionals, and 5,900 hospitals. Its OptumHealth segment provides health management services, integrated care delivery services, consumer relationship management, sales distribution platform services, and financial services. This segment serves individuals through programs offered by employers, payers, government entities, and directly with the care delivery system. The company's OptumInsight segment offers software and information products, advisory consulting services, and business process outsourcing services to hospitals, physicians, commercial health plans, government agencies, life sciences companies, and other organizations. Its OptumRx segment provides pharmacy benefit management services and programs, including claims processing, retail network contracting, rebate contracting, and management; and clinical programs, such as step therapy, formulary management, and disease/drug therapy management programs. This segment also offers patient support programs and dispensing of prescribed medications through its mail order pharmacies for its clients' members. The company was founded in 1974 and is based in Minnetonka, Minnesota.

WellPoint, Inc. – (NYSE: WLP) WellPoint, Inc., a health benefits company, through its subsidiaries, offers network-based managed care plans to large and small employer, individual, Medicaid, and senior markets in the United States. The company operates through three segments: Commercial, Consumer, and Other. Its managed care plans include preferred provider organizations, health maintenance organizations, point-of-service plans, traditional indemnity plans, and other hybrid plans, including consumer-driven health plans, and hospital only and limited benefit products. The company also provides various managed care services comprising claims processing, underwriting, stop loss insurance, actuarial services, provider network access, medical cost management, disease management, wellness programs, and other administrative services to self-funded customers. In addition, it offers specialty and other insurance products and services, including behavioral health benefit services; dental, vision, life, and disability insurance benefits; radiology benefit management; analytics-driven personal health care guidance; and long-term care insurance. Further, the company sells contact lenses, eyeglasses, and other ocular products through telephone and Internet sites; and serves as a financial intermediary, carrier, and Medicare administrative contractor providing administrative services for the Medicare program that provides coverage for persons who are 65 or older, and for persons who are disabled or with end-stage renal diseases. WellPoint, Inc. markets its products through a network of independent agents and brokers, consultants, and in-house sales force. The company was founded in 1944 and is headquartered in Indianapolis, Indiana.

Source: CapitalIQ

Public Companies

Aetna (NYSE: AET) - Aetna Inc. operates as a diversified health care benefits company in the United States. The company operates in three segments: Health Care, Group Insurance, and Large Case Pensions. The Health Care segment provides medical, pharmacy benefit management, dental, behavioral health, and vision plans on an insured basis, and an employer-funded or administrative basis. This segment also provides Medicare and Medicaid products and services, as well as other medical products, such as medical management and data analytics services, medical stop loss insurance, and products that provide access to its provider networks in select markets. This segment offers its products and services to multi-site national, mid-sized, and small employers, as well as individual customers. The Group Insurance segment provides life insurance products that consist of group term life insurance, voluntary spouse and dependent term life insurance, group universal life, and accidental death and dismemberment insurance; disability insurance products; and long-term care insurance products, which offer benefits to cover the cost of care in private home settings, adult day care, assisted living, or nursing facilities. This segment provides insurance products principally to employers that sponsor its products for the benefit of their employees and their employees' dependents. The Large Case Pensions segment manages various retirement products, including pension and annuity products for tax-qualified pension plans. The company's customers include employer groups, individuals, college students, part-time and hourly workers, health plans, health care providers, governmental units, government-sponsored plans, labor groups, and expatriates. Aetna Inc. was founded in 1853 and is headquartered in Hartford, Connecticut.

Humana (NYSE: HUM) - Humana Inc., a health care company, offers insurance products and health and wellness services that incorporate an integrated approach to lifelong well-being. The company operates in three segments: Retail, Employer Group, and Health and Well-Being Services. Its Retail segment provides Medicare and commercial fully insured medical and specialty health insurance benefits, including dental, vision, and other supplemental health and financial protection products to individuals. The company's Employer Group segment offers Medicare and commercial fully insured medical and specialty health insurance benefits, as well as administrative services to employer groups. Its Health and Well-Being Services segment provides pharmacy, provider services, integrated wellness, and home care services enrolled in its health plan, as well as to third parties that promote health and wellness. The company's other businesses category consists of military services, primarily its TRICARE south region contract that provides health insurance coverage to the dependents of active duty and retired military personnel and their dependents; Medicaid, a federal program to facilitate the delivery of health care services primarily to low-income residents; and closed-block long-term care businesses, as well as contract with Centers for Medicare and Medicaid Services (CMS) to administer the LI-NET (Limited Income Newly Eligible Transition) program, which allows individuals to receive immediate prescription drug coverage. As of December 31, 2012, Humana Inc. had approximately 12.1 million members enrolled in medical benefit plans; and approximately 8.1 million members enrolled in specialty products programs. Humana Inc. was formerly known as Extendicare Inc. and changed its name in April 1974. The company was founded in 1961 and is headquartered in Louisville, Kentucky.

Source: CapitalIQ

Industry Analysis

Public Companies

Cigna Corporation (NYSE: CI) - Cigna Corporation, a health services organization, provides insurance and related products and services in the United States and internationally. The company's Commercial segment offers insured and self-insured medical, dental, behavioral health, vision, and prescription drug benefit plans, health advocacy programs, and other products and services. Its Government segment offers Medicare Advantage plans to seniors in 13 states and the District of Columbia, Medicare Part D plans in all 50 states and the District of Columbia, and Medicaid plans. The company's Group Disability and Life segment provides group long-term and short-term disability insurance, group life insurance, and accident and specialty insurance. Its Global Supplemental Benefits segment offers supplemental health, life, and accident insurance products, as well as offers individual Medicare supplement plans that provide retirees with federally standardized Medigap-style plans. The company's Run-off Reinsurance segment manages its run-off reinsurance coverage for risks written by other insurance companies under life and annuity policies and accident policies under guaranteed minimum death benefits and minimum income benefits contracts. Its Other Operations segment provides corporate owned life insurance that are permanent insurance contracts sold to corporations to offer life coverage for certain employees, as well engages in run-off settlement annuity business. The company distributes its products and services through insurance brokers and insurance consultants or directly to employers, unions, and other groups, as well as through the Internet. The company was founded in 1792 and is headquartered in Bloomfield, Connecticut.

Source: CapitalIQ

Final Report

Total Community Options, Inc. d/b/a InnovAge

Historical Operations analysis

VMG HEALTH
WE VALUE HEALTHCARE

HISTORICAL OPERATIONS ANALYSIS

Selected Financial Data

Selected Financial Data	FYE 2011	FYE 2012	FYE 2013	TTM 2014
Net Revenue	146,713,400	152,515,200	163,904,934	173,069,975
Operating Expenses	127,857,700	133,133,200	143,746,968	152,970,835
EBITDA	20,447,600	19,559,200	22,212,927	22,776,526
Earnings before Taxes	17,134,000	14,487,800	17,102,464	17,278,829
Net Fixed Assets	44,016,800	51,298,091	62,006,200	51,488,137
Total Assets	115,865,700	141,772,102	154,993,300	176,142,014
Total Debt (S-T & L-T)	471,900	8,630	1,312,100	1,664,171
Percentage of Net Revenue:				
Operating Expenses	87.1%	87.3%	87.7%	88.4%
EBITDA	13.9%	12.8%	13.6%	13.2%
Earnings before Taxes	11.7%	9.5%	10.4%	10.0%

Note: Detailed financial statements can be found in the Appendix

The summary above presents operating results for fiscal years ending ("FYE") June 30, 2011, 2012, and 2013, and trailing twelve month period ending February 28, 2014 ("TTM 2014"). Net revenue increased 6.4% compounded annually from approximately $146.7 million in FYE 2011 to approximately $173.1 million in TTM 2014. More recently, net revenue increased 5.6% from approximately $163.9 million in FYE 2013 to approximately $173.1 million in TTM 2014. Operating expenses increased 7.0% percent compounded annually from approximately $127.9 million in FYE 2011 to approximately $153.0 million in TTM 2014. More recently, operating expenses increased 6.4% from approximately $143.7 million in FYE 2013 to approximately $153.0 million in TTM 2014. As a result, earnings before interest, taxes, depreciation, and amortization ("EBITDA") as a percentage of net revenue decreased from 13.9% in FYE 2011 to 13.2% in TTM 2014.

Note: A Detailed Income Statement can be found in the Appendix.

Volume Analysis

Total Cumulative Census	FYE 2011	FYE 2012	FYE 2013	TTM 2014
IGCP	19,819	22,195	23,575	24,241
IGCAP	-	-	-	-
IGNMP	4,545	4,593	4,672	4,579
Totals for PACE Programs	24,364	26,788	28,247	28,820
Growth	n/a	9.9%	5.4%	2.0%
FFS Revenue only:				
Average Net Revenue / Census	$6,025	$5,791	$5,826	$6,020

Source: Utilization reports provided by PACE Program management.

Illustrated above is the PACE Program's cumulative census by state, for FYE 2011, 2012, 2013, and TTM 2014. Total cumulative census volume increased 6.5% compounded annually from 24,364 in FYE 2011 to 28,820 in TTM 2014. More recently, the total cumulative census increased 2.0% compounded annually from 28,247 in FYE 2013 to 28,820 in TTM 2014. Average net revenue per census experienced negligible change between FYE 2011 and TTM 2014. More recently, average net revenue per census increased 3.3% from $5,826 in FYE 2013 to $6,020 in TTM 2014.

Staffing Overview

FTE Breakdown:	Current Salary	Current FTEs	Average Salary/FTE
Total	$29,221,092	609.8	$47,918
NBY Census Volume:	28,820		
Estimated Hours per Census:	44.0		

Source: PACE Program's active staffing summary report as provided by management.

The PACE Program's total staff consists of approximately 609.8 full-time equivalent ("FTE") employees, as calculated from a current employee staffing roster provided by management. The average salary per FTE is approximately $48,000. At the current staffing level, total staff hours per cumulative census based on the normalized base year ("NBY") volume is approximately 44.0.

Total Community Options, Inc. d/b/a InnovAge

Valuation Overview

Valuation Methodologies & Assumptions

IRS Revenue Ruling 59-60 is a landmark ruling by the IRS that provides general guidelines for the valuation of closely held companies. We define FMV as established by IRS Revenue Ruling 59-60 as "the amount at which property would change hands between a willing seller and a willing buyer when neither is acting under compulsion and when both have reasonable knowledge of all relevant facts and circumstances." IRS Revenue Ruling 59-60 calls for examination of the following elements in connection with the subject PACE Program:

- The nature and history of the PACE Program from inception;
- The economic outlook in general and the outlook for the specific specialty area and market area of the PACE Program;
- The financial condition of the PACE Program;
- The earning capacity of the PACE Program;
- The dividend paying capacity of the PACE Program;
- The goodwill or other intangible value of the PACE Program;
- Prior sales of the stock and the size of the block of stock to be valued; and
- The market prices of health plans in the same or similar specialty areas.

In light of the general guidelines set forth in IRS Revenue Ruling 59-60, VMG's investigation and analysis includes the following:

- Interviews with management concerning past, present and prospective operating results of the PACE Program;
- Analysis of the financial condition and historical operating and financial performance of the PACE Program;
- Consideration of the economic outlook in general and the outlook for the specific specialty area and market area of the PACE Program;
- With the assistance of health plan personnel, our analysis estimates the earning and dividend paying capacity of the PACE Program;
- Consideration of the Cost, Market, and Income Approaches to value.

As discussed, we have considered the use of the Cost, Market and Income Approaches to value. The following briefly describes each approach:

- Cost Approach - estimates the cost to recreate a business;
- Market Approach - estimates value by examining the value of similar businesses in a free and open market;
- Income Approach - estimates value by projecting a future income stream attributable to a business and then discounts those earnings back to present value.

Each approach is suitable in different situations. The subsequent sections of this report provide the benefits and challenges of using the three approaches.

Selection of the Income Approach

While we have considered the use of each approach to value, we have relied on the Income Approach to value, as it is the approach most often utilized in cases where the entity's discounted projected cash flow stream produces a value that is higher than the estimated FMV of the entity's identifiable tangible and intangible assets. Unlike the Cost and Market Approach, the Income Approach evaluates the future economic income stream that is specific to the PACE Program. In determining the applicability of the Cost or Market Approach, we considered the following difficulties:

- Cost Approach
  - The book value of the PACE Program's identified tangible assets may not reflect market value.
  - Does not consider the going-concern, goodwill, or other intangible value of the PACE Program.
- Market Approach
  - Similar publicly traded companies are not comparable from a size or growth standpoint.
  - Similar transaction information in the public domain is rarely useful because details on transaction structure are not included.

The following sections discuss in more detail the application of the Cost, Market, and Income Approaches to the subject PACE Program.

TOTAL COMMUNITY OPTIONS, INC. D/B/A INNOVAGE

COST APPROACH

General Assumptions

The Cost Approach, also known as the asset or build-up approach, is a method that attempts to value a business by identifying and valuing each tangible and intangible asset. The valuation premise used in this method may be one of the following:

- Value in continued use as part of a going concern;
- Value in place as part of a mass assemblage of assets;
- Value in exchange as part of an orderly disposition or forced liquidation.

The Cost Approach can be considered to provide a "floor" or lowest minimum value related to a business. This method may be an appropriate method when the Market Approach and Income Approach produce a value lower than the Cost Approach. In determining the applicability of the Cost Approach, we must also consider the earnings generated by the business as indicated in its historical and projected financial statements.

Under this approach, the identified tangible and intangible assets are valued based on the cost associated with "recreating" each asset. The asset components are examined and the related valuation assumptions for each are noted in the appendix.

General Assumptions

As indicated below, the total invested capital valuation indication produced by this limited scope Cost Approach, as of the current valuation date, is approximately **$35.2 million**. We **have not relied** on the value indication produced by the Cost Approach because the Cost Approach does not necessarily attribute adequate value to the going-concern value of the PACE Program, as demonstrated by the higher indicated values from both the Income and Market Approaches.

($$)		Book Value February 28, 2014	Adjustments	Estimated Value	% of TIC
Current Assets					
Cash and Cash Equivalents	*Estimated value based on February 28, 2014 balance sheet*	$40,818,879	-	$40,818,879	116.1%
Short-Term Investments - Commercial Paper	*Estimated value based on February 28, 2014 balance sheet*	14,489,420	-	14,489,420	41.2%
Assets Limited to Use - Held for Others	*Estimated value based on February 28, 2014 balance sheet*	36,097	-	36,097	0.1%
Assets Held by Trustee	*Estimated value based on February 28, 2014 balance sheet*	864,373	-	864,373	2.5%
Money Market - Board Designated	*Estimated value based on February 28, 2014 balance sheet*	950,556	-	950,556	2.7%
Accounts Receivable, net	*Estimated value based on February 28, 2014 balance sheet*	11,893,345	-	11,893,345	33.8%
Other Receivable	*Estimated value based on February 28, 2014 balance sheet*	579,522	-	579,522	1.6%
Intercompany Receivables	*Estimated value based on February 28, 2014 balance sheet*	19,744,256	-	19,744,256	56.1%
Inventory	*Estimated value based on February 28, 2014 balance sheet*	(14,543)	-	(14,543)	(0.0%)
Prepaid Expenses and Other	*Estimated value based on February 28, 2014 balance sheet*	762,452	-	762,452	2.2%
Total Current Assets		90,124,358	-	90,124,358	256.3%
Current Liabilities					
Accounts Payable	*Estimated value based on February 28, 2014 balance sheet*	4,056,192	-	4,056,192	11.5%
Reported and Estimated Claims	*Estimated value based on February 28, 2014 balance sheet*	6,924,269	-	6,924,269	19.7%
Due to Medicaid and Medicare	*Estimated value based on February 28, 2014 balance sheet*	6,057,500	-	6,057,500	17.2%
Accrued Compensation	*Estimated value based on February 28, 2014 balance sheet*	526,601	-	526,601	1.5%
Accrued Vacation	*Estimated value based on February 28, 2014 balance sheet*	1,496,549	-	1,496,549	4.3%
Other Accrued Expenses	*Estimated value based on February 28, 2014 balance sheet*	997,090	-	997,090	2.8%
Unearned Revenue	*Estimated value based on February 28, 2014 balance sheet*	6,533,913	-	6,533,913	18.6%
Current Portion of Capital Lease Obligations	*Estimated value based on February 28, 2014 balance sheet*	114,939	(114,939)	-	-
Current Portion of Long-Term Debt	*Estimated value based on February 28, 2014 balance sheet*	560,000	(560,000)	-	-
Total Current Liabilities		27,267,053	(674,939)	26,592,114	75.6%
Total Current Level of Working Capital		62,857,305	674,939	63,532,244	180.7%
Adjustment to Reflect a Normalized Level of Working Capital					
Normalized Working Capital	Estimated at 15.0% of Net Revenue	63,532,244	(37,320,726)	26,211,518	74.5%
Total Normalized Working Capital				26,211,518	74.5%
Fixed Assets					
Land	*Estimated value based on February 28, 2014 management provided fixed asset summary*	6,454,952	(6,454,952)	-	-
Building and Leasehold Equipment	*Estimated value based on February 28, 2014 management provided fixed asset summary*	47,356,822	(46,058,094)	1,298,728	3.7%
Equipment and Vehicles	*Estimated value based on February 28, 2014 management provided fixed asset summary*	16,856,560	(9,200,600)	7,655,960	21.8%
Accumulated Depreciation	*Estimated value based on February 28, 2014 management provided fixed asset summary*	(19,180,197)	19,180,197	-	-
Total Fixed Assets		51,488,137	(42,533,449)	8,954,688	25.5%
Other Assets					
Board Designated Investment Fund	*Estimated value based on February 28, 2014 balance sheet; Not a transferrable economic asset*	20,966,244	(20,966,244)	-	-
Investments (CD's)	*Estimated value based on February 28, 2014 balance sheet; Not a transferrable economic asset*	5,175,753	(5,175,753)	-	-
Goodwill	*Estimated value based on February 28, 2014 balance sheet; Not a transferrable economic asset*	4,116,524	(4,116,524)	-	-
Note Receivable	*Estimated value based on February 28, 2014 balance sheet; Not a transferrable economic asset*	209,484	(209,484)	-	-
Deferred Financing Costs, net	*Estimated value based on February 28, 2014 balance sheet; Not a transferrable economic asset*	1,480,673	(1,480,673)	-	-
Debt Service Reserve	*Estimated value based on February 28, 2014 balance sheet; Not a transferrable economic asset*	2,580,841	(2,580,841)	-	-
Total Other Assets		34,529,519	(34,529,519)	-	-
Fair Market Value of the PACE Programs, Total Invested Capital Level		$149,549,900	($114,383,694)	$35,166,206	100.0%

Total Community Options, Inc. d/b/a InnovAge

Market Approach

General Assumptions

The Market Approach estimates value by comparing the value of similar assets, securities or services (collectively referred to as "the guidelines") traded in a free and open market to the subject asset, security or service. The underlying premise of the Market Approach to valuation is the economic principle of substitution – assets of similar utility should have similar value. The Market Approach relies on observable market data to estimate indications of value. Appropriate market comparisons can provide some evidence of the value of a business or a business interest. The Market Approach uses relative value measures such as "multiples", which are factors by which some fundamental financial variable is multiplied to derive a value indication.

In our application of the Market Approach, we considered three distinct market approach methods which include the guideline company method, the merger and acquisition method, and the individual transaction method. These methods are discussed in greater detail on the following pages. The paragraphs below provide a brief summary of each method used:

- **Guideline Company Method:** This method entails a comparison of the subject company to similar publicly traded companies. The comparison is generally based on published data regarding the public companies' stock price and earnings, sales, or revenues, which is expressed as a fraction known as a "multiple". The public companies identified for comparison purposes should be similar to the subject business in terms of industry, product, market, growth, and risk.

- **Merger & Acquisition Method:** This method reviews published data regarding actual transactions involving either minority or controlling interests in either publicly traded or closely held companies. In judging whether a reasonable basis for comparison exists, consideration must be given to such factors as the similarity of investment and investor characteristics, the extent to which reliable data is known about the considered transactions, and whether or not the price paid for the guideline companies was in an arms-length transaction, or a forced or distressed sale.

- **Individual Transaction Method:** This method is also referred to as the "rules of thumb" method and is a mathematical relationship between or among variables which is derived through experience and observation or combination of these in a particular industry or industry segment. For this analysis, this method involves developing internal pricing multiples of individual transactions of similar companies in a specific marketplace.

Source: The Market Approach to Valuing a Business – Second Edition by Shannon Pratt

Guideline Company Method

Three methods of valuation are considered in the use of the Market Approach: the guideline company method, the merger and acquisition method, and the individual transaction method. The guideline company method estimates the value of a subject business by examining the value of similar businesses in a free and open market. The theory behind this approach is that companies with similar operating and financial characteristics should be priced similarly. These similar companies are referred to as "guideline" companies. In order to utilize this approach, similar businesses must be identified that have publicly available data. In determining comparable companies, several factors are considered, including but not limited to the following:

- Similarity of goods and services offered by the company;
- Size of the company, in terms of sales, assets, number of operating locations, etc.;
- Location of the company's operations (i.e. geographically dispersed concentration within a geographic area, etc.);
- Historical growth rates of the company;
- Capital structure of the company.

Once appropriate guideline companies are identified, their "value measures" are compiled and examined to determine how they may apply to the subject company. These "value measures" are usually a multiple computed by dividing the price of the guideline company's stock as of the valuation date by some relevant economic variable such as revenues; earnings before interest, taxes, depreciation, and amortization (EBITDA); or earnings after tax. As an example, a commonly referred to value measure is a company's "PE ratio", which represents the company's market price per share divided by its most recent earnings per share. If a guideline company's PE ratio is 10 and the subject company's earnings per share is $5, then the subject company's per share price may be computed, in concept, as $5 x 10 = $50 per share. Several challenges are encountered when attempting to identify guideline companies to compare to the subject company, including the following:

- Identifying other healthcare companies that focus on providing the same services as those of the subject company.
- Identifying similar guideline companies of a comparable size. A company's size may give it a competitive advantage (or conversely, limit its ability to compete) in several key areas, such as its access to the capital markets, its ability to create economies of scale and purchasing power, and its diversification in geographic markets and in its product line offerings.

Guideline Company Method

A variety of public and private companies specialize in the operation of Managed Healthcare. We have provided a brief description of the fourteen companies we identified on the following pages.

- **UnitedHealth Group, Inc. (NYSE: UNH)** – UnitedHealth Group Incorporated operates as a diversified health and well-being company in the United States. The company's UnitedHealthcare segment offers consumer-oriented health benefit plans and services to national employers, public sector employers, mid-sized employers, small businesses, and individuals; health and well-being services to individuals aged 50 and older addressing their needs for preventive and acute health care services; health plans and care programs to beneficiaries of acute and long-term care Medicaid plans; and specialty benefits, such as dental, vision, life, and disability products. This segment serves through a network of 754,000 physicians and other health care professionals, and 5,400 hospitals. Its OptumHealth segment provides personalized health management services, decision support services, access to networks of care provider specialists, well-being solutions, behavioral health management solutions, financial services, and clinical services. This segment serves individuals through programs offered by employers, payers, government entities, and directly with the care delivery system. The company's OptumInsight segment offers software and information products, advisory consulting services, and business process outsourcing services to hospitals, physicians, commercial health plans, government agencies, life sciences companies, and other organizations that comprise the health care system work. Its OptumRx segment provides a multitude of pharmacy benefit management services, including prescribed medications and patient support. This segment also offers claims processing, retail network contracting, and rebate contracting, as well as management and clinical programs, such as step therapy, formulary management, and disease/drug therapy management programs. The company was founded in 1974 and is based in Minnetonka, Minnesota.
- **WellPoint Inc. (NYSE: WLP)** - WellPoint, Inc., through its subsidiaries, operates as a health benefits company in the United States. The company offers various network-based managed care plans to large and small employer, individual, Medicaid, and senior markets. Its managed care plans include preferred provider organizations; health maintenance organizations; point-of-service plans; traditional indemnity plans; and other hybrid plans, including consumer-driven health plans, hospital only, and limited benefit products. The company also provides various managed care services comprising claims processing, underwriting, stop loss insurance, actuarial services, provider network access, medical cost management, disease management, wellness programs, and other administrative services to self-funded customers. In addition, it offers specialty and other products and services, including life and disability insurance benefits; dental, vision, and behavioral health benefit services; radiology benefit management; personal health care guidance; and long-term care insurance. Further, the company serves as an intermediary providing administrative service for the Medicare program that offers coverage for persons, who are 65 or older and for persons who are disabled or with end-stage renal disease. WellPoint, Inc. markets its products through a network of independent agents and brokers, consultants, in-house sales force, or Internet. The company, formerly known as Anthem, Inc., was founded in 1944 and is headquartered in Indianapolis, Indiana.

Source: Capital IQ

Guideline Company Method

- **Aetna, Inc. (NYSE: AET)** – Aetna Inc. operates as a diversified health care benefits company in the United States. The company operates in three segments: Health Care, Group Insurance, and Large Case Pensions. The Health Care segment provides medical, pharmacy benefit management, dental, behavioral health, and vision plans. This segment also provides Medicare and Medicaid products and services; and specialty products, such as health information exchange technology services, medical management and data analytics services, medical stop loss insurance, and products that offer access in its provider networks select markets. This segment offers its products and services to large multi-site national, mid-sized, and small employers, as well as individual customers. The Group Insurance segment provides life insurance products that consist of group term life insurance, voluntary spouse and dependent term life insurance, group universal life, and accidental death and dismemberment insurance; disability insurance products; and long-term care insurance products, which offer benefits to cover the cost of care in private home settings, adult day care, assisted living, or nursing facilities. This segment provides insurance products principally to employers that sponsor its products for the benefit of their employees and their employees' dependents. The Large Case Pensions segment manages various retirement products, including pension and annuity products for tax qualified pension plans. The company's customers include employer groups, individuals, college students, part-time and hourly workers, health plans, health care providers, governmental units, government-sponsored plans, labor groups, and expatriates. Aetna Inc. was founded in 1982 and is headquartered in Hartford, Connecticut.

- **Humana Inc. (NYSE: HUM)** - Humana Inc. operates as a health care company that offers a range of insurance products and health and wellness services that incorporate an integrated approach to lifelong well-being. Its Retail segment provides Medicare and commercial fully-insured medical and specialty health insurance benefits, including dental, vision, and other supplemental health and financial protection products to individuals. The company's Employer Group segment offers Medicare and commercial fully-insured medical and specialty health insurance benefits, as well as administrative services to employer groups. Its Health and Well-Being services segment provides primary care, pharmacy, integrated wellness, and home care services to members enrolled in its health plan, as well as to third parties that promote health and wellness. The company's other businesses category consists of military services, primarily its TRICARE south region contract that provides health insurance coverage to the dependents of active duty and retired military personnel, and their dependents; Medicaid, a federal program to facilitate the delivery of health care services primarily to low-income residents; and closed-block long-term care businesses, as well as contract with Centers for Medicare and Medicaid Services (CMS) to administer the LI-NET program, which allows individuals to receive immediate prescription drug coverage. As of December 31, 2011, Humana Inc. had approximately 11.2 million members enrolled in medical benefit plans; and approximately 7.3 million members enrolled in specialty products programs. The company was founded in 1961 and is headquartered in Louisville, Kentucky

Source: Capital IQ

Guideline Company Method

- **Cigna Corp. (NYSE: CI)** – CIGNA Corporation, a health services organization, through its subsidiaries, provides insurance and related products and services in the United States and internationally. Its Health Care segment offers insured and self-insured medical, dental, behavioral health, vision, and prescription drug benefit plans; health advocacy programs; and other products and services that may be integrated to provide health care benefit programs, as well as operates retail pharmacies. The company's Disability and Life segment offers various insurance products and related services, including group long-term and short-term disability insurance; group life insurance products comprising group term life and group universal life; and personal accident insurance consisting of accidental death and dismemberment, and travel accident insurance to employers. This segment also provides specialty insurance services that primarily include disability and life, accident, and hospital indemnity products to professional or trade associations, and financial institutions. Its International segment offers supplemental health, life, and accident insurance products, as well as international health care products and services. The company's Run-off Reinsurance segment manages its run-off reinsurance coverage for risks written by other insurance companies under life and annuity policies and accident policies under guaranteed minimum death benefits and guaranteed minimum income benefits contracts. Its Other Operations segment provides corporate owned life insurance, which are permanent insurance contracts sold to corporations to offer coverage on the lives of certain employees, as well engages in run-off settlement annuity business. CIGNA Corporation distributes its products and services through independent brokers and agents, consultants, and direct sales personnel, as well as through the Internet. The company was founded in 1792 and is headquartered in Bloomfield, Connecticut.

- **Health Net, Inc. (NYSE: HNT)** – Health Net, Inc., through its subsidiaries, provides managed health care services. The company offers commercial health care products, such as health maintenance organization plans through contracts with participating network physicians, hospitals, and other providers; preferred provider organization plans that provide coverage for services received from health care provider; and point of service plans. It also provides Medicare products, including Medicare advantage plans with and without prescription drug coverage; Medicare part D stand-alone prescription drug plan (PDP); and Medicare supplement products that supplement fee-for-service Medicare coverage. In addition, the company offers Medicaid and related products; indemnity insurance products; auxiliary non-health products, such as life, accidental death and dismemberment, dental, vision, and behavioral health insurance; and other specialty services and products comprising pharmacy benefits, behavioral health, dental, and vision products and services, as well as managed care products for hospitals, health plans, and other entities. Further, it provides administrative services comprising provider network and referral management, medical and disease management, enrollment, customer service, clinical support service, and claims processing service to military health system eligible beneficiaries. It serves approximately 6.0 million individuals in the United States through group, individual, Medicare, Medicaid, the U.S. Department of Defense that includes TRICARE, and Veterans Affairs programs. Health Net, Inc. was founded in 1979 and is headquartered in Woodland Hills, California.

Source: Capital IQ

Guideline Company Method

- **WellCare Health Plans, Inc. (NYSE: WCG)** – WellCare Health Plans, Inc. provides managed care services for government-sponsored health care programs in the United States. The company offers Medicaid plans, including plans for beneficiaries of Temporary Assistance for Needy Families (TANF) programs; Supplemental Security Income (SSI) programs; and ABD programs and state-based programs, such as Children's Health Insurance Programs (CHIP) and Family Health Plus (FHP) programs for qualifying families who are not eligible for Medicaid. The TANF program provides assistance to low-income families with children; and ABD and SSI programs provide assistance to low-income aged, blind, or disabled individuals. It also provides Medicare, a federal health insurance program; Medicare Advantage, a Medicare's managed care alternative to original Medicare that provides individuals standard Medicare benefits directly through Centers for Medicare & Medicaid Services; and coordinated care plans, which are administered through health maintenance organizations and require members to seek health care services and select a primary care physician from a network of health care providers. In addition, the company provides prescription drug plans comprising the Medicare Part D program that offers national in-network prescription drug coverage to Medicare-eligible beneficiaries. As of December 31, 2011, it served approximately 2,562,000 members. WellCare Health Plans, Inc. was founded in 1985 and is headquartered in Tampa, Florida.

- **Centene Corp. (NYSE: CNC)** - Centene Corporation operates as a multiline healthcare company in the United States. It operates through two segments, Medicaid Managed Care and Specialty Services. The Medicaid Managed Care segment provides Medicaid and Medicaid-related health plan coverage to individuals through government subsidized programs, including Medicaid, the State children's health insurance program, foster care, and Medicare special needs plans, as well as aged, blind, or disabled programs. Its health plans principally provide primary and specialty physician care, inpatient and outpatient hospital care, transportation assistance, emergency and urgent care, vision care, prenatal care, dental care, laboratory and x-ray services, immunizations, prescriptions and over-the-counter drugs, home health and durable medical equipment, behavioral health and substance abuse services, therapies, social work services, care coordination, and 24-hour nurse advice line. The Specialty Services segment manages behavioral healthcare for members; provides health insurance to individual customers and their families; implements life and health management programs; offers long-term care services to the elderly and people with disabilities; administers routine and medical surgical eye care benefits through its network of eye care providers; provides telehealth services; and offers progressive pharmacy benefits management services, including claims processing, pharmacy network management, benefit design consultation, drug utilization review, formulary and rebate management, specialty and mail order pharmacy services, and patient and physician intervention services. It also provides care management solutions that automate the clinical, administrative, and technical components of care management programs. The company offers its services through primary and specialty care physicians, hospitals, and ancillary providers. Centene Corporation was founded in 1984 and is headquartered in St. Louis, Missouri.

Source: Capital IQ

Guideline Company Method

- **Molina Healthcare Inc. (NYSE: MOH)** – Molina Healthcare, Inc. provides Medicaid-related solutions to meet the health care needs of low-income families and individuals, as well as to assist state agencies in their administration of the Medicaid program. The company operates Medicaid managed care plans in California, Florida, Michigan, Missouri, New Mexico, Ohio, Texas, Utah, Washington, and Wisconsin states. As of December 31, 2011, it served approximately 1.7 million members who are eligible for Medicaid, Medicare, and other government-sponsored health care programs. It provides design, development, implementation, business process outsourcing, and information technology development and administration services to Medicaid agencies in Idaho, Louisiana, Maine, New Jersey, and West Virginia; and drug rebate administration services in Florida. The company offers health care services for its members through contracts with independent physicians and groups; hospitals; and ancillary providers; as well as through its 16 primary care clinics in California. It operates approximately 17 primary care community clinics in California, 2 clinics in Washington, and 3 county-owned clinics in Virginia. Molina Healthcare, Inc. was founded in 1980 and is headquartered in Long Beach, California.

- **Universal American Corp. (NYSE: UAM)** - Universal American Corp., a specialty health and life insurance holding company, provides health insurance and managed care products and services to the senior population in the United States. The company's Senior Managed Care—Medicare Advantage segment offers coordinated care plans; private fee-for-service plans; and preferred provider organization plans that provide Medicare covered benefits; as well as additional supplemental benefits, including a defined prescription drug benefit. Its Traditional Insurance segment provides Medicare supplement and other senior health insurance products; specialty health insurance products primarily fixed benefit accident and sickness disability insurance; and senior life insurance products. The company also offers third party administration services to its affiliated companies and certain unaffiliated companies. It distributes its products through career agency sales force, as well as through a network of independent general agencies. Universal American Corp. was founded in 1981 and is headquartered in Rye Brook, New York.

Source: Capital IQ

Guideline Company Method

The table below summarizes the key valuation multiples for the identified publicly traded managed healthcare companies. Trailing twelve month EBITDA mean and median multiples (less minority interest) are 12.7x and 9.2x, respectively. The trailing twelve month total revenue mean and median multiples are 0.5x and 0.4x, respectively. This data was sourced on April 29, 2014, and the trailing twelve months is as of the company's last reported quarter.

Company Name	Ticker	TTM Revenue	FY + 1 Revenue	TTM EBITDA	FY + 1 EBITDA	FYE 2013 Members	FYE 2013 Members
UnitedHealth Group Incorporated	UNH	0.7x	0.7x	8.8x	8.3x	n/a	n/a
WellPoint Inc.	WLP	0.6x	0.6x	8.2x	8.7x	$505	$850
Aetna Inc.	AET	0.7x	0.6x	7.3x	7.3x	$677	$1,025
Humana Inc.	HUM	0.5x	0.4x	8.6x	7.4x	$1,003	$2,086
Cigna Corp.	CI	0.8x	0.8x	9.1x	7.0x	$1,862	$2,278
Health Net, Inc.	HNT	0.3x	0.2x	9.3x	7.4x	$602	$2,087
WellCare Health Plans, Inc.	WCG	0.4x	0.3x	10.8x	7.5x	$1,235	$3,348
Centene Corp.	CNC	0.4x	0.3x	11.9x	8.6x	$1,651	$3,985
Molina Healthcare, Inc.	MOH	0.4x	0.2x	11.7x	6.6x	$1,103	$2,841
Universal American Corp	UAM	0.4x	0.4x	41.1x	12.0x	$1,680	$4,719
	Mean:	0.5 x	0.5 x	12.7 x	8.1 x	$1,146	$2,580
	Median:	0.4 x	0.4 x	9.2 x	7.5 x	$1,103	$2,278

Source: Capital IQ as of 04/29/14

Total Invested Capital ("TIC") is defined as Market Value of Equity plus Interest-bearing Debt less Cash & Equivalents

Although the concept of using publicly traded guideline companies as surrogates is intended to be based on comparability, rarely are two companies so similar as to make perfect comparables. There are also many key differences between small to mid-size privately held companies and publicly traded companies such as size, depth of management, capital structure, access to capital, product diversification, geographic diversification, and risk. In addition, external microeconomic and macroeconomic events cause fluctuations in the price of public stock prices that can distort multiples.

With consideration to the previously mentioned disadvantages of the guideline company method, we believe that all of the key differences identified above are applicable to the subject PACE Program when compared to the identified public guideline companies. Furthermore, the indentified managed care companies derive little, if any, of their revenue from PACE Programs. Therefore, it is our opinion that the public guideline companies do not reflect comparable market multiples for the PACE Program. We **have not relied** upon the pricing multiples and subsequent value indications generated by the guideline company method to establish the value of the PACE Program.

Merger & Acquisition Method

Another market approach method is the merger and acquisition method (the M&A method). The M&A method involves the observation of other recent transactions involving the sale of entire companies or operating units of companies. The general notion of M&A analysis is consistent with the guideline company method in that an analysis is made of the prices of transactions in relationship to some fundamental financial variable that affects the value. This relationship is referred to as the "acquisition multiple" or the "deal multiple". These multiples may be stated as price to revenues, price to EBITDA, or some other relevant relationship. Challenges in using this approach include the following:

- Data involving merger and acquisition activity is usually very general and broad and often times important elements of the transaction are omitted, including what exact assets are being acquired (example tangible vs. intangible), what liabilities are being assumed, and what relevant agreements may be tied to the transaction, such as non-compete agreements with the sellers, management services agreements with third parties, or employment agreements of key employees.

- The prices involved in M&A transactions are generally at an "investment value" level, specific to the particular buyer of the entity, as opposed to a "FMV" level, which considers a price to the non-specific "hypothetical willing buyer". Consequently, converting an investment value to FMV by identifying the investment or synergistic premium included in the transaction may be highly speculative and controversial.

- The transaction price may involve the purchasing company's stock or some other non-cash consideration. If the "FMV" standard of value is being applied to the subject company, then a cash or cash-equivalent value is required (in other words, the FMV definition assumes that a buyer is exchanging cash or cash-equivalent consideration for the subject business). Therefore, appropriate adjustments may need to be made to transaction prices due to the nature of the consideration being exchanged.

Please see the following page for a summary of identified transactions that we have considered in the merger & acquisition method.

Merger & Acquisition Method

The merger and acquisition method applies transaction data in a manner similar to that in the guideline public company method. Instead of selecting individual guideline companies actual transactions involving companies similar to the subject company are used to determine the pricing multiples. Although the data has challenges, we have extensively researched the *Irving Levin Associates' Database* in our attempt to obtain transaction multiples for managed care organizations. Our search returned 7 transactions with known enterprise value to revenue multiples, 7 transactions with known enterprise value to EBITDA multiples, and 4 transactions with known enterprise value to members. Based on this data, the enterprise value to revenue multiples ranged from a low of 0.4x to a high of 5.8x, with a median multiple of 0.6x and a mean multiple of 1.4x. The enterprise value to EBITDA multiples ranged from a low of 6.2x to a high of 18.3x, with a median multiple of 7.7x and a mean multiple of 10.4x. The enterprise value to member multiples ranged from a low of 1,121 to a high of 8,466, with a median multiple of 2,139 and a mean multiple of 3,466.

Status	Close Date	Target	Acquirer	Price ($mm)	Implied EV ($mm)	Revenue ($mm)	EBITDA ($mm)	Members	TEV/Revenue	TEV/EBITDA	TEV/Member
Closed	12/24/2012	AMERIGROUP Corporation	WellPoint Inc.	5,103.61	4,479.28	7,465.47	285.30	2,737,000	0.6 x	15.7 x	1,637
Closed	5/7/2013	Coventry Health Care Inc.	Aetna Inc.	7,311.45	5,795.48	14,488.70	919.92	5,172,000	0.4 x	6.3 x	1,121
Closed	12/21/2012	Metropolitan Health Networks, Inc.	Humana Inc.	795.58	740.78	740.78	96.21	87,500	1.0 x	7.7 x	8,466
Closed	8/31/2012	Great American Supplemental Benefits Group	Cigna Corp.	305.00	305.00	338.89	n/a	n/a	0.9 x	n/a	n/a
Closed	1/31/2012	HealthSpring Inc.	Cigna Corp.	4,195.69	3,140.39	5,233.98	506.51	1,188,839	0.6 x	6.2 x	2,642
Closed	3/2/2012	APS Healthcare, Inc.	Universal American Corp.	280.50	280.50	n/a	n/a	n/a	n/a	n/a	n/a
Closed	5/1/2012	Health Plus	Amerigroup, Inc.	85.00	85.00	n/a	n/a	n/a	n/a	n/a	n/a
Closed	11/30/2011	FirstAssist Insurance Services	CIGNA Corp.	71.00	71.00	n/a	5.82	n/a	n/a	12.2 x	n/a
Closed	12/1/2011	AmeriHealth Mercy Family of Cos.	Independence Blue Cross	170.00	340.00	n/a	n/a	n/a	n/a	n/a	n/a
Closed	6/28/2011	Prodigy Health Group	Aetna, Inc.	600.00	600.00	n/a	n/a	n/a	n/a	n/a	n/a
Closed	8/31/2010	Vanbreda International, NV	CIGNA Corp	412.00	412.00	70.90	22.50	n/a	5.8 x	18.3 x	n/a
Closed	11/30/2010	Bravo Health, Inc	HealthSpring, Inc	545.00	545.00	1,362.50	81.34	n/a	0.4 x	6.7 x	n/a
Closed	9/1/2010	Abri Health Plan	Molina Healthcare, Inc	16.00	16.00	n/a	n/a	n/a	n/a	n/a	n/a
Closed	8/26/2010	Multiplan, Inc	BC Partners; Silver Lake	3,100.00	3,100.00	n/a	n/a	n/a	n/a	n/a	n/a
								Mean:	*1.4 x*	*10.4 x*	*3,466*
								Median:	*0.6 x*	*7.7 x*	*2,139*

Source: Capital IQ, VMG Research

Due to the general lack of information regarding the specific terms related to the transactions (specific assets / liabilities contributed, standard of value used, components of consideration paid, etc.) and on the acquired entities, we **have not relied** upon the valuation indications derived from the merger & acquisition method.

Individual Transaction Method

In addition to consideration of the guideline company and merger and acquisition methods to value the business under the Market Approach, another generally accepted valuation method is the individual transaction method or the "rules of thumb" method. VMG has been involved in over 100 medical group, IPA, and group plan valuations since 1995. Over that time, we have developed an acute understanding of transaction pricing in the marketplace through direct involvement in transactions and also through various transaction sources.

Based upon our experience in the managed care marketplace, it is our opinion that qualified buyers typically pay a total invested capital to EBITDA multiple of approximately 6.0x to 8.0x for a control interest in a managed care provider. The range of the control interest total invested capital to revenue multiples based on our marketplace knowledge are typically between 0.5x and 0.7x. As would be expected, these multiples would vary according to the specific facts and circumstances surrounding the transaction.

Multiple	Range of Multiple Selections			NBY	Value Indication		
	Low		High		Low		High
TIC/Revenue	0.5x	to	0.7x	$173,069,975	$86,534,987	to	$121,148,982
TIC/EBITDA	6.0x	to	8.0x	$16,224,161	$97,344,965	to	$129,793,286
				Average (TIC/EBITDA) & (TIC/Revenue	$108,710,000		

Multiple	Range of Multiple Selections			Year 1	Value Indication		
	Low		High		Low		High
TIC/Revenue	0.5x	to	0.7x	$203,394,798	$101,697,399	to	$142,376,359
TIC/EBITDA	6.0x	to	8.0x	$21,279,618	$127,677,711	to	$170,236,947
				Average (TIC/EBITDA) & (TIC/Revenue	$135,500,000		
				50/50 Weighted Average of NBY/Year 1	$122,105,000		

As illustrated in the chart, we applied typical control interest multiples to the PACE Program's normalized and Year 1 revenue and EBITDA. Using a blend of the normalized and Year 1 value indications, these multiples imply a total invested capital value for the PACE Program of approximately **$122.1 million**. Although we considered the individual transaction method as a reasonableness check, we **have not relied** upon the value generated under the individual transaction approach to help in determining the control value indication of the PACE Program.

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Income Approach

INCOME APPROACH

General Assumptions

The Income Approach provides for two general methods for determining value: the capitalization of a single period's net cash flow or the discounting of several future periods' net cash flow. We have employed the multi-period method (the discounted cash flow method) which allows for the forecasting of a finite period of annual net cash flows. An important assumption of any method of the Income Approach is that the business or asset being valued remains a going concern.

The first step of the discounted cash flow methodology is to estimate the net cash flows available to the firm (total invested capital level). For purposes of the discounted cash flow methodology employed in our analysis, we have defined net cash flow as follows:

- Earnings before interest, taxes, depreciation, and amortization ("EBITDA")
- Less: depreciation, amortization, and other applicable non-cash expenses
- Less: applicable federal and state income taxes payable
- Plus: depreciation, amortization, and other applicable non-cash expenses
- Less: incremental capital expenditure requirements
- Less: incremental working capital requirement
- Equals: net cash flow to invested capital

Because we are calculating net cash flow to invested capital, we have eliminated interest expense in the projection period. Estimated net cash flows are projected for five years and then into perpetuity. The projected or future net cash flows are then discounted to arrive at a present value. The discount rate (also known as the required rate of return, cost of capital, or hurdle rate) incorporates the estimated time value of money, inflation, and the risks associated with the business entity. As mentioned before, this approach is based on the fundamental valuation principle that the value of a business is equal to the present value (or worth) of the future benefits of ownership.

Please see the following pages for more detail on the application of the Income Approach.

General Assumptions

Discount rate	15.0%
Terminal growth rate	3.0%
Tax rate	38.0%
Inflation rate ("CPI")	3.0%
Incremental Working Capital requirements	15.0%

- **Discount rate:** The discount rate above refers to the estimated weighted cost of capital ("WACC"). This discount rate is described in detail, along with the WACC calculations, on the following slides.
- **Terminal growth rate:** The rate that operating revenue and expenses are expected to grow beyond Year 5 of our projections and into perpetuity.
- **Tax rate:** The blended state and federal income tax rate applicable to businesses operating in Colorado.
- **Inflation rate ("CPI"):** The estimated rate of inflation, as reflected by the Consumer Price Index.
- **Incremental working capital requirements:** Working capital is current assets (operating cash, accounts receivable, inventory, etc.) less current liabilities (accounts payable and other accrued expenses) and is required to conduct day-to-day operations, maintain liquidity, and to recognize revenue and expenses on an accrual accounting basis. Although these items are not reported on the Income Statement, an increase in working capital should be considered as a use of cash. We are projecting incremental working capital to be 15.0% of incremental revenue. In other words, for every $1 increase in revenue, working capital will increase by $0.15.

The income statement used to formulate the normalized base year is the income statement for the trailing twelve month period ended February 28, 2014. Non-recurring and non-operational items are adjusted out of the normalized income statement to give a clearer picture of the entity's operations. In addition, the normalized income statement applies state and federal income taxes and eliminates interest expense. All of these adjustments are made to make the normalized base year income statement a more accurate base from which to project the income statement in Year 1.

Revenue Assumptions

The PACE Program receives a per enrollee amount (premium revenue) each month. Premium revenue is recognized as revenue in the month in which enrollees are entitled to care. Census projections were determined based on the PACE Program's historical trends, discussions with management, and demographic analysis. The following factors were considered in projecting census volume:

- **Program Growth** – The PACE Program's revenues are projected to grow at different rates depending on its location. The PACE Program's Colorado operations are projected to have an annual 3.0% increase in cumulative census. The PACE Program's California operations are new and are projected to begin in Year 1. The cumulative census is expected to grow 68.3% in Year 2, 77.5% in Year 3, 42.1% in Year 4, and 3.0% in Year 5. Please note that management provided extensive demographic support for these California projections. As a result, VMG was comfortable relying upon such predictions. Currently there are limitations on an increase in cumulative census for the PACE Program's New Mexico operations. As such, the PACE Program's New Mexico operations are expected to have no growth.

- **Competitive Environment** – Competition in the PACE Program's local marketplaces is moderate and includes a large number of large medical groups, IPAs, and health plans. Please note, however, that PACE programs are regulated by the government and PACE operators are given an exclusive ability to operate in their market.

Cumulative census in the normalized base year ("NBY") was equal to 28,820. Based on discussions with management, we projected total cumulative census to grow 15.4% in Year 1, 9.9% in Year 2, 15.4% in Year 3, 13.0% in Year 4, and 2.7% in Year 5. Based on these assumptions, the cumulative census is projected to increase 11.2% compounded annually from 28,820 in the NBY to 48,947 in Year 5 of the projection period.

Average net revenue per cumulative census was $6,020 in the NBY. Based on discussions with management, we projected average net revenue per cumulative census to increase 1.0% annually throughout the projection period. Based on these assumptions average net revenue per cumulative census is projected to increase 1.5% compounded annually from $6,020 in the NBY to $6,480 in Year 5 of the projection period.

Expense Assumptions

Total operating expenses as a percentage of net revenue are projected to range from 91.3% in the NBY to 89.6% in Year 5 of the projection period. Participant expenses comprise the majority of the operating expenses over the projection period.

Operating Expenses:	Normalized Base Year	Year 1	Year 2	Year 3	Year 4	Year 5
% of Net Revenue						
Salaries & Wages	16.9%	16.3%	16.3%	16.3%	16.3%	16.3%
Employee Benefits	3.7%	3.7%	3.7%	3.7%	3.8%	3.8%
Participant Expenses	48.1%	48.0%	46.6%	46.8%	46.7%	46.7%
Purchased Services and Contract:	2.5%	2.8%	3.8%	4.6%	5.3%	5.3%
Facility and Maintenance	1.6%	1.5%	1.4%	1.2%	1.1%	1.1%
Supplies and Other	2.9%	2.5%	2.3%	2.1%	1.8%	1.8%
Allocations	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Facility Rent	2.6%	2.3%	2.1%	1.8%	1.6%	1.6%
Total Operating Expenses	91.3%	90.1%	89.2%	89.5%	89.7%	89.6%

Capital Expenditures

Capital expenditures are investments in equipment and other long-term tangible assets that are necessary for the operation of the PACE Program. These items are usually recorded on the balance sheet but must be recognized as cash consumption for the purposes of the Income Approach. Based upon our review of the existing (non-real estate) asset base and discussions with management, our assumption is that the PACE Program's capital expenditures will be $2.8 million in Year 1, based on the 2015 capital budget provided by management. Capital expenditures for the remainder of the projection period are equal to 1% of net revenue and equal $2.3 million in Year 2, $2.7 million in Year 3, $3.1 million in Year 4, $3.2 million in Year 5, and $3.3 million in the terminal year.

Discount Rate Assumptions

The selection of an appropriate discount rate is an integral part of the valuation process. Two factors must be considered in estimating the present value of any projected cash flow stream:

- Financial Risk: The risk inherent in an entity's financial structure (i.e., the utilization of debt vs. equity financing).
- Business Risk: The uncertainty associated with the economy and the inherent nature and risk profile.

The Weighted Average Cost of Capital ("WACC") is a discount rate that takes into account the required rate of return necessary to justify investment based on the capital structure, prevailing economic risk, market risk, and the specific industry risk, as of the date of the valuation.

Most business entities have a capital structure consisting of both debt and equity. The party lending debt capital to a business requires a return on the debt, which comes out of the business in the form of interest payments. Lenders have a higher claim against assets of a business and therefore, are exposed to less risk than are the equity investors. Because of the lower risk level, the cost of debt is less than the cost of equity. Also, the interest payments are tax deductible to the business entity which further lowers the cost of debt.

Equity investors require a higher rate of return on their investment than do debt holders because their claim on a facility's assets are secondary to that of the debt holder. In addition, a business entity is not required to pay dividends, whereas interest payments are usually fixed over the term of the debt.

The WACC incorporates the claims of both the debt holder and equity holders in proportion to their relative capital contribution. To estimate an enterprise's WACC, the prevailing industry capital structures are examined as of the valuation date. The industry average, rather than the individual enterprise's capital structure, is used to estimate the WACC, because in estimating the FMV a prudent investor will look to the future and use prevailing market indications to try to ascertain what type of capital structure would be encountered.

Discount Rate Assumptions

In estimating the WACC for this valuation, we relied on a build-up approach based on the healthcare facilities industry. The basic formula for computing the after-tax WACC is as follows:

$$WACC = (K_e * W_e) + (K_d * [1 - t] * W_d)$$

WACC = Weighted average cost of capital
K_e = Company's cost of common equity capital
K_d = Company's cost of debt capital
W_e = Percentage of equity capital in the capital structure
W_d = Percentage of debt capital in the capital structure
t = Company's blended federal and state income tax rate

The equity portion of the WACC was calculated by using the build-up model. The basic formula for computing the equity portion through the build-up model is as follows:

$$K_e = R_f + R_m + R_i + R_s + R_u$$

K_e = Expected rate of return on the subject security
R_f = Rate of return on a risk free security
R_m = Risk premium associated with the market
R_i = Risk premium associated with the healthcare industry
R_s = Risk premium associated with a small company
R_u = Risk premium associated with the specific company

Please see the following pages for more detail on each component utilized in the cost of equity build-up model and the WACC for the PACE Program.

Discount Rate Assumptions

Build-Up Model - Risk Free Rate ("R_f")

The "risk-free rate" is a proxy for the return available on a security that the market generally regards as free of default risk. The rate of return on a risk-free security was found by looking at the yields of United States Treasury securities. Ideally, the duration of the security used as an indication of the risk-free rate should match the horizon of the projected cash flows that are being discounted (which is into perpetuity in the present case). We used a 20-year Treasury rate, which was equal to 3.1% as of May 15, 2014.

Build-Up Model – Equity Risk Premium ("R_m")

The equity risk premium is the additional return an investor expects to receive to compensate for the risk associated with investing in equities as opposed to investing in riskless assets. The market risk premium utilized was based upon figures provided in the *Duff & Phelps 2014 Valuation Handbook – Guide to Cost of Capital ("2014 Valuation Handbook")* published by Duff & Phelps, LLC. Per the *2014 Valuation Handbook,* the market risk premium utilized for the PACE Program was 7.0%.

Build-Up Model – Industry Risk Premium ("R_i")

The industry risk premium quantifies the risk of the industry or sector in which a business operates relative to the market as a whole. The industry risk premium utilized was the risk premium calculated for more than 50 companies included in SIC code 80 (Health Service) per the *2014 Valuation Handbook.* Per the *2014 Valuation Handbook,* the industry risk premium utilized for the PACE Program was 0.9%. It is our opinion that the utilized industry risk premium captures the risk of the healthcare industry as a whole. However, we have further examined the specific risks of the sub-industry in which the PACE Program operates (managed care industry) in the specific company risk premium analysis on the following page.

Build-Up Model – Small Company Premium ("R_s")

The small company or small size premium is the additional return an investor expects to receive to compensate for the additional risk associated with investing in a small and inherently more risky company. The small size risk premium utilized was the risk premium calculated for companies included in the 10th decile (smallest companies) of the stock exchanges analyzed in the *2014 Valuation Handbook*. Per the *2014 Valuation Handbook,* the small company risk premium utilized for the PACE Program was 6.0%.

Source: Cost of Capital – Estimation and Applications 2nd Edition by Shannon P. Pratt.

Discount Rate Assumptions

Build-Up Model – Specific Company Risk Premium ("R_u")

The final common component of the cost of equity build-up model is the specific company risk premium. The specific company risk quantifies the risk associated with the specific operations of the company or the "unsystematic" risk of the company. The PACE Program operates in the managed care sub-industry. PACE Program specific risk factors may include the following:

Specific Company Risk Factors	
= No net effect (Neutral) + Decreases Risk (Favorable) - Increases Risk (Unfavorable)	
Effect	Risk Components
+	• Reputation in local communities
+	• Diversified mix of PACE Programs
+	• Minimal level of competition in the direct industry
=	• General population growth in local market places
-	• Potential negative shifts in payor mix as a result of healthcare reform
-	• Negative reimbursement pressure
-	• Reliance upon government payors

After considering the factors listed above, we determined that an additional risk premium of 1.0% was appropriate for the subject PACE Program. Our selection of a company specific risk premium adjusts for the additional risks inherent in the operations of the PACE Program, but also accounts for the mitigating factors present in the operations of the PACE Program, some of which are also listed above. These risks are relative to the public markets from which the market equity risk premium, industry risk premium, and small company risk premium were derived.

Build-Up Model – Cost of Equity Conclusion ("K_e")

Based on the aforementioned factors listed in the previous pages, the cost of equity through the build-up method is estimated to be approximately 17.9%. Please refer to the next page for more detail on the calculation of the cost of equity.

Discount Rate Assumptions

WACC – Federal & State Income Tax Rate ("t")
To calculate the after-tax cost of debt component in the WACC formula, we utilized a blended state and federal income tax rate applicable to businesses operating in Colorado. This tax rate has been calculated at 38.0%.

WACC – Cost of Debt ("Kd")
The cost of debt utilized in the calculation of the WACC was based on the yield of Moody's seasoned corporate Baa bonds, which was 4.7% as of May 15, 2014.

WACC – Capital Structure ("We" and "Wd")
We utilized an industry average capital structure as it is our opinion that a prudent investor will use prevailing market indications to try to ascertain what type of capital structure would be encountered. The capital structure used in the WACC calculation is derived from the capital structure of publicly traded healthcare facility companies (data obtained from Morningstar®), VMG's knowledge of other industry participants capital structure, and through the review of proprietary data from other similar healthcare facility businesses.

WACC – Conclusion
Based on the aforementioned assumptions, we have calculated a WACC for the PACE Program at approximately 15.0%, which we believe to be an appropriate discount rate for this type of entity in the healthcare industry. Please see the next page for more detail on the WACC calculation.

Discount Rate Assumptions

Cost of Equity	
Risk-Free Rate of Return (R_F)[1]	3.1%
Market Risk Premium (R_M)[2]	7.0%
Industry Risk Premium[3]	0.9%
Size Premium[4]	6.0%
Specific Company Risk Premium[5]	1.0%
Total Estimated Equity Risk Premium	14.9%
Total Cost of Equity[6]	17.9%

Health Services Industry Weighted Average Cost of Capital (WACC) - Analysis As of May 15, 2014	
After-Tax Cost of Equity	17.9%
Pre-Tax Cost of Debt[7]	4.7%
Tax Rate[8]	35.0%
After-Tax Cost of Debt[9]	3.1%
Debt as a Percent of Total Capital	20.0%
Equity as a Percent of Total Capital	80.0%
Pro-Rata Cost of Debt	0.6%
Pro-Rata Cost of Equity	14.3%
WACC (Rounded)	15.0%

Footnotes:

(1) Yield of 20-year U.S. Treasury securities as of May 15, 2014 as published by Capital IQ.
(2) Duff & Phelps: 2014 Valuation Handbook, Long-Horizon Equity Risk Premium.
(3) Duff & Phelps: 2014 Valuation Handbook, Industry Risk Premium for SIC Code #80- Health Services.
(4) Duff & Phelps: 2014 Valuation Handbook, Market Cap - 10th Decile.
(5) Risk associated with the specific operations of the company or the "unsystematic" risk of the company.
(6) Cost of Equity= Equity Risk Premium + Risk-Free Rate
(7) Moody's yield on seasoned corporate bonds, rating BAA as of May 15, 2014.
(8) Blended State and Federal Tax rate for Texas.
*(9) Pre-Tax Cost of Debt * (1-Tax Rate)*

Valuation Conclusion

In utilizing the assumptions for volume, revenue, expenses, incremental working capital, and capital expenditures, we have estimated cash flows of the PACE Program for the next five years. We have also assumed that the PACE Program remains a going concern. An assumed discount rate of 15.0% was applied to the estimated cash flows to arrive at a present value.

Based upon our analysis under the Income Approach, the FMV indication of the total invested capital of the PACE Program is approximately **$120.2 million**. We **have relied** on the Income Approach to value the PACE Program.

Total Community Options, Inc. d/b/a InnovAge

Valuation Reconciliation & Summary

Valuation Reconciliation

After obtaining value indications under the Cost, Market, and Income Approaches, we examined the value outcomes based on the following factors:

- Cost Approach: The projected discounted cash flows generate a value higher than the fair market value of the identifiable tangible and intangible assets of the PACE Program. As such, we **have not relied** on the Cost Approach to generate a value indication.
- Market Approach: Although considered, ultimately no reliance was placed upon the Market Approach as it was deemed that publicly traded insurance providers and related private transactions are not comparable to the subject business from a service line (types of patients cared for) and growth (start-up CA program) perspective. Based on these factors, we **have not relied** upon the Market Approach value indication.
- Income Approach: Unlike the Cost and Market Approaches, the Income Approach evaluates the future economic income stream that is specific to the subject entity and the subject controlling interest. Additionally, the value indication generated under the Income Approach is greater than the value of the underlying assets. Based on these factors, **we have relied** on the Income Approach value indication.

Reconciliation of Valuation Approaches	Value	Weight	Conclusion
Income Approach Value Indication	$120,220,000	100.0%	$120,220,000
Cost Approach Value Indication	$35,170,000	-	-
Market Approach Value Indication	$122,110,000	-	-
Fair Market Value Indication, Total Invested Capital Level			$120,220,000

**Note: All value indications above reflect a normalized level of working capital.*
***Although considered, ultimately no reliance was placed upon the Market Approach as it was deemed that publicly traded insurance providers and related private transactions are not comparable to the subject business from a service line (types of patients cared for) and growth (start-up CA program) perspective.*

Based upon and subject to the facts, limiting conditions, and assumptions presented in the report and attached exhibits, it is our opinion that the FMV of the TIC of the PACE Program, at the control level, is reasonably represented as approximately **$120.2 million**, as of the current date.

Valuation Summary

Fair Market Value Summary	Consolidated
Fair Market Value of the PACE Programs, Total Invested Capital Level	$120,220,000
Plus: Working Capital Surplus	37,320,000
Fair Market Value of the PACE Programs, Enterprise TIC Level Plus Working Capital Surplus	**$157,540,000**
Less: Interest-Bearing Debt Outstanding as of February 28, 2014, excludes debt related to real estate	-
Fair Market Value of the PACE Programs, Enterprise TIC Level Less Interest-Bearing Debt	**$157,540,000**

Enterprise TIC Level Plus Working Capital Surplus Range (+/- 5.0%) (Rounded):		
Low	**Mid**	**High**
$149,700,000	**$157,540,000**	**$165,400,000**

Based on and subject to the facts, limiting conditions, and assumptions presented in this report and attached exhibits, as of a current date, the FMV of the total invested capital ("TIC") at the enterprise level of the PACE Program is reasonably represented at approximately **$120.2 million**. As of the February 28, 2014 balance sheet, the PACE Program had no interest bearing debt, however, the PACE Program had a considerable amount of excess cash. Please note that all debt related to real estate is excluded. The value of this excess cash is estimated to equal approximately $37.3 million and is included in our conclusion of the FMV. Therefore, the FMV of the equity including excess cash at the enterprise level of the PACE Program is reasonably represented in a range between approximately **$149.7 million** and **$165.4 million**.

Significant Issues to be Considered

- The PACE Program's ability to meet projected census levels, net revenue, and operating expense levels;
- Demographic changes and competitor risk factors;
- Changes due to healthcare reform; and
- New operations beginning in the California market.

Valuation Summary

State-by-State Fair Market Value Summary

	Colorado	California	New Mexico
High	$94,520,000	$28,790,000	$2,910,000
Mid	**$90,020,000**	**$27,420,000**	**$2,770,000**
Low	$85,520,000	$26,050,000	$2,630,000

Displayed above is the state-by-state breakdown of the FMV Summary for each of the PACE Program's three operating locations. The PACE Program's Colorado operations comprise most of the value at approximately **$90.0 million**. The Colorado operations are reasonably represented in a range between approximately **$85.5 million** and **$94.5 million**. The PACE Program's California and New Mexico operations are reasonably represented in ranges between approximately **$26.1 million** and **$28.8 million**, and approximately **$2.6 million** and **$2.9 million**, respectively.

Total Community Options, Inc. d/b/a InnovAge

Statement of Limiting Conditions & Appraisers' Certification

VMG HEALTH
WE VALUE HEALTHCARE

Statement of Limiting Conditions

The value recommendations contained in this report are qualified as follows:

- The facts described in this report were provided by management or obtained from independent third parties including the PACE Program's accountants, published sources, and commercial databases. We have accepted this information without further verification. Our value recommendations assume this information is materially true and correct.
- The value recommendations assume competent management in the context of a going concern.
- Neither our employment nor the fee for this assignment is contingent upon the reported value(s). No professional involved in this assignment has any financial interest in the property appraised.
- Certain matters are outside the purview of our expertise. As a result, our value recommendations assume: (1) The company complies fully with all federal, state, and local laws and ordinances; (2) Funding for pensions and health care liabilities, if any, is adequate; and (3) There are no undisclosed factors that might render the company materially more or less valuable. Any statements in this report about the above issues are based on management representations. The user is responsible for independent investigation of these matters, and his own determination of their impact on the recommended value(s).
- Nothing contained in the report should be construed as either investment, legal, or tax advice. This valuation is intended only for the use of the addressee and only for the purpose described. All other uses of this report are unauthorized and prohibited. The report may not be distributed, either in whole or part, to any third party, and mere possession of the report does not convey a right of reliance.
- VMG Health has not, as part of this assignment, examined either the historical, interim, or prospective financial statements according to generally accepted auditing standards, and so expresses no opinion thereon in this valuation report.
- Any estimates of future performance described in this report (or the exhibits hereto), pertain to a specific valuation method. This method matches performance scenarios with their associated risk rates as a means of quantifying the value parameters. Use of either the future performance scenarios or the discount rate separately or outside the valuation context is unauthorized and prohibited. Actual operating results may vary materially from those described.
- The fee for this assignment is provided only for the preparation of this report for the specific valuation date. All other services including updates of value for any other date; preparation and testimony in court or before governmental agencies; or meetings about the valuation report after its delivery will be provided at additional cost for fees and expenses.

Appraisers' Certification

- Neither VMG Health nor any individuals signing or associated with this report have any present or future contemplated interest in the assets being appraised.
- Neither our employment nor our compensation in connection with this report is in any way contingent upon the conclusions reached or values estimated.
- The report analysis, opinions, and conclusions are limited by the reported assumptions and limiting conditions and represent our unbiased professional analysis, opinions, and conclusions.
- We have not made a personal inspection of the property that is the subject of this report, but have extensively discussed the operations of the business with management.
- No persons other than the undersigned or those acknowledged in this report prepared analysis, values, and conclusions set forth in this report.
- To the best of our knowledge and belief, the statements of fact contained in this report are true and correct.

Kevin McDonough, CFA

Contributing Appraisers: Colin Park and Joe Spano

TOTAL COMMUNITY OPTIONS, INC. D/B/A INNOVAGE

APPENDIX

RESTATED FINANCIALS

A - EXHIBITS

INNOVAGE (PACE PROGRAMS)
HISTORICAL RESTATED BALANCE SHEET

Fiscal Year End June 30	FYE 2011	FYE 2012	FYE 2013	Feb 28, 2014	FYE 2011	FYE 2012	FYE 2013	Feb 28, 2014
ASSETS:								
Current Assets:								
Cash and Cash Equivalents	$40,939,500	$43,059,623	$35,783,400	$40,818,879	35.3%	30.4%	23.1%	23.2%
Short-Term Investments - Commercial Paper	-	-	7,470,800	14,489,420	-	-	4.8%	8.2%
Assets Limited to Use - Held for Others	38,300	57,301	29,200	36,097	0.0%	0.0%	0.0%	0.0%
Assets Held by Trustee	-	-	-	864,373	-	-	-	0.5%
Money Market - Board Designated	-	-	-	950,556	-	-	-	0.5%
Bond Project Fund	(9,000)	3,360,609	2,968,400	-	(0.0%)	2.4%	1.9%	-
Accounts Receivable, net	9,236,000	13,512,840	8,646,500	11,893,345	8.0%	9.5%	5.6%	6.8%
Other Receivable	-	-	-	579,522	-	-	-	0.3%
Intercompany Receivables	3,130,800	3,109,720	6,161,600	19,744,256	2.7%	2.2%	4.0%	11.2%
Inventory	-	-	3,300	(14,543)	-	-	0.0%	(0.0%)
Prepaid Expenses and Other	583,900	233,096	386,700	762,452	0.5%	0.2%	0.2%	0.4%
Total Current Assets	53,919,500	63,333,189	61,449,900	90,124,358	46.5%	44.7%	39.6%	51.2%
Fixed Assets:								
Land	4,593,000	6,061,741	6,061,700	6,454,952	4.0%	4.3%	3.9%	3.7%
Building and Leasehold Equipment	38,369,400	44,578,485	57,582,900	47,356,822	33.1%	31.4%	37.2%	26.9%
Equipment and Vehicles	11,148,500	14,085,040	14,954,400	16,856,560	9.6%	9.9%	9.6%	9.6%
Accumulated Depreciation	(10,094,100)	(13,427,175)	(16,592,800)	(19,180,197)	(8.7%)	(9.5%)	(10.7%)	(10.9%)
Net Fixed Assets	44,016,800	51,298,091	62,006,200	51,488,137	38.0%	36.2%	40.0%	29.2%
Other Assets:								
Board Designated Investment Fund	10,567,200	14,938,918	18,849,200	20,966,244	9.1%	10.5%	12.2%	11.9%
Investments (CD's)	90,600	4,331,682	4,859,800	5,175,753	0.1%	3.1%	3.1%	2.9%
Goodwill	4,345,500	4,116,524	4,116,600	4,116,524	3.8%	2.9%	2.7%	2.3%
Note Receivable	-	243,521	223,000	209,484	-	0.2%	0.1%	0.1%
Deferred Financing Costs, net	870,300	965,431	931,500	1,480,673	0.8%	0.7%	0.6%	0.8%
Debt Service Reserve	2,055,800	2,544,747	2,557,100	2,580,841	1.8%	1.8%	1.6%	1.5%
Total Other Assets	17,929,400	27,140,823	31,537,200	34,529,519	15.5%	19.1%	20.3%	19.6%
Total Assets	115,865,700	141,772,102	154,993,300	176,142,014	100.0%	100.0%	100.0%	100.0%
LIABILITIES:								
Current Liabilities:								
Accounts Payable	3,037,900	3,298,217	6,115,600	4,056,192	2.6%	2.3%	3.9%	2.3%
Reported and Estimated Claims	8,216,000	3,991,427	5,016,500	6,924,269	7.1%	2.8%	3.2%	3.9%
Due to Medicaid and Medicare	849,200	2,166,692	3,875,300	6,057,500	0.7%	1.5%	2.5%	3.4%
Accrued Compensation	703,800	820,653	901,000	526,601	0.6%	0.6%	0.6%	0.3%
Accrued Vacation	1,524,200	1,485,634	1,505,200	1,496,549	1.3%	1.0%	1.0%	0.8%
Other Accrued Expenses	473,100	1,043,911	738,400	997,090	0.4%	0.7%	0.5%	0.6%
Unearned Revenue	2,900	9,018,266	-	6,533,913	0.0%	6.4%	-	3.7%
Current Portion of Capital Lease Obligations	3,200	6,373	-	114,939	0.0%	0.0%	-	0.1%
Current Portion of Long-Term Debt	463,300	-	540,000	560,000	0.4%	-	0.3%	0.3%
Total Current Liabilities	15,273,600	21,831,174	18,692,000	27,267,053	13.2%	15.4%	12.1%	15.5%
	471,900							
Long-Term Liabilities:								
Capital Lease Obligations	5,400	2,257	772,100	989,231	0.0%	0.0%	0.5%	0.6%
Note Payable	26,819,200	-	-	-	23.1%	-	-	-
Revenue Bonds, less current portion	-	34,066,534	33,022,300	32,916,019	-	24.0%	21.3%	18.7%
Total Long-Term Liabilities	26,824,600	34,068,791	33,794,400	33,905,250	23.2%	24.0%	21.8%	19.2%
Total Liabilities	42,098,200	55,899,965	52,486,400	61,172,303	36.3%	39.4%	33.9%	34.7%
SHAREHOLDERS' EQUITY:								
Net Assets - Unrestricted	73,767,500	85,872,137	102,506,900	114,969,710	63.7%	60.6%	66.1%	65.3%
Total Shareholders' Equity	73,767,500	85,872,137	102,506,900	114,969,710	63.7%	60.6%	66.1%	65.3%
Total Liabilities & Shareholders' Equity	$115,865,700	$141,772,102	$154,993,300	$176,142,014	100.0%	100.0%	100.0%	100.0%

Sources: Management provided financials as of the fiscal years ended June 30, 2011, 2012, 2013, and as of February 28, 2014.

INNOVAGE (PACE PROGRAMS)
HISTORICAL RESTATED INCOME STATEMENT

Fiscal Year End June 30	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year
Revenue:										
Revenues	$146,795,400	$155,132,100	$164,562,450	$173,493,706	$173,493,706	100.1%	101.7%	100.4%	100.2%	100.2%
Provision for Doubtful Accounts	(82,000)	(2,616,900)	(657,516)	(423,732)	(423,732)	(0.1%)	(1.7%)	(0.4%)	(0.2%)	(0.2%)
Total Net Operating Revenue	146,713,400	152,515,200	163,904,934	173,069,975	173,069,975	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Expenses:										
Salaries & Wages										
Salaries & Wages - IGCP	21,724,200	21,545,000	22,861,555	23,514,929	23,514,929	14.8%	14.1%	13.9%	13.6%	13.6%
Salaries & Wages - IGCAP	-	-	3,728	1,025,020	1,025,020	-	-	0.0%	0.6%	0.6%
Salaries & Wages - IGNMP	4,548,400	4,692,000	4,673,957	4,681,143	4,681,143	3.1%	3.1%	2.9%	2.7%	2.7%
Total	26,272,600	26,237,000	27,539,240	29,221,092	29,221,092	17.9%	17.2%	16.8%	16.9%	16.9%
Employee Benefits										
Employee Benefits - IGCP	4,677,800	4,845,200	4,869,906	5,230,348	5,230,348	3.2%	3.2%	3.0%	3.0%	3.0%
Employee Benefits - IGCAP	-	-	243	173,076	173,076	-	-	0.0%	0.1%	0.1%
Employee Benefits - IGNMP	994,600	976,200	974,264	1,015,770	1,015,770	0.7%	0.6%	0.6%	0.6%	0.6%
Total	5,672,400	5,821,400	5,844,413	6,419,194	6,419,194	3.9%	3.8%	3.6%	3.7%	3.7%
Participant Expenses										
Participant Expenses - IGCP	57,935,800	64,410,100	68,366,625	70,831,628	70,831,628	39.5%	42.2%	41.7%	40.9%	40.9%
Participant Expenses - IGCAP	-	-	-	4,439	4,439	-	-	-	0.0%	0.0%
Participant Expenses - IGNMP	12,829,200	12,154,400	12,112,685	12,374,238	12,374,238	8.7%	8.0%	7.4%	7.1%	7.1%
Total	70,765,000	76,564,500	80,479,310	83,210,305	83,210,305	48.2%	50.2%	49.1%	48.1%	48.1%
Purchased Services and Contracts										
Purchased Services and Contracts - IGCP	3,570,800	2,708,900	2,557,045	3,469,719	3,469,719	2.4%	1.8%	1.6%	2.0%	2.0%
Purchased Services and Contracts - IGCAP	-	-	59,942	305,646	305,646	-	-	0.0%	0.2%	0.2%
Purchased Services and Contracts - IGNMP	886,700	625,900	582,264	484,479	484,479	0.6%	0.4%	0.4%	0.3%	0.3%
Total	4,457,500	3,334,800	3,199,251	4,259,844	4,259,844	3.0%	2.2%	2.0%	2.5%	2.5%
Facility and Maintenance										
Facility and Maintenance - IGCP	3,021,000	2,690,400	2,875,507	2,826,736	2,212,263	2.1%	1.8%	1.8%	1.6%	1.3%
Facility and Maintenance - IGCAP	-	-	50,458	528,941	148,939	-	-	0.0%	0.3%	0.1%
Facility and Maintenance - IGNMP	433,900	434,600	469,442	493,781	414,515	0.3%	0.3%	0.3%	0.3%	0.2%
Total	3,454,900	3,125,000	3,395,407	3,849,458	2,775,717	2.4%	2.0%	2.1%	2.2%	1.6%
Supplies and Other										
Supplies and Other - IGCP	3,245,200	3,230,600	4,096,752	3,871,240	3,871,240	2.2%	2.1%	2.5%	2.2%	2.2%
Supplies and Other - IGCAP	-	-	91,954	325,768	325,768	-	-	0.1%	0.2%	0.2%
Supplies and Other - IGNMP	738,300	794,900	789,148	744,406	744,406	0.5%	0.5%	0.5%	0.4%	0.4%
Total	3,983,500	4,025,500	4,977,854	4,941,413	4,941,413	2.7%	2.6%	3.0%	2.9%	2.9%
Allocations										
Allocations - IGCP	10,919,800	12,064,700	15,528,825	17,533,242	19,395,002	7.4%	7.9%	9.5%	10.1%	11.2%
Allocations - IGCAP	-	-	-	720,065	-	-	-	-	0.4%	-
Allocations - IGNMP	2,332,000	1,960,300	2,782,668	2,816,221	3,159,180	1.6%	1.3%	1.7%	1.6%	1.8%
Total	13,251,800	14,025,000	18,311,493	21,069,528	22,554,182	9.0%	9.2%	11.2%	12.2%	13.0%
Facility Rent										
Facility Rent - IGCP	-	-	-	-	3,451,185	-	-	-	-	2.0%
Facility Rent - IGCAP	-	-	-	-	667,282	-	-	-	-	0.4%
Facility Rent - IGNMP	-	-	-	-	439,600	-	-	-	-	0.3%
Total	-	-	-	-	4,558,067	-	-	-	-	2.6%
Total Operating Expenses	127,857,700	133,133,200	143,746,968	152,970,835	157,939,815	87.1%	87.3%	87.7%	88.4%	91.3%

INNOVAGE (PACE PROGRAMS)
HISTORICAL RESTATED INCOME STATEMENT

FINAL REPORT

Fiscal Year End June 30	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year
Operating Margin	18,855,700	19,382,000	20,157,966	20,099,140	15,130,160	12.9%	12.7%	12.3%	11.6%	8.7%
Other Income (Expense)	1,591,900	177,200	2,054,961	2,677,386	1,094,001	1.1%	0.1%	1.3%	1.5%	0.6%
EBITDA	20,447,600	19,559,200	22,212,927	22,776,526	16,224,161	13.9%	12.8%	13.6%	13.2%	9.4%
Depreciation & Amortization Expense	1,910,000	3,078,500	3,394,102	3,670,526	1,279,241	1.3%	2.0%	2.1%	2.1%	0.7%
Interest Expense	1,403,600	1,992,900	1,716,361	1,827,171	-	1.0%	1.3%	1.0%	1.1%	-
Earnings Before Income Taxes	17,134,000	14,487,800	17,102,464	17,278,829	14,944,920	11.7%	9.5%	10.4%	10.0%	8.6%
Federal & State Income Tax Expense	-	-	-	-	5,680,489	-	-	-	-	3.3%
Earnings After Income Taxes	$17,134,000	$14,487,800	$17,102,464	$17,278,829	$9,264,430	11.7%	9.5%	10.4%	10.0%	5.4%

Sources: Management provided financials for the fiscal years ended June 30, 2011, 2012, 2013, and the 8 month period ended February 28, 2014.
Normalized Base Year based on the TTM period ended February 28, 2014. Normalized Base Year eliminates any unusual or nonrecurring items from revenue and expenses.

INCOME APPROACH ANALYSIS

B - EXHIBITS

INNOVAGE (PACE PROGRAMS)
NORMALIZED INCOME STATEMENT

	Footnotes	TTM 2014	Adjustments	Normalized Base Year	TTM 2014	Normalized Base Year
Revenue:						
Revenues		$173,493,706	-	$173,493,706	100.2%	100.2%
Provision for Doubtful Accounts		(423,732)	-	(423,732)	(0.2%)	(0.2%)
Total Net Operating Revenue		173,069,975	-	173,069,975	100.0%	100.0%
Operating Expenses:						
Salaries & Wages						
Salaries & Wages - IGCP		23,514,929	-	23,514,929	13.6%	13.6%
Salaries & Wages - IGCAP		1,025,020	-	1,025,020	0.6%	0.6%
Salaries & Wages - IGNMP		4,681,143	-	4,681,143	2.7%	2.7%
Total		29,221,092	-	29,221,092	16.9%	16.9%
Employee Benefits						
Employee Benefits - IGCP		5,230,348	-	5,230,348	3.0%	3.0%
Employee Benefits - IGCAP		173,076	-	173,076	0.1%	0.1%
Employee Benefits - IGNMP		1,015,770	-	1,015,770	0.6%	0.6%
Total		6,419,194	-	6,419,194	3.7%	3.7%
Participant Expenses						
Participant Expenses - IGCP		70,831,628	-	70,831,628	40.9%	40.9%
Participant Expenses - IGCAP		4,439	-	4,439	0.0%	0.0%
Participant Expenses - IGNMP		12,374,238	-	12,374,238	7.1%	7.1%
Total		83,210,305	-	83,210,305	48.1%	48.1%
Purchased Services and Contracts						
Purchased Services and Contracts - IGCP		3,469,719	-	3,469,719	2.0%	2.0%
Purchased Services and Contracts - IGCAP		305,646	-	305,646	0.2%	0.2%
Purchased Services and Contracts - IGNMP		484,479	-	484,479	0.3%	0.3%
Total		4,259,844	-	4,259,844	2.5%	2.5%
Facility and Maintenance						
Facility and Maintenance - IGCP	1	2,826,736	(614,474)	2,212,263	1.6%	1.3%
Facility and Maintenance - IGCAP	1	528,941	(380,001)	148,939	0.3%	0.1%
Facility and Maintenance - IGNMP	1	493,781	(79,266)	414,515	0.3%	0.2%
Total		3,849,458	(1,073,741)	2,775,717	2.2%	1.6%
Supplies and Other						
Supplies and Other - IGCP		3,871,240	-	3,871,240	2.2%	2.2%
Supplies and Other - IGCAP		325,768	-	325,768	0.2%	0.2%
Supplies and Other - IGNMP		744,406	-	744,406	0.4%	0.4%
Total		4,941,413	-	4,941,413	2.9%	2.9%
Allocations						
Allocations - IGCP	2	17,533,242	1,861,760	19,395,002	10.1%	11.2%
Allocations - IGCAP	2	720,065	(720,065)	-	0.4%	-
Allocations - IGNMP	2	2,816,221	342,959	3,159,180	1.6%	1.8%
Total		21,069,528	1,484,654	22,554,182	12.2%	13.0%
Facility Rent						
Facility Rent - IGCP	3	-	3,451,185	3,451,185	-	2.0%
Facility Rent - IGCAP	3	-	667,282	667,282	-	0.4%
Facility Rent - IGNMP	3	-	439,600	439,600	-	0.3%
Total		-	4,558,067	4,558,067	-	2.6%
Total Operating Expenses		152,970,835	4,968,980	157,939,815	88.4%	91.3%

INNOVAGE (PACE PROGRAMS)
NORMALIZED INCOME STATEMENT

FINAL REPORT

	Footnotes	TTM 2014	Adjustments	Normalized Base Year	TTM 2014	Normalized Base Year
Operating Margin		20,099,140	(4,968,980)	15,130,160	11.6%	8.7%
Other Income (Expense)	4	2,677,386	(1,583,385)	1,094,001	1.5%	0.6%
EBITDA		22,776,526	(6,552,365)	16,224,161	13.2%	9.4%
Depreciation & Amortization Expense	5	3,670,526	(2,391,284)	1,279,241	2.1%	0.7%
Interest Expense	6	1,827,171	(1,827,171)	-	1.1%	-
Earnings Before Income Taxes		17,278,829	(2,333,910)	14,944,920	10.0%	8.6%
Federal & State Income Tax Expense	7	-	5,680,489	5,680,489	-	3.3%
Earnings After Income Taxes		$17,278,829	($8,014,399)	$9,264,430	10.0%	5.4%

Sources: Management provided financials for the fiscal years ended June 30, 2011, 2012, 2013, and the 8 month period ended February 28, 2014. Normalized base year based on the TTM period ended February 28, 2014. Normalized Base Year eliminates any unusual or nonrecurring items from revenues and expenses.

FINAL REPORT

Footnotes to Normalized Base Year Income Statement	
Footnote	Description
1	Facility and Maintenance costs reflect building and equipment maintenance, utilities, vehicle leases, maintenance and certain facility rent. For projection purposes, all expenses related to facility rent have been adjusted out of this expense line item and are re-categorized separately under the Facility Rent line item.
2	Allocations expense is representative of a management fee paid to InnovAge's wholly-owned management services provider, Total Longterm Care Solutions, LLC. Based on discussions with management, future allocated costs for management services provided will equate to 13.0% of net revenue for each of the supported business units.
3	Facility Rental Expense is based on square footage provided by management and per square foot rental rates as estimated by VMG appraisal personnel. Please note that these are currently not FMV rental rates and are subject to additional due diligence prior to finalizing this valuation opinion.
4	Other income (expense) is primarily related to ongoing investment income. In addition to investment income, as of TTM Feb 2014 there was approximately $489K in unrealized gains. For projection purposes, investment income has been reduced to exclude these unrealized gains and further reduced by approximately one-half to reflect the exclusion of certain Surplus Working Capital from the contributed business.
5	Depreciation expense adjusted based on normalized fixed asset base and VMG estimates regarding economic life.
6	Eliminated interest expense to derive debt-free operations.
7	Calculated a blended federal and state income tax rate for Colorado businesses to be applied to the earnings before taxes.

Discounted Cash Flow - Assumptions

Discount Rate	15.0%	
Incremental Working Capital Requirements	15.0%	
Normalized Working Capital	15.0%	$25,960,000 = x Normalized Base Year Revenue
Standard Inflation Rate (CPI)	3.0%	
Terminal Growth Rate	3.0%	
CO - Income Tax Rate (Blended Federal & State)	38.0%	CO
Net Initial Fixed Assets (Book Value)	$8,954,688	*Excludes owned real estate. Value determined separately.*

Year 1 CapEx is based off FY 2015 capital budget. Beyond Year 1, ongoing CapEx is projected to equal 1.0% of Net Revenue based upon VMG's review of the mature operations of IGCP.

	Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Yr
Capital Expenditures / Improvements	$2,800,000	$2,300,000	$2,700,000	$3,100,000	$3,200,000	$3,300,000

Cumulative Census Growth	FYE	FYE	FYE	TTM	Normalized	Projection Period				
Service Line	2011	2012	2013	2014	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5
IGCP	n/a	6.4%	6.5%	6.4%	-	3.0%	3.0%	3.0%	3.0%	3.0%
IGCAP	n/a	n/a	n/a	n/a	n/a	-	68.3%	77.5%	42.1%	3.0%
IGNMP	n/a	1.7%	3.6%	(0.2%)	-	-	-	-	-	-
Total Cumulative Census	24,364	26,788	28,247	28,820	28,820	33,267	36,558	42,183	47,654	48,947
Growth	n/a	5.7%	6.1%	5.4%		15.4%	9.9%	15.4%	13.0%	2.7%

Net Revenue/Census Growth (Assumes Projection Years Discount & Allowance % Fixed)	FYE	FYE	FYE	TTM	Normalized	Projection Period				
Service Line	2011	2012	2013	2014	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5
IGCP	n/a	(5.0%)	0.3%	3.5%	-	1.0%	1.0%	1.0%	1.0%	1.0%
IGCAP	n/a	n/a	n/a	n/a	n/a	1.0%	1.0%	1.0%	1.0%	1.0%
IGNMP	n/a	0.6%	1.9%	1.8%	-	1.0%	1.0%	1.0%	1.0%	1.0%
Avg. Net Revenue per Cumulative Census	$6,025	$5,791	$5,826	$6,020	$6,020	$6,129	$6,218	$6,320	$6,413	$6,480
Growth	n/a	(3.9%)	0.6%	3.3%		1.8%	1.4%	1.6%	1.5%	1.0%

INNOVAGE (PACE PROGRAMS)
DISCOUNTED CASH FLOW ASSUMPTIONS

Rental Assumptions:	Est. Sq. Ft.	Est. Rate	Escalation	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projections Year 1	Year 2	Year 3	Year 4	Year 5
3551 N. Chambers Road, Unit A-D, Aurora, CO	28,628	$15.00	2.0%	$3,454,900	$3,125,000	$3,395,407	$3,849,458	$429,420	$438,008	$446,769	$455,704	$464,818	$474,114
8405 W. Alameda Avenue, Lakewood, CO	49,154	$15.00	2.0%					737,310	752,056	767,097	782,439	798,088	814,050
401 W Northern Ave, Pueblo, CO	43,402	$15.00	2.0%					651,030	664,051	677,332	690,878	704,696	718,790
904A Las Lomas NE, Albuquerque, NM	35,000	$12.56	2.0%					439,600	448,392	457,360	466,507	475,837	485,354
445 E. 124th Ave., Thornton, CO	41,550	$15.00	2.0%					623,250	635,715	648,429	661,398	674,626	688,118
410 E ParkCenter Circle North, San Bernardino, CA	30,331	$22.00	2.0%					667,282	680,628	694,240	708,125	722,287	736,733
1265 South Broadway, Denver, CO	43,525	$15.00	2.0%					652,875	665,933	679,251	692,836	706,693	720,827
1303 E. 11th Street, Loveland, CO	23,820	$15.00	2.0%					357,300	364,446	371,735	379,170	386,753	394,488
Total Existing Rental Cost				$3,454,900	$3,125,000	$3,395,407	$3,849,458	$4,558,067	$4,649,228	$4,742,213	$4,837,057	$4,933,798	$5,032,474
Growth				n/a	(9.5%)	8.7%	13.4%	18.4%	2.0%	2.0%	2.0%	2.0%	2.0%

FTE/Staffing Compensation Assumptions:	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projections Year 1	Year 2	Year 3	Year 4	Year 5
IGCP Hours per Cumulative Census				41.7	41.7	41.7	41.7	41.7	41.7	41.7
IGCP FTEs			*Adjusted with volume*	485.7	485.7	500.2	515.2	530.7	546.6	563.0
Average Salary per FTE				$48,419	$48,419	$48,903	$49,392	$49,886	$50,385	$50,889
Growth				n/a	-	1.0%	1.0%	1.0%	1.0%	1.0%
IGCP FTE salaries				$23,514,929	$23,514,929	$24,462,581	$25,448,423	$26,473,994	$27,540,896	$28,650,795
IGCAP Hours per Cumulative Census				-	-	54.2	54.2	54.2	54.2	54.2
IGCAP FTEs			*Adjusted with volume*	25.4	25.4	97.0	163.3	289.8	411.8	424.1
Average Salary per FTE				$40,390	$40,390	$40,794	$41,202	$41,614	$42,030	$42,450
Growth				n/a	-	1.0%	1.0%	1.0%	1.0%	1.0%
IGCAP FTE salaries				$1,025,020	$1,025,020	$3,957,023	$6,727,178	$12,061,566	$17,307,078	$18,004,553
IGNMP Hours per Cumulative Census				44.9	44.9	44.9	44.9	44.9	44.9	44.9
IGNMP FTEs			*Adjusted with volume*	98.8	98.8	98.8	98.8	98.8	98.8	98.8
Average Salary per FTE				$47,387	$47,387	$47,861	$48,339	$48,823	$49,311	$49,804
Growth				n/a	-	1.0%	1.0%	1.0%	1.0%	1.0%
IGNMP FTE salaries				$4,681,143	$4,681,143	$4,727,954	$4,775,234	$4,822,986	$4,871,216	$4,919,928
Total Hours per Cumulative Census				86.5	86.5	140.8	140.8	140.8	140.8	140.8
Total FTEs				609.8	609.8	696.0	777.3	919.3	1,057.2	1,085.9
Average Salary per FTE				$47,918	$47,918	$47,625	$47,538	$47,164	$47,030	$47,494
Growth				n/a	-	(0.6%)	(0.2%)	(0.8%)	(0.3%)	1.0%
Total FTE Salaries	$26,272,600	$26,237,000	$27,539,240	$29,221,092	$29,221,092	$33,147,558	$36,950,835	$43,358,546	$49,719,190	$51,575,275
Employee Benefits - IGCP	$4,677,800	$4,845,200	$4,869,906	$5,230,348	$5,230,348	$5,441,131	$5,660,409	$5,888,523	$6,125,831	$6,372,701
% of Salaries	21.5%	22.5%	21.3%	22.2%	22.2%	22.2%	22.2%	22.2%	22.2%	22.2%
Employee Benefits - IGCAP	-	-	$243	$173,076	$173,076	$983,737	$1,672,413	$2,998,570	$4,302,633	$4,476,029
% of Salaries	-	-	6.5%	16.9%	16.9%	24.9%	30.0%	24.9%	24.9%	24.9%
Employee Benefits - IGNMP	$994,600	$976,200	$974,264	$1,015,770	$1,015,770	$1,025,927	$1,036,187	$1,046,549	$1,057,014	$1,067,584
% of Salaries	21.9%	20.8%	20.8%	21.7%	21.7%	21.7%	21.7%	21.7%	21.7%	21.7%
Total Employee Salaries, Wages & Benefits	$31,945,000	$32,058,400	$33,383,653	$35,640,286	$35,640,286	$40,598,354	$45,319,843	$53,292,188	$61,204,668	$63,491,590
Growth	n/a	0.4%	4.1%	6.8%	-	13.9%	11.6%	17.6%	14.8%	3.7%

REVENUE ASSUMPTIONS: *Fee-for-Service Revenue:*	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5
IGCP										
Cumulative Census	19,819	22,195	23,575	24,241	24,241	24,968	25,717	26,489	27,283	28,102
Growth	n/a	12.0%	6.2%	2.8%		3.0%	3.0%	3.0%	3.0%	3.0%
Average Net Charge per Cumulative Census	$6,240	$5,931	$5,947	$6,155	$6,155	$6,216	$6,279	$6,342	$6,406	$6,470
Net Revenue	$123,675,500	$131,627,700	$140,210,863	$149,192,320	$149,192,320	$155,214,399	$161,479,556	$167,997,604	$174,778,749	$181,833,613
IGCAP										
Cumulative Census	-	-	-	-	-	3,720	6,262	11,116	15,792	16,266
Growth	n/a	n/a	n/a	n/a		-	68.3%	77.5%	42.1%	3.0%
Average Net Charge per Cumulative Census	$0	$0	$0	$0	$0	$6,487	$6,552	$6,618	$6,684	$6,751
Net Revenue	-	-	-	-	-	$24,132,779	$41,027,180	$73,560,121	$105,551,032	$109,804,739
**growth based on mgmt projections*										
IGNMP										
Cumulative Census	4,545	4,593	4,672	4,579	4,579	4,579	4,579	4,579	4,579	4,579
Growth	n/a	1.1%	1.7%	(2.0%)		-	-	-	-	-
Average Net Charge per Cumulative Census	$5,087	$5,117	$5,212	$5,307	$5,307	$5,360	$5,414	$5,469	$5,524	$5,579
Net Revenue **currently there are limitations on any expansion of PACE in NM*	$23,119,900	$23,504,400	$24,351,587	$24,301,386	$24,301,386	$24,545,597	$24,792,262	$25,041,405	$25,293,053	$25,547,229

REVENUE ASSUMPTIONS: *Fee-for-Service Revenue:*	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5
FFS Revenue Summary - All Service Lines										
Cumulative Census	24,364	26,788	28,247	28,820	28,820	33,267	36,558	42,183	47,654	48,947
Growth	n/a	9.9%	5.4%	2.0%		15.4%	9.9%	15.4%	13.0%	2.7%
Average Net Charge per Cumulative Census	$6,025	$5,791	$5,826	$6,020	$6,020	$6,129	$6,218	$6,320	$6,413	$6,480
Total Net Revenue	$146,795,400	$155,132,100	$164,562,450	$173,493,706	$173,493,706	$203,892,775	$227,298,998	$266,599,130	$305,622,834	$317,185,580

REVENUE SUMMARY:	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5
Revenue:										
Revenues	$146,795,400	$155,132,100	$164,562,450	$173,493,706	$173,493,706	$203,892,775	$227,298,998	$266,599,130	$305,622,834	$317,185,580
Provision for Doubtful Accounts	(82,000)	(2,616,900)	(657,516)	(423,732)	(423,732)	(497,977)	(555,143)	(651,127)	(746,437)	(774,677)
Total Net Operating Revenue	$146,713,400	$152,515,200	$163,904,934	$173,069,975	$173,069,975	$203,394,798	$226,743,855	$265,948,003	$304,876,397	$316,410,903
Operating Revenue Growth	n/a	4.0%	7.5%	5.6%		17.5%	11.5%	17.3%	14.6%	3.8%
Census:										
Total Cumulative Census	24,364	26,788	28,247	28,820	28,820	33,267	36,558	42,183	47,654	48,947
IGCP	19,819	22,195	23,575	24,241	24,241	24,968	25,717	26,489	27,283	28,102
IGCAP	-	-	-	-	-	3,720	6,262	11,116	15,792	16,266
IGNMP	4,545	4,593	4,672	4,579	4,579	4,579	4,579	4,579	4,579	4,579

EXPENSE ASSUMPTIONS:	Footnotes	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5
Operating Expenses:											
Salaries & Wages											
Salaries & Wages - IGCP	See Assumptions Summary	$21,724,200	$21,545,000	$22,861,555	$23,514,929	$23,514,929	$24,462,581	$25,448,423	$26,473,994	$27,540,896	$28,650,795
Salaries & Wages - IGCAP	See Assumptions Summary	-	-	3,728	1,025,020	1,025,020	$3,957,023	$6,727,178	$12,061,566	$17,307,078	$18,004,553
Salaries & Wages - IGNMP	See Assumptions Summary	4,548,400	4,692,000	4,673,957	4,681,143	4,681,143	$4,727,954	$4,775,234	$4,822,986	$4,871,216	$4,919,928
Employee Benefits											
Employee Benefits - IGCP	See Assumptions Summary	4,677,800	4,845,200	4,869,906	5,230,348	5,230,348	5,441,131	5,660,409	5,888,523	6,125,831	6,372,701
Employee Benefits - IGCAP	See Assumptions Summary	-	-	243	173,076	173,076	983,737	1,672,413	2,998,570	4,302,633	4,476,029
Employee Benefits - IGNMP	See Assumptions Summary	994,600	976,200	974,264	1,015,770	1,015,770	1,025,927	1,036,187	1,046,549	1,057,014	1,067,584
Participant Expenses											
Participant Expenses - IGCP	% of Revenue	57,935,800	64,410,100	68,366,625	70,831,628	70,831,628	73,690,714	76,665,205	79,759,761	82,979,227	86,328,645
Participant Expenses - IGCAP	% of Revenue	-	-	-	4,439	4,439	11,381,623	16,280,620	31,823,086	46,622,188	48,501,063
Participant Expenses - IGNMP	% of Revenue	12,829,200	12,154,400	12,112,685	12,374,238	12,374,238	12,498,590	12,624,191	12,751,055	12,879,193	13,008,619
Purchased Services and Contracts											
Purchased Services and Contracts - IGCP	% of Revenue	3,570,800	2,708,900	2,557,045	3,469,719	3,469,719	3,609,773	3,755,480	3,907,068	4,064,775	4,228,848
Purchased Services and Contracts - IGCAP	% of Revenue	-	-	59,942	305,646	305,646	1,688,335	4,387,095	7,902,403	11,576,431	12,078,521
Purchased Services and Contracts - IGNMP	% of Revenue	886,700	625,900	582,264	484,479	484,479	489,347	494,265	499,232	504,249	509,316
Facility and Maintenance											
Facility and Maintenance - IGCP	Increase at CPI	3,021,000	2,690,400	2,875,507	2,826,736	2,212,263	2,278,630	2,346,989	2,417,399	2,489,921	2,564,619
Facility and Maintenance - IGCAP	Increase at CPI	-	-	50,458	528,941	148,939	270,143	278,247	286,594	295,192	304,048
Facility and Maintenance - IGNMP	Increase at CPI	433,900	434,600	469,442	493,781	414,515	426,951	439,759	452,952	466,540	480,537
Supplies and Other											
Supplies and Other - IGCP	Increase at CPI	3,245,200	3,230,600	4,096,752	3,871,240	3,871,240	3,987,377	4,106,998	4,230,208	4,357,114	4,487,828
Supplies and Other - IGCAP	Increase at CPI	-	-	91,954	325,768	325,768	400,137	412,141	424,505	437,240	450,357
Supplies and Other - IGNMP	Increase at CPI	738,300	794,900	789,148	744,406	744,406	766,738	789,740	813,432	837,835	862,970
Allocations											
Allocations - IGCP	% of Revenue	10,919,800	12,064,700	15,528,825	17,533,242	19,395,002	20,177,872	20,992,342	21,839,688	22,721,237	23,638,370
Allocations - IGCAP	% of Revenue	-	-	-	720,065	-	3,137,261	5,333,533	9,562,816	13,721,634	14,274,616
Allocations - IGNMP	% of Revenue	2,332,000	1,960,300	2,782,668	2,816,221	3,159,180	3,190,928	3,222,994	3,255,383	3,288,097	3,321,140
Facility Rent											
Facility Rent - IGCP	See Assumptions Summary	-	-	-	-	3,451,185	3,520,209	3,590,613	3,662,425	3,735,674	3,810,387
Facility Rent - IGCAP	See Assumptions Summary	-	-	-	-	667,282	680,628	694,240	708,125	722,287	736,733
Facility Rent - IGNMP	See Assumptions Summary	-	-	-	-	439,600	448,392	457,360	466,507	475,837	485,354
Total Operating Expenses		$127,857,700	$133,133,200	$143,746,968	$152,970,835	$157,939,815	$183,242,001	$202,191,656	$238,054,828	$273,379,341	$283,563,561
Operating Expense Growth		n/a	4.1%	8.0%	6.4%		16.0%	10.3%	17.7%	14.8%	3.7%

**Operating Expenses for the CA PACE Program are generally based off projections provided by management.*

DEPRECIATION SCHEDULE:			Projection Period Year 1	Year 2	Year 3	Year 4	Year 5
Net Initial Fixed Assets (Book Value)	$8,954,688	*Excludes owned real estate. Value determined separately.*					
Straight-line Depreciation Years (initial assets)	7.0						
Depreciation of Initial Net Fixed Assets		-	$1,279,241	$1,279,241	$1,279,241	$1,279,241	$1,279,241
Capital Expenditures per Year			$2,800,000	$2,300,000	$2,700,000	$3,100,000	$3,200,000
Straight-line Depreciation Yrs (new assets)	7.0		200,000	400,000	400,000	400,000	400,000
				164,286	328,571	328,571	328,571
					192,857	385,714	385,714
						221,429	442,857
							228,571
Total Depreciation			$1,479,241	$1,843,527	$2,200,670	$2,614,955	$3,064,955

INNOVAGE (PACE PROGRAMS)
DISCOUNTED CASH FLOW ANALYSIS - INCOME APPROACH

FINAL REPORT

	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year
Revenue:											
Revenues	$146,795,400	$155,132,100	$164,562,450	$173,493,706	$173,493,706	$203,892,775	$227,298,998	$266,599,130	$305,622,834	$317,185,580	
Provision for Doubtful Accounts	(82,000)	(2,616,900)	(657,516)	(423,732)	(423,732)	(497,977)	(555,143)	(651,127)	(746,437)	(774,677)	
Total Net Operating Revenue	146,713,400	152,515,200	163,904,934	173,069,975	173,069,975	203,394,798	226,743,855	265,948,003	304,876,397	316,410,903	325,903,230
Operating Expenses:											
Salaries & Wages	26,272,600	26,237,000	27,539,240	29,221,092	29,221,092	33,147,558	36,950,835	43,358,546	49,719,190	51,575,275	
Employee Benefits	5,672,400	5,821,400	5,844,413	6,419,194	6,419,194	7,450,796	8,369,008	9,933,642	11,485,478	11,916,315	
Participant Expenses	70,765,000	76,564,500	80,479,310	83,210,305	83,210,305	97,570,927	105,570,017	124,333,901	142,480,608	147,838,327	
Purchased Services and Contracts	4,457,500	3,334,800	3,199,251	4,259,844	4,259,844	5,787,456	8,636,840	12,308,703	16,145,455	16,816,685	
Facility and Maintenance	3,454,900	3,125,000	3,395,407	3,849,458	2,775,717	2,975,724	3,064,995	3,156,945	3,251,654	3,349,203	
Supplies and Other	3,983,500	4,025,500	4,977,854	4,941,413	4,941,413	5,154,252	5,308,879	5,468,146	5,632,190	5,801,156	
Allocations	13,251,800	14,025,000	18,311,493	21,069,528	22,554,182	26,506,061	29,548,870	34,657,887	39,730,968	41,234,125	
Facility Rent	-	-	-	-	4,558,067	4,649,228	4,742,213	4,837,057	4,933,798	5,032,474	
Total Operating Expenses	127,857,700	133,133,200	143,746,968	152,970,835	157,939,815	183,242,001	202,191,656	238,054,828	273,379,341	283,563,561	
Operating Margin	18,855,700	19,382,000	20,157,966	20,099,140	15,130,160	20,152,798	24,552,199	27,893,175	31,497,056	32,847,342	
Other Income (Expense)	1,591,900	177,200	2,054,961	2,677,386	1,094,001	1,126,821	1,160,625	1,195,444	1,231,307	1,268,247	
EBITDA	20,447,600	19,559,200	22,212,927	22,776,526	16,224,161	21,279,618	25,712,824	29,088,619	32,728,363	34,115,589	35,139,056
Depreciation & Amortization Expense	1,910,000	3,078,500	3,394,102	3,670,526	1,279,241	1,479,241	1,843,527	2,200,670	2,614,955	3,064,955	3,300,000
Interest Expense	1,403,600	1,992,900	1,716,361	1,827,171	-	-	-	-	-	-	-
Earnings Before Income Taxes	17,134,000	14,487,800	17,102,464	17,278,829	14,944,920	19,800,377	23,869,297	26,887,949	30,113,408	31,050,633	31,839,056
Federal & State Income Tax Expense @ 38.0%	-	-	-	-	5,680,489	7,526,024	9,072,600	10,219,975	11,445,956	11,802,190	12,101,866
Earnings After Income Taxes	17,134,000	14,487,800	17,102,464	17,278,829	9,264,430	12,274,353	14,796,697	16,667,974	18,667,452	19,248,443	19,737,190
Cash Flow Adjustments:											
Plus: Depreciation & Amortization						1,479,241	1,843,527	2,200,670	2,614,955	3,064,955	3,300,000
Less: Required Annual Capital Expenditures						(2,800,000)	(2,300,000)	(2,700,000)	(3,100,000)	(3,200,000)	(3,300,000)
Less: Incremental Working Capital Requirements						(4,548,724)	(3,502,359)	(5,880,622)	(5,839,259)	(1,730,176)	(1,423,849)
Net Discretionary Cash Flow						6,404,870	10,837,865	10,288,022	12,343,148	17,383,222	18,313,341
Terminal Value											152,611,177
						0.5	1.5	2.5	3.5	4.5	4.5
Present Value Factor (mid-point convention)						0.9325	0.8109	0.7051	0.6131	0.5332	0.5332
Present Value of Cash Flows						$5,972,573	$8,788,140	$7,254,162	$7,568,042	$9,268,085	$81,366,580
Sum of Present Values (Year 1 to Year 5)						$38,851,002	32.3%	2.39x	NBY EBITDA	1.83x	YR 1 EBITDA
Present Value of Terminal						$81,366,580	67.7%	5.02x	NBY EBITDA	3.82x	YR 1 EBITDA
Fair Market Value Indication (Total Invested Capital Level)						$120,217,581	100.0%	7.41x	NBY EBITDA	5.65x	YR 1 EBITDA

INNOVAGE (PACE PROGRAMS)
DISCOUNTED CASH FLOW ANALYSIS - INCOME APPROACH

	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year
Revenue:											
Revenues	100.1%	101.7%	100.4%	100.2%	100.2%	100.2%	100.2%	100.2%	100.2%	100.2%	
Provision for Doubtful Accounts	(0.1%)	(1.7%)	(0.4%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	
Total Net Operating Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Expenses:											
Salaries & Wages	17.9%	17.2%	16.8%	16.9%	16.9%	16.3%	16.3%	16.3%	16.3%	16.3%	
Employee Benefits	3.9%	3.8%	3.6%	3.7%	3.7%	3.7%	3.7%	3.7%	3.8%	3.8%	
Participant Expenses	48.2%	50.2%	49.1%	48.1%	48.1%	48.0%	46.6%	46.8%	46.7%	46.7%	
Purchased Services and Contracts	3.0%	2.2%	2.0%	2.5%	2.5%	2.8%	3.8%	4.6%	5.3%	5.3%	
Facility and Maintenance	2.4%	2.0%	2.1%	2.2%	1.6%	1.5%	1.4%	1.2%	1.1%	1.1%	
Supplies and Other	2.7%	2.6%	3.0%	2.9%	2.9%	2.5%	2.3%	2.1%	1.8%	1.8%	
Allocations	9.0%	9.2%	11.2%	12.2%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	
Facility Rent	-	-	-	-	2.6%	2.3%	2.1%	1.8%	1.6%	1.6%	
Total Operating Expenses	87.1%	87.3%	87.7%	88.4%	91.3%	90.1%	89.2%	89.5%	89.7%	89.6%	
Operating Margin	12.9%	12.7%	12.3%	11.6%	8.7%	9.9%	10.8%	10.5%	10.3%	10.4%	
Other Income (Expense)	1.1%	0.1%	1.3%	1.5%	0.6%	0.6%	0.5%	0.4%	0.4%	0.4%	
EBITDA	13.9%	12.8%	13.6%	13.2%	9.4%	10.5%	11.3%	10.9%	10.7%	10.8%	10.8%
Depreciation & Amortization Expense	1.3%	2.0%	2.1%	2.1%	0.7%	0.7%	0.8%	0.8%	0.9%	1.0%	1.0%
Interest Expense	1.0%	1.3%	1.0%	1.1%	-	-	-	-	-	-	-
Earnings Before Income Taxes	11.7%	9.5%	10.4%	10.0%	8.6%	9.7%	10.5%	10.1%	9.9%	9.8%	9.8%
Federal & State Income Tax Expense @ 38.0%	-	-	-	-	3.3%	3.7%	4.0%	3.8%	3.8%	3.7%	3.7%
Earnings After Income Taxes	11.7%	9.5%	10.4%	10.0%	5.4%	6.0%	6.5%	6.3%	6.1%	6.1%	6.1%

INNOVAGE (IGCP)
DISCOUNTED CASH FLOW ANALYSIS - INCOME APPROACH

FINAL REPORT

	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year
Revenue:											
Revenues	$123,675,500	$131,627,700	$140,210,863	$149,192,320	$149,192,320	$155,214,399	$161,479,556	$167,997,604	$174,778,749	$181,833,613	
Provision for Doubtful Accounts	(56,900)	(2,610,300)	(616,362)	(424,783)	(364,379)	(379,087)	(394,389)	(410,308)	(426,870)	(444,101)	
Total Net Operating Revenue	123,618,600	129,017,400	139,594,501	148,767,537	148,827,941	154,835,312	161,085,167	167,587,295	174,351,879	181,389,512	186,831,197
Operating Expenses:											
Salaries & Wages	21,724,200	21,545,000	22,861,555	23,514,929	23,514,929	24,462,581	25,448,423	26,473,994	27,540,896	28,650,795	
Employee Benefits	4,677,800	4,845,200	4,869,906	5,230,348	5,230,348	5,441,131	5,660,409	5,888,523	6,125,831	6,372,701	
Participant Expenses	57,935,800	64,410,100	68,366,625	70,831,628	70,831,628	73,690,714	76,665,205	79,759,761	82,979,227	86,328,645	
Purchased Services and Contracts	3,570,800	2,708,900	2,557,045	3,469,719	3,469,719	3,609,773	3,755,480	3,907,068	4,064,775	4,228,848	
Facility and Maintenance	3,021,000	2,690,400	2,875,507	2,826,736	2,212,263	2,278,630	2,346,989	2,417,399	2,489,921	2,564,619	
Supplies and Other	3,245,200	3,230,600	4,096,752	3,871,240	3,871,240	3,987,377	4,106,998	4,230,208	4,357,114	4,487,828	
Allocations	10,919,800	12,064,700	15,528,825	17,533,242	19,395,002	20,177,872	20,992,342	21,839,688	22,721,237	23,638,370	
Facility Rent	-	-	-	-	3,451,185	3,520,209	3,590,613	3,662,425	3,735,674	3,810,387	
Total Operating Expenses	105,094,600	111,494,900	121,156,215	127,277,842	131,976,313	137,168,287	142,566,459	148,179,067	154,014,675	160,082,192	
Operating Margin	18,524,000	17,522,500	18,438,286	21,489,695	16,851,627	17,667,025	18,518,708	19,408,228	20,337,204	21,307,320	
Other Income (Expense)	1,586,300	(336,700)	1,587,895	2,086,461	940,763	857,798	824,541	753,310	704,157	727,050	
EBITDA	20,110,300	17,185,800	20,026,181	23,576,156	17,792,390	18,524,823	19,343,248	20,161,538	21,041,361	22,034,370	22,695,401
Depreciation & Amortization Expense	1,654,900	2,821,800	3,181,247	3,468,226	1,100,057	1,126,080	1,309,693	1,386,753	1,495,434	1,757,053	1,891,798
Interest Expense	1,403,400	1,991,600	1,714,386	1,824,407	-	-	-	-	-	-	-
Earnings Before Income Taxes	17,052,000	12,372,400	15,130,548	18,283,522	16,692,333	17,398,743	18,033,555	18,774,785	19,545,927	20,277,317	20,803,604
Federal & State Income Tax Expense @ 38.0%	-	-	-	-	6,344,672	6,613,175	6,854,464	7,136,202	7,429,309	7,707,307	7,907,346
Earnings After Income Taxes	17,052,000	12,372,400	15,130,548	18,283,522	10,347,661	10,785,568	11,179,091	11,638,583	12,116,618	12,570,010	12,896,258
Cash Flow Adjustments:											
Plus: Depreciation & Amortization						1,126,080	1,309,693	1,386,753	1,495,434	1,757,053	1,891,798
Less: Required Annual Capital Expenditures						(2,131,514)	(1,633,984)	(1,701,407)	(1,772,820)	(1,834,470)	(1,891,798)
Less: Incremental Working Capital Requirements						(901,106)	(937,478)	(975,319)	(1,014,688)	(1,055,645)	(816,253)
Net Discretionary Cash Flow						8,879,028	9,917,322	10,348,610	10,824,544	11,436,948	12,080,005
Terminal Value											100,666,710
						0.5	1.5	2.5	3.5	4.5	4.5
Present Value Factor (mid-point convention)						0.9325	0.8109	0.7051	0.6131	0.5332	0.5332
Present Value of Cash Flows						$8,279,736	$8,041,696	$7,296,884	$6,636,929	$6,097,754	$53,671,730
Sum of Present Values (Year 1 to Year 5)						$36,352,999	40.4%	2.04x	NBY EBITDA	1.96x	YR 1 EBITDA
Present Value of Terminal						$53,671,730	59.6%	3.02x	NBY EBITDA	2.90x	YR 1 EBITDA
Fair Market Value Indication (Total Invested Capital Level)						$90,024,729	100.0%	5.06x	NBY EBITDA	4.86x	YR 1 EBITDA

INNOVAGE (IGCP)
DISCOUNTED CASH FLOW ANALYSIS - INCOME APPROACH

		FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year
Revenue:												
Revenues		100.0%	102.0%	100.4%	100.3%	100.2%	100.2%	100.2%	100.2%	100.2%	100.2%	
Provision for Doubtful Accounts		(0.0%)	(2.0%)	(0.4%)	(0.3%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	
Total Net Operating Revenue		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Expenses:												
Salaries & Wages		17.6%	16.7%	16.4%	15.8%	15.8%	15.8%	15.8%	15.8%	15.8%	15.8%	
Employee Benefits		3.8%	3.8%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	
Participant Expenses		46.9%	49.9%	49.0%	47.6%	47.6%	47.6%	47.6%	47.6%	47.6%	47.6%	
Purchased Services and Contracts		2.9%	2.1%	1.8%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	
Facility and Maintenance		2.4%	2.1%	2.1%	1.9%	1.5%	1.5%	1.5%	1.4%	1.4%	1.4%	
Supplies and Other		2.6%	2.5%	2.9%	2.6%	2.6%	2.6%	2.5%	2.5%	2.5%	2.5%	
Allocations		8.8%	9.4%	11.1%	11.8%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	
Facility Rent		-	-	-	-	2.3%	2.3%	2.2%	2.2%	2.1%	2.1%	
Total Operating Expenses		85.0%	86.4%	86.8%	85.6%	88.7%	88.6%	88.5%	88.4%	88.3%	88.3%	
Operating Margin		15.0%	13.6%	13.2%	14.4%	11.3%	11.4%	11.5%	11.6%	11.7%	11.7%	
Other Income (Expense)		1.3%	(0.3%)	1.1%	1.4%	0.6%	0.6%	0.5%	0.4%	0.4%	0.4%	
EBITDA		16.3%	13.3%	14.3%	15.8%	12.0%	12.0%	12.0%	12.0%	12.1%	12.1%	12.1%
Depreciation & Amortization Expense		1.3%	2.2%	2.3%	2.3%	0.7%	0.7%	0.8%	0.8%	0.9%	1.0%	1.0%
Interest Expense		1.1%	1.5%	1.2%	1.2%	-	-	-	-	-	-	-
Earnings Before Income Taxes		13.8%	9.6%	10.8%	12.3%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.1%
Federal & State Income Tax Expense @	38.0%	-	-	-	-	4.3%	4.3%	4.3%	4.3%	4.3%	4.2%	4.2%
Earnings After Income Taxes		13.8%	9.6%	10.8%	12.3%	7.0%	7.0%	6.9%	6.9%	6.9%	6.9%	6.9%

INNOVAGE (IGCAP)
DISCOUNTED CASH FLOW ANALYSIS - INCOME APPROACH

FINAL REPORT

	FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year
Revenue:									
Revenues	-	-	-	$24,132,779	$41,027,180	$73,560,121	$105,551,032	$109,804,739	
Provision for Doubtful Accounts	-	-	-	(58,941)	(100,203)	(179,659)	(257,792)	(268,181)	
Total Net Operating Revenue	-	-	-	24,073,839	40,926,977	73,380,462	105,293,240	109,536,557	112,822,654
Operating Expenses:									
Salaries & Wages	3,728	1,025,020	1,025,020	3,957,023	6,727,178	12,061,566	17,307,078	18,004,553	
Employee Benefits	243	173,076	173,076	983,737	1,672,413	2,998,570	4,302,633	4,476,029	
Participant Expenses	-	4,439	4,439	11,381,623	16,280,620	31,823,086	46,622,188	48,501,063	
Purchased Services and Contracts	59,942	305,646	305,646	1,688,335	4,387,095	7,902,403	11,576,431	12,078,521	
Facility and Maintenance	50,458	528,941	148,939	270,143	278,247	286,594	295,192	304,048	
Supplies and Other	91,954	325,768	325,768	400,137	412,141	424,505	437,240	450,357	
Allocations	-	720,065	-	3,137,261	5,333,533	9,562,816	13,721,634	14,274,616	
Facility Rent	-	-	667,282	680,628	694,240	708,125	722,287	736,733	
Total Operating Expenses	206,325	3,082,955	2,650,171	22,498,887	35,785,467	65,767,665	94,984,684	98,825,920	
Operating Margin	(206,325)	(3,082,955)	(2,650,171)	1,574,951	5,141,510	7,612,796	10,308,555	10,710,637	
Other Income (Expense)	-	-	-	133,371	209,491	329,847	425,249	439,047	
EBITDA	(206,325)	(3,082,955)	(2,650,171)	1,708,322	5,351,001	7,942,644	10,733,804	11,149,684	11,484,175
Depreciation & Amortization Expense	-	36,406	-	175,083	332,754	607,210	903,111	1,061,040	1,142,409
Interest Expense	-	1,826	-	-	-	-	-	-	-
Earnings Before Income Taxes	(206,325)	(3,121,187)	(2,650,171)	1,533,239	5,018,247	7,335,434	9,830,694	10,088,644	10,341,766
Federal & State Income Tax Expense @ 38.0%	-	-	(1,007,317)	582,776	1,907,411	2,788,162	3,736,597	3,834,643	3,930,854
Earnings After Income Taxes	(206,325)	(3,121,187)	(1,642,854)	950,462	3,110,836	4,547,272	6,094,096	6,254,001	6,410,912
Cash Flow Adjustments:									
Plus: Depreciation & Amortization				175,083	332,754	607,210	903,111	1,061,040	1,142,409
Less: Required Annual Capital Expenditures				(331,408)	(415,147)	(744,985)	(1,070,627)	(1,107,790)	(1,142,409)
Less: Incremental Working Capital Requirements				(3,611,076)	(2,527,971)	(4,868,023)	(4,786,917)	(636,498)	(492,915)
Net Discretionary Cash Flow				(2,816,938)	500,473	(458,526)	1,139,663	5,570,753	5,917,998
Terminal Value									49,316,649
				0.5	1.5	2.5	3.5	4.5	4.5
Present Value Factor (mid-point convention)				0.9325	0.8109	0.7051	0.6131	0.5332	0.5332
Present Value of Cash Flows				($2,626,809)	$405,820	($323,310)	$698,769	$2,970,117	$26,293,796
Sum of Present Values (Year 1 to Year 5)				$1,124,588	4.1%	0.66x	YR 1 EBITDA		
Present Value of Terminal				$26,293,796	95.9%	15.39x	YR 1 EBITDA		
Fair Market Value Indication (Total Invested Capital Level)				$27,418,384	100.0%	16.05x	YR 1 EBITDA		

FINAL REPORT

		FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year
Revenue:										
Revenues		-	-	-	100.2%	100.2%	100.2%	100.2%	100.2%	
Provision for Doubtful Accounts		-	-	-	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	
Total Net Operating Revenue		-	-	-	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Expenses:										
Salaries & Wages		-	-	-	16.4%	16.4%	16.4%	16.4%	16.4%	
Employee Benefits		-	-	-	4.1%	4.1%	4.1%	4.1%	4.1%	
Participant Expenses		-	-	-	47.3%	39.8%	43.4%	44.3%	44.3%	
Purchased Services and Contracts		-	-	-	7.0%	10.7%	10.8%	11.0%	11.0%	
Facility and Maintenance		-	-	-	1.1%	0.7%	0.4%	0.3%	0.3%	
Supplies and Other		-	-	-	1.7%	1.0%	0.6%	0.4%	0.4%	
Allocations		-	-	-	13.0%	13.0%	13.0%	13.0%	13.0%	
Facility Rent		-	-	-	2.8%	1.7%	1.0%	0.7%	0.7%	
Total Operating Expenses		-	-	-	93.5%	87.4%	89.6%	90.2%	90.2%	
Operating Margin		-	-	-	6.5%	12.6%	10.4%	9.8%	9.8%	
Other Income (Expense)		-	-	-	0.6%	0.5%	0.4%	0.4%	0.4%	
EBITDA		-	-	-	7.1%	13.1%	10.8%	10.2%	10.2%	10.2%
Depreciation & Amortization Expense		-	-	-	0.7%	0.8%	0.8%	0.9%	1.0%	1.0%
Interest Expense		-	-	-	-	-	-	-	-	-
Earnings Before Income Taxes		-	-	-	6.4%	12.3%	10.0%	9.3%	9.2%	9.2%
Federal & State Income Tax Expense @	38.0%	-	-	-	2.4%	4.7%	3.8%	3.5%	3.5%	3.5%
Earnings After Income Taxes		-	-	-	3.9%	7.6%	6.2%	5.8%	5.7%	5.7%

INNOVAGE (IGNMP)
DISCOUNTED CASH FLOW ANALYSIS - INCOME APPROACH

FINAL REPORT

	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year
Revenue:											
Revenues	$23,119,900	$23,504,400	$24,351,587	$24,301,386	$24,301,386	$24,545,597	$24,792,262	$25,041,405	$25,293,053	$25,547,229	
Provision for Doubtful Accounts	(25,100)	(6,600)	(41,154)	1,051	(59,352)	(59,949)	(60,551)	(61,160)	(61,774)	(62,395)	
Total Net Operating Revenue	23,094,800	23,497,800	24,310,433	24,302,438	24,242,034	24,485,648	24,731,711	24,980,246	25,231,278	25,484,833	26,249,379
Operating Expenses:											
Salaries & Wages	4,548,400	4,692,000	4,673,957	4,681,143	4,681,143	4,727,954	4,775,234	4,822,986	4,871,216	4,919,928	
Employee Benefits	994,600	976,200	974,264	1,015,770	1,015,770	1,025,927	1,036,187	1,046,549	1,057,014	1,067,584	
Participant Expenses	12,829,200	12,154,400	12,112,685	12,374,238	12,374,238	12,498,590	12,624,191	12,751,055	12,879,193	13,008,619	
Purchased Services and Contracts	886,700	625,900	582,264	484,479	484,479	489,347	494,265	499,232	504,249	509,316	
Facility and Maintenance	433,900	434,600	469,442	493,781	414,515	426,951	439,759	452,952	466,540	480,537	
Supplies and Other	738,300	794,900	789,148	744,406	744,406	766,738	789,740	813,432	837,835	862,970	
Allocations	2,332,000	1,960,300	2,782,668	2,816,221	3,159,180	3,190,928	3,222,994	3,255,383	3,288,097	3,321,140	
Facility Rent	-	-	-	-	439,600	448,392	457,360	466,507	475,837	485,354	
Total Operating Expenses	22,763,100	21,638,300	22,384,428	22,610,037	23,313,330	23,574,827	23,839,730	24,108,095	24,379,982	24,655,448	
Operating Margin	331,700	1,859,500	1,926,005	1,692,400	928,704	910,821	891,981	872,150	851,296	829,385	
Other Income (Expense)	5,600	513,900	467,066	590,925	153,237	135,652	126,593	112,287	101,902	102,149	
EBITDA	337,300	2,373,400	2,393,071	2,283,325	1,081,941	1,046,473	1,018,574	984,437	953,198	931,534	959,480
Depreciation & Amortization Expense	255,100	256,700	212,855	165,893	179,184	178,078	201,080	206,707	216,411	246,862	265,793
Interest Expense	200	1,300	1,975	937	-	-	-	-	-	-	-
Earnings Before Income Taxes	82,000	2,115,400	2,178,241	2,116,494	902,757	868,395	817,495	777,730	736,787	684,672	693,687
Federal & State Income Tax Expense @ 38.0%	-	-	-	-	343,133	330,073	310,726	295,611	280,049	260,240	263,667
Earnings After Income Taxes	82,000	2,115,400	2,178,241	2,116,494	559,624	538,323	506,769	482,119	456,738	424,432	430,020
Cash Flow Adjustments:											
Plus: Depreciation & Amortization						178,078	201,080	206,707	216,411	246,862	265,793
Less: Required Annual Capital Expenditures						(337,078)	(250,869)	(253,608)	(256,553)	(257,739)	(265,793)
Less: Incremental Working Capital Requirements						(36,542)	(36,909)	(37,280)	(37,655)	(38,033)	(114,682)
Net Discretionary Cash Flow						342,781	420,071	397,937	378,941	375,521	315,338
Terminal Value											2,627,817
						0.5	1.5	2.5	3.5	4.5	4.5
Present Value Factor (mid-point convention)						0.9325	0.8109	0.7051	0.6131	0.5332	0.5332
Present Value of Cash Flows						$319,645	$340,624	$280,588	$232,343	$200,214	$1,401,054
Sum of Present Values (Year 1 to Year 5)						$1,373,415	49.5%	1.27x	NBY EBITDA	1.31x	YR 1 EBITDA
Present Value of Terminal						$1,401,054	50.5%	1.29x	NBY EBITDA	1.34x	YR 1 EBITDA
Fair Market Value Indication (Total Invested Capital Level)						$2,774,469	100.0%	2.56x	NBY EBITDA	2.65x	YR 1 EBITDA

INNOVAGE (IGNMP)
DISCOUNTED CASH FLOW ANALYSIS - INCOME APPROACH

		FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year
Revenue:												
Revenues		100.1%	100.0%	100.2%	100.0%	100.2%	100.2%	100.2%	100.2%	100.2%	100.2%	
Provision for Doubtful Accounts		(0.1%)	(0.0%)	(0.2%)	0.0%	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	
Total Net Operating Revenue		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Expenses:												
Salaries & Wages		19.7%	20.0%	19.2%	19.3%	19.3%	19.3%	19.3%	19.3%	19.3%	19.3%	
Employee Benefits		4.3%	4.2%	4.0%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	
Participant Expenses		55.6%	51.7%	49.8%	50.9%	51.0%	51.0%	51.0%	51.0%	51.0%	51.0%	
Purchased Services and Contracts		3.8%	2.7%	2.4%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
Facility and Maintenance		1.9%	1.8%	1.9%	2.0%	1.7%	1.7%	1.8%	1.8%	1.8%	1.9%	
Supplies and Other		3.2%	3.4%	3.2%	3.1%	3.1%	3.1%	3.2%	3.3%	3.3%	3.4%	
Allocations		10.1%	8.3%	11.4%	11.6%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	
Facility Rent		-	-	-	-	1.8%	1.8%	1.8%	1.9%	1.9%	1.9%	
Total Operating Expenses		98.6%	92.1%	92.1%	93.0%	96.2%	96.3%	96.4%	96.5%	96.6%	96.7%	
Operating Margin		1.4%	7.9%	7.9%	7.0%	3.8%	3.7%	3.6%	3.5%	3.4%	3.3%	
Other Income (Expense)		0.0%	2.2%	1.9%	2.4%	0.6%	0.6%	0.5%	0.4%	0.4%	0.4%	
EBITDA		1.5%	10.1%	9.8%	9.4%	4.5%	4.3%	4.1%	3.9%	3.8%	3.7%	3.7%
Depreciation & Amortization Expense		1.1%	1.1%	0.9%	0.7%	0.7%	0.7%	0.8%	0.8%	0.9%	1.0%	1.0%
Interest Expense		0.0%	0.0%	0.0%	0.0%	-	-	-	-	-	-	-
Earnings Before Income Taxes		0.4%	9.0%	9.0%	8.7%	3.7%	3.5%	3.3%	3.1%	2.9%	2.7%	2.6%
Federal & State Income Tax Expense @	38.0%	-	-	-	-	1.4%	1.3%	1.3%	1.2%	1.1%	1.0%	1.0%
Earnings After Income Taxes		0.4%	9.0%	9.0%	8.7%	2.3%	2.2%	2.0%	1.9%	1.8%	1.7%	1.6%

COST APPROACH ANALYSIS
C - EXHIBITS

($$)		Book Value February 28, 2014	Adjustments	Estimated Value	% of TIC
Current Assets					
Cash and Cash Equivalents	*Estimated value based on February 28, 2014 balance sheet*	$40,818,879	-	$40,818,879	116.1%
Short-Term Investments - Commercial Paper	*Estimated value based on February 28, 2014 balance sheet*	14,489,420	-	14,489,420	41.2%
Assets Limited to Use - Held for Others	*Estimated value based on February 28, 2014 balance sheet*	36,097	-	36,097	0.1%
Assets Held by Trustee	*Estimated value based on February 28, 2014 balance sheet*	864,373	-	864,373	2.5%
Money Market - Board Designated	*Estimated value based on February 28, 2014 balance sheet*	950,556	-	950,556	2.7%
Accounts Receivable, net	*Estimated value based on February 28, 2014 balance sheet*	11,893,345	-	11,893,345	33.8%
Other Receivable	*Estimated value based on February 28, 2014 balance sheet*	579,522	-	579,522	1.6%
Intercompany Receivables	*Estimated value based on February 28, 2014 balance sheet*	19,744,256	-	19,744,256	56.1%
Inventory	*Estimated value based on February 28, 2014 balance sheet*	(14,543)	-	(14,543)	(0.0%)
Prepaid Expenses and Other	*Estimated value based on February 28, 2014 balance sheet*	762,452	-	762,452	2.2%
Total Current Assets		90,124,358	-	90,124,358	256.3%
Current Liabilities					
Accounts Payable	*Estimated value based on February 28, 2014 balance sheet*	4,056,192	-	4,056,192	11.5%
Reported and Estimated Claims	*Estimated value based on February 28, 2014 balance sheet*	6,924,269	-	6,924,269	19.7%
Due to Medicaid and Medicare	*Estimated value based on February 28, 2014 balance sheet*	6,057,500	-	6,057,500	17.2%
Accrued Compensation	*Estimated value based on February 28, 2014 balance sheet*	526,601	-	526,601	1.5%
Accrued Vacation	*Estimated value based on February 28, 2014 balance sheet*	1,496,549	-	1,496,549	4.3%
Other Accrued Expenses	*Estimated value based on February 28, 2014 balance sheet*	997,090	-	997,090	2.8%
Unearned Revenue	*Estimated value based on February 28, 2014 balance sheet*	6,533,913	-	6,533,913	18.6%
Current Portion of Capital Lease Obligations	*Estimated value based on February 28, 2014 balance sheet*	114,939	(114,939)	-	-
Current Portion of Long-Term Debt	*Estimated value based on February 28, 2014 balance sheet*	560,000	(560,000)	-	-
Total Current Liabilities		27,267,053	(674,939)	26,592,114	75.6%
Total Current Level of Working Capital		62,857,305	674,939	63,532,244	180.7%
Adjustment to Reflect a Normalized Level of Working Capital					
Normalized Working Capital	Estimated at 15.0% of Net Revenue	63,532,244	(37,320,726)	26,211,518	74.5%
Total Normalized Working Capital				26,211,518	74.5%
Fixed Assets					
Land	*Estimated value based on February 28, 2014 management provided fixed asset summary*	6,454,952	(6,454,952)	-	-
Building and Leasehold Equipment	*Estimated value based on February 28, 2014 management provided fixed asset summary*	47,356,822	(46,058,094)	1,298,728	3.7%
Equipment and Vehicles	*Estimated value based on February 28, 2014 management provided fixed asset summary*	16,856,560	(9,200,600)	7,655,960	21.8%
Accumulated Depreciation	*Estimated value based on February 28, 2014 management provided fixed asset summary*	(19,180,197)	19,180,197	-	-
Total Fixed Assets		51,488,137	(42,533,449)	8,954,688	25.5%
Other Assets					
Board Designated Investment Fund	*Estimated value based on February 28, 2014 balance sheet; Not a transferrable economic asset*	20,966,244	(20,966,244)	-	-
Investments (CD's)	*Estimated value based on February 28, 2014 balance sheet; Not a transferrable economic asset*	5,175,753	(5,175,753)	-	-
Goodwill	*Estimated value based on February 28, 2014 balance sheet; Not a transferrable economic asset*	4,116,524	(4,116,524)	-	-
Note Receivable	*Estimated value based on February 28, 2014 balance sheet; Not a transferrable economic asset*	209,484	(209,484)	-	-
Deferred Financing Costs, net	*Estimated value based on February 28, 2014 balance sheet; Not a transferrable economic asset*	1,480,673	(1,480,673)	-	-
Debt Service Reserve	*Estimated value based on February 28, 2014 balance sheet; Not a transferrable economic asset*	2,580,841	(2,580,841)	-	-
Total Other Assets		34,529,519	(34,529,519)	-	-
Fair Market Value of the PACE Programs, Total Invested Capital Level		**$149,549,900**	**($114,383,694)**	**$35,166,206**	**100.0%**

MARKET APPROACH ANALYSIS
D - EXHIBITS

INNOVAGE (HOMECARE)
PUBLIC GUIDELINE COMPANY COMPARABLES

PRELIMINARY DRAFT - SUBJECT TO CHANGE

Managed Care Organizations (Insurance) — **Capitalization Data (in $1000s)**

Company Name	Ticker	Market Capitalization	Total Debt	Minority Interest	Cash & Short-Term Investments	Total Invested Capital	Total Members (as of FYE 2013)
UnitedHealth Group Incorporated	UNH	$74,536,188	$16,765,000	$1,268,000	$9,383,000	$92,569,188	n/a
WellPoint Inc.	WLP	$26,743,775	$15,461,300	-	$20,372,100	$42,205,075	83,584,000
Aetna Inc.	AET	$25,150,238	$9,045,200	-	$3,391,200	$34,195,438	50,494,000
Humana Inc.	HUM	$16,860,165	$3,003,000	-	$9,228,000	$19,863,165	19,807,600
Cigna Corp.	CI	$21,106,708	$5,249,000	$110,000	$3,426,000	$26,465,708	14,217,000
Health Net, Inc.	HNT	$2,687,576	$499,300	-	$2,000,175	$3,186,876	5,297,000
WellCare Health Plans, Inc.	WCG	$2,914,813	$600,000	-	$1,797,200	$3,514,813	2,846,000
Centene Corp.	CNC	$3,806,888	$817,080	$130,193	$1,317,700	$4,754,161	2,879,800
Molina Healthcare, Inc.	MOH	$1,706,072	$784,862	-	$1,638,947	$2,490,934	2,259,000
Universal American Corp	UAM	$624,126	$143,447	-	$69,574	$767,573	457,000

		Operating Revenue			*Operating EBITDA*		
Company Name	Ticker	TTM Revenue	FY + 1 Revenue	FY + 2 Revenue	TTM EBITDA	FY + 1 EBITDA	FY + 2 EBITDA
UnitedHealth Group Incorporated	UNH	$123,857,000	$129,060,544	$137,778,531	$10,526,000	$11,178,194	$11,963,949
WellPoint Inc.	WLP	$71,023,500	$73,165,939	$78,323,405	$5,154,100	$4,842,629	$5,104,928
Aetna Inc.	AET	$51,745,800	$56,402,508	$60,318,134	$4,685,575	$4,710,909	$4,978,094
Humana Inc.	HUM	$41,313,000	$46,596,975	$50,346,309	$2,315,000	$2,667,600	$2,937,228
Cigna Corp.	CI	$32,380,000	$33,970,260	$36,168,507	$2,894,000	$3,761,609	$3,930,333
Health Net, Inc.	HNT	$11,053,743	$14,403,086	$17,615,960	$342,356	$427,828	$530,372
WellCare Health Plans, Inc.	WCG	$9,527,900	$11,793,299	$13,480,694	$326,600	$466,437	$570,028
Centene Corp.	CNC	$11,475,186	$14,936,090	$17,587,829	$398,816	$554,206	$675,470
Molina Healthcare, Inc.	MOH	$6,416,917	$10,090,965	$12,803,004	$212,217	$374,804	$481,276
Universal American Corp	UAM	$2,156,566	$2,009,829	$2,045,251	$18,678	$63,758	$69,149

		TIC / Revenue		*TIC / EBITDA*		*TIC/Member*	*Revenue/Member*
Company Name	Ticker	TTM Revenue	FY + 1 Revenue	TTM EBITDA	FY + 1 EBITDA	FYE 2013 Members	FYE 2013 Members
UnitedHealth Group Incorporated	UNH	0.7x	0.7x	8.8x	8.3x	n/a	n/a
WellPoint Inc.	WLP	0.6x	0.6x	8.2x	8.7x	$505	$850
Aetna Inc.	AET	0.7x	0.6x	7.3x	7.3x	$677	$1,025
Humana Inc.	HUM	0.5x	0.4x	8.6x	7.4x	$1,003	$2,086
Cigna Corp.	CI	0.8x	0.8x	9.1x	7.0x	$1,862	$2,278
Health Net, Inc.	HNT	0.3x	0.2x	9.3x	7.4x	$602	$2,087
WellCare Health Plans, Inc.	WCG	0.4x	0.3x	10.8x	7.5x	$1,235	$3,348
Centene Corp.	CNC	0.4x	0.3x	11.9x	8.6x	$1,651	$3,985
Molina Healthcare, Inc.	MOH	0.4x	0.2x	11.7x	6.6x	$1,103	$2,841
Universal American Corp	UAM	0.4x	0.4x	41.1x	12.0x	$1,680	$4,719
	Mean:	0.5 x	0.5 x	12.7 x	8.1 x	$1,146	$2,580
	Median:	0.4 x	0.4 x	9.2 x	7.5 x	$1,103	$2,278

Source: Capital IQ as of 04/29/14

Total Invested Capital ("TIC") is defined as Market Value of Equity plus Interest-bearing Debt less Cash & Equivalents

Status	Close Date	Target	Acquirer	Price ($mm)	Implied EV ($mm)	Revenue ($mm)	EBITDA ($mm)	Members	TEV/Revenue	TEV/EBITDA	TEV/Member
Closed	12/24/2012	AMERIGROUP Corporation	WellPoint Inc.	5,103.61	4,479.28	7,465.47	285.30	2,737,000	0.6 x	15.7 x	1,637
Closed	5/7/2013	Coventry Health Care Inc.	Aetna Inc.	7,311.45	5,795.48	14,488.70	919.92	5,172,000	0.4 x	6.3 x	1,121
Closed	12/21/2012	Metropolitan Health Networks, Inc.	Humana Inc.	795.58	740.78	740.78	96.21	87,500	1.0 x	7.7 x	8,466
Closed	8/31/2012	Great American Supplemental Benefits Group	Cigna Corp.	305.00	305.00	338.89	n/a	n/a	0.9 x	n/a	n/a
Closed	1/31/2012	HealthSpring Inc.	Cigna Corp.	4,195.69	3,140.39	5,233.98	506.51	1,188,839	0.6 x	6.2 x	2,642
Closed	3/2/2012	APS Healthcare, Inc.	Universal American Corp.	280.50	280.50	n/a	n/a	n/a	n/a	n/a	n/a
Closed	5/1/2012	Health Plus	Amerigroup, Inc.	85.00	85.00	n/a	n/a	n/a	n/a	n/a	n/a
Closed	11/30/2011	FirstAssist Insurance Services	CIGNA Corp.	71.00	71.00	n/a	5.82	n/a	n/a	12.2 x	n/a
Closed	12/1/2011	AmeriHealth Mercy Family of Cos.	Independence Blue Cross	170.00	340.00	n/a	n/a	n/a	n/a	n/a	n/a
Closed	6/28/2011	Prodigy Health Group	Aetna, Inc.	600.00	600.00	n/a	n/a	n/a	n/a	n/a	n/a
Closed	8/31/2010	Vanbreda International, NV	CIGNA Corp	412.00	412.00	70.90	22.50	n/a	5.8 x	18.3 x	n/a
Closed	11/30/2010	Bravo Health, Inc	HealthSpring, Inc	545.00	545.00	1,362.50	81.34	n/a	0.4 x	6.7 x	n/a
Closed	9/1/2010	Abri Health Plan	Molina Healthcare, Inc	16.00	16.00	n/a	n/a	n/a	n/a	n/a	n/a
Closed	8/26/2010	Multiplan, Inc	BC Partners; Silver Lake	3,100.00	3,100.00	n/a	n/a	n/a	n/a	n/a	n/a
								Mean:	*1.4 x*	*10.4 x*	*3,466*
								Median:	*0.6 x*	*7.7 x*	*2,139*

Source: Capital IQ, VMG Research

INNOVAGE (PACE PROGRAMS)
INDIVIDUAL TRANSACTION METHOD

Multiple	Range of Multiple Selections			NBY	Value Indication		
	Low		**High**		**Low**		**High**
TIC/Revenue	0.5x	to	0.7x	$173,069,975	$86,534,987	to	$121,148,982
TIC/EBITDA	6.0x	to	8.0x	$16,224,161	$97,344,965	to	$129,793,286
				Average (TIC/EBITDA) & (TIC/Revenue)		$108,710,000	

Multiple	Range of Multiple Selections			Year 1	Value Indication		
	Low		**High**		**Low**		**High**
TIC/Revenue	0.5x	to	0.7x	$203,394,798	$101,697,399	to	$142,376,359
TIC/EBITDA	6.0x	to	8.0x	$21,279,618	$127,677,711	to	$170,236,947
				Average (TIC/EBITDA) & (TIC/Revenue)		$135,500,000	
				50/50 Weighted Average of NBY/Year 1		$122,105,000	

InnovAge Homecare
Value Summary

INNOVAGE (HOMECARE)
FAIR MARKET VALUE SUMMARY

FINAL REPORT

Fair Market Value Summary	Rounded ($)
Fair Market Value of the Company, Total Invested Capital Level	$1,160,000
Less: Interest-Bearing Debt Outstanding as of February 28, 2014	(210,000)
Fair Market Value of the Company, Enterprise Equity Level	**$950,000**
Less: Debt Related to Aspen Acquisition (Payable to PACE) as of February 28, 2014	(729,000)
Fair Market Value of the Company, Enterprise Equity Level Less Debt Related to Aspen Acquisition	**$221,000**

Enterprise TIC Level, Less Interest-Bearing Debt (+/- 5.0%) (Rounded):		
Low	**Mid**	**High**
$210,000	**$221,000**	**$230,000**

Implied Market Multiples	Financial Metric	Multiple
TIC/ FYE 2013 Revenue	$3,179,000	0.36x
TIC/ FYE 2013 EBITDA	($1,146,000)	-1.01x
TIC/ TTM 2014 Revenue	$3,001,000	0.39x
TIC/ TTM 2014 EBITDA	($1,141,000)	-1.02x
TIC/ NBY Revenue	$4,223,000	0.27x
TIC/ NBY EBITDA	($792,000)	-1.46x
TIC/ Year 1 Revenue	$4,560,000	0.25x
TIC/ Year 1 EBITDA	($548,000)	-2.12x

INNOVAGE (HOMECARE)
VALUATION RECONCILIATION

FINAL REPORT

Reconciliation of Valuation Approaches	Value	Weight	Conclusion
Income Approach Value Indication	$1,160,000	100.0%	$1,160,000
Cost Approach Value Indication	$560,000	-	-
Market Approach Value Indication	$1,580,000	-	-
Fair Market Value Indication, Total Invested Capital Level			$1,160,000

**Note: All value indications above reflect a normalized level of working capital.*
***Although considered, ultimately no reliance was placed upon the Market Approach as it was deemed that observed market multiples are generally derived from entities that have established some level of profitability.*

RESTATED FINANCIALS

A - EXHIBITS

INNOVAGE (HOMECARE)
HISTORICAL RESTATED BALANCE SHEET

FINAL REPORT

Fiscal Year End June 30	FYE 2011	FYE 2012	FYE 2013	Feb 28, 2014	FYE 2011	FYE 2012	FYE 2013	Feb 28, 2014
ASSETS:								
Current Assets:								
Cash and Cash Equivalents	$1,088,700	$1,029,698	$754,500	$963,342	48.1%	45.2%	82.5%	(527.2%)
Accounts Receivable, net	617,700	523,483	314,400	282,370	27.3%	23.0%	34.4%	(154.5%)
Other Receivable	-	-	-	133	-	-	-	(0.1%)
Intercompany Receivables	(245,600)	(290,399)	(1,299,300)	(1,881,213)	(10.8%)	(12.8%)	(142.2%)	1029.4%
Prepaid Expenses and Other	44,700	45,679	12,300	41,813	2.0%	2.0%	1.3%	(22.9%)
Total Current Assets	1,505,500	1,308,460	(218,100)	(593,554)	66.5%	57.5%	(23.9%)	324.8%
Fixed Assets:								
Land	216,200	216,225	-	-	9.5%	9.5%	-	-
Building and Leasehold Equipment	937,200	1,007,618	70,400	70,371	41.4%	44.3%	7.7%	(38.5%)
Equipment and Vehicles	231,400	176,352	356,200	397,367	10.2%	7.7%	39.0%	(217.4%)
Accumulated Depreciation	(624,800)	(657,480)	(237,400)	(271,783)	(27.6%)	(28.9%)	(26.0%)	148.7%
Net Fixed Assets	760,000	742,715	189,200	195,955	33.5%	32.6%	20.7%	(107.2%)
Other Assets:								
Investments (CD's)	-	225,000	225,000	75,000	-	9.9%	24.6%	(41.0%)
Real Estate Held for Sale	-	-	717,900	139,858	-	-	78.5%	(76.5%)
Total Other Assets	-	225,000	942,900	214,858	-	9.9%	103.2%	(117.6%)
Total Assets	2,265,500	2,276,175	914,000	(182,741)	100.0%	100.0%	100.0%	100.0%
LIABILITIES:								
Current Liabilities:								
Accounts Payable	14,700	51,886	21,900	17,671	0.6%	2.3%	2.4%	(9.7%)
Due to Medicaid and Medicare	-	(2,942)	(2,900)	(5,884)	-	(0.1%)	(0.3%)	3.2%
Accrued Compensation	155,700	176,615	136,500	59,852	6.9%	7.8%	14.9%	(32.8%)
Accrued Vacation	114,700	68,828	77,600	53,390	5.1%	3.0%	8.5%	(29.2%)
Other Accrued Expenses	48,400	69,339	38,200	27,811	2.1%	3.0%	4.2%	(15.2%)
Unearned Revenue	41,900	232,923	7,700	1,400	1.8%	10.2%	0.8%	(0.8%)
Current Portion of Capital Lease Obligations	4,900	(788)	(200)	(922)	0.2%	(0.0%)	(0.0%)	0.5%
Current Portion of Long-Term Debt	-	-	-	11,971	-	-	-	(6.6%)
Total Current Liabilities	380,300	595,862	278,800	165,290	16.8%	26.2%	30.5%	(90.5%)
Long-Term Liabilities:								
Capital Lease Obligations	10,300	10,341	3,400	2,838	0.5%	0.5%	0.4%	(1.6%)
Note Payable	-	245,052	223,000	197,513	-	10.8%	24.4%	(108.1%)
Total Long-Term Liabilities	10,300	255,393	226,400	200,351	0.5%	11.2%	24.8%	(109.6%)
Total Liabilities	390,600	851,255	505,200	365,641	17.2%	37.4%	55.3%	(200.1%)
SHAREHOLDERS' EQUITY:								
Net Assets - Unrestricted	1,857,300	1,407,342	391,200	(565,962)	82.0%	61.8%	42.8%	309.7%
Net Assets- Permanently Restricted	17,600	17,579	17,600	17,580	0.8%	0.8%	1.9%	(9.6%)
Total Shareholders' Equity	1,874,900	1,424,920	408,800	(548,382)	82.8%	62.6%	44.7%	300.1%
Total Liabilities & Shareholders' Equity	$2,265,500	$2,276,175	$914,000	($182,741)	100.0%	100.0%	100.0%	100.0%

Sources: Management provided financials as of the fiscal years ended June 30, 2011, 2012, 2013, and as of February 28, 2014.

INNOVAGE (HOMECARE)
HISTORICAL RESTATED INCOME STATEMENT

Fiscal Year End June 30	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year
Revenue:										
Revenues	$6,390,200	$5,913,200	$3,191,380	$3,008,589	$4,230,759	101.9%	100.3%	100.4%	100.3%	100.2%
Provision for Doubtful Accounts	(121,400)	(16,000)	(12,851)	(7,639)	(7,639)	(1.9%)	(0.3%)	(0.4%)	(0.3%)	(0.2%)
Total Net Operating Revenue	6,268,800	5,897,200	3,178,529	3,000,950	4,223,120	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Expenses:										
Salaries & Wages										
Salaries & Wages - IHC	4,087,300	3,766,200	2,455,131	2,394,217	2,394,217	65.2%	63.9%	77.2%	79.8%	56.7%
Total	4,087,300	3,766,200	2,455,131	2,394,217	2,394,217	65.2%	63.9%	77.2%	79.8%	56.7%
Employee Benefits										
Employee Benefits - IHC	554,200	592,300	445,784	423,850	423,850	8.8%	10.0%	14.0%	14.1%	10.0%
Total	554,200	592,300	445,784	423,850	423,850	8.8%	10.0%	14.0%	14.1%	10.0%
Participant Expenses										
Participant Expenses - IHC	-	900	(809)	-	-	-	0.0%	(0.0%)	-	-
Total	-	900	(809)	-	-	-	0.0%	(0.0%)	-	-
Purchased Services and Contracts										
Purchased Services and Contracts - IHC	664,000	744,300	312,689	248,336	248,336	10.6%	12.6%	9.8%	8.3%	5.9%
Total	664,000	744,300	312,689	248,336	248,336	10.6%	12.6%	9.8%	8.3%	5.9%
Rent, Facility, and Maintenance										
Rent, Facility, and Maintenance - IHC	159,800	134,900	95,227	75,222	75,222	2.5%	2.3%	3.0%	2.5%	1.8%
Total	159,800	134,900	95,227	75,222	75,222	2.5%	2.3%	3.0%	2.5%	1.8%
Supplies and Other										
Supplies and Other - IHC	536,400	501,500	367,384	339,714	339,714	8.6%	8.5%	11.6%	11.3%	8.0%
Total	536,400	501,500	367,384	339,714	339,714	8.6%	8.5%	11.6%	11.3%	8.0%
Allocations										
Allocations - IHC	302,300	370,600	650,004	582,003	549,999	4.8%	6.3%	20.4%	19.4%	13.0%
Total	302,300	370,600	650,004	582,003	549,999	4.8%	6.3%	20.4%	19.4%	13.0%
Aspen Home Health										
Total Operating Costs	-	-	-	-	983,763	-	-	-	-	23.3%
Total	-	-	-	-	983,763	-	-	-	-	23.3%
Total Operating Expenses	6,304,000	6,110,700	4,325,410	4,063,343	5,015,101	100.6%	103.6%	136.1%	135.4%	118.8%
Operating Margin	(35,200)	(213,500)	(1,146,881)	(1,062,393)	(791,981)	(0.6%)	(3.6%)	(36.1%)	(35.4%)	(18.8%)
Other Income (Expense)	1,100	1,300	1,371	(78,400)	-	0.0%	0.0%	0.0%	(2.6%)	-
EBITDA	(34,100)	(212,200)	(1,145,510)	(1,140,792)	(791,981)	(0.5%)	(3.6%)	(36.0%)	(38.0%)	(18.8%)
Depreciation & Amortization Expense	33,800	32,800	15,460	47,629	47,629	0.5%	0.6%	0.5%	1.6%	1.1%
Interest Expense	1,400	7,700	12,732	15,955	-	0.0%	0.1%	0.4%	0.5%	-
Earnings After Income Taxes	($69,300)	($252,700)	($1,173,702)	($1,204,376)	($839,609)	(1.1%)	(4.3%)	(36.9%)	(40.1%)	(19.9%)

Sources: Management provided financials for the fiscal years ended June 30, 2011, 2012, 2013, and the 8 month period ended February 28, 2014.
Normalized Base Year based on the TTM period ended February 28, 2014. Normalized Base Year eliminates any unusual or nonrecurring items from revenue and expenses and includes the operations of Aspen Home Health.

INCOME APPROACH ANALYSIS
B - EXHIBITS

INNOVAGE (HOMECARE)
NORMALIZED INCOME STATEMENT

	Footnotes	TTM 2014	Adjustments	Normalized Base Year	TTM 2014	Normalized Base Year
Revenue:						
Revenues	1	$3,008,589	$1,222,170	$4,230,759	100.3%	100.2%
Provision for Doubtful Accounts		(7,639)	-	(7,639)	(0.3%)	(0.2%)
Total Net Operating Revenue		3,000,950	1,222,170	4,223,120	100.0%	100.0%
Operating Expenses:						
Salaries & Wages						
Salaries & Wages - IHC		2,394,217	-	2,394,217	79.8%	56.7%
Total		2,394,217	-	2,394,217	79.8%	56.7%
Employee Benefits						
Employee Benefits - IHC		423,850	-	423,850	14.1%	10.0%
Total		423,850	-	423,850	14.1%	10.0%
Purchased Services and Contracts						
Purchased Services and Contracts - IHC		248,336	-	248,336	8.3%	5.9%
Total		248,336	-	248,336	8.3%	5.9%
Rent, Facility, and Maintenance						
Rent, Facility, and Maintenance - IHC		75,222	-	75,222	2.5%	1.8%
Total		75,222	-	75,222	2.5%	1.8%
Supplies and Other						
Supplies and Other - IHC		339,714	-	339,714	11.3%	8.0%
Total		339,714	-	339,714	11.3%	8.0%
Allocations						
Allocations - IHC	2	582,003	(32,005)	549,999	19.4%	13.0%
Total		582,003	(32,005)	549,999	19.4%	13.0%
Aspen Home Health						
Total Operating Costs	3	-	983,763	983,763	-	23.3%
Total		-	983,763	983,763	-	23.3%
Total Operating Expenses		4,063,343	951,758	5,015,101	135.4%	118.8%
Operating Margin		(1,062,393)	270,412	(791,981)	(35.4%)	(18.8%)
Other Income (Expense)	4	(78,400)	78,400	-	(2.6%)	-
EBITDA		(1,140,792)	348,812	(791,981)	(38.0%)	(18.8%)
Depreciation & Amortization Expense		47,629	-	47,629	1.6%	1.1%
Interest Expense	5	15,955	(15,955)	-	0.5%	-
Earnings After Income Taxes		($1,204,376)	$364,767	($839,609)	(40.1%)	(19.9%)

Sources: Management provided financials for the fiscal years ended June 30, 2011, 2012, 2013, and the 8 month period ended February 28, 2014. Normalized base year based on the TTM period ended February 28, 2014. Normalized Base Year eliminates any unusual or nonrecurring items from revenues and expenses.

FINAL REPORT

Footnotes to Normalized Base Year Income Statement	
Footnote	Description
1	Net Revenues were adjusted to reflect the acquisition of Aspen Home Health Care, Inc. The projected revenue related to this business were derived from the valuation our firm performed as of October 2013.
2	Allocations expense is representative of a management fee paid to InnovAge's wholly-owned management services provider, Total Longterm Care Solutions, LLC. Based on discussions with management, future allocated costs for management services provided will equate to 13.0% of net revenue to each of the supported business units.
3	Operating Expenses were adjusted to reflect the acquisition of Aspen Home Health Care, Inc. The projected operating expenses related to this business were derived from the valuation our firm performed as of October 2013.
4	Other income (expense) was eliminated to projected only recurring patient service revenue. This historical expense reflects the accounting of assets disposed of.
5	Eliminated interest expense to derive debt-free operations.

INNOVAGE (HOMECARE)
DISCOUNTED CASH FLOW ASSUMPTIONS

Discounted Cash Flow - Assumptions

Discount Rate	15.0%	
Incremental Working Capital Requirements	9.0%	
Normalized Working Capital	9.0%	$380,000 = x Normalized Base Year Revenue
Standard Inflation Rate (CPI)	3.0%	
Terminal Growth Rate	3.0%	
CO - Income Tax Rate (Blended Federal & State)	38.0%	CO
Net Initial Fixed Assets (Book Value)	$195,955	

	Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Yr
Capital Expenditures / Improvements	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000

Revenue Growth	FYE	FYE	FYE	TTM	Normalized			Projection Period		
Service Line	2011	2012	2013	2014	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5
IHC	n/a	(7.5%)	(46.0%)	(5.7%)	-	10.0%	10.0%	10.0%	10.0%	10.0%
Growth	n/a	(7.5%)	(46.0%)	(5.7%)		8.0%	8.1%	8.2%	8.2%	8.3%

	FYE	FYE	FYE	TTM	Normalized			Projections		
FTE/Staffing Compensation Assumptions:	2011	2012	2013	2014	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5
IHC FTEs			*Projected to remain flat*	127.6	127.6	127.6	127.6	127.6	127.6	127.6
Average Salary per FTE			*Overall staff cost is above market norms*	$18,761	$18,761	$18,761	$18,761	$18,761	$18,761	$18,761
Growth				n/a	-	-	-	-	-	-
IHC FTE salaries				$2,394,217	$2,394,217	$2,394,217	$2,394,217	$2,394,217	$2,394,217	$2,394,217
Total FTEs				127.6	127.6	127.6	127.6	127.6	127.6	127.6
Average Salary per FTE				$18,761	$18,761	$18,761	$18,761	$18,761	$18,761	$18,761
Growth				n/a	-	-	-	-	-	-
Total FTE Salaries	**$4,087,300**	**$3,766,200**	**$2,455,131**	**$2,394,217**	**$2,394,217**	**$2,394,217**	**$2,394,217**	**$2,394,217**	**$2,394,217**	**$2,394,217**
Employee Benefits - IHC	$554,200	$592,300	$445,784	$423,850	$423,850	$423,850	$423,850	$423,850	$423,850	$423,850
% of Salaries	13.6%	15.7%	18.2%	17.7%	17.7%	17.7%	17.7%	17.7%	17.7%	17.7%
Total Employee Salaries, Wages & Benefits	**$4,641,500**	**$4,358,500**	**$2,900,915**	**$2,818,067**	**$2,818,067**	**$2,818,067**	**$2,818,067**	**$2,818,067**	**$2,818,067**	**$2,818,067**
Growth	n/a	(6.1%)	(33.4%)	(2.9%)	-	-	-	-	-	-

INNOVAGE (HOMECARE)
DISCOUNTED CASH FLOW ASSUMPTIONS - INCOME APPROACH

FINAL REPORT

REVENUE ASSUMPTIONS: *Fee-for-Service Revenue:*	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5
IHC										
Estimated Revenues per year	6,390,200	5,913,200	3,191,380	3,008,589	3,008,589	3,309,448	3,640,393	4,004,432	4,404,876	4,845,363
Growth	n/a	(7.5%)	(46.0%)	(5.7%)		10.0%	10.0%	10.0%	10.0%	10.0%
Aspen Home Health										
Estimated Revenues per year	-	-	-	-	1,222,170	1,258,835	1,296,600	1,335,498	1,375,563	1,416,830
Growth	n/a	n/a	n/a	n/a		3.0%	3.0%	3.0%	3.0%	3.0%

REVENUE SUMMARY:	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5
Revenue:										
Revenues	$6,390,200	$5,913,200	$3,191,380	$3,008,589	$4,230,759	$4,568,283	$4,936,993	$5,339,931	$5,780,439	$6,262,193
Provision for Doubtful Accounts	(121,400)	(16,000)	(12,851)	(7,639)	(7,639)	(8,248)	(8,914)	(9,642)	(10,437)	(11,307)
Total Net Operating Revenue	$6,268,800	$5,897,200	$3,178,529	$3,000,950	$4,223,120	$4,560,035	$4,928,079	$5,330,289	$5,770,002	$6,250,886
Operating Revenue Growth	n/a	(5.9%)	(46.1%)	(5.6%)		8.0%	8.1%	8.2%	8.2%	8.3%
Revenues:										
Total Revenues	6,390,200	5,913,200	3,191,380	3,008,589	4,230,759	4,568,283	4,936,993	5,339,931	5,780,439	6,262,193

EXPENSE ASSUMPTIONS:	Footnotes	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5
Operating Expenses:											
Salaries & Wages											
Salaries & Wages - IHC	See Assumptions Summary	$4,087,300	$3,766,200	$2,455,131	$2,394,217	$2,394,217	$2,394,217	$2,394,217	$2,394,217	$2,394,217	$2,394,217
Employee Benefits											
Employee Benefits - IHC	See Assumptions Summary	554,200	592,300	445,784	423,850	423,850	423,850	423,850	423,850	423,850	423,850
Participant Expenses											
Participant Expenses - IHC	n/a	-	900	(809)	-	-	-	-	-	-	-
Purchased Services and Contracts											
Purchased Services and Contracts - IHC	Increase at CPI	664,000	744,300	312,689	248,336	248,336	255,786	263,460	271,363	279,504	287,890
Rent, Facility, and Maintenance											
Rent, Facility, and Maintenance - IHC	Increase at CPI	159,800	134,900	95,227	75,222	75,222	77,479	79,804	82,198	84,664	87,203
Supplies and Other											
Supplies and Other - IHC	Increase at CPI	536,400	501,500	367,384	339,714	339,714	349,905	360,402	371,214	382,351	393,821
Allocations											
Allocations - IHC	% of Revenue	302,300	370,600	650,004	582,003	549,999	593,877	641,809	694,191	751,457	814,085
Aspen Home Health											
Total Operating Costs	Increase at CPI	-	-	-	-	983,763	1,013,276	1,043,674	1,074,984	1,107,234	1,140,451
Total Operating Expenses		$6,304,000	$6,110,700	$4,325,410	$4,063,343	$5,015,101	$5,108,390	$5,207,216	$5,312,018	$5,423,277	$5,541,517
Operating Expense Growth		n/a	(3.1%)	(29.2%)	(6.1%)		1.9%	1.9%	2.0%	2.1%	2.2%

DEPRECIATION SCHEDULE:		Projection Period Year 1	Year 2	Year 3	Year 4	Year 5
Net Initial Fixed Assets (Book Value)	$195,955					
Straight-line Depreciation Years (initial assets)	7.0					
Depreciation of Initial Net Fixed Assets		$27,994	$27,994	$27,994	$27,994	$27,994
Capital Expenditures per Year		$50,000	$50,000	$50,000	$50,000	$50,000
Straight-line Depreciation Yrs (new assets)	7.0	3,571	7,143	7,143	7,143	7,143
			3,571	7,143	7,143	7,143
				3,571	7,143	7,143
					3,571	7,143
						3,571
Total Depreciation		$31,565	$38,708	$45,851	$52,994	$60,136

INNOVAGE (HOMECARE)
DISCOUNTED CASH FLOW ANALYSIS - INCOME APPROACH

FINAL REPORT

	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year
Revenue:											
Revenues	$6,390,200	$5,913,200	$3,191,380	$3,008,589	$4,230,759	$4,568,283	$4,936,993	$5,339,931	$5,780,439	$6,262,193	
Provision for Doubtful Accounts	(121,400)	(16,000)	(12,851)	(7,639)	(7,639)	(8,248)	(8,914)	(9,642)	(10,437)	(11,307)	
Total Net Operating Revenue	6,268,800	5,897,200	3,178,529	3,000,950	4,223,120	4,560,035	4,928,079	5,330,289	5,770,002	6,250,886	6,438,413
Operating Expenses:											
Salaries & Wages	4,087,300	3,766,200	2,455,131	2,394,217	2,394,217	2,394,217	2,394,217	2,394,217	2,394,217	2,394,217	
Employee Benefits	554,200	592,300	445,784	423,850	423,850	423,850	423,850	423,850	423,850	423,850	
Participant Expenses	-	900	(809)	-	-	-	-	-	-	-	
Purchased Services and Contracts	664,000	744,300	312,689	248,336	248,336	255,786	263,460	271,363	279,504	287,890	
Rent, Facility, and Maintenance	159,800	134,900	95,227	75,222	75,222	77,479	79,804	82,198	84,664	87,203	
Supplies and Other	536,400	501,500	367,384	339,714	339,714	349,905	360,402	371,214	382,351	393,821	
Allocations	302,300	370,600	650,004	582,003	549,999	593,877	641,809	694,191	751,457	814,085	
Aspen Home Health	-	-	-	-	983,763	1,013,276	1,043,674	1,074,984	1,107,234	1,140,451	
Total Operating Expenses	6,304,000	6,110,700	4,325,410	4,063,343	5,015,101	5,108,390	5,207,216	5,312,018	5,423,277	5,541,517	
Operating Margin	(35,200)	(213,500)	(1,146,881)	(1,062,393)	(791,981)	(548,355)	(279,137)	18,271	346,725	709,369	
Other Income (Expense)	1,100	1,300	1,371	(78,400)	-	-	-	-	-	-	
EBITDA	(34,100)	(212,200)	(1,145,510)	(1,140,792)	(791,981)	(548,355)	(279,137)	18,271	346,725	709,369	730,650
Depreciation & Amortization Expense	33,800	32,800	15,460	47,629	47,629	31,565	38,708	45,851	52,994	60,136	50,000
Interest Expense	1,400	7,700	12,732	15,955	-	-	-	-	-	-	-
Earnings Before Income Taxes	(69,300)	(252,700)	(1,173,702)	(1,204,376)	(839,609)	(579,920)	(317,845)	(27,580)	293,731	649,232	680,650
Federal & State Income Tax Expense @ 38.0%	-	-	-	-	-	-	-	-	111,646	246,770	258,712
Earnings After Income Taxes	(69,300)	(252,700)	(1,173,702)	(1,204,376)	(839,609)	(579,920)	(317,845)	(27,580)	182,085	402,462	421,938
Cash Flow Adjustments:											
Plus: Depreciation & Amortization						31,565	38,708	45,851	52,994	60,136	50,000
Less: Required Annual Capital Expenditures						(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Less: Incremental Working Capital Requirements						(30,322)	(33,124)	(36,199)	(39,574)	(43,280)	(16,877)
Net Discretionary Cash Flow						(628,678)	(362,261)	(67,928)	145,505	369,319	405,061
Terminal Value											3,375,507
						0.5	1.5	2.5	3.5	4.5	4.5
Present Value Factor (mid-point convention)						0.9325	0.8109	0.7051	0.6131	0.5332	0.5332
Present Value of Cash Flows						($586,245)	($293,748)	($47,897)	$89,214	$196,907	$1,799,694
Sum of Present Values (Year 1 to Year 5)						($641,768)	(55.4%)	-0.15x	NBY Revenue		
Present Value of Terminal						$1,799,694	155.4%	0.43x	NBY Revenue		
Fair Market Value Indication (Total Invested Capital Level)						$1,157,926	100.0%	0.27x	NBY Revenue		

INNOVAGE (HOMECARE)
DISCOUNTED CASH FLOW ANALYSIS - INCOME APPROACH

		FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year
Revenue:												
Revenues		101.9%	100.3%	100.4%	100.3%	100.2%	100.2%	100.2%	100.2%	100.2%	100.2%	
Provision for Doubtful Accounts		(1.9%)	(0.3%)	(0.4%)	(0.3%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	
Total Net Operating Revenue		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Expenses:												
Salaries & Wages		65.2%	63.9%	77.2%	79.8%	56.7%	52.5%	48.6%	44.9%	41.5%	38.3%	
Employee Benefits		8.8%	10.0%	14.0%	14.1%	10.0%	9.3%	8.6%	8.0%	7.3%	6.8%	
Participant Expenses		-	0.0%	(0.0%)	-	-	-	-	-	-	-	
Purchased Services and Contracts		10.6%	12.6%	9.8%	8.3%	5.9%	5.6%	5.3%	5.1%	4.8%	4.6%	
Rent, Facility, and Maintenance		2.5%	2.3%	3.0%	2.5%	1.8%	1.7%	1.6%	1.5%	1.5%	1.4%	
Supplies and Other		8.6%	8.5%	11.6%	11.3%	8.0%	7.7%	7.3%	7.0%	6.6%	6.3%	
Allocations		4.8%	6.3%	20.4%	19.4%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	
Aspen Home Health		-	-	-	-	23.3%	22.2%	21.2%	20.2%	19.2%	18.2%	
Total Operating Expenses		100.6%	103.6%	136.1%	135.4%	118.8%	112.0%	105.7%	99.7%	94.0%	88.7%	
Operating Margin		(0.6%)	(3.6%)	(36.1%)	(35.4%)	(18.8%)	(12.0%)	(5.7%)	0.3%	6.0%	11.3%	
Other Income (Expense)		0.0%	0.0%	0.0%	(2.6%)	-	-	-	-	-	-	
EBITDA		(0.5%)	(3.6%)	(36.0%)	(38.0%)	(18.8%)	(12.0%)	(5.7%)	0.3%	6.0%	11.3%	11.3%
Depreciation & Amortization Expense		0.5%	0.6%	0.5%	1.6%	1.1%	0.7%	0.8%	0.9%	0.9%	1.0%	0.8%
Interest Expense		0.0%	0.1%	0.4%	0.5%	-	-	-	-	-	-	-
Earnings Before Income Taxes		(1.1%)	(4.3%)	(36.9%)	(40.1%)	(19.9%)	(12.7%)	(6.4%)	(0.5%)	5.1%	10.4%	10.6%
Federal & State Income Tax Expense @	38.0%	-	-	-	-	-	-	-	-	1.9%	3.9%	4.0%
Earnings After Income Taxes		(1.1%)	(4.3%)	(36.9%)	(40.1%)	(19.9%)	(12.7%)	(6.4%)	(0.5%)	3.2%	6.4%	6.6%

INNOVAGE (HOMECARE)
ANNUAL REIMBURSEMENT ANALYSIS BY PAYOR

FINAL REPORT

Specialty	Reimbursement Effect	Medicaid	Private pay	Total % Effect
IHC		**36.7%**	**63.3%**	**100.0%**
	Year 1	1.0%	2.0%	**1.6%**
	Year 2	1.0%	2.0%	**1.6%**
	Year 3	1.0%	2.0%	**1.6%**
	Year 4	1.0%	2.0%	**1.6%**
	Year 5	1.0%	2.0%	**1.6%**

COST APPROACH ANALYSIS

C - EXHIBITS

INNOVAGE (HOMECARE)
COST APPROACH ANALYSIS

FINAL REPORT

($$)		Book Value February 28, 2014	Adjustments	Estimated Value	% of TIC
Current Assets					
Cash and Cash Equivalents	*Estimated value based on February 28, 2014 balance sheet*	$963,342	-	$963,342	171.0%
Accounts Receivable, net	*Estimated value based on February 28, 2014 balance sheet*	282,370	-	282,370	50.1%
Other Receivable	*Estimated value based on February 28, 2014 balance sheet*	133	-	133	0.0%
Intercompany Receivables	*Estimated value based on February 28, 2014 balance sheet*	(1,881,213)	-	(1,881,213)	(333.9%)
Prepaid Expenses and Other	*Estimated value based on February 28, 2014 balance sheet*	41,813	-	41,813	7.4%
Total Current Assets		(593,554)	-	(593,554)	(105.3%)
Current Liabilities					
Accounts Payable	*Estimated value based on February 28, 2014 balance sheet*	17,671	-	17,671	3.1%
Due to Medicaid and Medicare	*Estimated value based on February 28, 2014 balance sheet*	(5,884)	-	(5,884)	(1.0%)
Accrued Compensation	*Estimated value based on February 28, 2014 balance sheet*	59,852	-	59,852	10.6%
Accrued Vacation	*Estimated value based on February 28, 2014 balance sheet*	53,390	-	53,390	9.5%
Other Accrued Expenses	*Estimated value based on February 28, 2014 balance sheet*	27,811	-	27,811	4.9%
Unearned Revenue	*Estimated value based on February 28, 2014 balance sheet*	1,400	-	1,400	0.2%
Current Portion of Capital Lease Obligations	*Estimated value based on February 28, 2014 balance sheet*	(922)	-	(922)	(0.2%)
Current Portion of Long-Term Debt	*Estimated value based on February 28, 2014 balance sheet*	11,971	(11,971)	-	-
Total Current Liabilities		165,290	(11,971)	153,319	27.2%
Total Current Level of Working Capital		(758,844)	11,971	(746,873)	(132.5%)
Adjustment to Reflect a Normalized Level of Working Capital					
Normalized Working Capital	Estimated at 9.0% of Net Revenue	(746,873)	1,114,390	367,517	65.2%
Total Normalized Working Capital				367,517	65.2%
Fixed Assets					
Building and Leasehold Equipment	*Estimated value based on February 28, 2014 balance sheet*	70,371	-	70,371	12.5%
Equipment and Vehicles	*Estimated value based on February 28, 2014 balance sheet*	397,367	-	397,367	70.5%
Accumulated Depreciation	*Estimated value based on February 28, 2014 balance sheet*	(271,783)	-	(271,783)	(48.2%)
Total Fixed Assets		195,955	-	195,955	34.8%
Other Assets					
Investments (CD's)	*Estimated value based on February 28, 2014 balance sheet; Not a transferrable economic asset*	75,000	(75,000)	-	-
Real Estate Held for Sale	*Estimated value based on February 28, 2014 balance sheet; Not a transferrable economic asset*	139,858	(139,858)	-	-
Total Other Assets		214,858	(214,858)	-	-
Fair Market Value of the Company, Total Invested Capital Level		**($336,061)**	**$899,533**	**$563,472**	**100.0%**

INNOVAGE (HOMECARE)
WORKING CAPITAL ANALYSIS

Fiscal Year Ended June 30	FYE 2011	FYE 2012	FYE 2013	February 28, 2014
Current Assets:				
Cash and Cash Equivalents	$1,088,700	$1,029,698	$754,500	$963,342
Accounts Receivable, net	617,700	523,483	314,400	282,370
Other Receivable	-	-	-	133
Intercompany Receivables	(245,600)	(290,399)	(1,299,300)	(1,881,213)
Prepaid Expenses and Other	44,700	45,679	12,300	41,813
Total Current Assets	1,505,500	1,308,460	(218,100)	(593,554)
Current Liabilities:				
Accounts Payable	14,700	51,886	21,900	17,671
Due to Medicaid and Medicare	-	(2,942)	(2,900)	(5,884)
Accrued Compensation	155,700	176,615	136,500	59,852
Accrued Vacation	114,700	68,828	77,600	53,390
Other Accrued Expenses	48,400	69,339	38,200	27,811
Unearned Revenue	41,900	232,923	7,700	1,400
Current Portion of Capital Lease Obligations	4,900	(788)	(200)	(922)
Total Current Liabilities	$380,300	$595,862	$278,800	$153,319
Actual Working Capital	$1,125,200	$712,598	($496,900)	($746,873)
Total Net Operating Revenues	$6,268,800	$5,897,200	$3,178,529	$3,000,950
Acutal Working Capital as % of Net Operating Revenue	**17.9%**	**12.1%**	**(15.6%)**	**(24.9%)**

Normalized Base Year Net Operating Revenue	**$4,223,120**
Adjusted Actual Working Capital	**($746,873)**
Adjusted Actual Working Capital as a % of Net Operating Revenue	**(17.7%)**

INNOVAGE (HOMECARE)
WORKING CAPITAL ANALYSIS

FINAL REPORT

Fiscal Year Ended June 30		FYE 2011	FYE 2012	FYE 2013	February 28, 2014
NORMALIZED WORKING CAPITAL CALCULATION					Working Capital
Current Assets:					
Cash & Cash Equivalents	Estimated 30 days of operating expense				$412,200
Accounts Receivable	Based on industry norms of 30 days of net revenue				347,106
Inventory - Office & Med Supplies	Estimated 30 days of medical and office supplies				20,411
Total Current Assets					779,717
Current Liabilities:					
Accrued Payroll	Estimated 30 days of payroll expense				(231,622)
Other Payables	Estimated 30 days of operating expense (excluding payroll)				(180,578)
Total Current Liabilities					($412,200)
Total Working Capital					$367,517

Normalized Base Year Net Operating Revenue	**$4,223,120**
Normalized Working Capital as a % of Net Operating Revenue	**9.0%**
Normalized Working Capital	**$367,517**

Adjusted Actual Working Capital	**($750,000)**
Normalized Working Capital	**$370,000**
Working Capital Surplus/Deficiency	**($1,120,000)**

MARKET APPROACH ANALYSIS
D - EXHIBITS

INNOVAGE (HOMECARE)
PUBLIC GUIDELINE COMPANY COMPARABLES

FINAL REPORT

Home Health / Home Oxygen Services

		Capitalization Data (in $1000s)		Operating Data (in $1000s)		Valuation Multiples	
Company Name	Ticker	Market Capitalization	Total Debt	Minority Interest	Preferred Equity	Cash & Short-Term Investments	Total Invested Capital
Amedisys Inc.	AMED	$429,901	$46,904	$278	-	$17,303	$477,083
Gentiva Health Services Inc.	GTIV	$283,834	$1,169,757	$2,875	-	$86,957	$1,456,466
LHC Group, Inc.	LHCG	$373,946	$23,212	$14,133	-	$14,014	$411,291
Almost Family Inc.	AFAM	$197,704	$56,702	$3,436	-	$12,246	$257,842

		Operating Revenue			Operating EBITDA		
Company Name	Ticker	TTM Revenue	FY + 1 Revenue	FY + 2 Revenue	TTM EBITDA	FY + 1 EBITDA	FY + 2 EBITDA
Amedisys Inc.	AMED	$1,233,462	$1,197,753	$1,211,968	$46,724	$37,463	$42,651
Gentiva Health Services Inc.	GTIV	$1,726,644	$1,989,258	$2,030,439	$130,497	$183,394	$190,458
LHC Group, Inc.	LHCG	$644,354	$710,490	$749,161	$56,172	$54,391	$57,864
Almost Family Inc.	AFAM	$357,812	$499,028	$506,995	$17,406	$27,311	$29,143

		TIC / Revenue			TIC / EBITDA		
Company Name	Ticker	TTM Revenue	FY + 1 Revenue	FY + 2 Revenue	TTM EBITDA	FY + 1 EBITDA	FY + 2 EBITDA
Amedisys Inc.	AMED	0.4x	0.4x	0.4x	10.2x	12.7x	11.2x
Gentiva Health Services Inc.	GTIV	0.8x	0.7x	0.7x	11.2x	7.9x	7.6x
LHC Group, Inc.	LHCG	0.6x	0.6x	0.5x	7.3x	7.6x	7.1x
Almost Family Inc.	AFAM	0.7x	0.5x	0.5x	14.8x	9.4x	8.8x
	Mean:	0.6 x	0.6 x	0.5 x	10.9 x	9.4 x	8.7 x
	Median:	0.7 x	0.5 x	0.5 x	10.7 x	8.7 x	8.2 x

Source: Capital IQ as of 04/29/14
Total Invested Capital ("TIC") is defined as Market Value of Equity plus Interest-bearing Debt less Cash & Equivalents

FINAL REPORT

Merged & Acquired Acquisition Multiples: Home Health & Hospice

	Enterprise Value / Revenue	Enterprise Value / EBITDA
Median	0.9 x	7.9 x
Mean	1.0 x	7.3 x
25th Percentile	0.7 x	5.8 x
75th Percentile	1.0 x	10.3 x
High	2.8 x	11.4 x
Low	0.2 x	-0.6 x
Number of Observations	31	7

Data set includes transactions that occurred from 1/1/2010 through 9/30/2013.

INNOVAGE (HOMECARE)
INDIVIDUAL TRANSACTION METHOD

Multiple	Range of Multiple Selections			NBY	Value Indication		
	Low		**High**		**Low**		**High**
TIC/Revenue	0.3x	to	0.5x	$4,223,120	$1,055,780	to	$2,111,560
TIC/EBITDA	6.0x	to	8.0x	($791,981)	($4,751,885)	to	($6,335,846)
				Average (TIC/Revenue)		$1,580,000	

InnovAge Solutions
Value Summary

INNOVAGE (SOLUTIONS)
FAIR MARKET VALUE SUMMARY

FINAL REPORT

Fair Market Value Summary	Rounded ($)
Fair Market Value of the Company, Total Invested Capital Level	$11,980,000
Less: Interest-Bearing Debt Outstanding as of February 28, 2014	-
Fair Market Value of the Company, Enterprise Equity Level Less Interest-Bearing Debt	**$11,980,000**

Enterprise TIC Level, Less Interest-Bearing Debt (+/- 5.0%) (Rounded):		
Low	**Mid**	**High**
$11,380,000	**$11,980,000**	**$12,580,000**

Implied Market Multiples	Financial Metric	Multiple
TIC/ FYE 2013 Revenue	$20,610,000	0.58x
TIC/ FYE 2013 EBITDA	-	0.00x
TIC/ TTM 2014 Revenue	$22,889,000	0.52x
TIC/ TTM 2014 EBITDA	$181,000	66.19x
TIC/ NBY Revenue	$23,104,000	0.52x
TIC/ NBY EBITDA	($156,000)	-76.79x
TIC/ Year 1 Revenue	$27,100,000	0.44x
TIC/ Year 1 EBITDA	$1,526,000	7.85x

INNOVAGE (SOLUTIONS)
VALUATION RECONCILIATION

FINAL REPORT

Reconciliation of Valuation Approaches	Value	Weight	Conclusion
Income Approach Value Indication	$11,980,000	100.0%	$11,980,000
Cost Approach Value Indication	$2,430,000	-	-
Market Approach Value Indication	$27,100,000	-	-
Fair Market Value Indication, Total Invested Capital Level			$11,980,000

**Note: All value indications above reflect a normalized level of working capital.*
***Although considered, ultimately no reliance was placed upon the Market Approach as it was deemed that publicly traded MSO companies and related private transactions are not comparable to the subject business due to greater diversification of clientele (Solutions has only a single client) and overall size.*

RESTATED FINANCIALS

A - EXHIBITS

INNOVAGE (SOLUTIONS)
HISTORICAL RESTATED BALANCE SHEET

Fiscal Year End June 30	FYE 2011	FYE 2012	FYE 2013	Feb 28, 2014	FYE 2011	FYE 2012	FYE 2013	Feb 28, 2014
ASSETS:								
Current Assets:								
Cash and Cash Equivalents	$37,600	$249,632	$33,600	$16,702	3.6%	32.2%	1.8%	1.2%
Accounts Receivable, net	128,900	106,603	41,400	41,001	12.4%	13.8%	2.2%	2.9%
Other Receivable	-	-	-	23,012	-	-	-	1.6%
Intercompany Receivables	208,000	(96,858)	1,027,800	204,727	20.0%	(12.5%)	54.0%	14.5%
Prepaid Expenses and Other	663,000	515,667	766,400	1,053,830	63.9%	66.5%	40.2%	74.8%
Total Current Assets	1,037,500	775,045	1,869,200	1,339,273	100.0%	100.0%	98.2%	95.0%
Other Assets:								
Investments (CD's)	-	-	35,000	70,000	-	-	1.8%	5.0%
Total Other Assets	-	-	35,000	70,000	-	-	1.8%	5.0%
Total Assets	1,037,500	775,045	1,904,200	1,409,273	100.0%	100.0%	100.0%	100.0%
LIABILITIES:								
Current Liabilities:								
Accounts Payable	328,000	274,927	1,250,300	538,278	31.6%	35.5%	65.7%	38.2%
Accrued Compensation	529,300	633,638	767,000	543,192	51.0%	81.8%	40.3%	38.5%
Accrued Vacation	414,400	466,787	542,000	645,708	39.9%	60.2%	28.5%	45.8%
Other Accrued Expenses	165,800	239,377	177,100	154,429	16.0%	30.9%	9.3%	11.0%
Total Current Liabilities	1,437,500	1,614,728	2,736,400	1,881,606	138.6%	208.3%	143.7%	133.5%
Total Liabilities	1,437,500	1,614,728	2,736,400	1,881,606	138.6%	208.3%	143.7%	133.5%
SHAREHOLDERS' EQUITY:								
Net Assets - Unrestricted	(400,000)	(839,684)	(832,200)	(472,334)	(38.6%)	(108.3%)	(43.7%)	(33.5%)
Total Shareholders' Equity	(400,000)	(839,684)	(832,200)	(472,334)	(38.6%)	(108.3%)	(43.7%)	(33.5%)
Total Liabilities & Shareholders' Equity	$1,037,500	$775,045	$1,904,200	$1,409,273	100.0%	100.0%	100.0%	100.0%

Sources: Management provided financials as of the fiscal years ended June 30, 2011, 2012, 2013, and as of February 28, 2014.

INNOVAGE (SOLUTIONS)
HISTORICAL RESTATED INCOME STATEMENT

Fiscal Year End June 30	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year
Revenue:										
Revenues	$13,887,300	$15,048,100	$20,609,502	$22,888,585	$23,104,181	100.0%	100.0%	100.0%	100.0%	100.0%
Total Net Operating Revenue	13,887,300	15,048,100	20,609,502	22,888,585	23,104,181	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Expenses:										
Salaries & Wages										
Salaries & Wages - SOL	6,275,900	7,066,800	8,365,044	9,907,604	9,907,604	45.2%	47.0%	40.6%	43.3%	42.9%
Total	6,275,900	7,066,800	8,365,044	9,907,604	9,907,604	45.2%	47.0%	40.6%	43.3%	42.9%
Employee Benefits										
Employee Benefits - SOL	1,241,900	1,260,500	1,582,346	2,273,465	2,273,465	8.9%	8.4%	7.7%	9.9%	9.8%
Total	1,241,900	1,260,500	1,582,346	2,273,465	2,273,465	8.9%	8.4%	7.7%	9.9%	9.8%
Purchased Services and Contracts										
Purchased Services and Contracts - SOL	4,180,400	4,776,300	6,840,201	6,440,003	6,440,003	30.1%	31.7%	33.2%	28.1%	27.9%
Total	4,180,400	4,776,300	6,840,201	6,440,003	6,440,003	30.1%	31.7%	33.2%	28.1%	27.9%
Facility and Maintenance										
Facility and Maintenance - SOL	530,300	437,200	475,521	797,571	797,571	3.8%	2.9%	2.3%	3.5%	3.5%
Total	530,300	437,200	475,521	797,571	797,571	3.8%	2.9%	2.3%	3.5%	3.5%
Supplies and Other										
Supplies and Other - SOL	1,723,700	1,966,600	3,346,390	3,288,972	3,288,972	12.4%	13.1%	16.2%	14.4%	14.2%
Total	1,723,700	1,966,600	3,346,390	3,288,972	3,288,972	12.4%	13.1%	16.2%	14.4%	14.2%
Facility Rent										
Facility Rent - SOL	-	-	-	-	675,000	-	-	-	-	2.9%
Total	-	-	-	-	675,000	-	-	-	-	2.9%
Total Operating Expenses	13,952,200	15,507,400	20,609,502	22,707,614	23,382,614	100.5%	103.1%	100.0%	99.2%	101.2%
EBITDA	(64,900)	(459,300)	-	180,971	(278,433)	(0.5%)	(3.1%)	-	0.8%	(1.2%)
Depreciation & Amortization Expense	200	-	300	300	300	0.0%	-	0.0%	0.0%	0.0%
Interest Expense	3,500	4,700	7,463	7,766	-	0.0%	0.0%	0.0%	0.0%	-
Earnings Before Income Taxes	(68,600)	(464,000)	(7,763)	172,905	(278,733)	(0.5%)	(3.1%)	(0.0%)	0.8%	(1.2%)
Federal & State Income Tax Expense	-	-	-	-	-	-	-	-	-	-
Earnings After Income Taxes	($68,600)	($464,000)	($7,763)	$172,905	($278,733)	(0.5%)	(3.1%)	(0.0%)	0.8%	(1.2%)

Sources: Management provided financials for the fiscal years ended June 30, 2011, 2012, 2013, and the 8 month period ended February 28, 2014.
Normalized Base Year based on the TTM period ended February 28, 2014. Normalized Base Year eliminates any unusual or nonrecurring items from revenue and expenses.

INCOME APPROACH ANALYSIS

B - EXHIBITS

INNOVAGE (SOLUTIONS)
NORMALIZED INCOME STATEMENT

FINAL REPORT

	Footnotes	TTM 2014	Adjustments	Normalized Base Year	TTM 2014	Normalized Base Year
Revenue:						
Revenues	1	$22,888,585	$215,596	$23,104,181	100.0%	100.0%
Total Net Operating Revenue		22,888,585	215,596	23,104,181	100.0%	100.0%
Operating Expenses:						
Salaries & Wages						
Salaries & Wages - SOL		9,907,604	-	9,907,604	43.3%	42.9%
Total		9,907,604	-	9,907,604	43.3%	42.9%
Employee Benefits						
Employee Benefits - SOL		2,273,465	-	2,273,465	9.9%	9.8%
Total		2,273,465	-	2,273,465	9.9%	9.8%
Purchased Services and Contracts						
Purchased Services and Contracts - SOL		6,440,003	-	6,440,003	28.1%	27.9%
Total		6,440,003	-	6,440,003	28.1%	27.9%
Facility and Maintenance						
Facility and Maintenance - SOL		797,571	-	797,571	3.5%	3.5%
Total		797,571	-	797,571	3.5%	3.5%
Supplies and Other						
Supplies and Other - SOL		3,288,972	-	3,288,972	14.4%	14.2%
Total		3,288,972	-	3,288,972	14.4%	14.2%
Facility Rent						
Facility Rent - SOL	2	-	675,000	675,000	-	2.9%
Total		-	675,000	675,000	-	2.9%
Total Operating Expenses		22,707,614	675,000	23,382,614	99.2%	101.2%
EBITDA		180,971	(459,404)	(278,433)	0.8%	(1.2%)
Depreciation & Amortization Expense		300	-	300	0.0%	0.0%
Interest Expense	3	7,766	(7,766)	-	0.0%	-
Earnings After Income Taxes		$172,905	($451,638)	($278,733)	0.8%	(1.2%)

Sources: Management provided financials for the fiscal years ended June 30, 2011, 2012, 2013, and the 8 month period ended February 28, 2014. Normalized base year based on the TTM period ended February 28, 2014. Normalized Base Year eliminates any unusual or nonrecurring items from revenues and expenses.

INNOVAGE (SOLUTIONS)
FOOTNOTES TO NORMALIZED BASE YEAR INCOME STATEMENT

FINAL REPORT

Footnotes to Normalized Base Year Income Statement	
Footnote	Description
1	Net Revenues were adjusted to reflect the proposed Management Services Agreement Fee ("MSA Fee") to be charged to each business unit. Based on our discussions with management, the MSA Fee would equate to 13.0% of Net Revenue.
2	Facility Rental Expense is based on square footage provided by management and per square foot rental rates as estimated by VMG appraisal personnel. Please note that these are currently not FMV rental rates and are subject to additional due diligence prior to finalizing this valuation opinion.
3	Eliminated interest expense to derive debt-free operations.

FINAL REPORT

Discounted Cash Flow - Assumptions

Discount Rate	15.0%	
Incremental Working Capital Requirements	11.0%	
Normalized Working Capital	11.0%	$2,540,000 = x Normalized Base Year Revenue
Standard Inflation Rate (CPI)	3.0%	
Terminal Growth Rate	3.0%	
CO - Income Tax Rate (Blended Federal & State)	38.0%	CO
Net Initial Fixed Assets (Book Value)	-	*No Initial Fixed Assets as much of the IT services were historically outsourced*
Capital Expenditures / Improvements		

Per management, InnovAge just recently termed their IT contract with an outside vendor and brought this functionality in-house. As a result, significant capital expenditures are expected in FY 2015 and 2016 to replicate this service. Following 2016, annual expenditures are projected at $3.0M annually.

Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Yr
$4,200,000	$3,500,000	$3,000,000	$3,000,000	$3,000,000	$3,000,000

Revenue Growth Service Line	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5
SOL	n/a	8.4%	37.0%	11.1%	-	18.4%	11.4%	17.1%	14.5%	3.9%
Growth	n/a	8.4%	37.0%	11.1%		18.4%	11.4%	17.1%	14.5%	3.9%

Rental Assumptions:	Est. Sq. Ft.	Est. Rate	Escalation	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projections Year 1	Year 2	Year 3	Year 4	Year 5
8950 E. Lowry Boulevard	45,000	$15.00	2.0%	$530,300	$437,200	$475,521	$797,571	$675,000	$688,500	$702,270	$716,315	$730,642	$745,255
Total Existing Rental Cost				**$530,300**	**$437,200**	**$475,521**	**$797,571**	**$675,000**	**$688,500**	**$702,270**	**$716,315**	**$730,642**	**$745,255**
Growth				n/a	(17.6%)	8.8%	67.7%	(15.4%)	2.0%	2.0%	2.0%	2.0%	2.0%
per Revenue				$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

**Per management - approximately 53% of the overall expenses of SOL are variable by nature. As a result, VMG has made an allocation of staff between fixed and variable to accommodate this assumption.*

FTE/Staffing Compensation Assumptions:	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projections Year 1	Year 2	Year 3	Year 4	Year 5
SOL-FIX FTEs			*Projected to remain flat*	92.7	92.7	92.7	92.7	92.7	92.7	92.7
Average Salary per FTE				$85,496	$85,496	$86,351	$87,214	$88,087	$88,967	$89,857
Growth				n/a	-	1.0%	1.0%	1.0%	1.0%	1.0%
SOL-FIX FTE salaries				$7,926,083	$7,926,083	$8,005,344	$8,085,397	$8,166,251	$8,247,914	$8,330,393
SOL-VAR FTEs			*Adjusted with volume*	23.2	23.2	27.4	30.6	35.8	41.0	42.6
Average Salary per FTE				$85,496	$85,496	$86,351	$87,214	$88,087	$88,967	$89,857
Growth				n/a	-	1.0%	1.0%	1.0%	1.0%	1.0%
SOL-VAR FTE salaries				$1,981,521	$1,981,521	$2,369,569	$2,666,216	$3,153,253	$3,646,966	$3,825,904
Total FTEs				115.9	115.9	120.1	123.3	128.5	133.7	135.3
Average Salary per FTE				$85,496	$85,496	$86,351	$87,214	$88,087	$88,967	$89,857
Growth				n/a	-	1.0%	1.0%	1.0%	1.0%	1.0%
Total FTE Salaries	**$6,275,900**	**$7,066,800**	**$8,365,044**	**$9,907,604**	**$9,907,604**	**$10,374,913**	**$10,751,613**	**$11,319,504**	**$11,894,880**	**$12,156,297**
Employee Benefits - SOL	$1,241,900	$1,260,500	$1,582,346	$2,273,465	$2,273,465	$2,296,200	$2,319,162	$2,342,353	$2,365,777	$2,389,434
% of Salaries	19.8%	17.8%	18.9%	28.7%	28.7%	28.7%	28.7%	28.7%	28.7%	28.7%
Total Employee Salaries, Wages & Benefits	**$7,517,800**	**$8,327,300**	**$9,947,390**	**$12,181,069**	**$12,181,069**	**$12,671,112**	**$13,070,775**	**$13,661,857**	**$14,260,656**	**$14,545,731**
Growth	n/a	10.8%	19.5%	22.5%	-	4.0%	3.2%	4.5%	4.4%	2.0%

INNOVAGE (SOLUTIONS)
DISCOUNTED CASH FLOW ASSUMPTIONS - INCOME APPROACH

REVENUE ASSUMPTIONS: *Fee-for-Service Revenue:*	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5
SOL										
Estimated Revenues per year	13,887,300	15,048,100	20,609,502	22,888,585	22,888,585	27,099,938	30,190,679	35,352,078	40,482,425	42,048,210
Growth	n/a	8.4%	37.0%	11.1%		18.4%	11.4%	17.1%	14.5%	3.9%

REVENUE SUMMARY:	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5
Revenue:										
Revenues	$13,887,300	$15,048,100	$20,609,502	$22,888,585	$22,888,585	$27,099,938	$30,190,679	$35,352,078	$40,482,425	$42,048,210
Total Net Operating Revenue	$13,887,300	$15,048,100	$20,609,502	$22,888,585	$22,888,585	$27,099,938	$30,190,679	$35,352,078	$40,482,425	$42,048,210
Operating Revenue Growth	n/a	8.4%	37.0%	11.1%		18.4%	11.4%	17.1%	14.5%	3.9%
Revenues:										
Total Revenues	13,887,300	15,048,100	20,609,502	22,888,585	22,888,585	27,099,938	30,190,679	35,352,078	40,482,425	42,048,210

EXPENSE ASSUMPTIONS:	Footnotes	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5
Operating Expenses:											
Salaries & Wages											
Salaries & Wages - SOL	See Assumptions Summary	$6,275,900	$7,066,800	$8,365,044	$9,907,604	$9,907,604	$10,374,913	$10,751,613	$11,319,504	$11,894,880	$12,156,297
Employee Benefits											
Employee Benefits - SOL	See Assumptions Summary	1,241,900	1,260,500	1,582,346	2,273,465	2,273,465	2,296,200	2,319,162	2,342,353	2,365,777	2,389,434
Purchased Services and Contracts											
Purchased Services and Contracts - SOL	% of Revenue	4,180,400	4,776,300	6,840,201	6,440,003	6,440,003	7,624,922	8,494,543	9,946,770	11,390,260	11,830,814
Facility and Maintenance											
Facility and Maintenance - SOL	Increase at CPI	530,300	437,200	475,521	797,571	675,000	695,250	716,108	737,591	759,718	782,510
Supplies and Other											
Supplies and Other - SOL	% of Revenue	1,723,700	1,966,600	3,346,390	3,288,972	3,288,972	3,894,121	4,338,245	5,079,911	5,817,116	6,042,111
Facility Rent											
Facility Rent - SOL	See Assumptions Summary	-	-	-	-	675,000	688,500	702,270	716,315	730,642	745,255
Total Operating Expenses		$13,952,200	$15,507,400	$20,609,502	$22,707,614	$23,260,043	$25,573,906	$27,321,940	$30,142,444	$32,958,393	$33,946,421
Operating Expense Growth		n/a	11.1%	32.9%	10.2%		9.9%	6.8%	10.3%	9.3%	3.0%

DEPRECIATION SCHEDULE:		Projection Period Year 1	Year 2	Year 3	Year 4	Year 5
Net Initial Fixed Assets (Book Value)	- *No Initial Fixed Assets as much of the IT services were historically outsourced*					
Straight-line Depreciation Years (initial assets)	7.0					
Depreciation of Initial Net Fixed Assets		-	-	-	-	-
Capital Expenditures per Year		$4,200,000	$3,500,000	$3,000,000	$3,000,000	$3,000,000
Straight-line Depreciation Yrs (new assets)	7.0	300,000	600,000	600,000	600,000	600,000
			250,000	500,000	500,000	500,000
				214,286	428,571	428,571
					214,286	428,571
						214,286
Total Depreciation		$300,000	$850,000	$1,314,286	$1,742,857	$2,171,429

INNOVAGE (SOLUTIONS)
DISCOUNTED CASH FLOW ANALYSIS - INCOME APPROACH

FINAL REPORT

	FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year
Revenue:											
Revenues	$13,887,300	$15,048,100	$20,609,502	$22,888,585	$23,104,181	$27,099,938	$30,190,679	$35,352,078	$40,482,425	$42,048,210	
Total Net Operating Revenue	13,887,300	15,048,100	20,609,502	22,888,585	23,104,181	27,099,938	30,190,679	35,352,078	40,482,425	42,048,210	43,309,657
Operating Expenses:											
Salaries & Wages	6,275,900	7,066,800	8,365,044	9,907,604	9,907,604	10,374,913	10,751,613	11,319,504	11,894,880	12,156,297	
Employee Benefits	1,241,900	1,260,500	1,582,346	2,273,465	2,273,465	2,296,200	2,319,162	2,342,353	2,365,777	2,389,434	
Purchased Services and Contracts	4,180,400	4,776,300	6,840,201	6,440,003	6,440,003	7,624,922	8,494,543	9,946,770	11,390,260	11,830,814	
Facility and Maintenance	530,300	437,200	475,521	797,571	675,000	695,250	716,108	737,591	759,718	782,510	
Supplies and Other	1,723,700	1,966,600	3,346,390	3,288,972	3,288,972	3,894,121	4,338,245	5,079,911	5,817,116	6,042,111	
Facility Rent	-	-	-	-	675,000	688,500	702,270	716,315	730,642	745,255	
Total Operating Expenses	13,952,200	15,507,400	20,609,502	22,707,614	23,260,043	25,573,906	27,321,940	30,142,444	32,958,393	33,946,421	
EBITDA	(64,900)	(459,300)	-	180,971	(155,863)	1,526,032	2,868,739	5,209,634	7,524,033	8,101,789	8,344,843
Depreciation & Amortization Expense	200	-	300	300	300	300,000	850,000	1,314,286	1,742,857	2,171,429	3,000,000
Interest Expense	3,500	4,700	7,463	7,766	-	-	-	-	-	-	-
Earnings Before Income Taxes	(68,600)	(464,000)	(7,763)	172,905	(156,163)	1,226,032	2,018,739	3,895,348	5,781,176	5,930,360	5,344,843
Federal & State Income Tax Expense @ 38.0%	-	-	-	-	-	466,009	767,313	1,480,602	2,197,396	2,254,100	2,031,548
Earnings After Income Taxes	(68,600)	(464,000)	(7,763)	172,905	(156,163)	760,023	1,251,426	2,414,746	3,583,780	3,676,260	3,313,295
Cash Flow Adjustments:											
Plus: Depreciation & Amortization						300,000	850,000	1,314,286	1,742,857	2,171,429	3,000,000
Less: Required Annual Capital Expenditures						(4,200,000)	(3,500,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
Less: Incremental Working Capital Requirements						(439,533)	(339,982)	(567,754)	(564,338)	(172,236)	(138,759)
Net Discretionary Cash Flow						(3,579,510)	(1,738,555)	161,277	1,762,299	2,675,452	3,174,536
Terminal Value											26,454,463
						0.5	1.5	2.5	3.5	4.5	4.5
Present Value Factor (mid-point convention)						0.9325	0.8109	0.7051	0.6131	0.5332	0.5332
Present Value of Cash Flows						($3,337,910)	($1,409,749)	$113,718	$1,080,531	$1,426,451	$14,104,532
Sum of Present Values (Year 1 to Year 5)						($2,126,959)	(17.8%)	-1.39x	Yr1 EBITDA		
Present Value of Terminal						$14,104,532	117.8%	9.24x	Yr1 EBITDA		
Fair Market Value Indication (Total Invested Capital Level)						$11,977,572	100.0%	7.85x	Yr1 EBITDA		

INNOVAGE (SOLUTIONS)
DISCOUNTED CASH FLOW ANALYSIS - INCOME APPROACH

		FYE 2011	FYE 2012	FYE 2013	TTM 2014	Normalized Base Year	Projection Period Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Year
Revenue:												
Revenues		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Provision for Doubtful Accounts		-	-	-	-	-	-	-	-	-	-	
Total Net Operating Revenue		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Expenses:												
Salaries & Wages		45.2%	47.0%	40.6%	43.3%	42.9%	38.3%	35.6%	32.0%	29.4%	28.9%	
Employee Benefits		8.9%	8.4%	7.7%	9.9%	9.8%	8.5%	7.7%	6.6%	5.8%	5.7%	
Purchased Services and Contracts		30.1%	31.7%	33.2%	28.1%	27.9%	28.1%	28.1%	28.1%	28.1%	28.1%	
Facility and Maintenance		3.8%	2.9%	2.3%	3.5%	2.9%	2.6%	2.4%	2.1%	1.9%	1.9%	
Supplies and Other		12.4%	13.1%	16.2%	14.4%	14.2%	14.4%	14.4%	14.4%	14.4%	14.4%	
Facility Rent		-	-	-	-	2.9%	2.5%	2.3%	2.0%	1.8%	1.8%	
Total Operating Expenses		100.5%	103.1%	100.0%	99.2%	100.7%	94.4%	90.5%	85.3%	81.4%	80.7%	
EBITDA		(0.5%)	(3.1%)	-	0.8%	(0.7%)	5.6%	9.5%	14.7%	18.6%	19.3%	19.3%
Depreciation & Amortization Expense		0.0%	-	0.0%	0.0%	0.0%	1.1%	2.8%	3.7%	4.3%	5.2%	6.9%
Interest Expense		0.0%	0.0%	0.0%	0.0%	-	-	-	-	-	-	-
Earnings Before Income Taxes		(0.5%)	(3.1%)	(0.0%)	0.8%	(0.7%)	4.5%	6.7%	11.0%	14.3%	14.1%	12.3%
Federal & State Income Tax Expense @	38.0%	-	-	-	-	-	1.7%	2.5%	4.2%	5.4%	5.4%	4.7%
Earnings After Income Taxes		(0.5%)	(3.1%)	(0.0%)	0.8%	(0.7%)	2.8%	4.1%	6.8%	8.9%	8.7%	7.7%

COST APPROACH ANALYSIS

C - EXHIBITS

INNOVAGE (SOLUTIONS)
COST APPROACH ANALYSIS

($$)		Book Value February 28, 2014	Adjustments	Estimated Value	% of TIC
Current Assets					
Cash and Cash Equivalents	*Estimated value based on February 28, 2014 balance sheet*	$16,702	-	$16,702	0.7%
Accounts Receivable, net	*Estimated value based on February 28, 2014 balance sheet*	41,001	-	41,001	1.7%
Other Receivable	*Estimated value based on February 28, 2014 balance sheet*	23,012	-	23,012	0.9%
Intercompany Receivables	*Estimated value based on February 28, 2014 balance sheet*	204,727	-	204,727	8.4%
Prepaid Expenses and Other	*Estimated value based on February 28, 2014 balance sheet*	1,053,830	-	1,053,830	43.4%
Total Current Assets		1,339,273	-	1,339,273	55.2%
Current Liabilities					
Accounts Payable	*Estimated value based on February 28, 2014 balance sheet*	538,278	-	538,278	22.2%
Accrued Compensation	*Estimated value based on February 28, 2014 balance sheet*	543,192	-	543,192	22.4%
Accrued Vacation	*Estimated value based on February 28, 2014 balance sheet*	645,708	-	645,708	26.6%
Other Accrued Expenses	*Estimated value based on February 28, 2014 balance sheet*	154,429	-	154,429	6.4%
Total Current Liabilities		1,881,606	-	1,881,606	77.5%
Total Current Level of Working Capital		(542,334)	-	(542,334)	(22.3%)
Adjustment to Reflect a Normalized Level of Working Capital					
Normalized Working Capital	Estimated at 11.0% of Net Revenue	(542,334)	2,970,623	2,428,289	100.0%
Total Normalized Working Capital				2,428,289	100.0%
Other Assets					
Investments (CD's)	*Estimated value based on February 28, 2014 balance sheet; Not a transferrable economic asset*	70,000	(70,000)	-	-
Total Other Assets		70,000	(70,000)	-	-
Fair Market Value of the Company, Total Invested Capital Level		**($472,334)**	**$2,900,623**	**$2,428,289**	**100.0%**

INNOVAGE (SOLUTIONS)
WORKING CAPITAL ANALYSIS

FINAL REPORT

Fiscal Year Ended June 30	FYE 2011	FYE 2012	FYE 2013	February 28, 2014
Current Assets:				
Cash and Cash Equivalents	$37,600	$249,632	$33,600	$16,702
Accounts Receivable, net	128,900	106,603	41,400	41,001
Other Receivable	-	-	-	23,012
Intercompany Receivables	208,000	(96,858)	1,027,800	204,727
Prepaid Expenses and Other	663,000	515,667	766,400	1,053,830
Total Current Assets	1,037,500	775,045	1,869,200	1,339,273
Current Liabilities:				
Accounts Payable	328,000	274,927	1,250,300	538,278
Due to Medicaid and Medicare	-	-	-	-
Accrued Compensation	529,300	633,638	767,000	543,192
Accrued Vacation	414,400	466,787	542,000	645,708
Other Accrued Expenses	165,800	239,377	177,100	154,429
Unearned Revenue	-	-	-	-
Current Portion of Capital Lease Obligations	-	-	-	-
Total Current Liabilities	$1,437,500	$1,614,728	$2,736,400	$1,881,606
Actual Working Capital	($400,000)	($839,684)	($867,200)	($542,334)
Total Net Operating Revenues	$13,887,300	$15,048,100	$20,609,502	$22,888,585
Acutal Working Capital as % of Net Operating Revenue	(2.9%)	(5.6%)	(4.2%)	(2.4%)

Normalized Base Year Net Operating Revenue	**$23,104,181**
Adjusted Actual Working Capital	**($542,334)**
Adjusted Actual Working Capital as a % of Net Operating Revenue	**(2.3%)**

INNOVAGE (SOLUTIONS)
WORKING CAPITAL ANALYSIS

FINAL REPORT

Fiscal Year Ended June 30		FYE 2011	FYE 2012	FYE 2013	February 28, 2014
NORMALIZED WORKING CAPITAL CALCULATION					Working Capital
Current Assets:					
Cash & Cash Equivalents	Estimated 30 days of operating expense				$1,911,784
Accounts Receivable	Based on industry norms of 30 days of net revenue				1,898,974
Inventory - Office & Med Supplies	Estimated 30 days of medical and office supplies				529,315
Total Current Assets					4,340,073
Current Liabilities:					
Accrued Payroll	Estimated 30 days of payroll expense				(1,001,184)
Other Payables	Estimated 30 days of operating expense (excluding payroll)				(910,601)
Total Current Liabilities					($1,911,784)
Total Working Capital					$2,428,289
Normalized Base Year Net Operating Revenue					**$23,104,181**
Normalized Working Capital as a % of Net Operating Revenue					**11.0%**
Normalized Working Capital					**$2,428,289**
Adjusted Actual Working Capital					**($540,000)**
Normalized Working Capital					**$2,430,000**
Working Capital Surplus/Deficiency					**($2,970,000)**

MARKET APPROACH ANALYSIS
D - EXHIBITS

INNOVAGE (SOLUTIONS)
PUBLIC GUIDELINE COMPANY COMPARABLES

FINAL REPORT

MSOs / Revenue Cycle Mgmt Cos		Capitalization Data (in $1000s)		Operating Data (in $1000s)		Valuation Multiples	
Company Name	Ticker	Market Capitalization	Total Invested Capital	TTM Revenue	TTM EBITDA	TIC / Revenue	TIC / EBITDA
MedAssets, Inc.	MDAS	$1,470,840	$2,244,376	$680,416	$207,890	3.3 x	10.8 x
Allscripts Healthcare Solutions, Inc.	MDRX	$3,027,779	$3,590,004	$1,373,061	$9,871	2.6 x	363.7 x
Quality Systems Inc.	QSII	$959,747	$959,747	$440,759	$72,754	2.2 x	13.2 x
IPC The Hospitalist Company, Inc.	IPCM	$832,796	$922,796	$609,517	$66,568	1.5 x	13.9 x
MEDNAX, Inc.	MD	$6,145,257	$6,172,492	$2,154,012	$492,097	2.9 x	12.5 x
Team Health Holdings, Inc.	TMH	$3,259,708	$3,762,565	$2,383,595	$236,644	1.6 x	15.9 x
Envision Healthcare Holdings, Inc.	EVHC	$5,977,323	$7,900,052	$3,728,312	$441,335	2.1 x	17.9 x
Accretive Health, Inc.	AH	$915,980	$716,620	$973,250	$28,670	0.7 x	25.0 x
					Mean:	2.1 x	59.1 x
					Median:	2.1 x	14.9 x

Source: Capital IQ as of 04/08/14

Total Invested Capital ("TIC") is defined as Market Value of Equity plus Interest-bearing Debt less Cash & Equivalents

Merged & Acquired Acquisition Multiples: Revenue Cycle Management

	Enterprise Value / Revenue	Enterprise Value / EBITDA
Median	2.2 x	10.9 x
Mean	2.2 x	10.9 x
25th Percentile	2.2 x	10.9 x
75th Percentile	2.2 x	10.9 x
High	2.2 x	10.9 x
Low	2.2 x	10.9 x
Number of Observations	1	1

Data set includes transactions that occurred from 1/1/2010 through 9/30/2013.

INNOVAGE (SOLUTIONS)
INDIVIDUAL TRANSACTION METHOD

FINAL REPORT

Multiple	Range of Multiple Selections			Year 1	Value Indication		
	Low		**High**		**Low**		**High**
TIC/Revenue	0.8x	to	1.2x	$27,099,938	$21,679,950	to	$32,519,925
TIC/EBITDA	6.0x	to	8.0x	$1,526,032	$9,156,190	to	$12,208,254
				Average (TIC/Revenue)		$27,100,000	

$ in 000's Midpoint	Valuation 2014				Valuation 2015				% Change in Valuation			
	PACE	Solutions	Home Care	Combined	PACE	Solutions	Home Care	Combined	PACE	Solutions	Home Care	Combined
Company Valuation [1]	157,730	11,980	221	169,931	178,310	16,040	-	194,350	13%	34%	-100%	14%
Less Bond Defeasance	(38,148)			(38,148)	(37,186)			(37,186)	-3%			-3%
Add Mid Point Value of Land & Buildings	53,650			53,650	54,650			54,650	2%			2%
Combined Valuation	173,232	11,980	221	185,433	195,774	16,040	-	211,814	13%	34%	-100%	14%

[1] Amount includes the working capital surplus for PACE.

Property Valuation Comparison to Book Value:

	2014 Low	2014 Mid	2014 High	2015 Low	2015 Mid	2015 High
Book Value of Land & Buildings	51,758	51,758	51,758	49,371	49,371	49,371
Valuation	50,700	53,650	56,600	51,600	54,650	57,700
Variance	(1,058)	1,892	4,842	2,229	5,279	8,329

Valuation Range After Bond Defeasance:	PACE	Solutions	Home Care	Combined	PACE	Solutions	Home Care	Combined
Low	162,352	11,380	210	173,942	183,814	15,240	-	199,054
Midpoint	173,232	11,980	221	$\boxed{185,433}$	195,774	16,040	-	$\boxed{211,814}$
High	184,052	12,580	230	196,862	207,714	16,840	-	224,554

PACE Valuation by State:	Low	Midpoint	High	Low	Midpoint	High	Change in Valuation Midpoint $	Change in Valuation Midpoint %
Colorado	123,943	132,742	141,815	146,359	156,464	166,553	23,722	18%
New Mexico	3,934	4,170	4,412	4,231	4,490	4,749	320	8%
California	34,475	36,120	37,825	33,225	34,820	36,412	(1,300)	-4%
Total	162,352	173,032	184,052	183,814	195,774	207,714	22,742	13%

EXHIBIT D

Description of the Transaction and Distribution of Proceeds

Total Community Options, Inc., d/b/a/ InnovAge (the "Parent Entity"), together with its affiliates and subsidiaries, including those being converted in accordance with the terms of the Plan, (collectively, the "Company") is a national leader in the delivery of services to the frail elderly population in the states of Colorado, California and New Mexico, through its core businesses, including Programs of All Inclusive Care for the Elderly ("PACE"). To continue to grow and enhance the ability to serve the ever increasing population of frail elderly in the most patient centric and cost effective way, the Company is in need of a development partner capable of providing significant capital resources, and in supporting, enhancing and working with Company management and pursuing its mission and vision. Welsh, Carson, Anderson & Stowe XII, L.P. ("Welsh") is interested in accelerating the Company's growth in the development and operation of PACE Programs by making additional capital investment available which will allow the Company to open new facilities, as well as expanding the ability to bring its proprietary care management models to similar populations through a broader relationship with government and commercial healthcare insurance organizations, as well as other health services constituents. At the same time, as a part of the proposed transaction, Welsh will transfer to the Total Community Options Foundation, a Colorado nonprofit, tax-exempt corporation (the "Foundation"), the existing Foundation currently affiliated with the Company, the fair value of the Converting Entities' assets. The Foundation, whose long-standing mission is to sustain and enhance the independence and quality of life of the frail and elderly by increasing community awareness and support for the programs of the Company, will continue as an independent entity and will provide funding for continued support of the frail elderly community served by the Company.

To move forward with these Company goals, the Company and Welsh have entered into a transaction, principally embodied in a Stock Purchase Agreement ("SPA").
The principal terms of the transaction as contemplated by the SPA are as follows:

- Upon the receipt of the necessary regulatory and other approvals, and the fulfillment of any additional requirements set forth in the Purchase Agreement, Total Longterm Care, Inc. ("TLTC"), Seniors!, Inc. ("Seniors"), and Continental Community Housing, Inc. ("CCH," together with TLTC and Seniors, the "Subsidiaries," together the Subsidiaries and the Parent Entity, the "Converting Entities"), all Colorado non-profit corporations, will convert to Colorado general business corporations as provided for in the Plan (the "Conversion").

- In connection with the Conversion, the bylaws of the Foundation will be amended and the Parent Entity will cease to have the right to appoint the members of the Board of Directors of the Foundation and the Foundation will continue as an independent Colorado non-profit, tax exempt corporation. Additionally, the Parent Entity will cease to have governance rights in Johnson Adult Day Program, Inc., a Colorado nonprofit, tax-exempt corporation ("JADP"), and JADP will continue as a nonprofit corporation affiliated with the Foundation. The Company and each of the Foundation and JADP will enter into transition services agreements upon the Conversion pursuant to which the Company will provide transition services to the Foundation and JADP in an effort to assist JADP and the Foundation with the transition to freestanding independent non-profit, tax-exempt organizations.

- Upon the Conversion, the Resulting Parent Entity will issue shares of Common Stock, representing 100% of its outstanding stock, to TCO Acquisition Corporation (the "Buyer"), an entity affiliated with Welsh (the "Issuance").

- Upon the Conversion, Resulting TLTC and Resulting Seniors will issue shares of Common Stock, representing 100% of their outstanding stock to the Resulting Parent Entity, and they will become wholly owned subsidiaries of the Resulting Parent Entity. Upon the Conversion, Resulting CCH will issue shares of Common Stock, representing 100% of its outstanding stock, to Resulting TLTC, so that it will continue as a wholly owned subsidiary of TLTC. The effect of the issuances will result in the Buyer becoming the parent of the Company, including all subsidiaries other than the Foundation and JADP which will continue independently.

- Following the Conversion and the closing of the transactions contemplated by the SPA, the Company's management team and employees will remain in place in order to continue the operation of the business of the Company. Welsh has also committed to maintain the headquarters of the Company in Colorado following the Conversion for a period of at least five (5) years.

- As consideration for the acquisition of the stock of the Resulting Parent Entity, the Buyer will pay $180,309,100 which will be subject to adjustment to account for net working capital and closing cash amounts (the "Purchase Price") and TCO Group Holdings, Inc., (the "Parent"), the Welsh affiliate who will be the sole stockholder of the Buyer and, indirectly, of the Company after the Conversion, will issue shares representing a 5% interest and valued at $6,068,900 to the Foundation. In connection with the Conversion, the outstanding Bonds held by the Company will be defeased.

<u>Distribution of Proceeds</u>

The Purchase Price will be distributed as follows:

  - All Company expenses incurred in connection with the transactions will be paid from the Purchase Price.

  - $15,842,130 will be held in escrow subject to any indemnification or adjustment obligations of the Company, to be released to the Foundation at the end of 4 years from the closing of the transactions.

  - The remaining amounts will be paid in immediately available funds to the Foundation, for use in support of its charitable mission.

- In addition to the Purchase Price, the Foundation will receive shares in the Parent representing a 5% interest in the Company.

Terms not otherwise defined in this Attachment have the meanings ascribed to them in the Plan.

EXHIBITS E 1-7

Employment Agreements

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and entered effective as of this 1st day of January, 2012 ("Effective Date"), by and between Total Community Options, Inc. ("Company"), a Colorado non-profit corporation and Maureen Hewitt ("Hewitt").

RECITALS

WHEREAS, Company employs Hewitt as President and Chief Executive Officer of Company and its affiliates; and

WHEREAS, Hewitt desires to continue her position with Company in the capacity of President and CEO ("CEO") of Company.

NOW, THEREFORE, the parties, in consideration of the mutual covenants, agreements and representations set forth herein, do hereby agree as follows:

SECTION I - EMPLOYMENT

1.1 Company agrees to continue to employ Hewitt as per the terms and conditions of this Agreement to perform the duties of its CEO. In that capacity Hewitt shall do and perform all services, acts or things necessary or advisable to fulfill the duties and responsibilities of CEO and as are assigned to Hewitt by the Board of Directors of Company, pursuant to Hewitt's job description on file with Company, and as it may be revised by the Board of Directors. Hewitt shall have such additional duties that the Board of Directors may from time to time assign as are appropriate for the position of CEO. Hewitt shall at all times be subject to the direction of the Board of Directors of Company and to the policies and procedures established by Company, including the most recent personnel policies.

1.2. Outside Activities. During the term of Hewitt's employment, Hewitt may engage in outside activities, provided those activities (including, but not limited to: membership on boards of directors of not-for-profit and for-profit organizations) do not conflict with Hewitt's duties and responsibilities hereunder, and provided further that Hewitt gives written notice to the Chair of the Audit Committee and the Board of Directors of the Company of any significant outside activity in which Hewitt plans to become involved, whether or not such activity is pursued for profit.

SECTION II -TERM OF EMPLOYMENT

2.1 The term of employment under this Agreement shall commence as of the Effective Date written above and shall continue for an indefinite period until terminated pursuant to Sections V of this Agreement.

SECTION III - COMPENSATION

3.1 Base Salary. Company agrees to pay Hewitt an annual base salary, commensurate with her performance and experience within the compensation philosophy established by the Board of Directors. Hewitt will be paid her salary per Company's pay schedule for executive exempt employees. Company, in its sole discretion, may increase the base salary as a result of any such review. The Board of Directors may not reduce Hewitt's base salary unless Hewitt authorizes it in writing or Company is reducing the base salary of other similarly-situated executives by a similar percentage.

3.2 Incentive Compensation. In addition to base salary, Hewitt shall be eligible to participate in such Incentive Compensation program as shall be determined by the Board of Directors. The receipt of any such Incentive Compensation shall be governed by the terms and provisions of such program.

3.3 Performance Review. The Governance Committee of Company's Board of Directors shall annually review Hewitt's performance and shall report their conclusions to the Board. Hewitt will receive an annual review each year and salary adjustments may be made in accordance with the salary range for CEO's of comparable healthcare organizations using executive compensation data as identified by a national executive compensation firm. The review shall be based upon reasonable goals and objectives of the Company and a determination of adjustments to salary and incentive compensation based upon Hewitt's performance against these goals and objectives.

SECTION IV - BENEFITS

Company agrees to provide at no cost, or provide access to the following benefits:

4.1 Group Benefits. Company shall provide to Hewitt any group or other benefits (e.g., medical and dental insurance, short-and long-term disability insurance coverage) provided to senior executives of Company in accordance with the terms and conditions then in effect. These benefits may be amended from time to time by Company.

4.2 Paid Time Off. Hewitt's paid time off ("PTO") and the Extended Illness Bank ("EIB") shall be governed by the then current written policy of Company with respect to all regular, full-time, senior executive employees of Company that are eligible to participate, and as may be modified in the future, with one year credit. Unused vacation days shall not be forfeited once they have been earned and, if still unused at the time of Hewitt's termination of employment with Company, shall be promptly paid to Hewitt at their then-current value, based on Hewitt's rate of pay at the time of Hewitt's termination of employment. Hewitt shall be permitted to accrue up to 400 hours of vacation time. If unused, at the time of termination of employment, for any reason, Hewitt shall be paid the cash value of the accrued vacation time.

4.3 Retirement Benefits. Hewitt shall be entitled to participate on the same basis as any other executive of Company, in any pension plans, savings plans, or other types of plans adopted by Company for the benefit of its employees.

4.4 Executive Benefits. The Board of Directors may provide additional executive benefits for Hewitt as may be deemed appropriate.

4.5 Business Expenses.

(a) Company shall reimburse Hewitt the amounts included in an approved Business Expense Report for all reasonable and authorized business expenses incurred by Hewitt in promoting the business of Company, including but not limited to expenditures for authorized entertainment and travel.

(b) Each such expenditure shall be reimbursable only if Hewitt furnishes to Company adequate and other documentary evidence required by Federal and State statutes and regulation issued by the appropriate taxing authorities for substantiation of that expenditure as an income tax deduction.

SECTION V - TERMINATION

5.1 Termination For Cause. Company may terminate this Agreement and Hewitt's employment immediately For Cause, automatically upon the death of Hewitt, or Discharge of Hewitt, as hereinafter defined.

(a) In the event of Hewitt's death, this Agreement shall terminate at the date of her death with benefits paid according to the written policy of Company.

(b) "Discharge" shall mean a termination of Hewitt's employment For Cause by the Board of Directors of Company. As used herein, the term "For Cause" shall include but is not limited to:

(1) Hewitt's death, physical or mental incapacity;

(2) Misappropriating any funds or property of Company or any affiliated Company; or the commission of any act of fraud;

(3) Attempting to obtain any personal profit from any transaction in which Hewitt has an interest which is adverse to the interest of Company, unless Hewitt shall have first obtained the written consent of the Board of Directors;

(4) Being convicted of a felony;

(5) Continuously fails to substantially perform the CEO's duties (for reasons other than Disability) n a timely or satisfactory manner;

(6) Engaging in intentional misconduct, illegal or gross negligent conduct which is materially injurious to the Company monetarily or otherwise;

(7) Failure to comply with Company's Corporate Compliance Program or Company's Code of Conduct; or,

(8) Breach of the terms and conditions of this Agreement.

Should the Discharge be For Cause, as set forth in Section 5.1(b)(1) through (4) above, Company shall have the right to terminate immediately the employment of Hewitt by delivering to Hewitt a written notice specifying such cause.

Should the Discharge be For Cause, as set forth in Section 5.1(b)(5), (6), (7) or (8) above, the Board of Directors of Company may, upon a majority vote of the members of the Board of Directors, give to Hewitt written notice of such cause for Discharge and Hewitt shall have fifteen (15) calendar days to respond to and cure, or such time as the Board may allow to address those items set forth in the notice. After receipt of Hewitt's response to the notice, or sixty (60) days after the notice, whichever occurs first, Hewitt and the Board shall meet concerning the Discharge and, if the items set forth in the notice have not been cured or addressed to the satisfaction of a majority of the members of the Board of Directors of Company, Hewitt may be deemed Discharged as of the date of the meeting of the Board of Directors, or such time in the sole discretion of the Board. If Company exercises such right of termination For Cause, its obligation under this Agreement to make further payments to Hewitt shall thereupon cease and terminate.

5.2 <u>Voluntary Termination by Hewitt</u>. If Hewitt desires to terminate this Agreement, Hewitt shall give Company sixty (60) days prior written notice. Upon receipt of notice by Hewitt, Company at its option, can restrict Hewitt's duties under this Agreement, however, Hewitt shall be entitled to all compensation and benefits of this Agreement up to the date of termination, or at Company's election, Company can immediately terminate all further duties by Hewitt and compensation and benefits shall terminate upon notice to Hewitt.

5.3 <u>Termination by Hewitt for Good Reason</u>.

(a) Hewitt may terminate her employment with Company for Good Reason which shall be deemed to occur if Hewitt terminates her employment within six (6) months after: (1) a significant diminishment in the nature or scope of the authority, power, function or duty attached to the position which Hewitt currently maintains without the implicit or explicit request of Hewitt or express consent of Hewitt, where Hewitt was willing and able to continue performing services for the Company (as further described in Treasury Regulation Section 1.409A-1(n)(1) or (2) a Change of Control (i) (merger, acquisition, affiliation or sale of substantially all of the Company's assets or (ii) replacement (for reasons other than death or disability) within any 12-month period of 50% or more of the voting members of the Company's Board of Directors, of Company shall have occurred.

(b) If Hewitt elects to terminate her employment For Good Reason, Hewitt shall be entitled to her then current salary to the date on which a notice of termination is delivered to Company. In addition, Company shall pay Hewitt the bonus Hewitt would have earned under the Company's bonus plan in the year that Hewitt was terminated had Hewitt remained in its employment. Such bonus shall not be paid until Hewitt would normally be paid in accordance with the Company practices. In addition, Hewitt shall be entitled to receive the Severance Payment (as defined in Section 5.5 below) at the time of termination.

5.4 Termination Without Cause

At any time during the term of this Agreement, Company may terminate Hewitt without cause, upon the giving of sixty (60) days advance written notice of such termination or by the mutual written agreement of Company and Hewitt.

5.5 Severance Payment

(a) In the event of termination in accordance with Sections 5.3 and 5.4 only, Hewitt shall be entitled to the salary as set forth herein below ("Severance Payment"). Subject to Section 5.5 (c) below, such Severance Payment will commence immediately following Hewitt's termination, and will continue for the period as set forth below. For purposes of this provision the parties agree that the "Severance Period" shall be 18 months. Such Severance Payment shall be equal to Hewitt's monthly base salary e.g., annual salary as of date of termination for eighteen (18) months or paid to Hewitt in one lump sum. Such payments owing to Hewitt will be made in accordance with the regular payroll periods of Company then in effect.

(b) During the Severance Period, Hewitt, in addition to receiving the Severance Payment, shall receive paid COBRA health insurance and those group benefits that Company has in effect on the date of termination, unless the provision of such Group Benefits by Company is prohibited by any law, in which case Hewitt shall receive the Severance Payment, plus a payment in cash equal to the amount of Company's cost of such benefits. Any cash payments to Hewitt that are in lieu of benefits will be made in accordance with the regular payroll periods of Company then in effect. Eligibility for any health insurance or group benefit is restricted to the benefits that Hewitt has in effect on the date of termination. All payments made to Hewitt shall be subject to applicable Federal and State tax withholdings.

(c) , Hewitt agrees to: (i) timely execute a release agreement of all claims against Company (and then not rescind) consistent with the releases executed by terminated executives of Company, in consideration of the receipt of the Severance Payment paid by Company and (ii) acknowledges that the continued receipt of the Severance Payment will be contingent upon Hewitt's cooperating with Company in the transition of Hewitt's duties and prompt return of Company's property in good and operating condition less reasonable use wear and tear.

(d) Any interpretation of this Agreement shall be consistent with the intent that the severance provisions contained herein qualify for the separation pay plan exemption as defined in Internal Revenue Code § 409A to the extent the benefits are within the two times limit, and that any excess payments satisfy the requirements of Internal Revenue Code § 409A. Nothing herein shall override or conflict with any requirements of the Internal Revenue Code or any other pertinent regulation or law.

(e) The Company may postpone payment of the Severance Payment until the last day on which Hewitt could rescind the release of claims against the Company. If the Company postpones payments, the first payment of severance after the rescission period expires will include the Severance Payment that accrued from the date of termination and separation from service. The Severance Period itself will not be extended or postponed.

(f) No Severance Payments are payable under this Agreement, and Hewitt forfeits any unpaid Severance Payments, if Hewitt engages in any activity described in Section 5.6 below.

5.6 Non-Solicitation and Confidentiality

(a) Recruitment of Company Employees. Without the prior written approval of Company, Hewitt covenants and agrees that, during Hewitt's employment with Company, and for a period ending on the first annual anniversary date on which Hewitt's employment with Company terminates, Hewitt will not, solicit or recruit, either directly or indirectly, by herself or on behalf of an entity or person with which she is associated as an owner, employee, agent or consultant, any then-current customer, client, employee, officer or director of Company.

(b) Confidentiality. For a period of two (2) years following termination of employment with Company, Hewitt agrees not to use, or disclose for personal gain or for the benefit of any other organization, or otherwise make known to any person or entity; (i) any confidential or proprietary knowledge or information of Company, including without limitation, financial data, suppliers, client records, processes, personnel records, payment records, and computer systems, as well as any data and records pertaining thereto, which Hewitt may have acquired in the course of her employment, and (ii) any confidential or proprietary knowledge or information of confidential nature (including but not limited to all unpublished matters) of Company relating to, without limitation, the business, properties, accounting, books, financial records, programs, memoranda, or other records of Company. Exceptions to the above restrictions include when Hewitt is compelled by legal process to divulge any of the above information or when that information has become publicly available without the fault of Hewitt.

(c) Enforcement of Provisions. The parties acknowledge and agree that Company would be irreparably harmed if Hewitt violated the above covenants and the restrictions contained in this Section 5.6 and that in such event, Company would not have an adequate remedy at law. The parties therefore agree that Company may, in its sole discretion, seek an order enjoining any breach of the above covenants, without prejudice to any other right or remedy to which Company may be entitled at law or equity. The parties further agree that, in any action for specific performance of Hewitt's covenants set forth in this Section 5.6, Company shall be entitled to all reasonable costs and expenses, including reasonable attorneys' fees incurred in connection therewith.

SECTION VI ---INSURANCE AND INDEMNIFICATION

The Company shall, to the extent permitted by law, include Hewitt during the term of this Agreement under any directors and officers liability insurance policy maintained for its directors and officers, which coverage shall be at least as favorable to Hewitt in the amount and each other material respect as the coverage of other directors and officers covered thereby. The Company's obligation to provide insurance and indemnification for Hewitt shall survive expiration or termination of this Agreement with respect to proceedings or threatened proceedings based on acts or omissions of Hewitt occurring during Hewitt's employment with the Company or with any affiliated company. Such obligations shall be binding upon the Company's successors and assigns and shall inure to the benefit of Hewitt's heirs and personal representatives.

SECTION VII - DISPUTE RESOLUTION

(a) The parties agree to negotiate in good faith to resolve any controversy or claim arising out of or relating to this Agreement, or the breach thereof. If any party to this Agreement believes that such a controversy or claim has arisen, that party may give written notice to the other party within one hundred and twenty (120) days of the event, controversy or claim requesting a negotiation of the matter. The parties and their representatives, if they choose to be represented, shall meet at a mutually acceptable time and place within thirty (30) days after the date of the initial notice, and thereafter as often as they reasonably deem necessary, to attempt to resolve the dispute.

(b) If a resolution of the matter is not reached within forty-five (45) days of the initial notice described above, the matter shall be submitted to arbitration.

(c) Any dispute not settled through the process set forth above shall be submitted to final and binding arbitration, at Company's expense, before the Judicial Arbiter Group, Inc., of Denver, Colorado (or similar arbitration organization agreed upon by the parties), with a single arbitrator whom the parties jointly select, with the parties using their best efforts to complete such arbitration as quickly as is reasonably practical in accordance with the Colorado Rules of Civil Procedure. This includes all disputes arising out of Hewitt's employment by and other relation and interaction with Company, whether arising during the term of Hewitt's employment or as a result of or after the termination of Hewitt's employment, and whether the dispute involves an alleged tort, contract breach, or any other kind of claim. Judgment upon the award may be entered by any court having jurisdiction thereof. Subject to (a) above, to the fullest extent permitted by law, this arbitration provision is intended to be, and is, the parties exclusive method of resolving disputes, and is in lieu of any other rights or remedies to which they may otherwise be entitled, either in law or in equity. Company and Hewitt expressly waive their rights, if any, to have controversies between them decided by court or jury.

(d) All information relating to the procedures described in this Section VII shall be treated as confidential and as inadmissible settlement discussion protected by Rule 408 of the Federal Rules of Evidence and the principles expressed therein.

(e) The procedures specified in this Section VII shall be the exclusive procedures for the resolution of disputes; provided, however, that either party may seek preliminary judicial relief if in the judgment of that party such relief is necessary to avoid irreparable damage. Despite the institution of any such judicial proceedings, the parties shall continue to participate in good faith in the arbitration. As between the parties, all applicable statutes of limitation shall be tolled while the procedures specified in this Section VII are pending; the parties shall take all actions, if any, required to effect such tolling.

SECTION VIII - NON-ASSIGNABILITY; BINDING EFFECT

This Agreement shall be non-assignable and shall be binding upon, and shall inure to the benefit of Company's and its successors, and Hewitt, her beneficiaries, heirs, and personal representatives.

SECTION IX - AMENDMENTS TO AGREEMENT

This Agreement shall supersede all prior agreements. Any amendments to this Agreement must be in writing and signed by Company and Hewitt; oral discussions will not modify this Agreement.

SECTION X - GOVERNING LAW - SEVERABILITY

This Agreement shall be governed by the laws of the State of Colorado. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

SECTION XI – ENTIRE AGREEMENT

Thus Agreement constitutes the entire agreement between the parties with respect to the employment relationship hereof and supersedes all prior and contemporaneous agreements, promises or representations of the parties. No provision of this Agreement may be modified or waived except in a document signed by both parties.

SECTION XII - NOTICES

Any notice required or permitted to be given pursuant to this Agreement shall be given in writing and shall be delivered personally or deemed delivered three (3) days after being deposited in the United Stated mail, postage prepaid, addressed to the party, at such party's last known address.

IN WITNESS WHEREOF, the parties have executed this Agreement this 11 day of April 2013.

Total Community Options, Inc.

Janice Torrez
Chair of the Board of Directors

Total Community Options, Inc.

Maureen Hewitt
President and Chief Executive Officer

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and entered effective as of this April 10 day of 2013 ("Effective Date"), by and between Total Community Options, Inc. ("Company"), a Colorado non-profit corporation and Vanessa D. Walton ("Walton").

RECITALS

WHEREAS, Company employs Walton as Senior Vice President and General Counsel of Company and its affiliates; and

WHEREAS, Walton desires to continue her employment with Company in the capacity of Senior Vice President and General Counsel ("GC").

NOW, THEREFORE, the parties, in consideration of the mutual covenants, agreements and representations set forth herein, do hereby agree as follows:

SECTION I - EMPLOYMENT

1.1 Company agrees to continue to employ Walton to perform the duties of GC as per the terms and conditions of this Agreement. In that capacity Walton shall do and perform all services, acts or things necessary or advisable to fulfill the duties and responsibilities of GC and as are assigned to Walton by the Chief Executive Officer of Company, pursuant to Walton's job description on file with Company. Walton shall at all times be subject to the policies and procedures established by Company, including the most recent personnel policies.

SECTION II -TERM OF EMPLOYMENT

2.1 The term of employment under this Agreement shall commence as of the Effective Date written above and shall continue for an indefinite period until terminated pursuant to Sections V of this Agreement.

SECTION III - COMPENSATION

3.1 Base Salary. Company agrees to pay Walton an annual base salary commensurate with her performance and experience to be within the compensation philosophy established by the Company. Walton will be paid her salary per Company's pay schedule for executive exempt employees

3.2 Incentive Compensation. In addition to Base Salary, Walton shall be eligible to participate in such Incentive Compensation program as shall be determined by Company. The receipt of any such Incentive Compensation shall be governed by the terms and provisions of such program.

3.3 Performance Review. The Chief Executive Officer of Company shall annually review Walton's performance in accordance with the Human Resources policy of Company for senior executives.

SECTION IV - BENEFITS

Company agrees to provide at no cost, or provide access to the following benefits:

4.1 Group Benefits. Company shall provide to Walton any group or other benefits (e.g., medical and dental insurance, short-and long-term disability insurance coverage) provided to senior executives of Company in accordance with the terms and conditions then in effect. These benefits may be amended from time to time by Company.

4.2 Paid Time Off. Walton's paid time off ("PTO") and the Extended Illness Bank ("EIB") shall be shall be governed by the then current written policy of Company with respect to all regular, full-time, senior executive employees of Company that are eligible to participate, and as may be modified in the future.

4.3 Retirement Benefits. Walton shall be entitled to participate on the same basis as any other executive of Company, in any pension plans, savings plans, or other types of plans adopted by Company for the benefit of its employees.

4.4 Executive Benefits. The Board of Directors may provide additional executive benefits as may be deemed appropriate.

SECTION V - TERMINATION

5.1 Termination For Cause. Company may terminate Walton's employment immediately "For Cause". In the event of Walton's death, this Agreement shall terminate at the date of her death with benefits paid according to the written policy of Company.

(a) As used herein, the term "For Cause" shall include but is not limited to:

(1) Walton's death, physical or mental incapacity;

(2) Misappropriating any funds or property of Company or any affiliated Company; or the commission of any act of fraud;

(3) Attempting to obtain any personal profit from any transaction in which Walton has an interest which is adverse to the interest of Company, unless Walton shall have first obtained the written consent of Company;

(4) Being convicted of a felony;

(5) Loss of any professional license required to perform the duties of the position;

(6) Continuously fails to substantially perform the GC's duties (for reasons other than Disability) in a timely or satisfactory manner;

(7) Engaging in intentional misconduct, illegal or negligent conduct which is materially injurious to the Company monetarily or otherwise;

(8) Failure to comply with Medicare and Medicaid rules and regulations;

(9) Failure to comply with Company's Corporate Compliance Program or Company's Code of Conduct; or,

(10) Breach of the terms and conditions of this Agreement.

Should the Termination be For Cause, as set forth in Section 5.1(a)(1) through (4) above, Company shall have the right to terminate immediately the employment of Walton by delivering to Walton a written notice specifying such cause.

Company may terminate this Agreement For Cause for any other reason set forth in this Section upon delivering to Walton a written notice specifying such cause and the grounds for termination. Company may terminate this Agreement pursuant to this Section, without prejudice to any other remedy to which Company may be entitled in law or in equity. In the event Walton is terminated For Cause, Walton shall be entitled to her salary and accrued vacation pay prorated through the date of termination.

5.2 Voluntary Termination by Walton. If Walton desires to terminate this Agreement, Walton shall give Company sixty (60) days prior written notice. Upon receipt of notice by Walton, Company at its option, can restrict Walton duties under this Agreement, however, Walton shall be entitled to all compensation and benefits of this Agreement up to the date of termination, or at Company's election, Company can immediately terminate all further duties by Walton and compensation and benefits shall terminate upon notice to Walton.

5.3 Termination by Walton for Good Reason.

(a) Walton may terminate her employment with Company for Good Reason which shall be deemed to occur if Walton terminates her employment within six (6) months after: (1) a significant diminishment in the nature or scope of the authority, power, function or duty attached to the position which Walton currently maintains without the implicit or explicit request of Walton or express consent of Walton, where Walton was willing and able to continue performing services for the Company (as further described in Treasury Regulation Section 1.409A-1(n)(1) Walton or (2) a Change of Control merger, acquisition, affiliation or sale of substantially all of the Company's assets shall have occurred.

(b) If Walton elects to terminate her employment For Good Reason, Walton shall be entitled to her then current salary to the date on which a notice of termination is delivered to Company. In addition, Company shall pay Walton the bonus Walton would have earned under the Company's bonus plan in the year that Walton was terminated had Walton remained in its employment. Such bonus shall not be paid until Walton would normally be paid in accordance with the Company practices. In addition, Walton shall be entitled to receive the Severance Payment (as defined in Section 5.5 below) at the time of termination.

5.4 Termination Without Cause

At any time during the term of this Agreement, Company may terminate Walton without cause, upon the giving of sixty (60) days advance written notice of such termination or by the mutual written agreement of Company and Walton.

5.5 Severance Payment

(a) In the event of termination in accordance with Sections 5.3 and 5.4 only, Walton shall be entitled to the salary as set forth herein below ("Severance Payment"). Subject to Section 5.5(c) below, such Severance Payment will commence immediately following Walton's termination, and will continue for the period as set forth below. For purposes of this provision the parties agree that the "Severance Payment" shall be 6 months plus two months for each consecutive year of service, up to a maximum period of twelve (12) months. In the event of termination in accordance with Sections 5.3 and 5.4 only, Walton shall be entitled to the salary as set forth herein below ("Severance Payment"). Such Severance Payment shall be equal to Walton's annual salary in effect at the time of termination.

(b) During the Severance Period, Walton, in addition to receiving the Severance Payment, shall receive paid COBRA health insurance and those Group Benefits that Company has in effect on the date of termination, unless the provision of such group benefits by Company is prohibited by any law, in which case Walton shall receive the Severance Payment, plus a payment in cash equal to the amount of Company's cost of such benefits. Any cash payments to Walton that are in lieu of benefits will be made in accordance with the regular payroll periods of Company then in effect. Eligibility for any health insurance or group benefit is restricted to the benefits that Walton has in effect on the date of termination. All payments made to Walton shall be subject to applicable Federal and State tax withholdings.

(c) Walton agrees to: (i) timely execute a release agreement of all claims against Company (and then not rescind) consistent with the releases executed by terminated executives of Company, in consideration of the receipt of the Severance Payment paid by Company, and (ii) acknowledges that the continued receipt of the Severance Payment will be contingent upon Walton cooperating with Company in the transition of Walton's duties and prompt return of Company's property in good and operating condition less reasonable use wear and tear.

(d) Any interpretation of this Agreement shall be consistent with the intent that the severance provisions contained herein qualify for the separation pay plan exemption as defined in Internal Revenue Code § 409A to the extent the benefits are within the two times limit, and that any excess payments satisfy the requirements of Internal Revenue Code § 409A. Nothing herein shall override or conflict with any requirements of the Internal Revenue Code or any other pertinent regulation or law.

(e) The Company may postpone payment of the Severance Payment until the last day on which Walton could rescind the release of claims against the Company. If the Company postpones payments, the first payment of severance after the rescission period expires will include the Severance Payment that accrued from the date of termination and separation from service. The Severance Period itself will not be extended or postponed.

(f) No Severance Payments are payable under this Agreement and Walton forfeits any unpaid Severance Payments, if Walton engages in any activity described in Section 5.6 below.

5.6 Non-Solicitation and Confidentiality

(a) Recruitment of Company Employees. Without the prior written approval of Company, Walton covenants and agrees that, during Walton employment with Company, and for a period ending on the first annual anniversary date on which Walton employment with Company terminates, Walton will not, solicit or recruit, either directly or indirectly, by herself or on behalf of an entity or person with which she is associated as an owner, employee, agent or consultant, any then-current customer, client, employee, officer or director of Company.

(b) Confidentiality. For a period of two (2) years following termination of employment with Company, Walton agrees not to use, or disclose for personal gain or for the benefit of any other organization, or otherwise make known to any person or entity: (i) any confidential or proprietary knowledge or information of Company, including without limitation, financial data, suppliers, client records, processes, personnel records, payment records, and computer systems, as well as any data and records pertaining thereto, which Walton may have acquired in the course of her employment, and (ii) any confidential or proprietary knowledge or information of confidential nature (including but not limited to all unpublished matters) of Company relating to, without limitation, the business, properties, accounting, books, financial records, programs, memoranda, or other records of Company. Exceptions to the above restrictions include when Walton is compelled by legal process to divulge any of the above information or when that information has become publicly available without the fault of Walton.

(c) Enforcement of Provisions. The parties acknowledge and agree that Company would be irreparably harmed if Walton violated the above covenants and the restrictions contained in this Section 5.6 and that in such event, Company would not have an adequate remedy at law. The parties therefore agree that Company, may in its sole discretion, seek an order enjoining any breach of the above covenants, without prejudice to any other right or remedy to which Company may be entitled at law or equity. The parties further agree that, in any action for specific performance of Walton covenants set forth in this Section 56, Company shall be entitled to all reasonable costs and expenses, including reasonable attorneys' fees incurred in connection therewith.

SECTION VI - INSURANCE AND INDEMNIFICATION

The Company shall, to the extent permitted by law, include Walton during the term of this Agreement under any directors and officers liability insurance policy maintained for its directors and officers, which coverage shall be at least as favorable to Walton in the amount and each other material respect as the coverage of other directors and officers covered thereby. The Company's obligation to provide insurance and indemnification for Walton shall survive expiration or termination of this Agreement with respect to proceedings or threatened proceedings based on acts or omissions of Walton occurring during Walton employment with the Company or with any affiliated company. Such obligations shall be binding upon the Company's successors and assigns and shall inure to the benefit of Walton heirs and personal representatives.

SECTION VII – DISPUTE RESOLUTION

(a) The parties agree to negotiate in good faith to resolve any controversy or claim arising out of or relating to this Agreement, or the breach thereof. If any party to this Agreement believes that such a controversy or claim has arisen, that party may give written notice to the other party within one hundred and twenty (120) days of the event, controversy or claim requesting a negotiation of the matter. The parties and their representatives, if they choose to be represented, shall meet at a mutually acceptable time and place within thirty (30) days after the date of the initial notice, and thereafter as often as they reasonably deem necessary, to attempt to resolve the dispute.

(b) If a resolution of the matter is not reached within forty-five (45) days of the initial notice described above, the matter shall be submitted to arbitration.

(c) Any dispute not settled through the process set forth above shall be submitted to final and binding arbitration, at Company's expense, before the Judicial Arbiter Group, Inc., of Denver, Colorado (or similar arbitration organization agreed upon by the parties), with a single arbitrator whom the parties jointly select, with the parties using their best efforts to complete such arbitration as quickly as is reasonably practical in accordance with the Colorado Rules of Civil Procedure This includes all disputes arising out of Walton employment by and other relation and interaction with Company, whether arising during the term of Walton employment or as a result of or after the termination of Walton employment, and whether the dispute involves an alleged tort, contract breach, or any other kind of claim. Judgment upon the award may be entered by any court having jurisdiction thereof. Subject to (a) above, to the fullest extent permitted by law, this arbitration provision is intended to be, and is, the parties exclusive method of resolving disputes, and is in lieu of any other rights or remedies to which they may otherwise be entitled, either in law or in equity. Company and Walton expressly waive their rights, if any, to have controversies between them decided by court or jury.

(d) All information relating to the procedures described in this Section VII shall be treated as confidential and as inadmissible settlement discussion protected by Rule 408 of the Federal Rules of Evidence and the principles expressed therein.

(e) The procedures specified in this Section VII shall be the exclusive procedures for the resolution of disputes; provided, however, that either party may seek preliminary judicial relief if in the judgment of that party such relief is necessary to avoid irreparable damage. Despite the institution of any such judicial proceedings, the parties shall continue to participate in good faith in the arbitration. As between the parties, all applicable statutes of limitation shall be tolled while the procedures specified in this Section VII are pending; the parties shall take all actions, if any, required to effect such tolling.

SECTION VIII - NON-ASSIGNABILITY; BINDING EFFECT

This Agreement shall be non-assignable and shall be binding upon, and shall inure to the benefit of Company's and its successors, and Walton, her beneficiaries, heirs, and personal representatives.

SECTION IX- AMENDMENTS TO AGREEMENT

This Agreement shall supersede all prior agreements. Any amendments to this Agreement must be in writing and signed by Company and Walton; oral discussions will not modify this Agreement.

SECTION X - GOVERNING LAW - SEVERABILITY

This Agreement shall be governed by the laws of the State of Colorado. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

SECTION XI – ENTIRE AGREEMENT

Thus Agreement constitutes the entire agreement between the parties with respect to the employment relationship hereof and supersedes all prior and contemporaneous agreements, promises or representations of the parties. No provision of this Agreement may be modified or waived except in a document signed by both parties.

SECTION XII - NOTICES

Any notice required or permitted to be given pursuant to this Agreement shall be given in writing and shall be delivered personally or deemed delivered three (3) days after being deposited in the United Stated mail, postage prepaid, addressed to the party, at such party's last known address.

IN WITNESS WHEREOF, the parties have executed this Agreement this 8th day of April, 2013

Total Community Options, Inc.

Maureen Hewitt
President and Chief Executive Officer

Total Community Options, Inc.

Vanessa D. Walton
Sr. Vice President and General Counsel

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and entered effective as of this 1st day of April 2013 ("Effective Date"), by and between Total Community Options, Inc. ("Company"), a Colorado non-profit corporation and Angela Oakley ("Oakley").

RECITALS

WHEREAS, Company employs Oakley as Chief Financial Officer of Company and its affiliates; and

WHEREAS, Oakley desires to continue her employment with Company in the capacity of Chief Financial Officer ("CFO").

NOW, THEREFORE, the parties, in consideration of the mutual covenants, agreements and representations set forth herein, do hereby agree as follows:

SECTION I - EMPLOYMENT

1.1 Company agrees to continue to employ Oakley to perform the duties of CFO as per the terms and conditions of this Agreement. In that capacity Oakley shall do and perform all services, acts or things necessary or advisable to fulfill the duties and responsibilities of CFO and as are assigned to Oakley by the Chief Executive Officer of Company, pursuant to Oakley's job description on file with Company. Oakley shall at all times be subject to the policies and procedures established by Company, including the most recent personnel policies.

SECTION II -TERM OF EMPLOYMENT

2.1 The term of employment under this Agreement shall commence as of the Effective Date written above and shall continue for an indefinite period until terminated pursuant to Sections V of this Agreement.

SECTION III - COMPENSATION

3.1 Base Salary. Company agrees to pay Oakley an annual base salary commensurate with her performance and experience within the compensation philosophy established by the Company. Oakley will be paid her salary per Company's pay schedule for executive exempt employees

3.2 Incentive Compensation. In addition to Base Salary, Oakley shall be eligible to participate in such Incentive Compensation program as shall be determined by Company. The receipt of any such Incentive Compensation shall be governed by the terms and provisions of such program.

3.3 Performance Review. The Chief Executive Officer of Company shall annually review Oakley's performance in accordance with the Human Resources policy of Company for senior executives.

SECTION IV - BENEFITS

Company agrees to provide at no cost, or provide access to the following benefits:

4.1 Group Benefits. Company shall provide to Oakley any group or other benefits (e.g., medical and dental insurance, short-and long-term disability insurance coverage) provided to senior executives of Company in accordance with the terms and conditions then in effect. These benefits may be amended from time to time by Company.

4.2 Paid Time Off. Oakley's paid time off ("PTO") and the Extended Illness Bank ("EIB") shall be shall be governed by the then current written policy of Company with respect to all regular, full-time, senior executive employees of Company that are eligible to participate, and as may be modified in the future.

4.3 Retirement Benefits. Oakley shall be entitled to participate on the same basis as any other executive of Company, in any pension plans, savings plans, or other types of plans adopted by Company for the benefit of its employees.

4.4 Executive Benefits. The Board of Directors may provide additional executive benefits as may be deemed appropriate.

SECTION V - TERMINATION

5.1 Termination For Cause. Company may terminate Oakley's employment immediately "For Cause". In the event of Oakley's death, this Agreement shall terminate as of the date of her death with benefits paid according to the written policy of Company.

(a) As used herein, the term "For Cause" shall include but is not limited to:

(1) Oakley's death, physical or mental incapacity;

(2) Misappropriating any funds or property of Company or any affiliated Company; or the commission of any act of fraud;

(3) Attempting to obtain any personal profit from any transaction in which Oakley has an interest which is adverse to the interest of Company, unless Oakley shall have first obtained the written consent of Company;

(4) Being convicted of a felony;

(5) Loss of any professional license required to perform the duties of the position;

(6) Continuously fails to substantially perform the CFO's duties (for reasons other than Disability) in a timely or satisfactory manner;

(7) Engaging in intentional misconduct, illegal or negligent conduct which is materially injurious to the Company monetarily or otherwise;

(8) Failure to comply with Medicare and Medicaid rules and regulations;

(9) Failure to prepare financial statements of Company and its affiliated entities in accordance with generally accepted accounting principles;

(10) Failure to comply with Company's Corporate Compliance Program or Company's Code of Conduct; or,

(11) Breach of the terms and conditions of this Agreement.

Should the Termination be For Cause, as set forth in Section 5.1(a)(1) through (5) above, Company shall have the right to terminate immediately the employment of Oakley by delivering to Oakley a written notice specifying such cause.

Company may terminate this Agreement For Cause for any other reason set forth in this Section upon delivering to Oakley a written notice specifying such cause and the grounds for termination. Company may terminate this Agreement pursuant to this Section, without prejudice to any other remedy to which Company may be entitled in law or in equity. In the event Oakley is terminated For Cause, Oakley shall be entitled to her salary and accrued vacation pay prorated through the date of termination.

5.2 Voluntary Termination by Oakley. If Oakley desires to terminate this Agreement, Oakley shall give Company sixty (60) days prior written notice. Upon receipt of notice by Oakley, Company at its option, can restrict Oakley duties under this Agreement, however, Oakley shall be entitled to all compensation and benefits of this Agreement up to the date of termination, or at Company's election, Company can immediately terminate all further duties by Oakley and compensation and benefits shall terminate upon notice to Oakley.

5.3 Termination by Oakley for Good Reason.

(a) Oakley may terminate her employment with Company for Good Reason which shall be deemed to occur if Oakley terminates her employment within six (6) months after: (1) a significant diminishment in the nature or scope of the authority, power, function or duty attached to the position which Oakley currently maintains without the implicit or explicit request of Oakley or express consent of Oakley, where Oakley was willing and able to continue performing services for the Company (as further described in Treasury Regulation Section 1.409A-1(n)(1), or (2) a Change of Control: merger, acquisition, affiliation or sale of substantially all of the Company's assets of Company shall have occurred.

(b) If Oakley elects to terminate her employment For Good Reason, Oakley shall be entitled to her then current salary to the date on which a notice of termination is delivered to Company. In addition, Company shall pay Oakley the bonus Oakley would have earned under the Company's bonus plan in the year that Oakley was terminated had Oakley remained in its employment. Such bonus shall not be paid until Oakley would normally be paid in accordance with the Company practices. In addition, Oakley shall be entitled to receive the Severance Payment (as defined in Section 5.5 below) at the time of termination.

5.4 Termination Without Cause

At any time during the term of this Agreement, Company may terminate Oakley without cause, upon the giving of sixty (60) days advance written notice of such termination or by the mutual written agreement of Company and Oakley.

5.5 Severance Payment

(a) In the event of termination in accordance with Sections 5.3 and 5.4 only, Oakley shall be entitled to the salary as set forth herein below ("Severance Payment"). Subject to Section 5.5(c) below, such Severance Payment will commence immediately following Oakley's termination, and will continue for the period as set forth below. For purposes of this provision the parties agree that the "Severance Period" shall be 6 months plus two months for each consecutive year of service, up to a maximum period of twelve (12) months. In the event of termination in accordance with Sections 5.3 and 5.4 only, Oakley shall be entitled to the salary as set forth herein below ("Severance Payment"). Such Severance Payment shall be equal to Oakley's annual salary in effect at the time of termination.

(b) During the Severance Period, Oakley, in addition to receiving the Severance Payment, shall receive paid COBRA health insurance and those Group Benefits that Company has in effect on the date of termination, unless the provision of such group benefits by Company is prohibited by any law, in which case Oakley shall receive the Severance Payment, plus a payment in cash equal to the amount of Company's cost of such benefits. Any cash payments to Oakley that are in lieu of benefits will be made in accordance with the regular payroll periods of Company then in effect. Eligibility for any health insurance or group benefit is restricted to the benefits that Oakley has in effect on the date of termination. All payments made to Oakley shall be subject to applicable Federal and State tax withholdings.

(c) Oakley agrees to: (i) timely execute a release agreement of all claims against Company (and then not rescind) consistent with the releases executed by terminated executives of Company, in consideration of the receipt of the Severance Payment paid by Company, and (ii) acknowledges that the continued receipt of the Severance Payment will be contingent upon Oakley cooperating with Company in the transition of Oakley's duties and prompt return of Company's property in good and operating condition less reasonable use wear and tear.

(d) Any interpretation of this Agreement shall be consistent with the intent that the severance provisions contained herein qualify for the separation pay plan exemption as defined in Internal Revenue Code § 409A to the extent the benefits are within the two times limit, and that any excess payments satisfy the requirements of Internal Revenue Code § 409A. Nothing herein shall override or conflict with any requirements of the Internal Revenue Code or any other pertinent regulation or law.

(e) The Company may postpone payment of the Severance Payment until the last day on which Oakley could rescind the release of claims against the Company. If the Company postpones payments, the first payment of severance after the rescission period expires will include the Severance Payment that accrued from the date of termination and separation from service. The Severance Period itself will not be extended or postponed.

(f) No Severance Payments are payable under this Agreement and Oakley forfeits any unpaid Severance Payments, if Oakley engages in any activity described in Section 5.6 below.

5.6 Non-Solicitation and Confidentiality

(a) Recruitment of Company Employees. Without the prior written approval of Company, Oakley covenants and agrees that, during Oakley employment with Company, and for a period ending on the first annual anniversary date on which Oakley employment with Company terminates, Oakley will not, solicit or recruit, either directly or indirectly, by herself or on behalf of an entity or person with which she is associated as an owner, employee, agent or consultant, any then-current customer, client, employee, officer or director of Company.

(b) Confidentiality. For a period of two (2) years following termination of employment with Company, Oakley agrees not to use, or disclose for personal gain or for the benefit of any other organization, or otherwise make known to any person or entity: (i) any confidential or proprietary knowledge or information of Company, including without limitation, financial data, suppliers, client records, processes, personnel records, payment records, and computer systems, as well as any data and records pertaining thereto, which Oakley may have acquired in the course of her employment, and (ii) any confidential or proprietary knowledge or information of confidential nature (including but not limited to all unpublished matters) of Company relating to, without limitation, the business, properties, accounting, books, financial records, programs, memoranda, or other records of Company.

Exceptions to the above restrictions include when Oakley is compelled by legal process to divulge any of the above information or when that information has become publicly available without the fault of Oakley.

(c) Enforcement of Provisions. The parties acknowledge and agree that Company would be irreparably harmed if Oakley violated the above covenants and the restrictions contained in this Section 5.6 and that in such event, Company would not have an adequate remedy at law. The parties therefore agree that Company, may in its sole discretion, seek an order enjoining any breach of the above covenants, without prejudice to any other right or remedy to which Company may be entitled at law or equity. The parties further agree that, in any action for specific performance of Oakley covenants set forth in this Section 56, Company shall be entitled to all reasonable costs and expenses, including reasonable attorneys' fees incurred in connection therewith.

SECTION VI - INSURANCE AND INDEMNIFICATION

The Company shall, to the extent permitted by law, include Oakley during the term of this Agreement under any directors and officers liability insurance policy maintained for its directors and officers, which coverage shall be at least as favorable to Oakley in the amount and each other material respect as the coverage of other directors and officers covered thereby. The Company's obligation to provide insurance and indemnification for Oakley shall survive expiration or termination of this Agreement with respect to proceedings or threatened proceedings based on acts or omissions of Oakley occurring during Oakley employment with the Company or with any affiliated company. Such obligations shall be binding upon the Company's successors and assigns and shall inure to the benefit of Oakley heirs and personal representatives.

SECTION VII – DISPUTE RESOLUTION

(a) The parties agree to negotiate in good faith to resolve any controversy or claim arising out of or relating to this Agreement, or the breach thereof. If any party to this Agreement believes that such a controversy or claim has arisen, that party may give written notice to the other party within one hundred and twenty (120) days of the event, controversy or claim requesting a negotiation of the matter. The parties and their representatives, if they choose to be represented, shall meet at a mutually acceptable time and place within thirty (30) days after the date of the initial notice, and thereafter as often as they reasonably deem necessary, to attempt to resolve the dispute.

(b) If a resolution of the matter is not reached within forty-five (45) days of the initial notice described above, the matter shall be submitted to arbitration.

(c) Any dispute not settled through the process set forth above shall be submitted to final and binding arbitration, at Company's expense, before the Judicial Arbiter Group, Inc., of Denver, Colorado (or similar arbitration organization agreed upon by the parties), with a single arbitrator whom the parties jointly select, with the parties using their best efforts to complete such arbitration as quickly as is reasonably practical in accordance with the Colorado Rules of Civil Procedure This includes all disputes arising out of Oakley employment by and other relation and interaction with Company, whether arising during the term of Oakley employment or as a result of or after the termination of Oakley employment, and whether the dispute involves an alleged tort, contract breach, or any other kind of claim. Judgment upon the award may be entered by any court having jurisdiction thereof. Subject to (a) above, to the fullest extent permitted by law, this arbitration provision is intended to be, and is, the parties exclusive method of resolving disputes, and is in lieu of any other rights or remedies to which they may otherwise be entitled, either in law or in equity. Company and Oakley expressly waive their rights, if any, to have controversies between them decided by court or jury.

(d) All information relating to the procedures described in this Section VII shall be treated as confidential and as inadmissible settlement discussion protected by Rule 408 of the Federal Rules of Evidence and the principles expressed therein.

(e) The procedures specified in this Section VII shall be the exclusive procedures for the resolution of disputes; provided, however, that either party may seek preliminary judicial relief if in the judgment of that party such relief is necessary to avoid irreparable damage. Despite the institution of any such judicial proceedings, the parties shall continue to participate in good faith in the arbitration. As between the parties, all applicable statutes of limitation shall be tolled while the procedures specified in this Section VII are pending; the parties shall take all actions, if any, required to effect such tolling.

SECTION VIII - NON-ASSIGNABILITY; BINDING EFFECT

This Agreement shall be non-assignable and shall be binding upon, and shall inure to the benefit of Company's and its successors, and Oakley, her beneficiaries, heirs, and personal representatives.

SECTION IX- AMENDMENTS TO AGREEMENT

This Agreement shall supersede all prior agreements. Any amendments to this Agreement must be in writing and signed by Company and Oakley; oral discussions will not modify this Agreement.

SECTION X - GOVERNING LAW - SEVERABILITY

This Agreement shall be governed by the laws of the State of Colorado. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

SECTION XI – ENTIRE AGREEMENT

Thus Agreement constitutes the entire agreement between the parties with respect to the employment relationship hereof and supersedes all prior and contemporaneous agreements, promises or representations of the parties. No provision of this Agreement may be modified or waived except in a document signed by both parties.

SECTION XII - NOTICES

Any notice required or permitted to be given pursuant to this Agreement shall be given in writing and shall be delivered personally or deemed delivered three (3) days after being deposited in the United Stated mail, postage prepaid, addressed to the party, at such party's last known address.

IN WITNESS WHEREOF, the parties have executed this Agreement this 1st day of April, 2013.

Total Community Options, Inc.

Maureen Hewitt
President and Chief Executive Officer

Total Community Options, Inc.

Angela Oakley
Chief Financial Officer

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and entered effective as of this 2nd day of July, 2014 ("Effective Date"), by and between Total Community Options, Inc. ("Company"), a Colorado non-profit corporation, and Lisa Price, M.D. ("Executive").

RECITALS

WHEREAS, Executive has been employed with Company as Lead Medical Director for Company and/or its affiliates; and

WHEREAS, Company desires to transfer and promote Executive to Chief Quality Officer; and Executive desires to continue her employment with Company in the position of Chief Quality Officer; and,

NOW, THEREFORE, the parties, in consideration of the mutual covenants, agreements and representations set forth herein, do hereby agree as follows:

SECTION I - EMPLOYMENT

1.1 Company agrees to continue to employ Executive to perform the duties of Chief Quality Officer, as per the terms and conditions of this Agreement. In that capacity Executive shall do and perform all services, acts or things necessary or advisable to fulfill the duties and responsibilities of the Chief Quality Officer and as are assigned to Executive by the Chief Executive Officer of Company, pursuant to Executive's job description on file with Company, which may be modified from time to time. Executive shall at all times be subject to the policies, procedures and practices established by Company, in effect at the time, including the most recent personnel policies.

SECTION II - TERM OF EMPLOYMENT

2.1 The term of employment under this Agreement shall commence as of the Effective Date written above and shall continue for an indefinite period until terminated pursuant to Section V of this Agreement.

SECTION III - COMPENSATION

3.1 Base Salary. Company agrees to pay Executive an annual base salary commensurate with her performance and experience within the compensation philosophy established by Company. Executive will be paid her salary per Company's pay schedule for executive exempt employees.

3.2 Incentive Bonus Compensation. During Executive's employment, in addition to Base Salary, Executive shall be eligible, but not required, to receive a discretionary annual performance bonus, ("Bonus") based upon mutually agreed upon performance goals and the performance of the Company, as shall be determined by Company and the Board of Directors. The award and the amount of the Bonus, if any, will be decided in the sole discretion of the Chief Executive Officer and/or the Board of the Directors.

3.3 Performance Review. The Chief Executive Officer of Company shall annually evaluate Executive's performance in accordance with the Company guidelines and practices for senior executives.

SECTION IV - BENEFITS

Company agrees to provide or to provide access to the following benefits:

4.1 Benefits. Company shall provide to Executive any group or other benefits (e.g., medical and dental insurance, short-and long-term disability insurance coverage) provided to senior executives of Company in accordance with the terms and conditions then in effect. These benefits may be amended from time to time by Company.

4.2 Paid Time Off. Executive's paid time off ("PTO") and the Extended Illness Bank ("EIB") shall be governed by the then current written policy of Company with respect to all regular, full-time, senior executive employees of Company that are eligible to participate, and as may be modified in the future.

4.3 Retirement Benefits. Executive shall be entitled to participate in any pension plans, savings plans, or other types of retirement plans adopted by Company for the benefit of its employees. These benefits may be amended from time to time by Company.

4.4 Executive Benefits. The Board of Directors may provide additional executive benefits as may be deemed appropriate.

SECTION V - TERMINATION

5.1 Termination for Cause. Company may terminate Executive's employment immediately for "Cause".

(a) As used herein, the term for "Cause" shall include but is not limited to:

(1) Executive's theft or misappropriating any funds or property of Company or any affiliated Company; or the commission of any act of fraud;

(2) Executive's attempting to obtain any personal profit from any transaction in which Executive has an interest which is adverse to the interest of Company, unless Executive shall have first obtained the written consent of Company;

(3) Executive's being convicted of, or pleading guilty or *nolo contendere,* to a felony;

(4) Executive's failing to substantially perform the Chief Quality Officer' duties (for reasons other than Disability) in a timely or satisfactory manner;

(5) Executive's engaging in intentional misconduct, illegal or grossly negligent conduct which is materially injurious to Company monetarily or which is, or is reasonably likely to be, directly or materially harmful to the business or reputation of Company or any affiliated Company if such action were to become known to others;

(6) Executive's failure to comply with Medicare and Medicaid rules and regulations;

(7) Executive's failure to comply with Company's Corporate Compliance Program or Company's Code of Conduct; or,

(8) Executive's breach of the terms and conditions of this Agreement.

(b) Should Executive's Termination be for Cause, as set forth in Section 5.1(a)(1), (2) or (3) above, Company shall have the right to terminate immediately the employment of Executive by delivering to Executive a written notice specifying such cause.

(c) A termination of Executive for Cause based on any reason other than the actions described in Section 5.1(a)(1) (2) or (3) shall take effect 20 days after Executive receives from Company written notice of intent to terminate for Cause and Company's description of the alleged Cause, unless Executive shall, during such 20-day period, remedy the events or circumstances constituting Cause; provided, however, that such termination shall take effect immediately upon the giving of written notice of termination for Cause under any clause if Company shall have determined in good faith that such events or circumstances are not remediable (which determination shall be stated in such notice).

(d) In the event Executive's employment is terminated for Cause, Executive shall be entitled to her salary and accrued vacation pay prorated through the date of termination.

5.2 Termination Due to Death or Incapacity

(a) Executive's employment shall terminate immediately upon Executive's death.

(b) Incapacity. Company may terminate Executive's employment if Executive, due to physical or mental injury or illness, is unable to perform the essential functions of Executive's position with or without reasonable accommodation for a period of one hundred eighty (180) days, whether or not consecutive, occurring within any period of twelve (12) consecutive months ("Incapacity"), subject to any limitation imposed by federal, state or local laws. Any termination for Incapacity under this Agreement shall not affect the rights, if any, that Executive may otherwise have under any disability plan that Company may have in effect at the date of such termination and in which Executive is then participating.

(c) In the event Executive is terminated due to death or Incapacity, Executive shall be entitled to Executive's salary and accrued vacation pay prorated through the date of termination.

5.3 Voluntary Termination by Executive. If Executive desires to terminate this Agreement and Executive's employment with the Company, Executive shall give Company sixty

(60) days prior written notice. Upon receipt of notice from Executive, Company at its option, can (i) continue to employ Executive through some or all of the 60-day notice period, with any restrictions on Executive's duties and authority as determined by Company, or (ii) waive the notice period and provide that Executive's employment shall terminate immediately upon notice to Executive. Executive shall be entitled to all compensation and benefits provided under this Agreement through the date of termination.

5.4 Termination by Executive for Good Reason

(a) Executive may terminate her employment with Company for Good Reason. "Good Reason" means any of the following occurring without the Executive's express written consent, subject to the notice described at the end of this section: (i) a material diminution in Executive's base salary; or (ii) a material diminution in the scope of Executive's duties and, responsibilities. Prior to any such event qualifying as Good Reason, Executive must give written notice to the Company of the event constituting Good Reason no later than 90 days after the initial occurrence of such event, and the Company will have 30 days after receiving such written notice to remedy the condition. If the Company fails to remedy the condition during such 30-day period, then Executive's employment shall terminate at the end of such period.

(b) If Executive elects to terminate her employment for Good Reason, Executive shall be entitled to her then current base salary through the date of her termination for Good Reason. In addition, Company shall pay Executive the bonus Executive would have earned under Company's bonus plan in the year that Executive was terminated had Executive remained in its employment. Such bonus shall not be paid until Executive would normally be paid in accordance with Company practices and based upon the Company's assessment of the achievement of the bonus criteria. In addition, Executive shall be entitled to receive the Severance Payments (as defined in Section 5.6 below) payable as provided in Section 5.6.

5.5 Termination Without Cause

At any time during the term of this Agreement, Company may terminate Executive without Cause, upon the giving of sixty (60) days advance written notice of such termination or by the mutual written agreement of Company and Executive.

5.6 Severance Payments

(a) In the event of termination in accordance with Sections 5.4 and 5.5 only, Executive shall be entitled to the payments as set forth below ("Severance Payments"). Severance pay shall be an amount equal to Executive's base salary, then in effect immediately before any notice of termination, less applicable withholdings, for six (6) months, (after 90 days of Executive's employment in the position as Chief Quality Officer) plus two months for each consecutive year of service with the Company following the Effective Date of this Agreement, up to a maximum period of twelve (12) months' of base salary subject so Section 5.6 (c) below. If Executive's employment with Company is terminated pursuant to Section 5.4 or 5.5 prior to 90 days from the Effective Date of this Agreement, Executive shall only be entitled to a Severance Payment of three (3) months, less applicable withholdings. The time period for which Executive is entitled to severance pay is the "Severance Period". The Severance Payments shall be paid in equal installments during the Severance Period on the Company's regular pay dates, and no less frequently than monthly. No payment shall be made unless and until the Release Agreement become effective, and the first Severance Payment shall be paid on the pay date next following the date the Release Agreement becomes effective and shall include any payments that would have been made on pay dates following the Eligible Employee's termination date and prior to the Release Agreement becoming effective.

(b) Each month during the Severance Period, Company shall pay Executive an amount equal to the monthly premium for Executive health insurance coverage that is in effect on the Executive's termination date, less the premium Executive would pay if Executive remained an active employee of Company. Executive can use such payment to elect and pay for COBRA coverage or towards other health insurance coverage. All Company payments are subject to applicable Federal and State tax withholdings.

(c) Executive shall receive Severance Payments only if Executive timely signs a release of all claims against Company and its affiliates in a form acceptable to Company (the "Release Agreement") and that Release Agreement becomes effective according to its terms. In order to receive Severance Payments, Executive must also cooperate with Company in the transition of Executive's duties and must comply with the other terms of this Agreement.

(d) No Severance Payments are payable under this Agreement and Executive forfeits any unpaid Severance Payments, if Executive engages in any activity described in Section 5.7 below.

5.7 Non-Solicitation and Confidentiality

(a) Recruitment of Company Employees. Without the prior written approval of Company, Executive covenants and agrees that, during Executive's employment with Company, and for a period ending twelve (12) months after Executive's employment with Company terminates for any reason, Executive shall not, either directly or indirectly: (i) solicit, recruit, hire or contract, for herself or on behalf of any other entity or person any current or prospective customer, client, employee, independent contractor or consultant of Company; or (ii) interfere with or disrupt Company's relationships with any of its employees or independent contractors.

(b) Confidential Information. Executive agrees that during and after Executive's employment, Executive will hold in the strictest confidence, and take all reasonable precautions to prevent any unauthorized use or disclosure of Confidential Information and Proprietary Information (described below) , and will not (i) use or copy the Confidential Information for any purpose whatsoever other than for the benefit of Company in the course of my employment, or (ii) disclose the Confidential Information to any third party without the prior written authorization of the Chief Executive Officer or the Board of Directors of Company. "Confidential Information" means information disclosed, before or after the Effective Date, without regard to form, relating to the Company's business that has value, actual or potential, from not being generally known to others and which the Company maintains as confidential. Confidential Information includes both information disclosed by the Company to Executive, and information developed or learned by Executive during the course of Executive's employment with Company. By example, and without limitation, Confidential Information includes software, research, developments, methods of doing business, products, services, price and cost information, financial information, marketing information, billing procedures, marketing and selling techniques, and confidential information about customers, clients, suppliers and personnel, including customer lists and customer contact information, (whether or not in writing). Confidential Information includes information that is a trade secret under applicable law as well as information that does not rise to the level of a trade secret. Confidential Information also includes confidential information that the Company obtains from a third party, which the Company is obligated to keep confidential. Confidential Information does not include any such information which (a) has been voluntarily disclosed to the public by the Company, except where such public disclosure has been made by Executive without the Company's authorization, (b) has been independently developed and disclosed by others, or (c) has otherwise entered the public domain through lawful means. This paragraph shall not bar Executive from complying with any subpoena or court order, provided that Executive shall at the earliest practicable date provide a copy of the subpoena or court order to the Company's General Counsel.

(c) Proprietary Rights. Company shall have all right, title and interests to copyrights, trademarks created during the course of or resulting from Executive's employment with Company. Those concepts and ideas disclosed by Company to Executive or which are first developed by Executive during the course of Executive's employment hereunder and which relate to Company' present, past or prospective business activities, services, and products, all of which shall remain the sole and exclusive property of the Company. Executive shall have no publication rights and all of the same shall belong exclusively to Company. Executive agrees to assign, and hereby does assign to Company, all rights, if any in or to such works, trademarks, or intellectual property rights, necessary or appropriate for Company to obtain, maintain and assert its rights in such work.

(d) Enforcement of Provisions. The parties acknowledge and agree that Company would be irreparably harmed if Executive violated the above covenants and the restrictions contained in this Section 5.7 and that in such event, Company would not have an adequate remedy at law. The parties therefore agree that Company, may seek an order enjoining any breach of the above covenants, without prejudice to any other rights or remedies to which Company may be entitled at law or equity. The parties further agree that, in any action for specific performance of Executive covenants set forth in this Section 5.7, Company shall be entitled to all reasonable costs and expenses, including reasonable attorneys' fees incurred in connection therewith if Company prevails.

(e) Return of Property. Executive agrees to return to Company, without the prior written permission of the Chief Executive Officer or her designee, upon termination or expiration of Executive's employment with Company, any and all Company property in Executive's possession or control, including, but not limited to, all keys, credit cards, computers, cellular telephones, and other personal items or equipment provided to Executive by Company for use during Executive's employment, together with all written or recorded materials, documents, memoranda, computer discs, plans, records, notes, files, drawings, or papers, and any copies thereof, relating to the affairs of Company, including all notes or records relating to clients of the Company.

SECTION VI - INSURANCE AND INDEMNIFICATION

Company shall, to the extent permitted by law, include Executive during the term of this Agreement under any directors and officers' liability insurance policy maintained for its directors and officers. Company's obligation to provide insurance and indemnification for Executive shall survive expiration or termination of this Agreement with respect to proceedings or threatened proceedings based on acts or omissions of Executive occurring during Executive's employment with Company or with any affiliated company. Such obligations shall be binding upon Company's successors and assigns and shall inure to the benefit of Executive's heirs and personal representatives.

SECTION VII – SECTION 409A

(a) It is the intent of the Company that this Agreement comply with the requirements of Code Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") and all guidance issued thereunder by the U.S. Internal Revenue Service with respect to any nonqualified deferred compensation subject to Code Section 409A. This Agreement shall be interpreted and administered to maximize the exemptions from Section 409A and, to the extent this Agreement provides for deferred compensation subject to Code Section 409A, to comply with Code Section 409A and to avoid the imposition of tax, interest and/or penalties upon the Executive under Code Section 409A.

(b) Each payment under this Agreement is deemed a separate payment within the meaning of the final regulations under Section 409A. Each Severance Payment, reimbursement of COBRA and other payment under this Agreement that is made within 2-1/2 months following the end of the year that contains the date of the Executive's termination of employment is intended to be exempt from Section 409A as a short-term deferral within the meaning of Section 409A. Each Severance Payment or other payment that is made later than 2-1/2 months following the end of the year that contains the date of the Executive's termination of employment is intended to be exempt under the two-times exception of Treasury Reg. § 1.409A-1(b)(9)(iii), up to the limitation on the availability of that exception specified in the regulation.

(c) To the extent necessary to comply with Section 409A, references in this Agreement to "termination of employment" or "terminates employment" (and similar references) shall have the same meaning as "separation from service" under Section 409A, and no payment subject to Section 409A that is payable upon a termination of employment shall be paid unless and until the Executive incurs a "separation from service" under Section 409A.

SECTION VIII – DISPUTE RESOLUTION

(a) The parties agree to negotiate in good faith to resolve any controversy or claim arising out of or relating to this Agreement, or the breach thereof. If any party to this Agreement believes that such a controversy or claim has arisen, that party may give written notice to the other party within sixty (60) days of the event, controversy or claim requesting a negotiation of the matter. The parties and their representatives, if they choose to be represented, shall meet at a mutually acceptable time and place within thirty (30) days after the date of the initial notice, and thereafter as often as they reasonably deem necessary, to attempt to resolve the dispute.

(b) If a resolution of the matter is not reached within forty-five (45) days of the initial notice described above, the matter shall be submitted to arbitration.

(c) To the extent permitted by law, any dispute not settled through the process set forth above shall be submitted to final and binding arbitration before the Judicial Arbiter Group, Inc., of Denver, Colorado (or similar arbitration organization agreed upon by the parties with a single arbitrator whom the parties jointly select, with the parties using their best efforts to complete such arbitration as quickly as is reasonably practical in accordance with the Colorado Rules of Civil Procedure. The Company shall pay the costs of the arbitrator's fees for the arbitration proceeding, excluding Executive's own attorney's fees, witness fees, and expenses, costs of discovery and the like, which expenses are solely Executive's responsibility. This arbitration provision includes all disputes arising out of Executive's employment by and other relation and interaction with Company, whether arising during the term of Executive employment or as a result of or after the termination of Executive employment, and whether the dispute involves an alleged tort, contract breach, or any other kind of claim. Judgment upon the award may be entered by any court having jurisdiction thereof. Subject to (a) above, to the fullest extent permitted by law, this arbitration provision is intended to be, and is, the parties exclusive method of resolving disputes, and is in lieu of any other rights or remedies to which they may otherwise be entitled, either in law or in equity. Company and Executive expressly waive their rights, if any, to have controversies between them decided by court or jury. Judgment upon the award may be entered by any court having jurisdiction thereof.

(d) All information relating to the procedures described in this Section VIII shall be treated as confidential and as inadmissible settlement discussion protected by Rule 408 of the Federal Rules of Evidence and the principles expressed therein.

(e) The procedures specified in this Section VIII shall be the exclusive procedures for the resolution of disputes; provided, however, that either party may seek injunctive relief if in the judgment of that party such relief is necessary to avoid irreparable damage. Any claim by Company arising in connection with Section 5.7 may be brought in any court of competent jurisdiction. Despite the institution of any such judicial proceedings, the parties shall continue to participate in good faith in the arbitration. As between the parties, all applicable statutes of limitation shall be tolled while the procedures specified in this Section VIII are pending; the parties shall take all actions, if any, required to effect such tolling.

SECTION IX - NON-ASSIGNABILITY; BINDING EFFECT

This Agreement shall be non-assignable and shall be binding upon, and shall inure to the benefit of Company's and its successors, and Executive, Executive's beneficiaries, heirs, and personal representatives.

SECTION X- AMENDMENTS TO AGREEMENT

This Agreement shall supersede all prior agreements. Any amendments to this Agreement must be in writing and signed by Company and Executive; oral discussions will not modify this Agreement.

SECTION XI - GOVERNING LAW - SEVERABILITY

This Agreement shall be governed by the laws of the State of Colorado. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

SECTION XII – ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the parties with respect to the employment relationship hereof and supersedes all prior and contemporaneous agreements, promises or representations of the parties. No provision of this Agreement may be modified or waived except in a document signed by both parties.

SECTION XIII - NOTICES

Any notice required or permitted to be given pursuant to this Agreement shall be given in writing and shall be delivered personally or deemed delivered three (3) days after being deposited in the United Stated mail, postage prepaid, addressed to the party, at such party's last known address.

IN WITNESS WHEREOF, the parties have executed this Agreement this 2nd day of July, 2014.

Total Community Options, Inc.

Maureen Hewitt
Maureen Hewitt
President and Chief Executive Officer

Total Community Options, Inc.

Lisa Price, M.D.
Chief Quality Officer

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and entered effective as of this 25th day of June, 2013 ("Effective Date"), by and between Total Community Options, Inc. ("Company"), a Colorado non-profit corporation and Gina DeBlassie ("DeBlassie").

RECITALS

WHEREAS, Company employs DeBlassie as Chief Operating Officer of Company and its affiliates; and

WHEREAS, DeBlassie desires to continue her employment with Company in the capacity of Chief Operating Officer ("COO").

NOW, THEREFORE, the parties, in consideration of the mutual covenants, agreements and representations set forth herein, do hereby agree as follows:

SECTION I - EMPLOYMENT

1.1 Company agrees to continue to employ DeBlassie to perform the duties of COO as per the terms and conditions of this Agreement. In that capacity DeBlassie shall do and perform all services, acts or things necessary or advisable to fulfill the duties and responsibilities of COO and as are assigned to DeBlassie by the Chief Executive Officer of Company, pursuant to DeBlassie's job description on file with Company. DeBlassie shall at all times be subject to the policies and procedures established by Company, including the most recent personnel policies.

SECTION II -TERM OF EMPLOYMENT

2.1 The term of employment under this Agreement shall commence as of the Effective Date written above and shall continue for an indefinite period until terminated pursuant to Sections V of this Agreement.

SECTION III - COMPENSATION

3.1 Base Salary. Company agrees to pay DeBlassie an annual base salary commensurate with her performance and experience to be within the compensation philosophy established by the Company. DeBlassie will be paid her salary per Company's pay schedule for executive exempt employees

3.2 Incentive Compensation. In addition to Base Salary, DeBlassie shall be eligible to participate in such Incentive Compensation program as shall be determined by Company. The receipt of any such Incentive Compensation shall be governed by the terms and provisions of such program.

3.3 Performance Review. The Chief Executive Officer of Company shall annually review DeBlassie's performance in accordance with the Human Resources policy of Company for senior executives.

SECTION IV - BENEFITS

Company agrees to provide at no cost, or provide access to the following benefits:

4.1 Group Benefits. Company shall provide to DeBlassie any group or other benefits (e.g., medical and dental insurance, short-and long-term disability insurance coverage) provided to senior executives of Company in accordance with the terms and conditions then in effect. These benefits may be amended from time to time by Company.

4.2 Paid Time Off. DeBlassie's paid time off ("PTO") and the Extended Illness Bank ("EIB") shall be shall be governed by the then current written policy of Company with respect to all regular, full-time, senior executive employees of Company that are eligible to participate, and as may be modified in the future.

4.3 Retirement Benefits. DeBlassie shall be entitled to participate on the same basis as any other executive of Company, in any pension plans, savings plans, or other types of plans adopted by Company for the benefit of its employees.

4.4 Executive Benefits. The Board of Directors may provide additional executive benefits as may be deemed appropriate.

SECTION V - TERMINATION

5.1 Termination For Cause. Company may terminate DeBlassie's employment immediately "For Cause". In the event of DeBlassie's death, this Agreement shall terminate at the date of her death with benefits paid according to the written policy of Company.

(a) As used herein, the term "For Cause" shall include but is not limited to:

(1) DeBlassie's death, physical or mental incapacity;

(2) Misappropriating any funds or property of Company or any affiliated Company; or the commission of any act of fraud;

(3) Attempting to obtain any personal profit from any transaction in which DeBlassie has an interest which is adverse to the interest of Company, unless DeBlassie shall have first obtained the written consent of Company;

(4) Being convicted of a felony;

(5) Continuously fails to substantially perform the COO's duties (for reasons other than Disability) in a timely or satisfactory manner;

(6) Engaging in intentional misconduct, illegal or gross negligent conduct which is materially injurious to the Company monetarily or otherwise;

(7) Failure to comply with Medicare and Medicaid rules and regulations;

(8) Failure to comply with Company's Corporate Compliance Program or Company's Code of Conduct; or,

(9) Breach of the terms and conditions of this Agreement.

Should the Termination be For Cause, as set forth in Section 5.1(a)(1) through (4) above, Company shall have the right to terminate immediately the employment of DeBlassie by delivering to DeBlassie a written notice specifying such cause.

Company may terminate this Agreement For Cause for any other reason set forth in this Section upon delivering to DeBlassie a written notice specifying such cause and the grounds for termination. Company may terminate this Agreement pursuant to this Section, without prejudice to any other remedy to which Company may be entitled in law or in equity. In the event DeBlassie is terminated For Cause, DeBlassie shall be entitled to her salary and accrued vacation pay prorated through the date of termination.

5.2 Voluntary Termination by DeBlassie. If DeBlassie desires to terminate this Agreement, DeBlassie shall give Company sixty (60) days prior written notice. Upon receipt of notice by DeBlassie, Company at its option, can restrict DeBlassie duties under this Agreement, however, DeBlassie shall be entitled to all compensation and benefits of this Agreement up to the date of termination, or at Company's election, Company can immediately terminate all further duties by DeBlassie and compensation and benefits shall terminate upon notice to DeBlassie.

5.3 Termination by DeBlassie for Good Reason.

(a) DeBlassie may terminate her employment with Company for Good Reason which shall be deemed to occur if DeBlassie terminates her employment within six (6) months after: (1) a significant diminishment in the nature or scope of the authority, power, function or duty attached to the position which DeBlassie currently maintains without the implicit or explicit request of DeBlassie or express consent of DeBlassie, where DeBlassie was willing and able to continue performing services for the Company (as further described in Treasury Regulation Section 1.409A-1(n)(1) DeBlassie or (2) a Change of Control merger, acquisition, affiliation or sale of substantially all of the Company's assets shall have occurred.

(b) If DeBlassie elects to terminate her employment For Good Reason, DeBlassie shall be entitled to her then current salary to the date on which a notice of termination is delivered to Company. In addition, Company shall pay DeBlassie the bonus DeBlassie would have earned under the Company's bonus plan in the year that DeBlassie was terminated had DeBlassie remained in its employment. Such bonus shall not be paid until DeBlassie would normally be paid in accordance with the Company practices. In addition, DeBlassie shall be entitled to receive the Severance Payment (as defined in Section 5.5 below) at the time of termination.

5.4 Termination Without Cause

At any time during the term of this Agreement, Company may terminate DeBlassie without cause, upon the giving of sixty (60) days advance written notice of such termination or by the mutual written agreement of Company and DeBlassie.

5.5 Severance Payment

(a) In the event of termination in accordance with Sections 5.3 and 5.4 only, DeBlassie shall be entitled to the salary as set forth herein below ("Severance Payment"). Subject to Section 5.5(c) below, such Severance Payment will commence immediately following DeBlassie's termination, and will continue for the period as set forth below. For purposes of this provision the parties agree that the "Severance Payment" shall be 6 months plus two months for each consecutive year of service, up to a maximum period of twelve (12) months. In the event of termination in accordance with Sections 5.3 and 5.4 only, DeBlassie shall be entitled to the salary as set forth herein below ("Severance Payment"). Such Severance Payment shall be equal to DeBlassie's annual salary in effect at the time of termination.

(b) During the Severance Period, DeBlassie, in addition to receiving the Severance Payment, shall receive paid COBRA health insurance and those Group Benefits that Company has in effect on the date of termination, unless the provision of such group benefits by Company is prohibited by any law, in which case DeBlassie shall receive the Severance Payment, plus a payment in cash equal to the amount of Company's cost of such benefits. Any cash payments to DeBlassie that are in lieu of benefits will be made in accordance with the regular payroll periods of Company then in effect. Eligibility for any health insurance or group benefit is restricted to the benefits that DeBlassie has in effect on the date of termination. All payments made to DeBlassie shall be subject to applicable Federal and State tax withholdings.

(c) DeBlassie agrees to: (i) timely execute a release agreement of all claims against Company (and then not rescind) consistent with the releases executed by terminated executives of Company, in consideration of the receipt of the Severance Payment paid by Company, and (ii) acknowledges that the continued receipt of the Severance Payment will be contingent upon DeBlassie cooperating with Company in the transition of DeBlassie's duties and prompt return of Company's property in good and operating condition less reasonable use wear and tear.

(d) Any interpretation of this Agreement shall be consistent with the intent that the severance provisions contained herein qualify for the separation pay plan exemption as defined in Internal Revenue Code § 409A to the extent the benefits are within the two times limit, and that any excess payments satisfy the requirements of Internal Revenue Code § 409A. Nothing herein shall override or conflict with any requirements of the Internal Revenue Code or any other pertinent regulation or law.

(e) The Company may postpone payment of the Severance Payment until the last day on which DeBlassie could rescind the release of claims against the Company. If the Company postpones payments, the first payment of severance after the rescission period expires will include the Severance Payment that accrued from the date of termination and separation from service. The Severance Period itself will not be extended or postponed.

(f) No Severance Payments are payable under this Agreement and DeBlassie forfeits any unpaid Severance Payments, if DeBlassie engages in any activity described in Section 5.6 below.

5.6 <u>Non-Solicitation and Confidentiality</u>

(a) <u>Recruitment of Company Employees.</u> Without the prior written approval of Company, DeBlassie covenants and agrees that, during DeBlassie employment with Company, and for a period ending on the first annual anniversary date on which DeBlassie employment with Company terminates, DeBlassie will not, solicit or recruit, either directly or indirectly, by herself or on behalf of an entity or person with which she is associated as an owner, employee, agent or consultant, any then-current customer, client, employee, officer or director of Company.

(b) <u>Confidentiality.</u> For a period of two (2) years following termination of employment with Company, DeBlassie agrees not to use, or disclose for personal gain or for the benefit of any other organization, or otherwise make known to any person or entity: (i) any confidential or proprietary knowledge or information of Company, including without limitation, financial data, suppliers, client records, processes, personnel records, payment records, and computer systems, as well as any data and records pertaining thereto, which

DeBlassie may have acquired in the course of her employment, and (ii) any confidential or proprietary knowledge or information of confidential nature (including but not limited to all unpublished matters) of Company relating to, without limitation, the business, properties, accounting, books, financial records, programs, memoranda, or other records of Company. Exceptions to the above restrictions include when DeBlassie is compelled by legal process to divulge any of the above information or when that information has become publicly available without the fault of DeBlassie.

(c) Enforcement of Provisions. The parties acknowledge and agree that Company would be irreparably harmed if DeBlassie violated the above covenants and the restrictions contained in this Section 5.6 and that in such event, Company would not have an adequate remedy at law. The parties therefore agree that Company, may in its sole discretion, seek an order enjoining any breach of the above covenants, without prejudice to any other right or remedy to which Company may be entitled at law or equity. The parties further agree that, in any action for specific performance of DeBlassie covenants set forth in this Section 56, Company shall be entitled to all reasonable costs and expenses, including reasonable attorneys' fees incurred in connection therewith.

SECTION VI - INSURANCE AND INDEMNIFICATION

The Company shall, to the extent permitted by law, include DeBlassie during the term of this Agreement under any directors and officers liability insurance policy maintained for its directors and officers, which coverage shall be at least as favorable to DeBlassie in the amount and each other material respect as the coverage of other directors and officers covered thereby. The Company's obligation to provide insurance and indemnification for DeBlassie shall survive expiration or termination of this Agreement with respect to proceedings or threatened proceedings based on acts or omissions of DeBlassie occurring during DeBlassie employment with the Company or with any affiliated company. Such obligations shall be binding upon the Company's successors and assigns and shall inure to the benefit of DeBlassie heirs and personal representatives.

SECTION VII – DISPUTE RESOLUTION

(a) The parties agree to negotiate in good faith to resolve any controversy or claim arising out of or relating to this Agreement, or the breach thereof. If any party to this Agreement believes that such a controversy or claim has arisen, that party may give written notice to the other party within one hundred and twenty (120) days of the event, controversy or claim requesting a negotiation of the matter. The parties and their representatives, if they choose to be represented, shall meet at a mutually acceptable time and place within thirty (30) days after the date of the initial notice, and thereafter as often as they reasonably deem necessary, to attempt to resolve the dispute.

(b) If a resolution of the matter is not reached within forty-five (45) days of the initial notice described above, the matter shall be submitted to arbitration.

(c) Any dispute not settled through the process set forth above shall be submitted to final and binding arbitration, at Company's expense, before the Judicial Arbiter Group, Inc., of Denver, Colorado (or similar arbitration organization agreed upon by the parties), with a single arbitrator whom the parties jointly select, with the parties using their best efforts to complete such arbitration as quickly as is reasonably practical in accordance with the Colorado Rules of Civil Procedure This includes all disputes arising out of DeBlassie employment by and other relation and interaction with Company, whether arising during the term of DeBlassie employment or as a result of or after the termination of DeBlassie employment, and whether the dispute involves an alleged tort, contract breach, or any other kind of claim. Judgment upon the award may be entered by any court having jurisdiction thereof. Subject to (a) above, to the fullest extent permitted by law, this arbitration provision is intended to be, and is, the parties exclusive method of resolving disputes, and is in lieu of any other rights or remedies to which they may otherwise be entitled, either in law or in equity. Company and DeBlassie expressly waive their rights, if any, to have controversies between them decided by court or jury.

(d) All information relating to the procedures described in this Section VII shall be treated as confidential and as inadmissible settlement discussion protected by Rule 408 of the Federal Rules of Evidence and the principles expressed therein.

(e) The procedures specified in this Section VII shall be the exclusive procedures for the resolution of disputes; provided, however, that either party may seek preliminary judicial relief if in the judgment of that party such relief is necessary to avoid irreparable damage. Despite the institution of any such judicial proceedings, the parties shall continue to participate in good faith in the arbitration. As between the parties, all applicable statutes of limitation shall be tolled while the procedures specified in this Section VII are pending; the parties shall take all actions, if any, required to effect such tolling.

SECTION VIII - NON-ASSIGNABILITY; BINDING EFFECT

This Agreement shall be non-assignable and shall be binding upon, and shall inure to the benefit of Company's and its successors, and DeBlassie, her beneficiaries, heirs, and personal representatives.

SECTION IX- AMENDMENTS TO AGREEMENT

This Agreement shall supersede all prior agreements. Any amendments to this Agreement must be in writing and signed by Company and DeBlassie; oral discussions will not modify this Agreement.

SECTION X - GOVERNING LAW - SEVERABILITY

This Agreement shall be governed by the laws of the State of Colorado. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

SECTION XI – ENTIRE AGREEMENT

Thus Agreement constitutes the entire agreement between the parties with respect to the employment relationship hereof and supersedes all prior and contemporaneous agreements, promises or representations of the parties. No provision of this Agreement may be modified or waived except in a document signed by both parties.

SECTION XII - NOTICES

Any notice required or permitted to be given pursuant to this Agreement shall be given in writing and shall be delivered personally or deemed delivered three (3) days after being deposited in the United Stated mail, postage prepaid, addressed to the party, at such party's last known address.

IN WITNESS WHEREOF, the parties have executed this Agreement this 25th day of June, 2013.

Total Community Options, Inc.

Maureen Hewitt
President and Chief Executive Officer

Total Community Options, Inc.

Gina DeBlassie
Chief Operating Officer

DeBlassie_2013

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and entered effective as of this 5th day of August 201_ ("Effective Date"), by and between Total Community Options, Inc. ("Company"), a Colorado non-profit corporation and Beverley Dahan ("Dahan").

RECITALS

WHEREAS, Company employs Dahan as Vice President of Government and Legislative Affairs Company and its affiliates; and

WHEREAS, Dahan desires to continue her employment with Company in the capacity of Vice President of Government and Legislative Affairs.

NOW, THEREFORE, the parties, in consideration of the mutual covenants, agreements and representations set forth herein, do hereby agree as follows:

SECTION I - EMPLOYMENT

1.1 Company agrees to continue to employ Dahan to perform the duties of Vice President of Government and Legislative Affairs as per the terms and conditions of this Agreement. In that capacity Dahan shall do and perform all services, acts or things necessary or advisable to fulfill the duties and responsibilities of the Vice President of Government and Legislative Affairs and as are assigned to Dahan by the Chief Executive Officer of Company, pursuant to Dahan's job description on file with Company. Dahan shall at all times be subject to the policies and procedures established by Company, including the most recent personnel policies.

SECTION II -TERM OF EMPLOYMENT

2.1 The term of employment under this Agreement shall commence as of the Effective Date written above and shall continue for an indefinite period until terminated pursuant to Sections V of this Agreement.

SECTION III - COMPENSATION

3.1 Base Salary. Company agrees to pay Dahan an annual base salary commensurate with her performance and experience within the compensation philosophy established by the Company. Dahan will be paid her salary per Company's pay schedule for executive exempt employees

3.2 Incentive Compensation. In addition to Base Salary, Dahan shall be eligible to participate in such Incentive Compensation program as shall be determined by Company. The receipt of any such Incentive Compensation shall be governed by the terms and provisions of such program.

3.3 Performance Review. The Chief Executive Officer of Company shall annually review Dahan's performance in accordance with the Human Resources policy of Company for senior executives.

SECTION IV - BENEFITS

Company agrees to provide at no cost, or provide access to the following benefits:

4.1 Group Benefits. Company shall provide to Dahan any group or other benefits (e.g., medical and dental insurance, short-and long-term disability insurance coverage) provided to senior executives of Company in accordance with the terms and conditions then in effect. These benefits may be amended from time to time by Company.

4.2 Paid Time Off. Dahan's paid time off ("PTO") and the Extended Illness Bank ("EIB") shall be shall be governed by the then current written policy of Company with respect to all regular, full-time, senior executive employees of Company that are eligible to participate, and as may be modified in the future.

4.3 Retirement Benefits. Dahan shall be entitled to participate on the same basis as any other executive of Company, in any pension plans, savings plans, or other types of plans adopted by Company for the benefit of its employees.

4.4 Executive Benefits. The Board of Directors may provide additional executive benefits as may be deemed appropriate.

SECTION V - TERMINATION

5.1 Termination For Cause. Company may terminate Dahan's employment immediately "For Cause". In the event of Dahan's death, this Agreement shall terminate as of the date of her death with benefits paid according to the written policy of Company.

(a) As used herein, the term "For Cause" shall include but is not limited to:

(1) Dahan's death, physical or mental incapacity;

(2) Misappropriating any funds or property of Company or any affiliated Company; or the commission of any act of fraud;

(3) Attempting to obtain any personal profit from any transaction in which Dahan has an interest which is adverse to the interest of Company, unless Dahan shall have first obtained the written consent of Company;

(4) Being convicted of a felony;

(5) Continuously fails to substantially perform the Vice President of Government and Legislative Affairs' duties (for reasons other than Disability) in a timely or satisfactory manner;

(6) Engaging in intentional misconduct, illegal or gross negligent conduct which is materially injurious to the Company monetarily or otherwise;

(7) Failure to comply with Medicare and Medicaid rules and regulations;

(8) Failure to comply with Company's Corporate Compliance Program or Company's Code of Conduct; or,

(9) Breach of the terms and conditions of this Agreement.

Should the Termination be For Cause, as set forth in Section 5.1(a)(1) through (4) above, Company shall have the right to terminate immediately the employment of Dahan by delivering to Dahan a written notice specifying such cause.

Company may terminate this Agreement For Cause for any other reason set forth in this Section upon delivering to Dahan a written notice specifying such cause and the grounds for termination. Company may terminate this Agreement pursuant to this Section, without prejudice to any other remedy to which Company may be entitled in law or in equity. In the event Dahan is terminated For Cause, Dahan shall be entitled to her salary and accrued vacation pay prorated through the date of termination.

5.2 Voluntary Termination by Dahan. If Dahan desires to terminate this Agreement, Dahan shall give Company sixty (60) days prior written notice. Upon receipt of notice by Dahan, Company at its option, can restrict Dahan duties under this Agreement, however, Dahan shall be entitled to all compensation and benefits of this Agreement up to the date of termination, or at Company's election, Company can immediately terminate all further duties by Dahan and compensation and benefits shall terminate upon notice to Dahan.

5.3 Termination by Dahan for Good Reason.

(a) Dahan may terminate her employment with Company for Good Reason which shall be deemed to occur if Dahan terminates her employment within six (6) months after: (1) a significant diminishment in the nature or scope of the authority, power, function or duty attached to the position which Dahan currently maintains without the implicit or explicit request of Dahan or express consent of Dahan, where Dahan was willing and able to continue performing services for the Company (as further described in Treasury Regulation Section 1.409A-1(n)(1), or (2) a Change of Control: merger, acquisition, affiliation or sale of substantially all of the Company's assets of Company shall have occurred.

(b) If Dahan elects to terminate her employment For Good Reason, Dahan shall be entitled to her then current salary to the date on which a notice of termination is delivered to Company. In addition, Company shall pay Dahan the bonus Dahan would have earned under the Company's bonus plan in the year that Dahan was terminated had Dahan remained in its employment. Such bonus shall not be paid until Dahan would normally be paid in accordance with the Company practices. In addition, Dahan shall be entitled to receive the Severance Payment (as defined in Section 5.5 below) at the time of termination.

5.4 Termination Without Cause

At any time during the term of this Agreement, Company may terminate Dahan without cause, upon the giving of sixty (60) days advance written notice of such termination or by the mutual written agreement of Company and Dahan.

5.5 Severance Payment

(a) In the event of termination in accordance with Sections 5.3 and 5.4 only, Dahan shall be entitled to the salary as set forth herein below ("Severance Payment"). Subject to Section 5.5(c) below, such Severance Payment will commence immediately following Dahan's termination, and will continue for the period as set forth below. For purposes of this provision the parties agree that the "Severance Period" shall be 6 months plus two months for each consecutive year of service, up to a maximum period of twelve (12) months. In the event of termination in accordance with Sections 5.3 and 5.4 only, Dahan shall be entitled to the salary as set forth herein below ("Severance Payment"). Such Severance Payment shall be equal to Dahan's annual salary in effect at the time of termination.

(b) During the Severance Period, Dahan, in addition to receiving the Severance Payment, shall receive paid COBRA health insurance and those Group Benefits that Company has in effect on the date of termination, unless the provision of such group benefits by Company is prohibited by any law, in which case Dahan shall receive the Severance Payment, plus a payment in cash equal to the amount of Company's cost of such benefits. Any cash payments to Dahan that are in lieu of benefits will be made in accordance with the regular payroll periods of Company then in effect. Eligibility for any health insurance or group benefit is restricted to the benefits that Dahan has in effect on the date of termination. All payments made to Dahan shall be subject to applicable Federal and State tax withholdings.

(c) Dahan agrees to: (i) timely execute a release agreement of all claims against Company (and then not rescind) consistent with the releases executed by terminated executives of Company, in consideration of the receipt of the Severance Payment paid by Company, and (ii) acknowledges that the continued receipt of the Severance Payment will be contingent upon Dahan cooperating with Company in the transition of Dahan's duties and prompt return of Company's property in good and operating condition less reasonable use wear and tear.

(d) Any interpretation of this Agreement shall be consistent with the intent that the severance provisions contained herein qualify for the separation pay plan exemption as defined in Internal Revenue Code § 409A to the extent the benefits are within the two times limit, and that any excess payments satisfy the requirements of Internal Revenue Code § 409A. Nothing herein shall override or conflict with any requirements of the Internal Revenue Code or any other pertinent regulation or law.

(e) The Company may postpone payment of the Severance Payment until the last day on which Dahan could rescind the release of claims against the Company. If the Company postpones payments, the first payment of severance after the rescission period expires will include the Severance Payment that accrued from the date of termination and separation from service. The Severance Period itself will not be extended or postponed.

(f) No Severance Payments are payable under this Agreement and Dahan forfeits any unpaid Severance Payments, if Dahan engages in any activity described in Section 5.6 below.

5.6 Non-Solicitation and Confidentiality

(a) Recruitment of Company Employees. Without the prior written approval of Company, Dahan covenants and agrees that, during Dahan employment with Company, and for a period ending on the first annual anniversary date on which Dahan employment with Company terminates, Dahan will not, solicit or recruit, either directly or indirectly, by herself or on behalf of an entity or person with which she is associated as an owner, employee, agent or consultant, any then-current customer, client, employee, officer or director of Company.

(b) Confidentiality. For a period of two (2) years following termination of employment with Company, Dahan agrees not to use, or disclose for personal gain or for the benefit of any other organization, or otherwise make known to any person or entity: (i) any confidential or proprietary knowledge or information of Company, including without limitation, financial data, suppliers, client records, processes, personnel records, payment records, and computer systems, as well as any data and records pertaining thereto, which Dahan may have acquired in the course of her employment, and (ii) any confidential or proprietary knowledge or information of confidential nature (including but not limited to all unpublished matters) of Company relating to, without limitation, the business, properties, accounting, books, financial records, programs, memoranda, or other records of Company. Exceptions to the above restrictions include when Dahan is compelled by legal process to divulge any of the above information or when that information has become publicly available without the fault of Dahan.

(c) Enforcement of Provisions. The parties acknowledge and agree that Company would be irreparably harmed if Dahan violated the above covenants and the restrictions contained in this Section 5.6 and that in such event, Company would not have an adequate remedy at law. The parties therefore agree that Company, may in its sole discretion, seek an order enjoining any breach of the above covenants, without prejudice to any other right or remedy to which Company may be entitled at law or equity. The parties further agree that, in any action for specific performance of Dahan covenants set forth in this Section 56, Company shall be entitled to all reasonable costs and expenses, including reasonable attorneys' fees incurred in connection therewith.

SECTION VI - INSURANCE AND INDEMNIFICATION

The Company shall, to the extent permitted by law, include Dahan during the term of this Agreement under any directors and officers liability insurance policy maintained for its directors and officers, which coverage shall be at least as favorable to Dahan in the amount and each other material respect as the coverage of other directors and officers covered thereby. The Company's obligation to provide insurance and indemnification for Dahan shall survive expiration or termination of this Agreement with respect to proceedings or threatened proceedings based on acts or omissions of Dahan occurring during Dahan employment with the Company or with any affiliated company. Such obligations shall be binding upon the Company's successors and assigns and shall inure to the benefit of Dahan heirs and personal representatives.

SECTION VII – DISPUTE RESOLUTION

(a) The parties agree to negotiate in good faith to resolve any controversy or claim arising out of or relating to this Agreement, or the breach thereof. If any party to this Agreement believes that such a controversy or claim has arisen, that party may give written notice to the other party within one hundred and twenty (120) days of the event, controversy or claim requesting a negotiation of the matter. The parties and their representatives, if they choose to be represented, shall meet at a mutually acceptable time and place within thirty (30) days after the date of the initial notice, and thereafter as often as they reasonably deem necessary, to attempt to resolve the dispute.

(b) If a resolution of the matter is not reached within forty-five (45) days of the initial notice described above, the matter shall be submitted to arbitration.

(c) Any dispute not settled through the process set forth above shall be submitted to final and binding arbitration, at Company's expense, before the Judicial Arbiter Group, Inc., of Denver, Colorado (or similar arbitration organization agreed upon by the parties), with a single arbitrator whom the parties jointly select, with the parties using their best efforts to complete such arbitration as quickly as is reasonably practical in accordance with the Colorado Rules of Civil Procedure This includes all disputes arising out of Dahan employment by and other relation and interaction with Company, whether arising during the term of Dahan employment or as a result of or after the termination of Dahan employment, and whether the dispute involves an alleged tort, contract breach, or any other kind of claim. Judgment upon the award may be entered by any court having jurisdiction thereof. Subject to (a) above, to the fullest extent permitted by law, this arbitration provision is intended to be, and is, the parties exclusive method of resolving disputes, and is in lieu of any other rights or remedies to which they may otherwise be entitled, either in law or in equity. Company and Dahan expressly waive their rights, if any, to have controversies between them decided by court or jury.

(d) All information relating to the procedures described in this Section VII shall be treated as confidential and as inadmissible settlement discussion protected by Rule 408 of the Federal Rules of Evidence and the principles expressed therein.

(e) The procedures specified in this Section VII shall be the exclusive procedures for the resolution of disputes; provided, however, that either party may seek preliminary judicial relief if in the judgment of that party such relief is necessary to avoid irreparable damage. Despite the institution of any such judicial proceedings, the parties shall continue to participate in good faith in the arbitration. As between the parties, all applicable statutes of limitation shall be tolled while the procedures specified in this Section VII are pending; the parties shall take all actions, if any, required to effect such tolling.

SECTION VIII - NON-ASSIGNABILITY; BINDING EFFECT

This Agreement shall be non-assignable and shall be binding upon, and shall inure to the benefit of Company's and its successors, and Dahan, her beneficiaries, heirs, and personal representatives.

SECTION IX- AMENDMENTS TO AGREEMENT

This Agreement shall supersede all prior agreements. Any amendments to this Agreement must be in writing and signed by Company and Dahan; oral discussions will not modify this Agreement.

SECTION X - GOVERNING LAW - SEVERABILITY

This Agreement shall be governed by the laws of the State of Colorado. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

SECTION XI – ENTIRE AGREEMENT

Thus Agreement constitutes the entire agreement between the parties with respect to the employment relationship hereof and supersedes all prior and contemporaneous agreements, promises or representations of the parties. No provision of this Agreement may be modified or waived except in a document signed by both parties.

SECTION XII - NOTICES

Any notice required or permitted to be given pursuant to this Agreement shall be given in writing and shall be delivered personally or deemed delivered three (3) days after being deposited in the United Stated mail, postage prepaid, addressed to the party, at such party's last known address.

IN WITNESS WHEREOF, the parties have executed this Agreement this 5th day of August, 2013.

Total Community Options, Inc.

Maureen Hewitt
President and Chief Executive Officer

Total Community Options, Inc.

Beverley Dahan
Vice President of Government and Legislative Affairs

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and entered effective as of this 8th day of July, _____ ("Effective Date"), by and between Total Community Options, Inc. ("Company"), a Colorado non-profit corporation, and Katie Miles-Ley ("Executive").

RECITALS

WHEREAS, Executive has been employed with Company as Senior Vice President of Human Resources for Company and/or its affiliates: and

WHEREAS, Company desires to continue her employment with Company in the position of Senior Vice President of Human Resources with Company; and,

NOW, THEREFORE, the parties, in consideration of the mutual covenants, agreements and representations set forth herein, do hereby agree as follows:

SECTION I - EMPLOYMENT

1.1 Company agrees to continue to employ Executive to perform the duties of Senior Vice President of Human Resources, as per the terms and conditions of this Agreement. In that capacity Executive shall do and perform all services, acts or things necessary or advisable to fulfill the duties and responsibilities of the Senior Vice President of Human Resources and as are assigned to Executive by the Chief Executive Officer of Company, pursuant to Executive's job description on file with Company, which may be modified from time to time. Executive shall at all times be subject to the policies, procedures and practices established by Company, in effect at the time, including the most recent personnel policies.

SECTION II - TERM OF EMPLOYMENT

2.1 The term of employment under this Agreement shall commence as of the Effective Date written above and shall continue for an indefinite period until terminated pursuant to Section V of this Agreement.

SECTION III - COMPENSATION

3.1 Base Salary. Company agrees to pay Executive an annual base salary commensurate with her performance and experience within the compensation philosophy established by Company. Executive will be paid her salary per Company's pay schedule for executive exempt employees.

3.2 Incentive Bonus Compensation. During Executive's employment, in addition to Base Salary, Executive shall be eligible, but not required, to receive a discretionary annual performance bonus, ("Bonus") based upon mutually agreed upon performance goals and the performance of the Company, as shall be determined by Company and the Board of Directors. The award and the amount of the Bonus, if any, will be decided in the sole discretion of the Chief Executive Officer and/or the Board of the Directors.

3.3 Performance Review. The Chief Executive Officer of Company shall annually evaluate Executive's performance in accordance with the Company guidelines and practices for senior executives.

SECTION IV - BENEFITS

Company agrees to provide or to provide access to the following benefits:

4.1 Benefits. Company shall provide to Executive any group or other benefits (e.g., medical and dental insurance, short-and long-term disability insurance coverage) provided to senior executives of Company in accordance with the terms and conditions then in effect. These benefits may be amended from time to time by Company.

4.2 Paid Time Off. Executive's paid time off ("PTO") and the Extended Illness Bank ("EIB") shall be governed by the then current written policy of Company with respect to all regular, full-time, senior executive employees of Company that are eligible to participate, and as may be modified in the future.

4.3 Retirement Benefits. Executive shall be entitled to participate in any pension plans, savings plans, or other types of retirement plans adopted by Company for the benefit of its employees. These benefits may be amended from time to time by Company.

4.4 Executive Benefits. The Board of Directors may provide additional executive benefits as may be deemed appropriate.

SECTION V - TERMINATION

5.1 Termination for Cause. Company may terminate Executive's employment immediately for "Cause".

(a) As used herein, the term for "Cause" shall include but is not limited to:

(1) Executive's theft or misappropriating any funds or property of Company or any affiliated Company; or the commission of any act of fraud;

(2) Executive's attempting to obtain any personal profit from any transaction in which Executive has an interest which is adverse to the interest of Company, unless Executive shall have first obtained the written consent of Company;

(3) Executive's being convicted of, or pleading guilty or *nolo contendere,* to a felony;

(4) Executive's failing to substantially perform the Senior Vice President of Human Resources' duties (for reasons other than Disability) in a timely or satisfactory manner;

(5) Executive's engaging in intentional misconduct, illegal or grossly negligent conduct which is materially injurious to Company monetarily or which is, or is reasonably likely to be, directly or materially harmful to the business or reputation of Company or any affiliated Company if such action were to become known to others;

(6) Executive's failure to comply with Medicare and Medicaid rules and regulations;

(7) Executive's failure to comply with Company's Corporate Compliance Program or Company's Code of Conduct; or,

(8) Executive's breach of the terms and conditions of this Agreement.

(b) Should Executive's Termination be for Cause, as set forth in Section 5.1(a)(1), (2) or (3) above, Company shall have the right to terminate immediately the employment of Executive by delivering to Executive a written notice specifying such cause.

(c) A termination of Executive for Cause based on any reason other than the actions described in Section 5.1(a)(1) (2) or (3) shall take effect 20 days after Executive receives from Company written notice of intent to terminate for Cause and Company's description of the alleged Cause, unless Executive shall, during such 20-day period, remedy the events or circumstances constituting Cause; provided, however, that such termination shall take effect immediately upon the giving of written notice of termination for Cause under any clause if Company shall have determined in good faith that such events or circumstances are not remediable (which determination shall be stated in such notice).

(d) In the event Executive's employment is terminated for Cause, Executive shall be entitled to her salary and accrued vacation pay prorated through the date of termination.

5.2 Termination Due to Death or Incapacity

(a) Executive's employment shall terminate immediately upon Executive's death.

(b) Incapacity. Company may terminate Executive's employment if Executive, due to physical or mental injury or illness, is unable to perform the essential functions of Executive's position with or without reasonable accommodation for a period of one hundred eighty (180) days, whether or not consecutive, occurring within any period of twelve (12) consecutive months ("Incapacity"), subject to any limitation imposed by federal, state or local laws. Any termination for Incapacity under this Agreement shall not affect the rights, if any, that Executive may otherwise have under any disability plan that Company may have in effect at the date of such termination and in which Executive is then participating.

(c) In the event Executive is terminated due to death or Incapacity, Executive shall be entitled to Executive's salary and accrued vacation pay prorated through the date of termination.

5.3 Voluntary Termination by Executive. If Executive desires to terminate this Agreement and Executive's employment with the Company, Executive shall give Company sixty (60) days prior written notice. Upon receipt of notice from Executive, Company at its option, can (i) continue to employ Executive through some or all of the 60-day notice period, with any restrictions on Executive's duties and authority as determined by Company, or (ii) waive the notice period and provide that Executive's employment shall terminate immediately upon notice to Executive. Executive shall be entitled to all compensation and benefits provided under this Agreement through the date of termination.

5.4 Termination by Executive for Good Reason

(a) Executive may terminate her employment with Company for Good Reason. "Good Reason" means any of the following occurring without the Executive's express written consent, subject to the notice described at the end of this section: (i) a material diminution in Executive's base salary; or (ii) a material diminution in the scope of Executive's duties and, responsibilities. Prior to any such event qualifying as Good Reason, Executive must give written notice to the Company of the event constituting Good Reason no later than 90 days after the initial occurrence of such event, and the Company will have 30 days after receiving such written notice to remedy the condition. If the Company fails to remedy the condition during such 30-day period, then Executive's employment shall terminate at the end of such period. .

(b) If Executive elects to terminate her employment for Good Reason, Executive shall be entitled to her then current base salary through the date of her termination for Good Reason. In addition, Company shall pay Executive the bonus Executive would have earned under Company's bonus plan in the year that Executive was terminated had Executive remained in its employment. Such bonus shall not be paid until Executive would normally be paid in accordance with Company practices and based upon the Company's assessment of the achievement of the bonus criteria. In addition, Executive shall be entitled to receive the Severance Payments (as defined in Section 5.6 below) payable as provided in Section 5.6.

5.5 Termination Without Cause

At any time during the term of this Agreement, Company may terminate Executive without Cause, upon the giving of sixty (60) days advance written notice of such termination or by the mutual written agreement of Company and Executive.

5.6 Severance Payments

(a) In the event of termination in accordance with Sections 5.4 and 5.5 only, Executive shall be entitled to the payments as set forth below ("Severance Payments"). Severance pay shall be an amount equal to Executive's base salary, then in effect immediately before any notice of termination, less applicable withholdings, for six (6) months, plus two months for each consecutive year of service with the Company following the Effective Date of this Agreement, up to a maximum period of twelve (12) months' of base salary subject so Section 5.6 (c) below. The time period for which Executive is entitled to severance pay is the "Severance Period". The Severance Payments shall be paid in equal installments during the Severance Period on the Company's regular pay dates, and no less frequently than monthly. No payment shall be made unless and until the Release Agreement become effective, and the first Severance Payment shall be paid on the pay date next following the date the Release Agreement becomes effective and shall include any payments that would have been made on pay dates following the Eligible Employee's termination date and prior to the Release Agreement becoming effective.

(b) Each month during the Severance Period, Company shall pay Executive an amount equal to the monthly premium for Executive health insurance coverage that is in effect on the Executive's termination date, less the premium Executive would pay if Executive remained an active employee of Company. Executive can use such payment to elect and pay for COBRA coverage or towards other health insurance coverage. All Company payments are subject to applicable Federal and State tax withholdings.

(c) Executive shall receive Severance Payments only if Executive timely signs a release of all claims against Company and its affiliates in a form acceptable to Company (the

"Release Agreement") and that Release Agreement becomes effective according to its terms. In order to receive Severance Payments, Executive must also cooperate with Company in the transition of Executive's duties and must comply with the other terms of this Agreement.

(d) No Severance Payments are payable under this Agreement and Executive forfeits any unpaid Severance Payments, if Executive engages in any activity described in Section 5.7 below.

5.7 Non-Solicitation and Confidentiality

(a) Recruitment of Company Employees. Without the prior written approval of Company, Executive covenants and agrees that, during Executive's employment with Company, and for a period ending twelve (12) months after Executive's employment with Company terminates for any reason, Executive shall not, either directly or indirectly: (i) solicit, recruit, hire or contract, for herself or on behalf of any other entity or person any current or prospective customer, client, employee, independent contractor or consultant of Company; or (ii) interfere with or disrupt Company's relationships with any of its employees or independent contractors.

(b) Confidential Information. Executive agrees that during and after Executive's employment, Executive will hold in the strictest confidence, and take all reasonable precautions to prevent any unauthorized use or disclosure of Confidential Information and Proprietary Information (described below) , and will not (i) use or copy the Confidential Information for any purpose whatsoever other than for the benefit of Company in the course of my employment, or (ii) disclose the Confidential Information to any third party without the prior written authorization of the Chief Executive Officer or the Board of Directors of Company. "Confidential Information" means information disclosed, before or after the Effective Date, without regard to form, relating to the Company's business that has value, actual or potential, from not being generally known to others and which the Company maintains as confidential. Confidential Information includes both information disclosed by the Company to Executive, and information developed or learned by Executive during the course of Executive's employment with Company. By example, and without limitation, Confidential Information includes software, research, developments, methods of doing business, products, services, price and cost information, financial information, marketing information, billing procedures, marketing and selling techniques, and confidential information about customers, clients, suppliers and personnel, including customer lists and customer contact information, (whether or not in writing). Confidential Information includes information that is a trade secret under applicable law as well as information that does not rise to the level of a trade secret. Confidential Information also includes confidential information that the Company obtains from a third party, which the Company is obligated to keep confidential. Confidential Information does not include any such information which (a) has been voluntarily disclosed to the public by the Company, except where such public disclosure has been made by Executive without the Company's authorization, (b) has been independently developed and disclosed by others, or (c) has otherwise entered the public domain through lawful means. This paragraph shall not bar Executive from complying with any subpoena or court order, provided that Executive shall at the earliest practicable date provide a copy of the subpoena or court order to the Company's General Counsel.

(c) Proprietary Rights. Company shall have all right, title and interests to copyrights, trademarks created during the course of or resulting from Executive's employment with Company. Those concepts and ideas disclosed by Company to Executive or which are first developed by Executive during the course of Executive's employment hereunder and which relate to Company' present, past or prospective business activities, services, and products, all of which shall remain the sole and exclusive property of the Company. Executive shall have no publication rights and all of the same shall belong exclusively to Company. Executive agrees to assign, and hereby does assign to Company, all rights, if any in or to such works, trademarks, or intellectual property rights, necessary or appropriate for Company to obtain, maintain and assert its rights in such work.

(d) Enforcement of Provisions. The parties acknowledge and agree that Company would be irreparably harmed if Executive violated the above covenants and the restrictions contained in this Section 5.7 and that in such event, Company would not have an adequate remedy at law. The parties therefore agree that Company, may seek an order enjoining any breach of the above covenants, without prejudice to any other rights or remedies to which Company may be entitled at law or equity. The parties further agree that, in any action for specific performance of Executive covenants set forth in this Section 5.7, Company shall be entitled to all reasonable costs and expenses, including reasonable attorneys' fees incurred in connection therewith if Company prevails.

(e) Return of Property. Executive agrees to return to Company, without the prior written permission of the Chief Executive Officer or her designee, upon termination or expiration of Executive's employment with Company, any and all Company property in Executive's possession or control, including, but not limited to, all keys, credit cards, computers, cellular telephones, and other personal items or equipment provided to Executive by Company for use during Executive's employment, together with all written or recorded materials, documents, memoranda, computer discs, plans, records, notes, files, drawings, or papers, and any copies thereof, relating to the affairs of Company, including all notes or records relating to clients of the Company.

SECTION VI - INSURANCE AND INDEMNIFICATION

Company shall, to the extent permitted by law, include Executive during the term of this Agreement under any directors and officers' liability insurance policy maintained for its directors and officers. Company's obligation to provide insurance and indemnification for Executive shall survive expiration or termination of this Agreement with respect to proceedings or threatened proceedings based on acts or omissions of Executive occurring during Executive's employment with Company or with any affiliated company. Such obligations shall be binding upon Company's successors and assigns and shall inure to the benefit of Executive's heirs and personal representatives.

SECTION VII – SECTION 409A

(a) It is the intent of the Company that this Agreement comply with the requirements of Code Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") and all guidance issued thereunder by the U.S. Internal Revenue Service with respect to any nonqualified deferred compensation subject to Code Section 409A. This Agreement shall be interpreted and administered to maximize the exemptions from Section 409A and, to the extent this Agreement provides for deferred compensation subject to Code Section 409A, to comply with Code Section 409A and to avoid the imposition of tax, interest and/or penalties upon the Executive under Code Section 409A.

(b) Each payment under this Agreement is deemed a separate payment within the meaning of the final regulations under Section 409A. Each Severance Payment, reimbursement of COBRA and other payment under this Agreement that is made within 2-1/2 months following the end of the year that contains the date of the Executive's termination of employment is intended to be exempt from Section 409A as a short-term deferral within the meaning of Section

409A. Each Severance Payment or other payment that is made later than 2-1/2 months following the end of the year that contains the date of the Executive's termination of employment is intended to be exempt under the two-times exception of Treasury Reg. § 1.409A-1(b)(9)(iii), up to the limitation on the availability of that exception specified in the regulation.

(c) To the extent necessary to comply with Section 409A, references in this Agreement to "termination of employment" or "terminates employment" (and similar references) shall have the same meaning as "separation from service" under Section 409A, and no payment subject to Section 409A that is payable upon a termination of employment shall be paid unless and until the Executive incurs a "separation from service" under Section 409A.

SECTION VIII – DISPUTE RESOLUTION

(a) The parties agree to negotiate in good faith to resolve any controversy or claim arising out of or relating to this Agreement, or the breach thereof. If any party to this Agreement believes that such a controversy or claim has arisen, that party may give written notice to the other party within sixty (60) days of the event, controversy or claim requesting a negotiation of the matter. The parties and their representatives, if they choose to be represented, shall meet at a mutually acceptable time and place within thirty (30) days after the date of the initial notice, and thereafter as often as they reasonably deem necessary, to attempt to resolve the dispute.

(b) If a resolution of the matter is not reached within forty-five (45) days of the initial notice described above, the matter shall be submitted to arbitration.

(c) To the extent permitted by law, any dispute not settled through the process set forth above shall be submitted to final and binding arbitration before the Judicial Arbiter Group, Inc., of Denver, Colorado (or similar arbitration organization agreed upon by the parties with a single arbitrator whom the parties jointly select, with the parties using their best efforts to complete such arbitration as quickly as is reasonably practical in accordance with the Colorado Rules of Civil Procedure. The Company shall pay the costs of the arbitrator's fees for the arbitration proceeding, excluding Executive's own attorney's fees, witness fees, and expenses, costs of discovery and the like, which expenses are solely Executive's responsibility. This arbitration provision includes all disputes arising out of Executive's employment by and other relation and interaction with Company, whether arising during the term of Executive employment or as a result of or after the termination of Executive employment, and whether the dispute involves an alleged tort, contract breach, or any other kind of claim. Judgment upon the award may be entered by any court having jurisdiction thereof. Subject to (a) above, to the fullest extent permitted by law, this arbitration provision is intended to be, and is, the parties exclusive method of resolving disputes, and is in lieu of any other rights or remedies to which they may otherwise be entitled, either in law or in equity. Company and Executive expressly waive their rights, if any, to have controversies between them decided by court or jury. Judgment upon the award may be entered by any court having jurisdiction thereof.

(d) All information relating to the procedures described in this Section VIII shall be treated as confidential and as inadmissible settlement discussion protected by Rule 408 of the Federal Rules of Evidence and the principles expressed therein.

(e) The procedures specified in this Section VIII shall be the exclusive procedures for the resolution of disputes; provided, however, that either party may seek injunctive relief if in the judgment of that party such relief is necessary to avoid irreparable damage. Any claim by Company arising in connection with Section 5.7 may be brought in any court of competent jurisdiction. Despite the institution of any such judicial proceedings, the parties shall continue to participate in good faith in the arbitration. As between the parties, all applicable statutes of limitation shall be tolled while the procedures specified in this Section VIII are pending; the parties shall take all actions, if any, required to effect such tolling.

SECTION IX - NON-ASSIGNABILITY; BINDING EFFECT

This Agreement shall be non-assignable and shall be binding upon, and shall inure to the benefit of Company's and its successors, and Executive, Executive's beneficiaries, heirs, and personal representatives.

SECTION X- AMENDMENTS TO AGREEMENT

This Agreement shall supersede all prior agreements. Any amendments to this Agreement must be in writing and signed by Company and Executive; oral discussions will not modify this Agreement.

SECTION XI - GOVERNING LAW - SEVERABILITY

This Agreement shall be governed by the laws of the State of Colorado. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

SECTION XII – ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the parties with respect to the employment relationship hereof and supersedes all prior and contemporaneous agreements, promises or representations of the parties. No provision of this Agreement may be modified or waived except in a document signed by both parties.

SECTION XIII - NOTICES

Any notice required or permitted to be given pursuant to this Agreement shall be given in writing and shall be delivered personally or deemed delivered three (3) days after being deposited in the United Stated mail, postage prepaid, addressed to the party, at such party's last known address.

IN WITNESS WHEREOF, the parties have executed this Agreement this 8th day of July, 2014.

Total Community Options, Inc.

Maureen Hewitt
Maureen Hewitt
President and Chief Executive Officer

Total Community Options, Inc.

Katie Miles-Ley
Katie Miles-Ley
Senior Vice President of Human Resources

EXHIBITS F

2013 & 2014 Financial Statements
2015 Statement Provided When Complete

Total Community Options, Inc.
d/b/a InnovAge and Subsidiaries

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2014 and 2013

Total Community Options, Inc.
d/b/a InnovAge and Subsidiaries
June 30, 2014 and 2013

Contents

BKD LLP
CPAs & Advisors

111 S. Tejon Street, Suite 800 // Colorado Springs, CO 80903-2286
719.471.4290 // fax 719.632.8087 // bkd.com

Independent Auditor's Report on Consolidated Financial Statements and Supplementary Information

Board of Directors
Total Community Options, Inc.
d/b/a InnovAge and Subsidiaries
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Total Community Options, Inc. d/b/a InnovAge and Subsidiaries (the Organization), which comprise the balance sheets as of June 30, 2014 and 2013, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Board of Directors
Total Community Options, Inc.
d/b/a InnovAge and Subsidiaries

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2014 and 2013, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information, including the consolidating information as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BKD, LLP

Colorado Springs, Colorado
October 27, 2014

Total Community Options, Inc.
d/b/a InnovAge and Subsidiaries
Consolidated Balance Sheets
June 30, 2014 and 2013

Assets

	2014	2013
Current Assets		
Cash and cash equivalents	$ 39,622,915	$ 40,661,011
Short-term investments	8,101,206	1,001,923
Assets limited as to use, current	1,419,562	727,009
Accounts receivable, net of allowance; 2014 - $135,530 and 2013 - $142,133	19,146,351	7,836,896
Prepaid expenses and other	1,374,749	1,666,186
Total current assets	69,664,783	51,893,025
Assets Limited as to Use		
Board-designated funds - beneficial interest in investment pool	22,207,190	18,849,252
Held by trustee	2,589,660	4,827,657
	24,796,850	23,676,909
Long-term Investments	12,981,289	11,498,127
Property and Equipment, at Cost		
Land	9,787,246	9,382,108
Buildings and leasehold improvements	63,563,273	51,110,521
Equipment and vehicles	17,888,175	16,456,375
Construction-in-progress	13,298,443	19,549,272
	104,537,137	96,498,276
Less accumulated depreciation	19,045,948	21,314,046
	85,491,189	75,184,230
Other Assets		
Deposits and other	1,179,469	499,676
Real estate held for sale	139,858	717,947
Deferred financing costs, net	1,460,714	1,389,996
Goodwill	4,903,174	4,191,524
	7,683,215	6,799,143
Total assets	$ 200,617,326	$ 169,051,434

See Notes to Consolidated Financial Statements

Liabilities and Net Assets

	2014	2013
Current Liabilities		
Accounts payable	$ 5,742,922	$ 6,953,448
Reported and estimated claims	8,053,436	5,890,264
Due to Medicaid and Medicare	7,902,330	2,205,048
Accrued compensation	2,880,408	1,812,516
Accrued vacation	2,300,946	2,201,109
Other accrued expenses	1,183,756	1,826,530
Current portion of long-term debt	5,439,366	590,048
Current portion of capital lease obligations	556,239	220,695
Deferred revenue	1,604,775	536,296
Total current liabilities	35,664,178	22,235,954
Capital Lease Obligations	1,109,354	554,613
Long-term Debt	39,326,646	37,415,997
Total liabilities	76,100,178	60,206,564
Net Assets		
Unrestricted	119,771,169	104,772,775
Noncontrolling interest	4,123,197	3,548,371
Total unrestricted net assets	123,894,366	108,321,146
Temporarily restricted	605,203	506,145
Permanently restricted	17,579	17,579
Total net assets	124,517,148	108,844,870
Total liabilities and net assets	$ 200,617,326	$ 169,051,434

Total Community Options, Inc.
d/b/a InnovAge and Subsidiaries
Consolidated Statements of Operations
Years Ended June 30, 2014 and 2013

	2014	2013
Unrestricted Revenues, Gains and Other Support		
Capitation revenue		
Medicaid	$ 100,711,506	$ 91,179,952
Medicare	77,464,850	71,589,244
Private pay	627,272	618,769
Veterans Administration	567,796	498,746
Fee for service revenue		
Medicaid	1,013,044	1,416,441
Private pay	1,570,873	1,823,905
Single Entry Point	157,894	9,463,993
Grant revenues	699,698	805,569
Net investment return gains	1,099,590	551,431
Unrealized gain on beneficial interest in investment pool	3,086,773	1,748,942
Other	1,229,454	1,104,826
Net assets released from restriction, used for operations	464,209	681,268
Total unrestricted revenues, gains and other support	188,692,959	181,483,086
Expenses		
Salaries and wages	44,307,573	45,422,584
Employee benefits	10,494,470	9,488,589
External provider costs		
Inpatient	38,812,009	37,159,960
Outpatient	47,321,293	43,039,572
Rent, facility and maintenance	4,636,104	4,203,683
Purchased services and contracts	10,435,303	10,287,605
Supplies and other	8,231,716	9,527,049
Depreciation and amortization	5,321,313	4,045,368
Nutrition	1,273,985	1,240,714
Interest expense	2,298,468	2,019,034
Loss on disposal of capital assets	316,172	173,210
Provision for uncollectible accounts	126,731	311,374
Total expenses	173,575,137	166,918,742
Operating Income and Excess of Revenues Over Expenses	15,117,822	14,564,344
Unrealized losses	(468,600)	(72,448)
Equity contribution	923,998	-
Net assets released from restriction, used for capital purchases	-	660,842
Increase in Unrestricted Net Assets	$ 15,573,220	$ 15,152,738

Total Community Options, Inc.
d/b/a InnovAge and Subsidiaries
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2014 and 2013

	2014	2013
Unrestricted Net Assets		
Excess of revenues over expenses	$ 15,117,822	$ 14,564,344
Unrealized losses	(468,600)	(72,448)
Equity contribution	923,998	-
Net assets released from restriction, used for capital purchases	-	660,842
Increase in unrestricted net assets	15,573,220	15,152,738
Temporarily Restricted Net Assets		
Contributions	563,267	947,188
Net assets released from restrictions, used for operations	(464,209)	(681,268)
Net assets released from restrictions, used for capital purchases	-	(660,842)
Increase (decrease) in temporarily restricted net assets	99,058	(394,922)
Change in Net Assets	15,672,278	14,757,816
Net Assets, Beginning of Year	108,844,870	94,087,054
Net Assets, End of Year	$ 124,517,148	$ 108,844,870

Total Community Options, Inc.
d/b/a InnovAge and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Operating Activities		
Change in net assets	$ 15,672,278	$ 14,757,816
Change in net assets attributable to the noncontrolling interest related to operating activities	349,172	290,673
Change in net assets attributable to the noncontrolling interest related to financing activities	(923,998)	-
Change in net assets attributable to InnovAge	15,097,452	15,048,489
Items not requiring (providing) cash		
Loss on disposal of assets	316,172	173,210
Provision for uncollectible accounts	126,731	311,374
Depreciation and amortization	5,321,313	4,045,368
Amortization of bond offering costs included in interest expense	44,561	33,935
Net realized and unrealized gains on investments	(2,755,829)	(1,699,053)
Changes in		
Accounts receivable, net	(11,436,186)	2,945,515
Assets limited as to use held for others	(2,001)	(28,087)
Prepaid expenses and other	(493,635)	68,114
Accounts payable	(608,010)	1,344,882
Reported and estimated claims	2,163,172	1,513,141
Due to Medicaid and Medicare	5,697,282	432,663
Accrued compensation and vacation	1,167,729	(155,384)
Other accrued expenses	(642,774)	(683,393)
Deferred revenue	1,068,479	(5,920,035)
Noncontrolling interest	(349,172)	(290,673)
Net cash provided by operating activities	14,715,284	17,140,066
Investing Activities		
Purchase of property and equipment	(14,849,986)	(14,122,076)
Purchase of investments	(20,479,216)	(14,930,378)
Proceeds from investments	13,134,776	7,783,625
Purchase of IHA	(729,000)	-
Change in beneficial interest in investment pools	(271,165)	(2,161,392)
Change in bond sinking fund	(21,504)	32,892
Net cash used in investing activities	(23,216,095)	(23,397,329)

Total Community Options, Inc.
d/b/a InnovAge and Subsidiaries
Consolidated Statements of Cash Flows (continued)
Years Ended June 30, 2014 and 2013

	2014	2013
Financing Activities		
Equity contributed by noncontrolling interest	923,998	-
Proceeds from the issuance of long-term debt	7,362,578	-
Principal payments on capital lease	(221,250)	(132,166)
Principal payments on long-term debt	(602,611)	(558,216)
Net cash provided by (used in) financing activities	7,462,715	(690,382)
Decrease in Cash and Cash Equivalents	(1,038,096)	(6,947,645)
Cash and Cash Equivalents, Beginning of Year	40,661,011	47,608,656
Cash and Cash Equivalents, End of Year	$ 39,622,915	$ 40,661,011
Supplemental Cash Flows Information		
Interest paid	$ 2,364,265	$ 2,360,507
Property and equipment included in accounts payable	$ 1,177,016	$ 1,779,532
Property and equipment purchased with capital lease	$ 1,111,535	$ 889,288

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Total Community Options, Inc. d/b/a InnovAge (InnovAge) is a nonprofit corporation formed in May 2007. InnovAge was formed as a parent/holding company for the following related entities:

- Total Longterm Care, Inc. d/b/a InnovAge Greater Colorado PACE (IGCP) is a nonprofit corporation formed in December 1989 to operate the Program of All-inclusive Care for the Elderly (PACE), a risk-based long-term care program. IGCP operates a managed care, capitated program, which serves the frail elderly in a community-based service model. Elderly enrolled in IGCP receive all needed acute and long-term care services through a comprehensive, consolidated model of care primarily through four day center locations in the Denver metro area and one day center location in Pueblo, Colorado. Capitation payments are received from Medicare parts A, B, C and D, Medicaid, Veterans Administration (VA) and private pay sources. IGCP is 100% at risk for all health and allied care costs incurred with respect to the care of its participants, although it does negotiate discounted rates with its provider network including hospitals, nursing homes, assisted living facilities and medical specialists. Additionally, under the Medicare Prescription Drug Plan, the Centers for Medicare and Medicaid Services (CMS) share part of the risk for providing prescription medication to IGCP's participants.

    - In January 2009, Continental Community Housing (CCH), a Colorado nonprofit corporation, was formed to be the general partner of Pinewood Lodge, LLLP (PWD). CCH is owned 100% by IGCP.

    - Effective February 2009, IGCP purchased, on behalf of CCH, a 0.01% partnership interest in PWD, which has been consolidated for reporting purposes. CCH is the general partner of PWD and has control over PWD's operations, reporting and other day-to-day functions. The limited partners only have the ability to terminate the general partner with cause. The remaining 99.99% is shown as a noncontrolling interest in these financial statements. PWD was organized to develop, construct, own, maintain and operate a 103 unit apartment complex intended for rental to low-income elderly individuals aged 62 and older (the Project). The Project was completed and began initial operations in January 2005. The Project received an allocation of low-income housing tax credits from the Colorado Housing and Finance Authority under Section 42 of the Internal Revenue Code of 1986, as amended.

    - In September 2011, TLC Inland, LLC (Inland) was formed and organized in Delaware. IGCP is the sole member of Inland. Inland's purpose is to develop a PACE center to serve San Bernardino and Riverside, California counties.

    - In December 2012, InnovAge Greater Colorado PACE – Loveland, LLC (IGCPL) was formed and incorporated in Colorado. IGCP is the sole member of IGCPL. IGCPL's purpose is to expand PACE services to Northern Colorado. There was no activity in IGCPL as of June 30, 2014. Construction is scheduled to begin in the fall of fiscal year 2015, and the center is expected to open fall of 2016.

- In March 2013, InnovAge Senior Housing – Thornton (Managing Member), LLC (SHMM) was formed and incorporated in Colorado. InnovAge is the sole member of SHMM. The purpose of SHMM is to manage senior properties.

- In April 2013, InnovAge Senior Housing Thornton, LLC (SH1) was formed and incorporated in Colorado. SHMM is the managing member of SH1, with US Bancorp Community Development Corporation as the investor member. SH1's purpose is to develop senior housing. InnovAge is the general partner of SH1 and has control over SH1's operations, reporting and other day-to-day functions. The limited partners only have the ability to terminate the general partner with cause. The remaining 99.99% is shown as a noncontrolling interest in these financial statements. SH1 was organized to develop, construct, own, maintain and operate a 72 unit apartment complex intended for rental to low-income elderly individuals aged 62 and older. As of June 30, 2014, the building was still in the construction phase.

- In June 2013, InnovAge Senior Housing – Thornton II, LLC (SH2) was formed and incorporated in Colorado. InnovAge is the sole member of SH2. SH2's purpose is also to develop senior housing.

- In May 2013, InnovAge Greater California PACE (ISB) was formed to provide comprehensive, consolidated and coordinated healthcare service packages of medical and institutional services to frail elderly populations within PACE for the State of California. InnovAge is the sole member of ISB.

- In July 2003, Total Community Care, LLC d/b/a InnovAge Greater New Mexico PACE (IGNMP) was formed to provide comprehensive, consolidated and coordinated healthcare service packages of medical and institutional services to frail elderly populations within PACE for the Medical Assistance Division of New Mexico Human Resources Department.

- In August 2002, Longterm Care Options, LLC d/b/a InnovAge Longterm Care Options (LTCO) was formed. InnovAge is the sole member of LTCO. LTCO's purpose is to operate a Single Entry Point Program, which evaluates functional eligibility and coordinates services for applicants seeking long-term care through the state of Colorado's Medicaid Program. The contract for Single Entry Point and associated programs was not renewed subsequent to June 30, 2013.

- Total Longterm Care Solutions, LLC d/b/a InnovAge-Lowry (Lowry) was formed in May 2007. InnovAge is the sole member of Lowry. Lowry's purpose is to provide technical assistance and consulting services to other organizations which are planning to operate PACE programs, as well as consulting to existing PACE providers. Effective July 1, 2009, Lowry became the management company for InnovAge's affiliated companies and collects management fees for such services.

- InnovAge Insurance Limited (IIL) was formed in December 2013. IIL was incorporated in the Isle of Man to provide insurance underwriting services to InnovAge.

- Total Community Options Foundation, Inc. d/b/a InnovAge Foundation (IFDN) was formed in June 2008. IFDN's purpose is to secure broad-based community support for the programs of InnovAge and affiliated companies.

- In January 2009, the Colorado Health Foundation (CHF) transferred the operations of Johnson Adult Day Program, Inc. d/b/a InnovAge Johnson Adult Day Program (IJADP) to InnovAge. IJADP is a nonprofit corporation located in Englewood, Colorado and it operates a day center that specializes in providing adult day activities to those with memory or physical impairments. Respite, education and case management services are provided for caregivers. InnovAge has agreed to operate and oversee operations of the adult day care program per the operating agreement until December 31, 2018.

- In January 2009, InnovAge assumed control of Seniors Inc. d/b/a InnovAge Home Care (IHC). IHC is a nonprofit corporation and was established for the purpose of promoting independence and enriching the quality of life for its clients as they age. IHC provides home care and other services to seniors and is supported primarily through program income and government grants and contracts.

    - In January 2012, IHC purchased InnovAge Homecare North, LLC (IHCN), a Colorado organization licensed for skilled and non-skilled care in Boulder, Larimer and Weld Counties. IHC is the sole member of IHCN.

    - In April 2014, InnovAge purchased InnovAge Homecare – Aspen, LLC (IHA), a Colorado organization licensed for skilled and non-skilled care in Pitkin, Garfield and Eagle Counties. IHC is the sole member of IHA.

- In December 2008, Innovative Care Solutions, LLC (ICS) was formed. The sole member of ICS was LTCO. ICS provided services that supplemented the work of LTCO.

Principles of Consolidation

The consolidated financial statements include the accounts of the entities listed under Nature of Operations, collectively "the Organization". All significant intercompany accounts and transactions have been eliminated in consolidation.

Noncontrolling Interest

Noncontrolling interest represents the 99.99% interest in PWD and SH1 that is not owned by InnovAge. For the years ended June 30, 2014 and 2013, changes in consolidated unrestricted net assets attributable to the controlling financial interest of InnovAge and the noncontrolling interest are:

	Total	Controlling Interest	Noncontrolling Interest
Balance, July 1, 2012	$ 93,168,408	$ 89,329,364	$ 3,839,044
Excess (deficiency) of revenues over expenses	14,564,344	14,855,017	(290,673)
Change in net unrealized loss on investments	(72,448)	(72,448)	-
Net assets released from restriction, used for capital purchases	660,842	660,842	-
Increase (decrease) in unrestricted net assets	15,152,738	15,443,411	(290,673)
Balance, July 1, 2013	108,321,146	104,772,775	3,548,371
Excess of revenues over expenses	15,117,822	14,542,996	574,826
Change in net unrealized loss on investments	(468,600)	(468,600)	-
Equity contributions	923,998	923,998	-
Increase in unrestricted net assets	15,573,220	14,998,394	574,826
Balance, June 30, 2014	$ 123,894,366	$ 119,771,169	$ 4,123,197

The change in temporarily and permanently restricted net assets is attributable solely to the controlling interest.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Organization considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents. At June 30, 2014 and 2013, cash equivalents consisted primarily of certificates of deposits and bank money market accounts.

At June 30, 2014, the Organization's cash accounts exceeded federally insured limits by approximately $38,555,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of operations and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Assets Limited as to Use

Assets limited as to use include (1) assets held by trustee, which are restricted by bond agreements, including approximately $2,580,000 and $2,560,000 as of June 30, 2014 and 2013, respectively, which is required to be held in reserves pursuant to bond indenture agreements and approximately $10,000 and $2,270,000 of bond proceeds to be used for capital expenditures as of June 30, 2014 and 2013, respectively, (2) assets held as collateral for letters of credit in the amount of $677,165 and $300,000 as of June 30, 2014 and 2013, respectively, (3) board-designated funds, over which the Board retains control and may use for any purpose, investments are held in a beneficial interest in an investment pool, and (4) assets held for participants who have established a personal needs account to pay for nonmedical personal expenses. The Organization is only entitled to disburse funds from the accounts with client authorization. An offsetting liability is recorded on the books of the Organization for the amount of funds that are available to cover future client expenses as of the financial statement dates. Amounts required to meet current liabilities of the Organization are included in current assets.

Accounts Receivable

The Organization reports accounts receivable for services rendered at net realizable amounts from third-party payers, participants and others. The Organization provides an allowance for doubtful accounts based upon a review of outstanding receivables, eligibility, historical collection information and existing economic conditions. Accounts are considered delinquent and subsequently written-off as bad debts based on individual credit evaluation and specific circumstances of the account.

Beginning in fiscal year 2011, IGCP experienced significant delays in processing Medicaid payments through the state of Colorado. IGCP has implemented an internal process where they review a participant's Medicaid eligibility and effective date by pre-screening the participant information. Due to the significant volume of delays, IGCP began tracking the different categories of Medicaid accounts receivable in 2012. As of June 30, IGCP recorded a net realizable Medicaid accounts receivable, which is included in accounts receivable on the consolidated balance sheet, as follows:

	2014	2013
Participants approved but payment not received	$ -	$ 1,520,697
Participants with Medicaid identifications	11,592,598	984,828
Participants in the Qualified Medicaid Beneficiary file being manually processed	244,108	202,966
Medicaid pending participants	7,280	35,076
Post eligibility treatment of income	1,562,204	1,562,204
Total net Medicaid accounts receivable	$ 13,406,190	$ 4,305,771

IGCP is working in conjunction with the state of Colorado to process the above categories of accounts receivable. Subsequent to June 30, 2014, approximately 51% of the net Medicaid accounts receivable listed above was collected. Management believes the remaining accounts are collectible based on management's pre-screening process, historical collection experience and individual account information.

Property and Equipment

Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

The Organization capitalizes interest costs as a component of construction-in-progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. During 2014 and 2013, the Organization capitalized interest of approximately $166,400 and $400,000, respectively.

Goodwill and Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No impairment was recognized during the years ended June 30, 2014 and 2013. At June 30, 2014, there was goodwill of $4,116,524 related to the purchase of IGNMP, $75,000 related to the purchase of IHCN and $711,650 related to the purchase of IHA.

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

Revenue Recognition

IGCP, IGNMP and ISB provide comprehensive health care services to participants on the basis of fixed or capitated fees per participant that are paid monthly by Medicare, Medicaid, the VA and private pay sources. Medicaid and Medicare capitation revenues are based on per-member, per-month capitation rates under the PACE program. The PACE tri-party contract, between the respective state and CMS, is renewable annually every year for IGCP, IGNMP and ISB. The current agreements are effective through June 30, 2014 for IGCP, IGNMP and ISB. Capitation payments are recognized as revenue in the period in which they relate.

Capitation revenues may be subject to adjustment as a result of examination by government agencies or contractors. The audit process and the resolution of significant related matters often are not finalized until several years after the services are rendered. At times, IGCP accepts participants into the program pending final authorization from Medicaid. If Medicaid coverage is denied and there are no alternative resources available to pay IGCP, the participant is disenrolled and the risk is eliminated. Any costs incurred on behalf of these participants were nominal in the current and prior year. Net participant service revenues consisted of the following sources:

	2014	2013
Medicaid	57%	54%
Medicare	42%	40%
Private pay	1%	1%
Single Entry Point	0%	5%
	100%	100%

IGCP, IGNMP and ISB also provide prescription drug benefits in accordance with Medicare Part D under a contract with CMS. The payments IGCP, IGNMP and ISB receive monthly from CMS and its participants represent its bid amount for providing prescription drug coverage. The CMS payment is subject to risk sharing through the Medicare Part D risk sharing corridor provisions. The risk sharing corridor provisions compare costs targeted in IGCP's, IGNMP's and ISB's bid to actual prescription drug costs, limited to costs that would have been incurred under the standard coverage as defined by CMS. IGCP, IGNMP and ISB estimate and recognize an adjustment to Medicare Part D revenues related to these risk corridor provisions.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

LTCO evaluates functional eligibility and obtains services for clients seeking long-term care on the basis of a fixed expenditure reimbursement contract with the Colorado Department of Health Care Policy and Financing (HCPF) that is paid monthly by the Single Entry Point Program. Fees are earned when LTCO incurs an allowable expenditure under the contract.

Federal Funds

LTCO receives certain revenues from contracts that are passed through various state governmental agencies. Disbursements of funds received under these contracts generally require compliance with terms and conditions specified in the contracts and are subject to audit by the contracting agencies. The amount of charges to these contracts that may be disallowed, if any, by such audits cannot presently be determined and no provision for any liability that may result has been made in the consolidated financial statements. The contract for the Single Entry Point and associated programs were not renewed subsequent to June 30, 2013.

IHC receives revenues from contracts that are awarded through various state and federal governmental agencies. Disbursements of funds received under these contracts generally require compliance with terms and conditions specified in the contracts and are subject to audit by the contracting agencies. The amount of charges to these contracts that may be disallowed, if any, by such audits cannot presently be determined and no provision for any liability that could result has been made in the consolidated financial statements.

Contributions

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Gifts received with donor stipulations are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

Professional Liability Claims

The Organization recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in Note 10.

InnovAge Insurance Limited

During the year ended June 30, 2014, the Organization formed a captive insurance company to provide workers' compensation liability insurance. IIL has partnered with Marsh Management Services Isle of Man Limited to provide underwriting services.

Income Taxes

IGCP, LTCO, InnovAge, IHC, IHCN, IHA, IFDN, ICS, IJADP, IGNMP, Lowry, SHMM and SH2 have been recognized as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Organization is subject to federal income tax on any unrelated business taxable income.

CCH is a Colorado nonprofit corporation but has elected to be taxed as a "C" Corporation under provisions of the Internal Revenue Code and a similar section of the state income tax law.

The members of PWD and SH1 have elected to be taxed as a partnership. Therefore, no provision for income taxes is included in these financial statements.

Inland is a Delaware corporation and has elected to be taxed as a "C" Corporation under provisions of the Internal Revenue Code and a similar section of the state income tax law.

IIL was incorporated as a limited organization in the Isle of Man and will be taxed similar to a "C" Corporation.

The Organization files tax returns in the U.S. federal jurisdiction. The Organization is no longer subject to U.S. federal examinations by tax authorities for years before 2011.

Excess of Revenues Over Expenses

The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers to and from affiliates for other than goods and services, equity contributions and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Concentration of Credit Risk

The Organization provides comprehensive health care services to participants on the basis of fixed or capitated fees per participant that are paid monthly by Medicare, Medicaid, the VA and private pay sources. The mix of net receivables from participants and third-party payers at June 30 was:

	2014	2013
Medicaid	71%	62%
Medicare	28%	35%
Private pay	1%	3%
	100%	100%

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Investments and Investment Return

Assets Limited as to Use

Assets limited as to use at June 30 include:

	2014	2013
Internally-designated		
Investment pools		
Institutional Commodities, Ltd.	$ 1,197,671	$ 1,388,424
Institutional Multi-Strategy Equity Fund, LLC	15,499,841	12,262,174
Institutional Multi-Strategy Bond Fund, LLC	5,509,678	5,198,654
	22,207,190	18,849,252
Assets held for collateral	677,165	-
Held by trustee under indenture agreement		
Fixed income securities	2,556,854	3,607,039
Money market funds	747,990	1,918,413
	3,304,844	5,525,452
Held on behalf of participants		
Cash and cash equivalents	27,213	29,214
Total assets limited as to use	26,216,412	24,403,918
Less long-term assets limited as to use	24,796,850	23,676,909
Short-term assets limited as to use	$ 1,419,562	$ 727,009

Other Investments

Other investments at June 30 include:

	2014	2013
Fixed income securities	$ 14,964,665	$ 7,470,796
Certificates of deposit	5,266,488	4,987,081
Money market funds	851,342	42,173
	21,082,495	12,500,050
Less long-term investments	12,981,289	11,498,127
Short-term investments	$ 8,101,206	$ 1,001,923

Total investment return is comprised of the following:

	2014	2013
Interest and dividend income	$ 961,934	$ 528,872
Unrealized gains	2,618,173	1,676,494
Realized gains on investments	137,656	22,559
	$ 3,717,763	$ 2,227,925

Total investment return is reflected in the consolidated statements of operations and changes in net assets as follows:

	2014	2013
Unrestricted net assets		
Net investment return	$ 1,099,590	$ 551,431
Unrealized gain on beneficial interest in investment pool	3,086,773	1,748,942
Unrealized losses	(468,600)	(72,448)
	$ 3,717,763	$ 2,227,925

Investment Pools

The Organization is a participant in an investment pool of which the Organization has purchased a fund interest under a subscription agreement. The fair value of investment pools has been estimated using the net asset value per share of the investments. Pooled investments held at June 30 consist of the following:

	2014		
	Fair Value	Redemption Frequency	Redemption Notice Period
Institutional Commodities, Ltd. (A)	$ 1,197,671	Monthly	5 days
Institutional Multi-Strategy Equity Fund, LLC (B)	$ 15,499,841	Monthly	5 days
Institutional Multi-Strategy Bond Fund, LLC (C)	$ 5,509,678	Monthly	5 days

	2013		
	Fair Value	Redemption Frequency	Redemption Notice Period
Institutional Commodities, Ltd. (A)	$ 1,388,424	Monthly	5 days
Institutional Multi-Strategy Equity Fund, LLC (B)	$ 12,262,174	Monthly	5 days
Institutional Multi-Strategy Bond Fund, LLC (C)	$ 5,198,654	Monthly	5 days

(A) This category includes investments primarily in money market accounts.

(B) This category includes a broad spectrum of equity strategies, which includes common stocks or securities convertible into common stocks of both United States companies and foreign companies in both developed and emerging markets.

(C) This category includes a broad spectrum of fixed income sectors, which includes global bond, high yield bonds, emerging market debts and other fixed income strategies. The majority of the fund is invested directly or indirectly in fixed income securities or cash.

Note 3: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods and are held by IFDN:

	2014	2013
Helping hands funds	$ 83,739	$ 77,607
PACE program funds	182,356	63,786
IJADP program funds	119,480	321,964
IJADP capital expansion	7,225	4,225
IHC program funds	166,861	27,785
Other	45,542	10,778
	$ 605,203	$ 506,145

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

	2014	2013
Helping hands funds	$ 43,677	$ 24,860
PACE program funds	2,000	2,631
IJADP program funds	260,761	56,793
IJADP capital expansion	-	710,626
IHC program funds	-	172,680
Other	157,771	374,520
	$ 464,209	$ 1,342,110

During 2014, net assets of $464,209 were released to be used for operations. During 2013, net assets of $660,842 were released for capital purchases and $681,268 were released to be used for operations.

Note 4: Endowment

The Organization's endowment consists of two individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's governing body has interpreted the State of Colorado Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

The composition of net assets by type of endowment fund at June 30 was:

	2014		
	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 17,579	$ 17,579
Board-designated endowment funds	180,902	-	180,902
Total endowment funds	$ 180,902	$ 17,579	$ 198,481

	2013		
	Unrestricted	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ -	$ 17,579	$ 17,579
Board-designated endowment funds	180,902	-	180,902
Total endowment funds	$ 180,902	$ 17,579	$ 198,481

Changes in endowment net assets for the years ended June 30, 2014 and 2013 were:

	2014		
	Unrestricted	**Permanently Restricted**	**Total**
Endowment net assets, beginning of year	$ 180,902	$ 17,579	$ 198,481
Investment income	411	40	451
Appropriations	(411)	(40)	(451)
Total investment return, net	-	-	-
Endowment net assets, end of year	$ 180,902	$ 17,579	$ 198,481

	2013		
	Unrestricted	**Permanently Restricted**	**Total**
Endowment net assets, beginning of year	$ 180,902	$ 17,579	$ 198,481
Investment income	391	-	391
Appropriations	(391)	-	(391)
Total investment return, net	-	-	-
Endowment net assets, end of year	$ 180,902	$ 17,579	$ 198,481

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulations or SPMIFA. There were no such deficiencies as of June 30, 2014 and 2013.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment, while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity, as well as those of board-designated endowment funds. Under the Organization's policies, endowment assets are invested in a manner that is intended to produce returns that regularly meet or exceed the average return on three-month U.S. Treasury bills, or the average rate on the federal funds, whichever is higher.

The Organization has a policy of appropriating for expenditure each year the investment return on the endowment funds. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the original gift of endowment assets held in perpetuity.

Note 5: Line-of-Credit

As a part of the 2010 Series Revenue bonds discussed at Note 6, IGCP has a $3,000,000 revolving line-of-credit agreement which matures on December 31, 2014. The line-of-credit has interest at an annual rate equal to the bank's prime rate (3.25% at June 30, 2014). The line-of-credit is collateralized by parity interest in IGCP assets with bondholders. As of June 30, 2014 and 2013, there was $0 outstanding on this line-of-credit.

Note 6: Long-term Debt

Long-term debt consists of the following:

	2014	2013
2010 Series Revenue bonds (A)	$ 26,770,000	$ 27,195,000
2011 Series Revenue bonds (B)	6,785,000	6,900,000
Capital lease obligations (C)	1,665,593	775,308
Mortgage payable (D)	3,927,257	3,985,222
Construction loan (E)	7,362,578	-
	46,510,428	38,855,530
Less unamortized discount	78,823	74,177
Less current maturities	5,995,605	810,743
	$ 40,436,000	$ 37,970,610

(A) Effective October 1, 2010, IGCP completed a $28,000,000 fixed rate tax-exempt revenue bond offering (the 2010 Bonds), issued and sold by the Colorado Health Facilities Authority (the Authority). The bonds are secured by real estate for IGCP and ISB PACE centers and Lowry, as well as the gross revenues of IGCP and ISB.

The 2010 Bonds mature November 15, 2040. Interest on the 2010 Bonds is payable semi-annually each May 15 and November 15 beginning November 15, 2010 at an interest rate of 4.25%.

The 2010 Bonds are subject to redemption prior to maturity on or after November 15, 2020, at the option of the Authority at a redemption price equal to 100% of the principal amount of the 2010 Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Under the terms of the 2010 Bonds, IGCP is required to meet certain operational and reporting requirements. As of June 30, 2014 and 2013, management believes IGCP was in compliance with those requirements.

(B) Effective December 1, 2011, IGCP completed a $7,000,000 fixed rate tax-exempt revenue bond offering (the 2011 Bonds), issued and sold by the Authority. The bonds are secured by real estate for IGCP and ISB PACE centers and Lowry, as well as the gross revenues of IGCP and ISB.

The 2011 Bonds mature November 15, 2040. Interest on the 2011 Bonds is payable semi-annually each May 15 and November 15 beginning November 15, 2011 at an interest rate of 5%.

The 2011 Bonds are subject to redemption prior to maturity on or after November 15, 2021, at the option of the Authority at a redemption price equal to 100% of the principal amount of the 2011 Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Under the terms of the 2011 Bonds, IGCP is required to meet certain operational and reporting requirements. As of June 30, 2014, management believes IGCP was in compliance with those requirements.

(C) The Organization has various capital leases with due dates ranging July 2014 to February 2018, at various interest rates; payable in monthly installments ranging from $995 to $6,429; collateralized by equipment. Property and equipment include the following property under capital leases:

	2014	2013
Equipment	$ 2,454,045	$ 1,005,291
Less accumulated depreciation	524,563	160,532
	$ 1,929,482	$ 844,759

(D) The Organization acquired a mortgage payable originally entered into by PWD in the amount of $4,300,000 on December 23, 2003. The mortgage bears interest at an annual rate of 7.09%. The loan is secured by a deed of trust, security agreement, financing statement and assignment of rents and revenues of PWD. The mortgage payable is guaranteed by IGCP.

(E) The Organization executed a construction and convertible loan agreement with U.S. Bank on August 20, 2013, entered into by SH1 for the construction of a 72-unit affordable housing apartment project in the aggregate amount of $10,300,000, which consists of a construction loan in an original principal amount not to exceed $7,750,000 and a convertible term loan in an original principal amount not to exceed $2,550,000. As of June 30, 2014, $7,362,578 of available principal has been drawn upon of which $2,550,000 is shown as long-term under the convertible debt agreement and $4,812,578 is considered current as no permanent financing has been obtained above the convertible amount.

The convertible term loan has payments of accrued interest only through August 31, 2015. Interest rate as of June 30, 2014 was 2.32%. Principal and interest payments on the convertible loan commence on September 1, 2015 in the amount of $16,585 monthly for a period of 15 years. The remaining balance is due on the maturity date. SH1 has a commitment for additional financing from an Equity Member of $9,662,379 of which $923,998 has been collected. This additional financing will be used for construction costs and to repay the construction loan. The loan is secured by a deed of trust to Public Trustee, assignment of leases and rents, security agreements and fixture filing of SH1.

Aggregate annual maturities for fiscal years ending June 30 were as follows:

	Long-term Debt (Excluding Capital Lease Obligations)	Capital Lease Obligations
2015	$ 5,439,366	$ 642,115
2016	676,403	502,961
2017	713,894	339,986
2018	756,445	261,109
2019	794,543	102,934
Thereafter	36,464,184	-
	$ 44,844,835	1,849,105
Less amount representing interest		183,512
Present value of future minimum lease payments		1,665,593
Less current maturities		556,239
Noncurrent portion		$ 1,109,354

The 2011 Bonds and 2010 Bonds require that IGCP maintain certain trust accounts with, and for the benefit of, the trustee. Bond sinking funds have been established for the payment of principal and interest on the 2011 Bonds and 2010 Bonds to make such payments when due. IGCP's bond sinking funds are invested in cash and money market funds.

Note 7: Retirement Plan

The Organization has a 401(k) Retirement Savings Plan (the Plan) covering eligible employees. Effective July 1, 2011, the Plan was amended to define an eligible employee as an employee who has provided 90 days of service regardless of hours worked. The Organization also matches 100% of the employee contribution up to 2% and 1% of the participants' compensation for the years ended June 30, 2014 and 2013, respectively.

Effective December 1, 2013, the Organization established a 457(f) and 457(b) Deferred Compensation Plan for key employees. For the years ended June 30, 2014 and 2013, the Organization's matching contributions were $868,109 and $399,185, respectively, for all employee benefit plans.

Note 8: Related-party Transactions

One member of the Organization's Board of Directors contracts with local nursing homes, at which certain of the Organization's participants are placed. The Organization made payments during the years ended June 30, 2014 and 2013 of $0 and $3,872,650, respectively, to these providers for services.

The Organization has other Board members who work for entities hired by the Organization. The Board of Directors has implemented a conflict of interest policy to account for these relationships.

In January 2012, IGCP issued a $250,000 note payable to IHC. The note is payable $2,776 monthly, including interest at 6% and is due in January 2022. The note is secured by IHC property. The note payable has been eliminated in the consolidated financial statements.

In August 2013, InnovAge issued a $1,500,000 promissory note to SH1. The note is due in full on August 19, 2053, including interest at the rate of 1.6% per annum. The loan is secured by a deed of trust to Public Trustee, assignment of leases and rents, security agreements and fixture filing of SH1. The promissory note has been eliminated in the consolidated financial statements.

In March 2014, InnovAge issued a $729,000 promissory note to IHA. The note is payable $8,093 monthly, including interest of 6% and is due in September 2024. The note is secured by IHA property. The promissory note has been eliminated in the consolidated financial statements.

Note 9: Functional Expenses

The Organization provides health care and case management services primarily to residents within its geographic area. Expenses related to providing these services are as follows:

	2014	2013
Program services	$ 148,352,787	$ 142,293,390
General and administrative	25,222,350	24,625,352
	$ 173,575,137	$ 166,918,742

Note 10: General and Professional Liability

The Organization pays fixed premiums for annual professional liability insurance coverage under a claims-made policy. Under such policy, only claims made and reported to the insurer are covered during the policy term, regardless of when the incident giving rise to the claim occurred. The Organization is not aware of any unasserted claims or unreported incidents which are expected to exceed malpractice insurance coverage limits. It is reasonably possible that this estimate could change materially in the future. The Organization records claim liabilities and expected recoveries at the gross amounts.

Note 11: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2014				
Investment pools				
Institutional Commodities, Ltd.	$ 1,197,671	$ -	$ 1,197,671	$ -
Institutional Multi-Strategy Equity Fund, LLC	15,499,841	-	15,380,186	119,655
Institutional Multi-Strategy Bond Fund, LLC	5,509,678	-	5,509,678	-
Fixed income funds	17,521,519	-	17,521,519	-
Money market funds	1,599,332	1,599,332	-	-

	Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2013				
Investment pools				
Institutional Commodities, Ltd.	$ 1,388,424	$ -	$ 1,388,424	$ -
Institutional Multi-Strategy Equity Fund, LLC	12,262,174	-	11,729,324	532,850
Institutional Multi-Strategy Bond Fund, LLC	5,198,654	-	5,198,654	-
Fixed income funds	11,077,835	-	11,077,835	-
Money market funds	1,960,586	1,960,586	-	-

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2014. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. As of June 30, 2014 and 2013, the Organization does not carry any Level 3 investments.

Investment Pools

The Organization's investment pool consists of investments in an equity fund, whose underlying investments include actively traded common stock equities and crossfund investments. The Organization has classified these investments as Level 2 or Level 3. Additionally, the investment pool consists of bond funds and commodities, whose underlying investments include fixed income securities and money market accounts. The Organization has classified these investments as Level 2, given that the primary inputs are observable and can be corroborated by observable market data. The value of certain investments, classified as Level 3 investments, is determined using net asset value (or its equivalent) as a practical expedient.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying balance sheets using significant unobservable (Level 3) inputs:

	CrossFund Investments
Balance, July 1, 2012	$ 320,993
Total realized and unrealized gains and losses included in change in net assets	44,770
Purchases	167,087
Balance, July 1, 2013	532,850
Total realized and unrealized gains and losses included in change in net assets	5,117
Purchases	-
Transfers out of Level 3	(418,312)
Balance, June 30, 2014	$ 119,655
Total gains or losses for the period included in change in net assets attributable to the change in unrealized gains or losses related to assets and liabilities still held at the reporting date	
Year ended June 30, 2013	$ 44,770
Year ended June 30, 2014	$ 5,117

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements.

	Fair Value at June 30, 2014	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Institutional Multi-Strategy Equity Fund, LLC	$119,655	Net Asset Value	Lack of Marketability	Not Available

Fair Value of Financial Instruments

The following table presents estimated fair values of the Organization's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at June 30.

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	$ 39,622,915	$ 39,622,915	$ 40,661,011	$ 40,661,011
Short-term investments	8,101,206	8,101,206	1,001,923	1,001,923
Assets limited as to use				
Assets limited as to use, current	1,419,562	1,419,562	727,009	727,009
Board-designated funds - beneficial interest in investment pool	22,207,190	22,207,190	18,849,252	18,849,252
Held by trustee	2,589,660	2,589,660	4,827,657	4,827,657
Long-term investments	12,981,289	12,981,289	11,498,127	11,498,127
Financial liabilities				
Bonds payable	$ 33,555,000	$ 36,389,461	$ 34,095,000	$ 35,942,768
Mortgage payable	3,927,257	3,927,257	3,985,222	3,985,222
Construction loan	7,362,578	7,362,578	-	-
Capital lease obligations	1,665,593	1,665,593	775,308	775,308

Cash and Cash Equivalents

The carrying amount approximates fair value.

Notes Payable and Long-term Debt

Fair value is estimated based on the borrowing rates currently available to the Organization for bank loans with similar terms and maturities and determined through the use of a discounted cash flow model.

Note 12: Significant Estimates and Concentrations

Accounting principles generally accepted in the Unites States require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Allowance for Net Participant Service Revenue Adjustments

Estimates of allowances for adjustments included in net participant service revenue are described in Note 1.

IGCP, IGNMP and ISB have accounts receivables from Medicare and Medicaid. These amounts often represent adjustments to the risk score discussed in Note 1, but also include amounts for participants who are pending Medicaid eligibility or have an eligibility determination in process. The state of Colorado has experienced significant delays in approving participants for Medicaid status. IGCP has implemented an internal process where they review a participant's Medicaid eligibility and effective date. An allowance for uncollectible accounts is recorded for accounts receivable based on IGCP's experience with approval of the eligibility process and individual circumstances of the account. Management believes these amounts are collectible but actual payments may differ from what has been accrued.

Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in Note 10.

Estimated and Reported Claims

Reported and estimated claims consists of unpaid claims reported to IGCP, IGNMP and ISB and an estimated liability for medical claims incurred on or before June 30, that have not been reported to IGCP, IGNMP and ISB by that date. Estimated claims payable are based on historical trends and cost projections. Due to inherent uncertainties in determining the accrual for claims incurred but not reported, the actual payments required may be different than the liability accrued.

Litigation

In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Unforeseen events could occur that would cause the estimate of ultimate loss to differ materially in the future.

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets.

Supplementary Information

Total Community Options, Inc.
d/b/a InnovAge and Subsidiaries
Consolidating Balance Sheet Information
June 30, 2014

	PACE	Senior Housing	Foundation	Shared Services	Other Subsidiaries	Eliminations	Total
Assets							
Current Assets							
Cash and cash equivalents	$ 32,020,299	$ 112,617	$ 73,118	$ 5,428,706	$ 1,988,175	$ -	$ 39,622,915
Short-term investments	8,101,206	-	-	-	-	-	8,101,206
Assets limited as to use, current	742,397	-	-	677,165	-	-	1,419,562
Accounts receivable, net of allowance	18,725,043	14,404	2,130	3,851	400,923	-	19,146,351
Due (to) from affiliate	20,331,049	(982,686)	(58,952)	(5,850,679)	(13,438,732)	-	-
Prepaid expenses and other	405,599	15,919	105,933	1,175,493	49,887	(378,082)	1,374,749
Total current assets	80,325,593	(839,746)	122,229	1,434,536	(10,999,747)	(378,082)	69,664,783
Assets Limited as to Use							
Board-designated funds - beneficial interest in investment pool	22,207,190	-	-	-	-	-	22,207,190
Held by trustee	2,589,660	-	-	-	-	-	2,589,660
	24,796,850	-	-	-	-	-	24,796,850
Long-term Investments	12,981,289	-	-	-	-	-	12,981,289
Property and Equipment, at Cost							
Land	6,455,360	2,129,466	-	-	1,202,420	-	9,787,246
Buildings and leasehold improvements	40,937,053	10,811,534	-	-	11,814,686	-	63,563,273
Equipment and vehicles	17,398,314	90,703	20,760	-	378,398	-	17,888,175
Construction-in-progress	1,584,941	11,713,502	-	-	-	-	13,298,443
	66,375,668	24,745,205	20,760	-	13,395,504	-	104,537,137
Less accumulated depreciation	14,123,214	3,876,009	20,760	-	1,025,965	-	19,045,948
	52,252,454	20,869,196	-	-	12,369,539	-	85,491,189
Other Assets							
Deposits and other	123,184	347,426	-	690,994	17,865	-	1,179,469
Real estate held for sale	-	-	-	-	139,858	-	139,858
Due (to) from affiliate	2,348,468	(2,145,949)	-	2,229,000	-	(2,431,519)	-
Investment in CCH	140,823	-	-	-	-	(140,823)	-
Deferred financing costs, net	1,460,714	-	-	-	-	-	1,460,714
Goodwill	4,116,524	-	-	-	786,650	-	4,903,174
	8,189,713	(1,798,523)	-	2,919,994	944,373	(2,572,342)	7,683,215
Total assets	$ 178,545,899	$ 18,230,927	$ 122,229	$ 4,354,530	$ 2,314,165	$ (2,950,424)	$ 200,617,326

LEGEND:
PACE includes IGCP, IGNMP and ISB
Senior Housing includes PWD, CCH, SH1 and SH2
Shared Services includes InnovAge, Lowry and IIL
Other Subsidiaries includes LTCO, IHC, IJADP, ICS and Inland

Total Community Options, Inc.
d/b/a InnovAge and Subsidiaries
Consolidating Balance Sheet Information (continued)
June 30, 2014

	PACE	Senior Housing	Foundation	Shared Services	Other Subsidiaries	Eliminations	Total
Liabilities and Net Assets							
Current Liabilities							
Accounts payable	$ 4,126,138	$ 1,117,749	$ 24,010	$ 378,692	$ 96,333	$ -	$ 5,742,922
Reported and estimated claims	7,775,365	-	-	278,071	-	-	8,053,436
Due to Medicaid and Medicare	7,905,987	-	-	-	(3,657)	-	7,902,330
Accrued compensation	1,564,491	1,274	15,624	1,074,725	224,294	-	2,880,408
Accrued vacation	1,554,947	1,593	26,042	639,481	78,883	-	2,300,946
Other accrued expenses	821,927	51,366	2,714	265,349	42,400	-	1,183,756
Current portion of long-term debt	560,000	4,862,625	-	-	34,809	(18,068)	5,439,366
Current portion of capital lease obligations	553,401	-	-	-	2,838	-	556,239
Deferred revenue	1,185,232	2,820	68,142	378,082	348,581	(378,082)	1,604,775
Total current liabilities	26,047,488	6,037,427	136,532	3,014,400	824,481	(396,150)	35,664,178
Capital Lease Obligations	1,109,354	-	-	-	-	-	1,109,354
Long-term Debt	32,916,178	7,927,209	-	-	896,710	(2,413,451)	39,326,646
Total liabilities	60,073,020	13,964,636	136,532	3,014,400	1,721,191	(2,809,601)	76,100,178
Net Assets							
Unrestricted	118,472,879	143,094	(619,506)	1,340,130	575,395	(140,823)	119,771,169
Noncontrolling interest	-	4,123,197	-	-	-	-	4,123,197
Temporarily restricted	-	-	605,203	-	-	-	605,203
Permanently restricted	-	-	-	-	17,579	-	17,579
Total net assets	118,472,879	4,266,291	(14,303)	1,340,130	592,974	(140,823)	124,517,148
Total liabilities and net assets	$ 178,545,899	$ 18,230,927	$ 122,229	$ 4,354,530	$ 2,314,165	$ (2,950,424)	$ 200,617,326

Total Community Options, Inc.
d/b/a InnovAge and Subsidiaries
Consolidating Statement of Operations and Changes in Net Assets Information
Year Ended June 30, 2014

	PACE	Senior Housing	Foundation	Shared Services	Other Subsidiaries	Eliminations	Total
Unrestricted Revenues, Gains and Other Support							
Capitation revenue							
Medicaid	$ 100,711,506	$ -	$ -	$ -	$ -	$ -	$ 100,711,506
Medicare	77,464,850	-	-	-	-	-	77,464,850
Private pay	627,272	-	-	-	-	-	627,272
Veterans Administration	567,796	-	-	-	-	-	567,796
Fee for service revenue							
Medicaid	-	-	-	-	1,013,044	-	1,013,044
Private pay	-	-	-	-	2,113,354	(542,481)	1,570,873
Single Entry Point	-	-	-	-	157,894	-	157,894
Grant revenues	250,727	-	-	-	897,507	(448,536)	699,698
Net investment return gains	1,097,711	114	-	-	1,765	-	1,099,590
Unrealized gain on beneficial interest in investment pool	3,086,773	-	-	-	-	-	3,086,773
Other	182,909	856,897	36,033	377,953	671,468	(895,806)	1,229,454
Management fee	-	-	-	23,752,970	-	(23,752,970)	-
Net assets released from restriction, used for operations	-	-	464,209	-	-	-	464,209
Total unrestricted revenues, gains and other support	183,989,544	857,011	500,242	24,130,923	4,855,032	(25,639,793)	188,692,959
Expenses							
Salaries and wages	30,130,767	109,257	393,115	10,591,558	3,082,876	-	44,307,573
Employee benefits	7,022,455	23,236	74,880	2,620,271	753,628	-	10,494,470
External provider costs							
Inpatient	38,812,009	-	-	-	-	-	38,812,009
Outpatient	47,321,293	-	-	-	-	-	47,321,293
Rent, facility and maintenance	3,793,424	172,655	34	1,026,483	167,396	(523,888)	4,636,104
Purchased services and contracts	5,132,873	114,191	98,134	5,240,636	391,950	(542,481)	10,435,303
Supplies and other	4,628,118	69,134	267,467	3,115,901	523,014	(371,918)	8,231,716
Depreciation and amortization	4,089,317	402,622	380	-	828,994	-	5,321,313
Nutrition	1,197,298	-	-	-	76,687	-	1,273,985
Interest expense	1,995,458	283,553	-	3,234	16,223	-	2,298,468
Loss on disposal of capital assets	234,088	-	-	-	82,084	-	316,172
Provision for uncollectible accounts	117,328	3,082	-	98	6,223	-	126,731
Grant expense	-	-	448,536	-	-	(448,536)	-
Allocations	23,102,810	-	-	-	650,160	(23,752,970)	-
Total expenses	167,577,238	1,177,730	1,282,546	22,598,181	6,579,235	(25,639,793)	173,575,137
Operating Income (Loss)	16,412,306	(320,719)	(782,304)	1,532,742	(1,724,203)	-	15,117,822
Other Income (Loss)							
Change in equity of CCH	26,537	-	-	-	-	(26,537)	-
Excess (Deficiency) of Revenues Over Expenses	16,438,843	(320,719)	(782,304)	1,532,742	(1,724,203)	(26,537)	15,117,822

LEGEND:

PACE includes IGCP, IGNMP and ISB
Senior Housing includes PWD, CCH, SH1 and SH2
Shared Services includes InnovAge, Lowry and IIL
Other Subsidiaries includes LTCO, IHC, IJADP, ICS and Inland

Total Community Options, Inc.
d/b/a InnovAge and Subsidiaries
Consolidating Statement of Operations and Changes in Net Assets Information (continued)
Year Ended June 30, 2014

	PACE	Senior Housing	Foundation	Shared Services	Other Subsidiaries	Eliminations	Total
Excess (Deficiency) of Revenues Over Expenses	16,438,843	(320,719)	(782,304)	1,532,742	(1,724,203)	(26,537)	15,117,822
Unrealized losses	(468,458)	-	-	(142)	-	-	(468,600)
Equity contribution	-	923,998	-	-	-	-	923,998
Increase (decrease) in unrestricted net assets	15,970,385	603,279	(782,304)	1,532,600	(1,724,203)	(26,537)	15,573,220
Temporarily Restricted Net Assets							
Contributions	-	-	563,267	-	-	-	563,267
Net assets released from restrictions, used for operations	-	-	(464,209)	-	-	-	(464,209)
Increase in temporarily restricted net assets	-	-	99,058	-	-	-	99,058
Change in Net Assets	15,970,385	603,279	(683,246)	1,532,600	(1,724,203)	(26,537)	15,672,278
Net Assets, Beginning of Year	102,502,494	3,663,012	668,943	(192,470)	2,317,177	(114,286)	108,844,870
Net Assets, End of Year	$ 118,472,879	$ 4,266,291	$ (14,303)	$ 1,340,130	$ 592,974	$ (140,823)	$ 124,517,148

Total Community Options, Inc.
d/b/a InnovAge and Subsidiaries
PACE
Consolidating Balance Sheet Information
June 30, 2014

	IGCP	IGNMP	ISB	Eliminations	Total
Assets					
Current Assets					
Cash and cash equivalents	$ 17,359,169	$ 14,661,130	$ -	$ -	$ 32,020,299
Short-term investments	8,101,206	-	-	-	8,101,206
Assets limited as to use, current	715,184	27,213	-	-	742,397
Accounts receivable, net of allowance	18,093,324	509,733	121,986	-	18,725,043
Due (to) from affiliate	26,582,919	(484,292)	(5,767,578)	-	20,331,049
Prepaid expenses and other	316,661	74,636	14,302	-	405,599
Total current assets	71,168,463	14,788,420	(5,631,290)	-	80,325,593
Assets Limited as to Use					
Board-designated funds - beneficial interest in investment pool	17,423,898	4,783,292	-	-	22,207,190
Held by trustee	2,589,660	-	-	-	2,589,660
	20,013,558	4,783,292	-	-	24,796,850
Long-term Investments	12,981,289	-	-	-	12,981,289
Property and Equipment, at Cost					
Land	6,455,360	-	-	-	6,455,360
Buildings and leasehold improvements	39,168,362	1,768,691	-	-	40,937,053
Equipment and vehicles	15,518,228	709,229	1,170,857	-	17,398,314
Construction-in-progress	1,584,941	-	-	-	1,584,941
	62,726,891	2,477,920	1,170,857	-	66,375,668
Less accumulated depreciation	12,630,023	1,376,581	116,610	-	14,123,214
	50,096,868	1,101,339	1,054,247	-	52,252,454
Other Assets					
Deposits and other	112,105	11,079	-	-	123,184
Due from affiliate	2,348,468	-	-	-	2,348,468
Investment in CCH	140,823	-	-	-	140,823
Deferred financing costs, net	1,460,714	-	-	-	1,460,714
Goodwill	4,116,524	-	-	-	4,116,524
	8,178,634	11,079	-	-	8,189,713
Total assets	$ 162,438,812	$ 20,684,130	$ (4,577,043)	$ -	$ 178,545,899
Liabilities and Net Assets					
Current Liabilities					
Accounts payable	$ 3,490,598	$ 546,727	$ 88,813	$ -	$ 4,126,138
Reported and estimated claims	6,890,320	885,045	-	-	7,775,365
Due to Medicaid and Medicare	7,248,038	656,449	1,500	-	7,905,987
Accrued compensation	1,206,217	250,895	107,379	-	1,564,491
Accrued vacation	1,272,605	242,756	39,586	-	1,554,947
Other accrued expenses	546,553	60,123	215,251	-	821,927
Current portion of long-term debt	560,000	-	-	-	560,000
Current portion of capital lease obligations	528,889	-	24,512	-	553,401
Deferred revenue	1,185,232	-	-	-	1,185,232
Total current liabilities	22,928,452	2,641,995	477,041	-	26,047,488
Capital Lease Obligations	1,026,590	-	82,764	-	1,109,354
Long-term Debt	32,916,178	-	-	-	32,916,178
Total liabilities	56,871,220	2,641,995	559,805	-	60,073,020
Net Assets					
Unrestricted	105,567,592	18,042,135	(5,136,848)	-	118,472,879
Total net assets	105,567,592	18,042,135	(5,136,848)	-	118,472,879
Total liabilities and net assets	$ 162,438,812	$ 20,684,130	$ (4,577,043)	$ -	$ 178,545,899

Total Community Options, Inc.
d/b/a InnovAge and Subsidiaries
PACE
Consolidating Statement of Operations and Changes in Net Assets Information
Year Ended June 30, 2014

	IGCP	IGNMP	ISB	Eliminations	Total
Unrestricted Revenues, Gains and Other Support					
Capitation revenue					
Medicaid	$ 88,751,892	$ 11,859,733	$ 99,881	$ -	$ 100,711,506
Medicare	64,575,785	12,843,453	45,612	-	77,464,850
Private pay	521,422	105,850	-	-	627,272
Veterans Administration	567,796	-	-	-	567,796
Grant revenues	250,727	-	-	-	250,727
Net investment return gains	989,823	107,888	-	-	1,097,711
Unrealized gain on beneficial interest in investment pool	2,428,180	658,593	-	-	3,086,773
Other	171,982	10,927	-	-	182,909
Total unrestricted revenues, gains and other support	158,257,607	25,586,444	145,493	-	183,989,544
Expenses					
Salaries and wages	23,790,755	4,726,023	1,613,989	-	30,130,767
Employee benefits	5,640,756	1,063,160	318,539	-	7,022,455
External provider costs					
Inpatient	33,090,431	5,721,578	-	-	38,812,009
Outpatient	40,146,603	7,090,139	84,551	-	47,321,293
Rent, facility and maintenance	2,560,791	481,072	751,561	-	3,793,424
Purchased services and contracts	3,916,811	513,917	702,145	-	5,132,873
Supplies and other	3,489,805	761,728	376,585	-	4,628,118
Depreciation and amortization	3,857,486	160,578	71,253	-	4,089,317
Nutrition	948,451	242,904	5,943	-	1,197,298
Interest expense	1,991,113	271	4,074	-	1,995,458
Loss on disposal of capital assets	231,465	2,623	-	-	234,088
Provision for uncollectible accounts	117,328	-	-	-	117,328
Allocations	19,618,250	2,404,462	1,080,098	-	23,102,810
Total expenses	139,400,045	23,168,455	5,008,738	-	167,577,238
Operating Income	18,857,562	2,417,989	(4,863,245)	-	16,412,306
Other Income					
Change in interest in net assets of CCH	26,537	-	-	-	26,537
Excess (Deficiency) of Revenues Over Expenses	18,884,099	2,417,989	(4,863,245)	-	16,438,843
Unrealized losses	(468,458)	-	-	-	(468,458)
Equity contribution	273,603	-	(273,603)	-	-
Increase (Decrease) in Unrestricted Net Assets	18,689,244	2,417,989	(5,136,848)	-	15,970,385
Change in Net Assets	18,689,244	2,417,989	(5,136,848)	-	15,970,385
Net Assets, Beginning of Year	86,878,348	15,624,146	-	-	102,502,494
Net Assets, End of Year	$ 105,567,592	$ 18,042,135	$ (5,136,848)	$ -	$ 118,472,879

Total Community Options, Inc.
d/b/a InnovAge and Subsidiaries
Senior Housing
Consolidating Balance Sheet Information
June 30, 2014

	PWD	CCH	SH1	SH2	Eliminations	Total
Assets						
Current Assets						
Cash and cash equivalents	$ 36,633	$ -	$ 75,984	$ -	$ -	$ 112,617
Accounts receivable, net of allowance	14,404	-	-	-	-	14,404
Due (to) from affiliate	(343,232)	142,394	(155,064)	(626,784)	-	(982,686)
Prepaid expenses and other	13,147	-	2,772	-	-	15,919
Total current assets	(279,048)	142,394	(76,308)	(626,784)	-	(839,746)
Property and Equipment, at Cost						
Land	1,052,200	-	543,383	533,883	-	2,129,466
Buildings and leasehold improvements	10,811,534	-	-	-	-	10,811,534
Equipment and vehicles	90,703	-	-	-	-	90,703
Construction-in-progress	-	-	11,571,559	141,943	-	11,713,502
	11,954,437	-	12,114,942	675,826	-	24,745,205
Less accumulated depreciation	3,876,009	-	-	-	-	3,876,009
	8,078,428	-	12,114,942	675,826	-	20,869,196
Other Assets						
Deposits and other	347,426	-	-	-	-	347,426
Due (to) from affiliate	(960,051)	-	(1,185,898)	-	-	(2,145,949)
	(612,625)	-	(1,185,898)	-	-	(1,798,523)
Total assets	$ 7,186,755	$ 142,394	$ 10,852,736	$ 49,042	$ -	$ 18,230,927
Liabilities and Net Assets						
Current Liabilities						
Accounts payable	$ -	$ 1,571	1,068,995	$ 47,183	$ -	$ 1,117,749
Accrued compensation	1,274	-	-	-	-	1,274
Accrued vacation	1,593	-	-	-	-	1,593
Other accrued expenses	51,366	-	-	-	-	51,366
Current portion of long-term debt	50,048	-	4,812,577	-	-	4,862,625
Deferred revenue	2,820	-	-	-	-	2,820
Total current liabilities	107,101	1,571	5,881,572	47,183	-	6,037,427
Long-term Debt	3,877,209	-	4,050,000	-	-	7,927,209
Total liabilities	3,984,310	1,571	9,931,572	47,183	-	13,964,636
Net Assets						
Unrestricted	320	140,823	92	1,859	-	143,094
Noncontrolling interest	3,202,125	-	921,072	-	-	4,123,197
Total net assets	3,202,445	140,823	921,164	1,859	-	4,266,291
Total liabilities and net assets	$ 7,186,755	$ 142,394	$ 10,852,736	$ 49,042	$ -	$ 18,230,927

Total Community Options, Inc.
d/b/a InnovAge and Subsidiaries
Senior Housing
Consolidating Statement of Operations and Changes in Net Assets Information
Year Ended June 30, 2014

	PWD	CCH	SH1	SH2	Eliminations	Total
Unrestricted Revenues, Gains and Other Support						
Net investment return gains	$ 114	$ -	$ -	$ -	$ -	$ 114
Other	856,897	-	-	-	-	856,897
Management fee	-	35,000	-	-	(35,000)	-
Total unrestricted revenues, gains and other support	857,011	35,000	-	-	(35,000)	857,011
Expenses						
Salaries and wages	109,257	-	-	-	-	109,257
Employee benefits	23,236	-	-	-	-	23,236
Rent, facility and maintenance	171,861	-	794	-	-	172,655
Purchased services and contracts	112,151	-	2,040	-	-	114,191
Supplies and other	60,671	8,463	-	-	-	69,134
Depreciation and amortization	402,622	-	-	-	-	402,622
Interest expense	285,412	-	-	(1,859)	-	283,553
Provision for uncollectible accounts	3,082	-	-	-	-	3,082
Allocations	35,000	-	-	-	(35,000)	-
Total expenses	1,203,292	8,463	2,834	(1,859)	(35,000)	1,177,730
Excess (Deficiency) of Revenues Over Expenses	(346,281)	26,537	(2,834)	1,859	-	(320,719)
Equity contribution	-	-	923,998	-	-	923,998
Increase (Decrease) in Unrestricted Net Assets	(346,281)	26,537	921,164	1,859	-	603,279
Change in Net Assets	(346,281)	26,537	921,164	1,859	-	603,279
Net Assets, Beginning of Year	3,548,726	114,286	-	-	-	3,663,012
Net Assets, End of Year	$ 3,202,445	$ 140,823	$ 921,164	$ 1,859	$ -	$ 4,266,291

Total Community Options, Inc.
d/b/a InnovAge and Subsidiaries
Shared Services
Consolidating Balance Sheet Information
June 30, 2014

	InnovAge	Lowry	IIL	Eliminations	Total
Assets					
Current Assets					
Cash and cash equivalents	$ 2,570,533	$ 2,565,782	$ 292,391	$ -	$ 5,428,706
Assets limited as to use, current	677,165	-		-	677,165
Accounts receivable, net of allowance	-	3,851	-	-	3,851
Due (to) from affiliate	(5,109,779)	(740,900)	-	-	(5,850,679)
Prepaid expenses and other	-	1,127,164	48,329	-	1,175,493
Total current assets	(1,862,081)	2,955,897	340,720	-	1,434,536
Investment in Subsidiary	250,000	-	-	(250,000)	-
Other Assets					
Deposits and other	-	189,896	501,098	-	690,994
Due (to) from affiliate	2,229,000	-	-	-	2,229,000
	2,229,000	189,896	501,098	-	2,919,994
Total assets	$ 616,919	$ 3,145,793	$ 841,818	$ (250,000)	$ 4,354,530
Liabilities and Net Assets					
Current Liabilities					
Accounts payable	$ 937	$ 366,442	$ 11,313	$ -	$ 378,692
Reported and estimated claims	-	-	278,071	-	278,071
Accrued compensation	-	1,074,725	-	-	1,074,725
Accrued vacation	-	639,481	-	-	639,481
Other accrued expenses	-	265,349	-	-	265,349
Deferred revenue	-	-	378,082	-	378,082
Total current liabilities	937	2,345,997	667,466	-	3,014,400
Net Assets					
Unrestricted	615,982	799,796	174,352	(250,000)	1,340,130
Total net assets	615,982	799,796	174,352	(250,000)	1,340,130
Total liabilities and net assets	$ 616,919	$ 3,145,793	$ 841,818	$ (250,000)	$ 4,354,530

Total Community Options, Inc.
d/b/a InnovAge and Subsidiaries
Shared Services
Consolidating Statement of Operations and Changes in Net Assets Information
Year Ended June 30, 2014

	InnovAge	Lowry	IIL	Eliminations	Total
Unrestricted Revenues, Gains and Other Support					
Other	$ -	$ 4,780	$ 373,173	$ -	$ 377,953
Management fee	-	23,752,970	-	-	23,752,970
Total unrestricted revenues, gains and other support	-	23,757,750	373,173	-	24,130,923
Expenses					
Salaries and wages	-	10,591,558	-	-	10,591,558
Employee benefits	-	2,273,148	347,123	-	2,620,271
Rent, facility and maintenance	-	1,023,053	3,430	-	1,026,483
Purchased services and contracts	-	5,144,953	95,683	-	5,240,636
Supplies and other	3,991	3,109,467	2,443	-	3,115,901
Interest expense	-	3,234	-	-	3,234
Provision for uncollectible accounts	-	98	-	-	98
Total expenses	3,991	22,145,511	448,679	-	22,598,181
Excess (Deficiency) of Revenues Over Expenses	(3,991)	1,612,239	(75,506)	-	1,532,742
Unrealized losses	-	-	(142)	-	(142)
Contributed capital	-	-	250,000	(250,000)	-
Increase (Decrease) in Unrestricted Net Assets	(3,991)	1,612,239	174,352	(250,000)	1,532,600
Change in Net Assets	(3,991)	1,612,239	174,352	(250,000)	1,532,600
Net Assets, Beginning of Year	619,973	(812,443)	-	-	(192,470)
Net Assets, End of Year	$ 615,982	$ 799,796	$ 174,352	$ (250,000)	$ 1,340,130

Total Community Options, Inc.
d/b/a InnovAge and Subsidiaries
Other Subsidiaries
Consolidating Balance Sheet Information
June 30, 2014

	LTCO	IHC	IJADP	ICS	Inland	Eliminations	Total
Assets							
Current Assets							
Cash and cash equivalents	$ 301,814	$ 1,176,305	$ 288,464	$ 52,868	$ 168,724	$ -	$ 1,988,175
Accounts receivable, net of allowance	-	329,413	71,510	-	-	-	400,923
Due from affiliate	116,943	(2,455,797)	(354,626)	(36,539)	(10,708,713)	-	(13,438,732)
Prepaid expenses and other	-	42,749	7,138	-	-	-	49,887
Total current assets	418,757	(907,330)	12,486	16,329	(10,539,989)	-	(10,999,747)
Property and Equipment, at Cost							
Land	-	-	496,000	-	706,420	-	1,202,420
Buildings and leasehold improvements	-	-	1,650,033	-	10,164,653	-	11,814,686
Equipment and vehicles	-	243,764	130,473	-	4,161	-	378,398
	-	243,764	2,276,506	-	10,875,234	-	13,395,504
Less accumulated depreciation	-	62,316	330,258	-	633,391	-	1,025,965
	-	181,448	1,946,248	-	10,241,843	-	12,369,539
Other Assets							
Deposits and other	-	3,819	14,046	-	-	-	17,865
Real estate held for sale	-	139,858	-	-	-	-	139,858
Goodwill	-	786,650	-	-	-	-	786,650
	-	930,327	14,046	-	-	-	944,373
Total assets	$ 418,757	$ 204,445	$ 1,972,780	$ 16,329	$ (298,146)	$ -	$ 2,314,165
Liabilities and Net Assets							
Current Liabilities							
Accounts payable	$ -	$ 81,800	$ 14,533	$ -	$ -	$ -	$ 96,333
Due to Medicaid and Medicare	-	-	(3,657)	-	-	-	(3,657)
Accrued compensation	-	198,889	25,405	-	-	-	224,294
Accrued vacation	-	55,144	23,739	-	-	-	78,883
Other accrued expenses	-	34,582	7,818	-	-	-	42,400
Current portion of long-term debt	-	34,809	-	-	-	-	34,809
Current portion of capital lease obligations	-	2,838	-	-	-	-	2,838
Deferred revenue	340,251	8,330	-	-	-	-	348,581
Total current liabilities	340,251	416,392	67,838	-	-	-	824,481
Capital Lease Obligations	-	-	-	-	-	-	-
Long-term Debt	-	896,710	-	-	-	-	896,710
Total liabilities	340,251	1,313,102	67,838	-	-	-	1,721,191
Net Assets							
Unrestricted	78,506	(1,126,236)	1,904,942	16,329	(298,146)	-	575,395
Permanently restricted	-	17,579	-	-	-	-	17,579
Total net assets	78,506	(1,108,657)	1,904,942	16,329	(298,146)	-	592,974
Total liabilities and net assets	$ 418,757	$ 204,445	$ 1,972,780	$ 16,329	$ (298,146)	$ -	$ 2,314,165

LEGEND:
IHC includes IHCN & IHA

Total Community Options, Inc.
d/b/a InnovAge and Subsidiaries
Other Subsidiaries
Consolidating Statement of Operations and Changes in Net Assets Information
Year Ended June 30, 2014

	LTCO	IHC	IJADP	ICS	Inland	Eliminations	Total
Unrestricted Revenues, Gains and Other Support							
Fee for service revenue							
Medicaid	$ 1,698	$ 789,984	$ 221,362	$ -	$ -	$ -	$ 1,013,044
Private pay	-	1,628,739	484,615	-	-	-	2,113,354
Single Entry Point	157,894	-	-	-	-	-	157,894
Grant revenues	-	585,448	312,059	-	-	-	897,507
Net investment return gains	-	1,765	-	-	-	-	1,765
Other	-	149,567	6,274	-	515,627	-	671,468
Total unrestricted revenues, gains and other support	159,592	3,155,503	1,024,310	-	515,627	-	4,855,032
Expenses							
Salaries and wages	7,167	2,591,172	484,538	(1)	-	-	3,082,876
Employee benefits	106,173	506,654	140,801	-	-	-	753,628
Rent, facility and maintenance	8,291	57,646	100,761	-	698	-	167,396
Purchased services and contracts	11,285	320,130	60,535	-	-	-	391,950
Supplies and other	23,392	383,730	46,347	-	69,545	-	523,014
Depreciation and amortization	7,420	52,507	90,319	-	678,748	-	828,994
Nutrition	-	-	76,687	-	-	-	76,687
Interest expense	-	16,223	-	-	-	-	16,223
Loss on disposal of capital assets	-	82,084	-	-	-	-	82,084
Provision for uncollectible accounts	-	- (7,347)	13,570	-	-	-	6,223
Allocations	2,247	547,914	99,999	-	-	-	650,160
Total expenses	165,975	4,550,713	1,113,557	(1)	748,991	-	6,579,235
Change in Net Assets	(6,383)	(1,395,210)	(89,247)	1	(233,364)	-	(1,724,203)
Net Assets, Beginning of Year	84,889	286,553	1,994,189	16,328	(64,782)	-	2,317,177
Net Assets, End of Year	$ 78,506	$ (1,108,657)	$ 1,904,942	$ 16,329	$ (298,146)	$ -	$ 592,974

LEGEND:
IHC includes IHCN & IHA

EXHIBIT G

ARTICLES OF INCORPORATION

[See Attached]

Form must be filed electronically.
Paper forms are not accepted.
This copy is a sample and cannot be submitted for filing.

ABOVE SPACE FOR OFFICE USE ONLY

Articles of Incorporation for a Profit Corporation

filed pursuant to § 7-102-101 and § 7-102-102 of the Colorado Revised Statutes (C.R.S.)

1. The domestic entity name for the corporation is: [Total Community Options, Inc.]

(Caution: The use of certain terms or abbreviations are restricted by law. Read instructions for more information.)

2. The principal office address of the corporation's initial principal office

is Street address

(Street number and name)

(City) *(State)* *(ZIP/Postal Code)*

(Province — if applicable) *(Country)*

Mailing address
(leave blank if same as street address)

(Street number and name or Post Office Box information)

(City) *(State)* *(ZIP/Postal Code)*

(Province — if applicable) *(Country)*

3. The registered agent name and registered agent address of the corporation's initial registered agent are

Name
(if an individual) *(Last)* *(First)* *(Middle)* *(Suffix)*

or

(if an entity)
(Caution: Do not provide both an individual and an entity name.)

Street address

(Street number and name)

CO

(City) *(State)* *(ZIP/Postal Code)*

Mailing address
(leave blank if same as street address)

(Street number and name or Post Office Box information)

CO

(City) *(State)* *(ZIP/Postal Code)*

(The following statement is adopted by marking the box.)

The person appointed as registered agent above has consented to being so appointed.

4. The true name and mailing address of the incorporator are

Name
(if an individual)

(Last) *(First)* *(Middle)* *(Suffix)*

or

(if an entity)
(Caution: Do not provide both an individual and an entity name.)

Mailing address

(Street number and name or Post Office Box information)

(City) *(State)* *(ZIP/Postal Code)*

(Province – if applicable) *(Country)*

(If the following statement applies, adopt the statement by marking the box and include an attachment.)
The corporation has one or more additional incorporators and the name and mailing address of each additional incorporator are stated in an attachment.

5. The classes of shares and number of shares of each class that the corporation is authorized to issue are as follows.

The corporation is authorized to issue ___100______ common shares that shall have unlimited voting rights and are entitled to receive the net assets of the corporation upon dissolution.

Information regarding shares as required by section 7-106-101, C.R.S., is included in an attachment.

6. *(If the following statement applies, adopt the statement by marking the box and include an attachment.)*
This document contains additional information as provided by law.

7. *(Caution: Leave blank if the document does not have a delayed effective date. Stating a delayed effective date has significant legal consequences. Read instructions before entering a date.)*

(If the following statement applies, adopt the statement by entering a date and, if applicable, time using the required format.)
The delayed effective date and, if applicable, time of this document is/are ____________________.
(mm/dd/yyyy hour:minute am/pm)

Notice:
Causing this document to be delivered to the Secretary of State for filing shall constitute the affirmation or acknowledgment of each individual causing such delivery, under penalties of perjury, that the document is the individual's act and deed, or that the individual in good faith believes the document is the act and deed of the person on whose behalf the individual is causing the document to be delivered for filing, taken in conformity with the requirements of part 3 of article 90 of title 7, C.R.S., the constituent documents, and the organic statutes, and that the individual in good faith believes the facts stated in the document are true and the document complies with the requirements of that Part, the constituent documents, and the organic statutes.

This perjury notice applies to each individual who causes this document to be delivered to the Secretary of State, whether or not such individual is named in the document as one who has caused it to be delivered.

8. The true name and mailing address of the individual causing the document to be delivered for filing are

(Last) (First) (Middle) (Suffix)

(Street number and name or Post Office Box information)

(City) (State) (ZIP/Postal Code)

(Province – if applicable) (Country)

(If the following statement applies, adopt the statement by marking the box and include an attachment.)

This document contains the true name and mailing address of one or more additional individuals causing the document to be delivered for filing.

Disclaimer:

This form/cover sheet, and any related instructions, are not intended to provide legal, business or tax advice, and are furnished without representation or warranty. While this form/cover sheet is believed to satisfy minimum legal requirements as of its revision date, compliance with applicable law, as the same may be amended from time to time, remains the responsibility of the user of this form/cover sheet. Questions should be addressed to the user's legal, business or tax advisor(s).

EXHIBIT H

BYLAWS

[See Attached]

BYLAWS

OF

[TOTAL COMMUNITY OPTIONS, INC.]
(A COLORADO CORPORATION)

(hereinafter called the "Corporation")

ARTICLE I
GENERAL

Section 1.01 General. The following paragraphs contain provisions for the regulation and management of [Total Community Options, Inc.], a Colorado corporation.

Section 1.02 Conflict. In the event that there is a conflict between a provision of these Bylaws and a mandatory provision of the Articles of Incorporation of the Corporation, then said mandatory provision of the Articles of Incorporation of the Corporation shall control.

Section 1.03 Registered Office. The registered and principal office of the Corporation shall be 8950 East Lowry Boulevard, Denver, Colorado 80230. This designation shall be without prejudice to the power and right of the Corporation to conduct and transact any of its affairs or business in other cities, states, territories, countries, or places.

Section 1.04 Registered Agent. The registered agent of the Corporation in the State of Colorado shall be _____________.

Section 1.05 Change. The registered office and registered agent of the Corporation may be changed from time to time in the manner prescribed by law without amending these Bylaws.

ARTICLE II
MEETINGS OF STOCKHOLDERS

Section 2.01 Place of Meetings. Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place, either within or without the State of Colorado as shall be designated from time to time by the Board of Directors.

Section 2.02 Annual Meetings. The Annual Meetings of Stockholders for the election of directors shall be held on such date and at such time as shall be designated from time to time by the Board of Directors. Any other proper business may be transacted at the Annual Meetings of Stockholders.

Section 2.03 Special Meetings. Unless otherwise required by law or by the articles of incorporation of the Corporation, as amended and restated from time to time (the "Articles of Incorporation"), Special Meetings of Stockholders, for any purpose or purposes, may be called by either (a) the Chairman, if there be one, or (b) the President, (c) any Vice President, if there be one, (d) the Secretary or (e) any Assistant Secretary, if there be one, and shall be called by any such officer at the request in writing of (i) the Board of Directors, (ii) a committee of the Board of Directors that has been duly designated by the Board of Directors and whose powers and authority include the power to call such meetings or (iii) stockholders owning a majority of the capital stock of the Corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting. At a Special Meeting of Stockholders, only such business shall be conducted as shall be specified in the notice of meeting (or any supplement thereto).

Section 2.04 Notice. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise required by law, the written notice of any meeting shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting.

Section 2.05 Adjournments. Any meeting of the stockholders may be adjourned from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 2.06 Quorum. Unless otherwise required by law or the Articles of Incorporation, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. A quorum, once established, shall not be broken by the withdrawal of enough votes to leave less than a quorum. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, in the manner provided in Section 2.05, until a quorum shall be present or represented.

Section 2.07 Voting. Unless otherwise required by law, the Articles of Incorporation or these Bylaws, any question brought before any meeting of stockholders, other than the election of directors, shall be decided by the vote of the holders of a majority of the total number of votes of the capital stock represented and entitled to vote thereat, voting as a single class. Unless otherwise provided in the Certificate of Incorporation, and subject to Section 6.05 hereof, each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder. Such votes may be cast in person or by proxy but no proxy shall be voted on or after three years from its date, unless such proxy provides for a longer period. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in such officer's discretion, may require that any votes cast at such meeting shall be cast by written ballot.

Section 2.08 **<u>Consent of Stockholders in Lieu of Meeting.</u>** Unless otherwise provided in the Articles of Incorporation, any action required or permitted to be taken at any Annual or Special Meeting of Stockholders of the Corporation, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation by delivery to its registered office in the State of Colorado, its principal place of business, or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the earliest dated consent delivered in the manner required by this <u>Section 2.08</u> to the Corporation, written consents signed by a sufficient number of holders to take action are delivered to the Corporation by delivery to its registered office in the State of Colorado, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of holders to take the action were delivered to the Corporation as provided above in this <u>Section 2.08</u>.

Section 2.09 **<u>List of Stockholders Entitled to Vote.</u>** The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

Section 2.10 **<u>Stock Ledger.</u>** The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by 0 or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 2.11 **<u>Conduct of Meetings.</u>** The Board of Directors of the Corporation may adopt by resolution such rules and regulations for the conduct of the meeting of the stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of the stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting.

Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (a) the establishment of an agenda or order of business for the meeting; (b) the determination of when the polls shall open and close for any given matter to be voted on at the meeting; (c) rules and procedures for maintaining order at the meeting and the safety of those present; (d) limitations on attendance at or participation in the meeting to stockholders of record of the corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (e) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (f) limitations on the time allotted to questions or comments by participants.

ARTICLE III
OFFICERS

Section 3.01 **General.** The officers of the Corporation shall be chosen by the Board of Directors and shall be a President, Treasurer and Secretary. The Board of Directors, in its discretion, also may choose a Chairman of the Board of Directors (who must be a director) and one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers. Any number of offices may be held by the same person, unless otherwise prohibited by law or the of Incorporation. The officers of the Corporation need not be stockholders of the Corporation nor, except in the case of the Chairman of the Board of Directors, need such officers be directors of the Corporation.

Section 3.02 **Election, Term of Office and Qualifications.** The Board of Directors, at its first meeting held after each Annual Meeting of Stockholders (or action by written consent of stockholders in lieu of the Annual Meeting of Stockholders), shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier death, resignation or removal.

Section 3.03 **Removal.** Any officer of agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Such removal shall be by vote of a majority of the whole Board of Directors at a regular or special meeting of the Board of Directors called for this purpose.

Section 3.04 **Voting Securities Owned by the Corporation.** Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the President or any Vice President or any other officer authorized to do so by the Board of Directors and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 3.05 **Resignations.** Any officer may resign at any time by giving written notice to the Board of Directors or to the President or Secretary of the Corporation. Any such resignation shall take effect at the time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.06 **Chairman of the Board of Directors.** The Chairman of the Board of Directors, if there be one, shall preside at all meetings of the stockholders and of the Board of Directors. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as may from time to time be assigned by these Bylaws or by the Board of Directors.

Section 3.07 **President.** The President shall, subject to the control of the Board of Directors, have general supervision of the business of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. The President shall execute all bonds, mortgages, contracts and other instruments of the Corporation requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except that the other officers of the Corporation may sign and execute documents when so authorized by these Bylaws, the Board of Directors or the President. In the absence or disability of the Chairman of the Board of Directors, or if there be none, the President shall preside at all meetings of the stockholders and the Board of Directors. If the Board of Directors shall designate, the President shall be the Chief Executive Officer of the Corporation. The President shall also perform such other duties and may exercise such other powers as may from time to time be assigned to such officer by these Bylaws or by the Board of Directors.

Section 3.08 **Vice President.** At the request of the President or in the President's absence or in the event of the President's inability or refusal to act (and if there be no Chairman of the Board of Directors), the Vice President, or the Vice Presidents if there is more than one (in the order designated by the Board of Directors), shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Each Vice President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there be no Chairman of the Board of Directors and no Vice President, the Board of Directors shall designate the officer of the Corporation who, in the absence of the President or in the event of the inability or refusal of the President to act, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

Section 3.09 **Secretary.** The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings there at in a book or books to be kept for that purpose; the Secretary shall also perform like duties for committees of the Board of Directors when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors, the Chairman of the

Board of Directors or the President, under whose supervision the Secretary shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors or the President may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest to the affixing by such officer's signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be. In the Treasurer's absence or in the event of the Treasurer's inability or refusal to act (and if there be no Assistant Treasurer), the Secretary shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer.

Section 3.10 **<u>Treasurer.</u>** The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the office of the Treasurer and for the restoration to the Corporation, in case of the Treasurer's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the Treasurer's possession or under the Treasurer's control belonging to the Corporation.

Section 3.11 **<u>Assistant Secretaries.</u>** Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of the Secretary's disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 3.12 **<u>Assistant Treasurers.</u>** Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of the Treasurer's disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the office of Assistant Treasurer and for the restoration to the Corporation, in case of the Assistant Treasurer's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the Assistant Treasurer's possession or under the Assistant Treasurer's control belonging to the Corporation.

Section 3.13 <u>Other Officers.</u> Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

ARTICLE IV
DIRECTORS

Section 4.01 <u>Number and Election of Directors.</u> Except as otherwise required by the Articles of Incorporation, the Board of Directors shall consist of not less than one (1) member. Except as provided in <u>Section 4.02</u>, directors shall be elected by a plurality of the votes cast at the Annual Meetings of Stockholders and each director so elected shall hold office until the next Annual Meeting of Stockholders and until such director's successor is duly elected and qualified, or until such director's earlier death, resignation or removal. Any director may resign at any time upon written notice to the Corporation. Directors need not be stockholders.

Section 4.02 <u>Vacancies.</u> Unless otherwise required by law or the Articles of Incorporation, vacancies arising through death, resignation, removal, an increase in the number of directors or otherwise may be filled only by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and qualified, or until their earlier death, resignation or removal.

Section 4.03 <u>Duties and Powers.</u> The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Articles of Incorporation or by these Bylaws required to be exercised or done by the stockholders.

Section 4.04 <u>Meetings.</u> The Board of Directors may hold meetings, both regular and special, either within or without the State of Colorado. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman, if there be one, the President, or by any director. Notice thereof stating the place, date and hour of the meeting shall be given to each director either by mail not less than ten (10) days before the date of the meeting or by telephone or electronic transmission on seven (7) days' notice.

Section 4.05 <u>Quorum.</u> Except as otherwise required by law or the Articles of Incorporation, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of

Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting of the time and place of the adjourned meeting, until a quorum shall be present.

Section 4.06 Actions by Written Consent. Unless otherwise provided in the Articles of Incorporation, or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 4.07 Meetings by Means of Conference Telephone. Unless otherwise provided in the Articles of Incorporation, members of the Board of Directors of the Corporation, or any committee thereof, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 4.07 shall constitute presence in person at such meeting.

Section 4.08 Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent permitted by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. Each committee shall keep regular minutes and report to the Board of Directors when required.

Section 4.09 Compensation. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director, payable in cash or securities. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 4.10 Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because the director or officer's vote is counted for such purpose if (a) the material facts as to the director or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (b) the material facts as to the director or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (c) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

Section 4.11 Ratification. Any transaction, questioned in any lawsuit on the ground of lack of authority, defective or irregular execution, adverse interest of director, officer or stockholder, non-disclosure, miscomputation or the application of improper principles or practices of accounting may be ratified before or after judgment, by the Board of Directors or by the stockholders, and if so ratified shall have the same force and effect as if the questioned transaction had been originally duly authorized. Such ratification shall be binding upon the Corporation and its stockholders and shall constitute a bar to any claim or execution of any judgment in respect of such questioned transaction.

ARTICLE V
BOOKS AND RECORDS

Section 5.01 Minutes. The Corporation shall keep either within or without the State of Colorado, complete books and records of account and shall keep minutes of the proceedings of its stock holders and the Board of Directors.

Section 5.02 Stockholder Record. The Corporation shall keep at its registered office or principal place of business, a record of its stockholders, giving the names and addresses of all of the stockholders and the number and class of shares held by each.

Section 5.03 Access to Records. The books, records of account, financial statements and other documents of the corporation shall be available to such persons who have been designated by law as having a right thereto, and said books, records of account, financial statements and documents shall be made available to such persons in the manner and in accordance with the procedures established by law.

ARTICLE VI
STOCK

Section 6.01 Form of Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed, in the name of the Corporation (a) by the Chairman of the Board of Directors, the President or a Vice President and (b) by the Treasurer or an Assistant

Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by such stockholder in the Corporation.

Section 6.02 **Signatures.** Any or all of the signatures on a certificate may be by electronic transmission. In case any officer, transfer agent or registrar who has signed or whose signature has been placed upon a certificate by electronic transmission shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 6.03 **Lost Certificates.** The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or the owner's legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed or the issuance of such new certificate.

Section 6.04 **Transfers.** Stock of the Corporation shall be transferable in the manner prescribed by law and in these Bylaws. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by such person's attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be cancelled before a new certificate shall be issued. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred.

Section 6.05 **Record Date.**

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; providing, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in this State, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolutions taking such prior action.

(c) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 6.06 **Record Owners.** The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by law.

Section 6.07 **Fractional Shares.** The Corporation may, but shall not be required to, issue certificates for fractions of a share where necessary to effect authorized transactions, or the Corporation may pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or it may issue scrip in registered or bearer form over the manual signature or signature by electronic transmission of an officer of the Corporation or of its agent, exchangeable as therein provided for full shares, but such scrip shall not entitle the holder to any rights of a stockholder except as therein provided.

Section 6.08 **Additional Rules.** The Board of Directors shall have power and authority to make all such rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificates representing shares of the Corporation.

ARTICLE VII

NOTICES

Section 7.01 **Notices.** Whenever written notice is required by law, the Articles of Incorporation or these Bylaws, to be given to any director, member of a committee or stockholder, such notice may be given by mail or overnight courier, addressed to such director, member of a committee or stockholder, at such person's address as it appears on the records of the Corporation, with postage thereon prepaid. If notice is given by United States mail, it shall be deemed to be given at the time when the same shall be deposited in the United States mail. If notice is given by overnight express courier, such notice shall be deemed effective on the first business day after such notice is dispatched. Written notice may also be given personally, by telephone or by electronic transmission. If notice is given personally or by telephone, such notice shall be deemed effective when given. If notice is given by electronic transmission, such notice shall be deemed to be effective when electronically transmitted.

Section 7.02 **Waivers of Notice.** Whenever any notice is required by law, the Articles of Incorporation or these Bylaws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed, by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Attendance of a person at a meeting, present in person or represented by proxy, shall constitute a waiver of notice of such meeting, except where the person attends the meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

ARTICLE VIII
GENERAL PROVISIONS

Section 8.01 **Dividends.** Dividends upon the capital stock of the Corporation, subject to the requirements of law and the provisions of the Articles of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting of the Board of Directors and may be paid in cash, in property, or in shares of the Corporation's capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

Section 8.02 **Disbursements.** All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 8.03 **Fiscal Year.** The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 8.04 **Corporate Seal.** The corporate seal, if any, shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal". The seal may be used by causing it or an electronic transmission thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE IX
INDEMNIFICATION

Section 9.01 **Power to Indemnify in Actions, Suits or Proceedings other than Those by or in the Right of the Corporation.** Subject to Section 9.03, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director or officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

Section 9.02 **Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation.** Subject to Section 9.03, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which a court shall deem proper.

Section 9.03 **Authorization of Indemnification.** Any indemnification under this Article IX (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because such person has met the applicable standard of conduct set forth in

Section 9.01 or Section 9.02, as the case may be. Such determination shall be made (a) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (b) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion or (c) by the stockholders. To the extent, however, that a director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith, without the necessity of authorization in the specific case.

Section 9.04 Good Faith Defined. For purposes of any determination under Section 9.03, a person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe such person's conduct was unlawful, if such person's action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to such person by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The term "another enterprise" as used in this Section 9.04 shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 9.04 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 9.01 or Section 9.02, as the case may be.

Section 9.05 Indemnification by a Court. Notwithstanding any contrary determination in the specific case under Section 9.03, and notwithstanding the absence of any determination thereunder, any director or officer may apply to a court for indemnification to the extent otherwise permissible under Section 9.01 and Section 9.02. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director or officer is proper in the circumstances because such person has met the applicable standards of conduct set forth in Section 9.01 or Section 9.02, as the case may be. Neither a contrary determination in the specific case under Section 9.03 nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the director or officer seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 9.05 shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the director or officer seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 9.06 Expenses Payable in Advance. Expenses incurred by a director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article IX.

Section 9.07 Nonexclusivity of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by or granted pursuant to this Article IX shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Articles of Incorporation, any Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Section 9.01 and Section 9.02 shall be made to the fullest extent permitted by law. The provisions of this Article IX shall not be deemed to preclude the indemnification of any person who is not specified in Section 9.01 or Section 9.02 but whom the Corporation has the power or obligation to indemnify under the provisions of the law, or otherwise.

Section 9.08 Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Article IX.

Section 9.09 Certain Definitions. For purposes of this Article IX, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors or officers, so that any person who is or was a director or officer of such constituent corporation, or is or was a director or officer of such constituent corporation serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article IX, with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article IX, references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article IX.

Section 9.10 Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article

IX shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 9.11 Limitation on Indemnification. Notwithstanding anything contained in this Article IX to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 9.05 hereof), the Corporation shall not be obligated to indemnify any director or officer in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

Section 9.12 Indemnification of Employees and Agents. The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article IX to directors and officers of the Corporation.

Section 9.13 Other Indemnification. The Corporation's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall be reduced by any amount such person may collect as indemnification from such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise.

ARTICLE X
AMENDMENTS

Section 10.01 Amendments. These Bylaws or any of them may be altered, amended or repealed, in whole or in part, or new Bylaws may be adopted by the stockholders or by the Board of Directors. All such amendments must be approved by either the holders of a majority of the outstanding capital stock entitled to vote thereon (by vote at a meeting or by written consent without a meeting) or by a majority of the entire Board of Directors then in office thereon (by vote at a meeting or by unanimous written consent without a meeting).

Section 10.02 Entire Board of Directors. As used in this Article X and in these Bylaws generally, the term "entire Board of Directors" means the total number of directors which the Corporation would have if there were no vacancies.

ADOPTED BY THE SOLE MEMBER OF THE BOARD OF DIRECTORS this ___ day of __________.

DIRECTOR:

[Insert Director's Signature]