

[THIS LEASE IS NOT TO BE RECORDED]

MASTER LEASE
AND SECURITY AGREEMENT

between

SHG RESOURCES, LP,

as Lessor

and

EUREKA-LET, LP,

as Lessee

Dated as of March 3, 2011

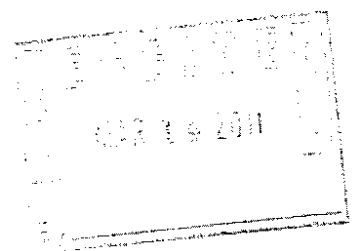


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MASTER LEASE AND SECURITY AGREEMENT

THIS MASTER LEASE AND SECURITY AGREEMENT ("Lease") is dated as of March 3, 2011 (the "Effective Date"), and is between SHG RESOURCES, LP, a Delaware limited partnership ("Lessor") and EUREKA-LET, LP, a California limited partnership ("Lessee").

ARTICLE I LEASED PROPERTY; TERM

Upon and subject to the terms and conditions hereinafter set forth, Lessor leases to Lessee and Lessee leases from Lessor all of Lessor's rights and interests in and to the following (collectively the "Leased Property"):

- (a) the real property or properties described in Exhibits A-1 through A-5 attached hereto (collectively, the "Land");
- (b) all buildings, structures, Fixtures (as hereinafter defined) 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 Lessor has obtained any interest in the same), parking areas and roadways appurtenant to such buildings and structures and Capital Additions funded by Lessor (collectively, the "Leased Improvements");
- (c) all easements, rights and appurtenances relating to the Land and the Leased Improvements (collectively, the "Related Rights");
- (d) 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 (collectively, the "Fixtures");
- (e) the machinery, equipment, furniture and other personal property described on Exhibit C attached hereto, together with all replacements, modifications, alterations and substitutes therefor (whether or not constituting an upgrade) (collectively, "Lessor's Personal Property").

SUBJECT, HOWEVER, to the easements, encumbrances, covenants, conditions and restrictions and other matters which affect the Leased Property (whether of record or apparent) as of the date hereof or the Commencement Date or which are created thereafter as permitted hereunder to have and to hold for (1) the Fixed Term (as defined below), and (2) the Extended Terms provided for in Article XIX unless this Lease is earlier terminated as hereinafter provided. In addition, Lessor reserves to itself, and the right to transfer, convey, lease or assign

to any other Person, in whole or in part, all oil, gas, hydrocarbons, mineral and water rights in the Leased Property but without right of entry on the surface or within two hundred (200) feet thereof; provided, however, that no such items shall be extracted in such manner as may cause or contribute to a lessening of the support of the Land or the Leased Improvements. Upon any change in the Minimum Rent in accordance with the provisions of Section 3.1 below or Exhibit G hereto or otherwise pursuant to this Lease, the parties shall similarly execute an amendment to this Lease confirming such matters. Notwithstanding the foregoing, the failure of Lessor to prepare and/or Lessee and Lessor to so execute and deliver any such amendment shall not affect Lessor's determination of the matters which would have been confirmed by any such amendment.

ARTICLE II. DEFINITIONS

For all purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires, (i) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular; (ii) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP as at the time applicable; (iii) all references in this Lease to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Lease; (iv) the word "including" shall have the same meaning as the phrase "including, without limitation," and other similar phrases; and (v) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision:

1031 Exchange: As defined in Section 18.3.

AAA: As defined in Article XLIII.

Accommodator: As defined in Section 18.3.

Additional Charges: As defined in Article III.

Affiliate: Any Person which, directly or indirectly (including through one or more intermediaries), controls or is controlled by or is under common control with any other Person, including any Subsidiary of a Person. For purposes of this definition, the definition of "Controlling Person" below, and Article XXIV below, the term "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly (including through one or more intermediaries), of the power to direct or cause the direction of the management and policies of such Person, through the ownership or control of voting securities, partnership interests or other equity interests or otherwise. Without limiting the generality of the foregoing, when used with respect to any corporation, the term "Affiliate" shall also include (i) any Person which owns, directly or indirectly (including through one or more intermediaries), Fifty Percent (50%) or more of any class of voting security or equity interests of such corporation, (ii) any Subsidiary of such corporation and (iii) any Subsidiary of a Person described in clause (i).

Allocated Minimum Rent: With respect to each Facility, the amount of Minimum Rent allocated to such Facility as determined by Section 3.1 and Exhibit B attached hereto, as the same shall be increased from time to time as provided herein; provided, however, that Lessor and Lessee acknowledge and agree that such allocation is solely for purposes of implementing the provisions of Sections 5.2 and 31.2 hereof. Except for such Sections, the Minimum Rent and other Rent payable hereunder is payable for all the Facilities as a single, integrated and indivisible economic unit, and that but for such integration, the Minimum Rent and other Rent payable under this Lease would have been computed on a different basis.

Annual Minimum Capital Project Amount: During each Lease Year of each Extended Term, if any, for each Facility, Two Hundred Fifty Dollars (\$250.00) per licensed bed of such Facility.

Appraiser: As defined in Article XXXIV.

Award: All compensation, sums or anything of value awarded, paid or received on a total or partial Condemnation.

Bankruptcy Code: The United States Bankruptcy Code (11 U.S.C. § 101 et seq.), and any successor statute or legislation thereto.

Base Period: The period commencing on that date which is eighteen (18) months prior to the date any appraisal of any Facility is made pursuant to the provisions of Article XXXIV and ending on the date which is six (6) months prior to the date any such appraisal of such Facility is made.

BLS: Bureau of Labor Statistics, U.S. Department of Labor.

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which national banks in the City of Los Angeles, California are authorized, or obligated, by law or executive order, to close.

Capital Additions: With respect to any Facility, one or more new buildings, or one or more additional structures annexed to any portion of any of the Leased Improvements of such Facility, or the material expansion of existing improvements, which are constructed on any parcel or portion of the Land of such Facility during the Term including the construction of a new wing or new story, or the repair, replacement, restoration, remodeling or rebuilding of the existing Leased Improvements of such Facility or any portion thereof where the purpose and effect of such work is to provide a functionally new facility in order to provide services not previously offered in such Facility.

Capital Project: Repairs and replacements to the Leased Property, or any portion thereof, which (i) are not incurred for ordinary wear and tear, and (ii) are categorized under GAAP as a capital expense and not as an operating expense.

Capital Project Costs: All out-of-pocket costs reasonably incurred by Lessee in connection with a Capital Project, including all costs of design, construction, installation and

obtaining all governmental approvals and permits with respect to such Capital Project for such Facility.

Code: The Internal Revenue Code of 1986, as amended.

Collateral: As defined in Section 16.8.1.

Collateral Agent: As defined in Section 16.8.2.

Commencement Date: As defined in Section 45.2.

Commercial Occupancy Arrangement: Any commercial (as opposed to resident or patient) Occupancy Arrangement.

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

Condemnor: Any public or quasi-public authority, or private corporation or individual, having the power of Condemnation.

Consolidated Financials: For any fiscal year or other accounting period for any Person and its consolidated Subsidiaries, statements of earnings and retained earnings and of changes in financial position for such period and for the period from the beginning of the respective fiscal year to the end of such period and the related balance sheet as of the end of such period, together with the notes thereto, all in reasonable detail and setting forth in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, and prepared in accordance with GAAP.

Consolidated Net Worth: At any time, the sum of the following for any Person and its consolidated Subsidiaries, on a consolidated basis determined in accordance with GAAP:

(i) the amount of capital or stated capital (after deducting the cost of any shares, if applicable, held in its treasury), plus

(ii) the amount of capital surplus and retained earnings (or, in the case of a capital surplus or retained earnings deficit, minus the amount of such deficit), minus

(iii) the sum of the following (without duplication of deductions in respect of items already deducted in arriving at surplus and retained earnings): (a) intangible assets as defined and calculated in accordance with GAAP; (b) unamortized debt discount and expense; and (c) any write-up in book value of assets resulting from a revaluation thereof subsequent to the most recent Consolidated Financials prior to the date hereof, excluding, however, any (i) net write-up in value of foreign currency in accordance with GAAP, (ii) write-up resulting from a reversal of a reserve for bad debts

or depreciation, and (iii) write-up resulting from a change in methods of accounting for inventory.

Controlling Person: Any (i) Person(s) which, directly or indirectly (including through one or more intermediaries), controls Lessee and would be deemed an Affiliate of Lessee, including any partners, shareholders, principals, members, trustees and/or beneficiaries of any such Person(s) to the extent the same control Lessee and would be deemed an Affiliate of Lessee, and (ii) Person(s) which controls, directly or indirectly (including through one or more intermediaries), any other Controlling Person(s) and which would be deemed an Affiliate of any such Controlling Person(s).

Cost of Living Index: The Consumer Price Index for All Urban Consumers for the San Francisco region, published by the BLS, or such other renamed index. If the BLS changes the publication frequency of the Cost of Living Index so that a Cost of Living Index is not available to make a cost-of-living adjustment as specified herein, the cost-of-living adjustment shall be based on the percentage difference between the Cost of Living Index for the closest preceding month for which a Cost of Living Index is available and the Cost of Living Index for the comparison month as required by this Lease. If the BLS changes the base reference period for the Cost of Living Index from 1982-84 = 100, the cost-of-living adjustment shall be determined with the use of such conversion formula or table as may be published by the BLS. If the BLS otherwise substantially revises, or ceases publication of the Cost of Living Index, then a substitute index for determining cost-of-living adjustments, issued by the BLS or by a reliable governmental or other nonpartisan publication, shall be reasonably selected by Lessor.

County: With respect to each Facility, the County or Township in which the Leased Property of such Facility is located.

CPI Increase: The percentage increase (rounded to two (2) decimal places), if any, in (i) the Cost of Living Index published for the month which is one (1) month prior to the commencement of the applicable Lease Year, over (ii) the Cost of Living Index published for the month which is one (1) month prior to the commencement of the immediately prior Lease Year; provided that in no event shall the CPI Increase be less than zero.

Current Lease or Current Leases: As defined in Section 45.1.

Current Lessee or Current Lessees: As defined in Section 45.1.

Date of Taking: The date the Condemnor has the right to possession of the property being condemned.

Effective Date: As defined in the preamble.

Environmental Costs: As defined in Article XXXVI.

Environmental Laws: Any and all federal, state, municipal and local laws, statutes, ordinances, rules, regulations, guidances, policies, orders, decrees, judgments, whether statutory or common law, as amended from time to time, now or hereafter in effect, or promulgated, pertaining to the environment, public health and safety and industrial hygiene,

including the use, generation, manufacture, production, storage, release, discharge, disposal, handling, treatment, removal, decontamination, clean-up, transportation or regulation of any Hazardous Substance, including the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Comprehensive Environmental Response Compensation and Liability Act, the Resource Conservation and Recovery Act, the Federal Insecticide, Fungicide, and Rodenticide Act, the Safe Drinking Water Act and the Occupational Safety and Health Act.

Event of Default: As defined in Article XVI.

Existing Credit Facility: The loans and credit facilities described in that certain Third Amended and Restated Credit Agreement dated as of April 9, 2010, among Skilled Healthcare Group, Inc. the lenders party thereto and Credit Suisse AG, as administrative agent and collateral agent, as the same may be amended from time to time.

Existing Credit Facility Loan Documents: The Facility Mortgage Documents relating to the Existing Credit Facility, including the Existing Credit Facility Mortgages, as the same may be amended, modified or supplemented in connection with any Existing Credit Facility Mortgage Consent.

Existing Credit Facility Mortgages: The Facility Mortgages relating to the Existing Credit Facility and the other Existing Credit Facility Loan Documents, which shall continue to encumber the Leased Property of one or more of the Facilities and be superior to this Lease and the leasehold estate created hereby following the Effective Date and Commencement Date, unless paid in full at anytime after the Effective Date or Commencement Date by Lessor in its sole and absolute discretion.

Existing Credit Facility Mortgagee Consent: As defined in Section 46.1.1(b).

Existing Sutton Loan: The indebtedness secured by the Existing Sutton Loan Mortgage.

Existing Sutton Loan Documents: The Facility Mortgage Documents relating to the Existing Sutton Loan, including the Existing Sutton Loan Mortgage.

Existing Sutton Loan Mortgage: That certain Deed of Trust with Assignment of Rents dated October 29, 2004 by Lessor, as Trustor, for the benefit of Thomas E. Sutton and Sandra A. Sutton, Trustees of the Sutton Family Living Trust UTA Dated April 16, 1997 relating to the Existing Sutton Loan and the other Existing Sutton Loan Documents, which shall continue to encumber the Leased Property of one or more of the Facilities and be superior to this Lease and the leasehold estate created hereby following the Effective Date and Commencement Date, unless paid in full at anytime after the Effective Date or Commencement Date by Lessor in its sole and absolute discretion.

Extended Term(s): As defined in Article XIX.

Facility: Each facility being (and to be) operated or proposed to be operated on the Leased Property, together with any Capital Additions, as more particularly described on Exhibit B attached hereto and incorporated herein by this reference.

Facility Mortgage: Any mortgage, deed of trust or other security agreement encumbering the Leased Property, or any portion thereof, and securing an indebtedness of Lessor or any Affiliate of Lessor or any ground lease or other title retention agreement with respect to the Leased Property or any portion thereof.

Facility Mortgagee: The holder or beneficiary of a Facility Mortgage and any other rights of the lender, credit party or lessor under the Facility Mortgage Documents.

Facility Mortgage Documents: 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 Reserve Account: As defined in Section 35.3.3.

Facility Operating Deficiency: With respect to any Facility, a deficiency in the conduct of the operation of such Facility which, in the reasonable determination of Lessor, if not corrected within a reasonable time, would have the likely effect of jeopardizing such Facility's licensure or certification under government reimbursement programs or third party provider agreements.

Fair Market Rental: With respect to each Facility, the fair market rental value of the Leased Property and all Capital Additions (other than Capital Additions financed solely by Lessee) of such Facility, or applicable portion(s) thereof (including any appropriate periodic escalations therein), determined in accordance with the appraisal procedures set forth in Article XXXIV assuming the same is exposed on the open market at the time of the appraisal and taking into account, among other relevant factors, the income generated from the Leased Property and all Capital Additions of such Facility, or applicable portion(s) thereof, but specifically excluding brokerage commissions and other Lessor payments that do not directly inure to the benefit of lessees.

Fair Market Value: With respect to each Facility, the fair market value of the Leased Property and all Capital Additions of such Facility, or applicable portion(s) thereof, determined in accordance with the appraisal procedures set forth in Article XXXIV and this definition. Fair Market Value shall be the higher value obtained by assuming that the Leased Property and all Capital Additions of such Facility, or applicable portion(s) thereof, is either unencumbered by this Lease or encumbered by this Lease (including any sublease or other Occupancy Arrangement). Fair Market Value shall also be the higher value obtained by valuing the Leased Property and all Capital Additions of such Facility, or applicable portion(s) thereof, as a fully-permitted Facility operated in accordance with the provisions of this Lease or as a healthcare facility permitted for substantially similar uses. In addition, the following specific matters shall be factored in or out, as appropriate, in determining Fair Market Value:

(i) The negative value of (a) the cost of any maintenance or other items of repair or replacement of the Leased Property or any Capital Additions of such Facility required to restore such Leased Property or Capital Additions to the condition required pursuant to

Sections 9.1.1 and 9.1.4 below including, without limitation, the cost of remediating any Hazardous Substances or Mold Conditions, (b) any then current or prior licensure or certification violations and/or admissions holds and (c) any other breach or failure of Lessee to perform or observe its obligations hereunder shall not be taken into account; rather, the Leased Property and all Capital Additions of such Facility shall be deemed to be in the condition required by this Lease (i.e., good order and repair) and Lessee shall at all times be deemed to have operated the Facility in compliance with and to have performed all obligations of the Lessee under this Lease.

(ii) The occupancy level of the applicable Facility shall be deemed to be the greatest of (a) the occupancy level as of the date any appraisal of such Facility is performed in accordance with the provisions of Article XXXIV, (b) the average occupancy level during the Base Period, or (c) the average occupancy level for facilities similar to such Facility in the same general geographic area as of the date any appraisal of such Facility is performed in accordance with the provisions of Article XXXIV.

(iii) If the applicable Facility's Primary Intended Use includes a mixed use, then whichever of the following produces the highest positive value shall be taken into account: (a) the resident mix, patient mix, case mix, and/or diagnostic related group or acuity mix, as applicable, as of the date any appraisal of such Facility is performed in accordance with the provisions of Article XXXIV, (b) the average of such mix during the Base Period, or (c) the average of such mix for facilities similar to such Facility in the same general geographic area as of the date any appraisal of such Facility is performed in accordance with the provisions of Article XXXIV.

Finally, in determining Fair Market Value in connection with a sale or transfer of the Leased Property and all Capital Additions of a Facility pursuant to the terms of this Lease, the positive or negative effect on the value of the Leased Property and all Capital Additions or applicable portion(s) thereof attributable to such factors as the interest rate, amortization schedule, maturity date, prepayment penalty and other terms and conditions of any encumbrance placed thereon by Lessor which will not be removed at or prior to the date of such sale or transfer shall be taken into account.

Fixed Term: The period of time commencing on the Commencement Date and ending at 11:59 p.m. Los Angeles time on the expiration of the 10th Lease Year.

Fixtures: With respect to each Facility, the Fixtures (as defined in Article I) of such Facility.

GAAP: Generally accepted accounting principles.

Guarantors: Collectively, Shlomo Rechnitz, and any present or future guarantor of Lessee's obligations pursuant to this Lease (each individually, a "Guarantor").

Guaranty: The Guaranty of even date herewith executed by each Guarantor in the form of Exhibit F attached hereto and any future written guaranty of Lessee's obligations hereunder executed by a Guarantor.

Handling: As defined in Article XXXVI.

Hazardous Substances: Collectively, any petroleum, petroleum product or byproduct or any substance, material or waste regulated or listed pursuant to any Environmental Law.

HSR Act: The Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

HUD: The U.S. Department of Housing and Urban Development.

Impositions: Collectively, all taxes, including capital stock, franchise, gross margins and other state, municipal and local taxes of Lessor and, if Lessor is not Lessor Parent, of Lessor Parent as a result of its investment in Lessor, ad valorem, sales, use, single business, gross receipts, transaction privilege, rent or similar taxes; assessments including assessments for public improvements or benefits, whether or not commenced or completed prior to the date hereof and whether or not to be completed within the Term; ground rents; water, sewer and other utility levies and charges; excise tax levies; fees including license, permit, inspection, authorization and similar fees; and all other governmental charges, in each case whether general or special, ordinary or extraordinary, or foreseen or unforeseen, of every character in respect of the Leased Property, any Capital Additions and/or the Rent and all interest and penalties thereon attributable to any failure in payment by Lessee, which at any time prior to, during or in respect of the Term hereof may be assessed or imposed on or in respect of or be a lien upon (i) Lessor or Lessor's interest in the Leased Property or any Capital Additions, (ii) the Leased Property, any Capital Additions or any parts thereof, or any rent therefrom or any estate, right, title or interest therein, or (iii) any occupancy, operation, use or possession of, or sales from or activity conducted on or in connection with the Leased Property, any Capital Additions or the leasing or use of the Leased Property, any Capital Additions or any parts thereof; provided, however, that nothing contained in this Lease shall be construed to require Lessee to pay (a) any tax that is calculated based on net income or net revenue (whether denominated as a franchise or capital stock or other tax) imposed on Lessor or any other Person, (b) any transfer tax of Lessor or any other Person except Lessee and its successors, (c) any tax imposed with respect to the sale, exchange or other disposition by Lessor of any Leased Property, any Capital Additions or the proceeds thereof, or (d) except as expressly provided elsewhere in this Lease, any principal or interest on any indebtedness on the Leased Property for which Lessor is the obligor, except to the extent that any tax, assessment, tax levy or charge, of the type described in any of clauses (a), (b), (c) or (d) above is levied, assessed or imposed in lieu of or as or as a substitute for any tax, assessment, levy or charge which is otherwise included in this definition of an "Imposition."

Increased Annual Minimum Capital Project Amount: As defined in Section 9.4.4.

Initial Capital Project Plan: As defined in Section 9.3.

Insurance Requirements: The terms of any insurance policy required by this Lease and all requirements of the issuer of any such policy and of any insurance board, association, organization or company necessary for the maintenance of any such policy.

Intangible Property: With respect to each Facility, all documents, chattel paper, instruments, contract rights (other than the right to payment for services), securities accounts,

general intangibles, investment property, securities entitlements, commercial tort claims, causes of action (except causes of action relating to accounts or the proceeds thereof), now owned or hereafter acquired by Lessee (including any right to any refund of any Impositions) arising from or in connection with Lessee's operation or use of the Leased Property and all Capital Additions of such Facility; all licenses and permits now owned or hereinafter acquired by Lessee, which are necessary or desirable for Lessee's use of the Leased Property and all Capital Additions of such Facility for its Primary Intended Use, including, if applicable, any certificate of need or similar certificate; the right to use any trade name or other name associated with such Facility; and any and all third-party provider agreements (including Medicare and Medicaid).

Land: As defined in Article I, or, with respect to each Facility, the Land (as defined in Article I) relating to such Facility.

Lease: As defined in the preamble.

Lease Year: Each period of twelve (12) full calendar months from and after the Commencement Date, unless the Commencement Date is a day other than the first (1st) day of a calendar month, in which case the first Lease Year shall be the period commencing on the Commencement Date and ending on the last day of the eleventh (11th) month following the month in which the Commencement Date occurs and each subsequent Lease Year shall be each period of twelve (12) full calendar months after the last day of the prior Lease Year.

Leased Improvements: As defined in Article I, or, with respect to each Facility, the Leased Improvements (as defined in Article I) of such Facility

Leased Property: As defined in Article I, or, with respect to each Facility, the Leased Property (as defined in Article I) of such Facility.

Legal Requirements: (i) All federal, state, county, municipal and other governmental statutes, laws (including common law and Environmental Laws), rules, policies, guidance, codes, orders, regulations, ordinances, permits, licenses, covenants, conditions, restrictions, judgments, decrees and injunctions, including those affecting the Leased Property, Lessee's Personal Property and all Capital Additions or the construction, use or alteration thereof, whether now or hereafter enacted and in force, including any which may (A) require repairs, modifications or alterations in or to the Leased Property, Lessee's Personal Property and all Capital Additions, (B) in any way adversely affect the use and enjoyment thereof, or (C) regulate the transport, handling, use, storage or disposal or require the cleanup or other treatment of any Hazardous Substance, and (ii) all covenants, agreements, restrictions, and encumbrances either now or hereafter of record or known to Lessee (other than encumbrances created by Lessor without the consent of Lessee except as otherwise expressly permitted hereunder) affecting the Leased Property.

Lessee: As defined in the preamble.

Lessee's Personal Property: With respect to each Facility, the Personal Property other than Lessor's Personal Property allocable or relating to such Facility.

Lessee's Set-Up Costs: Collectively, (a) all fees and expenses of and disbursements made by Lessee in connection with (i) the negotiation, execution and delivery of this Lease, the Exhibits hereto and the other agreements contemplated hereby, (ii) obtaining any third party reports, (iii) the review of diligence materials, documents and other information relating to the Leased Property and (iv) the consummation of the transactions contemplated hereby and thereby, including any legal or other professional fees and costs of Lessee; (b) any and all state, municipal or other documentary, transfer, stamp, sales, use or similar taxes payable in connection with the delivery of any instrument or document provided in or contemplated by this Lease or the Exhibits hereto or the transactions contemplated herein; and (c) all expenses of or related to the issuance of any leasehold title insurance commitment or policy requested by Lessee (including the costs of any survey required by Lessee or any title insurer of Lessee).

Lessor: As defined in the preamble.

Lessor Parent: Skilled Healthcare Group, Inc., a Delaware corporation and its successors or assigns.

Lessor's Personal Property: As defined in Article I, or, with respect to each Facility, Lessor's Personal Property (as defined in Article I) allocable or relating to such Facility.

Lessor's Set-Up Costs: All fees and expenses of and disbursements made by Lessor in connection with the negotiation, execution and delivery of this Lease, the Exhibits hereto and the other agreements contemplated hereby, the review of diligence materials, documents and other information relating to Lessee and the consummation of the transactions contemplated hereby and thereby through the Effective Date, including any legal or other professional fees and costs of Lessor.

Letter of Credit Date: As defined in Section 21.2.

LOI: That certain Letter of Intent dated January 25, 2011 executed by Brius, LLC, an Affiliate of Lessee, and Skilled Healthcare, LLC, an Affiliate of Lessor.

Material Sublease: With respect to any Facility, one or more Commercial Occupancy Arrangements between Lessee and any Person and/or its Affiliates with respect to Ten Percent (10%) or more of the square footage of such Facility in the aggregate.

Minimum Rent: As defined in Article III.

Mold: Mold, mildew, fungus or other potentially dangerous organisms.

Mold Condition: The presence or suspected presence of Mold or any condition(s) that reasonably can be expected to give rise to or indicate the presence of Mold, including observed or suspected instances of water damage or intrusion, the presence of wet or damp wood, cellular wallboard, floor coverings or other materials, inappropriate climate control, discoloration of walls, ceilings or floors, complaints of respiratory ailment or eye irritation by Lessee's employees or any other occupants or invitees in the Leased Property, or any notice from a governmental agency of complaints regarding the indoor air quality at the Leased Property.

Mold Inspector: An industrial hygienist certified by the American Board of Industrial Hygienists ("CIH") or an otherwise qualified mold consultant selected by or otherwise acceptable to Lessor.

Mold Remediation Requirements: The relevant provisions of the document Mold Remediation in Schools and Commercial Buildings (EPA 402-K-01-001, March 2001), published by the U.S. Environmental Protection Agency, as may be amended or revised from time to time, or any other applicable Legal Requirements, regulatory standards or guidelines relating to Mold or Mold Conditions.

New Controlling Person Guarantor: As defined in Section 24.2.2.

New Lease: As defined in Section 31.2.1.

New Lease Effective Date: As defined in Section 31.2.1.

Non-Capital Need Facility: As defined in Section 9.4.4.

Occupancy Arrangement: Any sublease, license or other arrangement with a Person for the right to use, occupy or possess any portion of the Leased Property and/or any Capital Additions.

Occupant: Any Person having rights of use, occupancy or possession under an Occupancy Arrangement.

Officer's Certificate: A certificate of Lessee signed by an officer authorized to so sign by its board of directors or by-laws or by equivalent governing documents or managers.

Operations Transfer Agreement(s): As defined in Section 45.2.

Overdue Rate: On any date, a rate equal to Two Percent (2%) above the Prime Rate, but in no event greater than the maximum rate then permitted under applicable law.

Payment Date: Any due date for the payment of the installments of Minimum Rent or any other sums payable under this Lease.

Permitted Affiliate-Transferee: Any Affiliate of Lessee of which Shlomo Rechnitz owns at least 50% of the economic and voting interest and which is controlled by (as such term is used in the definition of "Affiliate") Shlomo Rechnitz.

Permitted Sublease: With respect to any Facility, as defined in Article XXIV hereof.

Person: Any individual, corporation, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other form of entity.

Personal Property: With respect to each Facility, all machinery, furniture and equipment, including phone systems and computers, trade fixtures, inventory (including raw materials, work in process and finished goods), supplies and other personal property used or useful in the use of the Leased Property and Capital Additions of such Facility for their Primary Intended Use, other than Fixtures.

Pre-Existing Environmental Condition: Any Hazardous Substances in, on or about the Leased Property in violation of any applicable Environmental Laws as of the Commencement Date.

Primary Intended Use: With respect to each Facility, the Primary Intended Use set forth under the heading "Facility Description and Primary Intended Use" on Exhibit B attached hereto and incorporated herein by this reference with respect to such Facility and such other uses necessary or incidental to such use.

Prime Rate: On any date, a rate equal to the annual rate on such date announced by the Bank of America, N.A. to be its prime, base or reference rate for 90-day unsecured loans to its corporate borrowers of the highest credit standing but in no event greater than the maximum rate then permitted under applicable law. If the Bank of America, N.A. discontinues its use of such prime, base or reference rate or ceases to exist, Lessor shall designate the prime, base or reference rate of another state or federally chartered bank based in Los Angeles or New York to be used for the purpose of calculating the Prime Rate hereunder.

Purchase Right Exercise: As defined in Section 18.2.

Reallocated Annual Minimum Capital Project Amount: As defined in Section 9.4.4.

Related Rights: With respect to each Facility, the Related Rights (as defined in Article I) of such Facility.

Rent: Collectively, the Minimum Rent, Additional Charges and all other amounts payable under this Lease.

Replacement Reserve: As defined in Section 9.4.

Required Governmental Approvals: With respect to each Facility, all licenses, permits, accreditations, authorizations and certifications from any governmental authority which are material to or required for (i) the operation of such Facility and any Capital Addition thereto for its Primary Intended Use in accordance with all applicable Legal Requirements, including, without limitation, any state facility licenses, certificates of need, permits, provider agreements and accreditations or certifications from Medicare and/or Medicaid, and (ii) for any other use conducted on the Leased Property of such Facility and any Capital Additions thereto as may be permitted from time to time hereunder in accordance with all applicable Legal Requirements.

Reserve Amount: With respect to each Facility, the amount set forth in or determined under the heading "Reserve Amount" on Exhibit B attached hereto and incorporated herein by this reference with respect to such Facility.

SEC: Securities and Exchange Commission.

Security Amount: An amount equal to \$1,492,476.00 (One Million Four Hundred and Ninety-Two Thousand Four Hundred Seventy-Six Dollars).

Separated Property: As defined in Section 31.2.

Separation Event:

- (i) The sale, conveyance or other transfer by Lessor of all or any portion of its interest in the Leased Property of one (1) or more Facilities;
- (ii) The sale, conveyance or other transfer of all or any portion of the stock, partnership, membership or other equity interests in Lessor;
- (iii) Any financing by Lessor or any Affiliate of Lessor of all or any portion of its interests in the Leased Property of one (1) or more Facilities, including through a Facility Mortgage, the pledge of the stock, partnership, membership or other equity interests in Lessor or other means; or
- (iv) The succession by any lender to Lessor or any Affiliate, whether directly or indirectly, to the interests of Lessor under this Lease, including through foreclosure or deed or other conveyance in lieu of foreclosure or in satisfaction of debt.

State: Except as otherwise indicated herein, with respect to each Facility, the State or Commonwealth in which the Leased Property for such Facility is located.

Subsidiaries: Corporations, partnerships, limited liability companies, business trusts or other legal entities with respect to which a Person owns, directly or indirectly (including through one or more intermediaries), more than fifty percent (50%) of the voting stock or partnership, membership or other equity interest, respectively.

Successor Operator: As defined in Section 43.3.

Target Property: As defined in Section 18.3.

Term: The Fixed Term and any Extended Terms unless earlier terminated pursuant to the provisions hereof.

Transfer: As defined in Article XXIV.

Unsuitable for Its Primary Intended Use: With respect to each Facility, a state or condition of such Facility such that by reason of damage or destruction or Condemnation, in the good faith judgment of Lessor, such Facility cannot be operated on a commercially practicable basis for its Primary Intended Use.

ARTICLE III.
RENT

3.1 Rent. Lessee shall pay to Lessor in lawful money of the United States of America which shall be legal tender for the payment of public and private debts, without offset or deduction, the amounts set forth hereinafter as Minimum Rent during the Term. Payments of Minimum Rent shall be made in advance in equal monthly installments on or before the first (1st) day of each calendar month from and after the Commencement Date by wire transfer of funds initiated by Lessee to Lessor's account or to such other Person as Lessor from time to time may designate in writing.

3.2 Minimum Rent. From and after the Commencement Date and continuing through the Term, Lessee shall pay to Lessor "Minimum Rent" monthly, in advance on or before the first day of each calendar month, in the amounts set forth in or determined pursuant to the applicable formula(s) set forth in Exhibit G attached hereto; provided, however, that the first monthly payment of Minimum Rent shall be payable on the Commencement Date (prorated as to any partial calendar month at the beginning of the Term).

3.3 Additional Charges. In addition to the Minimum Rent, (i) Lessee shall also pay and discharge as and when due and payable all other amounts, liabilities, obligations and Impositions which Lessee assumes or agrees to pay under this Lease; and (ii) in the event of any failure on the part of Lessee to pay any of those items referred to in clause (i) above, Lessee shall also promptly pay and discharge every fine, penalty, interest and cost which may be added for non-payment or late payment of such items (the items referred to in clauses (i) and (ii) above being referred to herein collectively as the "Additional Charges"), and Lessor shall have all legal, equitable and contractual rights, powers and remedies provided either in this Lease or by statute or otherwise in the case of non-payment of the Additional Charges as in the case of non-payment of the Minimum Rent.

3.4 Late Payment of Rent.

3.4.1 LESSEE HEREBY ACKNOWLEDGES THAT LATE PAYMENT BY LESSEE TO LESSOR OF RENT WILL CAUSE LESSOR TO INCUR COSTS NOT CONTEMPLATED HEREUNDER, THE EXACT AMOUNT OF WHICH IS PRESENTLY ANTICIPATED TO BE EXTREMELY DIFFICULT TO ASCERTAIN. SUCH COSTS MAY INCLUDE PROCESSING AND ACCOUNTING CHARGES AND LATE CHARGES WHICH MAY BE IMPOSED ON LESSOR BY THE TERMS OF ANY LOAN AGREEMENT AND OTHER EXPENSES OF A SIMILAR OR DISSIMILAR NATURE. ACCORDINGLY, IF ANY INSTALLMENT OF RENT, OTHER THAN ADDITIONAL CHARGES PAYABLE TO A PERSON OTHER THAN LESSOR, SHALL NOT BE PAID WITHIN THREE (3) BUSINESS DAYS AFTER ITS DUE DATE, LESSEE WILL PAY LESSOR ON DEMAND A LATE CHARGE EQUAL TO THE LESSER OF (I) FIVE PERCENT (5%) OF THE AMOUNT OF SUCH INSTALLMENT OR (II) THE MAXIMUM AMOUNT PERMITTED BY LAW. THE PARTIES AGREE THAT THIS LATE CHARGE REPRESENTS A FAIR AND REASONABLE ESTIMATE OF THE COSTS THAT LESSOR WILL INCUR BY REASON OF LATE PAYMENT BY LESSEE. 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 LESSOR AND LESSEE. IN ADDITION, THE AMOUNT UNPAID, INCLUDING ANY LATE CHARGES, SHALL BEAR INTEREST AT THE OVERDUE RATE COMPOUNDED MONTHLY FROM THE DUE DATE OF SUCH INSTALLMENT TO THE DATE OF PAYMENT THEREOF, AND LESSEE SHALL PAY SUCH INTEREST TO LESSOR ON DEMAND. THE PAYMENT OF SUCH LATE CHARGE OR SUCH INTEREST SHALL NOT CONSTITUTE WAIVER OF, NOR EXCUSE OR CURE, ANY DEFAULT UNDER THIS LEASE, NOR PREVENT LESSOR FROM EXERCISING ANY OTHER RIGHTS AND REMEDIES AVAILABLE TO LESSOR.

Lessor's Initials: _____



Lessee's Initials: _____

3.4.2 If Lessee shall, during any six (6) month period, be more than five (5) Business Days delinquent in the payment of any Rent due and payable by Lessee hereunder on three (3) or more occasions then, notwithstanding anything herein to the contrary, Lessor may, by written notice to Lessee, elect to require Lessee to pay all Minimum Rent payable hereunder quarterly in advance. Such right of Lessor shall be in addition to and not in lieu of any other right of remedy available to Lessor hereunder or at law on account of an Event of Default by Lessee hereunder.

3.5 Net Lease. This Lease is and is intended to be what is commonly referred to as a "net, net, net" or "triple net" lease. The Rent shall be paid absolutely net to Lessor, so that this Lease shall yield to Lessor the full amount or benefit (as applicable) of the installments of Minimum Rent and Additional Charges throughout the Term.

ARTICLE IV. TAXES, UTILITIES, INSURANCE AND OTHER CHARGES

4.1 Impositions.

4.1.1 Subject to Article XII relating to permitted contests, Lessee shall pay, or cause to be paid, all Impositions before any fine, penalty, interest or cost may be added for nonpayment. Lessee shall make such payments directly to the taxing authorities where feasible, and promptly furnish to Lessor copies of official receipts or other satisfactory proof evidencing such payments. Lessee's obligation to pay Impositions shall be absolutely fixed upon the date such Impositions become a lien upon the Leased Property, any Capital Additions or any part(s) thereof. If any 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, Lessee may pay the same, and any accrued interest on the unpaid balance of such Imposition, in installments as the same respectively become due and before any fine, penalty, premium, further interest or cost may be added thereto.

4.1.2 Lessor shall prepare and file all tax returns and reports as may be required by Legal Requirements with respect to Lessor's net income, gross receipts, franchise taxes and taxes on its capital stock, and Lessee shall prepare and file all other tax returns and

ASSESSMENT DOES NOT CONSTITUTE A LENDER OR BORROWER/CREDITOR RELATIONSHIP BETWEEN LESSOR AND LESSEE. IN ADDITION, THE AMOUNT UNPAID, INCLUDING ANY LATE CHARGES, SHALL BEAR INTEREST AT THE OVERDUE RATE COMPOUNDED MONTHLY FROM THE DUE DATE OF SUCH INSTALLMENT TO THE DATE OF PAYMENT THEREOF, AND LESSEE SHALL PAY SUCH INTEREST TO LESSOR ON DEMAND. THE PAYMENT OF SUCH LATE CHARGE OR SUCH INTEREST SHALL NOT CONSTITUTE WAIVER OF, NOR EXCUSE OR CURE, ANY DEFAULT UNDER THIS LEASE, NOR PREVENT LESSOR FROM EXERCISING ANY OTHER RIGHTS AND REMEDIES AVAILABLE TO LESSOR.

Lessor's Initials: _____

Lessee's Initials: _____

3.4.2 If Lessee shall, during any six (6) month period, be more than five (5) Business Days delinquent in the payment of any Rent due and payable by Lessee hereunder on three (3) or more occasions then, notwithstanding anything herein to the contrary, Lessor may, by written notice to Lessee, elect to require Lessee to pay all Minimum Rent payable hereunder quarterly in advance. Such right of Lessor shall be in addition to and not in lieu of any other right of remedy available to Lessor hereunder or at law on account of an Event of Default by Lessee hereunder.

3.5 Net Lease. This Lease is and is intended to be what is commonly referred to as a "net, net, net" or "triple net" lease. The Rent shall be paid absolutely net to Lessor, so that this Lease shall yield to Lessor the full amount or benefit (as applicable) of the installments of Minimum Rent and Additional Charges throughout the Term.

ARTICLE IV.

TAXES, UTILITIES, INSURANCE AND OTHER CHARGES

4.1 Impositions.

4.1.1 Subject to Article XII relating to permitted contests, Lessee shall pay, or cause to be paid, all Impositions before any fine, penalty, interest or cost may be added for nonpayment. Lessee shall make such payments directly to the taxing authorities where feasible, and promptly furnish to Lessor copies of official receipts or other satisfactory proof evidencing such payments. Lessee's obligation to pay Impositions shall be absolutely fixed upon the date such Impositions become a lien upon the Leased Property, any Capital Additions or any part(s) thereof. If any 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, Lessee may pay the same, and any accrued interest on the unpaid balance of such Imposition, in installments as the same respectively become due and before any fine, penalty, premium, further interest or cost may be added thereto.

4.1.2 Lessor shall prepare and file all tax returns and reports as may be required by Legal Requirements with respect to Lessor's net income, gross receipts, franchise taxes and taxes on its capital stock, and Lessee shall prepare and file all other tax returns and

reports as may be required by Legal Requirements with respect to or relating to the Leased Property, all Capital Additions and Lessee's Personal Property.

4.1.3 So long as no Event of Default shall have occurred hereunder and be continuing, any refund with respect to any Impositions imposed or assessed in respect of the tax-fiscal period after the Term commences and prior the expiration or any earlier termination of the Term (or, if applicable, Lessee's pro rata share thereof pursuant to Section 4.1.7 hereof) due from any taxing authority shall be paid over to or retained by Lessee. If an Event of Default shall have occurred hereunder and be continuing, any such refund to which Lessee would otherwise be entitled shall be paid over to or retained by Lessor and applied to the payment of Lessee's obligations under this Lease in such order of priority as Lessor shall determine. Lessor shall be entitled to receive and retain for its own account any refund with respect to any Impositions imposed or assessed in respect of the tax-fiscal period prior to the commencement of the Term or after the expiration or any earlier termination of the Term (or, if applicable, Lessor's pro rata share thereof pursuant to Section 4.1.7 hereof).

4.1.4 Lessor and Lessee shall, upon request of the other, provide such data as is maintained by the party to whom the request is made with respect to the Leased Property and all Capital Additions as may be necessary to prepare any required returns and reports. If any property covered by this Lease is classified as personal property for tax purposes, Lessee shall file all personal property tax returns in such jurisdictions where it must legally so file. Lessor, to the extent it possesses the same, and Lessee, to the extent it possesses the same, shall provide the other party, upon request, with cost and depreciation records necessary for filing returns for any property so classified as personal property. Where Lessor is legally required to file personal property tax returns and to the extent practicable, Lessee shall be provided with copies of assessment notices indicating a value in excess of the reported value in sufficient time for Lessee to file a protest.

4.1.5 Lessee may, upon notice to Lessor, at Lessee's option and at Lessee's sole cost and expense, protest, appeal, or institute such other proceedings as Lessee may deem appropriate to effect a reduction of real estate or personal property assessments and Lessor, at Lessee's expense as aforesaid, shall reasonably cooperate with Lessee in such protest, appeal, or other action but at no cost or expense to Lessor. Billings for reimbursement by Lessee to Lessor of personal property or real property taxes shall be accompanied by copies of a bill therefor and payments thereof which identify the personal property or real property with respect to which such payments are made.

4.1.6 Lessor shall give prompt notice to Lessee of all Impositions payable by Lessee hereunder of which Lessor has knowledge, but Lessor's failure to give any such notice shall in no way diminish Lessee's obligations hereunder to pay such Impositions.

4.1.7 Impositions imposed or assessed in respect of the tax-fiscal period during which the Term commences or terminates with respect to any Facility shall be adjusted and prorated between Lessor and Lessee with respect to such Facility, whether or not such Imposition is imposed or assessed before or after such commencement or termination, and Lessee's obligation to pay its prorated share thereof shall survive any termination with respect to such Facility.

4.2 Utility Charges. Lessee shall pay or cause to be paid all charges for electricity, power, gas, oil, water and other utilities used in the Leased Property and all Capital Additions. Lessee shall also pay or reimburse Lessor for all costs and expenses of any kind whatsoever which at any time with respect to the Term hereof may be imposed against Lessor by reason of any of the covenants, conditions and/or restrictions affecting the Leased Property, any Capital Additions and/or any part(s) thereof, or with respect to easements, licenses or other rights over, across or with respect to any adjacent or other property which benefits the Leased Property and/or any Capital Additions, including any and all costs and expenses associated with any utility, drainage and parking easements.

4.3 Insurance Premiums. Lessee shall pay or cause to be paid all premiums for the insurance coverage required to be maintained by Lessee hereunder.

4.4 Impound Account. Lessor may, at its option to be exercised upon the Commencement Date or at anytime thereafter by no less than thirty (30) days' written notice to Lessee, require Lessee to deposit, at the time of any payment of Minimum Rent, an amount equal to one-twelfth (1/12th) of Lessee's estimated annual taxes, of every kind and nature, required pursuant to Section 4.1 plus one-twelfth (1/12th) of Lessee's estimated annual insurance premiums required pursuant to Section 4.3 with Lessor or into an impound account, as directed by Lessor. Such amounts so deposited with Lessor or into any such impound account shall be applied to the payment of the obligations in respect of which said amounts were deposited in such order of priority as Lessor shall determine, on or before the respective dates on which the same or any of them would become delinquent. No amount deposited with Lessor or into an impound account established pursuant to this Section 4.4 shall be or be deemed to be escrow or trust funds, and at Lessor's option and in Lessor's discretion, any amounts deposited with Lessor may either be held in a separate account or be commingled by Lessor with the general funds of Lessor. Lessee shall not be entitled to interest on funds deposited with Lessor or contained in any impound account established pursuant to this Section 4.4. Any amounts deposited with Lessor or contained in any impound account established pursuant to this Section 4.4 shall be solely for the protection of Lessor and the Leased Property and entail no responsibility on Lessor's part beyond the application of such amounts as provided above. In the event of a transfer of Lessor's interest in the Leased Property of any Facility or an assignment of Lessor's interest in this Lease with respect to any Facility, Lessor shall have the right to transfer to the transferee the amounts deposited by Lessee with Lessor or in any impound account established by Lessor pursuant to this Section 4.4 with respect to such Facility and thereupon shall, without any further agreement between the parties, be released by Lessee from all liability therefor, and it is agreed that the provisions hereof shall apply to every transfer or assignment of such amounts to such a transferee/assignee. The amounts deposited by Lessee with Lessor or in any impound account established by Lessor pursuant to this Section 4.4 may also be assigned as security in connection with a Facility Mortgage. Nothing contained in this Section 4.4 shall be deemed to affect any right or remedy of Lessor hereunder.

ARTICLE V.

OBLIGATIONS ABSOLUTE; PARTIAL TERMINATION

5.1 No Termination, Abatement, etc. Except as otherwise specifically provided in this Lease, Lessee shall remain bound by this Lease in accordance with its terms and

shall not seek or be entitled to any abatement, deduction, deferment or reduction of Rent, or set-off against the Rent. Except as otherwise specifically provided in this Lease, the respective obligations of Lessor and Lessee shall not be affected by reason of (i) any damage to or destruction of the Leased Property, any Capital Additions and/or any part(s) thereof from whatever cause and/or any Condemnation of the Leased Property, any Capital Additions and/or any part(s) thereof; (ii) the lawful or unlawful prohibition of, or restriction upon, Lessee's use of the Leased Property, any Capital Additions and/or any part(s) thereof, or the interference with such use by any Person (except by reason of eviction by paramount title); (iii) any claim that Lessee has or might have against Lessor by reason of any default or breach of any warranty by Lessor hereunder or under any other agreement between Lessor and Lessee or to which Lessor and Lessee are parties; (iv) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceedings affecting Lessor or any assignee or transferee of Lessor; or (v) for any other cause, whether similar or dissimilar to any of the foregoing, other than a discharge of Lessee from any such obligations as a matter of law. To the extent permitted by law, Lessee hereby specifically waives all rights arising from any occurrence whatsoever which may now or hereafter be conferred upon it by law (a) to modify, surrender or terminate this Lease or quit or surrender the Leased Property, any Capital Additions and/or any part(s) thereof; or (b) which may entitle Lessee to any abatement, reduction, suspension or deferment of the Rent or other sums payable by Lessee hereunder, except as otherwise specifically provided in this Lease. The obligations of Lessor and Lessee hereunder shall be separate and independent covenants and agreements and the Rent and all other sums payable by Lessee hereunder shall continue to be payable in all events unless the obligations to pay the same shall be terminated pursuant to the express provisions of this Lease or by termination of this Lease other than by reason of an Event of Default.

5.2 Termination with Respect to Fewer than All of the Facilities. Wherever in this Lease the action of terminating the Lease with respect to any Facility (or action of similar import) is discussed, such action shall mean the termination of Lessee's rights in and to the Leased Property relating to such Facility. Notwithstanding anything in this Lease to the contrary, if this Lease shall be terminated by Lessor with respect to the Leased Property of any Facility pursuant to Section 19.2 to facilitate a transfer of operations or this Lease is otherwise terminated with respect to the Leased Property of any Facility pursuant to Articles XIV or XV, such termination shall not affect the applicable Term of this Lease with respect to the balance of the Facilities not so terminated, and this Lease shall continue in full force and effect with respect to each other such Facility, except that the total Minimum Rent payable hereunder shall be reduced by the amount of Allocated Minimum Rent with respect to such Facility as to which this Lease has so terminated. Nothing contained in this Section 5.2 shall serve in any way (a) to limit Lessor's ability, pursuant to Section 16.2 below, to terminate this Lease with respect to any or all of the Facilities if an Event of Default shall have occurred under this Lease, regardless of whether such Event of Default emanated primarily from a single Facility, or (b) in the event of a termination because of an Event of Default, to recover damages or otherwise exercise its remedies with respect to such Facility(ies) as provided in Article XVI.

ARTICLE VI.
OWNERSHIP OF LEASED PROPERTY, PERSONAL PROPERTY

6.1 Ownership of the Leased Property. Lessee acknowledges that the Leased Property is the property of Lessor and that Lessee has only the right to the exclusive possession and use of the Leased Property upon the terms and conditions of this Lease. Upon the expiration or earlier termination of this Lease with respect to any Facility Lessee shall, at its expense, repair and restore the Leased Property relating to such Facility to the condition required by Section 9.1.4.

6.2 Personal Property. During the Term, Lessee shall, as necessary to operate and maintain each Facility in accordance with the terms of this Lease, and at its expense, install, affix or assemble or place on any parcels of the Land or in any of the Leased Improvements, any items of Lessee's Personal Property and replacements thereof which shall be the property of and owned by Lessee. Except as provided in Sections 6.3 and 16.8, Lessor shall have no rights to Lessee's Personal Property. With respect to each Facility, Lessee shall provide and maintain during the entire Term applicable to such Facility all Personal Property necessary in order to operate such Facility in compliance with all licensure and certification requirements, all Legal Requirements and all Insurance Requirements and otherwise in accordance with customary practice in the industry for the Primary Intended Use.

6.3 Transfer of Personal Property and Capital Additions to Lessor. Upon the expiration or earlier termination of this Lease with respect to any Facility, all Capital Additions not owned by Lessor and all or any portion of Lessee's Personal Property (including motor vehicles used to transport residents/patients) relating to such Facility shall, if so elected by Lessor, become the property of Lessor, free of any encumbrance, and Lessee shall execute all documents and take any actions reasonably necessary to evidence such ownership and discharge any encumbrance thereon. If Lessor does not so elect to acquire any portion of the Lessee's Personal Property, Lessee shall remove any such items of Lessee's Personal Property that Lessor has not so elected to acquire upon such expiration or earlier termination of this Lease. Notwithstanding anything to the contrary in this Lease, upon the expiration or earlier termination of this Lease with respect to any Facility, Lessor shall not be obligated to reimburse Lessee for any replacements, rebuildings, alterations, additions, substitutions, and/or improvements that are surrendered as part of or with the Leased Property or Capital Additions of such Facility.

ARTICLE VII.
CONDITION AND USE OF LEASED PROPERTY

7.1 Condition of the Leased Property. On and as of the Commencement Date, Lessee acknowledges receipt and delivery of possession of the Leased Property and confirms that, pursuant to Article XLVI hereof, Lessee will have examined and otherwise have knowledge of the condition of the Leased Property and that on and as of the Commencement Date Lessee will have found the same to be in good order and repair, free from Hazardous Substances not in compliance with Legal Requirements, and satisfactory for its purposes hereunder. Regardless, however, of any examination or inspection made by Lessee and whether or not any patent or latent defect or condition was revealed or discovered thereby, Lessee is leasing the Leased Property "AS IS" in its present condition. Lessee waives any claim or action against Lessor in

respect of the condition of the Leased Property of each Facility including any defects or adverse conditions not discovered or otherwise known by Lessee either as of the Effective Date or as of the Commencement Date. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE LEASED PROPERTY OR ANY PART THEREOF, 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 SUBSTANCE, MOLD OR MOLD CONDITION, IT BEING AGREED THAT ALL SUCH RISKS, LATENT OR PATENT, ARE TO BE BORNE SOLELY BY LESSEE INCLUDING ALL RESPONSIBILITY AND LIABILITY FOR ANY (I) ENVIRONMENTAL REMEDIATION AND COMPLIANCE WITH ALL ENVIRONMENTAL LAWS AND (II) MOLD REMEDIATION AND COMPLIANCE WITH ALL MOLD REMEDIATION REQUIREMENTS.

7.2 Use of the Leased Property.

7.2.1 Lessee covenants that it will obtain and maintain all Required Governmental Approvals with respect to each Facility (including for any Capital Additions to such Facility).

7.2.2 Lessee shall use or cause to be used the Leased Property, all Capital Additions and the improvements thereon of each Facility for the Primary Intended Use of such Facility. Lessee shall not use the Leased Property, any Capital Additions or any part(s) thereof for any other use without the prior written consent of Lessor, which consent Lessor may withhold in its sole discretion.

7.2.3 Lessee shall operate continuously the entire Leased Property and all Capital Additions of each Facility in accordance with the Primary Intended Use of such Facility. Lessee shall devote the entirety of each Facility and all Capital Additions thereto to the Primary Intended Use, except for areas reasonably required for office, storage space or ancillary service uses incidental to the Primary Intended Use. Lessee shall not modify the services offered (other than to provide sub-acute services) or take any other action (e.g., removing patients or residents from any Facility or directing patients or residents, or prospective patients or residents, to another facility) which would materially reduce gross revenues or the fair market value of any Facility.

7.2.4 Lessee shall conduct its business at each Facility in conformity with the highest standards of patient or resident care practice provided in similar facilities in the State.

7.2.5 Lessee shall not commit or suffer to be committed any waste on the Leased Property and/or on or to any Capital Additions or cause or permit any nuisance to exist thereon or with respect thereto.

7.2.6 Lessee shall neither suffer nor permit the Leased Property, any Capital Additions, or any part(s) thereof, or Lessee's Personal Property, to be used in such a manner as (i) might reasonably tend to impair Lessor's title thereto or to any portion thereof or

(ii) may make possible a claim of adverse use or possession, or an implied dedication of the Leased Property, any Capital Additions or any part(s) thereof.

7.3 Lessor to Grant Easements, etc. Lessor shall, from time to time so long as no Event of Default has occurred and is continuing, at the request of Lessee and at Lessee's cost and expense, but subject to the approval of Lessor, which approval shall not be unreasonably withheld or delayed (i) grant easements and other rights in the nature of easements; (ii) release existing easements or other rights in the nature of easements which are for the benefit of the Leased Property; (iii) dedicate or transfer unimproved portions of the Leased Property for road, highway or other public purposes; (iv) execute petitions to have the Leased Property annexed to any municipal corporation or utility district; (v) execute amendments to any covenants, conditions and restrictions affecting the Leased Property; and (vi) execute and deliver to any Person any instrument appropriate to confirm or effect such grants, releases, dedications and transfers to the extent of its interest in the Leased Property, but only upon delivery to Lessor of an Officer's Certificate stating that such grant release, dedication, transfer, petition or amendment is not detrimental to the proper conduct of the business of Lessee on the Leased Property and does not materially reduce the value of the Leased Property.

7.4 Preservation of Facility Value. Lessee acknowledges that a fair return to Lessor on its investment in the Leased Property is dependent, in part, on the concentration on the Leased Property and all Capital Additions during the Term of the skilled nursing business of Lessee and its Affiliates in the geographical area of the Leased Property. Lessee further acknowledges that diversion of residents and/or patients, as applicable, from any Facility to other facilities or institutions and/or reemployment by Lessee of management or supervisory personnel working at any Facility following the expiration or earlier termination of this Lease at other facilities or institutions owned, operated or managed, whether directly or indirectly, by Lessee or its Affiliates will have a material adverse impact on the value and utility of the Leased Property and all Capital Additions. Accordingly, Lessor and Lessee agree as follows:

7.4.1 During the Fixed Term and, unless the Term is extended for a first Extended Term pursuant to Article XIX, for a period of two (2) years thereafter, neither Lessee nor any of its Affiliates, directly or indirectly, shall operate, own, manage or have any interest in or otherwise participate in or receive revenues from any other facility or institution providing services or similar goods to those provided in connection with any Facility and its Primary Intended Use, within the County of such Facility. In the event that any portion of such other facility or institution is located within such restricted area the entire facility or institution shall be deemed located within such restricted area.

7.4.2 Unless the Term is extended for a first Extended Term pursuant to Article XIX, for a period of two (2) years following the Fixed Term, neither Lessee nor any of its Affiliates shall, without the prior written consent of Lessor, which consent may be given or withheld in Lessor's sole discretion, hire, engage or otherwise employ any management or supervisory personnel working at any Facility.

7.4.3 Except as required for medically appropriate reasons, prior to and after the expiration or earlier termination of this Lease with respect to any or all of the Facilities,

Lessee shall not recommend or solicit the removal or transfer of any resident or patient from any Facility to any other facility or institution.

Notwithstanding anything herein to the contrary, in the event that the Term hereof is extended for a first Extended Term pursuant to Article XIX, upon the commencement of such first Extended Term, the provisions of this Section 7.4 shall be of no further force or effect.

ARTICLE VIII.
COMPLIANCE WITH LEGAL AND INSURANCE REQUIREMENTS, INSTRUMENTS,
ETC.

Subject to Article XII regarding permitted contests, Lessee, at its expense, shall promptly (i) comply with all Legal Requirements and Insurance Requirements regarding the use, operation, maintenance, repair and restoration of the Leased Property, Lessee's Personal Property and all Capital Additions whether or not compliance therewith may require structural changes in any of the Leased Improvements or any Capital Additions or interfere with the use and enjoyment of the Leased Property and (ii) procure, maintain and comply with all Required Governmental Approvals. Lessor may, but shall not be obligated to, upon prior notice and during regular business hours (except in circumstances of emergency) enter upon the Leased Property and all Capital Additions and take such actions and incur such costs and expenses to effect such compliance as it deems advisable to protect its interest in the Leased Property and all Capital Additions, and Lessee shall reimburse Lessor for all reasonable costs and expenses incurred by Lessor in connection with such actions. Lessee covenants and agrees that the Leased Property, Lessee's Personal Property and all Capital Additions shall not be used for any unlawful purpose.

ARTICLE IX.
MAINTENANCE, REPAIRS AND INSPECTIONS

9.1 Maintenance and Repair.

9.1.1 Lessee, at its expense, shall maintain the Leased Property, and every portion thereof, Lessee's Personal Property and all Capital Additions, and all private roadways, sidewalks and curbs appurtenant to the Leased Property, and which are under Lessee's control in good order and repair whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of the Leased Property, Lessee's Personal Property and all Capital Additions, and, with reasonable promptness, make all necessary and appropriate repairs thereto of every kind and nature, including those necessary to comply with changes in any Legal Requirements, whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition existing prior to the Commencement Date. All repairs shall be at least equivalent in quality to the original work. Lessee will not take or omit to take any action the taking or omission of which might materially impair the value or the usefulness of the Leased Property, any Capital Additions, or any part(s) thereof for the Primary Intended Use.

9.1.2 Lessor shall not under any circumstances be required to (i) build or rebuild any improvements on the Leased Property or any Capital Additions; (ii) make any

repairs, replacements, alterations, restorations or renewals of any nature to the Leased Property, whether ordinary or extraordinary, structural or non-structural, foreseen or unforeseen, or to make any expenditure whatsoever with respect thereto; or (iii) maintain the Leased Property or any Capital Additions in any way. Lessee hereby waives, to the extent permitted by law, the right to make repairs at the expense of Lessor pursuant to any law in effect at the time of the execution of this Lease or hereafter enacted.

9.1.3 Nothing contained in this Lease and no action or inaction by Lessor shall be construed as (i) constituting the consent or request of Lessor, 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 the Leased Property, any Capital Additions or any part(s) thereof; or (ii) giving Lessee 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 Lessor 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 Lessor in the Leased Property, any Capital Additions or any part(s) thereof.

9.1.4 Unless Lessor shall convey any of the Leased Property to Lessee pursuant to the provisions of this Lease, Lessee shall, upon the expiration or earlier termination of the Term, vacate and surrender the Leased Property, Lessee's Personal Property, and all Capital Additions to Lessor in the condition in which the Leased Property was originally received from Lessor and Lessee's Personal Property and any Capital Additions were originally introduced to each Facility, except as repaired, rebuilt, restored, altered or added to as permitted or required by the provisions of this Lease and except for ordinary wear and tear.

9.2 Encroachments, Restrictions, Mineral Leases, etc. If any of the Leased Improvements or Capital Additions shall, at any time, encroach upon any property, street or right-of-way, or shall violate any restrictive covenant or other agreement affecting the Leased Property, any Capital Additions or any parts thereof, or shall impair the rights of others under any easement or right-of-way to which the Leased Property is subject, or the use of the Leased Property or any Capital Additions is impaired, limited or interfered with by reason of the exercise of the right of surface entry or any other provision of a lease or reservation of any oil, gas, water or other minerals, then promptly upon the request of Lessor or any Person affected by any such encroachment, violation or impairment, Lessee, at its sole cost and expense, but subject to its right to contest the existence of any such encroachment, violation or impairment, shall protect, indemnify, save harmless and defend Lessor from and against all losses, liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including reasonable attorneys', consultants' and experts' fees and expenses) based on or arising by reason of any such encroachment, violation or impairment. In the event of an adverse final determination with respect to any such encroachment, violation or impairment, Lessee shall either (i) obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting from each such encroachment, violation or impairment, whether the same shall affect Lessor or Lessee; or (ii) make such changes in the Leased Improvements and any Capital Addition, and take such other actions, as Lessee in the good faith exercise of its judgment deems reasonably practicable, to remove such encroachment or to end such violation or impairment,

including, if necessary, the alteration of any of the Leased Improvements or any Capital Addition, and in any event take all such actions as may be necessary in order to be able to continue the operation of the Leased Improvements and any Capital Addition for the Primary Intended Use substantially in the manner and to the extent the Leased Improvements and Capital Additions were operated prior to the assertion of such encroachment, violation or impairment. Lessee's obligations under this Section 9.2 shall be in addition to and shall in no way discharge or diminish any obligation of any insurer under any policy of title or other insurance and, to the extent the recovery thereof is not necessary to compensate Lessor for any damages incurred by any such encroachment, violation or impairment, Lessee shall be entitled to a credit for any sums recovered by Lessor under any such policy of title or other insurance.

9.3 Repairs and Refurbishment. Without in any way limiting Lessee's obligations under this Article IX, Lessee shall expend, prior to the expiration of the second (2nd) Lease Year, in the aggregate, no less than Three Million Dollars (\$3,000,000.00) in Capital Project Costs for Capital Projects to the Facilities. Such Capital Projects shall be performed and completed in compliance with the applicable provisions of this Lease, including the applicable provisions of Article X hereof. Promptly following the execution hereof, Lessor and Lessee shall reasonably and in good faith agree in writing upon the Capital Projects to each Facility as are necessary to bring each Facility into good order and repair and to improve their overall competitive position in the respective market places in which they are located, including the general scope of each such Capital Project and estimated cost budget(s) therefor (with respect to each such Capital Project, the "Initial Capital Project Plan"). Such Initial Capital Project Plan for each Facility shall be proposed by Lessee in writing and approved in advance by Lessor, which approval shall not be unreasonably withheld, conditioned or delayed, so long as the Initial Capital Project Plan for each Facility includes a general scope of work and estimated budget therefor and the total aggregate Capital Project Costs for all Facilities is at least Three Million Dollars (\$3,000,000.00). Promptly following the completion of such Capital Projects, but in no event later than the expiration of the second (2nd) Lease Year, Lessee shall furnish to Lessor reasonable documentary evidence as to the completion of all Capital Projects undertaken pursuant to this Section 9.3, together with the Capital Project Costs incurred by Lessee in connection therewith.

9.4 Minimum Capital Expenditures During Extended Term(s).

9.4.1 Without in any way limiting Lessee's obligations under this Article IX (including Section 9.5 hereof), Lessee shall expend, for each Facility, during each Lease Year of each Extended Term, if any, no less than the Annual Minimum Capital Project Amount for such Facility of Capital Project Costs for Capital Projects to such Facility. Such Capital Projects shall be performed and completed in compliance with the applicable provisions of this Lease. Promptly following the expiration of each Lease Year of each Extended Term, if any, Lessee shall furnish to Lessor reasonable documentary evidence as to the completion of all Capital Projects for such Lease Year required pursuant to this Section 9.4, together with the Capital Project Costs thereof. Subject to the provisions of Section 9.4.4 below, if Lessee fails to expend Capital Project Costs during any Lease Year in any Extended Term, if any, in the applicable Annual Minimum Capital Project Amount for Capital Projects for any Facility, then Lessee shall promptly deposit with Lessor as a repair and replacement reserve with respect to such Facility (a "Replacement Reserve") for Capital Projects to such Facility, an amount equal to (a) the Annual

Minimum Capital Project Amount for such Facility less (b) the Capital Project Costs actually expended by Lessee during such Lease Year on account of Capital Projects to such Facility, and, so long as Lessee otherwise maintains such Facility in the condition required by this Lease, once such deposit has been made Lessee shall not be deemed to be in default of its obligations under this Section 9.4 for Lessee's failure to expend during such Lease Year the applicable Annual Minimum Capital Project Amount for Capital Projects for such Facility. So long as no Event of Default or event or circumstance which with notice or passage of time, or both, would constitute an Event of Default hereunder has occurred, if (i) a Replacement Reserve has been established for any Facility and (ii) Lessee expends in any subsequent Lease Year Capital Project Costs in an amount in excess of the applicable Annual Minimum Capital Project Amount for Capital Projects for such Facility, Lessor shall, to the extent funds are available for such purpose in such Replacement Reserve, disburse to Lessee the Capital Project Costs incurred and paid by Lessee during such Lease Year in performing such Capital Projects to such Facility in excess of the applicable Annual Minimum Capital Project Amount for such Facility for such Lease Year. Any such disbursement from any Replacement Reserve shall be paid by Lessor to Lessee within fifteen (15) days following: (a) receipt by Lessor of a written request from Lessee for disbursement from the Replacement Reserve for such Facility and a certification by Lessee in form and substance reasonably satisfactory to Lessor that the applicable item of Capital Project for such Facility has been completed; (b) delivery to Lessor of paid invoices, receipts or other evidence reasonably satisfactory to Lessor, verifying (1) the Capital Project Costs for such Capital Project and (2) that, subject to the provisions of Section 9.4.4 hereof, Lessee has expended Capital Project Costs in the applicable Lease Year an amount in excess of the applicable Annual Minimum Capital Project Amount for Capital Projects for such Facility; and (c) delivery to Lessor of affidavits, lien waivers or other evidence satisfactory to Lessor showing that all materialmen, laborers, subcontractors and any other parties who might or could claim statutory or common law liens and are furnishing or have furnished material or labor to the Leased Property of such Facility have been paid all amounts due for labor and materials furnished to the Leased Property of such Facility. Lessor shall not be required to make advances from any Replacement Reserve more frequently than once in any thirty (30) day period. Except as provided in Section 9.4.4 hereof, amounts held in the Replacement Reserve for any Facility may not be used to pay for or reimburse Lessee for Capital Project Costs for any other Facility.

9.4.2 No Replacement Reserve shall be or be deemed to be escrow or trust funds, but, at Lessor's option and in Lessor's discretion, may either be held in a separate account or be commingled by Lessor with the general funds of Lessor. Lessee shall not be entitled to any interest on any funds contained in any Replacement Reserve. The Replacement Reserves are solely for the protection of Lessor and the Leased Property of the Facilities and entail no responsibility on Lessor's part beyond the payment of the respective items for which they are held following receipt of bills, invoices or statements therefor in accordance with the terms of this Section 9.4 and beyond the allowing of due credit for the sums actually received. Upon assignment of this Lease by Lessor, any funds in any Replacement Reserve shall be turned over to the assignee and any responsibility of Lessor, as assignor, with respect thereto shall terminate.

9.4.3 If any funds remain in any Replacement Reserve upon the expiration or earlier termination of this Lease (other than as a result of the purchase of the Leased Property of the applicable Facility by Lessee, in which case all of such funds in the

applicable Replacement Reserve shall be remitted by Lessor to Lessee upon the closing of such purchase or offset against the purchase price payable by Lessee for the Leased Property of such Facility) and Lessor determines in its reasonable discretion that Lessee has failed to maintain any Facility in accordance with the requirements of this Lease, then such portion (including all, if applicable) of the funds held in such Replacement Reserve in an amount sufficient to complete all repairs reasonably determined by Lessor to be necessary to bring each such Facility into the condition required by this Lease shall be paid over to Lessor as an Additional Charge and Rent under this Lease and shall be in addition to Minimum Rent and all other Additional Charges payable hereunder. Provided that no Event of Default shall have occurred and be continuing, any portion of such funds held in such Replacement Reserve and not paid over to Lessor as provided in the immediately preceding sentence shall be paid over to Lessee within a reasonable period of time following the expiration or earlier termination of this Lease.

9.4.4 Notwithstanding anything to the contrary in this Section 9.4, if, for any Lease Year during any Extended Term, if any, Lessee reasonably determines that the expenditure by Lessee of all or a portion of the Annual Minimum Capital Project Amount for Capital Projects for a Facility pursuant to this Section 9.4 is not required or necessary in order to maintain such Facility in the condition required by this Lease (herein, a "Non-Capital Need Facility"), and Lessee desires to expend more than the applicable Annual Minimum Capital Project Amount for any other Facility(ies) for Capital Projects for such Lease Year, then Lessee may, in advance and in writing, request Lessor's consent to the reallocation and expenditure of all or such portion of such Annual Minimum Capital Project Amount for such Non-Capital Need Facility for Capital Projects to such other Facility(ies) during such Lease Year. Lessor hereby agrees not to unreasonably withhold its consent to any such reallocation and expenditure of all or such portion of the Annual Minimum Capital Project Amount for any such Non-Capital Need Facility for Capital Projects to such other Facility(ies) for an applicable Lease Year so long as (a) no Event of Default has occurred and is continuing hereunder, (b) Lessee is otherwise maintaining such Non-Capital Need Facility in the condition required by this Lease and reasonably demonstrates to Lessor that all or such portion of the Annual Minimum Capital Project Amount for such Non-Capital Need Facility requested by Lessee to be so reallocated (herein, the "Reallocated Annual Minimum Capital Project Amount") is not needed or required for such Non-Capital Need Facility for such Lease Year and will instead be expended by Lessee, in addition to the applicable Annual Minimum Capital Project Amount for such other Facility(ies), for Capital Projects to such other Facility(ies) during such Lease Year, and (c) such reallocation and expenditure has been approved by any Facility Mortgagee, to the extent required under the terms of any Facility Mortgage Documents. If Lessor consents to such reallocation and expenditure for any Lease Year of the Reallocated Annual Minimum Capital Project Amount for a Non-Capital Need Facility to any such other Facility(ies), then the following shall apply:

(a) The Annual Capital Project Amount for such Non-Capital Need Facility for such Lease Year shall be reduced for such Lease Year by the Reallocated Annual Minimum Capital Project Amount, but not below zero (-0-);

(b) Lessee shall expend during such Lease Year in Capital Project Costs for each such other Facility(ies) the Allocated Minimum Capital Project Amount for Capital Projects for such Facility(ies), together with the amount of the Reallocated Annual

Minimum Capital Project Amount that has been reallocated to such Facility(ies) with the approval of Lessor as provided above (with respect to each such Facility the amount so reallocated, the "Increased Annual Minimum Capital Project Amount"); and

(c) If Lessee fails to expend during such Lease Year Capital Project Costs for any other Facility(ies) the amount required pursuant to clause (b) above, then any portion of such Increased Annual Minimum Capital Project Amount for such Facility(ies) not so expended shall be reallocated back to the Non-Capital Need Facility for such Lease Year, and if not expended for Capital Projects for such Non-Capital Need Facility for such Lease Year, then Lessee shall promptly deposit with Lessor into the Replacement Reserve for such Non-Capital Need Facility the amount that has not been so expended on such other Facility(ies).

9.5 Inspections; Due Diligence Fee.

9.5.1 Without limiting Lessor's rights pursuant to Article XXVI hereof, at any reasonable time during the Term during normal business hours and on reasonable advance notice, and upon the expiration or any earlier termination of this Lease, Lessor and its agents shall have the right to inspect the Leased Property of any Facility and all systems contained therein to determine Lessee's compliance with its obligations under this Lease, including the need, as reasonably determined by Lessor, for deferred maintenance, repair or replacement work or other needed alterations at such Facility in order to maintain the same in compliance with the requirements of this Lease. If, during the Term, any such inspection reveals that any such deferred maintenance, repair or replacement work or other needed alterations at any Facility is required in order to maintain the same in compliance with the terms of this Lease, Lessor may provide Lessee with a written notice describing in reasonable detail the required deferred maintenance, repair or replacement work and Lessee shall promptly commence and thereafter diligently prosecute the same to completion to the reasonable satisfaction of Lessor. If, upon the expiration or any earlier termination of this Lease, any such inspection reveals that any such deferred maintenance, repair or replacement work or other needed alterations at any Facility is required in order to bring the same into compliance with the terms of this Lease upon such expiration or earlier termination, Lessor may notify Lessee of its good faith and reasonable cost estimate, if any, to perform the same.

9.5.2 Lessee shall reimburse to Lessor, as an Additional Charge under this Lease, all reasonable out-of-pocket costs and expenses incurred by Lessor in connection with any inspections of the Leased Property of any Facility performed by or at the direction of Lessor as provided for in Section 9.5.1 above promptly following Lessee's receipt of Lessor's invoice therefor; provided, however, that Lessee shall not be required to reimburse Lessor for any such out-of-pocket costs and expenses incurred in connection with any such inspections in an amount exceeding \$1,000.00 per Facility for any Lease Year.

9.5.3 No inspection by Lessor or failure by Lessor following an inspection to discover any non-compliance by Lessee with respect to Lessee's obligations under this Lease shall be deemed or construed to estop Lessor or to be a waiver by Lessor from requiring full compliance by Lessee of Lessee's obligations hereunder.

ARTICLE X.
ADDITIONS AND ALTERATIONS

10.1 Construction of Capital Additions and Other Alterations to the Leased Property. Without the prior written consent of Lessor, which consent may be given or withheld in Lessor's sole and absolute discretion, Lessee shall not (a) make any Capital Additions on or structural alterations to the Leased Property, (b) enlarge or reduce the size of any Facility or otherwise materially alter or affect (other than replacement thereof) any main Facility systems, including any main plumbing, electrical or heating, ventilating and air conditioning systems of any Facility and/or (c) make any Capital Additions or other alterations which would tie in or connect with any improvements on property adjacent to the Land. Lessee may, without Lessor's prior written consent, make any alterations, additions, or improvements (collectively, "alterations") to the Leased Property if such alterations are not of the type described in either clause (a), (b) or (c) above, so long as in each case: (i) the same do not (A) decrease the value of the Leased Property, (B) affect the exterior appearance of the Leased Property, or (C) adversely affect the structural components of the Leased Improvements or the main electrical, mechanical, plumbing or ventilating and air conditioning systems for any Facility, (ii) the same are consistent in terms of style, quality and workmanship to the original Leased Improvements and Fixtures, (iii) the same are constructed and performed in accordance with the provisions of Section 10.2 below and (iv) the cost thereof does not exceed, in the aggregate, \$50,000.00 for any twelve (12) month period with respect to any single Facility. Any other alterations (i.e., other than alterations described in clauses (a), (b) or (c) above, and other than alterations which meet the foregoing requirements of clauses (i), (ii), (iii) and (iv) above) shall be subject to Lessor's prior written consent, which consent shall not be unreasonably withheld. To the extent Lessor's prior written consent shall be required in connection with any alterations or Capital Additions, Lessor may impose such conditions thereon in connection with its approval thereof as Lessor reasonably deems appropriate. Notwithstanding the foregoing, Lessor agrees that painting, landscaping, and replacement of floor, wall and window coverings shall be deemed alterations which do not require Lessor's consent, regardless of the cost thereof, so long as the same meet the requirements of clauses (ii) and (iii) above.

10.2 Construction Requirements for all Alterations. Whether or not Lessor's review and approval is required, for all Capital Additions and other alterations of the Leased Property, the following shall apply (except to the extent Lessor reasonably determines that, because of the nature or extent of the alteration, any such requirement is not applicable):

(a) Lessee shall notify Lessor not less than ten (10) Business Days prior to the commencement of such construction and currently therewith Lessee shall prepare and deliver to Lessor for approval a notice of non-responsibility with respect to such construction in form acceptable for recording in the Official Records of the County in which the Leased Property is located. Such notice of non-responsibility shall be recorded and posted in a conspicuous place on the Leased Property in conformance with all legal requirements applicable to such notices prior to commencement of any construction;

(b) Such construction shall not commence until Lessee shall have procured and paid for all municipal and other governmental permits and authorizations required therefor, and Lessor shall join in the application for such permits or authorizations whenever

such action is necessary; provided, however, that (i) any such joinder shall be at no cost or expense to Lessor; and (ii) any plans required to be filed in connection with any such application which require the approval of Lessor as hereinabove provided shall have been so approved by Lessor;

(c) Such construction shall not, and Lessee's licensed architect or engineer shall certify to Lessor that such construction shall not, impair the structural strength of any component of the applicable Facility or overburden the electrical, water, plumbing, HVAC or other building systems of any such component;

(d) Lessee's licensed architect or engineer shall certify to Lessor that the detailed plans and specifications conform to and comply with all Insurance Requirements and all applicable building, subdivision and zoning codes, laws, ordinances, regulations and other Legal Requirements imposed by all governmental authorities having jurisdiction over the Leased Property;

(e) There shall be no changes in the plans and specifications for such construction from those approved by Lessor, if applicable, without first obtaining the prior written approval of Lessor with respect to such changes;

(f) Such construction shall, when completed, be of such a character as not to decrease the value of the Leased Property as it was immediately before such Capital Addition;

(g) During and following completion of such construction, the parking which is located in the applicable Facility or on the Land relating to 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 that which was or is required by law or which was located in such Facility or on the Land relating to such Facility prior to such construction; provided, however, with Lessor's prior consent and at no additional expense to Lessor, (i) to the extent additional parking is not already a part of a Capital Addition, Lessee may construct additional parking on the Land relating to such Facility; or (ii) Lessee may acquire off-site parking to serve such Facility as long as such parking shall be dedicated to, or otherwise made available to serve, such Facility;

(h) All work done in connection with such construction shall be done promptly and in a good and workmanlike manner using first-class materials and in conformity with all Legal Requirements;

(i) To the extent not already maintained or covered by Lessee pursuant to Article XIII hereof, Lessee shall at all times maintain or cause to be maintained the following insurance during such construction (including through the date of completion of any punch list items relating thereto):

(i) Builder's risk insurance covering such construction, in a face amount of not less than the full insurable value thereof and materials supplied in connection therewith, with appropriate provisions made to include coverage of materials

stored off the Leased Property in an amount not less than the full insurable value of such materials stored off the Leased Property from time to time; and

(ii) Errors and omissions insurance carried by any architect or engineer selected by Lessee in connection with such design and construction in an amount at least equal to One Million Dollars (\$1,000,000) which can be applied to such construction, covering the entire period of design and construction, including completion of any punch-list items.

All such insurance maintained or caused to be maintained by Lessee pursuant to this Section 10.2(i) shall be on an occurrence (as opposed to claims made) basis and shall name Lessor as an additional insured. All insurance maintained or caused to be maintained by Lessee pursuant to subsection (i) above shall name Lessee, Lessor and any contractor, jointly, as loss payee. In addition, all such insurance to be maintained or caused to be maintained by Lessee shall otherwise, to the extent applicable, comply with the provisions of and shall be in addition to the insurance specified in Article XIII hereof;

(j) Lessee shall procure or cause to be procured a payment and performance bond naming Lessor as an additional obligee in form and substance and from an institution reasonably satisfactory to Lessor. The amount of each bond shall be equal to One Hundred Twenty-Five Percent (125%) of the estimated construction for the performance bond and One Hundred Percent (100%) of the estimated construction for the labor and materials bond;

(k) Promptly following the completion of such construction, Lessee shall deliver to Lessor "as built" drawings of such addition, certified as accurate by the licensed architect or engineer selected by Lessee to supervise such work, and copies of any new or revised Certificates of Occupancy; and

(l) If by reason of the construction thereof, a new Certificate of Occupancy for any component of such Facility is required, Lessee shall obtain and furnish a copy of the same to Lessor promptly upon completion thereof.

ARTICLE XI.

LIENS

Subject to the provisions of Article XII relating to permitted contests, Lessee will not directly or indirectly create or allow to remain and will promptly discharge at its expense any lien, encumbrance, attachment, title retention agreement or claim upon the Leased Property or any Capital Additions or any attachment, levy, claim or encumbrance in respect of the Rent, excluding, however, (i) this Lease; (ii) the matters that exist as of the Commencement Date; (iii) restrictions, liens and other encumbrances which are consented to in writing by Lessor, or any easements granted pursuant to the provisions of Section 7.3; (iv) liens for Impositions which Lessee is not required to pay hereunder; (v) subleases permitted by Article XXIV; (vi) liens for Impositions not yet delinquent; (vii) liens of mechanics, laborers, materialmen, suppliers or vendors for amounts not yet due; (viii) any liens which are the responsibility of Lessor pursuant to the provisions of Article XXXV; and (ix) any judgment liens against Lessor for amounts which are not otherwise the responsibility of Lessee. Lessee may grant security interests in its

property in connection with accounts receivable financing or a credit facility provided by an institutional lender, in either case, for the benefit of Lessee or its Affiliates; provided, however, that in no event shall any such security interest attach to or encumber the Leased Property, any Capital Additions or any Required Governmental Approvals.

ARTICLE XII. PERMITTED CONTESTS

Lessee, upon prior written notice to Lessor, on its own or in Lessor's name, at Lessee'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; subject, however, to the further requirement that (i) 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 Lessor and from the Leased Property or any Capital Additions; (ii) neither the Leased Property nor any Capital Additions, the Rent therefrom nor any part or interest in either thereof would be in any danger of being sold, forfeited, attached or lost pending the outcome of such proceedings; (iii) in the case of a Legal Requirement, neither Lessor nor Lessee would be in any danger of civil or criminal liability for failure to comply therewith pending the outcome of such proceedings; (iv) if any such contest shall involve a sum of money or potential loss in excess of Fifty Thousand Dollars (\$50,000), upon request of Lessor, Lessee shall deliver to Lessor and its counsel an opinion of legal counsel reasonably acceptable to Lessor to the effect set forth in clauses (i), (ii) and (iii) above, to the extent applicable; (v) in the case of a Legal Requirement, Imposition, lien, encumbrance or charge, Lessee shall give such reasonable security as may be required by Lessor to insure ultimate payment of the same and to prevent any sale or forfeiture of the Leased Property or any Capital Additions or the Rent by reason of such nonpayment or noncompliance; and (vi) in the case of an Insurance Requirement, the coverage required by Article XIII shall be maintained. If any such contest is finally resolved against Lessor or Lessee, Lessee shall promptly pay the amount required to be paid, together with all interest and penalties accrued thereon, or comply with the applicable Legal Requirement or Insurance Requirement. Lessor, at Lessee's expense, shall execute and deliver to Lessee such authorizations and other documents as may reasonably be required in any such contest, and, if reasonably requested by Lessee or if Lessor so desires, Lessor shall join as a party therein. The provisions of this Article XII shall not be construed to permit Lessee to contest the payment of Rent or any other amount payable by Lessee to Lessor hereunder. Lessee shall indemnify, defend, protect and save Lessor harmless from and against any liability, cost or expense of any kind that may be imposed upon Lessor in connection with any such contest and any loss resulting therefrom.

ARTICLE XIII. INSURANCE REQUIREMENTS

13.1 General Insurance Requirements. During the Term, Lessee shall at all times keep the Leased Property, and all property located in or on the Leased Property, including all Capital Additions, the Fixtures and the Personal Property, insured with the kinds and amounts of insurance described below. Each element of the insurance described in this Article shall be maintained with respect to the Leased Property of each Facility, including all Capital Additions,

Fixtures and Personal Property and the operations thereon. This insurance shall be written by companies authorized to do insurance business in the State in which the Leased Property is located. All of the policies of insurance referred to in this Article shall be written in form satisfactory to Lessor and by insurance companies with a policyholder rating of A- IX in the most recent version of Best's Key Rating Guide. Additionally, except as otherwise provided in this Lease, all of the insurance referred to in this Article shall be on an occurrence (rather than a claims-made) basis, with the exception of the Medical Professional Liability insurance referred to in Section 13.1(e) below. Each policy may have a deductible or deductibles, if any, which are no greater than One Hundred Thousand Dollars (\$100,000) per occurrence, except for coverage for the perils of earthquake, windstorm and flood, which shall have commercially reasonable deductibles as reasonably determined by Lessor. All liability type policies must name Lessor (and its directors, officers, employees and agents) and Facility Mortgagee, if any, as an "additional insured" and shall be considered primary insurance without recourse to any insurance maintained by Lessor. All property, flood, boiler & machinery, loss of rental and business interruption type policies shall name Lessor as an "additional insured and loss payee." Any final loss adjustment involving amounts in excess of Fifty Thousand Dollars (\$50,000) shall require the written consent of Lessor (and any Facility Mortgagee to the extent required under the applicable Facility Mortgage Documents). All insurance maintained by Lessee shall be primary and non-contributory to any insurance maintained by Lessor. The policies shall insure against the following risks with respect to each Facility:

(a) All Risk property insurance including coverage for loss or damage by fire, vandalism and malicious mischief including earthquake (including earth movement), flood and windstorm, in an amount not less than the insurable value on a replacement cost basis (as defined below in Section 13.2). The policy shall include coverage for demolition, law & ordinance, increased cost of construction and coverage endorsement with limits for such perils not less than Five Million Dollars (\$5,000,000);

(b) Loss or damage by explosion of steam boilers, pressure vessels or similar apparatus, including what is normally covered by a standard boiler and machinery policy, including HVAC, refrigeration systems and electrical systems, now or hereafter installed in such Facility, in such limits with respect to any one accident as may be reasonably requested by Lessor from time to time;

(c) Loss of rental value in an amount not less than twelve (12) months' Rent payable hereunder or business interruption in an amount not less than twelve (12) months of income and normal operating expenses including payroll and Rent payable hereunder with an endorsement extending the period of indemnity by at least ninety (90) days (Extended Period of Indemnity Endorsement) necessitated by the occurrence of any of the hazards described in paragraphs (a) or (b) of this Section 13.1;

(d) Claims for bodily injury or property damage under a policy of commercial general liability insurance (including broad form property damage and broad form contractual liability) with amounts not less than One Million Dollars (\$1,000,000) per occurrence and combined single limit and Three Million (\$3,000,000) in the annual aggregate, in each case with respect to such Facility;

(e) Medical professional liability with amounts not less than One Million Dollars (\$1,000,000) per claim or wrongful act combined single limit and Three Million Dollars (\$3,000,000) in the annual aggregate, with respect to such Facility;

(f) Vehicle insurance covering the liability arising out of any owned, hired or non-owned vehicle used at such Facility with a combined single limit of not less than One Million Dollars (\$1,000,000) per accident for bodily injury or property damage; and

(g) Workers Compensation insurance having the statutory limits required in the domicile where such Facility is located covering all persons employed by Lessee in the conduct of its operations at such Facility (including an all states endorsement, if applicable) and Employer's Liability coverage in an amount not less than One Million Dollars (\$1,000,000) each accident and One Million Dollars (\$1,000,000) for bodily injury by disease. Such policy shall include a waiver of subrogation in favor of Lessor (and its directors, officers, employees and agents) and any Facility Mortgagee.

13.2 Replacement Cost. 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. If either party believes that the replacement cost has increased or decreased at any time during the Term, it shall have the right to have such replacement cost redetermined by an impartial appraiser reasonably acceptable to both parties (the "impartial appraiser"). The party desiring to have the replacement cost so redetermined shall forthwith, on receipt of such determination by the impartial appraiser, give written notice thereof to the other party hereto. The determination of the impartial appraiser shall be final and binding on the parties hereto, and Lessee shall forthwith increase or decrease the amount of the insurance carried pursuant to this Article to the amount so determined by the impartial appraiser. Each party shall pay one-half (1/2) of the fee, if any, of the impartial appraiser. If Lessee has made improvements to the Leased Property of any Facility, including any Capital Additions thereto, Lessor may at Lessee's expense have the replacement cost redetermined at any time after such improvements are made, regardless of when the replacement cost was last determined.

13.3 Additional Insurance. In addition to the insurance described above, Lessee shall maintain such additional insurance as may be reasonably required from time to time by any Facility Mortgagee (other than earthquake, flood and windstorm insurance) and shall further at all times maintain adequate coverage required by Legal Requirements.

13.4 Waiver of Subrogation. All insurance policies carried by either party covering the Leased Property of any Facility and any Capital Additions thereto and Lessee's Personal Property including contents, fire and casualty insurance, shall expressly waive any right of subrogation on the part of the insurer against the other party. Each party waives any claims it has against the other party to the extent such claim is covered by insurance.

13.5 Evidence of Insurance. Upon request by Lessor, evidence of insurance with respect to each Facility shall be deposited with Lessor on or prior to the Commencement Date of this Lease with respect to such Facility and at least ten (10) days prior to renewal of any required coverages. Evidence of property insurance required pursuant to Section 13.1(a), (b) and (c) shall be provided on a certificate form no less broad than ACORD 26. Lessee shall also

supply each Facility Mortgagee(s) with any evidence of insurance as such Facility Mortgagee(s) may require. Lessee shall also provide complete copies of any insurance policies as Lessor or any Facility Mortgagee(s) may request. If any provision of any Facility Mortgage requires deposits of insurance to be made with the applicable Facility Mortgagee, Lessee shall either pay to Lessor monthly the amounts required and Lessor shall transfer such amounts to such Facility Mortgagee, or, pursuant to written direction by Lessor, Lessee shall make such deposits directly with such Facility Mortgagee. If Lessee fails to provide evidence of insurance as required by this Lease, Lessor shall (with notice to Lessee) be entitled, but shall have no obligation, to effect such insurance and pay the premiums therefor, in which event the cost thereof, together with interest thereon at the Overdue Rate, shall be repayable to Lessor upon demand therefor. No cancellation or material alteration to the required insurance shall take effect prior to Lessor and any Facility Mortgagee(s) receiving thirty (30) days' written notice except for cancellation due to non-payment in which event such cancellation shall not take place until ten (10) days' written notice has been provided to Lessor. All evidence of insurance shall note the cancellation/material alteration requirements for the benefit of Lessor and any Facility Mortgagee(s). If Lessee fails to maintain any insurance required pursuant to this Lease, Lessee shall be liable for all losses and costs suffered or incurred by Lessor (including litigation costs and attorneys' fees and expenses) resulting from such failure. Failure of Lessor to demand such certificates, endorsements or other evidence of full compliance with the insurance requirements of this Lease, or failure of Lessor to identify a deficiency from evidence provided will not be construed as a waiver of Lessee's obligation to maintain such insurance. The acceptance of delivery by Lessor of any certificates, endorsements or other evidence of insurance does not constitute approval or agreement by Lessor that the insurance requirements have been met, that the insurance policies evidenced are in compliance with the requirements of this Lease or of any Facility Mortgagee(s), or that the insurance requirements are sufficient to fully protect Lessor from liability.

13.6 Increase in Limits. If Lessor shall at any time believe that the limits of the insurance required hereunder are insufficient, Lessor shall have the right to notify Lessee in writing of the same and the parties shall thereafter endeavor to agree in writing on the proper and reasonable limits for such insurance to be carried. If the parties shall be unable to agree thereon, the proper and reasonable limits for such insurance to be carried shall be determined by an impartial third party selected by Lessor and reasonably approved by Lessee, and the determination of such impartial third party shall be binding. Upon agreement by the parties or determination by such third party, the new increased limits as so agreed upon or determined, as the case may be, shall be in effect and carried by Lessee until further change pursuant to the provisions of this Section 13.6. Nothing herein shall permit the amount of insurance to be reduced below the amount or amounts required by any of the Facility Mortgagees or the amounts required to be maintained under this Lease prior to the date, if at all, that Lessor notifies Lessee that Lessor believes the limits of the insurance required under this Lease are insufficient.

13.7 Blanket Policies and Policies Covering Multiple Locations. Notwithstanding anything to the contrary contained in this Article XIII, Lessee's obligations to carry the casualty insurance provided for herein may be brought within the coverage of a blanket policy or policies of insurance carried and maintained by Lessee; provided, however, that the coverage afforded Lessor will not be reduced or diminished or otherwise be different from that which would exist under a separate policy for each Facility meeting all other requirements of this

Lease by reason of the use of such blanket policy of insurance, and provided further that the requirements of this Article XIII are otherwise satisfied. For any liability policies covering one or more Facilities or any other facilities in addition to the Facilities, Lessor may require excess limits as Lessor reasonably determines.

13.8 No Separate Insurance. Lessee shall not, on Lessee's own initiative or pursuant to the request or requirement of any third party, (i) take out separate insurance concurrent in form or contributing in the event of loss with that required in this Article XIII to be furnished by, or which may reasonably be required to be furnished by, Lessee or (ii) 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 Lessor 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. Lessee shall immediately notify Lessor of the taking out of any such separate insurance or of the increasing of any of the amounts of the then existing insurance by securing an additional policy or additional policies.

13.9 Insurance Requirements Under the Existing Loan Documents; Replacement Loan Documents. Nothing contained in this Article XIII shall serve to in any manner limit or restrict Lessee's obligations pursuant to the terms of Section 35.3 below to procure and maintain all insurance coverages required under any Facility Mortgages.

ARTICLE XIV. INSURANCE PROCEEDS AND CASUALTIES

14.1 Insurance Proceeds. Subject to the rights of any Facility Mortgagees, all proceeds payable by reason of any loss or damage to the Leased Property, any Capital Additions or any part(s) or portion(s) thereof, under any policy of insurance required to be carried hereunder shall be paid to Lessor and made available by Lessor to Lessee from time to time for the reasonable costs of reconstruction or repair, as the case may be, of any damage to or destruction of the Leased Property, any Capital Additions or any part(s) or portion(s) thereof. Any excess proceeds of insurance remaining after the completion of the restoration or reconstruction of the Leased Property and any Capital Additions (or in the event neither Lessor nor Lessee is required or elects to repair and restore, all such insurance proceeds) shall be retained by Lessor except as otherwise specifically provided below in this Article XIV. Subject to the rights of any Facility Mortgagees, all salvage resulting from any risk covered by insurance shall belong to Lessor.

14.2 Insured Casualty.

14.2.1 If the Leased Property and/or any Capital Additions of a Facility are damaged or destroyed from a risk covered by insurance carried by Lessee such that such Facility thereby is rendered Unsuited for its Primary Intended Use, Lessee shall either (i) restore such Leased Property and such Capital Additions to substantially the same condition as existed immediately before such damage or destruction, or (ii) offer to acquire the Leased Property of such Facility from Lessor for a purchase price equal to the Fair Market Value of such Facility immediately prior to such damage or destruction. If Lessor does not accept Lessee's

offer to so purchase the Leased Property of such Facility, Lessee may either withdraw such offer and proceed to restore the Leased Property of such Facility to substantially the same condition as existed immediately before such damage or destruction or terminate the Lease with respect to such Facility in which event Lessor shall be entitled to retain the insurance proceeds.

14.2.2 If the Leased Property and/or any Capital Additions of a Facility are damaged from a risk covered by insurance carried by Lessee, but such Facility is not thereby rendered Unsuitable for its Primary Intended Use, Lessee shall restore such Leased Property and such Capital Additions to substantially the same condition as existed immediately before such damage. Such damage shall not terminate this Lease; provided, however, that if Lessee cannot within a reasonable time after diligent efforts obtain the necessary government approvals needed to restore and operate such Facility for its Primary Intended Use, Lessee may offer to purchase the Leased Property of such Facility for a purchase price equal to the Fair Market Value of such Facility immediately prior to such damage. If Lessee shall make such offer and Lessor does not accept the same, Lessee may either withdraw such offer and proceed to restore the Leased Property of such Facility to substantially the same condition as existed immediately before such damage or destruction, or terminate the Lease with respect to such Facility, in which event Lessor shall be entitled to retain the insurance proceeds.

14.2.3 If the cost of the repair or restoration exceeds the amount of proceeds received by Lessor from the insurance required to be carried hereunder, Lessee shall contribute any excess amounts needed to restore such Facility. Such difference shall be paid by Lessee to Lessor together with any other insurance proceeds, for application to the cost of repair and restoration.

14.2.4 If Lessor accepts Lessee's offer to purchase the Leased Property of a Facility, this Lease shall terminate as to such Facility upon payment of the purchase price and Lessor shall remit to Lessee all insurance proceeds pertaining to the Leased Property of such Facility then held by Lessor.

14.3 Uninsured Casualty. If the Leased Property and/or any Capital Additions of a Facility is/are damaged or destroyed from a risk not covered by insurance carried by Lessee, whether or not such damage or destruction renders such Facility Unsuitable for its Primary Intended Use, Lessee at its expense shall restore the Leased Property and Capital Additions of such Facility to substantially the same condition it was in immediately before such damage or destruction and such damage or destruction shall not terminate this Lease with respect to such Facility or any other Facility.

14.4 No Abatement of Rent. This Lease shall remain in full force and effect and Lessee's obligation to pay the Rent and all other charges required by this Lease shall remain unabated during the period required for adjusting insurance, satisfying Legal Requirements, repair and restoration.

14.5 Waiver. Lessee waives any statutory rights of termination which may arise by reason of any damage or destruction of the Leased Property and/or any Capital Additions.

14.6 Rights of Facility Mortgagees. Notwithstanding anything herein to the contrary, the provisions of this Article XIV are subject to the rights of the Facility Mortgagees.

ARTICLE XV.
CONDEMNATION

15.1 Total Taking. If the Leased Property and any Capital Additions of a Facility are totally and permanently taken by Condemnation, this Lease shall terminate with respect to such Facility as of the day before the Date of Taking for such Facility.

15.2 Partial Taking. If a portion of the Leased Property and any Capital Additions of a Facility is taken by Condemnation, this Lease shall remain in effect if the affected Facility is not thereby rendered Unsuited for Its Primary Intended Use, but if such Facility is thereby rendered Unsuited for its Primary Intended Use, this Lease shall terminate with respect to such Facility as of the day before the Date of Taking for such Facility. If any portion of the Leased Property and any Capital Additions is taken by Condemnation and this Lease remains in effect, on the Date of Taking the amount of Allocated Minimum Rent with respect to such Facility shall, if necessary, be equitably adjusted to take into account the proportionate reduction, if any, in the number of licensed beds or living units located on the Leased Property of such Facility as a result of the taking.

15.3 Restoration. If there is a partial taking of the Leased Property and any Capital Additions of a Facility and this Lease remains in full force and effect pursuant to Section 15.2, Lessor shall, subject to the rights of Facility Mortgagees, make available to Lessee the portion of the Award necessary and specifically identified or allocated for restoration of such Leased Property and any such Capital Additions and Lessee shall accomplish all necessary restoration whether or not the amount provided or allocated by the Condemnor for restoration is sufficient.

15.4 Award-Distribution. The entire Award shall belong to and be paid to Lessor, except that, subject to the rights of the Facility Mortgagees, Lessee shall be entitled to receive from the Award, if and to the extent such Award specifically includes such item, lost profits value and moving expenses, provided, that in any event Lessor shall receive from the Award, subject to the rights of the Facility Mortgagees, no less than the Fair Market Value of the applicable Facility prior to the institution of the Condemnation.

15.5 Temporary Taking. The taking of the Leased Property, any Capital Additions and/or any part(s) thereof, shall constitute a taking by Condemnation only when the use and occupancy by the taking authority has continued for longer than 120 consecutive days. During any shorter period, which shall be a temporary taking, all the provisions of this Lease shall remain in full force and effect and the Award allocable to the Term shall be paid to Lessee.

15.6 Sale Under Threat of Condemnation. A sale by Lessor to any Condemnor, either under threat of Condemnation or while Condemnation proceedings are pending, shall be deemed a Condemnation for purposes of this Lease. Lessor may, without any obligation to Lessee, agree to sell and/or convey to any Condemnor all or any portion of the Leased Property

free from this Lease and the rights of Lessee hereunder without first requiring that any action or proceeding be instituted or pursued to judgment.

15.7 Rights of Facility Mortgagees. Notwithstanding anything herein to the contrary, the provisions of this Article XV are subject to the rights of the Facility Mortgagees.

ARTICLE XVI.
DEFAULT AND REMEDIES

16.1 Events of Default. Any one or more of the following shall constitute an "Event of Default":

(a) a default shall occur under any New Lease hereafter with or in favor of Lessor or any Affiliate of Lessor and made by or with Lessee or any Affiliate of Lessee where the default is not cured within any applicable notice and cure period set forth therein;

(b) Lessee shall fail to pay any installment of Rent when the same becomes due and payable and such failure is not cured by Lessee within a period of five (5) days after notice thereof from Lessor; provided, however, that such notice shall be in lieu of and not in addition to any notice required under applicable law;

(c) Lessee shall fail to obtain a letter of credit as required by Article XXI;

(d) except as otherwise specifically provided for in this Section 16.1, if Lessee shall fail to observe or perform any other term, covenant or condition of this Lease and such failure is not cured by Lessee within thirty (30) days after notice thereof from Lessor, 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 Lessee proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof; provided, however, that such notice shall be in lieu of and not in addition to any notice required under applicable law;

(e) Lessee or any Guarantor shall:

- (i) admit in writing its inability to pay its debts generally as they become due,
- (ii) file a petition in bankruptcy or a petition to take advantage of any insolvency act,
- (iii) make an assignment for the benefit of its creditors,
- (iv) consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or

(v) 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;

(f) Lessee or any Guarantor shall be adjudicated as bankrupt or a court of competent jurisdiction shall enter an order or decree appointing, without the consent of Lessee, a receiver of Lessee or of the whole or substantially all of its property, or approving a petition filed against it seeking reorganization or arrangement of Lessee under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, and such judgment, order or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof;

(g) Lessee or any Guarantor shall be liquidated or dissolved, or shall begin proceedings toward such liquidation or dissolution, or shall, in any manner, permit the sale or divestiture of substantially all its assets;

(h) subject to Article XII relating to permitted contests, the estate or interest of Lessee in the Leased Property, any Capital Additions or any part(s) thereof shall be levied upon or attached in any proceeding and the same shall not be vacated or discharged within the later of ninety (90) days after commencement thereof or thirty (30) days after receipt by Lessee of notice thereof from Lessor; provided, however, that such notice shall be in lieu of and not in addition to any notice required under applicable law;

(i) any Transfer occurs without Lessor's consent in accordance with the provisions of Article XXIV;

(j) any of the representations or warranties made by Lessee or any Guarantor in the Guaranty or otherwise proves to be untrue when made in any material respect which materially and adversely affects Lessor;

(k) any Facility's applicable license or third-party provider reimbursement agreements material to such Facility's operation for its Primary Intended Use are at any time terminated or revoked or suspended for more than twenty (20) days;

(l) (i) any local, state or federal agency having jurisdiction over the operation of any Facility removes Ten Percent (10%) or more of the patients or residents located in such Facility, (ii) any local, state or federal agency having jurisdiction over any Facility reduces the number of licensed beds for such Facility from that number set forth under the heading "Facility Description and Primary Intended Use" on Exhibit B attached hereto, (iii) Lessee voluntarily reduces the number of licensed beds for any Facility from that number set forth on Exhibit B attached hereto or (iv) Lessee voluntarily removes from service (so-called "bed banking") any licensed beds for any Facility;

(m) Lessee fails to give notice to Lessor not later than ten (10) days after any notice, claim or demand from any governmental authority or any officer acting on behalf thereof, of any violation of any law, order, ordinance, rule or regulation which materially affects the operation of any Facility;

(n) Lessee fails to cure or abate any violation occurring during the Term that is claimed by any governmental authority, or any officer acting on behalf thereof, of any law, order, ordinance, rule or regulation pertaining to the operation of any Facility, and within the time permitted by such authority for such cure or abatement if such failure is likely to materially impact the operations or gross revenue of any Facility;

(o) Lessee fails to notify Lessor within twenty-four (24) hours after receipt of any notice from any governmental agency terminating or suspending or threatening termination or suspension of any Required Governmental Approval;

(p) any proceedings are instituted against Lessee by any governmental authority which are reasonably likely to result in (i) the revocation of any license granted to Lessee for the operation of any Facility, (ii) the decertification of any Facility from participation in the Medicare or Medicaid reimbursement program, or (iii) the issuance of a stop placement order against Lessee, and such proceedings are not terminated within twenty (20) days after being instituted against Lessee;

(q) any default and acceleration of any material indebtedness of Lessee or any Permitted Affiliate-Transferee has occurred;

(r) any default shall occur under any Guaranty.

16.2 Certain Remedies. If an Event of Default shall have occurred, Lessor may terminate this Lease with respect to the Facility from which such Event of Default emanated, if any, and any one or more (including all, if so elected by Lessor) of the Facilities, regardless of whether such Event of Default emanated primarily from a single Facility, by giving Lessee notice of such termination and the Term shall terminate and all rights of Lessee under this Lease shall cease with respect to all such Facilities as to which Lessor has elected to so terminate this Lease. Any such notice of termination may, at Lessor's option, be given and exercised concurrently with any notice of Event of Default given by Lessor to Lessee hereunder. In such event, such termination shall be effective immediately upon the occurrence of the Event of Default. Lessor shall have all rights at law and in equity available to Lessor as a result of any Event of Default. Lessee shall pay as Additional Charges all costs and expenses incurred by or on behalf of Lessor, including reasonable attorneys' fees and expenses, as a result of any Event of Default hereunder. If an Event of Default shall have occurred and be continuing, whether or not this Lease has been terminated with respect to any one or more (including all, if so elected by Lessor) of the Facilities pursuant to this Section 16.2, Lessee shall, to the extent permitted by law, if required by Lessor so to do, immediately surrender to Lessor possession of the Leased Property and any Capital Additions of the Facilities as to which Lessor has so elected to terminate this Lease and quit the same and Lessor may enter upon and repossess such Leased Property and such Capital Additions by reasonable force, summary proceedings, ejectment or otherwise, and may remove Lessee and all other Persons and any of Lessee's Personal Property from such Leased Property and such Capital Additions.

16.3 Damages. (i) The termination of this Lease with respect to any one or more of the Facilities; (ii) the repossession of the Leased Property and any Capital Additions of any Facility; or (iii) the failure of Lessor, notwithstanding reasonable good faith efforts, to relet

the Leased Property or any portion thereof shall not relieve Lessee of its liabilities and obligations hereunder, all of which shall survive any such termination, repossession or reletting. In addition, the termination of this Lease with respect to any one or more of the Facilities shall not relieve Lessee of its liabilities and obligations hereunder with respect to such terminated Facility(ies) that are intended to survive the termination of this Lease, including, without limitation, the obligations set forth in this Section 16.3, Sections 36.4 and 43.6 and Article XXIII. If any such termination occurs, Lessee shall forthwith pay to Lessor all Rent due and payable with respect to the Facility(ies) terminated to and including the date of such termination. Thereafter, following any such termination, Lessee shall forthwith pay to Lessor, at Lessor's option, as and for liquidated and agreed current damages for an Event of Default by Lessee, the sum of:

(a) the worth at the time of award of the unpaid Rent which had been earned at the time of termination with respect to the terminated Facility(ies),

(b) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination with respect to the terminated Facility(ies) until the time of award exceeds the amount of such rental loss that Lessee 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 for the terminated Facility(ies) after the time of award exceeds the amount of such rental loss that Lessee proves could be reasonably avoided, plus

(d) any other amount necessary to compensate Lessor for all the detriment proximately caused by Lessee's failure to perform its obligations under this Lease.

As used in clauses (a) and (b) above, the "worth at the time of award" shall be computed by allowing interest at the Overdue Rate. As used in clause (c) above, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus One Percent (1%).

Alternatively, if Lessor does not elect to terminate this Lease with respect to any Facility, then Lessee shall pay to Lessor, at Lessor's option, as and for agreed damages for such Event of Default without termination of Lessee's right to possession of the Leased Property and any Capital Additions or any portion thereof, each installment of said Rent and other sums payable by Lessee to Lessor under the Lease as the same becomes due and payable, together with interest at the Overdue Rate from the date when due until paid, and Lessor may enforce, by action or otherwise, any other term or covenant of this Lease.

16.4 Receiver. Upon the occurrence of an Event of Default, and upon commencement of proceedings to enforce the rights of Lessor hereunder, Lessor shall be entitled, as a matter of right, to the appointment of a receiver or receivers acceptable to Lessor of the Leased Property and any Capital Additions of the revenues, earnings, income, products and profits thereof, pending the outcome of such proceedings, with such powers as the court making such appointment shall confer.

16.5 Waiver. If Lessor initiates judicial proceedings or if this Lease is terminated by Lessor pursuant to this Article with respect to a Facility, Lessee waives, to the

extent permitted by applicable law, (i) any right of redemption, re-entry or repossession; and (ii) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt.

16.6 Application of Funds. Any payments received by Lessor under any of the provisions of this Lease shall be applied to Lessee's obligations in the order which Lessor may determine or as may be prescribed by the laws of the State.

16.7 Facility Operating Deficiencies. On written notice of a request therefor by Lessor to Lessee, upon the occurrence of a Facility Operating Deficiency with respect to a Facility specified with particularity in Lessor's notice, and for a period of time necessary fully to remedy the Facility Operating Deficiency, Lessee shall engage the services of a management consultant, unaffiliated with Lessee and approved by Lessor, which approval shall not be unreasonably withheld, to review the management of such Facility for the purpose of making recommendations to remedy the Facility Operating Deficiency(ies). Subject to applicable Legal Requirements governing confidentiality of patient records, the management consultant shall have complete access to such Facility, its records, offices and facilities, in order that it may carry out its duties. Lessee shall cause such management consultant to prepare and deliver to Lessor and Lessee a written report of its recommendations within thirty (30) days after its engagement. If Lessee shall fail to designate a management consultant approved by Lessor as provided above within ten (10) days after Lessee's receipt of the Lessor's notice, Lessor may designate such management consultant by further notice to Lessee. Lessee shall be responsible for payment of all fees and expenses reasonably charged and incurred by the management consultant in carrying out its duties. Lessee shall promptly implement any and all reasonable recommendations made by such management consultant in order to promptly correct or cure such Facility Operating Deficiency; provided, however, that in no event shall Lessee implement any such recommendations if the same would constitute a violation of applicable Legal Requirements or would otherwise cause an Event of Default hereunder (e.g., a Transfer or change in use of the Leased Property), unless Lessor consents in writing to such Event of Default, which consent may be given or withheld in Lessor's sole and absolute discretion.

16.8 Grant of Security Interest; Appointment of Collateral Agent. The parties intend that if an Event of Default occurs under this Lease, Lessor will control Lessee's Personal Property and the Intangible Property so that Lessor or its designee or nominee can operate or re-let each Facility intact for its Primary Intended Use. Accordingly, to implement such intention, and for the purpose of securing the payment and performance obligations of Lessee hereunder, Lessor and Lessee agree as follows:

16.8.1 Grant of Security Interest.

(a) Lessee, as debtor, hereby grants to Collateral Agent, as secured party, for the benefit of Lessor, a security interest and an express contractual lien upon all of Lessee's right, title and interest in and to Lessee's Personal Property and in and to the Intangible Property and any and all products, rents, proceeds and profits thereof in which Lessee now owns or hereafter acquires an interest or right, including any leased Lessee's Personal Property (collectively, the "Collateral"). This Lease constitutes a security agreement covering all such Collateral. Notwithstanding the foregoing, Lessor acknowledges that the Collateral does

not include, and this Lease does not create a security interest in or lien on, any accounts or accounts receivable (including the right to payment for services) of Lessee or Lessee's Affiliates. In addition, so long as no Event of Default shall have occurred and be continuing, upon the written request of Lessee, Collateral Agent agrees to subordinate the security interest granted to Collateral Agent pursuant to this Section 16.8 to any security interest therein granted by Lessee as security for any accounts receivable financing or credit facility financing provided by an institutional lender, in either case, for the benefit of Lessee or its Affiliates so long as such institutional lender agrees to give Lessor and Collateral Agent written notice of any default by Lessee under the terms of such financing arrangement; provided, however, that in no event shall (i) Collateral Agent be required to subordinate its security interest in any Required Governmental Approvals and (ii) any such security interest granted to any such institutional lender extend to, or otherwise encumber, all or any portion of the Leased Property, any Capital Additions or lessee's leasehold estate created under this Lease. This security agreement and the security interest created herein shall survive the expiration or earlier termination of this Lease with respect to any or all of the Facilities.

(b) Lessee hereby authorizes Collateral Agent to file such financing statements, continuation statements and other documents as may be necessary or desirable to perfect or continue the perfection of Collateral Agent's security interest in the Collateral. In addition, if required by Collateral Agent at any time during the Term, Lessee shall execute and deliver to Collateral Agent, in form reasonably satisfactory to Collateral Agent, additional security agreements, financing statements, fixture filings and such other documents as Collateral Agent may reasonably require to perfect or continue the perfection of Collateral Agent's security interest in the Collateral. In the event Lessee fails to execute any financing statement or other documents for the perfection or continuation of Collateral Agent's security interest, Lessee hereby appoints Collateral Agent as its true and lawful attorney-in-fact to execute any such documents on its behalf, which power of attorney shall be irrevocable and is deemed to be coupled with an interest.

(c) Lessee will give Collateral Agent at least thirty (30) days' prior written notice of any change in Lessee's name, identity, jurisdiction of organization or corporate structure. With respect to any such change, Lessee will promptly execute and deliver such instruments, documents and notices and take such actions, as Collateral Agent deems necessary or desirable to create, perfect and protect the security interests of Collateral Agent in the Collateral.

(d) Upon the occurrence of an Event of Default which results in the termination of this Lease, Collateral Agent shall be entitled to exercise any and all rights or remedies available to a secured party under the Uniform Commercial Code, or available to a lessor under the laws of the State, with respect to Lessee's Personal Property and the Intangible Property, including the right to sell the same at public or private sale.

16.8.2 Appointment of Collateral Agent.

(a) If at any time Lessor is comprised of more than one Person, Lessor shall be entitled, upon written notice to Lessee, to appoint one of the Persons so comprising Lessor hereunder, or an Affiliate thereof, as the collateral agent (the "Collateral

Agent”) hereunder and under all other documents related hereto and to authorize Collateral Agent in such capacity, to take such actions on its behalf and to exercise such powers as are delegated to Collateral Agent in such capacity by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. In performing its functions and duties hereunder, Collateral Agent shall act for itself and as agent for each Person comprising “Lessor” hereunder and does not assume and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for Lessee. The provisions of this Section 16.8.2 are solely for the benefit of Collateral Agent and each Person comprising “Lessor” hereunder, and Lessee shall have no rights as a third party beneficiary(ies) of any of such provisions.

(b) The Collateral Agent may perform any and all of its duties and exercise its rights and powers hereunder by or through any one or more sub-agents appointed by the Collateral Agent.

(c) The Collateral Agent may at any time give notice of its resignation to the Persons comprising “Lessor” hereunder and Lessee. Upon receipt of any such notice of resignation, the Persons comprising “Lessor” hereunder shall have the right to appoint a successor Collateral Agent. If no such successor shall have been so appointed by the Persons comprising “Lessor” hereunder and shall have accepted such appointment within ten (10) days after the retiring Collateral Agent gives notice of its resignation, then the retiring Collateral Agent may, on behalf of each Person comprising “Lessor” hereunder, appoint a successor Collateral Agent; provided that if the Collateral Agent shall notify Lessee and each Person comprising “Lessor” hereunder that no such successor is willing to accept such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (i) the retiring Collateral Agent shall be discharged from its duties and obligations hereunder (except that in the case of any Collateral held by the Collateral Agent on behalf of each Person comprising “Lessor” hereunder, the Collateral Agent may continue to hold such Collateral until such time as a successor Collateral Agent is appointed and such Collateral is assigned to such successor Collateral Agent) and (ii) all payments, communications and determinations provided to be made by, to or through the Collateral Agent shall instead be made by or to each Person comprising “Lessor” hereunder directly, until such time as the Persons comprising “Lessor” hereunder appoint a successor Collateral Agent.

(d) Upon the acceptance of a successor’s or replacement’s appointment as Collateral Agent, such successor or replacement shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Collateral Agent and the retiring Collateral Agent shall be discharged from all of its duties and obligations hereunder. After the retiring Collateral Agent’s resignation hereunder, the provisions of this Section 16.8.2 shall continue in effect for the benefit of such retiring Collateral Agent and its sub-agents in respect of any actions taken or omitted to be taken by any of them while the retiring Collateral Agent was acting in such capacity.

(e) If Lessor is comprised of a single Person, and in any event unless a Collateral Agent has been appointed in accordance with Section 16.8.2(a), Lessor shall be the “Collateral Agent” for all purposes hereunder.

16.9 Leases and Residential Care Agreements. Lessee shall comply with and observe in all material respects Lessee's obligations under all leases and residential care agreements, including Lessee's obligations pertaining to the maintenance and disposition of resident or tenant security deposits. Upon delivery of notice by Lessor or Collateral Agent to Lessee of Lessor's or Collateral Agent's exercise of its respective rights under this Article, at any time during the continuance of an Event of Default, and without the necessity of Lessor or Collateral Agent entering upon and taking and maintaining control of any Facility directly, by a receiver, or by any other manner or proceeding permitted by applicable law, Lessor and/or Collateral Agent immediately shall have, to the extent permitted by applicable law, all rights, powers and authority granted to Lessee under any lease or residential care agreement relating to such Facility, including the right, power and authority to modify the terms of any such lease or residential care agreement for such Facility, or extend or terminate any such lease or residential care agreement for such Facility. During the continuance of an Event of Default, unless Lessor and/or Collateral Agent elects in its sole discretion to assume the obligations of Lessee under any lease or residential care agreement for any Facility, neither Lessor nor Collateral Agent shall (i) be obligated to perform any of the terms, covenants or conditions contained in such lease or residential care agreement relating to such Facility (or otherwise have any obligation with respect to such lease or residential care agreement relating to such Facility) or (ii) be obligated to appear in or defend any action or proceeding relating to such lease or residential care agreement relating to such Facility. Notwithstanding anything to the contrary in this Section 16.9, but subject to the other terms and conditions contained in this Lease, except during the continuance of an Event of Default, Lessee shall be entitled to exercise any and all rights under any Occupancy Arrangements relating to any Facility, including Lessee's right, power and authority to modify the terms of any such Occupancy Arrangements or extend or terminate such Occupancy Arrangements.

ARTICLE XVII.

LESSOR'S RIGHT TO CURE LESSEE'S DEFAULT

If Lessee shall fail to make any payment or to perform any act required to be made or performed hereunder, upon no less than three (3) days' prior written notice (except in the event of an emergency, in which case no prior notice shall be required), Lessor, without waiving or releasing any obligation or default, may, but shall be under no obligation to, make such payment or perform such act for the account and at the expense of Lessee, and may, to the extent permitted by law, enter upon the Leased Property and any Capital Additions for such purpose and take all such action thereon as, in Lessor's opinion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Lessee. All sums so paid by Lessor and all costs and expenses, including reasonable attorneys' fees and expenses, so incurred, together with interest thereon at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessor, shall be paid by Lessee to Lessor on demand.

ARTICLE XVIII.

LESSEE'S PURCHASE OF THE LEASED PROPERTY

18.1 Purchase of the Leased Property. If Lessee purchases the Leased Property of any Facility from Lessor pursuant to any provisions of this Lease, Lessor shall, upon receipt from Lessee of the applicable purchase price, together with full payment of any unpaid Rent due

and payable with respect to any period ending on or before the date of the purchase, deliver to Lessee an appropriate special or limited warranty deed conveying the entire interest of Lessor in and to such Leased Property to Lessee free and clear of all encumbrances other than (i) those that Lessee has agreed hereunder to pay or discharge; (ii) those mortgage liens, if any, which Lessee has agreed in writing to accept and to take title subject to; (iii) those liens and encumbrances which were in effect on the date of conveyance of such Leased Property to Lessor; and (iv) any other encumbrances permitted hereunder to be imposed on such Leased Property which are assumable at no cost to Lessee or to which Lessee may take subject without cost to Lessee. The difference between the applicable purchase price and the total of the encumbrances assumed or taken subject to shall be paid to Lessor or as Lessor may direct in immediately available funds. All expenses of such conveyance, including the cost of title insurance, attorneys' fees incurred by Lessor or Lessee in connection with such conveyance and release, transfer taxes, HSR Act filing fees (if any) and recording and escrow fees, shall be paid by Lessee.

18.2 Rights of Lessee Prior to Closing. Notwithstanding anything to the contrary in this Lease, or at law or in equity, if Lessee exercises any right or option of Lessee to purchase or acquire the Leased Property of any Facility pursuant to any of the provisions of this Lease (herein, a "Purchase Right Exercise"), the following shall pertain:

(a) Such Purchase Right Exercise (and any purchase or other separate contract formed upon such Purchase Right Exercise) shall not under any circumstances cause a termination of this Lease, and this Lease shall remain in full force and effect to and until the consummation of the closing in accordance with the terms thereof;

(b) Lessee hereby acknowledges and agrees that Lessee shall not under any circumstances be entitled to possession of the Leased Property of any Facility under the terms of any purchase or other separate contract formed upon such Purchase Right Exercise until the closing thereof, and that, prior thereto, Lessee's possession of the Leased Property of such Facility shall be solely by way of this Lease;

(c) In no event shall Lessee be deemed a vendee in possession;

(d) In the event that an Event of Default shall occur at anytime during the period from such Purchase Right Exercise to and until closing, Lessor shall be entitled to exercise any and all rights or remedies available to a landlord against a defaulting tenant, whether at law or equity, including those set forth in Article XVI hereof, and specifically including the right to recover possession of the Leased Property of such Facility through summary proceedings (such as unlawful detainer or other similar action permitted by law), and in no event shall Lessor be required to bring an action for ejectment or any other similar non-expedited proceeding; and

(e) It shall be a condition to the closing of the purchase of the Leased Property of such Facility, for the benefit of both Lessor and Lessee, that either (i) Lessor and Lessee shall have mutually determined based upon the advise of their respective legal counsel that the purchase of the Leased Property of such Facility by Lessee from Lessor is exempt from filing under the HSR Act or (ii) the waiting period under the HSR Act applicable to the purchase of the Leased Property of such Facility by Lessee from Lessor shall have expired or been earlier

terminated. Lessor and Lessee shall each promptly cooperate in good faith and cause their respective legal counsel to cooperate in good faith to review the HSR Act and the provisions of this Lease relating to the purchase of the Leased Property of such Facility by Lessee from Lessor, and take such other commercially reasonable steps as such party and its legal counsel deem reasonably appropriate to determine whether an exemption from filing under the HSR Act is available, and, if Lessor and Lessee cannot mutually agree in good faith based upon advice from their respective counsel that such an exemption is available, then Lessor and Lessee shall each (x) promptly make their respective filings and thereafter make any other required submissions under the HSR Act with respect to the purchase of the Leased Property of such Facility by Lessee from Lessor, and (y) cooperate in good faith with the other party and use commercially reasonable efforts with respect to the same.

18.3 Lessor's Election of 1031 Exchange. If Lessee purchases the Leased Property of any Facility from Lessor pursuant to any provision of this Lease, Lessor may elect to sell the Leased Property to Lessee in the form of a tax-deferred exchange pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended ("1031 Exchange"). In the event that Lessor shall so elect, Lessor shall give written notice to Lessee and any escrow holder of such election and the following shall apply:

(a) Lessor may attempt to identify before the closing other property which qualifies as "like-kind" property for a 1031 Exchange (the "Target Property") by giving written notice to Lessee and any escrow holder and identifying to such escrow holder the Target Property prior to the closing;

(b) If Lessor has not so identified the Target Property before the closing, then Lessor shall proceed with the closing unless Lessor at its option enters into an exchange agreement with an accommodation party ("Accommodator") in order to facilitate a non-simultaneous exchange. If an Accommodator is so designated, Lessor shall cause the Accommodator (i) to acquire title to the Leased Property from Lessor at or before the closing and, (ii) to transfer title in the Leased Property to Lessee on closing for the applicable purchase price; and

(c) Lessee shall fully cooperate with any such 1031 Exchange, including but not limited to executing and delivering additional documents requested or approved by Lessor; provided, that Lessee shall not be required to incur any additional costs or liabilities or financial obligation as a consequence of any of the foregoing exchange transactions.

ARTICLE XIX.

EXTENSION OF TERM

19.1 Renewal Terms. Provided that no Event of Default has occurred and is continuing, either at the date of exercise or upon the commencement of an Extended Term (as hereunder defined), then Lessee shall have the right to renew this Lease with respect to all (but not less than all) of the Facilities then covered by this Lease for two (2) consecutive Ten (10) year renewal terms (each an "Extended Term"), upon (i) giving written notice to Lessor of such renewal not less than nine (9) months and not more than twelve (12) months prior to the expiration of the then current Term, and (ii) delivering to Lessor concurrent with such notice a

reaffirmation of each Guaranty executed by the applicable Guarantor stating, in substance, that such Guarantor's obligations under such Guaranty shall extend to this Lease, as extended by the Extended Term, and (iii) with respect to any Facility(ies) subject to a New Lease hereafter with or in favor of Lessor or any Affiliate of Lessor, the concurrent exercise by the "Lessee" thereunder of the renewal of each such New Lease for the corresponding and co-terminus "Extended Term" thereof. During each Extended Term, all of the terms and conditions of this Lease shall continue in full force and effect.

Notwithstanding anything to the contrary in this Section 19.1, Lessor, in its sole discretion, may waive the condition to Lessee's right to renew this Lease that no Event of Default shall have occurred or be continuing, and the same may not be used by Lessee as a means to negate the effectiveness of Lessee's exercise of its renewal right for such Extended Term.

19.2 Lessor's Early Termination Rights. In order to facilitate the transfer of the operations of each Facility to a third party and/or to locate a replacement lessee, Lessor shall have the one time right with respect to each Facility to terminate this Lease with respect to such Facility up to four (4) months early. Such right of early termination shall be exercised by Lessor, if at all, by written notice from Lessor to Lessee given not less than sixty (60) days prior to the date Lessor desires to terminate this Lease with respect to such Facility and stating the date of such termination (which date shall not be earlier than four (4) months prior to the expiration of the Term, as the Term may have been extended pursuant to Section 19.1). In the event that Lessor shall exercise such right of early termination within the time and in the manner herein provided, this Lease shall terminate with respect to the specified Facility on the date of termination specified in Lessor's notice.

ARTICLE XX. HOLDING OVER

If Lessee shall for any reason remain in possession of the Leased Property and/or any Capital Additions after the expiration or earlier termination of the Term, such possession shall be as a month-to-month tenant during which time Lessee shall pay as Minimum Rent each month an amount equal to twice the monthly Minimum Rent applicable to the prior Lease Year, together with all Additional Charges and all other sums payable by Lessee pursuant to this Lease. During such period of month-to-month tenancy, Lessee shall be obligated to perform and observe all of the terms, covenants and conditions of this Lease, but shall have no rights hereunder other than the right, to the extent given by law to month-to-month tenancies, to continue its occupancy and use of the Leased Property and/or any Capital Additions. Nothing contained herein shall constitute the consent, express or implied, of Lessor to the holding over of Lessee after the expiration or earlier termination of this Lease.

ARTICLE XXI. SECURITY FOR LEASE OBLIGATIONS

21.1 Letter of Credit. On or before the Commencement Date, and for sixty (60) days after the expiration or earlier termination of this Lease, Lessee shall have deposited with Lessor letters of credit in the aggregate amount of the Security Amount in accordance with this

Article XXI, to secure Lessee's obligations hereunder and the obligations of Lessee and any Affiliate of Lessee under any New Lease with or in favor of Lessor or any Affiliate of Lessor, including any Guaranty.

21.2 Requirements for Letters of Credit. Subject to Section 31.2.4 below, each letter of credit delivered by Lessee to Lessor hereunder shall be in substantially the form of Exhibit E hereto, and shall be from a financial institution satisfactory to Lessor but in any event with (a) not less than \$2 Billion in net current assets, and (b) a letter of credit issuer rating from Standard and Poors Corporation of A- or better (or any equivalent rating thereto from any successor or substitute rating service selected by Lessor) and a letter of credit issuer rating from Moody's Investor Service of A3 or better (or any equivalent rating thereto from any successor rating agency thereto), naming Lessor as beneficiary. Each letter of credit shall be for a term of not less than one (1) year and irrevocable during that term. Each letter of credit shall provide that it will be honored upon a signed statement by Lessor that Lessor is entitled to draw upon any letter of credit under this Lease, and shall require no signature or statement from any party other than Lessor. No notice to Lessee shall be required to enable Lessor to draw upon the letter of credit. Each letter of credit shall also provide that following the honor of any drafts in an amount less than the aggregate amount of the letter of credit, the financial institution shall return the original letter of credit to Lessor and Lessor's rights as to the remaining amount of the letter of credit will not be extinguished. In the event of a transfer of Lessor's interest in the Leased Property, Lessor shall have the right to transfer the letter of credit to the transferee and thereupon shall, without any further agreement between the parties, be released by Lessee from all liability therefor, and it is agreed that the provisions hereof shall apply to every transfer or assignment of the letter of credit to a new Lessor. The letter of credit may be assigned as security in connection with a Facility Mortgage. If the financial institution from which Lessee has obtained a letter of credit shall admit in writing its inability to pay its debts generally as they become due, file a petition in bankruptcy or a petition to take advantage of any insolvency act, make an assignment for the benefit of its creditors consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or 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, then Lessee shall obtain a replacement letter of credit within thirty (30) days of such act from another financial institution satisfactory to Lessor.

21.3 [Intentionally Omitted].

21.4 Timing for Letters of Credit. The initial letter of credit shall be obtained and delivered to Lessor on or prior to the Commencement Date. Any letters of credit covering subsequent periods shall be obtained and delivered to Lessor not less than thirty (30) days prior to the expiration of the then existing letter of credit ("Letter of Credit Date"). The term for each such letter of credit shall begin no later than the expiration date of the previous letter of credit and shall comply with all requirements of this Article XXI.

21.5 Uses of Letters of Credit. Lessor shall have the right to draw upon a letter of credit up to its full amount whenever (a) an Event of Default hereunder has occurred, (b) an event of default has occurred under any New Lease between Lessor or an Affiliate of Lessor and Lessee or an Affiliate of Lessee or (c) an event or circumstance has occurred which with notice would constitute an Event of Default hereunder or an event of default under any New Lease

between Lessor or an Affiliate of Lessor and Lessee or an Affiliate of Lessee, but for the fact that transmittal of any such notice may be barred by applicable law. In addition, if Lessee fails to obtain a satisfactory letter of credit prior to the applicable Letter of Credit Date, Lessor may draw upon the full amount of the then existing letter of credit without giving any notice or time to cure to Lessee. No such draw upon the letter of credit shall (i) cure or constitute a waiver of an Event of Default, (ii) be deemed to fix or determine the amounts to which Lessor is entitled to recover under this Lease or otherwise, or (iii) be deemed to limit or waive Lessor's right to pursue any remedies provided for in this Lease. If all or any portion of a letter of credit is drawn against by Lessor, Lessee shall, within two (2) Business Days after demand by Lessor, cause the issuer of such letter of credit to issue Lessor, at Lessee's expense, a replacement or supplementary letter of credit in substantially the form attached hereto as Exhibit E such that at all times during the Term Lessor shall have the ability to draw on one or more letters of credit totaling, in the aggregate, the Security Amount.

ARTICLE XXII.
RISK OF LOSS

Subject to the provisions contained herein, the risk of loss or of decrease in the enjoyment and beneficial use of the Leased Property and any Capital Additions as a consequence of the damage or destruction thereof by fire, the elements, casualties, thefts, riots, wars or otherwise, or in consequence of foreclosures, attachments, levies or executions (other than by Lessor and Persons claiming from, through or under Lessor) is assumed by Lessee, and no such event shall entitle Lessee to any abatement of Rent.

ARTICLE XXIII.
GENERAL INDEMNIFICATION

In addition to the other indemnities contained herein, and notwithstanding the existence of any insurance carried by or for the benefit of Lessor or Lessee, and without regard to the policy limits of any such insurance, Lessee shall protect, indemnify, save harmless and defend Lessor from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses, including reasonable attorneys', consultants' and experts' fees and expenses, imposed upon or incurred by or asserted against Lessor by reason of acts and/or omissions of Lessee occurring during the Pre-Commencement Date Period resulting in any of the following or by reason of any of the following arising during the Term: (i) any accident, injury to or death of Persons or loss of or damage to property occurring on or about the Leased Property, or any Capital Additions or adjoining sidewalks thereto; (ii) any use, misuse, non-use, condition, maintenance or repair by Lessee of the Leased Property or any Capital Additions; (iii) any failure on the part of Lessee to perform or comply with any of the terms of this Lease; (iv) the non-performance of any of the terms and provisions of any and all existing and future subleases of the Leased Property or any Capital Additions to be performed by any party thereunder; (v) any claim for malpractice, negligence or misconduct committed by any Person on or working from the Leased Property or any Capital Additions; and (vi) the violation of any Legal Requirement. Any amounts which become payable by Lessee under this Article shall be paid within ten (10) days after liability therefor is determined by litigation or otherwise, and if not timely paid shall bear interest at the Overdue Rate from the date of such determination to the date of payment. Lessee, at its sole cost and expense, shall contest, resist and defend any such

claim, action or proceeding asserted or instituted against Lessor for which Lessee is obligated to indemnify Lessor pursuant to this Article XXIII or any other provision of this Lease and may settle compromise or otherwise dispose of the same as Lessee sees fit; provided, however, that any legal counsel selected by Lessee to defend Lessor shall be reasonably satisfactory to Lessor, and, if reasonably required by Lessor, any such counsel retained by Lessee to defend Lessor shall be separate, independent counsel from any counsel selected by Lessee to defend Lessee; provided further, however, that, without Lessor's prior written consent, which consent may be given or withheld in Lessor's sole and absolute discretion, Lessee shall not enter into any settlement agreement with respect to, or compromise or otherwise dispose of any such claim, action or proceeding asserted or instituted against Lessor for which Lessee is obligated to indemnify Lessor pursuant to this Article or any other provision of this Lease if such settlement, compromise or disposition thereof requires any performance by Lessor (other than the payment of money which shall be paid by Lessee) or would impose any restrictions or other covenants upon Lessor or the Leased Property. All indemnification covenants set forth in this Article or elsewhere in this Lease are intended to apply to losses, damages, injuries, claims, etc. incurred directly by the indemnified parties and their property, as well as by the indemnifying party or third party, and their property. For purposes of this Article and the other indemnification obligations of Lessee under this Lease, any acts or omissions of Lessee, or by employees, agents, assignees, contractors, subcontractors or others acting for or on behalf of Lessee (whether or not they are negligent, intentional, willful or unlawful), shall be strictly attributable to Lessee. It is understood and agreed that payment shall not be a condition precedent to enforcement of the foregoing indemnification obligations or any of the other indemnification obligations of Lessee set forth in this Lease.

ARTICLE XXIV. TRANSFERS

24.1 Prohibition.

24.1.1 Generally. Subject to the provisions of Sections 24.1.2 and 24.1.3 below, Lessee shall not, without Lessor's prior written consent, which may not be unreasonably withheld or delayed (except as provided in the last sentence of this Section 24.1.1), either directly or indirectly or through one or more step transactions or tiered transactions, voluntarily or by operation of law, (i) assign, convey, sell, pledge, mortgage, hypothecate or otherwise encumber, transfer or dispose of all or any part of this Lease or Lessee's leasehold estate hereunder, (ii) enter into or consummate any Commercial Occupancy Arrangement with respect to all or any part of the Leased Property and/or any Capital Additions of any Facility if the same constitutes a Material Sublease, (iii) engage the services of any Person for the management or operation of all or any part of the Leased Property and/or any Capital Additions of such Facility, (iv) convey, sell, assign, transfer or dispose of any stock or partnership, membership or other interests (whether equity or otherwise) in Lessee (which shall include any conveyance, sale, assignment, transfer or disposition of any stock or partnership, membership or other interests (whether equity or otherwise) in any Controlling Person(s)), if such conveyance, sale, assignment, transfer or disposition results, directly or indirectly, in a change in control of Lessee (or in any Controlling Person(s)), (v) dissolve, merge, reorganize, recapitalize, exchange shares or consolidate Lessee (which shall include any dissolution, merger, reorganization, recapitalization, exchange of shares or consolidation of any Controlling Person) with any other

Person, if such dissolution, merger, reorganization, recapitalization, exchange of shares or consolidation, directly or indirectly, results in a change in control of Lessee or of any Controlling Person(s), (vi) sell, convey, assign, or otherwise transfer all or substantially all of the assets of Lessee (which shall include any sale, conveyance, assignment, or other transfer of all or substantially all of the assets of any Controlling Person(s)), (vii) sell, convey, assign, or otherwise transfer any of the assets of Lessee (which shall include any sale, conveyance, assignment, or other transfer of any of the assets of any Controlling Person) if the Consolidated Net Worth of Lessee (or such Controlling Person, as the case may be) immediately following such transaction is not at least equal to seventy-five percent (75%) of the Consolidated Net Worth of Lessee (or such Controlling Person) immediately prior to such transaction, or (viii) enter into or permit to be entered into any agreement or arrangement to do any of the foregoing or to grant any option or other right to any Person to do any of the foregoing (each of the aforesaid acts referred to in clauses (i) through (viii) being referred to herein as a "Transfer"). Lessee may, without the consent of Lessor, enter into and consummate any Commercial Occupancy Arrangement with any Person for purposes of providing ancillary services to residents of such Facility so long as doing so would not constitute a Material Sublease (herein, a "Permitted Sublease"); provided that Lessee shall, within ten (10) days of entering into any Permitted Sublease, notify Lessor of the existence of such Permitted Sublease and the identity of the Occupant and supply Lessor with a copy of the agreement relating to such Permitted Sublease and any other related documentation, materials or information reasonably requested by Lessor. Notwithstanding anything herein to the contrary, Lessee may enter into (a) non-Commercial Occupancy Arrangements with residents or patients of any Facility and (b) Permitted Subleases, all without Lessor's consent and such actions shall not be considered a Transfer hereunder. Notwithstanding the foregoing or any other provisions of this Lease to the contrary, Lessee acknowledges that (x) Lessor shall have the right to approve or disapprove of any mortgages, hypothecations, pledges or other encumbrances of the leasehold estate created hereby by Lessee (whether directly or indirectly) in Lessor's sole and absolute discretion, and (z) if Lessor shall approve the same Lessor shall be entitled to impose such conditions in connection therewith as Lessor deems appropriate in its sole and absolute discretion.

24.1.2 Certain Permitted Affiliate Transfers. Notwithstanding anything to the contrary contained in this Article XXIV, Lessor's consent shall not be required in connection with any assignment of Lessee's entire interest in this Lease or a Material Sublease of the entire Leased Property of a Facility to any Permitted Affiliate-Transferee, so long as in connection therewith, each of the following conditions is met:

(a) In connection with such assignment or Material Sublease, there is no change in the use of the Leased Property of any Facility from its Primary Intended Use;

(b) No Event of Default shall have occurred and be continuing hereunder;

(c) In the case of such an assignment, the assignee shall assume all of the obligations of Lessee hereunder first arising or accruing subsequent to the effective date of such assignment by an instrument in writing in form and substance reasonably satisfactory to Lessor, and, from and after the effective date of such assignment, the original Lessee shall be released from the obligations of the Lessee first arising or accruing subsequent to the effective

date of such assignment, but not prior thereto. A copy of such executed assumption shall be delivered to Lessor along with the notice specified in clause (f) below;

(d) Any Material Sublease shall be subject to the provisions of Section 24.3 below, and the sublessee shall grant to Lessor a security interest in such sublessee's right, title and interest in and to the Collateral pursuant to a written security agreement in form and substance reasonably acceptable to Lessor. A copy of such executed security agreement shall be delivered to Lessor along with the notice specified in clause (f) below;

(e) Guarantor shall not be released from any of its obligations under the Guaranty, whether occurring prior to or after the effective date of such transaction, and if requested by Lessor Guarantor shall execute a written reaffirmation of the Guaranty in a form satisfactory to Lessor; and

(f) Within ten (10) days after the effectiveness of such transaction, Lessee shall notify Lessor in writing of the occurrence of such event, the effective date thereof, the facts placing the same within the provisions of this Section 24.1.2 and any other change in the address for billings and notices to the Lessee pursuant to this Lease, accompanied by an executed copy of the assumption, Material Sublease (if any), security agreement and/or reaffirmation as required pursuant to this Lease.

24.1.3 Certain Permitted Management Engagements. Notwithstanding anything to the contrary contained in this Article XXIV, Lessor's consent shall not be required in connection with the engagement of any Person for the management or operation of all or any part of the Leased Property and/or any Capital Additions; provided, however, that:

(a) In no event shall Aaron Robin be employed by Lessee or any Person engaged by Lessee or be otherwise involved in the management or operation of any part of the Leased Property and/or any Capital Additions or have any ownership interest in, or otherwise participate in any economic interests, whether directly or indirectly, of such Person providing such management services.

(b) In no event will the term of any management engagement for any Facility extend beyond the Term hereof for such Facility, as the same may be extended pursuant to Article XIX.

(c) The rights of any Person engaged by Lessee for the management or operation of all or any part of the Leased Property and/or an Capital Additions shall be subject and subordinate to this Lease and the rights of Lessor hereunder, including the right of Lessor to receive all Rent due and owing hereunder prior to payment of any fees to any such Person so engaged.

(d) Within ten (10) days after the effectiveness of such engagement, Lessee shall notify Lessor in writing of the occurrence of such engagement, the effective date thereof, the facts placing the same within the provisions of this Section 24.1.3, accompanied by executed copies of all agreements, instruments and other documents governing such engagement.

24.2 Consent/Release of Lessee and Guarantor under Certain Circumstances.

24.2.1 Prior to any Transfer requiring Lessor's consent, Lessee shall first notify Lessor of its desire to do so and shall submit in writing to Lessor, as applicable: (i) the name of the proposed Occupant, assignee, manager or other transferee; (ii) the terms and provisions of the Transfer, including any agreements in connection therewith; and (iii) such financial information as Lessor may reasonably request concerning the proposed Occupant, assignee, manager or other transferee. In exercising its right of reasonable approval or disapproval to a proposed Transfer, Lessor shall be entitled to take into account any fact or factor that is commercially reasonable to the making of such decision, including the following, all of which are agreed to be reasonable factors for Lessor's consideration:

(a) The financial strength of the proposed Occupant, assignee, manager or other transferee, including the adequacy of its working capital. In connection with a Transfer resulting from a merger or consolidation to which Lessee or any Controlling Person is a party, Lessor shall be entitled to compare the Consolidated Net Worth and debt to equity ratio of the surviving party following the effectiveness of such event as compared to the Consolidated Net Worth and debt to equity ratio of Lessee or any Controlling Person is a party prior to such event.

(b) The operating experience of the proposed Occupant, assignee, manager or other transferee with respect to businesses of the nature, type, size and number of the applicable Facility(ies).

(c) The quality and reputation of the proposed Occupant, assignee, manager or other transferee.

(d) Whether such Transfer will cause a breach or violation of any material agreements to which Lessee or any Controlling Person is a party.

(e) Whether there then exists any uncured Event of Default by Lessee pursuant to this Lease.

Moreover, Lessor shall be entitled to be reasonably satisfied that each and every covenant, condition or obligation imposed upon Lessee by this Lease and each and every right, remedy or benefit afforded Lessor by this Lease is not materially impaired or diminished by such Transfer. Lessee acknowledges, however, that any proposed partial assignment, conveyance, sale, transfer or other disposition of this Lease or Lessee's leasehold estate hereunder with respect to less than all of the Facilities would materially impair the covenants, conditions and obligations imposed upon Lessee by this Lease and the rights, remedies and benefits afforded Lessor by this Lease as single, integrated and indivisible agreement and economic unit with respect to all Facilities, and therefore it would be reasonable for Lessor to withhold its consent to any such partial assignment, conveyance, sale, transfer or other disposition of this Lease or Lessee's leasehold estate hereunder with respect to less than all the Facilities on such basis. No withholding of consent by Lessor for any commercially reasonable reason shall give rise to any claim by Lessee or any other Person or entitle Lessee to terminate this Lease or to any abatement of Rent.

24.2.2 In connection with any Transfer, Lessor shall be entitled to require as a condition to any such Transfer that the obligations of any Occupant, assignee, manager or

other transferee which is an Affiliate of another Person be guaranteed by its ultimate parent or other ultimate Controlling Person (a "New Controlling Person Guarantor") pursuant to a written guaranty in form and substance reasonably acceptable to Lessor and that, except as provided in Section 24.2.4 hereof, any existing Guaranty of this Lease be reaffirmed by the applicable Guarantor notwithstanding such Transfer.

24.2.3 No Implied Future Consent. The consent by Lessor to any Transfer shall not constitute a consent to any subsequent Transfer or to any subsequent or successive Transfer. Any purported or attempted Transfer contrary to the provisions of this Article shall be void and, at the option of Lessor, shall terminate this Lease.

24.2.4 Release of Existing Lessee and Guarantor(s) Upon Certain Transfers. Upon the consummation of a Transfer by Lessee that (x) constitutes an assignment of Lessee's entire interest in this Lease or that results in the then current Guarantor(s) no longer owing or holding any interest (whether equity or otherwise, and whether directly or indirectly) in Lessee, (y) requires Lessor's prior written consent pursuant to the terms of this Article XXIV, and (z) receives such prior written consent by Lessor, then, upon the request of Lessee and the then current Guarantor(s), Lessor agrees to not unreasonably withhold its consent and agreement to release the then current Lessee and any then current Guarantor from their respective obligations first arising or accruing under this Lease and any then current Guaranty, as applicable, following the effective date of such Transfer, so long as each of the following conditions is met:

(a) A New Controlling Person Guarantor has executed and delivered to Lessor a new Guaranty of Lessee's obligations under this Lease as provided in Section 24.2.2;

(b) The Consolidated Net Worth of the assignee and the New Controlling Person Guarantor, following the effectiveness of such Transfer shall be equal to or greater than an amount equal to the greater of the Consolidated Net Worth of the then current Lessee and Guarantor(s) (i) immediately prior the effectiveness of such Transfer or (ii) as of the date that such then current Lessee and Guarantor(s) first became obligated under this Lease and then current Guaranty(ies), in each case as evidenced by current financial statements of such parties reasonably acceptable to Lessor; and

(c) The assignee and New Controlling Person Guarantor shall have adequate experience and skill in (i) operating facilities comparable to the Facilities and (ii) a business of the nature, type and size of the business of the then current Lessee and Guarantor(s) immediately prior to the effectiveness of such Transfer, as determined by Lessor in its reasonable discretion.

24.3 Attornment and Related Matters. Any Commercial Occupancy Arrangement (whether or not the same constitutes a Material Sublease) shall be expressly subject and subordinate to all applicable terms and conditions of this Lease and provide that upon the expiration or earlier termination of this Lease Lessor, at its option and without any obligation to do so, may require any Occupant to attorn to Lessor, in which event Lessor shall undertake the obligations of Lessee, as sublessor, licensor or otherwise under such Commercial Occupancy

Arrangement from the time of the exercise of such option to the termination of such Commercial Occupancy Arrangement; provided, however, that in such case Lessor shall not be liable for any prepaid rents, fees or other charges or for any prepaid security deposits paid by such Occupant to Lessee or for any other prior defaults of Lessee under such Commercial Occupancy Arrangement. In the event that Lessor shall not require such attornment with respect to any Commercial Occupancy Arrangement, then such Occupancy Arrangement shall automatically terminate upon the expiration or earlier termination of this Lease, including any early termination by mutual agreement of Lessor and Lessee. In addition, any such Commercial Occupancy Arrangement shall provide that in the event that the Occupant or other transferee receives a written notice from Lessor stating that an Event of Default has occurred, such Occupant or other transferee thereafter shall without further consent or instruction of Lessee pay all rentals accruing under such Commercial Occupancy Arrangement directly to Lessor or as Lessor may direct; provided however that (i) as and to the extent that the amounts so paid to Lessor, together with other amounts paid to or received by Lessor on account of this Lease, exceed the amounts then due Lessor from Lessee under this Lease, the excess shall be promptly remitted to Lessee, and (ii) at such time as the Event of Default has been cured and this Lease reinstated (if ever), Lessor shall notify and direct the Occupant(s) in writing to resume making payments of rentals under their Commercial Occupancy Arrangement(s) directly to Lessee or as Lessee may direct. Any such rentals collected from such Occupant or other transferee by Lessor shall be credited against the amounts owing by Lessee under this Lease in such order of priority as Lessor shall reasonably determine. Furthermore, any Commercial Occupancy Arrangement or other agreement regarding a Transfer shall expressly provide that the Occupant, assignee, manager or other transferee shall furnish Lessor with such financial, operational and other information about the physical condition of the applicable Facility, including the information required by Section 25.2 herein, as Lessor may request from time to time.

24.4 Assignment of Lessee's Rights Against Occupant Under a Material Sublease. If Lessor shall consent to a Material Sublease, then the written instrument of consent, executed and acknowledged by Lessor, Lessee and the Occupant thereunder, shall contain a provision substantially similar to the following:

(i) Lessee and such Occupant hereby agree that, if such Occupant shall be in default of any of its obligations under the Material Sublease, which default also constitutes an Event of Default by Lessee under this Lease, then Lessor shall be permitted to avail itself of all of the rights and remedies available to Lessee against such Occupant in connection therewith.

(ii) Without limiting the generality of the foregoing, Lessor shall be permitted (by assignment of a cause of action or otherwise) to institute an action or proceeding against such Occupant in the name of Lessee in order to enforce Lessee's rights under the Material Sublease, and also shall be permitted to take all ancillary actions (e.g., serve default notices and demands) in the name of Lessee as Lessor reasonably shall determine to be necessary.

(iii) Lessee agrees to cooperate with Lessor, and to execute such documents as shall be reasonably necessary, in connection with the implementation of the foregoing rights of Lessor.

(iv) Lessee expressly acknowledges and agrees that the exercise by Lessor of any of the foregoing rights and remedies shall not constitute an election of remedies, and shall not in any way impair Lessor's entitlement to pursue other rights and remedies directly against Lessee.

24.5 Costs. Lessee shall reimburse Lessor for Lessor's actual and reasonable costs and expenses incurred in conjunction with the processing and documentation of any request for consent as required under this Article XXIV, including attorneys', architects', engineers' or other consultants' fees whether or not the transaction for which consent is requested is actually consummated.

24.6 No Release of Lessee's Obligations. Except as expressly provided in Sections 24.1.2(c) hereof and 24.2.4 hereof, no Transfer shall relieve Lessee of its obligation to pay the Rent and to perform all of the other obligations to be performed by Lessee hereunder. Except as expressly provided in Sections 24.1.2(c) hereof and 24.2.4 hereof, the liability of Lessee named herein and any immediate and remote successor in interest of Lessee (*i.e.*, by means of any Transfer), and the due performance of the obligations of this Lease on Lessee's part to be performed or observed, shall not in any way be discharged, released or impaired by any (i) agreement which modifies any of the rights or obligations of the parties under this Lease, (ii) stipulation which extends the time within which an obligation under this Lease is to be performed, (iii) waiver of the performance of an obligation required under this Lease, or (iv) failure to enforce any of the obligations set forth in this Lease. Except as expressly provided in Sections 24.1.2(c) hereof and 24.2.4 hereof, if any Occupant, assignee, manager or other transferee defaults in any performance due hereunder, Lessor may proceed directly against the Lessee named herein and/or any immediate and remote successor in interest of Lessee without exhausting its remedies against such Occupant, assignee, manager or other transferee.

24.7 REIT Protection. Anything contained in this Lease to the contrary notwithstanding, (i) no Transfer shall be consummated on any basis such that the rental or other amounts to be paid by the Occupant, assignee, manager or other transferee thereunder would be based, in whole or in part, on the income or profits derived by the business activities of the Occupant, assignee, manager or other transferee; (ii) Lessee shall not consummate a Transfer with any Person in which Lessee or Lessor owns an interest, directly or indirectly (by applying constructive ownership rules set forth in Section 856(d)(5) of the Code); and (iii) Lessee shall not consummate a Transfer with any Person or in any manner which could cause any portion of the amounts received by Lessor pursuant to this Lease or any Occupancy Arrangement to fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto or which could cause any other income of Lessor to fail to qualify as income described in Section 856(c)(2) of the Code.

24.8 Transfers In Bankruptcy. In the event of a Transfer pursuant to the provisions of the Bankruptcy Code, all consideration payable or otherwise to be delivered in connection with such Transfer shall be paid or delivered to Lessor, shall be and remain the exclusive property of Lessor and shall not constitute property of Lessee or of the estate of Lessee within the meaning of the Bankruptcy Code. Any consideration constituting Lessor's property pursuant to the immediately preceding sentence and not paid or delivered to Lessor shall be held in trust for the benefit of Lessor and be promptly paid or delivered to Lessor. For purposes of

this Section 24.8, the term "consideration" shall mean and include money, services, property and any other thing of value such as payment of costs, cancellation or forgiveness of indebtedness, discounts, rebates, barter and the like. If any such consideration is in a form other than cash (such as in kind, equity interests, indebtedness earn-outs, or other deferred payments, consulting or management fees, etc.), Lessor shall be entitled to receive in cash the then present fair market value of such consideration. Notwithstanding any provision of this Lease to the contrary, including this Section 24.8, it is expressly understood and agreed that it is the intention of the parties hereto that, notwithstanding any provision of the Bankruptcy Code, including Section 365(f) thereof, Lessee is precluded from effecting any Transfer of any single Facility except as may otherwise be expressly provided in this Lease.

ARTICLE XXV.

OFFICER'S CERTIFICATES AND FINANCIAL STATEMENTS

25.1 Officer's Certificate. At any time and from time to time upon Lessee's receipt of not less than ten (10) Business Days' prior written request by Lessor, Lessee shall furnish to Lessor an Officer's Certificate certifying (i) that this Lease is unmodified and in full force and effect, or that this Lease is in full force and effect as modified and setting forth the modifications; (ii) the dates to which the Rent has been paid; (iii) whether or not, to the best knowledge of Lessee, Lessor is in default in the performance of any covenant, agreement or condition contained in this Lease and, if so, specifying each such default of which Lessee may have knowledge; and (iv) responses to such other questions or statements of fact as Lessor, any ground or underlying lessor, any purchaser or any current or prospective Facility Mortgagee shall reasonably request. Lessee's failure to deliver such statement within such time shall constitute an acknowledgment by Lessee that (x) this Lease is unmodified and in full force and effect except as may be represented to the contrary by Lessor; (y) Lessor is not in default in the performance of any covenant, agreement or condition contained in this Lease; and (z) the other matters set forth in such request, if any, are true and correct. Any such certificate furnished pursuant to this Article may be relied upon by Lessor and any current or prospective Facility Mortgagee, ground or underlying lessor or purchaser of the Leased Property or any portion thereof.

25.2 Statements. Lessee shall furnish the following statements to Lessor:

(a) within 120 days after the end of each of Lessee's and Guarantor's fiscal years, a copy of the unaudited consolidated balance sheets of Lessee, its consolidated Subsidiaries and Guarantor as of the end of such fiscal year, and related unaudited consolidated statements of income, changes in common stock and other stockholders' equity and changes in the financial position of Lessee, its consolidated Subsidiaries and Guarantor for such fiscal year, prepared in accordance with GAAP applied on a basis consistently maintained throughout the period involved, such consolidated financial statements to be certified by certified public accountants; provided, that, if at any time Lessee causes such consolidated balance sheets, statements of income, changes in common stock and other stockholders' equity and changes in financial position to be audited, Lessee shall deliver such reports to Lessor in audited form;

(b) within forty-five (45) days after the end of each fiscal quarter (other than the last fiscal quarter during any fiscal year of the applicable Person), (i) a copy of

the unaudited consolidated balance sheets of Lessee, Guarantor and their respective consolidated Subsidiaries as of the end of such fiscal quarter, and related unaudited consolidated statements, changes in common stock and other stockholders' equity and changes in the financial position of Lessee, Guarantor and their respective consolidated Subsidiaries for such fiscal quarter, and (ii) a statement of income of Lessee, Guarantor and their respective consolidated Subsidiaries that sets forth the results for both such fiscal quarter and year-to-date, in all cases prepared in accordance with GAAP applied on a basis consistently maintained throughout the applicable period;

(c) within 120 days after the end of each of Lessee's and Guarantor's fiscal years, and together with the annual report furnished in accordance with clause (a) above, an Officer's Certificate stating that to the best of the signer's knowledge and belief after making due inquiry, Lessee is not in default in the performance or observance of any of the terms of this Lease, or if Lessee shall be in default, specifying all such defaults, the nature thereof, and the steps being taken to remedy the same;

(d) within forty-five (45) days after the end of each calendar month, all monthly consolidated financial reports Lessee produces for reporting purposes and detailed statements of income and detailed operational statistics regarding occupancy rates, patient and resident mix and patient and resident rates by type for each Facility for each such calendar month;

(e) within thirty (30) days after filing, a copy of each cost report filed with the appropriate governmental agency for each Facility;

(f) within thirty (30) days after they are required to be filed with the SEC, copies of any annual reports and of information, documents and other reports, or copies of such portions of any of the foregoing as the SEC may prescribe, which Lessee is required to file with the SEC pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934;

(g) with reasonably promptness, upon Lessee's receipt thereof, copies of all material written communications received by Lessee from any regulatory agency relating to (i) surveys of each Facility for purposes of licensure, Medicare and Medicaid certification and accreditation and (ii) any proceeding, formal or informal, with respect to cited deficiencies with respect to services and activities provided and performed at each Facility, including patient and resident care, patient and resident activities, patient and resident therapy, dietary, medical records, drugs and medicines, supplies, housekeeping and maintenance, or the condition of each Facility, and involving an actual or threatened warning, imposition of a fine or a penalty, or suspension, termination or revocation of any Required Governmental Approval;

(h) immediately upon Lessee's receipt thereof, copies of all claims, reports, complaints, notices, warnings or asserted violations relating in any way to the Leased Property or any Capital Additions or Lessee's use thereof; and

(i) with reasonable promptness, such other information respecting (i) the financial and operational condition and affairs of Lessee, any Guarantor and each Facility, (ii) the physical condition of the Leased Property and any Capital Additions and (iii) any suspected Transfer, including the then equity or voting ownership in Lessee or in any Controlling

Person(s), in each case as Lessor may reasonably request, in the form of a questionnaire or otherwise, from time to time.

25.3 **Charges.** Lessee acknowledges that the failure to furnish Lessor with any of the certificates or statements required by this Article XXV will cause Lessor to incur costs and expenses not contemplated hereunder, the exact amount of which is presently anticipated to be extremely difficult to ascertain. Accordingly, if Lessee fails to furnish Lessor with any of the certificates or statements required by this Article XXV within three (3) Business Days after Lessor's written notice to Lessee of such failure, Lessee shall pay to Lessor upon demand \$1,000 for each such failure as Additional Charges. The parties agree that this charge represents a fair and reasonable estimate of the costs that Lessor will incur by reason of Lessee's failure to furnish Lessor with such certificates and statements. Such charge shall be in addition to any other remedies provided for herein.

25.4 **Lessee's Submission of Certificates/Statements.** Lessee shall be obligated to furnish Lessor with all certificates and statements required under this Article XXV by (i) delivery of printed copies of the same to Lessor at its address set forth in Article XXXIII below or any other address that Lessor may from time to time designate in writing and (ii) electronic delivery of the same to Lessor in Microsoft® Office Excel format (or such other format as Lessor may from time to time reasonably require) at any electronic mail address that Lessor may from time to time designate in writing.

ARTICLE XXVI.

LESSOR'S RIGHT TO INSPECT AND SHOW THE LEASED PROPERTY AND CAPITAL ADDITIONS

Without limiting Lessor's rights provided in Section 9.5, Lessee shall permit Lessor and its authorized representatives, with reasonable prior notice, to (i) inspect the Leased Property and any Capital Additions and (ii) exhibit the same to prospective purchasers and lenders, and during the last twelve (12) months of the Term applicable to each portion of the Leased Property and Capital Additions, to prospective lessees or managers, in each instance during usual business hours and subject to any reasonable security, health, safety or confidentiality requirements of Lessee or any Legal Requirement or Insurance Requirement. Lessee shall cooperate with Lessor in exhibiting the Leased Property and any Capital Additions to prospective purchasers, lenders, lessees and managers.

ARTICLE XXVII.

NO WAIVER

No failure by Lessor 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 default or 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.

ARTICLE XXVIII.
REMEDIES CUMULATIVE

Each legal, equitable or contractual right, power and remedy of Lessor now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy and the exercise or beginning of the exercise by Lessor of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Lessor of any or all of such other rights, powers and remedies.

ARTICLE XXIX.
ACCEPTANCE AND SURRENDER

No surrender to Lessor of this Lease or of the Leased Property or any Capital Additions or any part(s) thereof or of any interest therein, shall be valid or effective unless agreed to and accepted in writing by Lessor and no act by Lessor or any representative or agent of Lessor, other than such a written acceptance by Lessor, shall constitute an acceptance of any such surrender.

ARTICLE XXX.
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, (i) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate and (ii) the fee estate in the Leased Property or any parts thereof.

ARTICLE XXXI.
CONVEYANCE AND SEPARATION OF LEASE

31.1 Conveyance by Lessor. Lessor may, without the consent or approval of Lessee, sell, transfer, assign, convey or otherwise dispose of any or all of the Leased Property. If Lessor or any successor owner of the Leased Property shall sell, transfer, assign, convey or otherwise dispose of the Leased Property other than as security for a debt, Lessor or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of Lessor with respect to such Leased Property under this Lease arising or accruing from and after the date of such sale, transfer, assignment or other disposition and all such future liabilities and obligations with respect to such Leased Property shall thereupon be binding upon such purchaser, grantee, assignee or transferee. In the event of any such sale, transfer, assignment, conveyance or other disposition (other than as security for a debt) of less than all of the Leased Property then subject to this Lease, the provisions of Section 31.2 hereof shall apply.

31.2 New Lease. Lessor shall have the right, in connection with any Separation Event during the Term, by written notice to Lessee, to require Lessee to execute an amendment to this Lease whereby the Leased Property of one or more Facilities affected by such Separation Event (individually, a "Separated Property" or collectively, the "Separated Properties") is

separated and removed from this Lease, and to simultaneously execute a substitute lease with respect to such Separated Property(ies), in which case:

31.2.1 Lessor and Lessee shall execute a new lease (the "New Lease") for such Separated Property(ies), effective as of the date specified in Section 31.2.3 below (the "New Lease Effective Date"), in the same form and substance as this Lease, but with such changes thereto as necessary to reflect the separation of the Separated Property(ies) from the balance of the Leased Property, including specifically the following:

(a) The total monthly Minimum Rent payable under such New Lease shall be the total applicable monthly Allocated Minimum Rent with respect to such Separated Property(ies);

(b) All Minimum Rent rental escalations under the New Lease shall be at the times and in the amounts set forth in this Lease for Minimum Rent increases; and

(c) The New Lease shall provide that the lessee thereunder shall be responsible for the payment, performance and satisfaction of all duties, obligations and liabilities arising under this Lease, insofar as they relate to the Separated Property(ies), that were not paid, performed and satisfied in full prior to the effective date of the New Lease (and Lessee under this Lease shall also be responsible for the payment, performance and satisfaction of the aforesaid duties, obligations and liabilities not paid, performed and satisfied in full prior to the effective date of such New Lease).

(d) Lessee's obligation to provide a letter of credit in accordance with Article XXI of this Lease shall be segregated so that (i) the applicable Lessee shall be required to provide a letter of credit pursuant to the New Lease, on the same terms and conditions as set forth in this Lease, except that the amount of the letter of credit under the New Lease shall mean an aggregate amount equal to the amount set forth in the column labeled "Allocated Security Amount" on Exhibit B with respect to the Separated Facility(ies), and (ii) the amount of the letter of credit under this Lease (as amended) shall be reduced by the amount of the letter of credit for the New Lease determined in accordance with clause (i) above.

31.2.2 Lessor and Lessee shall also execute an amendment to this Lease effective as of the New Lease Effective Date reflecting the separation of the Separated Property(ies) from the balance of the Leased Property and making such modifications to this Lease as are necessitated thereby.

31.2.3 In the case of any New Lease that is entered into in accordance with this Section 31.2 such New Lease shall be effective on the date which is the earlier of (i) the date the New Lease is fully executed and delivered by the parties thereto and (ii) the date specified in the written notice from Lessor to Lessee requiring a New Lease as described above, which date shall be no sooner than ten (10) days after the date such notice is issued.

31.2.4 Lessee and Lessor shall take such actions and execute and deliver such documents, including without limitation the New Lease and an amendment to this Lease, as

are reasonably necessary and appropriate to effectuate the provisions and intent of this Section 31.2.

31.2.5 Lessor shall bear all reasonable costs and expenses in connection with any New Lease entered into in accordance with this Section 31.2.

ARTICLE XXXII.
QUIET ENJOYMENT

So long as Lessee 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, Lessee shall peaceably and quietly have, hold and enjoy the Leased Property for the Term, free of any claim or other action by Lessor or anyone claiming by, through or under Lessor, but subject to all liens and encumbrances of record as of the date hereof, or the Commencement Date or created thereafter as permitted hereunder or thereafter consented to by Lessee. No failure by Lessor to comply with the foregoing covenant shall give Lessee any right to cancel or terminate this Lease or abate, reduce or make a deduction from or offset against the Rent or any other sum payable under this Lease, or to fail to perform any other obligation of Lessee hereunder. Notwithstanding the foregoing, Lessee shall have the right, by separate and independent action to pursue any claim it may have against Lessor as a result of a breach by Lessor of the covenant of quiet enjoyment contained in this Article.

ARTICLE XXXIII.
NOTICES

Any notice, consent, approval, demand or other communication required or permitted to be given hereunder (a "notice") must be in writing and may be served personally or by U.S. Mail. If served by U.S. Mail, it shall be addressed as follows:

If to Lessor or
Collateral Agent: c/o Skilled Healthcare Group, Inc.
27442 Portola Parkway, Suite 200
Foothill Ranch, California 92610
Attn: Legal Department
Fax: (949) 282-5889

If to Lessee: 5967 W. 3rd Street, Suite 200
Los Angeles, CA 90036
Attention: Shlomo Rechnitz
Fax: (213) 947-1841

with a copy (which shall not constitute notice) to:

Shlomo Rechnitz
102 North Alta Vista Boulevard
Los Angeles, CA 90036
Fax: (213) 947-1841

and a copy (which shall not constitute notice) to:

Alain Kuppermann, Esq.
110 South Fairfax Avenue, Suite 250
Los Angeles, CA 90036
Fax: (323) 370-6752

Any notice which is personally served shall be effective upon the date of service; any notice given by U.S. Mail shall be deemed effectively given, if deposited in the United States Mail, registered or certified with return receipt requested, postage prepaid and addressed as provided above, on the date of receipt, refusal or non-delivery indicated on the return receipt. In lieu of notice by U.S. Mail, either party may send notices by facsimile or by a nationally recognized overnight courier service which provides written proof of delivery (such as U.P.S. or Federal Express). Any notice sent by facsimile shall be effective upon confirmation of receipt in legible form, and any notice sent by a nationally recognized overnight courier shall be effective on the date of delivery to the party at its address specified above as set forth in the courier's delivery receipt. Either party may, by notice to the other from time to time in the manner herein provided, specify a different address for notice purposes.

ARTICLE XXXIV.
APPRAISAL

If it becomes necessary to determine the Fair Market Value or Fair Market Rental of any Facility for any purpose of this Lease, the same shall be determined by an independent appraisal firm, in which one or more of the members, officers or principals of such firm are approved by HUD, as may be reasonably selected by Lessor and reasonably approved by Lessee (the "Appraiser"). Lessor shall cause such Appraiser to determine the Fair Market Value or Fair Market Rental of such Facility as of the relevant date (giving effect to the impact, if any, of inflation from the date of the Appraiser's decision to the relevant date) and the determination of such Appraiser shall be final and binding upon the parties. A written report of such Appraiser shall be delivered and addressed to each of Lessor and Lessee. To the extent consistent with sound appraisal practice as then existing at the time of any such appraisal, an appraisal of Fair Market Value for purposes of this Lease shall take into account and shall give appropriate consideration to all three customary methods of appraisal (i.e., the cost approach, the sales comparison approach and the income approach), and no one method or approach shall be deemed conclusive simply by reason of the nature of Lessor's business or because such approach may have been used for purposes of determining the fair market value of the applicable Facility at the time of acquisition thereof by Lessor. This provision for determination by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law. Lessor and Lessee shall each pay one-half (½) of the fees and expenses of the Appraiser and one-half (½) of all other costs and expenses incurred in connection with such appraisal. If Lessor and Lessee are unable to agree upon the Appraiser within fifteen (15) days after Lessor notifies Lessee of the identity of Lessor's selected Appraiser, then the following shall apply:

(a) Within ten (10) days after Lessee's receipt of Lessor's selected Appraiser, Lessee shall by notice to Lessor appoint a second Appraiser meeting the requirements set forth above to act on its behalf. In such event, the Appraisers thus appointed shall, within forty-five (45) days after the date of Lessor's notice of its originally selected Appraiser, proceed to determine the Fair Market Value or Fair Market Rental of such Facility as of the relevant date (giving effect to the impact, if any, of inflation from the date of their decision to the relevant date); provided, however, that if Lessee fails to appoint its Appraiser within the time permitted, or if two Appraisers shall have been so appointed but only one such Appraiser shall have made such determination within such forty-five (45) day period, then the determination of such sole Appraiser shall be final and binding upon the parties.

(b) If the two Appraisers shall have been appointed and shall have made their determinations within the respective requisite periods set forth above and if the difference between the amounts so determined shall not exceed ten percent (10%) of the lesser of such amounts then the Fair Market Value or Fair Market Rental, as applicable, of such Facility shall be an amount equal to fifty percent (50%) of the sum of the amounts so determined. If the difference between the amounts so determined shall exceed ten percent (10%) of the lesser of such amounts, then such two Appraisers shall have twenty (20) days to appoint a third Appraiser meeting the above requirements, but if such Appraisers fail to do so, then either party may request the AAA or any successor organization thereto to appoint an Appraiser meeting the above requirements within twenty (20) days of such request, and both parties shall be bound by any appointment so made within such twenty (20) day period. If no such Appraiser shall have been appointed within such twenty (20) days or within ninety (90) days of the original request for a determination of Fair Market Value or Fair Market Rental of such Facility, whichever is earlier, either Lessor or Lessee may apply to any court having jurisdiction to have such appointment made by such court. Any Appraiser appointed by the original Appraisers, by the AAA or by such court shall be instructed to determine the Fair Market Value or Fair Market Rental, as applicable, of such Facility within thirty (30) days after appointment of such Appraiser.

(c) The determination of the Appraiser which differs most in terms of dollar amount from the determinations of the other two Appraisers shall be excluded, and fifty percent (50%) of the sum of the remaining two determinations shall be final and binding upon Lessor and Lessee as the Fair Market Rental of such Facility. This provision for determination by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law.

If the foregoing two (2) or three (3) Appraiser system is utilized, then Lessor and Lessee shall each pay the fees and expenses of the Appraiser appointed by it and each shall pay one half of the fees and expenses of any third Appraiser.

ARTICLE XXXV.
LIENS AND FACILITY MORTGAGES

35.1 Lessor May Grant Liens. Without the consent of Lessee, Lessor may, from time to time, directly or indirectly, create or otherwise cause to exist any Facility Mortgage

upon the Leased Property and any Capital Additions or any part(s) or portion(s) thereof or interests therein. This Lease is and at all times shall be subject and subordinate to any Facility Mortgage which may now or hereafter affect the Leased Property and/or such Capital Additions or any part(s) or portion(s) thereof or interests therein and to all renewals, modifications, consolidations, replacements and extensions thereof or any part(s) or portion(s) thereof. This clause shall be self-operative and no further instrument of subordination shall be required; provided, however, that in confirmation of such subordination, Lessee shall execute promptly any certificate or document that Lessor or any Facility Mortgagee may request for such purposes; provided further, however, that any such subjection and subordination of this Lease or Lessee's leasehold interest hereunder to any Facility Mortgage imposed after the date hereof shall be conditioned on the execution by the holder of such Facility Mortgage and delivery to Lessee of a non-disturbance and attornment agreement in customary form and otherwise reasonably acceptable to Lessor, Lessee and the holder of such Facility Mortgage, which provides, in substance, that so long as no Event of Default has occurred and is continuing, the holder of such Facility Mortgage shall not disturb either Lessee's leasehold interest or possession of the Leased Property and Capital Additions pursuant to the terms of this Lease. If, in connection with obtaining new financing or refinancing for the Leased Property and/or any such Capital Additions, a Facility Mortgagee or prospective Facility Mortgagee shall request reasonable modifications to this Lease as a condition to such financing or refinancing, Lessee shall not withhold or delay its consent thereto.

35.2 Attornment. If Lessor's interest in the Leased Property and/or any Capital Additions or any part(s) or portion(s) thereof is sold, conveyed or terminated upon the exercise of any remedy provided for in any Facility Mortgage, or otherwise by operation of law: (i) at the new owner's option, Lessee shall attorn to and recognize the new owner or superior lessor as Lessee's Lessor under this Lease or enter into a new lease substantially in the form of this Lease with the new owner, and Lessee shall take such actions to confirm the foregoing within ten business (10) days after request; and (ii) the new owner or superior lessor shall not be (a) liable for any act or omission of Lessor under this Lease occurring prior to such sale, conveyance or termination, (b) subject to any offset, abatement or reduction of rent because of any default of Lessor under this Lease occurring prior to such sale, conveyance or termination, (c) bound by any previous modification or amendment to this Lease 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 successor lessor, or (d) liable for any security deposit or other collateral deposited or delivered to Lessor pursuant to this Lease unless such security deposit or other collateral has actually been delivered to such successor lessor.

35.3 Compliance with Facility Mortgage Documents.

35.3.1 As of the Commencement Date, Lessee acknowledges that Lessee has had the opportunity to review the Existing Credit Facility Loan Documents and the Existing Sutton Loan Documents. With respect to any new financing or refinancing of the Existing Credit Facility and Existing Credit Facility Mortgages or the Existing Sutton Loan and Existing Sutton Loan Mortgage with one or more new Facility Mortgage(s), prior to the execution and delivery of any Facility Mortgage Documents relating thereto, Lessor shall provide copies of the same to Lessee for Lessee's review and, in the event that the applicable Facility Mortgage requests

modifications to this Lease, Lessor shall obtain Lessee's consent thereto in accordance with Section 35.1 above.

35.3.2 Lessee acknowledges that the Existing Credit Facility Documents, the Existing Sutton Loan Documents and any new any Facility Mortgage Documents executed by Lessor will impose certain obligations on the "Borrower" thereunder to comply with or cause the operator and/or lessee of the Facilities to comply with all representations, covenants and warranties contained therein relating to such Facilities and the operator and/or lessee of such Facilities, including, covenants relating to (a) the maintenance and repair of the Facilities, (b) maintenance and submission of financial records and accounts of the operation of each Facility and related financial and other information regarding the operator and/or lessee of such Facilities and the Facilities themselves, (c) the procurement of insurance policies with respect to the Facilities and (d) without limiting the foregoing, compliance with all Legal Requirements relating to the Facilities and the operation thereof for their Primary Intended Use. For so long as any Facility Mortgages encumber the Leased Property, or any portion thereof, Lessee covenants and agrees, at its sole cost and expense and for the express benefit of Lessor, to operate the Facilities in strict 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 Lessor relating thereto), or to the extent that any of such duties and obligations may not properly be performed by Lessee, Lessee shall cooperate with and assist Lessor in the performance thereof (other than payment of any indebtedness evidenced or secured thereby); provided, however, that in connection with any new financing or in connection with any refinancing of the Existing Credit Facility or the Existing Sutton Loan, Lessor shall use good faith efforts to ensure that the duties and obligations imposed upon Lessee by the Facility Mortgage Documents relating thereto and this Section 35.3 are not materially more burdensome to Lessee's obligations to Lessor under this Lease. In addition to the foregoing, Lessee hereby agrees to execute and deliver a regulatory agreement in customary form if the same is requested by any Facility Mortgagee or prospective Facility Mortgagee in connection with any financing insured by HUD.

35.3.3 Without limiting Lessee's obligations pursuant to any other provision of this Section 35.3, during the Term of this Lease, Lessee acknowledges and agrees that, except as expressly provided elsewhere in this Lease, it shall undertake at its own cost and expense the performance of any and all repairs, replacements, capital improvements, maintenance items and all other requirements relating to the condition of each Facility which are required by any Facility Mortgage Documents (subject to the proviso in the penultimate sentence of Section 35.3.2 above), and Lessee shall be solely responsible and hereby covenants to fund and maintain any and all reasonable impound, escrow or other reserve or similar accounts required under any Facility Mortgage Documents (subject to the proviso in the penultimate sentence of Section 35.3.2 above) as security for or otherwise relating to any operating expenses of the Facilities, including any capital repair or replacement reserves and/or impounds or escrow accounts for Impositions or insurance premiums (each a "Facility Mortgage Reserve Account"); provided, however, that Lessor shall request that any Facility Mortgage not require the funding or maintenance of any Facility Mortgage Reserve Account in connection therewith. During the Term of this Lease and provided that no Event of Default shall have occurred and be continuing hereunder, Lessee shall, subject to the terms and conditions of such Facility Mortgage Reserve Account and the requirements of the Facility Mortgagee(s) thereunder, have access to and the

right to apply or use (including for reimbursement) to the same extent of Lessor all monies held in each such Facility Mortgage Reserve Account for the purposes and subject to the limitations for which such Facility Mortgage Reserve Account is maintained, and Lessor agrees to reasonably cooperate with Lessee in connection therewith.

ARTICLE XXXVI.
ENVIRONMENTAL PROVISIONS

36.1 Hazardous Substances and Mold.

36.1.1 Lessee shall not allow any Hazardous Substance to be located, stored, disposed of, released or discharged in, on, under or about the Leased Property and Capital Additions or incorporated in any Facility; provided, however, that Hazardous Substances may be brought, kept, used or disposed of in, on or about the Leased Property or any Capital Additions 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 the Primary Intended Use and which are brought, kept, used and disposed of in strict compliance with Legal Requirements. Lessee shall not allow the Leased Property or any Capital Additions to be used as a waste disposal site or, except as permitted in the immediately preceding sentence, for the manufacturing, handling, storage, distribution or disposal of any Hazardous Substance.

36.1.2 Lessee shall also not allow to exist in or about the Leased Property or any Capital Additions any Mold Condition and Lessee shall, at its sole cost and expense, regularly monitor the Leased Property or any Capital Additions for the presence of Mold and Mold Conditions.

36.2 Notices. Lessee shall provide to Lessor promptly (but in any event within five (5) days of the discovery thereof), and in any event immediately upon Lessee's receipt thereof, a copy of any notice, or notification with respect to, (i) any violation of a Legal Requirement relating to Hazardous Substances located in, on, or under the Leased Property or any Capital Additions or any adjacent property thereto; (ii) any enforcement, cleanup, removal, or other governmental or regulatory action instituted, completed or threatened with respect to the Leased Property or any Capital Additions; (iii) any claim made or threatened by any Person against Lessee or the Leased Property or any Capital Additions relating to damage, contribution, cost recovery, compensation, loss, or injury resulting from or claimed to result from any Hazardous Substance; and (iv) any reports made to any federal, state or local environmental agency arising out of or in connection with any Hazardous Substance in, on, under or removed from the Leased Property or any Capital Additions, including any complaints, notices, warnings or asserted violations in connection therewith. In the event of suspected or actual Mold or Mold Conditions at the Leased Property, Lessee shall promptly (but in any event within five (5) days of the discovery thereof) notify Lessor in writing of the same and the precise location thereof. In addition, in the event of suspected Mold or Mold Conditions at the Leased Property or any Capital Additions, Lessee, at its sole cost and expense, shall promptly cause an inspection of the Leased Property and any Capital Additions to be conducted to determine if Mold or Mold Conditions are present at the Leased Property or any Capital Additions, and shall notify Lessor, in writing, at least three (3) days prior to the inspection, of the date on which the inspection shall occur, and which portion of the Leased Property or any Capital Additions shall be subject to the

inspection. Lessee shall retain a Mold Inspector to conduct the inspection and shall cause such Mold Inspector to perform the inspection in a manner that is strictly confidential and consistent with the duty of care exercised by a Mold Inspector and to prepare an inspection report, keep the results of the inspection report confidential, and promptly provide a copy of the same to Lessor.

36.3 Remediation. If Lessee becomes aware of a violation of any Legal Requirement relating to any Hazardous Substance in, on, under or about the Leased Property or any Capital Additions or any adjacent property thereto, or if Lessee, Lessor or the Leased Property or any Capital Additions becomes subject to any order of any federal, state or local agency to repair, close, detoxify, decontaminate or otherwise remediate the Leased Property and any Capital Additions, Lessee shall immediately notify Lessor of such event and, at its sole cost and expense, cure such violation or effect such repair, closure, detoxification, decontamination or other remediation. Upon the discovery of any Mold or Mold Conditions in or about the Leased Property or any Capital Additions, Lessee shall also immediately notify Lessor of such event and, its sole cost and expense, hire a trained and experienced Mold remediation contractor(s) to completely clean-up and remove from the Leased Property and any Capital Additions all Mold or Mold Conditions in strict compliance with all Mold Remediation Requirements. If Lessee fails to implement and diligently pursue any such cure, repair, closure, detoxification, decontamination or other remediation, Lessor shall have the right, but not the obligation, to carry out such action and to recover from Lessee all of Lessor's reasonable costs and expenses incurred in connection therewith.

36.4 Indemnity. Lessee shall indemnify, defend, protect, save, hold harmless, and reimburse Lessor for, from and against any and all costs, losses (including, losses of use or economic benefit or diminution in value), liabilities, damages, assessments, lawsuits, deficiencies, demands, claims and expenses (collectively, "Environmental Costs") (whether or not arising out of third-party claims and regardless of whether liability without fault is imposed, or sought to be imposed, on Lessor) incurred in connection with, arising out of, resulting from or incident to, directly or indirectly, during the Term (i) the production, use, generation, storage, treatment, transporting, disposal, discharge, release or other handling or disposition of any Hazardous Substances from, in, on or about the Leased Property or any Capital Additions (collectively, "Handling"), including the effects of such Handling of any Hazardous Substances on any Person or property within or outside the boundaries of the Leased Property or any Capital Additions, (ii) the presence of any Hazardous Substances, Mold or Mold Condition in, on, under or about the Leased Property or any Capital Additions, (iii) the violation of any Legal Requirements (including Environmental Laws), (iv) any illness to or death of persons or damage to or destruction of property resulting from such Mold or Mold Condition, and (v) any failure to observe the foregoing covenants of this Article XXXVI. "Environmental Costs" include interest, costs of response, removal, remedial action, containment, cleanup, investigation, design, engineering and construction, damages (including actual, consequential and punitive damages) for personal injuries and for injury to, destruction of or loss of property or natural resources, relocation or replacement costs, penalties, fines, charges or expenses, attorney's fees, expert fees, consultation fees, and court costs, and all amounts paid in investigating, defending or settling any of the foregoing.

Without limiting the scope or generality of the foregoing, Lessee expressly agrees to reimburse Lessor for any and all reasonable costs and expenses incurred by Lessor:

(a) In investigating any and all matters relating to the Handling of any Hazardous Substances or the presence or remediation of Mold or any Mold Condition in, on, from, under or about the Leased Property or any Capital Additions;

(b) In bringing the Leased Property or any Capital Additions into compliance with all Legal Requirements, including Mold Remediation Requirements and Environmental Laws; and

(c) Removing, treating, storing, transporting, cleaning-up and/or disposing of any Hazardous Substances used, stored, generated, released or disposed of in, on, from, under or about the Leased Property or any Capital Additions or offsite or in conducting any removal or remediation of Mold or any Mold Condition from the Leased Property or any Capital Additions.

If any claim is made hereunder, Lessee agrees to pay such claim promptly, and in any event to pay such claim within thirty (30) calendar days after receipt by Lessee of notice thereof. If any such claim is not so paid and Lessor is ultimately found or agrees to be responsible therefore, Lessee agrees also to pay interest on the amount paid from the date of the first notice of such claim, at the Overdue Rate.

36.5 Inspection. Lessor shall have the right, from time to time, and upon not less than five (5) days' written notice to Lessee, except in the case of an emergency in which event no notice shall be required, to conduct an inspection of the Leased Property and all Capital Additions to determine the existence or presence of Hazardous Substances, Mold or any Mold Condition on or about the Leased Property or any such Capital Additions. Lessor shall have the right to enter and inspect the Leased Property and all Capital Additions, conduct any testing, sampling and analyses it deems necessary and shall have the right to inspect materials brought into the Leased Property or any such Capital Additions. Lessor may, in its discretion, retain such experts to conduct the inspection, perform the tests referred to herein, and to prepare a written report in connection therewith. All reasonable costs and expenses incurred by Lessor under this Section shall be paid on demand as Additional Charges by Lessee to Lessor, unless such inspections, testing, sampling and/or analyses discloses that Lessee is in compliance with its obligations under this Lease, in which event Lessor will pay all such costs and expenses. Failure to conduct an inspection or to detect unfavorable conditions if such inspection is conducted shall in no fashion be intended as a release of any liability for conditions subsequently determined to be associated with or to have occurred during Lessee's tenancy. Lessee shall remain liable for any environmental condition, Mold or Mold Condition related to or having occurred during its tenancy regardless of when such conditions are discovered and regardless of whether or not Lessor conducts an inspection at the termination of this Lease. The obligations set forth in this Article shall survive the expiration or earlier termination of the Lease.

36.6 Pre-Existing Environmental Conditions. Notwithstanding anything to the contrary in this Lease, including this Article XXXVI, Lessee shall have no responsibility (whether as to performance or payment of costs) or any other liability (a) to cure, repair, remove, close, detoxify, decontaminate or otherwise to commence or complete any other remediation with respect to any Pre-Existing Environmental Condition, or (b) to indemnify, defend, protect, save, hold harmless or reimburse Lessor for, from or against any Environmental Costs or other

liabilities arising out of, resulting from or incident to, any Pre-Existing Environmental Condition, unless the need for such cure, repair, removal, closure, detoxification, decontamination or other remediation with respect to any Pre-Existing Environmental Condition or any such Environmental Costs associated therewith result directly from or arise directly out of any actions of Lessee, its Affiliates, Occupants, employees, agents or contractors that exacerbate any Pre-Existing Environmental Condition, in which case the provisions of this Article XXXVI shall apply to the extent of any such exacerbation. In no event, however, shall the foregoing exculpation of Lessee from any such responsibility or liability for any Pre-Existing Environmental Conditions be deemed or construed to be an agreement by Lessor to assume or otherwise be responsible for the same or to otherwise indemnify, defend, protect, save, hold harmless or reimburse Lessee for, from or against any Environmental Costs or other liabilities associated therewith.

**ARTICLE XXXVII.
MEMORANDUM OF LEASE**

Lessor and Lessee shall, concurrently with the execution and delivery of this Lease, enter into one or more short form memoranda of this Lease, each in the form of Exhibit I attached hereto (with such modifications as are necessary for recording under the laws of each applicable State). Lessee covenants and agrees, both on its own behalf and on behalf of its successors and assigns to execute and deliver to Lessor a quitclaim deed or other recordable instrument sufficient to remove any such memorandum or other encumbrance created by this Lease from record title to the Land relating to each Facility upon the expiration or sooner termination of this Lease with respect to such Facility, and Lessee hereby appoints and constitutes Lessor its attorney-in-fact, which power shall be coupled with an interest and shall not be revocable or terminable, to execute and deliver and to record such quitclaim deed or other instrument in the name of Lessee upon the expiration or termination of the Term with respect to any Facility. Lessee shall pay all costs and expenses of recording any memoranda, quitclaim deeds and other recordable instruments recorded pursuant to this Section.

**ARTICLE XXXVIII.
SALE OF ASSETS**

Notwithstanding any other provision of this Lease, Lessor shall not be required to (i) sell or transfer the Leased Property, or any portion thereof, which is a real estate asset as defined in Section 856(c)(5)(B), or functionally equivalent successor provision, of the Code, to Lessee if Lessor's counsel advises Lessor that such sale or transfer may not be a sale of property described in Section 857(b)(6)(C), or functionally equivalent successor provision, of the Code or (ii) sell or transfer the Leased Property, or any portion thereof, to Lessee if Lessor's counsel advises Lessor that such sale or transfer could result in an unacceptable amount of gross income for purposes of the Ninety-Five percent (95%) gross income test contained in Section 856(c)(2), or functionally equivalent successor provision, of the Code. If Lessee has the right or obligation to purchase the Leased Property or any portion thereof pursuant to the terms herein, and if Lessor determines not to sell such Leased Property or any portion thereof pursuant to the above sentence, then Lessee shall purchase such Leased Property or any portion thereof, upon and subject to all applicable terms and conditions set forth in this Lease at such time as the transaction, upon the advice of Lessor's counsel, would be a sale of property (to the extent the

Leased Property is a real estate asset) described in Section 857(b)(6)(C), or functionally equivalent successor provision, of the Code, and would not result in an unacceptable amount of gross income for purposes of the Ninety-Five Percent (95%) gross income test contained in Section 856(c)(2), or functionally equivalent successor provision of the Code and until such time Lessee shall lease the Leased Property and all Capital Additions from Lessor at the Fair Market Rental.

ARTICLE XXXIX.
ADDITIONAL REPRESENTATIONS AND WARRANTIES

39.1 By Lessee. Lessee represents and warrants to Lessor as follows:

39.1.1 Lessee and its Affiliates are duly organized, validly existing and in good standing under the laws of its state of organization/formation, are qualified to do business and in good standing in the State and have full power, authority and legal right to execute and deliver and to perform and observe the provisions of this Lease to be observed and/or performed by Lessee and/or its Affiliates.

39.1.2 This Lease has been duly authorized, executed and delivered by Lessee, and constitutes and will constitute the valid and binding obligations of Lessee enforceable against Lessee in accordance with its terms, except as such enforceability may be limited by creditors rights, laws and general principles of equity.

39.1.3 Lessee is solvent, has timely and accurately filed all tax returns required to be filed by Lessee, and is not in default in the payment of any taxes levied or assessed against Lessee or any of its assets, or subject to any judgment, order, decree, rule or regulation of any governmental authority which would, in each case or in the aggregate, adversely affect Lessee's condition, financial or otherwise, or Lessee's prospects or the Leased Property.

39.1.4 Except for the Required Governmental Approvals to use and operate each Facility for its Primary Intended Use, no other consent, approval or other authorization of, or registration, declaration or filing with, any governmental authority is required for the due execution and delivery of this Lease, or for the performance by or the validity or enforceability of this Lease against Lessee and its Affiliates.

39.1.5 Subject to Lessee's receipt of the Required Governmental Approvals, the execution and delivery of this Lease and compliance with the provisions hereof will not result in (i) a breach or violation of (A) any law applicable to Lessee now in effect; (B) the organizational or charter documents of such party; (C) any judgment, order or decree of any governmental authority binding upon Lessee; or (D) any agreement or instrument to which Lessee is a counterparty or by which it is bound; or (ii) the acceleration of any obligation of Lessee.

39.1.6 Lessee (or, if the entire Leased Property of any Facility has been subleased pursuant to a Material Sublease to a Permitted Affiliate-Transferee in accordance with the provisions of Section 24.1.2, to the extent permitted by Applicable Law, such Permitted

Affiliate-Transferee) holds, or as of the Commencement Date will hold, all Required Governmental Approvals in Lessee's (or such Permitted Affiliate-Transferee's) name.

39.1.7 Lessee is in compliance with the requirements of Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) (the "Order") and other similar requirements contained in the rules and regulations of the Office of Foreign Assets Control, Department of Treasury ("OFAC") and in any enabling legislation or other Executive Orders or regulations in respect thereof (the Order and such other rules, regulations, legislation or orders collectively called the "Orders"). Neither Lessee nor any of its Affiliates (A) is listed on the Specially Designated Nationals and Blocked Person List maintained by OFAC pursuant to the Order and/or on any other list of terrorists or terrorist organizations maintained pursuant to any of the rules and regulations of OFAC or pursuant to any other applicable Orders (such lists are collectively referred to as the "Lists"), (B) is a Person (as defined in the Order) who has been determined by competent authority to be subject to the prohibitions contained in the Orders; or (C) is owned or controlled by (including without limitation by virtue of such Person being a director or owning voting shares or interests), or acts for or on behalf of, any person on the Lists or any other person who has been determined by competent authority to be subject to the prohibitions contained in the Orders.

39.1.8 Lessee represents and warrants to Lessor that the organizational structure chart of Lessee and its Controlling Persons attached hereto as Exhibit H as of the date hereof is true, accurate and complete in all respects.

39.2 By Lessor. Lessor represents and warrants to Lessee that the Facility(ies) are currently licensed for operation as five (5) skilled care convalescent hospitals with an aggregate amount of four hundred and forty-nine (449) licensed SNF-beds.

ARTICLE XL.

FEES AND EXPENSES; SET-UP COSTS

40.1 Attorneys' Fees. If Lessor or Lessee brings an action or other proceeding (including an arbitration pursuant to Article XLII) 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 costs and reasonable attorneys' fees incurred therein.

40.2 Administrative Expenses. In addition to the provisions of Section 40.1 above, and any other provisions of this Lease that specifically require Lessee to reimburse, pay or indemnify against Lessor's reasonable attorneys' fees, Lessee shall pay, as Additional Charges, all out-of-pocket costs and expenses (including reasonable attorneys' fees and costs) incurred by Lessor in connection with (a) the administration of this Lease, including all out-of-pocket costs and expenses incurred by Lessor in connection with responding to requests by Lessee for Transfers (including the review, negotiation or documentation thereof) or any other matters over which Lessor has review or approval rights, the review of any letters of credit, but

excluding ordinary day-to-day costs and expenses such as generating billing statements and general lease maintenance, (b) any revisions, extensions, renewals or "workouts" of this Lease, (c) the exercise of any right or enforcement of any obligation of Lessee to purchase the Leased Property, or any portion thereof, and (d) the enforcement or satisfaction by Lessor of any Lessee's obligations under this Lease, including preparation of notices of an Event of Default and the collection of past due Rent.

40.3 Set-Up Costs. Lessor shall be responsible for and shall pay all Lessor's Set-Up Costs and Lessee shall be responsible for and shall pay all Lessee's Set-Up Costs.

ARTICLE XLI.
BROKERS

Lessee warrants that it has not had any contact or dealings with any Person or real estate broker which would give rise to the payment of any fee or brokerage commission in connection with this Lease, and Lessee shall indemnify, protect, hold harmless and defend Lessor from and against any liability with respect to any fee or brokerage commission arising out of any act or omission of Lessee. Lessor warrants that it has not had any contact or dealings with any Person or real estate broker which would give rise to the payment of any fee or brokerage commission in connection with this Lease, and Lessor shall indemnify, protect, hold harmless and defend Lessee from and against any liability with respect to any fee or brokerage commission arising out of any act or omission of Lessor.

ARTICLE XLII.
ARBITRATION

42.1 ARBITRATION OF DISPUTES. EXCEPT AS PROVIDED IN SECTION 42.2 BELOW, ANY CONTROVERSY, DISPUTE OR CLAIM OF WHATSOEVER NATURE ARISING OUT OF, IN CONNECTION WITH, OR IN RELATION TO THE INTERPRETATION, PERFORMANCE OR BREACH OF THIS LEASE, INCLUDING ANY CLAIM BASED ON CONTRACT, TORT OR STATUTE, SHALL BE DETERMINED BY FINAL AND BINDING, CONFIDENTIAL ARBITRATION ADMINISTERED BY THE AMERICAN ARBITRATION ASSOCIATION ("AAA") IN ACCORDANCE WITH ITS THEN-EXISTING COMMERCIAL ARBITRATION RULES BY A SOLE ARBITRATOR SELECTED IN ACCORDANCE WITH SUCH AAA RULES. ANY ARBITRATION HEREUNDER SHALL BE GOVERNED BY THE UNITED STATES ARBITRATION ACT, 9 U.S.C. 1-16 (OR ANY SUCCESSOR LEGISLATION THERETO), AND JUDGMENT UPON THE AWARD RENDERED BY THE ARBITRATOR MAY BE ENTERED BY ANY STATE OR FEDERAL COURT HAVING JURISDICTION THEREOF. NEITHER LESSOR, LESSEE NOR THE ARBITRATOR SHALL DISCLOSE THE EXISTENCE, CONTENT OR RESULTS OF ANY ARBITRATION HEREUNDER WITHOUT THE PRIOR WRITTEN CONSENT OF ALL PARTIES; PROVIDED, HOWEVER, THAT EITHER PARTY MAY DISCLOSE THE EXISTENCE, CONTENT OR RESULTS OF ANY SUCH ARBITRATION TO ITS PARTNERS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, ATTORNEYS AND ACCOUNTANTS AND TO ANY OTHER PERSON TO WHOM DISCLOSURE IS REQUIRED BY APPLICABLE LEGAL REQUIREMENTS, INCLUDING PURSUANT TO AN ORDER OF A COURT OF COMPETENT JURISDICTION. UNLESS OTHERWISE

AGREED BY THE PARTIES, ANY ARBITRATION HEREUNDER SHALL BE HELD AT A NEUTRAL LOCATION SELECTED BY THE ARBITRATOR IN LOS ANGELES, CALIFORNIA. THE COST OF THE ARBITRATOR AND THE EXPENSES RELATING TO THE ARBITRATION (EXCLUSIVE OF LEGAL FEES) SHALL BE BORNE EQUALLY BY LESSOR AND LESSEE UNLESS OTHERWISE SPECIFIED IN THE AWARD OF THE ARBITRATOR. SUCH FEES AND COSTS PAID OR PAYABLE TO THE ARBITRATOR SHALL BE INCLUDED IN "COSTS AND REASONABLE ATTORNEYS' FEES" FOR PURPOSES OF ARTICLE XL AND THE ARBITRATOR SHALL SPECIFICALLY HAVE THE POWER TO AWARD TO THE PREVAILING PARTY PURSUANT TO SUCH ARTICLE XL SUCH PARTY'S COSTS AND EXPENSES INCURRED IN SUCH ARBITRATION, INCLUDING FEES AND COSTS PAID TO THE ARBITRATOR.

42.2 EXCEPTIONS. THE PROVISIONS OF THIS ARTICLE XLII SHALL NOT APPLY TO:

(a) ANY UNLAWFUL DETAINER OR OTHER SIMILAR SUMMARY OR EXPEDITED PROCEEDING FOR EJECTMENT OR RECOVERY OF POSSESSION OF THE LEASED PROPERTY AND CAPITAL ADDITIONS OR ANY PORTION(S) THEREOF INSTITUTED BY LESSOR IN ACCORDANCE WITH APPLICABLE LEGAL REQUIREMENTS AS THE RESULT OF AN EVENT OF DEFAULT OR ALLEGED EVENT OF DEFAULT BY LESSEE PURSUANT TO THIS LEASE. IN ADDITION, IF PERMITTED BY APPLICABLE LEGAL REQUIREMENTS, LESSOR SHALL BE ENTITLED IN CONNECTION WITH ANY SUCH PROCEEDING TO SEEK ANY DAMAGES TO WHICH IT IS ENTITLED AT LAW, INCLUDING THOSE SET FORTH IN ARTICLE XVI;

(b) ANY SPECIFIC CONTROVERSY, DISPUTE, QUESTION OR ISSUE AS TO WHICH THIS LEASE SPECIFICALLY PROVIDES ANOTHER METHOD OF DETERMINING SUCH CONTROVERSY, DISPUTE, QUESTION OR ISSUE AND PROVIDES THAT A DETERMINATION PURSUANT TO SUCH METHOD IS FINAL AND BINDING, UNLESS BOTH LESSOR AND LESSEE AGREE IN WRITING TO WAIVE SUCH PROCEDURE AND PROCEED INSTEAD PURSUANT TO THIS ARTICLE XLII; OR

(c) ANY REQUEST OR APPLICATION FOR AN ORDER OR DECREE GRANTING ANY PROVISIONAL OR ANCILLARY REMEDY (SUCH AS A TEMPORARY RESTRAINING ORDER OR INJUNCTION) WITH RESPECT TO ANY RIGHT OR OBLIGATION OF EITHER PARTY TO THIS LEASE, AND ANY PRELIMINARY DETERMINATION OF THE UNDERLYING CONTROVERSY, DISPUTE, QUESTION OR ISSUE AS IS REQUIRED TO DETERMINE WHETHER OR NOT TO GRANT SUCH RELIEF. A FINAL AND BINDING DETERMINATION OF SUCH UNDERLYING CONTROVERSY, DISPUTE, QUESTION OR ISSUE SHALL BE MADE BY AN ARBITRATION CONDUCTED PURSUANT TO THIS ARTICLE XLII AFTER AN APPROPRIATE TRANSFER OR REFERENCE TO THE ARBITRATOR SELECTED PURSUANT TO THIS ARTICLE XLII UPON MOTION OR APPLICATION OF EITHER PARTY HERETO. ANY ANCILLARY OR PROVISIONAL RELIEF WHICH IS GRANTED PURSUANT TO THIS CLAUSE (C) SHALL CONTINUE IN EFFECT PENDING AN

ARBITRATION DETERMINATION AND ENTRY OF JUDGMENT THEREON PURSUANT TO THIS ARTICLE XLII.

42.3 **NOTICE:** BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: *by*

ARTICLE XLIII.
MISCELLANEOUS

43.1 **Survival.** Anything contained in this Lease to the contrary notwithstanding, all claims against, and liabilities and indemnities of, Lessee or Lessor arising prior to the expiration or earlier termination of the Term shall survive such expiration or termination. In addition, all claims against, and all liabilities and indemnities hereunder of Lessee shall continue in full force and effect and in favor of the Lessor named herein and its successors and assigns, notwithstanding any conveyance of the Leased Property to Lessee.

43.2 **Severability.** 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.

43.3 **Non-Recourse.** Lessee specifically agrees to look solely to the Leased Property for recovery of any judgment from Lessor. It is specifically agreed that no constituent partner in Lessor or officer, director or employee of Lessor shall ever be personally liable for any such judgment or for the payment of any monetary obligation to Lessee, and that no constituent partner in Lessee or officer, director or employee of Lessee shall ever be personally liable for any such judgment or for the payment of any monetary obligation to Lessor (other than any Guarantor). The provision contained in the foregoing sentence is not intended to, and shall not, limit any right that Lessee might otherwise have to obtain injunctive relief against Lessor, or any action not involving the personal liability of Lessor.

ARBITRATION DETERMINATION AND ENTRY OF JUDGMENT THEREON PURSUANT TO THIS ARTICLE XLII.

42.3 NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

LESSOR'S INITIALS:



LESSEE'S INITIALS: _____

**ARTICLE XLIII.
MISCELLANEOUS**

43.1 Survival. Anything contained in this Lease to the contrary notwithstanding, all claims against, and liabilities and indemnities of, Lessee or Lessor arising prior to the expiration or earlier termination of the Term shall survive such expiration or termination. In addition, all claims against, and all liabilities and indemnities hereunder of Lessee shall continue in full force and effect and in favor of the Lessor named herein and its successors and assigns, notwithstanding any conveyance of the Leased Property to Lessee.

43.2 Severability. 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.

43.3 Non-Recourse. Lessee specifically agrees to look solely to the Leased Property for recovery of any judgment from Lessor. It is specifically agreed that no constituent partner in Lessor or officer, director or employee of Lessor shall ever be personally liable for any such judgment or for the payment of any monetary obligation to Lessee, and that no constituent partner in Lessee or officer, director or employee of Lessee shall ever be personally liable for any such judgment or for the payment of any monetary obligation to Lessor (other than any Guarantor). The provision contained in the foregoing sentence is not intended to, and shall not, limit any right that Lessee might otherwise have to obtain injunctive relief against Lessor, or any action not involving the personal liability of Lessor.

43.4 Licenses and Operation Transfer Agreements. Upon the expiration or earlier termination of the Term with respect to each Facility, Lessee shall use its best efforts to transfer to Lessor or Lessor's nominee a fully operational Facility and shall cooperate with Lessor or Lessor's designee or nominee ("Successor Operator") in connection with the processing by Successor Operator of any applications for all Required Governmental Approvals, all contracts, including contracts with governmental or quasi-governmental entities, business records, data, patient and resident records, and patient and resident trust accounts, which may be necessary or useful for the operation of such Facility; provided that the costs and expenses of any transfer of Required Governmental Approvals or the processing of any such applications therefor shall be paid by Lessor or Successor Operator, and further provided that Lessor or Successor Operator provides adequate assurances of indemnification as to Lessee's liability thereunder. Lessee shall not commit any act or be remiss in the undertaking of any act that would jeopardize the Required Governmental Approvals for such Facility, and Lessee shall comply with all requests for an orderly transfer of the same upon the expiration or early termination of the Term applicable to such Facility. Without limiting the generality of the foregoing, the following shall apply:

(a) If requested by Lessor or a proposed replacement operator for such Facility, Lessee hereby agrees to enter into a reasonable operations transfer agreement with Lessor or such Successor Operator as is customary in the transfer to a successor operator of the operations of a facility similar to such Facility. Lessee shall not unreasonably withhold, condition or delay its consent to entering into any interim subleases or management agreements as may be necessary to effectuate an early transfer of the operations of such Facility prior to the time that Lessor or such Successor Operator holds all Required Governmental Approvals, so long as Lessor or Successor Operator provides adequate assurances of indemnification with respect to any liability of Lessee arising out of any such interim sublease or management agreement.

(b) If requested by Lessor, Lessee shall, subject to compliance with all applicable Legal Requirements, continue to manage one or more Facilities after the termination of this Lease and for so long thereafter as is necessary for Lessor or such Successor Operator to obtain all Required Governmental Approvals, on such reasonable terms (which shall include an agreement to reimburse Lessee for its reasonable out-of-pocket costs and expenses and reasonable and administrative costs) as Lessor shall request.

In addition, upon request, Lessee shall promptly deliver copies of all books and records relating to the Leased Property of such Facility and all Capital Additions thereto and operations thereon to Lessor or such Successor Operator. Lessee shall indemnify, defend, protect and hold harmless Lessor from and against any loss, damage, cost or expense incurred by Lessor or Lessor's designee or nominee in connection with the correction of any and all deficiencies of a physical nature identified by any governmental authority responsible for licensing the Leased Property of any Facility and all Capital Additions thereon in the course of any change of ownership inspection and audit relating to the Term hereof.

43.5 Successors and Assigns. This Lease shall be binding upon Lessor and its successors and assigns and, subject to the provisions of Article XXIV, upon Lessee and its successors and assigns.

43.6 Termination Date. If this Lease is terminated by Lessor or Lessee under any provision hereof with respect to any one or more (including all, if applicable) of the Facilities, and upon the expiration of the Term applicable to a Facility (collectively, the "termination date"), the following shall pertain:

(a) Lessee shall vacate and surrender the Leased Property, any of Lessee's Personal Property that Lessor has elected to acquire pursuant to Section 6.3, and all Capital Additions relating to the applicable Facility to Lessor in the condition required by Section 9.1.4. Prior to such vacation and surrender, Lessee shall remove any items which Lessee is permitted or required to remove hereunder. Lessee shall, at Lessee's cost, repair any damage to such Leased Property and any Capital Additions caused by such vacation and/or removal of any items which Lessee is required or permitted hereunder to remove. Any items which Lessee is permitted to remove but fails to remove prior to the surrender to Lessor of such Leased Property, Lessee's Personal Property and Capital Additions shall be deemed abandoned by Lessee, and Lessor may retain or dispose of the same as Lessor sees fit without claim by Lessee thereto or to any proceeds thereof. If Lessor elects to remove and dispose of any such items abandoned by Lessee, the cost of such removal and disposal shall be an Additional Charge payable by Lessee to Lessor upon demand.

(b) Without limiting the provisions of Section 43.1 above, upon any such termination or expiration of this Lease with respect to a Facility, the following shall pertain:

(i) Lessee agrees to defend, protect, indemnify, defend and hold harmless Lessor from and against any and all claims, costs, losses, expenses, damages, actions, and causes of action for which Lessee is responsible under this Lease (including Lessee's indemnification obligations under Articles XXIII and XXXVI) and which accrue or have accrued on or before the termination date.

(ii) Lessee shall remain liable for the cost of all utilities used in or at the Leased Property and any Capital Additions relating to such Facility through the termination date and accrued and unpaid, whether or not then billed, as of the termination date until full payment thereof by Lessee. Lessee shall obtain directly from the companies providing such services closing statements for all services rendered through the termination date and shall promptly pay the same. If any utility statement with respect to such Leased Property and any Capital Additions includes charges for a period partially prior to and partially subsequent to the termination date, such charges shall be prorated as between Lessor and Lessee, with Lessee responsible for the portion thereof (based upon a fraction the numerator of which is the number of days of service on such statement through the termination date and the denominator of which is the total number of days of service on such statement) through the termination date and Lessor shall be responsible for the balance. The party receiving any such statement which requires proration hereunder shall promptly pay such statement and the other party shall, within ten (10) days after receipt of a copy of such statement, remit to the party paying the statement any amount for which such other party is responsible hereunder.

(iii) Lessee shall remain responsible for any and all Impositions imposed against the Leased Property, the Personal Property and any Capital Additions

with a lien date prior to the termination date (irrespective of the date of billing therefor) and for its pro rata share of any Impositions imposed in respect of the tax-fiscal period during which the Term terminates as provided in Section 4.1.7, and Lessee shall indemnify and hold Lessor harmless with respect to any claims for such Impositions or resulting from nonpayment thereof.


(iv) Lessee shall (y) execute all documents and take any actions reasonably necessary to (1) cause the transfer to Lessor of any of Lessee's Personal Property that Lessor has elected to acquire and any Capital Additions not owned by Lessor, as provided in Section 6.3, free of any encumbrance, as provided in such Sections 6.3 and/or 6.4 and (2) remove this Lease and/or any memorandum hereof as a matter affecting title to the Leased Property as provided in Article XXXVII and (z) comply with its covenants set forth in Section 43.4.

(v) Lessee shall continue to observe the covenants of Lessee set forth in Sections 7.4.1, 7.4.2 and 7.4.3 and any other covenant or agreement of Lessee in this Lease which is intended to survive the expiration or sooner termination of this Lease.

43.7 Governing Law. THIS LEASE (AND ANY AGREEMENT FORMED PURSUANT TO THE TERMS HEREOF) SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF CALIFORNIA (WITHOUT REGARD OF PRINCIPLES OR CONFLICTS OF LAW) AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

43.8 Waiver of Trial by Jury. EACH OF LESSOR AND LESSEE ACKNOWLEDGES THAT IT HAS HAD THE ADVICE OF COUNSEL OF ITS CHOICE WITH RESPECT TO ITS RIGHTS TO TRIAL BY JURY UNDER THE CONSTITUTION OF THE UNITED STATES AND THE STATE OF CALIFORNIA. EACH OF LESSOR AND LESSEE HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER THIS LEASE (OR ANY AGREEMENT FORMED PURSUANT TO THE TERMS HEREOF) OR (ii) IN ANY MANNER CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF LESSOR AND LESSEE WITH RESPECT TO THIS LEASE (OR ANY AGREEMENT FORMED PURSUANT TO THE TERMS HEREOF) OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREINAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; EACH OF LESSOR AND LESSEE HEREBY AGREES AND CONSENTS THAT, SUBJECT TO ARTICLE XLII, ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY A COURT TRIAL WITHOUT A JURY, AND THAT EITHER PARTY MAY FILE A COPY OF THIS SECTION WITH ANY COURT AS CONCLUSIVE EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

LESSOR'S INITIALS:



LESSEE'S INITIALS: _____

43.9 Lessee Counterclaim and Equitable Remedies. Lessee hereby waives the right to interpose counterclaim in any summary proceeding instituted by Lessor against Lessee or in any action instituted by Lessor for unpaid Rent under this Lease. In the event that Lessee claims or asserts that Lessor has violated or failed to perform a covenant of Lessor not to unreasonably withhold or delay Lessor's consent or approval hereunder, or in any case where Lessor's reasonableness in exercising its judgment is in issue, Lessee's sole remedy shall be an action for specific performance, declaratory judgment or injunction, and in no event shall Lessee be entitled to any monetary damages for a breach of such covenant, and in no event shall Lessee claim or assert any claims for monetary damages in any action or by way of set-off defense or counterclaim, and Lessee hereby specifically waives the right to any monetary damages or other remedies in connection with any such claim or assertion.

43.10 Entire Agreement. This Lease, the Exhibits hereto and such other documents as are contemplated hereunder, 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. Lessor and Lessee hereby agree that all prior or contemporaneous oral understandings, agreements or negotiations relative to the leasing of the Leased Property, whether between Lessor and Lessee or their Affiliates, are merged into and revoked by this Lease, including the LOI; provided, however, that the "Binding Provisions" (as defined in the LOI) of the LOI shall survive as provided therein.

43.11 Headings. All titles and headings to sections, subsections, paragraphs or other divisions of this Lease are only for the convenience of the parties and shall not be construed to have any effect or meaning with respect to the other contents of such sections, subsections, paragraphs or other divisions, such other content being controlling as to the agreement among the parties hereto.

43.12 Counterparts: Electronically Transmitted Signatures. 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. Signatures transmitted via facsimile or other electronic means (including emailed PDF files) may be used in place of original signatures on this Lease, and Lessor and Lessee both intend to be bound by such signatures hereto transmitted via facsimile or other electronic means.

43.13 Joint and Several. If more than one Person is the Lessee under this Lease, the liability of such Persons under this Lease shall be joint and several.

43.14 Interpretation. Both Lessor and Lessee 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.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

43.9 Lessee Counterclaim and Equitable Remedies. Lessee hereby waives the right to interpose counterclaim in any summary proceeding instituted by Lessor against Lessee or in any action instituted by Lessor for unpaid Rent under this Lease. In the event that Lessee claims or asserts that Lessor has violated or failed to perform a covenant of Lessor not to unreasonably withhold or delay Lessor's consent or approval hereunder, or in any case where Lessor's reasonableness in exercising its judgment is in issue, Lessee's sole remedy shall be an action for specific performance, declaratory judgment or injunction, and in no event shall Lessee be entitled to any monetary damages for a breach of such covenant, and in no event shall Lessee claim or assert any claims for monetary damages in any action or by way of set-off defense or counterclaim, and Lessee hereby specifically waives the right to any monetary damages or other remedies in connection with any such claim or assertion.

43.10 Entire Agreement. This Lease, the Exhibits hereto and such other documents as are contemplated hereunder, 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. Lessor and Lessee hereby agree that all prior or contemporaneous oral understandings, agreements or negotiations relative to the leasing of the Leased Property, whether between Lessor and Lessee or their Affiliates, are merged into and revoked by this Lease, including the LOI; provided, however, that the "Binding Provisions" (as defined in the LOI) of the LOI shall survive as provided therein.

43.11 Headings. All titles and headings to sections, subsections, paragraphs or other divisions of this Lease are only for the convenience of the parties and shall not be construed to have any effect or meaning with respect to the other contents of such sections, subsections, paragraphs or other divisions, such other content being controlling as to the agreement among the parties hereto.

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43.13 Joint and Several. If more than one Person is the Lessee under this Lease, the liability of such Persons under this Lease shall be joint and several.

43.14 Interpretation. Both Lessor and Lessee 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.

43.15 Time of Essence. Time is of the essence of this Lease and each provision hereof in which time of performance is established.

43.16 Further Assurances. The parties agree to promptly sign all documents reasonably requested to give effect to the provisions of this Lease.

ARTICLE XLIV. NATURE OF LEASE

44.1 Provisions Relating to Master Lease. Lessor and Lessee hereby acknowledge and agree that, except as otherwise expressly provided herein to the contrary and for the limited purposes so provided, this Lease is and the parties intend the same for all purposes to be treated as a single, integrated and indivisible agreement and economic unit. Lessee acknowledges that in order to induce Lessor to lease the Leased Property of each Facility to Lessee pursuant to this Lease and as a condition thereto, Lessor insisted that the parties execute this Lease covering all of the Facilities in a single, integrated and indivisible agreement and economic unit, and that but for such agreement Lessor would not have leased the Leased Property of the Facilities to Lessee under the terms and conditions set forth herein.

44.2 Treatment of Lease. Lessor and Lessee hereby acknowledge and agree that this Lease shall be treated as an operating lease for all purposes and not as a synthetic lease, financing lease or loan, and that Lessor shall be entitled to all the benefits of ownership of the Leased Property, including depreciation for all federal, state and local tax purposes.

ARTICLE XLV. COMMENCEMENT DATE AND DELAYS IN DELIVERY OF POSSESSION

45.1 Operations Transfer Agreement(s) and Termination of Current Leases. Lessee acknowledges that the Leased Property of each Facility is currently leased to an Affiliate of Lessor (each a "Current Lessee," and collectively, the "Current Lessees") pursuant to the terms of certain written leases (each, a "Current Lease," and collectively, the "Current Leases") between the applicable Current Lessee and the applicable Person comprising Lessor, and accordingly, the applicable Current Lessee is currently in possession of and operating each Facility. Concurrently with the execution and delivery of this Lease, Lessee and each Current Lessee have entered into one or more transfer agreements (the "Operations Transfer Agreement(s)") providing for the transition of full operational responsibility for each of the Facilities to Lessee from the applicable Current Lessee on and as of the Commencement Date. Lessor covenants and agrees to cause the termination of each Current Lease effective on or immediately prior to the Commencement Date.

45.2 Commencement Date. Prior to the Commencement Date, Lessor and Lessee shall be in the Pre-Commencement Date Period. The "Commencement Date" of this Lease shall be the "Closing Date" as defined in the Operations Transfer Agreement(s). From and after the Commencement Date, Lessee shall observe and perform all obligations of the "Lessee" pursuant to this Lease, including the payment of all Minimum Rent and Additional Charges as and when due.

45.3 Target Commencement Date. The target Commencement Date for all Facilities is April 1, 2011; provided, however, that if the Commencement Date shall not have occurred with respect to all Facilities on or before the target Commencement Date, this Lease shall not be void or voidable, nor shall Lessor be liable for any loss or damage resulting therefrom. Instead this Lease shall continue in full force and effect to and until occurrence of the Commencement Date for all Facilities, unless earlier terminated as herein provided.

ARTICLE XLVI.
CONDITIONS TO CONTINUED EFFECTIVENESS OF LEASE

46.1 Lessor's Conditions to Continued Effectiveness of Lease.

46.1.1 Notwithstanding anything to the contrary contained in this Lease, Lessor and Lessee acknowledge and agree that the continued effectiveness of this Lease and Lessor's obligations hereunder are expressly conditioned upon the satisfaction or waiver in writing by Lessor of each of the following:

(a) On or before 5:00 p.m. (California time) on March 13, 2011, Lessee shall have submitted evidence reasonably satisfactory to Lessor that Lessee has applied for all Required Governmental Approvals:

(b) On or before 5:00 p.m. (California time) on April 1, 2011, Lessor shall have obtained from each Facility Mortgagee under each Existing Credit Facility Mortgage encumbering the Leased Property (or any portion thereof), a written consent to this Lease, the Operation Transfer Agreement(s) and the transactions contemplated hereby and thereby (each, an "Existing Credit Facility Mortgagee Consent") upon such terms and conditions as are acceptable to Lessor and such Facility Mortgagee, and Lessor, Lessee and each Facility Mortgagee shall have executed and delivered all documents reasonably required by such Facility Mortgagee in connection with such Facility Mortgagee's delivery of the Existing Credit Facility Mortgagee Consent; and

(c) On or before 5:00 p.m. (California time) on June 1, 2011, the "Closing Date" as defined in the Operations Transfer Agreement(s) shall have occurred.

46.1.2 In the event that any of the conditions set forth in Section 46.1.1 above are not satisfied within the time period specified therein or in the event that the Operations Transfer Agreement(s) are terminated at any time during the Pre-Commencement Period, then Lessor shall have the option to terminate this Lease. Such option shall be exercised, if at all, by written notice from Lessor to Lessee given at anytime after the date by which such condition must be satisfied or Lessor determines such that such condition cannot or will not be satisfied and prior to the date the same is satisfied; provided, however, that Lessor may in its sole discretion waive in writing any such condition or delay the date the same is required to be satisfied. If Lessor is entitled to terminate this Lease pursuant to this Section 46.1.2 and timely and properly exercises such option, this Lease shall terminate on the date of Lessee's receipt of Lessor's notice of termination, Lessor shall bear Lessor's Set-Up Costs, Lessee shall bear Lessee's Set-Up Costs, each party shall bear any of their other costs and fees incurred in the negotiation and preparation of this Lease and in performing its respective obligations hereunder

through the date of such termination and neither party shall have any further obligation to the other hereunder except for those obligations which are intended to survive the earlier termination of this Lease prior to the Commencement Date, if any, and any "Binding Obligations" under the LOI. Pending any such termination by Lessor pursuant to this Section 46.1.2, each party shall perform its respective obligations pursuant to this Lease.

46.1.3 Promptly upon execution and delivery of this Lease, Lessee shall use good faith efforts to satisfy the conditions set forth in Sections 46.1.1(a) and (c) and cooperate with Lessor in Lessor's efforts to satisfy the condition in Sections 46.1.1(b) above, including: promptly and timely making application for and using commercially reasonable efforts to diligently pursue and obtain all such Required Governmental Approvals. Lessor hereby agrees that it will cooperate with Lessee in connection with Lessee's efforts to satisfy the conditions set forth in such Sections 46.1.1(a) and (c) as reasonably requested by Lessee, but without requirement that Lessor incur any out-of-pocket costs or assume any obligations (financial or otherwise) in connection therewith. From and after the Effective Date, Lessee shall keep Lessor reasonably apprised of the status of Lessee's efforts to satisfy such conditions for the benefit of Lessor including all material communications with all applicable governmental or quasi-governmental authorities and the status of obtaining the Required Governmental Approvals. Lessee shall promptly deliver to Lessor copies of all application(s) for new licenses, permits, accreditations, authorizations and certifications (when made) and all Required Governmental Approvals issued in connection therewith (if and when obtained).

46.1.4 Promptly upon execution and delivery of this Lease, Lessor shall use good faith efforts to satisfy the condition set forth in Section 46.1.1(b), including promptly and timely seeking Existing Credit Facility Mortgagee Consents. Lessee hereby agrees that it will cooperate with Lessor in connection with the same as reasonably requested by Lessor (including, executing such documents and instruments as are reasonably required in connection therewith). Lessee hereby acknowledges and agrees, however, that there can be no assurances that the Lessor will be able to satisfy the condition set forth in Section 46.1.1(b). From and after the Effective Date, Lessor shall keep Lessee reasonably apprised of the status of Lessor's efforts to satisfy such conditions, including all material communications with Facility Mortgagees. Lessor shall promptly notify Lessee if and when Lessor has obtained all Existing Credit Facility Mortgagee Consent(s), along with copies thereof.

46.2 Lessee's Conditions to Continued Effectiveness of Lease.

46.2.1 Notwithstanding anything to the contrary contained in this Lease, Lessor and Lessee acknowledge and agree that the continued effectiveness of this Lease and Lessee's obligations hereunder are expressly conditioned upon the satisfaction or waiver in writing by Lessee of each of the following:

(a) On or before 5:00 p.m. (California time) on June 1, 2011, the "Closing Date" as defined in the Operations Transfer Agreement(s) shall have occurred.

46.2.2 Subject to Lessee's obligations pursuant to Sections 46.1.3 and 46.1.4, in the event that any condition set forth in Section 46.2.1 is not satisfied within the time period specified therein, Lessee shall have the option to terminate this Lease. Such option shall

be exercised, if at all, with respect to any such condition by written notice to Lessor delivered on or before the applicable date specified therefor and specifying in reasonable detail the particular condition(s) which has or have not been satisfied and the reasons therefor. If Lessee is entitled to terminate this Lease pursuant to this Section 46.2.2 and timely and properly exercises such option, this Lease shall terminate on the date of Lessor's receipt of Lessee's notice of termination, Lessor shall bear Lessor's Set-Up Costs, Lessee shall bear Lessee's Set-Up Costs, each party shall bear any of their other costs and fees incurred in the negotiation and preparation of this Lease and in performing its respective obligations hereunder through the date of such termination and neither party shall have any further obligation to the other hereunder except for those obligations which are intended to survive the earlier termination of this Lease prior to the Commencement Date, if any, and any "Binding Obligations" under the LOI. Pending any such termination by Lessee pursuant to this Section 46.2.2, each party shall perform its respective obligations pursuant to this Lease

46.2.3 Following the Commencement Date, the parties shall execute an amendment to this Lease in substantially the form attached hereto as Exhibit D to confirm certain matters, including the Commencement Date and the expiration of the Fixed Term. Upon any change in the Minimum Rent in accordance with the provisions of Section 3.1 or otherwise pursuant to this Lease, the parties may similarly execute an amendment to this Lease confirming such matters. Notwithstanding the foregoing, the failure of Lessor to prepare and/or Lessee and Lessor to so execute and deliver any such amendment shall not affect Lessor's determination of the matters which would have been confirmed by any such amendment.

[Signature page follows]

IN WITNESS WHEREOF, the parties have caused this Lease to be executed and attested by their respective officers thereunto duly authorized.

LESSOR:

SHG RESOURCES, LP,
a Delaware limited partnership

By: Leasehold Resource Group, LLC,
a Delaware limited liability company
its General Partner

By: 

Name: JOSE LYNCH

Title: PRESIDENT

LESSEE:

EUREKA-LET, LP,
a California limited partnership

By: Eureka-Let GP, LLC,
a California limited liability company
its General Partner

By: _____

Name: Shlomo Rechnitz

Title: Manager

IN WITNESS WHEREOF, the parties have caused this Lease to be executed and attested by their respective officers thereunto duly authorized.

LESSOR:

SHG RESOURCES, LP,
a Delaware limited partnership

By: Leasehold Resource Group, LLC,
a Delaware limited liability company
its General Partner

By: _____
Name: _____
Title: _____

LESSEE:

EUREKA-LET, LP,
a California limited partnership

By: Eureka-Let GP, LLC,
a California limited liability company
its General Partner

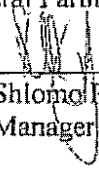
By:  _____
Name: Shlomo Rechnitz
Title: Manager

EXHIBIT A-1

Legal Description of the Land
(Granada Healthcare and Rehabilitation Center)

The land situated in the County of Humboldt, State of California, and described as follows:

Those portions of the Southwest Quarter of the Southwest Quarter of Section 25, Township 5 North, Range 1 West, Humboldt Meridian, described as follows:

PARCEL ONE

BEGINNING at the quarter section corner on the South line of said Section 25;
thence South 89 degrees 27 minutes West, 1336.24 feet;
thence North 20 feet to the South line of the right of way conveyed to the County of Humboldt by easement deed recorded January 3, 1961, under Recorder's Serial No. 60 in the office of the County Recorder of said county and the true point of beginning;
thence North 0 degrees 08 minutes West, 400 feet;
thence South 89 degrees 27 minutes West, 225 feet;
thence South 0 degrees 08 minutes East 400 feet to the South line of said County of Humboldt right of way;
thence along the South line of said right of way, North 89 degrees 27 minutes East, 225 feet to the true point of beginning.

Said land being the same as Parcel 3 as shown on Parcel Map No. 303 Amended filed January 29, 1976 in Book 6 of Parcel Maps, page 15, Humboldt County Records. Excepting from said Parcel 3 the East 40 feet thereof.

PARCEL TWO

A non-exclusive easement for ingress, egress and public utility purposes over a strip of land 40 feet in width the West line of which is the East line of Parcel One above.

Being the same as described in Parcel Two of Tract A in deed recorded March 1, 1996 as Instrument No. 1996-5174-3, Humboldt County Official Records.

APN 016-241-42

EXHIBIT A-2

Legal Description of the Land
(Pacific Healthcare and Rehabilitation Center)

The land situated in the County of Humboldt, State of California, and described as follows:

BEGINNING on the East side of the County Road known as Harrison Avenue, which is 20 feet North 89 degrees 30 minutes East of the quarter section corner between Sections 25 or 26, Township 5 North, Range 1 West, Humboldt Base and Meridian;
thence South along said County Road, 130 feet;
thence North 89 degrees 30 minutes East, 110 feet to the Northwest corner of Lot 5 in Block 1 of the Darden Tract, as per map recorded in Book 8 of Maps, page 37, Humboldt County Official Records;
thence along the West line of said Lot 5, South 105 feet to the Southwest corner of said Lot 5;
thence along the South line of Lots 5, 6, 7, 8 and 9 of Block 1 of said Darden Tract, 117 feet, 11 inches;
thence at right angles North, 50 feet;
thence at right angles East, 24 feet 1 Inch;
thence at right angles North, 185 feet to the quarter section line;
thence along said quarter section line, South 89 degrees 30 minutes West, 252 feet to the point of beginning.

Said land being a portion of Parcel One as shown on Parcel Map No. 1507 (Lot Line Adjustment) filed April 18, 1979 in Book 13 of Parcel Maps, page 46, Humboldt County Records.

APN 016-011-57

EXHIBIT A-3

Legal Description of the Land
(Seaview Healthcare and Rehabilitation Center)

The land situated in the County of Humboldt, State of California, and described as follows:

Those portions of the Southwest Quarter of the Northeast Quarter of Section 17, Township 4 North, Range 1 West, Humboldt Meridian, described as follows:

PARCEL ONE

BEGINNING at the most Easterly corner of Lot 96 of Sea View Manor Subdivision Unit No. 2, as per map recorded in Book 13, page 80 of Maps in the office of the County Recorder of said county;

thence along the Westerly line of Purdue Drive, South 30 degrees 30 minutes East, 189.34 feet;

thence continuing along said Westerly line on a curve to the right with a radius of 175 feet, a distance of 119.36 feet;

thence West, 481.75 feet;

thence North 255 feet to the most Westerly corner of Lot 93 of said subdivision;

thence East 276.03 feet to the Westerly line of said Lot 96;

thence South 30 degrees 30 minutes East, 25.52 feet to the most Southerly corner

of said Lot 96;

thence North 59 degrees 30 minutes East, 87 feet to the point of beginning.

Said land also being Lots 97 to 107, inclusive, and the cul-de-sac street, Duke Circle, as shown on the map entitled "Reversion to Acreage Lots 97 through 109 Seaview Manor Subdivision Unit No. 2, in Section 17, Township 4 North, Range 1 West, Humboldt Base and Meridian", filed in the office of the recorder of Humboldt County, July 26, 1962 in Book 14 of Maps, page 20.

PARCEL TWO

BEGINNING at the Southeast corner of Lot 107 of Sea View Manor Unit No. 2 as per map recorded in Book 13, page 80 of Maps, in the office of the County Recorder of said county;

thence Southerly along the Westerly line of Purdue Drive, on a curve to the right with a radius of 175 feet, a distance of 11.95 feet to the true point of beginning;

thence Northerly along said Westerly line on a curve to the left with a radius of 175 feet, a distance of 11.95 feet;

thence West, 481.75 feet;

thence South, 50 feet;

thence East 470 feet, more or less, to a point which bears South 12 degrees 30 minutes West, from the true point of beginning;

thence North 12 degrees 30 minutes East to the true point of beginning.

APN 306-231-29 & 306-231-30

EXHIBIT A-4

Legal Description of the Land
(Eureka Healthcare and Rehabilitation Center)

The land situated in the County of Humboldt, State of California, and described as follows:

PARCEL A

That portion of Parcel 2 of Parcel Map No. 1302, according to said Map as filed in the Recorder's Office of Humboldt County on May 18, 1978 in Book 11 of Parcel Maps, page 102, described as follows:

BEGINNING at the most Westerly corner of Parcel 1. of said Parcel Map;
thence North 89 degrees 54 minutes 15 seconds West, 229.05 feet to a point in a non-tangent curve concave to the Northeast having a radius of 275.00 feet, a radial line of said curve through said point bearing North 66 degrees 20 minutes 17 seconds East;
thence Southerly along said curve 128.60 feet (through an angle of 26 degrees 47 minutes 37 seconds) to the South line of said Parcel 2, being the North line of 23rd Street;
thence South 89 degrees 48 minutes West along said line 29.88 feet to a point in the West line of said Parcel 2;
thence along said West line along a curve concave to the Northeast having a radius

[legal description continues]

of 295.0 feet, 235.82 feet (through an angle of 45 degrees 48 minutes 10 seconds);
thence continuing along said West line North 0 degrees 11 minutes 09 seconds West, 377.39 feet to an angle point in said boundary line;
thence continuing along the boundary of said Parcel 2 South 89 degrees 53 minutes 50 seconds East, 313.15 feet to an angle point in said line;
thence South 0 degrees 23 minutes 07 seconds East, 41.00 feet;
thence South 89 degrees 53 minutes 50 seconds East, 22.53 feet to the beginning of a curve concave to the South having a radius of 40 feet;
thence Easterly along said curve 45.76 feet to a point in a non-tangent line (a radial line through said point bearing South 65 degrees 39 minutes 14 seconds West);
thence South 4 degrees 56 minutes West, 9.43 feet to the beginning of a non-tangent curve concave to the East having a radius of 500 feet, a radial line of said curve through said beginning of curve bearing South 84 degrees 47 minutes 47 seconds East;
thence Southerly along said curve 181.81 feet (through an angle of 20 degrees 50 minutes 04 seconds) to a point in a non-tangent line (a radial line of said curve through said point bearing North 74 degrees 22 minutes 09 seconds East);
thence South 16 degrees 57 minutes East 60.13 feet to the beginning of a non-tangent curve concave to the West having a radius of 524.50 feet, a radial line of said curve through said beginning of curve bearing South 73 degrees 25 minutes 28 seconds West;
thence Southerly along said curve 36.50 feet (through an angle of 3 degrees 59 minutes 14 seconds) to the North line of Parcel 1 of said Parcel Map No. 1302;
thence along said North line North 74 degrees 29 minutes West, 19.13 feet to an angle point in the North boundary of said Parcel 1;
thence South 40 degrees 17 minutes 45 seconds West, 189.95 feet to the point of beginning.

PARCEL B

A non-exclusive easement for ingress, egress and public utilities, over Watson Drive as shown in Book 31, Page 97, of Surveys, Humboldt County Records, being a strip of land 21 feet in width, the Easterly line of which is the West line of Parcel A above described and extending from the North line of 23rd Street, tot the Northwest corner of said Parcel A.

PARCEL C

A non-exclusive easement for ingress, egress and public utilities over that portion of Hardy Drive, which crosses Parcel 1 of Parcel Map No. 1903, filed in Book 16, Pages 132, 133, of Parcel Maps, said easement being 32 feet in width, the West line of said easement described as follows:

BEGINNING at the Northwest corner of Parcel 1 of Book 16, Page 132, of Parcel Maps, Humboldt County Records, said point being on the South line of Munson Street, as shown on said Map;

thence South 0 degrees 19 minutes 47 seconds East, 127.37 feet;

[legal description continues]

thence South 0 degrees 11 minutes 20 seconds East, 139.36 feet;
thence South 4 degrees 00 minutes 00 seconds West, 24.81 feet;
thence South 9 degrees 00 minutes 28 seconds West, 36.49 feet;
thence South 8 degrees 09 minutes 10 seconds West, 82.16 feet to the Northerly terminus of the Course "North 4 degrees 56 minutes East, 9.43 feet" as shown along the West line of Hardy Drive in Book 16, Page 132, of Parcel Maps;
thence following the West line of said Parcel 1 the following courses:
thence South 4 degrees 56 minutes West, 9.43 feet to the beginning of a non-tangent curve concave to the East having a radius of 500 feet (a radial line of said curve through said point bearing North 84 degrees 47 minutes 47 seconds West);
thence reducing to an easement 30 feet in width, the West line of said easement described as follows:
Southerly along said curve through a central angle of 20 degrees 50 minutes 04 seconds, for a distance of 181.81 feet;
thence South 16 degrees 57 minutes East, 60.13 feet to the beginning of a non-tangent curve concave to the West having a radius of 524.50 feet (a radial line of said curve through said point bearing North 73 degrees 25 minutes 28 seconds East);
thence Southerly along said curve through a central angle of 3 degrees 59 minutes 14 seconds, 36.50 feet to the South line of said Parcel 1.

The East line of this easement is to be extended so as to begin on the South line of Munson Street and terminate on the North line of Parcel 1 of Book 11, Page 102, of Parcel Maps.

PARCEL D

A non-exclusive easement for ingress, egress and public utilities over that portion of Hardy Drive which crosses Parcel 1 of Parcel Map No. 1302, filed in Book 11, Page 102, of Parcel Maps, Humboldt County Records, being 51 feet in width and extending from the North line of 23rd Street to the North line of said Parcel 1, as shown on said Map.

PARCEL E

A non-exclusive easement for ingress, egress and public utilities over that portion of Woolford Drive which crosses Parcel 1 of Parcel Map No. 1903, filed in Book 16, Pages 132 and 133, of Parcel Maps, described as follows:

BEGINNING at a point on the West line of said Parcel 1 at the Southerly terminus of the Course "South 0 degrees 23 minutes 07 seconds East, 216.40 feet";
thence South 89 degrees 53 minutes 50 seconds East, 51.04 feet to the beginning of a curve concave to the Northwest, having a radius of 20 feet;
thence Northeasterly along said curve, through a central angle of 81 degrees 05 minutes 42 seconds, a distance of 28.31 feet;
thence South 8 degrees 09 minutes 10 seconds West, 82.16 feet to the Northerly terminus of the Course "North 4 degrees 56 minutes East, 9.43 feet" as shown along

[legal description continues]

the West line of Hardy Drive in Book 16, Page 132, of Parcel Maps, said point being the beginning of a curve concave to the South having a radius of 40 feet (a radial line of said curve through said point bearing North 65 degrees 39 minutes 14 seconds East);
thence along the West line of said Parcel 1, Westerly along said curve through a central angle of 65 degrees 33 minutes 04 seconds, for a distance of 45.76 feet;
thence continuing along said West line, North 89 degrees 53 minutes 50 seconds West, 22.53 feet to an angle point in said West line;
thence North 0 degrees 23 minutes 07 seconds West, 41.00 feet to the point of beginning.

PARCEL F

A non-exclusive easement for ingress and egress over that portion of Parcel 1 of Parcel Maps No. 1903, filed in Book 16, Pages 132 and 133, of Parcel Maps, described as follows:

BEGINNING at a point on the West line of Harrison Avenue at a point which bears South 0 degrees 12 minutes East, 230.00 feet from a point which bears South 89 degrees 32 minutes 14 seconds West, 30.00 feet from the Northeast corner of Parcel 1 of Book 16, Page 132, of Parcel Maps, Humboldt County Records;
thence North 89 degrees 57 minutes 40 seconds West, 36.43 feet;
thence North, 32.73 feet;
thence South 89 degrees 49 minutes 40 seconds West, 232.50 feet to the East line of Hardy Drive, as described above;
thence South 0 degrees 11 minutes 20 seconds East, along said line, 24.40 feet;
thence North 89 degrees 31 minutes 25 seconds East, 203.64 feet;
thence South 39.62 feet;
thence North 89 degrees 33 minutes 20 seconds East, 65.32 feet to the West line of Harrison Avenue;
thence North 0 degrees 12 minutes West, along said West line, 29.77 feet to the point of beginning.

PARCEL G

An easement for use, maintenance, repair and replacement of the existing sewer line within a strip of land 10 feet in width, the centerline of which is the center line of the existing sewer line extending from the West line of Parcel A above, North 89 degrees 03 minutes West, across Parcel 2 as shown on the Record of Survey filed in Book 31, Page 97, of Surveys, Humboldt County Records.

PARCEL H

An easement for use, maintenance, repair and replacement of an existing water line over a portion of Parcel Two as shown on the Record of Survey filed in Book 31 of Surveys, page 97, Humboldt County Records and a portion of Parcel 3 as shown on

[legal description continues]

Parcel Map No. 1903 filed in Book 16 of Parcel Maps, page 132 and 133, Humboldt County Records, being an easement 10 feet in width lying 5 feet on each side of the following described centerline:

BEGINNING at the Southeast corner of said Parcel Two, being on the North line of 23rd Street and the beginning of a non-tangent curve concave to the East;

thence South 89 degrees 48 minutes West, along the South line of said Parcel Two and the North line of 23rd Street 36.45 feet to the true point of beginning;

thence North 1 degree 11 minutes West, 44.07 feet to the East line of said Parcel Two;

thence continuing North 1 degree 11 minutes West to the North line of said Parcel 3 of Parcel Map No. 1903.

EXCEPTING THEREFROM that portion thereof lying within Parcel A above.

PARCEL 1

A non-exclusive easement for ingress and egress over a strip of land described as follows:

All that land within the Incorporated limits of the City of Eureka, County of Humboldt, State of California, in the Southeast Quarter of the Northeast Quarter of Section 26, Township 5 North, Range 1 West, Humboldt Base and Meridian, described as follows:

Commencing at the Section corner common to Sections 25, 26, 35, and 36, Township 5 North, Range 1 West, Humboldt Base and Meridian, and running thence North 01 degree 37 minutes 21 seconds East along the section line between Sections 25 and 26 a distance of 3,328.87 feet;

thence North 88 degrees 38 minutes 36 seconds West, a distance of 30.00 feet to the true point of beginning of the parcel to be herein described, said point is a lead and tack as shown in Book 31 of Surveys, page 97, and being also the most Northeasterly corner of Parcel One as shown on said survey;

thence South 01 degree 37 minutes 10 seconds West, a distance of 38.45 feet;

thence North 88 degrees 38 minutes 36 seconds West along the boundary of Parcels One and Three as shown on said survey, a distance of 301.05 feet;

thence North 01 degree 37 minutes 10 seconds East, a distance of 38.45 feet to a point on the North property line of Parcel One as shown on said survey;

thence South 88 degrees 38 minutes 36 seconds East along the Northerly property line of said Parcel One, a distance of 301.04 feet to the true point of beginning.

Distances are based on the California Coordinate System Zone 1 (N.A.D. 27). Rotate bearings 01 degree 23 minutes 53 seconds counter clockwise to obtain true bearings. The mapping angle (N.A.D. 27) at City Monument number 150 was used for this description. To compute ground distances, multiply called distances by 1.0001084.

[legal description continues]

PARCEL J

An easement for the use, maintenance, repair and replacement of a water line within a strip of land 10 feet in width, the centerline of which is described as follows:

BEGINNING on the West line of Harrison Avenue at a point located South 0 degrees 12 minutes East, 194.84 feet from the intersection of said West line of Harrison Avenue with the North line of Parcel 1 of Parcel Map No. 1903 filed in Book 15, Pages 132 and 133, of Parcel Maps, Humboldt County Records;

thence South 89 degrees 44 minutes West 193.20 feet;

thence South 40 degrees 33 minutes 30 seconds West, 174.08 feet;

thence South 11 degrees 01 minutes West, 80.69 feet to the Easterly line of Parcel 2 of said Parcel Map No. 1903.

Said Parcels B, C, D, E, F, G, H, I and J being the same as described in the deed from Union Labor Hospital Association to Redwood Care Centers, Inc. recorded December 18, 1995 as Instrument No. 1995-30490-6, Humboldt County Official Records.

APN 013-101-05 and 013-111-07

EXHIBIT A-5

Legal Description of the Land
(St. Luke Healthcare and Rehabilitation Center)

The land situated in the County of Humboldt, State of California, and described as follows:

PARCEL ONE

Parcel 1 as shown on Parcel Map No. 3325 filed in the office of the Humboldt County Recorder in Book 31 of Parcel Maps, pages 135 and 136.

PARCEL TWO

A non-exclusive easement for ingress and egress over, under and across that portion of Parcel 2 as shown on said Parcel Map No. 3325 which lies within Parcel "A" as shown thereon.

APN: 200-461-024

EXHIBIT B

List of Facilities, Facility Description and Primary Intended Use and Initial Monthly Allocated Minimum Rent

| Facility | Facility Description and Primary Intended Use | Initial Monthly Allocated Minimum Rent | Allocated Security Amount |
|--|--|---|----------------------------------|
| Eureka Healthcare and Rehabilitation Center 2352 23rd St. Eureka, CA | Skilled nursing facility consisting of 99 beds | \$ 658,152.00 | \$ 329,076.00 |
| Granada Healthcare and Rehabilitation Center 2885 Harris St. Eureka, CA | Skilled nursing facility consisting of 87 beds | \$ 578,376.00 | \$ 289,188.00 |
| Pacific Healthcare and Rehabilitation Center 2211 Harrison Ave. Eureka, CA | Skilled nursing facility consisting of 60 beds | \$ 398,880.00 | \$ 199,440.00 |
| Seaview Healthcare and Rehabilitation Center 6400 Purdue Dr. Eureka, CA | Skilled nursing facility consisting of 99 beds | \$ 658,152.00 | \$ 329,076.00 |
| St. Luke Healthcare and Rehabilitation Center 2321 Newberg Rd. Fortuna, CA | Skilled nursing facility consisting of 104 beds | \$ 691,392.00 | \$ 345,696.00 |

EXHIBIT C

Lessor's Personal Property

All of Lessor's right, title and interest in and to all machinery, equipment, furniture, furnishings, moveable walls or partitions, computers or trade fixtures or other tangible personal property located in, on or about the Leased Property on and as of the Commencement Date, excluding items, if any included within the definition of Fixtures, but specifically including all right, title and interest of Lessor in and to those items of tangible personal property described in Schedule 1 hereto, if any.

Schedule 1

Itemization of Lessor's Personal Property

[See attached.]