

SECOND AMENDMENT TO LEASE

THIS SECOND AMENDMENT TO LEASE (this "**Amendment**") is entered into as of March ³¹ 2017 ("**Effective Date**"), by and between WESTERN CONVALESCENT HOSPITALS - SANTA BARBARA, LLC, a California limited liability company, successor-by-conversion from Western Convalescent Hospitals, Ltd./Santa Barbara, a California limited partnership, as lessor ("**Landlord**"), COVENANT CARE CALIFORNIA, LLC, a California limited liability company, formerly known as Covenant Care California, Inc., a California corporation, as lessee ("**Tenant**"). Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Lease.

RECITALS

A. Landlord is the ground lessee pursuant to that certain ground lease dated August 1, 1966 ("**Ground Lease**"), by and between Landlord, as successor-in-interest to Hol-Pat Investments, a California general partnership ("**Hol Pat**"), as ground lessee, and Richard Broder, ground lessor ("**Master Landlord**"), for that certain real property located at 160 S. Patterson Avenue, Goleta California 93111 shown on Exhibit A, attached hereto and incorporated herein by this reference (the "**Land**");

B. Hol-Pat (Landlord's predecessor-in-interest) constructed and installed certain buildings, improvements, fixtures and equipment on the Land commonly known as Buena Vista Care Center (collectively, the "**Facility**") along with certain personal property, located upon the Land;

C. Pleasant Care Corporation, a California corporation ("**Original Tenant**") and Landlord, entered into that certain Lease and Sublease dated January 29, 1991 (the "**Original Lease**"), pursuant to which Original Tenant (i) leased the Facility from Landlord, and (ii) subleased the Land from Landlord, which such Original Lease was guaranteed by Emmanuel Bernabe ("**Guarantor**") pursuant to that certain Lease Guaranty dated January 28, 1991 ("**Guaranty**");

D. On January 13, 1995, Original Tenant subleased the Facility to Tenant pursuant to that certain Sublease Agreement and Consent ("**Facility Sublease**");

E. Landlord, Original Tenant and Tenant entered into that certain Assignment, Amendment to Lease and Agreement dated as of January 10, 2003, pursuant to which (i) Original Tenant and Tenant terminated the Facility Sublease, (ii) Original Tenant assigned all of the right, title and interest in and to the Original Lease to Tenant, and Tenant assumed same, (iii) Landlord consented to the assignment of the Original Lease by Original Tenant to Tenant, (iv) Landlord and Tenant extended the Term of the Original Lease to January 31, 2019, and (v) Landlord and Tenant modified the monthly rent payable by Tenant to Landlord (the "**First Amendment**", the First Amendment, together with the Original Lease, are hereinafter collectively referred to as, the "**Lease**").

F. The parties now desire to extend the Term and amend the Lease in certain other respects, all as more particularly described below.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledge, the parties hereto hereby agree as follows:

1. **Incorporation of Recitals.** The foregoing recitals are true and correct and are incorporated into this Amendment in their entirety.

2. **Representations and Warranties of Landlord.** Landlord represents and warrants to Tenant that (i) Landlord, (a) as ground lessee, is the only holder of the entirety of the leasehold estate in the Land pursuant to the terms of the Ground Lease, and (b) is the current sole owner of the entirety of the fee interest in the Facility, (ii); there are no financings, loans, mortgages, encumbrances, or other pledges of either (a) Master Landlord's interest in the Land, (b) Landlord's leasehold interest in the Land, or (c) Landlord's interest in the Facility, (iii) both the Ground Lease and Lease are in full force and effect, and have not been amended or modified except as expressly identified herein, (iv) there is no default or breach under the Ground Lease or the Lease, or any event which, with the giving of notice or passage of time, or both, could become a default or breach under the Ground Lease or the Lease, and (v) no notice must be provided to any party, nor any consent obtained from any party, in connection with this Amendment, whether or not such party is a party to the Ground Lease or the Lease.

3. **Extension of Term.** The Term, as provided for in Section 3.1 of the First Amendment is hereby extended for a period of five (5) years, from February 1, 2019 through and including January 31, 2024 (the "**First Extended Term**"). All of the terms, covenants and conditions of the Lease, and all rights of Tenant thereunder, are hereby reaffirmed and shall remain unchanged during the First Extended Term except as otherwise amended hereby.

4. **Base Monthly Rent.** Monthly rent shall be adjusted on each Adjustment Date, commencing on the first day of the First Extended Term (February 1, 2019) for the Lease Year commencing on such Adjustment Date, to an amount equal to [REDACTED] of the monthly rent for the immediately preceding Lease Year. Except as amended pursuant to the First Amendment and as amended hereby, Monthly Rent shall be payable in the manner described in Section 5 of the Lease.

5. **Option to Extend the Term of the Lease.** Tenant is hereby granted an additional option to extend the Term (the "**First Option**") of the Lease for an additional five (5) years (the "**Second Extended Term**") immediately following the expiration of the First Extended Term, provided Tenant provides Landlord with written notice of its decision to exercise the First Option not less than six (6) months prior to the expiration date of the First Extended Term. The base monthly rent during the Second Extended Term shall be based on the fair market value at the time of exercise.

6. Updated Notice Information. All notices and demands which either party is required or desires to give to the other shall be given in writing by (i) United States registered or certified mail, return receipt requested, (ii) personal delivery, (iii) a nationally recognized overnight courier service, or (iv) telecopy (confirmation of receipt required) to the address or telecopy number, as applicable, set forth below for the respective party. If any party gives notice of a change of name or address, notices to that party shall thereafter be given as demanded in that notice. All notices and demands shall be effective upon receipt by the party to whom notice or a demand is being given. E-mail shall only constitute a courtesy copy of any notice.

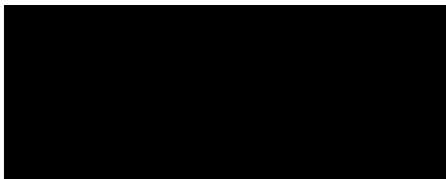
Landlord:

Western Convalescent Hospitals - Santa Barbara, LLC



Tenant:

Covenant Care California, LLC



7. Miscellaneous. The Lease, as modified by this Amendment, shall remain in full force and effect. The parties hereby reaffirm all rights of Tenant under the Lease. If any provision set forth in this Amendment is inconsistent with a provision set forth in the Lease, then the provision set forth in this Amendment shall control.

8. Effect of Lease. The Lease, as modified by this Amendment, shall remain in full force and effect. If any provision set forth in this Amendment is inconsistent with a provision set forth in the Lease, then the provision set forth in this Amendment shall control.

9. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original and all of which combined shall constitute one and the same document.

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

LANDLORD:

WESTERN CONVALESCENT HOSPITALS,
- SANTA BARBARA, LLC,
a California limited liability company (successor by
conversion from Western Convalescent Hospitals., Ltd.,
a California limited partnership)

By: Michael Furst

Its: MICHAEL FURST, MANAGER
[Printed Name and Title]

Date: March 31, 2017

TENANT:

COVENANT CARE CALIFORNIA, LLC,
a California limited liability company (formerly known as
Covenant Care California, Inc.)

By: 
Kevin Carney, Chief Financial Officer

Date: March 27, 2017

Exhibit A

That certain real property in the County of Santa Barbara, State of California, described as follows:

Parcel A as shown on map recorded in Book 2, Page 37 of Parcel Maps, records of Santa Barbara County.