

October 28, 2016

Jean Iacino, Deputy Director
California Department of Public Health
Center for Health Care Quality
1615 Capital Avenue, Suite 73.469
Sacramento, CA 95814

Dana Forney, RN, District Manager
Redwood Coast District Office
California Department of Public Health
2170 Northpoint Parkway
Santa Rosa, CA 95407

RE: Brius' Closure Plans for 3 Humboldt County Skilled Nursing Facilities (Eureka, Pacific & Seaview)

Dear Ms. Iacino and Ms. Forney:

On September 24, 2016, the California Department of Public Health (CDPH) approved Brius Healthcare's plan to close the following three Skilled Nursing Facilities (SNFs) in Humboldt County and to transfer nearly 200 elderly and disabled residents to facilities throughout Northern California and Oregon.

- Pacific Rehabilitation & Wellness Center (Eureka, CA)
- Eureka Rehabilitation & Wellness Center (Eureka, CA)
- Seaview Rehabilitation & Wellness Center (Eureka, CA)

It has come to our attention that Brius and its owner, Shlomo Rechnitz, are apparently bound by contractual commitments to refrain from transferring or removing residents from the facilities now slated for closure. In 2011, Brius submitted these contractual commitments – contained in a “Master Lease and Security Agreement” between Mr. Rechnitz and Skilled Healthcare Group, Inc., the facilities' owner – to CDPH as part of Brius' application for a license to operate the facilities.

Today, I am writing on behalf of the National Union of Healthcare Workers (NUHW) to bring these matters to CDPH's attention. Given your agency's responsibility for safeguarding the health and safety of residents and regulating SNFs, NUHW requests that your agency investigate these matters especially as they relate to Brius' facility closures. Below, we provide details regarding additional apparent breaches of Brius' contractual obligations.

The National Union of Healthcare Workers (NUHW) is a labor union representing 12,000 caregivers in hospitals, skilled nursing facilities, clinics, and assisted living facilities. More than 500 of NUHW's members live in Humboldt County and work at St. Joseph Hospital Eureka and Redwood Memorial

Hospital in Fortuna. Some of NUHW's members have family members who are residents of Brius nursing homes in Humboldt County, including the facilities slated for closure. Additionally, more than 200 of NUHW's members work at two Brius nursing homes operated in Marin County, California.

On March 3, 2011, SHG Resources, LP (a subsidiary of Skilled Healthcare Group, Inc.) leased the five facilities noted below to Mr. Rechnitz for an initial period of 10 years. (See Appendix A for records detailing Mr. Rechnitz's ownership of Eureka-LET, LP.) Mr. Rechnitz is the owner of Brius Healthcare. The 86-page "Master Lease and Security Agreement" was signed by José Lynch and Mr. Rechnitz on March 3, 2011.

- Pacific Rehabilitation & Wellness Center (Eureka, CA)
- Eureka Rehabilitation & Wellness Center (Eureka, CA)
- Seaview Rehabilitation & Wellness Center (Eureka, CA)
- Granada Rehabilitation & Wellness Center (Eureka, CA)
- Fortuna Rehabilitation & Wellness Center (fka St. Luke Healthcare and Rehabilitation Center) (Fortuna, CA)

In the master lease agreement, Mr. Rechnitz and Eureka-LET, LP (the "Lessee") made a commitment to refrain from removing or transferring residents from the facilities. Mr. Rechnitz also committed to investing at least \$3 million in capital improvements in the facilities and maintaining the facilities "in good working order and repair." According to evidence cited below, Mr. Rechnitz apparently has breached these and other lease provisions, and consequently is in default of the master lease agreement, which was submitted to CDPH in order to obtain licensure to operate the facilities.

The following are several of the apparent lease violations committed by Mr. Rechnitz. Please see Appendix B for excerpted portions of the 86-page lease.

A. Lessee Shall Not Modify Services or Remove Residents from Facility.

Article VII, Section 7.2.3 of the master lease agreement states the following:

"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 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." (p. 21, emphasis added)

In addition, Section 7.4.3 states the following:

"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.” (pp. 22-23, emphasis added)

In direct contravention of this provision, Mr. Rechnitz recently requested and received CDPH’s approval to remove all of the residents from the following three Skilled Healthcare Group, Inc. (SHG) facilities and to cease operating the facilities as SNFs:

- Pacific Healthcare and Rehabilitation Center (Eureka, CA)
- Eureka Healthcare and Rehabilitation Center (Eureka, CA)
- Seaview Healthcare and Rehabilitation Center (Eureka, CA)

Mr. Rechnitz’ actions are documented in dozens of pages of formal communications with CDPH. On August 24, 2016, a Brius official delivered its “Closure and Relocation Plans” to the CDPH as well as cover letters stating the following:

“This letter is to inform you that Pacific Rehabilitation & Wellness Center, LP (the ‘Facility’) has decided to cease operations and voluntarily close. A copy of the Facility’s Proposed Relocation Plan is enclosed for your review. It is our plan to conduct the necessary transfers and discharges over a several month period beginning after appropriate notices and other related steps in approximately October 2016. Our goal is to complete the relocation and closure process by December 2016.” (See Appendix C.)

On the same day, Brius submitted identical letters to the CDPH detailing its plan to cease operations performed by Seaview Rehabilitation & Wellness Center, LP and Eureka Rehabilitation & Wellness Center, LP. (See Appendix C.) Mr. Rechnitz is the 100% owner and “Managing Member” of each of the three aforementioned Limited Partnerships (LPs), according to California licensure records. With respect to SHG’s master lease agreement, the three LPs are the subtenants currently operating SHG’s three properties as SNFs. The LPs are incorporated by reference into SHG’s master lease agreement.

On September 13, 2016, Brius officials submitted a second set of “Closure and Relocation Plans” to CDPH following your agency’s ruling that Brius’ initial plans were inadequate. On September 28, 2016, CDPH approved Brius’ revised “Closure and Relocation Plans,” thereby authorizing Brius to initiate the closure of the three facilities as well as the process by which Brius will remove and relocate the three facilities’ more than 200 residents. (See Appendix D.) In recent days, Brius reportedly delivered letters to the residents of Pacific Rehabilitation & Wellness Center providing them with 60-day advance notice of the facility’s impending closure. Brius has reportedly ceased admitting any new residents to Pacific Rehabilitation & Wellness Center.

Mr. Rechnitz’ voluntary closure of the three facilities and his removal of the facilities’ residents appears to be a direct violation of SHG’s master lease agreement.

B. Lessee Shall Maintain Leased Property in Good Order at Its Expense.

Article IX, Section 9.1.1 of the master lease agreement states the following:

“Lessee, at its expense, shall maintain the Leased Property, and every portion thereof... in good order and repair... 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.” (p. 23, emphasis added)

Multiple sources report that Mr. Rechnitz has failed to maintain Pacific Rehabilitation & Wellness Center “in good order and repair.” According to multiple family members, visitors, and advocates, a substantial portion of this facility appears to be structurally unsound. The facility’s next-door neighbor has reportedly made complaints to the Humboldt County Board of Supervisors indicating that the facility appears to be at risk of collapse. On October 14, 2016, KMUD Radio broadcast a radio news story¹ containing an interview with Jeff Graham in front of Pacific Rehabilitation & Wellness Center on October 13, 2016. Mr. Graham is the son of a resident at Pacific Rehabilitation & Wellness Center who visits the facility weekly. The following is a transcription of a portion of his interview broadcast by KMUD:

Jeff Graham: “As you can look at that building right there, it’s falling down. And they have no heater system in there. They were going to move my mom from the front to the back because the heater don’t work up front...” (2:59 min)

These observations are confirmed by records obtained from the Facilities Development Division of the California Office of Statewide Health Planning and Development (OSHPD). According to these records, Pacific Rehabilitation & Wellness Center, LP initiated a project in early 2013 to upgrade the facility’s HVAC system (Project Number P-2013-00349). However, nearly four years later, the project is only 10% completed, according to OSHPD’s records. (See Appendix E.)

C. Lessee Shall Expend \$3 Million on Capital Projects during the First Two Years of Lease Term.

Article IX, Section 9.3 of the master lease agreement states the following:

“Without in any way limiting Lessee’s obligations under 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.” (p. 25, emphasis added)

According to construction and planning records provided by OSHPD’s Facilities Development Division, Mr. Rechnitz not only failed to spend \$3 million on capital projects during the first two years of his lease of SHG’s facilities, he has spent only \$750,000 on capital projects at the five facilities during the entire first five and one-half years of the lease term (i.e., March 2011 through October 2016).

¹ An audio file containing the radio the story is available at: <https://soundcloud.com/kmudnews/protestors-rally-against-closure-of-skilled-nursing-facilities>

Each of Mr. Rechnitz' aforementioned actions appears to constitute an "Event of Default" under SHG's master lease agreement. Article XVI ("Default and Remedies") states that the Lessee's failure to pay rent and/or "fail[ure] to observe or perform any other term, covenant or condition of this Lease..." "...shall constitute an 'Event of Default.'" (p. 39)

Furthermore, Article XVI indicates that Mr. Rechnitz is in the process of committing yet another apparent breach of the master lease agreement through his planned closure of the three SHG facilities. Provision 16.1(l)(iii) and (iv) specify that the following actions shall constitute a breach:

"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." (p. 40)

Exhibit B of the master lease describes the number of licensed beds as the following:

- Pacific Rehabilitation & Wellness Center: 60 beds.
- Eureka Rehabilitation & Wellness Center: 99 beds.
- Seaview Rehabilitation & Wellness Center: 99 beds.
- Granada Rehabilitation & Wellness Center: 87 beds.
- Fortuna Rehabilitation & Wellness Center (fka St. Luke Healthcare and Rehabilitation Center): 104 beds.

NUHW requests that CDPH investigate Mr. Rechnitz' apparent breaches of the master lease agreement submitted by Brius to obtain CDPH licensure to operate the facilities. Please feel free to contact our office should you have any questions or require additional documentation.

Sincerely,



Sal Rosselli, President

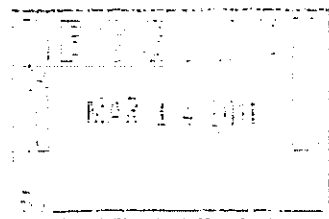
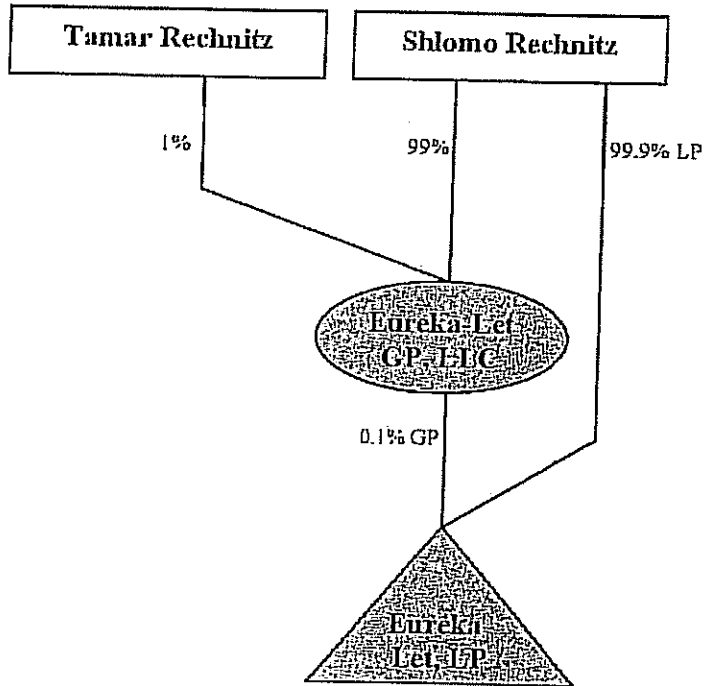
Attachments

cc: Sen. Mike McGuire
Assemblymember Jim Wood
Joseph Rodrigues, California Long-Term Care Ombudsman
Suzi Fregeau, Ombudsman Program Coordinator, Area 1 Agency on Aging
Maggie Fleming, District Attorney, Humboldt County
Alan B. Robison, Supervising Deputy Attorney General, Bureau of Medi-Cal Fraud and Elder Abuse, Office of the Attorney General
Michael Sherman, Senior V.P. & General Counsel, Genesis Healthcare
Roland Rapp, General Counsel & CAO, Skilled Healthcare Group, Inc.
José Lynch, President, SHG Resources, LP and Skilled Healthcare Group, Inc.

Appendix A

EXHIBIT H

Organizational Chart



Organizational Chart

Pacific Rehabilitation & Wellness Center, LP

Shlomo Rechnitz Managing Member 100% Interest

Pacific Wellness GP, LLC Ownership

5967 W. 3rd Street Suite 200
Los Angeles, CA 90036
FEIN: 27-4853405

- Shlomo Rechnitz - 99% ownership in Pacific Wellness GP, LLC
- Tamar Rechnitz - 1% ownership in Pacific Wellness GP, LLC

Appendix B

[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

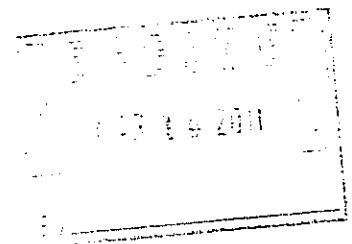


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MASTER LEASE AND SECURITY AGREEMENT

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

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

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;

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

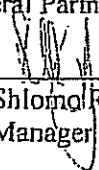
By: Leasehold Resource Group, LLC,
a Delaware limited liability company
its General Partner

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

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

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

Appendix C



August 24, 2016

Dana Forney
California Department of Public Health
2170 Northpoint Parkway
Santa Rosa, Ca. 95407

Re: Pacific Rehabilitation & Wellness Center, L.P.
Skilled Nursing Facility – Closure and Relocation Plan

Dear Ms. Forney:

This letter is to inform you that Pacific Rehabilitation & Wellness Center, LP (the "Facility") has decided to cease operations and voluntarily close. A copy of the Facility's Proposed Relocation Plan is enclosed for your review. It is our plan to conduct the necessary transfers and discharges over a several month period beginning after appropriate notices and other related steps in approximately October 2016. Our goal is to complete the relocation and closure process by December 2016.

In preparation for the closure of the Facility and resulting transfer of residents, we have created a Relocation Plan to facilitate the safe and orderly transfer of residents to other suitable facilities. Experienced Facility staff and transfer coordinators will facilitate the suitable placement of residents by, among other things, performing assessments and communicating with residents, their representatives, their attending physicians, if available, or the Facility's medical director, if available, as well as other appropriate health care providers. These Facility staff and transfer coordinators will also address the special needs of the residents with a focus on the post-discharge plan of care and continuum of care to minimize the possibility of transfer trauma.

We are also simultaneously notifying the local ombudsman and forwarding a copy of the Proposed Relocation Plan under separate cover. It is our desire to work closely with your staff and local ombudsman in implementing this plan. Towards that end, we look forward to receiving the Department's anticipated approval of our Proposed Relocation Plan within ten days. Should you have any questions or comments in the meantime, please contact me at (323) 330-6500.

Sincerely,

Brad Gibson
Member, Governing Body



August 24, 2016

Dana Forney
California Department of Public Health
2170 Northpoint Parkway
Santa Rosa, Ca. 95407

Re: Eureka Rehabilitation & Wellness Center, L.P.
Skilled Nursing Facility – Closure and Relocation Plan

Dear Ms. Forney:

This letter is to inform you that Eureka Rehabilitation & Wellness Center, LP (the "Facility") has decided to cease operations and voluntarily close. A copy of the Facility's Proposed Relocation Plan is enclosed for your review. It is our plan to conduct the necessary transfers and discharges over a several month period beginning after appropriate notices and other related steps in approximately October 2016. Our goal is to complete the relocation and closure process by December 2016.

In preparation for the closure of the Facility and resulting transfer of residents, we have created a Relocation Plan to facilitate the safe and orderly transfer of residents to other suitable facilities. Experienced Facility staff and transfer coordinators will facilitate the suitable placement of residents by, among other things, performing assessments and communicating with residents, their representatives, their attending physicians, if available, or the Facility's medical director, if available, as well as other appropriate health care providers. These Facility staff and transfer coordinators will also address the special needs of the residents with a focus on the post-discharge plan of care and continuum of care to minimize the possibility of transfer trauma.

We are also simultaneously notifying the local ombudsman and forwarding a copy of the Proposed Relocation Plan under separate cover. It is our desire to work closely with your staff and local ombudsman in implementing this plan. Towards that end, we look forward to receiving the Department's anticipated approval of our Proposed Relocation Plan within ten days. Should you have any questions or comments in the meantime, please contact me at (323) 330-6500.

Sincerely,

Brad Gibson
Member, Governing Body
Enclosures



SEAVIEW

REHABILITATION & WELLNESS CENTER

August 24, 2016

Dana Forney
California Department of Public Health
2170 Northpoint Parkway
Santa Rosa, Ca. 95407

Re: Seaview Rehabilitation & Wellness Center, L.P.
Skilled Nursing Facility – Closure and Relocation Plan

Dear Ms. Forney:

This letter is to inform you that Seaview Rehabilitation & Wellness Center, LP (the "Facility") has decided to cease operations and voluntarily close. A copy of the Facility's Proposed Relocation Plan is enclosed for your review. It is our plan to conduct the necessary transfers and discharges over a several month period beginning after appropriate notices and other related steps in approximately October 2016. Our goal is to complete the relocation and closure process by December 2016.

In preparation for the closure of the Facility and resulting transfer of residents, we have created a Relocation Plan to facilitate the safe and orderly transfer of residents to other suitable facilities. Experienced Facility staff and transfer coordinators will facilitate the suitable placement of residents by, among other things, performing assessments and communicating with residents, their representatives, their attending physicians, if available, or the Facility's medical director, if available, as well as other appropriate health care providers. These Facility staff and transfer coordinators will also address the special needs of the residents with a focus on the post-discharge plan of care and continuum of care to minimize the possibility of transfer trauma.

We are also simultaneously notifying the local ombudsman and forwarding a copy of the Proposed Relocation Plan under separate cover. It is our desire to work closely with your staff and local ombudsman in implementing this plan. Towards that end, we look forward to receiving the Department's anticipated approval of our Proposed Relocation Plan within ten days. Should you have any questions or comments in the meantime, please contact me at (323) 330-6500.

Sincerely,

Brad Gibson
Member, Governing Body

Appendix D



KAREN L. SMITH, MD, MPH
Director and State Public Health Officer

State of California—Health and Human Services Agency
California Department of Public Health



EDMUND G. BROWN JR.
Governor

September 28, 2016

Vincent Hambright, Chief Executive Officer
Carol Larkin, FNP, Chief Clinical Officer
ROCKPORT HEALTHCARE SERVICES
5900 Wilshire Blvd., Suite #1600
Los Angeles, CA 90036

RE: Closure and Relocation Plan

Dear Mr. Hambright and Ms. Larkin:

On September 14, 2016, the Santa Rosa/Redwood Coast District Office (SRDO) of Licensing and Certification for the California Department of Public Health received revised closure and relocation plans for Seaview Rehabilitation & Wellness Center, Pacific Rehabilitation & Wellness Center, and Eureka Rehabilitation & Wellness Center. Rockport Healthcare Services submitted additional information submitted on September 15, 2016. The SRDO has reviewed these plans and approves them.

Once the relocation process has started, the facilities must notify the SRDO of patient census and transfers weekly. Once all transfers have been completed, the SRDO will conduct a final walk through of the facilities and licenses will be surrendered at that time.

If you have any questions, please contact Richard Gartmann, RN, Health Facilities Evaluator Supervisor at 707-576-6775.

Sincerely,

Dana Forney, RN
District Manager II

Cc Jean Iacino, Deputy Director, Center for Health Care Quality



Appendix E



Welcome to the Report Center!

Select a Division:

Select a Report:

Description: Displays projects at a facility with links to detailed reports.

Facility Number Project Filter

1 of 1 Find | Next

Open Projects By Facility

Facility: 20182 - PACIFIC REHABILITATION & WELLNESS CENTER, LP

Parent Number	Project Number	Project Name	Status	%Complete	Year	Open Date	Due Date	Reports
	P-2013-00349	HVAC System Upgrade	Field Operations in Progress	10%	2013	02/13/2013		AMC/PAD Closure Summary OILS
	S131279-12-00	washer replacement	Pending Field Operations	0%	2013	06/07/2013		AMC/PAD Closure Summary OILS
	S151819-12-00	Dryer Replacement	Pending Construction Start	0%	2015	07/08/2015		AMC/PAD Closure Summary OILS