



ARIZONA DEPARTMENT
OF HEALTH SERVICES

LICENSING

11/02/2021

Receipt Of This Notice is Presumed to be 11/02/2021
Important Notice - Please Read Carefully

Meir Meystel
Sandstone of Tucson Rehab Centre, LLC
2900 East Milber Street
Tucson AZ 85714

Dear Mr. Meystel:

Per your request, enclosed is an amended Nursing Care Institution license number NCI-2643 which reflects the recent ownership change of the facility from Sapphire of Tucson Nursing and Rehab, LLC to Sandstone of Tucson Rehab Centre, LLC, effective November 1, 2021. This license limits the bed capacity of your facility to 240. In accordance with A.R.S. § 36-407(C), this license is only valid for the location indicated on the license.

Please be advised that A.R.S. §36-425(A) requires this license to be conspicuously posted in the reception area of your facility. In addition, A.R.S. §36-422(D) requires the Department to be notified of a change of ownership at least thirty (30) days prior to the effective date.

Per A.R.S. § 36-425(C)(1), "A health care institution license does not expire and remains valid unless...The department subsequently revokes or suspends the license..." Additionally, per A.R.S. § 36-425(C)(2), "The license is considered void because the licensee did not pay the licensing fee before the licensing fee due date."

Should you have any questions or concerns, please contact the Bureau of Long Term Care at (602) 364-2690.

Sincerely,

Diane Eckles
Bureau Chief

DE:mm

Attachments

PROPERTY OF THE
ARIZONA DEPARTMENT OF HEALTH SERVICES

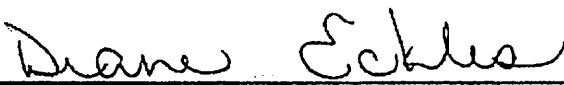


**Sandstone Of Tucson Rehab Centre, Llc, dba
Sandstone Of Tucson Rehab Centre
2900 East Milber Street
Tucson, AZ 85714**


This facility is licensed to operate as a NURSING CARE INSTITUTION

Total Capacity: 240

Effective: November 1, 2021


Recommended By: Diane Eckles, Bureau Chief

License: NCI-2643


Issued By: Colby Bower, Assistant Director

HEALTH AND WELLNESS FOR ALL ARIZONANS

PURSUANT TO A.R.S. §41-1092.11 (A), UPON SUBMITTAL OF A TIMELY AND SUFFICIENT APPLICATION
THIS LICENSE WILL REMAIN IN EFFECT UNTIL REISSUED OR REVOKED
TO BE FRAMED AND DISPLAYED IN A CONSPICUOUS PLACE



ARIZONA DEPARTMENT
OF HEALTH SERVICES

LICENSING

November 2, 2021

**Receipt Of This Notice Is Presumed To Be 09/09/2021
Important Notice - Please Read Carefully**

Meir Meystel
Sandstone of Tucson Rehab Centre, LLC
2900 E Milber Street
Tucson, AZ 85714

RE: Sandstone of Tucson Rehab Centre, LLC - CHOW Application

Dear Applicant:

The Arizona Department of Health Services (Department) has completed an administrative review of the Change of Ownership application (CHOW) and it was determined to be administratively and substantively complete.

Your license will be issued without an initial on-site inspection; however, an on-site compliance inspection will be conducted by a Healthcare Compliance Surveyor at any time during the licensing period.

Please be advised that the licensee is responsible for maintaining compliance with all applicable Arizona Administrative Codes and Statutes (Regulations).

For the Medicare certification of the CHOW, submit the required documentation as specified on the checklist attached.

If you have any questions, please contact the Department at (602) 364-2690 or via email at ltc.licensing@azdhs.gov.

Sincerely,

A handwritten signature in blue ink that reads "Diane Eckles".

Diane Eckles
Bureau Chief

DE:mm

Attachment

Douglas A. Ducey | Governor Don Herrington | Interim Director

150 North 18th Avenue, Suite 440, Phoenix, AZ 85007-3247 P | 602-364-2690 F | 602-324-0993
W | azhealth.gov

Health and Wellness for all Arizonans

Change of Ownership Medicare Documents Checklist

- _____ CMS 855A Complete Medicare Enrollment Application
- _____ HH690 <https://www.hhs.gov/sites/default/files/form-hhs690.pdf>
- _____ Medicare Administrative Contractor (MAC) Recommendation Letter
- _____ CMS 1561 - Health Insurance Benefit Agreement
- _____ CMS 671 - Long Term Care Facility Application for Medicare and Medicaid
- _____ CMS 672 - Resident Census and Conditions of Residents



ARIZONA DEPARTMENT
OF HEALTH SERVICES

LICENSING

October 27, 2021

Receipt Of This Notice Is Presumed To Be 10/27/2021
Important Notice - Please Read Carefully

Meir Meystel
c/o Elevate Care
4655 W. Chase Avenue
Lincolnwood, Illinois 60712

Dear Applicant:

RE: CHOW application

The Arizona Department of Health Services (Department) has completed an administrative review of the Change of Ownership application (CHOW). The following information and/or documentation is required to complete the CHOW application:

- _____ Fully executed Lease Agreement; applicable dates and signatures
- _____ Bill of Sale or other documents verifying sale

If you have any questions about the change of ownership process, please contact the Bureau of Long Term Care at (602) 364-2690

Sincerely,

A handwritten signature in blue ink that reads "Monica Miller".

Monica Miller
Program Project Specialist II

Douglas A. Ducey | Governor Don Herrington | Interim Director

150 North 18th Avenue, Suite 440, Phoenix, AZ 85007-3247 P | 602-364-2690 F | 602-324-0993

W | azhealth.gov

Health and Wellness for all Arizonans

OCTOBER 9, 2021

direct dial: 847-745-6931
e-mail: sprizant@gutnicki.com

ARIZONA DEPARTMENT OF HEALTH
DIVISION OF PUBLIC HEALTH
LICENSING

OCT 12 2021

LONG TERM CARE
150 N. 18TH AVE # 440
PHOENIX, AZ 85007

Monica Miller
Arizona Department of Health Services
Bureau of Long Term Care Licensing
150 North 18th Avenue Ste. 440
Phoenix, Arizona 85007

re: Change of Ownership Application for skilled nursing facility currently known as
Sapphire of Tucson Nursing and Rehab (license no. NCI-2643)

Dear Monica,

OCTOBER 9, 2021

Enclosed are the documents listed below for a change of ownership at the captioned skilled nursing facility, which is expected to take place in November 2021. The applicant and new licensee is **Sandstone of Tucson Rehab Centre, LLC** who will operate the facility as **Sandstone of Tucson Rehab Centre** from and after the closing date:

1. Initial License Application for a Health Care Institution
2. Letter of Intent previously submitted by the seller
3. Applicant's Articles of Organization
4. Applicant's EIN notice from the IRS
5. Floor Plans
6. Results of Annual Fire Alarm and Signaling Inspection
7. LNHA license of the Administrator
8. Lease Agreement between Applicant and current landowner who will not be changing.

A check covering the fees along with a Remittance Form will follow separately. The following will be forwarded as soon as they are available:

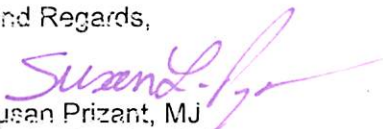
- a. If needed, a Fire Safety Operational Permit
- b. Bill of Sale or its equivalent following the closing to evidence the transfer has occurred.

Please let me know that the enclosed items are complete from an administrative completeness perspective, and if approved following the substantive review, will be sufficient to permit a facility license to be issued to **Sandstone of Tucson Rehab Centre, LLC** to operate the facility.

The applicant has asked that you be informed that no new construction or architectural changes have been made to the property since the Department issued the most recent renewal of the license to *Sapphire of Tucson Nursing and Rehab*.

Please contact me directly at the e-mail address or phone number shown above with questions about the application.

Kind Regards,


Susan Prizant, MJ
Senior Paralegal

CHOW -
LTC-0053; NCI-2643



INITIAL LICENSE APPLICATION FOR A HEALTH CARE INSTITUTION

ARIZONA DEPARTMENT OF HEALTH SERVICES

PUBLIC HEALTH LICENSING SERVICES - BUREAU OF LONG TERM CARE FACILITIES LICENSING

In accordance with A.R.S. §41-1030

- B. An agency shall not base a licensing decision in whole or in part on a licensing requirement or condition that is not specifically authorized by statute, rule or state tribal gaming compact. A general grant of authority in statute does not constitute a basis for imposing a licensing requirement or condition unless a rule is made pursuant to that general grant of authority that specifically authorizes the requirement or condition.
- D. This section may be enforced in a private civil action and relief may be awarded against the state. The court may award reasonable attorney fees, damages and all fees associated with the license application to a party that prevails in an action against the state for a violation of this section.
- E. A state employee may not intentionally or knowingly violate this section. A violation of this section is cause for disciplinary action or dismissal pursuant to the Agency's adopted personnel policy.
- F. This section does not abrogate the immunity provided by section 12-820.01 or 12-820.02.

OCT 12 2021

I. HEALTH CARE INSTITUTION INFORMATION

Name of Health Care Institution: <u>Sandstone of Tucson Rehab Centre</u>		Tax ID No.
Street Address: <u>2900 EAST MILBER STREET</u>		
City: <u>TUCSON</u>	State: <u>AZ</u>	Zip Code: <u>85714</u>
Mailing Address: <u>2900 EAST MILBER STREET</u>		
City: <u>Tucson</u>	State: <u>AZ</u>	Zip Code: <u>85714</u>
Phone No. <u>(520) 294-0005</u>	Fax No. <u>520-294-0076</u>	E-mail: <u>Mcohen@Sandstonehc.com</u>

Class: <u>Nursing Care Institution</u>
--

If a facility that is not required to comply with A.A.C. R9-1-412, indicate licensed capacity: <u>240</u>

Is the health care institution located within ¼ mile of agricultural land? YES NO

If yes, the name and address of each owner or lessee of agricultural land regulated under A.R.S. § 3-365.

Name of owner or lessee of agricultural land: n/a

Street Address: _____

City: _____ State: _____ Zip Code: _____

Name of owner or lessee of agricultural land: n/a

Street Address: _____

City: _____ State: _____ Zip Code: _____

SUBMIT, for each owner or lessee identified, a copy of the written agreement between the applicant and the owner or lessee of the agricultural land as prescribed in A.R.S. § 36-421(D).



INITIAL LICENSE APPLICATION FOR A HEALTH CARE INSTITUTION
 ARIZONA DEPARTMENT OF HEALTH SERVICES
 PUBLIC HEALTH LICENSING SERVICES – BUREAU OF LONG TERM CARE FACILITIES LICENSING

Is the health care institution located in a leased facility? YES NO

If yes, provide a copy of the lease showing the rights and responsibilities of the parties and exclusive rights of possession of the leased facility.

Is the health care institution ready for a licensing inspection by the Department? YES NO

If no, indicate the date the health care institution will be ready for a licensing inspection: _____

Health care institution's days and hours of operation:
 Sun 24 Mon 24 Tues 24 Wed 24 Thurs 24 Fri 24 Sat 24

Is health care institution accredited? YES NO

Name of accrediting organization (must be from a nationally recognized organization):
n/a

SUBMIT, if applicable, a copy of the full accreditation report and cover letter.

Is health care institution requesting certification under Title XIX of the Social Security Act? YES NO

II. OWNER INFORMATION

The owner is a (select one):

Sole proprietorship Corporation Partnership

Limited liability partnership Limited liability company Governmental agency

Owner's Name: Sandstone of Tucson Rehab Centre, LLC

Street Address: 2900 EAST MILBER STREET

City: Tucson State: AZ Zip Code: 85714

Phone No. (520) 294-0005 Fax #: 520-294-0076 Email: mcohen@sandstonehc.com

ARIZONA DEPARTMENT OF HEALTH
 DIVISION OF PUBLIC HEALTH
 LICENSING

OCT 20 2021

LONG TERM CARE
 150 N. 18TH AVE # 440
 PHOENIX, AZ 85007



INITIAL LICENSE APPLICATION FOR A HEALTH CARE INSTITUTION
ARIZONA DEPARTMENT OF HEALTH SERVICES
PUBLIC HEALTH LICENSING SERVICES – BUREAU OF LONG TERM CARE FACILITIES LICENSING

<p>Is the health care institution located in a leased facility? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO</p> <p>If yes, provide a copy of the lease showing the rights and responsibilities of the parties and exclusive rights of possession of the leased facility.</p>
<p>Is the health care institution ready for a licensing inspection by the Department? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO</p> <p>If no, indicate the date the health care institution will be ready for a licensing inspection: _____</p>
<p>Health care institution's days and hours of operation:</p> <p>Sun <u>24</u> Mon <u>24</u> Tues <u>24</u> Wed <u>24</u> Thurs <u>24</u> Fri <u>24</u> Sat <u>24</u></p>
<p>Is health care institution accredited? <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO</p> <p>Name of accrediting organization (must be from a nationally recognized organization):</p> <p><u>n/a</u></p> <p>SUBMIT, if applicable, a copy of the full accreditation report and cover letter.</p>
<p>Is health care institution requesting certification under Title XIX of the Social Security Act? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO</p>

II. OWNER INFORMATION

<p>The owner is a (select one):</p> <table style="width: 100%;"><tr><td><input type="checkbox"/> Sole proprietorship</td><td><input type="checkbox"/> Corporation</td><td><input type="checkbox"/> Partnership</td></tr><tr><td><input type="checkbox"/> Limited liability partnership</td><td><input checked="" type="checkbox"/> Limited liability company</td><td><input type="checkbox"/> Governmental agency</td></tr></table>	<input type="checkbox"/> Sole proprietorship	<input type="checkbox"/> Corporation	<input type="checkbox"/> Partnership	<input type="checkbox"/> Limited liability partnership	<input checked="" type="checkbox"/> Limited liability company	<input type="checkbox"/> Governmental agency
<input type="checkbox"/> Sole proprietorship	<input type="checkbox"/> Corporation	<input type="checkbox"/> Partnership				
<input type="checkbox"/> Limited liability partnership	<input checked="" type="checkbox"/> Limited liability company	<input type="checkbox"/> Governmental agency				
<p>Owner's Name: <u>Sandstone of Tucson Rehab Centre, LLC</u></p> <p>Street Address: <u>2900 EAST MILBER STREET</u></p> <p>City: <u>Tucson</u> State: <u>AZ</u> Zip Code: <u>85714</u></p> <p>Phone No. <u>(520) 294-0005</u> Fax #: <u>520-294-0076</u> Email: <u>FFrankel@aperioncare.com</u></p>						



INITIAL LICENSE APPLICATION FOR A HEALTH CARE INSTITUTION
ARIZONA DEPARTMENT OF HEALTH SERVICES
PUBLIC HEALTH LICENSING SERVICES – BUREAU OF LONG TERM CARE FACILITIES LICENSING

If the owner is a partnership or a limited liability partnership, the name of each partner;
If the owner is a limited liability company, the name of the designated manager or , if no manager is designated, the names of any two members of the limited liability company;
If the owner is a corporation, the name and title of each corporate officer; or
If the owner is a governmental agency, the name and title of the individual in charge of the governmental agency or the name of an individual in charge of the health care institution designated in writing by the individual in charge of the governmental agency:

Name: <u>Sandstone Healthcare Group Inc.</u>	Title: <u>Manager</u>
Name: <u>Meir Meystel</u>	Title: <u>Manager of the Manager</u>
Name: <u>Michael Cohen</u>	Title: <u>Manager of the Manager</u>

SUBMIT, if applicable, a copy of the owner’s articles of incorporation, partnership or joint venture documents, or limited liability documents.

Has the owner or any person with 10% or more business interest in the health care institution had a license to operate a health care institution denied, revoked, or suspended? YES NO
If yes, indicate:
The reason for denial, revocation, or suspension:

The date of the denial, revocation, or suspension:

The name and address of the licensing agency that denied, revoked, or suspended the license :



INITIAL LICENSE APPLICATION FOR A HEALTH CARE INSTITUTION
ARIZONA DEPARTMENT OF HEALTH SERVICES
PUBLIC HEALTH LICENSING SERVICES – BUREAU OF LONG TERM CARE FACILITIES LICENSING

Has the owner or any person with 10% or more business interest in the health care institution had a health care professional license or certificate denied, revoked, or suspended? YES NO

If yes, indicate:

The reason for denial, revocation, or suspension:

The date of the denial, revocation, or suspension: _____

The name and address of the licensing agency that denied, revoked, or suspended the license or certification:

What is the health care institution's proposed scope of services?

skilled nursing and related services

Does the applicant agree to allow the Department to submit supplemental requests for information under A.A.C. R9-10-108(C)(2)? YES NO



INITIAL LICENSE APPLICATION FOR A HEALTH CARE INSTITUTION

ARIZONA DEPARTMENT OF HEALTH SERVICES

PUBLIC HEALTH LICENSING SERVICES – BUREAU OF LONG TERM CARE FACILITIES LICENSING

III. SUPPLEMENTAL APPLICATION – NURSING CARE INSTITUTIONS

ARIZONA DEPARTMENT OF HEALTH
DIVISION OF PUBLIC HEALTH
LICENSING

OCT 20 2021

LONG TERM CARE
150 N. 18TH AVE # 440
PHOENIX, AZ 85007

Does the nursing care institution have a secured area for a resident with Alzheimer's disease or other dementia?

YES NO

Does the nursing care institution have an area for a resident on a ventilator?

YES NO

Services provided (select all those that apply):

- Behavioral Health Services
- Radiology Services and Diagnostic Imaging Services
- Respiratory Care Services
- Clinical Laboratory Services
- Rehabilitation Services
- Dialysis Services

If applicable, name of the individual in charge of proposed nutrition and feeding assistant training program:

Deborah Burnham

For each topic listed below, provide the information presented for each, the amount of time allotted to each, the skills an individual is expected to acquire for each, the testing method used to verify an individual has acquired the stated skills for each, and copies of the materials used during training in each:

- | | |
|---|--|
| a. Feeding techniques; | f. Infection control; |
| b. Assistance with feeding and hydration; | g. Resident rights; |
| c. Communication and interpersonal skills; | h. Recognizing a change in a resident that is inconsistent with the resident's normal behavior; or |
| d. Appropriate responses to resident behavior; | i. Reporting a change in subsection (h) to a nurse at a nursing care institution. |
| e. Safety and emergency procedures, including the Heimlich maneuver | |

IV. FEES

SUBMIT applicable fees required by R9-10-106. All fees are non-refundable except as provided in A.R.S. § 41-1077.

V. STATUTORY AGENT OR INDIVIDUAL WHO ACCEPTS SERVICE OF PROCESS AND SUBPOENAS

Name: Vcorp Services, LLC Title: Agent

Street Address: 3800 N Central Ave, Ste 460

City: Phoenix State: AZ Zip Code: 85012

Phone No. 800-528-2677 ext 2

VI. GOVERNING AUTHORITY

Name: LLC Manager is Sandstone Healthcare Group, Inc. who is managed by Meir Meystel and Michael Cohen

Street Address: 4655 W. Chase Ave.

City: Lincolnwood State: IL Zip Code: 60712



INITIAL LICENSE APPLICATION FOR A HEALTH CARE INSTITUTION
 ARIZONA DEPARTMENT OF HEALTH SERVICES
 PUBLIC HEALTH LICENSING SERVICES – BUREAU OF LONG TERM CARE FACILITIES LICENSING

VII. CHIEF ADMINISTRATIVE OFFICER

Name: <u>William Amoureux</u>	Title: <u>Administrator</u>
Highest Educational Degree: <u>Masters of Public Health</u>	
<p>Work experience related to the health care institution class or subclass related to licensing requested: Has held Administrator or ED positions in healthcare facilities since 2002</p>	

VIII. SIGNATURES

A.R.S. §36-422(B) states an initial licensing application filed shall contain the written or electronic signature of:	
<ol style="list-style-type: none"> 1. If the applicant is an individual, the owner of the health care institution. 2. If the applicant is a partnership or corporation, two of the partnership's or corporation's officers. 3. If the applicant is a governmental agency, the head of the governmental agency. 	
<hr style="border: 0; border-top: 1px solid black;"/> <p align="center">Signature</p>	<hr style="border: 0; border-top: 1px solid black;"/> <p align="center">Authorized Signatory</p> <hr style="border: 0; border-top: 1px solid black;"/> <p align="center">Title</p>
<hr style="border: 0; border-top: 1px solid black;"/> <p align="center">Signature</p>	<hr style="border: 0; border-top: 1px solid black;"/> <p align="center">Title</p>



INITIAL LICENSE APPLICATION FOR A HEALTH CARE INSTITUTION
ARIZONA DEPARTMENT OF HEALTH SERVICES
PUBLIC HEALTH LICENSING SERVICES – BUREAU OF LONG TERM CARE FACILITIES LICENSING

IX. ADDITIONAL DOCUMENTATION

Is the health care institution required to comply with physical plant codes and standards incorporated by reference in A.A.C. R9-1-412?

YES NO

If yes, provide documentation of the health care institution’s architectural plans and specifications approval in R9-10-104. If no, provide one of the following:

- Documentation from the local jurisdiction of compliance with local building codes and zoning ordinances; or
- If documentation from the local jurisdiction is not available, documentation of the unavailability of the local jurisdiction compliance and documentation of a general contractor’s inspection of the facility that states the facility is safe for occupancy as the applicable health care institution class or subclass;
- The licensed capacity requested by the applicant for the health care institution: 240
- If applicable, the licensed occupancy requested by applicant: 240
- A site plan showing each facility, the property lines of the health care institution, each street and walkway adjacent to the health care institution, parking for the health care institution, fencing and each gate on the health care institution premises, and if applicable, each swimming pool on the health care institution premises; and
- A floor plan showing, for each story of a facility, the room layout, room usage, each door and each window, plumbing fixtures, each exit, and the location of each fire protection device.

SHER, LLP

5750 OLD ORCHARD ROAD, SUITE 420

SKOKIE, ILLINOIS 60077

SHERLEGAL.COM

(847) 324-7990

September 30, 2021

Bureau of Long Term Care Licensing
Arizona Department of Health Services
150 North 18th Avenue, Suite 440
Phoenix, Arizona 85007

Re: Transferor's Notification of Transfer of Operations

To Whom It May Concern:

Our office represents Sapphire of Tucson Nursing and Rehab, LLC ("**Transferor**"), the current licensed operator of the 240 bed skilled nursing facility commonly known as Sapphire of Tucson Nursing and Rehabilitation, 2900 East Milber Street, Tucson, Arizona 85714 (the "**Facility**"). The administrator of the Facility is Elma Petkovic.

Transferor intends to transfer operations at the Facility to Sandstone of Tucson Rehab Centre, LLC ("**Transferee**") and Transferor and Transferee anticipate that the transfer of operations will occur on or after November 1, 2021.

This correspondence is intended to satisfy the notification requirements of A.R.S. § 36-422(D) with respect to a transfer of operations of the Facility. Please contact me regarding any questions that arise in connection with this correspondence.

Sincerely,



Jaret Glazer

ARIZONA DEPARTMENT OF HEALTH
DIVISION OF PUBLIC HEALTH
LICENSING

OCT 4 - 2021

LONG TERM CARE
150 N. 18TH AVE # 440
PHOENIX, AZ 85007

State of Arizona

Board of Examiners of Nursing Care Institution Administrators and
Assisted Living Facility Managers

This is to certify

William P Amoureux

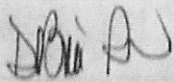
Has been granted license number 01635 as a

Licensed Nursing Care Institution Administrator

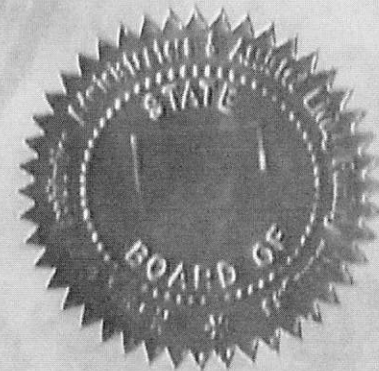
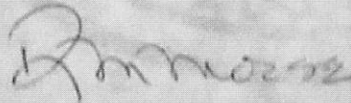
*Having qualified under A.R.S. Title 36, Chapter 4, Article 6, for certification as a licensed nursing care institution administrator,
and is entitled to practice nursing care institution administration in the State of Arizona as of September 11, 2009*

This license expires on

June 30, 2010



President



THIS CERTIFIES THAT
William P Amoureux
IS THE HOLDER OF LICENSE NUMBER
01635

Expires June 30, 2010
Arizona Board of Examiners of
Nursing Care Institution Administrators and
Assisted Living Facility Managers



**BOARD OF EXAMINERS OF NURSING CARE INSTITUTION ADMINISTRATORS AND
ASSISTED LIVING FACILITY MANAGERS**

Douglas A. Ducey
Governor

1740 West Adams Street, Suite 2490 Phoenix, Arizona 85007
Phone: (602)364-2374 Fax: (602)542-8316
Email: allen.imig@aznciboard.us Website: www.aznciboard.us

Allen Imig
Executive Director

RENEWAL RECEIPT

Licensee Name: William P Amoureux

Licensee Address:

7700 E Edison St

Tucson, AZ 85715-4251

bill@sazhealth.com

License Type: Nursing Care Institution Administrator

License Number: NCA-001635

Date Processed: June 5, 2020

<p>BOARD OF EXAMINERS OF NURSING CARE INSTITUTION ADMINISTRATORS AND ASSISTED LIVING FACILITY MANAGERS LICENSE RENEWAL</p> <p>William P Amoureux</p> <p>License Number NCA-001635</p> <p>License Type Nursing Care Institution Administrator</p> <p>Expires on 06/30/2022</p>
--

FIRST AMENDMENT TO LEASE AGREEMENT

This **FIRST AMENDMENT TO LEASE AGREEMENT** (the “**Amendment**”), dated and effective as of November 1, 2021 (the “**Effective Date**”), is by and between **SAPPHIRE OF TUCSON PROPERTIES, LLC**, an Arizona limited liability company (the “**Lessor**”), and **SANDSTONE OF TUCSON REHAB CENTRE, LLC**, an Arizona limited liability company (the “**Lessee**”).

RECITALS

A. Lessor and Lessee previously entered into that certain Lease Agreement dated as of August 27, 2021 (the “**Lease**”) for the property located at 2900 East Milber Street, Tucson, Arizona 85714 (the “**Facility**”), and as further described in the Lease.

B. Lessor and Lessee desire to amend the Lease as set forth in this Amendment.

AGREEMENT

NOW, THEREFORE, in consideration of the above recitals (which are expressly incorporated herein), and other good and valuable consideration, the parties covenant and agree as follows:

1. **Amendments.**

a. The phrase “October 1, 2021” in Section 2.1 is hereby replaced with “November 1, 2021.”

b. Section 8.6 is hereby deleted in its entirety and replaced with the following:

“8.6 Any insurance proceeds as may be paid to Lessee and Lessor, shall be governed by the Loan Documents or if no Loan Documents, then deposited with Lessor to be held and disbursed for the repairing, rebuilding, restoring or replacing of the Demised Premises or any portion thereof, or any improvements from time to time situated thereon or therein in accordance with Sections 8.7 and 8.8 hereof, or with the pertinent provisions of the Loan Documents.”

c. The following sentence is hereby inserted at the conclusion of Section 8.7:

“This Section 8.7 is subject to the pertinent provisions of the Loan Documents.”

d. The following sentence is hereby inserted at the conclusion of Section 8.8:

“This Section 8.8 is subject to the pertinent provisions of the Loan Documents.”

e. Section 10.2 is hereby deleted in its entirety and replaced with the following:

{00243935 /1153/4}

ARIZONA DEPARTMENT OF HEALTH
DIVISION OF PUBLIC HEALTH
LICENSING

NOV 02 2021

LONG TERM CARE
150 N. 18TH AVE # 440
PHOENIX, AZ 85007

“10.2 In the event that any part of the improvements located on the Demised Premises or the Personal Property shall be damaged or destroyed by fire or other casualty (any such event, being called a “Casualty”), Lessee shall promptly replace, repair and restore the same as nearly as possible to the condition it was in immediately prior to such Casualty, in accordance with all the terms, covenants and conditions and other requirements of this Lease and the Loan Documents applicable in the event of such Casualty, provided that Lessee shall have access to any insurance proceeds in connection with the Restoration. The Demised Premises and the Personal Property shall be so replaced, repaired and restored as to be of at least equal value and substantially the same character as on the Commencement Date. If the estimated cost of any such restoring, replacing or repairing is One Hundred Thousand Dollars (\$100,000) or more, the plans and specifications for same shall be first submitted to and approved by Lessor in writing, which approval shall not be unreasonably withheld or delayed, and Lessee shall select an independent architect or engineer approved by Lessor (which approval shall not be unreasonably withheld or delayed) who shall be in charge of such repairing, restoring or replacing. Upon the demand of Lessor, Lessee shall deposit with a nationally recognized title insurance company, prior to the commencement of any such repairing, restoring or replacing, the total estimated cost thereof less the insurance proceeds and amounts required to be contributed by Lessor, if any, and disbursements shall be made pursuant to the terms of Section 8.8 hereof. Lessee covenants that it will give to Lessor prompt written notice of any Casualty affecting the Demised Premises in excess of One Hundred Thousand Dollars (\$100,000). Subject to the Loan Documents, any insurance proceeds with respect to a Casualty in excess of amounts required to repair the Facility, as well as any award with respect to a condemnation of any of portion of the Demised Premises, shall be the property of Lessor.”

f. Section 17.2 of the Lease is hereby deleted in its entirety.

g. The phrase “19.1” in Section 18.1(b) is hereby replaced with “18.1.”

h. Section 18.1(t) of the Lease is hereby deleted in its entirety.

i. Section 19.1 is hereby deleted in its entirety and replaced with the following:

“19.1 Anything to the contrary stated herein notwithstanding, Lessee shall have the right upon written notice thereof to Lessor, to contest by appropriate administrative or legal proceedings, diligently conducted in good faith, the validity or application of any law, ordinance, regulation or rule mentioned herein, and to delay compliance therewith pending the prosecution of such proceedings, including, without limitation, any proceeding pursuant to Sections 18.1(r) or 18.1(s) above. Notwithstanding anything to the contrary contained herein, despite the existence and continuance of an Event of Default as a result of such contest pursuant to this Section 19.1, Lessor shall not pursue any remedies arising solely

from the occurrence of such Event of Default hereunder as determined by Lessor in its sole discretion; provided, that during said contest: (a) no civil or criminal liability would thereby be incurred by Lessor and no lien or charge would thereby be imposed upon or satisfied out of the Demised Premises; (b) there continues during the course of such contest authority to continue operations of the Demised Premises as a nursing home (which may be temporary or provisional); (c) such situation does not cause Lessor to be in default under any of the Loan Documents; and (d) such Event of Default does not jeopardize the License or the Provider Agreements, or the operations, certifications or value of the Demised Premises and the Personal Property.”

j. Section 23.1 is hereby deleted in its entirety and replaced with the following:

“23.1 Subject to the Loan Documents and Lender’s first priority lien and security interest, Lessor shall have a subordinate lien on every right and interest of Lessee in and to this Lease, and on any of Lessee’s accounts receivable, furnishings, equipment, or fixtures, general intangibles, inventory, goods or property of any kind belonging to Lessee and located at or used in connection with the Facility (“**Lessor’s Lien**”). Notwithstanding the foregoing, Lessor’s Lien (other than on the License, Provider Agreements and furniture, fixtures and equipment) shall be subject and subordinate to any lien thereon granted by Lessee from time to time to any institutional lender in connection with Lessor’s Loan Documents or for working capital to be utilized solely for operation of the Facility and to all renewals, modifications, extensions and replacements thereof if such lender enters into an intercreditor agreement satisfactory to Lessor, Lessor’s Lender and such institutional lender. Lessor agrees to prepare and file, or consent to the filing of, within five (5) days following Lessee’s request therefor, such financing statements or other instruments as may be reasonably requested by Lessee or Lender to evidence or effect subordination of Lessor’s Lien to the lien of Lender or the institutional lender described above. Any financing statement evidencing or perfecting Lessor’s Lien shall expressly provide for such subordination with respect to Lessee’s accounts receivable, or personal property of any kind. Such lien is granted for the purpose of securing the payments of Rent, charges, penalties, and damages herein covenanted to be paid by Lessee, and for the purpose of securing the performance of all of Lessee’s obligations under this Lease. Such lien shall be in addition to all rights to Lessor given and provided by law. This Lease shall constitute a security agreement under the Uniform Commercial Code granting Lessor a security interest in such furnishings, equipment, fixtures, general intangibles, inventory, goods or property of any kind and accounts receivable, and upon the request by Lessor, Lessee shall prepare and file, or consent to the filing of, such financing statements and other documents reasonably required to perfect such security interest, which documents shall be filed or recorded at the expense of Lessee.

k. The following Section 34.14 is hereby inserted in the Lease:

{00243935 /1153/4}

“34.14 This Section 34 shall be subject to the Loan Documents in all respects.”

2. **Miscellaneous.** Except as modified by this Amendment, the Lease remains unchanged, valid, and in full force and effect. In the event of any ambiguity or inconsistency between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall control. Captions are included for convenient reference only. Terms capitalized herein, but not defined in this Amendment, shall be given the respective meanings ascribed to them in the Lease. This Amendment shall bind and inure to the benefit of the successors and assigns of the parties. Neither party shall be deemed the drafter of this Amendment. This Amendment shall be governed by Arizona law without regard to conflict of laws principles.


3. **PDF/Counterparts.** This Amendment may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and same agreement binding upon the parties, notwithstanding that all the parties are not signatories to the same counterpart. In order to facilitate the finalization of this Amendment, the parties agree that signatures transmitted by facsimile machine or signatures transmitted via e-mail in a "PDF" format may be used in place of original signatures on this Amendment. Each party intends to be bound by such party's facsimile or "PDF" format signature on this Amendment, is aware that the other parties are relying on such party's facsimile or "PDF" format signature, and hereby waives any defenses to the enforcement of this Amendment based upon the form of signature.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the Effective Date.

LESSOR:

**SAPPHIRE OF TUCSON
PROPERTIES, LLC, an Arizona limited
liability company**

By: 
Name: Elisha Atkin
Its: Manager

LESSEE:

**SANDSTONE OF TUCSON REHAB
CENTRE, LLC, an Arizona limited
liability company**

By: _____
Name: Meir Meystel
Its: Authorized Signatory

GENERAL ASSIGNMENT

THIS ASSIGNMENT, is made as of the 1st day of November, 2021, by Sapphire of Tucson Nursing and Rehab, LLC, an Arizona limited liability company ("Assignor"), to Sandstone of Tucson Rehab Centre, LLC, an Arizona limited liability company ("Assignee").

WITNESSETH:

WHEREAS, by Operations Transfer Agreement (the "OTA"), dated as of August 27, 2021, by and among Assignor and Assignee, Assignor agreed to sell to Assignee certain personal property and such other assets, as more fully described in the OTA (the "Transferred Assets") (capitalized terms used herein and not otherwise defined shall have the meaning ascribed to them in the OTA); and

WHEREAS, the OTA provides, inter alia, that Assignor shall assign to Assignee, the Permits, the Resident Trust Funds and Property, the Warranties, the Assumed Contracts, the resident contracts and agreements and such other items applicable to the Transferred Assets, as more fully provided in the OTA;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby agree as follows:

1. **Transfer of Permits.** To the extent permitted by law, Assignor hereby assigns, sets over and transfers to Assignee all of Assignor's right, title and interest in, to and under the Permits.
2. **Transfer of Warranties.** To the extent permitted by law, Assignor hereby assigns, sets over and transfers to Assignee all of Assignor's right, title and interest in, to and under the Warranties.
3. **Transfer of Resident Trust Funds and Property.** To the extent permitted by law, Assignor hereby assigns, sets over and transfers to Assignee, all of Assignor's right, title and interest in, to and under the Resident Trust Funds and Property.
4. **Contracts.** To the extent permitted by law and the terms thereof, Assignor hereby assigns, sets over and transfers to Assignee, all of Assignor's right, title and interest in, to the Assigned Contracts, as well as all contracts and agreements with residents of the Facility.
5. **Assumption.** Assignee hereby accepts the foregoing assignments set forth in Sections 1, 2, 3, and 4 hereof, and will assume performance of all of the obligations of Assignor arising or accruing under the Permits, the Patient Trust Funds and Property, the Warranties, the Assumed Contracts, the resident contracts and agreements and such other items applicable to the Transferred Assets from and after the Effective Date that are to be performed by Assignor, provided, that said assignment and assumption shall in all respects be subject to the terms of the OTA with regard to the rights and obligations of each of the parties hereto with respect to the items assigned hereunder, and in the event that any term of this Assignment shall contradict the OTA, the OTA shall control.
5. **Miscellaneous.** This Assignment and the obligations of Assignor and Assignee hereunder

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ARIZONA DEPARTMENT OF HEALTH
DIVISION OF PUBLIC HEALTH
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shall survive the closing of the transactions referred to in the OTA shall be binding upon and inure to the benefit of Assignor and Assignee, and their respective successors and assigns, shall be governed by and construed in accordance with the laws of the State of Arizona and may not be modified or amended in any manner other than by a written agreement signed by the party to be charged therewith.

(Signatures on following page)

IN WITNESS WHEREOF, Assignor has duly executed this Assignment as of the day and year first above written.

ASSIGNOR

Sapphire of Tucson Nursing and Rehab, LLC,
an Arizona limited liability company

By: 
Name: Elisha Atkin
Its: Manager

ASSIGNEE

Sandstone of Tucson Rehab Centre, LLC,
an Arizona limited liability company

By: _____
Name: _____
Its: _____

LEASE AGREEMENT

THIS LEASE AGREEMENT (this “Lease”) is made and entered into as of the 27th day of August, 2021 by and between **Sapphire of Tucson Properties, LLC**, an Arizona limited liability company (“Lessor”), and **Sandstone of Tucson Rehab Centre, LLC**, an Arizona limited liability company (“Lessee”).

RECITALS:

A. Lessor owns fee simple title in and to Sapphire of Tucson Nursing and Rehabilitation, 2900 East Milber Street, Tucson, Arizona 85714, which is more particularly described on **Exhibit A**, attached hereto and made a part hereof (collectively, the “**Demised Premises**”), and the furnishings, furniture, equipment and fixtures used in or about the Demised Premises (“**Personal Property**”). The 240 bed skilled nursing facility located on the Demised Premises is the “**Facility**.”

B. Lessor desires to lease the Demised Premises and Personal Property to Lessee and Lessee desires to lease the Demised Premises and Personal Property from Lessor.

C. Lessor and Milber St. Property, LLC, an Arizona limited liability company (“**Optionee**”), an affiliate of Lessee, have contemporaneously herewith entered into that certain Purchase Option Agreement (the “**Purchase Option**”) pursuant to which Optionee has been granted the option to purchase the Demised Premises upon the terms set forth therein. The Purchase Option shall be cross-defaulted with this Lease.

D. Lessor has existing financing pursuant to a mortgage loan (the “**Loan**”) from Greystone Servicing Company, LLC (“**Lender**”), per the terms of a loan agreement (the “**Loan Agreement**”), entered into by Lessor and Lender. Such Loan Agreement, together with such other documents evidencing or securing Lender’s Loan to Lessor, as may be amended, restated, modified, or extended from time to time, as well as any documents with respect to a loan obtained to refinance the Loan or any subsequent loan are referred to herein, collectively, as the “**Loan Documents**”, and any loan with respect to the foregoing also deemed a “**Loan**” hereunder and any lender with respect to the foregoing also deemed a “**Lender**” hereunder.

E. The parties hereto have agreed to the terms and conditions of this Lease.

AGREEMENT:

NOW THEREFORE, in consideration of the above Recitals which are incorporated herein by this reference and of the mutual covenants, agreements and undertakings hereinafter set forth, it is agreed that the use and occupancy of the Demised Premises, and the use of the Personal Property shall be subject to and in accordance with the terms, conditions and provisions of this Lease.

ARTICLE I - DEMISED PREMISES AND PERSONAL PROPERTY

1.1 Lessor, for and in consideration of the rents, covenants and agreements hereinafter reserved, mentioned and contained on the part of the Lessee, its successors and

assigns, to be paid, kept and performed, does hereby lease unto Lessee the Demised Premises together with the Personal Property to be used in and upon the Demised Premises for the term hereinafter specified, for use and operation therein and thereon of a skilled nursing facility, in substantial compliance with all the rules and regulations and minimum standards applicable thereto, as prescribed by the State of Arizona and such other governmental authorities having jurisdiction thereof.

ARTICLE II - TERM OF LEASE

2.1 The term of this Lease shall begin and be effective as of _____, 2021 (the "**Commencement Date**") (per the Commencement Date Rider attached hereto as EXHIBIT D hereto) and shall expire on the day prior to the ten (10) year anniversary of the Commencement Date (the "**Initial Term**"), unless sooner terminated or extended as hereinafter provided. Lessee shall have the option to extend the Initial Term for two (2) successive terms of five (5) years each (each a "**Renewal Term**"), upon written notice to Lessor not less than one hundred fifty (150) days prior to the end of the Initial Term or the end of the then-current Renewal Term, but only if Lessee is not in default hereunder or under the Purchase Option at the time of such election. Each Renewal Term shall be subject to all of the terms, provisions, conditions and requirements of this Lease. The Initial Term, together with any and all Renewal Terms, are collectively referred to herein as the "**Term**."

ARTICLE III - RENT

3.1 Lessee shall pay to Lessor, or as Lessor shall direct, without demand, deduction or offset for any reason whatsoever except as herein specifically provided, as fixed monthly base the amounts listed in Schedule 3.1 ("**Base Rent**") for the Demised Premises and the Personal Property over and above all other and additional payments to be made by Lessee as provided in this Lease. Notwithstanding anything to the contrary contained herein, Base Rent will not be less than an amount equal to 1.05 times the sum of the monthly principal and interest payments, the MIP Escrow, replacement reserves, property and liability insurance escrows and the real estate escrows, if any, due in the next calendar month under the Loan (such required amount, the "**Lender Rent Requirement**"). All payments of Rent (as hereinafter defined), together with any and all tax and insurance deposits provided for in this Lease, shall be paid in advance on the first day of each month. Unless otherwise notified in writing, Lessor directs Lessee to deliver all rental payments payable to Lessor, as directed by Lessor.

3.2 This Lease is and shall be deemed and construed to be a triple net lease and the Base Rent specified herein shall be net to Lessor in each year during the Term of this Lease. The Lessee shall pay all costs, expenses and obligations (ordinary and extraordinary) of every kind whatsoever relating to the Demised Premises and the Personal Property which may arise or become due during the Term of this Lease (the "**Additional Rent**"), including, but not limited to, the payment of property taxes as provided in Articles V and VI of this Lease, the maintenance of insurance policies as provided in Article VIII of this Lease, maintenance and repairs to the Demised Premises and Facility required by Lender or to maintain the same in the same condition as of the commencement of the Lease excepting reasonable wear and tear as providing in Article X of this Lease, funding any monthly repair reserves required by Lender, and payment to any parties providing goods and/or services with respect to operation of the Facility, except for any

principal and interest payments due with respect to any Loan Document. Except as otherwise set forth herein, Lessee does hereby agree to indemnify, defend and hold harmless Lessor against any such costs, expenses and obligations. Notwithstanding the foregoing, Lessor and Lessee acknowledge and agree that Lessee shall not be responsible for payment of principal and interest, any prepayment fee, or exit fee payable to Lender under the terms of the Loan Documents.

3.3 All rental payments, together with all tax and insurance deposits provided for in this Lease shall be paid on or prior to the first (1st) day of each month. Unless otherwise notified in writing all checks shall be made payable as directed by Lessor and shall be sent to Lessor at c/o Elisha Atkin, 9100 Karlov Road, Skokie, IL 60076.

3.4 Except as otherwise specifically provided herein, no reduction in the number of licensed beds shall entitle Lessee to any reduction or adjustment of the Base Rent or Additional Rent (collectively, the "Rent") payable hereunder, which shall be and continue to be payable by Lessee in the full amount set forth herein notwithstanding any such reduction in the number of licensed beds. However, Lessor shall increase the Rent in the event the Facility is licensed for additional beds, as further provided in Section 8.5 hereof.

3.5 Subject to the Lender Rent Requirement, Lessee may offset against Rent any amounts that are due, owing and unpaid by Sapphire of Tucson Nursing and Rehab, LLC, an Arizona limited liability company ("Old Operator"), to Lessee with respect to a Recapture Claim as such term is defined in that certain Operations Transfer Agreement dated as of even date herewith by and between Lessee and Old Operator. To the extent Lessee has the right to offset, but the Lender Rent Requirement prohibits such offset, Lessee will continue to have the right to offset for all future months until the amount owed is satisfied in full.

ARTICLE IV - LATE CHARGES

4.1 If: (a) payment of any sums required to be paid or deposited by Lessee to Lessor under this Lease, or (b) payments made by Lessor under any provision hereof for which Lessor is entitled to reimbursement by Lessee, shall become overdue beyond five (5) calendar days after the date on which they are due and payable as set forth in this Lease, but only to the extent they are overdue as a result of the actions or inactions of Lessee, a late charge equal to the greater of three percent (3%) per month or the default rate charged by Lender on the sums so overdue shall be immediately due and payable to Lessor and said late charges shall be payable on the first (1st) day of the month next succeeding the month during which Lessor gives notice of the incurrence of a late charge to Lessee. In addition, Lessee shall be liable to Lessor for any late charges due under the Loan Documents, which accrue as a result of (x) payment of any sums required to be paid or deposited by Lessee to Lessor under this Lease; or (y) payments made by Lessor under any provision hereof for which Lessor is entitled to reimbursement by Lessee, but only to the extent they are overdue as a result of the actions or inactions of Lessee. In the event Lessor fails to notify Lessee of the incurrence of a late charge within ninety (90) days after Lessor's receipt of the overdue payment which gave rise to such late charge, Lessor shall be deemed to have waived the payment of said late charge. Lessee agrees that any such late charges shall not be deemed to be a penalty, but shall be deemed to be liquidated damages because of the impossibility of computing the actual amount of damages in advance. If nonpayment of any late charges shall occur, Lessor shall have, in addition to all other rights and remedies, all the rights and remedies

provided for herein and by law in the case of nonpayment of Rent. Except as otherwise provided in this Article IV, no failure by Lessor to insist upon the strict performance by Lessee of Lessee's obligations to pay late charges shall constitute a waiver by Lessor of its rights to enforce the provisions of this Article in any instance thereafter occurring, and nothing contained herein shall be deemed to be a waiver of or limitation on the right of Lessor from declaring an Event of Default, as defined herein because of Lessee's failure to make any payment due hereunder when such payment was due.

ARTICLE V - PAYMENT OF TAXES AND ASSESSMENTS

5.1 Lessee will pay as Additional Rent before any fine, penalty, interest or cost may be added thereto for the nonpayment thereof, all taxes (except taxes for which Lessee shall make deposits with Lessor in accordance with the provisions of Article VI of this Lease), assessments, license and permit fees and other governmental charges, general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever which during the Term of this Lease may have been, or may be assessed, levied, confirmed, imposed upon or become due and payable out of or in respect of, or become a lien on the Demised Premises and/or Personal Property or any part thereof (collectively, "**Taxes and Assessments**"). Lessor shall provide to Lessee copies of any bills received by it for Taxes and Assessments within five (5) business days of receipt thereof. Except for taxes for which Lessee shall make deposits with Lessor or Lender in accordance with the provisions of Article VI, not later than ten (10) days prior to the due date for such Taxes and Assessments or five (5) days following its receipt of the bill therefore (whichever is later), Lessee shall pay to Lessor the amount of Taxes and Assessments due. At the request of Lessee, within five (5) days of any payment by Lessor of the Taxes and Assessments, a copy of the paid stamped bill or other evidence of payment shall be delivered to Lessee.

5.2 Any Taxes and Assessments relating to a fiscal period of any authority, a part of which is included within the Term of this Lease and a part of which is included in a period of time before or after the Term of this Lease, shall be adjusted pro rata between Lessor and Lessee as of the commencement and termination of the Term and each party shall be responsible for its pro rata share of any such Taxes and Assessments.

5.3 Nothing herein contained shall require Lessee to pay income taxes assessed against Lessor or its beneficiary, or capital levy, franchise, estate, succession or inheritance taxes of Lessor or its beneficiary.

5.4 Lessor shall have the first option to contest the amount or validity of any Taxes and Assessments. If permitted by the terms of the Loan Documents, and if Lessor has declined to contest, Lessee shall have the right to contest the amount or validity, in whole or in part, of any Taxes and Assessments by appropriate proceedings diligently conducted in good faith, but only after payment of such Taxes and Assessments, unless such payment would operate as a bar to such contest or interfere materially with the prosecution thereof, in which event, Lessee may postpone or defer such payment only if all of the following conditions are met:

(a) Neither the Demised Premises, the Personal Property, or any material license or certification, nor any part thereof, would by reason of such postponement or deferment be in danger of being forfeited or lost, and

(b) Lessee shall have deposited with Lessor, to be held in trust, cash or securities in an amount (against which Lessee shall receive a credit equal to the amount pertaining to the period such Taxes and Assessments are being contested held by Lessor pursuant to the terms of Section 7.1 hereof) reasonably satisfactory to Lessor but in no event less than the amount required by Lender, or if there is then no Lender loan encumbering the Demised Premises, then one hundred twenty-five percent (125%) of the amount of such Taxes and Assessments, including the amount of any interest thereon and penalties in connection with the nonpayment thereof, which at such time shall be actually due and payable, and such additional amounts from time to time as may be necessary to keep on deposit at all time an amount equal to the amount required by Lender, and all charges that may or might be assessed against or become a charge on the Demised Premises or any part thereof in such proceedings.

(c) Lessee shall comply with Lender's requirements for a tax contest as if Lessee were the mortgagee or borrower under the Loan Documents.

If held by Lessor, the cash so deposited shall be deposited by Lessor in an interest bearing account and the cash or securities so deposited shall be held by Lessor until the final resolution of such contest and any lien filed against the Demised Premises shall have been released and discharged, and shall thereupon be returned to the Lessee, plus any accrued interest, less the amount of any loss, cost, damage and reasonable expense (including, without limitation, attorneys' fees and investment expenses) that Lender or Lessor may sustain in connection with the Taxes and Assessments so contested. In the event Lender holds the sum required to be deposited by this Section 6.4, Lessor shall only pay Lessee interest if Lender pays Lessor interest and such interest shall be paid to Lessee at the same interest rate and with the same deductions as paid to Lessor by Lender.

5.5 Upon the termination of any such proceedings, Lessee shall pay the amount of such Taxes and Assessments or part thereof as finally determined in such proceedings, the payment of which may have been deferred during the prosecution of such proceedings, together with any costs, fees, interest, penalties, or other liabilities in connection therewith, and such payment, at Lessee's request, shall be promptly made by Lessor out of the amount deposited with respect to such Taxes and Assessments and accrued interest as aforesaid. In the event such amount is insufficient, then the balance due shall be promptly paid by Lessee. In the event the amount of funds deposited by Lessee with respect to any such contested Taxes and Assessments plus any accrued interest thereon is in excess of such Taxes and Assessments due as finally determined in such proceeding (including any costs, fees, interest, penalties or other liabilities in connection therewith), then such excess funds shall be promptly returned to Lessee by Lessor.

5.6 Lessor shall not be required to join in any proceedings referred to in this Article, unless the provisions of any law, rule or regulation at the time in effect shall require that such proceedings be brought by or in the name of Lessor in which event Lessor shall join in such proceedings or permit the same to be brought in its name and Lessee shall pay for all costs in connection therewith. Lessor shall not ultimately be subjected to any liability for the payment of any costs or expenses in connection with any such proceedings, and Lessee will indemnify, defend and save harmless Lessor from any such costs and expenses, including, without limitation, reasonable attorneys' fees, as a result of such proceedings. Lessee shall be entitled to any refund

of any real estate taxes and penalties or interest thereon received by Lessor but previously reimbursed in full by Lessee. Lessor agrees that it will reasonably assist Lessee to provide any necessary information and execute any necessary documents in connection with proceedings referred to in this Article.

5.7 In the event that Lessor determines in its reasonable judgment, that it is not being adequately represented by Lessee's counsel in any proceedings referred to in this Article, Lessor may upon ten (10) days prior written notice to Lessee, obtain separate counsel to represent it in such action. In such event, the cost of such counsel shall be paid by Lessor. In the event that Lessor determines, in its reasonable judgment, that Lessee has abandoned any contest referred to in this Article or that Lessee is not pursuing any such contest with due diligence, Lessor may, upon ten (10) days' prior written notice to Lessee, if the Taxes and Assessments so contested by Lessee has not theretofore been paid, pay such Taxes and Assessments from the amounts deposited by Lessee pursuant to the terms of Section 6.4 above.

5.8 If any revenue tax shall be levied, assessed or imposed upon the profits or revenue arising from the Rent payable hereunder, partially or totally in lieu of or as a substitute for real estate taxes imposed upon the Demised Premises or Personal Property, then Lessee shall be responsible for the payment of such tax.

ARTICLE VI - TAX, INSURANCE AND REPLACEMENT RESERVE DEPOSITS

6.1 Lessee will make monthly real estate tax deposits with Lessor, in an amount equal to one twelfth (1/12th) of one hundred five percent (105%) of the annual real estate taxes levied against the Demised Premises, or such applicable amount required by a Lender, and in no event shall Lessee be required to deposit more than any such applicable amount required by a Lender. Said deposits shall be due and payable on the first (1st) day of each month as Additional Rent. If held by Lessor, such amounts shall be deposited by Lessor in an interest bearing account with interest to be retained in such account for the benefit of Lessee. If such deposits are held by Lender, said deposits shall not bear interest, unless interest on the deposits is paid to Lessor by Lender. The deposits shall be held by Lessor or Lender to pay the real estate taxes as they become due and payable. If the amount of Lessee's payments as made under this Article shall be less than the total amount due of the real estate taxes, then Lessee shall pay to Lessor the amount necessary to make up the deficiency in its pro rata share in the initial year of the Term of this Lease and thereafter shall pay the full deficiency no later than ten (10) days prior to the due date of such tax bill. In the event that Lessee has paid all sums due under this Section 7.1 and Lessor or Lender fail to pay the real estate taxes when due, Lessor or Lender shall be solely responsible for any late charges or loss which is a result of their failure to make timely payment hereunder. Not later than five (5) days following its receipt thereof, Lessee shall provide to Lessor copies of any bills received by Lessee for Taxes and Assessments. Within five (5) days of any direct payment by Lessee of the Taxes and Assessments, a copy of the paid tax bill shall be delivered to Lessor.

6.2 Notwithstanding anything to the contrary contained herein, if Lessor is required under a Loan Document to make, with Lender thereunder, monthly deposits for insurance premiums and, except for this Lease, Lessor would actually be making such payments, then Lessee will make monthly deposits for insurance premiums with Lessor, in an amount equal one

twelfth (1/12th) of the insurance premiums, or such applicable amount required by a Lender. Provided that Lessee at all times comply with the immediately preceding sentence, Lessee shall suffer no liability hereunder in the event that the insurance premiums are not timely paid to the insurance company. The deposits, if applicable, for insurance deposits, shall be due and payable on the first (1st) day of each month as Additional Rent. Not later than five (5) days following its receipt thereof, Lessor shall provide to Lessee copies of any insurance bills received by it, if not paid by directly by Lessee. At the request of Lessee, within five (5) days of any payment by Lessor of insurance premiums, a copy of the paid insurance bill or evidence of payment of the insurance premiums shall be delivered to Lessee.

6.3 If Lessor is required under the Loan Documents to make, with the Lender thereunder, monthly deposits for replacement reserves and, except for this Lease, Lessor would actually be making such payments, then Lessee will make monthly deposits for replacement reserves with Lessor, in an amount equal to the amount Lessor is required to make under the Loan Documents. The deposits, if applicable, for replacement reserves, shall be due and payable on the first (1st) day of each month as Additional Rent.

6.4 All amounts required to be deposited pursuant to this Article shall be held for the benefit of Lessee for the purposes set forth herein; provided that upon the occurrence of an Event of Default hereunder Lessor may elect in its discretion to apply such amounts to obligations of Lessee under this Lease, in Lessor's discretion.

ARTICLE VII - OCCUPANCY

7.1 During the Term of this Lease, the Demised Premises shall be used and occupied by Lessee for and as a 240 bed skilled nursing facility and for no other purpose. Subject to the terms of Article XIX hereof, Lessee shall at all times during the Term maintain in good standing and full force a probationary or non-probationary license (the "License") issued by the Arizona Department of Health Services ("ADHS") and any other governmental agencies permitting the operation on the Demised Premises as a skilled nursing facility.

7.2 Lessee will not suffer any act to be done or any condition to exist on the Demised Premises which may be dangerous or which may, in law, constitute a public or private nuisance or which may void or make voidable any insurance then in force on the Demised Premises.

7.3 Upon termination of this Lease for any reason, Lessee will return to Lessor the Demised Premises in the same condition as existed on the Commencement Date, reasonable wear and tear excepted, and licensed by the State of Arizona and by any governmental agencies having jurisdiction over the Demised Premises as a skilled nursing facility with unrestricted licenses in full force and good standing for no less than 240 skilled beds. Except as otherwise specifically provided herein, no reduction in the number of licensed beds shall entitle Lessee to any reduction or adjustment of the Rent payable hereunder, which shall be and continue to be payable by Lessee in the full amount set forth herein notwithstanding any such reduction in the number of licensed beds. Lessee shall, within five (5) days following its receipt thereof, provide Lessor with a copy of any notice from ADHS or any federal, state or municipal governmental agency or authority

regarding any reduction in the number of licensed beds and Lessor shall have the right to contest, by appropriate legal or administrative proceedings, any such reduction.

7.4 During the Term of this Lease, Lessee shall only use the Demised Premises in accordance with Environmental Laws (as hereinafter defined) and shall not use nor permit the Demised Premises to be used for the treatment, storage or disposal of any Hazardous Substances (as hereinafter defined) nor for any purpose involving the use of the Hazardous Substances; provided, however, that Lessee may use in and store at the Facility such materials and substances as are customarily used in nursing homes but only in such quantities as are reasonably necessary for the routine business operation of the Facility. For purposes hereof "**Hazardous Substances**" shall mean any toxic or hazardous waste or pollutants, or substances, including, without limitation, asbestos, PCB's, petroleum products and by products, substances defined or listed as: "Hazardous Substances" or "Toxic Substances" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601, *et seq.*, "Hazardous Materials" in the Hazardous Materials Transportation Act, 49 U.S.C. § 1802, *et seq.*, "Hazardous Waste" in The Resource Conservation and Recovery Act, 42 U.S.C. § 6901, *et seq.*, any chemical substance or mixture regulated under the Toxic Substance Control Act of 1976, as amended, 15 U.S.C. § 2061, *et. seq.*, any "Toxic Pollutant" under the Clean Water Act, 33 U.S.C. § 1251, *et seq.*, as amended, any "Hazardous Air Pollutant" under the Clean Air Act, 42 U.S.C. § 7401, *et seq.*, and any hazardous or toxic substance or pollutant regulated under any other applicable federal, state or local Environmental Laws. "**Environmental Laws**" as used in this Lease means all federal, state and local environmental, health, or safety laws or regulations applicable to the Demised Premises or the Facility, now or hereafter enacted. Lessee hereby agrees to indemnify, defend and hold Lessor harmless from and against, and shall reimburse Lessor for, any loss, claim, liability, damages, injunctive relief, injuries to persons, property or natural resources, costs, expense, action and causes of action in connection with the use, generation, treatment, storage, release or disposal of Hazardous Substances at or from the Demised Premises during the Term hereof, including, without limitation, the cost of any required or necessary repair, cleanup or detoxification and the preparation of any closure or other required work to be performed, to the full extent that such action is attributable, directly or indirectly, to the use, generation, treatment, storage, release or disposal of Hazardous Substances on the Demised Premises during the Term hereof.

7.5 In no event shall Lessee relocate any of the licensed beds or certificate of need rights at the Facility to another location, or otherwise reduce the number of licensed beds, without Lessor's express written consent which may be withheld in Lessor's sole discretion. Any action taken by Lessee in connection with any of the foregoing matters without Lessor's express written consent shall be void and of no force and effect. Any and all license and beds rights with respect to any of the Facility, to the extent permitted under applicable law, shall be the property of Lessor and included in the Demised Premises hereunder. In the event the Facility adds any licensed beds during the Term, then to the extent permitted by applicable law such additional beds shall become part of the Demised Premises and all rights with respect thereto shall be the property of Lessor and may not be subsequently removed or transferred by Lessee.

ARTICLE VIII - INSURANCE

8.1 Subject to any additional requirements of any Loan Documents, Lessee shall, at its sole cost and expense, as of the Commencement Date and during the Term, maintain fire, and casualty insurance with extended coverage endorsement, which includes coverage for malicious mischief and vandalism both on the Demised Premises and the Personal Property on the Arizona standard form with a responsible company or companies approved by Lessor, which approval will not be unreasonably withheld. Such insurance shall, at all times, be maintained (without any co-insurance clause, if possible) in an amount equal to the full replacement value of the Demised Premises and Personal Property, but not less than that required by Lender, but in any event in an amount sufficient to prevent Lessor and Lessee from becoming co-insurers under applicable provisions of the insurance policies. Such insurance shall at all times be payable to Lender, Lessor and Lessee, as their interests may appear and shall contain a loss-payable clause to the Lender, as its interest may appear. Upon the reasonable request of Lessor, provided however no less frequently than such time as required by Lessee's insurance carrier, Lessee shall furnish at its sole cost and expense, to Lessor and such insurance carrier, insurance appraisals in form and substance as are regularly and ordinarily made by insurance companies, in order to determine the then replacement value of the Demised Premises and Personal Property, and if such appraisal shows that the amount of casualty insurance maintained by Lessee hereunder is insufficient, the amount of insurance required by this Section 9.1 shall be adjusted accordingly.

8.2 Lessee shall also, at Lessee's sole cost and expense, cause to be issued and shall maintain during the Term of this Lease, insurance from an insurance company with a "B++" rating or higher from A.M. Best Company in accordance with the requirements set forth in the Loan Documents, but in no event with coverage less than:

(a) A public liability policy naming Lessor, Lender, Lessee, as insured, and insuring them against claims for bodily injury, or property damage occurring upon, in or about the Demised Premises, or in or upon the adjoining streets, sidewalks, passageways and areas, and including professional malpractice insurance covering employees of the Facility, such insurance to afford protection to the limits reasonably established by Lessee in the operation of its business, but not less than \$1,000,000 per each occurrence and \$3,000,000 in the aggregate or any greater amount required by the Lender.

(b) If there is a boiler, air conditioner or water heater located on the Demised Premises, boiler explosion insurance, in the amount of not less than \$500,000, under the terms of which Lessor and Lessee will be indemnified, as their interests may appear, against any loss or damage which may result from any accident or casualty in connection with any boiler used in the Demised Premises, whereby any person or persons may be injured or killed or property damaged in or about the Demised Premises.

(c) Fidelity Bond Coverage in an amount not less than required by Lender.

8.3 All policies of insurance shall provide, to the extent available at a commercially reasonable price so long as not otherwise required by the Lender:

(a) They are carried in favor of Lessor, Lessee, and Lender, as their respective interests may appear, and any loss shall be payable as therein provided, notwithstanding any act or negligence of Lessor or Lessee, which might otherwise result in forfeiture of insurance; and

(b) They shall not be canceled, terminated, reduced or materially modified without at least thirty (30) days' prior written notice to Lessor; and

(c) A standard mortgagee clause in favor of Lender, and shall contain, if obtainable, a waiver of the insurer's right of subrogation against funds paid under the standard mortgagee endorsement which are to be used to pay the cost of any repairing, rebuilding, restoring or replacing.

8.4 Certificates of insurance policies required by this Article shall be delivered to Lessor and Lender prior to or on the Commencement Date. Upon receipt thereof, Lessee shall deliver copies of the actual policies to Lessor, which certificates and policies shall be updated annually not less than twenty (20) days prior to the expiration date thereof.

8.5 Lessee shall at all times keep in effect business interruption insurance with loss of rents endorsement naming Lessor as an insured in an amount at least sufficient to cover:

(a) The aggregate of the cost of all Taxes and Assessments due during the period of the next succeeding twelve (12) months following the occurrence of the business interruption;

(b) The cost of all insurance premiums for insurance required to be carried by Lessee for such twelve (12) month period; and

(c) The aggregate of the amount of the monthly Base Rent for the next succeeding twelve (12) month period.

All proceeds of any business interruption insurance or loss of rents coverage shall be applied, first, to the payment of any Base Rent payments for the next succeeding twelve (12) months to the extent that such payments are due and payable; second, to the payment of any Taxes and Assessments and insurance deposits required for the next succeeding twelve (12) months to the extent that such payments are due and payable; and, thereafter, after all necessary repairing, rebuilding, restoring or replacing has been completed as required by the pertinent Articles of this Lease and the pertinent sections of the Loan Documents, any remaining balance of such proceeds shall be paid over to the Lessee.

8.6 In the event the amount of insurance proceeds under Section 9.1 exceeds, the greater of (i) Fifty Thousand Dollars (\$50,000), or (ii) an amount agreed to by Lender, such insurance proceeds as may be paid to Lessee and Lessor, shall be governed by the Loan Documents or if no Loan Documents, then deposited with Lessor to be held and disbursed for the repairing, rebuilding, restoring or replacing of the Demised Premises or any portion thereof, or any improvements from time to time situated thereon or therein in accordance with Sections 9.7 and 9.8 hereof, or with the pertinent provisions of the Loan Documents.

8.7 Except as provided below, no sums shall be paid from such proceeds toward such repairing, rebuilding, restoring or replacing unless there shall not be in existence any uncured Event of Default and it shall be first demonstrated to the reasonable satisfaction of Lessor that the amount of money necessary to provide for any such repairing, rebuilding, restoring or replacing (according to any plans or specifications which may be adopted therefor) in excess of the amount received from any such insurance policies, has been expended or provided by Lessee for such repairing, rebuilding, restoring or replacing, or that Lessee has provided cash for such amount and that the amount received from such insurance policies is sufficient to complete such work. In the event there is any amount required from Lessee in excess of the amount received from such insurance policies, Lessee shall furnish such excess funds so that the funds will be sufficient to complete such repairing, rebuilding, restoring or replacing in accordance with the provisions of this Lease, the Loan Documents and any plans and specifications submitted in connection therewith, free from any liens or encumbrances of any kind whatsoever. Funds held by Lessor shall be disbursed only upon the presentment of architect's or general contractor's certificates, waivers of lien, contractor's sworn statements, owner's sworn statements and other evidence of cost and payments as may be reasonably required.

8.8 Prior to making any such repairs costing in excess of One Hundred Thousand Dollars (\$100,000), if so requested by Lessor, (or as otherwise required by Lender), Lessee shall do the following or provide to Lessor the following documentation, as Lessor may reasonably require to protect its interest in the Demised Premises and Personal Property: (a) submit complete plans and specifications for such repairs prepared by an architect or general contractor whose qualifications shall be reasonably satisfactory to Lessor; (b) submit a stipulated sum construction contract made with a reputable and responsible builder or contractor, providing for the completion and payment for all work, labor and materials necessary to complete such repairs; and (c) disburse such funds as may be required to complete said repairs by a national title insurance company or other responsible escrowee at Lessee's sole cost and expense to the contractor or contractors making such repairs in installments as such work progresses and upon presentment of such certificates, waivers of lien, sworn statements and other documents as may be required by such escrowee; and (d) take such other actions or provide such other documentation to Lessor as Lessor may reasonably require to protect its interest in the Demised Premises and Personal Property.

ARTICLE IX - LESSOR'S RIGHT TO PERFORM

9.1 Should Lessee fail to perform any of its covenants herein agreed to be performed, Lessor may, upon five (5) business days prior notice specifying the work to be done or covenants to be performed and the approximate amount be expended, but shall not be required to, make such payment or perform such covenants (any of the foregoing, "Protective Advances"), and all sums so expended by Lessor, including Lessor's reasonable expenses in enforcing or performing such covenants, including reasonable attorneys' fees shall be payable by Lessee to Lessor within five (5) business days after written notice from Lessor with interest thereon at the Default Rate (as defined in Section 25.3 herein) thereafter. In particular and without limiting the generality of the foregoing, following the occurrence and during the continuance of an Event of Default hereunder, Lessor shall be entitled to make Protective Advances pursuant to the terms hereof with respect to payments due to any parties providing goods and/or services for any of the Facility. Any of the

foregoing costs or expenses incurred or payments made by Lessor shall be deemed to be Additional Rent payable by Lessee and collectible as such by Lessor.

9.2 Performance of or payment to discharge said Lessee's obligations shall be optional by Lessor and such performance and payment shall in no way constitute a waiver of, or a limitation upon, Lessor's other rights and remedies hereunder, including, without limitation, Lessor's right to declare an Event of Default for such failure.

ARTICLE X - REPAIRS AND MAINTENANCE

10.1 Throughout the Term of this Lease, Lessee, at its sole cost and expense, will keep and maintain, or cause to be kept and maintained, the Demised Premises (including the grounds, sidewalks, roof, parking lots and curbs abutting the same) and the Personal Property as required by Lender and in good order and condition without waste and in a suitable state of repair at least comparable to that which existed immediately prior to the Commencement Date (ordinary wear and tear excepted), and, except as otherwise set forth herein, will make or cause to be made, as and when the same shall become necessary, all structural and nonstructural, ordinary and extraordinary, exterior and interior, replacing, repairing and restoring necessary to that end. All replacing, repairing and restoring required of Lessee shall be (in the reasonable opinion of Lessor) of comparable quality equal to the original work and shall be in compliance with all standards and requirements of law, licenses and municipal ordinances necessary to operate the Demised Premises as a skilled nursing facility.

10.2 In the event that any part of the improvements located on the Demised Premises or the Personal Property shall be damaged or destroyed by fire or other casualty (any such event, being called a "Casualty"), Lessee shall promptly replace, repair and restore the same as nearly as possible to the condition it was in immediately prior to such Casualty, in accordance with all the terms, covenants and conditions and other requirements of this Lease and the Loan Documents applicable in the event of such Casualty, provided that Lessee shall have access to any insurance proceeds in connection with the Restoration. The Demised Premises and the Personal Property shall be so replaced, repaired and restored as to be of at least equal value and substantially the same character as on the Commencement Date. If the estimated cost of any such restoring, replacing or repairing is One Hundred Thousand Dollars (\$100,000) or more, the plans and specifications for same shall be first submitted to and approved by Lessor in writing, which approval shall not be unreasonably withheld or delayed, and Lessee shall select an independent architect or engineer approved by Lessor (which approval shall not be unreasonably withheld or delayed) who shall be in charge of such repairing, restoring or replacing. Upon the demand of Lessor, Lessee shall deposit with a nationally recognized title insurance company, prior to the commencement of any such repairing, restoring or replacing, the total estimated cost thereof less the insurance proceeds and amounts required to be contributed by Lessor, if any, and disbursements shall be made pursuant to the terms of Section 9.8 hereof. Lessee covenants that it will give to Lessor prompt written notice of any Casualty affecting the Demised Premises in excess of One Hundred Thousand Dollars (\$100,000). Any insurance proceeds with respect to a Casualty in excess of amounts required to repair the Facility, as well as any award with respect to a condemnation of any of portion of the Demised Premises, shall be the property of Lessor.

10.3 Provided that there is no uncured Event of Default by Lessee under this Lease, Lessee shall have the right, at any time and from time to time, to remove and dispose of any Personal Property which may have become obsolete or unfit for use, or which is no longer useful in the operation of the Demised Premises, provided Lessee promptly replaces any such Personal Property so removed or disposed of with other personal property free of any security interest, liens or encumbrances, and the replacement personal property shall be of the same character, and at least equal usefulness and quality to any such Personal Property so removed or disposed of and such replacement property shall automatically become the property of and shall belong to Lessor and Lessee shall execute and deliver such bills of sale or other documents reasonably requested by Lessor to vest ownership of such replacement personal property in Lessor.

ARTICLE XI - ALTERATIONS AND DEMOLITION

11.1 Lessee will not remove or demolish the Demised Premises or any portion thereof or allow it to be removed or demolished, without the prior written consent of Lessor and Lender. Subject to the Loan Documents, Lessee further agrees that it will not make, authorize or permit to be made any changes or alterations in or to the Demised Premises, the cost of which in any twelve (12) month period exceeds One Hundred Thousand Dollars (\$100,000) collectively, without first obtaining Lessor's written consent thereto, which will not be unreasonably withheld or delayed and, if required by the Loan Documents, without receiving Lender's written consent thereto. All alterations, improvements and additions to the Demised Premises shall be in quality and class at least equal to the original work and shall become the property of Lessor and shall comply with all building and fire codes, and all other applicable codes, rules, regulations, laws and ordinances. Not less than thirty (30) days prior to the commencement of any such changes or alterations, the cost of which in any twelve (12) month period may exceed One Hundred Thousand Dollars (\$100,000) collectively, Lessee shall furnish to Lessor, at Lessee's sole cost and expense, plans and specifications, prepared by a licensed architect, for such changes or alterations and any additional insurance reasonably required by Lessor or Lender. Such plans and drawings shall include detailed architectural, mechanical, electrical and plumbing working drawings. The plans and drawings will be subject to Lessor's approval with respect to design, aesthetics, building code compliance and such other matters as Lessor deems relevant, which approval shall not unreasonably be withheld or delayed. Notwithstanding the provisions of the preceding sentence to the contrary, the review and approval by Lessor shall not be relied upon by Lessee that any such plans or drawings are in compliance with applicable laws or represent a sound design.

ARTICLE XII - COMPLIANCE WITH LAWS AND ORDINANCES

12.1 Throughout the Term of this Lease, Lessee, at its sole cost and expense, will obey, observe and promptly comply with all present and future laws, ordinances, orders, rules, regulations and requirements of any federal, state and municipal governmental agency or authority having jurisdiction over the Demised Premises and the operation thereof as a skilled nursing facility which may be applicable to the Demised Premises, the Personal Property and the improvements located therein and including, but not limited to, the sidewalks, alleyways, passageways, vacant land, parking spaces, curb cuts, curbs adjoining the Demised Premises, whether or not such law, ordinance, order, rules, regulation or requirement shall necessitate structural changes or improvements.

12.2 Lessee shall likewise observe and comply with the requirements of all policies of public liability and fire insurance and all other policies of insurance at any time in force with respect to the Demised Premises.

12.3 Prior to the Commencement Date, Lessee shall obtain, at its sole cost and expense, all necessary approvals, certifications and licenses from all appropriate governmental agencies necessary to permit Lessee to operate the Facility as a skilled nursing facility, including, without limitation, the receipt of the License to operate the Facility. Lessee shall, subject to the terms of Article XIX hereof, keep in good standing and in full force and effect all necessary licenses, permits and certifications required by any governmental authority for the purpose of maintaining and operating on the Demised Premises a skilled nursing facility including not less than 240 skilled beds, and the Facility shall at all times, subject to the terms of Article XIX hereof, shall continue to be qualified to and shall participate in the Medicare and Medicaid reimbursement programs.

12.4 Lessee will deliver to Lessor within three (3) business days following receipt thereof, any notice of a deficiency claiming Immediate Jeopardy, substandard quality of care, any Civil Monetary Penalty (“CMP”), or any failed re-visit with respect to a survey deficiency at the Facility. Lessee shall also deliver to Lessor, within three (3) business days after receipt any notice from any governmental agency terminating or suspending, or threatening termination or suspension, of any license or certification relating to the Facility. Lessee will deliver to Lessor within three (3) business days copies of all other adverse notices from any licensing, certifying, regulatory, reimbursing or other agency which has jurisdiction over the Facility or over any license, permit or approval under which the Facility operates, any notice from the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services (“CMS”) or any governmental, quasi-governmental or other agency terminating, disqualifying or suspending, or threatening termination, disqualification or suspension, of the Medicaid or Medicare provider agreements (the “Provider Agreements”), the License or any other license or certification relating to the operations of the Facility or participation in any governmental or non-governmental reimbursement or third party payor program, including the Medicare or Medicaid reimbursement programs. Lessee will deliver to Lessor upon request all other notices, exit interviews, inspection reports and surveys (including re-visit) and notices of administrative hearing or court pleadings from all state, federal and local governmental bodies regarding the Demised Premises or the nursing home operated thereon. For any materials required to be delivered pursuant to this Section 13.4 that are not timely delivered Lessee shall pay to Lessor any penalty Lessor incurs from Lender as a result of Lessee’s failure to deliver such materials.

ARTICLE XIII - DISCHARGE OF LIENS

13.1 Subject to the right to contest provided in Section 14.2 hereof and the terms of the Loan Documents, Lessee will not create or permit to be created or to remain, and Lessee will discharge, any lien, encumbrance or charge levied on account of any mechanic’s, laborer’s or materialman’s lien or any conditional sale, security agreement or chattel mortgage, or otherwise, which might be or become a lien, encumbrance or charge upon the Demised Premises or any part thereof or the income therefrom or the Personal Property, for work or materials or personal property furnished or supplied to, or claimed to have been supplied to or at the request of Lessee. Lessee shall have the right to purchase equipment, furniture, or furnishings (other than as a

replacement for any personal property owned by Lessor and leased to Lessee hereunder) which may be subject to a security agreement or chattel mortgage provided that all payments for any such equipment, furniture or furnishings shall be paid on or prior to the due dates thereof and Lessee shall indemnify Lessor against all charges, costs and expenses that may be incurred by Lessor with respect to such security agreement or chattel mortgage.

13.2 If any mechanic's, laborer's or materialman's lien caused or charged to Lessee shall at any time be filed against any portion of the Demised Premises or Personal Property, if allowed by the terms of the Loan Documents and the Lender, Lessee shall have the right to contest such lien or charge, provided Lessee, within sixty (60) days after notice of the filing thereof, will cause the same to be discharged of record or in lieu thereof to secure Lessor against said lien by deposit with Lessor or Lender of such security (not to exceed one hundred twenty five percent (125%) of the amount thereof plus any interest, cost and penalty thereon) as may be reasonably demanded by Lessor or Lender to protect against such lien. If Lessee shall fail to cause such lien to be discharged within the period aforesaid, or to otherwise secure Lessor as aforesaid, then in addition to any other right or remedy, Lessor may, upon ten (10) days prior notice, but shall not be obligated to, discharge the same either by paying the amount claimed to be due or by processing the discharge of such lien by deposit, title endorsement or by bonding proceedings. Any amount so paid by Lessor and all costs and expenses incurred by Lessor in connection therewith, shall constitute Additional Rent payable by Lessee under this Lease and shall be paid by Lessee to Lessor within five (5) days after written demand from Lessor. Except as herein provided, nothing contained herein shall in any way empower Lessee to do or suffer any act which can, may or shall cloud or encumber Lessor's or Lender's interest in the Demised Premises.

13.3 In the event that Lessor determines in its reasonable judgment, that it is not being adequately represented by counsel for Lessee in any contest referred to in Section 14.2 hereof, Lessor may, upon ten (10) days prior written notice to Lessee, obtain separate counsel to represent it in such contest. In such event, the cost of such counsel shall be paid by Lessee. In the event that Lessor determines, in its reasonable judgment, that Lessee has abandoned any contest referred to in Section 14.2 above, or that Lessee is not pursuing any such contest with due diligence, Lessor may, upon ten (10) days prior written notice to Lessee, discharge such lien by paying the amount claimed to be due from the security deposited by Lessee pursuant to the terms of said Section 14.2.

ARTICLE XIV - INSPECTION OF PREMISES AND RECORDS BY LESSOR

14.1 At any time, during reasonable business hours and upon 48 hours (except in the event of an emergency) prior notice to Lessee, Lessor or its authorized representatives shall have the right to enter and inspect the Demised Premises and Personal Property.

14.2 At any time, during reasonable business hours and upon 48 hours (except in the event of an emergency) prior notice to Lessee, Lessor or its authorized representatives shall have the right to inspect and/or audit, and, at Lessor's expense, make copies of, the books and records relating to the Demised Premises, the Facility, Lessee, any managing entity or any consulting entity, including, without limitation, to the extent permitted by applicable law, all patient records, employment records, financial records, surveys and inspections reasonably required by Lessor.

14.3 Lessor agrees that upon entering and inspecting the Demised Premises, Personal Property and books and records, Lessor shall take all reasonable measures to avoid disruption to Lessee's routine business operation during any such entries and the person or persons will cause as little inconvenience to Lessee, its employees and residents of the Facility as may reasonably be possible under the circumstances.

ARTICLE XV - COVENANTS OF LESSEE

15.1 Following the occurrence of any Event of Default and the continuance thereof, Lessee shall not (i) declare, pay or make any Distribution (other than dividends or distributions payable in its stock, or split-ups or reclassifications of its stock), (ii) apply any of its funds, property or assets to the acquisition, redemption or other retirement of any membership or equity interest, (iii) otherwise make any payments or Distributions to any stockholder, member, partner or other equity owner in such person's capacity as such, or (iv) make any payment of any management, consulting or service fee to any related or affiliated party; and any obligation of Lessee to make any of the foregoing payments shall be and hereby is made subordinate and junior in right of payment to the payment of all Rent, and other payment obligations of Lessee hereunder. "Distribution" shall mean any direct or indirect dividend, distribution or other payment of any kind or character (whether in cash, securities or other property) in respect of any equity interests or any repayment of indebtedness to any member of Lessee or any affiliate or relative thereof.

15.2 Lessee shall not have any other liabilities, other than those which are necessary and related to its function as the operator of the applicable Facility, including without limitation, Lessee's working capital line of credit, which may not be utilized for any facilities or other purposes other than for operation of the Facility. In addition to and without limiting the foregoing, Lessee shall not assume the status of a guarantor, surety or other financial partner of any other business or activity, including without limitation any other business involving any of Lessee's officers, directors, members, managers, owners, representatives, agents, successors and assigns, and its respective successors, assigns, agents and representatives.

ARTICLE XVI - RENT ABSOLUTE

16.1 Except as herein provided, damage to or destruction of any portion of the buildings, structures and fixtures upon the Demised Premises, by fire, the elements or any other cause whatsoever, whether with or without fault on the part of Lessee, shall not terminate this Lease or entitle Lessee to surrender the Demised Premises or entitle Lessee to any abatement of or reduction in the Rent payable, or otherwise affect the respective obligations of the parties hereto, any present or future law to the contrary notwithstanding.

ARTICLE XVII - ASSIGNMENT AND SUBLETTING; SOLAR PANELS; CELL TOWERS

17.1 During the Term of this Lease, Lessee shall not assign this Lease or in any manner whatsoever sublet, assign, encumber or transfer all or any part of the Demised Premises or in any manner whatsoever transfer, assign or encumber any interest in the Demised Premises (whether by management agreement, or otherwise) or any interest in this Lease or allow subtenants to in any manner whatsoever sublet, assign, encumber or transfer all or any part of the

Demised Premises or in any manner whatsoever transfer, assign or encumber any interest in the Demised Premises (an “Assignment”) without the prior written consent of Lessor (which consent shall not be unreasonably withheld) and Lender. As a condition of granting its consent, Lessor may request, and Lessee shall provide to Lessor, resumés and financial statements for any proposed transferee. Lessee acknowledges and agrees that Lessor has specifically chosen Lessee to operate the Facility based upon the skill and expertise of Lessee and its principals in operating nursing homes and upon the character and reputation of such principals. Prior to any transfer of possession of the Demised Premises to such transferee, any proposed transferee shall assume all the obligations of Lessee transferred hereunder. Any violation or breach or attempted violation or breach of the provisions of this Article by Lessee or its sublessee, or any acts inconsistent herewith shall vest no right, title or interest herein or hereunder or in the Demised Premises in any such transferee, assignee or sublessee; and Lessor may, at its exclusive option, invoke the provisions of this Lease relating to default. As a condition of granting its consent to any sublease or assignment: (a) Lessee shall pay, and Lessee hereby agrees to pay or cause subtenant to pay, any reasonable out of pocket third party costs and expenses of Lessor incurred in connection with such sublease or assignment, including, without limitation, all due diligence costs and reasonable attorneys’ fees; (b) Lessee shall deliver to Lessor a certified listing of the names and addresses of all members, shareholders, partners or co-venturers of the new assignee; (c) any sublessee must irrevocably prohibit the further assignment, transfer or sublease by sublessee; and (d) any sublease must require Lessor’s prior written consent before it can be amended.

17.2 For purposes of this Article:

(a) Any transfer or transfers of the membership interests in Lessee (or stock in a corporate Lessee, partnership interests in a partnership Lessee or stock in a corporate general partner of a partnership Lessee, as the case may be) however accomplished, whether in a single transaction or in a series of related or unrelated transactions, which result in the following with respect to the initial ownership in Lessee set forth on Schedule 17.2 hereto: (i) any change of control and/or decision-making authority, or (ii) change in ownership, directly or indirectly, in more than fifty percent (50%) in the aggregate of such membership interests in Lessee (or stock in a corporate Lessee, partnership interests in a partnership Lessee or stock in a corporate general partner of a partnership Lessee, as the case may be) shall be deemed an assignment of this Lease.

(b) Any person, corporation, limited liability company or other entity to whom Lessee’s interest under this Lease passes by operation of law, or otherwise, shall be bound by the provisions of this entire Lease and this Article, and except for subsequent subleases, assignments or transfers permitted by this Article, shall obtain the consent of Lessor to any subsequent sublease, assignment, encumbrance or transfer or such event shall be deemed an Event of Default hereunder.

(c) An agreement by any person, corporation or other entity, directly or indirectly, to assume Lessee’s obligations under this Lease shall be deemed an assignment.

(d) If Lessee is a corporation, partnership, limited liability company, or other entity, the term "Assignment" also includes any change in the manager, general partner or director of the entity.

17.3 Notwithstanding anything contained herein, Lessor shall have the unrestricted right to install, or to lease or provide license or right to others to install, and operate one or more cell phone towers or similar equipment upon the Demised Premises (including the roof or exterior walls or structures), and to grant any easement, right of access or similar right or privilege in connection therewith, and any and all income, revenue and profit derived or arising therefrom (including, for avoidance of doubt, with respect to any such arrangements already in place as of the Commencement Date) shall be received by Lessor, provided that same does not interfere with use and operation of the Facility and is otherwise permitted by law.

17.4 Notwithstanding anything contained herein to the contrary, Lessor retains the right, at any time during the Term, to install solar power devices ("Solar Panels") upon the Demised Premises (including the roof or exterior walls or structures), and to grant any easement, right of access or similar right or privilege in connection therewith, to provide solar energy for a Facility, and Lessor and/or any provider of services in connection with the Solar Panels shall be allowed access to the Facility for the purposes of installing, operating and maintaining the Solar Panels, provided that same does not interfere with use and operation of the Facility and is otherwise permitted by law. To the extent that the installation of any Solar Panels shall reduce the utility costs for the operation of the Facility, Lessee shall be entitled to the benefit thereof.

ARTICLE XVIII - EVENTS OF DEFAULT

18.1 The occurrence of any of the following acts or events shall be deemed to be a default ("**Events of Default**" or an "**Event of Default**," as the context may require) on the part of the Lessee:

(a) The failure of Lessee to pay when due any Rent payment, or any part thereof, or any other sum or sums of money due or payable to Lessor under the provisions of this Lease when such failure shall continue for a period of three (3) business days;

(b) The failure of Lessee to perform, or the violation by Lessee of, any of the covenants, terms, conditions or provisions of this Lease (that are not otherwise specifically listed in this Section 19.1), if such failure or violation shall not be cured within thirty (30) days after written notice thereof from Lessor to Lessee;

(c) The failure of Lessee to timely deliver materials required under Section 13.4 or Article XXI hereof, in the timeframes set forth therein as applicable;

(d) The failure of Lessee to comply with, or the violation by Lessee of, any of the terms, conditions or provisions of the Loan Documents (excluding those terms, conditions or provisions requiring the making of principal or interest payments which

relate specifically to Lessor), if such failure or violation shall not be cured within thirty (30) days (or such lesser period as may be provided in the Loan Documents);

(e) The removal by any local, state or federal agency having jurisdiction over the operation of the Facility of ten percent (10%) or more of the residents located at the Facility for a period of ten (10) days or more;

(f) In the event Lessee removes any physical beds or a substantial portion of the Personal Property, or Lessee removes Personal Property necessary to the operation of the Facility, the failure of Lessee to replace within thirty (30) days, the Personal Property so removed by Lessee subject to the provisions of Section 20.2 hereof;

(g) The making by Lessee of an assignment for the benefit of creditors or any other unauthorized assignment;

(h) The levying of a writ of execution or attachment on or against the property of Lessee which is not discharged or stayed by action of Lessee contesting same, within thirty (30) days after such levy or attachment (provided if the stay is vacated or ended, this section shall again apply);

(i) If proceedings are instituted in a court of competent jurisdiction for the reorganization, liquidation or involuntary dissolution of the Lessee for its adjudication as a bankrupt or insolvent, or for the appointment of a receiver of the property of Lessee, and said proceedings are not dismissed and any receiver, trustee or liquidator appointed therein discharged within sixty (60) days after the institution of said proceedings;

(j) The sale of the interest of Lessee in the Demised Premises under execution or other legal process;

(k) Any conveyance or transfer in violation of Article XVII hereof, whether by Lessor or any sublessee;

(l) The abandonment of the Demised Premises by Lessee where it voluntarily ceases operations at the Facility for a period in excess of twenty-four (24) hours, except in the event of casualty damage or an emergency;

(m) The voluntary transfer by Lessee of residents numbering more than five percent (5%) of the number of licensed beds, whether in a single transfer or a series of transfers, in any calendar year from the Facility to any other nursing home facility owned or leased or under common control with Lessee or its affiliates where such transfer is not for reasons relating to the health and well-being of the patients transferred or is otherwise required by law;

(n) Any suspension, termination or restriction placed upon Lessee or the Facility, or the ability to admit residents or patients (e.g., an admissions ban or non-payment for new admissions by Medicare or Medicaid), and such suspension, termination or restriction continues for more than sixty (60) calendar days after imposition thereof;

(o) A survey deficiency claiming Immediate Jeopardy at the Facility, that is not abated within twenty-one (21) days from receipt of such survey;

(p) Receipt of a civil monetary penalty in excess of Fifty Thousand Dollars (\$50,000) for which repayment has not been made or a repayment plan begun within three (3) months of final imposition;

(q) Subject to Lessee's right to contest as provided in Article XIX hereof, the failure on the part of Lessee during the Term of this Lease to cure or abate any written violation claimed by any governmental authority, of any law, order, ordinance, rule or regulation pertaining to the operation of the Facility within the time permitted for such cure or abatement;

(r) Subject to Lessee's right to contest as provided in Article XIX hereof, the institution of any proceedings against Lessee by any governmental authority either to: (i) revoke any license granted to Lessee for the operation of the Facility as a skilled nursing care facility; or (ii) decertify the Facility from participation in the Medicare or Medicaid reimbursement program;

(s) The occurrence of a default under a line of credit or similar loan maintained by Lessee, but only if Lessee's AR lender has opted to exercise its remedies and has initiated the process to take possession of Lessee's personal property per AR lender's lien on the same;

(t) A default occurs by the lessee under that certain Lease Agreement dated of even date herewith by and between Sapphire Estates Properties, LLC, an Arizona limited liability company , as lessor, and Sandstone Estates Rehab Centre, LLC , as lessee;

(u) A default occurs under the Guaranty of Lease; or

(v) A default occurs by the optionee under the Purchase Option.

ARTICLE XIX - RIGHT TO CONTEST/CURE

19.1 Anything to the contrary stated herein notwithstanding, Lessee shall have the right upon written notice thereof to Lessor, to contest by appropriate administrative or legal proceedings, diligently conducted in good faith, the validity or application of any law, ordinance, regulation or rule mentioned herein, and to delay compliance therewith pending the prosecution of such proceedings, including, without limitation, any proceeding pursuant to Sections 19.1(r) or 19.1(s) above. Notwithstanding anything to the contrary contained herein, despite the existence and continuance of an Event of Default as a result of such contest pursuant to this Section 20.1, Lessor shall not pursue any remedies arising solely from the occurrence of such Event of Default hereunder as determined by Lessor in its sole discretion; provided, that during said contest: (a) no civil or criminal liability would thereby be incurred by Lessor and no lien or charge would thereby be imposed upon or satisfied out of the Demised Premises; (b) there continues during the course of such contest authority to continue operations of the Demised Premises as a nursing home (which may be temporary or provisional); (c) such situation does not cause Lessor to be in default under any of the Loan Documents; and (d) such Event of Default

does not jeopardize the License or the Provider Agreements, or the operations, certifications or value of the Demised Premises and the Personal Property.

19.2 Lessee shall promptly provide Lessor with a copy of any notice from ADHS or other governmental authority or agency threatening or requesting a reduction in the number of licensed beds at the Facility. Lessee shall have the right to contest any such reduction and shall notify Lessor within fifteen (15) days following the date of such notice (or such shorter period as required to provide notice to Lessor not later than ten (10) days prior to the cutoff date for any such contest) whether or not Lessee shall undertake such contest. If Lessee fails to contest any such reduction, Lessor may, following written notice to Lessee of its intent to do so, contest any such reduction. Lessor shall additionally have the right to intervene in any such contest dealing with a reduction in the number of beds at the Facility.

19.3 The cost for any contest permitted under this Article XIX shall be borne by the Lessee. Lessor, at any time during any contest, may participate in the same, provided, that in the event Lessor determines in its reasonable discretion that Lessee is not adequately pursuing such contest to its conclusion, Lessee shall reimburse Lessor for any costs incurred in connection with such contest, which shall be deemed Rent hereunder.

ARTICLE XX - LESSOR'S REMEDIES UPON DEFAULT

20.1 In the event of any Event of Default by Lessee, Lessor may, if it so elects, and with written notice of such election to Lessee, and upon demand upon Lessee, forthwith terminate this Lease, and Lessee's right to possession of the Demised Premises, or, at the option of Lessor, terminate Lessee's right to possession of the Demised Premises without terminating this Lease. Upon any such termination of this Lease, or upon any such termination of Lessee's right to possession without termination of this Lease, Lessee shall vacate the Demised Premises immediately, and shall quietly and peaceably deliver possession thereof to Lessor, and Lessee hereby grants to Lessor full and free license to enter into and upon the Demised Premises in such event with process of law and to repossess the Demised Premises and Personal Property as Lessor's former estate. In the event of any such termination of this Lease, Lessor shall again have possession and enjoyment of the Demised Premises and Personal Property to the extent as if this Lease had not been made, and thereupon this Lease and everything herein contained on the part of Lessee to be done and performed shall cease and terminate, all, however, without prejudice to and without relinquishing the rights of Lessor to Rent (which, upon such termination of this Lease and entry of Lessor upon the Demised Premises, shall, in any event, be the right to receive Rent due up to the time of such entry) or any other right given to Lessor hereunder or by operation of law.

20.2 In the event of an Event of Default and Lessor elects either to terminate this Lease or to terminate Lessee's right to possession of the Demised Premises, then all licenses, certifications, permits and authorizations (including the License and Provider Agreements) issued by any governmental agency, body or authority in connection with or relating to the Demised Premises and the Facility thereon shall be deemed as being assigned to Lessor to the extent the same are legally assignable. Lessor shall also have the right to continue to utilize the telephone numbers used by Lessee in connection with the operation of the Facility. In connection with the foregoing clauses of this Section 21.2, this Lease shall be deemed and construed as an assignment for purposes of vesting in Lessor all right, title and interest in and to (a) all licenses, certifications,

permits and authorizations (including the License and Provider Agreements) obtained in connection with the operation of the Facility and (b) the telephone numbers used in connection with the operation of the Facility. Lessee hereby agrees to take such other action and execute such other documents as may be reasonably necessary in order to vest in Lessor all right, title and interest to the items specified herein.

20.3 If the Lessee abandons the Demised Premises or otherwise entitles Lessor so to elect, and Lessor elects to terminate Lessee's right to possession only, without terminating this Lease, Lessor may, at its option, enter into the Demised Premises, remove Lessee's signs and other evidences of tenancy and take and hold possession thereof as in the foregoing Section 21.1 of this Article provided, without such entry and possession terminating this Lease or releasing Lessee, in whole or in part, from Lessee's obligation to pay the Rent hereunder for the full remaining term of this Lease, and in any such case, Lessee shall pay to Lessor a sum equal to the entire amount of the Rent reserved hereunder and required to be paid by Lessee up to the time of such termination of the right of possession plus any other sums then due hereunder. Upon and after entry into possession without termination of this Lease, Lessor may attempt to relet the Demised Premises or any part thereof for the account of Lessee for such rent, or may operate the Facility for such time and upon such terms as Lessor in its sole discretion shall determine. In the event Lessor elects to take possession and operate the Demised Premises any profits due to such operation shall reduce the rents payable hereunder. In any such case, Lessor may make repairs, alterations and additions in or to the Demised Premises, to the extent reasonably deemed by Lessor desirable, and Lessee shall, upon demand, pay the cost thereof, together with Lessor's expenses of reletting. If the consideration collected by Lessor upon any such reletting is not sufficient to pay monthly the full amount of Rent reserved in this Lease, together with the costs of repairs, alterations, additions and Lessor's expenses, Lessee shall pay to Lessor the amount of each monthly deficiency upon demand.

20.4 Lessee's liability to Lessor for damages upon the occurrence of an Event of Default shall in all events survive the termination by Lessor of this Lease or the termination by Lessor of Lessee's right to possession only, as hereinabove provided. Upon such termination of this Lease or at any time after such termination of Lessee's right to possession, Lessor may recover from Lessee and Lessee shall pay to Lessor as liquidated and final damages, whether or not Lessor shall have collected any current monthly deficiencies under the foregoing Section, and in lieu of such current deficiencies after the date of demand for such final damages, the amount thereof found to be due by a court of competent jurisdiction, which amount thus found shall be equal to:

(a) the remainder, if any, of Rent and charges due from Lessee for the period up to and including the date of the termination of this Lease or Lessee's right to possession; plus

(b) the amount of any current monthly deficiencies accruing and unpaid by Lessee up to and including the date of Lessor's demand for final damages hereunder; plus

(c) the excess amount, if any, of: (1) the Rent reserved for what would have been the remainder of the Term of this Lease, discounted to present value at the rate of four percent (4%) per annum (the "Discount Rate"), less (2) the greater of (i) any rent

actually received by Lessor from any subsequent lessee of the Demised Premises and Personal Property for the remainder of the Term or (ii) the fair market rental value of the Demised Premises and Personal Property.

20.5 If any statute or rule governing a proceeding in which such liquidated final damages are to be proved shall validly limit the amount thereof to an amount less than the amount above agreed upon, Lessor shall be entitled to the maximum amount allowable under such statute or rule of law.

20.6 Except with respect to Lessee's right to cure an Event of Default as set forth herein, no receipt of funds by Lessor from Lessee after service of any notice of an Event of Default, termination of this Lease or of possession of the Demised Premises or after commencement of any suit or proceeding of Lessee shall in any way reinstate, continue or extend this Lease or in any way affect the notice of the Event of Default or demand or in any way be deemed a waiver by Lessor of any of its rights unless consented to in writing by Lessor.

ARTICLE XXI - LIABILITY OF LESSOR

It is expressly agreed by the parties that, except as otherwise provided for in this Lease, in no case shall Lessor, any partners, officers, directors, manager, members, agents or employees of Lessor be liable under any express or implied covenant, agreement or provisions of this Lease for any damages whatsoever to Lessee beyond the loss of rent reserved in this Lease, accruing after or upon any act or breach hereunder on the part of Lessor and for which damages may be sought to be recovered against Lessor. Anything to the contrary notwithstanding, under no circumstances shall any personal liability attach to or be imposed upon any partners, officers, directors, managers, members, agents or employees or employees of Lessor.

ARTICLE XXII - CUMULATIVE REMEDIES OF LESSOR

The specific remedies to which Lessor may resort under the terms of this Lease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which Lessor may be lawfully entitled in case of any breach or threatened breach by Lessee of any provision or provisions of this Lease. The failure of Lessor to insist, in any one or more cases, upon the strict performance of any of the terms, covenants, conditions, provisions or agreements of this Lease, or to exercise any option herein contained, shall not be construed as a waiver or relinquishment for the future of any such term, covenant, condition, provisions, agreement or option.

ARTICLE XXIII - SECURITY FOR RENT

23.1 Lessor shall have a first lien paramount to all others on every right and interest of Lessee in and to this Lease, and on any of Lessee's accounts receivable, furnishings, equipment, or fixtures, general intangibles, inventory, goods or property of any kind belonging to Lessee and located at or used in connection with the Facility ("**Lessor's Lien**"). Notwithstanding the foregoing, Lessor's Lien (other than on the License, Provider Agreements and furniture, fixtures and equipment) shall be subject and subordinate to any lien thereon granted by Lessee from time to time to any institutional lender for working capital to be utilized solely for operation of the

Facility and to all renewals, modifications, extensions and replacements thereof if such lender enters into an intercreditor agreement satisfactory to Lessor. Lessor agrees to prepare and file, or consent to the filing of, within five (5) days following Lessee's request therefor, such financing statements or other instruments as may be reasonably requested by Lessee to evidence or effect subordination of Lessor's Lien to the lien of the institutional lender described above. Any financing statement evidencing or perfecting Lessor's Lien shall expressly provide for such subordination with respect to Lessee's accounts receivable, or personal property of any kind. The subordination to Lessee's institutional lender shall be on such lender's form of subordination agreement as reasonably agreed to by Lessor. Such lien is granted for the purpose of securing the payments of Rent, charges, penalties, and damages herein covenanted to be paid by Lessee, and for the purpose of securing the performance of all of Lessee's obligations under this Lease. Such lien shall be in addition to all rights to Lessor given and provided by law. This Lease shall constitute a security agreement under the Uniform Commercial Code granting Lessor a security interest in such furnishings, equipment, fixtures, general intangibles, inventory, goods or property of any kind and accounts receivable, and upon the request by Lessor, Lessee shall prepare and file, or consent to the filing of, such financing statements and other documents reasonably required to perfect such security interest, which documents shall be filed or recorded at the expense of Lessee.

23.2 In addition to the foregoing, the obligations of Lessee under this Lease are secured by the guaranties from David Berkowitz, Meir Meystel, Yosef Meystel, Michael Cohen, Alex Bejar and Elliott Cohen (the "**Guaranty of Lease**"), in the form attached as **Exhibit C** hereto. The liability under the Guaranty of Lease shall not exceed six (6) months then-current Rent under this Lease, except as described in the Guaranty of Lease.

23.3 On the Commencement Date, Optionee shall deliver to Lessor an option deposit in the total amount of FIVE HUNDRED THOUSAND AND 00/100 DOLLARS (\$500,000) (the "**Option Deposit**") after crediting any amounts deposited by Optionee prior to the Commencement Date, as security for the full and faithful performance by Lessee of each and every term, provision, covenant and condition of this Lease. The Option Deposit shall be nonrefundable, but will be credited against the purchase price if the Optionee exercises the Purchase Option.

ARTICLE XXIV - INDEMNIFICATION

24.1 Lessee agrees to defend, indemnify and hold harmless Lessor and any future tenants of Lessor with respect to the Facility from and against any claims, demands, losses, and causes of action of any nature whatsoever asserted against or incurred by Lessor on account of: (a) any failure on the part of Lessee during the Term of this Lease to perform or comply with any of the terms of this Lease; (b) injury to or death of persons or loss of or damage to property, occurring on the Demised Premises or any adjoining sidewalks, streets or ways or in any manner growing out of or connected with the use or occupation of the Demised Premises or the condition thereof, or the use of any existing or future sewer system, or the use of any adjoining sidewalks, streets or ways occurring after the Commencement Date; (c) any claims, penalties, recoveries, interest, monetary sanctions, fees, or other liabilities imposed by a governmental agency, or other third party payor related to the operations of or payments made to the Facility while Lessee was providing skilled nursing services; or (d) additional costs incurred by Lessor to monitor the

Facility after the occurrence of any of the events set forth in Section 19.1. Lessee further agrees to pay any reasonable attorneys' fees and expenses incident to the defense by Lessor of any such claims, demands or causes of action.

24.2 Lessor agrees to defend, indemnify and hold harmless Lessee from and against any liabilities, losses, claims, demands and causes of action whatsoever asserted against or incurred by Lessee on account of: (a) any failure on the part of Lessor during the Term of this Lease to perform or comply with any of the terms of this Lease; (b) any failure on the part of Lessor to perform or comply with the terms of the Loan Documents (unless such failure is caused in whole or in part by acts or omissions of Lessee). Lessor further agrees to pay any reasonable attorneys' fees and expenses incident to the defense by Lessee of any such claims, demands or causes of action. There is expressly excluded from Lessor's indemnity hereunder any claim or proceeding by Lessee (i) which is based upon the physical condition of the Demised Premises or Personal Property prior to or on the Commencement Date, or (ii) for any form of relief not satisfied by the payment of money.

24.3 In the event that any liability, claim, demand or cause of action which is indemnified against by or under any term, provision, section or paragraph of this Lease ("**Indemnitee's Claim**") is made against or received by any indemnified party (hereinafter "**Indemnitee**") hereunder, said Indemnitee shall notify the indemnifying party (hereinafter "**Indemnitor**") in writing within thirty (30) calendar days of Indemnitee's receipt of written notice of said Indemnitee's Claim, provided, however, that Indemnitee's failure to timely notify Indemnitor of Indemnitee's receipt of an Indemnitee's Claim shall not impair, void, vitiate or invalidate Indemnitor's indemnity hereunder nor release Indemnitor from the same, which duty, obligation and indemnity shall remain valid, binding, enforceable and in full force and effect so long as Indemnitee's delay in notifying Indemnitor does not, solely by itself, directly and materially prejudice Indemnitor's right or ability to defend the Indemnitee's Claim. Upon its receipt of any or all Indemnitee's Claim(s), Indemnitor shall, in its sole, absolute and unreviewable discretion, diligently and vigorously defend, compromise or settle said Indemnitee's Claim at Indemnitor's sole and exclusive cost and expense to the extent funds are available ("**Available Funds**") to fully indemnify such claims, and shall promptly provide Indemnitee evidence thereof within fourteen (14) calendar days of the final, unappealable resolution of said Indemnitee's Claim. Upon the receipt of the written request of Indemnitee, Indemnitor shall within ten (10) business days provide Indemnitee a true, correct, accurate and complete written status report regarding the then current status of said Indemnitee's Claim. Prior to an Indemnification Default (as defined herein), Indemnitee may not settle or compromise an Indemnitee's Claim without Indemnitor's prior written consent. Failure to obtain such consent shall be deemed a forfeiture by Indemnitee of its indemnification rights hereunder. In the event that Indemnitor fails or refuses to indemnify, save, defend, protect or hold Indemnitee harmless from and against an Indemnitee's Claim and/or to diligently pursue the same to its conclusion, or in the event that Indemnitor fails to timely report to Indemnitee the status of its efforts to reach a final resolution of an Indemnitee's Claim, which failure to report causes Indemnitee material harm, or in the event that Indemnitor does not have the Available Funds, on seven (7) calendar days prior written notice to Indemnitor during which time Indemnitor may cure any alleged default hereunder, the foregoing shall immediately, automatically and without further notice be an event of default hereunder (an "**Indemnification Default**") and thereafter Indemnitee may, but shall not be obligated to, immediately and without notice to Indemnitor, except such notice as

may be required by law and/or rule of Court, intervene in and defend, settle and/or compromise said Indemnitee's Claim at Indemnitor's sole and exclusive cost and expense, including but not limited to attorneys' fees, and, thereafter, within seven (7) calendar days of written demand for the same Indemnitor shall promptly reimburse Indemnitee all said Indemnitee's Claims and the reasonable costs, expenses and attorneys' fees incurred by Indemnitee to defend, settle or compromise said Indemnitee's Claims plus interest thereon from the date incurred until paid in full at a rate equal to the prime rate of interest as most recently published by the Wall Street Journal plus three percent (3%) (the "Default Rate").

ARTICLE XXV - SUBORDINATION PROVISIONS

25.1 Notwithstanding any provision of this Lease to the contrary, this Lease (and Lessee's interest in the Demised Premises and Personal Property) shall be subject and subordinate to the Loan Documents. Lessee shall execute and deliver such documents as may be reasonably required in order to evidence such subordination.

25.2 Notwithstanding anything to the contrary contained herein, it is understood, agreed and acknowledged that Lessor shall have the right to finance, refinance and guaranty such financing or refinancing, from time to time, the Demised Premises and Personal Property, and grant a mortgage, deed of trust or security interest thereon, to assign or pledge any or all of its interest in this Lease and to assign or pledge the revenues and receipts to be received by Lessor hereunder to a third party if (a) the terms of such loan do not materially adversely alter Lessee's obligations as set forth herein or in the Loan Documents in effect on the Commencement Date; and (b) any new loan documents permit prepayment in full on the earliest date the exercise of the option set forth in the Purchase Option is permitted or, if there is a prepayment penalty, such penalty will be paid in full by Lessor upon exercise of the Purchase Option.

25.3 Lessor will secure from Lender a standard form non-disturbance agreement reasonably acceptable to Lessee whereby, provided Lessee is not in default under this Lease, Lessee shall have the right to remain in possession of the Facility without disturbance after any default by Lessor of the Loan Documents.

ARTICLE XXVI - LESSEE'S FAITHFUL COMPLIANCE WITH LOAN DOCUMENTS

26.1 Lessee confirms receipt of the Loan Documents. Anything in this Lease contained to the contrary notwithstanding, and provided that Lessor has complied with Section 26.2, Lessee shall at all times and in all respects fully, timely and faithfully comply with and observe each and all of the conditions, covenants, and provisions required on the part of Lessor under the Loan Documents, including, without limitation, such conditions, covenants and provisions thereof as related to the financial covenants and financial reporting, related to operations, related to the care, maintenance, repair, insurance, restoration, preservation and condemnation of the Demised Premises, notwithstanding that such conditions, covenants and provisions may require compliance and observance to a standard or degree in excess of that required by the provisions of this Lease, or may require performance not required by the provisions of this Lease. If any Loan Document entered into following the Commencement Date requires compliance, observance or performance to a standard or degree in excess of that required by the terms of any existing Loan Document and this Lease, Lessee shall comply with such

standard, degree or additional performance. Lessee further agrees that it shall not do or permit to be done anything which would constitute a breach of or default under any obligation of Lessor under the Loan Documents, it being the intention hereof that Lessee shall so comply with and observe each and all of such covenants, conditions and provisions of any Loan Document affecting the Demised Premises so that it will at all times be in good standing and there will not be any default on the part of Lessor thereunder. However, nothing in this Article shall be construed to obligate Lessee to pay any part of the principal or interest secured by the Loan Documents, or to deposit any reserves (other than tax or replacement required under the Loan Documents and other than any other reserve expressly provided for elsewhere in this Lease). Other than as specifically provided herein, Lessee specifically acknowledges and agrees that it may not sublet or assign all or any portion of the Demised Premises or its interests under this Lease without Lessor first obtaining the written consent of Lender. Notwithstanding the foregoing, Lessee will be provided the opportunity to review and comment on any Loan Document not delivered to Lessee prior to the date hereof and Lessor will use its commercially reasonable best efforts to incorporate Lessee's comments into the Loan Documents.

26.2 Notwithstanding anything to the contrary contained herein, Lessee further agrees to cooperate and allow the granting to a lender providing a loan insured by the United States Department of Housing and Urban Development of a subordinate security interest in Lessee's accounts and other assets, to execute loan and bank documents (in form and substance acceptable to Lessee) in connection with the same, including an Intercreditor Agreement, and to setup and maintain lockboxes to effectuate the same, provided that such security interest shall be subordinate to the lien of any working capital line secured by Lessee. Lessee shall also comply with all other requirements relating to Lessor obtaining a loan by an FHA Mortgagee with respect to the Facility. Notwithstanding the foregoing, Lessee shall be liable for all such costs Lessee incurs as a result of this Section 27.2.

26.3 Reserved.

26.4 Lessee shall at all times and in all respects fully, timely and faithfully comply with and observe the financial covenants applicable to Lessee under the Loan Documents.

ARTICLE XXVII - LOAN DOCUMENT RESERVES

27.1 To the extent required hereunder, any tax, insurance, or replacement or other reserve required under the Loan Documents by the Lender against the Demised Premises during the Term of this Lease shall be paid by the Lessee to Lessor and shall be repaid to Lessee when Lender repays such sums to Lessor, but no later than thirty (30) days after the termination of this Lease and with respect to the replacement reserve only, upon an inspection of the Facility.

27.2 If Lessee or any of its affiliates purchases the Facility, then all unused amounts deposited by Lessee into reserves for taxes, insurance, replacement reserves or any other purpose as required by Lender, other than amounts deposited by Lessor or Lender, shall be delivered to Lessee at the closing of the purchase of the Facility upon receipt, and to the extent received, from Lender, or at Lessee's option, may be credited against the Purchase Price under the Purchase Option.

ARTICLE XXVIII - LESSEE'S ATTORNMENT

28.1 Lessee covenants and agrees that, if by reason of a default upon the part of Lessor herein in the performance of any of the terms and conditions of the Loan Documents and the Lender forecloses on the estate of Lessor in the Demised Premises, Lessee will attorn to the then holder of such mortgage or the purchaser in such foreclosure proceedings, as the case may be, and will recognize such holder of the mortgage or such purchaser as Lessor under this Lease. Lessee covenants and agrees to execute and deliver, at any time and from time to time, upon the request of Lessor, or of the holder of such mortgage or the purchaser in foreclosure proceedings, any instrument which may be necessary or appropriate to evidence such attornment. In the event any such proceedings are brought against Lessor under such mortgage or the holder of any such mortgage, then Lessee further waives the provisions of any statute or rule or law now or hereafter in effect which may terminate this Lease or give or purport to give Lessee any right of election to terminate this Lease or to surrender possession of the Demised Premises and agrees that, pending any final order, this Lease shall not be affected in any way whatsoever by any such proceedings.

ARTICLE XXIX - REPRESENTATIONS

29.1 Lessor represents, warrants and covenants to Lessee as follows:

(a) Lessor is a limited liability company, duly organized and validly existing under the laws of the State of Arizona, and has the full right and power to enter into, and perform its obligations under this Lease and all agreements or documents entered into or executed in connection therewith, and has taken all requisite actions to authorize the execution, delivery and performance of this Lease and all agreements and documents entered into or executed in connection therewith.

(b) Neither the execution and delivery of this Lease, nor any agreement referred to or contemplated hereby, by Lessor will violate any provision of its Operating Agreement, be in conflict with, constitute a default or create a right of termination or cancellation under any agreement or commitment to which the Lessor is a party.

(c) Except for any Loan Documents and except as set forth on **Exhibit B**:

(i) Lessor has valid fee simple title to the Demised Premises and the Personal Property, free and clear of all liens, charges, security interests, leasehold rights or interests, reservation, restrictions, adverse claims, encumbrances and other defects in or limitations on title other than liens for taxes not yet due and payable (collectively, "**Encumbrances**");

(ii) Lessor has or will on the Commencement Date have authority to convey interest in and to the Demised Premises and Personal Property to Lessee, free and clear of all Encumbrances.

(d) No representation or warranty by or on behalf of Lessor contained in this Lease and no statement by or on behalf of Lessor in any certificate, list, exhibit or other

instrument furnished or to be furnished to Lessee by or on behalf of Lessor pursuant hereto contains any untrue statement of a material fact, or omits or will omit to state any material facts which are necessary in order to make the statements contained therein, in light of the circumstances under which they are made, not misleading in any material respect.

(e) Unless otherwise indicated in a specific representation or warranty contained herein, each representation and warranty of Lessor hereunder shall be true, complete and correct in all material respects as of the date hereof and as of the Commencement Date with the same force and effect as though such representation or warranty made on such date, and all representations and warranties shall survive the Commencement Date.

(f) The exhibits and schedules furnished by Lessor in connection with this Lease do not contain any untrue statement of a material fact nor do they omit to state any material fact necessary to make the statements contained herein and therein not materially misleading.

29.2 Lessee represent and covenant to Lessor as follows:

(a) Lessee is a limited liability company duly organized and validly existing in good standing under the laws of the State of Arizona and has full right and power to enter into, or perform its obligations under this Lease and has taken all requisite actions to authorize the execution, delivery and performance of this Lease.

(b) Lessee acknowledges that it has inspected the Demised Premises and the Personal Property and, subject to the representations and warranties of Lessor provided above and further subject to the other terms and conditions of this Lease, agrees to lease the same in their present "AS IS-WHERE IS" condition. Lessee further acknowledges, except as set forth explicitly in this Lease, Lessor makes no representations, express or implied, as to the physical condition of the Demised Premises and the Personal Property or any other matter or thing affecting or related to the Demised Premises or the Personal Property.

(c) In addition to all other covenants contained herein, Lessee expressly covenants that it shall keep and maintain at the Facility at all times in good order and repair all items of Personal Property necessary for operating the Facility in full compliance with all material laws, rules and regulations of ADHS and any other applicable governmental authorities. Lessee shall maintain all such items in good order and repair, subject to reasonable wear and tear, and shall promptly replace any such items which become obsolete, damaged or destroyed with substitute items equivalent to that which has been replaced and such replacement items shall become and be deemed the personal property of Lessor.

(d) No representation or warranty by or on behalf of Lessee contained in this Lease and no statement by or on behalf of Lessee in any certificate, list, exhibit, schedule or other instrument furnished or to be furnished to Lessor by or on behalf of Lessee

pursuant hereto contains any untrue statement of a substantial fact, or omits or will omit to state any substantial facts which are necessary in order to make the statements contained therein, in light of the circumstances under which they are made, not misleading in any substantial respect.

(e) Unless otherwise indicated in a specific representation or warranty contained herein, each representation and warranty of Lessee hereunder shall be true, complete and correct in all material respects as of the Commencement Date with the same force and effect as though such representation or warranty was made on such date, and all representations and warranties shall survive the Commencement Date.

ARTICLE XXX - NON-SOLICITATION AND NON-COMPETE

30.1 Neither Lessee, nor any affiliate of Lessee shall solicit the Facility (for transfer of residents) or any residents thereof, during the Term of the Lease or for a period of twenty-four (24) months following the Termination Date. Lessee acknowledges that if there is a violation of any provision of this Section 30.1, then Lessee shall pay to Lessor an amount equal to Twenty-Five Thousand Dollars (\$25,000.00), as liquidated damages, for each such resident. The parties agree and acknowledge that actual damages with respect to the foregoing would be difficult to ascertain and that Twenty-Five Thousand Dollars (\$25,000.00) per resident is a fair and reasonable approximation of such actual damages. This provision shall not in any way limit such other remedies as may be available to Lessor at law or in equity. Lessee further acknowledges that the scope and duration of the provisions of this Section 30.1 are reasonable.

30.2 Neither Lessor, nor any affiliate of Lessor shall solicit the Facility (for transfer of residents) or any residents thereof, during the Term of the Lease or for a period of twenty-four (24) months following the Commencement Date. Lessor acknowledges that if there is a violation of any provision of this Section 30.2, then Lessor shall pay to Lessee an amount equal to Twenty-Five Thousand Dollars (\$25,000.00), as liquidated damages, for each such resident. The parties agree and acknowledge that actual damages with respect to the foregoing would be difficult to ascertain and that Twenty-Five Thousand Dollars (\$25,000.00) per resident is a fair and reasonable approximation of such actual damages. This provision shall not in any way limit such other remedies as may be available to Lessee at law or in equity. Lessor further acknowledges that the scope and duration of the provisions of this Section 30.2 are reasonable.

30.3 Neither Lessee nor any affiliate of Lessee shall solicit any employee of the Facility, during the Term of the Lease or for a period of twenty-four (24) months following the Termination Date. Lessee acknowledges that if there is a violation of any provision of this Section 30.3, then Lessee shall pay to Lessor an amount equal Twenty-Five Thousand Dollars (\$25,000.00), as liquidated damages, for each such employee. The parties agree and acknowledge that actual damages with respect to the foregoing would be difficult to ascertain and that Twenty-Five Thousand Dollars (\$25,000.00) per employee is a fair and reasonable approximation of such actual damages. This provision shall not in any way limit such other remedies as may be available to Lessor at law or in equity. Lessee further acknowledges that the scope and duration of the provisions of this Section 30.3 are reasonable.

30.4 Neither Lessor nor any affiliate of Lessor shall solicit any employee of the Facility, during the Term of the Lease or for a period of twenty-four (24) months following the Commencement Date. Lessor acknowledges that if there is a violation of any provision of this Section 30.4, then Lessor shall pay to Lessee an amount equal Twenty-Five Thousand Dollars (\$25,000.00), as liquidated damages, for each such employee. The parties agree and acknowledge that actual damages with respect to the foregoing would be difficult to ascertain and that Twenty-Five Thousand Dollars (\$25,000.00) per employee is a fair and reasonable approximation of such actual damages. This provision shall not in any way limit such other remedies as may be available to Lessee at law or in equity. Lessor further acknowledges that the scope and duration of the provisions of this Section 30.4 are reasonable.

30.5 Neither Lessor, nor any affiliate of Lessor (the “**Restricted Parties**”), during the Term of the Lease or for a period of two (2) years after the closing of Lessee’s exercise of the Purchase Option, will: (i) own, operate, develop, manage, or otherwise provide consulting or other services with respect to a skilled nursing facility (a “**Competing Facility**”) within a fifteen (15) mile radius of the Facility (the “**Restricted Area**”); or (ii) otherwise operate, own, develop, manage or consult with an entity or business which owns or develops a Competing Facility within a fifteen (15) mile radius of the Facility (collectively, the “**Non-Compete**”). Lessor acknowledges that a violation of any provision of this Section 30.5 will result in substantial and irreparable damage to the Lessee for which the Lessee will not have an adequate remedy at law and for which money damages would not be a sufficient remedy, and Lessor agrees that, in addition to all other remedies, in the event of any violation or alleged or threatened violation of any of the provisions of this Section 30.5, Lessee shall be entitled to equitable relief, including temporary or permanent injunctive relief and specific performance. This provision shall not in any way limit such other remedies as may be available to Lessee at law or in equity. Notwithstanding the foregoing, in the event that a Restricted Party would like to perform services in a manner restricted by this Section 30.5, the parties agree and acknowledge that upon request of a Restricted Party, Lessee shall consider and respond in writing within thirty (30) days of such request and any agreement in writing shall not violate this Section.

30.6 Lessee and Lessor further acknowledge that the scope and duration of the provisions of this Article XXX are reasonable.

30.7 The parties also agree that advertisements available to the general public, such as through website job postings and newspaper, Internet and trade journals shall not constitute solicitation for purposes of this Article XXX.

ARTICLE XXXI - FINANCIAL STATEMENTS AND REPORTING

31.1 Lessee shall furnish to Lessor full and complete financial statements (or as otherwise required by Lender) of the operations of the Demised Premises and the Facility for each such fiscal period identified herein, in a form satisfactory to Lessor, which shall be certified by the manager of Lessee that such Financial Statements present fairly the financial condition of Lessee and which shall contain a statement of capital changes, balance sheet, detailed income and expense statement, statement of cash flows and statement of payor mix, receivables and payables aging (with detail regarding payor and vendor type, respectively), monthly census for the Facility specifying payor type, payroll expenses for the Facility, full trial balance including chart of

accounts, and identify any payments made by Lessee to any managing entity or consulting entity in accordance with GAAP (collectively, the “**Financial Statements**”). Financial Statements shall be provided as follows: (a) within forty five (45) days after the end of each month, showing the results of operations of the Facility for such month; (b) within forty-five (45) days after the end of each of its fiscal quarters, showing the results of operations of the Facility for the fiscal quarter dated as of the end of each fiscal quarter; and (c) within one hundred twenty (120) days after the end of each of its fiscal years, annual reviewed consolidated and consolidating financial statements showing the results of operations of the Facility for the annual fiscal period dated as of the end of the fiscal year. Lessee shall also furnish to Lessor a copy of its cost reports within thirty (30) days after filing or delivery thereof. Each such statement shall be certified as being true and correct by an officer of Lessee as applicable, and shall contained a compliance certificate with respect to any such applicable periods, for financial covenants pursuant to Section 27.3 hereof. Notwithstanding the foregoing, all Financial Statements shall be provided as required by the Lender.

31.2 Within thirty (30) days after the date for filing Lessee’s tax return (as the same may be extended), Lessee shall furnish Lessor with a copy of the tax return for the Facility for said year, certified by an officer of Lessee to be true, correct and complete.

31.3 Not less than thirty (30) days prior to any fiscal quarter, Lessee shall provide to Lessor a capital expense plan with respect to such quarter, but only to the extent required by Lender.

31.4 In addition to the above financial statements, Lessee shall also provide to Lessor and Lender such other financial statement(s) or information relating to its operation as may be required by Lender. Any such financial statement(s) or other information required by the Loan Documents shall be furnished to Lessor not later than twenty-four (24) hours prior to the due date for Lessor to furnish the same to Lender.

31.5 Upon request by Lessor or Lender, Lessee shall prepare or cause to be prepared all financial covenant compliance certificates and worksheets as may be required by such Lender and shall furnish the same to Lessor not later than twenty-four (24) hours prior to the due date for Lessor to furnish the same to Lender. Lessee shall also submit to Lessor any borrowing base certificates prepared by Lessee with respect to a line of credit of similar loan maintained by any of Lessee.

31.6 Lessee shall immediately report, and in no event later than three (3) business days following, a notice from the state department of health, CMS or any other governmental agency of violations claiming a “G” level violation or higher.

31.7 At all times, Lessee shall keep and maintain full and correct records and books of account of the operations of Lessee in the Demised Premises and records and books of account of the entire business operations of Lessee in accordance with generally accepted accounting principles. Upon request by Lessor, from time to time, Lessee shall make available, for inspection by Lessor or any such designee, during reasonable business hours, upon forty-eight (48) hours’ notice, at the Facility or Lessee’s offices, the records and books of account covering the business operations of Lessee on the Demised Premises.

31.8 For any materials required to be delivered pursuant to this Article XXXI that are not timely delivered Lessee shall pay to Lessor any penalty Lessor incurs from Lender, as a result of Lessee's failure to deliver such materials.

ARTICLE XXXII - LICENSURE/TERMINATION

32.1 Prior to the anticipated Commencement Date, within such time period as required by ADHS, Lessee hereby agrees to submit a complete application (except for the Commencement Date Rider, if required) to ADHS in order to obtain the License permitting Lessee to operate the Facility as a skilled nursing care facility and to promptly submit any further documents as required in order to complete such application. It is a condition precedent to Lessee's right to possession of the Facility that it obtains a License to operate the Facility in its own name. A copy of the ADHS application shall be provided to Lessor within seven (7) days of submission to ADHS.

32.2 Upon termination of this Lease for any reason other than as a result of the exercise of the Purchase Option, the following provisions shall be applicable:

(a) Upon the expiration or other termination of this Lease, Lessee shall return to Lessor the Demised Premises and the Personal Property in a condition similar to that which existed on the Commencement Date, licensed by ADHS and by any governmental agencies having jurisdiction over the Demised Premises, reasonable wear and tear excepted, and free of liens or encumbrances arising through Lessee except for tax liens for current general real estate taxes or special assessments, personalty leases and other expenses incurred in the ordinary course of business which shall be prorated, and liens disclosed on **Exhibit B** hereto.

(b) Lessor shall keep and shall not be obligated to return to Lessee any Base Rent paid by Lessee, unless the termination date is not the last day of any calendar month in which case the rent shall be prorated between the parties. Lessor shall pay to Lessee the amount of any unused tax, insurance, or other reserve deposited by Lessee during the Term, other than those relating to expenses accrued during the Term; provided that in the event any such amounts are held by a Lender, Lessor shall remit such amounts to Lessee upon Lessor's receipt from the Lender. Lessee shall not be obligated to account or pay to Lessor any earnings or income earned from the Commencement Date to the termination date. Lessee shall pay all bills incurred in the ownership of the Demised Premises and operation of the Facility from the Commencement Date through the termination date, and shall receive and keep all income and suffer all losses incurred in the ownership of the Demised Premises and operation of the Facility from the Commencement Date through the termination date.

(c) During the period from the Commencement Date to the termination date:

(i) Lessee shall be responsible for the payment of all real estate taxes in accordance with the provisions of Article V hereof;

(ii) Lessee shall maintain all required insurance and Lessee shall be liable for payment of and shall pay the premiums thereon; and

(iii) In case of termination, Lessee shall be liable to return to Lessor, the Demised Premises and all Personal Property in a condition similar to that which existed on the Commencement Date, reasonable wear and tear excepted, and free of liens or encumbrances arising through Lessee except for tax liens for current general real estate taxes or special assessments, which shall be prorated to the termination date, and except as to consumable items to the extent of consumption thereof, which, as consumed, will be replenished by Lessee in the ordinary course of business.

(d) Upon termination of this Lease, the parties will request appropriate inspections by governmental agencies upon the return of the Demised Premises to Lessor. Lessee agrees that it will cure any violations found involving the Demised Premises or Personal Property, provided such violations were not in existence on the Commencement Date (with Lessee bearing the burden of proof thereof). Lessee agrees to execute such documents and take such actions as may be required in order to restore Lessor to ownership and possession of the Demised Premises and the Personal Property, including, without limitation, execution of any assignment or change of ownership documents required to license Lessor or any such assignee to operate the Facility.

(e) Lessee shall keep and maintain medical records in accordance with applicable law and permit reasonable access and copy thereof by Lessor in accordance with such law, and to the extent permitted by law.

(f) Lessee shall keep and maintain such financial and operational records (including, without limitation, cost reports/contracts) as are required for the operation of the business under applicable laws.

(g) Upon termination or expiration of this Lease, any furniture, fixtures, equipment, linens, food, supplies and personal property acquired by Lessee with respect to the Facility shall become the property of Lessor, and this Lease shall serve as an assignment for purposes of giving effect to such transfer.

ARTICLE XXXIII - CONDITIONS PRECEDENT AND CONCURRENT TO CLOSING

33.1 The following shall be conditions precedent to the Commencement Date and Lessee's obligation to proceed with this Lease:

(a) Lessee shall obtain at its sole cost and expense, all necessary approvals, certifications and licenses from all appropriate governmental agencies necessary to permit Lessee to operate the Facility as a skilled nursing facility;

(b) Lessor shall not be in material breach of any term, provision or condition of this Lease;

(c) Lessor shall have duly and timely performed and fulfilled all of its duties, obligations, promises, covenants and agreements hereunder;

(d) All schedules and exhibits to this Lease prepared by Lessor shall be true, complete and correct in all material respects; and

(e) Reserved.

33.2 The following shall be conditions precedent to the Commencement Date and Lessor's obligation to proceed with this Lease:

(a) Lessee shall have duly and timely performed and fulfilled all of its duties, obligations, promises, covenants and agreements hereunder;

(b) Lessee shall not be in material breach of any term, provision or condition of this Lease;

(c) Lessee shall have obtained all necessary approvals, certifications and licenses from all appropriate governmental agencies necessary to permit Lessee to operate the Facility as a skilled nursing facility;

(d) the Guaranty of Lease has been fully executed and delivered to Lessor;

(e) Lessee is not in default under the operations transfer agreement by and between the existing tenant and Lessee;

(f) the Purchase Option has been fully executed and delivered to Lessor and the Option Deposit has been made to Lessor; and

(g) Reserved.

33.3 Notwithstanding anything contained in Section 34.1 to the contrary, Lessee may in its sole discretion waive any conditions precedent or conditions concurrent contained in Section 34.1.

33.4 Notwithstanding anything contained in Section 34.2 to the contrary, Lessor may in its sole discretion waive any conditions precedent or conditions concurrent contained in Section 34.2.

ARTICLE XXXIV - TRANSFER OF OPERATIONS UPON TERMINATION OF LEASE

34.1 The date on which (a) this Lease either terminates or expires pursuant to its terms or is terminated by either party whether pursuant to a right granted to it hereunder or otherwise, (b) the date on which Lessee's right to possession of the Demised Premises is terminated pursuant to a right granted to it hereunder or otherwise, or (c) the date on which Lessee otherwise abandons the Demised Premises shall be referred to as the "**Termination Date**" in this Article, it being acknowledged that a Termination Date shall not be deemed to occur hereunder upon an option exercise by Lessee or its affiliates. On the Termination Date, this Lease shall be deemed and construed as an absolute assignment for purposes of vesting in Lessor (or Lessor's designee) all of Lessee's right, title and interest in and to the Intangibles (as defined below) and an assumption by Lessor (or Lessor's designee) of Lessee's obligations under the Intangibles from and after the

Termination Date; provided that, from and after the Termination Date, Lessee shall indemnify, defend and hold harmless Lessor against any claims, losses, costs or damages, including reasonable attorneys' fees incurred or arising by reason of Lessee's obligations under the Intangibles during the Term of this Lease; and further provided that Lessor shall indemnify, defend and hold harmless Lessee against any claims, losses, costs or damages, including reasonable attorneys' fees, incurred or arising by reason of any obligations under the Intangible arising after the Termination Date. The "Intangibles" shall mean all of the following property which is now or hereafter used in connection with the operation of the Demised Premises:

(1) service contracts and equipment leases for the benefit of the Demised Premises to which Lessee is a party, and which can be terminated without penalty by Lessee within sixty (60) or fewer days' notice or which Lessor requests be assigned to Lessor (or Lessor's designee) pursuant to this Article XXXIV, subject to any required consents of the Lessor or providers under such service contracts and equipment leases;

(2) to the extent permitted by law, any provider agreements with Medicare, Medicaid or any other third-party payor programs (excluding the right to any reimbursement for periods prior to the Termination Date, as defined above) entered in connection with the Demised Premises to the extent assignable by Lessee; provided that in addition thereto, as long as Lessor or its designee are diligently attempting to receive its own Medicare number, Lessor (or Lessor's designee) shall be permitted to bill under Lessee's Medicare provider agreement until any assignment thereof has become effective, but not for longer than six months, and Lessee shall promptly remit to Lessor (or Lessor's designee) any funds received with respect to such billing for post- Termination Date services);

(3) all existing agreements with residents and any guarantors thereof of the Demised Premises, to the extent assignable by Lessee (excluding the right to any payments for periods prior to the Termination Date) and any and all patient trust fund accounts; and

(4) at Lessor's option, the business of Lessee as conducted at the Demised Premises as a going concern, including but not limited to all telephone numbers presently in use therein, but specifically excluding any accounts receivable related to the period prior to the Termination Date.

34.2 Lessor shall be responsible for and shall pay all accrued expenses with respect to the Demised Premises accruing on or after 12:01 a.m. on the Termination Date and shall be entitled to receive and retain all revenues from the Demised Premises accruing on or after 12:01 a.m. on the Termination Date. Within fifteen (15) business days after the Termination Date, the following adjustments and prorations shall be determined as of the Termination Date:

(1) Real estate taxes, ad valorem taxes, school taxes, assessments and personal property, intangible and use taxes, if any. If the information as to the actual amount of any of the foregoing taxes and assessments are not available for the tax year in which the Termination Date occurs, the proration of such taxes shall be estimated based upon reasonable information available to the parties, including information disclosed by the local tax office or other public information, and an adjustment shall be made when actual figures are published or otherwise become available.

(2) Lessee will terminate the employment of all employees on the Termination Date and shall be and remain liable for any and all wages, accrued vacation and sick leave pay for employees of the Demised Premises with respect to the period prior to 12:01 a.m. on the Termination Date.

(3) Lessor shall receive a credit equal to any advance payments by patients at the Demised Premises to the extent attributable to periods after 12:01 a.m. on the Termination Date.

(4) The present insurance coverage on the Demised Premises shall be terminated as of the Termination Date and there shall be no proration of insurance premiums.

(5) All other income from, and expenses that would be Lessee's responsibility in connection with the Demised Premises (other than mortgage interest and principal), including but not limited to public utility charges and deposits, maintenance charges and service charges shall be prorated between Lessee and Lessor as of 12:01 a.m. on the Termination Date. Lessee shall, if possible, obtain final utility meter readings as of the Termination Date. To the extent that information for any such proration is not available, Lessee and Lessor shall effect such proration within sixty (60) days after the Termination Date.

(6) Lessee shall be and remain responsible for any accrued benefits (whether vested or unvested), and related taxes which may be payable as the result of any termination of an employee's employment on or prior to 12:01 a.m. on the Termination Date.

(7) Lessee shall be refunded any amounts held in escrow by Lessor pursuant to this Lease, including, without limitation, any real estate tax escrow, insurance escrows or capital expenditure reserves.

34.3 All necessary arrangements shall be made to provide possession of the Demised Premises to Lessor or any such designee on the Termination Date, at which time of possession Lessee shall deliver to Lessor, or such designee, all medical records, patient records and other personal information concerning all patients residing at the Demised Premises as of the Termination Date and other relevant records used or developed in connection with the business conducted at the Demised Premises. Such transfer and delivery shall be in accordance with all applicable laws, rules and regulations concerning the transfer of medical records and other types of patient records.

34.4 For the period commencing on the Termination Date and ending on the date Lessor, or any such designee, obtains any and all appropriate state or other governmental licenses and certifications required to operate the Facility, Lessee hereby agrees that, to the extent permitted by law, Lessor, or any Lessor's designee, shall have the right, but not the obligation, to manage and operate the Demised Premises, on a triple net basis, and shall be entitled to all revenues of the Demised Premises during such period, and to use any and all licenses, certifications and provider agreements issued to Lessee by any federal, state or other governmental authority for such operation of the Demised Premises, if permitted by any such governmental authorities. If Lessor or such designee exercises the right described above in this

Section 35.4, the provisions of this Section 34.4 shall be self-operative and shall constitute a management agreement between Lessee, on the one hand, and Lessor or any such designee, on the other hand, on the terms set forth above in this Section 34.4; provided, however, that upon the request of Lessor or any such designee, Lessee shall enter into a separate management agreement on the terms set forth in this Section 34.4 and on such other terms and provisions as may be specified by Lessor or any designee so long as Lessee is sufficiently indemnified for actions of Lessor or its designee in connection with its management of the Facility after the Termination Date.

34.5 Lessee shall provide Lessor with an accounting within fifteen (15) days after the Termination Date of all funds belonging to patients at the Demised Premises which are held by Lessee in a custodial capacity. Such accounting shall set forth the names of the patients for whom such funds are held, the amounts held on behalf of each such patient and Lessee's warranty that the accounting is true, correct and complete. Additionally, Lessee, in accordance with all applicable rules and regulations, shall make all necessary arrangements to transfer such funds to a bank account designated by Lessor, and Lessor shall in writing acknowledge receipt of and expressly assume all Lessee's financial and custodial obligations with respect thereto. Notwithstanding the foregoing, Lessee will indemnify, defend and hold Lessor harmless, from all liabilities, claims and demands, including reasonable attorney's fees, in the event the amount of funds, if any, transferred to Lessor's bank account as provided above, did not represent the full amount of the funds then or thereafter shown to have been delivered to Lessee as custodian that remain undisbursed for the benefit of the patient for whom such funds were deposited, or with respect to any matters relating to patient funds which accrued during the Term and Lessor will indemnify, defend and hold Lessee harmless from all liabilities, claims and demands, including reasonable attorney's fees with respect to any matters relating to patient funds which accrue after the Term.

34.6 All cash, checks and cash equivalent at the Demised Premises and deposits in bank accounts (other than patient trust accounts) relating to the Demised Premises on the Termination Date shall remain Lessee's property after the Termination Date. Subject to the provisions of Article XXIII hereof, all accounts receivable, loans receivable and other receivables of Lessee whether derived from operation of the Demised Premises or otherwise, shall remain the property of Lessee after the Termination Date. Lessee shall retain full responsibility for the collection thereof. Lessor shall assume responsibility for the billing and collection of payments on account of services rendered by it on and after the Termination Date. In order to facilitate Lessee's collection efforts, Lessee shall use commercially reasonable efforts to deliver to Lessor, within a reasonable time after the Termination Date, a schedule identifying all of those private pay balances owing for the month prior to the Termination Date and Lessor agrees to apply any payments received which are specifically designated as being applicable to services rendered prior to the Termination Date to reduce the pre- Termination Date balances of said patients by promptly remitting said payments to Lessee. Payments received by Lessor or Lessee from patients owing money for services rendered by Lessor and Lessee and which are not allocated to a particular time period shall be applied one-half (1/2) to the payment of Lessor's accounts receivable for that particular patient and one-half (1/2) to the payment of Lessee's account receivable for that particular patient. Lessor shall cooperate with Lessee's collection of its preclosing accounts receivable. Lessor shall have no liability for uncollectible receivables and shall not be obligated to bear any expense as a result of such activities on behalf of Lessee. Subject to the provisions of

Article XXIII hereof, Lessor shall remit to Lessee or any assignee those portions of any payments received by Lessor which are specifically designated as repayment or reimbursement arising out of cost reports filed for the cost reporting periods ending on or prior to the Termination Date.

34.7 With respect to residents at the Demised Premises on the Termination Date, Lessor and Lessee agree as follows:

(1) With respect to Medicare and Medicaid residents, Lessor and Lessee agree that subject to the provisions of Article XXIII hereof, payment for in-house residents covered by Medicare or Medicaid on the Termination Date will be made (on a per diem basis) by Medicare or Medicaid under current regulations directly to Lessee for services rendered at the Demised Premises prior to the Termination Date. The billing for said payments shall be the sole responsibility of Lessee and, and Lessor shall in no way be liable therefor. After the Termination Date, Lessor and Lessee shall have the right to review supporting books, records and documentation that are in the possession of the other relating to Medicaid or Medicare payments.

(2) If, following the Termination Date, Lessor receives payment from any state or federal agency or third-party provider which represents reimbursement with respect to services provided at the Demised Premises prior to the Termination Date, Lessor agrees that, subject to the provisions of Article XXIII hereof, Lessor shall promptly remit such payments to Lessee. Payments by Lessor to Lessee shall be accompanied by a copy of the appropriate remittance.

34.8 In addition to the obligations required to be performed hereunder by Lessee and Lessor on and after the Termination Date, Lessee and Lessor agree to perform such other acts, and to execute, acknowledge, and/or deliver subsequent to the Termination Date such other instruments, documents and materials, as the other may reasonably request in order to effectuate the consummation of the transaction contemplated herein.

34.9 Lessee for itself, its successors and assigns hereby indemnifies and agrees to defend and hold Lessor and its successors and assigns, as well as any future tenant of Lessor with respect to the Facility harmless from any and all claims, demands, obligations, losses, liabilities, damages, recoveries and deficiencies (including interest, penalties and reasonable attorney's fees, costs and expenses) which any of them may suffer as a result of the breach by Lessee in the performance of any of its commitments, covenants or obligations under this Article XXXIV, or with respect to any suits, arbitration proceedings, administrative actions or investigations which relate to the use by Lessee of the Demised Premises during the Term or for any liability which may arise from operation of the Demised Premises as a nursing home during the Term, including without limitation, any amounts due or to be reimbursed to any governmental authority based upon any audit or review of Lessee, or of the Facility or the operation thereof and pertaining to the period prior to the Termination Date or any amounts recaptured under Titles XVIII or XIX based upon applicable Medicaid /Medicare recapture regulations. The rights of Lessor under this paragraph are without prejudice to any other remedies not inconsistent herewith which Lessor may have against Lessee pursuant to the terms of this Lease. The foregoing indemnity shall survive the expiration or termination of this Lease for three years, whether due to lapse of time or otherwise.

34.10 Lessor for itself, its successors and assigns hereby indemnifies and agrees to defend and hold Lessee and its successors and assigns harmless from any and all claims, demands, obligations, losses, liabilities, damages, recoveries and deficiencies (including interest, penalties and reasonable attorney's fees, costs and expenses) which it may suffer as a result of the breach by Lessor in the performance of any of its commitments, covenants or obligations under this Article XXXIV, or with respect to any suits, arbitration proceedings, administrative actions or investigations which relate to the use of the Demised Premises after the Term or for any liability which may arise from operation of the Demised Premises as a nursing home after the Term. The rights of Lessee under this paragraph are without prejudice to any other remedies not inconsistent herewith which Lessee may have against Lessor pursuant to the terms of this Lease or otherwise. The foregoing indemnity shall survive the expiration or termination of this Lease for three years, whether due to lapse of time or otherwise.

34.11 Lessor shall have the right to offset against any monies due Lessee pursuant to the terms of this Article XXXIV, any amounts due by Lessee to Lessor pursuant to this Lease, including without limitation any amounts due for taxes, utilities, unemployment insurance premiums, payroll obligations or any other obligation arising from the operation of the Demised Premises.

34.12 Anything to the contrary contained in this Article XXXIV notwithstanding, in the event the termination of this Lease is due to a default by Lessee hereunder, none of the provisions of this Article XXXIV shall in any way limit, reduce, restrict or modify the rights otherwise granted to Lessor pursuant to this Lease, and to the extent any monies are due to Lessee pursuant to this Article XXXIV, such sums shall be applied by Lessor to any damages suffered by Lessor as a result of Lessee's default hereunder.

34.13 Lessor and Lessee agree to cooperate with each other in order to effectuate the terms and provisions of this Article XXXIV. Notwithstanding the foregoing contained in this Article XXXIV, to the extent the Lessee, as old operators, and either Lessor or an affiliate of Lessor, as new operators, enter into an operations transfer agreement (the "OTA") for the transition of operations of the Facility upon the Termination Date, then the provisions of the OTA shall supersede the terms and conditions of this Article XXXIV.

ARTICLE XXXV - MISCELLANEOUS

35.1 Lessee, upon paying the Rent and all other charges herein provided, and for observing and keeping the covenants, agreements, terms and conditions of this Lease on its part to be performed, shall lawfully and quietly hold, occupy and enjoy the Demised Premises and Personal Property during the Term of this Lease, and subject to its terms, without hindrance by Lessor or by any other person or persons claiming under Lessor.

35.2 All payments to be made by the Lessee hereunder (other than Base Rent), whether or not designated as "Additional Rent", shall be deemed Additional Rent, so that in the event of a default of payment when due, Lessor shall be entitled to all of the remedies available at law or equity, or under this Lease, for the nonpayment of Rent.

35.3 It is understood and agreed that the granting of any consent by Lessor to Lessee to perform any act of Lessee requiring Lessor's consent under the terms of this Lease, or the failure on the part of Lessor to object to any such action taken by Lessee without Lessor's consent, shall not be deemed a waiver by Lessor of its rights to require such consent for any further similar act by Lessee, and Lessee hereby expressly covenants and warrants that as to all matters requiring Lessor's consent under the terms of this Lease, Lessee shall secure such consent for each and every happening of the event requiring such consent, and shall not claim any waiver on the part of Lessor of the requirement to secure such consent.

35.4 Lessee represents that it did not deal with any broker in connection with this Lease, and hereby indemnify Lessor against the claims or demands of any broker claimed through a relationship with Lessee. Lessor represents that it did not deal with any broker in connection with this Lease, and hereby indemnify Lessee against the claims or demands of any broker claimed through a relationship with Lessor.

35.5 If an action shall be brought to recover any Rent under this Lease, or for or on account of any breach of or to enforce or interpret any of the terms, covenants or conditions of this Lease, or for the recovery of possession of the Demised Premises, the prevailing party shall be entitled to recover from the other party, as part of the prevailing party's costs, reasonable attorneys' fees, the amount of which shall be fixed by the court and shall be made a part of any judgment rendered.

35.6 Should Lessee hold possession hereunder after the expiration of the Term of this Lease with or without the consent of Lessor, Lessee shall become a tenant on a month to month basis upon all the terms, covenants and conditions herein specified, excepting however that Lessee shall pay Lessor a monthly rental, for the period of such month-to-month tenancy, in an amount equal to twice the last Rent specified.

35.7 All notices, demands or other communications given hereunder shall be in writing and shall be deemed to have been duly delivered (i) upon the delivery (or refusal to accept delivery) by personal delivery, messenger or overnight express delivery service (or, if such date is not on a business day, on the business day next following such date), (ii) on the third (3rd) business day next following the date of its mailing by certified mail, postage prepaid, at a post office maintained by the United States Postal Service, or (iii) by electronic mail transmission, addressed as follows:

If to Lessor:

9100 North Karlov Avenue
Skokie, IL 60076
Attn: Elisha Atkin
EAtkin@ima.care

If to Lessee:

Meir Meystel
4655 W. Chase Avenue
Lincolnwood, IL 60712
Email: mmeystel@elevatecare.com

with a copy to:

Sher, LLP
5750 Old Orchard Road, Suite 420
Skokie, Illinois 60077
Attn: Stephen N. Sher
E-mail: steve@sherlegal.com

with a copy to:

Fred Frankel
4655 W. Chase Avenue
Lincolnwood, IL 60712
Email: FFrankel@aperioncare.com

and

Gutnicki LLP
4711 Golf Road, Suite 200
Skokie, Illinois 60076
Attn: Stacy J. Flanigan
Email: sflanigan@gutnicki.com

or such other address that any party designates to the other by written notice given in the manner stated above. Any notice sent by electronic mail shall be deemed delivered upon transmission, so long as said transmission is evidenced by proof of said transmittal, and sent before 5:00 p.m. local time at the place of the recipient and if sent after 5:00 p.m. shall be deemed delivered on the next business day. Notices from counsel to Lessor shall for all purposes hereunder constitute notice from Lessor. Notices from counsel to Lessee shall for all purposes hereunder constitute notice from Lessee.

35.8 Each party agrees at any time, and from time to time, upon not less than ten (10) days prior written request from the other party, to execute, acknowledge and deliver to the other party a statement in writing, certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified, and stating the modifications), the dates to which the Rent has been paid, the amount of the Additional Rent held by Lessor, and whether to the best knowledge of such party an Event of Default has occurred or whether any events have occurred which, with the giving of notice or the passage of time, or both, could constitute an Event of Default hereunder, it being intended that any such statement delivered pursuant to this section may be relied upon by any prospective assignee, mortgagee or purchaser of the fee interest in the Demised Premises or of this Lease.

35.9 All of the provisions of this Lease shall be deemed and construed to be "conditions" and "covenants" as though the words specifically expressing or importing covenants and conditions were used in each separate provision hereof.

35.10 Any reference herein to the expiration of this Lease shall be deemed to include any termination thereof by expiration, or pursuant to Articles referring to earlier termination.

35.11 The headings and titles in this Lease are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or intent of this Lease, or in any way affect this Lease.

35.12 This Lease and the Purchase Option contains the entire agreement between the parties and any executory agreement hereafter made shall be ineffective to change, modify or

discharge it in whole or in part unless such executory agreement is in writing and signed by the party against whom enforcement of the change, modification or discharge is sought. This Lease cannot be changed orally or terminated orally.

35.13 Except as otherwise herein expressly provided, the covenants, conditions and agreements in this Lease shall bind and inure to the benefit of Lessor and Lessee and its respective successors and assigns.

35.14 All nouns and pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons, firm or firms, corporation or corporations, entity or entities or any other thing or things may require. "Any" or "any" shall mean "any and all"; "or" shall mean "and/or"; "including" shall mean "including, but not limited to".

35.15 This Lease may be executed in counterparts, each of which shall for all purposes be deemed an original, and all of such counterparts shall together constitute one and the same agreement. The exchange of .pdf signature pages by email transmission shall constitute effective delivery of such signature pages and shall be deemed to be original signatures for all purposes.

35.16 If any term or provision of this Lease shall to any extent be held invalid or unenforceable, the remaining terms and provisions of this Lease shall not be affected thereby, but each term and provision shall be valid and be enforced to the fullest extent permitted by law.

35.17 This Lease shall be construed in accordance with the laws of the State of Arizona without regard to conflict of laws principles.

35.18 In the event that any dispute between the parties regarding this Agreement or any of its provisions cannot be resolved after reasonable attempts by the parties to do so, each party agrees to appoint a representative to meet with the other party's representative to attempt to resolve the dispute. The appointed representatives shall discuss the problem and negotiate in good faith to resolve the dispute. If the appointed representatives are unable to resolve any dispute within thirty (30) days following their first meeting, such dispute shall be subject to binding arbitration conducted by a single arbitrator in Pima County, Arizona in accordance with the then-current commercial arbitration rules of the American Arbitration Association. Judgment on the award may be entered by any court of competent jurisdiction.

35.19 It is expressly understood and agreed that except as otherwise expressly provided herein, this Lease shall not be construed as creating any personal liability whatsoever against any member, officer, director, shareholder or agent of Lessor and/or of Lessee and in particular without limiting the generality of the foregoing, there shall be no personal liability to pay any obligations set forth herein or to perform any covenant, either expressed or implied, herein contained, and that, except as otherwise provided herein, all personal liability of any member, officer, director, shareholder or agent of Lessor and/or of Lessee of every sort, if any, is hereby expressly waived by the other party hereto.

35.20 The term "Knowledge" as used herein shall be deemed to mean the best of a Person's knowledge, and of the principals, officers and agents of such Person. Any fact or circumstance that a Person and its principals, officers or agents reasonably should know assuming


commercially reasonable best efforts were utilized, shall be deemed the Knowledge of such Person. The term “commercially reasonable best efforts” shall mean the efforts that a commercially reasonable Person desirous of achieving a result would use in similar circumstances to achieve that result as expeditiously as reasonably practicable, provided, however, that a Person required to use commercially reasonable best efforts under this Lease will not thereby be required to take any action that would result in a material adverse change in the benefits to such Person of this Lease or the transactions contemplated hereby or to make any change in its business, incur any extraordinary fees or expenses or incur any other material burden. “Person” shall mean any individual, partnership (general and/or limited), association, corporation, limited liability company, trust, joint venture or other legal entity of any and every nature whatsoever.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be signed by persons authorized so to do on behalf of each of them respectively the day and year first above written.

LESSOR:

SAPPHIRE OF TUCSON PROPERTIES, LLC
an Arizona limited liability company

By: 
Name: Elisha Atkin
Title: MANAGER

LESSEE:

SANDSTONE OF TUCSON REHAB CENTRE, LLC
an Arizona limited liability company

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be signed by persons authorized so to do on behalf of each of them respectively the day and year first above written.

LESSOR:

SAPPHIRE OF TUCSON PROPERTIES, LLC
an Arizona limited liability company

By: _____
Name: _____
Title: _____

LESSEE:

SANDSTONE OF TUCSON REHAB CENTRE, LLC
an Arizona limited liability company

By:  _____
Name: Meir Meystel
Title: Authorized Signatory

SCHEDULE 3.1

BASE RENT

Lease Year	Annual Base Rent	Monthly Base Rent
1	\$2,500,000.00	\$208,333.33
2	\$2,500,000.00	\$208,333.33
3	\$2,500,000.00	\$208,333.33
4	\$2,500,000.00	\$208,333.33
5	\$2,500,000.00	\$208,333.33
6	\$2,500,000.00	\$208,333.33
7	\$2,500,000.00	\$208,333.33
8	\$2,500,000.00	\$208,333.33
9	\$2,500,000.00	\$208,333.33
10	\$2,500,000.00	\$208,333.33
Each year thereafter	\$2,500,000.00	\$208,333.33

DO NOT WRITE ABOVE THIS LINE; RESERVED FOR ACC USE ONLY.

ARTICLES OF ORGANIZATION

Read the Instructions L010i

1. ENTITY TYPE - check only one to indicate the type of entity being formed:

LIMITED LIABILITY COMPANY
 (entity name must contain
 the words "Limited Liability
 Company", "LLC" or L.C.)

PROFESSIONAL LIMITED LIABILITY COMPANY
 (entity name must contain the words "Professional
 Limited Liability Company", "PLLC" or "PLC")

2. ENTITY NAME - see Instructions L010i for full naming requirements - give the exact name of the LLC:

Sandstone of Tucson Rehab Centre, LLC

3. PROFESSIONAL LIMITED LIABILITY COMPANY SERVICES - If and only if professional LLC is checked in number 1 above, describe the professional services that the professional LLC will provide (examples: law firm, accounting, medical):

4. STATUTORY AGENT for service of process - see Instructions L010i					
4.1 REQUIRED - give the name (can be an Arizona resident or an Arizona-registered entity) and physical or street address (not a P.O. Box) in Arizona of the statutory agent:			4.2 REQUIRED - mailing address in Arizona of Statutory Agent (can be a P.O. Box):		
Vcorp Services, LLC			<input checked="" type="checkbox"/> Check box if same as physical/street address.		
Statutory Agent Name			Attention (optional)		
3800 N Central Avenue, Suite 460			Address 1		
Address 1			Address 2 (optional)		
Address 2 (optional)		AZ	85012	Address 2 (optional)	
City	Phoenix	State	Zip	City	State Zip
4.3 REQUIRED- the Statutory Agent Acceptance form M002 must be submitted along with these Articles of Organization.					

5. PRINCIPAL ADDRESS:

5.1 Is the principal address the same as the street address of the statutory agent?

- Yes - go to number 6 and continue**
 No - go to number 5.2 and continue

5.2 If you answered "No" to number 5.1, provide the principal address below:

Attention (optional)		
5650 S Rainbow		
Address 1		
Address 2 (optional)		
Las Vegas	NV	89118
City	State or Province	Zip
Country	USA	

COMPLETE NUMBER 6 OR NUMBER 7 – NOT BOTH.

- 6. **MANAGER-MANAGED LLC** – see *Instructions L010i* – check this box If management of the LLC will be vested in a manager or managers (meaning one or more managers will run the company) and complete and attach **ONLY** the Manager Structure Attachment form L040. (Both members and managers will be listed on the Manager Structure Attachment.) *The filing will be rejected if it is submitted without the attachment.*

- 7. **MEMBER-MANAGED LLC** – see *Instructions L010i* – check this box if management of the LLC will be reserved to the members (meaning all members will run the company together if there is no operating agreement stating otherwise), and complete and attach **ONLY** the Member Structure Attachment form L041. (All members will be listed on the Member Structure Attachment.) *The filing will be rejected if it is submitted without the attachment.*

The person signing below declares and certifies under penalty of law that the information contained within this document together with any attachments is true and correct, and is submitted in compliance with Arizona law.


07/13/2021

 Signature Date

Frederick S. Frankel

 Printed Name

Expedited or Same Day/Next Day services are available for an additional fee – see Instructions or Cover sheet for prices.

Filing Fee: \$50.00 (regular processing) All fees are nonrefundable - see Instructions.	Mail: Arizona Corporation Commission - Examination Section 1300 W. Washington St., Phoenix, Arizona 85007 Fax (for Regular or Expedite Service ONLY): 602-542-4100 Fax (for Same Day/Next Day Service ONLY): 602-542-0900
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Please be advised that A.C.C. forms reflect only the minimum provisions required by statute. You should seek private legal counsel for those matters that may pertain to the individual needs of your business. All documents filed with the Arizona Corporation Commission are public record and are open for public inspection. If you have questions after reading the Instructions, please call 602-542-3026 or (within Arizona only) 800-345-5819.



DO NOT WRITE ABOVE THIS LINE; RESERVED FOR ACC USE ONLY.

MANAGER STRUCTURE ATTACHMENT

1. **ENTITY NAME** – give the exact name of the LLC (foreign LLCs – give name in domicile state or country):

Sandstone of Tucson Rehab Centre, LLC

2. **MANAGERS/MEMBERS** - give the name and address of each and every **manager** and list all **members who own 20% or more** of the profits or capital of the LLC. **Use one block per person.** Check the appropriate box or boxes below each person listed. If more space is needed, use another Manager Structure Attachment form.

1. Sandstone Healthcare Group, Inc.			2.		
Name 5650 S Rainbow			Name		
Address 1			Address 1		
Address 2 (optional) Las Vegas		NV	Address 2 (optional)		89118
City	State or Province	Zip	City	State or Province	Zip
UNITED STATES					
Country			Country		
<input checked="" type="checkbox"/> Manager <input type="checkbox"/> Member owning 20% or more			<input type="checkbox"/> Manager <input type="checkbox"/> Member owning 20% or more		
3.			4.		
Name			Name		
Address 1			Address 1		
Address 2 (optional)			Address 2 (optional)		
City	State or Province	Zip	City	State or Province	Zip
Country			Country		
<input type="checkbox"/> Manager <input type="checkbox"/> Member owning 20% or more			<input type="checkbox"/> Manager <input type="checkbox"/> Member owning 20% or more		
5.			6.		
Name			Name		
Address 1			Address 1		
Address 2 (optional)			Address 2 (optional)		
City	State or Province	Zip	City	State or Province	Zip
Country			Country		
<input type="checkbox"/> Manager <input type="checkbox"/> Member owning 20% or more			<input type="checkbox"/> Manager <input type="checkbox"/> Member owning 20% or more		

DO NOT WRITE ABOVE THIS LINE; RESERVED FOR ACC USE ONLY.

STATUTORY AGENT ACCEPTANCE*Please read Instructions M002I*

1. **ENTITY NAME** – give the **exact** name in Arizona of the corporation or LLC that has appointed the Statutory Agent (this must match exactly the name as listed on the document appointing the statutory agent, e.g., Articles of Organization or Articles of Incorporation):

Sandstone of Tucson Rehab Centre, LLC

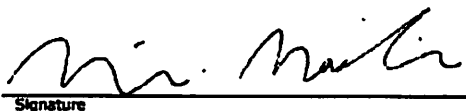
2. **STATUTORY AGENT NAME** – give the exact name of the Statutory Agent appointed by the entity listed in number 1 above (this will be *either* an individual or an entity). **NOTE** - the name must match **exactly** the statutory agent name as listed in the document that appoints the statutory agent (e.g. Articles of Incorporation or Articles of Organization), including any middle initial or suffix:

Vcorp Services, LLC

3. STATUTORY AGENT SIGNATURE:

By the signature appearing below, the individual or entity named in number 2 above accepts the appointment as statutory agent for the entity named in number 1 above, and acknowledges that the appointment is effective until the appointing entity replaces the statutory agent or the statutory agent resigns, whichever occurs first.

The person signing below declares and certifies *under penalty of perjury* that the information contained within this document together with any attachments is true and correct, and is submitted in compliance with Arizona law.



Miriam Nachison

07/13/2021

Signature

Printed Name

Date

REQUIRED – check only one:

<input type="checkbox"/> Individual as statutory agent: I am signing on behalf of myself as the individual (natural person) named as statutory agent.	<input checked="" type="checkbox"/> Entity as statutory agent: I am signing on behalf of the entity named as statutory agent, and I am authorized to act for that entity.
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Filing Fee: none (regular processing)
Expedited processing – not applicable.
All fees are nonrefundable - see Instructions.

Mail: Arizona Corporation Commission - Examination Section
1300 W. Washington St., Phoenix, Arizona 85007
Fax: 602-542-4100

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