

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2011 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2011 or fiscal plan year beginning <u>01/01/2011</u> and ending <u>12/31/2011</u>	
A This return/report is for:	☐ a multiemployer plan; ☐ a multiple-employer plan; or ☒ a single-employer plan; ☐ a DFE (specify) ____
B This return/report is:	☐ the first return/report; ☐ the final return/report; ☐ an amended return/report; ☐ a short plan year return/report (less than 12 months).
C If the plan is a collectively-bargained plan, check here.	☒
D Check box if filing under:	☐ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information				
1a Name of plan <u>HEALTH CARE AND RETIREMENT CORPORATION UNION EMPLOYEES' PENSION PLAN</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1b Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;"><u>005</u></td> </tr> <tr> <td colspan="2">1c Effective date of plan <u>01/06/1988</u></td> </tr> </table>	1b Three-digit plan number (PN) ▶	<u>005</u>	1c Effective date of plan <u>01/06/1988</u>	
1b Three-digit plan number (PN) ▶	<u>005</u>				
1c Effective date of plan <u>01/06/1988</u>					
2a Plan sponsor's name and address, including room or suite number (Employer, if for single-employer plan) <u>HEARTLAND EMPLOYMENT SERVICES, LLC</u> <u>333 N SUMMIT STREET</u> <u>TOLEDO, OH 43604-2617</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>2b Employer Identification Number (EIN) <u>34-1903270</u></td> </tr> <tr> <td>2c Sponsor's telephone number <u>419-252-5500</u></td> </tr> <tr> <td>2d Business code (see instructions) <u>623000</u></td> </tr> </table>	2b Employer Identification Number (EIN) <u>34-1903270</u>	2c Sponsor's telephone number <u>419-252-5500</u>	2d Business code (see instructions) <u>623000</u>	
2b Employer Identification Number (EIN) <u>34-1903270</u>					
2c Sponsor's telephone number <u>419-252-5500</u>					
2d Business code (see instructions) <u>623000</u>					

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	07/18/2012	ANN OTLEY
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Form 5500 (2011)
v.012611

3a Plan administrator's name and address (if same as plan sponsor, enter "Same") HCR MANORCARE EMPLOYEE BENEFITS COMMITTEE 333 N SUMMIT STREET TOLEDO, OH 43604-2617	3b Administrator's EIN 34-1903270 3c Administrator's telephone number 419-252-5500
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4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name	4b EIN 4c PN
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5 Total number of participants at the beginning of the plan year	5	309
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6 Number of participants as of the end of the plan year (welfare plans complete only lines 6a , 6b , 6c , and 6d).		
a Active participants.....	6a	221
b Retired or separated participants receiving benefits.....	6b	14
c Other retired or separated participants entitled to future benefits.....	6c	44
d Subtotal. Add lines 6a , 6b , and 6c	6d	279
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e	0
f Total. Add lines 6d and 6e	6f	279
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	6g	
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6h	19

7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7	
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8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:

1A 1G

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply)	9b Plan benefit arrangement (check all that apply)
(1) ☐ Insurance	(1) ☐ Insurance
(2) ☐ Code section 412(e)(3) insurance contracts	(2) ☐ Code section 412(e)(3) insurance contracts
(3) ☒ Trust	(3) ☒ Trust
(4) ☐ General assets of the sponsor	(4) ☐ General assets of the sponsor

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

- (1)** ☒ **R** (Retirement Plan Information)
- (2)** ☐ **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
- (3)** ☒ **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

- (1)** ☒ **H** (Financial Information)
- (2)** ☐ **I** (Financial Information – Small Plan)
- (3)** ☐ **A** (Insurance Information)
- (4)** ☒ **C** (Service Provider Information)
- (5)** ☐ **D** (DFE/Participating Plan Information)
- (6)** ☐ **G** (Financial Transaction Schedules)

SCHEDULE SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Single-Employer Defined Benefit Plan Actuarial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2011 This Form is Open to Public Inspection
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For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan <u>HEALTH CARE AND RETIREMENT CORPORATION UNION EMPLOYEES' PENSION PLAN</u>	B Three-digit plan number (PN) ▶ <u>005</u>
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF <u>HEARTLAND EMPLOYMENT SERVICES, LLC</u>	D Employer Identification Number (EIN) <u>34-1903270</u>
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B	F Prior year plan size: ☐ 100 or fewer ☒ 101-500 ☐ More than 500

Part I	Basic Information
1	Enter the valuation date: Month <u>01</u> Day <u>01</u> Year <u>2011</u>
2	Assets:
a	Market value 2a <u>2296807</u>
b	Actuarial value 2b <u>2296807</u>
3	Funding target/participant count breakdown:
	(1) Number of participants (2) Funding Target
a	For retired participants and beneficiaries receiving payment 3a <u>16</u> <u>198462</u>
b	For terminated vested participants 3b <u>29</u> <u>151258</u>
c	For active participants:
(1)	Non-vested benefits 3c(1) <u>49082</u>
(2)	Vested benefits 3c(2) <u>1926471</u>
(3)	Total active 3c(3) <u>264</u> <u>1975553</u>
d	Total 3d <u>309</u> <u>2325273</u>
4	If the plan is in at-risk status, check the box and complete lines (a) and (b) ☐
a	Funding target disregarding prescribed at-risk assumptions 4a
b	Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor 4b
5	Effective interest rate 5 <u>5.67 %</u>
6	Target normal cost 6 <u>53574</u>

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE	<u>06/15/2012</u>
Signature of actuary	Date
<u>PAUL J. GIBBONS</u>	<u>11-06478</u>
Type or print name of actuary	Most recent enrollment number
<u>FINDLEY DAVIES, INC</u>	<u>216-875-1900</u>
Firm name	Telephone number (including area code)
<u>1300 EAST NINTH ST</u> <u>SUITE 850</u> <u>CLEVELAND, OH 44114-1516</u>	
Address of the firm	

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2011
v.012611

Part II		Beginning of year carryover and prefunding balances	
		(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (line 13 from prior year)	0	2326
8	Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	0
9	Amount remaining (line 7 minus line 8)	0	2326
10	Interest on line 9 using prior year's actual return of <u>13.53</u> %		315
11	Prior year's excess contributions to be added to prefunding balance:		
a	Present value of excess contributions (line 38 from prior year)		14691
b	Interest on (a) using prior year's effective rate of <u>6.43</u> % except as otherwise provided (see instructions)		945
c	Total available at beginning of current plan year to add to prefunding balance.....		15636
d	Portion of (c) to be added to prefunding balance.....		15636
12	Other reductions in balances due to elections or deemed elections	0	0
13	Balance at beginning of current year (line 9 + line 10 + line 11d – line 12).....	0	18277

Part III		Funding percentages	
14	Funding target attainment percentage.....	14	97.98 %
15	Adjusted funding target attainment percentage.....	15	97.98 %
16	Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement.....	16	97.36 %
17	If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage.....	17	%

Part IV		Contributions and liquidity shortfalls			
18 Contributions made to the plan for the plan year by employer(s) and employees:					
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
04/15/2011	17996	0			
10/14/2011	10851	0			
01/13/2012	15923	0			
06/14/2012	10123	0			
Totals ▶			18(b)	54893	18(c)

19 Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:	
a Contributions allocated toward unpaid minimum required contributions from prior years.	19a
b Contributions made to avoid restrictions adjusted to valuation date	19b
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c 52493
20 Quarterly contributions and liquidity shortfalls:	
a Did the plan have a "funding shortfall" for the prior year?	☒ Yes ☐ No
b If 20a is "Yes," were required quarterly installments for the current year made in a timely manner?	☒ Yes ☐ No
c If 20a is "Yes," see instructions and complete the following table as applicable:	
Liquidity shortfall as of end of quarter of this plan year	
(1) 1st	(2) 2nd
0	0
(3) 3rd	(4) 4th
0	0

Part V Assumptions used to determine funding target and target normal cost

21 Discount rate:				
a Segment rates:	1st segment: 2.94%	2nd segment: 5.82%	3rd segment: 6.46 %	☐ N/A, full yield curve used
b Applicable month (enter code)				21b 0
22 Weighted average retirement age				22 62
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute				

Part VI Miscellaneous items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.	☒ Yes ☐ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.....	☒ Yes ☐ No
27 If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment.....	27

Part VII Reconciliation of unpaid minimum required contributions for prior years

28 Unpaid minimum required contributions for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a).....	29	
30 Remaining amount of unpaid minimum required contributions (line 28 minus line 29)	30	0

Part VIII Minimum required contribution for current year

31 Target normal cost and excess assets (see instructions):			
a Target normal cost (line 6)	31a	53574	
b Excess assets, if applicable, but not greater than 31a	31b	0	
32 Amortization installments:	Outstanding Balance	Installment	
a Net shortfall amortization installment	46743	17194	
b Waiver amortization installment	0	0	
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33		
34 Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33)...	34	70768	
	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement.....	0	18277	18277
36 Additional cash requirement (line 34 minus line 35)	36	52491	
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)	37	52493	
38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)	38a	2	
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	38b	0	
39 Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)	39	0	
40 Unpaid minimum required contributions for all years.....	40	0	

Part IX Pension funding relief under Pension Relief Act of 2010 (see instructions)

41 If a shortfall amortization base is being amortized pursuant to an alternative amortization schedule:			
a Schedule elected	☐ 2 plus 7 years ☐ 15 years		
b Eligible plan year(s) for which the election in line 41a was made	☐ 2008 ☐ 2009 ☐ 2010 ☐ 2011		
42 Amount of acceleration adjustment	42		
43 Excess installment acceleration amount to be carried over to future plan years	43		

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2011
		This Form is Open to Public Inspection.

For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

A Name of plan HEALTH CARE AND RETIREMENT CORPORATION UNION EMPLOYEES' PENSION PLAN	B Three-digit plan number (PN) ▶ 005
C Plan sponsor's name as shown on line 2a of Form 5500 HEARTLAND EMPLOYMENT SERVICES, LLC	D Employer Identification Number (EIN) 34-1903270

Part I Service Provider Information (see instructions)

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
AMERICAN BEACON ADVISORS, INC.

75-2147195

(b) Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation

PNC BANK, NA

25-1211909

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

HARBOR SERVICES GROUP, INC

34-1953399

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
60	SERVICING AGENT	0	Yes ☒ No ☐	Yes ☐ No ☒	0	Yes ☒ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
HARBOR SERVICES GROUP, INC.	60	0
(d) Enter name and EIN (address) of source of indirect compensation HARBOR INTERNATIONAL FUND - INSTITU 34-1953399 (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. 0.06%		
(a) Enter service provider name as it appears on line 2 HARBOR SERVICES GROUP, INC. (b) Service Codes (see instructions) 60 (c) Enter amount of indirect compensation 0		
(d) Enter name and EIN (address) of source of indirect compensation HARBOR CAPITAL APPRECIATION FUND 34-1953399 (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. 0.06%		
(a) Enter service provider name as it appears on line 2 HARBOR SERVICES GROUP, INC. (b) Service Codes (see instructions) 60 (c) Enter amount of indirect compensation 0		
(d) Enter name and EIN (address) of source of indirect compensation HARBOR SMALL CAP GROWTH FUND 34-1953399 (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. 0.06%		

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
HARBOR SERVICES GROUP, INC.	60	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
HARBOR BOND FUND 34-1953399	0.06%	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III **Termination Information on Accountants and Enrolled Actuaries (see instructions)**
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2011 This Form is Open to Public Inspection
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For calendar plan year 2011 or fiscal plan year beginning <u>01/01/2011</u> and ending <u>12/31/2011</u>		
A Name of plan <u>HEALTH CARE AND RETIREMENT CORPORATION UNION EMPLOYEES' PENSION PLAN</u>	B Three-digit plan number (PN) ►	<u>005</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>HEARTLAND EMPLOYMENT SERVICES, LLC</u>	D Employer Identification Number (EIN) <u>34-1903270</u>	

Part I	Asset and Liability Statement
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1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	0	26046
(2) Participant contributions	1b(2)		
(3) Other.....	1b(3)	8	2
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	47094	82887
(2) U.S. Government securities.....	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)		
(9) Value of interest in common/collective trusts.....	1c(9)		
(10) Value of interest in pooled separate accounts.....	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)	2249705	1929806
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)		

1d Employer-related investments:		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	2296807	2038741

Liabilities

g Benefit claims payable	1g	4413	41447
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	4413	41447

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	2292394	1997294
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income

		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	54893	
(B) Participants	2a(1)(B)		
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		54893
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	22	
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		22
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	57301	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		57301
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)	118024	
(B) Aggregate carrying amount (see instructions)	2b(4)(B)	118024	
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		-98751
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		13465

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	308565	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		308565
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		308565

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		-295100
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☒ Yes ☐ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: ERNST & YOUNG LLP (2) EIN: 34-6565596

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

- 4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....		X	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.).....		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....		X	
e Was this plan covered by a fidelity bond?.....	X		10000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.).....	X		
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....		X	
l Has the plan failed to provide any benefit when due under the plan?		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....			
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			
4n			

- 5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?

If "Yes," enter the amount of any plan assets that reverted to the employer this year..... ☐ Yes ☒ No Amount:

- 5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)

5b(2) EIN(s)	5b(3) PN(s)

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2011 This Form is Open to Public Inspection.
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For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

A Name of plan <u>HEALTH CARE AND RETIREMENT CORPORATION UNION EMPLOYEES' PENSION PLAN</u>	B Three-digit plan number (PN) ▶ <u>005</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>HEARTLAND EMPLOYMENT SERVICES, LLC</u>	D Employer Identification Number (EIN) <u>34-1903270</u>

Part I	Distributions
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All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>25-1211909</u>	
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.	
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	3 <u>23</u>

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)
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4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....	☐ Yes	☒ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....	☐ Yes	☐ No	☒ N/A

Part III	Amendments
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9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☒ No
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Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
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10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.).....	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Schedule R (Form 5500) 2011
v.012611

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. Complete as many entries as needed to report all applicable employers.

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	14a	
b The plan year immediately preceding the current plan year	14b	
c The second preceding plan year	14c	

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	16a	
b If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

- 19** If the total number of participants is 1,000 or more, complete items (a) through (c)

a Enter the percentage of plan assets held as:
 Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate item 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

Report of Independent Auditors

HCR ManorCare Employee Benefits Committee

We were engaged to audit the accompanying statements of assets available for benefits of Health Care and Retirement Corporation Union Employees' Pension Plan as of December 31, 2011 and 2010, and the related statements of changes in assets available for benefits for the years then ended, and the supplemental schedules of assets (held at end of year) as of December 31, 2011 and reportable transactions for the year then ended. These financial statements and supplemental schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the investment information summarized in Note 4, which was certified by PNC Bank N.A. and National City Bank, the trustees of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that PNC Bank N.A. held the Plan's investment assets and executed investment transactions from May 1, 2010 to December 31, 2011 and that National City Bank held the Plan's investment assets and executed investment transactions for the period from January 1, 2010 to April 30, 2010. The plan administrator has obtained certifications from the trustees as of December 31, 2011 and 2010, and for the years then ended, that the information provided to the plan administrator by the trustees is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on these accompanying financial statements and supplemental schedules as a whole. The supplemental schedules are presented for the purposes of additional analysis and are not a required part of the financial statements, but are required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the investment information certified by the trustees, have been audited by us in accordance with auditing standards generally accepted in the United States and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

A handwritten signature in dark ink, appearing to read 'Ernst & Young'.

July 11, 2012



FINANCIAL STATEMENTS

Health Care and Retirement Corporation
Union Employees' Pension Plan
Years Ended December 31, 2011 and 2010
With Report of Independent Auditors

Health Care and Retirement Corporation
Union Employees' Pension Plan
Years Ended December 31, 2011 and 2010

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Report of Independent Auditors

HCR ManorCare
Employee Benefits Committee

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Ernst & Young LLP

July 11, 2012

Health Care and Retirement Corporation
Union Employees' Pension Plan

Statements of Assets Available for Benefits

	December 31,	
	2011	2010
Assets		
Investments:		
Money market fund:		
PNC Money Market Fund - Class I Shares	\$ 82,887	\$ 47,094
Mutual funds:		
Harbor Bond Fund - Institutional Class	590,362	654,817
American Beacon Large Cap Value Fund - Investor Class	540,026	636,298
Harbor International Fund - Institutional Class	285,691	346,332
Harbor Capital Appreciation Fund - Institutional Class	264,650	311,186
Harbor Small Cap Growth Fund - Institutional Class	249,077	301,072
	<u>1,929,806</u>	<u>2,249,705</u>
Total investments	2,012,693	2,296,799
Receivables:		
Employer contribution	26,046	-
Accrued interest	2	8
Total assets available for benefits	<u>\$ 2,038,741</u>	<u>\$ 2,296,807</u>

See accompanying notes.

Health Care and Retirement Corporation
Union Employees' Pension Plan

Statements of Changes in Assets Available for Benefits

	Year Ended December 31,	
	2011	2010
Additions		
Net investment gain:		
Interest and dividends	\$ 57,323	\$ 72,680
Net realized and unrealized appreciation in fair value of mutual fund investments	-	211,187
Net investment gain	57,323	283,867
Employer contributions	54,893	88,961
Total additions	112,216	372,828
Deductions		
Benefits paid	271,531	231,607
Net realized and unrealized depreciation in fair value of mutual fund investments	98,751	-
Total deductions	370,282	231,607
Net (decrease) increase	(258,066)	141,221
Assets available for benefits at beginning of year	2,296,807	2,155,586
Assets available for benefits at end of year	<u>\$ 2,038,741</u>	<u>\$ 2,296,807</u>

See accompanying notes.

Health Care and Retirement Corporation Union Employees' Pension Plan

Notes to Financial Statements

1. Plan Description

The Health Care and Retirement Corporation Union Employees' Pension Plan (the Plan) is a noncontributory defined benefit plan maintained for the benefit of collectively bargained employees of Heartland Employment Services, LLC, a wholly owned subsidiary of HCR ManorCare, Inc.

One of HCR ManorCare, Inc.'s subsidiaries contributes such amounts as are deemed necessary on an actuarial basis to provide assets sufficient to meet the benefits to be paid to plan participants. The contributions are made in amounts sufficient to meet the minimum funding standards as defined by the Employee Retirement Income Security Act of 1974 (ERISA), except when funding to avoid benefit restrictions introduced by the Pension Protection Act of 2006. The plan has met the ERISA minimum funding requirements for 2011 and 2010.

Administrative expenses are paid by a subsidiary of HCR ManorCare, Inc.

If the Plan terminates at some future time, its net assets generally will not be available on a pro rata basis to provide participant benefits. Whether a particular participant's accumulated benefits will be paid depends on both the priority of those benefits and the level of benefits guaranteed by the Pension Benefit Guaranty Corporation (PBGC) at that time. Some benefits may be fully or partially provided for by the then existing assets and the PBGC guaranty while other benefits may not be provided for at all.

Information about the Plan agreement, the vesting and benefit provisions, and the PBGC benefit guarantee is contained in the Summary Plan Description. Copies are available from the Human Resource Department.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Payment of Benefits

Benefits are recorded when paid.

Investment Valuation and Income Recognition

The Plan's assets are held in a trust administered by PNC Bank, N.A., trustee. Prior to May 1, 2010, the Plan's assets were held in a trust administered by National City Bank, the former trustee. The assets of the trust are invested by the designated advisors in a wide range of mutual funds which are valued at their respective fair value at year end. Fair value is defined as 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 (an exit price). Interests in the mutual funds are valued at their respective quoted net asset values at year-end. The money market fund is valued at cost, which approximates fair value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts at the date of the financial statements. Most significantly, estimates are utilized in the determination of the actuarial present value of accumulated benefits. Actual results could differ from those estimates.

Subsequent Events

The Plan has evaluated subsequent events through July 11, 2012, the date the financial statements were available to be issued.

3. Actuarial Present Value of Accumulated Benefits

Accumulated benefits are those future benefit payments that are attributable under the Plan's provisions to the service employees have rendered. Accumulated benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees, or their beneficiaries. Benefits payable under all circumstances (retirement, death, and termination of employment) are included to the extent they are deemed attributable to employee service rendered to the date benefit information is presented.

The actuarial present value of accumulated benefits is determined by the Plan's consulting actuaries and is the amount that results from applying assumptions to adjust the accumulated benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, withdrawal, or retirement) between the valuation date and the expected date of payment.

The more significant assumptions underlying the actuarial computations are as follows:

Mortality	The IRS mandated mortality table (male and female) with different rates for annuitants and nonannuitants and using the generational option.
Retirement age	Based upon Plan experience varying from ages 55-70
Actuarial cost method	Projected Unit Credit Cost Method
Discount rate and long-term assumed rate of return	7.0% per annum

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated benefits.

The actuarial present value of accumulated benefits at December 31, 2010 and changes therein for the year ended December 31, 2010, are as follows:

Actuarial present value of accumulated benefits:

Vested:

Participants currently receiving benefits	\$ 178,323
Other participants	1,898,391
	<u>2,076,714</u>

Nonvested	57,943
	<u><u>\$ 2,134,657</u></u>

Actuarial present value of accumulated benefits at beginning of year	\$ 2,104,076
Increase (decrease) during the year attributable to:	
Additional benefits accumulated	87,807
Decrease in the discount period	138,504
Benefits paid	(231,607)
Change of assumptions	35,877
Net increase	<u>30,581</u>
Actuarial present value of accumulated benefits at end of year	<u><u>\$ 2,134,657</u></u>

4. Investments

All investment information disclosed in the accompanying financial statements and supplemental schedules, including investments held at December 31, 2011 and 2010, and net appreciation or depreciation in fair value of investments, interest, dividends, and investment expenses for the years then ended, was obtained or derived from information supplied to the plan administrator and certified as complete and accurate by PNC Bank, N.A. and National City Bank.

5. Fair Value of Financial Instruments

The Plan measures certain financial assets at fair value on a recurring basis in accordance with an accounting standard, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset. The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2: Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following tables set forth by level, within the fair value hierarchy, the plan's assets carried at fair value:

	Fair Value at December 31, 2011		
	Level 1	Level 2	Level 3
Assets:			
Money market investment	\$ 82,887	\$ -	\$ -
Mutual fund investments:			
Domestic equity funds	1,053,753	-	-
Fixed income funds	590,362	-	-
International equity funds	285,691	-	-
Total assets	<u>\$ 2,012,693</u>	<u>\$ -</u>	<u>\$ -</u>

	Fair Value at December 31, 2010		
	Level 1	Level 2	Level 3
Assets:			
Money market investment	\$ 47,094	\$ -	\$ -
Mutual fund investments:			
Domestic equity funds	1,248,556	-	-
Fixed income funds	654,817	-	-
International equity funds	346,332	-	-
Total assets	<u>\$ 2,296,799</u>	<u>\$ -</u>	<u>\$ -</u>

6. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated January 18, 2012, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualified status. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax-exempt.

The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2011, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2008.

7. Difference Between Financial Statements and Form 5500

The following is a reconciliation of assets available for benefits per the financial statements at December 31, 2011 and 2010 to the Form 5500:

	<u>2011</u>	<u>2010</u>
Assets available for benefits per the financial statements	\$2,038,741	\$ 2,296,807
Amounts allocated in Form 5500 to withdrawn participants at December 31, 2010, but paid in year ended December 31, 2011	-	(4,413)
Amounts allocated in Form 5500 to withdrawn participants at December 31, 2011, but paid in year ending December 31, 2012	<u>(41,447)</u>	<u>-</u>
Assets available for benefits per the form 5500	<u>\$1,997,294</u>	<u>\$ 2,292,394</u>

The following is a reconciliation of benefits paid to participants per the financial statements for the year ended December 31, 2011 to the Form 5500:

	<u>2011</u>
Benefits paid to participants per the financial statements	\$ 271,531
Amounts allocated in Form 5500 to withdrawn participants at December 31, 2010, but paid in year ended December 31, 2011	(4,413)
Amounts allocated in Form 5500 to withdrawn participants at December 31, 2011, but paid in year ending December 31, 2012	<u>41,447</u>
Benefits paid to participants per the Form 5500	<u>\$ 308,565</u>

8. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risk. 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 such changes could materially affect the amounts reported in the statements of assets available for benefits.

Plan contributions are made and the actuarial present value of the accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to the uncertainties inherent in the estimation and assumption processes, it is at least reasonably possible that changes in these estimates and assumptions in the near term could materially affect the amounts reported and disclosed in the financial statements.

9. Related-Party Transactions

The PNC Money Market Fund is managed by an affiliated entity of the Plan's trustee, PNC Bank, N.A. These transactions qualify as party-in-interest transactions; however, they are exempt from the prohibited transaction rules under ERISA. The Plan had \$82,887 and \$47,094 invested in this fund at December 31, 2011 and 2010, respectively.

Supplemental Schedules

Health Care and Retirement Corporation
Union Employees' Pension Plan

EIN #34-1903270

Plan Number #005

Schedule H, Line 4i – Schedule of Assets (Held at End of Year)

December 31, 2011

Identity of Issue, Borrower, Lessor, or Similar Party	Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	Cost	Current Value
Money market:			
*PNC Money Market Fund - Class I Shares	82,887 shares	\$ 82,887	\$ 82,887
Mutual funds:			
Harbor Bond Fund - Institutional Class	48,430 shares	585,917	590,362
American Beacon Large Cap Value Fund - Investor Class	30,614 shares	525,855	540,026
Harbor International Fund - Institutional Class	5,447 shares	245,400	285,691
Harbor Capital Appreciation Fund - Institutional Class	7,172 shares	195,273	264,650
Harbor Small Cap Growth Fund - Institutional Class	22,893 shares	231,137	249,077
Total mutual funds		<u>1,783,582</u>	<u>1,929,806</u>
Total investments		<u>\$ 1,866,469</u>	<u>\$ 2,012,693</u>

* Party in interest to the plan

Health Care and Retirement Corporation
Union Employees' Pension Plan

EIN #34-1903270 Plan Number #005

Schedule H, Line 4j – Schedule of Reportable Transactions

Year Ended December 31, 2011

Category (iii)—Series of transactions in same security in excess of 5%:

Description of Asset	Total Number of Purchases	Total Value of Purchases (1)	Total Number of Sales	Net Selling Price (1)	Net Gain
*PNC Money Market Fund - Class I Shares	6	\$ 153,817	6	\$118,024	\$ -
American Beacon Large Cap Value Fund - Investor Class	8	50,892	16	117,376	5,521
Harbor Bond Fund - Institutional Class	13	146,265	16	217,106	3,698
Harbor International Fund - Institutional Class	7	51,016	18	71,396	18,192
Harbor Small Cap Growth Fund - Institutional Class	7	76,391	18	89,817	17,510

* Party in interest to the plan

There were no category (i), (ii), or (iv) transactions during the period January 1 through December 31, 2011.

(1) The value of purchases and net selling price represents the fair values thereof on the date of purchase or sale.

Commissions and fees related to purchases and sales of investments are included in the cost of the investment or proceeds from the sale, and are not separately identified by the trustee.

Health Care and Retirement Corporation
Union Employees' Pension Plan

EIN #34-1903270 Plan Number #005

Schedule C, Line 2h – Formula Description

December 31, 2011

Name of source of indirect compensation	EIN	Description of indirect compensation (annualized formula)
Harbor Intl Inst - Harbor Services Group, Inc.	34-1953399	0.06%
Harbor Capital Appreciation Fund - Harbor Services Group, Inc.	34-1953399	0.06%
Harbor Small Cap Growth Fund - Harbor Services Group, Inc.	34-1953399	0.06%
Harbor Bond Fund - Harbor Services Group, Inc.	34-1953399	0.06%

**Harbor Services Group, Inc. is the service provider that provided the disclosure information*

Health Care and Retirement Corporation
Union Employees' Pension Plan

EIN #34-1903270 Plan Number #005

Schedule H, Line 4i – Schedule of Assets (Held at End of Year)

December 31, 2011

Identity of Issue, Borrower, Lessor, or Similar Party	Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	Cost	Current Value
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Harbor Bond Fund - Institutional Class	48,430 shares	585,917	590,362
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Total mutual funds		<u>1,783,582</u>	<u>1,929,806</u>
Total investments		<u>\$ 1,866,469</u>	<u>\$ 2,012,693</u>

* Party in interest to the plan

Health Care and Retirement Corporation
Union Employees' Pension Plan

EIN #34-1903270 Plan Number #005

Schedule H, Line 4j – Schedule of Reportable Transactions

Year Ended December 31, 2011

Category (iii)—Series of transactions in same security in excess of 5%:

Description of Asset	Total Number of Purchases	Total Value of Purchases (1)	Total Number of Sales	Net Selling Price (1)	Net Gain
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* Party in interest to the plan

There were no category (i), (ii), or (iv) transactions during the period January 1 through December 31, 2011.

(1) The value of purchases and net selling price represents the fair values thereof on the date of purchase or sale.

Commissions and fees related to purchases and sales of investments are included in the cost of the investment or proceeds from the sale, and are not separately identified by the trustee.

Schedule SB, line 22 – Description of Weighted Average Retirement Age
 Health Care and Retirement Corporation Union Employees' Pension Plan
 January 1, 2011 Valuation
 EIN/PN: 34-1903270/005

Rates of Retirement

<u>Age</u>	<u>Rate</u>
55-58	6%
59	7
60-61	12
62-64	24
65	50
66-69	25
70	100

Weighted Average Retirement Age is 62. This is the average retirement age for someone eligible to retire at all ages using the assumed retirement rates and no other decrements.

Schedule SB, line 24 – Change in Actuarial Assumptions
Health Care and Retirement Corporation Union Employees’ Pension Plan
January 1, 2011 Valuation
EIN/PN: 34-1903270/005

***Changes in
Assumptions since
the Last Actuarial
Valuation***

The disability mortality was the IRS static, mandated mortality table (male and female) with different rates for annuitants and nonannuitants, and using the generational option.

***Justification for
Changes in Actuarial
Assumption***

Assumption changes other than to the prescribed assumptions were made to better anticipate future experience and to comply with ASOP 35. We believe that no approval is required for these changes because the aggregate underfunding for PBGC premium purposes within the Controlled Group, excluding overfunding, for this plan year does not exceed \$50,000,000.

Schedule SB, line 24 – Change in Actuarial Assumptions
Health Care and Retirement Corporation Union Employees' Pension Plan
January 1, 2011 Valuation
EIN/PN: 34-1903270/005

||

Schedule SB, Line 26 - Schedule of Active Participant Data

January 1, 2011 Valuation
The Health Care and Retirement Corporation Union Employees' Pension Plan
(EIN: 34-1903270; PN: 005)

Attained Age	Years of Credited Service									
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up
Under 25	-	5 (*)	1 (*)	-	-	-	-	-	-	-
25 to 29	-	5 (*)	11 (*)	-	-	-	-	-	-	-
30 to 34	-	7 (*)	9 (*)	10 (*)	-	-	-	-	-	-
35 to 39	-	7 (*)	13 (*)	3 (*)	3 (*)	-	-	-	-	-
40 to 44	-	3 (*)	7 (*)	11 (*)	8 (*)	4 (*)	1 (*)	-	-	-
45 to 49	-	2 (*)	11 (*)	4 (*)	10 (*)	8 (*)	1 (*)	-	-	-
50 to 54	-	7 (*)	6 (*)	7 (*)	9 (*)	12 (*)	-	-	-	-
55 to 59	-	4 (*)	1 (*)	7 (*)	5 (*)	10 (*)	-	-	-	-
60 to 64	-	-	4 (*)	6 (*)	9 (*)	10 (*)	-	-	-	-
65 to 69	-	-	1 (*)	2 (*)	3 (*)	6 (*)	-	-	-	-
70 & up	-	1 (*)	1 (*)	-	4 (*)	5 (*)	-	-	-	-

* Average compensation is not shown since there are fewer than 1,000 active participants in this plan

Schedule SB, line 32 – Schedule of Amortization Bases
 Health Care and Retirement Corporation Union Employees' Pension Plan
 January 1, 2011 Valuation
 EIN/PN: 34-1903270/005

EXHIBIT VII
SCHEDULE OF AMORTIZATION BASES

Plan Year Beginning

1/01/2011

	Date Established	Present Value of Payments	Remaining Years	Amortization Installment
<i>Shortfall Amortization Bases</i>	1/01/2011	\$ (32,987)	7.00	\$ (5,331)
	1/01/2009	(34,904)	5.00	(7,391)
	1/01/2008	<u>114,634</u>	4.00	<u>29,916</u>
	Total	\$ 46,743		\$ 17,194
<i>Waiver Amortization Bases</i>	1/01/2011	\$ 0		\$ 0
	Total	\$ 0		\$ 0

APPENDIX B

STATEMENT OF ACTUARIAL ASSUMPTIONS AND METHODS

<i>Interest Rates</i>	Funding: 24-month segment rates averaged through the end of December 2010 which were published in January 2011: <table> <tr> <td>a. First Rate, Years 1-5</td><td>2.94%</td></tr> <tr> <td>b. Second Rate, Years 5-20</td><td>5.82%</td></tr> <tr> <td>c. Third Rate, Years 20+</td><td>6.46%</td></tr> <tr> <td>d. Effective Interest Rate using the above rates</td><td>5.67%</td></tr> <tr> <td>e. Interest rate for developing expected value of assets, (limited by statute)</td><td>8.50%</td></tr> </table>	a. First Rate, Years 1-5	2.94%	b. Second Rate, Years 5-20	5.82%	c. Third Rate, Years 20+	6.46%	d. Effective Interest Rate using the above rates	5.67%	e. Interest rate for developing expected value of assets, (limited by statute)	8.50%						
a. First Rate, Years 1-5	2.94%																
b. Second Rate, Years 5-20	5.82%																
c. Third Rate, Years 20+	6.46%																
d. Effective Interest Rate using the above rates	5.67%																
e. Interest rate for developing expected value of assets, (limited by statute)	8.50%																
<i>Salary Scale</i>	N/A. The Benefit Multiplier used in the Accrued Benefit is assumed to be \$13 for all actively accruing participants.																
<i>Mortality</i>	Healthy: IRS static, mandated mortality table (male and female) with different rates for annuitants and nonannuitants, and using the generational option. Disabled: All four Disabled Tables of Revenue Ruling 96-7. These are applied conditionally as specified in 96-7 which means that <i>healthy mortality rates will be used for disableds unless</i> the disabled retiree i) receives Social Security Disability Income <i>and</i> ii) receives extra benefits beyond those they could have elected without being disabled. 100% of retirees entitled to current and future disability benefits are assumed to be entitled to Social Security Disability Income. Employees projected to become disabled beyond age 65 are subject to the "healthy" mortality rates due to not receiving extra benefits due to disablement.																
<i>Rates of Retirement</i>	<table> <tr> <th><u>Age</u></th><th><u>Rate</u></th></tr> <tr> <td>55-58</td><td>6%</td></tr> <tr> <td>59</td><td>7</td></tr> <tr> <td>60-61</td><td>12</td></tr> <tr> <td>62-64</td><td>24</td></tr> <tr> <td>65</td><td>50</td></tr> <tr> <td>66-69</td><td>25</td></tr> <tr> <td>70</td><td>100</td></tr> </table> Weighted Average Retirement Age is 62. This is the average retirement age for someone eligible to retire at all ages using the assumed retirement rates and no other decrements.	<u>Age</u>	<u>Rate</u>	55-58	6%	59	7	60-61	12	62-64	24	65	50	66-69	25	70	100
<u>Age</u>	<u>Rate</u>																
55-58	6%																
59	7																
60-61	12																
62-64	24																
65	50																
66-69	25																
70	100																

APPENDIX B (Continued)

Rates of Disability

Sample rates and ages as follows:

<u>Age</u>	<u>Rate</u>
25	.10%
40	.15
55	.95

Rates of Turnover

Based on age and length of service as follows:

Sample Rates:

		<u>Years of Service</u>							
		<u>0</u>	<u>1</u>				<u>2</u>	<u>3+</u>	
<u>Age</u>		<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
20		.500%	.500%	.323%	.400%	.323%	.400%	.323%	.400%
40		.300	.300	.180	.180	.150	.150	.043	.066
55		.300	.300	.180	.180	.150	.150	.012	.018

Assumptions Made In Valuing Spouse's Benefit

Eighty percent of the employees included in the valuation are assumed to be married. These percentages are used as the probabilities that survivor benefits will be payable due to preretirement deaths. The wife is assumed to be three years younger than the husband.

Optional Form Election

All employees are assumed to elect the life annuity benefit.

Provision for Expenses

None.

Asset Method

Funding: Market Value of Assets plus any contributions for prior plan years that will be made in this plan year. For funding purposes only, contributions made after the end of the prior plan year will be discounted for interest at the prior year's effective rate.

Employees Valued

Only participants as of the valuation date were valued.

APPENDIX A
SUMMARY OF PRINCIPAL PLAN PROVISIONS

<i>Plan Sponsor</i>	Heartland Employment Services, LLC
<i>EIN/PN</i>	34-1903270/005
<i>Effective Date</i>	August 1, 1986, amended and restated effective January 1, 2008.
<i>Plan Year</i>	The 12-month period beginning each January 1.
<i>Participation</i>	Any union employee who has completed one year of Vesting Service and has attained age 21 shall be eligible to participate on the following January 1 or July 1. No new participants are permitted in the frozen locations which are as follows: Beckley, Charleston, Lansing (effective 12/31/2010), Oak Pavilion, Rainelle, Riverview, Saginaw, Wallingford.
<i>Compensation</i>	Total compensation for the calendar year as limited by IRC Section 415(c) – 2(d)(4) including modifications by IRC Section 132(f)(4), 125(a), 402(e)(3), 402(k), 402(h)(1)(b), and 457(b).
<i>Average Monthly Compensation</i>	The last 13 bi-weekly gross pays are divided by the total hours worked during this same period to determine the hourly rate. The hourly rate is multiplied by 852 if the total hours divided by 26 is less than 35 (hours/week); otherwise the hourly rate is multiplied by 1,000. The result is divided by 6.
<i>Vesting Service</i>	One year of vesting service is earned for each Plan Year in which 1,000 hours are worked.
<i>Benefit Service</i>	One year of benefit service is credited for 1,800 or more hours of service during a calendar year. If the participant worked at least 1,000 hours but less than 1,800, the service credit is prorated accordingly. No future service will be credited for the following frozen locations: Beckley, Charleston, Lansing, Oak Pavilion, Rainelle, Riverview, Saginaw, Wallingford.
<i>Accrued Benefit</i>	A monthly life annuity starting at age 65 equal to the Benefit Multiplier based on Average Monthly Compensation multiplied by the number of Years of Benefit Service. If the participant is not Early Retirement eligible at termination, this amount is multiplied by the number of Years of Benefit Service at normal retirement divided by the number of years of potential service at normal retirement (minimum 30 years).

APPENDIX A (Continued)

Accrued Benefit (Continued)

Benefit multiplier determined as follows:

<u>Average Monthly Compensation</u>	<u>Monthly Benefit Multiplier</u>
\$0 - \$499/mo.	\$5.00
\$500 – \$799/mo.	\$7.00
\$800 - \$1,099/mo.	\$9.00
\$1,100 - \$1,399/mo.	\$11.00
\$1,400+/mo.	\$13.00

Normal Retirement Benefit

Eligibility:

Age 65 and 5 years of Vesting Service.

Monthly Benefit:

The Accrued Benefit.

Early Retirement Benefit

Eligibility:

Age 55 and 10 years of Vesting Service.

Monthly Benefit:

The Accrued Benefit at Normal Retirement, or Early Retirement reduced by $\frac{1}{2}$ of one percent for each month that Early Retirement precedes Normal Retirement.

Late Retirement Benefit

Eligibility:

Any age after Normal Retirement Age.

Monthly Benefit:

The Accrued Benefit at late retirement.

Termination Benefit

Eligibility:

Upon termination of employment prior to retirement after completion of at least 5 years of Vesting Service.

Monthly Benefit:

The vested benefit commences in full at age 65, or in a reduced amount under the early retirement provisions.

Death Benefit

Eligibility:

100% vested and married for at least one year.

APPENDIX A (Continued)

Death Benefit (Continued)

Monthly Benefit:

A monthly benefit for life commencing at the time the participant would have been eligible for retirement. The benefit is equal to 100% of the benefit vested on the date of death, adjusted as appropriate for early commencement and the 100% Joint and Survivor Annuity form of payment.

Optional Forms of Payments

Life Annuity

Joint & Survivor with 50%, 66 2/3% or 100% continuation

The conversion factors are the maximum of a and b below:

- a. Factors based on the 1971 TPF&C Forecast Mortality Table and 6% interest.
- b. Factors commuted as outlined below:

For each optional form of annuity payment:

<u>Option</u>	<u>Factor</u>	<u>But Not Greater Than</u>
50% J&S	90%	95%
66 2/3 J&S	85%	95%
100% J&S	80%	90%

The applicable factor set forth in column 2 above shall be increased/decreased by one percentage point for each full year the beneficiary is older/younger than the participant, not to exceed the maximum percentage in column 3.

Benefits Available as Lump Sums

This plan pays small benefit amounts (less than \$1,000) automatically. Participants who terminate prior to meeting the eligibility requirements of early retirement can elect a lump sum or reduced qualified form if the lump sum value is between \$1,000 and \$10,000. Lump sums over \$10,000 are available to participants who are at least age 55 at date of termination regardless of whether retirement occurs immediately following termination or not.

The conversion factors are based on the Applicable Mortality Table and Applicable Interest Rate as required under IRC Section 417(e)(3).

Maximum Benefit Limit

The Internal Revenue Code Section 415 Maximum Benefit payable as a life annuity at Social Security Normal Retirement Date.

Plan Compensation Limit

The Internal Revenue Code Section 401(a)(17)(B) Maximum Compensation that can be recognized for benefit calculation purposes.

**SCHEDULE SB
(Form 5500)**Department of the Treasury
Internal Revenue ServiceDepartment of Labor
Employee Benefits Security Administration
Pension Benefit Guaranty Corporation**Single-Employer Defined Benefit Plan
Actuarial Information**

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500 or 5500-SF.**

OMB No. 1210-0110

2011**This Form is Open to Public Inspection**

For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

▶ **Round off amounts to nearest dollar.**▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan		B Three-digit plan number (PN)	005
Health Care and Retirement Corporation Union Employees' Pension Plan			
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF		D Employer Identification Number (EIN)	
Heartland Employment Services, LLC		34-1903270	
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B		F Prior year plan size: ☐ 100 or fewer ☒ 101-500 ☐ More than 500	

Part I Basic Information

1 Enter the valuation date: Month <u>1</u> Day <u>1</u> Year <u>2011</u>			
2 Assets:			
a Market value	2a	2,296,807	
b Actuarial value	2b	2,296,807	
3 Funding target/participant count breakdown:		(1) Number of participants	(2) Funding Target
a For retired participants and beneficiaries receiving payment	3a	16	198,462
b For terminated vested participants	3b	29	151,258
c For active participants:			
(1) Non-vested benefits	3c(1)		49,082
(2) Vested benefits	3c(2)		1,926,471
(3) Total active	3c(3)	264	1,975,553
d Total	3d	309	2,325,273
4 If the plan is in at-risk status, check the box and complete lines (a) and (b) ☐			
a Funding target disregarding prescribed at-risk assumptions	4a		
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor	4b		
5 Effective interest rate	5	5.67 %	
6 Target normal cost	6	53,574	

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

**SIGN
HERE**

Signature of actuary

06/21/2012

Date

Paul J. Gibbons

11-06478

Type or print name of actuary

Most recent enrollment number

Findley Davies, Inc.

(216) 875-1900

Firm name

Telephone number (including area code)

1300 East Ninth St.

Suite 850

Cleveland

OH 44114-1516

Address of the firm

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2011
v.012611

Liquidity shortfall as of end of quarter of this plan year			
(1) 1st	(2) 2nd	(3) 3rd	(4) 4th
0	0	0	0

Part V Assumptions used to determine funding target and target normal cost

21 Discount rate:				
a Segment rates:	1st segment: 2.94 %	2nd segment: 5.82 %	3rd segment: 6.46 %	☐ N/A, full yield curve used
b Applicable month (enter code).....				21b 0
22 Weighted average retirement age				22 62
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute				

Part VI Miscellaneous items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.	☒ Yes ☐ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes ☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.	☒ Yes ☐ No
27 If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment	27

Part VII Reconciliation of unpaid minimum required contributions for prior years

28 Unpaid minimum required contributions for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a).....	29	0
30 Remaining amount of unpaid minimum required contributions (line 28 minus line 29).....	30	0

Part VIII Minimum required contribution for current year

31 Target normal cost and excess assets (see instructions):			
a Target normal cost (line 6)	31a	53,574	
b Excess assets, if applicable, but not greater than 31a	31b	0	
32 Amortization installments:	Outstanding Balance		Installment
a Net shortfall amortization installment.....	46,743		17,194
b Waiver amortization installment.....	0		0
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33		
34 Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33)...	34	70,768	
	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement	0	18,277	18,277
36 Additional cash requirement (line 34 minus line 35)	36	52,491	
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c).....	37	52,493	
38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)	38a	2	
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	38b	0	
39 Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)	39	0	
40 Unpaid minimum required contributions for all years.....	40	0	

Part IX Pension funding relief under Pension Relief Act of 2010 (see instructions)

41 If a shortfall amortization base is being amortized pursuant to an alternative amortization schedule:			
a Schedule elected	☐ 2 plus 7 years ☐ 15 years		
b Eligible plan year(s) for which the election in line 41a was made	☐ 2008 ☐ 2009 ☐ 2010 ☐ 2011		
42 Amount of acceleration adjustment	42		
43 Excess installment acceleration amount to be carried over to future plan years	43		