

OPERATIONS TRANSFER AGREEMENT

This OPERATIONS TRANSFER AGREEMENT (this “Agreement”) is made and entered into as of this 8th day of November, 2024 (the “Execution Date”), by and between Covenant Care California, LLC, a California limited liability company (“Licensee”), and Seagull Lane Healthcare, Inc., a Nevada corporation (“New Operator”).

RECITALS

A. **WHEREAS**, Licensee is the licensed operator of that certain 150-bed skilled nursing facility commonly known as Buena Vista Care Center, located at 160 South Patterson Avenue, Goleta, CA 93111-2006 (the “Facility”), which is owned by 160 North Patterson Avenue, LLC (the “Landlord”) pursuant to a lease between the Licensee and the Landlord (as amended, the “Existing Lease”).

B. **WHEREAS**, CTR Partnership, L.P., a Delaware limited partnership (the “Purchaser”), Licensee and certain affiliates of Licensee have entered into that certain Asset Purchase Agreement, dated as of August 22, 2024 (as amended, the “Purchase Agreement”), which provides for the sale, assignment and transfer to Purchaser or a Designated Assignee of the Assets, including, without limitation, the operating assets with respect to the Facility and the operations of the Facility. Capitalized terms used and not otherwise defined herein, shall have the meaning ascribed to such terms in the Purchase Agreement;

C. **WHEREAS**, pursuant to the Purchase Agreement, and this Agreement, on the Operations Transfer Date (as defined below), Licensee shall (1) assign all of its rights, title and interests in, to and under the Existing Lease to the New Operator, and (2) transfer all of the Assets and Assumed Liabilities with respect to the Facility to New Operator; and New Operator shall pay, perform, and discharge when due, all the liabilities, obligations and commitments under the Existing Lease and any applicable Resident Agreement, subject to the Purchase Agreement, to the extent, and only to the extent, that relate to or first occur on or after the Operations Transfer Date;

D. **WHEREAS**, New Operator has filed, or will file within thirty (30) days after the Execution Date, its applications for the New Licenses (as defined below) and obtained the Permits for the Facility; and

E. **WHEREAS**, in order to facilitate a transition of operational and financial responsibility from Licensee to New Operator in a manner which will ensure the continued operation of the Facility from and after the Operations Transfer Date in compliance with the Existing Lease and applicable Law and in a manner which does not jeopardize the health and welfare of the Residents, Licensee and New Operator hereby document the terms and conditions on the transition of operational and financial responsibility from Licensee to New Operator.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants of the parties set forth herein, it is hereby agreed as follows:

1. Operations Transfer Date. For purposes hereof, the “Operations Transfer Date” shall be (a) in respect of a Facility, the Closing Date or (b) in respect of an Escrow Facility, the date of the Escrow Facility Closing.

2. Condition Precedent. For purposes hereof, the “Condition Precedent” to the transfer of operations shall be that the Closing or Escrow Facility Closing, as applicable, has occurred under the Purchase Agreement.

3. New Licenses and Transition Period.

3.1 New Operator will file, no later than thirty (30) days following the Execution Date, application(s) for a license to operate the Facility (the “New License”) with the State of California Department of Public Health (the “Department”), and shall promptly file with the Department such additional documents as may be required or requested in connection with such application(s). New Operator shall file applications for the Ancillary Permits and Approvals (as defined below) as and when permitted or required under the Laws of the applicable issuing Governmental Authority. New Operator will provide Licensee with proof of its filed applications for the New License promptly after its filing of the application(s) and copies of the filed applications for the New Licenses. New Operator shall diligently proceed to secure the New License and the Ancillary Permits and Approvals and shall (a) from time to time, upon request of Licensee, advise Licensee of the status of New Operator’s efforts to secure the New Licenses and the Ancillary Permits and Approvals, (b) promptly advise Licensee once New Operator has received confirmation of the date on which the New License will be issued, (c) promptly upon receipt of a request therefor from Licensee, provide Licensee with copies of the document(s) evidencing the approval of the New Operator pursuant to Section 1253.3(i) of the California Health and Safety Code, and copies of the New License, and (d) provide copies of material correspondence with the Department promptly following receipt. For purposes hereof, “Ancillary Permits and Approvals” shall mean all ancillary permits or licenses required for the operation of the Facility from and after the Operations Transfer Date including, but not limited to, the Medicare tie in notice and Medicaid provider agreement, business licenses, food service permits, elevator permits, vending machine permits, beauty shop licenses and CLIA waivers. Hereinafter, the New Licenses and the Ancillary Permits and Approvals will be collectively referred to as the “Regulatory Approvals.” The parties will use reasonable efforts to cooperate by providing such information necessary for New Operator to file the application for the Regulatory Approvals contemplated under this Section 3.1.

3.2 To the extent permitted by Law, and subject to the receipt of the New License and the Ancillary Permits and Approvals, effective as of the Operations Transfer Date, New Operator shall have the right to:

(a) bill Medicare using Licensee’s Medicare provider number and Licensee’s provider and reimbursement agreement (the “Medicare Agreement”); and

(b) bill Medicaid using Licensee’s Medicaid provider number and Licensee’s provider and reimbursement agreement (the “Medicaid Agreement”).

New Operator shall provide all notices and make all necessary filings as required under applicable Law in order for New Operator to become the certified Medicare and Medicaid provider at the Facility. So long as New Operator is utilizing its commercially reasonable efforts to become the certified Medicare and Medicaid provider at the Facility, New Operator shall be permitted to bill under the Medicare Agreement and Medicaid Agreement, utilizing Licensee's Submitter ID and NPI numbers and/or Medicaid provider number, as applicable, during the period (the "Transition Period") that commences on the Operations Transfer Date and that ends on the earlier of (i) in the case of Medicare, the issuance of the Medicare tie-in notice or in the case of Medicaid, the issuance of the new Medicaid number and related provider agreement to New Operator, or (ii) the date which is [REDACTED] months following the Operations Transfer Date. If, notwithstanding New Operator's continuing commercially reasonable efforts, the Medicare tie-in notice shall not have been issued or a new Medicaid provider agreement shall not have been issued to New Operator within such [REDACTED] month period, as applicable, Licensee, upon New Operator's written request, shall agree to such reasonable extensions of the Transition Period as may be necessary for New Operator to complete the applicable certification process. In no event shall New Operator bill under the Medicare Agreement or Medicaid Agreement following expiration of the Transition Period. New Operator shall indemnify and hold Licensee harmless from and against any and all liabilities arising out of New Operator's use of the Medicare Agreement and/or Medicaid Agreement following the Operations Transfer Date.

3.3 During the Transition Period, Licensee shall also allow New Operator, at no out-of-pocket cost or expense to Licensee, to bill and receive reimbursement for goods sold and services rendered at the Facility under its Payor Contracts (as hereinafter defined) while New Operator completes its own contracting process with Third-Party Payors; *provided, however*, nothing herein shall be construed as an assurance whether or to what extent New Operator will have the right, as a matter of law or contract, to bill the Third-Party Payors under Licensee's Payor Contracts. In furtherance and not in limitation of the foregoing, Licensee acknowledges that New Operator may be required to use an outside service provider for purposes of implementing the rights granted to New Operator under this Section 3.3, and New Operator acknowledges that any and all costs and expenses of such outside service provider shall be the sole responsibility of New Operator. Notwithstanding anything to the contrary in the foregoing, Licensee shall not voluntarily terminate any Payor Contracts for the Facility without the prior written consent of New Operator (not to be unreasonably withheld, delayed, or conditioned) and New Operator shall provide Licensee advance notice should it: (a) elect to terminate or not renew any such contract; or (b) become aware of involuntary termination of any such contract. "Payor Contracts" shall mean all contracts with various Third-Party Payors, including those which are specific to the Facility and those which cover the Facility as well as other facilities operated by Licensee's Affiliates; *provided, however*, that the term "Payor Contracts" shall exclude the Medicare Agreement and the Medicaid Agreement. New Operator acknowledges and agrees that in no event will New Operator have the right to assume any of Licensee's Payor Contracts and that New Operator shall be required to obtain the same in its own name. New Operator shall indemnify and hold Licensee harmless from and against any and all liabilities arising out of New Operator's billing arrangements with Third-Party Payors following the Operations Transfer Date.

3.4 If necessary, New Operator and Licensee agree to provide each other, upon reasonable request and in a timely manner, with copies of all Medicare and Medicaid or Third-Party Payor program reimbursement requests pertaining to the Facility submitted to any applicable

fiscal intermediary whether before or after the Operations Transfer Date. Each party agrees to take all reasonable steps to assist the other in processing claims and obtaining payments for services rendered under such applicable programs in which the Facility participates (a) in the case of New Operator, from and after the Operations Transfer Date, and (b) in the case of Licensee, prior to the Operations Transfer Date. The party being assisted agrees to reimburse the party rendering assistance for any reasonable documented out-of-pocket expenses incurred by the assisting party in rendering such assistance. In furtherance of the obligations pursuant to this Article 3, the parties agree as follows: (i) Licensee shall provide New Operator current access to Licensee's [REDACTED] or applicable EMR vendor, portal access, codes and passwords for all Third-Party Payors which participate in electronic billing so that New Operator may do the billing for the Facility for residential care and services provided throughout the duration of this Agreement; (ii) unless specifically requested by New Operator, Licensee will not do any billing for any residential care and services provided by New Operator; and (iii) neither Licensee nor New Operator shall change any of the access codes without first notifying the other and providing it with the new (updated) access codes.

4. Accounts Receivable.

4.1 Licensee shall retain whatever right, title and interest it may have in and to all outstanding Accounts Receivable with respect to the Facility which relate to periods immediately prior to the Operations Transfer Date, including any Accounts Receivable arising from rate adjustments which relate to a period ending immediately prior to the Operations Transfer Date even if such adjustments occur after the Operations Transfer Date, and including any Medicaid lag payments (collectively, "Licensee's A/R"). Licensee acknowledges that New Operator owns all Accounts Receivable arising from services provided by or at the Facility from and after the Operations Transfer Date (collectively, "New Operator's A/R").

4.2 Payments received by New Operator on and after the Operations Transfer Date from Third-Party Payors shall be handled as follows:

(a) if such payments either specifically indicate on the accompanying remittance advice, or if Licensee and New Operator agree that such payments relate to the period ending immediately prior to the Operations Transfer Date, they shall be forwarded by New Operator to Licensee, along with the applicable remittance advice, within seven (7) Business Days after receipt thereof; and

(b) if such payments indicate on the accompanying remittance advice, or if Licensee and New Operator agree that such payments relate to the period on and after the Operations Transfer Date, they shall be retained by New Operator.

4.3 Payments received by Licensee on and after the Operations Transfer Date from Third-Party Payors shall be handled as follows:

(a) if such payments either specifically indicate on the accompanying remittance advice, or if Licensee and New Operator agree that such payments relate to the period on and after the Operations Transfer Date, they shall be forwarded by Licensee to New Operator,

along with the applicable remittance advice, within seven (7) Business Days after receipt thereof; and

(b) if such payments indicate on the accompanying remittance advice, or if Licensee and New Operator agree that they relate to the period ending on or immediately prior to the Operations Transfer Date, they shall be retained by Licensee.

4.4 If such payments indicate on the accompanying remittance advice, or if the Licensee and New Operator agree, that they relate to periods for which both parties are entitled to reimbursement under the terms hereof, the portion thereof which relates to the period prior to the Operations Transfer Date shall be disbursed to or retained by Licensee and the balance shall be retained by or remitted to New Operator, in either case, in accordance with the provisions of Sections 4.2 and 4.3 of this Agreement.

4.5 If the remittance advice indicates or Licensee and New Operator agree that any payment relates to periods both prior to or on and after the Operations Transfer Date, the party receiving the payment shall forward the amount relating to the other party's operation of the Facility, along with the applicable remittance advice, within seven (7) Business Days after receipt thereof. If the remittance advice does not indicate the period to which a payment relates or whether it is for Licensee or New Operator, or if there is no accompanying remittance advice, or the payment is not otherwise identifiable using commercially reasonable efforts, and if the parties do not otherwise agree as to how to apply such payment, then one hundred percent (100%) of such payments received within the first [REDACTED] days after the Operations Transfer Date shall be deemed to have been collected in respect of Licensee's A/R due from the payee in respect of services provided prior to the Operations Transfer Date. All such payments received in excess of the amount of Licensee's A/R due from said payee and all such payments received [REDACTED] days after the Operations Transfer Date shall be deemed to have been collected in respect of New Operator's A/R from said payee. All such payments received by New Operator but which are deemed to be due to Licensee under this Section 4.5 shall be forwarded by New Operator to Licensee within seven (7) Business Days after receipt thereof, and all such payments received by Licensee but which are deemed to be due to New Operator under this Section 4.5 shall be forwarded by Licensee to New Operator within seven (7) Business Days after receipt thereof. All such payments received by Licensee which are deemed to have been collected in respect to Licensee's A/R shall be retained by Licensee and all such payments received by New Operator which are deemed to have been collected in respect to New Operator's A/R shall be retained by New Operator. New Operator shall pay to Licensee any and all reimbursements including retroactive rate adjustments, appeal settlements and/or Cost Report settlements for all Cost Report periods with fiscal years ended prior to the Operations Transfer Date that it receives after the Operations Transfer Date. If a payor offsets New Operator's A/R due to post-Closing activities or obligations of Licensee, Licensee shall pay such offset amounts to New Operator.

4.6 After the Operations Transfer Date, both Licensee and New Operator shall have the right, and any agent or representative retained by the foregoing shall have the right on behalf of Licensee or New Operator, as applicable, to engage in any commercially reasonable collection activities with respect to any unpaid Licensee's A/R, including private pay amounts.

4.7 To the extent that New Operator or any of its Affiliates receives any mail or packages addressed to Licensee or any of its Affiliates not relating to the Assets or the Assumed Liabilities relating to the Facility, New Operator shall promptly deliver such mail or packages to Licensee. After the Operations Transfer Date, New Operator may deliver to Licensee any checks or drafts made payable to Licensee or its Affiliates that constitutes New Operator's A/R, and Licensee shall promptly deposit or cause to be deposited such checks or drafts and, upon receipt of funds, reimburse New Operator within ten (10) Business Days for the amounts of all such checks or drafts, or, if so requested by New Operator, endorse such checks or drafts to New Operator for collection. To the extent Licensee or its Affiliates receives any mail or packages addressed to Licensee or its Affiliates but relating to the Assets or the Assumed Liabilities relating to the Facility, Licensee shall promptly deliver such mail or packages to New Operator. After the Operations Transfer Date, to the extent that New Operator receives any cash or checks or drafts made payable to Transferee that constitutes Licensee's A/R, New Operator shall promptly use such cash to, or deposit such checks or drafts and upon receipt of funds from such checks or drafts, reimburse Licensee within ten (10) Business Days for such amount received, or, if so requested by Licensee, endorse such checks or drafts to Licensee for collection. The parties may not assert any set off, hold back, escrow or other restriction against any payment described in this Section 4.7, which includes, for the avoidance of doubt, Licensee's A/R.

4.8 In the event the parties mutually determine that any Third-Party Payors or private pay residents are entitled to a refund of payments, the portion thereof that relates to the period from and after the Operations Transfer Date shall be paid by New Operator and the portion thereof that relates to the period prior to the Operations Transfer Date shall be paid by Licensee to such Third-Party Payor or private pay resident.

4.9 In the event the parties mutually determine that any payment hereunder was misapplied by the parties, the party which erroneously received said payment shall remit the same to the other within seven (7) Business Days after said determination is made.

4.10 Until the earlier of (a) the date that Licensee receives payment of all Licensee's A/R, and (b) [REDACTED] months after the Operations Transfer Date, New Operator shall provide Licensee with an accounting before the end of each month setting forth all amounts received by New Operator during the preceding month with respect to the Licensee's A/R.

4.11 For a period of [REDACTED] months after the Operations Transfer Date, Licensee shall provide New Operator with an accounting setting forth all amounts received by Licensee during the preceding month with respect to payments from the Residents which are due and owing to the New Operator in accordance with the terms of this Section 4, which accounting shall be accompanied by applicable remittance advices.


4.12 For a period of [REDACTED] months after the Operations Transfer Date, Licensee and New Operator shall have the right to request an inspection, no more frequently than once per month, all cash receipts of the other party. Such inspection shall occur during weekday business hours on reasonable prior written notice in order to confirm such party's compliance with the obligations imposed on it under this Section 4.

4.14 New Operator and Licensee acknowledge that the Facility may be entitled to payments made under the Workforce & Quality Incentive Program (Welfare and Institutions Code section 14126.024) (“WQIP Payments”) attributable to qualifying Medi-Cal days occurring prior to and after the Closing. For purposes of this Section 4.14, all WQIP Payments attributable to services rendered on and after the Operations Transfer Date shall be for the account of New Operator, and all WQIP Payments attributable to services rendered before the Operations Transfer Date shall be for the account of Licensee. WQIP Payments shall be apportioned between New Operator and Licensee in proportion to the number of qualifying Medi-Cal days for which each provided care, multiplied by the relevant Facility’s per day payment rate as determined by DHCS. All WQIP Payments belonging to (a) Licensee that are received by New Operator shall be remitted to Licensee by New Operator or (b) New Operator that are received by Licensee shall be remitted to New Operator by Licensee, in each case, within ten (10) days of receipt.

4.15 Licensee hereby covenants and agrees that they will reasonably cooperate with New Operator in obtaining accounts receivable financing for the Facility, if New Operator elects to do so. In connection therewith, each of Licensee and New Operator hereby agree that they shall use their commercially reasonable efforts to enter into an agreement between Licensee’s accounts receivable lender and New Operator’s accounts receivable lender addressing the collection and disbursement of any New Operator’s A/R deposited into any of Licensee’s bank accounts, which agreement shall be in such form acceptable to Licensee, New Operator and each of their respective accounts receivable lender.

5. Transfer of Resident Funds. To the extent permitted by applicable Law, at the Operations Transfer Date, Licensee shall deliver to New Operator (a) all Resident Trust Funds then held by Licensee with respect to the Residents at the Facility, (b) original copies of the trust fund records of the Resident Trust Funds for the Facility, and (c) a written statement that sets forth the Resident Trust Funds for the Facility as of the Operations Transfer Date (with no negative balances). Within ten (10) Business Days following the Operations Transfer Date, or as soon as reasonably able thereafter, Licensee shall prepare and deliver to New Operator a true, correct and complete accounting, properly reconciled and balanced, of the Resident Trust Funds as of the Operations Transfer Date. Licensee shall transfer such the Resident Trust Funds for the Facility to a bank account designated by the New Operator and the New Operator shall, in writing,

acknowledge receipt of and expressly assume Licensee's financial and custodial obligations with respect thereto. In furtherance of the above, it is acknowledged and agreed that after the Operations Transfer Date, New Operator will manage Licensee's Resident Fund Management Service account ("RFMS Account") until such time as New Operator has its own RFMS Account, but in no event longer than four (4) months following the Operations Transfer Date. Licensee and New Operator will use commercially reasonable efforts to cooperate in New Operator's management of Licensee's RFMS Account, including (without limitation) (i) coordinating requisite access for New Operator to Licensee's RFMS Account, (ii) Licensee creating and processing applicable refunds of Resident Trust Property for any Residents discharged prior to the Operations Transfer Date, and (iii) New Operator providing monthly reconciliation reports to Licensee.



6. Cost Reports.

6.1 Licensee shall prepare and file its final Medicare and Medicaid Cost Reports covering its operation of the Facility through the Operations Transfer Date as soon as reasonably practicable after the Operations Transfer Date, but in no event later than the date on which such final Cost Report is required to be filed by applicable Law under the terms of the Medicare and/or Medicaid program, and will provide the fiscal intermediary, CMS or applicable Medicaid agency with any information needed to support claims for reimbursement made by Licensee either in said final Cost Report or in any Cost Reports filed for prior cost reporting periods. Simultaneously with such filing, Licensee shall provide New Operator with a copy of the final Medicare and Medicaid Cost Reports and such supporting documentation reasonably requested by New Operator in writing.

6.2 Licensee and New Operator shall comply with all patient identity and information protection Laws in providing information under this Section 6.

6.3 In the event that, following the Operations Transfer Date, New Operator or any of its Affiliates suffers any offsets against reimbursement under any Third-Party Payor or reimbursement programs owed to such party relating to amounts owing under any such program by Licensee or any of its Affiliates for services rendered prior to the Operations Transfer Date, Licensee shall reasonably promptly upon written demand from New Operator pay to New Operator the amounts so billed or offset, even if Licensee appeals the adverse claim. To the extent that Licensee is successful in any appeal of any adverse audit adjustments, overpayment, recoupment, fine, penalty, late charge or assessment by any Third-Party Payor or reimbursement program accruing for any period ending on or prior to the Operations Transfer Date, and New Operator or its Affiliates receive any monies from a Third-Party Payor or reimbursement program as a result of Licensee's successful appeal, then New Operator and/or its Affiliates agree that it will promptly refund to Licensee any amounts previously paid by Licensee to New Operator for any reimbursement offsets in accordance with the preceding sentence.

7. Employees.

7.1 Shortly after the Execution Date, Licensee shall provide a list of employees of the Facility to the New Operator (the “Facility Employee List”). At least ten (10) days prior to the Operations Transfer Date, Licensee shall update the Facility Employee List to reflect new hires and terminations of employment that occurred after the Execution Date. The list of employees shall include all persons employed by Transferor at any Facility; *provided*, that it need not list the administrator or directors of nursing.

7.2 Not less than five (5) days prior to the Operations Transfer Date, New Operator shall (or shall cause one of its Affiliates to) offer in writing employment to all employees of Licensee (other than administrators, directors of nurses, or employees whose principal worksite is the Resource Centre in Aliso Viejo), effective as of the Operations Transfer Date (and subject to such employee’s continued employment with Licensee as of immediately prior to the Operations Transfer Date), on the terms and conditions set forth in this Section 7.2. Employees who accept New Operator’s (or its Affiliate’s) offers of employment and commence employment with New Operator are referred to herein as “New Operator Employees.” The employment of each New Operator Employee shall be effective as of the Operations Transfer Date. Nothing contained in this Agreement shall constitute a guaranty of employment or continued employment of any kind for any current or former employee of Licensee, whether or not such employee is hired by New Operator.

7.3 New Operator’s or its Affiliate’s offer of employment to New Operator Employees pursuant to Section 7.2 above shall commence at the Operations Transfer Date, such that those New Operator Employees shall not experience a period of unemployment in connection with the transactions contemplated herein.

7.4 Except as otherwise required by Law, Licensee shall pay the employees at the Facility in accordance with its standard payroll practice, all earned wages due and payable as of the Operations Transfer Date (irrespective of the termination of employment contemplated to occur as of the Operations Transfer Date), and any severance, retention bonus or other change in control payment payable to any New Operator Employee that becomes due or owed as a result of the consummation of the transactions contemplated by this Agreement and the Purchase Agreement. In accordance with applicable Laws and *provided* that such payment is consistent with Licensee’s applicable policies, Licensee shall on the Operations Transfer Date pay to the New Operator Employees an amount equal to one hundred percent (100%) of the New Operator Employees’ paid time off, personal leave, sick days and vacation benefits as of the Operations Transfer Date.

7.5 Except for those employees employed under a Collective Bargaining Agreement, all New Operator Employees hired by New Operator who accept and commence employment with New Operator following the Operations Transfer Date shall be employed by New Operator on an “at will” basis; *provided*, that, during the first sixty (60) days following the Operations Transfer Date, no employee shall suffer termination without cause or any reduction in wages, benefits or other terms and conditions of employment, economic or otherwise in accordance with section 1267.62 of the California Health and Safety Code. New Operator shall initially employ New Operator Employees on the following terms and conditions in such manner

as not to trigger WARN Act liability: (i) comparable base salary or rates of pay as in effect immediately prior to the Operations Transfer Date, and (ii) employee benefits that are comparable in the aggregate to the benefits that are provided by Licensee to its employees under the Plans at the Facility. In furtherance and not in limitation of the foregoing, New Operator shall treat prior service with Licensee as service with New Operator for purposes of determining eligibility to receive and participate in all benefits programs maintained by New Operator. All New Operator Employees who are employed under a Collective Bargaining Agreement and accept and commence employment with New Operator shall continue to be employed in accordance with the terms and conditions of such Collective Bargaining Agreements following the Operations Transfer Date, and New Operator shall assume and comply with the terms and conditions of such Collective Bargaining Agreements. This Agreement shall not create and shall not be deemed to create or grant to any New Operator Employee any third-party beneficiary rights or claims or any cause of action of any kind or nature. New Operator shall indemnify, defend and hold Licensee harmless from and against any claim, cost or liability arising under the WARN Act or Section 1267.62 of the California Health and Safety Code as a result of New Operator's failure to offer employment to any employee of Licensee as required by this Agreement.

7.6 New Operator shall be responsible for any and all liabilities arising out of or with respect to any New Operator Employee arising with respect to employment by New Operator on or after the Operations Transfer Date or attributable to events or circumstances occurring on or after the Operations Transfer Date.

7.7 The parties acknowledge and agree that all provisions contained in this Section 7 with respect to employees are included for the sole benefit of the respective parties and shall not create any right (i) in any other Person, including any employees, former employees, any participant in any Plan or New Operator Plan (as defined below) or any beneficiary thereof, or (ii) to continued employment with Licensee or New Operator, or particular benefits or coverage in any Plan or New Operator Plan. For the avoidance of doubt, (A) the provisions of this Section 7 shall not constitute an amendment to any Plan or New Operator Plan, and (B) in no event shall any employee, former employee, any participant in any Plan or New Operator Plan or any beneficiary thereof or any other Person described herein be a third-party beneficiary for purposes of this Agreement.

7.8 On and after the Operations Transfer Date, New Operator shall provide New Operator Employees who accept employment with New Operator, as well as eligible dependents of such employees (collectively, with the New Operator Employees, "Affected Participants") the opportunity to participate in the applicable employee benefit plans, programs or policies maintained or established by New Operator that are comparable to the plans and benefits New Operator or its Affiliates provide at its other skilled nursing facility operations (each, a "New Operator Plan"), which may include medical, dental, vision, and/or any other applicable group medical plan, program, insurance coverage or arrangement.

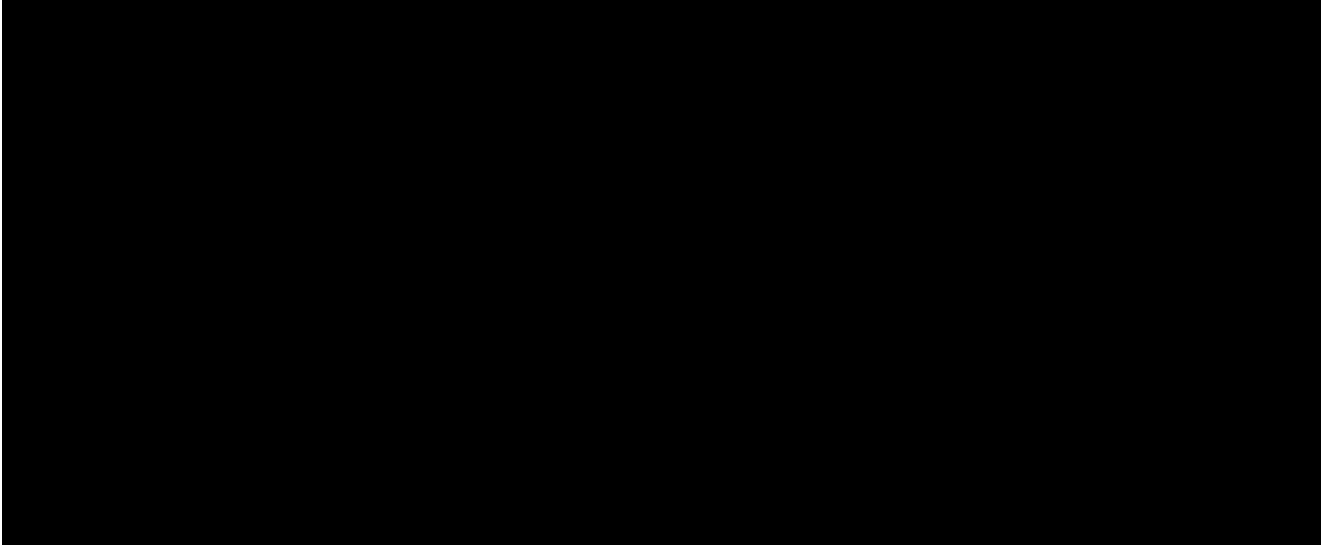
7.9 Licensee has included, as part of Schedule 7.2 hereto, a list of all foreign nationals employed at the Facility who are working under a visa or other work authorization. To the best of Licensee's knowledge after appropriate inquiry: (i) all foreign workers have provided to Licensee copies of valid identity and work authorization documents, (ii) no such work

authorizations have expired or been revoked, and (iii) Licensee has in its possession original I-9 forms and copies of valid supporting documentation for all of Licensee's employees.

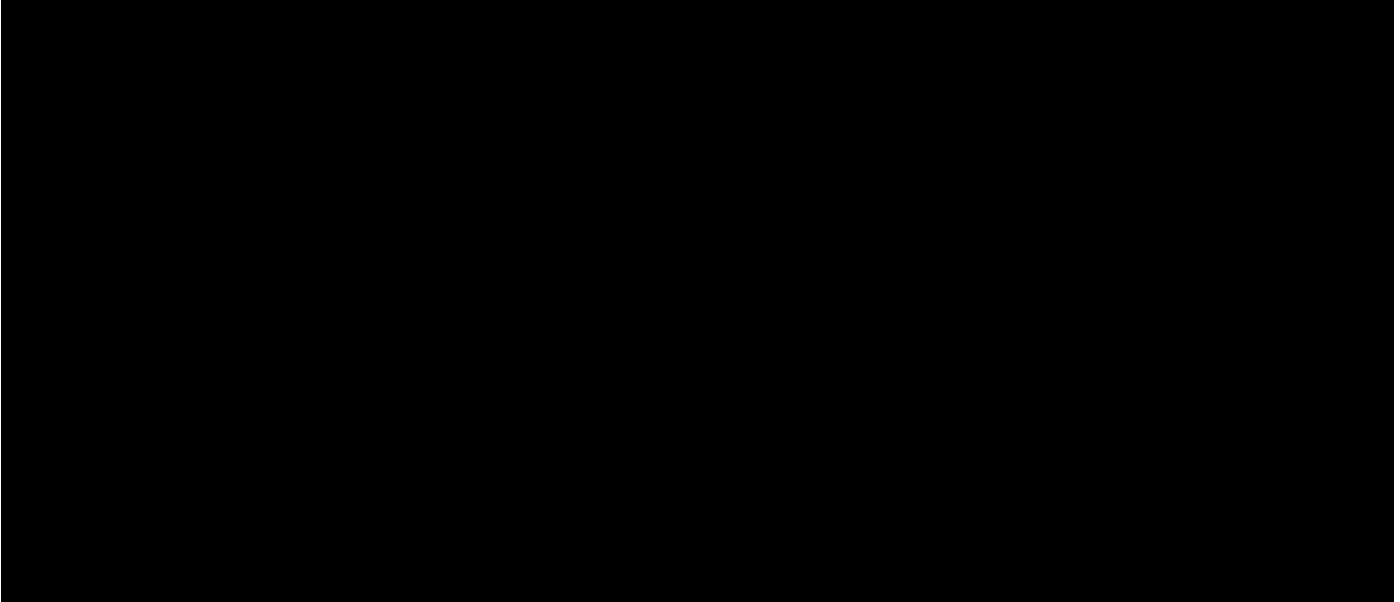
7.10 Licensee represents that it has submitted to CMS, or will submit to CMS prior to the Operations Transfer Date, prior to any deadlines set by CMS applicable to such filing, all Payroll-Based Journal ("PBJ") data related to the period of time beginning on July 1, 2016 and ending on the Operations Transfer Date in accordance with Section 6106 of the Affordable Care Act (ACA) and related regulations. Within ten (10) days following the Operations Transfer Date, Licensee shall deliver to New Operator either (i) the PBJ Acceptance Report received by Licensee upon successful submission of PBJ data, or (ii) the raw data file submitted by Licensee, in either case covering the six (6) month period of time ending on the Operations Transfer Date. In the event Licensee fails to timely, accurately and completely submit any PBJ data for the Facility prior to any applicable deadline, New Operator shall have the right but not the responsibility, to prepare, file, complete, correct and otherwise process, at Licensee's expense, such PBJ submissions in Licensee's name and on its behalf. If New Operator elects to prepare, file, complete, correct and/or process any such submission, it shall do so without any legal liability for any errors or omissions therein, and Licensee hereby forever releases, waives, and discharges New Operator from any liability, known or unknown, for its handling of any submission hereunder. Upon request of New Operator, Licensee shall promptly deliver to New Operator, in the format requested by New Operator, any information necessary for New Operator to submit PBJ data for the Facility to CMS prior to the deadline applicable to any such submission.

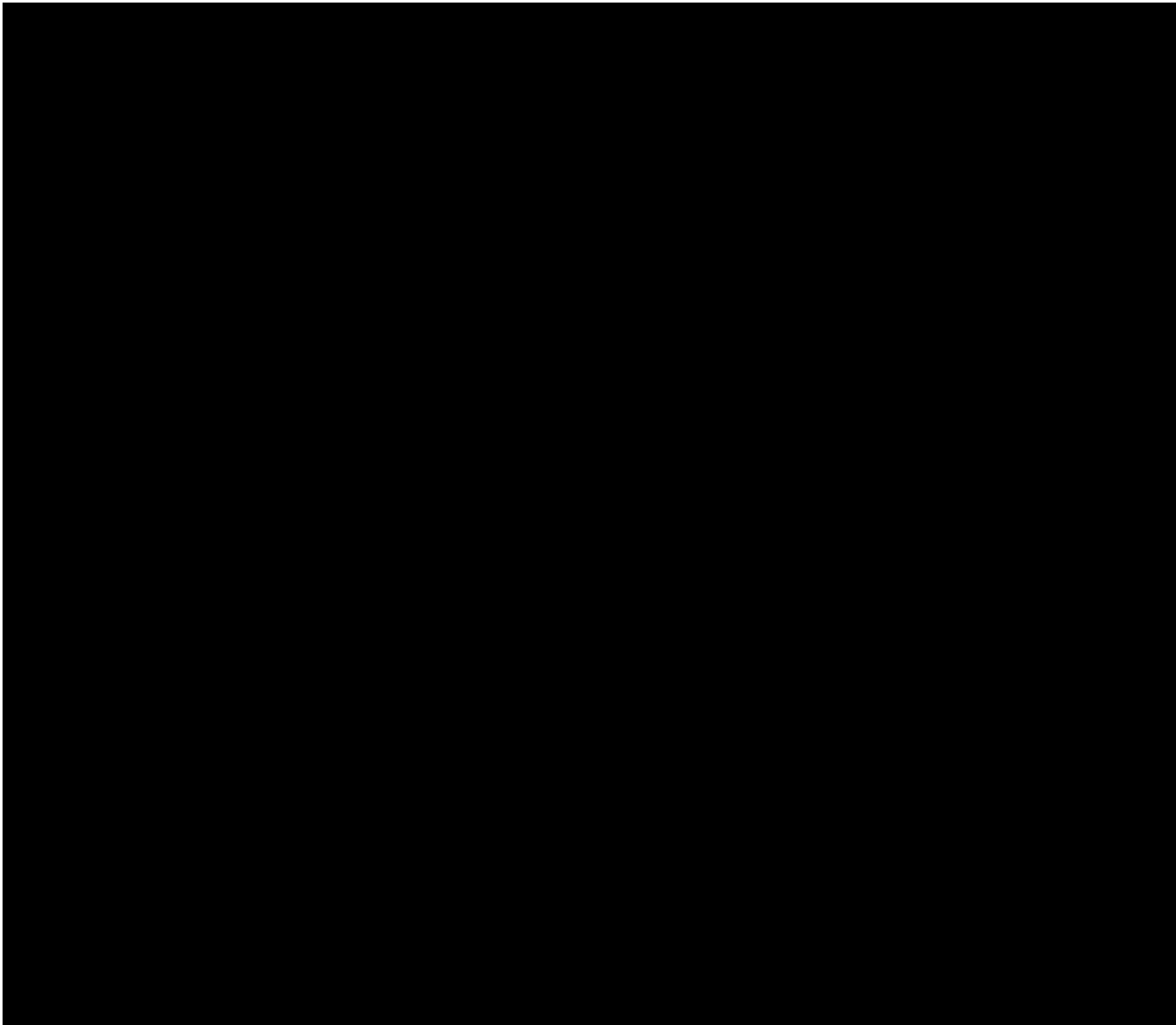
8. Records. From and after the Operations Transfer Date, New Operator shall allow Licensee and its Affiliates, agents and representatives: (a) to have reasonable access to (upon reasonable notice and during normal business hours), and to make copies of the Current Records with respect to the Facility (at Licensee's expense), to the extent reasonably necessary to enable Licensee to, among other things, investigate and defend malpractice, employee or other claims, to support medical review requests from Medicare or Medicaid, to support Medicare and Medicaid claims appeals, to file or defend Cost Reports and/or Tax Returns, to complete/revise, as needed, any patient assessments which may be required for Licensee to seek reimbursement for services rendered prior to the Operations Transfer Date and to enable Licensee to complete, in accordance with Licensee's policies and procedures, any and all post-Operations Transfer Date accounting, reconciliation and closing procedures including, but not limited to, a month end close out of all accounts including, but not limited to, accounts payable and Medicare and Medicaid billing and (b) reasonable access to the Current Records, including access to the Facility, in order to collect and bill Licensee's A/R until such time as Licensee's A/R has been completely collected. Likewise, from and after the Operations Transfer Date, Licensee shall allow New Operator and its agents reasonable access to (upon reasonable notice and during normal business hours) the records of Licensee that are not transferred to New Operator in accordance with this Purchase Agreement, but only to the extent New Operator reasonably requires such access in connection with accounting, billing, Tax filings or securities filings, Medicare and/or Medicaid filings and appeals. New Operator agrees not to use or disclose any of the information obtained from Licensee except solely for the purposes described herein, and further agrees to maintain this information as confidential in accordance with Section 6.5(b) of the Purchase Agreement. Licensee agrees not to use or disclose any of the information of the Current Records except solely for the purposes described herein, and further agrees to maintain this information as confidential in accordance with Section 6.5(b) of the Purchase Agreement.

Licensee shall reasonably cooperate to transfer its accounts receivable data, patient care data and payroll data in electronic form to New Operator on or before the Operations Transfer Date. Licensee agrees to reasonably cooperate with New Operator in transferring such information and shall allow, to the extent such temporary arrangement is permissible under Licensee's vendor contracts, New Operator to use Licensee's [REDACTED] and [REDACTED] systems and accounts for a period up to 30 days after the Operations Transfer Date for accounts receivable collections and patient care maintenance.



10. Further Assurances. Each of the parties hereto agrees to, at the reasonable request of the other party and subject to any limitations set forth in the Purchase Agreement (including limitations set forth in Section 6.8 thereof) execute and deliver any and all further agreements, documents or instruments reasonably necessary to effectuate this Agreement and the transactions referred to herein or contemplated hereby or reasonably requested by the other party to perfect or evidence its rights hereunder.





12. Payment of Expenses. Each party hereto shall bear its own legal, accounting and other expenses incurred in connection with the preparation and negotiation of this Agreement and the consummation of the transactions contemplated hereby, whether or not the transaction is consummated.

13. Entire Agreement; Amendment; Waiver. This Agreement, together with the other agreements referred to herein, constitutes the entire understanding between the parties with respect to the subject matter hereof, superseding all negotiations, prior discussions and preliminary agreements. This Agreement may not be modified or amended except in writing signed by the parties hereto. No waiver of any term, provision or condition of this Agreement in any one or more instances, shall be deemed to be or be construed as a further or continuing waiver of any such term, provision or condition of this Agreement. No failure to act shall be construed as a waiver of any term, provision, condition or rights granted hereunder.

14. Assignment. Licensee may not assign its rights nor delegate its duties hereunder to anyone without the prior written consent of New Operator. New Operator may assign its rights and/or delegate its duties hereunder to any entity owned, managed, or controlled directly or indirectly by The Ensign Group, Inc. or an affiliate thereof (a “Permitted Assignee”); *provided*, that such Permitted Assignee shall thereafter be obligated to comply with (and shall be a beneficiary of) the terms and conditions of this Agreement and the Purchase Agreement insofar as it relates to the Facility, and New Operator shall not be relieved of any of its obligations under this Agreement. Any other assignment or delegation by New Operator hereunder shall require the prior written consent of Licensee, which consent shall not be unreasonably withheld or delayed.

15. No Joint Venture; Third Party Beneficiaries. Nothing contained herein shall be construed as forming a joint venture or partnership between the parties hereto with respect to the subject matter hereof. The parties hereto do not intend that any third party shall have any rights under this Agreement, except as otherwise expressly provided herein.

16. Captions. The section headings contained herein are for convenience only and shall not be considered or referred to in resolving questions of interpretation.

17. Counterparts. This Agreement may be executed and delivered via facsimile and in one or more counterparts and all such counterparts taken together shall constitute a single original agreement. Executed copies of this Agreement may be delivered by telecopier, email, DocuSign or other electronic means and upon receipt will be deemed originals and binding upon the parties hereto, regardless of whether originals are delivered thereafter.

18. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to principles of conflicts of law.

19. Costs and Attorneys’ Fees.

In the event of a dispute between the parties hereto with respect to the interpretation or enforcement of the terms hereof, the prevailing party shall be entitled to collect from the other its reasonable costs and attorneys’ fees, including its costs and fees on appeal.

Any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by arbitration in Los Angeles, California before a single arbitrator. The arbitration shall be administered by JAMS pursuant to its comprehensive arbitration rules and procedures. Judgment on the award may be entered in any court having jurisdiction. This clause shall not preclude parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction.

20. Construction. Both parties acknowledge and agree that they have participated in the drafting and negotiation of this Agreement. Accordingly, in the event of a dispute between the parties hereto with respect to the interpretation or enforcement of the terms hereof no provision shall be construed so as to favor or disfavor either party hereto. All references to “applicable law” herein shall refer to laws, statutes, rules, regulations and judicial or administrative interpretations thereof.

21. Opening Mail. From and after the Operations Transfer Date, New Operator shall be authorized to open mail addressed to Licensee received at the Facility. All mail received at the Facility relating to Licensee's operation of the Facility prior to the Operations Transfer Date shall be promptly delivered to Licensee by New Operator at the address set forth in Section 11, with all such mail to be deposited in the United States mail, certified or registered, postage prepaid, return receipt requested within five (5) days of receipt.

22. Protected Health Information. The parties acknowledge that in performing its obligations under Sections 2 and 3 of this Agreement, New Operator will be a "business associate" of Licensee, as that term is defined in 45 CFR § 160.130. Accordingly, the parties adopt and incorporate by reference the provisions of the business associate addendum attached to this agreement as "EXHIBIT A".

23. Successors. Subject to the express provisions of this Agreement, the covenants and agreements contained in this Agreement bind and inure to the benefit of Licensee, New Operator, and their respective successors and assigns.

24. Severability. If any covenant, condition, provision, term or agreement of this Agreement is, to any extent, held invalid or unenforceable, the remaining portion thereof and all other covenants, conditions, provisions, terms and agreements of this Agreement will not be affected by such holding, and will remain valid and in force to the fullest extent permitted by Law.

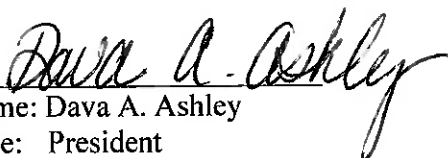
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SIGNATURES APPEAR ON THE FOLLOWING PAGE

IN WITNESS WHEREOF, the parties hereby execute this Operations Transfer Agreement as of the day and year first set forth above.

LICENSEE:

**COVENANT CARE CALIFORNIA,
LLC**

By: 
Name: Dava A. Ashley
Title: President

NEW OPERATOR:

SEAGULL LANE HEALTHCARE, INC.

By: _____

Name: Soon Burnam

Title: Secretary

EXHIBIT A

BUSINESS ASSOCIATE ADDENDUM

Business Associate Addendum

This BUSINESS ASSOCIATE ADDENDUM ("Addendum") was entered into as of the ____ day of _____ 2024, ("Commencement Date"), by and between Covenant Care California, LLC, a California limited liability company ("Covered Entity"), and Seagull Lane Healthcare, Inc., a Nevada corporation ("Business Associate"). Covered Entity is referred to below as "CE". Business Associate is referred to below as "BA".

RECITALS

A. Covered Entity is the licensed operator of that certain skilled nursing facility commonly known as Buena Vista Care Center, located at 160 South Patterson Avenue, Goleta, CA 93111-2006 (the "Facility");

B. Business Associate provides services to or on behalf of Covered Entity pursuant to the terms of that certain Operations Transfer Agreement, dated as of _____, 2024, by and between Covered Entity and Business Associate (the "Agreement"), that may require Covered Entity to disclose the individually identifiable health information of some or all of its Residents to Business Associate or may require Business Associate to create health information on behalf of Covered Entity, some of which may constitute Protected Health Information ("PHI") (defined below).

C. CE and BA intend to protect the privacy and provide for the security of PHI disclosed to BA pursuant to the Agreement in compliance with the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 ("HIPAA"), the Health Information Technology for Economic and Clinical Health Act, Public Law 111-005 ("the HITECH Act"), and regulations promulgated thereunder by the U.S. Department of Health and Human Services (the "HIPAA Regulations") and other applicable laws.

D. As part of the HIPAA Regulations, the Privacy Rule and the Security Rule (defined below) require CE to enter into a contract containing specific requirements with BA prior to the disclosure of PHI, as set forth in, but not limited to, Title 45, Sections 164.314(a), 164.502(e) and 164.504(e) of the Code of Federal Regulations ("C.F.R.") and contained in this Addendum.

NOW, THEREFORE, in consideration of the promises and mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties, intending to be legally bound, agree as set forth below.

AGREEMENT

1. DEFINITIONS

1.1 **Breach** shall have the meaning given to such term under the HITECH Act [42 U.S.C. Section 17921].

1.2 **Data Aggregation** shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.501.

1.3 **Designated Record Set** shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.501.

1.4 **Electronic Protected Health Information** means Protected Health Information that is maintained in or transmitted by electronic media.

1.5 **Electronic Health Record** shall have the meaning given to such term in the HITECH Act, including, but not limited to, 42 U.S.C. Section 17921.

1.6 **Health Care Operations** shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.501.

1.7 **Privacy Rule** shall mean the HIPAA Regulation that is codified at 45 C.F.R. Parts 160 and 164, Subparts A and E.

1.8 **Protected Health Information or PHI** means any information, whether oral or recorded in any form or medium: (i) that relates to the past, present or future physical or mental condition of an individual; the provision of health care to an individual; and (ii) that identifies the individual or with respect to where there is a reasonable basis to believe the information can be used to identify the individual, and shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.501. Protected Health Information includes Electronic Protected Health Information [45 C.F.R. Sections 160.103, 164.501].

1.9 **Protected Information** shall mean PHI provided by CE to BA or created or received by BA on CE's behalf.

1.10 **Security Rule** shall mean the HIPAA Regulation that is codified at 45 C.F.R. Parts 160 and 164, Subparts A and C.

1.11 **Unsecured PHI** shall have the meaning given to such term under the HITECH Act and any guidance issued pursuant to such Act including, but not limited to, 42 U.S.C. Section 17932(h).

2. OBLIGATIONS OF BUSINESS ASSOCIATE

2.1 **Permitted Uses.** BA shall not use or disclose Protected Information except for the purpose of performing BA's obligations under the Agreement and as permitted under the Agreement and this Addendum. Further, BA shall not use or disclose Protected Information in any

manner that would constitute a violation of the Privacy Rule or the HITECH Act if so used by CE. However, BA may use Protected Information (a) for the proper management and administration of BA, or (b) to carry out the legal responsibilities of BA. BA may disclose Protected Health Information for the foregoing purposes if (i) the disclosure is required by law; or (ii) BA obtains, prior to making any such disclosure, (a) reasonable written assurances from such third party that such Protected Information will be held confidential as provided pursuant to this Addendum and only disclosed as required by law or for the purposes for which it was disclosed to such third party, and (b) a written agreement from such third party to immediately notify BA of any breaches of confidentiality of the Protected Information, to the extent it has obtained knowledge of such breach [42 U.S.C. Section 17932; 45 C.F.R. Sections 164.504(e)(2)(i), 164.504(e)(2)(i)(B), 164.504(e)(2)(ii)(A) and 164.504(e)(4)(ii)].

2.2 Notice of Request for PHI. BA agrees to notify CE within two (2) business days (as defined in the Agreement) of receipt of any request, subpoena or other legal process to obtain PHI or an accounting of PHI. CE in its discretion shall determine whether BA may disclose PHI pursuant to such request, subpoena, or other legal process. BA agrees to cooperate fully with CE in any legal challenge initiated by CE in response to such request, subpoena, or other legal process. The provisions of this Section 2.2 shall survive the termination of this Addendum.

2.3 Prohibited Uses and Disclosures. BA shall not use or disclose Protected Information for fundraising or marketing purposes. BA shall not disclose Protected Information to a health plan for payment or health care operations purposes if the patient has requested this special restriction, and has paid out of pocket in full for the health care item or service to which the PHI solely relates 42 U.S.C. Section 17935(a). BA shall not directly or indirectly receive remuneration in exchange for Protected Information, except with the prior written consent of CE and as permitted by the HITECH Act, 42 U.S.C. Section 17935(d)(2); *however*, this prohibition shall not affect payment by CE to BA for services provided pursuant to the Agreement.

2.4 Appropriate Safeguards. BA shall implement appropriate safeguards as are necessary to prevent the use or disclosure of Protected Information otherwise than as permitted by the Agreement or this Addendum, including, but not limited to, administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of the Protected Information, in accordance with 45 C.F.R Section 164.308(b). BA shall comply with the policies and procedures and documentation requirements of the HIPAA Security Rule, including, but not limited to, 45 C.F.R. Section 164.316 [42 U.S.C. Section 17931].

2.5 Reporting of Improper Access, Use or Disclosure. BA shall report to CE in writing of any access, use or disclosure of Protected Information not permitted by the Agreement and Addendum, and any Breach of Unsecured PHI of which it becomes aware without unreasonable delay and in no case later than 10 days after discovery [42 U.S.C. Section 17921; 45 C.F.R. Section 164.504(e)(2)(ii)(C); 45 C.F.R. Section 164.308(b)].

2.6 Business Associate's Agents. BA shall ensure that any agents, including subcontractors, to whom it provides Protected Information, agree in writing to the same restrictions and conditions that apply to BA with respect to such PHI. If BA creates, maintains, receives or transmits electronic PHI on behalf of CE, then BA shall implement the safeguards required by Section 2.4 above with respect to Electronic PHI [45 C.F.R. Section 164.504(e)(2)(ii)(D); 45

C.F.R. Section 164.308(b)]. BA shall implement and maintain sanctions against agents and subcontractors that violate such restrictions and conditions and shall promptly mitigate the effects of any such violation (see 45 C.F.R. Sections 164.530(f) and 164.530(e)(1)).

2.7 Access to Protected Information. BA shall make Protected Information maintained by BA or its agents or subcontractors available to CE for inspection and copying within ten (10) days of a request by CE to enable CE to fulfill its obligations under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.524 [45 C.F.R. Section 164.504(e)(2)(ii)(E)]. If BA maintains an Electronic Health Record, BA shall provide such information in electronic format to enable CE to fulfill its obligations under the HITECH Act, including, but not limited to, 42 U.S.C. Section 17935(e).

2.8 Amendment of PHI. Within ten (10) days of receipt of a request from CE for an amendment of Protected Information or a record about an individual contained in a Designated Record Set, BA or its agents or subcontractors shall make such Protected Information available to CE for amendment and incorporate any such amendment to enable CE to fulfill its obligation under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.526. If any individual requests an amendment of Protected Information directly from BA or its agents or subcontractors, BA must notify CE in writing within five (5) days of the request. Any approval or denial of amendment of Protected Information maintained by BA or its agents or subcontractors shall be the responsibility of CE [45 C.F.R. Section 164.504(e)(2)(ii)(F)].

2.9 Accounting Rights. Within ten (10) days of notice by CE of a request for an accounting for disclosures of Protected Information or upon any disclosure of Protected Information for which CE is required to account to an individual, BA and its agents or subcontractors shall make available to CE the information required to provide an accounting of disclosures to enable CE to fulfill its obligations under the Privacy Rule, including, but not limited to, 45 C.F.R. Section 164.528, and the HITECH Act, including but not limited to 42 U.S.C. Section 17935(c), as determined by CE. BA agrees to implement a process that allows for an accounting to be collected and maintained by BA and its agents or subcontractors for at least six (6) years prior to the request. At a minimum, the information collected and maintained shall include: (i) the date of disclosure; (ii) the name of the entity or person who received Protected Information and, if known, the address of the entity or person; (iii) a brief description of Protected Information disclosed; and (iv) a brief statement of purpose of the disclosure that reasonably informs the individual of the basis for the disclosure, or a copy of the individual's authorization, or a copy of the written request for disclosure. In the event that the request for an accounting is delivered directly to BA or its agents or subcontractors, BA shall within five (5) days of a request forward it to CE in writing. It shall be CE's responsibility to prepare and deliver any such accounting requested. The provisions of this Section 2.9 shall survive the termination of this Agreement.

2.10 Governmental Access to Records. BA shall make its internal practices, books and records relating to the use and disclosure of Protected Information available to CE and to the Secretary of the U.S. Department of Health and Human Services (the "Secretary") for purposes of determining BA's compliance with the Privacy Rule [45 C.F.R. Section 164.504(e)(2)(ii)(H)]. BA shall provide to CE a copy of any Protected Information that BA provides to the Secretary concurrently with providing such Protected Information to the Secretary.

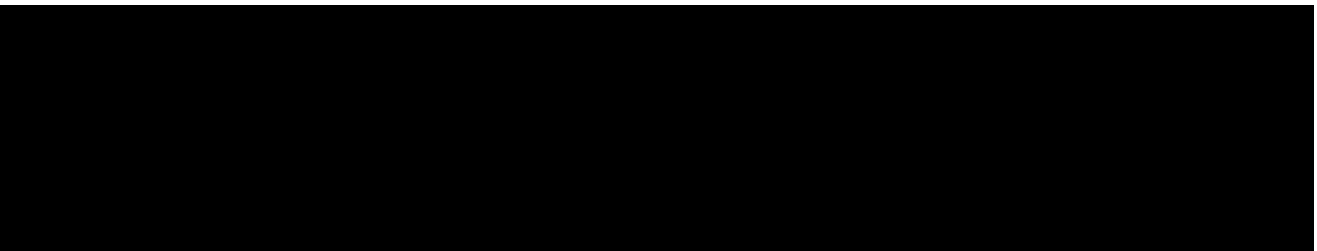
2.11 Minimum Necessary. BA (and its agents or subcontractors) shall request, use and disclose only the minimum amount of Protected Information necessary to accomplish the purpose of the request, use or disclosure [42 U.S.C. Section 17935(b); 45 C.F.R. Section 164.514(d)(3)]. BA understands and agrees that the definition of “minimum necessary” is in flux and shall keep itself informed of guidance issued by the Secretary with respect to what constitutes “minimum necessary.”

2.12 Data Ownership. BA acknowledges that BA has no ownership rights with respect to the Protected Information.

2.13 Business Associate’s Insurance. BA shall maintain a sufficient amount of insurance to adequately address risks associated with BA’s use and disclosure of Protected Information under this Addendum.

2.14 Notification of Breach. During the term of the Agreement, BA shall notify CE within twenty-four (24) hours of (i) any security incident, (ii) any use or disclosure of PHI not provided for by the Agreement or this Addendum, and (iii) any suspected or actual breach of security, intrusion or unauthorized use or disclosure of PHI of which BA becomes aware and/or any actual or suspected use or disclosure of data in violation of any applicable federal or state laws or regulations. BA shall take (i) prompt corrective action to cure any such deficiencies and to mitigate any harmful effect of a use or disclosure of PHI and (ii) any action pertaining to such unauthorized disclosure required by applicable federal and state laws and regulations.

2.15 Audits, Inspection and Enforcement. Within ten (10) days of a written request by CE, BA and its agents or subcontractors shall allow CE to conduct a reasonable inspection of the facilities, systems, books, records, agreements, policies and procedures relating to the use or disclosure of Protected Information pursuant to this Addendum for the purpose of determining whether BA has complied with this Addendum; *provided, however*, that (a) BA and CE shall mutually agree in advance upon the scope, timing and location of such an inspection, (b) CE shall protect the confidentiality of all confidential and proprietary information of BA to which CE has access during the course of such inspection; and (c) CE shall execute a nondisclosure agreement, upon terms mutually agreed upon by the parties, if requested by BA. The fact that CE inspects, or fails to inspect, or has the right to inspect, BA’s facilities, systems, books, records, agreements, policies and procedures does not relieve BA of its responsibility to comply with this Addendum, nor does CE’s (i) failure to detect or (ii) detection, but failure to notify BA or require BA’s remediation of any unsatisfactory practices, constitute acceptance of such practice or a waiver of CE’s enforcement rights under the Agreement or Addendum, BA shall notify CE within ten (10) days of learning that BA has become the subject of an audit, compliance review, or complaint investigation by the Office for Civil Rights.



3. TERMINATION

3.1 **Material Breach.** A material breach by BA of any provision of this Addendum, as determined by CE in its good faith and reasonable discretion, shall constitute a material breach of the Agreement and shall provide grounds for immediate termination of the Agreement, any provision in the Agreement to the contrary notwithstanding. [45 C.F.R. Section 164.504(e)(2)(iii)].

3.2 **Judicial or Administrative Proceedings.** CE may terminate the Agreement, effective immediately, if (a) BA is named as a defendant in a criminal proceeding for a violation of HIPAA, the HITECH Act, the HIPAA Regulations or other security or privacy laws or (b) a finding or stipulation that the BA has violated any standard or requirement of HIPAA, the HITECH Act, the HIPAA Regulations or other security or privacy laws is made in any administrative or civil proceeding in which the party has been joined.

3.3 **Termination.** This Agreement will automatically terminate upon the termination of the Purchase Agreement (as defined in the Agreement) or the Agreement, whichever is sooner.

3.4 **Effect of Termination.** Upon termination of the Agreement or this Addendum for any reason, BA shall, at the option of CE, return or destroy all Protected Information that BA or its agents or subcontractors still maintain in any form, and shall retain no copies of such Protected Information. If return or destruction is not feasible, as determined by CE, BA shall continue to extend the protections of Section 2 of this Addendum to such information, and limit further use of such PHI to those purposes that make the return or destruction of such PHI infeasible [45 C.F.R. Section 164.504(e)(ii)(2)(I)]. If CE elects destruction of the PHI, BA shall certify in writing to CE that such PHI has been destroyed.

4. MISCELLANEOUS

4.1 **Notices.** Any notice, demand or communication required, permitted or desired to be given hereunder shall be in writing and shall be delivered in accordance with the terms and provisions of Section 11 of the Agreement with CE as Licensee and BA as New Operator.

4.2 **Limitation of Liability.** Any limitations of liability as set forth in the Agreement shall not apply to damages related to a breach of the BA's privacy or security obligations under the Agreement or Addendum.

4.3 **Disclaimer.** CE makes no warranty or representation that compliance by BA with this Addendum, HIPAA, the HITECH Act, or the HIPAA Regulations will be adequate or satisfactory for BA's own purposes. BA is solely responsible for all decisions made by BA regarding the safeguarding of PHI.

4.4 **Certification.** To the extent that CE determines that such examination is necessary to comply with CE's legal obligations pursuant to HIPAA relating to certification of its security practices, CE or its authorized agents or contractors, may, at CE's expense, examine BA's facilities, systems, procedures and records as may be necessary for such agents or contractors to certify to CE the extent to which BA's security safeguards comply with HIPAA, the HITECH Act, the HIPAA Regulations or this Addendum.

4.5 Amendment to Comply with Law. The parties acknowledge that state and federal laws relating to data security and privacy are rapidly evolving and that amendment of the Agreement or Addendum may be required to provide for procedures to ensure compliance with such developments. The parties specifically agree to take action as is necessary to implement the standards and requirements of HIPAA, the HITECH Act, the Privacy Rule, the Security Rule and other applicable laws relating to the security or confidentiality of PHI. The parties understand and agree that CE must receive satisfactory written assurance from BA that BA will adequately safeguard all Protected Information. Upon the request of either party, the other party agrees to promptly enter into negotiations concerning the terms of an amendment to this Addendum embodying written assurances consistent with the standards and requirements of HIPAA, the HITECH Act, the Privacy Rule, the Security Rule or other applicable laws. CE may terminate the Agreement upon thirty (30) days' written notice in the event (a) BA does not promptly enter into negotiations to amend the Agreement or Addendum when requested by CE pursuant to the preceding sentence, or (b) BA does not enter into an amendment to the Agreement or Addendum providing assurances regarding the safeguarding of PHI that CE, in its reasonable and good faith discretion, deems sufficient to satisfy the standards and requirements of applicable laws.

4.6 Assistance in Litigation or Administrative Proceedings. BA shall make itself, and any subcontractors, employees or agents assisting BA in the performance of its obligations under the Agreement or Addendum, available to CE, at no cost to CE, to testify as witnesses, or otherwise, in the event of litigation or administrative proceedings being commenced against CE, its directors, officers or employees based upon a claimed violation of HIPAA, the HITECH Act, the Privacy Rule, the Security Rule, or other laws relating to security and privacy, except where BA or its subcontractor, employee or agent is a named adverse party.

4.7 No Third-Party Beneficiaries. Nothing express or implied in the Agreement or this Addendum is intended to confer, nor shall anything herein confer, upon any person other than CE, BA and their respective successors or assigns, any rights, remedies, obligations or liabilities whatsoever.

4.8 Effect on Agreement. Except as specifically required to implement the purposes of this Addendum, or to the extent inconsistent with this Addendum, all other terms of the Agreement shall remain in force and effect.

4.9 Interpretation. The provisions of this Addendum shall prevail over any provisions in the Agreement that may conflict or appear inconsistent with any provision in this Addendum. This Addendum and the Agreement shall be interpreted as broadly as necessary to implement and comply with HIPAA, the HITECH Act, the Privacy Rule and the Security Rule. The parties agree that any ambiguity in this Addendum shall be resolved in favor of a meaning that complies and is consistent with HIPAA, the HITECH Act, the Privacy Rule and the Security Rule.

4.10 Replaces and Supersedes Previous Business Associate Addendums or Agreements. This Addendum replaces and supersedes any previous business associate addendums or agreements between the parties hereto.

4.11 Counterparts. This Addendum may be executed and delivered via facsimile and in one or more counterparts and all such counterparts taken together shall constitute a single original

agreement. Executed copies of this Addendum may be delivered by telecopier, email, DocuSign or other electronic means and upon receipt will be deemed originals and binding upon the parties hereto, regardless of whether originals are delivered thereafter.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum as of the date set forth above.

BUSINESS ASSOCIATE:

SEAGULL LANE HEALTHCARE, INC.,
a Nevada corporation

By: _____

Name: Soon Burnam

Title: Secretary

COVERED ENTITY:

COVENANT CARE CALIFORNIA, LLC,
a California limited liability company

By: _____
Name: _____
Title: _____