

APPLICATION SUMMARY

Date Application Filed: 05/01/2024

Name of Facility: Avalon Rehab and Care Center

New Name of Facility: Accela Rehab and Care Center at Wayne

License number: 061629

Address: 2020 Route 23 North, Wayne, New Jersey 07470

County: Passaic County

Project Description: This project involves the Transfer of Ownership of the assets and operations of Avalon Rehab and Care Center, a 170-bed skilled nursing facility located at 2020 Route 23 North, Wayne, NJ 07470 (the "Facility") from 2020 Route 23 Operating Company LLC (the "Current Owner") to Avalon Garden Group LLC ("Proposed Owner"). This Facility is to be renamed Accela Rehab and Care Center at Wayne. The Proposed Owner will operate the Facility through a Lease Agreement with Wayne Garden Realty Group LLC (the "Lessor"). The Lessor acquired the property from the prior property owner, Wayneview Realty, LLC, as of May 31, 2024, due to a pending foreclosure. The Current Owner subleases the property from the Proposed Owner pursuant to a Sublease, which will terminate upon the Transfer of Ownership to the Proposed Owner. An affiliate of the Proposed Owner, Accela Avalon Management LLC, entered into an Interim Management Agreement with the Current Owner, which will terminate at the time of the Transfer of Ownership to the Proposed Owner. Upon transfer, the Facility will be managed by Accela Avalon Management LLC, pursuant to a Management Agreement. A copy of the Interim Management Agreement, the Management Agreement, the Lease and the Sublease are attached.

Licensed Capacity: 170 Beds

Current Licensed Owner: 2020 Route 23 Operating Company LLC

Proposed Licensed Owner: Avalon Garden Group LLC

Proposed Management Company and Address: Accela Avalon Management LLC; 670 Flushing Ave Ste 213, Brooklyn, New York 11206

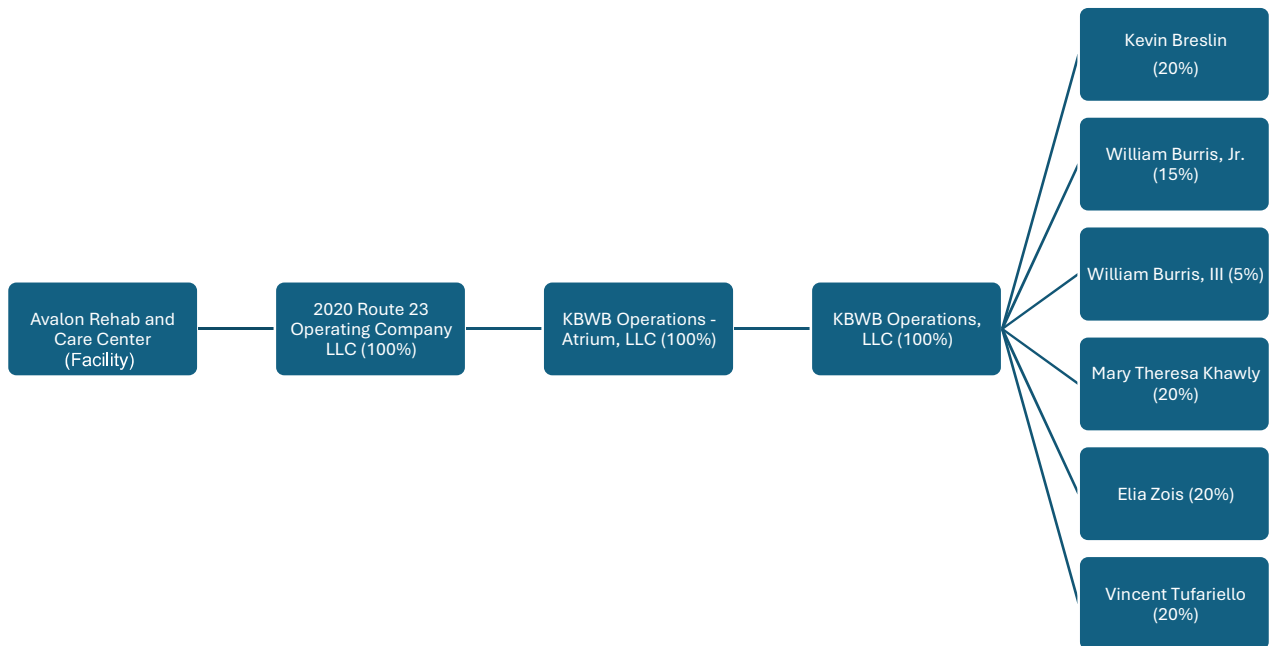
Ownership of Management Company: Samuel Berkowitz (25%) and Joel Zupnick (75%)

Owner of Real Estate: Purchased by Wayne Garden Realty Group LLC, pursuant to a Purchase and Sale Agreement dated April 5, 2024 with closing effective as of May 31, 2024.

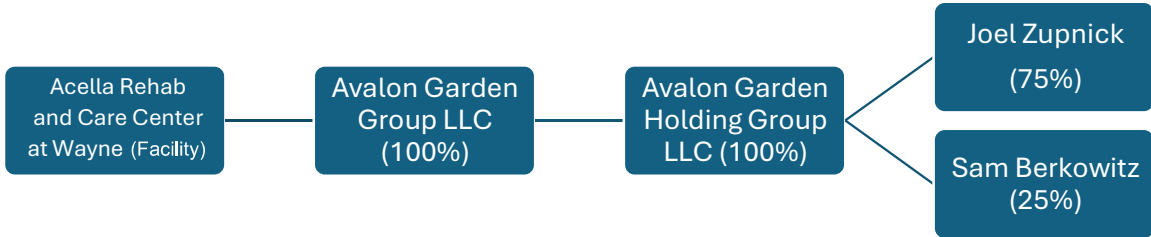
Location of Stored Medical Records Post-Closing: 2020 Route 23 North, Wayne, New Jersey 07470

Current Ownership Structure of Facility

F/K/A Atrium Post-Acute Care of Wayne,
N/K/A Avalon Rehab and Care Center

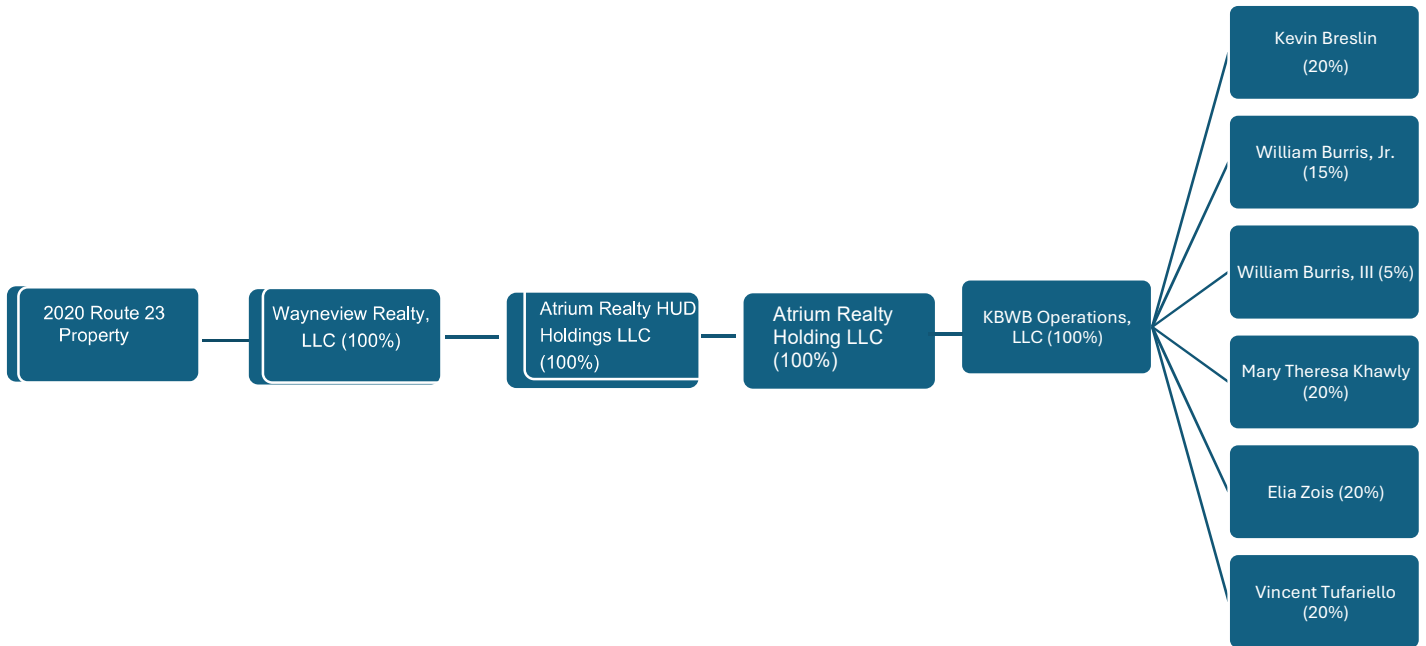


Proposed Ownership Structure of Facility

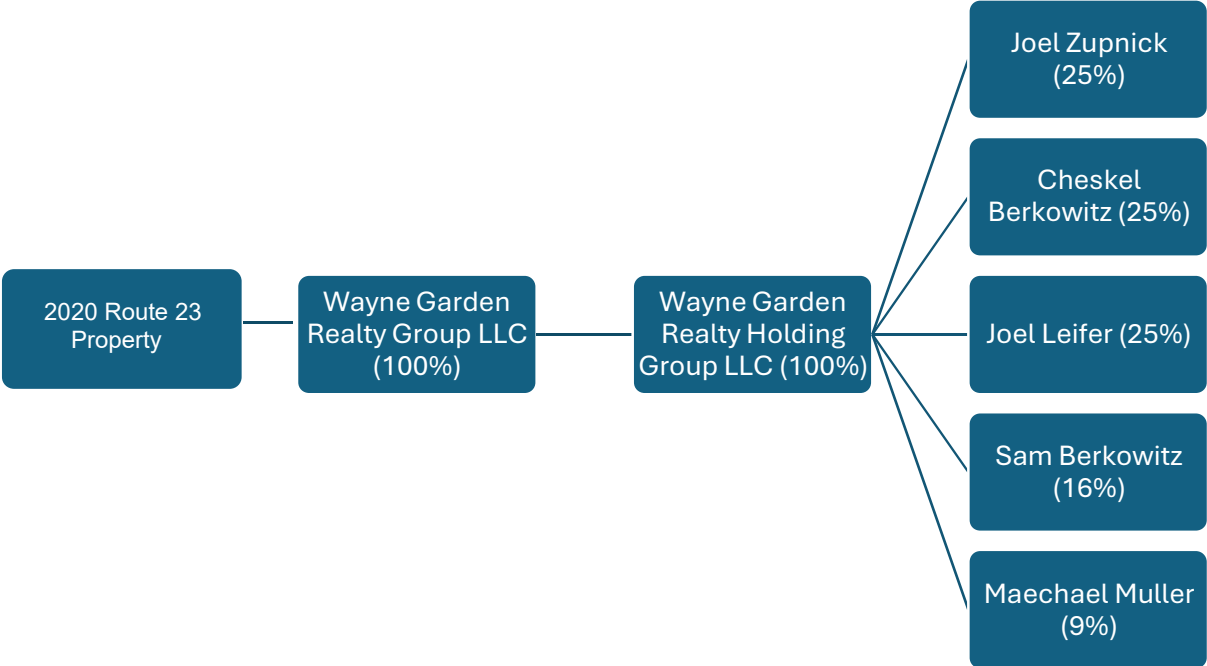


Prior Ownership Structure of Property

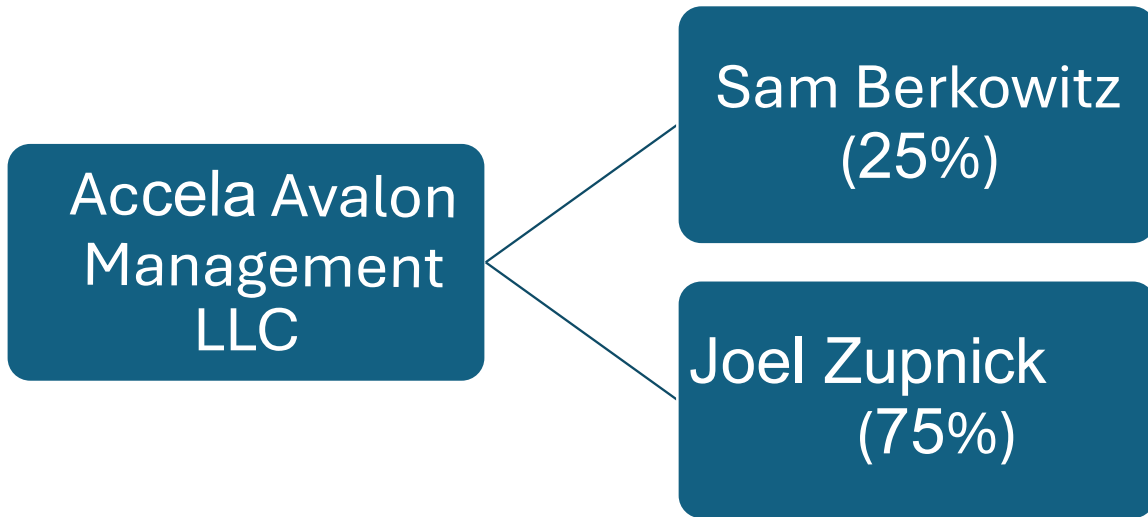
Wayneview Realty, LLC



Property Owner as of 5/31/2024



**Ownership Structure of Management Company: Accela Avalon
Management LLC**



Samuel Berkowitz Ownership Disclosures

*via Avalon Garden Group LLC

Facility Name	City, State	Ownership Percentage
Anchor Care	Hazlet, NJ	65%
Arnold Walter	Hazlet, NJ	20%
Accela Rehab and Care Center at Springfield	Springfield, PA	30%
Accela Rehab and Care Center at Somerton	Somerton, PA	30%

Joel Zupnick Ownership Disclosures

BAYSIDE HEALTH AND REHABILITATION CENTER	4343 LANGLEY AVENUE	PENSACOLA	FL	32504
CHARLOTTE BAY REHAB AND CARE CENTER	4033 BEAVER LANE	PORT CHARLOTTE	FL	33952
AMBASSADOR HEALTHCARE AT COLLEGE PARK	13755 GOLF CLUB PKWY	FORT MYERS	FL	33919
NURSING & REHABILITATION CENTER OF NEW PORT RICHEY	8417 OLD COUNTY RD 54	NEW PORT RICHEY	FL	34653
BREEZY HILLS REHAB AND CARE CENTER	5245 N SOCRUM LOOP RD	LAKELAND	FL	33809
BAY BREEZE SENIOR LIVING AND REHABILITATION CENTER	3387 GULF BREEZE PARKWAY	GULF BREEZE	FL	32561
BEACH BREEZE REHAB AND CARE CENTER	1626 DAVIS RD	WEST PALM BEACH	FL	33406
ARCADIA HEALTH AND REHABILITATION CENTER	10095 HILLVIEW ROAD	PENSACOLA	FL	32514
GRAND BOULEVARD HEALTH AND REHABILITATION CENTER	138 SANDESTIN LANE	MIRAMAR BEACH	FL	32550
SILVERCREST HEALTH AND REHABILITATION CENTER	910 BROOKMEADE DRIVE	CRESTVIEW	FL	32539
CHARMING LAKES REHAB	2020 W LAKE PARKER DR	LAKELAND	FL	33805
ROSEWOOD HEALTHCARE AND REHABILITATION CENTER	3107 NORTH H STREET	PENSACOLA	FL	32501
SPECIALTY HEALTH AND REHABILITATION CENTER	6984 PINE FOREST ROAD	PENSACOLA	FL	32526
NURSING & REHABILITATION CENTER OF BAYONET POINT	8132 HUDSON AVENUE	HUDSON	FL	34667
WEST ALTAMONTE NURSING & REHABILITATION CENTER	1099 WEST TOWN PARKWAY	ALTAMONTE	FL	32714
NURSING & REHABILITATION CENTER OF MELBOURNE	3033 SARNO RD	MELBOURNE	FL	32934
AZURE SHORES REHAB	800 NW 95TH STREET	MIAMI	FL	33150
PENSACOLA NURSING & REHABILITATION CENTER	235 WEST AIRPORT BLVD	PENSACOLA	FL	32505
SUN HARBOR HEALTHCARE	18480 COCHRAN BLVD	PORT CHARLOTTE	FL	33948
SARASOTA CENTER FOR NURSING & REHABILITATION	4783 FRUITVILLE ROAD	SARASOTA	FL	34232
KISSIMMEE NURSING & REHABILITATION CENTER	2511 JOHN YOUNG PARKWAY NORTH	KISSIMMEE	FL	34741
VICTORIA CROSSING REHABILITATION CENTER	701 VICTORIA ST	BRANDON	FL	33510
THE GRANDVIEW NURSING AND REHABILITATION FACILITY	640 WATER TOWER BYPASS	CAMPBELLSVILLE	KY	42719
THE TERRACE NURSING AND REHABILITATION CENTER	1043 BROOKLYN BOULEVARD	BEREA	KY	40403
LETCHER MANOR	73 PIEDMONT DRIVE	WHITESBURG	KY	41858
MAYSVILLE NURSING AND REHABILITATION FACILITY	620 PARKER ROAD	MAYSVILLE	KY	41056
SOMERSET NURSING AND REHABILITATION FACILITY	106 GOVER STREET	SOMERSET	KY	42501
MIDDLESBORO NURSING AND REHABILITATION FACILITY	235 NEW WILSON LANE	MIDDLESBORO	KY	40965
OAKMONT MANOR	1100 GRANDVIEW DRIVE	FLATWOODS	KY	41139

Joel Zupnick Ownership Disclosures

RIDGEWAY NURSING & REHABILITATION FACILITY	406 WYOMING ROAD	OWINGSVILLE	KY	40360
ROBERTSON COUNTY HEALTH CARE FACILITY	1030 KENTONTOWN ROAD	MOUNT OLIVET	KY	41064
MARTIN COUNTY HEALTH CARE FACILITY	62 MAUDE ROAD	INEZ	KY	41224
WOODLAND OAKS	1820 OAKVIEW ROAD	ASHLAND	KY	41101
THE HERITAGE	192 BACON CREEK ROAD	CORBIN	KY	40702
ARNOLD WALTER NURSING & REHABILITATION CENTER	622 S LAUREL AVENUE	HAZLET	NJ	07730
BELLE CARE NURSING AND REHABILITATION CENTER	439 BELLEVUE AVENUE	TRENTON	NJ	08618
ADROIT CARE REHABILITATION AND NURSING CENTER	1777 LAWRENCE STREET	RAHWAY	NJ	07065
RIVER FRONT REHABILITATION AND HEALTHCARE CENTER	5101 NORTH PARK DRIVE	PENNSAUKEN	NJ	08109
ANCHOR CARE AND REHABILITATION CENTER	3325 HIGHWAY 35	HAZLET	NJ	07730
ALLIANCE CARE REHABILITATION AND NURSING CENTER	155 40TH STREET	IRVINGTON	NJ	07111
AVANT REHABILITATION AND CARE CENTER	1314 BRUNSWICK AVENUE	TRENTON	NJ	08638
BRIARCLIFF MANOR CENTER FOR REHAB AND NURSING CARE	620 SLEEPY HOLLOW ROAD	BRIARCLIFF MANOR	NY	10510
CEDAR MANOR NURSING & REHABILITATION CENTER	32 CEDAR LANE	OSSINING	NY	10562
SEAGATE REHABILITATION AND NURSING CENTER	3015 W 29 ST	BROOKLYN	NY	11224
SEAGATE REHABILITATION AND NURSING CENTER	3015 W 29 ST	BROOKLYN	NY	11224
CONTINUING HEALTHCARE AT ADAMS LANE	1856 ADAMS LANE	ZANESVILLE	OH	43701
NEW LEXINGTON HEALTHCARE AND REHABILITATION CENTER	920 SOUTH MAIN STREET	NEW LEXINGTON	OH	43764
PERRYSBURG HEALTHCARE AND REHABILITATION CENTER.	28546 STARBRIGHT BLVD	PERRYSBURG	OH	43551
CONTINUING HEALTHCARE AT FOREST HILL	100 RESERVOIR ROAD	ST CLAIRSVILLE	OH	43950
ASTORIA PLACE OF CLYDE, LLC	700 HELEN STREET	CLYDE	OH	43410
ASTORIA PLACE OF WATERVILLE	555 ANTHONY WAYNE TRAIL	WATERVILLE	OH	43566
BRYAN HEALTHCARE AND REHABILITATION	1104 WESLEY AVENUE	BRYAN	OH	43506
POINT PLACE HEALTHCARE AND REHABILITATION CENTER	6101 N SUMMIT ST	TOLEDO	OH	43611
CONTINUING HEALTHCARE AT BECKETT HOUSE	1280 FRIENDSHIP DRIVE	NEW CONCORD	OH	43762
CONTINUING HEALTHCARE AT WILLOW HAVEN	1020 TAYLOR STREET	ZANESVILLE	OH	43701
CONTINUING HEALTHCARE OF SHADYSIDE	60583 STATE ROUTE 7	SHADYSIDE	OH	43947
CONTINUING HEALTHCARE AT CEDAR HILL	1136 ADAIR AVENUE	ZANESVILLE	OH	43701
ACCELA REHAB AND CARE CENTER AT SOMERTON	650 EDISON AVENUE	PHILADELPHIA	PA	19116
ACCELA REHAB AND CARE CENTER AT SPRINGFIELD	850 PAPERMILL ROAD	GLENSIDE	PA	19038

LEASE AGREEMENT

by and between

WAYNE GARDEN REALTY GROUP LLC,

a New Jersey limited liability company

as Lessor

and

AVALON GARDEN GROUP LLC,

a New Jersey limited liability company

as Lessee

May 31, 2024

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "**Lease**") is made and entered into as of this 31st day of May, 2024 (the "**Effective Date**") by and between **WAYNE GARDEN REALTY GROUP LLC**, a New Jersey limited liability company (collectively "**Lessor**"), and **AVALON GARDEN GROUP LLC**, a New Jersey limited liability company (collectively, "**Lessee**").

RECITALS:

A. Lessor currently intends to acquire fee simple title in and to those certain tracts of land which are improved with skilled nursing facility (collectively called, "**Nursing Home**"), each as more particularly described in **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 Demised Property and the Personal property are sometimes referred to collectively as, the "**Property**").

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, as borrower thereunder and GREYSTONE SERVICING COMPANY LLC as Lender (in such capacity, "**Lender**"), including as of the date hereof, **WAYNE GARDEN REALTY GROUP LLC** have entered into that certain Loan and Security Agreement dated as of May 31, 2024 (as it may be amended, restated or replaced from time to time, the Loan and Security Agreement), pursuant to which Borrower has obtained financing for the purchase of the Demised Premises and the Personal Property. Pursuant to the Loan and Security Agreement, Lessor has granted Lender a first priority security interest and lien in and on the Demised Premises and the Personal Property, including without limitation, a first-priority mortgage encumbering the Demised Premises and the Personal Property (as it may be amended, restated or replaced, the "**Mortgage**"). The Loan and Security Agreement and the Mortgage and such other entered by Lessor in connection therewith are sometimes referred to herein as the "**Loan Documents**". This Lease shall be subject to the Loan Documents in all respects, provided that the terms and requirements set forth in the Loan Documents are not more stringent than those set forth in this Lease or required by Landlord.

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

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 - DEFINITIONS

1.1 The terms defined in this Article shall, for all purposes of this Lease and all agreements supplemental hereto, have the meaning herein specified.

(a) "**Facility**" shall mean the skilled nursing facility as described on Exhibit A attached hereto and located on the Demised Premises, subject to the terms of this Lease.

(b) "**Facility EBITDAR**" shall mean for any Test Period, the Facility Gross Income less the Facility Operating Expenses.

(c) "**Debt Service Coverage Ratio**" shall mean for any Test Period a ratio, the numerator is the net operating income of Lessee for such period; and the denominator is the total debt service due and payable by Lessor to Lender for such period.

(d) "**Fixed Charge Coverage Ratio**" shall mean for any Test Period a ratio of (i) the Facility EBITDAR in the aggregate for such period to the (ii) Fixed Charges of Lessee with respect to the Facility for such period.

(e) "**Facility Gross Income**" shall mean all income of Lessee, computed on an accrual basis in accordance with GAAP consistently applied, derived for each full or partial month from the operation of the Facility in the aggregate from whatever source.

(f) "**Facility Operating Expenses**" shall mean the total of all expenditures of whatever kind by Lessee relating to the operation, maintenance and management of the Facility that are incurred on a regular monthly or other periodic basis, including without limitation, utilities, ordinary repairs and maintenance, insurance, license fees, taxes and assessments, advertising expenses, and management fees.

(g) "**Fixed Charges**" shall mean the sum of the following: (a) all payments due under this Lease, (b) capital expenditures, (c) income taxes paid in cash or accrued, (d) to the extent positive, the net decrease in payables to Affiliates during such Test Period plus the net increase in receivables from Affiliates during such Test Period, and (e) dividends, redemptions, equity repurchases and/or distributions paid in cash to the holders of any shares of capital stock or other securities or partnership, membership or other ownership interest made during such Test Period.

(h) "**Licensed Beds**" shall mean the skilled nursing facility with the number of licensed beds as described on Exhibit B attached hereto and located on the Demised Premises, subject to the terms of this Lease.

(i) "**Test Period**" shall mean a period ending on the last day of each calendar quarter and comprised of the twelve most recent calendar months then ended.

(j) All other terms shall be as defined in other sections of this Lease.

ARTICLE II - DEMISED PREMISES AND PERSONAL PROPERTY

2.1 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 Licensed Beds and Personal Property to be used in and upon the Demised Premises for the term hereinafter specified, for use and operation therein and thereon of

Nursing Home, in substantial compliance with all the rules and regulations and minimum standards applicable thereto, as prescribed by the State of New Jersey and such other governmental authorities having jurisdiction thereof. At the expiration or earlier termination of the lease all of the personal property of the facility and Licensed Beds, to the extent permitted by applicable law, shall revert to the Lessor.

ARTICLE III - TERM OF LEASE

3.1 The term of this Lease (the "**Term**" or the "**Initial Term**") shall begin and be effective as of the date that Lessor acquires ownership of the Demised Premises (such date, the "**Commencement Date**"), and shall expire on the Five (5) year and one month anniversary of the Commencement Date, unless sooner terminated as hereinafter provided. Notwithstanding the foregoing, Lessor shall have the option, by delivery of written notice to Lessee, at least 6 months prior to the expiration of the Term, to extend this Lease for two (2) additional period of five (5) years and upon the giving of such notice. The "**Term**" hereunder shall include such additional period of five (5) years, subject to the increase in base rent contained in paragraph 4.1.

3.2 Intentionally Omitted.

3.3 Notwithstanding any provision in this lease to the contrary, this Lease shall terminate in its entirety, without notice, upon the institution by or against any Lessee of a bankruptcy proceeding.

ARTICLE IV - RENT

4.1 From and after the Commencement Date, 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 annual base rent (the "**Base Rent**") for the Demised Premises and the Personal Property, in an annual amount equal to 115% of debt service.

4.2 All annual Base Rent shall be paid in equal monthly installments. The Base Rent shall increase by one percent (1%) each year beginning on the first year of this Lease.

4.3 For purposes of this section, the first year shall be deemed to begin on the Commencement Date, with each year of this Lease thereafter beginning on the anniversary of the Commencement Date of the following year. All payments of Base Rent provided for in this Lease shall be paid on or prior to the 1st day of each calendar month. Unless otherwise notified in writing all checks shall be made payable as directed by Lessor and shall be sent to Lessor as directed by Lessor.

4.4 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 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 VI and VII of this Lease, the maintenance of insurance

policies as provided in Article IX of this Lease, maintenance and repairs to the Demised Premises and each Facility to maintain the same in the same condition as of the commencement of the Lease excepting reasonable wear and tear as provided in Article XI of this Lease, and funding any monthly tax and insurance reserves, and replacement reserves to the extent provided for herein, required by a Lender. Lessee does hereby agree to indemnify, defend and hold harmless Lessor against any such costs, expenses and obligations.

4.5 The Lessor, agrees to accept monthly rent payments and all other payments, deposits and reserves to be made under the Lease from the Lessees. Lessor agree that all monthly rent and other such payments, deposits and reserves will be deposited into the accounts of the Lessor and that said accounts will be subject to the "springing" Deposit Account Control Agreement (DACA) on behalf, and in favor, of the Lender.

ARTICLE V - FINANCIAL COVENANT – LEASE COVERAGE RATIO

5.1 Lessee agrees to maintain a Facility EBITDAR, a Debt Service Coverage Ratio of and a Fixed Charge Coverage Ratio as are as determined by the Lessor's Lender.

ARTICLE VI - PAYMENT OF TAXES AND ASSESSMENTS

6.1 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 VII 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**"). Except for taxes for which Lessee shall make deposits with Lessor in accordance with the provisions of Article VII, not later than five (5) days following its receipt thereof, Lessor shall provide to Lessee copies of any bills received by it for Taxes and Assessments. At the request of Lessor, within ten (10) days of any payment by Lessee of the Taxes and Assessments, a copy of the paid stamped bill or other evidence of payment shall be delivered to Lessor. The payment of any sum, other than Base Rent, due from Lessee to Lessor under this Lease shall be deemed to be Additional Rent. Except as otherwise provided herein, all expenses and charges whether capital or to be expensed with respect to the Demised Premises or Personal Property, whether for upkeep, maintenance, repair, refurbishing, restoration, replacement, insurance premiums, taxes, utilities, and other operating or other charges of a like nature or otherwise, shall be paid by Lessee

6.2 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.

6.3 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.

6.4 If permitted by Lessor in its reasonable discretion, 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 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 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 times an amount equal to the amount required by Lessor, but in no event less than an amount equal to one hundred twenty-five percent (125%) of such Taxes and Assessments at any time actually due and payable, together with all interest, costs and penalties in connection therewith 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 Lessor's reasonable requirements for a tax contest.

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, 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.

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 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.

6.5 Lessor shall not be required to join in any proceedings referred to in this Article VI, 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.

6.6 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 twenty (20) days prior written notice to Lessee, obtain separate counsel to represent it in such action. 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 have not theretofore been paid, pay such Taxes and Assessments from the amounts deposited by Lessee pursuant to the terms of Section 7.1 below.

6.7 If any income profits or revenue tax shall be levied, assessed or imposed upon the income, 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 VII - TAX, INSURANCE AND REPLACEMENT RESERVE DEPOSITS

7.1 If required to be made by Lessor, Lessee shall make, an initial payment on the Commencement Date and shall continue to pay, monthly real estate tax deposits with Lessor, in an amount equal to one-twelfth (1/12th) (or such greater amount as may be required by Lessor) of the annual real estate taxes levied against the Demised Premises. Said deposits shall be due and payable on the tenth (10th) day of each month as Additional Rent, unless sooner required by Landlord at its sole discretion. If such deposits are held by Lender, said deposits shall not bear interest, unless interest on the deposits is paid to Lessor by Lender. If made, the deposits shall be held by the Lender to pay the real estate taxes as they become due and payable. Said deposits shall not be kept separate and apart from any other funds of Lessor. 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 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 ten (10) days following its receipt thereof, Lessee shall provide to Lessor copies of any bills received by it for Taxes and Assessments. Within ten (10) days of any direct payment by Lessee of the Taxes and Assessments, a copy of the paid tax bill shall be delivered to Lessor.

7.2 Notwithstanding anything to the contrary contained herein, if required by Lessor, Lessee will make monthly deposits for insurance premiums with Lessor, in an amount equal to the amount determined by Lessor. The deposits, if applicable, for insurance deposits, shall be due and payable on the tenth (10th) day of each month as Additional Rent, unless sooner required by Landlord in its sole discretion. 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 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.

7.3 If required by Lessor, then Lessee will make monthly deposits for reserves with Lessor, in an amount determined by Lessor. The deposits, if applicable, for replacement reserves, shall be due and payable on the tenth (10th) day of each month as Additional Rent, unless sooner required by Landlord in its sole discretion.

ARTICLE VIII - OCCUPANCY

8.1 During the Term of this Lease, the Demised Premises shall be used and occupied by Lessee for and as Nursing Home of not less than the number of licensed beds described on **Exhibit B** and for no other purpose. Subject to the terms of Article XX hereof, Lessee shall at all times during the Term maintain in good standing and full force a probationary or nonprobationary license issued by the New Jersey Department of Health Services ("NJDS") (the "**License**") and any other governmental agencies permitting the operation on the Demised Premises of Nursing Home of not less than the number of licensed beds described on **Exhibit B** (subject to any reduction in the number of licensed beds required by any governmental authority solely as a result of changes in laws, rules and regulations relating to the physical attributes of the improvements on the Demised Premises or eminent domain proceedings as described in Section 16.2). Lessee may request of Lessor the authority to reduce the number of beds to improve financial operation of the Facility, but may not make such reduction without the written approval of Lessor.

8.2 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.

8.3 Upon termination of this Lease for any reason, including but not limited to the expiration of the term of the lease, Lessee will return to Lessor the Demised Premises and the Facility in the same condition as existed on the Commencement Date, reasonable wear and tear excepted, and cooperate with the change of ownership for the license issued by the State of New Jersey and by any governmental agencies having jurisdiction over the Demised Premises

as Nursing Home of not less than the number of licensed beds described on **Exhibit B** (subject to any reduction in the number of licensed beds required by any governmental authority solely as a result of changes in laws, rules and regulations relating to the physical attribute of the improvements on the Demised Premises or eminent domain proceedings as described in Section 16.2 or approved by Lessor during the term of this Lease) with an unrestricted license in full force and good standing for no less than the number of licensed beds described on **Exhibit B** (subject to any reduction in the number of licensed beds required by any governmental authority solely as a result of changes in laws, rules and regulations relating to the physical attribute of the improvements on the Demised Premises or eminent domain proceedings as described in Section 16.2 or approved by Lessor during the term of this Lease). Lessee shall, within ten (10) days following its receipt thereof, provide Lessor with a copy of any notice from NJDS 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.

8.4 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 each Facility such materials and substances as are customarily used in Nursing Home but only in such quantities as are reasonably necessary for the routine business operation of such Facility and in compliance with applicable laws. 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 any 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.

ARTICLE IX - INSURANCE

9.1 Subject to any additional requirements of Lessor, 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 New Jersey 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 (not more frequently than once every five (5) years), 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.

9.2 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 "A" rating or higher from A.M. Best Company in accordance with the requirements set forth in the Loan Documents or as reasonably required by Lessor, for each individual facility, but in no event with coverage less than:

(a) Insurance against loss or damage to the Property by fire, casualty and other hazards as now or subsequently may be covered by an "**all-risk**" policy, with coverage for earthquake in amounts and in form satisfactory to Lessor, and such endorsements as Lessor may from time to time reasonably require and which are customarily required for similar properties similarly situated, and which coverage shall also meet the following requirements:

(1) The amount of such property insurance shall be not less than 100% of the full replacement cost of the Demised Premises, furniture, furnishings, fixtures, equipment and other items (whether personalty or fixtures) included in the Property and owned by Lessor from time to time, without reduction for depreciation. The determination of the replacement cost amount shall be adjusted annually to comply with the requirements of the Insurer issuing such coverage or, at Lender's election, by reference to such indexes, appraisals or information as Lender determines in its discretion. Full replacement cost, as used herein, means, with respect to the Demised Premises, the cost of replacing the Demised Premises without regard to deduction for depreciation, exclusive of the cost of excavations, foundations and footings below the lowest basement floor, and means, with respect to such furniture, furnishings, fixtures, equipment and other items, the cost of replacing the same.

(2) Each such policy or policies of property insurance shall contain the following provisions, all subject to Lender and Lessor approval in form and content: (A) a replacement cost endorsement; (B) either an agreed amount endorsement (to waive the operation of any coinsurance provisions) or a waiver of any co-insurance provisions; (C) law and ordinance coverage in an amount satisfactory to Lender; and (D) coverage for interruption in utility services.

(b) Business Income including rental value and Extra Expense insurance covering the same perils of loss as are required to be covered by the property insurance required pursuant to this Section and meeting the following requirements:

(1) The amount of such insurance shall be not less than the projected gross revenue from the Facility for a period of one year. The amount of such insurance shall be determined prior to the date of this Lease and at least once each year thereafter based on Lessor and Lessee's reasonable estimate of the gross revenue from the Facility for the succeeding 36 month period; or, at Lessor's election in its discretion, by reference to such indexes, appraisals or information as Lessor determines.

(2) Each such policy or policies shall contain the following provisions, all subject to Lessor's approval in form and content: (i) either an agreed amount endorsement (to waive the operation of any co-insurance provisions) or a waiver of any co-insurance provisions; (ii) law and ordinance coverage in an amount satisfactory to Lender; (iii) an extended period of indemnity endorsement providing that after the repair of any physical loss to the Property, the continued loss of income will be insured until the earlier of the time that (a) such income returns to the same level as it was at prior to the date on which the physical loss occurred or (b) 12 months from the date that the Property is repaired or replaced and operations are resumed in the manner that such operations were conducted prior to the date of the physical loss to the Property giving rise to such insurance obligation, which payments shall be made notwithstanding the expiration of the policy prior to the end of such period.

(c) Broad form boiler and machinery insurance covering the major components of the central heating, air conditioning and ventilating systems, boilers, other pressure vessels, high pressure piping and machinery, elevators and escalators, if any, and other similar equipment installed in the Demised Premises, in an amount equal to 100% of the full replacement cost of the Demised Premises. Such policy or policies shall insure against physical damage to and loss of occupancy and use of the Demised Premises arising out of an accident or breakdown covered under such policy or policies and shall include all of the following coverage: (A) business interruption including rental value, (B) extra expense, (C) consequential damage and (D) interruption in utility services power supply.

(d) If the Demised Premises or any part thereof is identified by the Secretary of Housing and Urban Development as being situated in an area now or subsequently designated as having special flood hazards (including those areas designated as Zone A or Zone V), flood insurance in an amount equal to 100% of the lesser of the (A) replacement value of the Demised Premises or (B) maximum amount of flood insurance available.

(e) During the period of any construction on the Demised Premises or renovation or alteration of the Demised Premises, a so-called "**Builder's All-Risk Completed Value**" or "**Course of Construction**" insurance policy in non-reporting form for any improvements under construction, including for demolition and increased cost of construction or renovation, in an amount equal to 100% of the estimated replacement cost on the date of completion, including "**soft cost**" coverage, and workers' compensation and employers liability insurance covering all persons engaged in such construction, in an amount at least equal to the minimum required by law. In addition, each contractor and subcontractor shall be required to provide Lessor with a certificate of insurance for (i) workers' compensation and employers liability insurance covering all persons engaged by such contractor or subcontractor in such construction in an amount at least equal to the minimum required by law, and (ii) general liability insurance showing minimum limits of at least \$5,000,000, including coverage for premises/operations and products and completed operations. Each contractor and subcontractor also shall cover Lessor, Lender and Lessor as additional insureds under such liability policy and shall defend, indemnify and hold Lender, Lender and Lessor harmless from and against any and all claims, damages, liabilities, costs and expenses arising out of, relating to or otherwise in connection with the performance by each contractor and subcontractor of such construction.

(f) Commercial general liability insurance using an "**occurrence**" based form meeting the following requirements:

(1) The amount of such liability insurance shall be not less than \$1,000,000 per occurrence, \$3,000,000 per location aggregate or such lesser amount as Lessor in Lessor's discretion may accept, for bodily injury, personal and advertising injury and property damage. Lessor retains the right to periodically review the amount of such liability insurance being maintained by Lessor and to require an increase in the amount of such liability insurance should Lessor deem an increase to be reasonably prudent under then-existing circumstances.

(2) Each such policy or policies of liability insurance shall (A) provide coverage for claims for personal injury, advertising injury, bodily injury, death and property damage liability with respect to the applicable Facility and operations related thereto, whether on or off the Demised Premises; (B) include broad form contractual liability coverage including coverage for the indemnities contained herein.

(g) Professional liability and malpractice insurance using an "**occurrence**" based form with limits of at least \$1,000,000 per occurrence (claim)/\$3,000,000 in the aggregate, and covering acts occurring prior to the Commencement Date. Lessee shall cause, each physician or nurse practitioner with clinical privileges at the Facility to carry professional liability and malpractice insurance with limits of not less than \$1,000,000 per occurrence (claim)/\$3,000,000 in the aggregate. Lessor retains the right to periodically review the amount of such liability insurance and to require an increase in the amount of the same should Lessor deem an increase to be reasonably prudent under the existing circumstances.

(h) Motor vehicle (auto) liability coverage for all owned hired and non-owned automobiles, including rented and leased automobiles, containing minimum limits per

occurrence of greater of \$1,000,000 or at such amounts as are in force as of the Commencement Date.

(i) Workers' compensation and employers liability insurance or other similar insurance that may be required by governmental authorities or applicable legal requirements in an amount at least equal to the minimum required by law.

(j) With respect to the Property, insurance for certified and uncertified acts of terrorism insurance in such amounts as are required by Lessor.

(k) Crime coverage providing blanket employee dishonesty insurance with limits of not less than \$500,000.

(l) Such other insurance on the Property or on any replacements, supplements or substitutions thereof or additions thereto as may from time to time be required by Lessor or Lender against other insurable hazards or casualties that at the time are commonly insured against in the case of property similarly situated, due regard being given to the height and type of buildings, their construction, location, use and occupancy.

All such insurance required pursuant to this Section shall (i) be issued by companies approved by Lessor and Lender and licensed to do business in the state where the Demised Premises is located, with a claims paying ability rating of "A" or better by A.M. Best Company; (ii) contain the complete address of the Demised Premises (or a complete legal description), (iii) be for a term of at least one year, (iv) contain deductibles no greater than \$10,000 or as otherwise required by Lessor, and (v) be subject to the approval of Lessor and Lender as to insurance companies, amounts, content, forms of policies, method by which premiums are paid and expiration dates, and, in addition, Lessee shall comply with, or cause to be complied with, each of the following with respect to the insurance policies required to be maintained pursuant to this Lease:

Lessee shall as of the date of this Lease deliver to Lessor certified copies of such insurance policies or such other evidence of insurance as Lessor in its discretion may accept; and evidence satisfactory to Lessor in its discretion that such insurance policies have been paid current as of the date of this Lease. Thereafter, Borrower shall deliver to Lessor certified copies of any such insurance policies promptly upon request.

With respect to insurance policies that require payment of premiums annually, not less than 30 days prior to the expiration dates of the insurance policies obtained pursuant to this Lease, Lessee shall pay such amount. Not less than 30 days prior to the expiration dates of the insurance policies obtained pursuant to this Lease, Lessee shall deliver to Lessor and Lender certified copies of the renewals of such policies (or other evidence of renewal satisfactory to Lessor and Lender) bearing notations evidencing the payment of premiums or accompanied by other evidence of payment satisfactory to Lessor and Lender. Lessee shall also

deliver to Lessor certified copies of any such insurance policies promptly upon request.

No premiums for any policies or policies of insurance required under this Lease or otherwise held with respect to the Property, whether by Lessee or any other Person, shall be paid by Lessee or by any other Person through or by means of any financing arrangement with any third party lender.

All policies required under this Lease will contain: (a) a provision that such policies shall not be canceled or amended, including any amendment that would reduce the scope or limits of coverage or remove any endorsement to such policy or cause the same to no longer be in full force and effect, or failed to be renewed, without at least 30 days prior written notice to Lessor and Lender in each instance; and (b) a waiver of all rights of subrogation against Lender and Lessor.

While the Mortgage remains outstanding, all policies required or contemplated by this Section will name Lender as mortgagee and loss payee, shall provide for all losses to be payable directly to Lender, and will contain: a standard noncontributing mortgagee provision or endorsement or its equivalent providing that any loss shall be payable to Lessor notwithstanding (a) any negligent or willful acts or omissions of Lessee that might otherwise result in forfeiture of such insurance; (b) occupancy or use of the Facility for purposes more hazardous than those permitted by the terms of such policy; (c) any foreclosure or other action taken by Lender pursuant to the Mortgage upon the occurrence of an Event of Default; or (d) any change in title or ownership of the Property.

All policies required or contemplated by this Section will name, Lender and Lessor as an additional insureds.

9.3 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/or 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.

(d) Lessee's Waiver of Subrogation. Lessee agrees that the insurance policies to be obtained hereunder shall provide that the insurance carriers shall waive all rights of subrogation against Lessor and that such policies shall not be invalidated should the insured waive in writing prior to a loss any or all right of recovery against any party for losses covered by such policies. Lessee hereby waives and releases any and all right of recovery which it might otherwise have against Lessor, its agents and employees, and all liability or responsibility of Lessor, its agents and employees, for all injury and for loss or damage to its business, contents, furniture, furnishings, fixtures and other property of Lessee, notwithstanding that such injury, loss or damage may result from the negligence or fault of Lessor, or any of its agents or employees.

(e) Lessor's Waiver of Subrogation. Lessor agrees that the insurance policies to be obtained hereunder shall provide that the insurance carriers shall waive all rights of subrogation against Lessee and that such policies shall not be invalidated should the insured waive in writing prior to a loss any or all right of recovery against any party for losses covered by such policies. Lessor hereby waives and releases any and all right of recovery which it might otherwise have against Lessee, its agents and employees, and all liability or responsibility of Lessee, its agents and employees, for all injury and for loss or damage to its business, contents, furniture, furnishings, fixtures and other property of Lessor, to the extent such loss or damage (both as to type and amount) is covered by valid and enforceable insurance policies payable to Lessor, notwithstanding that such injury, loss or damage may result from the negligence or fault of Lessee, or any of its agents or employees.

(f) Lessee will not do or omit to do or keep anything in, upon or about the Demised Premises or any adjacent areas which may (i) prevent the obtaining of any fire, liability or other insurance upon or written in connection with the Demised Premises, and Lessee's Personal Property or such adjacent areas, or (ii) make any such insurance void or voidable or otherwise invalidate the obligations of the insurer contained therein.

9.4 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.

9.5 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; and

(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 payment, Taxes and Assessments and insurance premiums or deposits required for the next succeeding twelve (12) months to the extent that such payments are due and owing 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.

9.6 In the event the amount of insurance proceeds under Section 9.1 exceeds Three Hundred Fifty Thousand Dollars (\$350,000), 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.

9.7 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 not be unreasonably withheld, but 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.

9.8 Prior to making any such repairs costing in excess of Three Hundred Fifty Thousand Dollars (\$350,000), if so requested by Lessor, 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 X - LESSOR'S RIGHT TO PERFORM

10.1 Should Lessee fail to perform any of its covenants herein agreed to be performed, Lessor may, upon thirty (30) days prior notice specifying the work to be done or covenants to be performed and the approximate amount to be expended, but shall not be required to, make such payment or perform such covenants, and all sums so expended by Lessor thereon shall upon notice of payment by Lessor be immediately payable by Lessee to Lessor, and in addition Lessee shall reimburse Lessor for Lessor's reasonable expenses in enforcing or performing such covenants, including reasonable attorneys' fees. Any such 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.

10.2 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 XI - REPAIRS AND MAINTENANCE

11.1 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 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 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 Nursing Home. Lessor shall not be required to furnish any service or facility or to make any repairs or alterations in or to the Demised Premises, Lessee hereby assuming the full and sole responsibility for the condition, operation, repair, replacement, maintenance and management of the Demised Premises, including making any repairs required by any of the Lessor's banks or financial institutions.

11.2 In the event that any part of the improvements located on any of 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. 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 Three Hundred Fifty Thousand Dollars (\$350,000) or more for any of the individual Facilities, 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. Notwithstanding anything provided herein, in the event the holder of a mortgage executed by Lessor requires payment of some or all of the indebtedness thereunder and does not allow repair and rebuilding of the damaged portion of the Demised Premises or in the event such damage cannot be repaired within twelve (12) months after a casualty, Lessee may terminate this Lease solely with respect to the Facility that was damaged, without affecting the Lease with respect to the other Facilities, upon 90 days written notice to Lessor delivered prior to the date Lessee commences any restoration of the Demised Premises. In the event of such termination of this Lease with respect to a Facility, the monthly Base Rent shall be reduced after the termination becomes effective by the then monthly Base Rate attributable to said Facility. Lessee covenants that it will give to Lessor prompt written notice, within 15 days, of any Casualty affecting the Demised Premises in excess of Seventy-Five Thousand Dollars (\$75,000).

11.3 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.

11.4 Standard for Repairs. The necessity for and adequacy of repairs to any Demised Premises on the Demised Premises pursuant to Paragraph (a) of this Article shall be measured by the standard which is appropriate for improvements of similar construction, use and class.

ARTICLE XII - ALTERATIONS AND DEMOLITION

12.1 Lessee shall have the right during the Term to make such non-structural interior alterations, changes and improvements to the Leased Premises as may be proper and necessary for the conduct of Lessee's business, to cause the Leased Premises to conform to any legal or regulatory requirements, for resident comfort and safety, or for the full beneficial use of the Leased Premises, so long as such improvements do not (i) exceed Seventy-Five Thousand Dollars (\$75,000) in any given calendar year and (ii) interfere with any of the purposes for which the Facility was leased or affect the roof or structure; provided, however, that Lessee shall make no (i) structural alterations, changes, or improvements, (ii) roof penetrations or (iii) improvements that exceed Seventy-Five Thousand Dollars (\$75,000) in any given calendar year without express written approval in each instance by Lessor, which consent may be withheld in Lessor's sole and absolute discretion. Lessee shall, at its expense, make any and all

alterations, repairs, replacements and improvements required by any federal, state or regulatory agency or CMS, or any mortgagee of the Real Property (including any alterations, repairs, replacements and improvements required by HUD, whether as the result of any REAC inspection or otherwise) and any alterations, changes or improvements required or arising as the result of any change in, or the issuance of new, amended or modified, laws, rules, or regulations or the interpretation thereof at any time following the Commencement Date. Lessee shall pay all costs and expenses of such permitted alterations, changes, and improvements, shall make the same in a good and workmanlike manner, and in accordance with all applicable laws, codes, and regulations, and shall assure Lessor, in form reasonably satisfactory to Lessor, that payment for the same will be made by Lessee. Lessee hereby completely and fully indemnifies Lessor against any mechanic's liens or other liens or claims in connection with the making of such alterations, changes, and/or improvements. Any liens arising out of such alterations, changes, and/or improvements shall be discharged of record by Lessee within thirty (30) days after the same have been filed by payment, bonding or otherwise, as permitted by law, or within ten (10) Business Days after commencement of a foreclosure. Notwithstanding any provision of this Lease to the contrary, Lessor shall not undertake any alterations, renovations, or improvements to the Facility or otherwise commence any project or activity with respect to the Facility, which may result in any bed being taken out of service for more than seven (7) days without Lessor's prior written consent, which consent shall be subject to Lessor's sole and absolute discretion. Lessee shall not employ or retain any general contractor, contractor, subcontractor or other construction, building or other trade professional (a "Contractor") to perform or conduct any work, repairs, maintenance, alterations or improvements at or upon the Leased Premises, unless and until (i) Lessor approves the Contractor, such approval not to be unreasonably withheld, and (ii) the Contractor shall have provided Lessor with adequate evidence of general contractor liability and other insurance coverage, with Lessor named as an additional insured, in such amounts, as Lessor may require from time to time. Depending upon the nature of the alterations or improvements, Lessor reserves the right to require any Contractor to be fully bonded and/or to provide such other surety as Lessor may deem reasonably necessary.

ARTICLE XIII - COMPLIANCE WITH LAWS AND ORDINANCES

13.1 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 skilled care nursing, which may be applicable to such portion of the Demised Premises, the Personal Property and the Nursing Home 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.

13.2 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.

13.3 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 each Facility as a Nursing Home, including, without limitation, the receipt of the License permitting Lessee to operate each Facility with not less than the number of licensed beds described on **Exhibit A**, unless Lessor has agreed to a bed reduction. Lessee shall, subject to the terms of Article XX 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 Nursing Home of not less than the number of licensed beds described on **Exhibit B** and each Facility shall at all times, subject to the terms of Article XX hereof, continue to be qualified to and shall participate in the Medicare and Medicaid reimbursement programs.

13.4 Lessee will deliver or mail to Lessor wherever Rent is then paid and within ten (10) days following receipt thereof, copies of any notices from NJDS alleging a violation with a Substandard Quality of Care, as defined by federal regulations (i.e., deficiencies under 42 CFR 483.13 or 483.25 with scope and severity levels of F, G, H, I, J, K or L) or any notice from NJDS, 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 each 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 within seven (7) days after written request from Lessor, copies of all other notices, exit interviews, inspection reports and surveys 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. Lessee shall deliver or mail to Lessor, within seven (7) days after receipt of written notice from Lessor, copies of any notice from any governmental agency terminating or suspending, or threatening termination or suspension, of any license or certification relating to the Demised Premises or the Nursing Home operated thereon.

ARTICLE XIV - DISCHARGE OF LIENS

14.1 Subject to the right to contest provided in Section 14.2 hereof and any other requirements of Lessor, 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.

14.2 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 permitted by Lessor, 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 on demand. 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.

14.3 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 XV - INSPECTION OF PREMISES AND RECORDS BY LESSOR

15.1 With no less than 24 hours prior written notice during normal business hours, Lessor or its authorized representatives shall have the right to enter and inspect the Demised Premises and Personal Property provided an employee or representative of Lessee accompanies Lessor or its authorized representative in such inspection.

15.2 With no less than 24 hours prior written notice during normal business hours to Lessee, Lessor or its authorized representatives shall have the right to inspect, and, at Lessor expense, make copies of, the books and records relating to the Demised Premises and any Facility, including, without limitation, to the extent permitted by applicable law all patient records, employment records, surveys and inspections reasonably required by Lessor.

15.3 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 the Lessee, its employees and residents of any Facility as may reasonably be possible under the circumstances and will comply with all applicable governmental rules, regulations and statutes including Health Insurance Portability and Accountability Act.

ARTICLE XVI - CONDEMNATION

16.1 If any of the Demised Premises is taken (other than on a temporary basis) by the exercise of the power of eminent domain, or sold under eminent domain proceedings, this Lease, solely as to the portion of the Demised Premises so taken or sold, shall terminate as of the date possession is taken by the condemnor or such sale is concluded; and subject to Section 16.2 below, this Lease shall continue as to the remainder of the Demised Premises.

16.2 If a portion, but less than all, of a Facility is taken by the exercise of the power of eminent domain or sold under eminent domain proceedings and Lessee reasonably believes that in light of such exercise of eminent domain or sale pursuant to eminent domain proceedings, it can no longer operate such Facility in materially the same manner as prior to the exercise of eminent domain and such belief is consistent with reasonable business practices, then Lessee may either (a) terminate this Lease solely as to such Facility or (b) subject to the consent and approval of Lessor and Lender, with reasonable diligence, restore or rebuild to the extent reasonably practicable any improvements at or about such Facility affected by the taking with the proceeds from the condemnation award. In the event the amount awarded shall be insufficient to repair and restore the Demised Premises, Lessee shall contribute the amount of any such deficiency.

16.3 In the event that all or less than all of the Demised Premises are taken or so sold, and this Lease shall terminate as provided herein as to a Facility, Lessee shall be entitled to any award that it can prove for damage to its leasehold interest, provided that such award is separately allocated to Lessee by the condemning authorities and does not reduce the Lessor's award in any respect.

16.4 If this Lease is terminated pursuant to this Article XVI as to an entire Facility, the monthly Base Rent shall be reduced after such termination becomes effective by the then monthly Base Rent attributable to such Facility. In no other circumstance described in this Article XVI shall monthly Base Rent be reduced.

ARTICLE XVII - INTENTIONALLY OMITTED

ARTICLE XVIII - ASSIGNMENT AND SUBLETTING

18.1 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 (an "**Assignment**") without the prior written consent of Lessor, in its sole discretion. As a condition of granting its consent, Lessor will 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 each Facility based upon the skill and expertise of Lessee and its principals in operating Nursing Home in the State of New Jersey and upon the character and reputation of such principals. Accordingly, it shall not be deemed unreasonable for Lessor to withhold its consent to any proposed sublease or assignment to an entity, the principals of which, at a minimum, have not operated comparable Nursing Home facilities and maintained profitable operations in such comparable facility in each of the three (3) calendar years prior to the year of the proposed sublease or assignment. 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. In the event any transferee commits an Event of Default, such act or omission shall be deemed an Event of Default hereunder on behalf of the Lessee. Any violation or breach or attempted violation or breach of the provisions of this Article by Lessee, or any acts inconsistent herewith shall vest no right, title or interest herein or hereunder or in the Demised Premises in any such transferee or assignee; 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: (x) Lessee shall pay, and Lessee hereby agrees to pay, any reasonable out of pocket third party costs and expenses of Lessor and its Lender incurred in connection with such sublease or assignment, including, without limitation, all due diligence costs and attorneys' fees; and (y) 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 and shall require new assignee to forward an updated listing to Lessor within ten (10) days of any change thereof.

18.2 For purposes of this Article and subject to the the requirements of Lessor:

(a) Any transfer or transfers of the managerial duties or 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 a change in ownership in more than forty percent (40%) 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.

(e) A "Change of Control", being a change in the possession, directly or indirectly, of the power to direct or cause the direction of the management, policies or activities of any Person, whether through ownership of voting securities, by contract or otherwise, of Lessee shall constitute an assignment of this Lease which if not consented to in writing in advance by Lender, shall also constitute an Event of Default by Lessee hereunder.

18.3 Conditions of Permitted Assignment. If Lessor and Lender approves any proposed Assignment, the following conditions shall apply:

(a) At the time of transfer there shall be no then existing report issued by a governmental agency of noncompliance of such Facility with any condition of participation under the Medicare or Medicaid programs; and

(b) There shall be no outstanding notice or plan given by the Lessee to any governmental agency of the intent of the Lessee to evacuate such Facility or otherwise transfer the residents;

(c) The proposed assignee must obtain the requisite establishment approval of the appropriate governmental authorities having jurisdiction over the health facility; and

(d) Lessee shall remain responsible for the performance of all obligations and payment of all sums coming due under this Lease in the event that there is a subletting of the Demised Premises.

ARTICLE XIX - EVENTS OF DEFAULT

19.1 Subject to Section 20.1 below, the occurrence of any of the following acts or events shall be deemed to be a default ("**Events of Default**") 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;

(b) The failure of Lessee to perform, or the violation by Lessee of, any of the material covenants, terms, conditions or provisions of this Lease, if such failure or violation shall not be cured within thirty (30) days after written notice thereof by Lessor to Lessee;

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

(d) The making by Lessee of an assignment for the benefit of creditors;

(e) 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);

(f) If proceedings are instituted in a court of competent jurisdiction for the reorganization, liquidation or involuntary dissolution of the Lessee or 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;

(g) The sale of the interest of Lessee in any of the Demised Premises or Personal Property under execution or other legal process;

(h) Any conveyance or transfer in violation of Article XVIII hereof;

(i) The abandonment of any of the Demised Premises by Lessee ;

(j) Subject to Lessee's right to contest as provided in Article XX 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 any Facility within the time permitted for such cure or abatement;

(k) Subject to Lessee's right to contest as provided in Article XX 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 any Facility as an skilled care Nursing Home facility; or (ii) decertify any Facility from participation in the Medicare or Medicaid reimbursement program;

(l) Any state or governmental deficiencies that Lessee has not, in good faith, corrected within the required timeframes set forth under any applicable law or as otherwise allowed by such state or other governmental authority;

(m) Any delinquent bed taxes owed to the State of New Jersey that have not been brought current by Lessee within any applicable cure or grace period under applicable law, and the State of New Jersey shall have provided written notice of its intention to take action in connection therewith that would materially interfere with operation of any Facility; and

19.2 Lessee's interest in the occurrence of any of the events listed in this Article 19 by any party to whom the Demised Premises has been sublet or transferred shall be an Event of Default hereunder. The occurrence of any of the following acts or events shall be deemed to be a default on the part of Lessor ("**Lessor Default**"):

(a) Except as permitted herein, Lessor's material interference with Lessee's quiet enjoyment of the Demised Premises and Personal Property, provided the Lessee is not in default under the terms of this Lease; or

(b) The failure of Lessor to perform, or the violation by Lessor of, any of the other material covenants, terms, conditions or provisions of this Lease, if such failure or violation shall not be cured within thirty (30) days after written notice thereof by Lessee to Lessor; provided, however, said 30-day period shall be extended so long as Lessor is diligently prosecuting said cure to completion.

ARTICLE XX - RIGHT TO CONTEST/CURE

20.1 Except for an Event of Default of Lessee in the payment of Rent or any additional payment required hereunder, in any case where Lessor shall have given to Lessee a written notice specifying a situation which, as hereinbefore provided, must be remedied by Lessee within a certain time period, and, if for causes beyond Lessee's control, it would not reasonably be possible for Lessee to remedy such situation within such period, then, provided Lessee can cure said Event of Default and immediately upon receipt of such notice, shall advise Lessor in writing of Lessee's intention to institute, and shall, as soon as reasonably possible thereafter, duly institute, and thereafter diligently prosecute to completion, all steps necessary to remedy such situation and shall remedy the same, Lessee's grace period to complete said remedy (but not exceeding a total of ninety (90) days following the initial delivery by Lessor to Lessee of the written notice of default) and effectuate a cure shall be extended; provided, however, that: (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 all or any part of the Demised Premises or the Personal Property; and (b) there continues during such remedy authority to continue to operate any Facility as a Nursing Home (which may be temporary or provisional), (c) Lessor does not reasonably object, 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 or the Personal Property.

20.2 Lessee shall promptly provide Lessor with a copy of any notice from any governmental authority or agency threatening or requesting a reduction in the number of licensed beds at any 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 any Facility.

20.3 The cost for any contest permitted under this Article XX 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 XXI - LESSOR'S REMEDIES UPON DEFAULT

21.1 Upon the occurrence of an Event of Default by Lessee, Lessor may, if it so elects, and with 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 and the Personal Property, or, at the option of Lessor, terminate Lessee's right to possession of the Demised Premises and the Personal Property 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 together with the Personal Property, 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 (subject to the provisions of this Article XXI and Article XXIII below) 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, and which includes, but is not limited to the Lessee's indemnification obligations to the Lessor; Lessee's assistance in transferring the facility licenses and other governmental permits to the Lessor; Lessee's transfer of its right title and interest in their receivables as of the date of the termination; and all of the Lessee's books and records for the facilities.

21.2 In the event of a declared 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 issued by any governmental agency, body or authority in connection with or relating to the Demised Premises or any 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, internet domain and name used by Lessee in connection with the operation of such 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 obtained in connection with the operation of each Facility and (b) the names and telephone numbers used in connection with the operation of each 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.

21.3 If 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 such 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 (repairs for normal wear and tear excepted), Lessee shall pay to Lessor the amount of each monthly deficiency upon demand.

21.4 Unless waived in writing by Lessor after the occurrence of an Event of Default, 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 together with charges to be paid by Lessee under this Lease less (2) the then fair rental value of the Demised Premises and the Personal Property. 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.

21.5 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 XXII - LIABILITY OF LESSOR

It is expressly agreed by the parties that, except as otherwise provided for in this Lease, Lessor shall not be liable 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 or recovered by Lessor.

ARTICLE XXIII - 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 XXIV - INTENTIONALLY OMITTED

ARTICLE XXV - INDEMNIFICATION

25.1 Lessee agrees to protect, indemnify and save harmless Lessor 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 by a third party insurance company related to the operations of or payments made to any Facility while Lessee was providing skilled care nursing services; or (d) additional costs incurred by Lender to monitor any 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.

25.2 Lessor agrees to indemnify, defend and save 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; and (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 the Commencement Date, or (ii) any form of relief not satisfied by the payment of money.

25.3 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 Indemnified 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 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, 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.

ARTICLE XXVI - SUBORDINATION PROVISIONS

26.1 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 required in order to evidence such subordination; provided that such documents shall not affect any of the provisions of this Lease relating to the amount of Rent, the purposes for which the Demised Premises may be used, the size or location of the Demised Premises, the duration or Commencement Date of the Term, nor modify any representations, covenants or warranties made by Lessor hereunder, Lessor shall use best efforts to ensure such documents shall contain such customary non-disturbance provisions reasonably acceptable to Lessee whereby, provided Lessee is not in default under this Lease, Lessee shall have the right to remain in possession of each Facility without disturbance after default by Lessor of the Loan Documents.

26.2 Notwithstanding anything to the contrary contained herein, it is understood, agreed and acknowledged that, Lessor shall have the right to finance and refinance (and

guaranty such financing or refinancing), from time to time, the Demised Premises and Personal Property, and grant a mortgage, deed 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.

26.3 Upon Lessee's request, Lessor will use its best efforts to secure from Lender its 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 each Facility without disturbance after any default by Lessor of the Loan Documents.

ARTICLE XXVII - LESSEE'S FAITHFUL COMPLIANCE WITH LOAN DOCUMENTS AND FUTURE HUD REQUIREMENTS

27.1 Anything in this Lease contained to the contrary notwithstanding 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 by Lessor, including, without limitation, such conditions, covenants and provisions thereof as related to the financial covenants, related to operations, related to the care, maintenance, repair, replacement, insurance, restoration, preservation and condemnation of the Demised Premises or Personal Property, 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. Notwithstanding the foregoing or anything else contained in this Lease to the contrary, if Lessor requires compliance, observance or performance to a standard or degree in excess of that required by the terms of this Lease, Lessee shall comply with such standard, degree or additional performance provided, however, that the amount by which the third-party costs expended by Lessee to achieve such standard, degree or additional performance exceed the third party costs to achieve the standard of performance required by Lessor and this Lease shall be paid by Lessor. 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 or the Personal Property so that they will at all times be in good standing and there will not be any default on the part of Lessor thereunder; provided that the obligations set forth in the Loan Documents are not more burdensome than the obligations required under this Lease or by Landlord. 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 monthly tax and insurance reserves, and replacement reserves to the extent expressly provided for elsewhere in this Lease).

27.2 Notwithstanding anything to the contrary contained herein, at no cost to Lessor, Lessee further agrees to reasonably cooperate and allow the granting to an FHA Mortgagee 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) (collectively, the "**HUD AR Loan Documents**") in connection with the same, including an Intercreditor Agreement and Rider to 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.

27.3 From and after the time the Lessor's obligations under the Loan and Security Agreement and the other Loan Documents have been paid and the Mortgage has been released, (i) the references to the Loan and Security Agreement shall be deemed to refer to any loan or credit agreement entered into by Lessor from time to time, (ii) the reference to Lender shall be deemed to refer to the Lender, if any, under such other loan or credit agreement, and if none, then to the lender(s) thereunder, (iii) the reference to Lender(s) shall be deemed to refer to the lender(s) under such other loan or credit agreement, (iv) the references to Loan Documents shall be deemed to refer to the documents from time to time evidencing, securing or guarantying the obligations of Lessor under such other loan or credit agreement and (v) the references to a mortgage shall be deemed to refer to any mortgage securing the obligations of Lessor under such other loan and credit agreement; provided, however, in the event there exists at any time more than one such loan or credit agreement, all of the foregoing references shall be to the one that is senior to the other(s).

ARTICLE XXVIII - LOAN DOCUMENT RESERVES

28.1 Any monthly tax or insurance reserves and other reserves, such as CAPEX and replacement reserves, required by Lessor or Lender shall be paid by the Lessee to Lessor and shall be repaid to Lessee when Lender repays such sums to Lessor, but no less than \$350 per bed per year.

ARTICLE XXIX - LESSEE'S ATTORNMENT

29.1 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, grantee of a deed in lieu or the purchaser in such foreclosure proceedings, as the case may be, and will recognize such holder of the mortgage, grantee of a deed in lieu 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, grantee of a deed in lieu 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 forecloses the lien thereof, 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 XXX - REPRESENTATIONS

30.1 Lessor represents and warrants as follows:

(a) Lessor is New Jersey limited liability company, is duly organized and validly existing under the laws of the State of New Jersey, and validly existing and qualified to do business in the State of New Jersey, 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 Lessor is a party.

(c) Except for any Loan Documents and except for documents of record as of the date hereof:

(i) Lessor has or on the Commencement Date will have valid 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 a leasehold interest in and to the Demised Premises and Personal Property to Lessee, pursuant to this Lease, 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 Lease for a period of one (1) year, provided, however, that if Lessee notifies Lessor in writing of a claim prior to the expiration of such one (1) year period, such representation or warranty shall survive until the resolution of such claim.

(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.

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

(a) Lessee is New Jersey limited liability company, duly organized and validly existing in good standing under the laws of the State of New Jersey, and validly existing and qualified to do business in the State of New Jersey, 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 its present "AS IS-WHERE IS" condition. Lessee further acknowledges that Lessor is purchasing the Demised Premises and Personal Property pursuant to the APA, and except as set forth 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 (including without limitation any recoupments by governmental payors with respect to periods prior to the Commencement Date).

(c) In addition to all other covenants contained herein, Lessee expressly covenants that they shall keep and maintain at each Facility at all times in good order and repair all items of Personal Property necessary for operating each Facility for not less than the number of licensed beds described on **Exhibit B** in full compliance with all material laws, rules and regulations of NJDS. 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 for a period of one (1) year, provided, however, that if Lessor notifies Lessee in writing of a claim prior to the expiration of such one (1) year period, such representation or warranty shall survive until the resolution of such claim.

ARTICLE XXXI - INTENTIONALLY OMITTED.

ARTICLE XXXII - INTENTIONALLY OMITTED

ARTICLE XXXIII - FINANCIAL STATEMENTS

33.1 Subject to any other requirements of Lessor and Section 27.1 of this Lease, not later than required by Lessor, but in all events within one hundred twenty (120) days after the end of each of its fiscal years, Lessee shall furnish to Lessor full and complete reviewed financial statements (only if required by Lessor's lender) of the operations of the Demised Premises and each Facility for such annual fiscal period 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 and detailed income and expense statement and be provided as follows: (a) within sixty (60) days after the end of each of its fiscal quarters, such reports for the fiscal quarter dated as of the end of each fiscal quarter, and (b) within one hundred twenty (120) days after the end of each of its fiscal years, such reports for the annual fiscal period dated as of the end of the fiscal year (collectively, the "**Financial Statements**"). Lessee shall also furnish to Lessor a copy of its cost report within ten (10) days after filing thereof. Each such statement shall be certified as being true and correct by an officer of Lessee. If required by terms of the Loan Documents, the Financial Statements shall be prepared by a Certified Public Accountant.

33.2 Within fifteen (15) days after the end of each month, Lessee shall furnish to Lessor a daily breakdown of its census and copies of all Financial Statements for the operation of the Nursing Home on the Demised Premises for the preceding month.

33.3 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 each Facility for said year, certified by an officer of Lessee to be true, correct and complete.

33.4 In addition to the above financial statements, Lessee shall also provide to Lessor such other financial statement(s) or information relating to its operation as may be required by Lessor. Any such financial statement(s) or other information required by the Lessor shall be furnished to Lessor within ten (10) days of request by Lessor.

33.5 Upon request by Lessor, Lessee shall prepare or cause to be prepared all financial covenant compliance certificates and worksheets as may be required by Lessor and shall furnish the same to Lessor within ten (10) days of request by Lessor.

33.6 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 its designee, during reasonable business hours, at any Facility or Lessee's offices, the records and books of account covering the entire business operations of Lessee on the Demised Premises.

ARTICLE XXXIV - LICENSURE/TERMINATION

34.1 Lessee hereby agrees to submit a complete application to NJDS in order to obtain the License permitting Lessee to operate each Facility as a skilled nursing facility or assisted living facility, as applicable, with the number of licensed beds described on **Exhibit B**, and to promptly submit any further documents as required in order to complete such application.

34.2 Upon termination of this Lease (whether by reason of default, the natural expiration of the Term of otherwise), 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 NJDS and by any governmental agencies having jurisdiction over the Demised Premises with at least the number of licensed beds described on **Exhibit B** (subject to any reduction in the number of licensed beds required by any governmental authority solely as a result of changes in laws, rules and regulations relating to the physical attribute of the improvements on the Demised Premises or eminent domain proceedings as described in Section 16.2 or as approved by Lessor during the term of the lease), 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, not yet due and payable, and other expenses incurred in the ordinary course of business subject to customary prorations.

(b) Lessor shall keep and shall not be obligated to return to Lessee any Base Rent paid by Lessee. 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 each 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 each 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 VI 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, not yet due and payable 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. 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 its assignee to operate each 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.

34.3 In the event of any Lessor Default, Lessee may, if it so elects, and with notice of such election to Lessor, terminate this Lease and shall have no further obligations to Lessor, such termination to be effective upon surrender of possession of the Demised Premises and Personal Property to Lessor. Lessee shall surrender possession of the Demised Premises and Personal Property within ninety (90) days of providing such notice to Lessor, and the provisions of Section 34.2 shall apply.

ARTICLE XXXV - INTENTIONALLY OMMITTED

ARTICLE XXXVI - HUD PROVISIONS

36.1 As an inducement to Lessor to enter into this Lease, Lessee expressly agrees as follows:

(a) Lessee acknowledges that Lessor may obtain a mortgage loan (the "HUD Loan") to be made, insured or otherwise secured by HUD and/or the Federal Housing Administration ("FHA") or other governmental authority or agency.

(b) Lessee will cooperate with Lessor and assist Lessor in applying for, obtaining, consummating and complying with the terms and provisions governing the HUD Loan, as the same may be in effect from time to time, including providing financial and operating information, information regarding the members of Lessee and any HUD related activities, executing and delivering such documents, instruments and agreements as may be required in connection therewith, including an addendum to or amendment of this Lease, a security agreement, regulatory agreement, deposit control agreement, deposit account instruction and services agreement, lock box agreement and certificates and affidavits, providing an opinion of Lessee counsel and otherwise taking any and all actions and steps as may be necessary or advisable in order to effectuate the foregoing (collectively, the "HUD Documents").

(c) For so long as the HUD Loan is outstanding, (i) the provisions of the HUD Documents and all applicable statutes and regulations, including all amendments to such statutes and regulations, as they become effective, and all applicable requirements in HUD handbooks, notices and mortgagee letters that apply to the Leased Premises, including all updates and changes to such handbooks, notices and mortgagee letters that apply to the Leased Premises (collectively, the "HUD Program Requirements"), shall apply to the Lease, (ii) in the event of any conflict between any provision of the HUD Loan or the HUD Program Requirements and any provision of the Lease, the provision of the former shall be controlling, (iii) the Lease shall not be amended without the prior written consent of HUD and the holder of the HUD Loan (the HUD Lender"), (iv) Lessee agrees (1) to comply with all applicable provisions of the HUD Loan and HUD Program Requirements, (2) that the Lease may be part of the collateral pledged by Lessor to the HUD Lender and HUD, (3) to obtain HUD written approval prior to entering into any services agreements, easements, rights of way, licenses or other permissions and (4) that it will not take any action which would violate any applicable HUD Program Requirements or any of the HUD Documents.

(d) The Lease is and shall be subject and subordinate to the HUD Loan and HUD Documents; to all renewals, modifications, consolidations, replacements and extensions thereof; to all substitutions thereof; and to each advance made or hereafter to be made under any of the foregoing. This Section shall be self-operative and no further instrument of subordination shall be required. Without limiting the foregoing, the Lessee agrees to execute and deliver promptly any and all certificates, agreements and other instruments that the Lessor, HUD Lender or HUD may reasonably request in order to confirm such subordination. Unless the HUD Lender shall have agreed otherwise, if the HUD Lender or another person or entity shall succeed to the interest of the Lessor by reason of foreclosure or other proceedings brought by HUD Lender in lieu of or pursuant to a foreclosure, or by any other manner (HUD Lender or such other person or entity being called a "Successor"), then the Lease shall terminate, or, at the option of the Successor, the Lease shall nevertheless continue in full force and effect, in which case the Lessee shall and does hereby agree to attorn to the Successor and to recognize the Successor as its landlord under the terms of the Lease.

(e) Lessee agrees to pay, as Additional Rent, when due all premiums for (i) liability insurance and full coverage property insurance on the Leased Premises, and (ii) all other insurance coverage required under the HUD Documents and/or applicable HUD Program Requirements. Lessee shall be responsible for funding all escrows for taxes, reserves and for replacements as may be required by the HUD Lender and/or HUD.

(f) Lessee agrees and acknowledges that the HUD Documents shall include a Lessee Regulatory Agreement, Lessee Security Agreement and other applicable documents pursuant to which Lessee shall grant to the HUD Lender a security interest in the collateral of the Lessee. The Lessee agrees to comply with its obligations under the Lessee Regulatory Agreement and the Lessee Security Agreement, and agrees that a default by the Lessee under the Lessee Regulatory Agreement or Lessee Security Agreement shall be deemed to be a default under this Lease.

(g) Lessee agrees not to enter into any management contract involving the Leased Premises unless such management contract complies with applicable HUD Program

Requirements and contains provisions that, in the event of default under the HUD Loan or the Lessee Regulatory Agreement, the management agreement shall be subject to termination upon not more than thirty (30) days notice without penalty upon written request of HUD. Upon such HUD termination request, the Lessee shall immediately arrange to terminate the contract within a period of not more than thirty (30) days and shall make arrangements satisfactory to HUD for continuing proper management of the Leased Premises.

(h) Lessee shall ensure that the Leased Premises meets all state licensure requirements and standards at all times. Lessee agrees not to undertake or acquiesce to any modification to any license with respect to the Leased Premises or to any "bed authority" related thereto without the prior written approval of HUD.

(i) Lessee shall be responsible for obtaining and maintaining all necessary provider agreements with Medicaid, Medicare and other governmental third party payors. Lessee agrees to furnish HUD and HUD Lender with copies of all such provider agreements and any and all amendments thereto promptly after execution thereof.

(j) Lessee agrees to furnish HUD and HUD Lender copies of its annual financial statements with respect to the Leased Premises, prepared in compliance with the requirements of the Lessee Regulatory Agreement, within ninety (90) days after the close of Lessee's fiscal year or such longer period as may be permitted by HUD. Lessee agrees to submit to HUD and HUD Lender copies of all other financial reports as specified in the Lessee Regulatory Agreement.

(k) Lessee agrees that upon reasonable request, the HUD Lender, HUD and their respective designees and representatives may at all reasonable times, upon reasonable notice, subject to the rights of patients, residents and tenants, examine and inspect the Leased Premises. Lessee will, on the request of the HUD Lender and/or HUD, promptly make available for inspection by the HUD Lender and/or HUD, and their designees and representatives, copies of all of the Lessee's correspondence, books, records and other documentation relating to the Leased Premises, excepting communications between the Lessee and its attorneys. The Lessee agrees to maintain accounting records for the Leased Premises in accordance with its customary practice and the Lessee Regulatory Agreement, separate from any general accounting records which the Lessee may maintain in connection with the Lessee's other activities. The Lessee agrees that the HUD Lender and/or HUD, and their designees and representatives, shall at any reasonable time, have access to and the right to examine all accounting records of the Lessee which relate directly or indirectly to the Leased Premises. The obligations of Lessee under this Section shall be limited to the extent necessary in order for Lessee to comply with applicable laws regarding the confidentiality of resident/patient medical records and information.

(l) Lessee agrees to procure and maintain, or cause to be procured and maintained, the insurance coverage required pursuant to the HUD Documents and/or applicable HUD Program Requirements, including HUD Notices H04-01 and H04-15. Insurance proceeds and the proceeds of any condemnation award or other compensation paid by reason of a conveyance in lieu of the exercise of such power, with respect to the Leased Premises or any portion thereof shall be applied in accordance with the terms of the HUD Documents and applicable HUD Program Requirements. The decision to repair, reconstruct, restore or replace

the Leased Premises following a casualty or condemnation shall be subject to the terms of the HUD Documents and applicable HUD Program Requirements.

(m) The Lease shall not be assigned or subleased by Lessee, in whole or in part (including any transfer of title or right to possession and control of the Leased Premises, or of any right to collect fees or rents), without the prior written approval of HUD. The prior written approval of HUD shall be required for (i) any change in or transfer of the management, operation, or control of the Project or (ii) any change in the ownership of the Lessee that requires HUD approval under HUD's previous participation approval requirements. Lessee acknowledges that any proposed assignee will be required to execute a Lessee Regulatory Agreement and a Lessee Security Agreement, each in form and substance satisfactory to HUD, as a prerequisite to any such approval. Any assignment or subletting of the Leased Premises made without such prior approval shall be null and void. This restriction on subletting does not apply to Lessee's leasing of individual units or beds to patient/residents. This restriction is in addition to any other restriction contained in the Lease.

(n) Lessee shall not pledge its accounts receivable or receipts to an accounts receivable lender (the "AR Lender") for any loan (an "AR Loan") without the prior written approval of the HUD Lender and HUD. In the event that the HUD Lender and HUD grant such approval; (i) the AR Lender shall enter into an Intercreditor and a Rider to Intercreditor Agreement with the HUD Lender on such terms and conditions as may be required by HUD; and (ii) Lessee shall agree to comply with the requirements imposed by the HUD Lender and HUD in connection therewith. Until such approved AR Loan is paid in full, the prior written approval of HUD is required for any proposed modifications, extensions, renewals or amendments to the AR Loan.

(o) Lessee agrees that if HUD becomes Mortgagee, Mortgagee in Possession, or Successor, HUD can terminate the Lease (i) for any violation of the Lease that is not cured within any applicable notice and cure period given in the Lease, (ii) for any violation of the Lessee Regulatory Agreement or other HUD Program Requirements or any federal, state, county, municipal or other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions or agreements, in each case, pertaining to or concerned with the establishment, construction, ownership, operation, use or occupancy of the Leased Premises or any part thereof as a healthcare facility, and all material permits, licenses and authorizations and regulations relating thereto, including all material rules, orders, regulations and decrees of and agreements with healthcare authorities pertaining to the Facility, that is not cured within thirty (30) days after receipt by Lessee of written notice of such violation or (iii) if HUD, as a result of the occurrence of either of the events described in the foregoing items (i) or (ii), is required to advance funds for the operation of the Facility located on the Leased Premises.

(p) Lessee shall copy HUD Lender and HUD on all notices of default given by Lessee under the Lease. Such copies shall be provided at the same time and in the same manner as provided by Lessee to Lessor or any other party. HUD Lender shall have the right, but not the obligation, to cure any default by Lessor under the Lease. For the purpose of effecting such cure, Lessee grants HUD Lender and Lessor such period of time as may be reasonable to enable HUD Lender and/or Lessor to cure (or cause to be cured) any default, in addition to the time given to Lessor to cure the default. In the event of any act or omission of

Lessor which would give Lessee the right, immediately or after lapse of a period of time, to cancel or terminate the Lease, or to claim a partial or total eviction, Lessee shall not exercise such right (i) until it has given written notice of such act or omission to HUD Lender and HUD, and (ii) unless such act or omission shall be one which is not capable of being remedied by HUD Lender or Lessor within a reasonable period of time, until a reasonable period for remedying such act or omission shall have elapsed following the giving of such notice and following the time when HUD Lender shall have become entitled under the Loan Documents in connection therewith, as the case may be, to remedy the same (which reasonable period shall in no event be less than the period to which Lessor would be entitled under the Lease or otherwise, after similar notice, to effect such remedy).

(q) The foregoing provisions set forth in this Article XXV: (i) may be amended, supplemented and/or modified by Lessor in order to comply with any applicable HUD provisions as in effect at the time of the making of the HUD Loan and (ii) other than for the duration of the HUD Loan, shall not be interpreted in a manner which restricts, impairs or otherwise reduces any right, benefit or privilege of the Lessor or any liability or obligation of Lessee set forth elsewhere in the Lease

ARTICLE XXXVII - MISCELLANEOUS

37.1 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 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.

37.2 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.

37.3 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.

37.4 Lessor and Lessee agree that, at the request of either party, this Lease or a Memorandum of the same in the form of Exhibit E attached hereto and made a part hereof, may be recorded, to be filed in the real property records of the county in which the Demised Premises are located.

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

37.6 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.

37.7 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 one hundred ten percent (110%) of the last Rent specified.

37.8 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 or fax transmission, addressed as follows:

If to Lessor:
Wayne Garden Realty Group LLC

If to Lessee :
Avalon Garden Group LLC

with a copy to:

Allen V. Koss, Esq.
Koss & Schonfeld, LLP
160 Broadway – 8th Floor
New Jersey, New Jersey 10038
Direct dial: (212) 796-8915
Fax # 212-401-4757

with a copy to:

Allen V. Koss, Esq.
Koss & Schonfeld, LLP
160 Broadway – 8th Floor
New Jersey, New Jersey 10038
Direct dial: (212) 796-8915
Fax # 212-401-4757

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.

37.9 Each party agrees at any time, and from time to time, upon not less than twenty (20) 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.

37.10 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.

37.11 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.

37.12 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, nor in any way affect this Lease.

37.13 This Lease 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.

37.14 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 their respective successors and assigns.

37.15 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".

37.16 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.

37.17 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.

37.18 This Lease shall be construed in accordance with the laws of the State of New Jersey without regard to conflict of laws principles.

37.19 Each party acknowledges that it has certain obligations under applicable New Jersey laws and regulations, including without limitation those New Jersey laws and regulations governing the ownership, management, control and operation of nursing Home and assisted living facilities and all related laws and regulations, to the extent applicable and as they exist at the time this Agreement is executed and as amended (the "***New Jersey Laws***"). Each party hereby agrees to comply with such New Jersey Laws. Any ambiguity in this Agreement shall be resolved to permit the parties to comply with the New Jersey Laws. If there is any direct conflict between the Agreement and the New Jersey Laws, the New Jersey Laws shall control. If any term, provision or condition contained in this Agreement will be deemed or declared unenforceable, invalid or void, the same will not impair or invalidate any of the other provisions contained herein, which will remain in full force and effect.

37.20 The parties hereto agree that with respect to all disputes, problems or claims arising out of or in connection with this Lease and all other agreements or other instruments executed in connection herewith, including and any claim for indemnification by either of the parties hereto (collectively, "**Disputes**"), the parties hereto shall, in good faith, use their reasonable best efforts to resolve the Dispute. If after such efforts the parties hereto are unable within ten (10) days of the arising of the Dispute to resolve the Dispute in good faith, the parties shall use best efforts to use a mutually agreed upon arbitrator (the "**Arbitrator**"). In the event the parties are unable to mutually agree upon the Arbitrator, within fifteen (15) days of the arising dispute then either party may submit to final and binding arbitration before the American Arbitration Association ("**AAA**"), or its successor, pursuant to the Federal Arbitration Act, 9 U.S.C. Sec. 1 *et seq.* In the event AAA is utilized: (a) the parties hereto agree that the rules of the American Arbitration Association applicable to commercial arbitrations shall apply to any such arbitration and that the Expedited Procedures under the Commercial Arbitration Rules shall apply, (b) either party may commence the arbitration process called for in this Lease by filing a written demand for arbitration with AAA, with a copy to the other party, and (c) the arbitration will be conducted in accordance with the provisions of AAA Streamlined Arbitration Rules and Procedures in effect at the time of filing of the demand for arbitration. The parties will cooperate with either the Arbitrator or AAA, as applicable, and with one another in selecting an arbitrator from a panel of neutrals, and in scheduling the arbitration proceedings. The provisions of this Section 37.20 with respect to the arbitration before either the Arbitrator or AAA may be enforced by any court of competent jurisdiction (subject to the provisions of Section 37.18 of this Lease), and the parties agree that any such enforcement action shall be brought in courts having situs in New Jersey and fully submit to the jurisdiction of any such courts and the parties seeking enforcement shall be entitled to an award of all costs, fees and expenses, including attorneys' fees, to be paid by the parties against whom enforcement is ordered. The fees and expenses of such arbitration shall

be borne by the non-prevailing party, as determined by such arbitration. Upon the mutual agreement of the parties involved in the Dispute, the parties may submit to final and binding arbitration before any other recognized alternative dispute resolution company or organization. Any arbitration hereunder shall be conducted by each party choosing one arbitrator and the two chosen arbitrators choosing a third arbitrator. The parties hereto agree that this Section 37.20 has been included to rapidly and inexpensively resolve any disputes between them with respect to the matters described above, and that this paragraph shall be grounds for dismissal of any court action commenced by any party with respect to a dispute arising out of such matters.

37.21 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 Lender 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 Lender of Lessor and/or of Lessee of every sort, if any, is hereby expressly waived by the other party hereto.

37.22 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 their principals, officers or agent 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:


LESSEE:

WAYNE GARDEN REALTY GROUP LLC

AVALON GARDEN GROUP LLC

By: 

Name: Sam Berkowitz
Its: Manager

By: 

Name: Sam Berkowitz
Its: Manager

SUBLEASE

This SUBLEASE (“Sublease”) is entered into effective as of May 31, 2024 by and between **AVALON GARDEN GROUP LLC**, a New Jersey limited liability company (“Landlord”), as sublessor, and **2020 ROUTE 23 OPERATING COMPANY LLC** a New Jersey limited liability company (“Tenant”), as sublessee.

Recitals

A. **WAYNE GARDEN REALTY GROUP LLC**, a New Jersey limited liability company (“Lessor”), owns that certain tract of land, more particularly described as set forth on **Exhibit A**, attached hereto and made a part hereof, which is improved with the real estate located at 220 Route 23 North Wayne, NJ 07470 and the buildings, structures, erections, appurtenances, improvements and easements located thereon consisting of a 170 bed skilled nursing facility, commonly known as Atrium Post Acute Care of Wayneview (“Real Estate”), and the furniture, furnishings, equipment and fixtures on the Real Estate (collectively the “Personal Property”; the Real Estate and the Personal Property are hereinafter referred to collectively as the “Demised Premises”).

B. Landlord, as lessee, entered into that certain Lease Agreement (the “Lease”) dated May 2024, with Lessor and other parties thereto, pursuant to which Lessor intends to lease to Landlord and Landlord intends to lease from Lessor, the Demised Premises.

C. Landlord desires to sublease to Tenant and Tenant desires to sublease from Landlord the Demised Premises on the terms and conditions hereinafter set forth.

Agreements

For and in consideration of the Recitals set forth above (which are by this reference made a part of this Sublease), and the covenants and agreements set forth below and other valuable consideration, Landlord hereby subleases the Demised Premises to Tenant and Tenant hereby subleases the Demised Premises from Landlord under the following terms and conditions:

1. Governing Instruments.

a. The relationship between Landlord, as sublessor, and Tenant, as sublessee, shall in all respects be governed by, and be conducted in accordance with, the terms and conditions of the Lease to the extent such terms and conditions are not inconsistent with the terms and conditions of this Sublease. Capitalized terms used herein and not otherwise defined shall have the definitions assigned to them in the Lease. Unless otherwise specifically provided in this Sublease, Landlord shall have all of the rights and shall incur all of the obligations of the Lessor and Tenant shall have all of the rights and shall incur all of the obligations of the Landlord as lessee under the Lease. With respect to the Landlord and the Tenant only, in the event of any

inconsistencies between the terms and provisions of the Lease and the terms and provisions of this Sublease, the terms and provisions of this Sublease shall govern.

b. In order to ascertain the rights and obligations of Landlord and Tenant herein with respect to the Demised Premises, whenever the word "Lease" or "lease" appears in the Lease, such word shall mean this Sublease; whenever the word "Landlord" appears in the Lease, such word shall mean Landlord hereunder; whenever the word "Tenant" appears in the Lease, such word shall mean Tenant hereunder; whenever the term "Property" or "Personal Property" appears in the Lease, such term shall mean the Demised Premises.

c. Tenant recognizes that Lessor has reserved certain rights with respect to the Demised Premises under the terms and provisions of the Lease, which rights shall continue to be exercised by Lessor. Tenant further agrees that any obligations, responsibilities and duties incurred by Landlord hereunder may be undertaken by Lessor subject to the conditions and limitations contained in the Lease, and that the performance of such obligations, responsibilities and duties by Lessor in accordance with the terms and conditions of the Lease, will constitute full performance thereof by Landlord hereunder.

d. Nothing contained in this Sublease shall in any way be construed as relieving Landlord from the performance of all conditions, obligations and agreements of Landlord as lessee under the Lease.

e. Notwithstanding anything herein to the contrary, the parties hereby agree that Landlord has not assumed any of the obligations of Lessor under the provisions of the Lease that relate to payments required to be made by Lessor to Landlord (and/or Landlord's right to offset rent), and any rights of Landlord to terminate the Lease prior to the conclusion of the term thereof shall not apply to Tenant with respect to this Lease.

2. Term of Sublease. The term of this Sublease shall commence on the Commencement Date of the Lease and shall run for the entirety of the term of the Master Lease, unless sooner terminated or extended as provided herein. Notwithstanding the term as provided in this Paragraph 2, this Sublease shall terminate immediately upon termination of the Lease for any reason whatsoever, including, without limitation, a voluntary termination by Lessor or Landlord. This Agreement shall not be terminable by the Tenant under any circumstances other than for the New Operator being denied the transfer of the facility's operating license, after exhaustion of all appeals and judicial interventions, or upon the termination or expiration of the PSA.

3. Permitted Use. The Demised Premises may only be used by Tenant for and as a skilled nursing facility of 170 licensed beds, respectively, and at all times in accordance with the Lease.

4. Rent Payment. Tenant, through its manager, shall make payments of monthly rent equal to the allocable Base Rent set forth in the Lease, ("Rent"). Tenant shall also make a payment or payments equal to the Taxes and Assessments and Tax Deposits as defined in the Lease. Rent obligations of Landlord under the Lease shall be payable to Landlord in advance on the first day

of each month beginning on the Commencement Date, at the offices of Landlord or at such other address as Landlord may indicate from time to time, without demand, set-off or counterclaim; provided, however, to the extent that the Commencement Date is a date which is not the first day of a calendar month, then the first month's Rent shall be equitably pro-rated for such month.

5. Utilities, Real Estate Taxes and Insurance. Tenant shall pay or cause to be paid all utility charges, real estate taxes and assessments, and insurance coverages, and shall make such tax and/or insurance deposits as set forth in the Lease.

6. Operations of Demised Premises. During the term of this Sublease, Tenant shall remain solely responsible for and shall retain full authority with respect to the operations and management of the facilities located at the Demised Premises.

7. Alterations and Leasehold Improvements. In no event may Tenant make major, structural or permanent alterations or leasehold improvements to the Demised Premises, except as permitted under the Lease.

8. Removal of Property. At no time and in no event may Tenant remove from the Demised Premises any Personal Property of any kind belonging to Landlord or Lessor.

9. Condition of Premises; Surrender. Except as otherwise provided herein or in the Lease, Tenant agrees to accept the Demised Premises in its current "AS IS" condition, and agrees that Landlord is under no obligation to improve, alter or otherwise prepare the Demised Premises for occupancy. Upon termination of this Sublease by lapse of time or otherwise, Tenant agrees to surrender the Demised Premises as required under the Lease.

10. Successors and Assigns. The terms, covenants and conditions of this Sublease shall inure to the benefit of and be binding upon the respective parties hereto, their successors and permitted assigns; provided that Lessor consents to any such succession or assignment that requires Lessor's prior consent. The parties hereto expressly agree and acknowledge for the benefit of Lessor that Tenant may not assign or further sublease its interest in this Sublease without the prior written consent of the Lessor, which consent shall not be unreasonably withheld but shall be subject to the same criteria as set forth in the Lease.

11. Non-Waiver. Any waiver by either party in any particular instance of the rights and limitations contained herein shall not be deemed, and is not intended to be, a general waiver by such party of any rights or limitations contained herein, and shall not operate as a waiver beyond the particular instance.

12. Approval By Lessor. This Sublease is subject to, and shall be of no force and effect until receipt of the approval of Lessor as required under the Lease.

13. Notices. All notices, demands or requests which may or are required to be given by either party to the other shall be in writing and shall be sent by (i) personal delivery; (ii) Federal

Express or other national overnight courier service; or (iii) United States certified mail, return receipt requested, addressed to the other party hereto at the address set forth below:

If to Landlord: **Avalon Garden Group LLC**

with a copy to:

If to Tenant: **2020 Route 23 Operating Company LLC**

with a copy to:

or if written notification of a change of address has been sent, to such other party and/or to such other address as may be designated in that written notification. Notices shall be effective upon receipt or refusal thereof. Notices from counsel to Landlord shall for all purposes hereunder constitute notice from Landlord. Notices from counsel to Tenant shall for purposes hereunder constitute notice from Tenant.

In addition, the parties hereto acknowledge that to the extent notice shall be sent to either party under this Sublease, the notifying party shall additionally notify the Lessor at such addresses as provided in the Lease.

14. Governing Law. This Sublease shall be construed in accordance with and governed by the laws of the State of New Jersey without regard to conflict of laws principles.


15. Counterparts. This Sublease may be executed in multiple counterparts, each of which, shall be deemed an original, and, together, shall constitute one and the same instrument.

[Remainder of this page left intentionally blank. Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have executed this Sublease as of the date first above written.

LANDLORD

AVALON GARDEN GROUP LLC,
a New Jersey limited liability company

By:  _____
Name: Sam Berkowitz
Its: Manager

TENANT

2020 ROUTE 23 OPERATING COMPANY LLC
A New Jersey limited liability company

By: _____
Name: _____
Its: Manager

IN WITNESS WHEREOF, the parties hereto have executed this Sublease as of the date first above written.


LANDLORD

AVALON GARDEN GROUP LLC,
a New Jersey limited liability company

By: _____
Name: Sam Berkowitz
Its: Manager

TENANT

2020 ROUTE 23 OPERATING COMPANY LLC
A New Jersey limited liability company

By:  _____
Name: VINCENT TURCELLO
Its: Manager

ACKNOWLEDGMENT AND CONSENT

IN WITNESS WHEREOF, the undersigned Lessor hereby joins in the execution of this Sublease for the purpose of confirming its consent to this Sublease, as of the day and year above written. Nothing in this Acknowledgement and Consent shall be deemed to be a consent to any other assignment or sublease by Landlord or by Tenant.

LESSOR

WAYNE GARDEN REALTY GROUP LLC,
a New Jersey limited liability company


By: 
Name: Sam Berkowitz
Its: Manager

EXHIBIT A

Legal Description of Demised Premises

MANAGEMENT AGREEMENT

This MANAGEMENT AGREEMENT (“**Agreement**”) is made and entered into effective as of May 31, 2024, by and between Avalon Garden Group LLC, a New Jersey limited liability company (“**Operator**”) and AccelaAvalonManagement LLC, a New Jersey limited liability company (“**Manager**”).

WHEREAS, Operator holds a license and all other permits and approvals necessary to operate that certain skilled nursing care facility (the “**Project**”); and

WHEREAS, Manager is engaged in the business of managing health care facilities; and

WHEREAS, Operator desires to have Manager serve as manager for the Project, as an independent contractor, and Manager is willing serve as manager pursuant to the terms and conditions hereinafter set forth.

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained and for other good and valuable considerations, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

When used in this Agreement, the following words or terms shall have the following definitions:

- 1.1 “Approved Budget” shall have the meaning given in Section 3.1.
- 1.2 “Basic Services” shall have the meaning given in Section 4.1.
- 1.3 “Budget” means a forecast of Project Income and Project Expenses, including a budget for capital expenditures to be made relative to the Project pursuant to this Agreement for the Fiscal Year to which such Budget relates.
- 1.4 “Due Date” shall have the meaning given in Section 4.1 (f).
- 1.5 “Emergency Services” shall have the meaning given in Section 4.3.
- 1.6 “Existing Uses” shall mean all present uses of the Project, including use as a seniors housing and care facility, and all ancillary services in connection therewith.
- 1.7 “Extraordinary Services” shall have the meaning given in Section 4.2.

1.8 "Fiscal Year" means a year, commencing January 1, and ending December 31, except that the first Fiscal Year shall be that period commencing on the commencement date and ending on the next succeeding December 31.

1.9 "Improvements" means the facility described herein and all other structural improvements situated on the Land.

1.10 "Interest Rate" means the rate of interest equal to the lesser of (i) the maximum rate of interest not prohibited by applicable law; or (ii) that per annum rate of interest equal to two and one-half percent (2.5%) per annum more than the then current prime rate as published by The Wall Street Journal in its most recent edition.

1.11 "Land" means the tract of land upon which the Project is located.

1.12 "Management Fees" mean a sum payable by Operator to Manager in an amount equal to 5% of all Project Income.

1.13 "Manager" shall have the meaning given in the recitals.

1.14 "Manager Affiliate" means (i) any person, firm, corporation, limited liability company, or other entity which controls, is controlled by, or is under common control with Manager, directly or indirectly; or (ii) any partnership, venture, trust, limited liability company or other entity in which Manager is a general partner, a managing general partner, a managing venturer, trustee, or otherwise holds a management position; or (iii) any successor of Manager by change of name, merger, acquisition, consolidation, dissolution and distribution of assets, bulk transfer of assets, or similar reorganizational action.

1.15 "Operator" shall have the meaning given in the recitals.

1.16 "Operator Affiliate" means (i) any person, firm, corporation, limited liability company or other entity which controls, is controlled by, or is under common control with Operator, directly or indirectly; or (ii) any partnership, venture, trust, limited liability company or other entity in which Operator is a general partner, a managing general partner, a managing venturer, trustee, or otherwise holds a management position; or (iii) any successor of Operator by change of name, merger, acquisition, consolidation, dissolution and distribution of assets, bulk transfer of assets, or similar reorganizational action.

1.17 "Payments to Manager" means payment of the Management Fees, together with any other sums due to Manager hereunder.

1.18 "Project" shall have the meaning given in the recitals and shall include the Land and the Improvements.

1.19 "Project Expenses" means all expenses, costs, and charges of every kind and nature incurred pursuant to an Approved Budget or any other provision of this Agreement

permitting the incurrence of such expense, cost, or charge as a Project Expense, or pursuant to instructions or directives given by Operator to Manager pursuant to the provisions of this Agreement, in connection with the Project, for or in respect of a Fiscal Year (including, without limitation, Project Operating Expenses and those expenses, costs, and charges incurred in the performance of Extraordinary Services and any Emergency Services).

1.20 "Project Income" means, with respect to a specific period of time, the revenues received from all sources in connection with the Project during such period of time; provided that Project Income shall not include or mean (i) interest or investment income of Operator, (ii) capital contributions of Operator, (iii) insurance proceeds (provided however, business interruption insurance proceeds shall be included in "Project Income"), (iv) tax refunds, (v) condemnation proceeds or awards, and (vi) amounts collected from any Residents as trust funds or security deposits, if any, except to the extent those security deposits are actually applied against the payments owed to the Project.

1.21 "Project Operating Expenses" means all expenses, costs, and charges (including capital outlays) incurred in connection with the operation and maintenance of the Project.

1.22 "Residents" means the residents or patients of the Project.

1.23 "Salaries and Benefits" means salary, wages, bonuses, and other direct compensation, group life, accident, disability, medical and health insurance, pension plans, social security payments, payroll and other employee taxes, worker's compensation payments, employer's contribution to F.I.C.A., unemployment compensation, and similar so-called fringe benefits.

1.24 "Service Contracts" shall have the meaning given in Section 4.1 (c).

1.25 "Subcontracts" and "Subcontractors" shall have the meaning given in Section 2.5.

1.26 "Subcontractor Default" shall have the meaning given in Section 2.5.

1.27 When used in this Agreement, the words and terms for which definitions are specified in the introductory paragraph of this Agreement and in the further Articles of this Agreement shall have the definitions respectively therein ascribed to them.

ARTICLE II

RELATIONSHIP OF PARTIES

2.1 Management and Consulting by Manager. Manager agrees with Operator to provide the management, consulting and advisory services described herein in connection with the Operator's operation of the Project, upon the terms and conditions set forth in this Agreement and consistent with state and federal law.

2.2 Relationship. Subject to the terms hereof, all actions by Manager in performing its duties and providing services pursuant to this Agreement shall be on behalf of Operator as Operator's independent contractor. Operator agrees to indemnify, defend and hold Manager harmless from and against any loss, cost, expense, liability, or claim of any kind or nature whatsoever arising from or in connection with Manager's performance of its duties under this Agreement, except in instances in which such loss, cost, expense, liability, or claims arise from or in connection with Manager's own gross negligence or willful misconduct, or from or in connection with a material breach by Manager of its obligations under this Agreement.

2.3 Control Retained by Operator; Operator is "Provider". Although Manager, as part of Manager's services pursuant to this Agreement, shall make recommendations to Operator concerning the operation of the Project, Operator has and shall at all times retain under this Agreement the ultimate authority and responsibility for the operational decisions at the Project in addition to retaining and exercising control over the assets of the Project, and Manager shall perform the functions described in this Agreement to be performed by it in accordance with policies and directives approved by Operator. Operator shall be the holder of all licenses, permits and contracts obtained with respect to the Project, and shall be the "provider" within the meaning of all third-party contracts for the Project. Specifically, and without limitation, Operator also shall hold the Medicare and Medicaid provider numbers and provider agreements. This Agreement shall not constitute an assignment (automatic or otherwise) by Operator to Manager of the licenses, permits, contracts, certifications or provider agreements with respect to the Project.

2.4 Other Activities. Manager and Manager Affiliates may engage in or possess an interest in other business ventures of every nature and description and in any vicinity whatsoever, including, without limitation, the ownership, operation, management, and development of nursing homes, retirement homes, assisted and/or independent living facilities, apartments or duplexes, or other real property, and pharmacy, physical and speech therapy, home health, hospice services, medical equipment, adult day care and any other senior service, and Operator shall have no rights in or to such independent ventures or to any profits therefrom. Any such activities may be undertaken with or without notice to or participation therein by Operator, and Operator hereby waives any rights or claims that it may have against Manager and Manager Affiliates with respect to the income or profit therefrom or the effect of such activity on the Project. Nothing contained herein shall obligate any agent, officer, director, shareholder, member or partner of Manager or Manager Affiliates to devote all or any particular portion of such party's time or efforts to the Project.

2.5 Manager's Liability. Operator acknowledges that Manager will enter into subcontracts ("**Subcontracts**") with others ("**Subcontractors**") to obtain certain services and goods to be provided under this Agreement, and that Manager's remedies against a Subcontractor in the event it fails to perform such services, is negligent, engages in

misconduct or otherwise defaults under the Subcontract (in any such case "**Subcontractor Default**") will be governed by the Subcontract and by applicable law. Operator agrees, for the purposes of this Agreement, that if Manager, as soon as reasonably practicable after the occurrence of a Subcontractor Default, commences and thereafter pursues with reasonable due diligence remedies against such Subcontractor and, pending efforts by Manager to enforce such remedies against such Subcontractor, either performs itself the services covered by the Subcontract or engages another Subcontractor for such purpose, then Manager shall not be in default under the terms of this Agreement by reason of such Subcontractor Default.

Notwithstanding any other provision of this Agreement, and unless such act or omission constitutes gross negligence, willful misconduct, or a material default by Manager, its officers, employees, or agents (and for the purposes of this Section, the term "**employees or agents**" of Manager shall not include Subcontractors), under the terms of this Agreement, neither Manager nor its officers, directors, shareholders, members, managers, employees, agents, subsidiaries or affiliates shall ever be liable for any act or omission, negligent, tortious or otherwise, of a Subcontractor or any agent or employee of a Subcontractor, or its subsidiaries or affiliates, for any amount of damage, or any other monetary obligation whatsoever, which is in excess of the amount of cash proceeds actually recovered under the policies of liability insurance maintained pursuant to the terms of this Agreement, and under no circumstances whatsoever shall Manager, under any theory of action or recovery, ever be liable for or obliged to pay or to satisfy any judgment for, any damages or other monetary obligation whatsoever, that is in excess of the amount of such cash proceeds. Notwithstanding any of the provisions of this Agreement, in no event shall Operator make any claim against Manager, or its officers, directors, shareholders, members, managers, employees, agents, subsidiaries or affiliates, on account of any alleged errors in judgment made in good faith in connection with the Project by Manager or such persons, or the performance of any advisory or technical services provided by or arranged by Manager.

In the event of an act of gross negligence, willful misconduct, or a material default by Manager, its officers, employees, or agents under the terms of this Agreement, then Operator shall have all recourse and remedies as may be available under the terms of this Agreement and at law or in equity.

2.6 Proprietary Interest. The computer and technical systems, methods, policies, handbooks, procedures and controls employed by Manager are to remain the property of Manager and are not, at any time, to be utilized, distributed, copied or otherwise employed or acquired by the Operator except as authorized in writing by Manager, or except as may be required by law.

ARTICLE
III

BUDGET

3.1 Approval of Budget. As soon as reasonable and practicable for Manager near the end or shortly after the commencement of each Fiscal Year, Manager shall prepare and deliver to Operator, in a form reasonably satisfactory to Operator, a proposed Budget for the next Fiscal Year which, when approved, shall be deemed and considered to be an **"Approved Budget"**.

3.2 Operator shall give its approval or its disapproval of Manager's proposed Budget for each Fiscal Year not later than thirty (30) days after its receipt thereof.

If Operator does not approve or disapprove the proposed Budget within such thirty (30) day period, then Operator shall be deemed to have approved the Budget. If Operator objects to all or any portion of the proposed Budget, Operator shall furnish Manager with the reasons for its objections, and Operator and Manager shall attempt to agree in respect to the items to which Operator objects, and if such agreement is not reached within fourteen (14) days of the expiration of such thirty (30) day period, and without reference to whether more than one Fiscal Year shall lapse, then the Project shall be operated under a Budget (which for purposes of this Agreement shall be considered to be an Approved Budget) that is the same as the last Approved Budget, and Manager shall be authorized to incur expenses necessary for the management and operation of the Project, including but not limited to:

(a) all costs of staffing the Project and providing Resident care in accordance with all state and federal laws and regulations, utilities, cleaning services, costs of routine building and mechanical maintenance and repair (including elevator maintenance), ad valorem taxes and insurance coverages, costs of security services, and costs under Service Contracts, landscaping costs, and personnel costs; together with

(b) the sum of (x) the annualized level of all other expenses during the last three (3) months most recent Fiscal Year for which there was an Approved Budget (the **"Base Level"**), plus (y) ten percent (10%) of such Base Level.

3.3 Approved Budget. An Approved Budget shall constitute an authorization for Manager to spend money for the operation and management of the Project pursuant to such Approved Budget, and Manager may spend such sums without further approval. Operator acknowledges that, notwithstanding Manager's experience in relation to the management of similar developments, the projections contained in the Budget submitted at the commencement of each Fiscal Year are subject to and may be affected by changes in financial, regulatory, economic, and other conditions and circumstances beyond Manager's control, and the Budget shall be adjusted to take into account such changes.

3.4 Expenditures for Capital Items. The Approved Budget shall constitute an authorization for Manager to make the capital expenditures contemplated thereby. If during any Fiscal Year Manager believes the purchase or installation of new or replacement equipment or other capital items not contemplated by the Approved Budget is or before the end of such Fiscal Year will be necessary or desirable, Manager shall advise Operator

thereof, but shall cause such items to be purchased and installed only after obtaining the prior authorization of Operator.

3.5 Rates. From time to time, Manager will recommend to Operator, for approval, rate structures which take into account the financial obligations of the Project and the level of rates at other comparable facilities in the market area.

ARTICLE

IV

SERVICES

4.1 Basic Services. As basic services hereunder (the "Basic Services"), Manager shall:

(a) Resident Relations. Consult with Operator in the operations of the Project in compliance with the terms and conditions of this Agreement and administer a Resident relations program which maintains visibility of management presence.

(b) Personnel. Advise Operator with respect to employment decisions affecting on-site Project employees. Except as provided herein, all on-site Project employees shall at all times be Operator's employees and not employees of Manager. Manager agrees to locate and recommend for employment by Operator an administrator licensed for the Existing Uses in the state in which the Project is located (if such licensure is required) for the day-to-day administration of the Project. Operator shall have the right to approve the Project administrator. The administrator shall be an employee of and compensated by Operator as a Project Expense. In the event Manager shall place one of its employees as department head, administrator or director of nursing (for example, on an interim basis while a replacement director of nursing is hired), Manager shall be reimbursed monthly by Operator for all applicable Salaries and Benefits of such Manager employee. The Salaries and Benefits of all on-site Project employees and the number of such employees shall be part of the Budget (and thus subject to approval by Operator), but each Approved Budget shall include and provide for sufficient funds to enable Manager to pay competitive Salaries and Benefits so as to attract and retain a sufficient number of capable employees to enable the Project to operate to the standard herein provided.

(c) Service Contracts. Enter into or renew, in the name and on behalf of Operator (Manager being solely the management company for the Project), contracts (collectively, and including Subcontracts as defined in Section 2.6 hereof, referred to as "Service Contracts") for electricity, gas, water, telephone, cable television, cleaning, fuel oil, elevator maintenance, vermin extermination, trash removal, linen service, pharmaceuticals and medical supplies, pharmacy consulting, medical director, physical and speech therapy, hospice services, medical equipment, and other services in the ordinary course of the operation of the Project; purchase all supplies and equipment necessary to maintain and so operate the Project; and credit to Operator any discounts, rebates, or commissions obtained for purchases

or otherwise.

Manager may recommend the use of consultants or companies, even though same may be Affiliates of Manager and/or employed by Manager or an Affiliate of Manager, and if employed or retained, such consultants or companies shall be compensated at market rates and on terms comparable to the normal and customary rates in the industry, and these payments shall be a Project Expense pursuant to this Agreement.

(d) Maintenance and Repair. Maintain or cause to be maintained the Improvements and grounds of the Project including, without limitation, interior and exterior cleaning, painting and decorating, plumbing, carpentry, and other normal maintenance and repair work.

(e) Collection. Use reasonable efforts to request, demand, collect, receive, and receipt for all charges due from Residents and otherwise due Operator with respect to the Project. No uncollectible accounts (other than contractual allowance in the case of Medicare and Medicaid patients) shall be charged off to a bad debt expense account until reasonable efforts have been exhausted for collections or Manager has received Operator's approval.

(f) Project Expenses; Mortgage Loans. To the extent funds are made available by Operator, pay all Project Expenses (other than any payments required on mortgage loans or leases, except as specifically provided below) on or before that date (the "**Due Date**") after which interest or penalty will begin to accrue thereon, provided, however, that Manager may contest, if and to the extent appropriate, the payment of any Project Expense (or portion thereof) which Manager has actual and reasonable grounds to believe should be contested. All expenses and costs of such contests, including without limitation, reasonable attorneys' fees, shall be included as Project Expenses. In any instance in which Manager has contested any Project Expense in accordance with the provisions of this Agreement, or has been requested by Operator to contest any Project Expense, then any interest or penalty which accrues and may thereafter become payable with respect to such Project Expense shall itself be a Project Expense.

If Operator shall so request, Manager shall pay the aggregate amounts required to be paid pursuant to any mortgages or financing related to the Project, secured or unsecured, or leases of the Project, including amounts due under any such financing or leases for interest, amortization of principal, and for allocation to reserves or escrow funds, from the Project funds. All notices from any lender or landlord claiming any default in any financing or lease on the Project, and any other notice from any lender or landlord other than routine notice of payment due, shall be forthwith delivered by Operator to Manager.

(g) Reports. As soon as reasonable and practicable each calendar month, render to Operator a statement of income and expenses showing the results of operation of

the Project for the preceding month and of the Fiscal Year to date. As soon as reasonable and practicable after the end of each Fiscal Year, Manager shall deliver to Operator profit and loss statements showing Project Income, Project Expenses, Payments to Manager, the results of operations for that Fiscal Year, and (provided Manager has sufficient information) a balance sheet of the Project as of the end of that Fiscal Year, prepared on an accrual basis in accordance with generally accepted accounting principles consistently applied. All such monthly reports shall be in the format normally utilized by Manager. Operator may, regularly and/or from time to time, require that the annual financial statements of the Project be audited, reviewed or compiled by a reputable accounting firm, and the cost of same shall constitute a Project Expense. Manager shall have no obligation to prepare financial statements or accounting of any kind separate from such Project statements, except as agreed by Manager, for which Manager may charge an additional fee. Manager shall, upon reasonable notice from Operator, prepare and submit to Operator such other reports or certificates as Operator may reasonably request concerning such matters relating to the Project as are within the scope of Manager's services provided for in this Agreement. If any such additional reports or alternate report formats requested by Operator shall require Manager to engage consultants or other professionals to assist Manager in designing or preparing such report, or shall require Manager's employees (other than on-site employees engaged in performing Manager's services under this Agreement) to expend additional time designing or preparing such report, then Operator shall promptly reimburse Manager for the cost to Manager of engaging such consultants or other professionals or of such time expended by Manager's employees.

(h) Records. Maintain, at the Project or at the address for Manager provided for in the first paragraph of this Agreement, or such other place or places as Operator may approve, a system of office records, books, and accounts, and any additional information or records reasonably required by Operator for the preparation of federal, state, and local tax returns, all in a manner reasonably satisfactory to Operator. Operator and others designated by Operator, including Operator's auditors and accountants, shall have, upon reasonable notice to Manager, during normal business hours, access to and the right to audit and make copies of such records, accounts, and books, and all vouchers, files and all other material pertaining to the Project and this Agreement.

(i) Legal Proceedings. Manager shall institute and prosecute in the name and at the expense of Operator such actions and proceedings necessary to effect the purposes, perform the services, and take the actions contemplated by this Agreement, including without limitation, to evict Residents in default; to recover possession of rooms occupied by such Residents; to sue for and recover charges and other damages due from Residents and other persons obligated to Operator or Manager in connection with the Project; to settle, compromise, and release any such actions or suits or reinstate such Residents; and sign and serve in the name of Operator notices and other communications relating to any of the foregoing matters. Manager shall keep Operator advised of all actions filed against Operator and known to Manager and all actions filed by Operator that are beyond the scope of ordinary

business operations. Operator shall be responsible for all costs and expenses, including without limitation attorney's fees, incurred in defending Manager for actions brought against Manager based upon Manager's performance of its duties in connection with operation of the Project.

(j) Process Insurance Claims. If requested by Operator, Manager shall process all claims under any insurance coverages pertaining to the Project in a reasonably expeditious manner, so as to minimize delay in receipt by the Project of the proceeds of such insurance.

(k) Maintenance of Licenses. Assist Operator in obtaining and maintaining all licenses and certifications required for operation of the Project, such as contracts with fiscal intermediaries and agencies and eligibility for participation in any applicable third party payor or other medical reimbursement programs. All licenses and permits shall be obtained in the name and at the expense of the Operator unless otherwise stipulated pursuant to applicable regulation or unless otherwise agreed in writing between Operator and Manager. Further, Operator shall remain directly responsible to all federal, state and local enforcing agencies for compliance with such provisions and maintain state and federal licensing and certification requirements from and after the effective date hereof. Manager shall furnish copies of all surveys and notices of noncompliance to Operator promptly upon receipt by Manager.

(l) Rate Schedules. Assist in developing price and rate schedules satisfactory to Operator; obtain approval of appropriate price schedules by government agencies and appropriate rate/reimbursement schedules from third-party paying agencies, if applicable; provide all statistical, financial, and other data necessary to obtain payment from the appropriate agencies, if applicable; and assist in effecting final settlement of claims for payment.

(m) Accounting and Report Supervision. Oversee the maintenance of all Resident records required for the orderly billing for nursing and miscellaneous goods and/or services and Manager shall oversee control of Resident ledgers to ensure proper identification of all accounts. Manager shall oversee the monthly billing for all goods and/or services, which billings shall be rendered in a timely manner.

(n) Cost Reports and Tax Returns. Any reports that may be required to be made under the Medicare or Medicaid Program (or any successor program) of the federal Department of Health and Human Services or by the state in which the Project is located, such as cost reports, federal, state and local tax returns, and any other required governmental reports or filings necessary for the operation of the Project, shall be prepared by Operator or by outside consultants as may be approved by Operator and the cost of such items shall be a Project Expense.

4.2 Extraordinary Services. Whenever Manager determines that a service or

services not included in the Basic Services required to be rendered pursuant to the Agreement (and not constituting an emergency) is necessary or desirable for the efficient, economic, and profitable operation of the Project (collectively, the "Extraordinary Services"), Manager shall advise Operator of the need and cost therefore and make recommendations related thereto. Manager shall then perform the Extraordinary Services in accordance with the directions of Operator as to the performance thereof and the amount to be expended therefore. The Extraordinary Services shall include, without limitation, the following:

(a) Major Repairs. Performance and supervision of all major repairs, replacements, and alterations to the Project not covered by the Budget.

(b) Compliance with Legal Requirements. Assisting in material compliance with any and all orders or requirements affecting the Project by any federal, state, county, municipal, or other governmental authority having jurisdiction thereover, and order of the Board of Fire Underwriters or any similar bodies. Manager, however, shall not take any such action as long as Operator has notified Manager that it is contesting or has notified Manager of its intention to contest (or has otherwise directed Manager to take no action), and promptly institutes proceedings contesting any such order or requirement, provided that if failure to comply promptly with any such order or requirement would or might expose Manager to civil or criminal liability, Manager shall have the right, but not the obligation, to cause the same to be complied with.

(c) Tax Abatement and Eminent Domain. Rendering of advice and assistance to Operator in the negotiation or prosecution of all claims for the abatement of property and other taxes affecting the Project and for awards for taking by eminent domain affecting the Project.

(d) General. Performance of any other reasonable services, acts, items, or matters relating to or affecting the Project which are or may be desirable or necessary for the efficient, economic, and profitable operation thereof and which are not included within the services required by this Agreement.

4.3 Emergency Services. "**Emergency Services**" are defined as any and all emergency repairs or services immediately necessary for the preservation and/or safety of the Project, to avoid the suspension of any important service to the Project or the licensure and/or certification of the Project, to avoid danger to life or property, or to preserve the use of the Project for the Existing Uses. Emergency Services may be performed by Manager in its reasonable discretion, without Operator's prior approval of the performance or amount to be expended therefore; provided, however, Manager shall, if reasonably possible, give Operator verbal notice of the performance of such service as soon as practicable.

4.4 Expense of Operator. All services performed by Manager under this Agreement of any kind (including without limitation Basic Services, Extraordinary Services and Emergency Services) shall be at the sole expense of Operator. Notwithstanding any other

provision of this Agreement, Manager shall not be obligated to make any advance to or for the account of Operator or the Project or to pay any sums, except out of funds held in any account maintained under ARTICLE IV, nor shall Manager be obligated to incur any liability or obligation for the account of Operator or the Project without assurance in Manager's sole discretion that the necessary funds for the discharge thereof are or shall be available, nor shall Manager be responsible for the failure of the Project to be managed, operated, or maintained to the standard required by this Agreement as a result of Operator's failure to provide funds timely for the Project.

4.5 Operator's Inspection. Operator shall have the right of ingress and egress and may inspect the Project and review management decisions. Operator shall be entitled to maintain oversight, contact and communications with the administrator of the Project during the term of this Agreement.

4.6 Confidentiality. Manager and Operator agree to maintain in confidence all information and materials provided by, or obtained from, each other including, without limitation, all financial information, source codes, medical protocols, operational practices, manuals and other related information, except such use thereof as may be reasonably expected in the reasonable business of Operator. Further, all books, records, forms, notes, data, memoranda, models, supplies, materials, business accounts, lists and equipment, in any form or of any nature whatsoever delivered or furnished to Manager by the Operator during the course of its engagement shall remain the property of the Operator. Upon the termination of this Agreement or upon the request of the Operator, Manager shall promptly return said material and items to Operator.

4.7 Resident Privacy. Manager shall from time to time have access to Resident data, which it shall hold in strict confidence, and shall use only for the purposes of this Agreement. Manager shall instruct its personnel concerning the requirements of this section. Patient data shall mean any data or information concerning Residents of the Project, including without limitation, any of the treatments, procedures, medicines, drugs, diagnoses, therapies, surgeries, outcomes, histories, genetics, disclosures or behaviors of any such Residents. The privacy and other rights of all Residents of the Project shall be respected.

ARTICLE V

INSURANC E

5.1 Operator's Insurance. If requested by Operator, Manager will use commercially reasonable efforts to obtain in Operator's name and at Operator's expense and keep in force (or absent such request, Operator shall obtain and keep in force) during the term of this Agreement:

- (a) comprehensive general liability insurance, protecting Operator against claims for injury to or death of persons or damage to or destruction of property

occurring upon, in, or about the Project and the adjoining streets (other than streets dedicated to and accepted for maintenance by the public); such insurance to afford limits as requested by Operator from time to time;

(b) worker's compensation insurance with statutory and employee's liability insurance; and

(c) such other coverages as reasonably requested by Operator from time to time. Such insurance shall be written by companies approved by Operator which are legally qualified to issue such insurance in the state in which the Project is located and shall name Operator as insured and Manager as an additional named insured. Such insurance may be procured by Manager with other facilities managed by Manager and/or Manager Affiliates under so-called "blanket" insurance policies.

5.2 Policies. The parties shall attempt to ensure that each policy referred to in Section 5.1 above shall:

(a) provide that it will not be cancelled, amended, or reduced except after not less than three (3) days' written notice to Operator and Manager;

(b) include a waiver of all rights of subrogation against Manager, its officers, directors and shareholders, members, constituent partners, employees, and agents.

5.3 Waiver. Notwithstanding anything herein to the contrary, in any Fiscal Year, Operator may waive or reduce any insurance requirement set forth herein for Operator's benefit in its reasonable discretion depending on such factors as the availability of such insurance and the cost thereof.

5.4 Operator Insurance. Unless Operator requests that Manager obtain insurance as expressly provided in Section 5.1, Operator shall be responsible to procure and maintain all such insurance in the manner described in this Article, and all such insurance shall name Manager as an additional insured.

5.5 Cooperation. Manager and Operator each shall furnish whatever information is reasonably requested by the other for the purpose of establishing insurance coverages.

ARTICLE VI

BANK ACCOUNTS

6.1 Operating Account. Manager is authorized for and on behalf of Operator to establish bank accounts for the Project at a banking institution of its choosing, including an operating account to deposit all Project Income therein and to pay all Project Expenses therefrom. Manager may designate the authorized signatories on such account.

6.2 Operator's Obligation to Provide Funds. If at any time cash in the operating account shall not be sufficient to pay expenses and all Payments to Manager, Manager shall not be obligated to pay expenses from its own account or to incur any liability whatsoever on behalf of Operator or the Project. Manager shall notify Operator as soon as practicable upon its projection or awareness of a cash shortage or impending cash shortage. Operator shall determine payment priority, except that all Payments to Manager shall be timely made. After Manager has paid, to the extent of cash available in the operating account, all expenses based upon the ordered priorities set by Operator, Manager shall submit to Operator a statement of all remaining unpaid expenses. Within five (5) business days after receiving such statement, Operator shall provide sufficient monies to pay any unpaid expenses and any Payments to Manager. Such funds shall be provided to Manager within 24 hours of Operator's receipt of such statement and by wire transfer of funds if more than \$5,000 remains due.

6.3 Right to Collect Payments to Manager. To the extent funds are available in the operating account, Manager shall be entitled to and is hereby authorized to disburse to itself all accrued Payments to Manager. To the extent funds are not available in the operating account to pay same, Operator agrees to pay Manager, within five (5) business days after demand therefor, such sums as are necessary to discharge its liability to Manager therefor. Any accrued Payments to Manager remaining unpaid after such five (5) day period shall bear interest at the Interest Rate from the date due until paid. If Manager collects payments due hereunder by an attorney at law, Operator hereby agrees to pay all costs and expenses of collection, including without limitation a reasonable attorney's fee.

ARTICLE VII

MANAGEMENT FEE AND ADDITIONAL PAYMENTS

7.1 Amount. During the term of this Agreement, Operator shall pay Manager the Management Fees.

7.2 Monthly Payments. Each monthly installment of the Management Fee shall be due in advance on the first day of each calendar month and be paid no later than the fifteenth {15th} day of each calendar month.

7.3 Annual Adjustment. Within fifteen (15) days after the delivery of the annual financial statements of the Project, Operator shall pay to Manager or Manager shall pay to Operator such amount as is necessary to make the amount of Management Fees actually paid with respect to such year equal to the amount of Management Fees shown to be due by the annual financial statements.

ARTICLE VIII

TERM

8.1 Term. This Agreement shall commence as of the date hereof and shall thereafter continue for five (5) years, and shall be renewable for two (2) successive additional terms of five (5) years each at the option of the Manager. Thereafter, this Agreement shall renew annually for a one (1) year term until one party gives the other written notice of its intent not to renew at least ninety (90) days prior to the end of the existing term.

8.2 Termination Without Cause. Either Operator or Manager may, upon not less than sixty (60) days prior written notice, terminate this Agreement without cause, provided that no such termination shall relieve either party from its obligations arising or accruing prior to such termination, including without limitation, Operator's duty to pay all accrued Payments to Manager.

8.3 Termination Upon Default. The following shall constitute events of default by Manager and/or Operator, as applicable:

(a) The filing of a voluntary petition in bankruptcy or insolvency or a petition for reorganization under any bankruptcy, insolvency or similar law by either Operator or Manager;

(b) The consent to an involuntary petition in bankruptcy or the failure by either Operator or Manager to vacate within one hundred and twenty (120) days from the date of entry thereof any order approving an involuntary petition;

(c) The entering of an order, judgment, or decree by any court of competent jurisdiction, on the application of a creditor, adjudicating either Operator or Manager a bankrupt or insolvent or approving a petition seeking reorganization or appointment of a receiver, trustee, or liquidator of all or a substantial part of such party's assets, which order, judgment, or decree shall continue unstayed and in effect for a period of one hundred twenty (120) consecutive days;

(d) The failure or refusal of Operator to provide funds necessary to pay Project Expenses, as and when provided for in this Agreement, and the Payments to Manager, as and when provided for in this Agreement, provided Manager shall have first delivered the notices relating to Operator's obligation to provide such funds for payment of Project Expenses or Payments to Manager as required by this Agreement, and provided further that, as to Project Expenses, Operator's failure to pay such expenses is of such materiality as to make it reasonably impractical for Manager to fulfill its obligations hereunder (which impracticality shall be presumed if the Project Expenses for which Operator has failed to advance funds exceed, in the aggregate, \$5,000.00), and the continuance of any such failure for a period of five (5) days after notice to Operator of the amounts required and the purposes thereof;

(e) The failure or refusal of Manager to deposit, for collection, in the Operating Account all Project Income within thirty (30) days of receipt thereof by Manager;

(f) If the license for the operation of the Project or its certification as a provider under Medicare or Medicaid, if applicable, is suspended and such suspension lasts more than thirty (30) days or is finally revoked or terminated; or

(g) The failure of either Operator or Manager to perform, keep, or fulfill any of the covenants, undertakings, obligations, or conditions set forth in this Agreement and the continuance of any such failure for a period of thirty (30) days after written notice of said failure, provided, however, that if such failure constitutes a default under subsections (a), (b) or (c) above, neither Operator nor Manager shall be entitled to notice.

Notwithstanding any other provisions of this Agreement, but without otherwise affecting Manager's rights or remedies hereunder, Operator agrees that, in the event Operator breaches this Agreement by wrongfully terminating or wrongfully purporting to terminate, in whole or in part, Manager's position as Manager hereunder, Manager shall be entitled to the remedy of specific performance in addition to an action for damages or other remedies.

8.4 Effect of Termination. Upon termination of this Agreement, Manager shall forthwith:

(a) Surrender and deliver up to Operator any and all Project Income and security deposits on hand or in the operating accounts less the Payments to Manager due Manager through the termination date, as provided in this Agreement;

(b) Deliver to Operator as received any monies due Operator under this Agreement but received by Manager after such termination, less any Payments to Manager due Manager through the termination date, as provided in this Agreement;

(c) Deliver to Operator all materials, supplies, keys, contracts and documents, plans, specifications, promotional materials, and such other accountings, papers, and records pertaining to this Agreement;

(d) At Operator's request, assign to Operator (without recourse to or warranty by Manager) executed contracts relating to the operation and maintenance of the Project;

(e) Deliver to Operator a final accounting of the Project prepared in accordance with the provisions of Section 4.1(g) up to and including the date of termination;

(f) Cease the performance of all services required to be performed by

Manager under this Agreement; and

(g) Cooperate reasonably with Operator to accomplish an orderly transfer of the operation and management of the Project to the party designated by Operator; including without limitation, executing any documents necessary to assure proper licensure (and certification, if applicable) of the Project.

Upon termination of this Agreement for any reason, any right of Manager to receive Payments to Manager which accrue under the terms of this Agreement, prior to such termination, but are payable after the date of such termination, shall survive such termination and continue in force and effect, and Operator shall be obligated to make such Payments to Manager in the amounts and at the times provided for in this Agreement.

ARTICLE IX

CASUALTY; CONDEMNATION

9.1 Total or Substantial Destruction. If the Project or any material portion thereof shall be damaged or destroyed at any time or times during the term of this Agreement by fire, casualty, or any other cause which renders the Project totally or substantially inoperative for the Existing Uses, and Operator does not notify Manager within three (3) months following the occurrence of such damage or destruction that Operator intends to rebuild or replace the same to substantially its former condition prior to such damage or destruction, this Agreement shall terminate as of the date of the damage or destruction. If Operator notifies Manager within three (3) months following the occurrence of such damage or destruction that Operator intends to rebuild or replace the Project and does rebuild or replace the Project within a reasonable time, this Agreement shall continue in full force and effect except that the term hereof shall be extended for the period of time equal to that period during which the Project is inoperative.

For purposes of this Agreement, total destruction or damage which renders the Project "totally or substantially inoperative for the Existing Uses" shall mean damage or destruction which, according to an engineer selected by Operator and Manager (each party agreeing to cooperate reasonably in such selection), could not reasonably be expected to be repaired or restored within twelve (12) months after the occurrence of such damage or destruction, so that at such time the Project will be restored substantially to the condition in which it existed prior to such damage or destruction, with services and amenities substantially equivalent to those which existed prior to such damage or destruction.

9.2 Partial Damage or Destruction. If the Project is damaged or partially destroyed in such a manner as to not render the Project totally or substantially inoperative for the Existing Uses (as defined in Section 9.1 above), this Agreement shall remain in force and effect as to that portion of the Project not so damaged or destroyed, with an appropriate abatement in the services to be performed by Manager as to such damaged or destroyed

portion, except that if Operator does not notify Manager within three (3) months following the occurrence of such damage or destruction that Operator intends to repair or replace the portion of the Project which was damaged or destroyed, Manager shall have the option, upon thirty (30) days' notice to Operator, to terminate this Agreement, such termination to be effective upon the expiration of said thirty {30} day period.

9.3 Condemnation. If the whole or substantially all of the Project shall be condemned or taken in any manner for any public or quasi-public use under any statute or by right of eminent domain, then this Agreement shall terminate as of the date of vesting of title thereto in the condemning authority, with each party's rights accruing through such date. If a part of the Project is so taken or condemned, and if such taking shall substantially affect the Project or if such taking shall be of a substantial part of the Project, Manager shall have the right, by delivery of notice to Operator within sixty (60) days after such taking, to terminate this Agreement as of the date of the vesting of title thereto in the condemning authority, with each party's rights accruing through such date. If Manager shall not so elect, this Agreement shall be and remain unaffected by such taking, except that, effective as of the date of such taking, appropriate abatement shall be made in the services to be performed by Manager as to such taken area of the Project.

For purposes of this Agreement, the condemnation or taking of the "whole or substantially all of the Project" shall mean the condemnation or taking (or conveyance in lieu thereof) of a material portion of the Project, such that the Project ceases to be a first-class facility for all - of the Existing Uses, or ceases to have adequate available parking or access, or ceases to have services and amenities substantially similar to those which existed immediately prior to such condemnation or taking (or conveyance in lieu thereof),

ARTICLE X

(Reserved)

ARTICLE XI

MISCELLANEOU

11.1 Delegation; Assignment.

(a) Manager shall have the right to delegate its responsibilities under this Agreement to employees or agents of Manager or to engage Subcontractors for performance of all or any part of the services to be provided hereunder; provided, however, that Manager shall at all times supervise the performance of Manager's duties and obligations hereunder. Additionally, Manager shall have the right, without obtaining Operator's consent, to assign this Agreement to a Manager Affiliate. Otherwise Manager shall not, without Operator's prior approval (which shall not be unreasonably withheld), assign any of its rights, other than its right to receive the Payments to Manager (which Manager may freely transfer or encumber) or its

obligations under this Agreement, whether by operation of law or otherwise, and any such attempted assignment shall be void.

(b) If any person or entity other than Operator succeeds or attempts to succeed to title of the Project, Manager shall have the option to terminate this Agreement upon ten {10} days' notice to the then current licensee of the Project.

11.2 Notices. Any and all notices, requests, demands, consents, approvals or other communications required or permitted under this Agreement by either party hereto shall be in writing and shall be made by hand delivery, by sending via Federal Express or another nationally-recognized overnight delivery service, or by sending via certified U. S. Mail with unrestricted delivery, return receipt requested, postage prepaid, and hand delivered or so sent to the party being notified at the address(es) below.

To Operator:

To Manager:

Notice shall be considered delivered at the earliest of the following to occur: when actually received, three (3) Business Days (as hereinafter defined) after being so sent by U. S. Mail, or one (1) Business Day after being so sent by Federal Express or another nationally-recognized overnight courier service, independent of the date of actual delivery or whether delivery is ever in fact made, as the case may be, provided the giver of notice can establish the fact that notice was sent or tendered as provided herein. If notice is tendered pursuant to the provisions of this Section and is refused by the intended recipient thereof the notice, nevertheless, shall be considered to have been given and shall be effective as of the date herein provided. If a facsimile number for the intended recipient is set forth above, then in connection with the giving of any notice, the party giving such notice shall also send via facsimile (at the facsimile numbers noted above) a copy of such notice on the date on which such notice is deposited pursuant to this Section. If notice is tendered pursuant to the provisions of this Section and is refused by the intended recipient thereof, the notice, nevertheless, shall be considered to have been given and shall be effective as of the date herein provided.

Operator and Manager may, by written notice given by each to the other, designate any address or addresses to which notices, certificates or other communications to them shall be sent when required as contemplated by this Agreement.

113 Entire Agreement. This Agreement shall constitute the entire agreement between the parties hereto with respect to the management of the Project and shall supersede all other prior agreements, written or oral, between the parties relating to the management of the Project. No modification hereof shall be effective unless made by supplemental

agreement in writing executed by the parties hereto.

114 Nature of Agreement. Neither the relationship between Operator and Manager nor anything contained in this Agreement shall be deemed to constitute a partnership, joint venture, or any other similar relationship, and, except as otherwise specifically stated herein, Manager shall at all times be deemed an independent contractor for purposes of this Agreement.

115 Referral of Patients. The parties agree that the payments made to Manager by Operator hereunder are not in any way contingent upon the admission or referral of Residents by Manager. Further, nothing herein shall require or contemplate any referrals of Residents by Operator, Operator Affiliates, or their members, owners or shareholders.

116 Force Majeure. Notwithstanding anything herein to the contrary, Manager shall not be deemed in breach or default of this Agreement if it is prevented or hindered from performing its obligations hereunder due to war, civil unrest, strike, labor troubles, promulgation of law or regulation, governmental delays, unusually inclement weather, inability to procure services or materials despite reasonable efforts, acts of God, or any other cause(s) beyond the reasonable control of the Manager.

117 Access to Books and Records. As and to the extent required by law, upon the written request of the United States Secretary of Health and Human Services, the Comptroller General or any of their duly authorized representatives, Manager shall make available those contracts, books, documents and records necessary to verify the nature and extent of the costs of providing services under this Agreement. Such inspection shall be available for up to four (4) years after the rendering of such services. If Manager carries out any of the duties of this Agreement through a subcontract with a value of \$10,000.00 or more over a twelve (12) month period with a related individual or organization, Manager agrees to include this requirement in any such subcontract. This section is included pursuant to and is governed by the requirements of 42 U.S.C. Section 1395x(v)(1) and the regulations promulgated thereunder. No attorney-client, accountant-client, or other legal privilege will be deemed to have been waived by either party by virtue of this Agreement.

118 Governing Law. This Agreement is made pursuant to, and shall be governed by and construed in accordance with, the laws applicable to contracts made and to be performed in the state where the Project is located.

119 No Waiver; Cumulative Remedies. The failure of Operator or Manager to seek redress for violation or to insist upon the strict performance of any covenant, agreement, provision, or condition of this Agreement shall not constitute a waiver of the terms of such covenant, agreement, provision, or condition, and Operator and Manager shall have all remedies provided herein and by applicable law with respect to any subsequent act which would have originally constituted a violation.

11.10 Non-Assumption of Liabilities. Manager shall not by entering into and performing this Agreement become liable for any obligations, liabilities or debts of Operator or the Project or any of their affiliates or others, and Manager shall not by performing services to the Operator assume or become liable for any of the obligations, debts and liabilities of the Operator or the Project, and will in the course and scope of performing services hereunder have only the obligation to observe and perform the terms and conditions of this Agreement.

11.11 Contract Modifications for Prospective Legal Events. In the event any state or federal laws or regulations, now existing or enacted or promulgated after the effective date of this Agreement, are interpreted by judicial decision, a regulatory agency or legal counsel in such a manner as to indicate that the structure or any terms of this Agreement may be in violation of such laws or regulations, this Agreement shall automatically be deemed modified as necessary to comply with such laws or regulations. To the maximum extent possible, any such modification shall preserve the underlying economic and financial arrangements between Manager and Operator. Manager and Operator shall amend this Agreement to reflect such modification promptly.

11.12 Headings. The headings of the Sections, subsections, paragraphs and subparagraphs hereof are provided herein for and only for convenience of reference, and shall not be considered in construing their contents.

11.13 Construction. As used herein, (a) the term "**person**" means a natural person, a trustee, a corporation, a limited liability company, a partnership and any other form of legal entity, and (b) all references made (i) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders, (ii) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well, and (iii) to any Section, subsection, paragraph or subparagraph shall, unless therein expressly indicated to the contrary, be deemed to have been made to such Section, subsection, paragraph or subparagraph of this Agreement. As used in this Agreement, "**Business Day**" means a day other than a Saturday, a Sunday or a day designated as a holiday by the United States Congress at 5 U.S.C.A. § 6103.

[SIGNATURES ON NEXT
PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective as of the date first above written.

MANAGER:

**Accela Avalon Management LLC,
a New Jersey limited liability company**



By: Sam Berkowitz, Manager

OPERATOR:

**Avalon Garden Group LLC,
A New Jersey limited liability company**



By: _____
Sam Berkowitz, Manager

INTERIM MANAGEMENT AGREEMENT

This INTERIM MANAGEMENT AGREEMENT (the “Agreement”) is dated as of the 31st day of May, 2024 (the “Effective Date”), by and between 2020 ROUTE 23 OPERATING COMPANY LLC DBA ATRIUM POST ACUTE CARE OF WAYNEVIEW, a New Jersey limited liability company (the “Operator”) and ACCELA AVALON MANAGEMENT LLC, a New Jersey limited liability company (the “Manager”). The Operator and the Manager may be referred to from time to time herein each as a “Party” and collectively as the “Parties”.

WHEREAS, The Operator is, the operator of that certain long term care facility located at 2020 RT 23 North, Wayne, New Jersey commonly known as Atrium Post Acute Care of Wayneview (the “Facility”), pursuant to that certain operating lease agreement dated as of May 31, 2024 (the “Lease”), by and between Wayne Garden Realty Group LLC, as landlord, and Operator, as tenant;

WHEREAS, the Operator and the Manager have entered into an operations transfer agreement (the “OTA”), pursuant to which the Operator shall transfer the operations of the Facility and certain related assets to the Manager or its affiliate subject to, among other things, the necessary governmental approvals and permits;

WHEREAS, in connection with the transactions contemplated under the OTA and pending the closing thereof (the “Closing”), the Operator is to engage the Manager to provide certain management services to the Facility in accordance with the terms of this Agreement;

WHEREAS, the Operator desires to engage the Manager to provide such management services to the Facility subject to the terms set forth herein; and

WHEREAS, the Manager is willing to manage the day-to-day operations of the Facility on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual representations, covenants and agreements set forth below, the adequacy and sufficiency of which is hereby acknowledged by the Parties and intending to be legally bound, the Parties hereto hereby agree as follows:

1. Management of the Facility

1.1 Appointment of the Manager. The Operator hereby appoints the Manager, subject to the terms and conditions of this Agreement, as the sole and exclusive manager for the daily operation and management of the Facility during the Term (as defined below). The Manager accepts said appointment and agrees to operate the Facility during the Term in accordance with the terms and conditions hereinafter set forth.

1.2 General Description of Duties. The Manager will have management responsibility for the operation of the Facility and agrees to assume and discharge all responsibilities, duties and obligations in connection with properly operating and maintaining the Facility in material compliance with all applicable law, including providing the Operator and Facility personnel with advisory, supportive, consulting and administrative services for the Facility, especially in connection with the areas of: dietary; maintenance; clinical programs; marketing and admissions; patient care and quality assurance; administrative; purchasing; and data processing. Without derogating from the foregoing, the Manager hereby agrees and acknowledges that the Manager shall not make any material change to the business or operations of the Facility without first consulting with the Operator; provided that any consent required from the Operator

shall not be unreasonably withheld, delayed or conditioned.

1.3 Specific Duties. Subject at all times to Section 1.4 below, in addition to the general duties set forth above and the other obligations listed in this Agreement, the Manager shall have the following specific responsibilities regarding the Facility's operations which shall be carried out in cooperation, if necessary, with the Operator during the Term:

(a) Employees. The Manager shall recruit, evaluate, select, and recommend to the Operator who shall then direct the hiring of qualified and properly licensed on-site medical, nursing, custodial, food service, cleaning, maintenance, secretarial and bookkeeping personnel for the day-to-day operations of the Facility. Such personnel shall be, and shall be deemed in all respects to be, employees of the Operator and not the Manager, and the Operator shall retain full responsibility for payment of their wages, salaries and other compensation and benefits (including, without limitation, any payments of severance or other post-termination payments); provided that any such employee related costs arising from and after the Effective Date shall only be paid from the revenues and accounts receivable generated by, and arising from, the Facility from and after the Effective Date. The Manager shall implement existing personnel policies, wage structure and staff schedules or may establish new personnel policies, wage structures and staff schedules. The Manager shall have the authority to hire, discipline, promote, and discharge employees of the Operator who participate in the day-to-day operation and administration of the Facility.

(b) Purchasing. The Manager shall purchase for the account of the Operator all necessary food, supplies, materials, appliances, tools and equipment necessary in the operation of the Facility. To the extent required under the Lease, the Manager shall arrange contracts for electricity, gas, telephone and any other utility or service necessary to the operation of the Facility as requested by the Operator. The Manager shall, on behalf of the Operator, contract for and supervise the making of any necessary repairs, alterations, and improvements to the Facility. The Manager shall prepare and submit to the Operator any certificates of purchasing expenses incurred for the Facility as may be reasonably requested by the Operator in writing from time to time.

(c) Dietary for the Facility. The Manager shall review menus, practices and procedures at the Facility and recommend, develop, inaugurate and carry out practices and procedures with respect to purchasing and dietary control for the Facility consistent with appropriate standards of health care, modern business and management techniques, and as required by the New Jersey Department of Health (the "DOH") and other applicable accreditation bodies.

(d) Collection of Accounts. The Manager shall supervise the issuance of bills and the collection of accounts of the Facility, whether from patients or third party payors such as Medicaid.

(e) Bookkeeping. The Manager shall, review and, at its option, improve any existing record and bookkeeping system for the operation and conduct of the business of the Facility and to the extent necessary, establish and maintain a new record and bookkeeping system for such operation and conduct of business of the Facility in accordance with generally accepted accounting principles of the United States ("GAAP") and in accordance with requirements of Medicare and Medicaid or other third party payors. Books and records at the Facility shall be maintained by the Manager; provided that such books and records may be maintained by an employee of the Operator under the supervision of the Manager to the extent determined by the Manager in its sole and reasonable discretion. Full books of account with entries of all receipts and expenditures related to the operation of the Facility shall be maintained at the offices of the Manager and shall at all times be open for inspection by representatives of the Operator. The Manager shall be responsible for filing all tax returns relating to the operation of the Facility, with the exception of income tax, pension and other non-health care returns.

(f) Financial Reports. During the Term, the Manager shall furnish to the Operator upon written request, following the closing of each calendar month, a balance sheet as of the end of the month and a statement of income and retained earnings for the month and for the year to date together with a detailed statement of receipts, disbursements, accounts payable and accounts receivable as of the end of such monthly period.

(g) Patients. The Manager may negotiate contracts with third party payors such as insurers, federal agencies and state and local agencies, for care of patients with special medical, care, or rehabilitation needs, all for the purposes of, in the opinion of the Manager, improving the financial stability of the Facility. However, the Manager shall not introduce any additional function or service into the Facility's program of health care without first: (i) obtaining the written consent of the Operator, not to be unreasonably withheld, and (ii) obtaining any regulatory approvals required by law.

(h) Certification, Licenses and Accreditation. During the Term, the Manager shall prepare all reports and materials and follow all procedures necessary to obtain and/or maintain all federal and state certificates and licenses necessary to maintain the Facility as a long-term care and rehabilitation facility.

(i) Liaison with Agencies. To the extent desired by the Operator, the Manager shall represent the Operator in all formal or informal proceeding before all state and federal agencies engaged in the regulation, payment, rate-setting, and/or licensing of long-term care facilities. The Operator reserves the right to approve all settlements prior to their finalization.

(j) Technical and Professional Services. The Manager may, with the prior written approval of the Operator, secure such engineering, legal, and other specialized technical and professional services as may be necessary to advise or to represent the Facility in connection with any matter involving or arising out of the operation of the Facility or the conduct of affairs of the Facility. Any costs and expenses resulting from such engagements shall be paid from the revenues and accounts receivable generated by, and arising from, the Facility after the Effective Date.

(k) Other Services. In all areas relating to the Facility, the Manger shall (i) use its commercially reasonable efforts to remain current with the policies, purposes and regulations of state and federal agencies, bodies and programs which are applicable to the Facility's operations; and (ii) be responsible for all back-office responsibilities for the Facility, including all billing, accounting, purchasing, payroll administration and lease administration, which shall be carried out in cooperation, if necessary, with the Operator.

1.4 Retention of the Operator's Authority. To the extent necessary under applicable law and all accreditation agencies having jurisdiction over the Facility, notwithstanding any provision in this Agreement to the contrary, the performance of all activities by Manager hereunder shall be on behalf of the Operator and the Operator and its governing board shall retain ultimate authority and legal responsibility for the operation and control of the Facility. By entering into this Agreement, and notwithstanding any provision of this Agreement to the contrary, the Operator does not delegate to the Manager any powers, duties or responsibilities that the Operator is not authorized by law to delegate.

1.5 Facility Bank Accounts. In the event that Manager is not permitted under applicable law to direct the Facility's Gross Revenue to its own bank accounts, Manager is authorized as agent on behalf of Operator to maintain the bank accounts relating to the Facility for the Term of this Agreement, to deposit all of the Facility's Gross Revenue therein and to pay all Facility Expenses therefrom. As of the Effective Date, Manager's representatives shall be listed as signatories on all Facility bank accounts.

1.6 Access. The Manager shall provide all information for the Facility required by applicable government agencies, including, without limitation, the DOH, and cooperate with such agencies in carrying out inspections and investigations regarding the Facility. In addition, during the Term, and upon receipt of a duly authorized request, the Manager and the Operator shall each make available to the United States Department of Health and Human Services, the United States Office of the Inspector General, the State of New Jersey Medicaid Program and the DOH, as applicable, and to any of their respective representatives, this Agreement and all other books, documents and records as are necessary to certify the nature and extent of the costs incurred in providing services under this Agreement.

1.7 Standard of Care.

(a) The Manager is an independent contractor and is not to be considered a partner, joint venturer or other type of principal with respect to ownership of any portion of or interest in the Facility.

(b) The Manager shall not be deemed to be in violation of this Agreement or otherwise responsible if it is prevented from performing any of its obligations hereunder for any reason beyond its control, including, but not limited to, strikes, interference or noncooperation by the Operator or its employees, lockouts, acts of God, COVID-19 or other pandemics, unavailability of supplies, statute, regulation or rule of any federal, state or local government, or any agency thereof.

(c) Subject to the foregoing and to the other provisions of this Agreement (including the restrictions set forth in Section 1.2), the Manager shall have the sole and exclusive authority, control and discretion with regard to the operation, administration and management of the business, policies, and assets of the Facility (including, without limitation, the exercise of its rights and performance of its duties provided for in Section 1.3 hereof) and the right to determine all operating policies affecting the appearance, maintenance, standards of operation, quality of services, and any other matter affecting the Facility or the operation thereof.

1.8 Additional Covenants of Manager. The Manager shall comply in all material respects with all federal, state and local laws, rules, regulations and requirements which are applicable to the Manager and the Facility, provided that the Manager, at its sole expense and without cost to the Operator, shall have the right to contest by proper legal proceedings the validity, so far as applicable to it, of any such law, rule, regulation or requirement, provided that such contest shall not result in a suspension of operations of the Facility.

1.9 Ownership. The Operator shall be the owner and/or holder of the respective licenses, permits and contracts pertaining to the Facility, and shall be the “provider” within the meaning of all third-party contracts for the Facility. Specifically, and without limitation, the Operator shall own (i) the Medicare provider number for the Facility; (ii) the Medicare provider agreements for the Facility with the Centers for Medicare and Medicaid Services; and (iii) the Medicare certifications for the Facility. The Manager shall not: (x) reduce the number of licensed beds, persons able to be served or units in the Facility or (y) apply for approval to move any and all of the licensed beds, persons served or units in the Facility to any other location without the prior written consent of the Operator.

1.10 Intentionally Omitted.

1.11 Management Fee.

(a) As compensation for the services to be rendered by the Manager during the term of this Agreement, the Manager shall be paid a monthly fee (the “Management Fee”) in an amount equal to the

difference between the Facility's Gross Revenue and the Facility Expenses each month during the Term of this Agreement. The Management Fee shall be paid to the Manager on the first day of each month in arrears unless otherwise agreed to by the Manager and the Operator; provided that upon the commencement or termination of this Agreement on any day other than the first day of the month, any Management Fee accrued shall be paid to Manager, pro rated for the number of days in such month. This Section 1.11 shall survive the termination of this Agreement.

(b) For purposes of this Agreement, the term "Gross Revenues" shall mean all revenues of the Facility from any source derived from operating the Facility and all departments and parts thereof, determined in accordance with GAAP, for each accounting period, including, but not limited to: (i) income (from both cash and credit transactions, net of any fee therefor) from community fees, monthly occupancy fees, health care fees and any and all other fees and payments whatsoever received from residents of the Facility; (ii) fees from rental of space for rehabilitation services; (iii) income from food and beverage and catering sales; (iv) income from vending machines; and (v) proceeds, if any, from business interruption (but only to the extent it reimburses the Operator for lost income and not for additional or other expenses) or other loss of income insurance, all as determined in accordance with GAAP and in each case only relating to the Facility

2. Revenues and Liabilities.

2.1 Liabilities.

(a) Assumed Liabilities. The Parties hereby agree that, subject to Section 2.1(b) below, any and all liabilities, debt, costs, expenses and obligations arising from, relating to, or incurred by the Facility (including the management and operation thereof) on or after the Effective Date (the "Assumed Liabilities") shall be the sole and exclusive responsibility of the Manager including, without limitation: (i) any Facility Expenses (as defined below) which first arise on and after the Effective Date; (ii) liabilities of the Facility determined in accordance with the GAAP which first arise from and after the Effective Date; and (iii) obligations and liabilities arising from events occurring on or after the Effective Date under any agreements or contracts to which the Facility is a party (except to the extent such obligations result from, arise out of, or relate to, or are caused by, and one or more of the following: (A) a breach of any of such agreement or contract occurring prior to the Effective Date; (B) a breach of warranty, infringement or violation of law occurring prior to the Effective Date; or (C) an event or condition occurring or existing prior to the Effective Date which, through the passage of time or the giving of notice or both, would constitute a breach or default by the Facility or the Operator under such agreement or contract). Notwithstanding anything to the contrary in the foregoing, for the avoidance of doubt, the Manager shall not assume or be liable for any obligations arising from any debt incurred by the Operator. The Assumed Liabilities shall be paid by the Manager in accordance with Section 2.2(b) below.

(b) Retained Liabilities. The Parties hereby agree and acknowledge that, notwithstanding anything to the contrary set forth in this Agreement, any and all liabilities, debt, costs, expenses and obligations arising from, relating to, or incurred by the Facility (including the management and operation thereof), or incurred or generated by the Operator or the Facility, before the Effective Date (including without limitation any Facility Expenses, any agreements or contracts, any liabilities of the Facility as determined in accordance with GAAP) shall remain the sole and exclusive obligation of, and shall be paid by, the Operator in all respects (the "Retained Liabilities"). The Operator shall pay any such Retained Liabilities in accordance with Section 2.2(a) below and shall certify in a writing delivered to the Manager that any and all such Retained Liabilities have been paid and satisfied in full by the Operator. The Operator shall indemnify and hold the Manager and its officers, directors, members, managers, employees, consultants, agents and representatives harmless in all respects from and against any and all Retained

Liabilities.

(c) For purposes of this Agreement, the term “Facility Expenses” shall mean all costs and expenses relating to the operation of the Facility that are currently classified as operating expenses in the Facility’s financials including, without limitation, the following costs and expenses of the Facility: (i) costs of inventory and supplies used in the operation of the Facility; (ii) costs to prevent, cure or correct any violation of federal, state or municipal laws, ordinances, regulations, restrictive covenants or orders or the rules of the applicable Board of Fire Underwriters with respect to the leasing, use, repair or maintenance of the Facility and any expense incurred in order to obtain or maintain any operating permits or licenses, including any registration fees and expenses and legal fees associated therewith; (iii) costs to make repairs and perform all maintenance and preventative maintenance and other routine property maintenance and upkeep services for the Facility; (iv) costs for the collection of delinquent rentals collected through an attorney or collection agency and other costs required in connection with the enforcement of any lease, resident agreement, or occupancy agreement for the Facility (including, without limitation, legal fees, reasonable disbursements and moving and storage expenses for furniture, fixtures and equipment and personal property of residents and/or lessees); (v) costs payable under service contracts for the Facility; (vi) costs payable for advertising and leasing expenses for the Facility (including, but not limited to, promotions, printing and signs); (vii) costs payable for reasonable attorneys’ fees; (viii) costs for printed forms and supplies required for use at the Facility; (ix) costs of all utilities allocated to the Facility; (x) allocated costs of insurance for the Facility; (xi) costs payable under the Lease; (xii) costs incurred by the Manager for electronic data processing equipment, systems software or services serving the Facility, or any pro rata charge thereof for costs of the same serving properties in addition to the Facility; (xiii) all taxes and other impositions allocated to the Facility; and (xiv) any other costs (including, without limitation, expenditures for furniture, fixtures and equipment, repairs and capital improvements) which the Manager is authorized to incur in accordance with the terms, conditions and limitations set forth in this Agreement.

2.2 Revenues and Accounts Receivables.

(a) Generated before the Effective Date. The Parties hereby agree and acknowledge that the Operator shall have sole and exclusive rights, title and interest in, and to, any and all revenues and accounts receivable generated or created by, or arising from, the Facility prior to the Effective Date; provided that the Operator shall use such revenue or accounts receivable to pay and fully satisfy all Retained Liabilities and to pay any and all costs associated with the management and operation of the Facility before the Effective Date (including without limitation any salaries, wages and other compensation to Facility employees). In the event that such revenues and accounts receivable are insufficient to pay the Retained Liabilities, such Retained Liabilities shall be paid by the Operator at the Operator’s sole expense.

(b) Generated on or after the Effective Date. The Parties hereby agree and acknowledge that the Manager shall have exclusive control over any and all revenues and accounts receivable generated or created by, or arising from, the Facility to pay the Assumed Liabilities and to pay any and all costs associated with the management and operation of the Facility from and after the Effective Date (including any Facility Expenses). In the event that such revenues and accounts receivable are insufficient to pay the Assumed Liabilities or to cover the costs of operating and managing the Facility, such Assumed Liabilities and costs shall be paid by the Manager at the Manager’s sole expense. In the event that such revenues and accounts receivable are in excess of the Assumed Liabilities and operating expenses after the Effective Date, the amount of such excess shall be retained by the Manager.

(c) Allocation of Accounts Receivable. The Parties shall allocate all accounts receivable and payments received by the Facility (including from third party payors, private patients and the like) as follows:

- i. if such accounts receivable or payments either specifically indicate on the check or accompanying remittance, or if the Parties otherwise mutually agree, that they relate to the period prior to the Effective Date, they shall be forwarded (within five (5) business days from receipt) and until forwarded shall be held in trust and for the benefit of the Operator) to the Operator or retained by the Operator, as applicable, along with the applicable remittance advice;
- ii. if such accounts receivable or payments either specifically indicate on the check or accompanying remittance advice, or if the Parties otherwise mutually agree, that they relate to the period on or after the Effective Date, they shall be retained by the Manager for use in the Facility. In the event the Operator receives any such accounts receivable or payments they shall be forwarded (within five (5) business days from receipt, and until so forwarded, shall be held in trust for the benefit of the Manager) to the Manager along with the applicable remittance advice; and
- iii. if such accounts receivable or payments indicate on the check or accompanying remittance advice, or if the Parties otherwise mutually agree, that they relate to periods both prior to and after the Effective Date, then the recipient of such payment is authorized to deposit such payments into its own banking depositories (in the case of the Manager into the Facility's banking depositories) and, once such bank has received good funds, (x) if the Manager is such recipient, to retain the portion thereof which relates to the period on and after the Effective Date and to promptly (and in any event within five (5) Business Days thereafter) remit to the Operator the portion thereof which relates to the period prior to the Effective Date and, (y) if the Operator is such recipient, to retain the portion thereof which relates to the period prior to the Effective Date and to promptly (and in any event within five (5) Business Days thereafter) remit to the Manager the portion thereof which relates to the period on and after the Effective Date.
- iv. if such accounts receivable or payments do not specifically indicate on the check or accompanying remittance advice, and the Parties are unable to agree on, the period to which they relate, then such non-designated payments shall be first applied to any post-Effective Date monthly balances for services rendered by Manager on and after the Effective Date, with the excess, if any, to be applied to any pre-Effective Date balances due to Owner for services provided prior to the Effective Date.
- v. Nothing herein shall be deemed to limit in any way the Operator's rights and remedies to recover accounts receivable due and owing to the Operator under the terms of this Agreement and nothing herein shall be deemed to limit in any way the Manger's rights and remedies to recover accounts receivable due and owing to the Manager and the Facility under the terms of this Agreement.
- vi. If it is determined that any payment hereunder was misapplied by the Parties, the Party that erroneously received such payment shall remit the same to the other Party within five (5) Business Days after such determination is made.

3. Term and Termination.

4.1 Term. This Agreement shall commence on the Effective Date and shall remain in effect until terminated pursuant to **Section 4.2** (the “Term”).

4.2 Termination. This Agreement may be terminated at any time during the Term of this Agreement upon the occurrence of any of the following events:

- (a) The joint written agreement of the Parties; or
- (b) Upon Closing of the OTA.

4.3 Actions Upon Termination.

(a) Actions of the Manager. Upon termination of this Agreement for any reason other than Closing of the OTA, the Manager agrees to cooperate with the Operator to assist in an orderly transfer to a successor manager selected by Manager in its sole discretion. Without limiting the foregoing, the Manager agrees upon termination of this Agreement to do the following: (i) promptly provide the Operator with an accounting of its activities during the entire Term of this Agreement; (ii) provide all necessary information requested by the Operator for the preparation and filing of any and all necessary applications and notifications of any federal or state governmental authority having jurisdiction over a change in the operational or management control of the Facility to a successor manager selected by Manager; and (iii) supply to the Operator any and all information that may be reasonably required to effect an orderly transfer of the Facility to the successor manager.

(b) Actions of the Operator. Upon termination of this Agreement for any reason, the Operator agrees to reasonably cooperate with the Manager to assist in an orderly transfer to a successor manager selected by Manager in its sole discretion, including without limitation: (i) promptly provide the Manager with an accounting of activities during the entire Term of this Agreement; (ii) provide all necessary information requested by the Manager or its nominee for the preparation and filing of any and all necessary applications and notifications of any federal or state governmental authority having jurisdiction over a change in the operational or management control of the Facility; and (iii) supply to the Manager or its nominee any and all information that the Manager may reasonably request.

(c) Rights of Operator. Upon termination of this Agreement other than as a result of Licensure, until such time as a new manager is appointed, the Parties hereby agree and acknowledge that the Operator (or its designee) shall retain sole responsibility for the management and operations of the Facility in all respects and shall have all rights, title and interest in, and to, all revenues and accounts receivable of the Facility generated on or after the date of termination of this Agreement. The Operator shall also be solely responsible for any and all liabilities, debt, costs, expenses (including Facility Expenses and obligations of, or relating to, the Facility that are incurred by the Facility on or after the date of termination of this Agreement. The Manager shall have no responsibility or obligation relating to the management, operation or liability of the Facility following the date of termination of this Agreement (except for such obligations which may survive the termination of this Agreement in accordance with their explicit terms).

4. Representations, Warranties and Covenants

5.1 Representations and Warranties of the Operator. The Operator makes the following representations and warranties to the Manager, which are material representations and warranties and upon which the Manager has relied as inducements to enter into this Agreement:

- (a) The Operator is a limited liability company duly organized, validly existing and in good

standing under the laws of the State of New Jersey, has full power and authority to own its properties, and is duly qualified or licensed to do business as a foreign entity in any jurisdiction in which such qualification or licensure is required and enter into this Agreement and to consummate the transactions contemplated thereunder, and has the fully authority and power to own and to carry on its business as now being conducted or as contemplated at the Facility, and to perform its obligations hereunder.

(b) The Operator has taken all action required by laws, its organizational documents or otherwise to be taken to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby. The Operator possess any and all licenses and permits from any and all federal, state and local facilities, governments or other authorities to own and operate the Facility and the Operator is in good standing with respect to any and all licenses and permits. The Operator has not received any threat from any third party with respect to the revocation or suspension of any of the licenses and permits maintained by the Operator for the Facility.

(c) This Agreement has been duly authorized and constitutes a valid and binding agreement by the Operator, enforceable in accordance with its terms, and neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby nor compliance with any of the provisions hereof will: (i) conflict with, or result in, a breach of the operating agreements or other governing documents of the Operator; (ii) violate any applicable statute, law, rule or regulation or any order, writ, injunction or decree of any court or governmental authority; (iii) violate or conflict with or constitute a default under (or give rise to any right of termination, cancellation or acceleration under) the terms or conditions or provisions of any note, instrument, bond, lease, mortgage, obligation, agreement, understanding, arrangement or restriction of any kind to which the Operator is a party or by which the Operator or any of its respective assets or properties may be bound; or (iv) require the consent or approval by any governmental authority or third party.

5.2 Covenants by the Operator. The Operator makes the additional covenants to the Manager set forth in this **Section 5.2**, which are material covenants and upon which the Manager relies as inducements to enter into this Agreement:

(a) The Operator will cooperate with the Manager in every reasonable respect and will furnish the Manager with all information reasonably required by it for the performance of its services hereunder and will permit the Manager to examine and copy any data in the possession and control of the Operator affecting management and/or operation of the Facility and will in every way cooperate to enable the Manager to perform its services hereunder.

(b) The Operator will examine documents submitted by the Manager and render decisions pertaining thereto, when required, promptly, to avoid unreasonable delay in the progress of the Manager's work. The Operator shall execute and deliver any and all applications and other documents that may be deemed by the Manager to be necessary or proper to be executed by the Operator in connection with the Facility, subject to the limitations in this Agreement.

(c) The Operator shall comply with all federal, state and local laws, rules, regulations and requirements which are applicable to the Operator, provided that the Operator, at its sole expense and without cost to the Manager, shall have the right to contest by proper legal proceedings the validity, so far as applicable to it, of any such law, rule, regulation or requirement, provided that such contest shall not result in a suspension of operations of the Facility.

(d) The Operator acknowledges that the Manager retains all ownership and other rights in all systems, manuals, materials, and other information, in whatever form, developed by the Manager in the

performance of its services hereunder; and nothing contained in this Agreement shall be construed as a license or transfer of such information during the Term or following the termination of this Agreement.

5.3 Representations and Warranties of the Manager. The Manager makes the additional representations and warranties set forth in this **Section 5.3** to the Operator, which are material representations and warranties and upon which the Operator has relied as inducements to enter into this Agreement.

(a) This Agreement constitutes a valid and binding agreement by the Manager, enforceable in accordance with its terms, and neither the execution and delivery of the Agreement nor the consummation of the transactions contemplated hereby nor compliance with any of the provisions hereof will: (i) conflict with, or result in, a breach of the charter documents or operating agreement of the Manager; or (ii) violate or conflict with or constitute a default under (or give rise to any right of termination, cancellation or acceleration under) the terms or conditions or provisions of any note, instrument, bond, lease, mortgage, obligation, agreement, understanding, arrangement or restriction of any kind to which the Manager is a party or by which the Manager or its assets or properties may be bound.

(b) The Manager is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of New Jersey. The Manager has all requisite power and authority to own and to carry on its business as now being conducted or as contemplated at the Facility, and to perform its obligations hereunder.

5. Miscellaneous

6.1 Entire Agreements. This Agreement constitutes the entire understanding between the Parties with respect to the matters set forth herein and supersedes any and all prior understandings and agreements (whether oral, written or otherwise) with respect to the subject matter hereof.

6.2 Amendments. This Agreement may not be amended, modified, altered or changed in any respect whatsoever, except by further agreement, in writing, fully executed by each of the Parties.

6.3 Joint Effort. The preparation of this Agreement has been a joint effort of the Parties, and the resulting document shall not be construed more severely against one of the Parties than the other.

6.4 Assignment. This Agreement may not be assigned by the Manager or the Operator without the prior written authorization of the other Party, which consent shall not be unreasonably withheld, delayed or conditioned.

6.5 Notices. Any notice, demand, consent, or other written instrument to be given or received under this Agreement (“Notice”) required or permitted to be given shall be in writing signed by the Party giving such Notice and/or consent and shall be: (i) hand delivered, (ii) sent by certified or registered mail, return receipt requested; (iii) sent overnight by a reputable carrier; or (iv) sent via email or facsimile; provided that all Notice so sent shall be sent to the other Party at the addresses listed below:

If to the Operator:

If to the Manager:

6.6 Captions. The captions of this Agreement are for convenience and reference only and in no way define, describe, extend or limit the scope or intent of this Agreement or the intent of any provision hereof.

6.7 Governing Law. The provisions of this Agreement shall be governed by, construed, and interpreted in accordance with the laws of the State of New Jersey without regard to the conflict of law provisions thereof or any other jurisdiction. The Parties hereby submit to the exclusive jurisdiction of the competent courts of the State of New Jersey and hereby waive any defenses of improper forum, forum non conveniens or lack of personal jurisdiction.

6.8 Recitals Incorporated. The recitals set forth at the beginning of this Agreement are hereby incorporated into its terms and provisions by this reference.

6.9 Severability. Any change in any applicable law which has the effect of rendering any part of this Agreement invalid, illegal, or unenforceable shall not render the remainder of this Agreement invalid, illegal, or unenforceable, and the Parties hereto agree that, in the event that any part of this Agreement is rendered invalid, illegal, or unenforceable, that they shall negotiate in good faith to amend any such part of this Agreement so as to comply with any such law, as amended, and further the respective objectives of the parties hereto.

6.10 Operator Approvals. Whenever the Operator is requested hereunder to give its approval or consent to a matter, such approval shall not be unreasonably withheld, delayed or conditioned. If the Manager shall desire the approval or consent of the Operator to any matter, the Manager may give written notice to the Operator that it requests such approval or consent, specifying in the notice the matter as to which the approval or consent is requested and provide reasonable detail respecting the matter. If the Operator shall not respond negatively in writing to the notice within five (5) days after the sending thereof (unless some other period for response is specified in this Agreement), the Operator shall be deemed to have approved or consented to the matter referred to in the notice. Any provision hereof to the contrary notwithstanding, in emergency situations an approval sought and given in any manner reasonable under the circumstances shall be effective.

6.11 No Personal Liability. No officer, director, member, shareholder or partner of the Operator or the Manager shall be personally liable on account of any liability arising out of the transactions contemplated by this Agreement.

6.12 Indemnification by Operator. Subject to the limitations and other provisions of this Agreement, Operator shall indemnify and hold the Manager, its affiliates and their respective directors, officers, managers, members, shareholders, agents and employees from and against all costs, claims, damages, or expenses, including reasonably attorneys' fees (collectively, "**Costs**") arising or resulting from: (i) any misrepresentation or breach of any representation or warranty made by Operator in this Agreement; (ii) the breach of any agreement, covenant or obligation of Operator pursuant to this Agreement; and (iii) the Retained Liabilities and any other debts, liabilities and obligations of Operator with respect to the Facility arising before to the Effective Date.

6.13 Indemnification by the Manager. Subject to the limitations and other provisions of this Agreement, Manager shall indemnify and hold harmless Operator, their affiliates and their respective directors, officers, managers, members, shareholders, agents and employees from and against all Costs, resulting or arising from: (i) any misrepresentation or breach of any representation or warranty made by the Manager in this Agreement; (ii) the breach of any agreement, covenant or obligation of the Manager under this Agreement; and (iii) the Assumed Liabilities and any other debts, liabilities, and obligations with

respect to the Facility arising after the Effective Date and prior to the expiration of the Term.

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IN WITNESS WHEREOF, the parties hereto have executed this Interim Management Agreement as of Effective Date.


THE OPERATOR:

**2020 ROUTE 23 OPERATING COMPANY LLC DBA
ATRIUM POST ACUTE CARE OF WAYNEVIEW**

By: 
Name: VINCENT TURIBELLO
Title: Manager

THE MANAGER:

ACCELA AVALON MANAGEMENT LLC

By: 
Name: Sam Berkowitz
Title: Manager

APPLICATION SUMMARY: TRANSFER/ SALE OF PROPERTY

Name of Facility: Avalon Rehab and Care Center

New Name of Facility: Accela Rehab and Care Center at Wayne

License number: 061629

Address: 2020 Route 23 North, Wayne, New Jersey 07470

County: Passaic County

Project Description: This project involves the Transfer of Ownership of the assets and operations of Avalon Rehab and Care Center, a 170-bed skilled nursing facility located at 2020 Route 23 North, Wayne, NJ 07470 (the "Facility") from 2020 Route 23 Operating Company LLC ("Current Owner") to Avalon Garden Group LLC ("Proposed Owner"). This Facility is to be renamed Accela Rehab and Care Center at Wayne. The Proposed Owner will operate the Facility through a Lease Agreement with Wayne Garden Realty Group LLC (the "Lessor"). The Lessor acquired the property from the prior property owner, Wayneview Realty, LLC as of May 31, 2024, due to a pending foreclosure. The Current Owner subleases the property from the Proposed Owner pursuant to a Sublease which will terminate upon approval of the Transfer of Ownership to the Proposed Owner. A copy of the Lease and Sublease are attached.

Licensed Capacity: 170 Beds

Current Licensed Owner: 2020 Route 23 Operating Company LLC

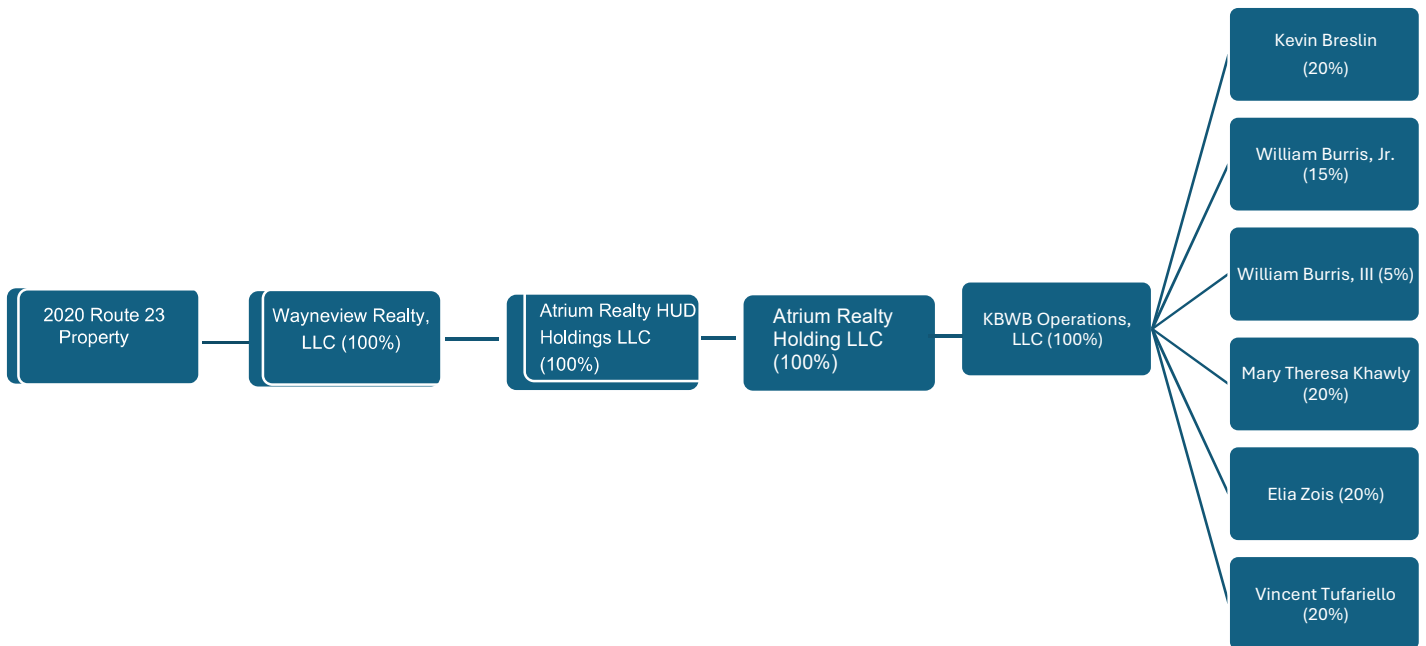
Proposed Licensed Owner: Avalon Garden Group LLC

Owner of Real Estate: Purchased from Wayneview Realty, LLC by Wayne Garden Realty Group LLC, pursuant to a Purchase and Sale Agreement dated April 5, 2024, with closing effective as of May 31, 2024.

EXHIBIT A
Organization Charts

Prior Ownership Structure of Property

Wayneview Realty, LLC



Property Owner as of 5/31/2024

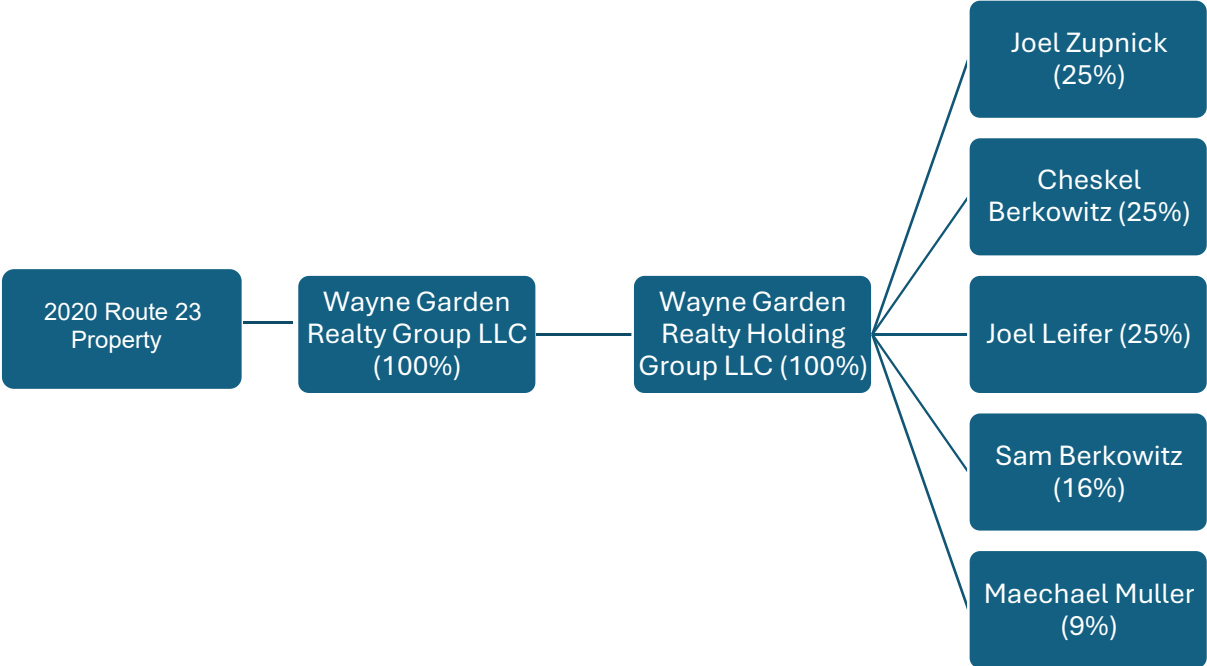


EXHIBIT B
Lease & Sublease

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "**Lease**") is made and entered into as of this 31st day of May, 2024 (the "**Effective Date**") by and between **WAYNE GARDEN REALTY GROUP LLC**, a New Jersey limited liability company (collectively "**Lessor**"), and **AVALON GARDEN GROUP LLC**, a New Jersey limited liability company (collectively, "**Lessee**").

RECITALS:

A. Lessor currently intends to acquire fee simple title in and to those certain tracts of land which are improved with skilled nursing facility (collectively called, "**Nursing Home**"), each as more particularly described in **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 Demised Property and the Personal property are sometimes referred to collectively as, the "**Property**").

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, as borrower thereunder and GREYSTONE SERVICING COMPANY LLC as Lender (in such capacity, "**Lender**"), including as of the date hereof, **WAYNE GARDEN REALTY GROUP LLC** have entered into that certain Loan and Security Agreement dated as of May 31, 2024 (as it may be amended, restated or replaced from time to time, the Loan and Security Agreement), pursuant to which Borrower has obtained financing for the purchase of the Demised Premises and the Personal Property. Pursuant to the Loan and Security Agreement, Lessor has granted Lender a first priority security interest and lien in and on the Demised Premises and the Personal Property, including without limitation, a first-priority mortgage encumbering the Demised Premises and the Personal Property (as it may be amended, restated or replaced, the "**Mortgage**"). The Loan and Security Agreement and the Mortgage and such other entered by Lessor in connection therewith are sometimes referred to herein as the "**Loan Documents**". This Lease shall be subject to the Loan Documents in all respects, provided that the terms and requirements set forth in the Loan Documents are not more stringent than those set forth in this Lease or required by Landlord.

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

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 - DEFINITIONS

1.1 The terms defined in this Article shall, for all purposes of this Lease and all agreements supplemental hereto, have the meaning herein specified.

(a) "**Facility**" shall mean the skilled nursing facility as described on Exhibit A attached hereto and located on the Demised Premises, subject to the terms of this Lease.

(b) "**Facility EBITDAR**" shall mean for any Test Period, the Facility Gross Income less the Facility Operating Expenses.

(c) "**Debt Service Coverage Ratio**" shall mean for any Test Period a ratio, the numerator is the net operating income of Lessee for such period; and the denominator is the total debt service due and payable by Lessor to Lender for such period.

(d) "**Fixed Charge Coverage Ratio**" shall mean for any Test Period a ratio of (i) the Facility EBITDAR in the aggregate for such period to the (ii) Fixed Charges of Lessee with respect to the Facility for such period.

(e) "**Facility Gross Income**" shall mean all income of Lessee, computed on an accrual basis in accordance with GAAP consistently applied, derived for each full or partial month from the operation of the Facility in the aggregate from whatever source.

(f) "**Facility Operating Expenses**" shall mean the total of all expenditures of whatever kind by Lessee relating to the operation, maintenance and management of the Facility that are incurred on a regular monthly or other periodic basis, including without limitation, utilities, ordinary repairs and maintenance, insurance, license fees, taxes and assessments, advertising expenses, and management fees.

(g) "**Fixed Charges**" shall mean the sum of the following: (a) all payments due under this Lease, (b) capital expenditures, (c) income taxes paid in cash or accrued, (d) to the extent positive, the net decrease in payables to Affiliates during such Test Period plus the net increase in receivables from Affiliates during such Test Period, and (e) dividends, redemptions, equity repurchases and/or distributions paid in cash to the holders of any shares of capital stock or other securities or partnership, membership or other ownership interest made during such Test Period.

(h) "**Licensed Beds**" shall mean the skilled nursing facility with the number of licensed beds as described on Exhibit B attached hereto and located on the Demised Premises, subject to the terms of this Lease.

(i) "**Test Period**" shall mean a period ending on the last day of each calendar quarter and comprised of the twelve most recent calendar months then ended.

(j) All other terms shall be as defined in other sections of this Lease.

ARTICLE II - DEMISED PREMISES AND PERSONAL PROPERTY

2.1 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 Licensed Beds and Personal Property to be used in and upon the Demised Premises for the term hereinafter specified, for use and operation therein and thereon of

Nursing Home, in substantial compliance with all the rules and regulations and minimum standards applicable thereto, as prescribed by the State of New Jersey and such other governmental authorities having jurisdiction thereof. At the expiration or earlier termination of the lease all of the personal property of the facility and Licensed Beds, to the extent permitted by applicable law, shall revert to the Lessor.

ARTICLE III - TERM OF LEASE

3.1 The term of this Lease (the "**Term**" or the "**Initial Term**") shall begin and be effective as of the date that Lessor acquires ownership of the Demised Premises (such date, the "**Commencement Date**"), and shall expire on the Five (5) year and one month anniversary of the Commencement Date, unless sooner terminated as hereinafter provided. Notwithstanding the foregoing, Lessor shall have the option, by delivery of written notice to Lessee, at least 6 months prior to the expiration of the Term, to extend this Lease for two (2) additional period of five (5) years and upon the giving of such notice. The "**Term**" hereunder shall include such additional period of five (5) years, subject to the increase in base rent contained in paragraph 4.1.

3.2 Intentionally Omitted.

3.3 Notwithstanding any provision in this lease to the contrary, this Lease shall terminate in its entirety, without notice, upon the institution by or against any Lessee of a bankruptcy proceeding.

ARTICLE IV - RENT

4.1 From and after the Commencement Date, 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 annual base rent (the "**Base Rent**") for the Demised Premises and the Personal Property, in an annual amount equal to 115% of debt service.

4.2 All annual Base Rent shall be paid in equal monthly installments. The Base Rent shall increase by one percent (1%) each year beginning on the first year of this Lease.

4.3 For purposes of this section, the first year shall be deemed to begin on the Commencement Date, with each year of this Lease thereafter beginning on the anniversary of the Commencement Date of the following year. All payments of Base Rent provided for in this Lease shall be paid on or prior to the 1st day of each calendar month. Unless otherwise notified in writing all checks shall be made payable as directed by Lessor and shall be sent to Lessor as directed by Lessor.

4.4 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 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 VI and VII of this Lease, the maintenance of insurance

policies as provided in Article IX of this Lease, maintenance and repairs to the Demised Premises and each Facility to maintain the same in the same condition as of the commencement of the Lease excepting reasonable wear and tear as provided in Article XI of this Lease, and funding any monthly tax and insurance reserves, and replacement reserves to the extent provided for herein, required by a Lender. Lessee does hereby agree to indemnify, defend and hold harmless Lessor against any such costs, expenses and obligations.

4.5 The Lessor, agrees to accept monthly rent payments and all other payments, deposits and reserves to be made under the Lease from the Lessees. Lessor agree that all monthly rent and other such payments, deposits and reserves will be deposited into the accounts of the Lessor and that said accounts will be subject to the "springing" Deposit Account Control Agreement (DACA) on behalf, and in favor, of the Lender.

ARTICLE V - FINANCIAL COVENANT – LEASE COVERAGE RATIO

5.1 Lessee agrees to maintain a Facility EBITDAR, a Debt Service Coverage Ratio of and a Fixed Charge Coverage Ratio as are as determined by the Lessor's Lender.

ARTICLE VI - PAYMENT OF TAXES AND ASSESSMENTS

6.1 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 VII 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**"). Except for taxes for which Lessee shall make deposits with Lessor in accordance with the provisions of Article VII, not later than five (5) days following its receipt thereof, Lessor shall provide to Lessee copies of any bills received by it for Taxes and Assessments. At the request of Lessor, within ten (10) days of any payment by Lessee of the Taxes and Assessments, a copy of the paid stamped bill or other evidence of payment shall be delivered to Lessor. The payment of any sum, other than Base Rent, due from Lessee to Lessor under this Lease shall be deemed to be Additional Rent. Except as otherwise provided herein, all expenses and charges whether capital or to be expensed with respect to the Demised Premises or Personal Property, whether for upkeep, maintenance, repair, refurbishing, restoration, replacement, insurance premiums, taxes, utilities, and other operating or other charges of a like nature or otherwise, shall be paid by Lessee

6.2 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.

6.3 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.

6.4 If permitted by Lessor in its reasonable discretion, 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 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 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 times an amount equal to the amount required by Lessor, but in no event less than an amount equal to one hundred twenty-five percent (125%) of such Taxes and Assessments at any time actually due and payable, together with all interest, costs and penalties in connection therewith 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 Lessor's reasonable requirements for a tax contest.

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, 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.

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 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.

6.5 Lessor shall not be required to join in any proceedings referred to in this Article VI, 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.

6.6 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 twenty (20) days prior written notice to Lessee, obtain separate counsel to represent it in such action. 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 have not theretofore been paid, pay such Taxes and Assessments from the amounts deposited by Lessee pursuant to the terms of Section 7.1 below.

6.7 If any income profits or revenue tax shall be levied, assessed or imposed upon the income, 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 VII - TAX, INSURANCE AND REPLACEMENT RESERVE DEPOSITS

7.1 If required to be made by Lessor, Lessee shall make, an initial payment on the Commencement Date and shall continue to pay, monthly real estate tax deposits with Lessor, in an amount equal to one-twelfth ($1/12^{\text{th}}$) (or such greater amount as may be required by Lessor) of the annual real estate taxes levied against the Demised Premises. Said deposits shall be due and payable on the tenth (10^{th}) day of each month as Additional Rent, unless sooner required by Landlord at its sole discretion. If such deposits are held by Lender, said deposits shall not bear interest, unless interest on the deposits is paid to Lessor by Lender. If made, the deposits shall be held by the Lender to pay the real estate taxes as they become due and payable. Said deposits shall not be kept separate and apart from any other funds of Lessor. 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 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 ten (10) days following its receipt thereof, Lessee shall provide to Lessor copies of any bills received by it for Taxes and Assessments. Within ten (10) days of any direct payment by Lessee of the Taxes and Assessments, a copy of the paid tax bill shall be delivered to Lessor.

7.2 Notwithstanding anything to the contrary contained herein, if required by Lessor, Lessee will make monthly deposits for insurance premiums with Lessor, in an amount equal to the amount determined by Lessor. The deposits, if applicable, for insurance deposits, shall be due and payable on the tenth (10th) day of each month as Additional Rent, unless sooner required by Landlord in its sole discretion. 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 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.

7.3 If required by Lessor, then Lessee will make monthly deposits for reserves with Lessor, in an amount determined by Lessor. The deposits, if applicable, for replacement reserves, shall be due and payable on the tenth (10th) day of each month as Additional Rent, unless sooner required by Landlord in its sole discretion.

ARTICLE VIII - OCCUPANCY

8.1 During the Term of this Lease, the Demised Premises shall be used and occupied by Lessee for and as Nursing Home of not less than the number of licensed beds described on **Exhibit B** and for no other purpose. Subject to the terms of Article XX hereof, Lessee shall at all times during the Term maintain in good standing and full force a probationary or nonprobationary license issued by the New Jersey Department of Health Services ("NJDS") (the "License") and any other governmental agencies permitting the operation on the Demised Premises of Nursing Home of not less than the number of licensed beds described on **Exhibit B** (subject to any reduction in the number of licensed beds required by any governmental authority solely as a result of changes in laws, rules and regulations relating to the physical attributes of the improvements on the Demised Premises or eminent domain proceedings as described in Section 16.2). Lessee may request of Lessor the authority to reduce the number of beds to improve financial operation of the Facility, but may not make such reduction without the written approval of Lessor.

8.2 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.

8.3 Upon termination of this Lease for any reason, including but not limited to the expiration of the term of the lease, Lessee will return to Lessor the Demised Premises and the Facility in the same condition as existed on the Commencement Date, reasonable wear and tear excepted, and cooperate with the change of ownership for the license issued by the State of New Jersey and by any governmental agencies having jurisdiction over the Demised Premises

as Nursing Home of not less than the number of licensed beds described on **Exhibit B** (subject to any reduction in the number of licensed beds required by any governmental authority solely as a result of changes in laws, rules and regulations relating to the physical attribute of the improvements on the Demised Premises or eminent domain proceedings as described in Section 16.2 or approved by Lessor during the term of this Lease) with an unrestricted license in full force and good standing for no less than the number of licensed beds described on **Exhibit B** (subject to any reduction in the number of licensed beds required by any governmental authority solely as a result of changes in laws, rules and regulations relating to the physical attribute of the improvements on the Demised Premises or eminent domain proceedings as described in Section 16.2 or approved by Lessor during the term of this Lease). Lessee shall, within ten (10) days following its receipt thereof, provide Lessor with a copy of any notice from NJDS 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.

8.4 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 each Facility such materials and substances as are customarily used in Nursing Home but only in such quantities as are reasonably necessary for the routine business operation of such Facility and in compliance with applicable laws. 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 any 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.

ARTICLE IX - INSURANCE

9.1 Subject to any additional requirements of Lessor, 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 New Jersey 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 (not more frequently than once every five (5) years), 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.

9.2 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 "A" rating or higher from A.M. Best Company in accordance with the requirements set forth in the Loan Documents or as reasonably required by Lessor, for each individual facility, but in no event with coverage less than:

(a) Insurance against loss or damage to the Property by fire, casualty and other hazards as now or subsequently may be covered by an "**all-risk**" policy, with coverage for earthquake in amounts and in form satisfactory to Lessor, and such endorsements as Lessor may from time to time reasonably require and which are customarily required for similar properties similarly situated, and which coverage shall also meet the following requirements:

(1) The amount of such property insurance shall be not less than 100% of the full replacement cost of the Demised Premises, furniture, furnishings, fixtures, equipment and other items (whether personalty or fixtures) included in the Property and owned by Lessor from time to time, without reduction for depreciation. The determination of the replacement cost amount shall be adjusted annually to comply with the requirements of the Insurer issuing such coverage or, at Lender's election, by reference to such indexes, appraisals or information as Lender determines in its discretion. Full replacement cost, as used herein, means, with respect to the Demised Premises, the cost of replacing the Demised Premises without regard to deduction for depreciation, exclusive of the cost of excavations, foundations and footings below the lowest basement floor, and means, with respect to such furniture, furnishings, fixtures, equipment and other items, the cost of replacing the same.

(2) Each such policy or policies of property insurance shall contain the following provisions, all subject to Lender and Lessor approval in form and content: (A) a replacement cost endorsement; (B) either an agreed amount endorsement (to waive the operation of any coinsurance provisions) or a waiver of any co-insurance provisions; (C) law and ordinance coverage in an amount satisfactory to Lender; and (D) coverage for interruption in utility services.

(b) Business Income including rental value and Extra Expense insurance covering the same perils of loss as are required to be covered by the property insurance required pursuant to this Section and meeting the following requirements:

(1) The amount of such insurance shall be not less than the projected gross revenue from the Facility for a period of one year. The amount of such insurance shall be determined prior to the date of this Lease and at least once each year thereafter based on Lessor and Lessee's reasonable estimate of the gross revenue from the Facility for the succeeding 36 month period; or, at Lessor's election in its discretion, by reference to such indexes, appraisals or information as Lessor determines.

(2) Each such policy or policies shall contain the following provisions, all subject to Lessor's approval in form and content: (i) either an agreed amount endorsement (to waive the operation of any co-insurance provisions) or a waiver of any co-insurance provisions; (ii) law and ordinance coverage in an amount satisfactory to Lender; (iii) an extended period of indemnity endorsement providing that after the repair of any physical loss to the Property, the continued loss of income will be insured until the earlier of the time that (a) such income returns to the same level as it was at prior to the date on which the physical loss occurred or (b) 12 months from the date that the Property is repaired or replaced and operations are resumed in the manner that such operations were conducted prior to the date of the physical loss to the Property giving rise to such insurance obligation, which payments shall be made notwithstanding the expiration of the policy prior to the end of such period.

(c) Broad form boiler and machinery insurance covering the major components of the central heating, air conditioning and ventilating systems, boilers, other pressure vessels, high pressure piping and machinery, elevators and escalators, if any, and other similar equipment installed in the Demised Premises, in an amount equal to 100% of the full replacement cost of the Demised Premises. Such policy or policies shall insure against physical damage to and loss of occupancy and use of the Demised Premises arising out of an accident or breakdown covered under such policy or policies and shall include all of the following coverage: (A) business interruption including rental value, (B) extra expense, (C) consequential damage and (D) interruption in utility services power supply.

(d) If the Demised Premises or any part thereof is identified by the Secretary of Housing and Urban Development as being situated in an area now or subsequently designated as having special flood hazards (including those areas designated as Zone A or Zone V), flood insurance in an amount equal to 100% of the lesser of the (A) replacement value of the Demised Premises or (B) maximum amount of flood insurance available.

(e) During the period of any construction on the Demised Premises or renovation or alteration of the Demised Premises, a so-called "**Builder's All-Risk Completed Value**" or "**Course of Construction**" insurance policy in non-reporting form for any improvements under construction, including for demolition and increased cost of construction or renovation, in an amount equal to 100% of the estimated replacement cost on the date of completion, including "**soft cost**" coverage, and workers' compensation and employers liability insurance covering all persons engaged in such construction, in an amount at least equal to the minimum required by law. In addition, each contractor and subcontractor shall be required to provide Lessor with a certificate of insurance for (i) workers' compensation and employers liability insurance covering all persons engaged by such contractor or subcontractor in such construction in an amount at least equal to the minimum required by law, and (ii) general liability insurance showing minimum limits of at least \$5,000,000, including coverage for premises/operations and products and completed operations. Each contractor and subcontractor also shall cover Lessor, Lender and Lessor as additional insureds under such liability policy and shall defend, indemnify and hold Lender, Lender and Lessor harmless from and against any and all claims, damages, liabilities, costs and expenses arising out of, relating to or otherwise in connection with the performance by each contractor and subcontractor of such construction.

(f) Commercial general liability insurance using an "**occurrence**" based form meeting the following requirements:

(1) The amount of such liability insurance shall be not less than \$1,000,000 per occurrence, \$3,000,000 per location aggregate or such lesser amount as Lessor in Lessor's discretion may accept, for bodily injury, personal and advertising injury and property damage. Lessor retains the right to periodically review the amount of such liability insurance being maintained by Lessor and to require an increase in the amount of such liability insurance should Lessor deem an increase to be reasonably prudent under then-existing circumstances.

(2) Each such policy or policies of liability insurance shall (A) provide coverage for claims for personal injury, advertising injury, bodily injury, death and property damage liability with respect to the applicable Facility and operations related thereto, whether on or off the Demised Premises; (B) include broad form contractual liability coverage including coverage for the indemnities contained herein.

(g) Professional liability and malpractice insurance using an "**occurrence**" based form with limits of at least \$1,000,000 per occurrence (claim)/\$3,000,000 in the aggregate, and covering acts occurring prior to the Commencement Date. Lessee shall cause, each physician or nurse practitioner with clinical privileges at the Facility to carry professional liability and malpractice insurance with limits of not less than \$1,000,000 per occurrence (claim)/\$3,000,000 in the aggregate. Lessor retains the right to periodically review the amount of such liability insurance and to require an increase in the amount of the same should Lessor deem an increase to be reasonably prudent under the existing circumstances.

(h) Motor vehicle (auto) liability coverage for all owned hired and non-owned automobiles, including rented and leased automobiles, containing minimum limits per

occurrence of greater of \$1,000,000 or at such amounts as are in force as of the Commencement Date.

(i) Workers' compensation and employers liability insurance or other similar insurance that may be required by governmental authorities or applicable legal requirements in an amount at least equal to the minimum required by law.

(j) With respect to the Property, insurance for certified and uncertified acts of terrorism insurance in such amounts as are required by Lessor.

(k) Crime coverage providing blanket employee dishonesty insurance with limits of not less than \$500,000.

(l) Such other insurance on the Property or on any replacements, supplements or substitutions thereof or additions thereto as may from time to time be required by Lessor or Lender against other insurable hazards or casualties that at the time are commonly insured against in the case of property similarly situated, due regard being given to the height and type of buildings, their construction, location, use and occupancy.

All such insurance required pursuant to this Section shall (i) be issued by companies approved by Lessor and Lender and licensed to do business in the state where the Demised Premises is located, with a claims paying ability rating of "A" or better by A.M. Best Company; (ii) contain the complete address of the Demised Premises (or a complete legal description), (iii) be for a term of at least one year, (iv) contain deductibles no greater than \$10,000 or as otherwise required by Lessor, and (v) be subject to the approval of Lessor and Lender as to insurance companies, amounts, content, forms of policies, method by which premiums are paid and expiration dates, and, in addition, Lessee shall comply with, or cause to be complied with, each of the following with respect to the insurance policies required to be maintained pursuant to this Lease:

Lessee shall as of the date of this Lease deliver to Lessor certified copies of such insurance policies or such other evidence of insurance as Lessor in its discretion may accept; and evidence satisfactory to Lessor in its discretion that such insurance policies have been paid current as of the date of this Lease. Thereafter, Borrower shall deliver to Lessor certified copies of any such insurance policies promptly upon request.

With respect to insurance policies that require payment of premiums annually, not less than 30 days prior to the expiration dates of the insurance policies obtained pursuant to this Lease, Lessee shall pay such amount. Not less than 30 days prior to the expiration dates of the insurance policies obtained pursuant to this Lease, Lessee shall deliver to Lessor and Lender certified copies of the renewals of such policies (or other evidence of renewal satisfactory to Lessor and Lender) bearing notations evidencing the payment of premiums or accompanied by other evidence of payment satisfactory to Lessor and Lender. Lessee shall also

deliver to Lessor certified copies of any such insurance policies promptly upon request.

No premiums for any policies or policies of insurance required under this Lease or otherwise held with respect to the Property, whether by Lessee or any other Person, shall be paid by Lessee or by any other Person through or by means of any financing arrangement with any third party lender.

All policies required under this Lease will contain: (a) a provision that such policies shall not be canceled or amended, including any amendment that would reduce the scope or limits of coverage or remove any endorsement to such policy or cause the same to no longer be in full force and effect, or failed to be renewed, without at least 30 days prior written notice to Lessor and Lender in each instance; and (b) a waiver of all rights of subrogation against Lender and Lessor.

While the Mortgage remains outstanding, all policies required or contemplated by this Section will name Lender as mortgagee and loss payee, shall provide for all losses to be payable directly to Lender, and will contain: a standard noncontributing mortgagee provision or endorsement or its equivalent providing that any loss shall be payable to Lessor notwithstanding (a) any negligent or willful acts or omissions of Lessee that might otherwise result in forfeiture of such insurance; (b) occupancy or use of the Facility for purposes more hazardous than those permitted by the terms of such policy; (c) any foreclosure or other action taken by Lender pursuant to the Mortgage upon the occurrence of an Event of Default; or (d) any change in title or ownership of the Property.

All policies required or contemplated by this Section will name, Lender and Lessor as an additional insureds.

9.3 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/or 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.

(d) Lessee's Waiver of Subrogation. Lessee agrees that the insurance policies to be obtained hereunder shall provide that the insurance carriers shall waive all rights of subrogation against Lessor and that such policies shall not be invalidated should the insured waive in writing prior to a loss any or all right of recovery against any party for losses covered by such policies. Lessee hereby waives and releases any and all right of recovery which it might otherwise have against Lessor, its agents and employees, and all liability or responsibility of Lessor, its agents and employees, for all injury and for loss or damage to its business, contents, furniture, furnishings, fixtures and other property of Lessee, notwithstanding that such injury, loss or damage may result from the negligence or fault of Lessor, or any of its agents or employees.

(e) Lessor's Waiver of Subrogation. Lessor agrees that the insurance policies to be obtained hereunder shall provide that the insurance carriers shall waive all rights of subrogation against Lessee and that such policies shall not be invalidated should the insured waive in writing prior to a loss any or all right of recovery against any party for losses covered by such policies. Lessor hereby waives and releases any and all right of recovery which it might otherwise have against Lessee, its agents and employees, and all liability or responsibility of Lessee, its agents and employees, for all injury and for loss or damage to its business, contents, furniture, furnishings, fixtures and other property of Lessor, to the extent such loss or damage (both as to type and amount) is covered by valid and enforceable insurance policies payable to Lessor, notwithstanding that such injury, loss or damage may result from the negligence or fault of Lessee, or any of its agents or employees.

(f) Lessee will not do or omit to do or keep anything in, upon or about the Demised Premises or any adjacent areas which may (i) prevent the obtaining of any fire, liability or other insurance upon or written in connection with the Demised Premises, and Lessee's Personal Property or such adjacent areas, or (ii) make any such insurance void or voidable or otherwise invalidate the obligations of the insurer contained therein.

9.4 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.

9.5 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; and

(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 payment, Taxes and Assessments and insurance premiums or deposits required for the next succeeding twelve (12) months to the extent that such payments are due and owing 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.

9.6 In the event the amount of insurance proceeds under Section 9.1 exceeds Three Hundred Fifty Thousand Dollars (\$350,000), 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.

9.7 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 not be unreasonably withheld, but 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.

9.8 Prior to making any such repairs costing in excess of Three Hundred Fifty Thousand Dollars (\$350,000), if so requested by Lessor, 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 X - LESSOR'S RIGHT TO PERFORM

10.1 Should Lessee fail to perform any of its covenants herein agreed to be performed, Lessor may, upon thirty (30) days prior notice specifying the work to be done or covenants to be performed and the approximate amount to be expended, but shall not be required to, make such payment or perform such covenants, and all sums so expended by Lessor thereon shall upon notice of payment by Lessor be immediately payable by Lessee to Lessor, and in addition Lessee shall reimburse Lessor for Lessor's reasonable expenses in enforcing or performing such covenants, including reasonable attorneys' fees. Any such 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.

10.2 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 XI - REPAIRS AND MAINTENANCE

11.1 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 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 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 Nursing Home. Lessor shall not be required to furnish any service or facility or to make any repairs or alterations in or to the Demised Premises, Lessee hereby assuming the full and sole responsibility for the condition, operation, repair, replacement, maintenance and management of the Demised Premises, including making any repairs required by any of the Lessor's banks or financial institutions.

11.2 In the event that any part of the improvements located on any of 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. 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 Three Hundred Fifty Thousand Dollars (\$350,000) or more for any of the individual Facilities, 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. Notwithstanding anything provided herein, in the event the holder of a mortgage executed by Lessor requires payment of some or all of the indebtedness thereunder and does not allow repair and rebuilding of the damaged portion of the Demised Premises or in the event such damage cannot be repaired within twelve (12) months after a casualty, Lessee may terminate this Lease solely with respect to the Facility that was damaged, without affecting the Lease with respect to the other Facilities, upon 90 days written notice to Lessor delivered prior to the date Lessee commences any restoration of the Demised Premises. In the event of such termination of this Lease with respect to a Facility, the monthly Base Rent shall be reduced after the termination becomes effective by the then monthly Base Rate attributable to said Facility. Lessee covenants that it will give to Lessor prompt written notice, within 15 days, of any Casualty affecting the Demised Premises in excess of Seventy-Five Thousand Dollars (\$75,000).

11.3 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.

11.4 Standard for Repairs. The necessity for and adequacy of repairs to any Demised Premises on the Demised Premises pursuant to Paragraph (a) of this Article shall be measured by the standard which is appropriate for improvements of similar construction, use and class.

ARTICLE XII - ALTERATIONS AND DEMOLITION

12.1 Lessee shall have the right during the Term to make such non-structural interior alterations, changes and improvements to the Leased Premises as may be proper and necessary for the conduct of Lessee's business, to cause the Leased Premises to conform to any legal or regulatory requirements, for resident comfort and safety, or for the full beneficial use of the Leased Premises, so long as such improvements do not (i) exceed Seventy-Five Thousand Dollars (\$75,000) in any given calendar year and (ii) interfere with any of the purposes for which the Facility was leased or affect the roof or structure; provided, however, that Lessee shall make no (i) structural alterations, changes, or improvements, (ii) roof penetrations or (iii) improvements that exceed Seventy-Five Thousand Dollars (\$75,000) in any given calendar year without express written approval in each instance by Lessor, which consent may be withheld in Lessor's sole and absolute discretion. Lessee shall, at its expense, make any and all

alterations, repairs, replacements and improvements required by any federal, state or regulatory agency or CMS, or any mortgagee of the Real Property (including any alterations, repairs, replacements and improvements required by HUD, whether as the result of any REAC inspection or otherwise) and any alterations, changes or improvements required or arising as the result of any change in, or the issuance of new, amended or modified, laws, rules, or regulations or the interpretation thereof at any time following the Commencement Date. Lessee shall pay all costs and expenses of such permitted alterations, changes, and improvements, shall make the same in a good and workmanlike manner, and in accordance with all applicable laws, codes, and regulations, and shall assure Lessor, in form reasonably satisfactory to Lessor, that payment for the same will be made by Lessee. Lessee hereby completely and fully indemnifies Lessor against any mechanic's liens or other liens or claims in connection with the making of such alterations, changes, and/or improvements. Any liens arising out of such alterations, changes, and/or improvements shall be discharged of record by Lessee within thirty (30) days after the same have been filed by payment, bonding or otherwise, as permitted by law, or within ten (10) Business Days after commencement of a foreclosure. Notwithstanding any provision of this Lease to the contrary, Lessor shall not undertake any alterations, renovations, or improvements to the Facility or otherwise commence any project or activity with respect to the Facility, which may result in any bed being taken out of service for more than seven (7) days without Lessor's prior written consent, which consent shall be subject to Lessor's sole and absolute discretion. Lessee shall not employ or retain any general contractor, contractor, subcontractor or other construction, building or other trade professional (a "Contractor") to perform or conduct any work, repairs, maintenance, alterations or improvements at or upon the Leased Premises, unless and until (i) Lessor approves the Contractor, such approval not to be unreasonably withheld, and (ii) the Contractor shall have provided Lessor with adequate evidence of general contractor liability and other insurance coverage, with Lessor named as an additional insured, in such amounts, as Lessor may require from time to time. Depending upon the nature of the alterations or improvements, Lessor reserves the right to require any Contractor to be fully bonded and/or to provide such other surety as Lessor may deem reasonably necessary.

ARTICLE XIII - COMPLIANCE WITH LAWS AND ORDINANCES

13.1 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 skilled care nursing, which may be applicable to such portion of the Demised Premises, the Personal Property and the Nursing Home 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.

13.2 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.

13.3 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 each Facility as a Nursing Home, including, without limitation, the receipt of the License permitting Lessee to operate each Facility with not less than the number of licensed beds described on **Exhibit A**, unless Lessor has agreed to a bed reduction. Lessee shall, subject to the terms of Article XX 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 Nursing Home of not less than the number of licensed beds described on **Exhibit B** and each Facility shall at all times, subject to the terms of Article XX hereof, continue to be qualified to and shall participate in the Medicare and Medicaid reimbursement programs.

13.4 Lessee will deliver or mail to Lessor wherever Rent is then paid and within ten (10) days following receipt thereof, copies of any notices from NJDS alleging a violation with a Substandard Quality of Care, as defined by federal regulations (i.e., deficiencies under 42 CFR 483.13 or 483.25 with scope and severity levels of F, G, H, I, J, K or L) or any notice from NJDS, 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 each 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 within seven (7) days after written request from Lessor, copies of all other notices, exit interviews, inspection reports and surveys 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. Lessee shall deliver or mail to Lessor, within seven (7) days after receipt of written notice from Lessor, copies of any notice from any governmental agency terminating or suspending, or threatening termination or suspension, of any license or certification relating to the Demised Premises or the Nursing Home operated thereon.

ARTICLE XIV - DISCHARGE OF LIENS

14.1 Subject to the right to contest provided in Section 14.2 hereof and any other requirements of Lessor, 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.

14.2 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 permitted by Lessor, 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 on demand. 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.

14.3 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 XV - INSPECTION OF PREMISES AND RECORDS BY LESSOR

15.1 With no less than 24 hours prior written notice during normal business hours, Lessor or its authorized representatives shall have the right to enter and inspect the Demised Premises and Personal Property provided an employee or representative of Lessee accompanies Lessor or its authorized representative in such inspection.

15.2 With no less than 24 hours prior written notice during normal business hours to Lessee, Lessor or its authorized representatives shall have the right to inspect, and, at Lessor expense, make copies of, the books and records relating to the Demised Premises and any Facility, including, without limitation, to the extent permitted by applicable law all patient records, employment records, surveys and inspections reasonably required by Lessor.

15.3 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 the Lessee, its employees and residents of any Facility as may reasonably be possible under the circumstances and will comply with all applicable governmental rules, regulations and statutes including Health Insurance Portability and Accountability Act.

ARTICLE XVI - CONDEMNATION

16.1 If any of the Demised Premises is taken (other than on a temporary basis) by the exercise of the power of eminent domain, or sold under eminent domain proceedings, this Lease, solely as to the portion of the Demised Premises so taken or sold, shall terminate as of the date possession is taken by the condemnor or such sale is concluded; and subject to Section 16.2 below, this Lease shall continue as to the remainder of the Demised Premises.

16.2 If a portion, but less than all, of a Facility is taken by the exercise of the power of eminent domain or sold under eminent domain proceedings and Lessee reasonably believes that in light of such exercise of eminent domain or sale pursuant to eminent domain proceedings, it can no longer operate such Facility in materially the same manner as prior to the exercise of eminent domain and such belief is consistent with reasonable business practices, then Lessee may either (a) terminate this Lease solely as to such Facility or (b) subject to the consent and approval of Lessor and Lender, with reasonable diligence, restore or rebuild to the extent reasonably practicable any improvements at or about such Facility affected by the taking with the proceeds from the condemnation award. In the event the amount awarded shall be insufficient to repair and restore the Demised Premises, Lessee shall contribute the amount of any such deficiency.

16.3 In the event that all or less than all of the Demised Premises are taken or so sold, and this Lease shall terminate as provided herein as to a Facility, Lessee shall be entitled to any award that it can prove for damage to its leasehold interest, provided that such award is separately allocated to Lessee by the condemning authorities and does not reduce the Lessor's award in any respect.

16.4 If this Lease is terminated pursuant to this Article XVI as to an entire Facility, the monthly Base Rent shall be reduced after such termination becomes effective by the then monthly Base Rent attributable to such Facility. In no other circumstance described in this Article XVI shall monthly Base Rent be reduced.

ARTICLE XVII - INTENTIONALLY OMITTED

ARTICLE XVIII - ASSIGNMENT AND SUBLETTING

18.1 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 (an "**Assignment**") without the prior written consent of Lessor, in its sole discretion. As a condition of granting its consent, Lessor will 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 each Facility based upon the skill and expertise of Lessee and its principals in operating Nursing Home in the State of New Jersey and upon the character and reputation of such principals. Accordingly, it shall not be deemed unreasonable for Lessor to withhold its consent to any proposed sublease or assignment to an entity, the principals of which, at a minimum, have not operated comparable Nursing Home facilities and maintained profitable operations in such comparable facility in each of the three (3) calendar years prior to the year of the proposed sublease or assignment. 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. In the event any transferee commits an Event of Default, such act or omission shall be deemed an Event of Default hereunder on behalf of the Lessee. Any violation or breach or attempted violation or breach of the provisions of this Article by Lessee, or any acts inconsistent herewith shall vest no right, title or interest herein or hereunder or in the Demised Premises in any such transferee or assignee; 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: (x) Lessee shall pay, and Lessee hereby agrees to pay, any reasonable out of pocket third party costs and expenses of Lessor and its Lender incurred in connection with such sublease or assignment, including, without limitation, all due diligence costs and attorneys' fees; and (y) 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 and shall require new assignee to forward an updated listing to Lessor within ten (10) days of any change thereof.

18.2 For purposes of this Article and subject to the the requirements of Lessor:

(a) Any transfer or transfers of the managerial duties or 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 a change in ownership in more than forty percent (40%) 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.

(e) A "Change of Control", being a change in the possession, directly or indirectly, of the power to direct or cause the direction of the management, policies or activities of any Person, whether through ownership of voting securities, by contract or otherwise, of Lessee shall constitute an assignment of this Lease which if not consented to in writing in advance by Lender, shall also constitute an Event of Default by Lessee hereunder.

18.3 Conditions of Permitted Assignment. If Lessor and Lender approves any proposed Assignment, the following conditions shall apply:

(a) At the time of transfer there shall be no then existing report issued by a governmental agency of noncompliance of such Facility with any condition of participation under the Medicare or Medicaid programs; and

(b) There shall be no outstanding notice or plan given by the Lessee to any governmental agency of the intent of the Lessee to evacuate such Facility or otherwise transfer the residents;

(c) The proposed assignee must obtain the requisite establishment approval of the appropriate governmental authorities having jurisdiction over the health facility; and

(d) Lessee shall remain responsible for the performance of all obligations and payment of all sums coming due under this Lease in the event that there is a subletting of the Demised Premises.

ARTICLE XIX - EVENTS OF DEFAULT

19.1 Subject to Section 20.1 below, the occurrence of any of the following acts or events shall be deemed to be a default ("**Events of Default**") 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;

(b) The failure of Lessee to perform, or the violation by Lessee of, any of the material covenants, terms, conditions or provisions of this Lease, if such failure or violation shall not be cured within thirty (30) days after written notice thereof by Lessor to Lessee;

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

(d) The making by Lessee of an assignment for the benefit of creditors;

(e) 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);

(f) If proceedings are instituted in a court of competent jurisdiction for the reorganization, liquidation or involuntary dissolution of the Lessee or 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;

(g) The sale of the interest of Lessee in any of the Demised Premises or Personal Property under execution or other legal process;

(h) Any conveyance or transfer in violation of Article XVIII hereof;

(i) The abandonment of any of the Demised Premises by Lessee ;

(j) Subject to Lessee's right to contest as provided in Article XX 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 any Facility within the time permitted for such cure or abatement;

(k) Subject to Lessee's right to contest as provided in Article XX 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 any Facility as an skilled care Nursing Home facility; or (ii) decertify any Facility from participation in the Medicare or Medicaid reimbursement program;

(l) Any state or governmental deficiencies that Lessee has not, in good faith, corrected within the required timeframes set forth under any applicable law or as otherwise allowed by such state or other governmental authority;

(m) Any delinquent bed taxes owed to the State of New Jersey that have not been brought current by Lessee within any applicable cure or grace period under applicable law, and the State of New Jersey shall have provided written notice of its intention to take action in connection therewith that would materially interfere with operation of any Facility; and

19.2 Lessee's interest in the occurrence of any of the events listed in this Article 19 by any party to whom the Demised Premises has been sublet or transferred shall be an Event of Default hereunder. The occurrence of any of the following acts or events shall be deemed to be a default on the part of Lessor ("**Lessor Default**"):

(a) Except as permitted herein, Lessor's material interference with Lessee's quiet enjoyment of the Demised Premises and Personal Property, provided the Lessee is not in default under the terms of this Lease; or

(b) The failure of Lessor to perform, or the violation by Lessor of, any of the other material covenants, terms, conditions or provisions of this Lease, if such failure or violation shall not be cured within thirty (30) days after written notice thereof by Lessee to Lessor; provided, however, said 30-day period shall be extended so long as Lessor is diligently prosecuting said cure to completion.

ARTICLE XX - RIGHT TO CONTEST/CURE

20.1 Except for an Event of Default of Lessee in the payment of Rent or any additional payment required hereunder, in any case where Lessor shall have given to Lessee a written notice specifying a situation which, as hereinbefore provided, must be remedied by Lessee within a certain time period, and, if for causes beyond Lessee's control, it would not reasonably be possible for Lessee to remedy such situation within such period, then, provided Lessee can cure said Event of Default and immediately upon receipt of such notice, shall advise Lessor in writing of Lessee's intention to institute, and shall, as soon as reasonably possible thereafter, duly institute, and thereafter diligently prosecute to completion, all steps necessary to remedy such situation and shall remedy the same, Lessee's grace period to complete said remedy (but not exceeding a total of ninety (90) days following the initial delivery by Lessor to Lessee of the written notice of default) and effectuate a cure shall be extended; provided, however, that: (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 all or any part of the Demised Premises or the Personal Property; and (b) there continues during such remedy authority to continue to operate any Facility as a Nursing Home (which may be temporary or provisional), (c) Lessor does not reasonably object, 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 or the Personal Property.

20.2 Lessee shall promptly provide Lessor with a copy of any notice from any governmental authority or agency threatening or requesting a reduction in the number of licensed beds at any 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 any Facility.

20.3 The cost for any contest permitted under this Article XX 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 XXI - LESSOR'S REMEDIES UPON DEFAULT

21.1 Upon the occurrence of an Event of Default by Lessee, Lessor may, if it so elects, and with 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 and the Personal Property, or, at the option of Lessor, terminate Lessee's right to possession of the Demised Premises and the Personal Property 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 together with the Personal Property, 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 (subject to the provisions of this Article XXI and Article XXIII below) 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, and which includes, but is not limited to the Lessee's indemnification obligations to the Lessor; Lessee's assistance in transferring the facility licenses and other governmental permits to the Lessor; Lessee's transfer of its right title and interest in their receivables as of the date of the termination; and all of the Lessee's books and records for the facilities.

21.2 In the event of a declared 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 issued by any governmental agency, body or authority in connection with or relating to the Demised Premises or any 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, internet domain and name used by Lessee in connection with the operation of such 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 obtained in connection with the operation of each Facility and (b) the names and telephone numbers used in connection with the operation of each 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.

21.3 If 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 such 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 (repairs for normal wear and tear excepted), Lessee shall pay to Lessor the amount of each monthly deficiency upon demand.

21.4 Unless waived in writing by Lessor after the occurrence of an Event of Default, 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 together with charges to be paid by Lessee under this Lease less (2) the then fair rental value of the Demised Premises and the Personal Property. 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.

21.5 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 XXII - LIABILITY OF LESSOR

It is expressly agreed by the parties that, except as otherwise provided for in this Lease, Lessor shall not be liable 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 or recovered by Lessor.

ARTICLE XXIII - 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 XXIV - INTENTIONALLY OMITTED

ARTICLE XXV - INDEMNIFICATION

25.1 Lessee agrees to protect, indemnify and save harmless Lessor 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 by a third party insurance company related to the operations of or payments made to any Facility while Lessee was providing skilled care nursing services; or (d) additional costs incurred by Lender to monitor any 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.

25.2 Lessor agrees to indemnify, defend and save 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; and (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 the Commencement Date, or (ii) any form of relief not satisfied by the payment of money.

25.3 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 Indemnified 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 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, 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.

ARTICLE XXVI - SUBORDINATION PROVISIONS

26.1 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 required in order to evidence such subordination; provided that such documents shall not affect any of the provisions of this Lease relating to the amount of Rent, the purposes for which the Demised Premises may be used, the size or location of the Demised Premises, the duration or Commencement Date of the Term, nor modify any representations, covenants or warranties made by Lessor hereunder, Lessor shall use best efforts to ensure such documents shall contain such customary non-disturbance provisions reasonably acceptable to Lessee whereby, provided Lessee is not in default under this Lease, Lessee shall have the right to remain in possession of each Facility without disturbance after default by Lessor of the Loan Documents.

26.2 Notwithstanding anything to the contrary contained herein, it is understood, agreed and acknowledged that, Lessor shall have the right to finance and refinance (and

guaranty such financing or refinancing), from time to time, the Demised Premises and Personal Property, and grant a mortgage, deed 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.

26.3 Upon Lessee's request, Lessor will use its best efforts to secure from Lender its 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 each Facility without disturbance after any default by Lessor of the Loan Documents.

ARTICLE XXVII - LESSEE'S FAITHFUL COMPLIANCE WITH LOAN DOCUMENTS AND FUTURE HUD REQUIREMENTS

27.1 Anything in this Lease contained to the contrary notwithstanding 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 by Lessor, including, without limitation, such conditions, covenants and provisions thereof as related to the financial covenants, related to operations, related to the care, maintenance, repair, replacement, insurance, restoration, preservation and condemnation of the Demised Premises or Personal Property, 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. Notwithstanding the foregoing or anything else contained in this Lease to the contrary, if Lessor requires compliance, observance or performance to a standard or degree in excess of that required by the terms of this Lease, Lessee shall comply with such standard, degree or additional performance provided, however, that the amount by which the third-party costs expended by Lessee to achieve such standard, degree or additional performance exceed the third party costs to achieve the standard of performance required by Lessor and this Lease shall be paid by Lessor. 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 or the Personal Property so that they will at all times be in good standing and there will not be any default on the part of Lessor thereunder; provided that the obligations set forth in the Loan Documents are not more burdensome than the obligations required under this Lease or by Landlord. 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 monthly tax and insurance reserves, and replacement reserves to the extent expressly provided for elsewhere in this Lease).

27.2 Notwithstanding anything to the contrary contained herein, at no cost to Lessor, Lessee further agrees to reasonably cooperate and allow the granting to an FHA Mortgagee 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) (collectively, the "**HUD AR Loan Documents**") in connection with the same, including an Intercreditor Agreement and Rider to 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.

27.3 From and after the time the Lessor's obligations under the Loan and Security Agreement and the other Loan Documents have been paid and the Mortgage has been released, (i) the references to the Loan and Security Agreement shall be deemed to refer to any loan or credit agreement entered into by Lessor from time to time, (ii) the reference to Lender shall be deemed to refer to the Lender, if any, under such other loan or credit agreement, and if none, then to the lender(s) thereunder, (iii) the reference to Lender(s) shall be deemed to refer to the lender(s) under such other loan or credit agreement, (iv) the references to Loan Documents shall be deemed to refer to the documents from time to time evidencing, securing or guarantying the obligations of Lessor under such other loan or credit agreement and (v) the references to a mortgage shall be deemed to refer to any mortgage securing the obligations of Lessor under such other loan and credit agreement; provided, however, in the event there exists at any time more than one such loan or credit agreement, all of the foregoing references shall be to the one that is senior to the other(s).

ARTICLE XXVIII - LOAN DOCUMENT RESERVES

28.1 Any monthly tax or insurance reserves and other reserves, such as CAPEX and replacement reserves, required by Lessor or Lender shall be paid by the Lessee to Lessor and shall be repaid to Lessee when Lender repays such sums to Lessor, but no less than \$350 per bed per year.

ARTICLE XXIX - LESSEE'S ATTORNMENT

29.1 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, grantee of a deed in lieu or the purchaser in such foreclosure proceedings, as the case may be, and will recognize such holder of the mortgage, grantee of a deed in lieu 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, grantee of a deed in lieu 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 forecloses the lien thereof, 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 XXX - REPRESENTATIONS

30.1 Lessor represents and warrants as follows:

(a) Lessor is New Jersey limited liability company, is duly organized and validly existing under the laws of the State of New Jersey, and validly existing and qualified to do business in the State of New Jersey, 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 Lessor is a party.

(c) Except for any Loan Documents and except for documents of record as of the date hereof:

(i) Lessor has or on the Commencement Date will have valid 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 a leasehold interest in and to the Demised Premises and Personal Property to Lessee, pursuant to this Lease, 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 Lease for a period of one (1) year, provided, however, that if Lessee notifies Lessor in writing of a claim prior to the expiration of such one (1) year period, such representation or warranty shall survive until the resolution of such claim.

(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.

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

(a) Lessee is New Jersey limited liability company, duly organized and validly existing in good standing under the laws of the State of New Jersey, and validly existing and qualified to do business in the State of New Jersey, 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 its present "AS IS-WHERE IS" condition. Lessee further acknowledges that Lessor is purchasing the Demised Premises and Personal Property pursuant to the APA, and except as set forth 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 (including without limitation any recoupments by governmental payors with respect to periods prior to the Commencement Date).

(c) In addition to all other covenants contained herein, Lessee expressly covenants that they shall keep and maintain at each Facility at all times in good order and repair all items of Personal Property necessary for operating each Facility for not less than the number of licensed beds described on **Exhibit B** in full compliance with all material laws, rules and regulations of NJDS. 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 for a period of one (1) year, provided, however, that if Lessor notifies Lessee in writing of a claim prior to the expiration of such one (1) year period, such representation or warranty shall survive until the resolution of such claim.

ARTICLE XXXI - INTENTIONALLY OMITTED.

ARTICLE XXXII - INTENTIONALLY OMITTED

ARTICLE XXXIII - FINANCIAL STATEMENTS

33.1 Subject to any other requirements of Lessor and Section 27.1 of this Lease, not later than required by Lessor, but in all events within one hundred twenty (120) days after the end of each of its fiscal years, Lessee shall furnish to Lessor full and complete reviewed financial statements (only if required by Lessor's lender) of the operations of the Demised Premises and each Facility for such annual fiscal period 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 and detailed income and expense statement and be provided as follows: (a) within sixty (60) days after the end of each of its fiscal quarters, such reports for the fiscal quarter dated as of the end of each fiscal quarter, and (b) within one hundred twenty (120) days after the end of each of its fiscal years, such reports for the annual fiscal period dated as of the end of the fiscal year (collectively, the "**Financial Statements**"). Lessee shall also furnish to Lessor a copy of its cost report within ten (10) days after filing thereof. Each such statement shall be certified as being true and correct by an officer of Lessee. If required by terms of the Loan Documents, the Financial Statements shall be prepared by a Certified Public Accountant.

33.2 Within fifteen (15) days after the end of each month, Lessee shall furnish to Lessor a daily breakdown of its census and copies of all Financial Statements for the operation of the Nursing Home on the Demised Premises for the preceding month.

33.3 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 each Facility for said year, certified by an officer of Lessee to be true, correct and complete.

33.4 In addition to the above financial statements, Lessee shall also provide to Lessor such other financial statement(s) or information relating to its operation as may be required by Lessor. Any such financial statement(s) or other information required by the Lessor shall be furnished to Lessor within ten (10) days of request by Lessor.

33.5 Upon request by Lessor, Lessee shall prepare or cause to be prepared all financial covenant compliance certificates and worksheets as may be required by Lessor and shall furnish the same to Lessor within ten (10) days of request by Lessor.

33.6 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 its designee, during reasonable business hours, at any Facility or Lessee's offices, the records and books of account covering the entire business operations of Lessee on the Demised Premises.

ARTICLE XXXIV - LICENSURE/TERMINATION

34.1 Lessee hereby agrees to submit a complete application to NJDS in order to obtain the License permitting Lessee to operate each Facility as a skilled nursing facility or assisted living facility, as applicable, with the number of licensed beds described on **Exhibit B**, and to promptly submit any further documents as required in order to complete such application.

34.2 Upon termination of this Lease (whether by reason of default, the natural expiration of the Term of otherwise), 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 NJDS and by any governmental agencies having jurisdiction over the Demised Premises with at least the number of licensed beds described on **Exhibit B** (subject to any reduction in the number of licensed beds required by any governmental authority solely as a result of changes in laws, rules and regulations relating to the physical attribute of the improvements on the Demised Premises or eminent domain proceedings as described in Section 16.2 or as approved by Lessor during the term of the lease), 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, not yet due and payable, and other expenses incurred in the ordinary course of business subject to customary prorations.

(b) Lessor shall keep and shall not be obligated to return to Lessee any Base Rent paid by Lessee. 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 each 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 each 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 VI 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, not yet due and payable 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. 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 its assignee to operate each 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.

34.3 In the event of any Lessor Default, Lessee may, if it so elects, and with notice of such election to Lessor, terminate this Lease and shall have no further obligations to Lessor, such termination to be effective upon surrender of possession of the Demised Premises and Personal Property to Lessor. Lessee shall surrender possession of the Demised Premises and Personal Property within ninety (90) days of providing such notice to Lessor, and the provisions of Section 34.2 shall apply.

ARTICLE XXXV - INTENTIONALLY OMMITTED

ARTICLE XXXVI - HUD PROVISIONS

36.1 As an inducement to Lessor to enter into this Lease, Lessee expressly agrees as follows:

(a) Lessee acknowledges that Lessor may obtain a mortgage loan (the "HUD Loan") to be made, insured or otherwise secured by HUD and/or the Federal Housing Administration ("FHA") or other governmental authority or agency.

(b) Lessee will cooperate with Lessor and assist Lessor in applying for, obtaining, consummating and complying with the terms and provisions governing the HUD Loan, as the same may be in effect from time to time, including providing financial and operating information, information regarding the members of Lessee and any HUD related activities, executing and delivering such documents, instruments and agreements as may be required in connection therewith, including an addendum to or amendment of this Lease, a security agreement, regulatory agreement, deposit control agreement, deposit account instruction and services agreement, lock box agreement and certificates and affidavits, providing an opinion of Lessee counsel and otherwise taking any and all actions and steps as may be necessary or advisable in order to effectuate the foregoing (collectively, the "HUD Documents").

(c) For so long as the HUD Loan is outstanding, (i) the provisions of the HUD Documents and all applicable statutes and regulations, including all amendments to such statutes and regulations, as they become effective, and all applicable requirements in HUD handbooks, notices and mortgagee letters that apply to the Leased Premises, including all updates and changes to such handbooks, notices and mortgagee letters that apply to the Leased Premises (collectively, the "HUD Program Requirements"), shall apply to the Lease, (ii) in the event of any conflict between any provision of the HUD Loan or the HUD Program Requirements and any provision of the Lease, the provision of the former shall be controlling, (iii) the Lease shall not be amended without the prior written consent of HUD and the holder of the HUD Loan (the HUD Lender"), (iv) Lessee agrees (1) to comply with all applicable provisions of the HUD Loan and HUD Program Requirements, (2) that the Lease may be part of the collateral pledged by Lessor to the HUD Lender and HUD, (3) to obtain HUD written approval prior to entering into any services agreements, easements, rights of way, licenses or other permissions and (4) that it will not take any action which would violate any applicable HUD Program Requirements or any of the HUD Documents.

(d) The Lease is and shall be subject and subordinate to the HUD Loan and HUD Documents; to all renewals, modifications, consolidations, replacements and extensions thereof; to all substitutions thereof; and to each advance made or hereafter to be made under any of the foregoing. This Section shall be self-operative and no further instrument of subordination shall be required. Without limiting the foregoing, the Lessee agrees to execute and deliver promptly any and all certificates, agreements and other instruments that the Lessor, HUD Lender or HUD may reasonably request in order to confirm such subordination. Unless the HUD Lender shall have agreed otherwise, if the HUD Lender or another person or entity shall succeed to the interest of the Lessor by reason of foreclosure or other proceedings brought by HUD Lender in lieu of or pursuant to a foreclosure, or by any other manner (HUD Lender or such other person or entity being called a "Successor"), then the Lease shall terminate, or, at the option of the Successor, the Lease shall nevertheless continue in full force and effect, in which case the Lessee shall and does hereby agree to attorn to the Successor and to recognize the Successor as its landlord under the terms of the Lease.

(e) Lessee agrees to pay, as Additional Rent, when due all premiums for (i) liability insurance and full coverage property insurance on the Leased Premises, and (ii) all other insurance coverage required under the HUD Documents and/or applicable HUD Program Requirements. Lessee shall be responsible for funding all escrows for taxes, reserves and for replacements as may be required by the HUD Lender and/or HUD.

(f) Lessee agrees and acknowledges that the HUD Documents shall include a Lessee Regulatory Agreement, Lessee Security Agreement and other applicable documents pursuant to which Lessee shall grant to the HUD Lender a security interest in the collateral of the Lessee. The Lessee agrees to comply with its obligations under the Lessee Regulatory Agreement and the Lessee Security Agreement, and agrees that a default by the Lessee under the Lessee Regulatory Agreement or Lessee Security Agreement shall be deemed to be a default under this Lease.

(g) Lessee agrees not to enter into any management contract involving the Leased Premises unless such management contract complies with applicable HUD Program

Requirements and contains provisions that, in the event of default under the HUD Loan or the Lessee Regulatory Agreement, the management agreement shall be subject to termination upon not more than thirty (30) days notice without penalty upon written request of HUD. Upon such HUD termination request, the Lessee shall immediately arrange to terminate the contract within a period of not more than thirty (30) days and shall make arrangements satisfactory to HUD for continuing proper management of the Leased Premises.

(h) Lessee shall ensure that the Leased Premises meets all state licensure requirements and standards at all times. Lessee agrees not to undertake or acquiesce to any modification to any license with respect to the Leased Premises or to any "bed authority" related thereto without the prior written approval of HUD.

(i) Lessee shall be responsible for obtaining and maintaining all necessary provider agreements with Medicaid, Medicare and other governmental third party payors. Lessee agrees to furnish HUD and HUD Lender with copies of all such provider agreements and any and all amendments thereto promptly after execution thereof.

(j) Lessee agrees to furnish HUD and HUD Lender copies of its annual financial statements with respect to the Leased Premises, prepared in compliance with the requirements of the Lessee Regulatory Agreement, within ninety (90) days after the close of Lessee's fiscal year or such longer period as may be permitted by HUD. Lessee agrees to submit to HUD and HUD Lender copies of all other financial reports as specified in the Lessee Regulatory Agreement.

(k) Lessee agrees that upon reasonable request, the HUD Lender, HUD and their respective designees and representatives may at all reasonable times, upon reasonable notice, subject to the rights of patients, residents and tenants, examine and inspect the Leased Premises. Lessee will, on the request of the HUD Lender and/or HUD, promptly make available for inspection by the HUD Lender and/or HUD, and their designees and representatives, copies of all of the Lessee's correspondence, books, records and other documentation relating to the Leased Premises, excepting communications between the Lessee and its attorneys. The Lessee agrees to maintain accounting records for the Leased Premises in accordance with its customary practice and the Lessee Regulatory Agreement, separate from any general accounting records which the Lessee may maintain in connection with the Lessee's other activities. The Lessee agrees that the HUD Lender and/or HUD, and their designees and representatives, shall at any reasonable time, have access to and the right to examine all accounting records of the Lessee which relate directly or indirectly to the Leased Premises. The obligations of Lessee under this Section shall be limited to the extent necessary in order for Lessee to comply with applicable laws regarding the confidentiality of resident/patient medical records and information.

(l) Lessee agrees to procure and maintain, or cause to be procured and maintained, the insurance coverage required pursuant to the HUD Documents and/or applicable HUD Program Requirements, including HUD Notices H04-01 and H04-15. Insurance proceeds and the proceeds of any condemnation award or other compensation paid by reason of a conveyance in lieu of the exercise of such power, with respect to the Leased Premises or any portion thereof shall be applied in accordance with the terms of the HUD Documents and applicable HUD Program Requirements. The decision to repair, reconstruct, restore or replace

the Leased Premises following a casualty or condemnation shall be subject to the terms of the HUD Documents and applicable HUD Program Requirements.

(m) The Lease shall not be assigned or subleased by Lessee, in whole or in part (including any transfer of title or right to possession and control of the Leased Premises, or of any right to collect fees or rents), without the prior written approval of HUD. The prior written approval of HUD shall be required for (i) any change in or transfer of the management, operation, or control of the Project or (ii) any change in the ownership of the Lessee that requires HUD approval under HUD's previous participation approval requirements. Lessee acknowledges that any proposed assignee will be required to execute a Lessee Regulatory Agreement and a Lessee Security Agreement, each in form and substance satisfactory to HUD, as a prerequisite to any such approval. Any assignment or subletting of the Leased Premises made without such prior approval shall be null and void. This restriction on subletting does not apply to Lessee's leasing of individual units or beds to patient/residents. This restriction is in addition to any other restriction contained in the Lease.

(n) Lessee shall not pledge its accounts receivable or receipts to an accounts receivable lender (the "AR Lender") for any loan (an "AR Loan") without the prior written approval of the HUD Lender and HUD. In the event that the HUD Lender and HUD grant such approval; (i) the AR Lender shall enter into an Intercreditor and a Rider to Intercreditor Agreement with the HUD Lender on such terms and conditions as may be required by HUD; and (ii) Lessee shall agree to comply with the requirements imposed by the HUD Lender and HUD in connection therewith. Until such approved AR Loan is paid in full, the prior written approval of HUD is required for any proposed modifications, extensions, renewals or amendments to the AR Loan.

(o) Lessee agrees that if HUD becomes Mortgagee, Mortgagee in Possession, or Successor, HUD can terminate the Lease (i) for any violation of the Lease that is not cured within any applicable notice and cure period given in the Lease, (ii) for any violation of the Lessee Regulatory Agreement or other HUD Program Requirements or any federal, state, county, municipal or other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions or agreements, in each case, pertaining to or concerned with the establishment, construction, ownership, operation, use or occupancy of the Leased Premises or any part thereof as a healthcare facility, and all material permits, licenses and authorizations and regulations relating thereto, including all material rules, orders, regulations and decrees of and agreements with healthcare authorities pertaining to the Facility, that is not cured within thirty (30) days after receipt by Lessee of written notice of such violation or (iii) if HUD, as a result of the occurrence of either of the events described in the foregoing items (i) or (ii), is required to advance funds for the operation of the Facility located on the Leased Premises.

(p) Lessee shall copy HUD Lender and HUD on all notices of default given by Lessee under the Lease. Such copies shall be provided at the same time and in the same manner as provided by Lessee to Lessor or any other party. HUD Lender shall have the right, but not the obligation, to cure any default by Lessor under the Lease. For the purpose of effecting such cure, Lessee grants HUD Lender and Lessor such period of time as may be reasonable to enable HUD Lender and/or Lessor to cure (or cause to be cured) any default, in addition to the time given to Lessor to cure the default. In the event of any act or omission of

Lessor which would give Lessee the right, immediately or after lapse of a period of time, to cancel or terminate the Lease, or to claim a partial or total eviction, Lessee shall not exercise such right (i) until it has given written notice of such act or omission to HUD Lender and HUD, and (ii) unless such act or omission shall be one which is not capable of being remedied by HUD Lender or Lessor within a reasonable period of time, until a reasonable period for remedying such act or omission shall have elapsed following the giving of such notice and following the time when HUD Lender shall have become entitled under the Loan Documents in connection therewith, as the case may be, to remedy the same (which reasonable period shall in no event be less than the period to which Lessor would be entitled under the Lease or otherwise, after similar notice, to effect such remedy).

(q) The foregoing provisions set forth in this Article XXV: (i) may be amended, supplemented and/or modified by Lessor in order to comply with any applicable HUD provisions as in effect at the time of the making of the HUD Loan and (ii) other than for the duration of the HUD Loan, shall not be interpreted in a manner which restricts, impairs or otherwise reduces any right, benefit or privilege of the Lessor or any liability or obligation of Lessee set forth elsewhere in the Lease

ARTICLE XXXVII - MISCELLANEOUS

37.1 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 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.

37.2 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.

37.3 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.

37.4 Lessor and Lessee agree that, at the request of either party, this Lease or a Memorandum of the same in the form of Exhibit E attached hereto and made a part hereof, may be recorded, to be filed in the real property records of the county in which the Demised Premises are located.

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

37.6 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.

37.7 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 one hundred ten percent (110%) of the last Rent specified.

37.8 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 or fax transmission, addressed as follows:

If to Lessor:
Wayne Garden Realty Group LLC

If to Lessee :
Avalon Garden Group LLC

with a copy to:

Allen V. Koss, Esq.
Koss & Schonfeld, LLP
160 Broadway – 8th Floor
New Jersey, New Jersey 10038
Direct dial: (212) 796-8915
Fax # 212-401-4757

with a copy to:

Allen V. Koss, Esq.
Koss & Schonfeld, LLP
160 Broadway – 8th Floor
New Jersey, New Jersey 10038
Direct dial: (212) 796-8915
Fax # 212-401-4757

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.

37.9 Each party agrees at any time, and from time to time, upon not less than twenty (20) 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.

37.10 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.

37.11 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.

37.12 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, nor in any way affect this Lease.

37.13 This Lease 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.

37.14 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 their respective successors and assigns.

37.15 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".

37.16 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.

37.17 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.

37.18 This Lease shall be construed in accordance with the laws of the State of New Jersey without regard to conflict of laws principles.

37.19 Each party acknowledges that it has certain obligations under applicable New Jersey laws and regulations, including without limitation those New Jersey laws and regulations governing the ownership, management, control and operation of nursing Home and assisted living facilities and all related laws and regulations, to the extent applicable and as they exist at the time this Agreement is executed and as amended (the "***New Jersey Laws***"). Each party hereby agrees to comply with such New Jersey Laws. Any ambiguity in this Agreement shall be resolved to permit the parties to comply with the New Jersey Laws. If there is any direct conflict between the Agreement and the New Jersey Laws, the New Jersey Laws shall control. If any term, provision or condition contained in this Agreement will be deemed or declared unenforceable, invalid or void, the same will not impair or invalidate any of the other provisions contained herein, which will remain in full force and effect.

37.20 The parties hereto agree that with respect to all disputes, problems or claims arising out of or in connection with this Lease and all other agreements or other instruments executed in connection herewith, including and any claim for indemnification by either of the parties hereto (collectively, "**Disputes**"), the parties hereto shall, in good faith, use their reasonable best efforts to resolve the Dispute. If after such efforts the parties hereto are unable within ten (10) days of the arising of the Dispute to resolve the Dispute in good faith, the parties shall use best efforts to use a mutually agreed upon arbitrator (the "**Arbitrator**"). In the event the parties are unable to mutually agree upon the Arbitrator, within fifteen (15) days of the arising dispute then either party may submit to final and binding arbitration before the American Arbitration Association ("**AAA**"), or its successor, pursuant to the Federal Arbitration Act, 9 U.S.C. Sec. 1 *et seq.* In the event AAA is utilized: (a) the parties hereto agree that the rules of the American Arbitration Association applicable to commercial arbitrations shall apply to any such arbitration and that the Expedited Procedures under the Commercial Arbitration Rules shall apply, (b) either party may commence the arbitration process called for in this Lease by filing a written demand for arbitration with AAA, with a copy to the other party, and (c) the arbitration will be conducted in accordance with the provisions of AAA Streamlined Arbitration Rules and Procedures in effect at the time of filing of the demand for arbitration. The parties will cooperate with either the Arbitrator or AAA, as applicable, and with one another in selecting an arbitrator from a panel of neutrals, and in scheduling the arbitration proceedings. The provisions of this Section 37.20 with respect to the arbitration before either the Arbitrator or AAA may be enforced by any court of competent jurisdiction (subject to the provisions of Section 37.18 of this Lease), and the parties agree that any such enforcement action shall be brought in courts having situs in New Jersey and fully submit to the jurisdiction of any such courts and the parties seeking enforcement shall be entitled to an award of all costs, fees and expenses, including attorneys' fees, to be paid by the parties against whom enforcement is ordered. The fees and expenses of such arbitration shall

be borne by the non-prevailing party, as determined by such arbitration. Upon the mutual agreement of the parties involved in the Dispute, the parties may submit to final and binding arbitration before any other recognized alternative dispute resolution company or organization. Any arbitration hereunder shall be conducted by each party choosing one arbitrator and the two chosen arbitrators choosing a third arbitrator. The parties hereto agree that this Section 37.20 has been included to rapidly and inexpensively resolve any disputes between them with respect to the matters described above, and that this paragraph shall be grounds for dismissal of any court action commenced by any party with respect to a dispute arising out of such matters.

37.21 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 Lender 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 Lender of Lessor and/or of Lessee of every sort, if any, is hereby expressly waived by the other party hereto.

37.22 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 their principals, officers or agent 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:


LESSEE:

WAYNE GARDEN REALTY GROUP LLC

AVALON GARDEN GROUP LLC

By: 

Name: Sam Berkowitz
Its: Manager

By: 

Name: Sam Berkowitz
Its: Manager

SUBLEASE

This SUBLEASE (“Sublease”) is entered into effective as of May 31, 2024 by and between **AVALON GARDEN GROUP LLC**, a New Jersey limited liability company (“Landlord”), as sublessor, and **2020 ROUTE 23 OPERATING COMPANY LLC** a New Jersey limited liability company (“Tenant”), as sublessee.

Recitals

A. **WAYNE GARDEN REALTY GROUP LLC**, a New Jersey limited liability company (“Lessor”), owns that certain tract of land, more particularly described as set forth on **Exhibit A**, attached hereto and made a part hereof, which is improved with the real estate located at 220 Route 23 North Wayne, NJ 07470 and the buildings, structures, erections, appurtenances, improvements and easements located thereon consisting of a 170 bed skilled nursing facility, commonly known as Atrium Post Acute Care of Wayneview (“Real Estate”), and the furniture, furnishings, equipment and fixtures on the Real Estate (collectively the “Personal Property”; the Real Estate and the Personal Property are hereinafter referred to collectively as the “Demised Premises”).

B. Landlord, as lessee, entered into that certain Lease Agreement (the “Lease”) dated May 2024, with Lessor and other parties thereto, pursuant to which Lessor intends to lease to Landlord and Landlord intends to lease from Lessor, the Demised Premises.

C. Landlord desires to sublease to Tenant and Tenant desires to sublease from Landlord the Demised Premises on the terms and conditions hereinafter set forth.

Agreements

For and in consideration of the Recitals set forth above (which are by this reference made a part of this Sublease), and the covenants and agreements set forth below and other valuable consideration, Landlord hereby subleases the Demised Premises to Tenant and Tenant hereby subleases the Demised Premises from Landlord under the following terms and conditions:

1. Governing Instruments.

a. The relationship between Landlord, as sublessor, and Tenant, as sublessee, shall in all respects be governed by, and be conducted in accordance with, the terms and conditions of the Lease to the extent such terms and conditions are not inconsistent with the terms and conditions of this Sublease. Capitalized terms used herein and not otherwise defined shall have the definitions assigned to them in the Lease. Unless otherwise specifically provided in this Sublease, Landlord shall have all of the rights and shall incur all of the obligations of the Lessor and Tenant shall have all of the rights and shall incur all of the obligations of the Landlord as lessee under the Lease. With respect to the Landlord and the Tenant only, in the event of any

inconsistencies between the terms and provisions of the Lease and the terms and provisions of this Sublease, the terms and provisions of this Sublease shall govern.

b. In order to ascertain the rights and obligations of Landlord and Tenant herein with respect to the Demised Premises, whenever the word "Lease" or "lease" appears in the Lease, such word shall mean this Sublease; whenever the word "Landlord" appears in the Lease, such word shall mean Landlord hereunder; whenever the word "Tenant" appears in the Lease, such word shall mean Tenant hereunder; whenever the term "Property" or "Personal Property" appears in the Lease, such term shall mean the Demised Premises.

c. Tenant recognizes that Lessor has reserved certain rights with respect to the Demised Premises under the terms and provisions of the Lease, which rights shall continue to be exercised by Lessor. Tenant further agrees that any obligations, responsibilities and duties incurred by Landlord hereunder may be undertaken by Lessor subject to the conditions and limitations contained in the Lease, and that the performance of such obligations, responsibilities and duties by Lessor in accordance with the terms and conditions of the Lease, will constitute full performance thereof by Landlord hereunder.

d. Nothing contained in this Sublease shall in any way be construed as relieving Landlord from the performance of all conditions, obligations and agreements of Landlord as lessee under the Lease.

e. Notwithstanding anything herein to the contrary, the parties hereby agree that Landlord has not assumed any of the obligations of Lessor under the provisions of the Lease that relate to payments required to be made by Lessor to Landlord (and/or Landlord's right to offset rent), and any rights of Landlord to terminate the Lease prior to the conclusion of the term thereof shall not apply to Tenant with respect to this Lease.

2. Term of Sublease. The term of this Sublease shall commence on the Commencement Date of the Lease and shall run for the entirety of the term of the Master Lease, unless sooner terminated or extended as provided herein. Notwithstanding the term as provided in this Paragraph 2, this Sublease shall terminate immediately upon termination of the Lease for any reason whatsoever, including, without limitation, a voluntary termination by Lessor or Landlord. This Agreement shall not be terminable by the Tenant under any circumstances other than for the New Operator being denied the transfer of the facility' operating license, after exhaustion of all appeals and judicial interventions, or upon the termination or expiration of the PSA.

3. Permitted Use. The Demised Premises may only be used by Tenant for and as a skilled nursing facility of 170 licensed beds, respectively, and at all times in accordance with the Lease.

4. Rent Payment. Tenant, through its manager, shall make payments of monthly rent equal to the allocable Base Rent set forth in the Lease, ("Rent"). Tenant shall also make a payment or payments equal to the Taxes and Assessments and Tax Deposits as defined in the Lease. Rent obligations of Landlord under the Lease shall be payable to Landlord in advance on the first day

of each month beginning on the Commencement Date, at the offices of Landlord or at such other address as Landlord may indicate from time to time, without demand, set-off or counterclaim; provided, however, to the extent that the Commencement Date is a date which is not the first day of a calendar month, then the first month's Rent shall be equitably pro-rated for such month.

5. Utilities, Real Estate Taxes and Insurance. Tenant shall pay or cause to be paid all utility charges, real estate taxes and assessments, and insurance coverages, and shall make such tax and/or insurance deposits as set forth in the Lease.

6. Operations of Demised Premises. During the term of this Sublease, Tenant shall remain solely responsible for and shall retain full authority with respect to the operations and management of the facilities located at the Demised Premises.

7. Alterations and Leasehold Improvements. In no event may Tenant make major, structural or permanent alterations or leasehold improvements to the Demised Premises, except as permitted under the Lease.

8. Removal of Property. At no time and in no event may Tenant remove from the Demised Premises any Personal Property of any kind belonging to Landlord or Lessor.

9. Condition of Premises; Surrender. Except as otherwise provided herein or in the Lease, Tenant agrees to accept the Demised Premises in its current "AS IS" condition, and agrees that Landlord is under no obligation to improve, alter or otherwise prepare the Demised Premises for occupancy. Upon termination of this Sublease by lapse of time or otherwise, Tenant agrees to surrender the Demised Premises as required under the Lease.

10. Successors and Assigns. The terms, covenants and conditions of this Sublease shall inure to the benefit of and be binding upon the respective parties hereto, their successors and permitted assigns; provided that Lessor consents to any such succession or assignment that requires Lessor's prior consent. The parties hereto expressly agree and acknowledge for the benefit of Lessor that Tenant may not assign or further sublease its interest in this Sublease without the prior written consent of the Lessor, which consent shall not be unreasonably withheld but shall be subject to the same criteria as set forth in the Lease.

11. Non-Waiver. Any waiver by either party in any particular instance of the rights and limitations contained herein shall not be deemed, and is not intended to be, a general waiver by such party of any rights or limitations contained herein, and shall not operate as a waiver beyond the particular instance.

12. Approval By Lessor. This Sublease is subject to, and shall be of no force and effect until receipt of the approval of Lessor as required under the Lease.

13. Notices. All notices, demands or requests which may or are required to be given by either party to the other shall be in writing and shall be sent by (i) personal delivery; (ii) Federal

Express or other national overnight courier service; or (iii) United States certified mail, return receipt requested, addressed to the other party hereto at the address set forth below:

If to Landlord: **Avalon Garden Group LLC**

with a copy to:

If to Tenant: **2020 Route 23 Operating Company LLC**

with a copy to:

or if written notification of a change of address has been sent, to such other party and/or to such other address as may be designated in that written notification. Notices shall be effective upon receipt or refusal thereof. Notices from counsel to Landlord shall for all purposes hereunder constitute notice from Landlord. Notices from counsel to Tenant shall for purposes hereunder constitute notice from Tenant.

In addition, the parties hereto acknowledge that to the extent notice shall be sent to either party under this Sublease, the notifying party shall additionally notify the Lessor at such addresses as provided in the Lease.

14. Governing Law. This Sublease shall be construed in accordance with and governed by the laws of the State of New Jersey without regard to conflict of laws principles.


15. Counterparts. This Sublease may be executed in multiple counterparts, each of which, shall be deemed an original, and, together, shall constitute one and the same instrument.

[Remainder of this page left intentionally blank. Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have executed this Sublease as of the date first above written.

LANDLORD

AVALON GARDEN GROUP LLC,
a New Jersey limited liability company

By:  _____
Name: Sam Berkowitz
Its: Manager

TENANT

2020 ROUTE 23 OPERATING COMPANY LLC
A New Jersey limited liability company

By: _____
Name: _____
Its: Manager

IN WITNESS WHEREOF, the parties hereto have executed this Sublease as of the date first above written.

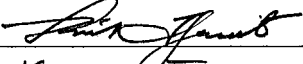
LANDLORD

AVALON GARDEN GROUP LLC,
a New Jersey limited liability company

By: _____
Name: Sam Berkowitz
Its: Manager

TENANT

2020 ROUTE 23 OPERATING COMPANY LLC
A New Jersey limited liability company

By:  _____
Name: VINCENT TURCELLO
Its: Manager

ACKNOWLEDGMENT AND CONSENT

IN WITNESS WHEREOF, the undersigned Lessor hereby joins in the execution of this Sublease for the purpose of confirming its consent to this Sublease, as of the day and year above written. Nothing in this Acknowledgement and Consent shall be deemed to be a consent to any other assignment or sublease by Landlord or by Tenant.

LESSOR

WAYNE GARDEN REALTY GROUP LLC,
a New Jersey limited liability company


By: 
Name: Sam Berkowitz
Its: Manager

EXHIBIT A

Legal Description of Demised Premises