AMENDED AND RESTATED MASTER LEASE

THIS AMENDED AND RESTATED MASTER LEASE (this "Lease") is entered into as of February 11, 2019, by and between CTR PARTNERSHIP, L.P., a Delaware limited partnership ("Landlord"), and COVENANT CARE MASTER WEST, LLC, a California limited liability company ("Tenant").

RECITALS

- **A.** Landlord desires to lease the Premises to Tenant and Tenant desires to lease the Premises from Landlord upon the terms set forth in this Lease.
- **B.** Pursuant to that certain Guaranty of Master Lease dated of even date herewith (as amended, supplemented or otherwise modified from time to time, the "Guaranty"), Covenant Care, LLC a Delaware limited liability company (such guarantor, together with his/her/its successors and assigns, are herein referred to, individually and collectively, as "Guarantor"), has agreed to guaranty the obligations of each of the entities comprising Tenant under this Lease.
 - **C.** A list of the Facilities covered by this Lease is attached hereto as Schedule 1.

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

ARTICLE I MASTER LEASE; DEFINITIONS; PREMISES; TERM

Amendment and Restatement; Antecedent Leases. Landlord (as successor-by-1.1 assignment to Arbor Place, a California general partnership) and Covenant Care Lodi, LLC, a California limited liability company ("Original Tenant") are parties to that certain Lease (Arbor Place) dated August 1, 2009 (the "Original Lease"); Landlord (as successor-by-assignment to Lodi Skilled Nursing Facility, a California limited partnership) and Original Tenant are parties to that certain Lease (Arbor Convalescent Center) dated August 1, 2009 (the "Arbor Convalescent Lease"); and Landlord (as successor-by-assignment to Turlock Convalescent Hospital, a California limited partnership) and Covenant Care California, LLC, a California limited liability company (in such capacity, "Turlock Tenant" and together with Original Tenant, "Antecedent Lease Tenants") are parties to that certain Lease (Turlock Residential Care Facility/Turlock Convalescent Hospital) dated March 16, 2009 (the "Turlock Lease") (the Original Lease, Arbor Convalescent Lease, and Turlock Lease being collectively referred to herein as, the "Antecedent Leases"). The Facilities to which the Antecedent Leases apply are referred to on Schedule 1 attached hereto as the "Existing Facilities". This Lease amends and restates the Antecedent Leases in their entirety and shall govern and control as to all events, acts, omissions, liabilities and obligations first occurring, arising or accruing from and after the Commencement Date. With respect to the Existing Facilities, and notwithstanding anything in this Lease to the contrary: (i) the Antecedent Leases, and not this Lease, shall govern the obligations and liabilities of Landlord and the Antecedent Lease Tenants in connection with those events, acts, or liabilities relating to the period prior to the Commencement Date, and (ii) the Antecedent Lease Tenants shall, following the Commencement Date, remain liable for any claims, liabilities or obligations that on their terms survive the termination of the Antecedent Leases, including any indemnity obligations thereunder. For the avoidance of doubt, in no event shall a default under any Antecedent Lease be deemed a default under this Lease unless: (a) such default continues to exist from and after the Commencement Date, and (b) such default also constitutes an Event of Default under this Lease. Any amounts of Security Deposit held by Landlord as of the Commencement Date with respect to an Antecedent Lease as set forth in Schedule 1 hereto shall continue

to be held by Landlord as deposits under this Lease and applied to Tenant's Security Deposit obligations under this Lease.

1.2 Recognition of Master Lease; Irrevocable Waiver of Certain Rights.

Tenant and Landlord each acknowledges and agrees that this Lease constitutes a single, indivisible lease of the entire Premises, and the Premises constitutes a single economic unit. The Base Rent, Additional Rent, other amounts payable hereunder and all other provisions contained herein have been negotiated and agreed upon based on the intent to lease the entirety of the Premises as a single and inseparable transaction, and such Base Rent, Additional Rent, other amounts and other provisions would have been materially different had the parties intended to enter into separate leases or a divisible lease. Any Event of Default under this Lease shall constitute an Event of Default as to the entire Premises. Each of the individuals and/or entities comprising Tenant and Guarantor, in order to induce Landlord to enter into this Lease, to the extent permitted by law:

- (a) Agrees, acknowledges and is forever estopped from asserting to the contrary that the statements set forth in the foregoing paragraph are true, correct and complete;
- (b) Agrees, acknowledges and is forever estopped from asserting to the contrary that this Lease is a new and de novo lease, separate and distinct from any other lease between any of the entities comprising Tenant and any of the entities comprising Landlord that may have existed prior to the date hereof;
- (c) Agrees, acknowledges and is forever estopped from asserting to the contrary that this Lease is a single lease pursuant to which the collective Premises are demised as a whole to Tenant;
- (d) Agrees, acknowledges and is forever estopped from asserting to the contrary that if, notwithstanding the provisions of this Section, this Lease were to be determined or found to be in any proceeding, action or arbitration under state or federal bankruptcy, insolvency, debtor-relief or other applicable laws to constitute multiple leases demising multiple properties, such multiple leases could not, by the debtor, trustee, or any other party, be selectively or individually assumed, rejected or assigned; and
- (e) Forever knowingly waives and relinquishes any and all rights under or benefits of the provisions of the Federal Bankruptcy Code Section 365 (11 U.S.C. § 365), or any successor or replacement thereof or any analogous state law, to selectively or individually assume, reject or assign the multiple leases comprising this Lease following a determination or finding in the nature of that described in the foregoing Section 1.2(d).
- 1.3 <u>Definitions</u>. Certain initially-capitalized terms used in this Lease are defined in <u>Exhibit A</u>. All accounting terms not otherwise defined in this Lease have the meanings assigned to them in accordance with GAAP.

1.4 Lease of Premises; Ownership.

1.4.1 Upon the terms and subject to the conditions set forth in this Lease, Landlord hereby leases to Tenant and Tenant leases from Landlord all of Landlord's rights and interest in and to the Premises.

- 1.4.2 Tenant acknowledges that the Premises are the property of Landlord and that Tenant has only the right to the possession and use of the Premises upon and subject to the terms and conditions of this Lease. Tenant will not, at any time during the Term, take any position, whether in any tax return, public filing, contractual arrangement, financial statement or otherwise, other than that Landlord is the owner of the Premises for federal, state and local income tax purposes and that this Lease is a "true lease".
- 1.5 Term. The initial term of this Lease (the "Initial Term") shall be for the period commencing as of February 11, 2019 (the "Commencement Date") and expiring at 11:59 p.m. on the fifteenth (15th) anniversary of either (i) the date preceding the Commencement Date (if the Commencement Date is the first day of a calendar month) or (ii) the last day of the calendar month in which the fifteenth (15th) anniversary of the Commencement Date occurs (if the Commencement Date is a day other than the first day of a calendar month) (whether determined pursuant to clause (i) or (ii), the "Initial Expiration Date"). The term of this Lease may be extended for two (2) separate terms of five (5) years each (each, an "Extension Term") if: (a) at least nine (9), but not more than eighteen (18) months prior to the end of the then current Term, Tenant delivers to Landlord a written notice (an "Extension Notice") that it desires to exercise its right to extend the Term for one (1) Extension Term; and (b) no material Event of Default shall have occurred and be continuing on the date Landlord receives the Extension Notice or on the last day of the then current Term. During any such Extension Term, except as otherwise specifically provided for herein, all of the terms and conditions of this Lease shall remain in full force and effect. Once delivered to Landlord, an Extension Notice shall be irrevocable.
- 1.6 Net Lease. This Lease is intended to be and shall be construed as an absolutely net lease, commonly referred to as a "net, net, net" or "triple net" lease, pursuant to which Landlord shall not, under any circumstances or conditions, whether presently existing or hereafter arising, and whether foreseen or unforeseen by the parties, be required to make any payment or expenditure of any kind whatsoever or be under any other obligation or liability whatsoever, except as expressly set forth herein, in connection with the Premises. All Rent payments shall be absolutely net to Landlord, free of all Impositions, utility charges, operating expenses, insurance premiums or any other charges or expenses in connection with the Premises, all of which shall be paid by Tenant.

ARTICLE II RENT

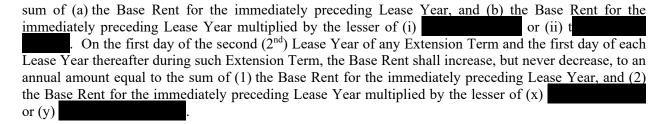
2.1 Base Rent.

Rent"), an annual amount equal to

Notwithstanding the foregoing, on the first day of the second (2nd) Lease Year and the first day of each Lease Year thereafter during the Term (including, without limitation, any Extension Term), the Base Rent shall increase (but never decrease) to an annual amount equal to the sum of (a) the Base Rent for the immediately preceding Lease Year, and (b) the Base Rent for the immediately preceding Lease Year multiplied by the lesser of (i)

Base Rent shall be payable in advance in twelve (12) equal monthly installments on or before the first (1st) Business Day of each calendar month; provided, however, the Base Rent attributable to the first (1st) full calendar month of the Term and the calendar month in which the Commencement Date occurs, which may be a partial month, shall be payable on the Commencement Date. Notwithstanding anything herein to the contrary, Base Rent shall be adjusted pursuant to Section 7.7.

2.1.2 Notwithstanding anything in Section 2.1.1 to the contrary, the Base Rent for the first Lease Year of each Extension Term shall be reset and expressed as an annual amount equal to the



- 2.1.3 On or before the date that is six (6) months from the Commencement Date, Landlord shall have the right to deliver written notice to Tenant (the "Downey Notice") to cause a termination of this Lease with respect to the Facility located in Downey, California (the "Downey Facility") and to cause the operations at the Downey Facility to be transferred and transitioned (the "Downey Operations Transfer") to a new operator designated by Landlord in its sole and absolute discretion (the "Downey Transferee"). Tenant agrees to cooperate, and to cause the Tenant Sublessee applicable to the Downey Facility (the "Downey Operator") to cooperate with Landlord and Downey Transferee in connection with the Downey Operations Transfer pursuant to the provisions of this Lease and pursuant to the terms set forth in the Downey OTA (as defined below). In connection Landlord's delivery of the Downey Notice to Tenant, the following shall apply:
 - (a) Within fifteen (15) days following delivery of the Downey Notice to Tenant, Tenant shall cause Downey Operator to: (i) enter into an Operations Transfer Agreement with Downey Transferee in substantially the form attached as <u>Exhibit F</u> to this Lease (the "**Downey OTA**"), and (ii) enter into an Interim Sublease and Interim Management Agreement with Downey Transferee (or its designee, as applicable) substantially in the forms attached to this Lease as <u>Exhibit G</u> (collectively, the "Interim Documents"), which Interim Documents shall be effective on the Downey Transfer Date (as defined below).
 - (b) Effective on the first (1st) day of the calendar month that is at least twenty-one (21) days following the date on which the Downey Notice was delivered (the "**Downey Transfer Date**") the Downey Operations Transfer shall occur pursuant to the terms and conditions set forth in the Downey OTA and the Interim Documents.
 - (c) On and subject to the terms and conditions set forth herein, Landlord and Tenant hereby agree that the Lease shall be deemed cancelled and terminated with respect to the Downey Facility on and as of 11:59 p.m. on the Downey Transfer Date. This Lease shall have no force or effect from and after the Downey Transfer Date with respect to the Downey Facility except for obligations of indemnification set forth herein with respect to any claims or liabilities brought by any unaffiliated third party with respect to acts or omissions arising on or prior to the Downey Transfer Date. As of the Downey Transfer Date, the Downey Facility shall be deemed released from this Lease, and any applicable exhibits and schedules to this Lease shall be deemed amended to remove all references to the Land associated with the Downey Facility and the address and description associated with the Downey Facility, respectively. As needed, this Lease shall be deemed amended *mutatis mutandis* to give effect to the foregoing release of the Downey Facility from this Lease and to release therefrom any and all rights, duties and obligations, including, without limitation, rights of occupancy and use and duties and obligations for rent and other payments, solely with respect to the Downey Facility, on and as of 11:59 p.m. on the Downey Transfer Date.
 - (d) As of the Downey Transfer Date, the annual Base Rent payable under this Lease shall equal . Provided no Event of Default has occurred and is continuing, within thirty (30)

days following the Downey Transfer Date, Landlord shall cause to be returned to Tenant a portion of the Security Deposit equal to

- (e) Within one (1) Business Day following the Downey Transfer Date, Landlord shall cause to be filed with the state of California a UCC-3 financing statement amendment, in a form reasonably approved by Tenant, amending the UCC Financing Statement (defined below) to release from the Lease Collateral all Property Collateral, Accounts Collateral and Authorization Collateral applicable to the Downey Facility. From and after the Downey Transfer Date, Landlord shall execute such other commercially reasonable documents as may be requested by Tenant to further evidence the release of the Property Collateral, Accounts Collateral and Authorization Collateral applicable to the Downey Facility from the Lease Collateral.
- **2.2** Additional Rent. In addition to the Base Rent, Tenant shall also pay and discharge as and when due and payable all other amounts, liabilities and obligations which Tenant assumes or agrees to pay under this Lease. In the event of any failure on the part of Tenant to pay any of those items referred to in the previous sentence, Tenant will also promptly pay and discharge every fine, penalty, interest and cost which may be added for non-payment or late payment of the same. Collectively, the items referred to in the first two sentences of this Section 2.2 are referred to as "Additional Rent." Except as may otherwise be set forth herein, any costs or expenses paid or incurred by Landlord on behalf of Tenant that constitute Additional Rent shall be reimbursed by Tenant to Landlord within twenty (20) days after the presentation by Landlord to Tenant of invoices therefor.
- **2.3** Method of Payment. All Rent payable hereunder shall be paid in lawful money of the United States of America. Except as may otherwise be specifically set forth herein, Rent shall be prorated as to any partial months at the beginning and end of the Term. Rent to be paid to Landlord shall be paid by electronic funds transfer debit transactions through wire transfer of immediately available funds and shall be initiated by Tenant for settlement on or before the Payment Date pursuant to the wire instructions set forth on Schedule 6 hereto; provided, however, if the Payment Date is not a Business Day, then settlement shall be made on the next succeeding day which is a Business Day. If Landlord directs Tenant in writing to pay any Base Rent to any party other than Landlord, Tenant shall send to Landlord, simultaneously with such payment, a copy of the transmittal letter or invoice and a check whereby such payment is made or such other evidence of payment as Landlord may reasonably require.
- Late Payment of Rent. Tenant hereby acknowledges that the late payment of Rent will 2.4 cause Landlord to incur costs not contemplated hereunder, the exact amount of which is presently anticipated to be extremely difficult to ascertain. Accordingly, if any installment of Rent other than Additional Rent payable to a Person other than Landlord (or a Facility Mortgagee) shall not be paid within five (5) Business Days of its Payment Date, Tenant shall pay to Landlord, on demand, a late of the amount of such installment or (b) charge equal to the lesser of (a) . The parties agree that this late charge represents a fair and reasonable estimate of the costs that Landlord will incur by reason of late payment by Tenant. The parties further agree that such late charge is Rent and not interest and such assessment does not constitute a lender or borrower/creditor relationship between Landlord and Tenant. In addition, if any installment of Rent other than Additional Rent payable to a Person other than Landlord (or a Facility Mortgagee) shall not be paid within ten (10) days after its Payment Date, the amount unpaid, including any late charges, shall bear interest at the Agreed Rate compounded monthly from such Payment Date to the date of payment thereof, and Tenant shall pay such interest to Landlord on demand. The payment of such late charge or such interest shall neither constitute waiver of nor excuse or cure any default under this Lease, nor prevent Landlord from exercising any other rights and remedies available to Landlord.

2.5 Guaranty. Tenant's obligations under this Lease are guaranteed by the Guarantor under the Guaranty.

ARTICLE III SECURITY DEPOSIT; LETTER OF CREDIT

- 3.1 <u>Security Deposit</u>. Tenant shall pay to Landlord upon the execution and delivery of this Lease an amount equal to payments of Base Rent as of the Commencement Date (subject to increase as described in this Section 3.1) as security (the "Security Deposit") for the full and faithful performance by Tenant of each and every term, provision, covenant and condition of this Lease.
- **3.1.1** The Security Deposit shall not be deemed an advance payment of Rent or a measure of Landlord's damages for any default under this Lease by Tenant, nor shall it be a bar or defense to any action that Landlord may at any time commence against Tenant. The Security Deposit shall be the property of Landlord and it may commingle the Security Deposit with other assets of Landlord, and Tenant shall not be entitled to any interest on the Security Deposit.
- **3.1.2** Upon the occurrence and during the continuance of any Event of Default, Landlord, at its option and in such order as Landlord in its sole discretion may determine, may apply the Security Deposit to any (a) obligation of Tenant under this Lease, or (b) Losses that Landlord may incur in connection with, or related to, this Lease, or any Event of Default under this Lease, whether such obligation or Loss accrues before or after the Event of Default.
- **3.1.3** If Landlord sells or transfers the Premises or Landlord ceases to have an interest in the Premises, Landlord may remit any unapplied part of the Security Deposit (or transfer the Letter of Credit if the LC Election has been made) to the successor owner of the Premises, and from and after such payment or transfer, Landlord shall be relieved of all liability with respect thereto. In the case of any partial transfer or cessation, Landlord may transfer such portion of the Security Deposit as Landlord allocates to such part of the Premises, in its reasonable discretion.
- **3.1.4** If Landlord applies the Security Deposit (or any portion thereof), Tenant shall replenish the Security Deposit in full within five (5) Business Days after demand by Landlord, by paying to Landlord the amount of the Security Deposit as so applied.
- 3.1.5 Upon the occurrence of an Event of Default, Landlord, at its option (to be exercised in its sole and absolute discretion) and by delivery of written notice (each, a "Section 3.1.5 Notice"), may require Tenant, in connection with such Event of Default (the "Forbearance Event of Default"), to deposit with Landlord cash in the amount necessary to make the Security Deposit equal to installments of Base Rent (said additional amount, the "Section 3.1.5 Deposit"). If Landlord elects to deliver to Tenant a Section 3.1.5 Notice, the following terms and conditions shall apply:
 - (a) Landlord's delivery to Tenant of a Section 3.1.5 Notice shall be deemed an election by Landlord (for the purpose of providing additional time for Tenant to cure the Forbearance Event of Default) to temporarily refrain and forbear from exercising and enforcing its rights and remedies under this Lease with respect to the Forbearance Event of Default for a period not to exceed sixty (60) days following delivery of the Section 3.1.5 Notice; provided, however, that if the applicable Forbearance Event of Default cannot with due diligence be cured within said sixty (60) day period, then so long as Tenant commences the cure (or causes the cure to be commenced) within such sixty (60) day period and proceeds promptly and with due diligence to cure the Forbearance Event of Default, then said sixty (60) day cure period shall be

extended as reasonably necessary to provide Tenant sufficient time to complete such cure but in no event to exceed one hundred twenty (120) days following delivery of the Section 3.1.5 Notice.

- (b) Tenant shall deposit such Section 3.1.5 Deposit with Landlord within five (5) Business Days after delivery of a Section 3.1.5 Notice.
- (c) Notwithstanding anything in this Section 3.1.5 to the contrary, Landlord shall have no obligation to refrain or forbear (or to continue to refrain or forbear) from exercising or enforcing any of Landlord's rights or remedies under this Lease in connection with the Forbearance Event of Default, and shall be free to apply the Section 3.1.5 Deposit in a manner consistent with the Security Deposit as set forth in Section 3.1.2 of this Lease, if any of the following occur: (i) Tenant does not timely deposit the Section 3.1.5 Deposit with Landlord, (ii) Tenant fails to cause the Forbearance Event of Default to be cured within the cure period provided for in Section 3.1.5(a) above, or (iii) during the cure period provided for in Section 3.1.5(a) above, there occurs an Event of Default under this Lease other than the Forbearance Event of Default.
- (d) Within ten (10) Business Days following the date on which Tenant has cured (or caused to be cured) the applicable Forbearance Event of Default in a manner reasonably satisfactory to Landlord, Landlord will cause the Section 3.1.5 Deposit to be returned to Tenant.
- **3.1.6** If no Event of Default has occurred and is continuing under this Lease and Tenant has fully performed and satisfied all of its obligations under this Lease, then Landlord shall pay the Security Deposit, or remaining unapplied portion thereof, to Tenant within thirty (30) days after the expiration or earlier termination of this Lease and the surrender of the Premises to Landlord in accordance with the terms of this Lease.
- 3.2 <u>Letter of Credit</u>. Concurrently with the commencement of this Lease, Tenant may elect (such election, the "LC Election"), instead of a cash Security Deposit, to deposit with Landlord and maintain during the Term and for thirty (30) days after the Expiration Date, a Letter of Credit in an undrawn face amount equal to payments of Base Rent (the "LC Amount") as partial collateral for Tenant's obligations under this Lease. All costs and expenses incurred by Landlord in connection with the LC Election shall be paid by Tenant. During any period in which the LC Election has been made, the following provisions shall apply:
- 3.2.1 Upon the occurrence and during the continuance of an Event of Default, Landlord may, but shall not be required to, draw upon the Letter of Credit (in whole or in part) and apply the cash proceeds thereof to the obligations due from Tenant under this Lease and to compensate Landlord for the damages suffered or incurred by it in connection with such Event of Default (or any other Event of Default). Any amount drawn by Landlord shall not be deemed: (a) to fix or determine the amounts to which Landlord is entitled to recover under this Lease or otherwise; (b) to waive or cure any default under this Lease; or (c) to limit or waive Landlord's right to pursue any remedies provided for in this Lease.
- 3.2.2 Any increase in the amount of the Security Deposit pursuant to the terms of this Lease, automatically and correspondingly increases the LC Amount. Within five (5) Business Days after any such increase in the LC Amount, Tenant shall deposit with Landlord a replacement or supplementary Letter of Credit such that at all times during the Term of this Lease and for thirty (30) days after the Expiration Date, Landlord shall be holding one or more Letters of Credit totaling, in the aggregate, the LC Amount (as so increased). Tenant covenants as follows: (a) on or before thirty (30) days prior to the expiration date of the then issued and outstanding Letter of Credit, Tenant shall deposit with Landlord a

replacement Letter of Credit in the LC Amount; (b) if all or any portion of the Letter of Credit is drawn against by Landlord, Tenant shall, within ten (10) Business Days after demand by Landlord, deposit with Landlord a replacement or supplementary Letter of Credit such that at all times during the term of this Lease and for thirty (30) days after the Expiration Date, Landlord shall have the ability to draw on one or more Letters of Credit totaling, in the aggregate, the LC Amount; and (c) following an Issuer Revocation, Tenant shall obtain a replacement Letter of Credit in the LC Amount from another Issuer within fifteen (15) days of Landlord's written demand therefor. If Tenant fails to timely perform any of the foregoing, then in addition to any other rights and remedies available under this Lease, Landlord may immediately draw upon the full amount of the then issued and outstanding Letter of Credit.

- **3.2.3** Upon the issuance of a replacement Letter of Credit, Landlord shall have the right, upon the occurrence of an Event of Default, to draw solely on such replacement Letter of Credit and Landlord shall have no right to draw against the Letter of Credit which is replaced by such replacement Letter of Credit.
- **3.2.4** Tenant shall have the right to deposit with Landlord one or more Letters of Credit to satisfy the requirements of this Section 3.2, so long as the aggregate undrawn face amount of all issued and outstanding Letters of Credit equal the LC Amount.
- **3.2.5** Within five (5) Business Days after receipt of any written demand by Landlord, Tenant shall produce to Landlord (a) evidence satisfactory to Landlord, in the exercise of its commercially reasonable judgment, that Issuer is then in compliance with the Issuer Standards, and (b) such other information concerning Issuer as Landlord may reasonably request.
- 3.2.6 If Landlord draws on a Letter of Credit, the cash proceeds thereof not used to compensate Landlord for amounts due to Landlord under this Lease by reason of an Event of Default shall be held by Landlord as an additional security deposit under this Lease and Landlord may, from time to time, without prejudice to any other right or remedy, apply such cash proceeds to the obligations due from Tenant under this Lease and to compensate Landlord for the damages suffered or incurred by it in connection with such Event of Default (or any other Event of Default). The holding of such cash proceeds by Landlord shall not limit or stay Tenant's obligation hereunder to cause to be issued a Letter of Credit in the LC Amount. Absent an Event of Default (except an Event a Default that would be fully cured by the posting of a Letter of Credit in the LC Amount), upon Landlord's receipt of a Letter of Credit in the LC Amount, any such cash proceeds then held by Landlord shall be promptly returned to Tenant. If requested by Tenant, Landlord shall make such cash proceeds available to collateralize a replacement Letter of Credit or supplemental Letter of Credit pursuant to a written agreement with the applicable Issuer, whereby Landlord shall agree to disburse such cash proceeds to the applicable Issuer upon such Issuer's irrevocable and unconditional commitment to issue the applicable replacement Letter of Credit or supplemental Letter of Credit upon its receipt of such cash proceeds. Notwithstanding the foregoing, Landlord shall not be required to make such cash proceeds available if an Event of Default then exists and is continuing. If no Event of Default has occurred and is continuing under this Lease as of the Expiration Date, any cash proceeds then held by Landlord shall be returned to Tenant within thirty (30) days following the Expiration Date.

ARTICLE IV IMPOSITIONS AND OTHER CHARGES

4.1 <u>Impositions</u>.

4.1.1 Subject to Section 4.5, Tenant shall pay all Impositions attributable to a tax period, or portion thereof, occurring during the Term (irrespective of whether the Impositions for such tax

period are due and payable after the Term), when due and before any fine, penalty, premium, interest or other cost may be added for non-payment. Where feasible, such payments shall be made directly to the taxing authorities. If any such Imposition may, at the option of the taxpayer, lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Tenant may exercise the option to pay same (and any accrued interest on the unpaid balance of such Imposition) in installments (provided no such installments shall extend beyond the Term) and, in such event, shall pay such installments during the Term before any fine, penalty, premium, further interest or cost may be added thereto. Tenant shall deliver to Landlord, not less than five (5) Business Days following the date on which such Imposition becomes delinquent, copies of the invoice for such Imposition, the check delivered for payment thereof and an original receipt evidencing such payment or other proof of payment reasonably satisfactory to Landlord.

- **4.1.2** Notwithstanding Section 4.1.1 to the contrary, with respect to those Impositions that Landlord is required by Legal Requirements to remit directly to the applicable taxing authority, if any, Landlord shall pay such Impositions directly to such taxing authority and within ten (10) Business Days of Landlord delivering to Tenant written notice and evidence of such payment, Tenant shall reimburse Landlord for such paid Impositions. Landlord and Tenant shall, upon request of the other, promptly provide such data as is maintained by the party to whom the request is made with respect to any Facility as may be necessary to prepare any required returns and reports.
- **4.1.3** Tenant may, upon notice to Landlord, at Tenant's option and at Tenant's sole cost and expense, protest, appeal or institute such other proceedings as Tenant may deem appropriate to effect a reduction of real estate or personal property assessments and Landlord, at Tenant's expense, shall reasonably cooperate with Tenant in such protest, appeal or other action; provided, however, that upon Landlord's request in connection with any such protest or appeal, Tenant shall post an adequate bond or deposit reasonably sufficient sums with Landlord to insure payment of any such real estate or personal property assessments during the pendency of any such protest or appeal.
- **4.1.4** Landlord or Landlord's designee shall use reasonable efforts to give prompt written notice to Tenant of all Impositions payable by Tenant hereunder of which Landlord at any time has knowledge, provided, however, that any failure by Landlord to provide such notice to Tenant shall in no way relieve Tenant of its obligation to timely pay the Impositions.
- **4.1.5** Impositions imposed or assessed in respect of the tax-fiscal period during which the Term terminates shall be adjusted and prorated between Landlord and Tenant, whether or not such Imposition is imposed or assessed before or after such termination, and Tenant's obligation to pay its prorated share thereof shall survive such termination.
- 4.2 <u>Utilities; CC&Rs.</u> Tenant shall pay any and all charges for electricity, power, gas, oil, water and other utilities used in connection with each Facility during the Term. Tenant shall also pay all documented costs and expenses of any kind whatsoever which may be imposed against Landlord during the Term by reason of any of the covenants, conditions and/or restrictions affecting any Facility or any portion thereof, or with respect to easements, licenses or other rights over, across or with respect to any adjacent or other property which benefits any Facility, including any and all documented costs and expenses associated with any utility, drainage and parking easements. If Landlord is billed directly for any of the foregoing costs, Landlord shall send Tenant the bill and Tenant shall pay the same before it is due.
- **4.3** <u>Insurance</u>. Tenant shall pay or cause to be paid all premiums for the insurance coverage required to be maintained by Tenant under this Lease.

4.4 Other Charges. Tenant shall pay all other amounts, liabilities, obligations, costs and expenses paid or incurred with respect to the ownership, repair, replacement, restoration, maintenance and operation of each Facility.

4.5 Real Property Impositions.

Upon the occurrence and during the continuance of an Event of Default, Tenant shall, upon receipt of written demand by Landlord, include with each payment of Base Rent a sum equal of the amount required to discharge the annual amount of Real Property Impositions and of the amount required to discharge the annual amount of Quality Assurance Fees. Notwithstanding the foregoing, in the event more than one (1) Event of Default occurs during any rolling twenty-four (24) month during the Term, Tenant shall, commencing upon the first (1st) Business Day of the calendar month following receipt of written notice from Landlord, and continuing for the remainder of the Term, include with each monthly payment of Base Rent a sum equal of the amount required to discharge the annual amount of Real Property to of the amount required to discharge the annual amount of Impositions and Quality Assurance Fees. During any period in which Tenant is required to deposit amounts with Landlord pursuant to this Section 4.5.1: (i) Landlord may, at its option, require that any particular deposit be greater of the estimated annual Real Property Impositions if necessary, in Landlord's reasonable judgment, to provide a sufficient fund from which to make payment of such Real Property Impositions on or before the next due date of any installment thereof, and (ii) Landlord may change its estimate of any Real Property Imposition for any period on the basis of an actual, pending, or threatened (in writing) change in an assessment or tax rate or for any other good faith reason. In such event, Tenant shall deposit with Landlord the amount in excess of the sums previously deposited with Landlord for the applicable period within ten (10) days after Landlord's request therefor. If at any time within thirty (30) days before the due date of any Real Property Imposition or Quality Assurance Fees, the deposits are insufficient for the payment in full of the obligation for which the deposits are being held, Tenant shall remit the amount of the deficiency to Landlord within ten (10) days after written demand from Landlord. If Landlord elects to require Tenant to impound Real Property Impositions hereunder, Tenant shall, as soon as they are received, deliver to Landlord copies of all written notices, demands, claims, bills and receipts in relation to the Real Property Impositions and Quality Assurance Fees.

The sums deposited by Tenant under Section 4.5 shall be held by Landlord, shall not bear interest nor be held by Landlord in trust or as an agent of Tenant, and may be commingled with the other assets of Landlord. Provided no Event of Default then exists under this Lease and is continuing, and provided that Tenant has timely delivered to Landlord copies of any bills, claims or notices that Tenant has received, the sums deposited by Tenant under this Section 4.5 shall be used by Landlord to pay Real Property Impositions as the same become due. Upon the occurrence and during the continuance of any Event of Default, Landlord may apply any funds held by it under this Section 4.5 to cure such Event of Default or on account of any damages suffered or incurred by Landlord in connection therewith or to any other obligations of Tenant arising under this Lease, in such order as Landlord in its discretion may determine. Any amounts of impounds for Real Property Impositions held by Landlord as of the Commencement Date with respect to an Antecedent Lease shall continue to be held by Landlord as deposits pursuant to the terms of this Section 4.5 and applied to Tenant's obligation to pay all Real Property Impositions as set forth under this Lease. If Landlord elects to require Tenant to impound Real Property Impositions hereunder, then upon Tenant's written request, which may be made within fifteen (15) days after the expiration of each calendar year, Landlord shall, within thirty (30) days after receipt of Tenant's request, provide Tenant with an accounting showing all credits and debits to and from such impounded funds for Real Estate Impositions received by Landlord from Tenant for the prior calendar year.

- **4.5.3** If Landlord transfers this Lease, it shall transfer all amounts then held by it under this Section 4.5 to the transferee, and Landlord shall thereafter have no liability of any kind with respect thereto. As of the Expiration Date, any sums held by Landlord under this Section 4.5 shall be promptly returned to Tenant, only as and when the conditions of Section 3.1, or if the LC Election has been made, Section 3.2, for the return of the Security Deposit or, as applicable, Letter of Credit have been met and provided that any and all Real Property Impositions due and owing hereunder have been paid in full.
- **4.5.4** Notwithstanding anything herein which may be construed to the contrary, Landlord shall have no liability to Tenant for failing to pay any Real Property Impositions to the extent that: (a) any Event of Default has occurred and is continuing, (b) insufficient deposits under this Section 4.5 are held by Landlord at the time such Real Property Impositions become due and payable, or (c) Tenant has failed to provide Landlord with copies of the bills, notices, and claims for such Real Property Impositions as required pursuant to Section 4.5.1.

ARTICLE V ACCEPTANCE OF PREMISES; NO IMPAIRMENT

- Acceptance of Premises. Tenant acknowledges receipt and delivery of possession of the Premises and confirms that Tenant has examined and otherwise has knowledge of the condition of the Premises prior to the execution and delivery of this Lease and has found the same to be in good order and repair, free from Hazardous Materials not in compliance with applicable Hazardous Materials Laws and satisfactory for its purposes hereunder. Regardless, however, of any prior knowledge, examination or inspection made by Tenant and whether or not any patent or latent defect or condition was revealed or discovered thereby, Tenant is leasing the Premises "as is" in its present condition. Tenant waives any claim or action against Landlord in respect of the condition of the Premises including any defects or adverse conditions not discovered or otherwise known by Tenant as of the Commencement Date. TENANT ACKNOWLEDGES AND AGREES THAT (A) IT AND/OR ITS AFFILIATES HAVE OWNED AND OPERATED THE PREMISES PRIOR TO LANDLORD'S ACQUISITION AND LEASE THEREOF TO TENANT; (B) TENANT HAS KNOWLEDGE OF ALL ASPECTS OF THE PREMISES, IMPROVEMENTS THEREON AND OPERATION OF THE FACILITIES; AND (C) LANDLORD MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE PREMISES. EITHER AS TO ITS FITNESS FOR USE, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE, OR AS TO THE NATURE OR QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, OR THE EXISTENCE OF ANY HAZARDOUS MATERIALS, IT BEING AGREED THAT ALL SUCH RISKS, LATENT OR PATENT, ARE TO BE BORNE SOLELY BY TENANT.
- No Impairment. The respective obligations of Landlord and Tenant shall not be affected or impaired by reason of (a) any damage to, or destruction of, any Facility, from whatever cause, or any Condemnation of any Facility (except as otherwise expressly and specifically provided in Article XI or Article XII); (b) the interruption or discontinuation of any service or utility servicing any Facility; (c) the lawful or unlawful prohibition of, or restriction upon, Tenant's use of any Facility due to the interference with such use by any Person or eviction by paramount title (other than Landlord, or those claiming by, through or under Landlord (but excluding in all events any such interference, eviction, or other prohibitions or restrictions on Tenant's use of any Facility in connection with Landlord (or those claiming by, through, or under Landlord) exercising Landlord's rights and/or remedies under this Lease)); (d) any claim that Tenant has or might have against Landlord on account of any breach of warranty or default by Landlord under this Lease or any other agreement by which Landlord is bound; (e) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceedings affecting Landlord or any assignee or transferee of Landlord; (f) any Licensing Impairment; (g) any adverse adjustment to reimbursement rates at any time or for any reason; or (h) for any other

cause whether similar or dissimilar to any of the foregoing. Tenant hereby specifically waives all rights, arising from any occurrence whatsoever, which may now or hereafter be conferred upon it by law or equity (x) to modify, surrender or terminate this Lease or quit or surrender any Facility, or (y) that would entitle Tenant to any abatement, reduction, offset, suspension or deferment of Rent. The obligations of Landlord and Tenant hereunder shall be separate and independent covenants and agreements and Rent shall continue to be payable in all events until the termination of this Lease, other than by reason of an Event of Default. Tenant's sole right to recover damages against Landlord under this Lease shall be to prove such damages in a separate action.

ARTICLE VI OPERATING COVENANTS

Tenant agrees to comply with the following covenants:

- 6.1 <u>Tenant Personal Property</u>. Tenant shall obtain and install all items of furniture, fixtures, supplies and equipment not included as Landlord Personal Property as shall be necessary or reasonably appropriate to operate each Facility in compliance with this Lease (the "Tenant Personal Property").
- Landlord Personal Property. Following the Commencement Date, Landlord may, in its 6.2 discretion, cause a third-party consultant to prepare and have delivered to Landlord a complete inventory of all furniture, fixtures, equipment and other items of personal property located at the Facilities and which constitute Landlord Personal Property (the "Landlord Personal Property Report"). Following receipt by Landlord, Landlord shall cause a copy of such Landlord Personal Property Report to be delivered to Tenant. Tenant shall have a period of thirty (30) days following its receipt of such Landlord Personal Property Report to deliver to Landlord any written objections to the Landlord Personal Property Report. Failure to deliver any such written objections to Landlord on or before the expiration of said 30day period shall be deemed Tenant's approval of the Landlord Personal Property Report. In the event Tenant timely delivers any written objections to Landlord, Landlord shall, in good faith, submit said written objections to the third-party consultant who prepared the Landlord Personal Property Report and said third party consultant's decision on whether, and to what extent, to amend the Landlord Personal Property Report in connection with such objections, shall be binding. Tenant may, from time to time, in Tenant's reasonable discretion, without notice to or approval of Landlord, sell or dispose of any item of the Landlord Personal Property; provided, however, that, unless such item is functionally obsolete, Tenant shall promptly replace such item with an item of similar or superior quality, use and functionality, and any such replacement item shall, for all purposes of this Lease, continue to be treated as part of the "Landlord Personal Property." Tenant shall, promptly upon Landlord's request from time to time, provide such information as Landlord may reasonably request relative to any sales, dispositions or replacements of the Landlord Personal Property pursuant to this Section 6.2 and, within a reasonable time upon Landlord's written request from time to time (a) not to exceed one (1) time in any twelve (12) month period and (b) promptly during the continuance of an Event of Default, shall provide to Landlord with an updated inventory of the Landlord Personal Property.
- **6.3** Primary Intended Use. During the entire Term, Tenant shall continually use each Facility for its Primary Intended Use (subject to Articles XI and XII) and for no other use or purposes and shall operate each Facility in a manner consistent with the Ordinary Course of Business and employing sound reimbursement principles under all applicable Third Party Payor Programs.

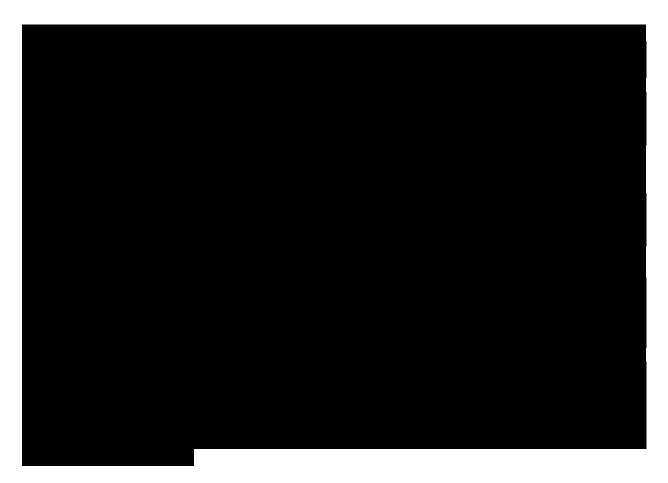
6.4 <u>Compliance with Legal Requirements and Authorizations.</u>

- **6.4.1** Tenant, at its sole cost and expense, shall promptly (a) comply in all material respects with all Legal Requirements and Insurance Requirements regarding the use, condition and operation of each Facility and the Tenant Personal Property, and (b) procure, maintain and comply in all material respects with all Authorizations. The Authorizations for any Facility shall, to the maximum extent permitted by Legal Requirements, relate and apply exclusively to such Facility, and Tenant acknowledges and agrees that, subject to all applicable Legal Requirements, the Authorizations are appurtenant to the Facilities to which they apply, both during and following the termination or expiration of the Term.
- 6.4.2 Tenant and the Premises shall comply in all material respects with all licensing and other Legal Requirements applicable to the Premises and the business conducted thereon and, to the extent applicable, all Third Party Payor Program requirements. Further, Tenant shall not commit any act or omission that would in any way violate any certificate of occupancy affecting any Facility, result in closure of the Facility, result in the termination or suspension of Tenant's ability to operate any Facility for its Primary Intended Use or result in the termination, suspension, non-renewal or other limitation of any Authorization, including, but not limited to, the authority to admit residents to any Facility or right to receive reimbursement for items or services provided at any Facility from any Third Party Payor Program.

6.4.3 Tenant shall not:

- (a) transfer any Authorizations to any third party, or to any location other than the Facility operated by such Tenant or as otherwise required by the terms of this Lease nor pledge any Authorizations as collateral security for any loan or indebtedness except as required by the terms of this Lease;
- (b) rescind, withdraw, revoke, terminate, relinquish, amend, restate, supplement, allow to expire without renewal or otherwise alter the nature, tenor, or scope of any Authorization for any Facility; or
- (c) amend or otherwise change, by consent, acquiescence or otherwise, any Facility's (i) bed capacity, or the number or type of beds, authorized by the Authorizations applicable to such Facility, (ii) Authorization's category or type, or (iii) certificate to participate in Third Party Payor Programs, in each case as the same exist on the Commencement Date, or apply for approval of any of the foregoing amendments or changes.
- **6.4.4** Prior to the Commencement Date, Tenant (or each Tenant Sublessee, as applicable) shall have had issued to it all Required Authorizations. At all times during the Term, Tenant (or each Tenant Sublessee, as applicable) shall be in good standing with respect to all Required Authorizations and all Required Authorizations shall be in full force and effect with respect to the operation of the businesses conducted at each Facility. Tenant hereby represents and warrants to Landlord, that the leasing of the Facilities to Tenant pursuant to this Lease (and the operation thereof by Tenant pursuant to the terms of this Lease) does not require: (i) a change of ownership approval from any Governmental Authority, or (ii) the transfer or assignment of any Medicare Provider Agreements or Medicaid Provider Agreements.





6.6 Maintenance of Books and Records. Tenant shall keep and maintain, or cause to be kept and maintained, proper and accurate books and records in accordance with GAAP, and a standard modern system of accounting, in all material respects reflecting the financial affairs of Tenant and the results from operations of each Facility, individually and collectively. Landlord shall have the right, from time to time during normal business hours after three (3) Business Days prior oral or written notice to Tenant, itself or through any of Landlord's Representatives, to examine and audit such books and records at the office of Tenant or other Person maintaining such books and records and to make such copies or extracts thereof as Landlord or Landlord's Representatives shall request and Tenant hereby agrees to reasonably cooperate with any such examination or audit at Landlord's cost and expense, except as otherwise set forth in Exhibit D.

Financial, Management and Regulatory Reports. Tenant shall provide Landlord with the reports listed in Exhibit D within the applicable time specified therein. All financial information provided shall be prepared in accordance with GAAP and shall be submitted electronically using the applicable template approved by Landlord in its reasonable discretion from time to time or, if no such template is provided by Landlord, in the form of unrestricted, unlocked ".xls" spreadsheets created using Microsoft Excel (2003 or newer editions) or in such other form as Landlord may reasonably require from time to time. If Tenant or any Guarantor becomes subject to any reporting requirements of the Securities and Exchange Commission during the Term, it shall concurrently deliver to Landlord such reports as are delivered pursuant to applicable securities laws. In addition to, and without limiting any other remedies which Landlord may have under this Lease, at law, or in equity, Tenant shall be assessed with a administrative fee for each instance in which Tenant fails to provide Landlord with the reports listed in Exhibit D within the applicable time specified therein, which administrative fee shall be immediately due and payable to Landlord. Notwithstanding the foregoing, such administrative fee shall not be assessed to

Tenant so long as (a) Tenant is not delinquent in the delivery of such financial reports more than one (1) time in any consecutive twelve (12) month period, and (b) Tenant remits any delinquent report to Landlord within five (5) Business Days of Landlord's written demand therefor.

- **6.7.1** In addition to the reports required under Section 6.7 above, upon Landlord's request from time to time, Tenant shall provide Landlord with such additional information and unaudited quarterly financial information concerning each Facility, the operations thereof and Tenant and Guarantor as Landlord may reasonably require for purposes of securing financing for the Premises or its ongoing filings with the Securities and Exchange Commission, under both the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, including, but not limited to, 10-Q Quarterly Reports, 10-K Annual Reports and registration statements to be filed by Landlord during the Term, subject to the conditions that neither Tenant nor Guarantor shall be required to disclose information that is subject to the quality assurance immunity or is subject to attorney-client privilege or the attorney work product doctrine.
- 6.7.2 Tenant specifically agrees that Landlord may include financial information and such information concerning the operation of any Facility which does not violate the confidentiality of the facility-patient relationship and the physician-patient privilege under applicable laws, in connection with: (i) any meetings, conference calls, or other disclosures customarily made by Landlord to its investors, consultants, principals, attorneys and accountants, or (ii) public offerings of Landlord's securities or interests, and (iii) any other reporting requirements under applicable federal or state laws, including those of any successor to Landlord.
- 6.8 Estoppel Certificates. Each party shall, at any time upon not less than ten (10) Business Days prior written request by the other party, have an authorized representative execute, acknowledge and deliver to the requesting party or its designee a written statement certifying (a) that this Lease, together with any specified modifications, is in full force and effect, (b) the dates to which Rent and additional charges have been paid, (c) that no default by either party exists or specifying any such default and (d) as to such other matters as the requesting party may reasonably request.
- **6.9 Furnish Information**. Tenant shall promptly notify Landlord of any condition or event that constitutes a material breach of any term, condition, warranty, representation, or provision of this Lease and of any material adverse change in the financial condition of any Tenant or Guarantor and of any Event of Default.
- 6.10 <u>Affiliate Transactions</u>. Except as otherwise disclosed on <u>Schedule 4</u> attached hereto, no Tenant shall enter into, or be a party to, any transaction with an Affiliate of any Tenant or any of the partners, members or shareholders of any Tenant except in the Ordinary Course of Business and on terms that are fully disclosed to Landlord in advance and are materially no less favorable to any Tenant or such Affiliate than would be obtained in a comparable arm's-length transaction with an unrelated third party.
- **6.11** <u>Waste</u>. No Tenant shall commit or suffer to be committed any waste on any of the Premises, nor shall any Tenant cause or permit any nuisance thereon.
- **6.12** <u>Additional Covenants</u>. Tenant shall satisfy and comply with the following performance covenants throughout the Term:
- **6.12.1** Except as otherwise set forth herein, it shall be an Event of Default if for two (2) consecutive Testing Dates, Tenant fails to maintain a Portfolio Coverage Ratio equal to or greater than the Minimum Rent Coverage Ratio applicable to the Testing Period applicable to such Testing Date. Notwithstanding the foregoing, Tenant's failure to satisfy the Minimum Rent Coverage Ratio covenant

set forth in the preceding sentence shall not be an Event of Default (and, accordingly, shall not trigger Landlord's right to require a Section 3.1.5 Deposit pursuant to Section 3.1.5) if, within fifteen (15) days following written notice from Landlord, Tenant shall deposit with Landlord the amount that, had such amount been added to the Cash Flow for the applicable Testing Period in question, would have caused the Portfolio Coverage Ratio to equal the Minimum Rent Coverage Ratio applicable for such Testing Period (any such amount deposited with Landlord being referred to as an "Additional Deposit"). Additional Deposit shall be held by Landlord as an additional security deposit under this Lease and Landlord may, from time to time, without prejudice to any other right or remedy, apply such Additional Deposit to the obligations due from Tenant under this Lease. The Additional Deposit shall not be deemed an advance payment of Rent or a measure of Landlord's damages for any default under this Lease by Tenant, nor shall it be a bar or defense to any action that Landlord may at any time commence against Tenant. The Additional Deposit shall be the property of Landlord and it may commingle the Additional Deposit with other assets of Landlord, and Tenant shall not be entitled to any interest on the Additional Deposit. Provided that no Event of Default then exists and is continuing, following the date on which the Portfolio Coverage Ratio for two (2) consecutive Testing Periods is greater than or equal to the Minimum Rent Coverage Ratio applicable to such Testing Periods, Landlord will cause the Additional Deposit to be promptly returned to Tenant. Notwithstanding anything herein to the contrary, and notwithstanding Tenant having deposited the Additional Deposit with Landlord pursuant to this Section 6.12.1, it shall be an immediate Event of Default if for four (4) consecutive Testing Periods, Tenant fails to maintain a Portfolio Coverage Ratio equal to or greater than the Minimum Rent Coverage Ratio applicable to such Testing Periods.

- **6.12.2** At all times, Tenant shall maintain working capital in such an amount satisfactory to support continued licensure of the Facilities. Notwithstanding the foregoing, in the event that any of the Facilities are subleased pursuant to Section 17.6 below, the foregoing requirement shall also apply to each such Tenant Sublessee.
- **6.12.3** Tenant shall not, directly or indirectly, (i) acquire or enter into any agreement to acquire any assets other than in the Ordinary Course of Business, or (ii) engage or enter into any agreement to engage in any joint venture or partnership with any other Person other than an Affiliate.
- **6.12.4** Tenant shall not cancel or otherwise forgive or release any material claim or material debt owed to any Tenant by any Person, except for adequate consideration and in the Ordinary Course of Business. If any proceedings are filed seeking to enjoin or otherwise prevent or declare invalid or unlawful Tenant's occupancy, maintenance, or operation of a Facility or any portion thereof for its Primary Intended Use, Tenant shall cause such proceedings to be vigorously contested in good faith, and shall, without limiting the generality of the foregoing, use all reasonable commercial efforts to bring about a favorable and speedy disposition of all such proceedings and any other proceedings.

6.12.5 Reserved.

- **6.12.6** Tenant covenants that during the Term of this Lease, it shall neither: (i) enter into any management agreement with respect to a Facility without Landlord's approval in its reasonable discretion, or (ii) amend, modify, renew, replace, or otherwise change in any material respect the terms of any existing management agreement for a Facility without the prior written consent of Landlord, which Landlord shall not unreasonably withhold, condition or delay, and, in either case, without a satisfactory subordination by such manager of its right to receive its management fee to the obligation of Tenant to pay the Base Rent and Additional Rent to Landlord.
- **6.13 No Liens.** Subject to the provisions of Article VIII relating to permitted contests and excluding the applicable Permitted Encumbrances, Tenant will not directly or indirectly create or allow to

remain and will promptly, but in all events within thirty (30) days after written notice of the existence thereof from Landlord or Tenant otherwise obtaining knowledge of the same, discharge (which discharge may include the filing or recording of any bond permitted or required by applicable law) at its expense any lien, encumbrance, attachment, title retention agreement or claim upon any Facility, this Lease or Tenant's interest in any Facility or any attachment, levy, claim or encumbrance in respect of the Rent.

6.14 <u>Disability Laws</u>. Tenant shall, at its sole cost and expense, ensure that at all times the Premises shall comply in all material respects with the requirements of the Americans with Disabilities Act of 1990, the Fair Housing Amendments Act of 1988, all federal, state and local laws and ordinances related to handicapped access and all rules, regulations, and orders issued pursuant thereto including, without limitation, the Americans with Disabilities Act Accessibility Guidelines for Buildings and Facilities (collectively the "Access Laws"). Tenant shall give prompt notice to Landlord of the receipt by Tenant of any written material complaints or notices of noncompliance related to the actual or alleged violation of any Access Laws and of the commencement of any proceedings or investigations which relate to compliance with any Access Laws. In the event Tenant receives any written notices of any material violations of any Access Laws from any Governmental Authority, Tenant shall promptly, at Tenant's sole cost and expense, take such actions as necessary to cause Tenant to comply with its obligations under this Section 6.14.

ARTICLE VII MAINTENANCE AND REPAIR

- 7.1 Tenant's Maintenance Obligation. Tenant shall (a) keep and maintain each Facility in good appearance, repair and condition, and maintain proper housekeeping, (b) promptly make all repairs (interior and exterior, structural and nonstructural, ordinary and extraordinary, foreseen and unforeseen) necessary to keep each Facility in good and lawful order and condition and in compliance in all material respects with all Legal Requirements, Insurance Requirements and Authorizations and to maintain each Facility in a high quality operating and structural condition for use for its Primary Intended Use, and (c) keep and maintain all Landlord Personal Property and Tenant Personal Property in good condition and repair and replace such property consistent with prudent industry practice. All repairs performed by Tenant shall be done in a good and workmanlike manner. Landlord shall under no circumstances be required to repair, replace, build or rebuild any improvements on any Facility, or to make any repairs, replacements, alterations, restorations or renewals of any nature or description to any Facility, whether ordinary or extraordinary, structural or non-structural, foreseen or unforeseen, or to make any expenditure whatsoever with respect thereto, or to maintain any Facility in any way. Tenant hereby waives, to the extent permitted by law or any equitable principle, the right to make repairs at the expense of Landlord pursuant to any law currently in effect or hereafter enacted.
- 7.2 Premises Condition Report. Landlord may from time to time cause a qualified engineer designated by Landlord and reasonably approved by Tenant, to inspect any Facility and issue a report (a "Premises Condition Report") with respect to such Facility's condition. Tenant shall, at its own expense, make any and all necessary repairs or replacements that are recommended by such Premises Condition Report that relate to life safety or are otherwise required to be performed by Tenant under Section 7.1 above. Tenant shall pay the cost of any Premises Condition Report ordered by Landlord no more than once per Facility in any eighteen (18) month period, the cost of which shall not exceed per report, per Facility.
- 7.3 <u>Notice of Non-Responsibility</u>. Nothing contained in this Lease and no action or inaction by Landlord shall be construed as (a) constituting the consent or request of Landlord, expressed or implied, to any contractor, subcontractor, laborer, materialman or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alteration,

addition, repair or demolition of or to any Facility or any part thereof; or (b) giving Tenant any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Landlord in respect thereof or to make any agreement that may create, or in any way be the basis for, any right, title, interest, lien, claim or other encumbrance upon the estate of Landlord in any Facility or any portion thereof. Landlord may post, at Tenant's sole cost, such notices of non-responsibility upon, or of record against, any Facility to prevent the lien of any contractor, subcontractor, laborer, materialman or vendor providing work, services or supplies to Tenant from attaching against such Facility. Tenant agrees to promptly execute and record any such notice of non-responsibility at Tenant's sole cost.

- 7.4 Permitted Alterations. Without Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned, or delayed, Tenant shall not make any Capital Alterations or Material Alterations. Tenant may, without Landlord's consent, make any other Alterations provided the same (a) do not decrease the value of the applicable Facility, (b) do not adversely affect the exterior appearance of such Facility and (c) are consistent in terms of style, quality and workmanship to the original Leased Improvements and Fixtures of such Facility, and provided further that the same are constructed and performed in accordance with the following:
- **7.4.1** Such construction shall not commence until Tenant shall have procured and paid for all municipal and other governmental permits and authorizations required therefor (as well as any permits or approvals required in connection with any Permitted Encumbrance of such Facility); provided, however, that any Plans and Specifications required to be filed in connection with any such permits or authorizations that require the approval of Landlord shall have been so approved by Landlord, which approval shall not be unreasonably withheld, conditioned, or delayed.
- **7.4.2** During and following completion of such construction, the parking that is located on the Land of such Facility shall remain adequate for the operation of such Facility for its Primary Intended Use and in no event shall such parking be less than what is required by any applicable Legal Requirements.
- 7.4.3 All work done in connection with such construction shall be done promptly and in a good and workmanlike manner using materials of appropriate grade and quality consistent with the existing materials and in conformity in all material respects with all Legal Requirements.
- **7.4.4** If, by reason of the construction of any Alteration, a new or revised certificate of occupancy for any component of such Facility is required, Tenant shall obtain such certificate in compliance with all applicable Legal Requirements and furnish a copy of the same to Landlord promptly upon receipt thereof.
- 7.4.5 Upon completion of any Alteration, Tenant shall promptly deliver to Landlord final lien waivers from each and every general contractor and, with respect to Alterations costing in excess of each and every subcontractor that provided goods or services costing in excess of in connection with such Alterations indicating that such contractor or subcontractor has been paid in full for such goods or services, together with such other evidence as Landlord may reasonably require to satisfy Landlord that no liens have been or may be created in connection with such Alteration.
- **7.4.6** At all times before, during and after construction, the Premises complies in all material respects with all Access Laws.

- 7.5 <u>Capital and Material Alterations</u>. If Landlord consents to the making of any Capital Alterations or Material Alterations, Landlord may impose commercially reasonable conditions thereon in connection with its approval thereof. In addition to any such imposed conditions, all such Alterations shall be constructed and performed in accordance with Sections 7.4.1 through 7.4.5 above, together with the following:
- **7.5.1** Prior to commencing any such Alterations, Tenant shall have submitted to Landlord a written proposal describing in reasonable detail such proposed Alteration and shall provide to Landlord for reasonable approval such plans and specifications, permits, licenses, construction budgets and other information (collectively, the "**Plans and Specifications**") as Landlord shall reasonably request, showing in reasonable detail the scope and nature of the proposed Alteration.
- **7.5.2** Such construction shall not, and prior to commencement of such construction Tenant's licensed architect or engineer (to the extent the services of a licensed architect or engineer are required in connection with such Alterations) shall certify to Landlord that such construction shall not, impair the structural strength of such Facility or overburden or impair the operating efficiency of the electrical, water, plumbing, HVAC or other building systems of such Facility.
- **7.5.3** Prior to commencing any such Alterations, Tenant's licensed architect or engineer (to the extent the services of a licensed architect or engineer are required in connection with such Alterations) shall certify to Landlord that the Plans and Specifications conform to and comply in all material respects with all applicable Legal Requirements and Authorizations.
- **7.5.4** Promptly following the completion of the construction of any such Alterations, Tenant shall deliver to Landlord: (a) "as built" drawings of any such Alterations included therein, if applicable, certified as accurate by the licensed architect or engineer selected by Tenant to supervise such work; and (b) a certificate from Tenant's licensed architect or engineer certifying to Landlord that such Alterations have been completed in compliance in all material respects with the Plans and Specifications and all applicable Legal Requirements.

7.6 Capital Expenditures.

7.6.1 With respect to each Facility, Tenant agrees to expend, during each Lease Year, an amount (the "Required Capital Expenditures Amount") equal to the product of

Within forty-five (45)

days following the end of each Lease Year, Tenant shall deliver to Landlord a report (a "Capital Expenditures Report"), certified as true, correct and complete in all material respects by an officer of Tenant, summarizing and describing in reasonable detail all of the Capital Expenditures made by Tenant during the preceding Lease Year on each Facility, and such receipts and other information as Landlord may reasonably request relative to the Capital Expenditures made by Tenant during the applicable Lease Year. If, with respect to any Facility, the amount of the Capital Expenditures so made and reported by Tenant during a particular Lease Year (the "Actual Capital Expenditures Amount") is less than the Required Capital Expenditures Amount applicable to such period, Tenant shall, on or prior to the due date of the Capital Expenditures Report for such period, deposit (herein, a "Capital Expenditures Deposit") with Landlord an amount equal to the amount by which the Required Capital Expenditures Amount for the applicable period exceeds the Actual Capital Expenditures Amount for such period. If, with respect to any Facility, the Actual Capital Expenditures Amount so made and reported by Tenant during a particular Lease Year is greater than the Required Capital Expenditures Amount applicable to such period (such difference being referred to herein as the "Excess Capital Expenditures Amount"), then, (a) provided

presentation of its Capital Expenditures Report reflecting such greater expenditure, subject to reasonable extension if required under the Facility Mortgage Documents, Landlord shall pay to Tenant the lesser of and (b) to the extent that the Excess Capital Expenditures Amount exceeds the amount of funds then held by Landlord as Capital Expenditures Deposits with respect to such Facility, such excess shall be credited against the Required Capital Expenditures Amount for up to with respect to such Facility.

no Event of Default then exists hereunder and is continuing, within ten (10) days after Tenant's

- 7.6.2 Tenant's obligation to deliver the Capital Expenditures Report applicable to the last Lease Year, together with Tenant's obligation to deliver any Capital Expenditures Deposit associated therewith, shall survive the expiration or termination of this Lease. If, on the basis of such Capital Expenditures Report, Tenant is entitled to a payment as described in Section 7.6 above, then, notwithstanding anything to the contrary, such payment shall be due and payable to Tenant only as and when the conditions of Section 3.1, or if the LC Election has been made, Section 3.2, for the return of the Security Deposit or, as applicable, Letter of Credit have been met. Except as provided in the preceding sentence, upon the expiration or termination of this Lease, all Capital Expenditures Deposits held by Landlord (including, without limitation, any Capital Expenditures Deposits that are required to be deposited by Tenant with respect to the last Lease Year) shall automatically and without further action of the parties become the property of Landlord, without any obligation on Landlord's part to credit Tenant in any manner therefor.
- **7.6.3** The Capital Expenditures Deposits held by Landlord shall not bear interest and may be commingled with the other assets of Landlord. If Landlord transfers this Lease, it shall transfer all Capital Expenditures Deposits then held by it to the transferee, and Landlord shall thereafter have no liability of any kind with respect thereto. Following any Event of Default and at Landlord's option, the Capital Expenditures Deposits held by Landlord may, in its sole discretion, be applied to Tenant's obligations in the order that Landlord in its sole discretion may determine.
- Timprovement Funds. Subject to the terms and conditions of this Section 7.7, Tenant may, from time to time during the Term, request in writing that Landlord disburse funds ("Improvement Funds") in connection with certain proposed Alterations to one or more of the Facilities (each, a "Proposed Capital Improvement Project"). Landlord shall have the right, in its sole and absolute discretion, to agree to fund or refuse to fund any Proposed Capital Improvement Project. For the avoidance of doubt, Tenant hereby acknowledges and agrees that Landlord shall have no obligation to disburse any Improvement Funds for any Proposed Capital Improvement Project until Landlord has approved in writing such Proposed Capital Improvement Project, which approval may be granted, withheld, or conditioned in Landlord's sole and absolute discretion. Tenant shall be required to comply with this Section 7.7 in connection with any Proposed Capital Improvement Project. Notwithstanding anything herein to the contrary, any disbursement of Improvement Funds pursuant to this Section 7.7 shall be conditioned upon Tenant maintaining a Portfolio Coverage Ratio of equal to or greater than as of the most recent Testing Date prior to the proposed date of the requested disbursement of Improvement Funds.
- **7.7.1** Before commencing work on any Proposed Capital Improvement Project that Tenant desires to pursue using Improvement Funds, Tenant must submit to Landlord the following in connection with each such Proposed Capital Improvement Project (collectively, the "**Project Information**"):
 - (a) A written, narrative description of the applicable Proposed Capital Improvement Project, including a detailed summary of project details, the scope of work, a

description of the potential impact on and/or interruption to operations, and a summary of the business rationale for proposing the applicable Proposed Capital Improvement Project. The narrative description shall also summarize Tenant's plans in connection with contracting with any contractors, subcontractors, or vendors for the completion of the Proposed Capital Improvement Project;

- (b) To the extent applicable based on the nature of the applicable Proposed Capital Improvement Project, copies of any plans, specifications, schematics and drawings;
- (c) A written description of required permitting and approvals, the application process, and timing, for any applicable jurisdictions. The description of required permitting and approvals shall include, without limitation, a description of any authorizations, permits or licenses required from: (i) any state or local regulatory agency or department, and (ii) the local building department or authority;
- (d) A project budget for the pursuit, construction and completion of the Proposed Capital Improvement Project. Said project budget shall include, without limitation, capitalized costs of Landlord. Any fees or other payments to be paid to an affiliate of any Tenant in connection with such Proposed Capital Improvement Project shall be identified as such in the proposed budget. Unless otherwise expressly agreed to in writing by Landlord, in no event shall Landlord have any obligation to fund any Improvement Funds in connection with: (i) any work performed by an employee of Tenant (or its affiliate) or by an affiliate of Tenant or (ii) in connection with Tenant's (or its affiliate's) general corporate overhead or corporate expenses;
- (e) A project schedule for the commencement and completion of the applicable Proposed Capital Improvement Project, which project schedule should include, without limitation: (i) anticipated time required to complete the Proposed Capital Improvement Project, (ii) estimated start and end dates, and (iii) estimated timing for completion of any significant development or construction milestones (i.e. licensing/permit approval etc.);
- (f) Proforma operating financials for the applicable Facility following completion of the applicable Proposed Capital Improvement Project; and
- (g) Such other information concerning the Proposed Capital Improvement Project as Landlord may reasonably request.
- Landlord shall have thirty (30) days to review each Proposed Capital 7.7.2 Improvement Project following Landlord's receipt of the Project Information for such Proposed Capital Improvement Project. Failure of Landlord to respond to Tenant within said thirty (30) day period shall be deemed to constitute rejection of such Proposed Capital Improvement Project. If Landlord, acting in its sole and absolute discretion, approves a Proposed Capital Improvement Project, it shall notify Tenant of such approval in writing, which written approval shall include, without limitation: (i) the maximum amount of Improvement Funds that Landlord is willing to disburse in connection with the applicable Proposed Capital Improvement Project (the "Project Cap"), (ii) the outside date: (A) by which the Proposed Capital Improvement Project must be complete and (B) after which Landlord shall no longer be obligated to disburse Improvement Funds in connection with such Proposed Capital Improvement Project. Following delivery of such approval letter, such Proposed Capital Improvement Project shall become an "Approved Capital Improvement Project", subject in all events to the terms and conditions of this Lease and the written approval letter. Tenant shall be required to comply with, and its contractors and subcontractors shall be required to comply with, any commercially reasonable insurance requirements imposed by Landlord in connection with any Approved Capital Improvement Project.

- Tenant shall have the right to request disbursement of the Improvement Funds for an Approved Capital Improvement Project not more than once per calendar month, in increments of not less than unless the disbursement is the final one, in which case the full amount of such disbursement may be requested. All such requests shall be in writing and in the form of the request for advance contained in Schedule 3 attached hereto ("Request for Advance") and shall be accompanied with (i) the following supporting documentation: (A) an itemized account of expenditures to be paid or reimbursed from the requested disbursement, certified by Tenant to be true and correct expenditures which have already been paid or are due and owing and for which no previous disbursement was made hereunder, and (B) copies of invoices or purchase orders from each payee with an identifying reference to the applicable vendor or supplier, which invoices or purchase orders shall support the full amount of costs contained in the requested disbursement; and (ii) mechanic's lien waivers (conditional and unconditional, as applicable), in form and substance reasonably satisfactory to Landlord, in connection with any repairs, renovations or improvements in excess of for which a mechanic's lien may be filed. Landlord shall have the right to make payment directly to any or all applicable vendors or suppliers if so desired by Landlord. No failure by Landlord to insist on Tenant's strict compliance with the provisions of this Section 7.7 with respect to any request for advance or disbursement of the Improvement Funds shall constitute a waiver or modification of such provisions with respect to any future or other request for advance or disbursement.
- 7.7.4 Landlord shall, within twenty (20) calendar days of Tenant's delivery of a Request for Advance and compliance with the conditions for disbursement set forth in this Section 7.7, make disbursements of the requested Improvement Funds to pay or reimburse Tenant for the approved, budgeted costs of the applicable Approved Capital Improvements Project.
- 7.7.5 No Event of Default or event which, with the giving of notice or the passage of time, or both, would constitute an Event of Default, including, without limitation, the recordation of any mechanic's or other lien against the Premises (or any portion thereof) in connection with the capital repairs or improvements to be funded by the Improvement Funds, shall have occurred and be continuing at the time of any request for disbursement (or the date of disbursement) of Improvement Funds.
- 7.7.6 All repairs or improvements funded with Improvement Funds shall be completed in a good, workmanlike and lien-free manner pursuant to the approved plans and specifications and other Project Information approved by Landlord in connection with the applicable Approved Capital Improvement Project (and in accordance with the project approval letter issued by Landlord in connection with such Approved Capital Improvement Project), subject to change orders made in the ordinary course of a project of the size and scope of the applicable Approved Capital Improvement Project and reasonably approved by Landlord (with respect to change orders in excess of improvements are completed in a manner not in compliance with this Section 7.7 and the other applicable provisions of this Lease, Tenant shall, promptly after obtaining knowledge thereof or Landlord's demand therefor, repair or remediate the applicable work to the extent necessary to attain such compliance at its sole cost and expense.
- 7.7.7 To the extent any Approved Capital Improvement Project would constitute Capital Alterations or Material Alterations, Tenant shall comply with the provisions of Section 7.5 of this Lease.
- **7.7.8** Each and every renovation or improvement funded by Landlord under this Section 7.7 shall immediately become a part of the Premises and shall belong to Landlord subject to the terms and conditions of this Lease.

- **7.7.9** No disbursement of Improvement Funds shall be used to remedy any condition which constitutes a default by Tenant under the provisions of this Lease.
- 7.7.10 From and after the date of disbursement of any Improvement Funds by Landlord, the annual amount of Base Rent then payable under this Lease shall be increased by the product of:

Such increased Base Rent shall commence to be payable on the next Payment Date following disbursement of such Improvement Funds (together with any prorated portion of the Base Rent payable with respect to the month in which such Improvement Funds were advanced). Upon request of Landlord, Tenant shall execute such amendments to this Lease, side letters or other instruments to document the foregoing increase in Base Rent.

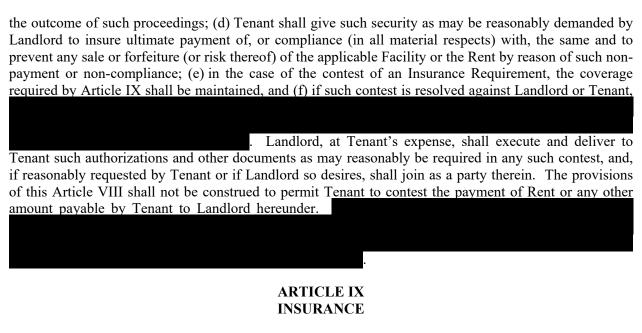
- 7.7.11 Landlord's documented, reasonable and customary costs relating to its review, processing, oversight, management and approval of all Proposed Capital Improvement Projects and Approved Capital Improvement Projects, including all of Landlord's out-of-pocket costs (including, without limitation, reasonable attorneys' fees), shall be reimbursed to Landlord as Improvement Funds. Such reimbursements to Landlord shall be added to the costs for the applicable Approved Capital Improvement Project and shall be applied against the Project Cap for such Approved Capital Improvement Project.
- 7.7.12 In no event shall Landlord be obligated to disburse Improvement Funds in connection with any Approved Capital Improvement Project to the extent such disbursement would cause Landlord to have funded disbursements for such Approved Capital Improvement Project in excess of the applicable Project Cap. Notwithstanding: (i) any decision on the part of Landlord to cease funding Improvement Funds due to the existence of an Event of Default, the failure of Tenant to satisfy a condition to funding disbursements of Improvement Funds, cost overruns for an Approved Capital Improvement Project, or the existence of any other circumstance pursuant to which Landlord is not obligated to disburse Improvement Funds pursuant to this Section 7.7, and (ii) Tenant having exceeded the Project Cap for an Approved Capital Improvement Project and, therefore, there not being sufficient Improvement Funds to finish and complete an Approved Capital Improvement Projects as required by this 7.7, Tenant shall remain responsible to complete each Approved Capital Improvement Project on the terms and conditions, and to the standards, required by this Section 7.7, the other applicable provisions of this Lease, and the written approval letter issued by Landlord in connection with such Approved Capital Improvement Project.
- 7.7.13 Landlord shall not be obligated to make a disbursement of Improvement Funds until and unless Landlord has reviewed and confirmed that all work completed at the time of the request for the disbursement of Improvement Funds has been performed in a good and workmanlike manner, that all materials and fixtures usually furnished and installed at that stage of construction have been so furnished and installed and are of appropriate grade and quality consistent with or superior to the previously existing materials and fixtures, and that the Approved Capital Improvements Project can be complete by the outside date established by Landlord pursuant the project approval letter issued by Landlord in connection with such Approved Capital Improvement Project.
- 7.7.14 Tenant hereby covenants and agrees that all amounts of Improvement Funds disbursed to Tenant shall be used solely to pay for the costs and expenses incurred in connection with the applicable Approved Capital Improvement Project and incurred in accordance with the approved project budget applicable thereto.
- 7.7.15 As a condition to Landlord's payment of Tenant's final Request for Advance in connection with any Approved Capital Improvement Project (but without limitation of any other terms or

conditions governing disbursements of Improvement Funds pursuant to this Section 7.7), Tenant must deliver to Landlord in connection with such Approved Capital Improvement Project (i) fully executed and complete final and unconditional releases of lien from each contractor, subcontractor, or other person or entity performing work, labor, and/or services in connection with the Approved Capital Improvement Project in an amount equal to or exceeding (ii) if requested by Landlord, a title report or commitment for the applicable real property dated after completion of the Approved Capital Improvement Project, (iii) evidence reasonably acceptable to Landlord that the Approved Capital Improvement Project was completed in a good, workmanlike and lien-free manner, in compliance in all material respects with all laws, rules, regulations, codes and ordinances and all covenants, conditions and restrictions (or similar use, maintenance or ownership obligations) encumbering or binding upon the applicable real property and in accordance in all material respects with the Project Information, (iv) evidence reasonably acceptable to Landlord that Tenant has obtained all authorizations required by applicable law in connection with the completion and operation of the Approved Capital Improvement Project, (v) a bill of sale with respect to any personal property incorporated into the Approved Capital Improvement Project and purchased by Tenant in connection with its performance of the work in connection with such Approved Capital Improvement Project, (vi) if applicable, Landlord shall have received copies of any and all authorizations, regulatory agreements, provider agreements, or similar documentation required under applicable legal requirements or otherwise advisable for the use of the applicable Facility for its intended use and receipt of reimbursement of other payments under third party programs following completion of the Approved Capital Improvement Project, and (vii) if a new or revised certificate of occupancy for any component of the Facility is required as a result of the Approved Capital Improvement Project, a copy of such certificate in compliance with all applicable laws, rules, regulations, codes and ordinances.

7.8 Encroachments. If any of the Leased Improvements of any Facility shall, at any time, materially encroach upon any property, street or right-of-way adjacent to such Facility, then, promptly upon the request of Landlord, Tenant shall, at its expense, subject to its right to contest the existence of any material encroachment and, in such case, in the event of any adverse final determination, either (a) obtain valid waivers or settlements of all claims, liabilities and damages resulting from each such material encroachment, whether the same shall affect Landlord or Tenant, or (b) make such changes in such Leased Improvements, and take such other actions, as Tenant, in the good faith exercise of its judgment, deems reasonably practicable, to remove such material encroachment, including, if necessary, the alteration of any of such Leased Improvements, and in any event take all such actions as may be necessary to be able to continue the operation of such Leased Improvements for the Primary Intended Use of such Facility substantially in the manner and to the extent such Leased Improvements were operated prior to the assertion of such encroachment. Any such alteration shall be made in conformity with the applicable requirements of Sections 7.4 and 7.5.

ARTICLE VIII PERMITTED CONTESTS

Tenant, upon prior written notice to Landlord and at Tenant's expense, may contest, by appropriate legal proceedings conducted in good faith and with due diligence, the amount, validity or application, in whole or in part, of any licensure or certification decision, Imposition, Legal Requirement, Insurance Requirement, lien, attachment, levy, encumbrance, charge or claim; provided, however, that (a) in the case of an unpaid Imposition, lien, attachment, levy, encumbrance, charge, or claim, the commencement and continuation of such proceedings shall suspend the collection thereof from Landlord and from the applicable Facility, (b) neither the applicable Facility nor any Rent therefrom nor any part thereof or interest therein would be reasonably likely to be in danger of being sold, forfeited, attached or lost pending the outcome of such proceedings, (c) in the case of a Legal Requirement, neither Landlord nor Tenant would be in any danger of civil or criminal liability for failure to comply therewith pending



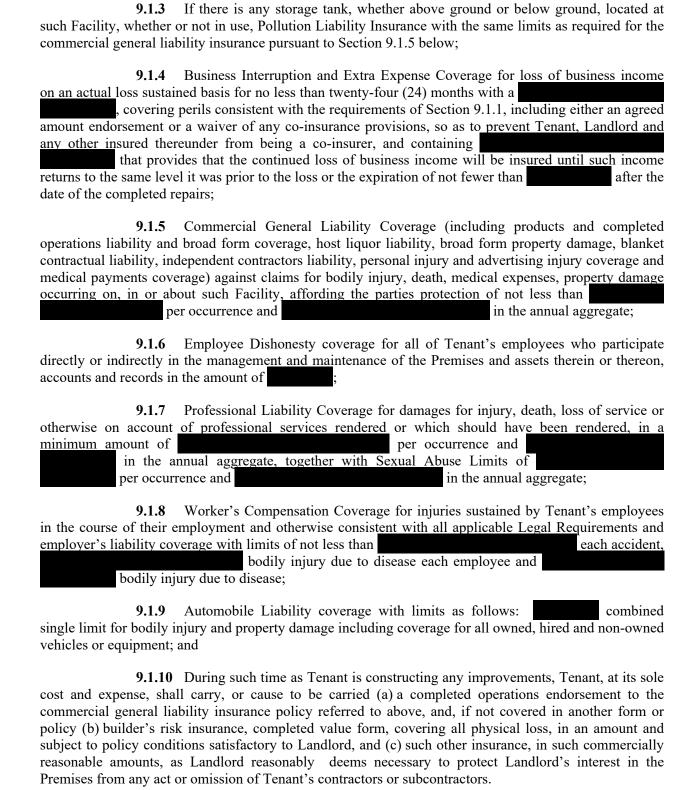
9.1 Required Policies. During the Term, Tenant shall maintain the following insurance with respect to each Facility at its sole cost and expense:

9.1.1 Fire and Extended Coverage against loss or damage by fire, vandalism and malicious mischief, extended coverage perils commonly known as "Special Risk," and all physical loss perils normally included in such Special Risk insurance, including but not limited to sprinkler leakage and windstorm, together with coverage for earthquake (including earth movement), flood (if such Facility is located in whole or in part within a designated 100-year flood plain area) and terrorism, to the extent not included or specifically excluded from such Special Risk Insurance, all in an amount equal to of the full replacement cost of such Facility (as replacement cost is defined below in Section 9.3), and including the following;

(a) building ordinance coverage endorsement (Building Ordinance A (coverage for loss to the undamaged portion of the building) will be at of the building replacement cost and Building Ordinance B (demolition) and Building Ordinance C (increased cost of construction) will each be at of the building replacement cost);

- (b) Fungus and Mold coverage;
- (c) Agreed amount endorsement; and
- (d) Named Storm requirement included.

9.1.2 If such Facility contains steam boilers, pressure vessels or similar apparatus, insurance with an agreed amount endorsement (such that the insurance carrier has accepted the amount of coverage and has agreed that there will be no co-insurance penalty), covering the major components of the central heating, air conditioning and ventilating systems, boilers, other pressure vessels, high pressure piping and machinery, elevators and escalators, if any, and other similar equipment installed in such Facility, in an amount equal to the full replacement cost of such Facility, which policy shall insure against physical damage to and loss of occupancy and use of such Facility arising out of an accident, explosion, or breakdown covered thereunder;



General Insurance Requirements.

9.2

- **9.2.1** All of the policies of insurance required to be maintained by Tenant under this Article IX shall (a) be written in form reasonably satisfactory to Landlord and any Facility Mortgage and issued by insurance companies (i) with a policyholder and financial rating of not less than "A-"/"VII" in the most recent version of Best's Key Rating Guide and (ii) authorized to do insurance business in the applicable Situs State; (b) provide that any insurance maintained by Landlord for or with respect to the Premises shall be excess and noncontributory with Tenant's insurance; and (c) include a waiver of all rights of subrogation and recovery against Landlord.
- 9.2.2 All liability type policies (with the exception of Tenant's workers' compensation/employer's liability insurance and professional liability insurance) must name Landlord as an "additional insured." All property policies shall name Landlord as "loss payee." All business interruption policies shall name Landlord as "loss payee" with respect to Rent only. Losses shall be payable to Landlord and/or Tenant as provided herein. In addition, the policies, as appropriate, shall name as an "additional insured" or "loss payee" any Facility Mortgagee by way of a standard form of mortgagee's loss payable endorsement. Any loss adjustment shall require the written consent of Landlord, Tenant, and each Facility Mortgagee unless the amount of the loss is less than which event no consent shall be required.
- 9.2.3 Tenant shall provide Landlord copies of the original policies or a satisfactory ACORD 28 (property) and ACORD 25 (liability) evidencing the existence of the insurance required by this Lease and showing the interest of Landlord (and any Facility Mortgagee(s)) prior to the commencement of the Term or, for a renewal policy, not less than ten (10) days prior to the expiration date of the policy being renewed. If Landlord is provided with an ACORD certificate, it may demand that Tenant provide a complete copy of the related policy within ten (10) Business Days of Landlord's written request.
- 9.2.4 Tenant's obligations to carry the insurance provided for herein may be brought within the coverage of a so-called "blanket" policy or policies of insurance carried and maintained by Tenant with blanket limit of not less than provided, however, that the coverage afforded Landlord will not be reduced or diminished or otherwise be materially different from that which would exist under a separate policy meeting all other requirements hereof by reason of the use of the blanket policy, and provided further that the requirements of this Article IX (including satisfaction of the Facility Mortgagee's requirements and the approval of the Facility Mortgagee) are otherwise satisfied, and provided further that Tenant maintains specific allocations acceptable to Landlord. For any liability policies covering one or more other properties in addition to the Premises, Landlord may require excess limits as Landlord reasonably determines.
- **9.2.5** Each insurer under the insurance policies maintained by Tenant pursuant to this Article IX shall agree, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Landlord, that it will give to Landlord thirty (30) days' (ten (10) days' in the event of nonpayment) written notice before the policy or policies in question shall be materially altered or cancelled.
- 9.3 Replacement Costs. The term "replacement cost" shall mean the actual replacement cost of the insured property from time to time with new materials and workmanship of like kind and quality (including the cost of compliance with changes in zoning and building codes and other laws and regulations, demolition and debris removal and increased cost of construction). If Landlord reasonably believes that the replacement cost has increased at any time during the Term, it shall have the right to have such replacement cost redetermined by an impartial national insurance company reasonably acceptable to both parties (the "impartial appraiser"). The determination of the impartial appraiser shall be final and binding, and, as necessary, Tenant shall increase, but not decrease, the amount of the

insurance carried pursuant to this Article IX to the amount so determined by the impartial appraiser. Each party shall pay the state of the impartial appraiser. If Tenant has made Alterations, Landlord may at Tenant's expense have the replacement cost redetermined at any time after such Alterations are made.

- 9.4 <u>Claims-Made Policies</u>. If Tenant obtains and maintains the commercial general liability coverage and/or professional liability coverage described in Sections 9.1.5 and 9.1.7 above on a "claims-made" basis, Tenant shall provide continuous liability coverage for claims arising during the Term and providing for an extended reporting period reasonably acceptable to Landlord for a minimum of two (2) years after expiration of the Term. If such policy is canceled or not renewed for any reason whatsoever, Tenant must provide evidence of a replacement policy reflecting coverage with retroactive coverage back to the commencement date of the term and maintain such coverage for a period of at least two (2) years beyond the expiration of the Term or Tenant must obtain tail coverage for the length of the remaining term plus an additional two (2) years beyond the expiration of the Term.
- 9.5 Non-Renewal. If Tenant fails to cause the insurance required under Article IX to be issued in the names herein called for, fails to pay the premiums therefor or fails to deliver such policies or certificates thereof to Landlord, at the times required, Landlord shall be entitled, but shall have no obligation, to obtain such insurance and pay the premiums therefor, in which event the documented cost thereof, together with interest thereon at the Agreed Rate, shall be repayable to Landlord upon demand therefor.
- 9.6 <u>Deductibles</u>. Deductibles/self-insured retentions for the insurance policies required under this Article IX shall not be greater than provided, however, that the deductibles/self-insured retentions for losses sustained from earthquake (including earth movement), flood or windstorm (i.e., wind/hail) may be equal to, but not greater than, applicable Facility.
- 9.7 Increase in Limits; Types of Coverages. If, from time to time after the Commencement Date, Landlord determines in the exercise of its commercially reasonable judgment that the limits of the insurance required to be maintained by Tenant hereunder are no longer commensurate to the limits being regularly required by institutional landlords of similar properties in the applicable Situs State or their institutional lenders or that a particular type of insurance coverage is being regularly required by institutional landlords of similar properties in the applicable Situs State or their institutional lenders and is not then required hereunder, Landlord may notify Tenant of the same, in writing, indicating the particular limit or type of coverage that Landlord has determined should be increased or carried by Tenant, as applicable. Unless Tenant, in the exercise of its commercially reasonable judgment, objects to Landlord's determination, then within thirty (30) days after the receipt of such notice, Tenant shall thereafter increase the particular limit or obtain the particular coverage, as applicable, unless and until further modified pursuant to the provisions of this Section 9.7. Notwithstanding anything herein to the contrary, Landlord shall not request a modification of the insurance requirements of this Lease more frequently than once every three (3) years. If Tenant, in the exercise of its commercially reasonable judgment, objects to Landlord's determination made under this Section 9.7 and Landlord and Tenant are unable to agree upon the matter within fifteen (15) days of Tenant's receipt of the applicable notice from Landlord, such determination shall be made by a reputable insurance company, consultant or expert (an "Insurance **Arbitrator**") with experience in the skilled nursing insurance industry as mutually identified by Landlord and Tenant in the exercise of their reasonable judgment. As a condition to a determination of commercial reasonableness with respect to any particular matter, the Insurance Arbitrator shall be capable of providing, procuring or identifying particular policies or coverages that would be available to Tenant and would satisfy the requirement in issue. The determinations made by any such experts shall be binding on Landlord and Tenant for purposes of this Section 9.7, and the costs, fees and expenses of the same shall

be shared equally by Tenant and Landlord. If Tenant and Landlord are unable to mutually agree upon an Insurance Arbitrator, each party shall within ten (10) days after written demand by the other select one Insurance Arbitrator. Within ten (10) days of such selection, the Insurance Arbitrators so selected by the parties shall select a third (3rd) Insurance Arbitrator who shall be solely responsible for rendering a final determination with respect to the insurance requirement in issue. If either party fails to select an Insurance Arbitrator within the time period set forth above, the Insurance Arbitrator selected by the other party shall alone render the final determination with respect to the insurance requirement in issue in accordance with the foregoing provisions and such final determination shall be binding upon the parties. If the Insurance Arbitrators selected by the parties are unable to agree upon a third (3rd) Insurance Arbitrator within the time period set forth above, either party shall have the right to apply at Tenant's and Landlord's joint expense to the presiding judge of the court of original trial jurisdiction in the county in which any Facility is located to name the third (3rd) Insurance Arbitrator.

9.8 No Separate Insurance. Tenant shall not, on Tenant's own initiative or pursuant to the request or requirement of any third party, (a) take out separate insurance concurrent in form or contributing in the event of loss with that required in this Article IX to be furnished by, or which may reasonably be required to be furnished by, Tenant or (b) increase the amounts of any then existing insurance by securing an additional policy or additional policies, unless all parties having an insurable interest in the subject matter of the insurance, including in all cases Landlord and all Facility Mortgagees, are included therein as additional insureds and the loss is payable under such insurance in the same manner as losses are payable under this Lease. Notwithstanding the foregoing, nothing herein shall prohibit Tenant from insuring against risks not required to be insured hereby, and as to such insurance, Landlord and any Facility Mortgagee need not be included therein as additional insureds, nor must the loss thereunder be payable in the same manner as losses are payable hereunder except to the extent required to avoid a default under the Facility Mortgage.

ARTICLE X REPRESENTATIONS AND WARRANTIES

10.1 General. Each party represents and warrants to the other that: (a) this Lease and all other documents executed or to be executed by it in connection herewith have been duly authorized and shall be binding upon it; (b) it is duly organized, validly existing and in good standing under the laws of the state of its formation and is duly authorized and qualified to perform this Lease within the applicable Situs State; and (c) neither this Lease nor any other document executed or to be executed in connection herewith violates the terms of any other agreement of such party.

10.2 Anti-Terrorism Representations.

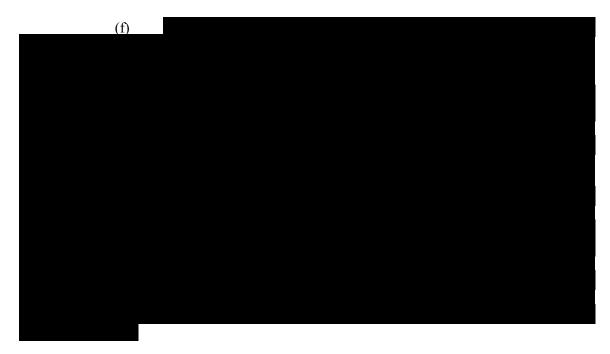
10.2.1 Tenant hereby represents and warrants that neither Tenant, nor any persons or entities holding any legal or beneficial interest whatsoever in Tenant, are (a) the target of any sanctions program that is established by Executive Order of the President or published by the Office of Foreign Assets Control, U.S. Department of the Treasury ("OFAC"); (b) designated by the President or OFAC pursuant to the Trading with the Enemy Act, 50 U.S.C. App. § 5, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701-06, the Patriot Act, Public Law 107-56, Executive Order 13224 (September 23, 2001) or any Executive Order of the President issued pursuant to such statutes; or (c) named on the following list that is published by OFAC: "List of Specially Designated Nationals and Blocked Persons" (collectively, "Prohibited Persons"). Tenant hereby represents and warrants to Landlord that no funds tendered to Landlord by Tenant under the terms of this Lease are or will be directly or indirectly derived from activities that may contravene U.S. federal, state or international laws and regulations, including anti-money laundering laws. If the foregoing representations are untrue at any

time during the Term, an Event of Default will be deemed to have occurred, without the necessity of notice to Tenant.

- 10.2.2 Tenant will not during the Term of this Lease engage in any transactions or dealings, or be otherwise associated with, any Prohibited Persons in connection with the use or occupancy of the Premises. A breach of the representations contained in this Section 10.2 by Tenant shall constitute a material breach of this Lease and shall entitle Landlord to any and all remedies available hereunder, or at law or in equity.
- **10.3** Additional Representations and Warranties. To induce Landlord to execute this Lease and perform its obligations hereunder, Tenant hereby represents and warrants to Landlord that the following are true and correct as of the Commencement Date:
- 10.3.1 No consent or approval of, or filing, registration or qualification with any Governmental Authority or any other Person is required to be obtained or completed by Tenant or any Affiliate in connection with the execution, delivery, or performance of this Lease that has not already been obtained or completed.
- 10.3.2 The identity of the holders of the partnership or membership interests or shares of stock, as applicable, in Tenant and their respective percentage of ownership as of the Commencement Date are set forth on Schedule 2. No partnership or limited liability company interests, or shares of stock, in Tenant, other than those described above, are issued and outstanding. There are no preemptive or other outstanding rights, options, warrants, conversion rights or similar agreements or understandings for the purchase or acquisition from Tenant of any partnership or limited liability company interest of or shares of stock in Tenant except as may be set forth in Tenant's organizational and formation documents, complete, true and accurate copies of which have been provided to Landlord.
- 10.3.3 Neither Tenant nor Guarantor is insolvent and there has been no Bankruptcy Action by or against any of them. Tenant's assets do not constitute unreasonably small capital to carry out its business as conducted or as proposed to be conducted.
- 10.3.4 All financial statements and other documents and information previously furnished by or on behalf of any Tenant or Guarantor to Landlord in connection with the Facilities and this Lease are true, complete and correct in all material respects and fairly present on a consistent basis with the financial conditions of the subjects thereof for the immediately prior periods as of the respective dates thereof and do not fail to state any material fact necessary to make such statements or information not misleading, and no material adverse change with respect to any Facility, Tenant or Guarantor has occurred since the respective dates of such statements and information. Neither Tenant nor any Guarantor has any material liability, contingent or otherwise, not disclosed in such financial statements and which is required to be disclosed in such financial statements in accordance with GAAP.
- 10.3.5 Tenant has each Authorization and other rights from, and has made all declarations and filings with, all applicable Governmental Authorities, all self-regulatory authorities and all courts and other tribunals necessary to engage in the management and operation of the Facilities for the Primary Intended Use. No Governmental Authority is, to Tenant's knowledge, considering limiting, suspending or revoking any such Authorization. All such Authorizations are valid and in full force and effect and Tenant is in material compliance with the terms and conditions of all such Authorizations.

10.3.6 Tenant represents and warrants to Landlord as follows:

- (a) Tenant has no actual knowledge of and neither Tenant nor any of its Affiliates has received any written notice of outstanding deficiencies or work orders of any authority having jurisdiction over any portion of the Property;
- (b) Tenant has no actual knowledge of and neither Tenant nor any of its Affiliates has received any notice of any claim, requirement or demand of any licensing or certifying agency supervising or having authority over any Facility to rework or redesign it in any material respect or to provide additional furniture, fixtures, equipment or inventory so as to conform to or comply with any law which has not been fully satisfied;
- (c) Neither Tenant nor any of its Affiliates has received any written notice from any governmental authority of any material violation of any law applicable to any portion of the Premises or any Facility;
- (d) There is no pending or, to the actual knowledge of Tenant, threatened condemnation or similar proceeding or assessment affecting the Premises, nor, to the actual knowledge of Tenant, is any such proceeding or assessment contemplated by any governmental authority;
- (e) As of the date hereof, there is no action pending or, to the actual knowledge of Tenant, recommended by the appropriate state agency to revoke, withdraw or suspend any license to operate any Facility, or certification of any Facility, or any material action of any other type with regard to licensure or certification. Each Facility is operating and functioning as a skilled nursing facility without any waivers from a governmental agency affecting such Facility except and is fully licensed for a skilled nursing facility, as applicable, by the State of California for the number of beds and licensure category set forth in Schedule 1 hereto.



ARTICLE XI DAMAGE AND DESTRUCTION

11.1 <u>Notice of Damage or Destruction</u>. Tenant shall promptly notify Landlord of any damage or destruction of any Facility in excess of the damage or destruction and the Facility or Facilities damaged, (b) the nature of the damage or destruction together with a description of the extent of such damage or destruction, (c) a preliminary estimate of the cost to repair, rebuild, restore or replace the Facility, and (d) a preliminary estimate of the schedule to complete the repair, rebuilding, restoration or replacement of the Facility.

Restoration. Tenant shall diligently repair or reconstruct any Facility that has been damaged or destroyed to a like or better condition than existed prior to such damage or destruction in accordance with Section 7.5. Any net insurance proceeds payable with respect to such damage or destruction (i) if or less shall be paid directly to Tenant for the repair or reconstruction of such Facility in the manner required by this Lease, or (ii) if in excess of , shall be paid directly to Landlord and; provided Tenant is diligently performing the restoration and repair work with respect to such Facility and no Event of Default has occurred hereunder, shall be used for the repair or reconstruction of such Facility. Landlord shall disburse any such net insurance proceeds as and when required by Tenant in accordance with normal and customary practice for the payment of a general contractor in connection with construction projects similar in scope and nature to the work being performed by or on behalf of Tenant, including, without limitation, the withholding of of each disbursement until the required work is completed as evidenced by a certificate of occupancy or similar evidence issued upon an inspection by the applicable Governmental Authority and proof has been furnished to Landlord that no lien has attached or will attach to the applicable Facility in connection with the restoration and repair work. If the Facility is able to be restored as provided herein but the applicable laws, rules or regulations of any Governmental Authority having jurisdiction over the repair or reconstruction then in effect results in a reduced number of licensed beds at the Facility despite Tenant's commercially reasonable efforts to obtain a variance from any such Governmental Authority, then the current Base Rent shall be proportionally reduced as provided in Section 12.4 in the case of a Partial Taking.

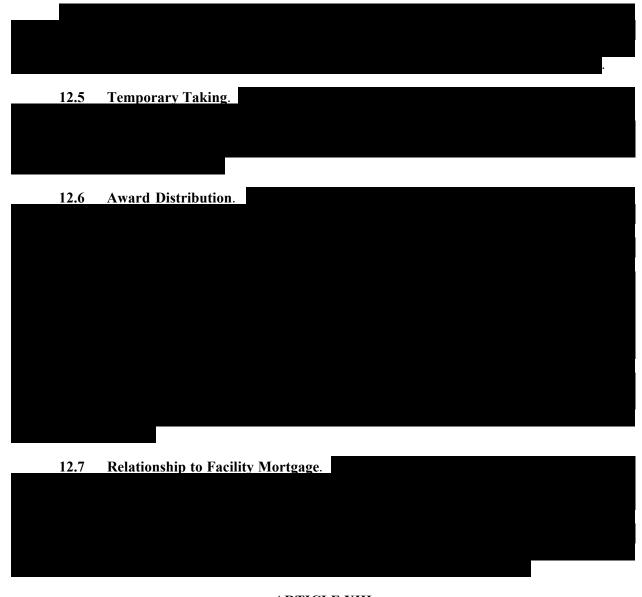
11.3 <u>Insufficient or Excess Proceeds</u>. If the net insurance proceeds paid to Landlord in connection with any such damage or destruction are insufficient, Tenant shall nevertheless remain responsible, at its sole cost and expense, to repair and reconstruct the applicable Facility as required in this Article XI and Tenant shall provide the required additional funds. Tenant expressly assumes all risk of loss in connection with any damage or destruction to a Facility, whether or not such damage or destruction is insurable or insured against. Tenant shall pay any insurance deductible and any other uninsured Losses. If the net insurance proceeds paid to Landlord in connection with any such damage or destruction are more than sufficient, the surplus shall belong and be paid to Tenant; provided, however, that any such surplus shall be paid by Landlord to Tenant only following the disbursement of net insurance proceeds necessary to complete the repair and restoration work as required pursuant to this Article XI. Tenant shall not have any right under this Lease, and hereby waives all rights under applicable law, to abate, reduce, or offset rent by reason of any damage or destruction of any Facility by reason of an insured or uninsured casualty.





ARTICLE XII CONDEMNATION

- **12.1** <u>General</u>. Except as provided to the contrary in this Article XII, a Condemnation of any Facility or any portion thereof shall not terminate this Lease, which shall remain in full force and effect, and Tenant hereby waives all rights under applicable law to abate, reduce or offset Rent by reason of any such Condemnation.
- **12.2** <u>Notice of Taking</u>. Tenant and Landlord, as the case may be, promptly upon obtaining knowledge of the institution of any proceeding for a Condemnation, shall each notify the other and any Facility Mortgagee thereof and Tenant, Landlord and Facility Mortgagee shall be entitled to participate in any Condemnation proceeding.
- 12.3 Complete Taking.
- 12.4 Partial Taking.



ARTICLE XIII DEFAULT

- 13.1 <u>Events of Default</u>. The occurrence of any of the following shall constitute an "Event of **Default**" and there shall be no cure period therefor except as otherwise expressly provided in this Section 13.1:
- 13.1.1 Tenant shall fail to pay any installment within five (5) Business Days of its Payment Date;
- 13.1.2 (a) The final and non-appealable (provided that during any period of appeal Tenant is permitted to continue and continues operation of the affected Facility in compliance with this Lease) revocation or termination of any Authorization that would have a material adverse effect on the operation of any Facility for its Primary Intended Use; (b) except as permitted pursuant to the terms of Article XII or Article XII in connection with a casualty or Condemnation, the voluntarily cessation of

operations at any Facility for a period in excess of thirty (30) days; (c) the sale or transfer of all or any portion of any Authorization; or (d) the use of any Facility other than for its Primary Intended Use;

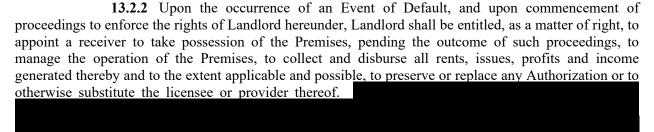
- Any material suspension, limitation or restriction placed upon Tenant, any 13.1.3 Authorization, any Facility, the operations at any Facility or Tenant's ability to admit residents or patients at the Premises (e.g., an admissions ban or non-payment for new admissions by any Thirty Party Payor Program resulting from an inspection survey); provided, however, if any such material suspension, limitation or restriction (each, a "Citation") is curable by Tenant under the applicable Authorization or Legal Requirement, it shall not constitute an Event of Default if Tenant promptly commences to cure such Citation and thereafter diligently pursues such cure to the completion thereof (a) within prior to expiration of the time period in which the applicable Governmental Authority has given Tenant to undertake and complete corrective action or (b) if such period is or less, then no later than the number of days (rounded up to the next full day in case of a partial day) equal to time period within which the applicable Governmental Authority has given Tenant to undertake and complete corrective action (the "Citation Cure Period"). Landlord shall extend the Citation Cure Period with respect to any Citation to the extent that Tenant has received from such Governmental Authority an extension of the time within which such noncompliance is required to be cured or Tenant is contesting or appealing such Citation in good faith by appropriate proceedings, timely filed and diligently prosecuted by Tenant (provided that during any period of contest appeal Tenant is permitted under all Legal Requirements to continue, and continues, operation of the affected Facility in compliance with this Lease);
- 13.1.4 a material default shall occur under any other lease or agreement between Landlord or an Affiliate of Landlord and Tenant (or Guarantor) or an Affiliate of Tenant (or Guarantor), or any letter of credit, guaranty, mortgage, deed of trust, or other instrument executed by Tenant (or Guarantor) or an Affiliate of Tenant (or Guarantor) in favor of Landlord or an Affiliate of Landlord, in every case, whether now or hereafter existing, where the default is not cured within any applicable grace period set forth therein;

13.1.5 intentionally omitted;

- 13.1.6 Tenant, any Guarantor, or any Affiliate of Tenant or any Guarantor shall (a) admit in writing its inability to pay its debts generally as they become due; (b) file a petition in bankruptcy or a petition to take advantage of any insolvency act; (c) make an assignment for the benefit of its creditors; (d) consent to the appointment of a receiver of itself or of the whole or any substantial part of its property; or (e) file a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof:
- 13.1.7 Any petition is filed by or against any Tenant, any Guarantor, or any Affiliate of any Tenant or any Guarantor under federal bankruptcy laws, or any other proceeding is instituted by or against any Tenant, any Guarantor or any Affiliate of any Tenant or any Guarantor seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for any Tenant, any Guarantor or any Affiliate of any Tenant or any Guarantor, or for any substantial part of the property of any Tenant, any Guarantor or any Affiliate of any Tenant or any Guarantor and Tenants fails to notify Landlord of such proceeding within three (3) Business Days of the institution thereof and such proceeding is not dismissed within sixty (60) days after institution thereof, or any Tenant, any Guarantor or any Affiliate of any Tenant or any Guarantor shall take any action to authorize or effect any of the actions set forth above in this Section 13.1.7;

- **13.1.8** Any of the representations or warranties made by Tenant in this Lease or by Guarantor in the Guaranty proves to be untrue when made in any material respect;
- 13.1.9 Tenant fails to observe or perform any term, covenant or other obligation of Tenant set forth in Section 6.7 and such failure is not cured within ten (10) days after receipt of notice of such failure from Landlord;
- **13.1.10** Tenant fails to perform or comply with the provisions of Section 3.1 or Section 3.2, as applicable, Section 6.11, Section 6.12, Section 6.13, Article IX or Article XVII within the applicable time periods set forth therein, if any; or
- 13.1.11 Tenant fails to observe or perform any other term, covenant or condition of this Lease not previously enumerated in this Section 13.1 and such failure is not cured by Tenant within thirty (30) days after notice thereof from Landlord, unless such failure cannot with due diligence be cured within a period of thirty (30) days, in which case such failure shall not be deemed to be an Event of Default if Tenant commences the cure within such thirty (30) day period, proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof within one hundred twenty (120) days after such notice from Landlord; provided, however, that such notice shall be in lieu of and not in addition to any notice required under applicable law. No Event of Default (other than those consisting of payments and other financial obligations, including, without limitation, the payment of Rent under this Lease) shall be deemed to exist under this Section 13.1.11 during any time the curing thereof is prevented by "Force Majeure," provided that Tenant shall use its reasonable best efforts to remedy the Force Majeure to the extent Tenant is reasonably or practically able to do so and that, upon the cessation of the Force Majeure, Tenant immediately shall proceed to diligently remedy the action or condition giving rise to the Event of Default within the applicable cure period as extended by the Force Majeure. For purposes of the foregoing sentence, "Force Majeure" shall mean delays due to power failure, acts of God, enemy action, civil commotion, extreme weather or, to the extent approved Landlord in its reasonable discretion, other causes beyond the control of the party responsible for performing an obligation. Neither lack of funds nor general economic and or market factors shall be deemed a Force Majeure event that is beyond the control of Tenant. In the event of any occurrence which Tenant believes constitutes a cause beyond the reasonable control of Tenant and which will delay cure of the subject default, Tenant shall promptly notify Landlord in writing of the occurrence and nature of such cause, the anticipated period of delay and the steps being taken by Tenant to mitigate the effects of such delay.
- 13.2 Remedies. Upon the occurrence of an Event of Default, Landlord may exercise all rights and remedies under this Lease and the laws of the applicable Situs State that are available to a lessor of real and personal property in the event of a default by its lessee, and as to the Lease Collateral, all remedies granted under the laws of the applicable Situs State to a secured party under its Uniform Commercial Code. Landlord shall have no duty to mitigate damages unless required by applicable law and shall not be responsible or liable for any failure to relet any Facility or to collect any rent due upon any such reletting. Tenant shall pay Landlord, immediately upon demand, all documented and reasonable expenses incurred by it in obtaining possession and reletting any Facility, including fees, commissions and costs of attorneys, architects, agents and brokers.
- 13.2.1 Without limiting the foregoing, Landlord shall have the right (but not the obligation) to do any of the following upon an Event of Default: (a) sue for the specific performance of any covenant of Tenant as to which it is in breach; (b) enter upon any Facility, terminate this Lease, dispossess Tenant from any Facility and/or collect money damages by reason of Tenant's breach, including the present value of all Rent which would have accrued after such termination and all obligations and liabilities of Tenant under this Lease which survive the termination of the Term, less the present value of the amount of such rental loss that Tenant proves could have been reasonably avoided

(with present value, in each instance, being computed using the discount rate of the Federal Reserve Bank of San Francisco as of the date of acceleration plus (c) elect to leave this Lease in place and sue for Rent and other money damages as the same come due; (d) (before or after repossession of a Facility pursuant to clause (b) above and whether or not this Lease has been terminated) relet such Facility to such tenant, for such term (which may be greater or less than the remaining balance of the Term), rent, conditions (which may include concessions or free rent) and uses as it may determine in its sole discretion and collect and receive any rents payable by reason of such reletting; and (e) sell any Lease Collateral in a non-judicial foreclosure sale.



. Tenant irrevocably consents to the appointment of a receiver following an Event of Default and thus stipulates to and agrees not to contest the appointment of a receiver under such circumstances and for such purposes.

- 13.2.3 If Tenant at any time shall fail to make any payment or perform any act on its part required to be made or performed under this Lease, then Landlord may, without waiving or releasing Tenant from any obligations or default hereunder, make such payment or perform such act for the account and at the expense of Tenant, and enter upon the applicable Facility for the purpose of taking all such action as may be reasonably necessary. No such entry shall be deemed an eviction of Tenant. All documented sums so paid by Landlord and all necessary, incidental and documented costs and expenses (including reasonable attorneys' fees and expenses) incurred in connection with the performance of any such act by it, together with interest at the Agreed Rate from the date of the making of such payment or the incurring of such costs and expenses, shall be payable by Tenant to Landlord upon Landlord's written demand therefor.
- 13.2.4 No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity. Any notice or cure period provided herein shall run concurrently with any provided by applicable law.
- 13.2.5 If Landlord initiates judicial proceedings or if this Lease is terminated by Landlord pursuant to this Article XIII, Tenant waives, to the extent permitted by applicable law, (a) any right of redemption, re-entry, or repossession; and (b) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt.

ARTICLE XIV OBLIGATIONS OF TENANT ON EXPIRATION OR TERMINATION OF LEASE

14.1 <u>Surrender</u>. On the Expiration Date or earlier termination or cancellation of this Lease (or the earlier dispossession of Tenant from any Facility), Tenant shall deliver to Landlord or Landlord's designee (a) possession of each Facility in a neat and clean condition, with each Facility being fully operational as of such date and in compliance in all material respects with all Authorizations, and (b) all business records (other than corporate financial records or proprietary materials), data, patient and resident records, and patient and resident trust accounts, which may be necessary, desirable or advisable

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for the operation of each Facility for its Primary Intended Use. Tenant shall have no obligation to perform any Alterations necessitated by, or imposed in connection with, a change of ownership inspection survey for the transfer of operation of such Facility to Landlord or Landlord's designee unless such Alterations were previously required hereunder or by the applicable licensing authorities to be undertaken by Tenant prior to the Expiration Date (or earlier termination date or cancellation of this Lease or earlier dispossession of Tenant from any Facility) and Tenant failed to do so.

14.2 Transition.

14.2.1 In connection with the expiration or earlier termination of this Lease with respect to any Facility, or the earlier dispossession of Tenant from any Facility, Landlord shall have the right to require an Operational Transfer with respect to such Facility by delivery to Tenant of a Transition Notice (as defined below). As used in this Lease, "Operational Transfer" shall mean the transfer and transition, practically and legally, of the day-to-day operations of a Facility for the Primary Intended Use of such Facility to Landlord and/or Landlord's designee without interruption of the business activities therein, regulatory or otherwise. Landlord may exercise its right to require an Operational Transfer by delivering written notice to Tenant of Landlord's election to require an Operational Transfer (a "Transition Notice") at any time.

14.2.2 In connection with an Operational Transfer, or at the time of Tenant's surrender of a Facility to Landlord or its designee, Tenant shall cooperate fully with Landlord or its designee in transferring (or obtaining) all Authorizations and Governmental Payors' certifications and shall take all necessary actions, including, without limitation, filing such applications, petitions and transfer notices and making such assignments, conveyances and transfers as are necessary, desirable or advisable to accomplish an Operational Transfer. In connection therewith, Tenant shall transfer, to the extent permitted by applicable law, to Landlord or Landlord's designee all contracts, including contracts with Governmental Authorities, which may be necessary, desirable or advisable for the operation of each Facility for its Primary Intended Use. Subject to all applicable Legal Requirements, Tenant hereby assigns, effective upon the Expiration Date or earlier termination or cancellation of this Lease (or the earlier dispossession of Tenant from any Facility), all rights to operate the Facility to Landlord or its designee, including all required Authorizations and all rights to apply for or otherwise obtain them. In furtherance of the foregoing, Tenant agrees to enter into a commercially reasonable operations transfer agreement with Landlord or Landlord's designee, which agreement shall provide, inter alia, for the proration of operational revenues and liabilities based on when Landlord or its designee actually takes possession of the applicable Facility or Facilities.

14.2.3 Tenant agrees to enter into reasonable and customary interim sublease agreements or management agreements as may be necessary to effect a transfer of the operations of the Facility or Facilities for their Primary Intended Use prior to the time that Landlord or its designee, as applicable, holds all Authorizations from all applicable Governmental Authorities necessary to so operate such Facility or Facilities, and (b) Tenant shall remain as licensee and participating provider in any payment programs with Governmental Payors or third party payors in which a Facility participates until such time as Landlord or its designee has received all Authorizations necessary to operate any Facility.

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14.2.4 Notwithstanding anything in this Lease which may be construed to the contrary, if (i) Landlord delivers a Transition Notice as to a particular Facility or Facilities, (ii) the Term expires prior to the delivery of a Transition Notice but Landlord has not delivered a Closure Notice, or (iii) this Lease is terminated as a result of an Event of Default and Landlord has not delivered a Closure Notice, then in all such cases Tenant shall thereafter continue to operate the Facility or Facilities in accordance with all of the requirements of this Lease until the earliest to occur of the following: (a) the date on which a successor operator assumes operation of such Facility, (b) the date that is one hundred eighty (180) days after the Expiration Date, or (c) the date on which such Facility is closed by Tenant in accordance with and pursuant to the requirements of this Lease and in connection with a Closure Notice delivered by Landlord.

14.2.5 If Tenant operates one or more Facilities after the Expiration Date or earlier termination of this Lease (either pursuant to Landlord's request or pursuant to Section 14.2.4, then, from and after the expiration of this Lease and until the earliest to occur of the dates described in Section 14.2.4 (the "Reimbursement Period"),

. Any such reimbursement

shall be due from Landlord to Tenant within twenty (20) days after request by Tenant, provided that Tenant shall furnish such documentation of any operating deficits, losses and expenses as Landlord may reasonably request.

14.2.6 Notwithstanding anything to the contrary contained in this Lease, Tenant shall not, prior to delivery of a Closure Notice by Landlord to Tenant, commence to wind up and terminate the operations of any Facility or relocate the patients or occupants of any Facility to any other health care facility (a "Facility Termination"). Notwithstanding the foregoing, if Landlord has not delivered a Closure Notice or a Transition Notice to Tenant prior to the day that is one hundred twenty (120) days following the Expiration Date, then Tenant may commence the Facility Termination as to such Facility or Facilities and, upon the closure of such Facility or Facilities in accordance with this Lease and all applicable Legal Requirements, Tenant shall vacate such Facility or Facilities and surrender possession thereof to Landlord in accordance with all applicable requirements of this Lease. If, prior to the day that is one hundred twenty (120) days following the Expiration Date, Landlord delivers a Transition Notice to Tenant, Tenant shall not commence or otherwise engage in a Facility Termination with respect to the applicable Facility or Facilities. If Landlord delivers a Closure Notice and elects to institute a Facility Termination, Tenant shall, upon the prior written approval of Landlord, take all commercially reasonable steps necessary, in compliance in all material respects with all Legal Requirements and Authorizations, to timely effectuate the same, all at Tenant's sole cost and expense.

14.2.7 The terms of this Section 14.2 shall survive the expiration or sooner termination of this Lease.

14.3 <u>Tenant Personal Property</u>. Provided that no Event of Default then exists and is continuing, in connection with the surrender of the Premises, Tenant may upon at least five (5) Business Days prior notice to Landlord remove from the Premises in a workmanlike manner all Tenant Personal Property, leaving the Premises in good and presentable condition and appearance, including repairing any damage caused by such removal; provided, however, that prior to any such removal, Landlord shall have the right and option to purchase for itself or its designee all or some of the Tenant Personal Property (other than the Excluded Tenant Personal Property) for its then net book value during such five (5)

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Business Day notice period, in which case Tenant shall so convey the requested Tenant Personal Property to Landlord or its designee by executing a bill of sale in a form reasonably required by Landlord. If there is any Event of Default then existing, Tenant will not remove any Tenant Personal Property from the Premises and instead will, on demand from Landlord, convey it (other than the Excluded Tenant Personal Property) to Landlord or its designee for no additional consideration by executing a bill of sale in a form reasonably required by Landlord. Title to any Tenant Personal Property which is not removed by Tenant as permitted above upon the expiration of the Term shall, at Landlord's election, vest in Landlord or its designee; provided, however, that Landlord may remove and store or dispose at Tenant's expense any or all of such Tenant Personal Property which is not so removed by Tenant without obligation or accounting to Tenant.

14.4 Facility Trade Name. If this Lease is terminated by reason of an Event of Default or Landlord exercises its option to purchase or is otherwise entitled to retain the Tenant Personal Property pursuant to Section 14.3 above, Landlord or its designee shall be permitted to use the name under which each Facility has done business during the Term in connection with the continued operation of such Facility for its Primary Intended Use, but for no other use and not in connection with any other property or facility; provided that Landlord shall have no right to retain or use the name or any derivative thereof.

14.5 <u>Holding Over</u>. If Tenant shall for any reason remain in possession of any Facility after the Expiration Date, such possession shall be a month-to-month tenancy during which time Tenant shall pay as rental on the first (1st) Business Day of each month the monthly Base Rent payable with respect to the last Lease Year, plus all Additional Rent accruing during the month and all other sums, if any, payable by Tenant pursuant to this Lease. Nothing contained herein shall constitute the consent, express or implied, of Landlord to the holding over of Tenant after the Expiration Date, nor shall anything contained herein be deemed to limit Landlord's remedies.

ARTICLE XV INDEMNIFICATION





ARTICLE XVI LANDLORD'S FINANCING

16.1 Grant Lien. Without the consent of Tenant, Landlord may from time to time, directly or indirectly, create or otherwise cause to exist any Facility Mortgage upon any Facility or interest therein. This Lease is and at all times shall be subject and subordinate to any such Facility Mortgage which may now or hereafter affect any Facility or interest therein and to all renewals, modifications, consolidations, replacements, restatements and extensions thereof or any parts or portions thereof; provided, however, so long as no Event of Default has occurred, no Facility Mortgagee shall have the right to disturb Tenant's leasehold interest or possession of any Facility or interfere with any other rights of Tenant accorded by the terms of this Lease. This provision shall be self-operative and no further instrument of subordination shall be required to give it full force and effect; provided, however, that in confirmation of such subordination, Tenant shall execute promptly any certificate or document that Landlord or any Facility Mortgagee may request for such purposes so long as the same contains commercially reasonable non-disturbance and attornment provisions.

Attornment. If Landlord's interest in any Facility or interest therein is sold, conveyed or terminated upon the exercise of any remedy provided for in any Facility Mortgage Documents (or in lieu of such exercise), or otherwise by operation of law: (a) at the request and option of the new owner or superior lessor, as the case may be, Tenant shall attorn to and recognize the new owner or superior lessor as Tenant's "landlord" under this Lease or enter into a new lease substantially in the form of this Lease with the new owner or superior lessor, and Tenant shall take such actions to confirm the foregoing within ten (10) Business Days after request; and (b) the new owner or superior lessor shall not be (i) liable for any act or omission of Landlord under this Lease occurring prior to such sale, conveyance or termination; (ii) subject to any offset, abatement or reduction of rent because of any default of Landlord under this Lease occurring prior to such sale, conveyance or termination; (iii) bound by any previous modification or amendment to this Lease (other than a modification or amendment solely memorializing Tenant's unilateral exercise of its right under this Lease to extend the Term of this Lease for any Extension Term) or any previous prepayment of more than one month's rent, unless such modification, amendment or prepayment shall have been approved in writing by such Facility Mortgagee or, in the case of such prepayment, such prepayment of rent has actually been delivered to such new owner or superior lessor; or (iv) liable for any security deposit or other collateral deposited or delivered to Landlord pursuant to this

Lease unless such security deposit or other collateral has actually been delivered to such new owner or superior lessor.

Cooperation; Modifications. Notwithstanding anything in this Lease to the contrary, 16.3 Tenant hereby agrees that in connection with obtaining any Facility Mortgage for any Facility or interest therein, including, without limitation, where the Facility Mortgagee is an Agency Lender, Tenant shall: (i) execute and deliver to such Agency Lender or other Facility Mortgagee (on the form required by such Agency Lender or other Facility Mortgagee) any tenant regulatory agreements (including, without limitation, the form of regulatory agreement typically required by Agency Lenders), subordination agreements (including, without limitation, the form of subordination, assignment and security agreement typically required by Agency Lenders), or other similar agreements customarily required by Agency Lenders and other Facility Mortgagees in connection with a mortgage relating to a skilled nursing facility or assisted living facility, and (ii) modify this Lease as reasonably necessary to incorporate the provisions and requirements generally imposed by an Agency Lender or other Facility Mortgagee in connection with a facility lease relating to a skilled nursing facility or assisted living facility encumbered with a Facility Mortgage by an Agency Lender or other Facility Mortgagee, including, without limitation, requirements that: (a) Tenant comply with the operational requirements set forth in the applicable Facility Mortgage Documents (including, without limitation, the obligations under any regulatory agreement or subordination agreement with an Agency Lender or other Facility Mortgagee), and (b) in lieu of any duplicate impound and/or reserve obligations hereunder, obligate Tenant to fund reserves with the Agency Lender or other Facility Mortgagee for taxes, insurance and/or capital improvement and repair obligations as may be required by said Agency Lender or other Facility Mortgagee. In the event any Agency Lender or other Facility Mortgagee requires, as a condition to making a Facility Mortgage, an intercreditor agreement with any receivables lender of Tenant, Tenant shall enter into any such intercreditor agreement and shall take all commercially reasonable efforts to cause said receivables lender to enter into such intercreditor agreement with said Agency Lender or other Facility Mortgagee on terms acceptable to said Agency Lender or other Facility Mortgagee.

16.4 Compliance with Facility Mortgage Documents. Tenant acknowledges that any Facility Mortgage Documents executed by Landlord or any Affiliate of Landlord may impose certain obligations on the "borrower" or other counterparty thereunder to comply with or cause the operator and/or lessee of any Facility to comply with all representations, covenants and warranties contained therein relating to such Facility and the operator and/or lessee of such Facility, including, covenants relating to (a) the maintenance and repair of such Facility; (b) maintenance and submission of financial records and accounts of the operation of such Facility and related financial and other information regarding the operator and/or lessee of such Facility and such Facility itself; (c) the procurement of insurance policies with respect to such Facility; (d) periodic inspection and access rights in favor of the Facility Mortgagee; and (e) without limiting the foregoing, compliance with all applicable Legal Requirements relating to such Facility and the operations thereof. For so long as any Facility Mortgages encumber any Facility or interest therein, Tenant covenants and agrees, at its sole cost and expense and for the express benefit of Landlord, to operate such Facility in compliance with the terms and conditions of the Facility Mortgage Documents (other than payment of any indebtedness evidenced or secured thereby) and to timely perform all of the obligations of Landlord relating thereto, or to the extent that any of such duties and obligations may not properly be performed by Tenant, Tenant shall cooperate with and assist Landlord in the performance thereof (other than payment of any indebtedness evidenced or secured thereby); provided, however, this Section 16.4 shall not be deemed to (i) impose on Tenant obligations which (A) increase Tenant's monetary obligations under this Lease, or (B) materially and adversely increase Tenant's non-monetary obligations under this Lease, or (ii) materially diminish Tenant's rights under this Lease. If any new Facility Mortgage Documents to be executed by Landlord or any Affiliate of Landlord would impose on Tenant any obligations under this Section 16.4, Landlord shall provide copies

of the same to Tenant for informational purposes (but not for Tenant's approval) prior to the execution and delivery thereof by Landlord or any Affiliate of Landlord.

ARTICLE XVII ASSIGNMENT AND SUBLETTING

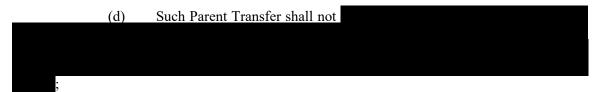
- 17.1 <u>Prohibition</u>. Except as otherwise set forth in this Article XVII, without the prior written consent of Landlord, which, except as otherwise set forth herein, may be withheld or conditioned in its sole and absolute discretion, Tenant shall not suffer or permit any Transfer (including, without limitation, a Transfer of this Lease or any interest herein) other than a Transfer that is expressly permitted pursuant to the terms of this Lease. Any such purported Transfer without Landlord's prior written consent (each an "Unapproved Transfer") shall be void and shall, at Landlord's sole option, constitute an Event of Default giving rise to Landlord's right, among other things, to terminate this Lease. If Landlord elects to waive its right to terminate this Lease as a result of any such Unapproved Transfer, this Lease shall continue in full force and effect; provided, however, that as of the date of such Unapproved Transfer, the Base Rent shall be increased by
- 17.2 <u>Landlord Consent</u>. If Landlord consents to a Transfer, such Transfer shall not be effective and valid unless and until the applicable transferee executes and delivers to Landlord any and all documentation reasonably required by Landlord. Any consent by Landlord to a particular Transfer shall not constitute consent or approval of any subsequent Transfer, and Landlord's written consent shall be required in all such instances. Except as otherwise expressly agreed to in writing by Landlord, no consent by Landlord to any Transfer shall be deemed to release Tenant from its obligations hereunder and Tenant shall remain fully liable for payment and performance of all obligations under this Lease. Without limiting the generality of the foregoing, in connection with any sublease arrangement that has been approved by Landlord, as a condition precedent to any such approval, any such sublease agreement shall include provisions required by Landlord pertaining to protecting its status as a real estate investment trust.

17.3 Transfers to Affiliates; Assignment to Approved Transferee; Parent Transfers.

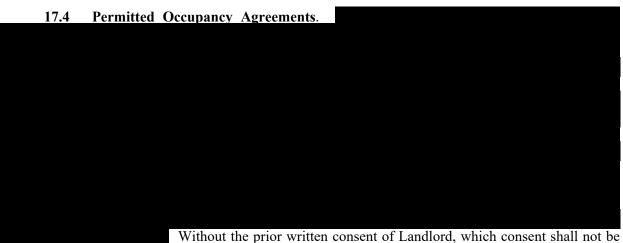
- 17.3.1 Notwithstanding Section 17.1 to the contrary, Tenant may, without Landlord's prior written consent, assign this Lease to a Person wholly (directly or indirectly) owned and Controlled by Tenant or Guarantor if all of the following are first satisfied: (a) such assignee fully assumes Tenant's obligations hereunder; (b) Tenant remains fully liable hereunder and Guarantor remains fully liable under the Guaranty; (c) Landlord in its reasonable discretion shall have approved the form and content of all documents for such assignment and received an executed counterpart thereof; (d) Tenant delivers evidence to Landlord that such assignment is permissible under all applicable Authorizations or that all necessary consents have been obtained to consummate such assignment; and (e) Tenant and/or such assignee executes and delivers such other documents as may be reasonably required by Landlord to effectuate the assignment and continue the security interests and other rights of Landlord pursuant to this Lease or any other documents executed in connection herewith.
- 17.3.2 Notwithstanding Section 17.1 to the contrary, with Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned, or delayed, Tenant may assign this Lease to an Approved Transferee if all of the following are satisfied:
 - (a) such Approved Transferee fully assumes, in writing, Tenant's obligations under this Lease;
 - (b) Both at the time Tenant seeks Landlord's consent to such assignment and as of the date of such assignment, no Event of Default shall have occurred and be continuing;

- (c) Immediately following such assignment, Guarantor has sufficient assets and income, in Landlord's reasonable judgment, to bear the financial responsibilities of Guarantor under the Guaranty;
- (d) Such assignment shall not (i)
- (e) Tenant shall have delivered to Landlord, for approval by Landlord in its reasonable discretion, all documentation relating to such assignment as Landlord may reasonably request;
- (f) Landlord shall have been provided all information regarding the proposed Approved Transferee as Landlord has reasonably requested, and Landlord shall have been afforded sufficient time to review and evaluate such information and any other information and to make prudent and rational business decisions relating thereto; and
- (g) Tenant shall pay (or reimburse Landlord), or cause to be paid or reimbursed, all reasonable out-of-pocket costs or expenses paid or incurred by Landlord, including reasonable fees of its advisors and representatives, including attorneys' fees, in connection with such assignment.
- 17.3.3 Notwithstanding anything in this Lease to the contrary, the Initial Parent Transfer shall be permitted without Landlord's prior written consent, provided Tenant notifies Landlord, in writing, of such Initial Parent Transfer at least five (5) days prior to the date on which such Initial Parent Transfer is to be effective. Said prior written notice shall include a reasonably detailed description of the Initial Parent Transfer and the parties involved, together with pre- and post-closing organizational charts and organizational documents (including all amendments and other modifications thereto) for Tenant, Guarantor and the owners of a majority of the direct or indirect ownership interest in Tenant or Guarantor. Except in connection with a permitted assignment of this Lease pursuant to Section 17.3.1 of this Lease or a sublease pursuant to Section 17.6 of this Lease, Tenant's rights under this Section 17.3.3 (that the Initial Parent Transfer shall not require Landlord's prior written consent): (i) are not transferable, assignable, or otherwise able to be conveyed in any manner whatsoever, in whole or in part, directly or indirectly, and such rights shall immediately terminate and be of no further force or effect upon any such purported transfer, assignment, or other conveyance, (ii) shall not survive, and shall terminate upon, any assignment, transfer, or other conveyance of Tenant's rights and obligations under this Lease, and (iii) do not apply to any other Transfer or Parent Transfer other than the Initial Parent Transfer and such rights shall automatically terminate and be of no further force or effect following the consummation of the Initial Parent Transfer.
- 17.3.4 Notwithstanding Section 17.1 to the contrary, with Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed, a Parent Transfer (other than the Initial Parent Transfer) shall be permitted if all of the following are satisfied:
 - (a) Both at the time Tenant seeks Landlord's consent to such Parent Transfer and as of the date of such Parent Transfer, no Event of Default shall have occurred and be continuing;

- (b) Immediately following the Parent Transfer, Tenant, Guarantor and any Person in Control of Tenant and Guarantor (after taking into account any changes of ownership and/or structure occurring as part of the Parent Transfer) are all Approved Transferees;
- (c) Immediately following the Parent Transfer, Guarantor has sufficient assets and income, in Landlord's reasonable judgment, to bear the financial responsibilities of Guarantor under the Guaranty;



- (e) Tenant and Guarantor shall have delivered to Landlord, for approval by Landlord in its reasonable discretion, all documentation relating to the applicable Parent Transfer as Landlord may reasonably request;
- (f) Landlord shall have been provided all information regarding the proposed Parent Transfer and Approved Transferees as Landlord may reasonably request, and Landlord shall have been afforded sufficient time to review and evaluate such information and any other information and to make prudent and rational business decisions relating thereto; and
- (g) Tenant shall pay (or reimburse Landlord), or cause to be paid or reimbursed, all documented and reasonable out-of-pocket costs or expenses paid or incurred by Landlord, including reasonable fees of its advisors and representatives, including reasonable attorneys' fees, in connection with such Parent Transfer.



unreasonably withheld, conditioned or delayed, Tenant shall not materially change the form of resident occupancy agreement that was submitted to Landlord prior to the Commencement Date; provided, however, no consent will be required for changes required by applicable law, including applicable licensure laws, but all changes to the form of resident occupancy agreement will be provided to Landlord as and when such changes are made.

17.5 <u>Costs</u>. Tenant shall reimburse Landlord for Landlord's documented and reasonable costs and expenses incurred in conjunction with the processing and documentation of any assignment, master subletting or management arrangement, including reasonable attorneys' or other consultants' fees whether

or not such assignment, master sublease or management agreement is ultimately consummated or executed.

17.6 Subleases.

- 17.6.1 <u>Immaterial Commercial Subleases</u>. Tenant shall have the right to sublease a portion of any Facility without the prior consent of Landlord, provided that: (i) any such sublease is for a use ancillary and complimentary to the Facility's Primary Intended Use (such as a barber shop or physical therapy), (ii) any such sublease does not provide for any percentage rent (or if it does provide for percentage rent then such percentage rent is based on a percentage of the subtenant's gross revenues and not on a percentage of income, profits, any other amount other than gross revenues) and is otherwise in form and substance reasonably acceptable to Landlord, (iii) prior to the effectiveness of any such sublease, Landlord has reviewed and approved the form of Sublease and Tenant has caused the subtenant thereunder to enter into any commercially reasonable subordination agreements required by Landlord, and (iv) the aggregate amount of space sublet at any given Facility shall not exceed, in the aggregate, an amount equal to
- 17.6.2 <u>Facility Subleases to Tenant Sublessees</u>. Tenant hereby agrees, that in connection with any sublease of a Facility by Tenant to a Tenant Sublessee, or in connection with any management agreement entered into between Tenant (or a Tenant Sublessee) and an affiliate of Tenant in connection with the day-to-day management of the Facilities, Tenant shall comply with the following terms and provisions and any failure by Tenant to comply with the following terms and provisions shall be an immediate Event of Default under this Lease:
 - (a) Tenant hereby agrees that in the event it desires to sublease a Facility to a Tenant Sublessee, then Tenant shall be required to comply with the following provisions before any such sublease shall be deemed approved or consented to by Landlord, which consent or approval is required pursuant to the terms of the Lease: (i) Tenant shall have provided a fully executed copy of any such sublease to Landlord, which sublease shall be in form and substance reasonably acceptable to Landlord; and (ii) Landlord, Tenant and each Tenant Sublessee shall have entered into a Subordination and Consent to Sublease Agreement in form and substance reasonably acceptable to Landlord.
 - (b) Tenant hereby agrees that in the event Tenant, or any Tenant Sublessee, desires to enter into a management agreement with respect to the day-to-day operations of a Facility then Tenant, the applicable Tenant Sublessee (if applicable), and any such management entity shall be required to comply with the following provisions before any such management agreement shall be deemed approved or consented to by Landlord, which consent or approval is required pursuant to the terms of this Lease: (i) Landlord shall have received an executed copy of any such management agreement, which management agreement shall be in form and substance reasonably acceptable to Landlord; and (ii) Landlord, Tenant, and each Tenant Sublessee (if applicable) and the applicable management entity shall have entered into a Subordination and Consent to Management Agreement in form and substance reasonably acceptable to Landlord.

ARTICLE XVIII CERTAIN RIGHTS OF LANDLORD

18.1 <u>Right of Entry</u>. Landlord and its representatives may enter on any Facility at any reasonable time after reasonable notice to Tenant to inspect such Facility for compliance to this Lease, to exhibit such Facility for sale, lease or mortgaging, or for any other reason; provided, however, that no such notice shall be required in the event of an emergency, upon an Event of Default or to post notices of

non-responsibility under any mechanic's or materialman's lien law. Provided no Event of Default then exists and is continuing, and provided such entry is not in connection with an emergency, Tenant shall have a right to have a representative present during such entry. No such entry shall unreasonably interfere with residents, patients, patient care or the operations of such Facility.

- **18.2** Conveyance by Landlord. If Landlord or any successor owner of any Facility shall convey such Facility other than as security for a debt, Landlord or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of the Landlord under this Lease arising or accruing from and after the date of such conveyance or other transfer and, subject to Section 16.2, all such future liabilities and obligations shall thereupon be binding upon the new owner.
- Granting of Easements, etc. Landlord may, from time to time, with respect to each 18.3 Facility: (a) grant easements, covenants and restrictions, and other rights in the nature of easements, covenants and restrictions, (b) release existing easements, covenants and restrictions, or other rights in the nature of easements, covenants or restrictions, that are for the benefit of such Facility, (c) dedicate or transfer unimproved portions of such Facility for road, highway or other public purposes, (d) execute petitions to have such Facility annexed to any municipal corporation or utility district, (e) execute amendments to any easements, covenants and restrictions affecting such Facility and (f) execute and deliver to any Person any instrument appropriate to confirm or effect such grants, releases, dedications and transfers (to the extent of its interests in such Facility) without the necessity of obtaining Tenant's consent provided that such easement or other instrument or action contemplated by this Section 18.3 does not unreasonably interfere with or adversely affect Tenant's operations at such Facility. Prior to the execution, delivery or taking of any such easement, covenant or restriction affecting Tenant's occupancy or use of any Facility, Landlord shall provide Tenant with a description of the easement, covenant or restriction and a survey or reasonably accurate drawing showing its location or impact on the affected Facility and such other information as Tenant may reasonably request to determine its impact on the affected Facility. Notwithstanding anything in this Lease to the contrary, Landlord hereby reserves the right to enter into any sublease, license agreement, easement or other agreement pursuant to which a third party is given the right to access, maintain, or operate an antenna, cell tower, satellite dish, or other communication or telecommunication equipment on the Premises. Any license fees, rent, or other consideration received on account of any such agreement shall be payable to Landlord.

ARTICLE XIX ENVIRONMENTAL MATTERS

- 19.1 <u>Hazardous Materials</u>. Tenant shall not allow any Hazardous Materials to be located in, on, under or about any Facility or incorporated in any Facility; provided, however, that Hazardous Materials may be brought, kept, used or disposed of in, on or about a Facility in quantities and for purposes similar to those brought, kept, used or disposed of in, on or about similar facilities used for purposes similar to such Facility's Primary Intended Use and which are brought, kept, used and disposed of in compliance in all material respects with all Hazardous Materials Laws.
- 19.2 Notices. Tenant shall advise Landlord in writing of the following, promptly after learning of such events or conditions: (a) any Environmental Activities in violation in any material respect of any Hazardous Materials Laws; (b) any Hazardous Materials Claims against Tenant or any Facility; (c) any remedial action taken by Tenant in response to any Hazardous Materials Claims or any Hazardous Materials on, under or about any Facility in violation of any Hazardous Materials Laws; (d) Tenant's discovery of any occurrence or condition on or in the vicinity of any Facility that materially increase the risk that such Facility will be exposed to Hazardous Materials; and (e) all material, nonroutine communications to or from Tenant, any governmental authority or any other Person relating to

Hazardous Materials Laws or Hazardous Materials Claims with respect to any Facility, including copies thereof.

19.3 Remediation. If Tenant becomes aware of a violation of any Hazardous Materials Laws relating to any Hazardous Materials in, on, under or about any Facility or any adjacent property, or if Tenant, Landlord or any Facility becomes subject to any order of any federal, state or local agency to repair, close, detoxify, decontaminate or otherwise remediate any Facility or any property adjacent thereto. Tenant shall promptly notify Landlord of such event and, at its sole cost and expense, cure such violation or effect such repair, closure, detoxification, decontamination or other remediation in accordance with all applicable Legal Requirements and subject to Landlord's prior approval (not to be unreasonably withheld, conditioned or delayed) as to scope, process, content and standard for completion; provided, however, Tenant shall have no obligation to repair, close, detoxify, decontaminate or otherwise remediate any property adjacent to any Facility where the Hazardous Materials in, on, under or about such property did not originate at any Facility. If Tenant fails to implement and diligently pursue any such cure, repair, closure, detoxification, decontamination or other remediation, Landlord shall have the right, but not the obligation, after providing Tenant with ten (10) business days advance written notice, to carry out such action and to recover from Tenant all of Landlord's costs and expenses reasonably incurred in connection therewith.



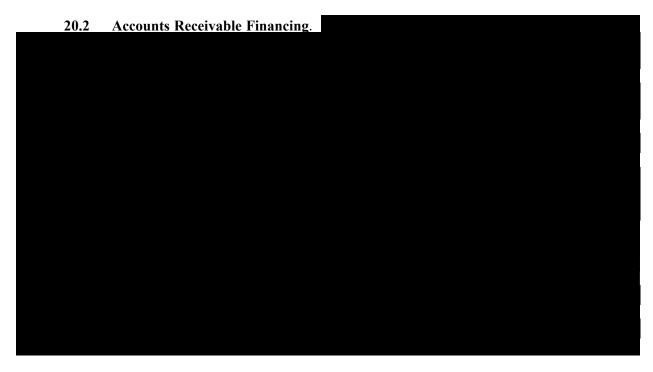
19.5 Environmental Inspections. Landlord shall have the right, from time to time, during normal business hours and upon not less than five (5) days written notice to Tenant, except in the case of an emergency in which event no notice shall be required, to conduct an inspection of any Facility to determine Tenant's compliance with this Article XIX. Such inspection may include such testing, sampling and analyses as Landlord deems reasonably necessary and may be performed by experts retained by Landlord. All costs and expenses incurred by Landlord under this 19.5 shall be paid on demand by Tenant; provided, however, absent reasonable grounds to suspect Tenant's breach of its obligations under this Article XIX, Tenant shall not be required to pay for more than one (1) such inspection in any two (2) year period with respect to each Facility.

19.6 Extension of Term. Notwithstanding any other provision of this Lease to the contrary, if any Hazardous Materials are discovered on, under or about any portion of the Premises in violation of any Hazardous Materials Law, at Landlord's option, in its discretion, the Term shall be automatically extended and this Lease shall remain in full force and effect until the earlier to occur of the completion of all remedial action or monitoring, as approved by Landlord (such approval not to be unreasonably withheld, conditioned or delayed), in accordance with all Hazardous Materials Laws and the provisions of

this Article XIX, or the date specified in a notice from Landlord to Tenant terminating this Lease (which date may be subsequent to the date upon which the Term was to have expired).

ARTICLE XX LANDLORD'S SECURITY INTEREST

Grant of Security Interest. For the purpose of securing the payment and performance obligations of Tenant hereunder, Tenant, as debtor, hereby grants to Landlord, as secured party, a security interest in and an express contractual lien upon, all of Tenant's right, title and interest in and to the Property Collateral, Accounts Collateral and Authorization Collateral (collectively, the "Lease Collateral"). This Lease constitutes a security agreement covering all such Lease Collateral. Concurrent with the date hereof, Landlord will file with the state of California a UCC-1 financing statement, in a form reasonably approved by Tenant, perfecting Landlord's security interest in the Lease Collateral (the "UCC Financing Statement"). This security interest and agreement shall survive the termination of this Lease resulting from an Event of Default. Tenant shall pay all filing and reasonable record search fees and other costs for such additional security agreements, financing statements, fixture filings and other documents as Landlord may reasonably require to perfect or continue the perfection of its security interest. Additionally, Tenant shall promptly execute such other separate security agreements with respect to the Lease Collateral as Landlord may request from time to time to further evidence the security interest in the Lease Collateral created by this Lease. Tenant shall keep all Lease Collateral free and clear of all Liens other than Liens in favor of Landlord and as permitted pursuant to Section 20.2. respect to any of the Lease Collateral now owned or acquired by Tenant during the Term, this security interest and agreement shall survive the termination of this Lease. Additionally, Tenant shall promptly execute such other separate security agreements with respect to the Lease Collateral as Landlord may request from time to time to further evidence the security interest in the Lease Collateral created by this Lease.



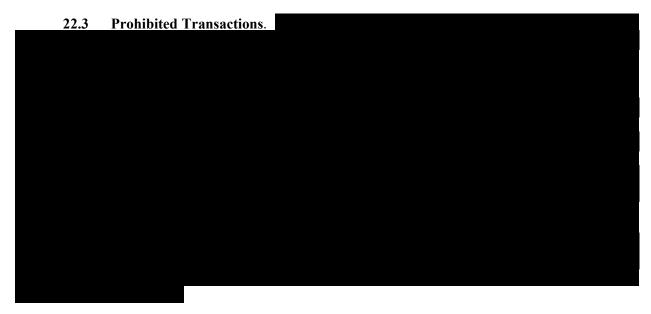
20.3 <u>Certain Changes</u>. In no way waiving or modifying the provisions of Article XVII above, Tenant shall give Landlord at least thirty (30) days' prior written notice of any change in Tenant's principal place of business, name, identity, jurisdiction of organization or corporate structure.

ARTICLE XXI QUIET ENJOYMENT

So long as Tenant shall pay the Rent as the same becomes due and shall fully comply with all of the terms of this Lease and fully perform its obligations hereunder, Tenant shall peaceably and quietly have, hold and enjoy each Facility for the Term, free of any claim or other action by Landlord or anyone claiming by, through or under Landlord, but subject to all liens and encumbrances of record as of the Commencement Date or thereafter provided for in this Lease or consented to by Tenant.

ARTICLE XXII REIT RESTRICTIONS

- **22.1** Characterization of Rents. The parties hereto intend that Rent and other amounts paid by Tenant hereunder will qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto and this Agreement shall be interpreted consistent with this intent
- **22.2** General REIT Provisions. Tenant understands that, in order for Landlord, or any Affiliate of Landlord that is a "real estate investment trust" within the meaning of Section 856 of the Code (a "REIT"), to qualify as a REIT, certain requirements must be satisfied, including the provisions of Section 856 of the Code. Accordingly, Tenant agrees, and agrees to cause its Affiliates, permitted subtenants, if any, and any other parties subject to its control by ownership or contract, to reasonably cooperate with Landlord to ensure that such requirements are satisfied, including providing Landlord or any of its Affiliates with information about the ownership of Tenant and its Affiliates. Tenant agrees, and agrees to cause its Affiliates, upon request by Landlord or any of its Affiliates, to take all action reasonably necessary to ensure compliance with such requirements.

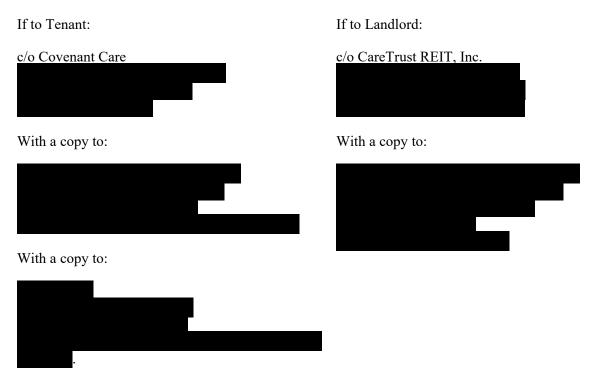


Personal Property REIT Requirements. Notwithstanding anything to the contrary herein, upon request of Landlord, Tenant shall use commercially reasonable efforts to cooperate with Landlord in good faith and provide such documentation and/or information as may be in Tenant's possession or under Tenant's control and otherwise readily available to Tenant regarding the valuation of the Premises to assist Landlord in its determination that Rent allocable for purposes of Section 856 of the Code to the Landlord Personal Property at the beginning and end of a calendar year does not exceed

of the total Rent due hereunder (the "Personal Property REIT Requirement"). Tenant shall take such reasonable action as may be requested by Landlord from time to time to ensure compliance with the Personal Property REIT Requirement as long as such compliance does not (a) increase Tenant's monetary obligations under this Lease, (b) materially and adversely increase Tenant's non-monetary obligations under this Lease or (c) materially diminish Tenant's rights under this Lease. Accordingly, if requested by Landlord and at Landlord's expense, Tenant shall reasonably cooperate with Landlord as may be necessary from time to time to more specifically identify and/or value the Landlord Personal Property in connection with the compliance with the Personal Property REIT Requirement.

ARTICLE XXIII NOTICES

All notices and demands, certificates, requests, consents, approvals and other similar instruments under this Lease shall be in writing and sent by personal delivery, U. S. certified or registered mail (return receipt requested, postage prepaid) or FedEx or similar generally recognized overnight carrier regularly providing proof of delivery, addressed as follows:



A party may designate a different address by notice as provided above. Any notice or other instrument so delivered (whether accepted or refused) shall be deemed to have been given and received on the date of delivery established by U.S. Post Office return receipt or the carrier's proof of delivery or, if not so delivered, upon its receipt. Delivery to any officer, general partner or principal of a party shall be deemed delivery to such party. Notice to any one co-Tenant shall be deemed notice to all co-Tenants.

ARTICLE XXIV MISCELLANEOUS

24.1 <u>Memorandum of Lease</u>. Landlord and Tenant shall, promptly upon the request of either, enter into a short form memorandum of this Lease, in form suitable for recording under the laws of the applicable Situs State. Tenant shall pay all costs and expenses of recording any such memorandum

and shall fully cooperate with Landlord in removing from record any such memorandum upon the expiration or earlier termination of the Term.

- **24.2** No Merger. There shall be no merger of this Lease or of the leasehold estate created hereby by reason of the fact that the same Person may acquire, own or hold, directly or indirectly, (a) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate and (b) the fee estate in the Premises.
- 24.3 <u>No Waiver</u>. No failure by Landlord to insist upon the strict performance of any term hereof or to exercise any right, power or remedy hereunder and no acceptance of full or partial payment of Rent during the continuance of any Event of Default shall constitute a waiver of any such breach or of any such term. No waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach.
- **24.4** Acceptance of Surrender. No surrender to Landlord of this Lease or any Facility, or of any interest therein, shall be valid or effective unless agreed to and accepted in writing by Landlord, and no act by Landlord or any representative or agent of Landlord, other than such a written acceptance by Landlord, shall constitute an acceptance of any such surrender.
- **24.5** Attorneys' Fees. If Landlord or Tenant brings an action or other proceeding against the other to enforce any of the terms, covenants or conditions hereof or any instrument executed pursuant to this Lease, or by reason of any breach or default hereunder or thereunder, the party prevailing in any such action or proceeding and any appeal thereupon shall be paid all of its reasonable and documented out-of-pocket costs and reasonable and documented outside attorneys' fees incurred therein.
- **24.6 Brokers**. Landlord and Tenant each warrants to the other that it has not had any contact or dealings with any Person which would give rise to the payment of any fee or brokerage commission in connection with this Lease, and each shall indemnify, protect, hold harmless and defend the other from and against any liability for any fee or brokerage commission arising out of any act or omission of such indemnifying party.
- **24.7** <u>Severability</u>. If any term or provision of this Lease or any application thereof shall be held invalid or unenforceable, the remainder of this Lease and any other application of such term or provision shall not be affected thereby.
- **24.8** Non-Recourse. Tenant specifically agrees to look solely to the Premises for recovery of any judgment from Landlord; provided, however, the foregoing is not intended to, and shall not, limit any right that Tenant might otherwise have to obtain injunctive relief against Landlord, or any action not involving the personal liability of Landlord. Furthermore, in no event shall Landlord be liable to Tenant for any indirect or consequential damages suffered by Tenant from whatever cause.
- **24.9** <u>Successors and Assigns</u>. This Lease shall be binding upon Landlord and its successors and assigns and, subject to the provisions of Article XVII, upon Tenant and its successors and assigns.
- 24.10 Governing Law; Jury Waiver. This Lease shall be governed by and construed and enforced in accordance with the internal laws of the State of California without regard to the conflict of laws rules thereof. EACH PARTY HEREBY WAIVES ANY RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER PARTY AGAINST THE OTHER IN CONNECTION WITH ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, INCLUDING RELATIONSHIP OF THE PARTIES, TENANT'S USE AND OCCUPANCY OF THE PREMISES, OR ANY

CLAIM OF INJURY OR DAMAGE RELATING TO THE FOREGOING OR THE ENFORCEMENT OF ANY REMEDY.

- **24.11** Entire Agreement. This Lease constitutes the entire agreement of the parties with respect to the subject matter hereof and may not be changed or modified except by an agreement in writing signed by the parties. Landlord and Tenant hereby agree that all prior or contemporaneous oral understandings, agreements or negotiations relative to the leasing of the Premises are merged into and revoked by this Lease. All exhibits and schedules to this Lease are hereby incorporated herein by this reference.
- **24.12** <u>Headings</u>. All titles and headings to sections, articles or other subdivisions of this Lease are for convenience of reference only and shall not in any way affect the meaning or construction of any provision.
- **24.13** Counterparts. This Lease may be executed in any number of counterparts, each of which shall be a valid and binding original, but all of which together shall constitute one and the same instrument. Executed copies hereof may be delivered by telecopier, email or other electronic means and upon receipt will be deemed originals and binding upon the parties hereto, regardless of whether originals are delivered thereafter.
- **24.14** <u>Joint and Several</u>. If more than one Person is the Tenant under this Lease, the liability of such Persons under this Lease shall be joint and several.

24.15 <u>Interpretation; Relationship.</u>

- 24.15.1 Both Landlord and Tenant have been represented by counsel and this Lease and every provision hereof has been freely and fairly negotiated. Consequently, all provisions of this Lease shall be interpreted according to their fair meaning and shall not be strictly construed against any party. Whenever the words "including", "include" or "includes" are used in this Lease, they shall be interpreted in a non-exclusive manner as though the words "without limitation" immediately followed. Whenever the words "herein," "hereof" and "hereunder" and other words of similar import are used in this Lease, they shall be interpreted to refer to this Lease as a whole and not to any particular article, section or other subdivision. Whenever the words "day" or "days" are used in this Lease, they shall mean "calendar day" or "calendar days" unless expressly provided to the contrary. All references in this Lease to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Lease.
- **24.15.2** The relationship between Landlord and Tenant shall be that of landlord-tenant only. No term in this Lease and no course of dealing between the parties shall be deemed to create any relationship of agency, partnership, joint venture, tenancy in common or joint tenancy or any fiduciary duty by Landlord to 'Tenant or any other party.
- **24.16** Time of Essence. Time is of the essence of this Lease and each provision hereof in which time of performance is established and whenever action must be taken (including the giving of notice or the delivery of documents) hereunder during a certain period of time or by a particular date that ends or occurs on a day that is not a Business Day, then such period or date shall be extended until the immediately following Business Day.
- **24.17** <u>Further Assurances</u>. The parties agree to promptly sign all documents reasonably requested by the other party to give effect to the provisions of this Lease.

24.18 <u>Identified Repairs</u>. Tenant shall, at its sole cost and expense, cause the repairs and/or maintenance items identified on <u>Schedule 5</u> attached hereto to be completed on or before the date that is six (6) months following the Commencement Date.

24.19 California Specific Provisions.

- 24.19.1 In addition to and not in limitation of any other waiver contained herein, Tenant hereby voluntarily waives the provisions of California Civil Code §1950.7 and all other provisions of law now in force or that become in force hereafter that provide that Landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in payment of accrued Rent, to repair damage caused by Tenant or to clean the Premises. If the LC Election has been made, Landlord and Tenant acknowledge and agree that in no event or circumstance shall the Letter of Credit or any renewal thereof or substitute therefor or any proceeds thereof be deemed to be or treated as a "security deposit" under any law applicable to security deposits in the commercial context, including California Civil Code §1950.7 or any similar or successor statute.
- **24.19.2** In addition to and not in limitation of any other waiver contained herein, Tenant hereby voluntarily waives the provisions of California Civil Code §§1941 and 1942 and all other provisions of law now in force or that become in force hereafter that provide Tenant the right to make repairs at Landlord's expense and to deduct the expense of such repairs from Rent owing hereunder.
- **24.19.3** In addition to and not in limitation of any other waiver contained herein, Tenant hereby voluntarily waives any and all rights that Tenant may have under Legal Requirements to terminate this Lease prior to the Expiration Date, including, without limitation:
 - (a) the provisions of California Civil Code §1932(1) and all other provisions of law now in force or that become in force hereafter that provide Tenant the right to terminate this Lease if Landlord breaches its obligation, if any, as to placing and securing Tenant in the quiet possession of the Premises, putting the Premises in good condition or repairing the Premises;
 - (b) the provisions of California Civil Code §§1932(2) and 1933(4) and all other provisions of law now in force or that become in force hereafter that would permit or cause a termination of this Lease or an abatement of Rent upon damage to or destruction of the Premises, it being agreed and acknowledged that Article XI constitutes an express agreement between Landlord and Tenant that applies in the event of any such damage to or destruction of the Premises; and
 - (c) the provisions of California Code of Civil Procedure §1265.130 and all other provisions of law now in force or that become in force hereafter that would allow Tenant to petition the courts to terminate this Lease in the event of a Partial Taking.
- **24.19.4** Landlord and Tenant hereby agree and acknowledge that Article XII provides for Landlord's and Tenant's respective rights and obligations in the event of a Condemnation of any Facility and, in addition to and not in limitation of any other waiver contained herein, each hereby voluntarily waives the application of the provisions of California Code of Civil Procedure §§1265.110-1265.160 to this Lease.
- **24.19.5** In addition to and not in limitation of any other waiver contained herein, Tenant hereby voluntarily waives the provisions of any and all rights conferred by California Civil Code §3275 and California Code of Civil Procedure §§473, 1174 and 1179 and all other provisions of law now in

force or that become in force hereafter that provide Tenant the right to redeem, reinstate or restore this Lease following its termination by reason of Tenant's breach.

- 24.19.6 Landlord and Tenant hereby agree that when this Lease requires service of a notice, that notice shall replace rather than supplement any equivalent or similar statutory notice, including any notices required by California Code of Civil Procedure §1161 or any similar or successor statute. When a statute requires service of a notice in a particular manner, service of that notice (or a similar notice required by this Lease) in the manner required by Article XXIII shall replace and satisfy the statutory service-of-notice procedures, including those required by California Code of Civil Procedure §1162 or any similar or successor statute.
- 24.19.7 In addition to, and not in substitution of, any of the remedies otherwise available to Landlord under this Lease following the occurrence of an Event of Default, Landlord shall have the remedy described in California Civil Code §1951.4, which provides that Landlord may continue this Lease in full force and effect after Tenant's breach and abandonment and enforce all of its rights and remedies under this Lease, including the right to recover Rent as it becomes due. Notwithstanding Landlord's exercise of the remedy described in California Civil Code §1951.4, Landlord may thereafter elect, in its sole discretion, to exercise any other remedy provided for in this Lease, including, without limitation, the right to terminate this Lease as provided in Section 13.2.1 above.
- **24.19.8** If Landlord elects to terminate this Lease pursuant to Section 13.2.1 above following the occurrence of an Event of Default, then, notwithstanding anything to the contrary herein, Landlord shall be entitled to recover from Tenant all of the following:
 - (a) The worth at the time of award (defined below) of the unpaid Rent earned at the time of such termination:
 - (b) The worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss which Tenant proves could have been reasonably avoided;
 - (c) The worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could reasonably be avoided;
 - (d) Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Lease, or which, in the ordinary course of things, would likely result therefrom, including brokers' commission, cost of tenant improvements, and attorneys' fees; and
 - (e) Any other amounts, in addition to or in lieu of those listed above, that may be permitted under the applicable Legal Requirements.

The "worth at the time of the award" of the amount(s) referred to in (x) Sections 24.19.8(a) and 24.19.8(b) shall be computed by

(y) Section 24.19.8(c) shall be computed by

24.19.9 As of the date of this Lease, no Facility has undergone inspection by a "Certified Access Specialist" in connection with California Civil Code §1938.

24.19.10 Tenant agrees to reasonably cooperate with Landlord in connection with any energy usage reporting requirements to which Landlord is subject under applicable Legal Requirements with respect to the Facilities.

24.19.11 In connection with any Alterations or other modifications, capital repairs, or improvements made by or on behalf of Tenant to any Facility, Tenant shall (and all such Alterations, modifications, capital repairs, or improvements shall) comply in all material respects with all permitting, preapproval, standards, rules, regulations, and requirements imposed by the Office of Statewide Health Planning and Development ("OSHPD") together with all other Legal Requirements imposed by OSHPD or any other Governmental Authority.

24.20 Excess Beds.

24.20.1 For the avoidance of doubt, Tenant hereby acknowledges and agrees that all of the bed rights (whether related to a bed that is in service or not at any given time) associated with the operating licenses and other Authorizations for each Facility are owned by, and are the property of, Landlord and are appurtenant to the applicable Facility where located, notwithstanding that the rights to operate such beds may be held in Tenant's name under Tenant's Authorizations to operate a Facility. Throughout the Term (including any Extension Term), Tenant shall maintain and preserve all of the bed rights associated with the Authorizations for each Facility, including without limitation (i) bed rights that are "banked," suspended or on similar status, and (ii) rights to currently or historically unused, non-operational or excess beds (collectively herein, and together with the bed rights associated with any such beds, "Excess Beds"). Tenant shall not commit any act or omission that would reasonably be expected to result in the sale, transfer, suspension, revocation, decertification or other material limitation of all or any portion of the bed rights associated with the operating licenses and other Authorizations for each Facility.

24.20.2 Landlord may, at any time and from time to time, upon written notice to Tenant (an "Excess Bed Notice") require Tenant (at no material expense to Tenant, and without compensation to Tenant) to cooperate in reactivating and transferring some or all of the Excess Beds at any Facility to any Person designated by Landlord, including without limitation the execution and delivery of an amendment to this Lease withdrawing the Excess Beds herefrom (and terminating this Lease with respect to such Excess Beds). In the event that Tenant wishes to redeploy the Excess Beds that are the subject of an Excess Bed Notice itself and place them back into productive service for its own account at a Facility, it shall provide Landlord, within ten (10) Business Days of receipt of Landlord's Excess Bed Notice, with (a) written notice of its request to redeploy such Excess Beds scheduled to be transferred, together with (b) a reasonably detailed description of its proposed plans and timeline for doing so and including, without limitation, detailed financial projections showing the financial impact redeployment of such Excess Beds will have on the applicable Facilities. Tenant's redeployment request and the plans, timeline, and projections submitted in connection therewith shall be subject to Landlord's approval, which shall not be unreasonably withheld, conditioned, or delayed. If approved, Tenant shall thereafter have ninety (90) days from receipt of Landlord's approval to initiate and make reasonable progress toward the accomplishment of such plans and timeline. If (x) Tenant fails to timely give notice of its intent to redeploy the Excess Beds, (y) Tenant does not, in the reasonable judgment of Landlord, make adequate progress on its redeployment plan and timeline by the ninetieth (90th) day following Landlord's approval, or (z) Landlord reasonably denies its approval of Tenant's plan and timeline, then Landlord shall have the right to proceed with the transfer described in the Excess Bed Notice and Tenant shall cooperate therewith

as outlined herein. From and after the completion of any such transfer, Tenant shall be relieved of all obligations to maintain and preserve the bed rights in the transferred Excess Beds.

24.20.3 Without limiting Landlord's rights under Sections 24.20.1 and 24.20.2, during the Term Tenant may submit a written request to Landlord requesting Landlord's approval, which shall not be unreasonably withheld, conditioned, or delayed to Tenant redeploying Excess Beds and placing them back into productive service at one or more Facilities. Said written notice shall include a detailed description of Tenant's proposed plans and timeline for redeploying said Excess Beds and shall also include detailed financial projections showing the financial impact of such redeployment. In the event Landlord approves of any such redeployment, all documented and reasonable costs in connection therewith shall be borne exclusively by Tenant.

[Signature page follows]

IN WITNESS WHEREOF, this Lease has been executed by Landlord and Tenant as of the date first written above.

TENANT:

COVENANT CARE MASTER WEST, LLC, a California limited liability company

Name:

Kevin Carney Chief Financial Officer Title: ____

[Signatures continue on next page]

82924.SIG S-1

LANDLORD:

CTR PARTNERSHIP, L.P.,

a Delaware limited partnership

By: **CARETRUST GP, LLC**,

a Delaware limited liability company

Its: general partner

By: CARETRUST REIT, INC.,

a Maryland corporation,

its sole member

By:

Gregory K. Stapley, President

82924.SIG S-2

JOINDER

Covenant Care, LLC, a Delaware limited liability company, as Guarantor, hereby joins in this Lease for the limited purpose of assuming and agreeing to be bound by the obligations contained in Sections 1.1, 6.5, 6.7, 17.3, and 19.4.

COVENANT CARE, LLC,

a Delaware limited liability company

By:

Name: Kevin Carney
Title: Chief Financial Officer

82924.SIG Joinder-1

EXHIBIT A

DEFINED TERMS

For all purposes of this Lease, except as otherwise expressly provided in the Lease or unless the context otherwise requires, the following terms have the meanings assigned to them in this exhibit and include the plural as well as the singular:



"Access Laws" has the meaning set forth in Section 6.14.

"Accounts Collateral" means, collectively, all of the following: (i) all of the accounts, accounts receivable, payment intangibles, health-care-insurance receivables and any other right to the payment of money in whatever form, of any of the Tenant Sublessees, or any other indebtedness of any Person owing to any of the Tenant Sublessees (whether constituting an account, chattel paper, document, instrument or general intangible), whether presently owned or hereafter acquired, arising from the provision of merchandise, goods or services by any Tenant Sublessee, or from the operations of any Tenant Sublessee at each Facility, including, without limitation, the right to payment of any interest or finance charges and other obligations with respect thereto; (ii) all of the rights, titles and interests of any of the Tenant Sublessees in, to and under all supporting obligations and all other liens and property subject thereto from time to time securing or purporting to secure any such accounts, accounts receivable, payment intangibles, health-care insurance receivables or other indebtedness owing to any of the Tenant Sublessees; (iii) all of the rights, titles and interests of any of the Tenant Sublessees in, to and under all guarantees, indemnities and warranties, letter-of-credit rights, supporting obligations, insurance policies, financing statements and other agreements or arrangements of whatever character from time to time supporting or securing payment of any such accounts, accounts receivable, payment intangibles, healthcare insurance receivables or other indebtedness owing to any of the Tenant Sublessees; (iv) all of the now owned or hereafter acquired deposits of any of the Tenant Sublessees representing proceeds from accounts and any deposit account into which the same may be deposited, all other cash collections and other proceeds of the foregoing accounts, accounts receivable, payment intangibles, health-care insurance receivables or other indebtedness (including, without limitation, late charges, fees and interest arising thereon, and all recoveries with respect thereto that have been written off as uncollectible), and all deposit accounts into which the same are deposited; (v) all proceeds (whether constituting accounts, chattel paper, documents, instruments or general intangibles) with respect to the foregoing; and (vi) all books and records with respect to any of the foregoing.

[&]quot;Actual Capital Expenditures Amount" has the meaning set forth in Section 7.6.

[&]quot;Additional Deposit" has the meaning set forth in Section 6.12.1.

[&]quot;Additional Rent" has the meaning set forth in Section 2.2.

"Affiliate" means with respect to any Person, any other Person which Controls, is Controlled by or is under common Control with the first Person.



- "Agreed Rate" means, on any date, a rate equal to per annum above the Prime Rate, but in no event greater than the maximum rate then permitted under applicable law. Interest at the aforesaid rates shall be determined for actual days elapsed based upon a 360 day year.
- "Alterations" means, with respect to each Facility, any alteration, improvement, exchange, replacement, modification or expansion of the Leased Improvements or Fixtures at such Facility.
 - "Approved Capital Improvement Project" has the meaning set forth in Section 7.7.
- "Approved Transferee" shall mean a Person that, at the date of determination and as reasonably determined by Landlord:
- (i) is a reputable person or entity of good character and has a general business and operating reputation for providing quality healthcare services reasonably compatible with the services required to be provided by Tenant under this Lease;
- (ii) has sufficient assets, operating experience and history to bear and perform the financial and other responsibilities of Tenant under this Lease and, with respect to any Approved Transferee that is to become a Guarantor, to bear and perform the financial and other responsibilities of such Guarantor under its Guaranty;
- (iii) (A) has not, and neither have any of its Affiliates: (1) had any license or certification to operate any healthcare facility or any other similar business revoked by any governmental authority, (2) been found by a court of competent jurisdiction to have been grossly negligent or to have committed willful or intentional misconduct in any lawsuit alleging any wrongdoing by such Person relating to resident or patient care, (3) been excluded from providing services in connection with the operation of any healthcare facility or any other similar business by any applicable state healthcare licensing authority, or (4) been excluded or restricted from participation in the Medicare or Medicaid program or any state healthcare program, and (B) has not, and neither have any of its Affiliates, or any of such Person's or its Affiliates' senior officers, directors, shareholders or members, been the subject of a pending investigation or proceeding within the past 5 years (x) that, if pending, is reasonably likely to result in any of the foregoing or (y) that materially adversely affects the reputation of any persons or entities in any group that Controls such Person or is an indicator of poor character;
- (iv) has not, and neither has any of its Affiliates: (A) made an assignment of all or substantially all of its property for the benefit of creditors, (B) had a receiver, trustee or liquidator appointed for any of its property (unless such appointment was discharged within 90 days after the date of such appointment), (C) filed a voluntary petition under any federal bankruptcy law or state law to be adjudicated as bankrupt or for any arrangement or other debtor's relief, or (D) had an involuntary filing of such a petition against any such Person by any other Person (unless such petition was dismissed within 90 days after filing);

(v) would not, following any Parent Transfer, together with its Affiliates, be deemed "material" in connection with CTRE's disclosure obligations under any state or federal securities reporting laws; and

(vi)

"Authorization" means, with respect to each Facility, any and all licenses, permits, certifications, accreditations, Provider Agreements, CONs, certificates of exemption, approvals, waivers, variances and other governmental or "quasi-governmental" authorizations necessary or advisable for the use of such Facility for its Primary Intended Use and receipt of reimbursement or other payments under any Third Party Payor Program in which such Facility participates.

"Authorization Collateral" means any Authorizations issued or licensed to, or leased or held by, Tenant.

"Bankruptcy Action" means, with respect to any Person, (i) such Person filing a voluntary petition under the Bankruptcy Code or any other federal or state bankruptcy or insolvency law; (ii) the filing of an involuntary petition against such Person under the Bankruptcy Code or any other federal or state bankruptcy or insolvency law which is not dismissed within sixty (60) days of the filing thereof, or soliciting or causing to be solicited petitioning creditors for any involuntary petition against such Person; (iii) such Person filing an answer consenting to or otherwise acquiescing in or joining in any involuntary petition filed against it, by any other Person under the Bankruptcy Code or any other federal or state bankruptcy or insolvency law, or soliciting or causing to be solicited petitioning creditors for any involuntary petition from any Person; (iv) such Person seeking, consenting to or acquiescing in or joining in an application for the appointment of a custodian, receiver, trustee, or examiner for such Person or any portion of the Facility; (v) such Person making an assignment for the benefit of creditors; or (vi) such Person taking any action in furtherance of any of the foregoing.

"Bankruptcy Code" means 11 U.S.C. § 101 et seq., as the same may be amended from time to time.

"Base Rent" has the meaning set forth in Section 2.1.1.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which national banks in the City of New York, New York, are authorized, or obligated, by law or executive order, to close.

"Capital Alterations" means any Alteration for which the budgeted cost exceeds



"Capital Expenditures" mean, with respect to each Facility, repairs, replacements and improvements to such Facility (other than the Landlord Personal Property) that (i) constitute capital expenditures in accordance with GAAP and (ii) have been completed in a good, workmanlike and lien free fashion and in compliance in all material respects with all Legal Requirements and the terms of Sections 7.4 and 7.5 applicable to any Alterations. Capital Expenditures shall not include (a) expenses related to routine repairs and maintenance, (b) purchases of office equipment, or (c) any other expenditures reasonably determined by Landlord to be inappropriately characterized as a "capital expenditure".

"Capital Expenditures Deposit" has the meaning set forth in Section 7.6.

"Capital Expenditures Report" has the meaning set forth in Section 7.6.

"Cash Flow" shall mean the aggregate net income of Tenant attributable to the operation of the Facilities as reflected on the income statement of Tenant, <u>plus</u> (i) the provision for depreciation and amortization in such income statement, <u>plus</u> (ii) the provision for management fees in such income statement, <u>plus</u> (iii) the provision for income taxes in such income statement, <u>plus</u> (iv) the provision for Base Rent payments and interest and lease payments, if any, relating to the Facilities in such income statement, <u>plus</u> (v) the provision for any other non-operating items in such income statement, and <u>minus</u> (vi) an imputed management fee equal to of gross revenues of the Facilities (net of contractual allowances).

"Change in Control" means that Centre Partners Management LLC (or its Affiliates) shall cease to directly or indirectly Control: Guarantor, Covenant Care California, the Tenant, or any Tenant Sublessee.

"Closure Notice" means a written notice delivered by Landlord to Tenant pursuant to which Landlord notifies Tenant that Tenant may commence a Facility Termination as to a particular Facility or Facilities.

"CMS" means the United States Department of Health, Centers for Medicare and Medicaid Services or any successor agency thereto.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commencement Date" has the meaning set forth in Section 1.5.



"Complete Taking" means the Condemnation of all or substantially all of a Facility or a Condemnation that results in a Facility no longer being capable of being operated for its Primary Intended Use.

"CON" means, with respect to each Facility, a certificate of need or similar permit or approval (not including conventional building permits) from a Governmental Authority related to (i) the construction and/or operation of such Facility for the use of a specified number of beds in a nursing facility, assisted living facility, senior independent living facility and/or rehabilitation hospital, or (ii) the alteration of such Facility or (iii) the modification of the services provided at such Facility used as a nursing facility, assisted living facility, senior independent living facility and/or rehabilitation hospital.

"Condemnation" means the exercise of any governmental power, whether by legal proceedings or otherwise, by a Condemnor or a voluntary sale or transfer by Landlord to any Condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending.

"Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of condemnation.

"Control", together with the correlative terms "Controlled" and "Controls," means, as applied to any Person, means and refers to the possession of either: (i) the power to vote, or beneficial ownership of, 51% or more of any class of voting securities (or other ownership interest) of such Person, or (ii) the power to direct or cause the direction of the management and powers of such Person, whether as a manager, managing member, by contract or otherwise.

"Covenant Care California" means Covenant Care California, LLC, a California limited liability company. As of the Commencement Date, Covenant Care California is the direct owner of 100% of the membership interests in Tenant.

"CPI" means the United States Department of Labor, Bureau of Labor Statistics Consumer Price Index for All Urban Consumers, United States Average, Subgroup "All Items" (1982 - 1984 = 100). If the foregoing index is discontinued or revised during the Term, the governmental index or computation with which it is replaced shall be used to obtain substantially the same result as if such index had not been discontinued or revised.

"CPI Increase" means the percentage increase (but not decrease) in (i) the CPI in effect as of the date that is the first day of the calendar month that is sixty (60) days prior to the beginning of each Lease Year, over (ii) the CPI in effect as of the date that is the first day of the calendar month that is sixty (60) days prior to the beginning of the immediately preceding Lease Year.

"Debt" For any Person, without duplication: (i) all indebtedness of such Person for borrowed money, for amounts drawn under a letter of credit or for the deferred purchase price of property for which such Person or its assets is liable; (ii) all unfunded amounts under a loan agreement, letter of credit or other credit facility for which such Person would be liable if such amounts were advanced thereunder; (iii) all amounts required to be paid by such Person as a guaranteed payment to partners or a preferred or special dividend, including any mandatory redemption of shares or interests; (iv) all indebtedness guaranteed by such Person, directly or indirectly; (v) all obligations under leases that constitute capital leases for which such Person is liable; (vi) all obligations of such Person under interest rate swaps, caps, floors, collars and other interest hedge agreements, in each case whether such Person is liable contingently or otherwise, as obligor, guarantor or otherwise, or in respect of which obligations such Person otherwise assures a creditor against loss; (vii) off-balance sheet liabilities of such Person; and (viii) obligations arising under bonus, deferred compensation, incentive compensation or similar arrangements, other than those arising in the Ordinary Course of Business.

"Eligible Accounts" means all accounts receivable of Tenant (or any subtenant, as applicable) for services rendered for which Medicare and Medicaid is the account debtor, net of any and all interest, finance charges, sales tax, fees, returns, discounts, claims, credits, charges, contra accounts, exchange contracts or other allowances, offsets and rights of offset, deductions, counterclaims, disputes, rejections, shortages, or other defenses, and all credits owed or allowed by Tenant (or any subtenant, as applicable) upon any of such accounts.

"Environmental Activities" mean, with respect to each Facility, the use, generation, transportation, handling, discharge, production, treatment, storage, release or disposal of any Hazardous Materials at any time to or from such Facility or located on or present on or under such Facility.

"Event of Default" has the meaning set forth in Section 13.1.

"Excess Capital Expenditures Amount" has the meaning set forth in Section 7.6.



"Excluded Tenant Personal Property" means:

; and (3) any personal property

owned by any resident of any Facility.

"Expiration Date" means the Initial Expiration Date, as may be extended pursuant to Section 1.5.

"Extension Notice" has the meaning set forth in Section 1.5.

"Extension Term" has the meaning set forth in Section 1.5.

"Facility" means each healthcare facility located on the Premises, as identified on <u>Schedule 1</u> attached hereto, including, where the context requires, the Land, Leased Improvements, Intangibles and Landlord Personal Property associated with such healthcare facility.

"Facility Default" means an Event of Default that relates directly to one or more of the Facilities (such as, for example only and without limitation, an Event of Default arising from a failure to maintain or repair, or to operate for the Primary Intended Use, or to maintain the required Authorizations for, one or more of the Facilities), as opposed to an Event of Default that, by its nature, does not relate directly to any of the Facilities.

"Facility Mortgage" means any mortgage, deed of trust or other security agreement or lien encumbering any Facility and securing an indebtedness of Landlord or any Affiliate of Landlord or any ground, building or similar lease or other title retention agreement to which any Facility are subject from time to time.

"Facility Mortgage Documents" means with respect to each Facility Mortgage and Facility Mortgagee, the applicable Facility Mortgage, loan or credit agreement, lease, note, collateral assignment instruments, guarantees, indemnity agreements and other documents or instruments evidencing, securing or otherwise relating to the loan made, credit extended, lease or other financing vehicle pursuant thereto. Facility Mortgage Documents shall also include, without limitation, any documents typically required by any Agency Lender in connection with a Facility Mortgage, including, but not limited to: (i) tenant regulatory agreements, (ii) intercreditor agreements with any receivables lender of Tenant, and (iii) any subordination, assignment, and security agreements.

"Facility Mortgagee" means the holder or beneficiary of a Facility Mortgage and any other rights of the lender, credit party or lessor under the applicable Facility Mortgage Documents, including, without limitation, any Agency Lender.

"Facility Termination" has the meaning set forth in Section 14.2.6.

"Fixtures" means all equipment, machinery, fixtures and other items of real and/or personal property, including all components thereof, now and hereafter located in, on, or used in connection with and permanently affixed to or incorporated into the Leased Improvements, including all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems, apparatus, sprinkler systems, fire and theft protection equipment and built-in oxygen and vacuum systems, all of which, to the greatest extent permitted by law, are hereby deemed to constitute real estate, together with all replacements, modifications, alterations and additions thereto.

"GAAP" means generally accepted accounting principles, consistently applied.

"Governmental Authority" means any court, board, agency, commission, bureau, office or authority or any governmental unit (federal, state, county, district, municipal, city or otherwise) and any regulatory, administrative or other subdivision, department or branch of the foregoing, whether now or hereafter in existence, including, without limitation, CMS, the United States Department of Health and Human Services, any state licensing agency or any accreditation agency or other quasi-governmental authority.

"Governmental Payor" means any state or federal health care program providing medical assistance, health care insurance or other coverage of health care items or services for eligible individuals, including but not limited to the Medicare program more fully described in Title XVIII of the Social Security Act (42 U.S.C. §§ 1395 et seq.) and the Medicaid program more fully described in Title XIX of the Social Security Act (42 U.S.C. §§ 1396 et seq.) and the regulations promulgated thereunder.

"Guarantor" has the meaning set forth in the Recitals to this Agreement.

"Guaranty" has the meaning set forth in the Recitals to this Agreement.

"Hazardous Materials" mean (i) any petroleum products and/or by-products (including any fraction thereof), flammable substances, explosives, radioactive materials, hazardous or toxic wastes, substances or materials, known carcinogens or any other materials, contaminants or pollutants which pose a hazard to any Facility or to Persons on or about any Facility or cause any Facility to be in violation of any Hazardous Materials Laws; (ii) asbestos in any form which is friable; (iii) urea formaldehyde in foam insulation or any other form; (iv) transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls in excess of fifty (50) parts per million or any other more restrictive standard then prevailing; (v) medical wastes and biohazards; (vi) radon gas; and (vii) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or would reasonably be expected to pose a hazard to the health and safety of the occupants of any Facility or the owners and/or occupants of property adjacent to or surrounding any Facility, including, without limitation, any materials or substances that are listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101) as amended from time to time.

"Hazardous Materials Laws" mean any applicable laws, ordinances, regulations, rules, orders, binding and applicable guidelines or binding and applicable policies relating to the environment, the protection of health and safety from exposure to Hazardous Materials, Environmental Activities, Hazardous Materials, air and water quality, waste disposal and other environmental matters.

"Hazardous Materials Claims" mean any and all enforcement, clean-up, removal or other governmental or regulatory actions or orders threatened, instituted or completed pursuant to any Hazardous Material Laws, together with all claims made or threatened by any third party against any

Facility, Landlord or Tenant relating to damage, contribution, cost recovery compensation, loss or injury resulting from any Hazardous Materials.

"Impositions" means any property (real and personal) and other taxes and assessments levied or assessed with respect to this Lease, any Facility, Tenant's interest therein or Landlord, with respect to any Facility, including, without limitation, any state or county occupation tax, transaction privilege, franchise taxes, margin taxes, business privilege, rental tax or other excise taxes. "Impositions" shall also include any Quality Assurance Fees, bed taxes, franchise permit fees, and other taxes and assessments levied or assessed in connection with a Facility's beds. Notwithstanding the foregoing, Impositions shall not include (i) any local, state or federal income tax based upon the net income of Landlord, (ii) any transfer tax or stamps arising from Landlord's sale, transfer, exchange, financing or refinancing, directly or indirectly, of any Facility or interest therein, and (iii) any penalties incurred as a result of Landlord's failure to make payments and/or file any tax or informational returns when due (except if such penalty is caused by a corresponding late payment by Tenant).

"Improvement Funds" has the meaning set forth in Section 7.7.

"Improvement Fund Rate" means a percentage rate equal to the quotient obtained by dividing (1) the then aggregate amount of Landlord's investment in the Premises, by (2) the annual amount of Base Rent payable on the day prior to the date of applicable disbursement from the Improvement Funds.

"Initial Expiration Date" has the meaning set forth in Section 1.5.

"Initial Parent Transfer" means the first (1st) Parent Transfer to occur during the Term.

"Initial Term" has the meaning set forth in Section 1.5.

"Insurance Requirements" mean all terms of any insurance policy required by this Lease and all requirements of the issuer of any such policy, together with all fire underwriters' regulations promulgated from time to time.

"Intangibles" means the interest, if any, of Landlord in and to any of the following intangible property owned by Landlord in connection with the Land and the Leased Improvements: (i) the identity or business of each Facility as a going concern, including, without limitation, any names or trade names by which each Facility may be known, and all registrations for such names, if any; (ii) to the extent assignable or transferable, the interest, if any, of Landlord in and to each and every guaranty and warranty concerning the Leased Improvements or Fixtures, including, without limitation, any roofing, air conditioning, heating, elevator and other guaranty or warranty relating to the construction, maintenance or repair of the Leased Improvements or Fixtures; and (iii) the interest, if any, of Landlord in and to all Authorizations to the extent the same can be assigned or transferred in accordance with applicable law; provided, however, that the foregoing shall not include any CON issued to or held by Landlord which shall only be licensed to Tenant on a temporary basis, which license shall be revocable at any time by Landlord.

"Issuer" means the financial institution that, from time to time, has issued a Letter of Credit.

"Issuer Revocation" means that an Issuer shall fail to be in compliance with all of the Issuer Standards, or shall admit in writing its inability to pay its debts generally as they become due, shall file a petition in bankruptcy or a petition to take advantage of any insolvency statute, shall consent to the appointment of a receiver or conservator of itself or the whole or any substantial part of its property, shall file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws, shall

have a receiver, conservator or liquidator appointed for it (including an FDIC receiver, conservator or liquidator), or shall become subject to operational supervision by any federal or state regulatory authority.

"Issuer Standards" mean that the Issuer is an FDIC-insured lending institution that is reasonably satisfactory to Landlord, and has a current long-term credit rating from at least two (2) nationally recognized statistical rating organizations (such as Standard & Poor's, Moody's Investor Services or Fitch Ratings) equivalent to or greater than A-/A3.

"Land" means, individually and collectively, the real property described in $\underline{\text{Exhibit B}}$ attached to this Lease.

"Landlord" has the meaning set forth in the opening preamble, together with any and all successors and assigns of the Landlord originally named herein.

"Landlord Personal Property" means the machinery, equipment, furniture and other personal property described in <u>Exhibit C</u> attached to this Lease, together with all replacements, modifications, alterations and substitutes thereof (whether or not constituting an upgrade).

"Landlord's Representatives" means Landlord's agents, employees, contractors, consultants, attorneys, auditors, architects and other representatives.

"LC Amount" has the meaning set forth in Section 3.2.

"Lease" has the meaning set forth in the opening preamble.

"Lease Year" shall mean the period from the Commencement Date through the last day of the month in which the first anniversary of the Commencement Date occurs and each 12 consecutive month period thereafter; provided, however, that if the Commencement Date occurs on a day other than the first day of a calendar month, then (i) the first partial calendar month and the first full calendar month shall together be regarded as the first month of the first Lease Year, and (ii) the Base Rent for such partial month shall be prorated and payable based on the number of days in that partial month, and (iii) the initial Term shall be increased by the period of such partial month, such that the beginning of each subsequent Lease Year always occurs on the first day of a calendar month, and the last day of each Lease Year and the natural expiration of the initial Term and any Extension Term always occurs on the last day of a calendar month.

"Leased Improvements" means all buildings, structures and other improvements of every kind now or hereafter located on the Land including, alleyways and connecting tunnels, sidewalks, utility pipes, conduits, and lines (on-site and off-site to the extent Landlord has obtained any interest in the same), parking areas and roadways appurtenant to such buildings and structures.

"Legal Requirements" means all federal, state, county, municipal and other governmental statutes, laws (including common law and Hazardous Materials Laws), rules, policies, guidance, codes, orders, regulations, ordinances, permits, licenses, covenants, conditions, restrictions, judgments, decrees and injunctions applicable to Tenant or affecting any Facility or the applicable Tenant Personal Property or the maintenance, construction, use, condition, operation or alteration thereof, whether now or hereafter

enacted and in force, including, any and all of the foregoing that relate to the use of each Facility for its Primary Intended Use.

"Letter of Credit" means an unconditional, irrevocable, standby letter of credit substantially in the form of Exhibit E, naming Landlord as beneficiary, and issued by an Issuer that satisfies the Issuer Standards and is otherwise acceptable to Landlord in its commercially reasonable discretion.

"Licensing Impairment" means, with respect to each Facility, (i) the revocation, suspension or non-renewal of any Authorization, (ii) any withholding, non-payment, reduction or other adverse change respecting any Provider Agreement, (iii) any admissions hold under any Provider Agreement, or (iv) any other act or outcome similar to the foregoing that would impact Tenant's ability to continue to operate such Facility for its Primary Intended Use or to receive any rents or profits therefrom.

"Losses" mean all claims, demands, expenses, actions, judgments, damages, penalties, fines, liabilities, losses of every kind and nature, suits, administrative proceedings, costs and fees, including, without limitation, reasonable attorneys' and reasonable consultants' fees and expenses.

"Material Alterations" mean any Alterations that (i) would materially enlarge or reduce the size of the applicable Facility, (ii) would tie in or connect with any improvements on property adjacent to the applicable Land, or (iii) would affect the structural components of the applicable Facility or the main electrical, mechanical, plumbing, elevator or ventilating and air conditioning systems for such Facility in any material respect.

"Minimum Rent Coverage Ratio" shall mean a Portfolio Coverage Ratio of not less than:
-

"New California Facility" means the Facilities identified as the "New California Facilities" on Schedule 1 attached hereto.

"Nonsolicitation Period" means the period commencing on the date that is nine (9) months prior to the expiration of the then Term and expiring on the date that is one (1) year following the expiration of

the Term; provided, however, if during the Nonsolicitation Period, Tenant delivers an Extension Notice pursuant to this Lease, then (absent the existence an Event of Default on the date such Extension Notice is delivered) the Nonsolicitation Period shall not commence until the date that is nine (9) months prior to the expiration of the then Extension Term.

"OFAC" has the meaning set forth in Section 10.2.1.

"Operational Transfer" has the meaning set forth in Section 14.2.1.

"Ordinary Course of Business" means in respect of any transaction involving Tenant, the ordinary course of business of Tenant, as conducted by Tenant in accordance with past practices. In respect of any transaction involving a Facility or the operations thereof, the ordinary course of operations for such Facility, as conducted by Tenant in accordance with past practices.

"Parent Transfer" means any of the following: (i) the conveyance, sale, or transfer of any stock, partnership, membership or other interests, if such conveyance, sale, or other transfer results, directly or indirectly, in a Change in Control of Tenant or Guarantor; or (ii) any merger or consolidation that directly or indirectly, results in a Change in Control of Guarantor or Tenant.

"Partial Taking" means any Condemnation of a Facility or any portion thereof that is not a Complete Taking.

"Permitted Contest" means a contest instituted and maintained in compliance with, and pursuant to, the terms of Article VIII.

"Payment Date" means any due date for the payment of the installments of Base Rent or any other sums payable under this Lease.

"Permitted Encumbrances" means, with respect to each Facility, collectively, (i) all easements, covenants, conditions, restrictions, agreements and other matters with respect to such Facility that (a) are of record as of the Commencement Date, (b) Landlord entered into after the Commencement Date (subject to the terms hereof); or (c) are specifically consented to in writing by Landlord, (ii) any liens for Impositions, fees, assessments or other governmental charges that are not yet due and payable; (iii) occupancy rights of residents and patients of such Facility; (iv) liens of mechanics, laborers, materialman, suppliers, vendors or other like liens (x) for sums not yet due or (y) are the subject of a Permitted Contest; and (v) subject to Section 20.2, liens granted to the MidCap Financing Documents.

"Person" means any individual, partnership, association, corporation, limited liability company or other entity.

"Plans and Specifications" has the meaning set forth in Section 7.5.1.





"Premises" means, collectively, the Land, Leased Improvements, Related Rights, Fixtures, Intangibles and Landlord Personal Property.

"Premises Condition Report" has the meaning set forth in Section 7.2.

"Primary Intended Use" means, as to each Facility, the type of healthcare facility corresponding to such Facility as shown on <u>Schedule 1</u> attached hereto, with no less than the number of licensed beds as shown on <u>Schedule 1</u> and in connection therewith the provision of food, recreational, rehabilitative and therapy services and such other ancillary or incidental services relating thereto.

"Prime Rate" means, on any date, a rate equal to the annual rate on such date reported in *The Wall Street Journal* to be the "prime rate."

"Prohibited Persons" has the meanings set forth in Section 10.2.1.

"Project Cap" has the meaning set forth in Section 7.7.

"Project Information" has the meaning set forth in Section 7.7.

"Property Collateral" means all of Tenant's right, title and interest in and to the Tenant Personal Property and any and all products, rents, proceeds and profits thereof in which Tenant now owns or hereafter acquires an interest or right.

- "Proposed Capital Improvement Project" has the meaning set forth in Section 7.7.
- "Provider Agreements" means any agreements issued to or held by Tenant pursuant to which any Facility is licensed, certified, approved or eligible to receive reimbursement under any Third Party Payor Program.
- "Quality Assurance Fees" shall mean any and all Quality Assurance Fee assessed for any Facility by the California Department of Health Care Services.
- "Real Property Impositions" means any real property Impositions secured by a lien encumbering any Facility or any portion thereof.
 - "Reimbursement Period" has the meaning set forth in Section 14.2.5.
- "Related Rights" means all easements, rights and appurtenances relating to the Land and the Leased Improvements.
 - "Rent" means, collectively, Base Rent and Additional Rent.
 - "Request for Advance" has the meaning set forth in Section 7.7.
- "Required Authorizations" shall mean all licenses, permits, certifications, accreditations, Provider Agreements, CONs, certificates of exemption, approvals, waivers, variances and other governmental or "quasi-governmental" authorizations necessary or advisable for Tenant, as named licensee or operator, to use a Facility for its Primary Intended Use and receipt of reimbursement or other payments under any Third Party Payor Program in which such Facility participates.
 - "Required Capital Expenditures Amount" has the meaning set forth in Section 7.6.
- "Required Per Bed Annual Capital Expenditures Amount" means an amount equal to per bed per Lease Year, which amount shall increase annually per the CPI Increase pursuant to Section 7.6.1.
 - "Security Deposit" shall have the meaning set forth in Section 3.1.
 - "Situs State" means the state or commonwealth where a Facility is located.
- "Subsidiary" means a Person of which an aggregate of more than fifty percent (50%) or more of the capital stock or other ownership interests thereof is owned of record or beneficially by such other Person, or by one or more Subsidiaries of such other Person, or by such other Person and one or more Subsidiaries of such Person, (a) if the holders of such capital stock or other ownership interests (i) are ordinarily, in the absence of contingencies, entitled to vote for the election of a majority of the directors (or other individuals performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency, or (ii) are entitled, as such holders, to vote for the election of a majority of the directors (or individuals performing similar functions) of such Person, whether or not the right so to vote exists by reason of the happening of a contingency, or (b) in the case of capital stock or other ownership interests which are not issued by a corporation, if such ownership interests constitute a majority voting interest.

"Temporary Taking" means any Condemnation of a Facility or any portion thereof, whether the same would constitute a Complete Taking or a Partial Taking, where the Condemnor or its designee uses or occupies such Facility, or any portion thereof, for no more than twelve consecutive (12) months.

"Tenant" has the meaning set forth in the opening preamble, together with any and all permitted successors and assigns of the Tenant originally named herein.

"Tenant Personal Property" shall have the meaning set forth in Section 0.

"Tenant Sublessees" mean any wholly-owned subsidiaries of Tenant (or other Landlord-approved Affiliates of Tenant) that have entered into a sublease with Tenant pursuant to which said Tenant Sublessee subleases a Facility from Tenant and pursuant to which said Tenant Sublessee shall be the operator of such Facility, together with their successors and assigns and any additions thereto or replacements thereof.

"**Term**" means the Initial Term, plus any duly authorized Extension Terms. The Term shall also include any extension by Landlord pursuant to Section 19.6 (unless Landlord otherwise so elects).

"Testing Date" means the date as of which the Portfolio Coverage Ratio shall be determined for the applicable Testing Period, which date shall be the last day of each calendar quarter during the Term. Upon each Testing Date, the Portfolio Coverage Ratio shall be determined based upon the twelve trailing calendar months ending on such Testing Date. The first Testing Date shall be

"Testing Period" means a period ending on a Testing Date and comprised of the twelve (12) most recent calendar months then ended.

"Third Party Payor Programs" shall mean any third party payor programs pursuant to which healthcare facilities qualify for payment or reimbursement for medical or therapeutic care or other goods or services rendered, supplied or administered to any admittee, occupant, resident or patient by or from any Governmental Authority, Governmental Payor, bureau, corporation, agency, commercial insurer, non-public entity, "HMO," "PPO" or other comparable party.

"Transfer" means any of the following, whether effectuated directly or indirectly, through one or more step transactions or tiered transactions, voluntarily or by operation of law, (i) assigning, conveying, selling, pledging, mortgaging, hypothecating or otherwise encumbering, transferring or disposing of all or any part of this Lease or Tenant's leasehold estate hereunder, (ii) subletting of all or any part of any Facility; (iii) engaging the services of any Person for the management or operation of all or any part of any Facility; (iv) conveying, selling, assigning, transferring, pledging, hypothecating, encumbering or otherwise disposing of any stock, partnership, membership or other interests (whether equity or otherwise) in Tenant, Guarantor or any Person that Controls Tenant or any Guarantor, if such conveyance, sale, assignment, transfer, pledge, hypothecation, encumbrance or disposition results, directly or indirectly, in a Change in Control of Tenant or Guarantor (or of such controlling Person); (v) merging or consolidating Tenant, Guarantor, or any Person that Controls Tenant or Guarantor with or into any other Person, if such merger or consolidation, directly or indirectly, results in a Change in Control of Tenant or Guarantor (or in such controlling Person); (vi) dissolving Tenant or Guarantor or any Person that Controls Guarantor; (vii) selling, conveying, assigning, or otherwise transferring all or substantially all of the assets of Tenant, Guarantor or any Person that Controls Tenant or Guarantor; (viii) selling, conveying,

assigning or otherwise transferring any of the assets of Tenant or Guarantor, if the consolidated net worth of Tenant or Guarantor immediately following such transaction is not at least equal to the consolidated net worth of Tenant or Guarantor, as applicable, as of the Commencement Date; or (ix) assigning, conveying, selling, pledging, mortgaging, hypothecating or otherwise encumbering, transferring or disposing of any material Authorization.

"Transition Notice" shall have the meaning set forth in Section 14.2.1.

EXHIBIT B

DESCRIPTION OF THE LAND

Huntington Park Nursing Center

PARCEL 1:

LOTS 4, 5, 6 AND 7 IN BLOCK 57 OF THE THIRD ADDITION TO HUNTINGTON PARK, IN THE CITY OF HUNTINGTON PARK, AS PER MAP RECORDED IN BOOK 9, PAGE 153 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:

LOTS 20, 21 AND 22 IN BLOCK 57 OF THE THIRD ADDITION TO HUNTINGTON PARK, IN THE CITY OF HUNTINGTON PARK, AS PER MAP RECORDED IN BOOK 9, PAGE 153 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THE EASTERLY 12 FEET THEREOF.

Shoreline Care Center

PARCEL 1:

A PORTION OF SUBDIVISION 85, RANCHO EL RIO DE SANTA CLARA O' LA COLONIA, IN THE CITY OF OXNARD, COUNTY OF VENTURA, STATE OF CALIFORNIA, AS PER PARTITION MAP FILED IN THE OFFICE OF THE COUNTY CLERK OF SAID COUNTY IN ACTION ENTITLED "THOMAS A. SCOTT, ET AL, PLAINTIFFS VS. RAFAEL GONZALES, ET AL, DEFENDANTS" DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE EASTERLY LINE OF PLEASANT VALLEY HOMES TRACT NO. 2 ACCORDING TO THE MAP RECORDED IN BOOK 21, PAGE 17 OF MISCELLANEOUS RECORDS (MAPS) IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DISTANT ALONG SAID EASTERLY LINE SOUTH 0° 12' 00" EAST 210.00 FEET FROM THE SOUTHERLY LINE OF PLEASANT VALLEY ROAD 60 FEET WIDE; SAID POINT ALSO BEING THE SOUTHWEST CORNER OF PARCEL 2 AS SHOWN ON A MAP RECORDED IN BOOK 33, PAGE 81 OF RECORD OF SURVEYS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, THENCE ALONG SAID EASTERLY LINE OF PLEASANT VALLEY HOMES TRACT NO. 2,

1ST: SOUTH 0° 12' 00" EAST TO THE WESTERLY TERMINUS OF THE 11TH COURSE OF THE LAND DESCRIBED IN BOOK 3534, PAGE 390 OF OFFICIAL RECORDS, THENCE ALONG SAID 11TH COURSE AND THE EASTERLY PROLONGATION THEREOF,

2ND: NORTH 89° 56' 36" EAST TO A POINT IN THE 2ND COURSE OF THE LAND DESCRIBED IN SAID BOOK 3534, PAGE 390 OF OFFICIAL RECORDS, THENCE ALONG SAID 2ND COURSE THEREOF,

3RD: NORTH 0° 04' 15" WEST TO THE SOUTHEAST CORNER OF SAID PARCEL 2 AS SHOWN IN BOOK 33, PAGE 81 OF RECORDS OF SURVEYS, THENCE ALONG THE SOUTHERLY LINE OF SAID PARCEL 2,

4TH: SOUTH 89° 43' 00" WEST 126.20 FEET TO THE POINT OF BEGINNING.

APN: 222-0-170-420

PARCEL 2:

A PORTION OF SUBDIVISION 85, RANCHO EL RIO DE SANTA CLARA O' LA COLONIA, IN THE CITY OF OXNARD, COUNTY OF VENTURA, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGE 13 OF MISCELLANEOUS RECORDS (MAPS), IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF PLEASANT VALLEY HOMES TRACT NO. 2, AS SHOWN ON THE MAP RECORDED IN BOOK 21, PAGE 17 OF MISCELLANEOUS RECORDS (MAPS), SAID POINT BEING ON THE SOUTHERLY LINE OF PLEASANT VALLEY ROAD 60 FEET WIDE; THENCE ALONG SAID NORTHERLY LINE,

1ST: NORTH 89° 43' 00" EAST 126.67 FEET TO THE WESTERLY LINE OF THE LAND DESCRIBED IN THE DEED TO VENTURA COUNTY FLOOD CONTROL DISTRICT, RECORDED DECEMBER 22, 1958 IN BOOK 1686, PAGE 147 OF OFFICIAL RECORDS; THENCE ALONG SAID WESTERLY LINE.

2ND: SOUTH 0° 04' 15" EAST 210.00 FEET; THENCE,

3RD: SOUTH 89° 43' 00" WEST 126.20 FEET TO THE EASTERLY LINE OF SAID PLEASANT VALLEY TRACT NO. 2; THENCE, ALONG THE EASTERLY LINE THEREOF,

4TH: NORTH 0° 12' 00" WEST 210.00 FEET TO THE POINT OF BEGINNING.

APN: 222-0-170-430

Downey Care Center

THAT PORTION OF LOT L OF THE RANCHO SANTA GERTRUDES SUBDIVIDED FOR THE SANTA GERTRUDES LAND ASSOCIATION, IN THE CITY OF DOWNEY, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 1, PAGE 502 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE CENTER LINES OF IMPERIAL HIGHWAY AND PARAMOUNT BOULEVARD AS SAID INTERSECTION IS SHOWN ON THE MAP OF TRACT NO. 14173, IN SAID COUNTY AND STATE, AS PER MAP RECORDED IN BOOK 293, PAGES 5 ET SEQ., OF MAPS RECORDS OF SAID COUNTY; THENCE SOUTH 32° 16' 15" WEST ALONG THE CENTER LINE OF SAID PARAMOUNT BOULEVARD AND ITS SOUTHWESTERLY PROLONGATION 2417.83 FEET TO THE TRUE POINT OF BEGINNING, THENCE NORTH 58° 50' 00" WEST 240.00 FEET, THENCE SOUTHWESTERLY PARALLEL WITH THE NORTHWESTERLY LINE OF SAID PARAMOUNT BOULEVARD TO A LINE THAT IS PARALLEL WITH AND 200.00 FEET NORTHEASTERLY FROM THAT CERTAIN 40.00 FOOT

STRIP OF LAND AS SET ASIDE FOR THE WIDENING OF GARDENDALE STREET BY THE LOS ANGELES COUNTY BOARD OF SUPERVISORS IN A RESOLUTION RECORDED JULY 3, 1952 AS INSTRUMENT NO. 2227 IN BOOK 39310, PAGE 115, OFFICIAL RECORDS OF SAID COUNTY; THENCE SOUTHEASTERLY ALONG SAID LAST MENTIONED PARALLEL LINE TO THE CENTER LINE OF SAID PARAMOUNT BOULEVARD; THENCE NORTHEASTERLY ALONG SAID LAST MENTIONED CENTER LINE TO THE TRUE POINT OF BEGINNING.

EXCEPT THEREFROM THAT PORTION INCLUDED WITHIN THAT CERTAIN 50.00 FOOT STRIP OF THE SOUTHEASTERLY 190 FEET OF THE SOUTHWESTERLY 200 FEET OF LOT "L" OF THE RANCHO SANTA GERTRUDES, SUBDIVIDED FOR THE SANTA GERTRUDES LAND ASSOCIATION, IN THE CITY OF DOWNEY, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 1 PAGE 502 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, SAID DISTANCES BEING MEASURED FROM THE NORTHEASTERLY AND NORTHWESTERLY LINES OF THOSE CERTAIN 50 FOOT AND 40 FEET STRIPS OF LAND AS SET ASIDE FOR THE WIDENING OF PARAMOUNT BOULEVARD AND GARDENDALE STREET BY LOS ANGELES COUNTY BOARD OF SUPERVISORS IN A RESOLUTION RECORDED JULY 3, 1952 AS INSTRUMENT NO. 2227 IN BOOK 39310, PAGE 115 OF OFFICIAL RECORDS OF SAID COUNTY.

Courtyard Healthcare Center

PARCEL ONE:

A PORTION OF LOT 199, DAVIS MANOR SUBDIVISION UNIT NO. 6, ACCORDING TO THE OFFICIAL PLAT THEREOF, FILED FOR RECORD IN THE OFFICE OF THE RECORDER OF YOLO COUNTY, CALIFORNIA, ON MAY 24, 1956 IN BOOK 5 OF MAPS, PAGE 30, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE SOUTHERLY LINE OF EIGHTH STREET THAT BEARS SOUTH 87 DEG 26 MIN 00 SEC EAST, 84.12 FEET FROM THE NORTHWEST CORNER OF LOT 199, AS SAID CORNER IS SHOWN ON THE MAP OF DAVIS MANOR UNIT NO. 6, FILED IN BOOK 5 OF MAPS, PAGE 30, YOLO COUNTY RECORDS; THENCE FROM SAID POINT OF BEGINNING, SOUTH 0 DEG 37 MIN 00 SEC WEST, 318.36 FEET TO THE SOUTHERLY LINE OF LOT 199; THENCE ALONG SAID SOUTHERLY LINE, SOUTH 88 DEG 36 MIN 30 SEC EAST, 385.00 FEET; THENCE LEAVING SAID SOUTHERLY LINE, NORTH 1 DEG 23 MIN 30 SEC EAST, 172.38 FEET; THENCE SOUTH 85 DEG 05 MIN 38 SEC WEST, 90.82 FEET; THENCE NORTH 0 DEG 57 MIN 59 SEC WEST, 29.82 FEET; THENCE NORTH 89 DEG 52 MIN 31 SEC WEST, 228.60 FEET; THENCE NORTH 0DEG 54 MIN 49 SEC WEST, 129.91 FEET TO THE SOUTHERLY LINE OF EIGHTH STREET; THENCE ALONG SAID SOUTHERLY LINE, NORTH 87 DEG 26 MIN 00 SEC WEST, 64.04 FEET TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM ALL THAT PORTION OF LOT 199, DAVIS MANOR SUBDIVISION UNIT NO. 6, AS FOLLOWS:

BEGINNING AT A POINT THAT BEARS SOUTH 88 DEG 36 MIN 30 SEC EAST, 427.08 FEET FROM THE SOUTHWEST CORNER OF LOT 199, DAVIS MANOR UNIT NO. 6, AS SAID CORNER IS SHOWN ON THE MAP FILED IN BOOK 5 OF MAPS, PAGE 30, YOLO COUNTY RECORDS; THENCE ALONG SAID SOUTHERLY BOUNDARY, SOUTH 88 DEG 36 MIN 30 SEC EAST, 42.00 FEET; THENCE LEAVING SAID SOUTHERLY BOUNDARY, NORTH 1 DEG 23 MIN

30 SEC EAST, 172.38 FEET; THENCE SOUTH 85 DEG 05 MIN 38 SEC WEST, 42.26 FEET; THENCE SOUTH 1 DEG 23 MIN 30 SEC WEST, 167.75 FEET TO THE POINT OF BEGINNING.

PARCEL TWO:

PARCEL A OF PARCEL MAP 4250, FILED FOR RECORD ON JANUARY 11, 1996 IN BOOK 12 OF PARCEL MAPS, PAGES 5 AND 6.

Arbor Place

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF LODI, COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

PARCEL "B" AS SHOWN UPON PARCEL MAP FILED FOR RECORD JANUARY 19, 1984, IN VOLUME 12 OF PARCEL MAPS, PAGE 134, SAN JOAQUIN COUNTY RECORDS.

Turlock:

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE UNINCORPORATED AREA IN COUNTY OF STANISLAUS, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

PARCEL ONE:

Parcel 1, as shown upon that certain parcel map filed for record September 6, 1986 in Book 38 of Parcel Maps, page 60, Stanislaus County Records.

APN: 072-024-014

PARCEL TWO:

Parcel 2, as shown upon that certain parcel map filed for record September 6, 1986 in Book 38 of Parcel Maps, page 60, Stanislaus County Records.

Arbor Convalescent Hospital (Lodi):

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF LODI, COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

A PORTION OF THE NORTHWEST QUARTER OF SECTION 1, TOWNSHIP 3 NORTH, RANGE 6 EAST, MOUNT DIABLO BASE AND MERIDIAN, ACCORDING TO THE OFFICIAL MAP THEREOF, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

PARCEL "A", AS SHOWN UPON PARCEL MAP FILED FOR RECORD JUNE 26,1981 IN BOOK 10 OF PARCEL MAPS, PAGE 72, SAN JOAQUIN COUNTY RECORDS, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF TRACT NO. 1344, SANGUINETTI PARK, UNIT NO. 1, FILED FOR RECORD IN VOL. 24 OF MAPS AND PLATS, PAGE 14, SAN JOAQUIN COUNTY RECORDS AND RUN ALONG THE SOUTHERLY BOUNDARY OF SAID SANGUINETTI PARK, UNIT NO. 1, SOUTH 89° 33' EAST 334.54 FEET; THENCE LEAVING SAID SOUTHERLY BOUNDARY RUN THENCE SOUTH 0° 23' EAST 249.73 FEET; THENCE NORTH 89° 33' WEST 484.55 FEET TO A POINT ON THE EAST LINE OF CHURCH STREET; THENCE ALONG SAID EAST LINE OF CHURCH STREET, RUN THENCE NORTH 0° 23' WEST 299.82 FEET TO THE SOUTH LINE OF THAT PARCEL CONVEYED TO THE RICHFIELD OIL COMPANY; THENCE ALONG SAID SOUTH LINE NORTH 89° 57' EAST 150.00 FEET TO A POINT ON THE WEST LINE OF SANGUINETTI PARK, UNIT NO. 1; THENCE ALONG SAID WEST LINE SOUTH 0° 23' EAST 51.40 FEET TO THE POINT OF BEGINNING.

EXHIBIT C

THE LANDLORD PERSONAL PROPERTY

All machinery, equipment, furniture and other personal property located at or about any Facility and used in connection with the ownership, operation, or maintenance of any Facility, together with all replacements, modifications, alterations and substitutes thereof (whether or not constituting an upgrade) but excluding the following:

- (a) all vehicles (including any leasehold interests therein);
- (b) all office supplies, medical supplies, food supplies, housekeeping supplies, laundry supplies, and inventories and supplies physically on hand at the Facility;
- (c) all customer lists, patient files, and records related to patients (subject to patient confidentiality privileges) and all books and records with respect to the operation of the Facility;
- (d) all employee time recording devices, proprietary software and discs used in connection with the operation of the Facility by Tenant or any Person who manages the operations of any Facility, all employee pagers, employee manuals, training materials, policies, procedures, and materials related thereto with respect to the operation of the Facilities; and
- (e) all telephone numbers, brochures, pamphlets, flyers, mailers, and other promotional materials related to the marketing and advertising of the Tenant's business at the Facility.

82924.14 Exhibit C

EXHIBIT D

FINANCIAL, MANAGEMENT AND REGULATORY REPORTS

FINANCIAL REPORTING

• <u>Monthly Financial Reporting</u>: No later than 30 days after the end of each calendar month, Tenant shall deliver to Landlord, presented on a consolidated and consolidating as well as a Facility-by-Facility basis, monthly statements of operations and census by payor prepared for the applicable month with respect to Tenant. Together with its delivery to Landlord of the monthly financial reports and statements required hereunder, Tenant shall deliver, or cause to be delivered, to Landlord an Officer's Certificate certifying that the foregoing statements and reports are true and correct in all material respects and were prepared in accordance with GAAP, applied on a consistent basis, subject to changes resulting from audit and normal year-end audit adjustments.

• Quarterly Financial Reporting:

- O No later than 45 days after the end of each fiscal quarter of Tenant, Tenant shall deliver to Landlord, presented on a consolidated and consolidating as well as a Facility-by-Facility basis, quarterly and year-to-date unaudited financial statements prepared for the applicable quarter with respect to Tenant and any Guarantor. Such reports shall include:
 - A balance sheet and statement of operations as of the end of such fiscal quarter;
 - A statement setting forth in reasonable detail the calculation and Tenant's compliance with each of the performance covenants set forth in Section 6.12 of this Lease for the applicable fiscal quarter; and
 - Such other information as Landlord shall reasonably request.
- O Together with its delivery to Landlord of the quarterly financial reports and statements required hereunder, Tenant shall deliver, or cause to be delivered, to Landlord, an Officer's Certificate (for Tenant and a separate Officer's Certificate (from an officer of any Guarantor) for any financial reports of statements of Guarantor) certifying that the foregoing statements and reports are true and correct in all material respects and were prepared in accordance with GAAP, applied on a consistent basis, subject to changes resulting from audit and normal year-end audit adjustments.
- <u>Annual Financial Reporting</u>: As soon as available, any in any event within 120 days after the close of each fiscal year of Tenant, Tenant shall deliver to Landlord, presented on a consolidated and consolidating as well as on a Facility-by-Facility basis, audited financial statements prepared for such fiscal year with respect to Covenant Holdco LLC, a Delaware limited liability company ("Holdco"), including a balance sheet and operating statement as of the end of such fiscal year, together with related statements of income and members', partners', or owners' capital for such fiscal year. Together with Holdco's annual audited financial statements, Tenant shall deliver or cause to be delivered to Landlord such other information as Landlord shall reasonably request.
- <u>Audit and Other Inspection Rights</u>: Without limitation of Tenant's other obligations as set forth in this Lease or this Exhibit D, Landlord shall have the right, from time to time and at its expense (unless an Event of Default exists, in which case Tenant shall, within ten (10) after demand therefor, reimburse Landlord for any and all costs and expenses incurred by Landlord in

connection with exercising its rights under this paragraph), to audit and inspect the books, records and accounts of Tenant or any Guarantor and/or relative to any Facility(ies) designated by Landlord from time to time, provided, however, that, (a) if no Event of Default exists, Landlord shall give Tenant not less than five (5) Business Days advance written notice of the commencement of any such inspection and (b) Landlord shall not require or perform any act that would cause Tenant or any Guarantor to violate any laws, regulations or ordinances relating to employment records or that protect the privacy rights of Tenant's or Guarantor's employees, healthcare patients or residents. Tenant shall reasonably cooperate (and shall cause its independent accountants and other financial advisors to reasonably cooperate) with all such inspections. Such inspections shall be conducted in a manner that does not materially interfere with Tenant's business operations or the business operations relative to any affected Facility(ies). Unless otherwise agreed in writing by Landlord and Tenant, such inspections shall occur during normal business hours.

• <u>Method of Delivery</u>: All financial statements, reports, data and other information required to be delivered by Tenant (or Guarantor) pursuant hereto shall be delivered via email to such email address as Landlord may designate from time to time and shall be in the format and otherwise in the form required pursuant to Section 6.7.

REGULATORY REPORTING

- Regulatory Reports with respect to each Facility: Within ten (10) Business Days after Tenant's receipt, Tenant shall deliver to Landlord by written notice the following regulatory reports with respect to each Facility:
 - O All federal, state and local licensing and reimbursement certification surveys, inspection and other reports received by Tenant as to any Facility and its operations, including state department of health licensing surveys and reports relating to complaint surveys;
 - o All Medicare and Medicaid certification surveys;
 - o All life safety code survey reports and/or fire marshal survey reports.
- <u>Reports of Regulatory Violations</u>: Within five (5) days after Tenant's receipt of any of the following, Tenant shall deliver to Landlord by written notice copies of the same along with all related documentation:
 - Any survey or notice related in any way to a survey deficiency with a scope and severity of "G" or higher;
 - O Any threat of denial of payment for new admissions, or any civil monetary penalty imposed in the amount of payment for new admissions, or any civil monetary penalty per incident or more;
 - Any violation of any federal, state, or local licensing or reimbursement certification statute or regulation, including Medicare or Medicaid;
 - Any suspension, termination or restriction (including immediate jeopardy) placed upon Tenant (or Guarantor) or any Facility, the operation of any Facility or the ability to admit residents or patients or any threat of any of the foregoing from state or federal authorities and/or agencies;

- Any threat of suspension or decertification of Tenant from State or federal healthcare programs;
- o The inclusion of any Facility on the "Special Focus List" maintained by CMS; or
- Any violation of any other permit, approval or certification in connection with any Facility or the operations thereof, by any federal, state or local authority, including Medicare or Medicaid;
- Any knowledge, whether a formal notice is given or received or not, of a pending or threatened investigation by a state attorney general, the OIG-HHS, or the U.S.
 Department of Justice relating to Guarantor or any principal, parent, subsidiary or other affiliate thereof.

ANNUAL BUDGETS

- <u>Annual Budgets</u>: At least fifteen (15) days prior to the commencement of each calendar year of Tenant during the Term, Tenant shall deliver to Landlord an annual operating budget covering the operations of each Facility for the forthcoming calendar year, which budget shall include month-to-month projections. Said annual operating budgets shall be in a form and shall contain such information as is reasonably acceptable to Landlord. Tenant shall promptly deliver to Landlord any subsequent revisions to annual operating budgets.
- Annual Capital Budgets. At least fifteen (15) days prior to the commencement of each calendar
 year of Tenant during the Term, Tenant shall deliver to Landlord an annual budget setting forth
 Tenant's reasonable estimate of the capital repairs, replacements, and improvements to each
 Facility that Tenant anticipates will be necessary in such calendar year to comply with its
 obligations under this Lease.

EXHIBIT E

FORM OF APPROVED LETTER OF CREDIT

[NAME] BANK

IRREVOCABLE LETTER OF CREDIT NO
DATE:
EXPIRATION DATE:
Ladies and Gentlemen:
We hereby establish our Irrevocable Letter of Credit in your favor for the account of ("Customer") available by your draft(s) on us payable a
sight in an amount not to exceed a total of Dollars (\$) wher accompanied by the following documents:
1. A certificate which on its face appears to have been executed by an officer of a positive of the company of
, a, or any successor entity by operation of law ("Beneficiary"), stating the amount which Beneficiary is drawing and that one or more of the following events has occurred:
(a) an Event of Default has occurred under that certain Lease dated as of
(b) a default under that certain Guaranty of Lease dated, 20, executed by, for the benefit of Beneficiary; or
(c) either (i) an FDIC receiver or conservator has been appointed for the Issuer (as defined in the Lease)) or (ii) the Issuer has become subject to operational supervision by any federal or state regulatory authority.
2. The original Letter of Credit must accompany all drafts unless a partial draw is presented, in which case the original must accompany final draft.
This Letter of Credit will be duly honored by us at sight upon delivery of the statement set forth above without inquiry as to the accuracy of such statement and regardless of whether Customer disputes the content of such statement.

This Letter of Credit may be transferred or assigned by Beneficiary to any successor or assign of Beneficiary's interests under the Lease or to any lender obtaining a lien or security interest in

the property covered by the Lease. Each draft hereunder by any assignee or successor shall be accompanied by a copy of the fully executed documents or judicial orders evidencing such encumbrance, assignment or transfer.

Any draft drawn hereunder shall be in the form attached hereto as <u>Schedule 1</u>. Partial drawings are permitted with the amount of the Letter of Credit being reduced, without amendment, by the amount(s) drawn hereunder.

This Letter of Credit shall expire at 5:00 p.m., Pacific Time, on the expiration date set forth above. Notwithstanding the foregoing, this Letter of Credit shall be automatically extended for additional periods of one year from the present or each future expiration date unless we have notified you in writing, not less than ninety (90) days before any such expiration date, that we elect not to renew this Letter of Credit. Our notice of any such election shall be sent by express, registered or certified mail to the address shown above.

Except so far as otherwise expressly stated, this Letter of Credit is subject to the "Uniform Customs and Practices for Documentary Credits (2007 Revision), International Chamber of Commerce Publication No. 600." We hereby agree with you and all persons negotiating such drafts that all drafts drawn and negotiated in compliance with the terms of this Letter of Credit will be duly honored upon presentment and delivery of the documents specified above by express, certified or registered mail, overnight or other delivery by national courier service or personal delivery to ______, if negotiated on or before the expiration date shown above.

Very truly yours,	
Authorized Signature	
Authorized Signature	

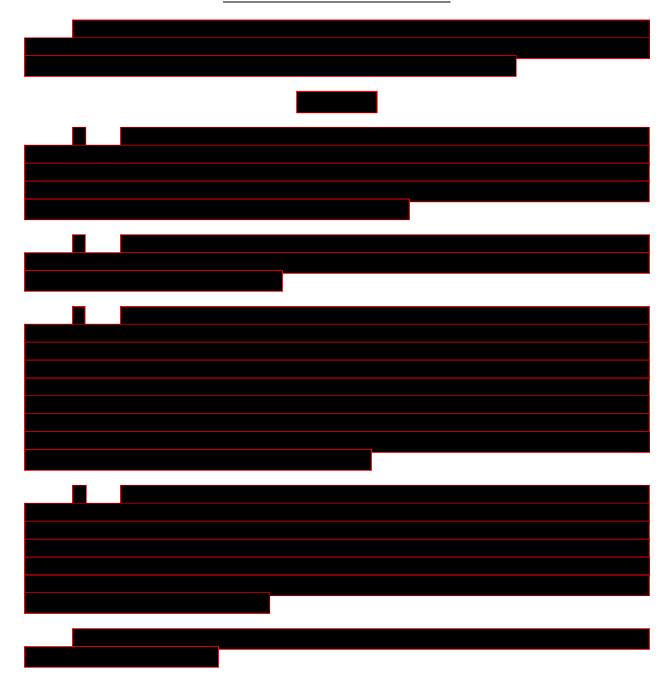
SCHEDULE 1 TO EXHIBIT E

SIGHT DRAFT

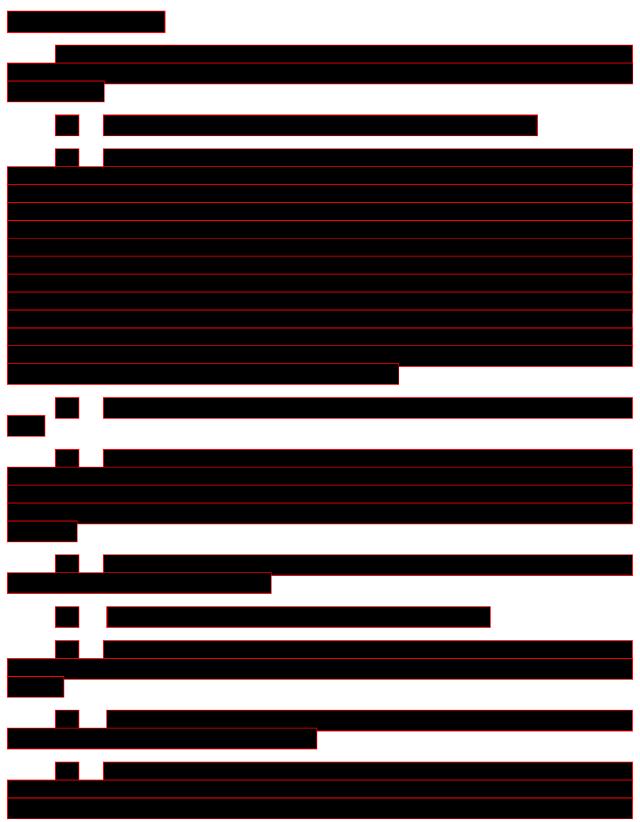
TO:	
	Attention:
PAY	TO THE ORDER OF:
	[NAME OF BENEFICIARY] c/o [NAME OF BANK] [ADDRESS OF BANK] ABA No. [INSERT ABA NO.] for the benefit of [NAME OF BENEFICIARY] Account No. [INSERT ACCOUNT NO.]
THE S	SUM OF:
	Dollars (\$)
DRAV	VN ON:
	Irrevocable Letter of Credit No
	dated, 20 issued by
	Bank
	[BENEFICIARY]
	By:
	Name:
	Title:

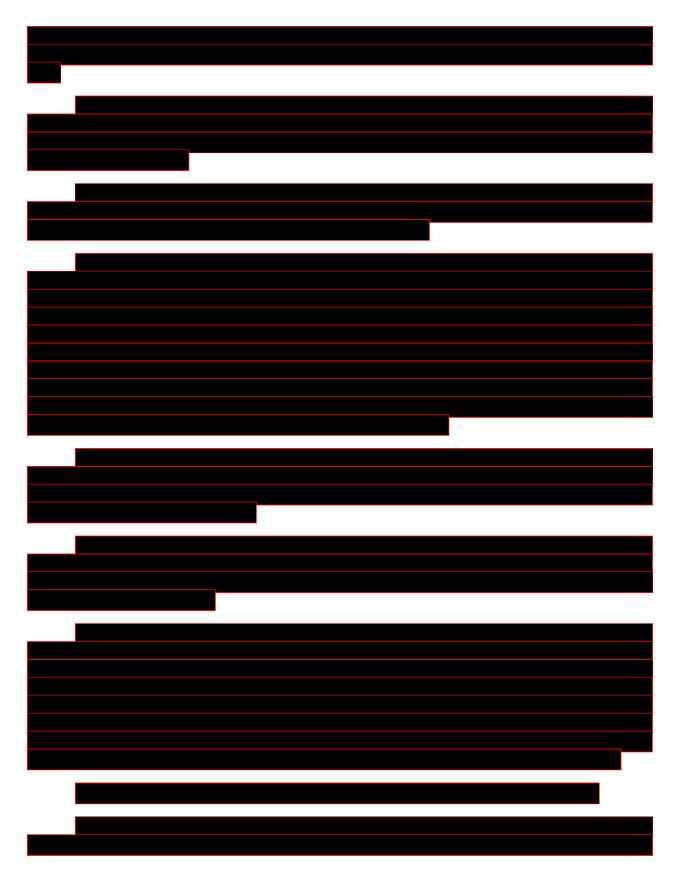
EXHIBIT F

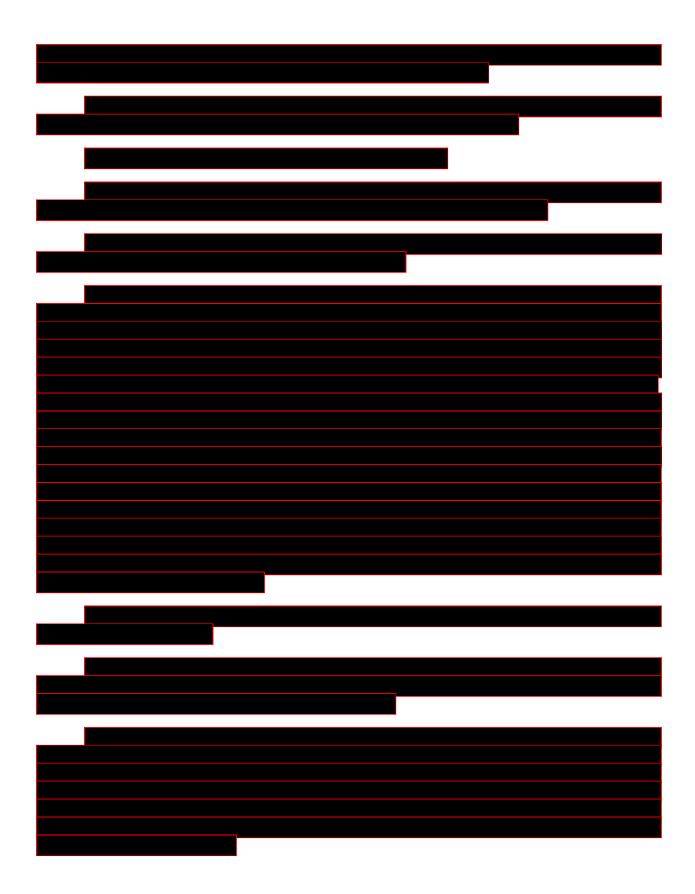
FORM OF DOWNEY OPERATIONS TRANSFER AGREEMENT

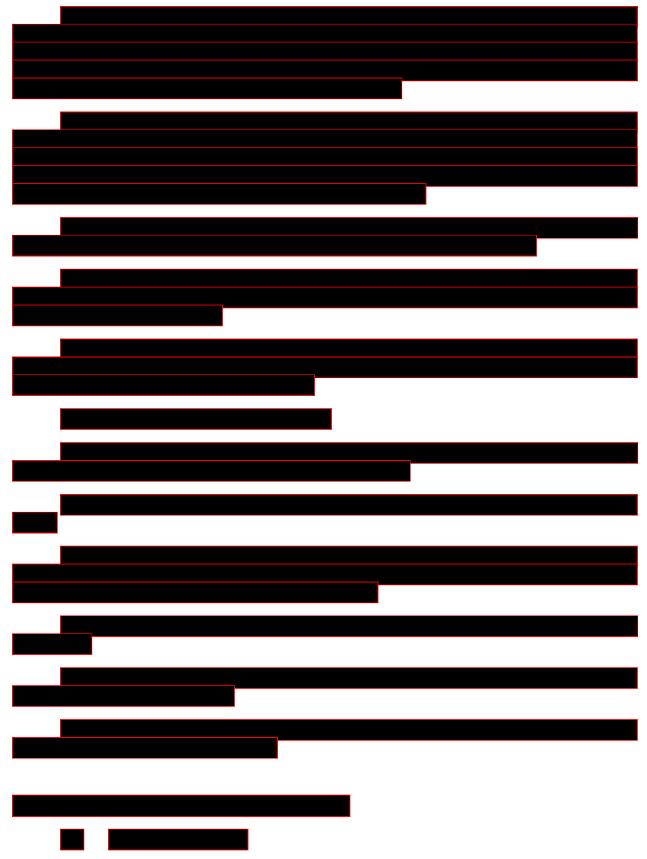


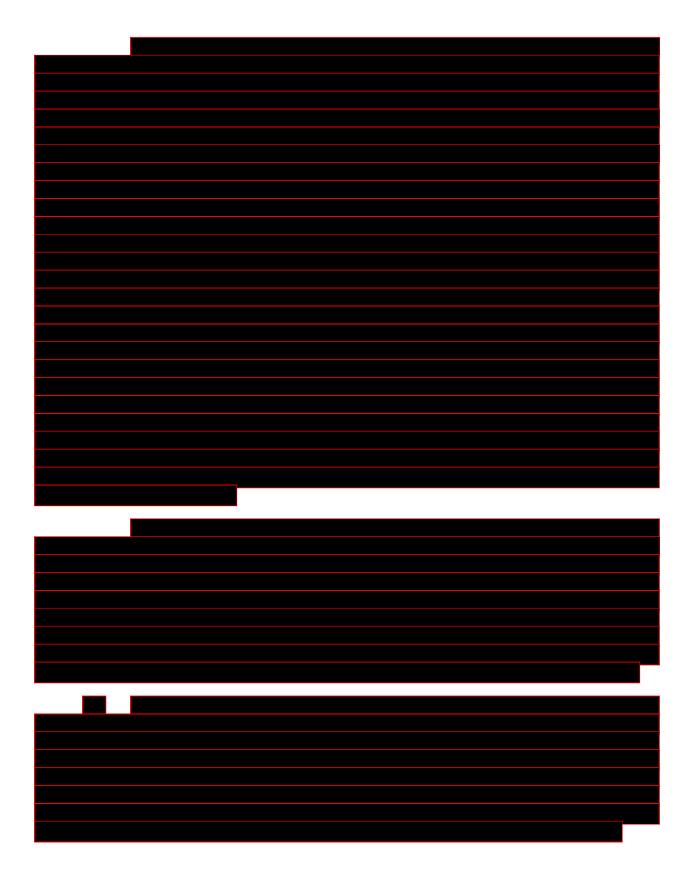
AGREEMENT

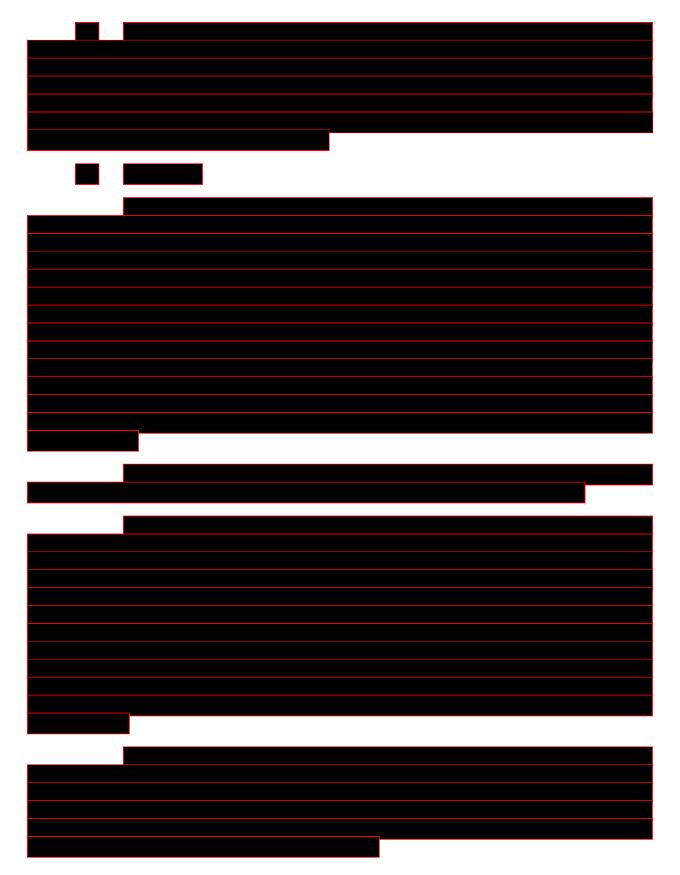




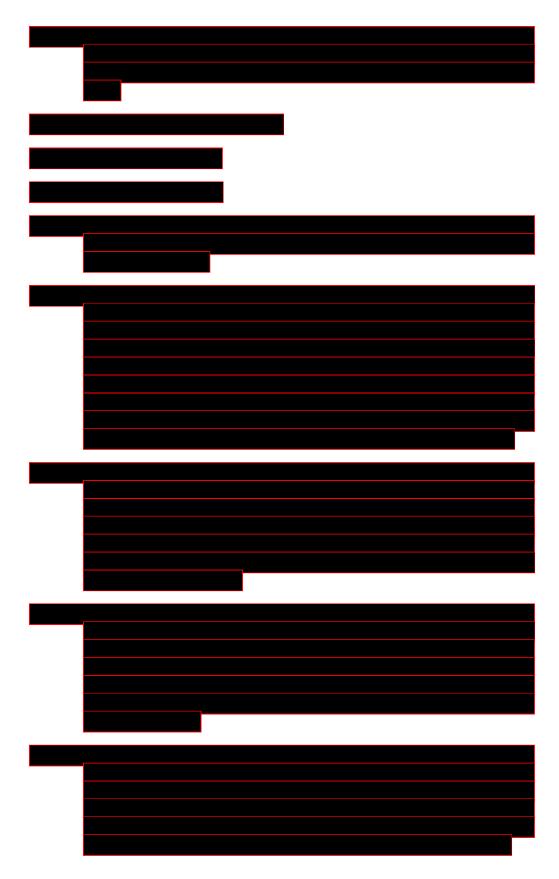


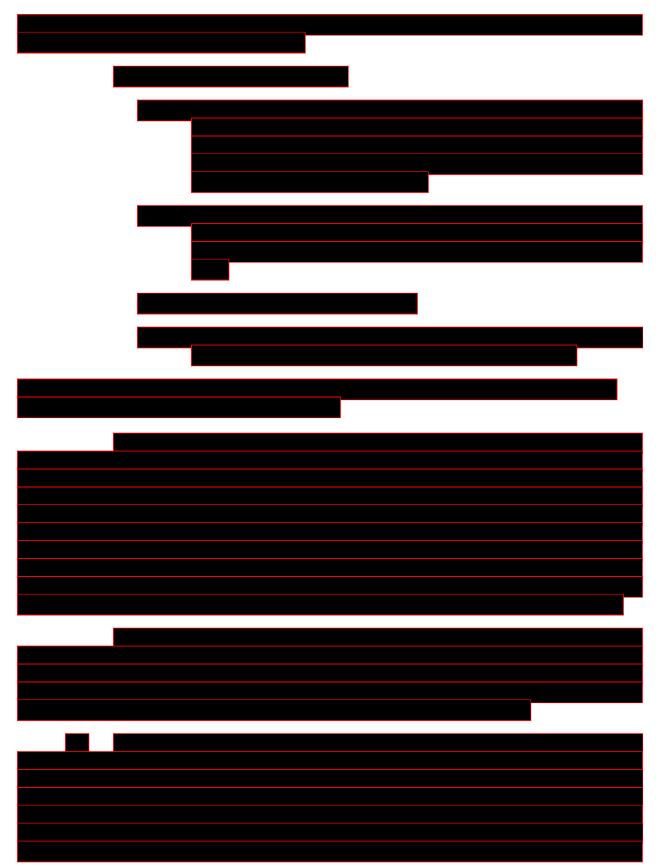


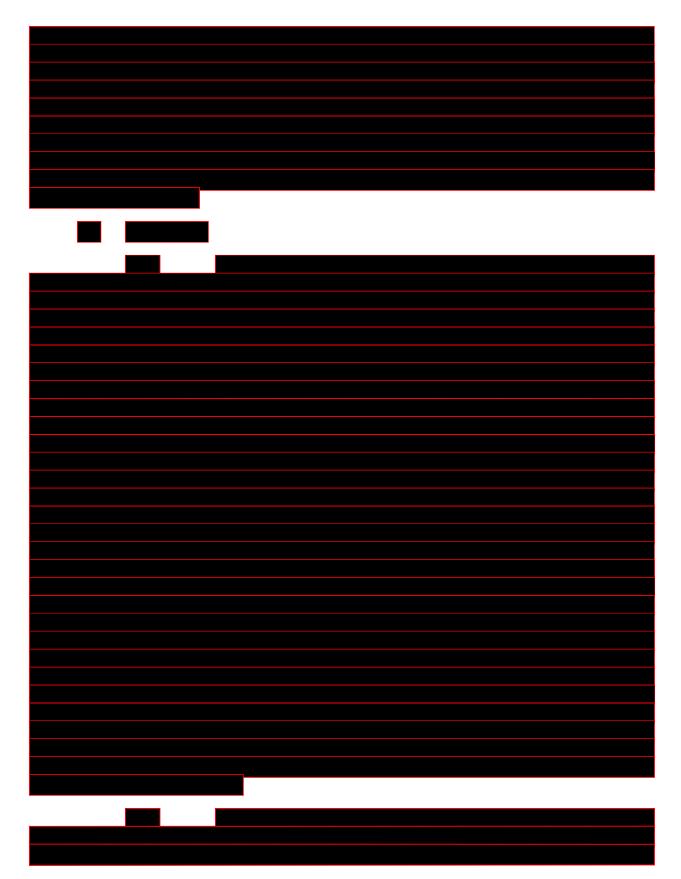


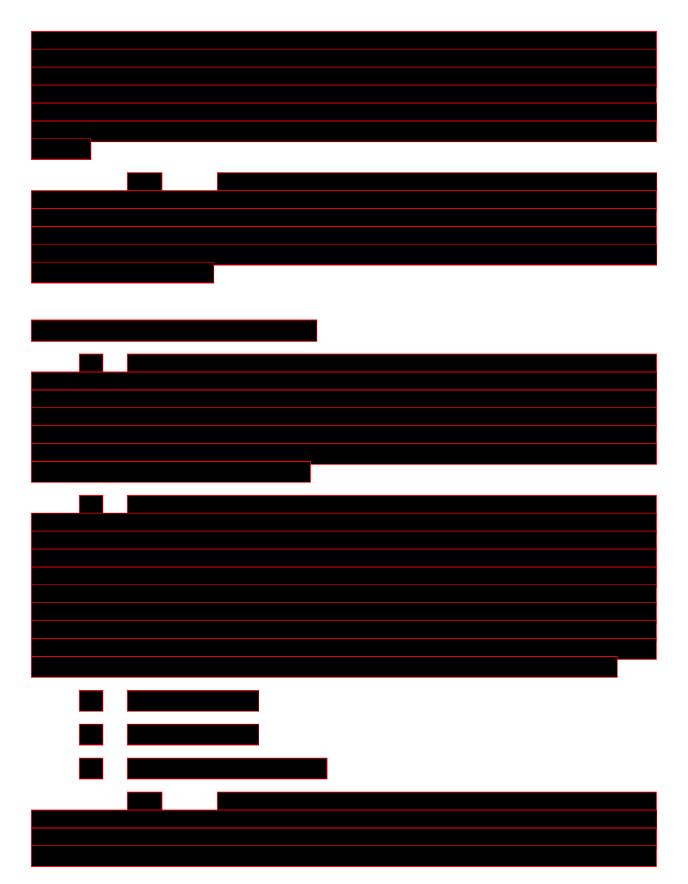


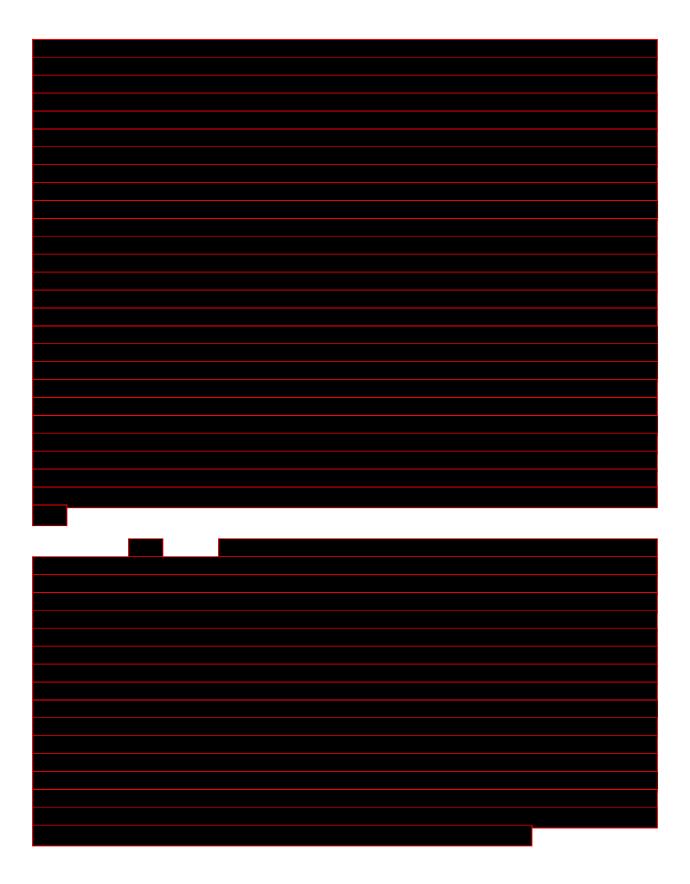


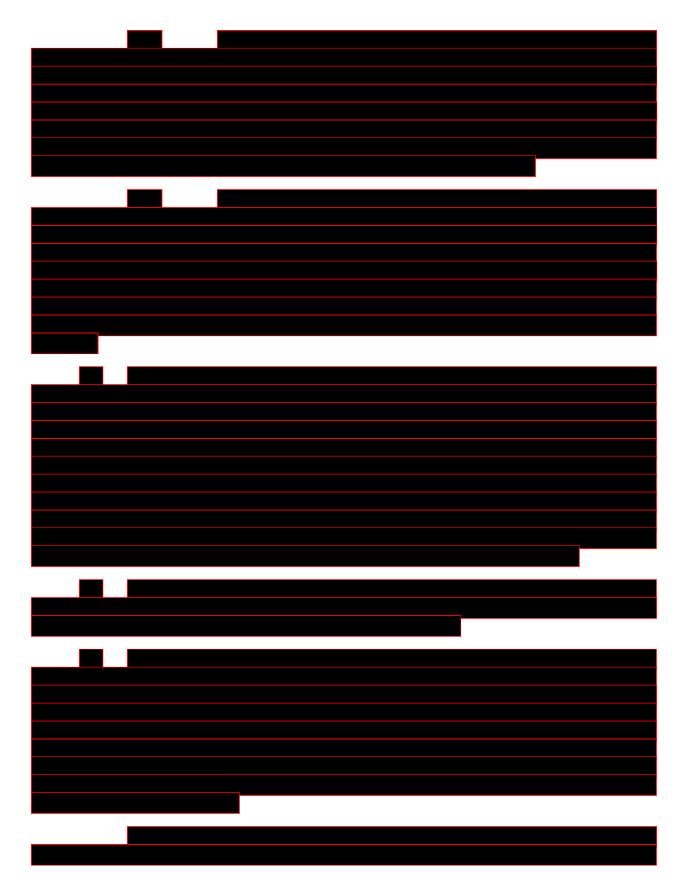


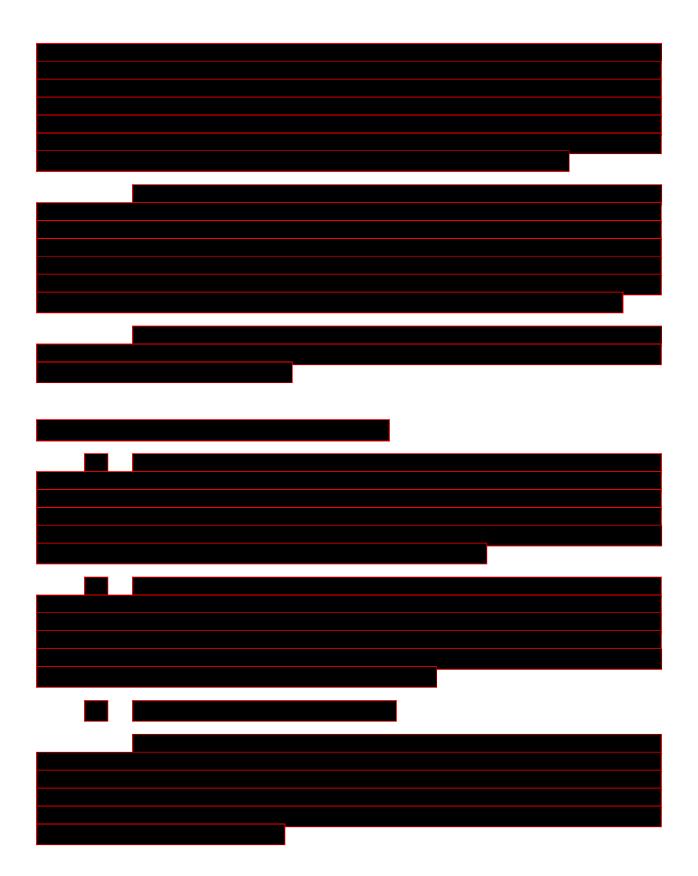


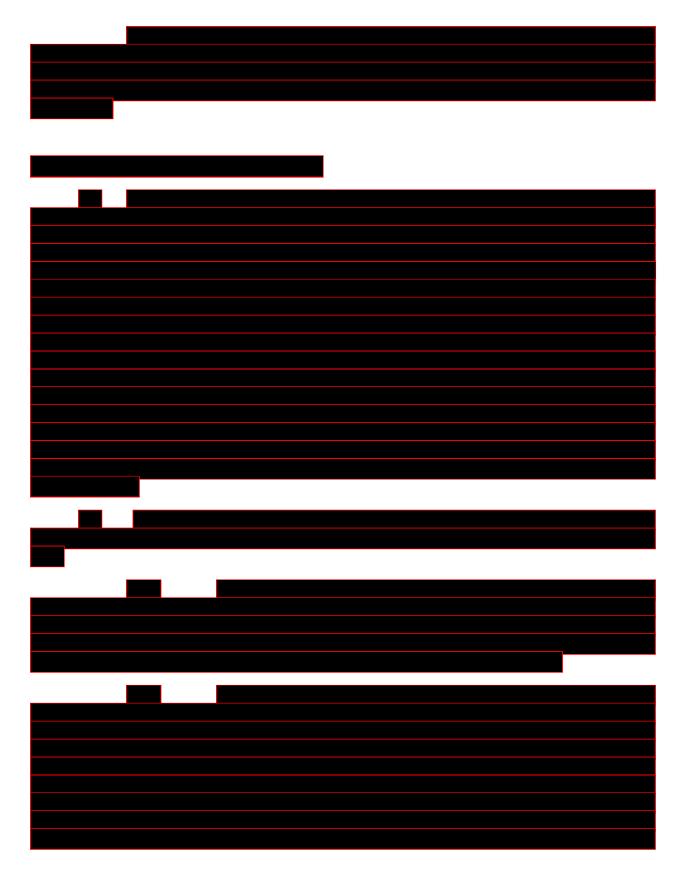


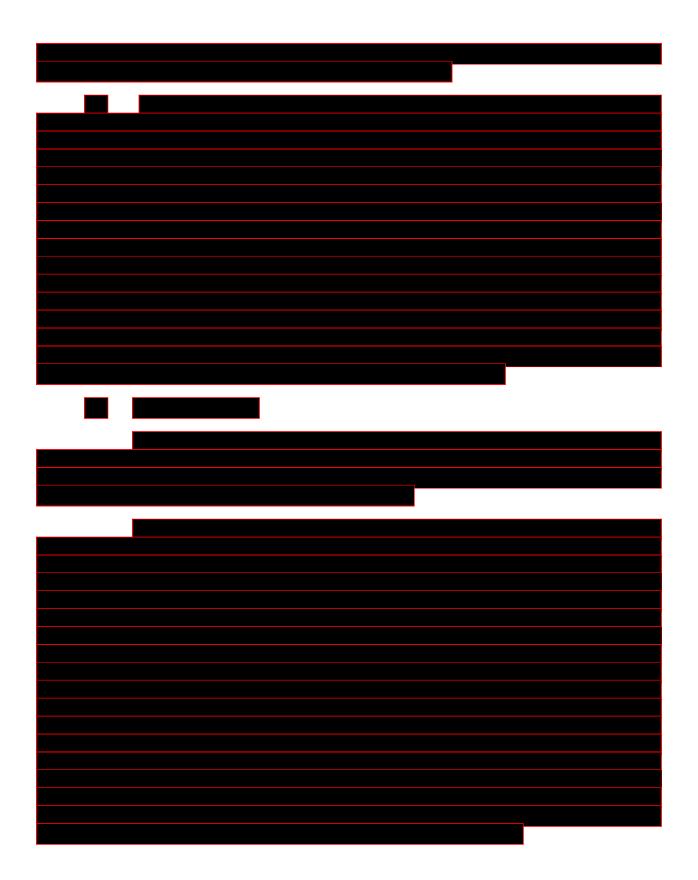


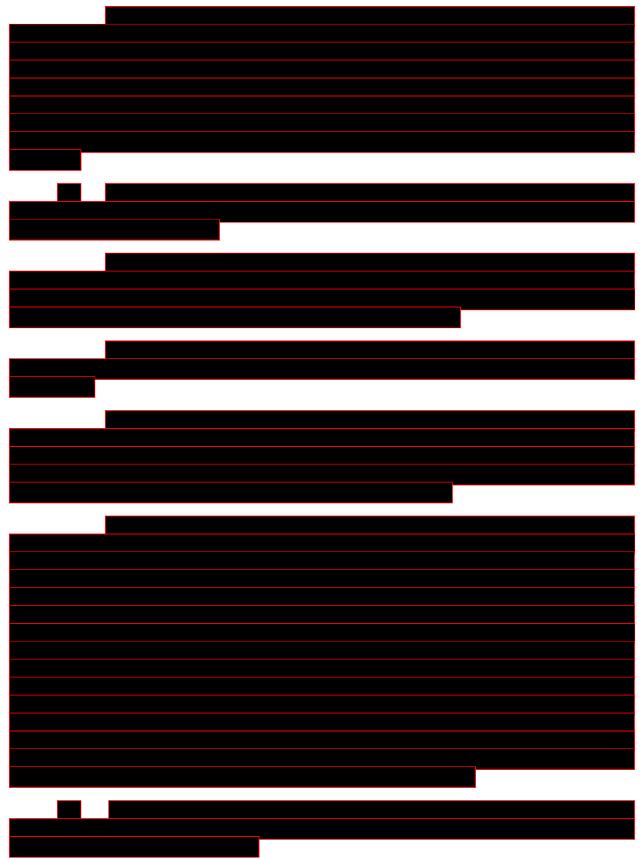


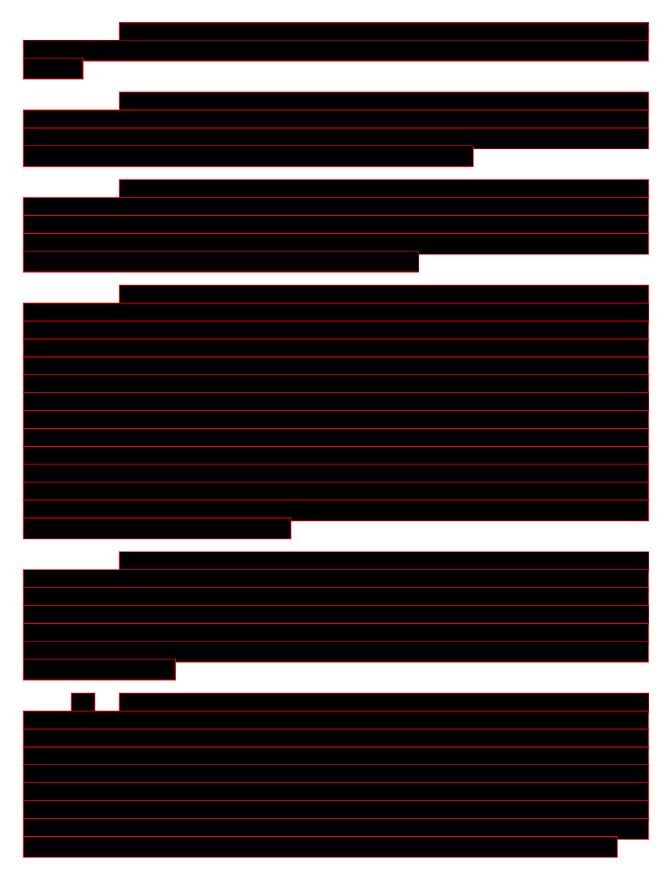


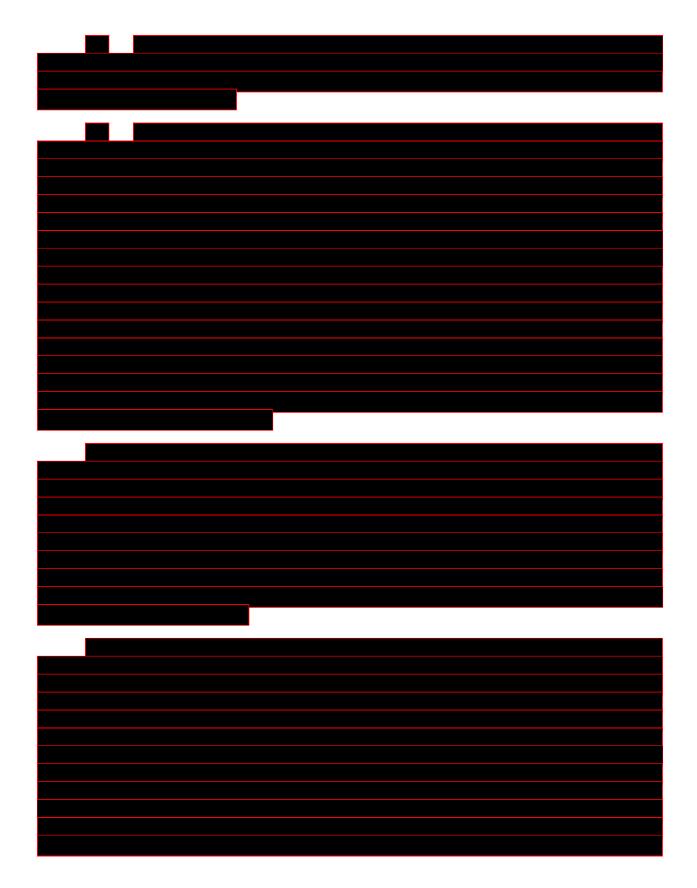


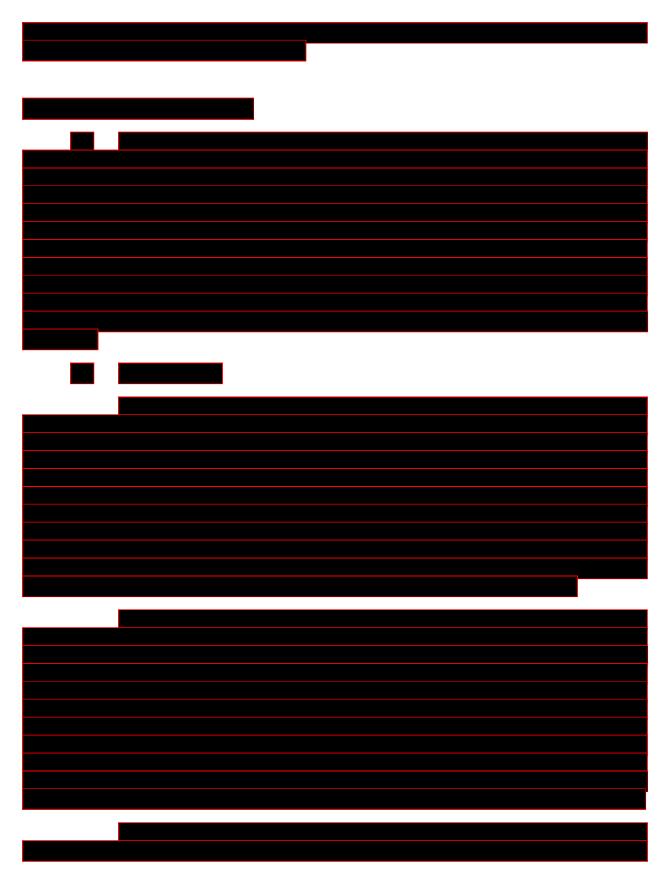


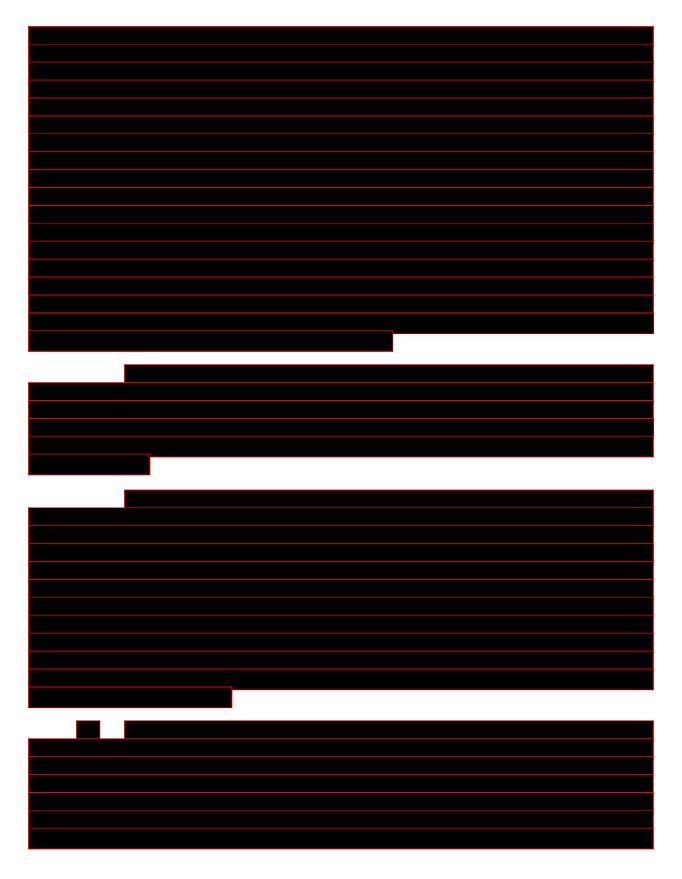


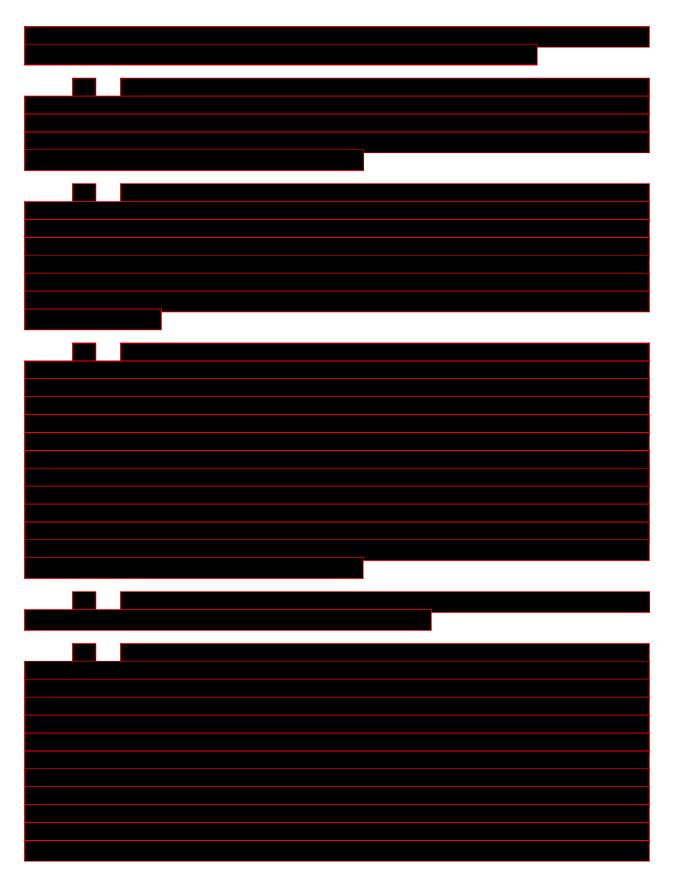


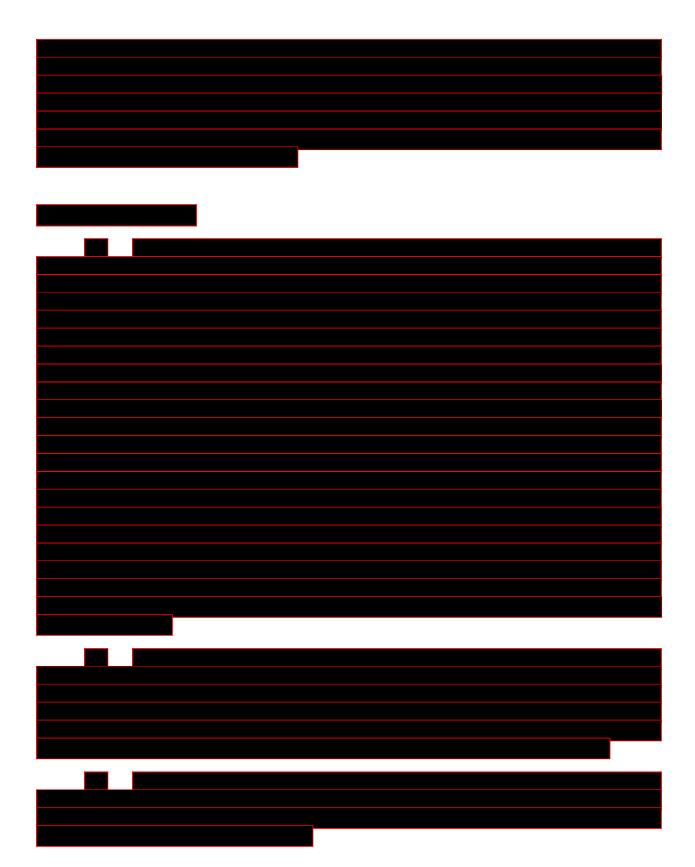


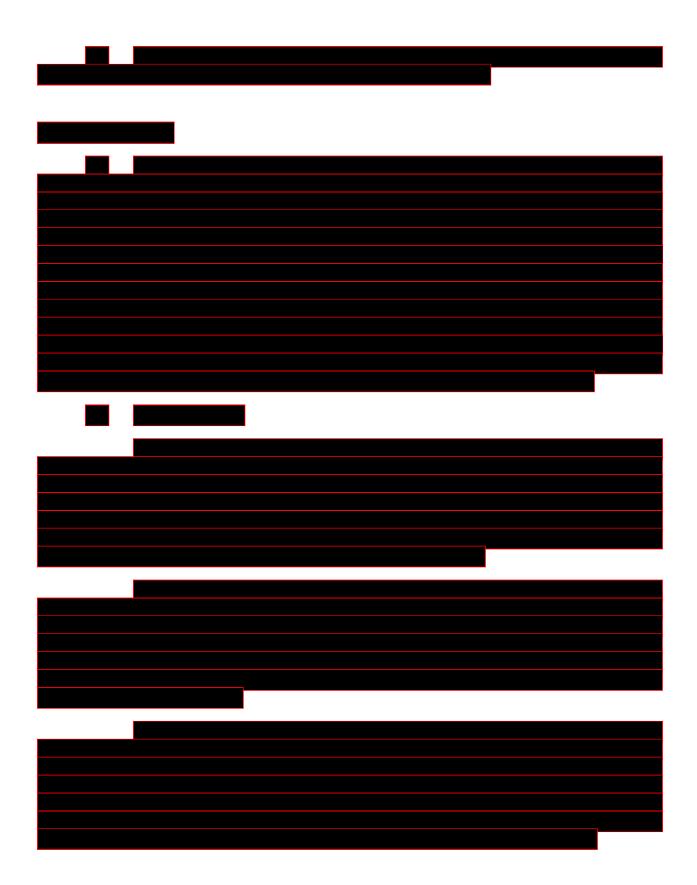


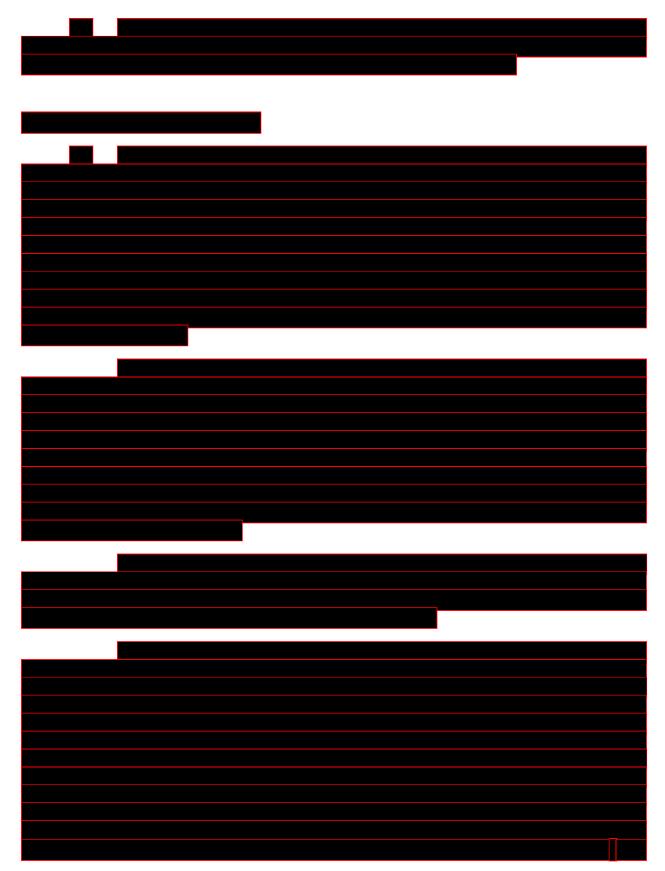


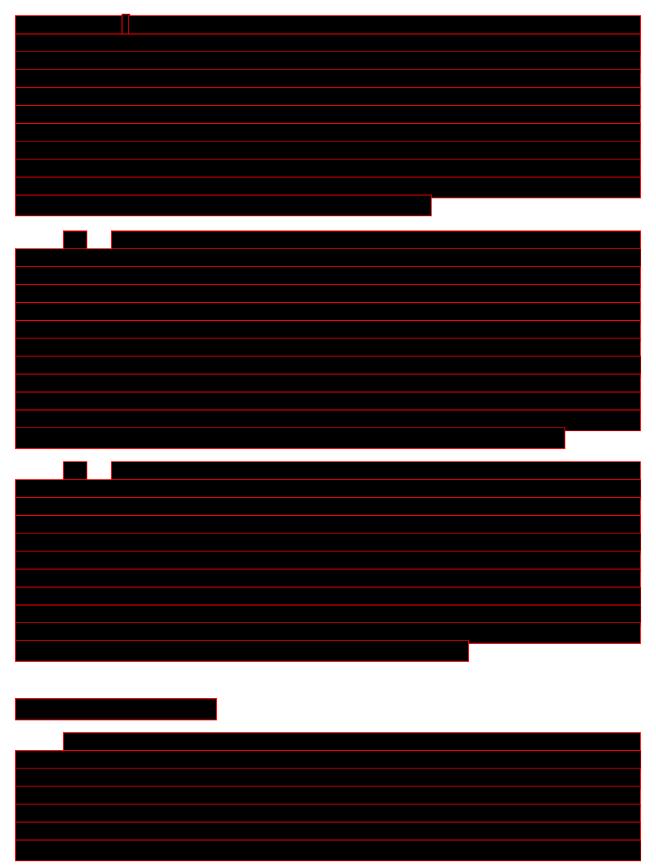


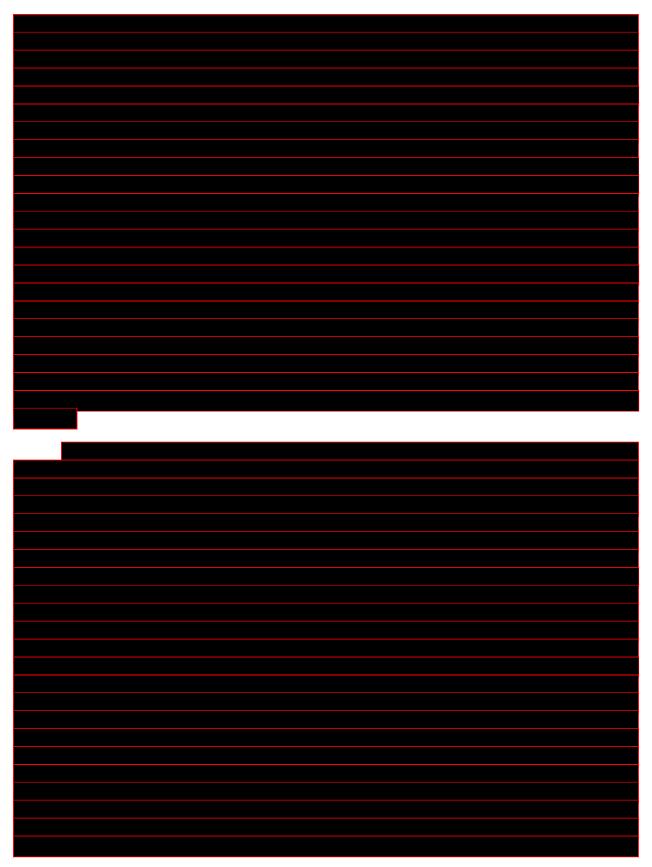


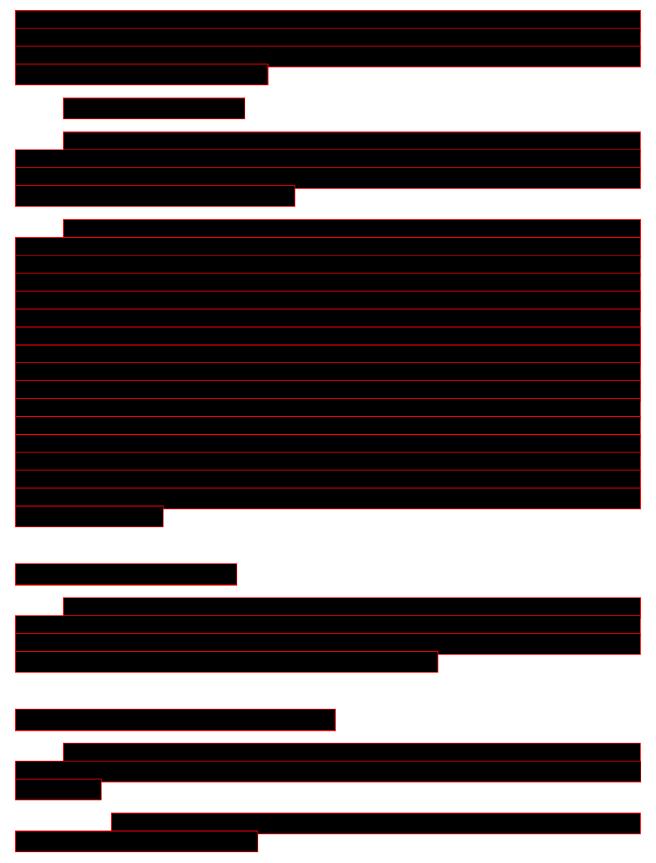


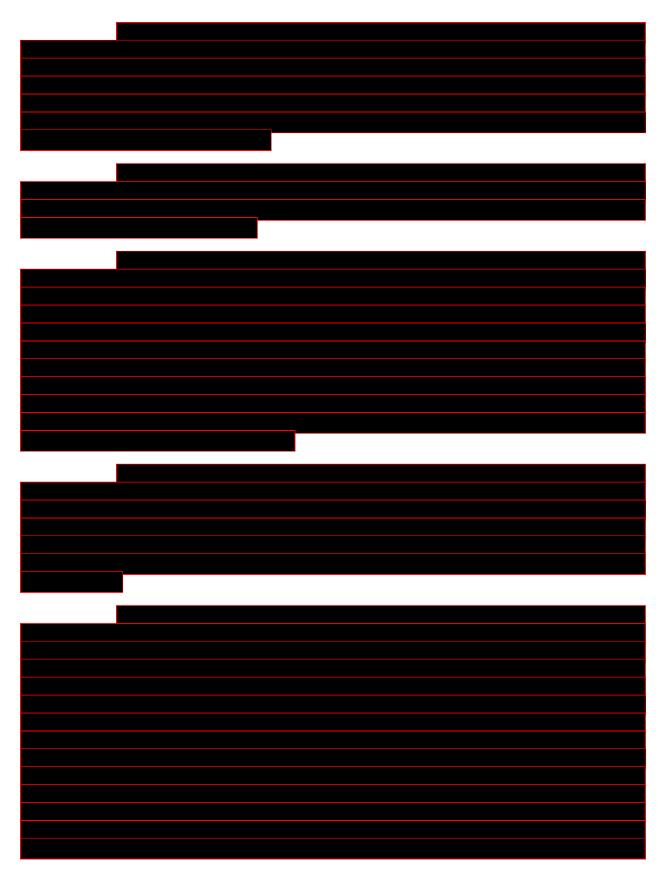


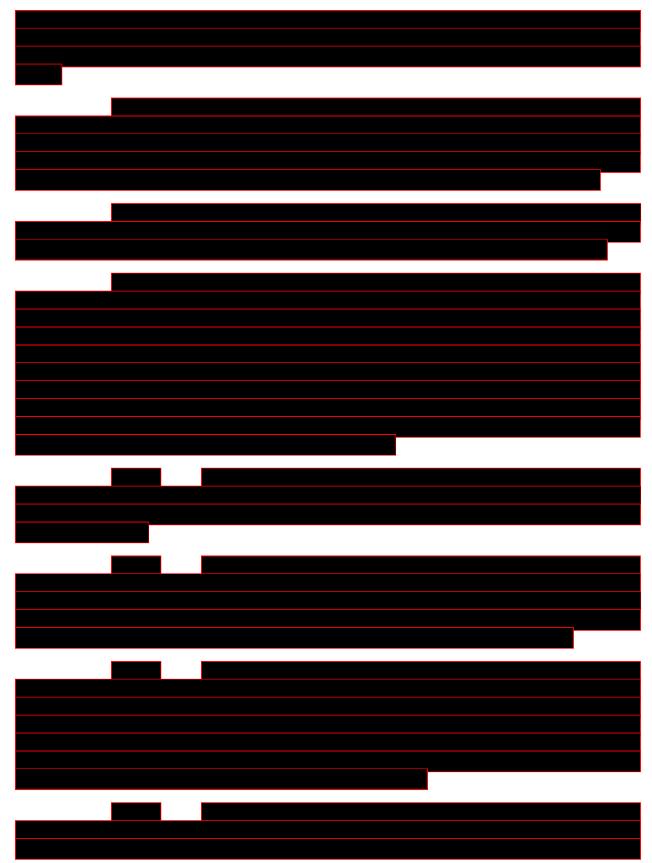


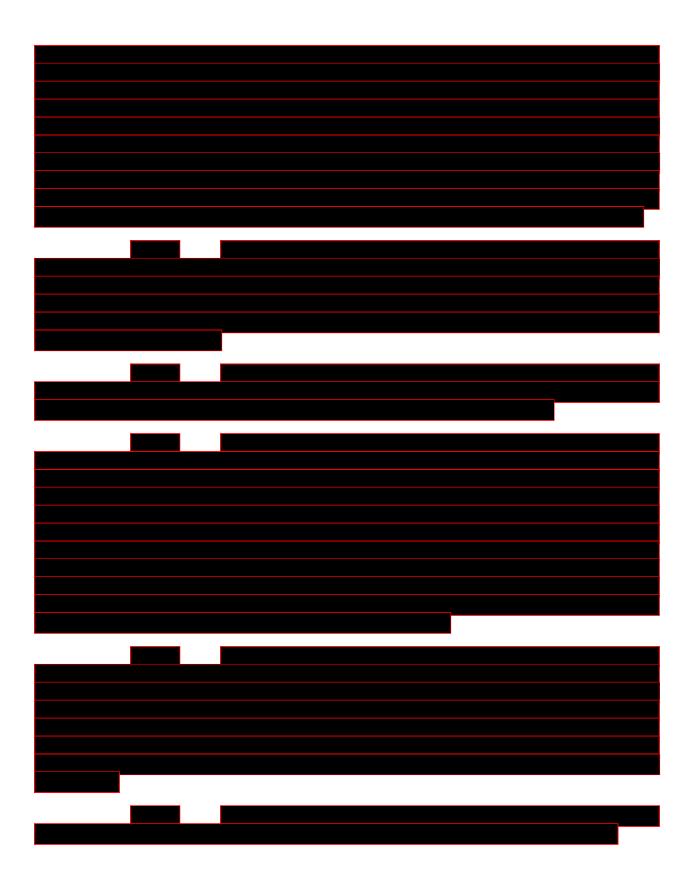


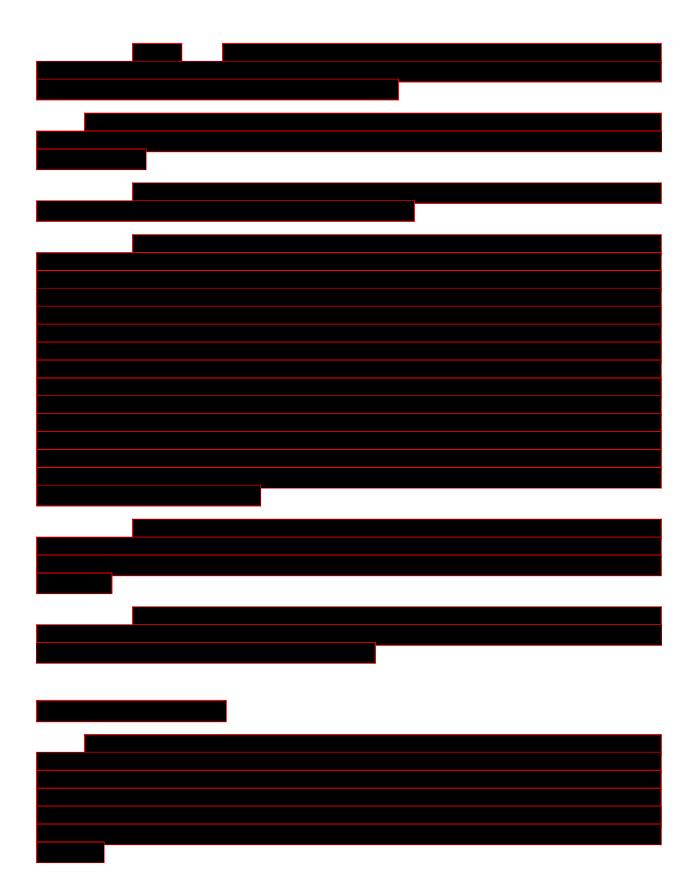




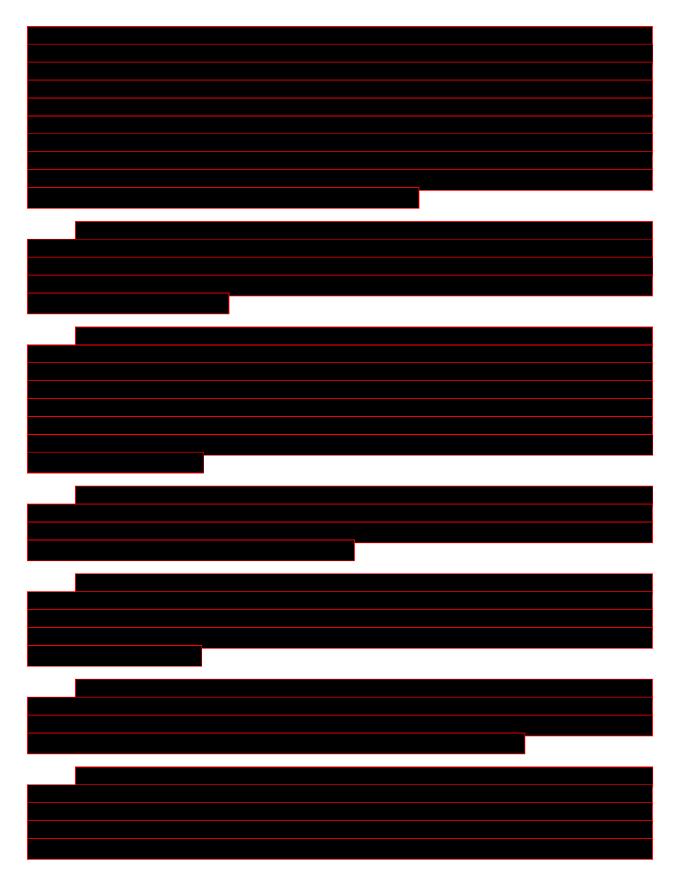


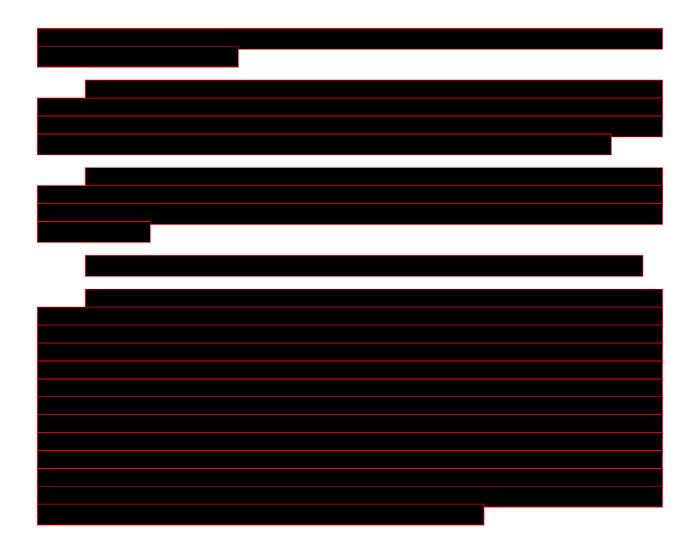












[SIGNATURES ON FOLLOWING PAGE]

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

CURRENT OPERATOR:	NEW OPERATOR:		
By:			
Name:	Ву:		
Title:	Name:		
	Title:		

SCHEDULE 1
Transferor/Current Operator/New Operator/Beds

Facility	Address	Current Operator	New Operator	Primary Use	No. Licensed Beds

ALF: assisted living facility **SNF:** skilled nursing facility

EXHIBIT A

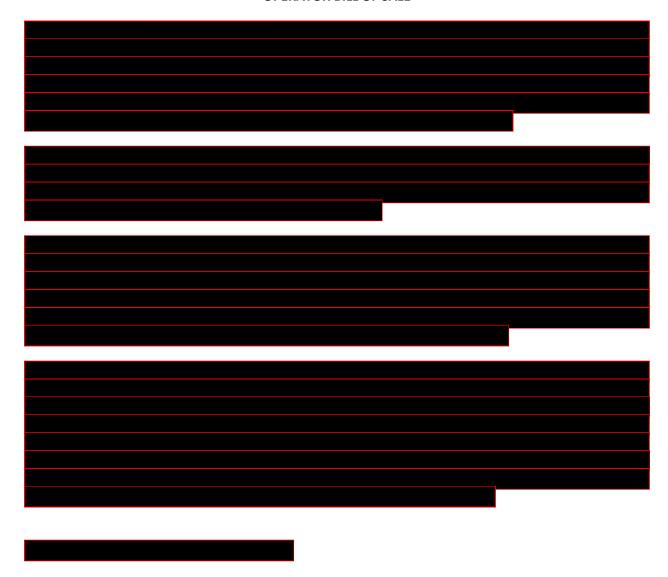
ASSUMED OPERATING CONTRACTS¹

[TO COME]

¹ All exhibits and schedules are subject to New Operator's diligence efforts and, therefore, remain subject to further review prior to execution of OTA.

EXHIBIT B

FORM OF OPERATOR BILL OF SALE



[Insert appropriate signature block]

EXHIBIT C

SCHEDULE OF ENCUMBERED FF&E AND ENCUMBRANCES THEREON

[To come]

EXHIBIT D

EXCLUDED ASSETS

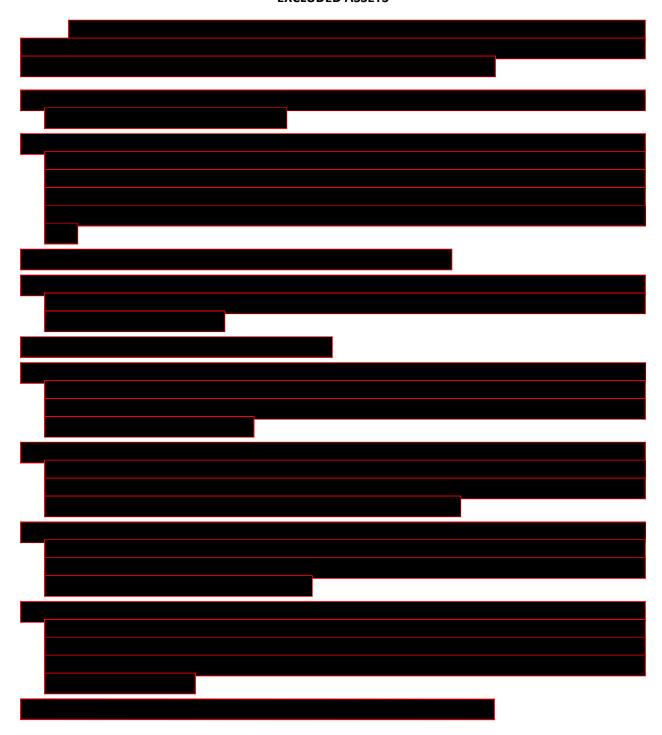


EXHIBIT E

PERMITTED ENCUMBRANCES

EXHIBIT F

DISCLOSURE SCHEDULE

EXHIBIT G

CLAIMS



EXHIBIT H

FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT

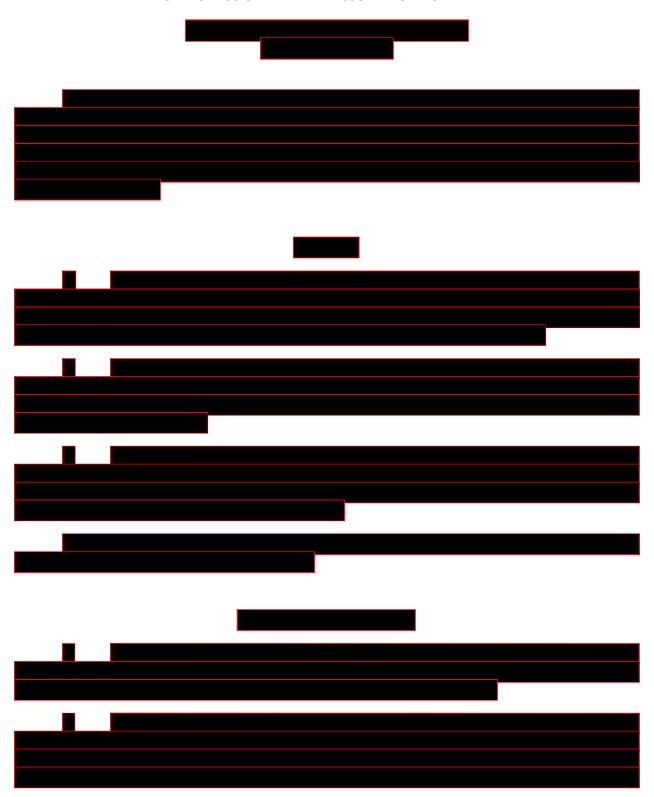
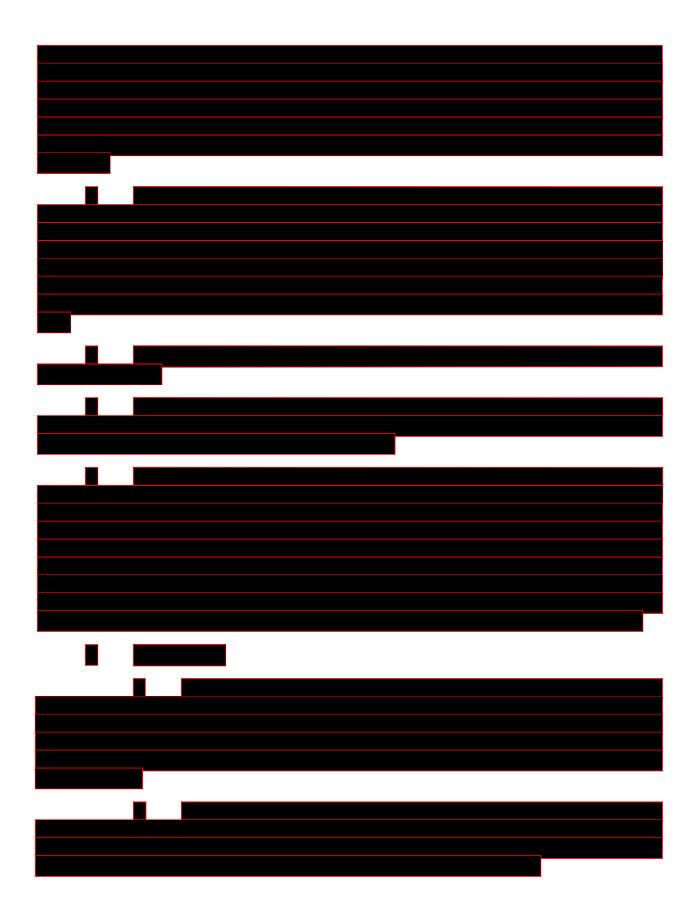
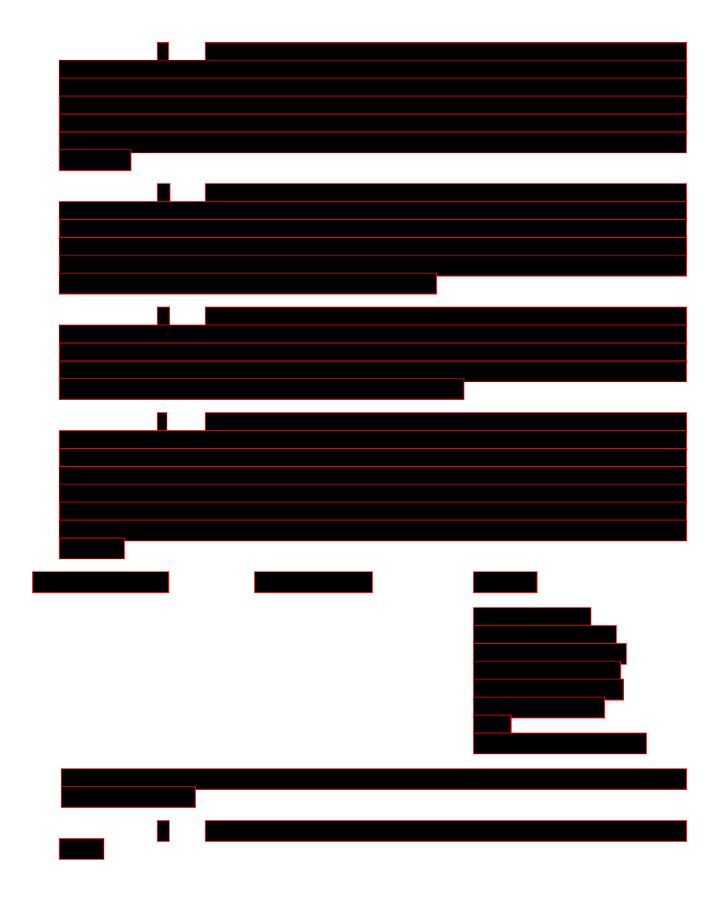


Exhibit H







[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have entered into this Agreement as of the date first above written by affixing their respective signatures hereto.

CURRENT OPERATOR:	NEW OPERATOR:		
Ву:	Ву:		
Its:	Its:		

Schedule A to Assignment and Assumption Agreement

ASSUMED OPERATING CONTRACTS

EXHIBIT I

COPY OF CURRENT OPERATOR'S FACILITY OPERATING LICENSE

(See attached)

EXHIBIT J

COPY OF CURRENT OPERATOR'S CURRENT INSURANCE CERTIFICATE(S)

(See attached)

EXHIBIT K

(BUSINESS ASSOCIATE AGREEMENT)

EXHIBIT L

Initial Due Diligence Materials

EXHIBIT M

PENDING MEDICAID

321608795.7

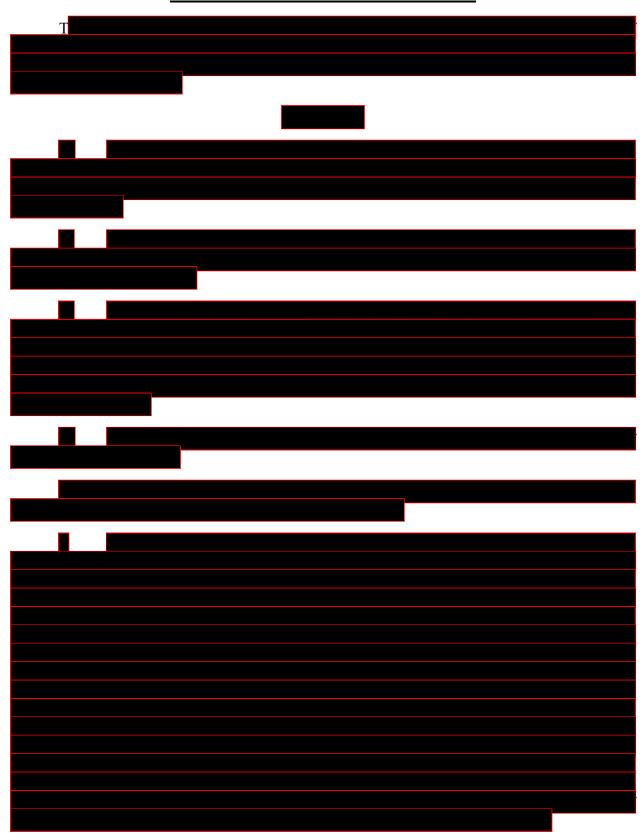
EXHIBIT G

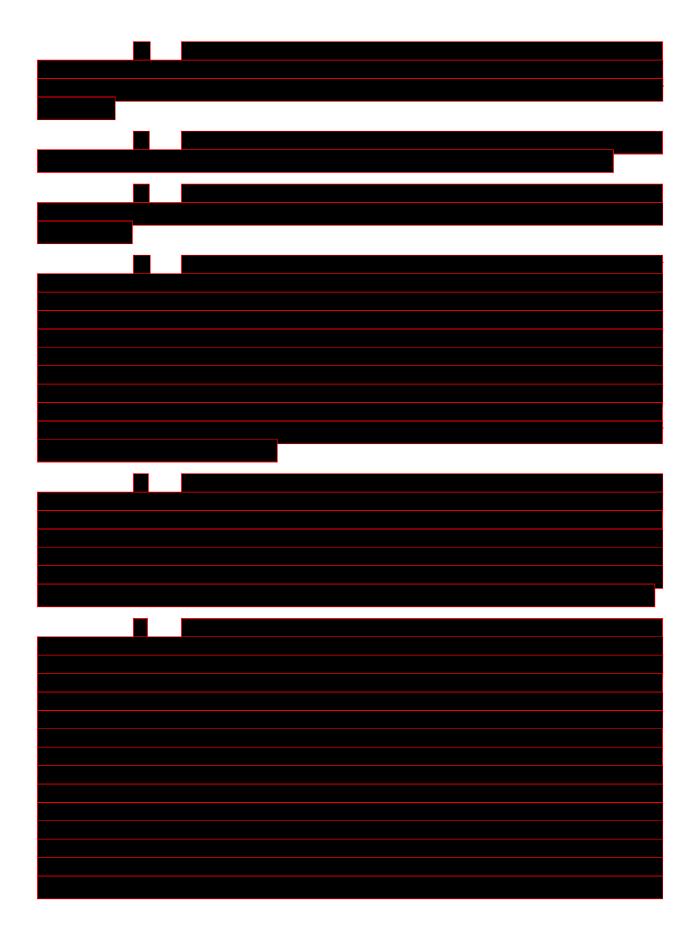
FORM OF INTERIM DOCUMENTS

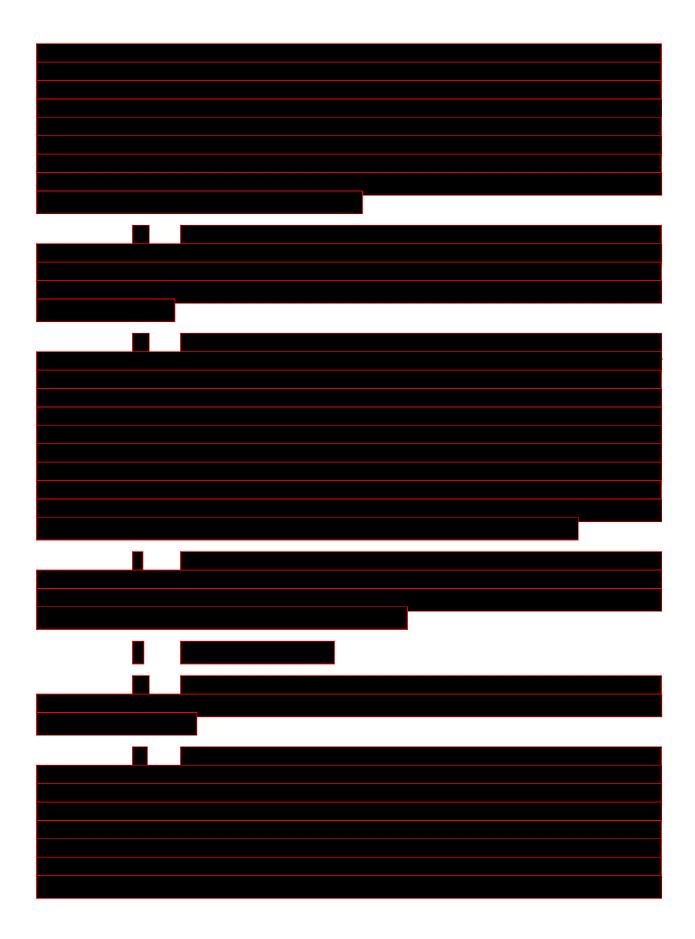
Attached.

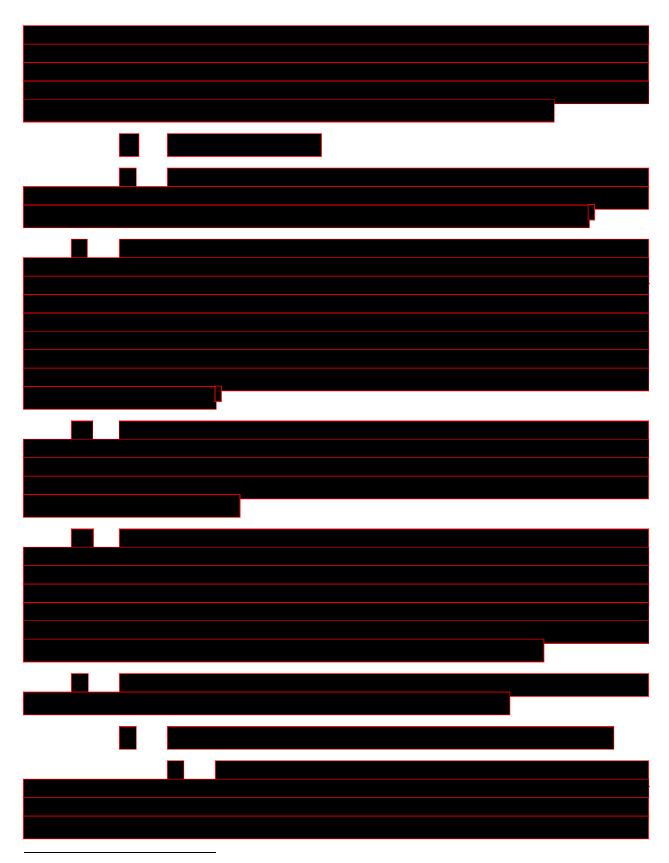
82924.14 Exhibit G-1

INTERIM MANAGEMENT AGREEMENT

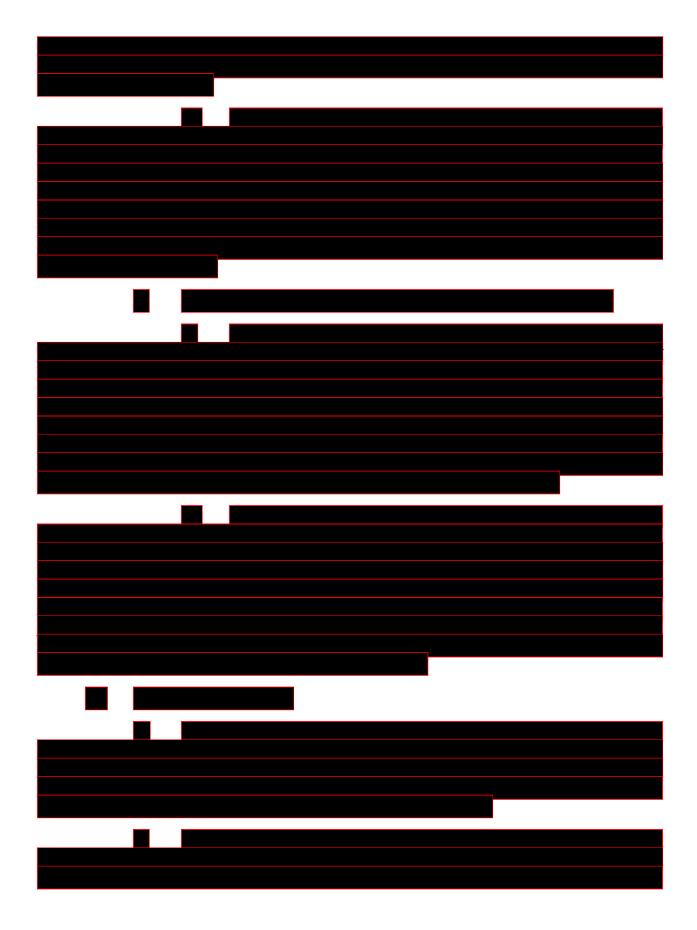


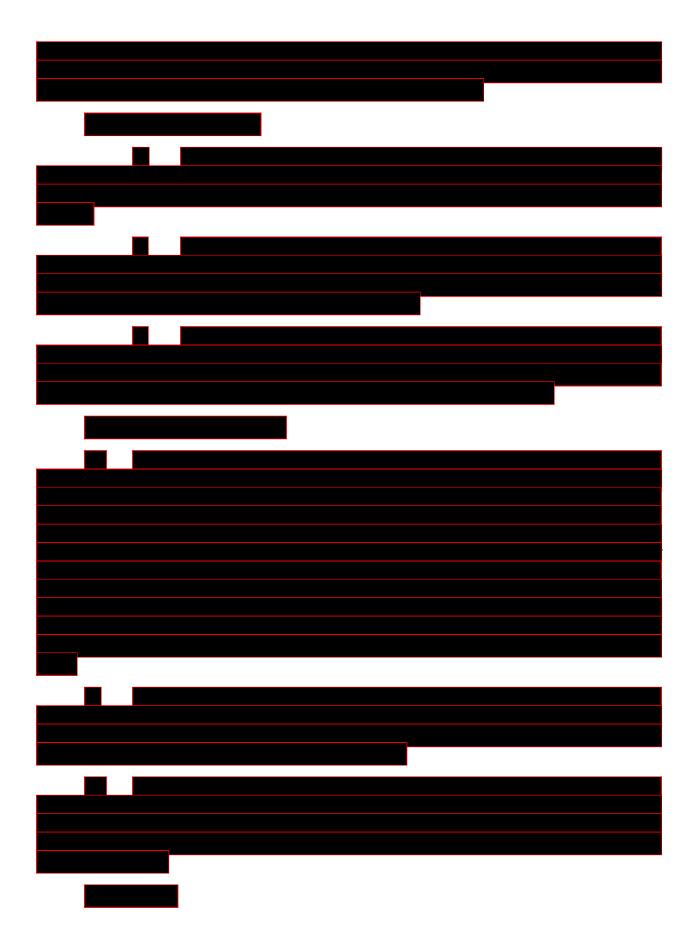


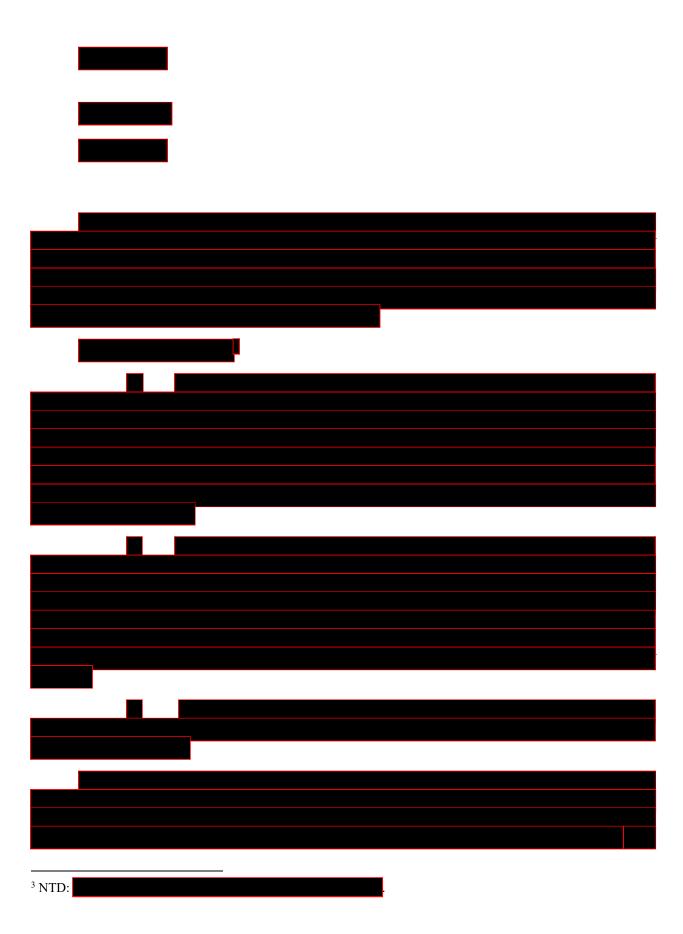


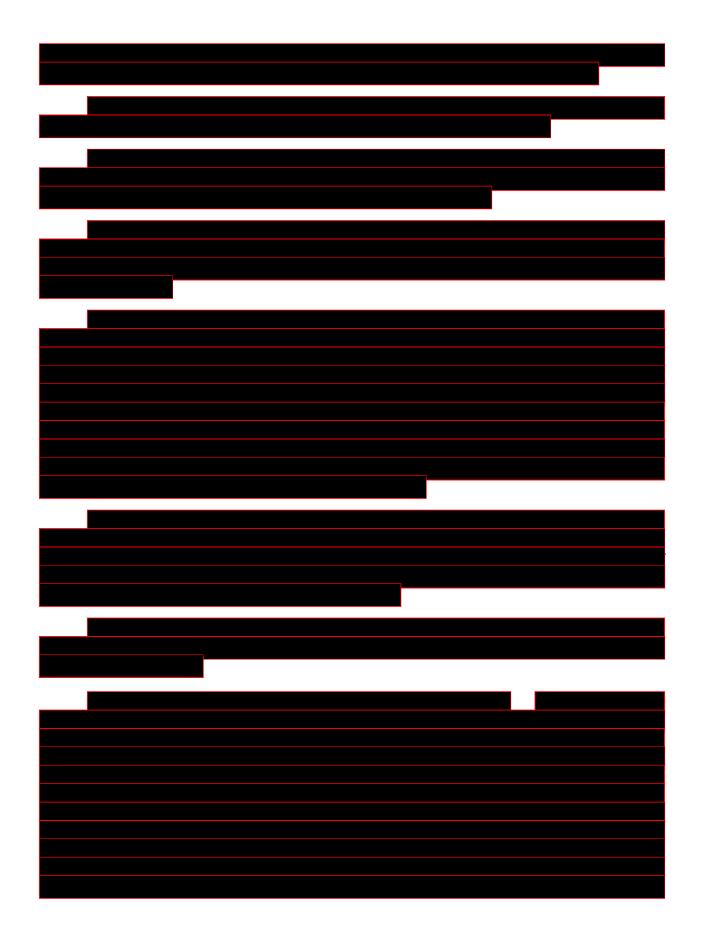


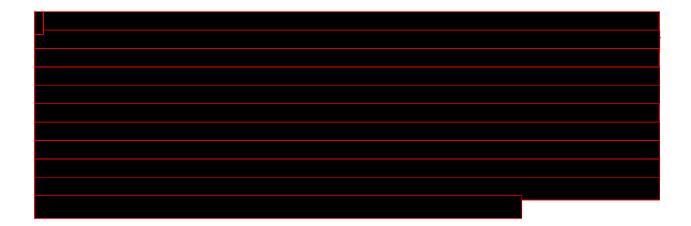
¹ NTD: To be discussed. ² NTD: Subject to review by insurance broker.











IN WITNESS WHEREOF, the parties have hereto caused this Agreement to be duly executed, as of the day and year first above written.

OPERATOR:

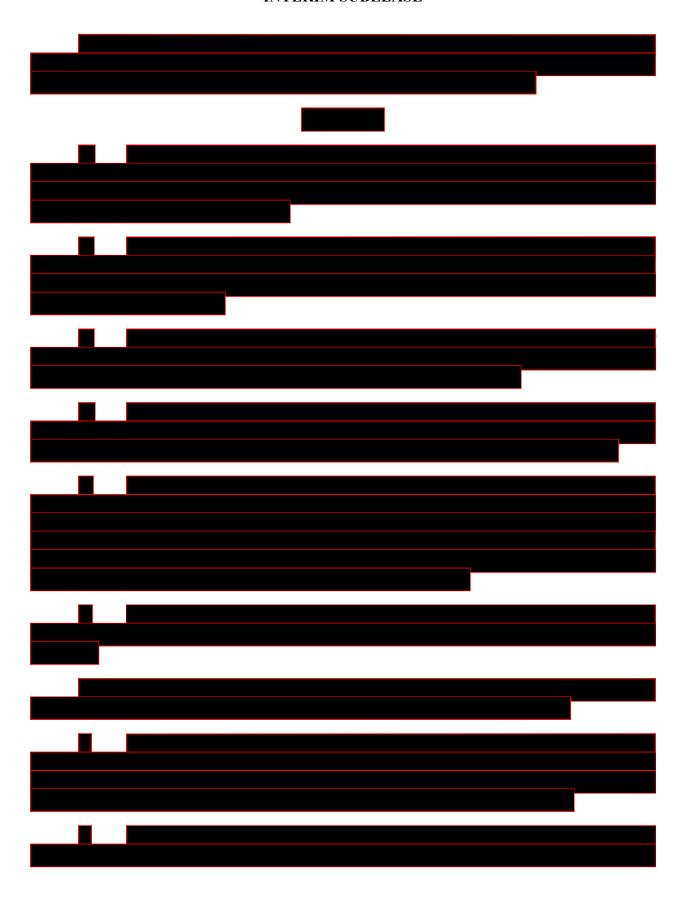
By:
Name:
Its:
MANAGER:
[[INSERT]], a [[INSERT]]
Dvo
By:
Name:
Its:

[Exhibit A Business Associate Agreement

[INSERT FORM BAA]

321608796.5

INTERIM SUBLEASE





[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK] [SIGNATURE PAGE FOLLOWS]

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

SUBLESSOR:		
	By: Name:	
	Its:	_
<u>SUBLESSEE</u> :		
	By:	
	Name:	
	Its:	

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

CONSENT TO SUBLEASE



EXHIBIT A

LEGAL DESCRIPTION OF THE FACILITY

FACILITY LIST

Facility Name	Facility Address	Primary Intended Use	Medicaid and Medicare Certified Beds	Medicare -Only Certified	Total Licensed Beds	Security Deposit
Existing Facilities:						
Turlock Residential Care Facility	1101 E. Tuolumne Road Turlock, CA 95382	SNF	144	N/A	144	
Turlock Nursing and Rehabilitation Center	1111 E. Tuolumne Road Turlock, CA 95382	SNF	49	N/A	49	
Arbor Rehabilitation & Nursing Center	900 North Church Street Lodi, CA 95240	SNF	149	N/A	149	
Arbor Place	17 Louie Avenue Lodi, CA 95244	SNF	76	N/A	76	
New California Facilities:						
Huntington Park Nursing Center	6425 Miles Avenue Huntington Park, CA 90255	SNF	99	N/A	99	F
Shoreline Care Center	5225 South J Street Oxnard, CA 93033	SNF	193	N/A	193	+
Downey Care Center	13007 South Paramount Boulevard Downey, CA 90242	SNF	99	N/A	99	
Courtyard Healthcare Center	1850 East 8 th Street Davis, CA 95616	SNF	112	N/A	112	

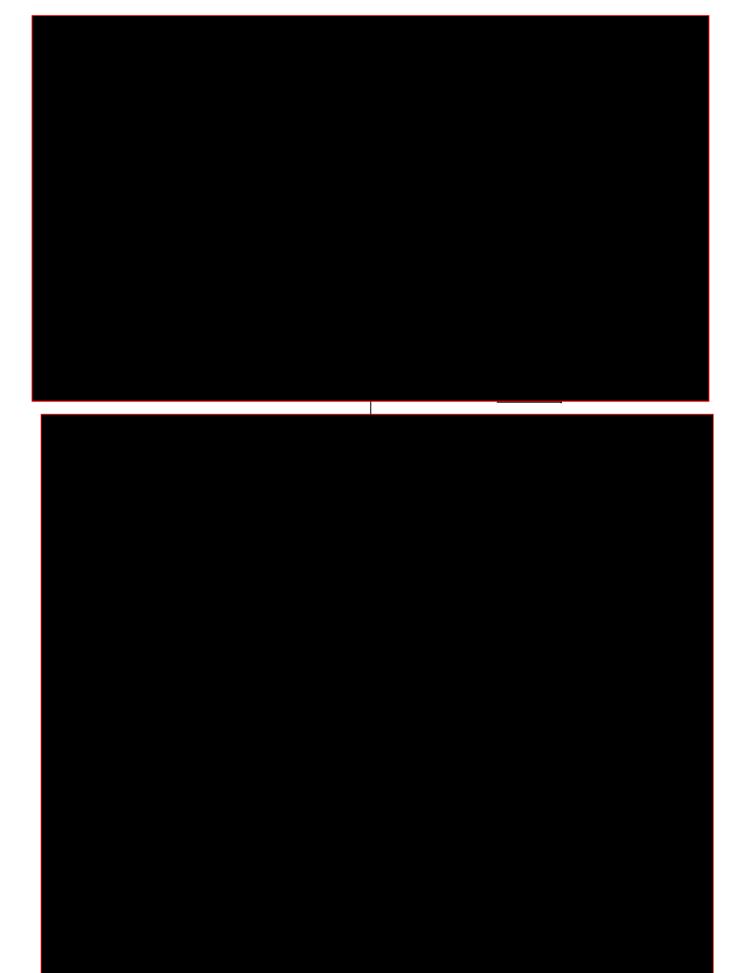
Defined Terms

"SNF" Skilled Nursing Facility

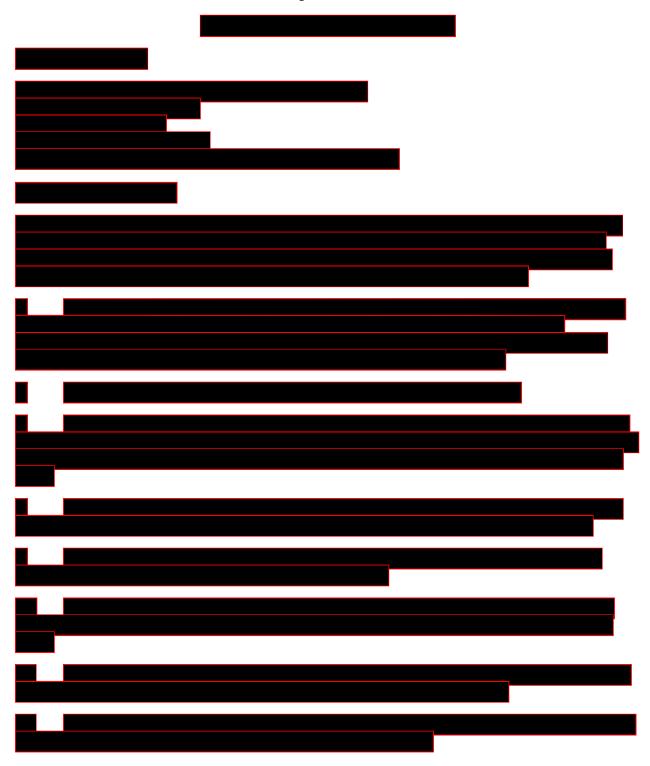
82924.14 Exhibit G-1

TENANT OWNERSHIP STRUCTURE

See attached.

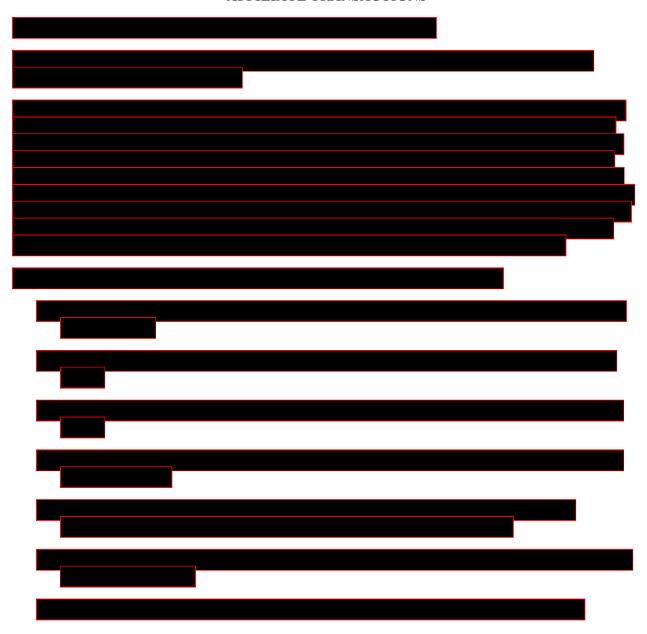


FORM OF REQUEST FOR ADVANCE



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TENAN	<u>'T</u> :				
a(n)					
D					
			_		
Name:			_		
Title:					

AFFILIATE TRANSACTIONS



IDENTIFIED REPAIRS

Estimated Cost:

WIRE INSTRUCTIONS





MASTER LEASE

Between

CTR PARTNERSHIP, L.P.,

a Delaware limited partnership,

as "Landlord"

and

COVENANT CARE MASTER WEST, LLC,

a California limited liability company

as "Tenant"

Dated: February 6, 2019

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Transferee as I review and ev	Landlord shall have been provided all information regarding the proposed Appro- Landlord has reasonably requested, and Landlord shall have been afforded sufficient time valuate such information and any other information and to make prudent and ratio cons relating thereto; and	ne to ona
reasonable dis	Tenant and Guarantor shall have delivered to Landlord, for approval by Landlord in cretion, all documentation relating to the applicable Parent Transfer as Landlord uest;	may
(f) and Approved sufficient time	Landlord shall have been provided all information regarding the proposed Parent Transferees as Landlord may reasonably request, and Landlord shall have been affor to review and evaluate such information and any other information and to make prucisiness decisions relating thereto; and	nsfer rdec den
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