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April 14, 2023

VIA E-MAIL to Lily.Weaver@doj.ca.gov

Lily Weaver, Esq.
Deputy Attorney General
300 S. Spring Street, Suite 1702
Los Angeles, CA 90013

Re: Retirement Housing Foundation - Asset Sales – Change in SNF Operator

Dear Ms. Weaver:

This is to follow up on a letter I sent you on April 6 and an email I sent you on February 23, 2023 regarding a change in the skilled nursing facility ("SNF") operator at Bixby Knolls Towers ("Bixby").

Amendment Request. We respectfully request several amendments to your Office's Conditions of Sale dated January 23, 2023 (the "Conditions") to enable ASLB, LLC, a California limited liability company ("ASLB"), to operate the SNF at Bixby. The previously approved operator, Atlantic Ave. SNF, LLC terminated its operating lease with Pacifica's single-asset entity, Atlantic Ave Holdings LLC ("Atlantic").

The requested amendments would (1) substitute "ASLB, LLC" for "3747 Atlantic Ave SNF LLC" in Sections I and IX of the Conditions; (2) remove all references to Buena Vista Healthcare, LLC or Buena Vista from the Conditions; (3) remove all references to the SNF or SNF operator at Bixby from the reporting conditions contained in Section XIII of the Conditions; (4) remove all references to the SNF or SNF operator at Bixby from the monitoring conditions contained in Sections XIV and XV of the Conditions; and (5) make any conforming changes.

Circumstances Requiring Amendment. After your Office issued its Conditions, 3747 Atlantic Ave SNF, LLC ("3747"), the LLC created by Buena Vista Healthcare LLC to operate the Bixby SNF, decided to terminate its operating lease with Atlantic. 3747 stated that it was not willing to submit to the reporting and monitoring conditions contained in the Conditions of Sale. It added that it could not be induced by increased fees or other financial incentives to change its mind.

Atlantic immediately reached out to several providers to identify a new SNF operator. Aspen Skilled Healthcare, Inc. ("Aspen") agreed to operate the SNF pending negotiation of the related documents and your Office's approval of our waiver request. As is common in SNF operations, Aspen created a new LLC (ASLB) to operate the Bixby SNF. ASLB is 100% owned by Jacaranda Healthcare Group LLC ("Jacaranda"), which in turn is 100% owned by Aspen.

As you know, Aspen enjoys an excellent reputation and one of its controlled entities was recently approved by your Office to operate the SNF at Lake Park in Oakland without any

conditions. Aspen has agreed to operate the SNF – on the condition that it will not be subject to the reporting and monitoring requirements contained in Conditions XIII through XV.

Consistency of Amendment with Conditions. The requested amendments are tailored to achieve two specific goals: (1) to replace the terminated SNF operator at Bixby (3747) with the proposed operator (ASLB); and (2) to remove the reporting and monitoring conditions that your Office would have applied to 3747 because the new operator, which is affiliated with Aspen, does not present any concerns about quality of care or other issues. These amendments would leave intact all other components of the Conditions and thus would serve the public interest. In fact, the amendment would enhance protections of the public because Aspen is well known by your Office and one of its affiliates was recently approved by your Office without any conditions based on a Health Care Impact Statement that your Office commissioned.

Efforts to Avoid Amendment. As noted above, 3747 could not be persuaded to operate the SNF at Bixby after reviewing the reporting and monitoring conditions contained in the Conditions. It could not be induced by financial incentives to change its mind.

Notification of Residents. On March 10, 2023, Bixby, Inc. sent a detailed notice to SNF residents and their families describing the change in SNF operators. A copy of the notice is attached.

Supporting Documents. The following documents are attached to support this amendment request:

1. Articles of Organization of ASLB. This document identifies the date of formation, structure, purpose, and manager of ASLB.
2. Operating Agreement of ASLB. This document identifies the governance structure of ASLB and its sole member, Jacaranda.
3. Organizational chart showing the relationship between ASLB and Aspen. Aspen owns 100% of Jacaranda, which owns 100% of ASLB.
4. Lease Termination between Atlantic and 3747 terminating the Lease and Operational Control Agreement between the two entities with respect to the Bixby SNF.
5. Lease and Operational Control Agreement between Atlantic and ASLB. This document describes the lease of the SNF by Atlantic to ASLB to enable ASLB to operate the SNF as the licensed operator.
6. Unconditional and Continuing Lease Guaranty by Jay Brady, Jeff Bradshaw and Ryan Case, all owners of an indirect interest in ASLB, in favor of Atlantic. The guaranty is a condition of Atlantic's agreement to lease the property to ASLB.
7. Shared Services Agreement between Atlantic and ASLB that allocates between the residential and skilled nursing areas of Bixby Knolls Towers various common administrative, support and other services.

8. Operations Transfer Agreement ("OTA") between the current licensee/seller (Bixby Knolls Towers, Inc.) ("Bixby, Inc.") and ASLB to govern the operation of the SNF after the sale closes and pending issuance of a new SNF license to ASLB.
9. Interim Sublease Agreement between the Sublandord (ASLB) and the Subtenant (Bixby, Inc.) to enable Bixby, Inc., as the current licensee, to control the SNF premises until the new SNF license issues.
10. Guaranty Agreement between Bixby, Inc. and Guarantor (a person affiliated with ASLB) to induce Bixby, Inc., as the Current Operator, to enter into the OTA with ASLB as the New Operator.
11. Notice to SNF residents and their families regarding change in SNF operators.

All of the documents are final and executed except the OTA, Interim Sublease Agreement, and Guaranty Agreement. These three documents will be signed at closing. The OTA and Interim Sublease Agreement are final except for dates, signatures, and the attachment of any change to your Office's Conditions of Sale. The final terms of the Guaranty Agreement are being negotiated.

For all of the foregoing reasons, we respectfully request your Office's approval of the proposed amendments as soon as possible.

Thank you very much for your consideration. Please let me know if you have any questions.

Very truly yours,



Pamela S. Kaufmann
Partner

Enclosures

cc: Stuart Hartman
Robert Amberg, Esq.

Articles of Organization of ASLB



202355010657



STATE OF CALIFORNIA
Office of the Secretary of State
ARTICLES OF ORGANIZATION
CA LIMITED LIABILITY COMPANY
 California Secretary of State
 1500 11th Street
 Sacramento, California 95814
 (916) 653-3516

For Office Use Only

-FILED-

File No.: 202355010657

Date Filed: 2/9/2023

B1490-2374 02/09/2023 11:33 AM Received by California Secretary of State

Limited Liability Company Name	
Limited Liability Company Name	ASLB, LLC
Initial Street Address of Principal Office of LLC	
Principal Address	28202 CABOT ROAD SUITE 412 LAGUNA NIGUEL, CA 92677
Initial Mailing Address of LLC	
Mailing Address	28202 CABOT ROAD SUITE 412 LAGUNA NIGUEL, CA 92677
Attention	
Agent for Service of Process	
Agent Name	Stephen Thompson
Agent Address	28202 CABOT ROAD SUITE 412 LAGUNA NIGUEL, CA 92677
Purpose Statement	
The purpose of the limited liability company is to engage in any lawful act or activity for which a limited liability company may be organized under the California Revised Uniform Limited Liability Company Act.	
Management Structure	
The LLC will be managed by	More than One Manager
Additional information and signatures set forth on attached pages, if any, are incorporated herein by reference and made part of this filing.	
Electronic Signature	
<input checked="" type="checkbox"/> By signing, I affirm under penalty of perjury that the information herein is true and correct and that I am authorized by California law to sign.	
<i>Jared Kirkwood</i>	<i>02/09/2023</i>
Organizer Signature	Date

Operating Agreement of ASLB

**OPERATING AGREEMENT OF ASLB, LLC,
a California limited liability company**

This Operating Agreement is made as of February 15, 2023, by Jacaranda Healthcare Group, LLC, a California limited liability company (referred to as the “Sole Member”) with reference to the following facts:

A. The Sole Member formed a limited liability company by the name of ASLB, LLC (the “Company”) under the California Revised Uniform Limited Liability Company Act (the “Act”) (California Corporations Code §§17701.01-17713.13).

B. The Sole Member desires to execute this Operating Agreement in order to form and provide for the governance of the Company and the conduct of its business.

Now, therefore, the Sole Member declares the following to be the Operating Agreement of the Company:

ARTICLE I: ARTICLES OF ORGANIZATION

1.1. The Sole Member caused the Articles of Organization, in the form attached to this Agreement as Exhibit A, to be filed with the California Secretary of State on February 9, 2023, file number 202355010657.

1.2. The name of the Company is ASLB, LLC.

1.3. The principal executive office and mailing address of the Company shall be at 28202 Cabot Road, Suite 412, Laguna Nigel, California 92677, or any other place or places determined by the Managers from time to time.

1.4. The initial agent for service of process on the Company shall be Stephen Thompson, whose address is at 28202 Cabot Road, Suite 412, Laguna Nigel, California 92677. Any Manager or the Sole Member may from time to time change the Company's agent for service of process.

1.5. The Company shall be formed for the purposes of engaging in any lawful act or activity for which a limited liability company may be organized under the Act.

1.6. The term of existence of the Company shall commence on the effective date of filing of Articles of Organization with the California Secretary of State and shall continue until terminated by the provisions of this Agreement or as provided by law.

1.7. The Managers of the Company shall be: Stephen Thompson and Timothy Caslmon.

ARTICLE II: CAPITALIZATION

2.1. The Sole Member shall contribute to the capital of the Company the money and property specified in Exhibit B to this Agreement. The Sole Member may from time to time and

at any time contribute cash or property to the Company as the Sole Member may determine.

2.2. The Sole Member shall not be bound by, or be personally liable for, the expenses, liabilities, or obligations of the Company except as otherwise provided in the Act or in this Agreement.

ARTICLE III: ALLOCATIONS AND DISTRIBUTIONS

3.1. If any membership interest, or part of an interest, is transferred during any fiscal year in compliance with the provisions of this Article III, profits, losses, each item thereof, and all other items attributable to the membership interest for that fiscal year shall be divided and allocated between the transferor and the transferee by taking into account their varying membership interests during the period in accordance with Internal Revenue Code §706(d), using any convention permitted by law selected by the Sole Member. All distributions on or before the date of the transfer shall be made to the transferor, and all distributions thereafter shall be made to the transferee. Solely for purposes of making the allocations and distributions, the Company shall recognize the transfer not later than the end of the calendar month during which the transfer occurs. Neither the Company nor the Sole Member shall incur any liability for making allocations and distributions in accordance with the provisions of this Section 3.1.

3.2. All cash resulting from the operations of the Company shall be distributed to the Sole Member at such times as the Sole Member deems appropriate.

ARTICLE IV: MANAGEMENT

4.1. The business of the Company shall be managed by the Managers. The Sole Member may appoint one or more Managers to replace the initial Managers listed in Section 1.8 and may designate the duties and obligations of such Managers.

4.2. The Company may have a President who may, but need not, be a Manager. The Sole Member may provide for additional officers of the Company and may alter the powers, duties, and compensation of the President and of any other officer.

4.3. All Company assets, whether real or personal, shall be held in the name of the Company.

4.4. All Company funds shall be deposited in one or more accounts with one or more recognized financial institutions in the name of the Company, at locations determined by the Managers. Withdrawal from those accounts shall require the signature of one or more of the Managers or the person or persons designated by the Managers.

ARTICLE V: ACCOUNTS AND RECORDS

5.1. Complete books of account of the Company's business, in which each Company transaction shall be fully and accurately entered, shall be kept at the Company's principal

executive office.

5.2. Financial books and records of the Company shall be kept on the cash method of accounting. A balance sheet and income statement of the Company shall be prepared promptly following the close of each fiscal year in a manner appropriate to and adequate for the Company's business and for carrying out the provisions of this Agreement. The fiscal year of the Company shall be January 1 through December 31.

5.3. At all times during the Company's term of existence, and beyond that term if the Managers deem it necessary, the Managers shall keep or cause to be kept the books of account referred to in Section 5.2, and the following:

(a) A current list of the full name and last known business or residence address of the Sole Member, together with the capital contributions and the share in profits and losses of the Sole Member;

(b) A copy of the Articles of Organization, as amended;

(c) Copies of the Company's federal, state, and local income tax or information returns and reports, if any, for the six most recent taxable years;

(d) Executed counterparts of this Agreement and all amendments thereto;

(e) Any powers of attorney under which the Articles of Organization or any amendments to them were executed;

(f) Financial statements of the Company, if any, for the six most recent fiscal years; and

(g) The books and records of the Company as they relate to the Company's internal affairs for the current and past four fiscal years.

ARTICLE VI: RESTRICTIONS ON TRANSFER OF MEMBERSHIP INTEREST

6.1. The Sole Member shall not transfer any part of the Sole Member's membership interest in the Company; provided, however, that notwithstanding the foregoing or any other provision of this Agreement to the contrary, the Sole Member may transfer all or any portion of its membership interest to any revocable trust created for the benefit of the Sole Member. A transfer of the Sole Member's entire beneficial interest in the trust shall be deemed a transfer of its membership interest in the Company.

ARTICLE VII: DISSOLUTION AND WINDING UP

7.1. The Company shall be dissolved on the first to occur of the following events:

(a) The decision of the Sole Member and the Managers to dissolve the Company.

(b) The sale or other disposition of substantially all of the Company's assets.

(c) The passage of 90 consecutive days during which the Company has no Members, except on the death of a natural person who is the Sole Member of the Company, the status of the Member, including a Membership Interest, may pass to the heirs, successors, and assigns of the Member by will or applicable law. The heir, successor, or assign of the Member's interest becomes a substituted Member pursuant to California Corporations Code §17704.01(d), subject to administration as provided by applicable law, without the permission or consent of the heirs, successors, or assigns or, those administering the estate of the deceased member.

(d) Entry of a decree of judicial dissolution under California Corporations Code §17707.03.

7.2. On the dissolution of the Company, it shall engage in no further business other than that necessary to wind up its business and affairs. The Managers shall wind up the affairs of the Company and give written Notice of the commencement of winding up by mail to all known creditors and claimants against the Company whose addresses appear in the records of the Company. After paying or adequately providing for the payment of all known debts of the Company (except debts owing to the Sole Member), the remaining assets of the Company shall be distributed or applied in the following order of priority:

(a) To pay the expenses of liquidation.

(b) To repay outstanding loans to the Sole Member.

(c) To the Sole Member.

ARTICLE VIII: GENERAL PROVISIONS

8.1. This Agreement constitutes the whole and entire agreement with respect to the subject matter of this Agreement.

8.2. This Agreement shall be construed and enforced in accordance with the laws of the state of California. If any provision of this Agreement is determined by any court of competent jurisdiction or duly authorized arbitrator(s) to be invalid, illegal, or unenforceable to any extent, that provision shall, if possible, be construed as though more narrowly drawn, if a narrower construction would avoid that invalidity, illegality, or unenforceability or, if that is not possible, that provision shall, to the extent of that invalidity, illegality, or unenforceability, be severed, and the remaining provisions of this Agreement shall remain in effect.

8.3. The article, section, and subsection titles and headings in this Agreement are inserted as a matter of convenience and for ease of reference only and shall be disregarded for all other purposes, including the construction or enforcement of this Agreement or any of its provisions.

8.4. This Agreement may be altered, amended, or repealed only by a writing signed by the Sole Member.

8.5. Time is of the essence for every provision of this Agreement that specifies a time for

performance.

8.6. This Agreement is made solely for the benefit of the Sole Member and the Sole Member's permitted successors and assigns, and no other person or entity shall have or acquire any right by virtue of this Agreement.

8.7. The Sole Member intends the Company to be a limited liability company under the Act.

[Signatures on next page]

ASLB, LLC OPERATING AGREEMENT
Signature Page

The Sole Member hereby executes or causes to be executed this Agreement on February 15, 2023.

SOLE MEMBER

JACARANDA HEALTHCARE GROUP, LLC
a limited liability company

By: 
Name: Stephen Thompson
Title: Manager

EXHIBIT A

Articles of Organization



202355010657

B1490-2374 02/09/2023 11:33 AM Received by California Secretary of State



STATE OF CALIFORNIA
Office of the Secretary of State
ARTICLES OF ORGANIZATION
CA LIMITED LIABILITY COMPANY
 California Secretary of State
 1500 11th Street
 Sacramento, California 95814
 (916) 653-3516

For Office Use Only
-FILED-
 File No.: 202355010657
 Date Filed: 2/9/2023

Limited Liability Company Name	
Limited Liability Company Name	ASLB, LLC
Initial Street Address of Principal Office of LLC	
Principal Address	28202 CABOT ROAD SUITE 412 LAGUNA NIGUEL, CA 92677
Initial Mailing Address of LLC	
Mailing Address	28202 CABOT ROAD SUITE 412 LAGUNA NIGUEL, CA 92677
Attention	
Agent for Service of Process	
Agent Name	Stephen Thompson
Agent Address	28202 CABOT ROAD SUITE 412 LAGUNA NIGUEL, CA 92677
Purpose Statement	
The purpose of the limited liability company is to engage in any lawful act or activity for which a limited liability company may be organized under the California Revised Uniform Limited Liability Company Act.	
Management Structure	
The LLC will be managed by	More than One Manager
Additional information and signatures set forth on attached pages, if any, are incorporated herein by reference and made part of this filing.	
Electronic Signature	
<input checked="" type="checkbox"/> By signing, I affirm under penalty of perjury that the information herein is true and correct and that I am authorized by California law to sign.	
<i>Jared Kirkwood</i>	02/09/2023
Organizer Signature	Date

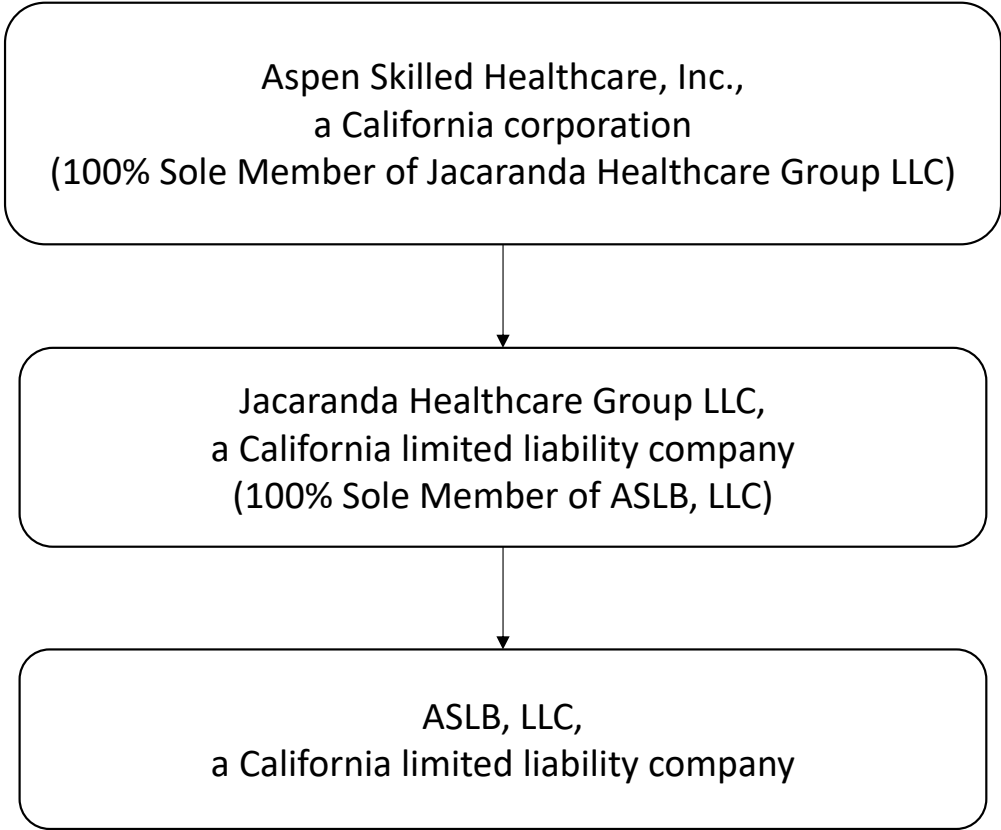
EXHIBIT B
Capitalization

Member: Jacaranda Healthcare Group, LLC

Contribution: \$1,000.00

Ownership: 100%

Organizational Chart



Lease Termination

LEASE TERMINATION

THIS LEASE TERMINATION (the “**Agreement**”) is made and entered into as of March 6, 2023 (the “**Effective Date**”), by and between Atlantic Ave Holdings LLC, a California limited partnership (“**Owner**”), 3747 Atlantic Ave. SNF, LLC, a California limited liability company (“**Operator**”), and Richard Martin and Bryan Boehrer, each an individual (collectively “**Guarantor**”) with reference to the following facts:

A. WHEREAS, Owner is under contract to acquire that certain senior housing and community care community consisting of fifty-nine (59) assisted living units and ninety-nine (99) skilled nursing beds, commonly known as “Bixby Knowles Towers” and located at 3747 and 3737 Atlantic Avenue, Long Beach, CA 90807 (the “**Property**”).

B. WHEREAS, Owner and Operator entered into that certain Lease and Operational Control Agreement dated as of April 1, 2022 (the “**Lease**”), pursuant to which Owner agreed to lease to Operator, the skilled nursing component of the Property (the “**Facility**,” and together with the real property and improvements related to the Facility, the “**SNF Premises**”).

C. WHEREAS, In connection with the Guarantor executed and delivered to Owner that certain Unconditional and Lease Guaranty dated on or about April 1, 2022 (the “**Guaranty**”).

D. WHEREAS, Owner (via its affiliated entity) will operate the residential living and assisted living components of the Property (the “**Non-SNF Premises**”) upon Owner’s acquisition of the Property.

E. WHEREAS, Owner and Operator also entered into a Shared Services Agreement dated on or about April 1, 2022 (“**SSA**”) concurrent with the Lease, in order to share certain common administrative, support and other services amongst the SNF Premises and the Non-SNF Premises.

F. WHEREAS, Due to unanticipated conditions that the Attorney General of the State of California has imposed upon Operator for the operation of the Facility, Owner has agreed to lease the Facility to a different operator.

G. WHEREAS, in light of the foregoing, Owner and Operator hereby agree to terminate the Lease, Guaranty and the SSA.

NOW, THEREFORE, in consideration of the above-referenced facts and the covenants of Owner and Operator contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Owner and Operator agree as follows:

1. Incorporation of Recitals. Recitals A through G above are hereby expressly incorporated into this Agreement by this reference.

2. Lease and Guaranty Termination. On the Effective Date, the Lease and Guaranty shall terminate pursuant to Section 34(a) of the Lease, provided that any indemnification obligations of Operator and Guarantor and any other rights, obligations and agreements under the Lease and Guaranty that survive termination of the Lease and Guaranty will continue in effect (“**Surviving Obligations**”).

3. Deposit. Within two (2) business days’ of the Parties’ execution of this Agreement, Owner agrees to return the deposit delivered by Operator under the Lease in the amount of One Hundred Forty-Eight Thousand Five Hundred and No/100 Dollars (\$148,500.00) to a depository account of Operator via wire instructions to be provided to Owner under separate cover.

4. Termination of Shared Services Agreement. By mutual agreement, pursuant to Section 6.2(i) of the SSA, Owner and Operator agree to terminate the SSA.

5. Miscellaneous Provisions.

5.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

5.2 Partial Invalidity. If any provision of this Agreement is found to be invalid or unenforceable by any court or other lawful forum, such provision shall be ineffective only to the extent that it is in contravention of applicable laws without invalidating the remaining provisions of this Agreement, unless such invalidity or unenforceability would defeat an essential business purpose of this Agreement.

5.3 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. Executed copies of this Agreement may be delivered by electronic means, and upon receipt will be deemed originals and binding upon the parties hereto, regardless of whether originals are delivered thereafter.

5.4 Successors and Assigns. This Agreement shall be binding on the parties to this Agreement and on their respective heirs, devisees, successors and assigns.

5.5 Attorneys’ Fees. If any action or proceeding shall be instituted in connection with this Agreement, the losing party shall pay to the prevailing party a reasonable sum for attorneys’ fees and costs incurred in bringing or defending such action or proceeding and/or enforcing any judgment granted therein, all of which shall be deemed to have accrued upon the commencement of such action or proceeding and shall be paid whether or not such action or proceeding is prosecuted to final judgment. Any judgment or order entered in such action or proceeding shall contain a specific provision providing for the recovery of attorneys’ fees and costs, separate from the judgment, incurred in enforcing such judgment. The prevailing

party shall be determined by the trier of fact based upon an assessment of which party's major arguments or positions taken in the proceedings could fairly be said to have prevailed over the other party's major arguments or positions on major disputed issues. For the purposes of this Section, attorneys' fees shall include, without limitation, fees incurred in the following: (1) post-judgment motions; (2) contempt proceedings; (3) garnishment, levy, and debtor and third party examinations; (4) discovery; and (5) bankruptcy litigation. This Section is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

[Signature page follows]

EVIDENCING their agreement to the above terms and conditions, Owner, Operator and Guarantor have executed this Agreement as of the date first set forth above.

OWNER:

**ATLANTIC AVE HOLDINGS LLC,
a California limited liability company**

By: _____
Name: Deepak Israni
Title: General Manager

GUARANTOR:

By: Richard Martin
Name: Richard Martin

By: Bryan Boehrer
Name: Bryan Boehrer

OPERATOR:

**3747 ATLANTIC AVE. SNF, LLC,
a California limited liability company**

By: Richard Martin
Name: Richard Martin
Title: Manager

EVIDENCING their agreement to the above terms and conditions, Owner, Operator and Guarantor have executed this Agreement as of the date first set forth above.

OWNER:

**ATLANTIC AVE HOLDINGS LLC,
a California limited liability company**

By: 
Name: Deepak Israni
Title: General Manager

GUARANTOR:

By: _____
Name: Richard Martin

By: _____
Name: Bryan Boehrer

OPERATOR:

**3747 ATLANTIC AVE. SNF, LLC,
a California limited liability company**

By: _____
Name: Richard Martin
Title: Manager

Lease and Operational Control Agreement

LEASE AND OPERATIONAL CONTROL AGREEMENT

THIS LEASE AND OPERATIONAL CONTROL AGREEMENT (“**Agreement**” or “**Lease**”) is made as of March 9, 2023 (the “**Effective Date**”), between Atlantic Ave Holdings LLC, a California limited liability company (“**Owner**”) and ASLB, LLC, a California limited liability company (the “**Operator**”). Owner and Operator are collectively referred to herein as “Parties.”

WITNESSETH:

WHEREAS, Owner is a limited liability company organized in the state of California and is under contract to acquire that certain senior housing community consisting of 59 assisted living units and 99 skilled nursing beds commonly known as "Bixby Knowles Towers" and located at 3747 and 3737 Atlantic Ave. Long Beach, CA 90807 (the “**Property**”) to be re-branded as The Laurel at Long Beach (the “**Facility**”), together with the other real property and improvements identified as the “**Premises**” as defined herein below;

WHEREAS, the skilled nursing component to the Facility consists of that portion of the Property generally described as “Bixby Towers Health Care & Rehab Center” (the “**SNF Premises**”);

WHEREAS, Owner (or an affiliate) intends operate the residential living, assisted living components of the Property (the “**Non-SNF Premises**”) and Operator shall have no liability for the Non-SNF Premises except as may be specifically set forth herein;

WHEREAS, Owner desires to not be involved in the skilled nursing facility activities at the Facility;

WHEREAS, Operator is a California limited liability company having the personnel resources available and licensed and certified staff specially trained to manage and operate the skilled nursing facility activities at the Facility; and

WHEREAS, it is mutually beneficial for the parties to enter into this Agreement.

NOW, THEREFORE, in consideration of the recitals above and the mutual representations and agreements set forth below, the receipt and sufficiency of which are acknowledged by the parties, the parties represent and agree as follows:

1. Lease and Operations. For and in consideration of the covenants and agreements hereinafter contained, Owner does hereby let, lease, and demise unto Operator, and Operator does hereby lease from Owner, the SNF Premises and the parking spaces (on a non-exclusive basis), equipment, inventory and furnishings located at the Facility that are being utilized by the SNF Premises.

TO HAVE AND TO HOLD the same unto Operator and unto Operator’s successors and assigns, together with all privileges and appurtenances thereunto belonging, for the term and under the conditions hereinafter set forth. The Premises shall be used solely for the purpose of conducting a skilled nursing facility business thereon.

2. Term.

(a) The term of this Agreement shall be for a period of ten (10) years beginning on the date that that is the earlier of the dates described in subsections (i) and (ii), below (the

“**Commencement Date**”), and ending on the tenth (10th) anniversary of such date (including any Extended Term described below, the “**Term**”). Once the Commencement Date has been determined, Owner and Operator agree to promptly enter into an amendment to this Lease to amend the terms of this Section 2(a) to identify the Commencement Date.

(i) the Effective Date; and

(ii) the date that the following conditions are satisfied: (1) Operator shall have received its skilled nursing facility license from CDPH (as defined below) to operate the SNF Premises; and (2) Operator and the Facility shall have completed the Medicare and Medicaid certification process, enabling Operator and the Facility to participate in the Medicare and Medicaid programs, and to bill and collect reimbursements from Medicare and/or Medicaid for services rendered by Operator to eligible patients at the Facility. Operator shall promptly make all applications to satisfy the conditions described in this subsection (ii) and shall prosecute such applications to completion in a commercially reasonable manner without undue delay.

(b) Operator shall have and is hereby granted one (1) option (the “**Extension Option**”) to extend the Term (an “**Extended Term**”) for an additional ten (10) years, upon the terms, covenants, conditions and rental as set forth herein; provided no continuing Event of Default then exists hereunder at the commencement of the Extended Term. Operator may exercise such Extension Option by giving written notice to Owner not less than six (6) months nor more than twelve (12) months prior to the expiration of the Term. Should Operator fail to give Owner such timely written notice during the required period, the then current Term and all rights of renewal shall automatically expire as of the then scheduled expiration date of the Term.

(c) Other than as set forth in subsections (a) and (b), above, this Agreement may not be further extended without the consent of both Owner and Operator.

3. Rental. As rental for the Premises, Operator shall pay to Owner;

(a) Commencing with the Commencement Date and continuing on the first day of each month for the first twenty-four months of the Term, rent equal to Eight Hundred and No/100 Dollars per licensed bed per month (currently equal to Seventy-Nine Thousand Two Hundred and No/100 Dollars (\$79,200.00) calculated as follows: \$800/bed x 99 beds).

(b) Commencing with the second annual anniversary date of the Term (month 25) and continuing on each subsequent annual anniversary date of the commencement of this Lease (each a “**Rent Adjustment Date**”) Base Rent (including any per licensed bed increase) shall be increased by three percent (3%) of the Base Rent in effect immediately prior to each Rent Adjustment Date.

(c) A late payment charge of five percent (5.0%) of the rental amount may be charged if the rent is not paid by the fifth (5th) business day of any month during the Term. In addition, any amount of rent not paid by the fifth (5th) day of any month shall bear interest until paid at the annual rate of four percent (4.0%), or the highest rate allowed under California law, whichever is less. The rent shall be prorated for any month in which this Agreement commences or expires on a day other than the first or last day of such month.

(d) The Parties believe the rent to be a fair market value like lease expense for similarly operated Facilities, and as such, the rent is direct payment for the use of and right to operate the Facility.

4. Triple Net Lease. This is a triple net lease, meaning that in addition to the rental payment set forth in Section 3 above, Operator shall pay all amounts necessary to operate and maintain the Facility, including without limitation, all real property taxes and assessments, repairs, maintenance and replacements for the Premises, and insurance, excluding however, any county, state or federal income taxes of Owner, and any municipal, county, state or federal franchise, gross receipts, estate, gift, succession, inheritance taxes of Owner and/or all other taxes applicable to Owner's gross or net income. Notwithstanding the foregoing, Owner shall be responsible for the repairs identified in Section 5 below, until Owner has expended sums up to the Owner's Repair Contribution Limit. The rent due under this lease will be paid by Operator and be received by Owner without any deduction or offset whatsoever by Operator, foreseeable or unforeseeable. Property tax and insurance payments shall be paid by Operator to Owner quarterly. The timing and amount of such quarterly payments shall be such that Owner will have sufficient funds from which to pay all property tax and insurance invoices at such times as to avoid any and all penalties and to take maximum advantage of any and all discounts available.

The parties acknowledge that this Lease covers only the skilled nursing facility portion of the campus currently known as "Healdsburg Senior Living Community," a senior housing facility which includes independent living, assisted living and memory care components that are not subject to this Lease. The parties agree that certain expenses of the entire facility will be shared in accordance with that certain Shared Services Agreement attached hereto as Exhibit "B" and incorporated herein by this reference (the "SSA"). Such SSA shall control notwithstanding any provision to the contrary regarding the obligation for expenses contained in this Lease.

5. Facility Improvements. Owner covenants and agrees that, to the extent that any repairs, alterations, construction or any other work has been performed or initiated at the Premises prior to the Commencement Date of this Lease whether such work was initiated by Owner or by its affiliate that operated the Premises prior to the Commencement Date hereof ("**Pre-Commencement Date Repairs**"), Owner and/or its affiliate shall remain solely responsible for the completion and costs of all such Pre-Commencement Date Repairs, and Owner further covenants and agrees that it shall, or shall cause its affiliate to, complete all such Pre-Commencement Date Repairs in accordance with all applicable laws and regulations, including without limitation, all regulations and requirements of the Department of Health Care Access and Information ("**HCAI**"). In acknowledgement of the foregoing, Owner agrees to indemnify, defend and hold harmless Operator from any and all liabilities, fees, costs, fines and/or other penalties that may be assessed against the Premises and/or Operator by HCAI or any other governmental agency in connection with any and all such Pre-Commencement Date Repairs.

6. Absolute Net Lease.

(a) All rent payments shall be absolutely net to the Owner free of taxes, assessments, utility charges, operating expenses, refurbishings, insurance premiums or any other charge or expense in connection with the Premises. All expenses and charges, whether for upkeep, maintenance, repair, (whether structural or non-structural) refurbishing, refurbishing, restoration, replacement, insurance premiums, taxes, utilities, and other

operating or other charges of a like nature or otherwise, shall be paid by Operator provided, however, that Operator shall not be responsible for repair or replacement necessary to cure any condition for which Owner is responsible under Paragraph 5 until Owner has expended the total of the Owner's Repair Contribution Limit. This provision is not in derogation of the specific provisions of this Lease, but in expansion thereof and as an indication of the general intentions of the parties hereto. Operator shall continue to perform its obligations under this Lease even if Operator claims that Operator has been damaged by any act or omission of Owner. Therefore, Operator shall at all times remain obligated under this Lease without any right of set-off, counterclaim, abatement, deduction, reduction or defense of any kind, except as otherwise expressly provided for in this Agreement. Operator's sole right to recover damages against Owner by reason of a breach or alleged breach of Owner's obligations under this Lease shall be to prove such damages in a separate action against Owner.

7. Utilities. Subject to the SSA, Operator shall be responsible for the prompt and full payment, as and when due, of all charges (including taxes) for water, sewer, sanitation, electricity, gas, telephone, and other utilities consumed on the Premises.

8. Collection of Revenue. Operator shall be entitled to collect and retain all payments, third party reimbursements, and receivables arising from services provided at the Facility during the Term.

9. Taxes. Subject to the SSA, Operator shall 1) pay to the applicable taxing authority all ad valorem taxes and assessments due to improvement districts or governmental bodies which may be levied, assessed or charged against the Premises by reason of the real property and premises leased hereunder including but not limited to real estate and personal property taxes, business and occupational taxes, license taxes, intangible property, gross receipts, or other excise taxes; and 2) be responsible for all taxes attributable to the property of Operator on the Premises and for all license, privilege and occupation taxes levied, assessed or charged against Operator on account of the operation of the business from the Premises. Operator shall pay all real property tax bills on or relating to the Premises before such bills become past due. Taxes for any partial year shall be prorated between Operator and Owner, with Owner to be responsible for the taxes attributable to periods prior to the Commencement Date, and Operator to be responsible for taxes attributable to periods on and after the Commencement Date.

10. Operational Responsibilities.

(a) Responsibilities of Owner.

(i) Owner shall execute and deliver any documents reasonably necessary to facilitate the change of operational control of the Facility.

(ii) Owner shall and shall cause the current operator of the Premises to execute and timely deliver any documents reasonably necessary to effectuate the change of ownership with respect to the license of the Facility to Operator as of the Effective Date, including a Change of Ownership Notification, and a Notice of Change of Operational Control, substantially similar to the form attached hereto as Exhibit C.

(iii) Owner shall cooperate with and timely provide to Operator any and all information Operator may reasonably request with such licensing. Further, Owner

shall cooperate in the development by Operator of a strategic marketing plan to provide for the continued occupancy of the Facility; provided, however, that Operator shall not advertise or otherwise use Owner's name, trade name, trademarks or corporate symbols without the prior written consent of Owner.

(b) Responsibilities of Operator. Operator shall operate the Facility at Operator's expense in a professional and competent manner. In addition, Operator shall have the following specific obligations along with the authority to implement such obligations to achieve the orderly operation of the Facility, all at Operator's expense:

(i) Recruit, screen, employ, train, promote, direct and terminate the employment of Facility personnel as necessary for the operation of all departments and services of the Facility, including without limitation, setting the salary levels, establishing personnel policies, and maintaining employee benefits within prescribed regulatory limits and consistent with developed performance standards. At or prior to the Commencement Date, Operator will tender offers of employment to all of the Employees involved in the skilled nursing facility activities at the Facility in good standing. Such offers of employment made by Operator will be made in a manner sufficient to comply with federal, state, and local law.

(ii) Implement policies and procedures for each department and service of the Facility as required by California Department of Public Health ("CDPH") rules and regulations, federal regulations for nursing Facility and in material compliance with any rules and regulations of HUD pursuant to financing secured by the Premises.

(iii) Assure the continuing good standing of the skilled nursing facility license and Medicare and Medicaid certification as required for the operation of the Facility maintaining licenses for no fewer beds than as shown on Exhibit A-1 and participate as necessary in obtaining any certification and licensing required by the regulatory agencies.

(iv) Cooperate with Owner in complying with any and all obligations under the CCRC Lifecare Contracts of residents at the Non-SNF Premises including, by way of example and not by limitation, providing priority placement for such residents in the Facility.

(v) Maintain the necessary contracts with agencies and intermediaries to ensure continuing eligibility for participation in the State Medicaid Program Title XIX of the Social Security Act, as amended, and Medicare Program Title XVIII of the Social Security Act, as amended.

(vi) Perform all other activities related to the establishment and operation of the Facility as a fully licensed, certified and functioning free standing skilled nursing facility.

(vii) Be responsible for purchase of supplies, equipment, maintaining supply agreements or purchase contracts. Implement repairs and continued maintenance of Facility equipment and buildings. Be responsible for conducting periodic on-site

inspections of the Facility, announced and unannounced, to ensure the physical plant and grounds are in satisfactory repair and condition.

(viii) Maintain a set and system of accounting books and records used in the operation of the Facility at Operator's expense by Operator's employees. Such books and records shall be maintained on the basis of a December 31st calendar year or other such fiscal year elected by the Operator with written notice to Owner and shall permit Owner or any of its agents (upon reasonable prior notice to Operator), representatives or lenders to have access to and to examine and copy or make abstracts of all such books and records at any time or times hereafter during normal business hours. In addition, Operator shall provide to Owner an income statement, balance sheet, cash flow statement and census trend report on a monthly basis in form and content satisfactory to Owner in Owner's reasonable discretion.

(ix) Maintain, at Operator's expense, the overall management and operational responsibility of the Facility ensuring the Facility is efficient and effective and operated in good standing with CDPH. This includes responsibility for hiring and maintaining staff and professional consultants, billing for services and all other operational activities as required.

(x) Maintain material compliance with all federal, state and local licensing and other laws and regulations applicable to the operation of a licensed nursing facility at the Premises as well as with the certification requirements of Medicare and Medicaid (or any successor program), as applicable. Further, Operator shall ensure that the Premises continue to be operated as skilled nursing Facility licensed for no fewer beds than as shown on Exhibit A-1, all without any suspension, revocation, decertification or other limitation. Operator shall maintain all necessary permits, licenses and approvals for the operation of the Facility.

(xi) The matters set forth above are not intended to be limitations upon the management or operation activities, but are set forth to specify the general nature of the rights and responsibilities of the parties.

11. Continuous Use. Operator shall, at Operator's expense, continuously use and occupy and operate the Premises during the Term as a nursing facility licensed for not less than the number of beds listed on Exhibit A-1 and for ancillary services relating thereto, but for no other purpose. Notwithstanding the foregoing, Operator may temporarily interrupt the continuous operation of all or a portion of the Facility (i) for purposes of restoration following a casualty (ii) for a reasonable period of time to complete refurbishment work approved by Owner (iii) to as reasonably necessary construct alterations or improvements or to perform maintenance, repair, and replacement as may be required or permitted under this Lease. In the event Operator fails to perform its obligation, Owner shall be entitled to (a) injunctive relief requiring Operator to occupy the Premises and operate as hereinabove provided and/or (b) at Owner's election to immediately possess the Premises for the purpose of commencing reletting efforts or other operational efforts without prejudice in each instance to Owner's right to damages and other remedies as set forth herein or available under applicable law.

12. Repairs and Replacements. Operator agrees, at its own cost and expense, to keep and maintain each and every part of the Facility both structural and non-structural and the equipment and furnishings on the Premises, (including the roof, walls, electrical systems and all plumbing) in at least as good repair as when the premises were received, ordinary wear and tear and casualties beyond Operator's control alone excepted and to be responsible for the maintenance and normal operating condition of all heating, electrical and air conditioning equipment and plumbing on the Premises at its own cost and expense. Operator shall return the Premises at the expiration or termination of this Agreement in good order and condition, excepting only ordinary wear and tear and casualties beyond Operator's control. Further, Operator shall promptly make or cause to be made all repairs, interior and exterior, structural and nonstructural, ordinary and extraordinary, foreseen and unforeseen, necessary to keep the Premises in good and lawful order and condition, normal wear and tear excepted, and in substantial compliance with all applicable local, state and federal laws and licensing requirements. Operator shall also replace any worn out equipment located at the Facility in accordance with practices which are reasonable or customary in the operation of nursing homes. Provided, however, in the event Operator does not wish to remain in possession of any such worn out equipment which is not needed in connection with the operation of the Premises, in lieu of replacing or retaining at the Premises, Operator may return to Owner, or, at Owner's discretion, may discard same. Operator shall spend at least \$39,600/year (\$400.00/bed) on capital improvements to the Facility, and submit all such documentation to Owner of Tenant's capital expenditures on a bi-annual basis on June 30 and December 31 of each year. In the event for any calendar year Operator fails to provide adequate documentation of expenditures of at least \$39,600.00 during such year, then Operator shall pay the shortfall to Owner as additional rent with the documentation that is due on December 31 of such year. Notwithstanding the foregoing, to the extent that Operator expends more than \$39,600.00 during any such given year, then such amounts spent by Operator in excess of \$39,600.00 shall be credited towards Operator's annual capital expenditures requirement for the following two (2) lease years. All such capital expenditures shall become the property of Owner and shall remain with the Facility at the expiration of the Term. All such capital expenditures shall become the property of Owner and shall remain with the Facility at the expiration of the Term.

13. Operator Liens. Operator may secure a working capital line of credit from a third party lender collateralized by facility accounts receivable and accounts receivable related collateral as more fully described in such working capital lender loan documents and UCC-1 financing statements. Owner agrees to subordinate any interest it may now or in the future have in such collateral and further agrees to execute applicable legal documents with Operator's lender customary in such transactions. Upon Owner's request, Operator agrees to cause the accounts receivable lender to execute a customary Intercreditor Agreement with respect to any liens granted in connection with such financing. For the avoidance of doubt, the collateral for the accounts receivable loan shall only consist of that property owned solely by Operator and Owner is not subordinating its interest in any property owned solely by Owner.

14. Alterations. Operator shall have the right and privilege to make, at Operator's expense, ordinary repairs and alterations to the Premises; provided, however, no alterations or changes of a structural nature exceeding One Hundred Thousand Dollars (\$100,000.00) shall be made without the prior written consent of Owner.

15. Fixtures/Equipment. All equipment, furnishings, or trade fixtures installed by Operator or acquired by Operator independently of this Agreement which are not replacements of

equipment, furnishings, or trade fixtures of Owner shall remain Operator's property and may be removed by Operator at the expiration of this Agreement; provided, however, Operator shall restore the Premises and repair any damage thereto caused by such removal.

16. Untenantability. Should the improvements on the Premises be rendered unfit for occupancy for the purposes for which they are hereby let, by reason of fire, windstorm or other act of nature or unavoidable casualty, the rentals hereinabove stipulated to be paid by Operator, or such proportion thereof as is related to that portion of the improvements on the Premises rendered untenable by reason of such damage, shall continue and not be remitted or abated, the parties recognizing that Operator shall purchase and obtain Business Interruption Insurance under Section 22 of this Lease. Provided, however, Owner may, upon the occurrence of any such casualty, elect to terminate this Agreement if the cost of replacing or repairing the improvements so damaged upon the Premises equals or exceeds fifty percent (50%) of the appraised property value prior to such damage. Owner shall in no way be liable or responsible for any damage to any property of Operator in or about the Premises by reason of flood, water, fire, windstorm or other casualty or act of nature.

17. Representations and Warranties of Owner. Owner hereby warrants and covenants with and unto Operator as follows:

(a) Title. That it has (or at the Commencement Date will have) an absolute and indefeasible title to the Premises now and continuing during the Term, subject to the Interim Lease referred to in the recitals and restrictions and covenants of record as of the first day of the Term, and that Owner will, during the Term, defend the same and hold harmless Operator against the lawful claims of any and all persons whomsoever but excepting any claims caused by or relating to actions of Operator.

(b) Encumbrances. Owner shall continue to satisfy all of its financial obligations that have or could give rise to encumbrances on the Premises, including, but not limited to, existing mortgages, notes and similar obligations, provided that the Operator shall be responsible for all financial obligations or encumbrances arising from or relating to Operator or its operations on the Premises.

(c) Lease. Other than the Interim Lease referred to in the recitals, there is no lease affecting the Premises that Owner does not have the power to terminate on or before the Effective Date.

(d) Authorization. Owner has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of Owner.

(e) No Conflicts. Neither the execution and delivery of this Agreement by Owner, nor the consummation by Owner of the transactions contemplated hereby, conflict with or result in a breach or default under agreement or obligation, or known potential litigation or liability, to which Owner is a party or is otherwise bound or subject.

(f) No Consent. No consent or approval of any third party is required in connection with the execution and delivery of this Agreement by Owner or the consummation

by Owner of the transactions contemplated hereby, other than governmental licenses required for the operation of the Facilities.

(g) Compliance With Laws. Owner hereby represents and warrants to Operator that the Premises and all parts thereof are currently in material compliance with all applicable codes, laws, regulations and ordinances of all county and municipal authorities.

(h) Binding Effect. This Agreement has been duly executed and delivered by Owner and constitutes the legal, valid and binding obligation of Owner, enforceable against Owner in accordance with its terms.

(i) Broker or Finder. Neither party has had any dealings with any broker, finder, or other party concerning this Agreement and each agree to indemnify and hold the other harmless from all loss, costs, damage or expense, including reasonable attorney's fees incurred by the other as a result of any claim arising out of the acts of the indemnifying party for a commission, finder's fee, or similar compensation made by any broker, finder or other party.

(j) Disclosure. Owner has no knowledge of any untrue statement of material fact or the omission or failure to state a fact necessary to make the statements contained herein not misleading.

(l) Non-SNF Premises. Owner owns the Non-SNF Premises and operates the assisted living and memory care units (which is housed in a building physically connected to the Facility). Owner agrees to provide Operator with access in and to the Facility as well as an easements or licenses necessary for Operator's access to and lawful operation of the Facility.

(m) Parking. The parking spaces (including the handicap spaces) located underground below the Facility are included in the Premises and leased to Operator on a non-exclusive basis (i.e, shared with the Non-SNF Premises) pursuant to this Lease. Owner certifies that the parking spaces included in the Lease are ample for Facility employees and visitors.

18. Representations and Warranties of Operator. Operator hereby warrants and covenants with and unto Owner as follows:

(a) Status. Operator shall, as soon as is reasonable, procure all requisite authority to do business in California as a skilled nursing facility operator and shall maintain this status during the Term.

(b) Authorization. Operator has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of Operator.

(c) No Conflicts. Neither the execution and delivery of this Agreement by Operator, nor the consummation by Operator of the transactions contemplated hereby, conflict with or result in a breach or default under agreement or obligation, or known potential litigation or liability, to which Operator is a party or is otherwise bound or subject.

(d) No Consent. Other than the licensure approval issued by CDPH, no consent or approval of any third party is required in connection with the execution and delivery of this Agreement by Operator or the consummation by Operator of the transactions contemplated hereby.

(e) Binding Effect. This Agreement has been duly executed and delivered by Operator and constitutes the legal, valid and binding obligation of Operator, enforceable against Operator in accordance with its terms.

(f) Broker or Finder. Operator is not obligated to any broker or finder, and has not incurred any liability for any brokerage fee or commission, in connection with the transactions contemplated in this Agreement.

(g) Disclosure. Operator has no knowledge of any untrue statement of material fact contained in the Agreement or the omission or failure to state a fact necessary to make the statements contained in this Agreement not misleading.

(h) Compliance With Laws by Operator. During the Term and any renewal or extension term, Operator shall, at its sole cost and expense, comply with (and shall be liable for violations and cure of) all local legal requirements relating to the physical condition of all parts of the Premises. Operator shall not commit any act or omission that would in any way violate a certificate of occupancy affecting the Premises.

19. Owner May Grant Liens. Owner may, from time to time, directly or indirectly, create or otherwise cause to exist any lien, encumbrance, or title retention agreement (“Encumbrance”) upon the Premises, or any portion thereof or interest therein (including this Agreement), whether to secure any borrowing or other means of financing or refinancing or otherwise. At the request of any Party, Owner, Operator and any lien holder agree to execute a subordination, non-disturbance and attornment agreement in form and substance reasonably acceptable to Owner and Operator (an “SNDA”). Any such Encumbrance shall provide that it is subject to the rights of Operator under this Agreement, and shall further provide that so long as no Default (as such term is defined in Paragraph 27 herein) shall have occurred under this Agreement, Operator’s occupancy hereunder, including but without limitation Operator’s right of quiet enjoyment provided herein, shall not be disturbed in the event any such lienholder or any other person takes possession of the Premises through foreclosure proceeding or otherwise. Upon the request of Owner, Operator shall subordinate this Agreement to the lien of a new Encumbrance on the Premises, on the condition that the proposed lender agrees not to disturb Operator’s rights under this Agreement so long as Operator is not in Default hereunder.

20. Conveyance by Owner. If Owner or any successor owner of the Premises shall convey all or any portion of the Premises, Owner or such successor owner shall thereupon be released from all future liabilities and obligations of Owner under this Agreement arising or accruing from and after the date of such conveyance or other transfer as to all or any portion of the Premises conveyed, and all such future liabilities and obligations shall thereupon be binding upon the new owner.

21. Conduct of Business and Uses. The Premises are leased to Operator for the purpose of operating the Facility as a skilled nursing facility and Operator covenants and agrees with and unto Owner that the Premises will be used only for such purpose, except with the prior written

consent of Owner. Operator covenants and agrees that Operator will not do or permit to be done anything in, upon, or about the Premises that increases the hazard of fire beyond that which exists by reason of the uses and occupancy of the Premises for Operator's stated purpose. Operator will not do or permit to be done anything within Operator's control which would make the Premises, or the improvements thereon, uninsurable in whole or in part. Operator agrees that Operator will neither commit waste nor permit waste to be committed or done upon the Premises.

22. Insurance.

(a) Fire and Extended Coverage. Operator shall keep the Premises (including the buildings constituting part of the Premises) insured against loss or damage from all causes under standard "all risk" property insurance coverage, without exclusion for fire, lightning, windstorm, explosion, smoke damage, vehicle damage, sprinkler leakage, flood, vandalism, malicious mischief or any other risks as are normally covered under an extended coverage endorsement, in the amounts that are not less than the full insurable value of the Premises including all equipment and personal property used in the operation of the Premises. The term "full insurable value" as used in this Lease shall mean the actual replacement value of the Premises (including all improvements) and every portion thereof, including the cost of compliance with changes in zoning and building codes and other laws and regulations, demolition and debris removal and increased cost of construction.

(b) Professional and Contractual Liability Insurance. Operator shall procure and maintain at all times during the Term, at its sole expense, such insurance against liability imposed by law in such amounts and with such companies as are reasonable and customary with respect to similar long-term care Facility located in California. Such insurance shall include coverage for contractual and negligence liability of Operator for damages on account of professional services rendered or which should have been rendered by Operator or any person for which Operator is legally liable, on account of injury, sickness, or disease, including death at any time resulting therefrom, and including damages allowed for loss of service. Operator shall cause Owner and Owner's affiliated senior housing management entities to be named as additional insureds under all liability policies required hereunder.

(c) General Liability. Operator shall procure and maintain at all times during the Term, at its sole expense, commercial general public liability insurance coverage (including products liability, contractual liability and broad form coverage) against claims for bodily injury, death, or property damage occurring on, in, or about the Premises and the adjoining sidewalks and passageways, which will indemnify Owner and Operator against liability for loss, damage, or injury to property or person. The amount of such liability insurance shall be at least \$500,000 per occurrence, \$1,000,000 per location general aggregate or such lesser amount as Owner in Owner's discretion may accept.

(d) Boiler Insurance. If applicable, Operator shall maintain boiler and pressure vessel insurance, including an endorsement for boiler business interruption insurance, on any fixtures or equipment which are capable of bursting or exploding, in an amount not less than Five Hundred Thousand Dollars (\$500,000) for damage to property, bodily injury or death resulting from such perils.

(e) Business Interruption Insurance. Operator shall maintain, at its expense, business interruption and extra expense insurance insuring against loss of rental value for a period not less than one (1) year.

(f) General Insurance Requirements.

(i) If Operator fails to procure or maintain any insurance required hereunder, after written notice by Owner to Operator and ten (10) business days opportunity to cure, Owner may procure or maintain any such insurance and charge Operator with the expense thereof, plus two percent (2%), as additional rent. Operator shall be solely responsible for maintaining insurance on Operator's products, inventory, business equipment, furniture, files and other property of Operator kept in, on or about the Premises and Owner shall not be responsible for any damages whatsoever occurring to Operator's property.

(ii) All insurance provided for in this Lease shall be maintained under valid and enforceable policies issued by insurers of recognized responsibility, which are acceptable to Owner in its reasonable discretion. Any and all policies of insurance required under this Lease shall name the Owner as an additional insured. In addition, Owner shall be shown as the loss payable beneficiary under the casualty insurance policy maintained by Operator pursuant to this Section 22. Original policies or satisfactory certificates from the insurers evidencing the existence of all policies of insurance required by this Lease and showing the interest of the Owner shall be provided to Owner prior to the commencement of the Term and shall provide that the subject policy may not be canceled except upon not less than ten (10) days prior written notice to Owner. If Owner is provided with a certificate, upon Owner's request Operator shall provide Owner with a complete copy of the insurance policy evidenced by such certificate within thirty (30) days of the commencement of the Term. Renewal policies or certificates therefor from the insurers evidencing the existence thereof shall be provided to Owner not less than ten (10) days prior to the expiration dates of the policies. If Owner is provided with a certificate for a renewal policy, upon Owner's request Operator shall deliver a copy of the complete renewal policy to Owner within thirty (30) days of the expiration of the replaced policy. Any claims under any policies of insurance described in this Lease shall be adjudicated by and at the expense of Operator or of its insurance carrier, but shall be subject to joint control of Operator and Owner. Operator shall comply with the reasonable requirements of Facility Mortgagee, if any, with respect to naming the Facility Mortgagee as additional insured or loss payee.

23. No Liens, Permitted Contests. Operator shall not cause or permit any liens, levies or attachments to be placed or assessed against the Premises or the operation thereof for any reason except as permitted in Section 13 hereof. However, Operator shall be permitted in good faith and at its expense to contest the existence, amount or validity of any lien upon the Premises by appropriate proceedings sufficient to prevent the collection or other realization of the lien or claim so contested, as well as the sale, forfeiture or loss of any of the Premises or any rent to satisfy the same. Operator shall provide Owner with security satisfactory to Owner in Owner's reasonable judgment to assure the foregoing. Each contest permitted by this Section 23 shall be promptly and diligently prosecuted to a final conclusion by Operator.

24. Financial Statements. Within thirty (30) days of the end of each quarter during the term of this Lease, Operator shall deliver to Owner the financial and operating statements of Operator (including income statement, balance sheet, census report and other such reports reasonably requested by Owner), which statements do not have to be audited but may be internally prepared by Operator but shall be certified as true, correct and accurate by an officer of Operator. Operator shall provide such additional and further financial information as may be reasonably requested by Owner from time to time.

25. Workers Compensation/Employment Taxes. Operator shall comply with all legal requirements regarding worker's compensation, including any requirement to maintain worker's compensation insurance against claims for injuries sustained by Operator's employees in the course of their employment.

26. Confidential Information. For the purposes of this Agreement, the term "Confidential Information" shall include the following:

(a) All documents and other materials, including but not limited to memoranda, manuals, handbooks, electronic data and media, product books and audio or visual recordings, which are developed by Operator or the Owner and contain written information relating to the Facility operation.

(b) All methods, techniques and procedures developed by Operator and utilized in providing long-term nursing and rehabilitation care and treatment to patients at the facility, which are not readily available through sources in the public domain.

(c) The Parties agree and acknowledge that the Confidential Information is disclosed to it in confidence and with the understanding that it constitutes valuable business information developed by Operator or the Owner, at great expenditure of time, effort and money. The Parties agree to not, without the prior written consent of the other, except as required by law, use Confidential Information for any purpose other than the performance of this Agreement. The Parties further agree to keep strictly confidential all Confidential Information and not disclose or reveal such information to any third party without prior written consent of the other, except as required by law.

(d) Unless otherwise required by law or court order, the Parties shall not disclose information relating to the operation of the facility to any third party. Operator and Owner shall protect the confidentiality of patient information maintained at the Facility and will comply with applicable state and federal laws and all policies and procedures concerning the release of information about patients.

Notwithstanding any other provision of this Section 26, Operator agrees that any information furnished by Operator to Owner under this Lease may be furnished to Owner's lender providing the mortgage financing on the Premises and that such disclosure shall not violate the provisions of this Section 26.

27. Indemnification.

(a) By Operator: Subject in all respects to Section 30 hereof, to the fullest extent permitted by law, Operator agrees to protect, indemnify, defend and save harmless Owner, its

directors, officers, shareholders, agents, affiliated companies and employees from and against any and all foreseeable or unforeseeable liability, expense loss, costs, deficiency, fine, penalty, injury, claims or damage (including, without limitation, punitive or consequential damages) of any kind or nature, including reasonable attorneys' fees, from or relating to any suits, claim or demands based on events occurring during the Term, (i) on account of any action (or failure to act) of Operator arising out of or in connection with this Lease (including, without limitation, the breach by Operator of any of its obligations hereunder), or (ii) relating in any manner to the operations of Operator on or relating to the Premises, or (iii) relating in any manner to the operation of the Facility by Operator. Upon receiving knowledge of any suit, claim or demand asserted by a third party that Owner believes is covered by this indemnity, Owner shall give Operator written notice of the matter. Operator shall defend Owner against such matters that are covered by this indemnity at Operator's sole cost and expense (including, without limitation, Owner's reasonable attorneys' fees and costs) with legal counsel reasonably satisfactory to Owner. Owner may elect to defend the matter with its own counsel at Owner's expense.

(b) By Owner. Subject in all respects to Section 30 hereof, to the fullest extent permitted by law, Owner agrees to protect, indemnify, defend and save harmless Operator, its directors, officers, shareholders, agents, affiliated companies and employees from and against any and all foreseeable or unforeseeable liability, expense loss, costs, deficiency, fine, penalty, injury, claims or damage (including, without limitation, punitive or consequential damages) of any kind or nature, including reasonable attorneys' fees, from or relating to any suits, claim or demands based on events occurring during the Term, (i) on account of any action (or failure to act) of Owner arising out of or in connection with this Lease (including, without limitation, the breach by Owner of any of its obligations hereunder), or (ii) relating in any manner to the operations of Owner or its affiliates on or relating to the Premises or the Non-SNF Premises, including specifically any fines, penalties, fees and/or other liabilities issued against the Premises, Owner or any affiliate of Owner, by the California Department of Public Health, the Centers for Medicare and Medicaid Services, HCAI or any other governmental agency having jurisdiction over the Premises, Owner, or its affiliate that operated the Premises prior to the Commencement Date hereof; or (iii) relating in any manner to the operation of the Facility or Non-SNF Premises by Owner or its affiliates or the provision of the Shared Services under the Shared Services Agreement. Upon receiving knowledge of any suit, claim or demand asserted by a third party that Operator believes is covered by this indemnity, Operator shall give Owner written notice of the matter. Owner shall defend Operator against such matters that are covered by this indemnity at Owner's sole cost and expense (including, without limitation, Operator's reasonable attorneys' fees and costs) with legal counsel satisfactory to Operator. Operator may elect to defend the matter with its own counsel at Owner's expense. Notwithstanding any other provision of this Paragraph 27(b), Owner shall have no indemnity obligation under this Paragraph 27(b) for or with respect to or relating to any matter which is or would be covered by the insurance required under Section 22.

(c) The provisions of this Paragraph 27 shall survive the termination of this Agreement.

28. Default. In the event either party fails to perform any material obligations under this Agreement and such failure continues for a period of three (3) days (following any applicable grace

period) in connection with a payment default or thirty (30) days with respect to any other default after written notice is given by the other party which sets forth the nature of the default, such party shall be deemed to be in "Default" and any applicable remedies thereon shall be available to such other party; provided, however, that if the nature of the default is such that the same cannot reasonably be cured within such thirty (30) day period, the defaulting party shall not be deemed to be in Default if it, within such thirty (30) day period, commences cure of such Default and thereafter diligently pursues the same to completion within a reasonable time. In addition to the foregoing, the Operator and Owner agree that the following shall constitute a Default by Operator under this Agreement and Operator shall have no cure period with respect thereto:

(a) If Operator has its license to operate the Facility as a provider of nursing home services suspended or revoked by final non-appealable order, determination or judgment by the applicable governmental agencies having jurisdiction over the Facility; or

(b) If Operator fails to cure or fails to make diligent efforts to cure, in accordance with applicable law and related time frames, any deficiency required to be corrected as cited by regulatory or licensing agency (delays in acceptance of any plan of correction by any regulatory or licensing agency which are not the fault of Operator shall not constitute a Default hereunder);

(c) If Operator is terminated as a provider of nursing services in the Medicare or Medicaid programs for the Facility by final non-appealable order, determination or judgment by the applicable governmental agencies having jurisdiction over the Facility;

(d) If Operator or any of its respective members, managers, directors or officers is criminally convicted under any law that would lead to a forfeiture of any of the licenses necessary for the operation of the Facility as a skilled nursing facility or ancillary uses or to disqualification under any government provider agreement or program;

(e) If any insurance required hereunder is terminated or lapsed without an acceptable replacement coverage and notice thereof being provided to Owner;

(f) If the Operator files for voluntary petition in bankruptcy court or other insolvency, dissolution or reorganization proceedings commence against Operator; and/or

(g) If the Operator is in default beyond any cure period under the SSA.

29. Remedies Upon Default. In the event of a Default by Operator, Owner shall be entitled to all rights and remedies available under applicable law. Without limiting the foregoing, Owner may, at its option, declare this Agreement terminated, but in all cases, whether or not Owner declares the lease terminated, shall have the right to enter upon and take possession of the Premises, without notice, and to evict and expel Operator and any or all of Operator's property, belongings and effects therefrom, without legal process and without thereby being guilty of any manner of trespass, which remedy is in addition to any other remedies of Owner, including, without limitation, the collection of delinquent rents, possession of the Premises, damages for breach of this Agreement by Operator or otherwise. No delay in or failure to exercise any of the options herein granted to Owner by reason of a default shall be a waiver thereof, and the waiver on one (1) occasion of a default shall not be deemed a waiver of Owner's right to exercise its remedies by reason of the same or a similar default at any later occasion.

In the event of a breach by Operator of any of its obligations under this Lease, Owner shall also have the right of injunction.

Suit or suits for the recovery of such damages, or any installments thereof, may be brought by Owner from time to time at its election, and nothing contained herein shall be deemed to required Owner to postpone suit until the date when the term of this Lease would have expired if it had not been so terminated under the provisions of this Section, or under any provision of law, or had Owner not reentered the Premises.

Nothing contained in this Paragraph 28 shall be construed to limit or preclude recovery by Owner against Operator of any sums or damages or remedies to which, in addition to or in lieu of the damages particularly provided above, Owner may lawfully be entitled by reason of any default hereunder on the part of the Operator. Nothing herein contained shall be construed to limit or prejudice the right of Owner to prove for and obtain as damages by reason of the termination of this Lease or reentry on the Premises for the default of the Operator under this Lease an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, such damages are to be proved whether or not this lease has been terminated or Owners has re-entered the Premises. Provided, however, nothing herein contained shall relieve Owner of a duty to mitigate damages by making reasonable efforts to relet the Premises at a fair market rate in an arms length transaction.

Operator acknowledges that one of the rights and remedies available to Owner under applicable law is to apply to a court of competent jurisdiction for the appointment of a receiver to take possession of the Premises, to collect the rents, issues, profits and income of the Premises and to manage the operation of the Premises. Operator further acknowledges that the triggering of a Default pursuant to Sections 27(a) or (c) above will materially and irreparably impair the value of Owner's investment in the Premises. Therefore, in any of such events, and in addition to any other right or remedy of Owner under this Lease, Owner may petition any appropriate court for, and Operator hereby consents to, the appointment of a receiver to take possession of the Premises, to manage the operation of the Premises and the Facility, to collect and disburse all rents, issues, profits and income generated thereby and to preserve or replace to the extent possible any such license and provider certification for the Premises and the Facility or to otherwise substitute the licensee or provider thereof. The receiver shall be entitled to a reasonable fee for its services as a receiver. Operator hereby irrevocably stipulates to the appointment of a receiver under such circumstances and for such purposes and agrees not to contest such appointment.

30. Waiver of Subrogation. Owner and Operator hereby waive any right of subrogation and right or recovery or cause of action for injury or lawsuit to the extent that such injury or loss is covered by fire, extended coverage, "all risk" or similar policies covering real property or personal property required to be obtained and maintained under this Lease (or which would have been covered if the party claiming such right of subrogation or recovery or cause of action had carried the insurance required by this Lease) or covered by any other insurance maintained by the waiving party. Written notice of the terms of the above mutual waiver shall be given to the insurance carriers of Owner and Operator, and the parties' insurance policies shall be properly endorsed, if necessary, to prevent the invalidation of the policies by reason of such waivers.

31. Assignment and Subletting. Operator shall not assign this Agreement, without the prior consent in writing of Owner which may be withheld or conditioned in Owner's reasonable discretion. Additionally, Operator shall not sublet the Premises or any part thereof, without the prior written consent of Owner, which consent shall not be unreasonably withheld or denied,

provided that Owner is afforded the opportunity to review the financials of such proposed subtenant and the terms and conditions of the proposed sublease agreement for the Premises. The consent by Owner to a particular assignment or subletting shall not be construed to relieve Operator from the obligation to obtain the consent in writing of Owner on any other or future assignment or subletting. Any change in the majority ownership of the Operator shall constitute an assignment for purposes of this Agreement; except that the foregoing shall not apply to (i) a transfer of an ownership interest in Operator to a relative of a member of Operator for estate planning purposes; (ii) if, after effectuating the Change, there is no change in the voting or operational control of Operator; or (iii) in connection with a capital transaction involving a new equity partner at the parent level of Operator.. Owner may assign this lease without the prior written consent of Lessee and will provide Operator with ninety (90) days advance written notice of such assignment.

32. Condemnation. In the event all or any part of the Premises should be subjected to eminent domain proceedings, and a portion of the Premises shall be condemned so as to render the residue inadequate for Operator's purposes as herein set forth, Operator shall have the option to terminate and cancel this Agreement by giving written notice to Owner. If any such taking shall not render the residue of the Premises wholly inadequate for Operator's purposes as herein set forth, Operator's rent payments hereunder shall be reduced and abated in proportion to the number of licensed beds lost at the Facility due to such taking, by multiplying the then current rent (as of the date of such taking) by a fraction, the numerator of which is the number of licensed beds located at the Facility after such taking, and the denominator of which is the number of licensed beds located at the Facility immediately prior to such taking. In any such condemnation proceedings, all damages allocable to full fee simple ownership of the Premises shall be payable to Owner, and any damages for loss of leasehold interest, including the unamortized portion of the value involved in such condemnation of any non-removable fixture placed on the Premises by Operator shall be payable to Operator provided such payment to Operator does not reduce the amount payable to Owner as compensation for the fee simple ownership interest alone.

33. Surrender of Possession. At the end of the Term, or upon earlier termination by Owner in accordance with the options herein reserved, Operator agrees to surrender possession of the Premises without demand. Should Operator fail so to do, Operator shall be responsible in addition to the damages generally recoverable by Owner by reason of any breach by Operator, for all damages Owner may sustain, including claims made by any succeeding operator against Owner which are founded upon delay or failure in delivering possession of the Premises to such succeeding operator. Operator hereby waives any and all notice to which it may otherwise be entitled under the laws of the State of California as a prerequisite to a suit against Operator for the unlawful detention of the Premises.

34. Termination. In addition to, and not in lieu of, any other means of termination described herein, this Agreement may be terminated prior to the expiration of the Term as follows:

(a) Consent. This Agreement may be terminated without cause and without penalty upon the written mutual consent of both parties.

(b) Legislation. This Agreement shall terminate automatically, without notice, upon the enactment of any state or federal law or regulation during the term hereof, which prevents Operator from receiving Medicare or Medicaid reimbursement for services provided by Operator, if such law or regulation would prohibit or deny such reimbursement because of

any arrangement between Owner and Operator set forth herein. Notwithstanding the foregoing, Owner and Operator agree in good faith to explore alternate business arrangements that comply with the new regulations that would substantially replicate the rights and economics of each party herein.

35. Relationship of the Parties.

(a) Generally. It is understood and agreed, and the Parties hereby declare that their relationship is that of Owner and Operator only, and nothing contained herein shall be deemed or construed by the Parties, or by any third party, to create the relationship of principal and agent or partnership or joint venture between the Parties.

(b) Independent Contractor. The Parties acknowledge and agree that the relationship created between them with respect to the operation of the subject long-term care facility is that of independent contractor. Nothing contained herein shall be deemed or construed by the Parties otherwise. It is expressly understood that each of the Parties hereto shall be responsible for its own employees and shall make no claims to the other for work and vacation pay, sick leave, retirement benefits, social security, worker's compensation, disability or unemployment insurance benefits or employee benefits of any kind. Nothing contained herein shall create any equity interest in the Facility on the part of Operator, except for the leasehold interests granted herein. In the absence of express authorization of the other party, neither party shall enjoy the use of any trademark, trade secrets, trade name, service mark, property information, or any other intangible property belonging to the other party. Nothing in this Agreement shall be construed to confer upon either party any authority express or implied, to bind or commit the other party to any third party in any way.

36. No Fraud or Abuse. Owner and Operator acknowledge that the terms and conditions of this Lease are based on fair market value, and that neither party, during the negotiation of this Lease, has engaged knowingly or willfully in any activities which are prohibited under federal Medicare and Medicaid statutes, including, without limitation, 42 U.S.C. §1320-7b and 42 U.S.C. §1395nn or similar state or local statutes or regulations, or which otherwise constitutes fraud, including, without limitation, knowingly or willfully soliciting or receiving any remuneration (including any kickback, bribe, or rebate), directly or indirectly, overtly or covertly, in cash or in kind or offering to pay such remuneration (i) in return for referring an individual to a person for the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part by Medicare or Medicaid, or (ii) in return for purchasing, leasing, or ordering or arranging for or recommending purchasing, leasing, or ordering any good, facility, service, or item for which payment may be made in whole or in part by Medicare or Medicaid.

37. Provisions on Termination of Term.

(a) Surrender of Possession. Operator shall, on or before the last day of the Term, or upon earlier termination of this Lease or upon Owner taking possession of the Premises under Paragraph 28, surrender to Owner the Premises (including, if required by law, all patient charts and resident records along with appropriate patient and resident consents, if necessary in accordance with applicable law) in good condition and repair, ordinary wear and tear excepted. Operator, to the extent permitted by law, may request and receive a copy of any

records relating to patients in the prior care of Operator for a preceding period of five (5) years.

(b) Removal of Personal Property. If Operator is not then in Default hereunder Operator shall have the right in connection with the surrender of the Premises to remove from the Premises all personal property of Operator but not any personal property located at the Facility that existed on the effective date of this Lease or personal property of Owner which was replaced by Operator or any personal property required by the State of California or any other governmental entity to operate the Premises as a skilled nursing facility in a manner consistent with the operation of the Facility on the date hereof. Any such removal shall be done in a workmanlike manner leaving the Premises in good and presentable condition and appearance, including repair of any damage caused by such removal. At the end of the Term or upon the earlier termination of this Lease or upon Owner taking possession of the Premises under Paragraph 28, Operator shall return the Premises to Owner with the personal property required to be returned hereunder (or replacements thereof) in the same condition and utility as was delivered to Operator at the commencement of the Term, ordinary wear and tear excepted.

(c) Title to Personal Property Not Removed. Title to any personal property which is not removed by Operator upon the expiration of the Term shall, at Owner's election, vest in Owner; provided, however, that Owner may remove and dispose at Operator's expense of any or all of such personal property which is not so removed by Operator without obligation or accounting to the Operator.

(d) Management of Premises. Upon the expiration or earlier termination of the Term, or upon Owner taking possession of the Premises under Paragraph 28, Owner or its designee, upon written notice to Operator, may elect to assume the responsibilities and obligations for the management and operation of the Premises and Operator agrees to cooperate with Owner or its designee to accomplish the transfer of such management and operation without interrupting the operation of the Premises. Operator shall not commit any act or fail to act so as to jeopardize any licensure or certification of the Facility, and Operator shall comply with all reasonable requests for an orderly transfer of the nursing facility license, Medicare and Medicaid (or any successor program) certifications and possession of the facility at the time of any such surrender. However, Operator shall not be obligated to permit a successor operator (if such successor operator is not taking over due to a Lease termination due solely to an Operator Default) or manager to utilize Operator's CDPH license, Medicare or Medicaid provider numbers or agreements should Operator anticipate that allowing such arrangement could potentially cause harm to Operator's reputation or good standing with CDPH, Medicare, Medicaid or such similar successor reimbursement programs.

(e) If this Lease is terminated by reason of Default by Operator, or upon the expiration of the Term, or upon Owner taking possession of the Premises under Paragraph 28, then, and in any of such events, Operator, upon Owner's written request, shall to the greatest extent permitted by law, transfer to Owner or its assigns, the following: (i) all federal, state or municipal certificates, licenses and permits which relate to the operation of the Facility; and (ii) all rights attendant to the name of the Facility as then known to the general public (excluding however, any rights to use Operator's corporate name "Aspen Skilled Healthcare" or any derivations thereof) and (iii) at Owner's option, any provider agreements relating to

the Facility (or allow Owner, at its option, to assume such agreements). In the event Operator fails or refuses to transfer any such certificate, license, permit or trade name, or other items then this provision shall constitute an act of assignment by Operator to Owner or its assigns without the necessity of any further written instrument and Owner hereby grants to Operator an irrevocable power of attorney and appoints Owner its true and lawful attorney by this instrument, said appointment being coupled with an interest, to sign such documents and take such action in Operator's name to accomplish the actions contemplated by this Paragraph 36.

(f) Operator shall execute any and all documents reasonably requested by Owner in order to effectuate the provisions of this Paragraph 36.

38. Miscellaneous Provisions.

(a) Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties hereto, their respective successors, legal representatives, and assigns, except as expressly limited otherwise herein.

(b) Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered, sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or electronic mail. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy or electronic mail, when the sender receives a confirmation of receipt generated by the sending machine, if sent during ordinary business hours. Any notice, request, demand, direction, or other communication sent by telecopy or electronic mail must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

OWNER:

Address: Atlantic Ave Holdings LLC
1775 Hancock Street, Suite 200
San Diego, CA 92110
Attn: Deepak Israni
Telephone: 619-296-9000
Facsimile: 619-296-9090
Email: disrani@pacificacompanies.com

with a copy to:

Address: Thomas P. Sayer, Jr., Esq.
9984 Scripps Ranch Blvd. #284
San Diego, CA 92131
Telephone: 858-335-9590
Facsimile: 619-296-9090

Email: tsayer1@gmail.com

OPERATOR:

Address: 28202 Cabot Road, #412
Laguna Niguel, CA 92677
Attn: Jay Brady
Telephone: (949) 347-7100
Facsimile: (949) 347-7800
Email: jbrady@aspenskiilledhealth.com

with a copy to: Jennifer M. Sternshein
Address: Sanders Rehaste Sternshein & Harvey, LLP
5316 E. Chapman Avenue
Orange, CA 92869-4236
Telephone: (714) 450-3887
Facsimile: (714) 289-7071
Email: jennifer@srshealthlaw.com

Telephone numbers are included above for informational purposes and to facilitate instances where this Lease expressly provides for non-written notice. Any written notice shall be deemed given upon receipt or documented refusal of delivery. Designations of address may be changed by written notice given in accordance with the foregoing.

(c) No Referrals. No provision of this Agreement is intended to create any obligation or requirement that Owner, or any person affiliated with Owner, refer patients to the Operator or Operator's affiliates.

(d) Partial Invalidity. If any provision of this Agreement or the application thereof to any person or event shall to any extent be held illegal, invalid or unenforceable, the remainder of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

(e) No Third Party Rights. Nothing in this Agreement shall be construed as creating or giving rise to any rights in any third parties or any persons other than the parties hereto.

(f) Entire Agreement. This Agreement, including the Exhibits and Schedules hereto (if any), contains the entire agreement of all the parties hereto, and no other oral or written agreement shall be binding upon the parties hereto. This Agreement supersedes all prior agreements, contracts, and understandings of any kind between the parties relating to the subject matter hereof.

(g) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed as an original, but all of which together shall constitute one and the same agreement.

(h) Amendments. This Agreement may be amended at any time by mutual agreement of the parties without additional consideration, provided that before any amendment shall become effective, it shall be reduced to writing and signed by each of the parties.

(i) Interpretation. Both Owner and Operator have had the opportunity to, or have been, represented by counsel and this Agreement has been freely and fairly negotiated. Consequently, all provisions of this Agreement shall be interpreted according to their fair meaning and shall not be strictly construed against any party.

(j) Governing Law. The validity, interpretation, and performance of this Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to such state's conflict of laws provisions.

(k) Effective Date. This Lease shall become effective as of 12:01a.m. on the date that Owner acquires ownership of the Premises. Notwithstanding the foregoing, if CDPH fails to approve the change of ownership with respect to the license necessary to operate the Facility within one hundred eighty (180) days after execution of this Lease for any reason, either party shall then have the right to terminate this Lease at any time prior to the receipt of such license as long as the actions of such terminating party have not caused such delay. All inspection fees, costs and charges associated with a change of such licensure or certification shall be borne solely by Operator.

(l) Quiet Enjoyment. Operator shall, and may peacefully have, hold and enjoy the Premises, subject to the terms of this Lease, provided Operator pays the rent and fully performs all of its covenants and agreements. This covenant and all other covenants of Owner shall be binding upon Owner and its successors and assigns.

39. Key Payment. Intentionally Deleted.

40. Deposit. Operator agrees that a deposit in the total amount of One Hundred Fifty-Eight Thousand Four Hundred and No/100 Dollars (\$158,400.00) shall be paid in connection with this Agreement. Such deposit may be applied against any and all payments or obligations owed by Operator under this Agreement to Owner if Operator fails to pay such payments or comply with such obligations on or before the date on which such payments are due or the date on which such obligations are to be satisfied. The portion of deposit not so applied shall be returned to Operator within fifteen (15) days after the expiration or earlier termination of this Lease. As soon as Operator has expended at least One Hundred Thousand and No/100 Dollars (\$100,000.00) in CapEx under Section 12, above, one half of the above Deposit amount (i.e., \$79,200.00) shall be refunded to Operator.

41. Owner's Security Interest. The parties intend and Operator agree that upon a Default, Owner will be entitled to exercise the remedies of a secured party under the UCC with respect to the Operator Property so that Owner or its designee will be entitled to operate or re-let the Premises intact for use as a Facility licensed for the applicable Primary Intended Use.

42. Grant of Security Interest.

(i) To implement the intention of the parties, and for the purpose of securing the payment and performance of the Operator's obligations under this Lease, Operator, as debtor, hereby assigns, delivers, sets over, transfers and grants to Owner, its successors and assigns, as secured party: a continuing first priority security interest in all of its right, title and interest, whether now owned or hereafter acquired, now existing or hereafter arising wherever located, in and to the "Operator Property" as hereinafter defined (collectively, the "Collateral"), to have and to hold same, unto Owner such transfer and assignment to automatically become a present unconditional assignment. Operator and shall sign and deliver to Owner, or if Operator's signature is not required, Operator hereby authorizes Owner to file in all governmental offices, one or more financing statements to perfect the interest granted by Operator to Owner hereunder. Owner shall have all rights and remedies available to a secured party under the Uniform Code, as amended from time to time. Operator acknowledges that Owner may assign its security interest in the Operator Property. This security agreement and the security interest herein shall survive the termination of this Lease if such termination results from the occurrence of a Default. As used in this Lease, "Operator Property" shall mean and include only all Inventory and Equipment, as those terms are defined in the Uniform Commercial Code in effect in the State of California, owned by the Operator and located at the Facility, and the proceeds thereof.

(ii) To further secure the payment and performance of Operator's obligations under this Lease, Operator, as debtor, hereby assigns and grants to Owner, as secured party, a security interest in and an express contractual lien upon, all of Operator's right, title and interest in and to any subleases and all of Operator's rights therein; provided that Owner's may exercise rights and remedies with respect to such assignment and grant only following a Default hereunder.

43. Lender Requirements. The Premises are or will be initially subject to a secured loan and, thereafter, may be refinanced with one or more different lender(s). For so long as any such bank loan is outstanding, the following provisions shall apply to this Lease:

(i) [Bank] shall have the right to approve any proposed change in the terms of this Lease, with its approval not to be unreasonably withheld.

(ii) if and to the extent required by HUD, Operator will enter into a customary HUD skilled nursing regulatory agreement(s) on terms and conditions acceptable to HUD;

(iii) if and to the extent required by HUD, Operator and Operator's accounts receivable lender will enter into an intercreditor agreement in customary form as required by HUD;

(iv) As necessary, Operator's accounts receivable lender and [Bank] shall enter into an intercreditor agreement in compliance with Section 13 hereof; and

(v) Owner, at [Bank]'s request, shall be entitled to extend the term of this Lease to meet lender requirements.

(vi) reserves for insurance premiums and/or real estate taxes will be established if required by [Bank].

(vii) To the extent the insurance requirements in this Lease are materially different from the insurance requirements set forth in the [Bank] loan documents,

Operator shall comply with the insurance requirements set forth in the [Bank] loan documents.


Furthermore, in the event the Premises are refinanced with another lender, Operator shall cooperate in amending this Lease to accommodate any other requirements of Owner's future lenders, so long as such amendment does not degrade Operator's economic or operational rights as provided in the Lease prior to such amendment.

The remainder of this page intentionally left blank. Signature pages follow on the next page.

IN WITNESS WHEREOF, Owner and Operator have hereunto set their hands as of the date first above written.

Owner:

Atlantic Ave Holdings LLC, a California limited liability company

By: 
Name: Deepak Israni
Title: General Manager

Operator:

ASLB, LLC, a California limited liability company

By: _____
Name: Stephen Thompson
Title: Manager

IN WITNESS WHEREOF, Owner and Operator have hereunto set their hands as of the date first above written.

Owner:

Atlantic Ave Holdings LLC, a California limited liability company

By: _____
Name: Deepak Israni
Title: General Manager

Operator:

ASLB, LLC, a California limited liability company

By:  _____
Name: Stephen Thompson
Title: Manager

EXHIBIT A

EXHIBIT A-1

Description of Facility

OWNER	PROPERTY LOCATION	LICENSED BEDS
Atlantic Ave Holdings LLC, a California limited liability company	The skilled nursing component of that certain senior housing retirement community known as Bixby Knolls consisting of 321 total units – 99 skilled nursing units (the “SNF Units”), 222 independent living and assisted living units (the “IL/AL Units”) all located at 3737 Atlantic Avenue, Long Beach, CA 90807	99

EXHIBIT B

Shared Services Agreement

EXHIBIT C

(Operational Control Transfer and Assignment Agreement)

NOTICE OF CHANGE IN OPERATIONAL CONTROL

1. Effective _____, 2023, _____, a California limited liability company will control operations of the 99-bed skilled nursing facility now controlled by BIXBY KNOLLS TOWERS, INC., a California nonprofit public benefit corporation and licensed at:

3737 Atlantic Avenue, Long Beach, CA 90807

2. BIXBY KNOLLS TOWERS, INC., a California nonprofit public benefit corporation, relinquished control of the operations of the above-referenced skilled nursing facility as of _____, 2023.

3. This Notice of Operational Control may be signed in counterparts.

The foregoing terms and conditions are hereby accepted and approved by the undersigned as of November __, 2023.

**BIXBY KNOLLS TOWERS, INC., a
California nonprofit public benefit
corporation**

**ASLB, LLC, a California limited liability
company**

By: _____
Name:
Title:

By: _____
Name:
Title: **Manager**

Unconditional and Continuing Lease Guaranty

UNCONDITIONAL AND CONTINUING LEASE GUARANTY

This UNCONDITIONAL AND CONTINUING LEASE GUARANTY (“Guaranty”) is made effective as of March 9, 2023 (the “Effective Date”) by Jay Brady, Jeff Bradshaw and Ryan Case (collectively, the “Guarantor”), in favor of Atlantic Ave Holdings LLC, a California limited liability company (“Owner”). Any capitalized term that is not defined in this Guaranty shall have the meaning set forth in the Lease.

RECITALS

A. Owner and ASLB, LLC, a California limited liability company (“Operator”) have entered into that certain Lease and Operational Control Agreement of even date hereof (the “Lease”) for the skilled nursing component of that certain senior housing community consisting of 99 skilled nursing beds commonly known as “Bixby Knolls Towers” and located at 3747 and 3737 Atlantic Ave. Long Beach, CA 90807 (the “Property”) to be re-branded as The Laurel at Long Beach (the “Facility”), together with the other real property and improvements identified as the “Premises” as defined therein;

B. In order to extend the Lease to Operator, Owner requires that this Guaranty be provided by Guarantor. Guarantor has determined that Guarantor will benefit from the Lease to Operator and has agreed to provide this Guaranty to Owner.

C. As used herein, “Lease Documents” means the Lease and all other documents and agreements made in connection with the Lease, as amended, modified, renewed or extended from time to time. “Credit” means all rent, late charges, interest, taxes, utility charges, insurance premiums and all other charges, reimbursements, expenses and amounts payable by Operator to Owner pursuant to the Lease Documents. “Security” includes all guaranties of any Credit, all interests in real or personal property securing the payment of any Credit or any guaranties of any Credit, and all other agreements, rights or interests insuring or guaranteeing payment of any Credit. “Lease Obligations” means all of the covenants, obligations and liabilities of Operator under the Lease Documents, including the payment of the Credit when due.

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

1. Guaranty. Guarantor unconditionally guarantees the prompt payment when due of the Credit and the performance of the Lease Obligations, and shall indemnify Owner and hold Owner harmless from any costs and expenses in any way arising out of Operator’s failure to repay the Credit or perform the Lease Obligations according to their terms.

2. Warranties.

(a) Capacity. Guarantor is comprised of three individuals.

(b) Inducement to Owner; Waivers. Guarantor [1] acknowledges that Owner would not have extended the Credit to Operator and will not continue to extend Credit to

Operator but for this Guaranty; [2] warrants that Guarantor has given this Guaranty to induce Owner to extend and to continue to extend Credit to Operator; [3] agrees that Owner may rely on this Guaranty in extending future Credit to Operator without notice to Guarantor; [4] warrants that Guarantor has received good and valuable consideration for this Guaranty; [5] waives acceptance of this Guaranty; [6] warrants that Guarantor has not given this Guaranty in reliance upon the existence of any Security; [7] acknowledges receipt of notice of all Credit extended before this date; [8] waives notice of any Credit extended after this date; [9] waives protest and any other notice of failure to pay the Credit or to perform any agreement relating to any Credit or Security; [10] acknowledges that Guarantor has read this Guaranty, the Lease and all other documents in connection with the Lease; and [11] acknowledges that Guarantor understands and agrees to Guarantor's obligations under this Guaranty.

(c) No Reliance on Information from Owner. Guarantor [1] warrants that Guarantor has not relied on any information about Operator, the Security or any guarantor of the Credit provided directly or indirectly by Owner; [2] warrants that Guarantor is familiar with Operator, Operator's affairs, and the Security; [3] warrants that Guarantor has had ample opportunity to investigate Operator, Operator's affairs, the Security, and the effect that the Credit will have; [4] warrants that Guarantor has been provided all information concerning Operator, Operator's affairs, and the Security that Guarantor has requested; [5] warrants that Guarantor has had adequate opportunity to seek and evaluate professional advice concerning Operator, the Security and this Guaranty from advisors of Guarantor's choosing, including financial and legal advice; and [6] agrees that Guarantor shall not rely on any information provided by Owner about Operator or the Security, including any other guarantor. Guarantor shall continue to investigate and evaluate Operator and the Security independently throughout the term of this Guaranty, and Owner has no obligation to provide Guarantor any information about Operator or the Security.

(d) No Insolvency. On the date of Guarantor's entering into this Guaranty and after giving effect to all indebtedness of Guarantor, [1] Guarantor will be able to pay Guarantor's obligations as they become due and payable; [2] the present fair saleable value of Guarantor's assets exceeds the amount that will be required to pay Guarantor's probable liability on its obligations as the same become absolute and mature; [3] the sum of Guarantor's property at a fair valuation exceeds Guarantor's indebtedness; [4] Guarantor will have sufficient capital to engage in Guarantor's businesses; and [5] no bankruptcy, insolvency or similar proceeding is pending or contemplated by or, to the knowledge of Guarantor, against Guarantor. The proceeds of the Credit constitute fair consideration and reasonably equivalent value for this Guaranty.

(e) No Litigation. As of the Effective Date and except as disclosed to Owner, [1] there are no actions or suits, or any proceedings or investigations by any governmental agency or regulatory body pending against Guarantor; [2] Guarantor has not received notice of any threatened actions, suits, proceedings or investigations against Guarantor at law or in equity or before any governmental board, agency or authority which, if determined adversely to Guarantor, would materially and adversely affect the financial condition of Guarantor; [3] there are no unsatisfied or outstanding judgments against Guarantor; [4] there is no labor dispute materially and adversely affecting the operation or business conducted by Guarantor; and [5] Guarantor does not have knowledge of any facts or circumstances which might reasonably form the basis of any such action, suit or proceeding.

3. Waivers. Without notice to or consent of Guarantor, Owner may do or refrain from doing anything affecting any Credit or any Security, including the following: [a] granting or not granting any indulgences to anyone liable for payment of the Credit or any Security; [b] failing to get or to perfect any Security; [c] failing to get an enforceable agreement to repay the Credit; [d] releasing any Security or anyone or any property from liability for payment of the Credit; [e] changing the Lease or any agreement relating to the Credit or any Security; [f] extending the time for payment of the Credit, including extending the time beyond the term of the Lease; [g] exercising any right or remedy, including, without limitation, eviction of Operator or termination of the Lease; [h] applying any funds received from Operator, Guarantor or any other party and any funds realized from any Security in such manner and in such order or priority as Owner elects in its sole discretion; and [i] delaying in enforcing or failing to enforce any rights to payment of the Credit or rights against any Security. In the event that Owner forecloses or otherwise realizes on any Security for repayment of the Credit, Guarantor agrees that the purchase price at any judicial or other sale of the Security paid by Owner or any other party shall be conclusive evidence of the value of the Security, and Owner shall have an absolute right to obtain a deficiency judgment of all amounts due in excess of such purchase price, to the extent permitted by applicable law. Guarantor waives the right to contest the value of the Security through appraisals or otherwise, and waives any defense to a deficiency judgment that Guarantor may have pursuant to any statute or other applicable law.

Guarantor waives all rights and defenses that Guarantor may have because Operator's debt or obligation is secured by real property. This means, among other things:

- (1) Owner may collect from Guarantor without first foreclosing on any real or personal property collateral pledged by Operator.
- (2) If Owner forecloses on any real property collateral pledged by Operator:
 - (A) The amount of the debt may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price.
 - (B) Owner may collect from Guarantor even if Owner, by foreclosing on the real property collateral, has destroyed any right Guarantor may have to collect from Operator.

This is an unconditional and irrevocable waiver of any rights and defenses Guarantor may have because Operator's debt is secured by real property. These rights and defenses include, but are not limited to, any rights or defenses based upon Section 580a, 580b, 580d or 726 of the California Code of Civil Procedure.

Guarantor waives all rights and defenses arising out of an election of remedies by Owner, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a guaranteed

obligation, has destroyed Guarantor's rights of subrogation and reimbursement against the principal by the operation of Section 580d of the California Code of Civil Procedure or otherwise.

4. Defects in Security, Etc. To the extent permitted by applicable law, Guarantor's liability under this Guaranty shall not be affected by [a] any default in any document concerning any Credit or Security when accepted by Owner or arising any time thereafter; [b] the unenforceability of or defect in any Security or document relating to any Credit; [c] any decline in the value of any Security; [d] Owner's failure to obtain any Security or to perfect Owner's security interest therein; [e] the death, incompetence, insolvency, dissolution, liquidation or winding up of affairs of Operator, Guarantor or anyone liable for any Security or the start of insolvency proceedings by or against any such person or entity; [f] any termination of the leasehold estate created by the Lease to the extent Operator remained liable under the Lease; [g] the release or discharge of Operator in any creditor's, receivership, bankruptcy, other insolvency proceedings, or other proceedings; [h] impairment, limitation or modification of the liability of Operator or the estate of Operator in bankruptcy or of any remedy for the enforcement of Operator's liability under the Lease, resulting from the operation of any present or future provisions of the federal Bankruptcy Code or other statutes or from the decision of any court; [i] the rejection or disaffirmance of the Lease in any such proceedings; [j] the assignment or transfer of the Lease by Operator unless, in the exercise of Owner's sole and absolute discretion, Guarantor is specifically released in writing from further liability hereunder in conjunction with such transfer; [k] any disability or other defense of Operator; [l] the cessation from any cause whatsoever of the liability of Operator under the Lease other than the indefeasible payment in full of the Credit; or [m] any reorganization, merger, consolidation, combination or sale of substantially all the assets of Operator unless, in the exercise of Owner's sole and absolute discretion, Guarantor is specifically released in writing from further liability hereunder in conjunction therewith.

5. Waiver of Surety's Defenses. **GUARANTOR WAIVES ALL SURETYSHIP AND OTHER SIMILAR DEFENSES.**

6. Unconditional Obligation. If Operator fails to pay all or any part of any Credit when due after expiration of any applicable grace, notice or cure period, Guarantor shall immediately pay to Owner all amounts then due and payable in connection with any Credit regardless of whether or not Owner first pursues Operator or exhausts any of its rights or remedies against Operator, any other guarantor, others or other Security. Guarantor shall not have any right of subrogation to the rights of Owner against any of the assets of Operator or any other guarantor of the Lease until the indefeasible payment in full of the Credit.

7. Continuing Obligation. This Guaranty shall extend and be applicable to all renewals, amendments, extensions, consolidations, modifications, increases and reductions of the Lease Documents and the Credit. Guarantor's liability under this Guaranty shall not be reduced or cancelled by any such action and shall be deemed modified in accordance with the terms of such action, whether or not Guarantor has notice of such action.

8. Subordination. Guarantor subordinates to and postpones in favor of the Credit and Security [a] any present and future debts and obligations of Operator to Guarantor (the

“Indebtedness”), including, but not limited to, [i] salary, bonuses and other payments pursuant to any employment arrangement; [ii] fees, reimbursement of expenses and other payments pursuant to any independent contractor arrangement; [iii] principal and interest pursuant to any Indebtedness; [iv] distributions payable to any shareholders or general or limited partners of Operator; and [v] lease payments pursuant to any leasing arrangement; and [b] any liens or security interests securing payment of the Indebtedness. Except as otherwise specified in the Lease, the provisions of this paragraph shall be effective only [i] after the occurrence of an Event of Default (as defined in the Lease) and until such Event of Default is cured, or [ii] after the commencement of any bankruptcy or insolvency proceeding by or against Operator and until such proceeding is dismissed (each a “Triggering Event”). From and after the occurrence and during the continuance of a Triggering Event, Guarantor shall not ask for, sue for, demand, take or receive any payment, by setoff or in any other manner, including the receipt of a negotiable instrument, for all or any part of the Indebtedness owed by Operator, or any successor or assign of Operator, including, without limitation, a receiver, trustee or debtor in possession (the term “Operator” shall include any such successor or assign of Operator) until the payment in full of the Credit; however, if Guarantor receives such a payment, Guarantor shall immediately deliver the payment to Owner for credit against the then outstanding balance of the Credit, whether matured or unmatured. Notwithstanding any right of Guarantor to ask, demand, sue for, take or receive any payment with respect to the Indebtedness, all rights, liens and security interests of Guarantor, whether now or hereafter arising, in any assets of Operator or in any Security shall be and hereby are subordinated to the rights of Owner in such assets and Guarantor shall have no right to possession of any such assets or to foreclose upon any such asset, whether by judicial action or otherwise, unless and until the earlier to occur of the payment in full of the Credit. Guarantor agrees that Owner shall be subrogated to Guarantor with respect to Guarantor’s claims against Operator and Guarantor’s rights, liens and security interest, if any, in any of Operator’s assets and proceeds thereof until the payment in full of the Credit.

Guarantor warrants and represents that Guarantor has not previously assigned any interest in the Indebtedness to any party other than Owner, that no other party owns an interest in the Indebtedness other than Guarantor (whether as joint holders of the Indebtedness, participants or otherwise) and that, except as provided below, the entire Indebtedness is and shall continue to be owing only to Guarantor. Guarantor shall not assign or transfer to others any claim Guarantor has or may have against Operator, unless such assignment or transfer is made expressly subject to this Guaranty.

Any claim which Guarantor may make against Operator or Operator’s estate in any bankruptcy or insolvency proceedings shall be expressly subject to the terms of this §8.

In the event of any distribution of the assets or readjustment of the obligations and indebtedness of Operator, whether by reason of liquidation, bankruptcy, arrangement, receivership, assignment for the benefit of creditors or any other action or proceeding involving the readjustment of all or any of the Indebtedness hereby subordinated, or the application of the assets of Operator to the payment or liquidation thereof, Owner shall be entitled to receive payment in full of any and all of the Credit, due or not due, prior to the payment of all or any part of the Indebtedness hereby subordinated, and in order to enable Owner to enforce its rights hereunder in any such action or proceeding, Owner is hereby authorized and empowered in its discretion to make and present for and on behalf of Guarantor such proofs of claims against Operator, if

Guarantor shall have failed to file any such proof of claim within 30 days after Owner has requested Guarantor to file such proofs of claim on account of the Indebtedness hereby subordinated, as Owner may deem expedient or proper, and to vote such proofs of claims in any such proceeding and to receive and collect any and all dividends or other payments or disbursements made thereon in whatever form the same may be paid or issued and to apply the same on account of any of the Credit.

In the event of any distribution, division or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of the assets of Operator or the proceeds thereof, to the creditors of Operator's business, or upon the sale of all or substantially all of Operator's assets, then, and in any such event, any payment or distribution of any kind or character, either in cash, securities or other property, which shall be payable or deliverable upon or with respect to any or all of the Indebtedness shall be paid or delivered directly to Owner for application on any of the Credit, due or not due, until the Credit shall have first been fully paid and satisfied. After the occurrence and during the continuance of any Event of Default, in the event that Guarantor shall fail or refuse to take any action that Owner requests in writing that Guarantor take with respect to the Indebtedness within 30 days of Guarantor's receipt of such request, Guarantor authorizes and empowers Owner to demand, sue for, collect and receive every such payment or distribution and give acquittance therefor and to file claims and take such other proceedings, in Owner's own name or in the name of Guarantor or otherwise, as Owner may deem necessary or advisable for the enforcement of this Guaranty; and Guarantor will execute and deliver to Owner such powers of attorney, assignments or other instruments or documents, as may be requested by Owner in order to enable Owner to enforce any and all claims upon or with respect to any or all of the Indebtedness and to collect and receive any and all payments of distributions which may be payable or deliverable at any time upon or with respect to the Indebtedness, all for Owner's own benefit until such time as Owner has received the balance due on the Credit.

Should any payment, distribution, security, instrument or proceeds which are subject to the subordination contained in the first paragraph of this §8 be received by Guarantor upon, or with respect to, the Indebtedness while such subordination provision is effective and prior to the satisfaction of the Credit and termination of all financing arrangements between Operator and Owner, Guarantor shall receive and hold the same in trust as trustee, for the benefit of Owner and shall forthwith deliver the same to Owner in precisely the form received (except for the endorsement or assignment of Guarantor where necessary), for application on any of the Credit, due or not due, and until so delivered, the same shall be held in trust by Guarantor as the property of Owner. In the event of the failure of Guarantor to make any such endorsement or assignment to Owner, Owner, or any of its officers or employees, is hereby irrevocably authorized to make the same.

Any instrument evidencing any of the Indebtedness, or any portion thereof, will, on the date hereof or promptly hereafter, be inscribed with a legend conspicuously indicating that payment thereof is subordinated to the claims of Owner, pursuant to the terms of this Guaranty, and will be delivered to Owner upon request therefor after the declaration of an Event of Default, if such original is necessary in order to enable Owner to take any action permitted hereunder, including, without limitation, the filing of proofs of claim on behalf of Guarantor.

The terms and conditions of this Section 8 shall continue and shall be irrevocable until the earlier to occur of all the terms, covenants and conditions of the Credit have been fully and completely performed by Operator, or the same have otherwise been discharged and released by Owner, and Guarantor shall not be released from any duty, obligation or liability hereunder so long as there is any claim of Owner against Operator arising out of the Credit which has not been performed, settled or discharged in full.

9. Financial Statements.

(a) Financial Statements. Guarantor shall deliver to Owner, within ninety (90) days after the end of each calendar year, a profit and loss statement, balance sheet and statement of cash flow for Guarantor for the prior calendar year and a profit and loss statement, balance sheet and statement of cash flow for Operator for the prior calendar year, each certified by an independent certified public accountant who is actively engaged in the practice of his profession and who is acceptable to Landlord in Landlord's reasonable discretion.

(b) Material Adverse Changes. Guarantor shall immediately notify Owner if at any time any material adverse change occurs with respect to the financial condition, operations or business of Operator or Guarantor from that set forth in the most recently delivered financial statements. A material adverse change with respect to the financial condition of either Guarantor or Operator shall mean, for purposes of this covenant, shall mean a material adverse effect on (i) the Facility, (ii) the business, profits, prospects, management, operations or condition (financial or otherwise) of Operator, Guarantor or the Facility, (iii) the enforceability or validity of the Lease Documents, (iv) the ability of Operator to perform its obligations under the Lease Documents, or (v) the ability of Guarantor to perform its obligations under this Guaranty.

(c) Covenants. Guarantor covenants that [i] all financial statements of Guarantor furnished Owner will present fairly the financial condition of Guarantor as of the dates of the statements and will be prepared on a basis consistently maintained throughout the period involved and shall be certified by the Guarantor; [ii] audited financial statements (if any) will be prepared in accordance with generally accepted accounting principles consistently applied; [iii] all financial statements and other information of Guarantor furnished to Owner prior to the Effective Date are true, correct and complete copies and, as of the Effective Date, no material adverse change has occurred since the furnishing of such statements and information; and [iv] as of the Effective Date, the financial statements and other information furnished Owner prior to the Effective Date do not contain any untrue statement or omission of a material fact and are not misleading in any material respect.

10. Successors, Etc. This Guaranty shall be binding upon not only Guarantor but also Guarantor's successors and assigns and shall inure to the benefit of Owner and its successors and assigns.

11. Termination; Revocation. Subject to reinstatement pursuant to §16, this Guaranty shall automatically terminate on the last day of the 5th Lease year and shall be replaced with a suitable corporate guarantor for years six through ten Lease Term. No revocation of this Guaranty or any substitute guaranty by Guarantor shall be effective until the date on which all of the Credit is paid in full.

12. Survival. The obligations of Guarantor under this Guaranty will continue to be effective or shall be reinstated, as the case might be, if at any time any payment from Operator of any sum due to Owner is rescinded or must otherwise be restored or returned by Owner on the insolvency, bankruptcy, dissolution, liquidation or reorganization of Operator or as a result of the appointment of a custodian, conservator, receiver, trustee or other officer with similar powers with respect to Operator or any part of Operator's property or otherwise.

13. Governing Law. This Guaranty shall be governed by and construed in accordance with the internal laws of the State of California, without giving effect to the conflict of laws rules thereof.

14. Number; Gender. Where appropriate, the number of any word in this Guaranty shall include both singular and plural, the gender of any word shall be masculine, feminine or neuter.

15. Enforceability. If any provision of this Guaranty or the application thereof to anyone or any circumstance shall be adjudged invalid or unenforceable to any extent, the application of the remainder of the provision to the party or circumstance, the application of the provision to other parties or circumstances, and the application of the remainder of this Guaranty shall not be affected thereby. Each provision of this Guaranty shall be valid and enforceable to the fullest extent permitted by law.

16. No Waivers by Owner. No forbearance by Owner in exercising any right under this Guaranty, any Credit or any Security shall operate as a waiver thereof; no forbearance in exercising any right under this Guaranty, any Credit or any Security on any one or more occasions shall operate as a waiver of such right on any other occasion; and no single or partial exercise of any right under this Guaranty, any Credit or any Security shall preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. Owner's rights under this Guaranty are cumulative and not exclusive of any rights or remedies that Owner may otherwise have.

17. Fees and Expenses. Guarantor shall be liable to Owner all reasonable costs and expenses incurred by Owner in administering the Lease and the Security, enforcing or preserving Owner's rights in connection with any Credit, Security or this Guaranty and in all matters of collection. In an Event of Default (as defined in the Lease), including, but not limited to, [a] reasonable attorney's fees and paralegal fees and disbursements; [b] the fees and expenses of any litigation, administrative, bankruptcy, insolvency, receivership and any other similar proceeding; [c] court costs; and [d] the expenses of Owner, its employees, agents, attorneys and witnesses in preparing for litigation, administrative, bankruptcy, insolvency and other proceedings provided, however, Owner's internal bookkeeping and routine leasing servicing costs are not payable by Guarantor.

18. Notices. Any notices required or desired to be given under this Guaranty shall be in writing and shall be delivered in the manner set forth in the Lease. All notices shall be effective upon the earlier of actual receipt or three days after deposit in the U.S. mail or one business day after deposit with the overnight courier.

19. Amendment. This Guaranty may not be amended except in a writing signed by Guarantor and Owner. All references to this Guaranty, whether in this Guaranty or any other document or instrument, shall be deemed to incorporate all amendments, modifications, renewals and extensions of this Guaranty and all substitutions therefor made after the date hereof.

20. Joint and Several Liability. If more than one Guarantor, the liability of each Guarantor under this Guaranty is joint and several with each other and with each of the SubOperators which have also guaranteed the Credit under a separate Unconditional and Continuing Lease Guaranty of even date.

21. Counterparts. This Guaranty may be executed in multiple counterparts, each of which shall constitute an original and all of which together shall constitute one and the same instrument.

22. CONSENT TO JURISDICTION. GUARANTOR HEREBY IRREVOCABLY SUBMITS AND CONSENTS TO THE NONEXCLUSIVE JURISDICTION AND VENUE OF ANY STATE OR FEDERAL COURT HAVING JURISDICTION OVER SAN DIEGO COUNTY, CALIFORNIA OR ANY COUNTY IN WHICH ANY OF THE PROPERTY IS LOCATED FOR ANY ACTION OR PROCEEDING ARISING FROM OR RELATING TO THIS GUARANTY. GUARANTOR HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT GUARANTOR MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF ANY SUCH ACTION OR PROCEEDING. GUARANTOR AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN ANY OTHER JURISDICTION BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

GUARANTOR AGREES NOT TO INSTITUTE ANY LEGAL ACTION OR PROCEEDING AGAINST OWNER OR ANY DIRECTOR, OFFICER, EMPLOYEE, AGENT OR PROPERTY OF OWNER, CONCERNING ANY MATTER ARISING OUT OF OR RELATING TO THIS GUARANTY IN ANY COURT OTHER THAN A STATE OR FEDERAL COURT HAVING JURISDICTION OVER SAN DIEGO COUNTY, CALIFORNIA.

GUARANTOR HEREBY CONSENTS TO SERVICE OF PROCESS BY OWNER IN ANY MANNER AND IN ANY JURISDICTION PERMITTED BY LAW. NOTHING HEREIN SHALL AFFECT OR IMPAIR OWNER'S RIGHT TO SERVE LEGAL PROCESS IN ANY MANNER PERMITTED BY LAW, OR OWNER'S RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST GUARANTOR OR THE PROPERTY OF GUARANTOR IN THE COURTS OF ANY OTHER JURISDICTION.

[Signatures on following page]

Guaranty
- *Signatures*

IN WITNESS WHEREOF, Guarantor executes and delivers to Owner this Unconditional and Continuing Lease Guaranty effective as of the Effective Date.

By: 
Name: Jay Brady

Address: 6055 Mountain Ranch Dr.,
Park City, UT 84098

By: 
Name: Jeff Bradshaw

Address: 18958 Santa Isadora St.,
Fountain Valley, CA 92708

By: 
Name: Ryan Case

Address: 12 Divertirse
San Clemente, CA 92673

EXHIBIT A: GUARANTOR'S CERTIFICATE

Report Period: Commencing _____ and ending _____

Lease: Lease made by Atlantic Ave Holdings LLC, a California limited liability company ("Owner") to _____, a California _____ ("Operator") guaranteed by _____ ("Guarantor") for that certain Lease and Operational Control Agreement of even date hereof (the "Lease") for the skilled nursing component of that certain senior housing facility located at 3747 and 3737 Atlantic Ave. Long Beach, CA 90807 that is commonly known as Bixby Knolls Towers (the "Facility"), together with the other real property and improvements identified as the "Premises" as defined therein

To the best of its knowledge, Guarantor does hereby certify to Owner as follows:

1. The attached [specify audited or unaudited and annual or quarterly, and if consolidated, so state] financial statements of Guarantor and Operator [i] have been prepared in accordance with generally accepted accounting principles consistently applied; [ii] have been prepared in a manner substantially consistent with prior financial statements submitted to Owner; and [iii] fairly present the financial condition of Guarantor and Operator in all material respects as of the dates thereof.

2. To the best of my knowledge, Operator was in compliance with all of the provisions of the Lease Documents at all times during the Report Period, and no Event of Default, or any event which with the passage of time or the giving of notice or both would constitute an Event of Default, has occurred under the Lease Documents.

3. Guarantor was in compliance with all of the provisions of the Guaranty at all times during the Report Period, and no Event of Default, or any event which with the passage of time or the giving of notice or both would constitute an Event of Default, has occurred under the Guaranty.

Executed this ___ day of _____, _____.

GUARANTOR: _____

By: _____

Title: _____

Shared Services Agreement

SHARED SERVICES AGREEMENT

THIS SHARED SERVICES AGREEMENT (this “**Agreement**”) is made as of March 9, 2023 (the “Effective Date”), between Atlantic Ave Holdings LLC, a California limited liability company (“**Owner**”) and ASLB, LLC, a California limited liability company (the “**Operator**”). Owner and Operator are collectively referred to herein as “Parties.”

RECITALS

WHEREAS, Owner is a limited partnership organized in the state of California and has acquired that certain senior housing community consisting of consisting of 59 assisted living units and 99 skilled nursing beds commonly known as "Bixby Knowles Towers" and located at 3747 and 3737 Atlantic Ave. Long Beach, CA 90807 (the “**Property**”) to be re-branded as The Laurel at Long Beach (the “**Facility**”), together with the other real property and improvements identified as the “**Premises**” as defined herein below;

WHEREAS, Owner intends to operate the independent living and assisted living units at the Facility (the “**Non-SNF Premises**”) and Operator shall have no liability for the Non-SNF Premises except as may be specifically set forth herein;

WHEREAS, Owner has leased the SNF to Operator pursuant to that certain Lease of even date herewith (the “**SNF Lease**”) pursuant to which Operator intends to operate the SNF; and

WHEREAS, in order to promote the most efficient operations at the Project, Owner and Operator have agreed to share certain common administrative, support and other services, all as more particularly set forth on **Exhibit “A”** attached hereto (the “**Shared Services**”) subject and pursuant to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual promises hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE 1 RETENTION OF OWNER

Section 1.1. Engagement. Effective on the Commencement Date under the SNF Lease, Operator hereby engages and retains Owner to perform the Shared Services and Owner hereby accepts and agrees to provide the Shared Services to Operator upon the terms and conditions set forth herein.

Section 1.2. Limited Authority. Owner shall not make any commitments whatsoever on behalf of Operator or bind Operator in any respect other than as previously stated in this article. Owner shall determine the corporate and other facilities to be used in rendering the Shared Services and the individuals who will render such Shared Services.

Section 1.3. Modification of Shared Services. During the term of this Agreement, the Parties may agree to modify the terms and conditions of Owner’s performance of any Shared Service in order to reflect new procedures, processes or other methods of providing such Shared Services (a “Change”). The Parties will negotiate in good faith the terms upon which Owner would be willing to provide such new Shared Services to Operator. The Party requesting a Change will

deliver a description of the Change requested (a “Change Request”) and no Party receiving a Change Request may unreasonably withhold, condition or delay its consent to the proposed Change.

ARTICLE 2 SHARED SERVICES

Section 2.1. Shared Services. Owner shall provide the Shared Services for the Project. Operator shall cooperate with Owner as reasonably necessary in order to facilitate Owner’s provision of the Shared Services hereunder.

ARTICLE 3 COMPENSATION

Section 3.1. SNF Cost Share. In consideration of the Shared Services performed on Operator’s behalf by Owner, during the term of this Agreement, Operator shall pay to Owner its share of the costs and expenses relating to the Shared Services, as set forth on **Exhibit A** (the “SNF Cost Share”). The SNF Cost Share shall be estimated on an annual basis and Operator shall pay such estimated monthly SNF Cost Share in advance on the first day of each calendar month as set forth on **Exhibit A** hereto. Owner shall provide Operator with a quarterly invoice (“Quarterly Statement”) at the end of each calendar quarter setting forth the actual SNF Cost Share and, subject to the audit rights set forth below, Operator shall thereafter pay any balance of the SNF Cost Share for such quarter within fifteen (15) days following receipt by Operator of the Quarterly Statement. Each Quarterly Statement shall be itemized in accordance with each type or category of service shown on **Exhibit A** and actually provided by Owner to Operator setting forth: (a) the actual allocated out of pocket cash expenses for each service provided to Operator in accordance with this Agreement and (b) such other data and information necessary to justify each of the SNF Cost Share itemized on the Quarterly Statement.

Section 3.2. Disputed SNF Cost Share. On or before fifteen (15) days after delivery of the Quarterly Statement, Operator shall notify Owner of any disputed SNF Cost Share listed on any such Quarterly Statement and Operator shall have no obligation to pay or reimburse Owner for any disputed SNF Cost Share, unless and until five (5) business days following a Final Determination (as hereinafter defined) shall have occurred. For the purposes of this Agreement, a “Final Determination”, shall mean (i) any written agreement between Owner and Operator settling any such claim or dispute, or (ii) a final determination made by Owner in its reasonable discretion, taking into consideration any information provided by Operator pursuant to this Section 3.2. If Operator fails to notify Owner of any disputed SNF Cost Share within twenty (20) business days after delivery of the Quarterly Statement, any such disputes shall be deemed to have been waived by Operator.

Section 3.3. Failure to Pay SNF Cost Share. If Operator fails to pay any SNF Cost Share amount within five (5) calendar days following when the same is due, then it shall thereafter pay a “late fee” equal to the greater of five percent (5%) of the amount due or \$250. Further, if Operator fails to pay any SNF Cost Share amount within fifteen (15) days following when the same is due more than twice in the same calendar year, then such failure shall also be a default under the SNF Lease and Owner shall be entitled to all rights and remedies contained under the SNF Lease.

ARTICLE 4 OWNER RESPONSIBILITIES

Section 4.1. Owner General Obligations. Owner will provide the Shared Services to Operator on a non-discriminatory basis and will use commercially reasonable efforts to provide the Shared Services in the same manner as if it were providing such services on its own account and, in accordance with applicable law (the “Service Standards”). Owner will use its commercially reasonable best efforts to conduct its duties hereunder in a lawful manner in compliance with applicable laws, statutes, rules and regulations and in accordance with the Service Standards.

Section 4.2. Books and Records; Access to Information. Owner will keep and maintain books and records on behalf of Operator in accordance with past practices and internal control procedures. Operator will have the right, at any time and from time to time upon reasonable prior notice to Owner, to inspect and copy (at its expense) during normal business hours at the offices of Owner the books and records relating to the Shared Services, with respect to Owner’s performance of its obligations hereunder. This inspection right will include the ability of Operator’s financial auditors to review such books and records in the ordinary course of performing standard financial auditing services for Operator (but subject to Owner imposing reasonable access restrictions to Owner’s and its affiliates’ proprietary information and such financial auditors executing appropriate confidentiality agreements reasonably acceptable to Owner). Owner will promptly respond to any reasonable requests for information or access. For a period of twenty four (24) months after Operator receives a Quarterly Statement from Owner for the provision of the Shared Services, Operator shall be provided reasonable access to and the right to audit, at its cost and expense, by a mutually acceptable recognized accounting firm, all of Owner’s books and records principally relating to the provision of the Shared Services hereunder.

ARTICLE 5 INDEMNIFICATION

Section 5.1. Indemnification. Owner will indemnify and hold Operator harmless against all losses resulting from: (i) Owner’s performance or failure to perform, in any material manner, any of its obligations under this Agreement; (ii) the breach by Owner, in any material manner, of any representation, warranty, covenant or agreement contained herein; or (iii) the loss of or damage to tangible real or tangible personal property (including damage to their property), in any material manner, in each case to the extent that such Loss was proximately caused by any grossly negligent or willful act or omission by Owner or subcontractors in connection with the provision or receipt of the Shared Services.

Section 5.2. Notice and Procedures. Operator will give prompt written notice in reasonable detail (the “Notice of Claim”) to Owner stating the basis of any claim for which indemnification is being sought hereunder within thirty (30) days after its knowledge thereof; provided, however, that Operator’s failure to provide any such notice to Owner will not relieve Owner of or from any of its obligations hereunder, except to the extent that Owner suffers prejudice as a result of such failure. If the facts giving rise to such indemnification involve an actual or threatened claim by or against a third party:

(a) the Parties will cooperate in the prosecution or defense of such claim and will furnish such records, information and testimony and attend to such proceedings as may be reasonably requested in connection therewith; and

(b) Operator will make no settlement of any claim that would give rise to liability on the part of Owner without the latter's prior written consent which will not be unreasonably withheld or delayed, and Owner will not be liable for the amount of any settlement affected without its prior written consent.

ARTICLE 6 MISCELLANEOUS

Section 6.1. Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered, sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or electronic mail. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy or electronic mail, when the sender receives a confirmation of receipt generated by the sending machine, if sent during ordinary business hours. Any notice, request, demand, direction, or other communication sent by telecopy or electronic mail must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

OWNER

Address: Atlantic Ave Holdings LLC
1775 Hancock Street, Suite 200
San Diego, CA 92110
Attn: Deepak Israni
Telephone: 619-296-9000
Facsimile: 619-296-9090
Email: disrani@Ownercompanies.com

with a copy to:

Address: Thomas P. Sayer, Jr., Esq.
9984 Scripps Ranch Blvd. #284
San Diego, CA 92131
Telephone: 858-335-9590
Facsimile: 619-296-9090
Email: tsayer1@gmail.com

OPERATOR:

Address: ASLB, LLC
28202 Cabot Rd., Ste 412
Laguna Niguel, CA 92677
Attn: Jared Kirkwood, General Counsel
Telephone: (949) 347-7100
Facsimile: (949) 347-7800

Email: jkirkwood@aspenskiilledhealth.com

with a copy to:

Address: Sternshein Legal Group LLP
5316 E. Chapman Avenue
Orange, CA 92869
Attn: Jai Chung
Telephone: (714) 242-3450
Facsimile:
Email: jai@sternsheingroup.com

Telephone numbers are included above for informational purposes and to facilitate instances where this Lease expressly provides for non-written notice. Any written notice shall be deemed given upon receipt or documented refusal of delivery. Designations of address may be changed by written notice given in accordance with the foregoing.

Section 6.2. Term. This Agreement shall be effective for an initial period which shall run with the term of the SNF Lease and shall automatically renew with any renewals of the term of the SNF Lease without notice. Notwithstanding the foregoing, this Agreement and the provision of services granted herein may be terminated: (i) upon mutual agreement of the Parties; (ii) by Owner if Operator shall not have delivered payment of the SNF Cost Share in accordance with the terms provided in Article 3 of this Agreement; provided that Owner has given Operator five (5) days' written notice and an opportunity to cure such default; (iii) by Owner upon notice to Operator in the event any petition in bankruptcy or reorganization is filed against Operator, or any other type of bankruptcy, reorganization or insolvency proceeding is instituted with respect to Operator, or Operator consents to the institution of involuntary bankruptcy, reorganization or insolvency proceedings with respect to Operator, or Operator admits in writing its inability to pay its debts generally as they become due or the making by Operator of a general assignment for the benefit of its creditors; (iv) by either Party in the event that the other Party materially breaches this Agreement; (v) by Operator in the event Owner fails to satisfactorily provide such Shared Services in a professional, workmanlike manner so long as Operator has provided written notice to Owner and Owner has been allowed reasonable time to correct the cited deficiency; or (vi) by Operator if the Facility is cited for a deficiency related to the Shared Services for which Owner is unable or unwilling to correct in such a way as to result in a plan of correction which is acceptable to CDPH. In the event a performance deficiency is reasonably deemed by Operator to violate and/or jeopardize regulatory operating requirements or resident safety, Operator shall (i) immediately notify Owner of the deficiency (ii) have the right, but not the obligation, to contract with a third party to perform the deficient services or conduct said services using Operator staff. Owner shall reimburse Operator for costs to cure said deficiency in excess of the average expense paid to Owner for the same or similar service during the most recent six months.

Section 6.3. Independent Contractor. Nothing in this Agreement shall be construed: (a) to give either Party the power to direct or control the daily activities of the other Party, or (b) to constitute the Parties as principal and agent, employer and employee, franchiser and franchisee, partners, joint ventures, co-owners or otherwise as participants in a joint undertaking. Owner shall maintain control over its employees, its subcontractors and their employees. No employee of Owner performing Shared Services shall be considered an employee of Operator or any of its affiliates. Neither Owner nor Operator shall represent directly or indirectly that Owner is an agent, employee, or legal representative of Operator. Owner shall not have the authority to incur any

liabilities or obligations of any kind in the name of or on behalf of Operator. Owner shall be responsible for all risks incurred in the operation of its business and shall enjoy all the benefits thereof. Owner will be solely responsible to pay any and all local, state, and/or federal income, social security, unemployment taxes for its employees, and workers' compensation coverage. Owner acknowledges and agrees that neither it nor anyone acting on its behalf, including any of Owner's employees, shall receive any benefits of any kind, including, but not limited to, unemployment benefits or workers' compensation benefits, from Operator and waives any and all right to do so. Owner (and Owner's agents, employees, and subcontractors) is excluded from participating in any fringe benefit plans or programs as a result of the performance of services under this Agreement, without regard to the Owner's independent contractor status and waives any and all right to do so.

Section 6.4. Force Majeure. Neither Party shall be in default of this Agreement or liable to the other Party for any delay or default in performance where occasioned by any cause of any kind or extent beyond its control, including but not limited to, armed conflict, terrorism or economic dislocation resulting therefrom; embargoes; shortages of labor, raw materials, production facilities or transportation; labor difficulties; civil disorders of any kind; action of any civil or military authorities; fires; floods; and accidents (each, a "Force Majeure" or "Force Majeure Event"). Every reasonable effort shall be made by a party claiming Force Majeure to avoid delay or suspension of performance hereunder, but no party shall be required to do so in any manner in which such party does not deem to be in its best interest in order to be able to perform its obligations hereunder. As soon as practicable after occurrence of any Force Majeure Event, a party claiming Force Majeure shall notify its contracting counterparties in writing of such Force Majeure Event and, to the extent possible, inform such parties of the expected duration of the Force Majeure Event and the performance to be affected by the suspension or curtailment under this Agreement. After the termination of any Force Majeure Event, as soon as practicable, a party claiming Force Majeure shall notify such parties in writing of the termination of such Force Majeure Event and of the anticipated timing of the resumption of performance.

Section 6.5. Entire Agreement. This Agreement constitutes the entire understanding between the Parties with respect to the subject matter hereof and all prior agreements or understandings with respect thereto shall be deemed merged herein. No representations, warranties and certifications, express or implied, shall exist as between the Parties except as stated herein.

Section 6.6. Amendments. No amendments, waivers or modifications hereof shall be made or deemed to have been made unless in writing executed by the Party to be bound thereby.

Section 6.7. Severability. If any provision in this Agreement or the application of such provision to any person or circumstance shall be invalid, illegal or unenforceable, the remainder of this Agreement or the application of such provision to persons or circumstances other than those to which it is held invalid, illegal or unenforceable shall not be affected thereby.

Section 6.8. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but together shall constitute the same instrument; and signatures delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, shall be given the same legal force and effect as original signatures.

Section 6.9. Assignment. Operator may not assign or delegate its duties under this Agreement or any of its rights hereunder without prior written consent of the other. Owner may assign its rights under this Agreement in connection with any sale of the Project.

Section 6.10. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of State of California, without regard to its conflicts of laws principles.

Section 6.11. Arbitration. Notwithstanding anything to the contrary in this Agreement, all claims for monetary damages and disputes relating in any way to the performance, interpretation, validity, or breach of this Agreement shall be referred to final and binding arbitration, before a single arbitrator, under the commercial arbitration rules of the American Arbitration Association in San Diego County, California. The arbitrator shall be selected by the parties and if the parties are unable to reach agreement on selection of the arbitrator within ten (10) days after the notice of arbitration is served, then the arbitrator will be selected by the American Arbitration Association. All documents, materials, and information in the possession of a party to this Agreement and in any way relevant to the claims or disputes shall be made available to the other parties for review and copying not later than 60 days after the notice of arbitration is served. To the extent that a party would be required to make Confidential Information available to any other, an agreement or an order shall be entered in the proceeding protecting the confidentiality of and limiting access to such information before a party is required to produce such information. Information produced by a party shall be used exclusively in the arbitration or litigation that may arise, and shall not otherwise be disclosed. In no event shall a party be entitled to punitive damages in any arbitration or judicial proceeding and all parties hereby waive their rights to any punitive damages. In the event an arbitration panel or a court concludes that the punitive damages waiver contained in the previous sentence is unenforceable, then the parties agree that the court with subject matter jurisdiction over the confirmation of the award shall have sole and exclusive jurisdiction to determine issues of entitlement and amount of punitive damages. The arbitrator shall NOT have subject matter jurisdiction to decide any issues relating to the statute of limitations or to any request for injunctive relief, and the parties hereby stipulate to stay the arbitration proceeding (without the need of a bond) until any such issues in dispute are resolved. Judgment upon the award rendered by the arbitrator shall be final, binding and conclusive upon the parties and their respective successors and permitted assigns, and may be entered in any court of competent jurisdiction.

Section 6.12. Enforcement Costs. If any civil action, arbitration or other legal proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any provision of this Agreement, the successful or prevailing party or parties shall be entitled to recover reasonable attorneys' fees, court costs, sales and use taxes and all expenses even if not taxable as court costs (including, without limitation, all such fees, taxes, costs and expenses incident to arbitration, appellate, bankruptcy and post-judgment proceedings), incurred in that proceeding, in addition to any other relief to which such party or parties may be entitled. Attorneys' fees shall include, without limitation, paralegal fees, investigative fees, administrative costs, sales and use taxes and all other charges billed by the attorney to the prevailing party (including any fees and costs associated with collecting such amounts).

Section 6.13. No Third-Party Beneficiaries. This Agreement is solely for the benefit of the Parties hereto and should not be deemed to confer upon third parties any remedy, claim,

liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement.

Section 6.14. Employees. Pursuant to the requirements of the Attorney General of the State of California, the parties hereby confirm the employment provisions of Section 9 (b)(i) of the SNF Lease. In this regard, at or prior to the Commencement Date, Operator will tender offers of employment to all of the Employees involved in the skilled nursing facility activities at the Facility in good standing. Such offers of employment made by Operator will be made in a manner sufficient to comply with federal, state, and local law, and for wages and benefits that are not less favorable than those provided to other similarly situated employees of the facilities in which Owner's affiliates have an ownership interest and which are located in California.

[Signatures on next page]

Shared Services Agreement
-Signature page

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective duly authorized officers as of the date first written above.

Owner:

**ATLANTIC AVE HOLDINGS LLC, a
California limited liability company**

By: _____

Name: Deepak Israni
Title: General Manager

Operator:

**ASLB, LLC, a California limited liability
company**

By: _____

Name: Stephen Thompson
Title: Manager

Shared Services Agreement
-Signature page

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective duly authorized officers as of the date first written above.

Owner:

**ATLANTIC AVE HOLDINGS LLC, a
California limited liability company**

By: _____

Name: Deepak Israni

Title: General Manager

Operator:

**ASLB, LLC, a California limited liability
company**

By:  _____

Name: Stephen Thompson

Title: Manager

EXHIBIT A

[see attached]

Exhibit A
Shared Services Agreement
Bixby Knolls
3737 Atlantic Ave, Long Beach, CA 90807

Bed Count		
IL/AL/MC	147	60.00%
SNF	99	40.00%
Main Building Split	246	100.00%
APT	80	
IL/AL/MC	147	
IL/AL/MC	227	70.00%
SNF	99	30.00%
Grand Total	326	100.00%

(Excluded from Main Building SSA as will be apartment units with no services)

**Please note that if the physical plant of the asset changes and impacts the unit count or unit care level mix, the SSA allocation is subject to change.
 The unit mix is subject to be reviewed 6 months and 12 months after the transition for any unit care type changes.

Shared Service	% Paid by ALF	% Paid by SNF	Details
Administration Staffing	70.00%	30.00%	Staffing: Concierge. Each building will have their own Administrator/Executive Director, manage their own business offices, and then will share the concierge for the campus.
Administration Non-Staffing	80.00%	20.00%	Non-Staffing: The administrative costs that will be shared are the employee benefits insurance, recruiting costs, education and training, new hire screening, uniforms, payroll processing, and time clock.
Resident/SNF Care	N/A	N/A	Staffing and Non-Staffing: The Resident Care department and SNF Care department will be paid by each company.
Dietary	60.00%	40.00%	Staffing: The Dining Services Director, Lead Cook, Cook, Servers, and Dishwashers will be shared. Non-Staffing: The food, supplies, equipment repairs, consulting, contract services, and any other kitchen related expenses will be shared.
Housekeeping	70.00%	30.00%	Staffing: The Housekeeping Director for the whole campus will be shared. Non-Staffing: The Housekeeping supplies used for the entire building will be shared
Laundry	0.00%	0.00%	
Maintenance	70.00%	30.00%	Staffing: The Maintenance Director for the whole campus will be shared. Non-Staffing: Each company will be responsible for maintaining the building premises as the Lease agreement. Other items that will be shared include Landscaping contracts, pest control, parking lot, common signage installation and repair, and bulding and equipment repairs to the shared areas.
Activities	N/A	N/A	Staffing and Non-Staffing: Each company will be responsible for hiring their own activity staff and paying for their own activity supplies, entertainment, etc.
Transportation	0.00%	0.00%	
Marketing	N/A	N/A	Staffing and Non-Staffing: Each company will be responsible for the staffing and marketing for their own facilities.
Utilities - Main Campuses	70.00%	30.00%	Shared: The following Utilities Expenses shall be managed, billed, and shared between each property - Electric, Gas, Waste and Disposal, Cable, Water and Sewer, Telephone, and Internet.
Other Operating	70.00%	30.00%	Other Operating items that will be shared are property insurance, property tax, personal property tax, and any other legally required taxation for the entire campus.

IN WITNESS WHEREOF, Owner and Operator have hereunto set their hands as of March 9, 2023

OWNER:

Atlantic Ave Holdings LLC, a California limited liability company

By: _____

Name: Deepak Israni
 Title: General Manager

OPERATOR:

ASLB, LLC, a California limited liability company

By: 

Name: Stephen Thompson
 Title: Manager

Exhibit A
Shared Services Agreement
Bixby Knolls
3737 Atlantic Ave, Long Beach, CA 90807

Bed Count		
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(Excluded from Main Building SSA as will be apartment units with no services)

**Please note that if the physical plant of the asset changes and impacts the unit count or unit care level mix, the SSA allocation is subject to change.*
**The unit mix is subject to be reviewed 6 months and 12 months after the transition for any unit care type changes.*

Shared Service	% Paid by ALF	% Paid by SNF	Details
Administration Staffing	70.00%	30.00%	Staffing: Concierge. Each building will have their own Administrator/Executive Director, manage their own business offices, and then will share the concierge for the campus.
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Resident/SNF Care	N/A	N/A	Staffing and Non-Staffing: The Resident Care department and SNF Care department will be paid by each company.
Dietary	60.00%	40.00%	Staffing: The Dining Services Director, Lead Cook, Cook, Servers, and Dishwashers will be shared. Non-Staffing: The food, supplies, equipment repairs, consulting, contract services, and any other kitchen related expenses will be shared.
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Maintenance	70.00%	30.00%	Staffing: The Maintenance Director for the whole campus will be shared. Non-Staffing: Each company will be responsible for maintaining the building premises as the Lease agreement. Other items that will be shared include Landscaping contracts, pest control, parking lot, common signage installation and repair, and building and equipment repairs to the shared areas.
Activities	N/A	N/A	Staffing and Non-Staffing: Each company will be responsible for hiring their own activity staff and paying for their own activity supplies, entertainment, etc.
Transportation	0.00%	0.00%	
Marketing	N/A	N/A	Staffing and Non-Staffing: Each company will be responsible for the staffing and marketing for their own facilities.
Utilities - Main Campuses	70.00%	30.00%	Shared: The following Utilities Expenses shall be managed, billed, and shared between each property - Electric, Gas, Waste and Disposal, Cable, Water and Sewer, Telephone, and Internet.
Other Operating	70.00%	30.00%	Other Operating items that will be shared are property insurance, property tax, personal property tax, and any other legally required taxation for the entire campus.

IN WITNESS WHEREOF, Owner and Operator have hereunto set their hands as of **March 9, 2023**

OWNER:

Atlantic Av Holdings LLC, a California limited liability company

By: _____

Name: Deepak Israni
 Title: General Manager

OPERATOR:

ASLB, LLC, a California limited liability company

By: _____

Name: Stephen Thompson
 Title: Manager

Operations Transfer Agreement

OPERATIONS TRANSFER AGREEMENT

THIS OPERATIONS TRANSFER AGREEMENT (this “Agreement”) is entered into effective as of the [] day of [], 2023 (the “Effective Date”), by and between BIXBY KNOLLS TOWERS, INC., a California nonprofit public benefit corporation (“Current Operator”), and ASLB, LLC, a California limited liability company (“New Operator”). Current Operator and New Operator may collectively be referred to herein as the “Parties.”

RECITALS

WHEREAS, Current Operator owns the Facility and holds valid and current Licenses (as defined in Article 1 below, which contains definitions of the capitalized terms used in this Agreement) from CDPH to operate the Facility as it is currently being operated, as well as a valid and current Medicare Provider Agreement (Provider #056283), and Medi-Cal Provider Agreement (CDPH License #940000023), and is duly enrolled in good-standing in the Medicare and Medi-Cal programs;

WHEREAS, the Facility is licensed by CDPH for 99 skilled nursing beds;

WHEREAS, Pacifica Mission Bay LLC, a California limited liability company (“Buyer”) has agreed to purchase the Facility (and the real property of which it forms part) from Bixby Knolls Towers, Inc., a California nonprofit public benefit corporation (“Seller”) pursuant to the Purchase Agreement and assign its interest in the Facility to Atlantic Ave Holdings, LLC, a California limited liability company (“Landlord”);

WHEREAS, pursuant to the terms of that certain lease by and between Landlord and New Operator and effective as of the Operations Transfer Date, Landlord has agreed to lease the Facility to New Operator;

WHEREAS, pursuant to the terms of that certain Sublease by and between New Operator, as sublandlord, and Current Operator, as subtenant, hand effective as of the Operations Transfer Date, New Operator has agreed to sublease the Facility to Current Operator;

WHEREAS, Current Operator shall assign all of its right, title, and interest with respect to the skilled nursing units of the Facility to New Operator;

WHEREAS, the Parties desire to provide for an orderly transition of the operations of the Facility and continuation of care to patients of the Current Operator until such time as New Operator completes credentialing requirements, secures necessary consents or otherwise enters into reimbursement arrangements with third party payor programs to which Current Operator is a party, including Medicare and Medi-Cal;

WHEREAS, New Operator will submit necessary applications to effectuate the transfer of the provider numbers and agreements to Medicare, Medi-Cal and other payor programs and it is anticipated that it may take several months for the respective payors to process and approve such applications;

WHEREAS, although New Operator has the sole legal right to furnish and bill for services after the Effective Date, the logistics for billing and receiving payment for services after the Effective Date, but before approval of the payor applications, may be accomplished most efficiently by using the pay-to accounts, tax identification number, and name of Current Operator as they existed prior to the Operations Transfer Date; and

WHEREAS, Current Operator and New Operator now desire to document certain terms and conditions relevant to the orderly transition of operational and financial responsibility for the Facility from Current Operator to New Operator.

NOW, THEREFORE, in consideration of the premises and the mutual covenants of the parties set forth herein, it is hereby agreed:

AGREEMENT

ARTICLE 1 DEFINITIONS

In addition to the other terms defined herein, the following terms shall have the meanings set forth in this Article 1, except as the context otherwise clearly requires:

1.1 “**AAA**” has the meaning set forth in Section 14.1.

1.2 “**Accounts**” means all Pre-Transfer Accounts and Post-Transfer Accounts.

1.3 “**Advances**” has the meaning set forth in Section 5.19.3.

1.4 “**Assets**” means Seller’s right, title and interest in all patients and their records and admission agreements, patient’s rights agreements and/or other patient or resident occupancy agreements with respect to residents or patients occupying the Facility on the Operations Transfer Date, Inventory, Assumed Operating Contracts, General Intangibles (to the extent assignable or transferable), Medi-Cal Provider Agreement and Medicare Provider Agreement, but not including (a) the Real Property (which will be transferred to Landlord pursuant to the Purchase Agreement) and (b) the Excluded Assets.

1.5 “**Assumed Operating Contracts**” refers to the agreements identified in Exhibit A hereto, if any.

1.6 “**Benefits**” means all vacation, sick leave, comp time, health, dental, vision and similar employer-sponsored benefits plans, 401(k), 403(b), Keogh and similar savings and retirement plans, in-lieu payments and each and every other employer benefit generally provided by Current Operator or New Operator to its employees.

1.7 “**Bill of Sale**” refers to the Bill of Sale transferring the Assets in the form attached hereto as Exhibit B, which shall to be delivered to New Operator on or before the Operations Transfer Date.

1.8 “**CDPH**” refers to the California Department of Public Health and any related agency or department of the State responsible for licensing skilled nursing facilities.

1.9 “**CDSS**” refers to the California Department of Social Services and any agency or department of the State responsible for licensing assisted living or other senior living facilities.

1.10 “**CMS**” refers to the Centers for Medicare and Medicaid Services and its agents and intermediaries.

1.11 “**Certificate**” means, where one is required by law, the certificate of need or similar certification necessary to construct, maintain and operate the Facility as it is currently being operated.

1.12 “**Claimant**” has the meaning set forth in Section 11.3.

1.13 “**Closing Date**” means the date on which the conditions set forth in the Purchase Agreement are fulfilled.

1.14 “**Conditional Approval Letter**” means that certain letter from the California Attorney General dated [REDACTED], conditionally approving the sale of the Facility by Seller to Landlord and New Operator’s operation of such Facility, a copy of which is attached hereto as Exhibit J.

1.15 “**COVID Payments**” has the meaning set forth in Section 5.19.2.

1.16 “**Current Operator**” has the meaning set forth in the preamble.

1.17 “**Current Operator’s knowledge**” and other similar knowledge qualifiers means the present actual (as opposed to constructive or imputed) knowledge solely of the current Vice President of Healthcare Operations, and the current Vice President of Operations, without any independent investigation or inquiry whatsoever. Such individuals are identified by title in this Agreement solely for the purpose of establishing the scope of Current Operator’s knowledge. Such individuals shall not be deemed to be a party to this Agreement nor to have made any representations or warranties hereunder, and no recourse shall be had to such individuals for any of Current Operator’s representations and warranties hereunder (and New Operator hereby waives any liability of or recourse against such individual). Current Operator represents that such individuals are the employees of Current Operator’s managing agent most knowledgeable about the Property and the Facility, and that no other employee is known to Current Operator to be likely to have knowledge which they do not possess.

1.18 “**Document Retention Period**” has the meaning set forth in Section 8.2.4.

1.19 “**Encumbrances**” refers to security interests, leases, liens and financing arrangements encumbering the FF&E, as listed on Exhibit C, if any.

1.20 “**Employee Schedule**” means a complete schedule which reflects, among other things the following: (i) the name and Social Security numbers of all employees of the Facility immediately prior to the Operations Transfer Date, (ii) their positions, status (part or full time) and rates of pay, and (iii) current Benefits enrollment data.

1.21 “**Employment Claims**” means all pending and threatened employee and employment-related claims, suits, charges, complaints and actions tiled with any court or agency having jurisdiction of Current Operator, the Facility or its employees, excluding claims for unemployment insurance and workers’ compensation,

1.22 “**Excluded Assets**” mean the assets identified on **Exhibit D** attached hereto.

1.23 “**Facility**” means that certain long-term care and senior care housing facility located at 3747 and 3737 Atlantic Avenue, Long Beach, CA 90807, commonly known as “Bixby Knolls Towers,” together with all transferable Licenses, Provider Agreements, FF&E, Inventory and other assets owned, leased, held or used by Current Operator in connection with the operation of the Facility, but not including any Excluded Assets.

1.24 “**FF&E**” refers to all furnishings, fixtures, equipment, and every other item of personal property owned by Current Operator and in place or in use at the Facility, excepting (a) the personal property to be conveyed by Current Operator to the Landlord pursuant to the Purchase Agreement; and (b) the items specifically identified on **Exhibit D** which are to be retained by Current Operator, who shall repair all damage to the Facility occasioned by removal of such items specifically identified on **Exhibit D**, if any.

1.25 “**General Intangibles**” means all of Current Operator’s right, title and interest in any intangible property currently used in connection with the Facility including, without limitation, all of Current Operator’s rights under all admission agreements, claims, contracts, leases, Licenses, permits, plans, appraisals, studies, warranties, trade lists, mailing lists, utility arrangements and other agreements relating to the ownership, operation or occupancy of the Facility, plus (without limiting the generality of the foregoing) the trade name “Bixby Knolls Towers,” all telephone numbers and email addresses and Web domains in use at the Facility, and all other identifying information; and excluding the Excluded Assets and any intangibles listed on **Exhibit D**.

1.26 “**Guarantor**” means [■], a [■].

1.27 “**Guaranty Agreement**” means a guaranty agreement duly executed by Guarantor pursuant to which Guarantor (subject to, and in accordance with, the terms thereof) agrees to guaranty all of the obligations of New Operator under this Agreement, substantially in the form attached here to as **Exhibit H**.

1.28 “**HIPAA**” means the Health Insurance Portability and Accountability Act of 1996.

1.29 “**Indemnitor**” has the meaning set forth in **Section 11.3**.

1.30 “**Inventory**” means all consumable inventories of every kind and nature whatsoever (specifically including but not limited to all pharmacy supplies, medical supplies, office supplies, maintenance supplies, foodstuffs and other supplies and consumables) owned by Current Operator and located at the Facility as of the Operations Transfer Date.

1.31 “**Landlord**” has the meaning set forth in the Recitals.

1.32 “**Licenses**” shall mean and refer to a current and valid operating License issued by CDPH permitting the Facility’s operation of skilled nursing facility beds.

1.33 “**Medi-Cal**” refers to program(s) administered by agencies, departments or private intermediaries of the State to distribute federal Medicaid and related funding.

1.34 “**Medi-Cal Provider Agreement**” refers to the Medi-Cal (or the State’s program or agency that administers Medi-Cal funds) provider agreement in force at the Facility.

1.35 “**Medicare Provider Agreement**” refers to the Medicare provider agreement in force at the Facility.

1.36 “**New License Date**” means the date on which New Operator receives in its name a license issued by CDPH permitting the Facility’s operation of skilled nursing facility beds.

1.37 “**New Operator**” has the meaning set forth in the preamble.

1.38 “**Notice of Claim**” has the meaning set forth in Section 11.3.

1.39 “**Notice of Defenses**” has the meaning set forth in Section 11.3.

1.40 “**Operating Contracts**” means those vendor, service and supplier operating contracts, equipment leases and similar arrangements related to the operations of the Facility.

1.41 “**Operations Transfer Date**” means the date on which all operating responsibilities shall be transferred from Current Operator to New Operator, and New Operator will operate the Facility under the Licenses and Operating Contracts of Current Operator.

1.42 “**Pandemic Funds**” has the meaning set forth in Section 5.19.

1.43 “**Patient Trust Property**” means and includes any and all resident trust funds and other property held by Current Operator immediately prior to the Operations Transfer Date for past, present or future residents or patients of the Facility.

1.44 “**Payor Contracts**” means all contracts with various third-party payors, such as managed care providers and commercial insurance companies, including those which are specific to the Facility and those which cover the Facility as well as other facilities operated by Current Operator’s affiliates. For the avoidance of doubt, the Medicare and Medi-Cal Provider Agreements are not Payor Contracts.

1.45 “**Pre-Transfer Accounts**” means all revenues, monies, accounts, payments and other proceeds of the operation of the Facility, including without limitation Medicare and Medi-Cal-related general intangibles and any other third party payor reimbursements, together with the products and proceeds of all of the foregoing, attributable to the provision of resident services by the operation of the Facility before the New License Date.

1.46 “**Post-Transfer Accounts**” means all revenues, monies, accounts, payments and other proceeds of the operation of the Facility, including without limitation Medicare and Medi-

Cal-related general intangibles and any other third party payor reimbursements, together with the products and proceeds of all of the foregoing, attributable to the provision of resident services by the operation of the Facility on or after the New License Date.

1.47 “**Purchase Agreement**” means that certain Purchase and Sale Agreement dated as of, between Seller, as seller, and Landlord, as buyer.

1.48 “**Rehired Employee**” refers to any employee of Current Operator who is offered and accepts employment with New Operator on or before the Operations Transfer Date, with such employment to commence as of the Operations Transfer Date.

1.49 “**Real Property**” shall have the meaning given to it in the Purchase Agreement.

1.50 “**SBA Loans**” has the meaning set forth in Section 5.19.1.

1.51 “**Seller**” has the meaning set forth in the Recitals.

1.52 “**State**” means the state of California.

1.53 “**Sublease**” shall mean that certain sublease by and between New Operator, as sublandlord, and Current Operator, as subtenant, substantially in the form of the interim sublease agreement attached hereto as Exhibit K.

1.54 “**Term**” shall have the meaning set forth in Section 2.6.

1.55 “**Terminated Operating Contracts**” refers to all Operating Contracts in effect at the Facility prior to the Operations Transfer Date which are not listed on Exhibit A.

1.56 “**Transfer Notice**” has the meaning set forth in Section 2.8.

1.57 “**Transfer Notice Act**” has the meaning set forth in Section 2.8.

1.58 “**WARN Act**” refers to the federal Worker Adjustment and Retraining Notification Act and any comparable California law or regulation.

ARTICLE 2 TRANSFER OF OPERATIONS; OTHER AGREEMENTS

2.1 Transfer of Operations. Current Operator agrees to convey, assign and deliver to New Operator the Assets and all of Current Operator’s right, title and interest in and to the business operations of the Facility, effective as of the Operations Transfer Date. From the date on which this Agreement is executed until the Operations Transfer Date, Current Operator agrees to operate the Facility as a going concern and in substantial compliance with all laws, statutes, orders and regulations applicable to and/or necessary for the lawful operation of the Facility and maintenance of licensure and provider certifications, and agrees not to refuse admissions or remove any patient from the Facility prior to the Operations Transfer Date except for valid medical and other lawful reasons or as would otherwise occur in the normal course of operating of the Facility. Current Operator and New Operator agree that, promptly after execution of this Agreement, they will

jointly notify residents and patients of the Facility of the pending sale of the Facility and Real Property pursuant to the Purchase Agreement and the management and operation of the Facility and Assets by New Operator beginning on the Operations Transfer Date pursuant to this Agreement. NOTWITHSTANDING ANYTHING CONTAINED HEREIN OR IN ANY RELATED DOCUMENT OR AGREEMENT TO THE CONTRARY, CURRENT OPERATOR IS ONLY TRANSFERRING CERTAIN OPERATING ASSETS OF THE FACILITY AND IS NOT ASSIGNING TO NEW OPERATOR, NOR IS NEW OPERATOR ASSUMING FROM CURRENT OPERATOR, ANY LIABILITY FOR CLAIMS, COSTS, EXPENSES, CONTRACTUAL ARRANGEMENTS, DUTIES OR OBLIGATIONS, CURRENT OPERATOR'S GENERAL, PROFESSIONAL AND OTHER OPERATIONAL LIABILITIES, ERRORS OR OMISSIONS, OR OTHER DUTIES, OBLIGATIONS OR LIABILITIES OF CURRENT OPERATOR, ITS AFFILIATES OR ITS PREDECESSORS-IN-INTEREST, WHETHER KNOWN OR UNKNOWN, CONTINGENT OR OTHERWISE, ARISING FROM OR RELATED IN ANY WAY TO THE OPERATION OF THE FACILITY PRIOR TO THE OPERATIONS TRANSFER DATE.

In connection with the transfer of operations of the Facility, Current Operator shall transfer and relinquish, and New Operator shall assume, all responsibility and liability for the payment of any costs, expenses, fees, rent, payroll or expenditures of any kind associated with the operation of the Facility, including but not limited to, any amounts payable to Facility Employees and any amounts due under the Assumed Operating Contracts for periods after the Operations Transfer Date.

2.2 Licensure. In consideration for the agreements of Current Operator set forth herein, and the full and faithful performance of all of Current Operator's covenants hereunder, New Operator agrees to use its commercially reasonable efforts to acquire (a) an operating License from CDPH for the Facility's skilled nursing beds, (b) the transfer or assignment of the Medicare Provider Agreement to New Operator's name pursuant to all applicable laws and regulations regarding the same, and (c) a Medi-Cal provider agreement in the name of the New Operator, pursuant to all applicable laws and regulations regarding the same. Without limitation of the foregoing, New Operator agrees to, not later than the date which is thirty (30) days after the Operations Transfer Date, file all applications, licensing packages and other similar documents with all applicable governmental agencies, governmental bodies or other third parties which are a prerequisite to obtaining the Licenses, and the transfer of the Medi-Cal Provider Agreement and the Medicare Provider Agreement to New Operator's name as described in this Section 2.2. Prior to the Operations Transfer Date, Current Operator will notify CDSS and or CDPH that the Facility will be managed and operated by the New Operator on and after the Operations Transfer Date pursuant to the terms of this Agreement.

2.3 Cooperation. Each party agrees to cooperate with the other in effecting a change in operation of the Facility for the purposes of licensing and certification in order to ensure the continuous and uninterrupted operation of the Facility as a licensed skilled nursing facility, including the execution of any documents and the surrender of the existing Licenses and provider agreements, that may be necessary or desirable to effect the orderly and uninterrupted transition of the Licenses, the Medi-Cal Provider Agreement and the Medicare Provider Agreement and other certifications to New Operator. Current Operator agrees not to take any action or commit any omission that would result in the termination or suspension of the existing Licenses or provider agreements. New Operator agrees that Current Operator shall surrender: (a) its License issued by

DPH promptly after DPH issues a license to New Operator; and (b) its License issued by CDSS promptly after CDSS issues a license to New Operator. In addition, Current Operator and New Operator agree to exercise commercially reasonable efforts in cooperating to comply with all notice and third-party consent requirements of the Assumed Operating Contracts.

2.4 Guaranty. This Agreement and the respective obligations of the parties hereunder are conditioned upon Current Operator's receipt of the Guaranty Agreement executed by Guarantor. New Operator may, but is not required to, waive or defer (in writing) the fulfillment of such condition in its sole discretion.

2.5 Occupancy. As of the Operations Transfer Date and prior to the Closing Date, New Operator shall have a license to occupy the Real Property for purposes of operating the Facility, and shall use and occupy the Real Property for no other purpose. New Operator shall be responsible for any payments, debts, liabilities associated with the use and occupancy of the Real Property after the Operations Transfer Date. If necessary to facilitate New Operator's operation of the Facility from the Operations Transfer Date until New Operator receives its own operating Licenses for the Facility from CDPH and CDSS, on or before the Closing Date, New Operator shall enter into the written lease agreements with Current Operator.

2.6 Term. This Agreement shall remain in full force and effect until the New Operator obtains the Licenses set forth in Section 2.2 (the "Term") unless earlier terminated pursuant to the terms of Section 2.7.

2.7 Termination. If the parties determine that the conditions associated with the Closing Date have become impossible to perform, or if the parties terminate the Purchase Agreement for any reason, this Agreement shall automatically terminate. Upon the termination of this Agreement pursuant to this Section 2.7, the operations and Assets of the Facility shall revert to the Current Operator. New Operator shall remain responsible for, and shall hold harmless and indemnify Current Operator for, any costs, taxes, expenses, fees, penalties, and liabilities of any kind associated with or resulting from any acts or omissions of the New Operator after the Operations Transfer Date but before the date on which the assets and operations of the Facility are returned to Current Operator. In addition, New Operator agrees to execute any agreement, instrument or document necessary to implement the transfer of Assets and operations to Current Operator, or which Current Operator deems necessary, in its sole discretion, to support Current Operator's ownership and operation of the Facility after the termination of this Agreement.

2.8 Transfer Notice. At least ninety (90) days prior to the Operations Transfer Date, Current Operator shall send written notice of the transfer of operations contemplated under this Agreement to all of the residents of the Facility (the "Transfer Notice"). The Transfer Notice shall include all of the information required under Section 1267.61(a) of the California Health and Safety Code (the "Transfer Notice Act"). To the extent that any information is required from New Operator for the preparation of the Transfer Notice, New Operator agrees to promptly provide such information to Current Operator. The Current Operator shall post a copy of the Transfer Notice on all entrance and exit doors of the Facility. If Current Operator fails to comply with its obligations under the Transfer Notice Act, then Current Operator shall be solely responsible for any fines and penalties mandated by the Transfer Notice Act for such violations.

ARTICLE 3
TRANSFER OF OPERATING ASSETS

3.1 Inventory. Current Operator agrees to transfer and convey the Inventory in place free of all liens and encumbrances to New Operator on the Operations Transfer Date. Current Operator agrees to maintain the Inventory at least at statutorily-required levels (or if the State has no such requirement, then at least at normal operating levels) at all times up to and including the Operations Transfer Date. Current Operator shall have no obligation to deliver the Inventory to any location other than the Facility, it being understood and agreed that the presence of the Inventory at the Facility on the Operations Transfer Date shall constitute delivery thereof.

3.2 Furnishings, Fixtures and Equipment. Current Operator and New Operator acknowledge and agree that, except as specifically noted on Exhibit C, the FF&E is the property of Current Operator and shall be transferred to the New Operator pursuant to the terms of this Agreement on the Operations Transfer Date and, as such, Current Operator agrees not to remove any FF&E from the Facility except as noted on Exhibit D, and in the event of any such permitted removal to repair any damage to the Facility occasioned thereby. Except as noted on Exhibit D, any FF&E at the Facility belonging to Current Operator shall be transferred to New Operator under the Bill of Sale. Current Operator shall have no obligation to deliver the FF&E to any location other than the Facility, it being understood and agreed that the presence of the FF&E at the Facility on the Operations Transfer Date shall constitute delivery thereof. With respect to Current Operator's computer systems, Current Operator shall remove all imaging and other proprietary software from such computer systems prior to delivery to the Current Operator.

3.3 Intentionally Omitted.

3.4 Intentionally Omitted.

3.5 Medicare and Medi-Cal Provider Numbers. Current Operator and New Operator acknowledge and agree that, pursuant to 42 C.F.R. §§ 442.14(a) and 489.18(c), Current Operator's Medicare Provider Agreement will be automatically assigned to New Operator by CMS; and further that Current Operator agrees that it will assign such Medicare Provider Agreement and its rights thereunder to New Operator, and further agrees to promptly provide such letters, consents, verifications, information and other documents, as necessary and required by applicable law or regulation, to CMS and any fiscal intermediary, DPH, the State Medi-Cal program or agency, any other governmental and/or regulatory authority having jurisdiction of the Facility, the Licenses, the Medicare Provider Agreement or the Medi-Cal Provider Agreement, and New Operator as may be reasonably requested or required to effectuate the transfer or assignment of the Medicare Provider Agreement and New Operator's acquisition of a new Medi-Cal provider agreement, provided however that as long as Current Operator materially complies with the foregoing, Current Operator shall have no liability whatsoever to New Operator or otherwise in the event that (i) CMS does not approve and/or recognize the assignment of the Medicare Provider Agreement, or (ii) the State Medi-Cal program or agency does not issue to New Operator a new Medi-Cal provider agreement. Current Operator acknowledges that, in accordance with all applicable law and regulation, New Operator may bill Medicare, in Current Operator's name, for services furnished to Facility residents who qualify as Medicare beneficiaries from and after the Operations Transfer Date, utilizing the provider number issued to Current Operator under the assigned Medicare

Provider Agreement; provided that New Operator agrees that Current Operator shall not have any liability or obligation with respect to New Operator's utilization of such provider numbers.

3.6 Payor Contracts. Current Operator shall also allow New Operator, at no out of pocket cost or expense to Current Operator, to bill and receive reimbursement for goods sold and services rendered at the Facility under its Payor Contracts while New Operator completes its own contracting process with third party payors, provided, however, nothing herein shall be construed as an assurance whether or to what extent New Operator will have the right, as a matter of law or contract, to bill the third party payors under Current Operator's third party Payor Contracts. In furtherance and not in limitation of the foregoing, Current Operator acknowledges that New Operator may be required to use an outside service provider for purposes of implementing the rights granted to New Operator under this Section 3.6, and New Operator acknowledges that any and all costs and expenses of such outside service provider shall be the sole responsibility of New Operator. New Operator acknowledges and agrees that in no event will New Operator have the right to assume any of Current Operator's Payor Contracts and that New Operator shall be required to obtain the same in its own name.

3.7 General Intangibles. General Intangibles used or held in connection with the operation of the business in the Facility shall be transferred to New Operator on the Operations Transfer Date by execution and delivery of the Bill of Sale.

3.8 Excluded Assets. The Excluded Assets are not included in this transaction and shall be retained by Current Operator or delivered in accordance with the terms, conditions, and procedures, including without limitation proration procedures, set forth in the Purchase Agreement and in Exhibit D of this Agreement.

ARTICLE 4 PATIENT TRUST FUNDS & OTHER PROPERTY

4.1 Accounting for Patient Trust Property. As of the Operations Transfer Date, Current Operator shall prepare and deliver to New Operator and (if required) the State a true, correct and complete accounting (properly reconciled) of all Patient Trust Property. If, and to the extent required by State law in connection with the issuance to New Operator of a Licenses or otherwise, such accounting shall be certified by an independent certified public accountant.

4.2 Transfer of Patient Trust Property. Within one (1) business day after Current Operator and New Operator agree upon the accounting provided for hereinabove, and in any event no later than three (3) business days following the Operations Transfer Date, Current Operator agrees to (i) remit to the parties entitled thereto all Patient Trust Property which Current Operator or the Facility are no longer entitled or permitted to hold, and (ii) transfer to New Operator the remaining Patient Trust Property and New Operator hereby agrees that it will accept such Patient Trust Property in trust for the applicable patients and residents in accordance with the terms of this Agreement and applicable statutory and regulatory requirements. Current Operator shall have no responsibility to the applicable patient or resident or responsible party and regulatory authorities with respect to any Patient Trust Property delivered to New Operator. New Operator acknowledges that Current Operator has released to the residents of the Facility the balance of all security deposits delivered by such residents to, and held by, Current Operator.

4.3 Indemnification for Patient Trust Property.

4.3.1 Current Operator will indemnify, defend and hold New Operator harmless for, from and against all liabilities, claims and demands, including reasonable attorneys' fees and costs, in the event the corpus of the Patient Trust Property transferred to New Operator does not represent Patient Trust Property delivered to Current Operator as custodian, and for claims which arise from actions or omissions of Current Operator with respect to the Patient Trust Property held or handled by Current Operator at any time.

4.3.2 New Operator will indemnify, defend and hold Current Operator harmless for, from and against all liabilities, claims and demands, including reasonable attorneys' fees and costs, in the event a claim is made against Current Operator by a patient or resident or other responsible party for his/her Patient Trust Property where such party's funds or other property were properly transferred to New Operator pursuant to the terms hereof.

4.3.3 The provisions of this Article will survive the expiration or earlier termination of this Agreement.

ARTICLE 5 RECEIVABLES & REIMBURSEMENTS:

5.1 Current Operator's Cost Reports. Current Operator shall timely prepare and file with CMS and the State Medi-Cal agency its cost reports for the fiscal year ending immediately preceding the fiscal year in which the New License Date occurs, and for any stub period and final cost reports up to the New License Date in respect to its operation of the Facility which are required to be filed by law under the terms of the Medicare and Medi-Cal programs. Current Operator will provide the appropriate agencies with any information needed to support claims for reimbursement made by Current Operator either in such final cost reports or in any cost reports filed for prior or subsequent cost reporting periods. Current Operator shall promptly provide New Operator with copies of such reports and supporting documentation. In the event Current Operator fails to timely, accurately or completely file any cost report for the Facility, New Operator shall have the right but not the responsibility, and Current Operator hereby irrevocably appoints New Operator as its agent and attorney in-fact for such purpose, to prepare, file, and otherwise process such cost reports for Current Operator's name and behalf and at Current Operator's expense. If New Operator elects to prepare, file, complete, correct and/or process any such report, it shall do so without any legal liability for any errors or omissions therein, except where such errors or omissions were the result of New Operator's negligence, and Current Operator hereby forever releases, waives, and discharges New Operator from any liability, known or unknown, for its handling of any cost report hereunder.

5.2 Schedule of Pre-Transfer Accounts. Current Operator shall deliver to New Operator a complete, correct patient/resident roster with account status, responsible party, payor source and agings not less than three (3) days prior to the Closing Date.

5.3 Billing and Collection Services Furnished before Operations Transfer Date.

5.3.1 Cooperation with Collection of Existing Accounts Receivable. During the Term, New Operator agrees to cooperate with Current Operator so that Current Operator has access

to the Facility and such other documents and information necessary for Current Operator to bill and collect the accounts receivable existing as of the Operations Transfer Date. Such cooperation and access to the Facility and information shall occur during normal business hours and at such times reasonably designated by New Operator and in a manner so as to not unreasonably disturb the Operations of the Facility, and no event shall New Operator be responsible for the collection of Current Operator's existing accounts receivables as of the Operations Transfer Date nor shall New Operator be responsible to submit any Pre-Transfer Services (as defined below) on behalf of New Operator.

5.3.2 Unbilled Services. Current Operator at its sole cost and expense shall be solely responsible to submit claims and prepare and send billing statements with respect to items and services provided by Current Operator before the Operations Transfer Date ("Pre-Transfer Services") which had not been billed as of the Operations Transfer Date to appropriate third parties (whether patients or payor programs or both); provided, however, New Operator shall submit claims and prepare and send billing statements with respect to Medicare and Medi-Cal for items and services provided by Current Operator for the month immediately preceding the Operations Transfer Date.

5.3.3 Deposit of Funds.

(a) All funds received by either Party during the Term with respect to Pre-Transfer Services shall be collected into or shall be deposited into the Current Operator account designated on Exhibit A, which shall be held exclusively for the benefit of Current Operator ("Current Operator Bank Account"). Current Operator may withdraw any and all sums contained in the Current Operator Bank Account at any time; provided, however, that any funds in the Current Operator Bank Account received with respect to services provided by New Operator after the Operations Transfer Date ("Post-Transfer Services") shall be transferred by Current Operator to New Operator in accordance with Section 5.4 below. New Operator shall have deposit authority but no withdrawal authority over the Current Operator Bank Account.

(b) Current Operator hereby irrevocably appoints New Operator as Current Operator's agent and attorney-in-fact to endorse the name of Current Operator or any d/b/a or other name used by Current Operator, on any notes, acceptances, checks, drafts, money orders or other evidence of proceeds from Pre-Transfer Services, but only for the purpose of depositing such funds into the Current Operator Bank Account, all in accordance with the terms of this Agreement.

5.3.4 Application of Payments. Funds collected by New Operator for Pre-Transfer Services, if any, shall be applied to the account and relevant time period as specified in or with the payment transmittal(s) or as otherwise set forth in this Agreement.

5.4 Authorization to Use Name and Billing Numbers for Billing of Post-Transfer Services.

5.4.1 Authorization. Until the Operations Transfer Date, Current Operator authorizes New Operator to submit claims to and receive payments from payor programs for Post-Transfer Services using Current Operator's name and billing numbers ("Payment Information")

pursuant to the terms and conditions herein, and New Operator wishes to use Current Operator's Payment Information in connection with the submission of such claims. Claims and other items prepared by New Operator during the Term shall indicate Current Operator as the provider of services. Current Operator hereby authorizes New Operator to sign, on behalf of Current Operator, any and all claims for Post-Transfer Services submitted to any Payor Program for payment. Current Operator may supply New Operator with a name stamp or electronic signature capability suitable for this purpose.

5.5 Treatment of Collections.

5.5.1 New Operator shall have the sole right to all collections received from any source as reimbursement for Post-Transfer Services. Current Operator shall have the sole right to all collections from any source relating to Pre-Transfer Services.

5.5.2 In the event New Operator receives any collections for Pre-Transfer Services, New Operator will deposit such collections to the Current Operator Bank Account. For each deposit, New Operator shall also provide Current Operator with an accounting allocating all collections received for to Pre-Transfer Services or Post-Transfer Services as applicable. Each Party shall provide the other Party with reasonable access to books and records to allow either Party to audit New Operator's allocation of collections with respect to Pre-Transfer Services and Post-Transfer Services. Notwithstanding anything contained herein to the contrary, neither Party guarantees the extent to which reimbursement for any services will be collected.

5.5.3 Current Operator and New Operator shall, from time to time, reconcile accounting of any collections for Pre- or Post-Transfer Services to ensure delivery to the proper Party. Whether collections are received by New Operator or Current Operator, (i) Current Operator will be allocated and entitled to collections for Pre-Transfer Services, and (ii) New Operator will be allocated and entitled to collections for Post-Transfer Services.

5.6 Sole Control of Bank Account. New Operator acknowledges and agrees that Current Operator has and shall maintain sole control over the Current Operator Bank Account to which deposits shall be made by payor programs for Pre- and Post-Transfer Services. During the Term, Current Operator shall not terminate, modify, transfer or otherwise affect the Current Operator Bank Account without the prior written consent of New Operator.

5.7 Pre-Transfer Accounts Receivable. Current Operator shall retain its right, title and interest in and to all unpaid Pre-Transfer Accounts, including but not limited to accounts receivable arising from rate adjustments which relate to periods prior to the Closing Date even if such adjustments occur after the Closing Date, and Current Operator shall remain liable for any overpayments (including without limitation recapture of pass-throughs) made to Current Operator for periods prior to the Operations Transfer Date for which payment is due to (or for which subsequent reimbursements are offset or denied by) Medicare, Medi-Cal or any other third party payor after the New License Date, but New Operator shall be liable for any overpayments made for periods after the Operations Transfer Date. Within five (5) business days after the Operations Transfer Date, Current Operator shall provide New Operator with a schedule setting forth by patient its outstanding Pre-Transfer Accounts as of the Operations Transfer Date. Current Operator agrees to timely and properly bill and collect all such Pre-Transfer Accounts. Current

Operator and New Operator agree that the “pay to” address for Medicare and Medi-Cal payments shall continue to be the Facility address.

5.8 Handling of Receipts by New Operator. Payments received by New Operator after the Operations Transfer Date from third party payors, such as Medicare, Medi-Cal, VA, managed health organizations and insurers, shall be handled as follows:

5.8.1 To the extent such payments either specifically indicate on the accompanying remittance advice, or if the parties agree, that they relate to periods prior to the Operations Transfer Date, Current Operator’s portion shall be forwarded to Current Operator by New Operator, along with a copy of the applicable remittance advice, within five (5) business days after receipt thereof; and to the extent such payments indicate on the accompanying remittance advice, or if the parties agree, that they relate to periods on or after the Operations Transfer Date, they shall be retained by New Operator.

5.8.2 If the remittance advice does not indicate the period to which a payment relates or whether it is for Current Operator or New Operator, or if there is no accompanying remittance advice, or the payment is not otherwise identifiable using commercially reasonable efforts, and if the parties do not otherwise agree as to how to apply such payment, then all such unidentified payments received within sixty (60) days following the Operations Date shall be deemed to relate to the covered patient’s unpaid Pre-Transfer Accounts (if any), and unidentified payments received thereafter shall be deemed to relate to Post-Transfer Accounts.

5.8.3 Handling of Receipts by Current Operator. Payments received by Current Operator after the New License Date from third party payors, such as Medicare, Medi-Cal, VA, managed health organizations and insurers, if any, shall be handled as follows:

5.8.4 To the extent such payments indicate on the accompanying remittance advice, or if the parties agree, that they relate to periods prior to the Operations Transfer Date, they shall be retained by Current Operator; and to the extent such payments indicate on the accompanying remittance advice, or if the parties agree, that they relate to periods on or after the Operations Transfer Date, they shall be forwarded to New Operator by Current Operator, along with a copy of the applicable remittance advice, within five (5) business days after receipt thereof.

5.8.5 If the remittance advice does not indicate the period to which a payment relates or whether it is for Current Operator or New Operator, or if there is no accompanying remittance advice, or the payment is not otherwise identifiable using commercially reasonable efforts, and if the parties do not otherwise agree as to how to apply such payment, then all such unidentified payments received within sixty (60) days following the New License Date shall be deemed to relate to the covered patient’s unpaid Pre-Transfer Accounts (if any), and unidentified payments received thereafter shall be deemed to relate to Post-Transfer Accounts.

5.9 Private Pay. Any payment received by either party during the first ninety (90) days after the Operations Transfer Date for a private pay patient, which fails to designate the period to which it relates, will first be applied to reduce the patient’s Pre-Transfer Account balances (if any), with any excess applied to reduce any balances due for services rendered by New Operator after the Operations Transfer Date. Thereafter all non-designated payments will first be applied to any

Post-Transfer Account balances, with the excess applied to balances due for services rendered by Current Operator prior to the Operations Transfer Date, if any.

5.10 Straddle Payments. If the remittance advice indicates or the parties agree that any payment relates to periods both prior to and on or after the Operations Transfer Date, the party receiving the payment shall forward the amount relating to the other party's operation, along with the applicable remittance advice, within five (5) business days after receipt thereof. If the remittance advice does not indicate the period to which a payment relates or whether it is for Current Operator or New Operator, or if there is no accompanying remittance advice, or the payment is not otherwise identifiable using commercially reasonable efforts, and if the parties do not otherwise agree as to how to apply such payment, then 100% of such payments received within the first sixty (60) days after the Operations Transfer Date shall be deemed to have been collected in respect of the Pre-Transfer Accounts due from the payee in respect of services provided prior to the New License Date. All such payments received in excess of the amount of the Pre-Transfer Account due from said payee and all such payments received after the 45th day after the New License Date shall be deemed to have been collected in respect of the Post-Transfer Account from said payee. All such payments received by New Operator but which are deemed to be due Current Operator under this Section 5.6 shall be forwarded by New Operator to Current Operator within five (5) business days after receipt thereof, and all such payments received by Current Operator but which are deemed to be due New Operator under this Section 5.6 shall be forwarded by Current Operator to New Operator within five (5) business days after receipt thereof. All such payment received by Current Operator which are deemed to have been collected in respect to the Pre-Transfer Account shall be retained by Current Operator and all such payments received by New Operator which are deemed to have been collected in respect to Post-Transfer Account shall be retained by New Operator.

5.11 Offset. Without limiting any other rights or remedies of the parties under this Agreement, (i) New Operator shall have the right to offset against any such payments any amounts that are due and owing to it from Current Operator under the terms of this Agreement, and (ii) Current Operator shall have the right to offset against any such payments any amounts that are due and owing to it from New Operator under the terms of this Agreement; provided that in all cases the offsetting party shall promptly notify the other in writing of the offset and the reason therefor.

5.12 Misapplication of Payments. In the event that any payment hereunder is misapplied by the parties, except as otherwise provided herein, the party which erroneously received said payment shall remit the same to the other within ten (10) days after such determination is made.

5.13 Cooperation in Processing of Claims. If necessary, New Operator and Current Operator agree to provide each other, upon request and in a timely manner, with copies of all Medicare and Medi-Cal reimbursement requests pertaining to the Facility submitted to any Medicare or Medi-Cal fiscal intermediary whether before or after the Operations Transfer Date. Each party agrees to take all reasonable steps to assist the other in processing Medicare and Medi-Cal claims and obtaining Medicare and Medi-Cal payments for services rendered (i) in the case of New Operator, from and after the Operations Transfer Date, and (ii) in the case of Current Operator, prior to the Operations Transfer Date. The party being assisted agrees to reimburse the party rendering assistance for any reasonable documented out-of-pocket expenses incurred by the assisting party in rendering such assistance.

5.14 Accounts Receivable Reporting.

5.14.1 From and after the Operations Transfer Date until the date which is ninety (90) days following the Closing Date, New Operator shall provide Current Operator with (i) an accounting by the 30th day of each month setting forth all amounts received by New Operator during the preceding month with respect to the Pre-Transfer Account which are listed on the schedule provided by Current Operator pursuant hereto, and (ii) copies of all remittance advices relating to such amounts received and any other reasonable supporting documentation as may be required for Current Operator to determine the Pre-Transfer Account that has been paid. New Operator shall deliver such accounting to Current Operator at Current Operator's record address set forth in Section 15.4.

5.14.2 From and after the Operations Transfer Date until the date which is sixty (60) days following the Closing Date, or until Current Operator receives payment of all accounts receivable attributed to operations prior to the Operations Transfer Date, whichever is sooner, Current Operator shall provide New Operator with (i) an accounting by the 30th day of each month setting forth all amounts received by Current Operator with respect to the Post- Licensure Account using the same type of schedule as that provided by Current Operator pursuant hereto, and (ii) copies of all remittance advices relating to such amounts received and any other reasonable supporting documentation as may be required for New Operator to determine the Post-Transfer Accounts that have been paid. Current Operator shall deliver such accounting to New Operator at New Operator's address in Section 15.4.

5.15 Access. Following the Operations Transfer Date, after providing advance notice to New Operator in each instance, Current Operator and its agents and representatives shall have reasonable access during business hours to such medical records, resident contracts, patient status reports, medical necessity documentation, services documentation, account documentation, remittance advice documentation, Nursing Services Statements (CMS-3616), and other documents and records as reasonably necessary to confirm the division of the accounts receivable, payments or accounts payable, to facilitate billing and collection of Current Operator's receivables, to handle any of Current Operator's accounts payable or reconcile any financial information.

5.16 Overpayment Claims.

5.16.1 In the event that federal or state agencies or any private insurer or other payor making payments to Current Operator for services performed prior to Operations Transfer Date make any claim for fines, civil money penalties, recoupment of fraudulent charges or overpayments (including without limitation recapture of pass-throughs) occurring for any such period, then Current Operator agrees to save, indemnify, defend and hold New Operator harmless for, from and against any and all loss, damage, injury or expense incurred by New Operator because of any such claim, and Current Operator shall promptly reimburse New Operator for the full amount of any such claim, offset, chargeback or other attempted recovery of such fraud and overpayments upon demand; provided, that this indemnification shall not apply to the extent that such claims arose out of or related to Current Operator's act or omission to act. New Operator shall provide written notice to Current Operator immediately upon receipt of any such claim or notice. In the event Current Operator successfully appeals any such overpayment claim and New

Operator receives funds or credits as result thereof, New Operator shall promptly remit to Current Operator the full amount of any such funds or credits.

5.16.2 In the event that federal or state agencies or any private insurer or other payor making payments to New Operator for services performed on or after the Operations Transfer Date make any claim for fines, civil money penalties, recoupment of fraudulent charges or overpayments (including without limitation recapture of pass-throughs) occurring for any such period, then New Operator agrees to save, indemnify, defend and hold Current Operator harmless for, from and against any and all loss, damage, injury or expense incurred by Current Operator because of any such claim, and New Operator shall promptly reimburse Current Operator for the full amount of any such claim, offset, chargeback or other attempted recovery of such fraud and overpayments upon demand. In the event New Operator successfully appeals any such overpayment claim and Current Operator receives funds or credits as result thereof, Current Operator shall promptly remit to New Operator the full amount of any such funds or credits.

5.17 Interest Payment Penalty. Failure of either party to forward to the other party any payment received by such party in accordance with the terms of this Section 5, shall entitle the other party (among all other remedies allowed by law and this Agreement) to interest on the amount owed at the rate per annum equal to the sum of the Prime Rate as set forth in the Money Rates Section of The Wall Street Journal, as the same may change from time to time, plus 5%, simple interest, until such payment has been paid. The payment of any interest imposed under this Section 5, if any, shall be made together with the underlying payment therefor.

5.18 Enforcement Rights. The obligations of the parties to forward the accounts receivable payments pursuant to this Section 5 are absolute and unconditional and irrespective of any circumstances whatsoever which might constitute a legal or equitable discharge, recoupment, offset, counterclaim or defense of the parties, the right to assert any of which with respect to proceeds of any accounts receivable is hereby waived. Notwithstanding anything to the contrary contained in this Agreement, all obligations under this Agreement, including without limitation the obligations under this Article, shall survive the issuance of the new Licenses to New Operator, the Closing Date and the transfer of the operations of the Facility to the New Operator.

5.19 COVID Payments. To the extent Current Operator received Paycheck Protection Program SBA Loans and COVID Payments and Advances (as defined below) (collectively the “Pandemic Funds”), which have been released by the Federal government in response to the COVID-19 pandemic. Current Operator shall utilize these funds in accordance with the laws and guidance applicable to each specific category of Pandemic Funds as set forth below:

5.19.1 The Paycheck Protection Program SBA Loans (“SBA Loans”) shall mean those loans designed to provide a direct incentive for small businesses to keep their workers on the payroll. Any and all SBA Loans received by Current Operator shall remain the sole responsibility, liability, and obligation of Current Operator and any SBA Loans received by New Operator shall remain the sole responsibility, liability, and obligation of New Operator. For the avoidance of doubt, New Operator shall not assume or accept any funds, proceeds, responsibilities, liabilities, and/or obligations related to, or in connection with, the SBA Loans.

5.19.2 Notwithstanding anything in this Agreement to the contrary, Current Operator hereby represents and warrants that any grant payments, stimulus payments, retroactive rate adjustments, and any and all other payments and support paid with respect to the Facility in relation to COVID-19 relief efforts received by Current Operator (collectively, the “COVID Payments”), have been utilized by Current Operator only in the operation of the Facility to pay allowable covered COVID-19-related expenses incurred by Current Operator prior to the Operations Transfer Date and in accordance with all applicable laws governing such COVID Payments. Any and all COVID Payments received by Current Operator shall remain the property and responsibility of Current Operator. For the avoidance of doubt, New Operator shall not assume or accept any funds, proceeds, responsibilities, liabilities, and/or obligations related to, or in connection with, the COVID Payments received by Current Operator.

5.19.3 In the event that Current Operator has received any advance on its Medicare, Medi-Cal, or other third-party payor receivables (collectively, “Advances”) at any time prior to the Operations Transfer Date for dates of services on or after the Operations Transfer Date that have not been re-paid prior to Operations Transfer Date and are required to be repaid after the Operations Transfer Date (i.e. excluding grants), Current Operator shall return such funds in full to CMS pursuant to applicable law.

5.19.4 Each of Current Operator and New Operator shall comply with all applicable laws related to the SBA Loans, COVID Payments and Advances described herein. Current Operator and New Operator shall reasonably cooperate with any information requests related to the Pandemic Funds in order to comply with regulatory and reporting requirements.

ARTICLE 6 EMPLOYEES

6.1 Current Employees; Payroll & Benefits. Current Operator shall deliver the Employee Schedule to New Operator prior to the Operations Transfer Date, New Operator acknowledges that Current Operator may make reasonable personnel changes up to the Operations Transfer Date. Current Operator shall not solicit or offer to employ any current employee of the Facility, or at any of its affiliated operations, but may offer employment to any of Current Operator’s employees following the Operations Transfer Date once they have declined New Operator’s offer of employment, if any, or if they are not offered employment by New Operator. Current Operator agrees not to give any Facility employee a salary or wage increase prior to the Operations Transfer Date without New Operator’s written consent, except in normal course of business. Current Operator also agrees to provide to New Operator, promptly following the execution and delivery of this Agreement, copies of Current Operator’s current employee handbook and/or human resources manual, detailed benefits information including carriers, brokers and participating employees, contact information and cost information, 403(b) plan documents and a roster of enrolled employees, and such other documentation of current terms and conditions of employment as New Operator may reasonably request, to the extent not disclosed in the Employee Schedule.

6.2 Employee Status.

6.2.1 Termination of Employees. Current Operator shall terminate the employment of each Facility employee as of the Operations Transfer Date. Current Operator agrees to issue and deliver final payroll checks, including all sums due for accrued vacation pay and sick pay as required by applicable State and federal laws and Current Operator's existing policies and procedures, to the Facility's employees in full and on time in accordance with the requirements of applicable State and federal laws, and to timely and fully pay all payroll taxes and similar obligations due in connection therewith. Current Operator agrees to indemnify, defend and hold New Operator harmless for, from and against any and all claims, suits, actions, proceedings, costs, fees, and other liabilities arising from or in connection with the non-payment, untimely payment, or incomplete or inaccurate payment to Facility employees for wages, vacation pay and sick pay and other sums due employees for the period prior to the Operations Transfer Date.

6.2.2 Hiring of Employees. In accordance with the requirements of California Health and Safety Code §1267.62, on or before the Operations Transfer Date, New Operator agrees it shall: (a) make offers of employment to all employees of the Facility on the Operations Transfer Date (excluding the Facility's current administrator and director of nursing) and retain for a period of at least sixty (60) days after the Operations Transfer Date all of the employees at the Facility (specifically excluding the administrator and the director of nursing) and all shall be Rehired Employees under this Agreement; (b) not terminate the employment of any of the Rehired Employees during such sixty (60) day period, except for cause; and (c) not reduce the wages and/or benefits of any of the Rehired Employees nor alter the terms and conditions of employment, economic or otherwise, of such Rehired Employees during such sixty (60) day period. Within fifteen (15) days after the Operations Transfer Date, New Operator shall advise Current Operator in writing as to whether such employees accepted or refused such employment.

6.2.3 Eligibility for Benefits. For purposes of determining eligibility to receive and participate in New Operator's Benefits programs, New Operator shall accord Rehired Employees the same seniority as they had with Current Operator. New Operator shall permit Rehired Employees to enroll in New Operator's group health plan on or as soon as practicable after the Operations Transfer Date, with no eligibility waiting period, and any preexisting condition limitations waived, so long as the Rehired Employee has been continuously employed by Current Operator for at least ninety (90) days immediately prior to the Operations Transfer Date. Any Rehired Employee who has not been continuously employed by Current Operator for at least ninety (90) days immediately prior to the Operations Transfer shall become eligible for Benefits as of the first (1st) day of the calendar month following the ninetieth (90th) day of combined continued employment with Current Operator and New Operator.

6.2.4 WARN Act Compliance. New Operator acknowledges that Current Operator does not intend to give further notice to Facility employees of any "closure" or "mass layoff" under the WARN Act, and New Operator's covenant under Section 6.2.2 is designed in part to avoid any such requirement. Accordingly, New Operator agrees to indemnify Current Operator for, from and against any liability which it may incur under the WARN Act, in whole or in part, in connection with or in the event New Operator violates its obligations under Section 6.2.2; provided, however, that nothing herein shall be construed as imposing any obligation on New Operator to indemnify Current Operator for, from or against any liability which it may incur

under the WARN Act solely as a result of Current Operator's acts or omissions prior to the Operations Transfer Date.

6.3 Employee Records. Upon request of the New Operator, Current Operator shall allow New Operator to retain custody of the employee files of any Rehired Employee in Current Operator's possession, including without limitation originally executed employee applications and original Form I-9s of Rehired Employees, for a period of ninety (90) days from the Operations Transfer Date, or until New Operator has obtained new employee applications and I-9s. Immediately thereafter, New Operator shall deliver the original files and documents to Current Operator; provided, however, that during such retention period, New Operator shall allow Current Operator reasonable access, upon prior notice and during normal business hours, to such employee files and the ability to copy the same, as Current Operator may require in its reasonable discretion.

6.4 No Employment Rights or Contract. Notwithstanding anything in this Agreement to the contrary, nothing in this Article 6 or any other provision of this Agreement shall be interpreted to create any rights in favor of any person not a party hereto, including the employees of the Facility, require New Operator to offer employment to any particular employee (so long as New Operator complies with Section 6.2.2), create any rights in favor of any person not a party hereto, including without limitation the employees of the Facility, or constitute an employment agreement or condition of employment for any employee of Current Operator or any Rehired Employee.

6.5 Work Authorization. Current Operator represents that, to Current Operator's knowledge after appropriate inquiry, (i) all Facility employees are legally authorized to work in the United States, and (ii) all employees have provided to Current Operator a signed I-9 and copies of supporting documents.

6.6 Employment Claims and Complaints. To Current Operator's knowledge, **Exhibit G** hereto includes a list of all pending and threatened Employment Claims. Current Operator acknowledges that New Operator is not assuming any liability for pending, or threatened or other pre-transfer Employment Claims, and (i) New Operator hereby disclaims any and all liability for all Employment Claims arising from or in connection with the employment of any Facility employee prior to the Operations Transfer Date, and (ii) Current Operator hereby agrees to indemnify, defend and hold New Operator harmless for, from and against any and all Employment Claims arising from or in connection with the employment of any Facility employee prior to the Operations Transfer Date. New Operator hereby agrees to indemnify, defend and hold Current Operator harmless for, from and against any and all Employment Claims arising from or in connection with the hiring of or failure to hire any employee pursuant to Section 6.2.2, or the terms and conditions of employment offered to the Rehired Employees. New Operator also agrees to indemnify, defend and hold Current Operator harmless for, from and against any and all claims brought by any employee in connection with any employee records provided to New Operator pursuant to Section 6.3.

ARTICLE 7 PRORATIONS

7.1 Prorations. Revenues and expenses pertaining to Assumed Operating Contracts, water, electricity, sewer, gas, telephone and other charges for the billing period(s) in which the Operations Transfer Date occurs, real and personal property taxes, License renewal fees, prepaid expenses and other related items of revenue or expense attributable to the Facility that are not otherwise prorated under the Purchase Agreement shall be prorated between Current Operator and New Operator as of the Operations Transfer Date. In general, prorations shall be made so as to reimburse Current Operator for prepaid expense items to the extent that the same are attributable to periods on and after the Operations Transfer Date, and to charge Current Operator for prepaid revenue items and accrued or incurred but unpaid expenses to the extent that the same are attributable to periods prior to the Operations Transfer Date. The intent of this provision shall be implemented by New Operator remitting to Current Operator any invoices which reflect a service or delivery date before the Operations Transfer Date and by New Operator assuming responsibility for the payment of any invoices which reflect a service or delivery date on and after the Operations Transfer Date; provided that in the event of any nonpayment of amounts due for pre-Operations Transfer Date periods which threatens the availability of goods or services to the Facility, then in addition to all other rights and remedies available to New Operator, New Operator shall have the right to pay amounts due and Current Operator shall reimburse New Operator for the cost thereof upon demand.

7.2 Calculation. All such prorations shall be made on the basis of actual days elapsed in the relevant accounting or revenue period and shall be based on the most recent information available. Without limiting the foregoing, water, electricity, sewer, gas, telephone and other utility charges shall be based, to the extent practicable, on final meter readings and invoices covering the period of time through the Operations Transfer Date. Utility charges which are not metered and read on the Operations Transfer Date shall be estimated based on prior charges, and shall be prorated upon receipt of statements therefor as of the Operations Transfer Date. Insurance premiums and payments shall not be pro-rated and New Operator shall obtain its own insurance coverage in accordance with Section 13.2.5.

7.3 Adjustments. All amounts owing from one party hereto to the other party pursuant to this Article 7 that require adjustment after the Operations Transfer Date shall be settled within thirty (30) days after the Operations Transfer Date or, in the event the information necessary for such adjustment is not available within said thirty (30) day period, then as soon thereafter as practicable.

7.4 Petty Cash. On the Operations Transfer Date, New Operator shall remit to Current Operator a cashier's check in the amount equal to petty cash in place at the Facility.

ARTICLE 8 RECORDS

8.1 Delivery of Records. On the Operations Transfer Date, Current Operator shall deliver to New Operator all of the records of the Facility including, but not limited to, patient medical records, financial records, employee records and other relevant records used or developed

in connection with the business conducted at the Facility, and all Licenses, agreements, records, reports and information reasonably necessary to continue patient care for any patients remaining at the Facility after the Operations Transfer Date. With respect to patient information, such transfer and delivery shall be in accordance with all applicable laws, rules and regulations governing the transfer of medical and other patient records. Nothing herein shall be construed as precluding Current Operator from removing from the Facility on or before the Operations Transfer Date the financial records that relate to its operations at the Facility and/or to its overall corporate operations.

8.2 Access to Records.

8.2.1 Subsequent to the Operations Transfer Date, New Operator shall allow Current Operator and its agents and representatives to have reasonable access (upon reasonable prior notice and during normal business hours), to inspect and to make copies of, the books and records and supporting material of the Facility relating to the period prior to and including the Operations Transfer Date, to the extent reasonably necessary to enable Current Operator to investigate and defend malpractice, employee or other claims, to file or defend cost reports and tax returns and to verify accounts receivable collections due Current Operator.

8.2.2 Current Operator shall be entitled to remove the originals of any records delivered to New Operator for purposes of litigation involving a patient or employee to whom such record relates, if (i) an officer of or counsel for Current Operator certifies that such original must be produced in order to comply with applicable law or the order of a court of competent jurisdiction in connection with such litigation, and (ii) Current Operator leaves a full and complete copy of such records in the Facility while the originals are in its possession. Any record so removed shall promptly be returned to New Operator following its use.

8.2.3 New Operator shall give full cooperation to Current Operator, Current Operator's affiliates and their insurance carriers in respect of the defense of claims by third parties against Current Operator or any affiliate of Current Operator, in respect of events occurring prior to the Operations Transfer Date with respect to the operation of the Facility. Such cooperation shall include, without limitation, making the Rehired Employees available for interviews, depositions, hearings and trials. Such cooperation shall also include making all of its employees available to assist in the securing and giving of evidence and in obtaining the presence and cooperation of witnesses (all of which shall be done without payment of any fees or expenses to New Operator or to such employees).

8.2.4 New Operator agrees to maintain such books, records and other material comprising records of the Facility's operations prior to the Operations Transfer Date that have been received by New Operator from Current Operator or otherwise, including, but not limited to, patient records and records of patient funds, to the extent required by law, but in no event less than three (3) years or the minimum period required by any applicable statute of limitations in force as of the Operations Transfer Date, whichever is longer (the "Document Retention Period"). After the expiration of the Document Retention Period, if New Operator intends to destroy or otherwise dispose of any of the documents described in this Section 8.2.4, New Operator shall provide written notice to Current Operator of New Operator's intention no later than sixty (60) calendar days prior to the date of such intended destruction or disposal. Current Operator shall have the right, at its

sole cost, to take possession of such documents during such sixty (60) calendar day period. If Current Operator does not take possession of such documents during such sixty (60) calendar day period, New Operator shall be free to destroy or otherwise dispose of such documentation upon the expiration of such sixty (60) calendar day period.

8.2.5 New Operator acknowledges that, as a result of entering into this Agreement and operating the Facility, it will gain access to patient records and other information which are subject to rules and regulations concerning confidentiality. New Operator shall abide by any such rules and regulations relating to the confidential information it acquires. New Operator shall maintain the patient and medical staff records at the Facility in accordance with applicable law and the requirements of relevant insurance carriers.

8.3 HIPAA Compliance. New Operator and Current Operator warrant and agree to comply with the Administrative Simplification provisions of HIPAA, including the Standards for Privacy of Individually Identifiable Health Information and Security Standards for the Protection of Electronic Health Information at 45 C.F.R. Parts 160 and 164 and by the Health Information Technology for Economic and Clinical Health Act, as amended from time to time (“HITECH”), and implementing regulations (collectively, “Privacy and Security Regulations”), as well as the applicable HITECH regulations. These provisions govern the Parties’ use and disclosure of protected health information, as HIPAA defines that term (“Protected Health Information”). Neither Party may use or disclose Protected Health Information, except as permitted by the Privacy and Security Regulations or applicable state law, and to the extent the Privacy and Security Regulations require authorization for any use or disclosure of Protected Health Information, each Party will be responsible for obtaining directly from the individuals whose Protected Health Information is to be used or disclosed, any authorizations to use and/or disclose Protected Health Information as needed for performance under the terms of this Agreement. Without limiting the foregoing, on or before the Operations Transfer Date, New Operator and Current Operator shall each execute and deliver to the other mutual and reciprocal HIPAA Business Associate Agreements in form set forth as Exhibit I attached hereto.

ARTICLE 9 OPERATING AGREEMENTS

9.1 Operating Contracts. On the Operations Transfer Date, Current Operator shall deliver to New Operator true, complete and current copies of all Assumed Operating Contracts set forth on Exhibit A. To Current Operator’s knowledge, there are no material Operating Contracts, oral or written, which have not been disclosed in writing, pursuant to the foregoing or otherwise, to New Operator, and the Operating Contracts delivered and disclosed are in full force and effect and have not been modified, altered or amended in any way. Current Operator assigns, and New Operator assumes and agrees to be bound by all of the terms and conditions of, the Assumed Operating Contracts from and after the Operations Transfer Date; provided, that if an Assumed Operating Contract requires consent for an assignment, Current Operator and New Operator will use reasonable efforts and jointly cooperate in obtaining such consent as soon as practicable or, as necessary, to give the appropriate notice called for by the Assumed Operating Contract.

9.1.1 Nothing herein shall be construed as imposing any liability on New Operator with respect to any obligations under (a) the Assumed Operating Contracts which

relate to the period prior to the Operations Transfer Date, or (b) any Terminated Operating Contracts.

9.1.2 Current Operator agrees to use reasonable efforts to give conditional notice of cancellation under each of the Terminated Operating Contracts as soon as reasonably practicable after the execution of this Agreement (but in any event prior to the Operations Transfer Date), with the terminations to be effective on or before the Operations Transfer Date or at the earliest possible date(s) thereafter.

9.2 Equipment Financing and Leases. Current Operator and New Operator acknowledge and agree that the FF&E listed on Exhibit C, if any, are leased or otherwise encumbered under the terms of the Equipment Leases, true and complete copies of which have been provided to New Operator and identified on Exhibit C. Current Operator represents and warrants that, to Current Operator's knowledge, there are no outstanding liens, leases or other encumbrances affecting the Facility or any of the FF&E therein which have not been disclosed to New Operator and identified on Exhibit C. New Operator shall assume (subject to the lessors' consent) and be responsible for all payments and other charges accruing thereon from and after the Operations Transfer Date.

ARTICLE 10 PROPRIETARY INFORMATION AND MATERIALS

10.1 Proprietary Information and Materials. New Operator acknowledges and agrees that any and all proprietary and confidential materials and information located at and used in connection with the operation of the Facility, including but not limited to, its policy and procedure manuals, shall be and remain the property of Current Operator and accordingly that Current Operator shall remove all of such materials and information from the Facility on or immediately before the Operations Transfer Date.

ARTICLE 11 INDEMNIFICATION

11.1 Current Operator. Without limiting its other duties and obligations hereunder, Current Operator agrees to indemnify, defend and hold harmless New Operator and its parents, subsidiaries, affiliates, directors, officers, employees, agents and representatives for, from and against any and all loss, costs, penalties, fees, liabilities and expenses, including reasonable attorneys' fees and costs, which it may incur as a result of (i) a breach by Current Operator of its obligations under this Agreement, (ii) the acts or omissions of the Current Operator under the Assumed Operating Contracts prior to the Operations Transfer Date, and (iii) the operation of the Facility prior to the Operations Transfer Date, including any costs, penalties, fees, liabilities and expenses incurred by New Operator for Current Operator's failure to make any and all repairs, alterations and/or improvements in accordance with the requirements of the California Department of Health Care Access and Information; provided, however, that nothing herein shall be construed as imposing any liability on Current Operator to indemnify, defend or hold harmless New Operator with respect to New Operator's own acts or omissions from and after the Operations Transfer Date.

11.2 New Operator. Without limiting its other duties and obligations hereunder, New Operator agrees to indemnify, defend and hold harmless Current Operator and its parents, subsidiaries, affiliates, directors, officers, employees, agents and representatives for, from and against any and all loss, costs, liabilities and expenses, including reasonable attorneys' fees and costs, which it may incur as a result of (i) any breach by New Operator of its obligations under this Agreement, (ii) the acts or omissions of the New Operator under the Assumed Operating Contracts from and after the Operations Transfer Date or (iii) the operation of the Facility from and after the Operations Transfer Date, including without limitation, any use by New Operator of Current Operator's Payment Information, Licenses or Certificate(s) from and after the Operations Transfer Date; provided, however, that nothing herein shall be construed as imposing any liability on New Operator to indemnify, defend or hold harmless Current Operator with respect to Current Operator's own acts or omissions from and after the Operations Transfer Date.

11.3 Indemnification Procedures. New Operator and Current Operator agree that, upon receipt by either party of a claim in respect of which any indemnity may be sought under this Article or under any other indemnification provision in this Agreement, such party (the "Claimant") shall give written notice (the "Notice of Claim") to the other (the "Indemnitor") within ten (10) days of receiving such claim. No indemnification shall be available to any Claimant who fails to timely give the required Notice of Claim if the Indemnitor was unaware of the claim and was prejudiced by the failure to timely receive the Notice of Claim. The Indemnitor shall be entitled at its own expense to participate in the defense of any claim or action against the Claimant. The Indemnitor shall have the right to assume the entire defense of such claim provided that (i) Indemnitor gives written notice of its desire to defend such claim (the "Notice of Defense") to the Claimant within fifteen (15) days after Indemnitor's receipt of the Notice of Claim; (ii) Indemnitor's defense of such claim shall be without cost to Claimant or prejudice to Claimant's rights; (iii) counsel chosen by Indemnitor to defend such claim shall be reasonably acceptable to Claimant, (iv) the Indemnitor shall bear all costs and expenses in connection with the defense of such claim; (v) Claimant shall have the right, at Claimant's expense, to have Claimant's counsel participate in the defense of such claim; and (vi) Claimant shall have the right to receive periodic reports from Indemnitor and Indemnitor's counsel with respect to the status and details of the defense of such claim and shall have the right to make direct inquiries to Indemnitor's counsel in this regard. Solely for purposes of subparagraph (vi) above, The submission of reports by Indemnitor's counsel to Claimant, pursuant to subsection above, shall not be deemed a waiver by Indemnitor of the attorney-client privilege.

11.4 The provisions of this Article and all other indemnification provisions in this Agreement shall be cumulative and shall survive the Operations Transfer Date and the Closing Date.

11.5 In order to comply with the requirements of this Article 11, Current Operator covenants that (i) it will purchase and, for a period of at least two (2) years following the Operations Transfer Date, maintain a tail insurance policy covering all of Current Operator's acts, omissions and the operations of the Facility prior to the Operations Transfer Date, and (ii) neither Current Operator nor any affiliate of Current Operator shall, for a period of two (2) years following the Operations Transfer Date, take any action to dissolve Current Operator or to render it incapable of fulfilling its obligations under this Article 11.

ARTICLE 12 DEFAULT

12.1 Remedies. Notwithstanding anything contained herein to the contrary, in the event of a default by either party hereunder, the other party shall have all remedies available to it at law, in equity and under this Agreement, which remedies shall be cumulative and not exclusive, and which remedies may be pursued singly, successively or simultaneously with any others.

ARTICLE 13 REPRESENTATIONS AND WARRANTIES

13.1 Current Operator. Current Operator hereby makes the following warranties and representations, which shall survive the termination of this Agreement:

13.1.1 Current Operator (i) possesses, if and where required, a Certificate and all similar approvals necessary to maintain and operate, and (ii) is duly Licensed by the State to operate the Facility with skilled nursing beds.

13.1.2 Skilled nursing beds are duly certified and eligible for Medicare and Medical reimbursement, and all permits, Licenses, provider agreements and other governmental approvals necessary for the operation of the Facility as it is currently operated have been received and are now currently effective. A true and current copy of the Licenses (and if applicable the Certificate) is attached hereto as **Exhibit F**.

13.1.3 To Current Operator's knowledge, there are currently no court orders, consent decrees, judgments or similar directives, including without limitation corporate integrity agreements under 42 USC Sec. 1320a-7b(f), affecting the Facility, Current Operator, or any shareholder, member, partner or affiliate of Current Operator.

13.1.4 To Current Operator's knowledge, other than as specifically identified in **Exhibit G**, there are no pending, or to Current Operator's knowledge, threatened, judicial, municipal or administrative proceedings, consent decrees or judgments with respect to, or in any manner affecting or relating to the Facility or any portion thereof, or in which Current Operator is or will be a party by reason of Current Operator's operation or occupancy of the Facility, and during the three (3) year period immediately preceding the date of this Agreement there have been no notices of claims, claims, suits, actions, threats, demands, or casualty losses of any kind filed or claimed relating to the Facility or claims or losses affecting any insurance rating of the Facility or Current Operator, nor has there been any medical records request from an attorney representing a current or past resident of the Facility within the past two (2) years.

13.1.5 There are no collective bargaining agreements between Current Operator and/or the Facility and any labor organization or employee group applicable to the operation and/or management of the Facility and, to Current Operator's knowledge, no election or other effort to unionize the Facility or any portion of its staff is underway, has been petitioned for by any Facility staff, or has been granted by the National Labor Relations Board or any similar body.

13.1.6 To Current Operator's knowledge, the Facility is currently in compliance with (i) all governmental orders issued by any agency having jurisdiction of the Facility, (ii) all

plans of correction and allegations of compliance filed by or in behalf of the Facility within the three (3) year period immediately preceding the Operations Transfer Date, and (iii) all Conditions and Standards of Participation for the Medicare and Medi-Cal programs. Current Operator has not received written notice of, nor does it have a reasonable basis to expect the issuance of a written notice with respect to, any action or proceeding initiated or proposed by State or federal agencies having jurisdiction thereof, to either revoke, withdraw or suspend any of the Licenses or Certificate or to decertify, terminate, ban or limit the participation of Current Operator or the Facility in the Medicare, Medi-Cal, VA or any other third-party payor programs, and to Current Operator's knowledge there is no condition or event which constitutes, or which with notice or the lapse of time or both would constitute, a default under or a violation of any the Licenses, the Certificate (if any), the Medicare Provider Agreement or the Medi-Cal Provider Agreement, which might result in the revocation or termination thereof.

13.1.7 To Current Operator's knowledge, Current Operator's financial statements, which were submitted to New Operator in connection with New Operator's evaluation of the Facility, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements or information therein not misleading, and fairly represent the financial condition and results of the operations of the Facility for the periods covered thereby. To Current Operator's knowledge, all of the books and records of the Facility, including, but not limited to, books and records related to patient trust funds and employee records, are true and correct in all material respects.

13.1.8 Current Operator is duly authorized to consummate the transactions contemplated by this Agreement. Current Operator has, as of the Operations Transfer Date will have, all necessary power and authority to sell and convey the Assets and its interest in the business in the Facility to New Operator. Current Operator has all necessary power and authority to enter into this Agreement and to execute all documents and instruments referred to herein or contemplated hereby, and all necessary action has been taken to authorize the individual executing this Agreement to do so. This Agreement has been duly and validly executed and delivered by Current Operator and is enforceable against Current Operator in accordance with its terms.

13.2 New Operator. New Operator hereby makes the following warranties, representations and covenants to Current Operator, which shall survive the termination hereof:

13.2.1 New Operator is a limited liability company duly formed and in good standing in the state of California and is qualified to do business and in good standing in the State.

13.2.2 New Operator has all requisite power and authority to execute and deliver this Agreement and to carry out its obligations hereunder and the transactions contemplated hereby, and all necessary action has been taken to authorize the individual executing this Agreement to do so. The documents contemplated hereby have been or will be duly authorized by all necessary action on New Operator's part. This Agreement has been, and the documents contemplated hereby to be executed by New Operator will be, duly executed and delivered by New Operator and constitute its legal, valid and binding obligations enforceable against it in accordance with their terms, and the consummation and performance by New Operator of the transactions contemplated herein will not result in a violation of or be in conflict with or constitute a default under any term or provision of the organizational documents of New Operator, or any of the terms

or provisions of any agreement or instrument to which it is a party or by which it is bound, or of any term of any applicable law, ordinance, rule or regulation of any governmental authority, or of any term of any applicable order, judgment or decree of any court, arbitrator or governmental authority.

13.2.3 As of the Operations Transfer Date, New Operator will qualify and will continue to qualify as a “covered entity” as such term is defined in HIPAA and will comply and will continue to comply with all requirements under HIPAA, including without limitation, the use or disclosure of protected health information.

13.2.4 New Operator will, at all times during the Term of this Agreement, operate the Facility in accordance with the terms of the Conditional Approval Letter.

13.2.5 New Operator will, at all times during the Term of this Agreement, maintain general liability and professional liability insurance with limits of not less than \$1,000,000 per occurrence and \$3,000,000 annual aggregate and workers compensation insurance and employer’s liability insurance with at least the minimum coverage as required by applicable law. Such insurance policies shall name the Current Operator as an additional insured, and a certificate of insurance shall be delivered to the Current Operator on or before the Operations Transfer Date, and thereafter as requested by the Current Operator.

ARTICLE 14 ARBITRATION

14.1 Agreement to Arbitrate. Any controversy, dispute or claim of whatsoever nature arising out of, in connection with, or in relation to the interpretation, performance or breach of this Agreement, including any claim based on contract, tort or statute, shall be determined by final and binding, confidential arbitration administered by the American Arbitration Association (“AAA”) in accordance with its then-existing Commercial Arbitration Rules; provided, however, that either New Operator or Current Operator may pursue its equitable remedies under this Agreement in a court of competent jurisdiction, in which case this Section shall not apply. With respect to arbitration matters, the sole arbitrator shall be selected in accordance with such AAA rules. Any arbitration hereunder shall be governed by the Federal Arbitration Act, 9 U.S.C. 1-16 (or any successor legislation thereto), and judgment upon the award rendered by the arbitrator may be entered by any state or federal court having jurisdiction thereof. Neither New Operator, Current Operator nor the arbitrator shall disclose the existence, content or results of any arbitration hereunder without the prior written consent of all parties; provided, however, that either party may disclose the existence, content or results of any such arbitration to its partners, officers, directors, employees, agents, attorneys and accountants and to any other person or entity to whom disclosure is required by applicable law, including pursuant to an order of a court of competent jurisdiction. Unless otherwise agreed by the parties, any arbitration hereunder shall be held at a neutral location selected by the arbitrator in Los Angeles County, California. The cost of the arbitrator and the expenses relating to the arbitration (exclusive of legal fees) shall be borne equally by New Operator and Current Operator unless otherwise specified in the award of the arbitrator. Fees and costs paid or payable to the arbitrator shall be included in “costs and reasonable attorneys’ fees” as used elsewhere in this Agreement and the arbitrator shall specifically have the power to award to the

prevailing party such party's costs and expenses incurred in such arbitration, including fees and costs paid to the arbitrator.

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

Current Operator

New Operator

**ARTICLE 15
MISCELLANEOUS**

15.1 Assignment. New Operator may not assign this Agreement to: (a) any affiliate of New Operator without the prior written consent of Current Operator, which may not be unreasonably withheld, conditioned or delayed; or (b) any other party or parties without the prior written consent of Current Operator, which may be granted or withheld in Current Operator's sole discretion, and any such attempted unconsented assignment will be void.

15.2 Further Assurances. Each of the parties hereto agrees to execute and deliver any and all further agreements, documents or instruments necessary to effectuate this Agreement and the transactions referred to herein or contemplated hereby or reasonably requested by the other party to perfect or evidence their rights hereunder.

15.3 Expenses. Each of the parties shall pay all costs and expenses incurred or to be incurred by it in negotiating and preparing this Agreement.

15.4 Notices. All notices, consents, approvals and other communications provided for herein or given in connection herewith shall be validly given, made, delivered **or** served if in writing and delivered personally or sent by registered, certified mail, or receipted overnight service (by a reputable overnight company), postage prepaid to:

If to Current Operator:

c/o Retirement Housing Foundation
911 N. Studebaker Road
Long Beach, CA 90815-4900

If to New Operator:

c/o Aspen Skilled Healthcare, Inc.
28202 Cabot Road, Suite 412
Laguna Niguel, CA 92677

Attn: President
Phone: (562) 257-5100
Fax: (562) 257-5200
Email: stuart.hartman@rhf.org

Attn: Jared Kirkwood, General Counsel
Email: jkirkwood@aspenskiiledhealth.com

or to such other addresses as either party hereto may from time to time designate in writing and deliver in a like manner. All such notices, consents, approvals and other communications will, if delivered to the address as provided in this Section, and (i) if delivered personally, be deemed given upon delivery, (ii) if delivered by registered, certified mail, be deemed given on the earlier of the third business day following mailing or upon receipt and (iii) if delivered by overnight service, be deemed given on the earlier of the first business day following the date sent by such overnight service (in each case regardless of whether such notice, request or other communication is received by any other person to whom a copy of such notice is to be delivered pursuant to this Section).

15.5 Applicable Law; Jurisdiction. This Agreement and the rights of the parties hereto shall be governed and construed in accordance with the laws of the State without regard to conflict of laws. Except in respect of an action commenced by a third party in another jurisdiction, the parties agree that any legal suit, action or proceeding arising out of or relating to this Agreement must be instituted in a State or Federal court in the Los Angeles County, California and they hereby irrevocably submit to the jurisdiction of any such court.

15.6 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

15.7 Construction. This Agreement has been negotiated by and between Current Operator and New Operator in arms-length negotiations, and both parties are responsible for its drafting. Both parties have reviewed this Agreement with appropriate counsel, or have waived their right to do so, and the parties hereby mutually and irrevocably agree that this Agreement shall be construed neither for nor against either party, but in accordance with the plain language and intent hereof. The captions of paragraphs and subparagraphs of this Agreement have been inserted solely for the purposes of convenience and reference, and shall not control or affect the meaning or construction of any of the provisions of this Agreement.

15.8 Controversy. In the event of any controversy, arbitration, claim or dispute between the parties arising out of or relating to this Agreement, the prevailing party or parties shall be entitled to recover from the non-prevailing party or parties its or their reasonable expenses, including, but not by way of limitation, reasonable attorneys' fees and costs of suit.

15.9 Waiver. Waiver by one party of the performance of any covenant, condition or promise of the other party shall not invalidate this Agreement, nor shall it be considered to be a waiver by such party of any other covenant, condition or promise contained herein. The waiver of either or both parties of the time for performing any act shall not be construed as a waiver of any other act required to be performed at a later date.

15.10 Severability. Should any part of this Agreement be declared invalid for any reason, such decision shall not affect or impair the validity of the remaining part or parts hereof, and this Agreement shall remain in full force and effect as to all parts not declared invalid or unenforceable as if the same had been executed with the invalid or unenforceable portion(s) thereof eliminated.

15.11 Entire Agreement. This Agreement comprises the entire agreement between the parties hereto with respect to the subject matter hereof and shall be construed together. This Agreement may not be amended, modified or terminated except by written instrument signed by all of the parties hereto.

15.12 No Unintended Beneficiaries. This Agreement is solely between the parties hereto, and shall not create any right or benefit in any third party, including without limitation any creditor, agent, partner, employee or affiliate of Current Operator, or any entity or agency having jurisdiction of the Licenses, the Facility or the operation of the business therein.

15.13 Survival of Obligations, Representations, and Warranties. All representations and warranties of Current Operator and New Operator pursuant to this Agreement shall survive for a period of one (1) year after the Operations Transfer Date. All obligations, covenants and indemnifications set forth in this Agreement shall survive the Operations Transfer Date.

15.14 Bulk Sales. New Operator hereby waives compliance by Current Operator with the requirements, if any, of Article 6 of the Uniform Commercial Code as in force in any state in which the Assets are located and all other similar laws applicable to bulk sales and transfers.

15.15 Assignment of Trade Name. Current Operator and New Operator agree to execute all documentation and instruments necessary for the assignment of the Facility's trade name as may be required by the issuing authority; provided, however, that New Operator shall be responsible for all costs associated with the assignment of such trade name from Current Operator to New Operator.

[SIGNATURES ON FOLLOWING PAGE]

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

CURRENT OPERATOR:

BIXBY KNOLLS TOWERS, INC.,
a California nonprofit public benefit corporation

NEW OPERATOR:

ASLB, LLC,
a California limited liability company

By: _____
Name: Stuart Hartman
Its: President

By: _____
Name: Stephen Thompson
Its: Manager

EXHIBIT A

LIST OF ASSUMED OPERATING CONTRACTS

None.

TERMINATED OPERATING CONTRACTS

Any and all agreements, contracts, leases or other similar arrangements related to the operations of the Facility but not listed above under Assumed Operating Contracts are not and shall not be deemed assumed by New Operator.

EXHIBIT B

FORM OF BILL OF SALE

In consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, BIXBY KNOLLS TOWERS, INC. a California nonprofit public benefit corporation (“Current Operator”), does hereby grant, bargain, sell, convey, assign and transfer to ASLB, LLC, a California limited liability company (“New Operator”), and its successors and assigns, all of their respective right, title and interest in and to, all and singular, the following as defined in that certain Operations Transfer Agreement dated as of between Current Operator and New Operator, which is incorporated herein by this reference:

To the extent not belonging or transferred to the Landlord (as defined in the Operations Transfer Agreement), all Inventory, to the extent assignable, General Intangibles to rights, privileges, goods, fixtures, furnishings, equipment and intangibles owned by Current Operator and used in connection with the operation of the Facility, except as specifically identified and excluded as Excluded Assets under the Operations Transfer Agreement;

To have and to hold all and singular, for New Operator’s use and benefit, and Current Operator hereby represents and warrants to New Operator that Current Operator has full right, power and authority to sell the foregoing assets and to make this Bill of Sale, and that the foregoing assets are free and clear of all liens and encumbrances except as set forth in **Exhibits C** and **D** to the Operations Transfer Agreement. With the exception of the representations and warranties set forth in the immediately preceding sentence the foregoing assets are transferred in their “AS IS, WHERE IS” condition, without any representation or warranty of any kind.

NOTWITHSTANDING ANYTHING CONTAINED HEREIN OR IN ANY RELATED DOCUMENT OR AGREEMENT TO THE CONTRARY, CURRENT OPERATOR IS ONLY TRANSFERRING CERTAIN OPERATING ASSETS OF THE FACILITY AND IS NOT ASSIGNING TO NEW OPERATOR, NOR IS NEW OPERATOR ASSUMING FROM CURRENT OPERATOR, ANY LIABILITY FOR CLAIMS, COSTS, EXPENSES, CONTRACTUAL ARRANGEMENTS, DUTIES OR OBLIGATIONS, CURRENT OPERATOR’S GENERAL, PROFESSIONAL AND OTHER OPERATIONAL LIABILITIES, ERRORS OR OMISSIONS, OR OTHER DUTIES, OBLIGATIONS OR LIABILITIES OF CURRENT OPERATOR, ITS AFFILIATES OR ITS PREDECESSORS-IN-INTEREST, WHETHER KNOWN OR UNKNOWN, CONTINGENT OR OTHERWISE, ARISING FROM OR RELATED IN ANY WAY TO THE OPERATION OF THE FACILITY PRIOR TO THE OPERATIONS TRANSFER DATE.

Dated as of _____, 2023.

BIXBY KNOLLS TOWERS, INC.,
a California nonprofit public benefit corporation

By: _____
Name: Stuart Hartman
Its: President

EXHIBIT C

SCHEDULE OF ENCUMBERED FF&E AND ENCUMBRANCES THEREON

None.

EXHIBIT D

EXCLUDED ASSETS

Notwithstanding anything to the contrary in the foregoing Operations Transfer Agreement, Current Operator shall retain all assets owned directly or indirectly by it (or any of Current Operator's affiliates) which are not among the Assets, including, without limitation, the following assets of Current Operator (collectively, the "Excluded Assets"):

- (a) cash, cash equivalents, short-term and long-term investments,
- (b) all accounts receivables, accounts, notes, interest and other receivables of Current Operator (collectively, the "Accounts Receivable"), and all claims, rights, interests and proceeds related thereto, billed and unbilled, recorded and unrecorded, for services provided by Current Operator while owner of the Assets whether payable by private pay patients, private insurance, third party payors, private payors or by any other source, and all documents, records, correspondence, work papers and other documents relating to the Accounts Receivable;
- (c) all intercompany receivables of Current Operator with any of Current Operator's affiliates;
- (d) proprietary software and programs;
- (e) subject to the provisions of this Agreement, all of Current Operator's or any affiliate of Current Operator's proprietary manuals, policy and procedure manuals, and standard operating procedures;
- (f) the name "RHF" and its Snowflake logo, and any other logos, trademarks, names, symbols or world-wide web addresses associated with Current Operator and/or Retirement Housing Foundation, all abbreviations and variations thereof, and trademarks, trade names, service marks, copyrights and any applications therefor, symbols and logos related thereto, together with any promotional material, stationery, supplies or other items of inventory bearing such names or symbols or abbreviations or variations thereof; provided, however, that the trade name "Bixby Knolls Towers" shall not be an Excluded Asset;
- (g) the portions of Inventory and other Assets disposed of, expended or canceled, as the case may be, by Current Operator after the Effective Date and prior to the Operations Transfer Date in the ordinary course of business;
- (h) assets owned and provided by vendors of services or goods to the Facility;
- (i) all claims, rights, interests and proceeds with respect to state or local tax refunds (including but not limited to property tax) resulting from periods prior to the Operations Transfer Date, and the right to pursue appeals of same;
- (j) all of Current Operator's organizational record books and minute books;

(k) all claims, rights, interests and proceeds (whether received in cash or by credit to amounts otherwise due to a third party) with respect to amounts overpaid by Current Operator to any third party with respect to periods prior to the Operations Transfer Date (e.g. such overpaid amounts may be determined by billing audits undertaken by Current Operator or Current Operator's consultants);

(l) all bank accounts of Current Operator;

(m) all rights, claims and choses in action of Current Operator and its affiliates with respect to periods prior to the Operations Transfer Date, and any payments, awards or other proceeds resulting therefrom;

(n) the existing licenses issued by CDPH and CDSS held by Current Operator;

(o) all writings and other items that are protected from discovery by the attorney-client privilege, the attorney work product doctrine or any other cognizable privilege or protection;

(p) all of Current Operator's interest in and to the Terminated Operating Contracts (as defined in this Agreement);

(q) the NovaTime time and attendance clock currently located at the Facility;

(r) all vehicles owned by the Current Operator; and

(s) any and all bequests for charitable purposes, whether made prior to or on or after the Operations Transfer Date.

EXHIBIT E

Intentionally Omitted.

EXHIBIT F

**COPY OF CURRENT OPERATOR'S FACILITY OPERATING LICENSES
(AND CERTIFICATE OF NEED WHERE APPLICABLE)**

[Attached]

EXHIBIT G

EMPLOYMENT CLAIMS AND COMPLAINTS

Provided under separate cover.

EXHIBIT H
GUARANTY AGREEMENT

EXHIBIT I

BUSINESS ASSOCIATE AGREEMENT

EXHIBIT J

CONDITIONAL APPROVAL LETTER

EXHIBIT K

INTERIM SUBLEASE AGREEMENT

Interim Sublease Agreement

INTERIM SUBLEASE AGREEMENT

This INTERIM SUBLEASE AGREEMENT (this “Sublease”) is made and entered into as of [] (the “Effective Date”) by and between ASLB, LLC (“Sublandlord”) and BIXBY KNOLLS TOWERS, INC. (“Subtenant”).

RECITALS

WHEREAS, Sublandlord is the Lessee of that 99-bed skilled nursing facility commonly known as “Bixby Knolls Towers” and located at 3747 and 3737 Atlantic Avenue, Long Beach, CA 90807 (the “Facility”). Sublandlord is leasing the Facility from Atlantic Ave Holdings LLC, a California limited liability company and/or its affiliate Pacifica Mission Bay LLC, a California limited liability company, the landlord under a Lease and Operational Control Agreement dated March 9, 2023, as amended (the “Master Lease”). As used herein, the term the “Facility” refers to the real property described above, all improvements located on that real property, and the fixtures, furnishings, equipment and other personal property used in the management and operation thereof.

WHEREAS, Sublandlord has applied or is about to apply for a license to operate the Facility as a skilled nursing facility (the “License”) from the California Department of Public Health (“CDPH”). Until the License is issued to Sublandlord by CDPH, Sublandlord desires for Subtenant to remain in legal possession of the Facility so that Subtenant’s license to operate the Facility will remain in effect.

WHEREAS, Concurrently with the execution of this Sublease, Sublandlord and Subtenant have entered into an Operations Transfer Agreement pursuant to which Sublandlord shall manage the Facility under Subtenant’s existing license during the Term (as the Operations Transfer Agreement), which shall run concurrently with the term of this Sublease, except as otherwise provided in this Sublease. If there is any conflict between the terms of the Operations Transfer Agreement and this Sublease, the terms of the Operations Transfer Agreement shall control.

WHEREAS, Sublandlord desires to sublease the Facility to Subtenant and Subtenant desires to sublease the Facility from Sublandlord on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the covenants and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

AGREEMENT

1. THE LEASED PREMISES

Sublandlord hereby subleases to Subtenant and Subtenant subleases from Sublandlord the Facility. The Facility shall be hereinafter referred to as the “Leased Premises.”

2. TERM; TERMINATION

2.1. Term. The term of this Sublease shall commence on the Effective Date and shall continue for a term coterminous with the Term of the Operations Transfer Agreement unless this

Sublease terminates pursuant to Section 2.2 below.

2.2. Termination. This Sublease shall automatically terminate, without the need for any further action by the parties, concurrently with the termination of the Master Lease, the termination of the Operations Transfer Agreement or upon the issuance of the License to Sublandlord, whichever occurs earlier.

3. PAYMENTS BY SUBTENANT

Commencing on the Effective Date, Subtenant shall pay to Sublandlord as rent for the Leased Premises the sum of ONE DOLLAR (\$1.00) per month, payable upon termination of this Agreement.

4. PAYMENTS BY SUBLANDLORD

4.1. Utilities. Sublandlord shall pay all water, gas, heat, light, power, telephone service and all other utility services supplied to the Leased Premises during the term hereof.

4.2. Taxes. Sublandlord shall pay all real and personal property taxes, assessments and levies of any kind or nature whatsoever taxed, assessed, levied or imposed upon or against the Leased Premises during the term hereof.

4.3. Insurance. Sublandlord shall pay all insurance premiums for all insurance coverage required of the Sublandlord as lessee under the Master Lease. Sublandlord covenants and agrees that all of the property constituting the Leased Premises is covered as of the date hereof and will be covered at all times by general liability, fire, theft and property damage insurance. All such insurance shall name Sublandlord and Subtenant as insureds as their respective interests may appear.

4.4. Repairs and Maintenance; Alterations. Sublandlord shall pay all costs of repairing and maintaining the Leased Premises and every part thereof in good and sanitary order, condition and repair during the term hereof. Subtenant shall not make any alterations or changes to the Leased Premises without the prior written approval of Sublandlord in its sole discretion.

5. USE

Subtenant may use the Leased Premises for the operation of a skilled nursing facility. Sublandlord agrees to devote its best efforts toward obtaining a new skilled nursing facility license and Subtenant agrees to use commercially reasonable best efforts to cooperate with Sublandlord.

6. MASTER LEASE

This Sublease shall be subject and subordinate in all respects to the Master Lease; provided however that Subtenant has no obligation or liability whatsoever under the Master Lease.

7. RELEASE AND INDEMNITY

Sublandlord, on its behalf and on behalf of its successors and assigns, hereby fully and

irrevocably release and waive any and all claims and liabilities against Subtenant, Subtenant's predecessors, affiliates, partners, shareholders, members, directors, officers, employees, representatives, and agents of each of them (collectively "Subtenant Parties") for any and all claims that Sublandlord, its successors and assigns, may have or thereafter acquire against Subtenant or Subtenant Parties arising out of or related to the Sublease.

As part of the provisions of this Section 7, and not as a limitation thereon, Sublandlord hereby agrees that the matters released herein are not limited to matters which are known or disclosed, and Sublandlord hereby waives any and all rights and benefits which it now has, or in the future may have conferred upon it, by virtue of the provisions of federal, state or local law, rules or regulations, including without limitation, the provisions of California Civil Code Section 1542 which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Sublandlord hereby indemnifies, protects, defends and holds Subtenant, Subtenant's affiliates, their respective partners, shareholders, officers and directors, and all of their respective successors and assigns (collectively, the "Subtenant Indemnified Parties") harmless from and against any and all losses, damages, claims, causes of action, judgments, damages, costs and expenses (including reasonable attorneys' fees and court costs) that Subtenant or Subtenant Indemnified Parties may suffer or incur arising out of or related to the Sublease.

8. COUNTERPARTS

This Sublease may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

9. NOTICES

All notices to be given by either party of this Agreement to the other party hereto shall be in writing, and shall be (a) given in person, (b) deposited in the United States mail, certified or registered, postage prepaid, return receipt requested, or (c) sent by national overnight courier service, postage prepaid, with confirmed receipt, each addressed as set forth below. A copy of all notices sent shall also be sent by electronic or facsimile transmission to such noticed party.

If to Sublandlord: Aspen Skilled Healthcare, Inc.
28202 Cabot Road, Suite 412
Laguna Niguel, CA 92677
Attn: Jared Kirkwood, General Counsel
Email: jkirkwood@aspenskilliedhealth.com

With copies to (which shall not constitute notice):

Sternshein Legal Group LLP
5316 E. Chapman Avenue
Orange, CA 92869
Attn: jai@sternsheingroup.com

If to Subtenant: c/o Retirement Housing Foundation
911 N. Studebaker Road
Long Beach, CA 90815
Attn: President
Email: stuart.hartman@rhf.org

With copies to (which shall not constitute notice):

Seyfarth Shaw LLP
601 S. Figueroa Street, Suite 3300
Los Angeles, CA 90017
Attn: Ofer Lion
Email: olion@seyfarth.com

[Signatures on Next Pages]

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

SUBLANDLORD:

ASLB, LLC,
a California limited liability company

By: _____
Name: Stephen Thompson
Its: Manager

SUBTENANT:

BIXBY KNOLLS TOWERS, INC.,
a California nonprofit public benefit corporation

By: _____
Stuart Hartman, President

Acknowledged and agreed to by:

LANDLORD:

ATLANTIC AVE HOLDINGS LLC,
a California limited liability company

By: _____
Deepak Israni, General Manager

Guaranty Agreement

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (this “Guaranty”) is made as of [REDACTED], 2023, by [REDACTED], a [REDACTED] (“Guarantor”) in favor of BIXBY KNOLLS TOWERS, INC., a California nonprofit public benefit corporation (“Current Operator”). Capitalized terms not defined herein shall have the meanings ascribed to them in the Operations Transfer Agreement (as defined below).

RECITALS

WHEREAS, Atlantic Ave Holdings LLC, a California limited liability company and affiliate of the Guarantor (“Buyer”), and ASLB, LLC, a California limited liability company and affiliate of Guarantor (“New Operator”), have entered into that certain Lease and Operational Control Agreement dated as of March 9, 2023, as amended (the “Lease”);

WHEREAS, Current Operator and New Operator, concurrently herewith, have entered into that certain Operation Transfer Agreement attached hereto as **Exhibit A** (the “OTA”), providing for the transfer of operations of the skilled nursing facility located at 3747 AND 3737 Atlantic Avenue, Long Beach, CA 90807, commonly known as “Bixby Knolls Towers” (the “Facility”) as more particularly described in the OTA;

WHEREAS, Guarantor will benefit materially from the transfer of operations of the Facility from the Current Operator to the New Operator;

WHEREAS, in order to induce Current Operator into entering into the OTA with New Operator, Guarantor has agreed to guaranty all obligations of New Operator set forth therein and as more particularly described below in connection with the transfer of operations (the “Guaranteed Obligations”); and

WHEREAS, the delivery of this Guaranty is a condition to Current Operator’s obligation to transfer operation of the Facility to New Operator and would not have transferred operations without this Guaranty.

NOW THEREFORE, in consideration of the foregoing and for other valuable consideration, the receipt and sufficiency of which the parties acknowledge, Guarantor, agrees as follows:

AGREEMENT

1. Guarantor’s Representations and Warranties. Guarantor represents, warrants and covenants that:

(a) Guarantor has full power to enter into this Guaranty and fulfill its obligations hereunder; has authorized its execution, delivery and performance of this Guaranty by all necessary company or corporate action, as the case may be; and has caused this Guaranty to be duly executed and delivered to Current Operator.

(b) Guarantor’s execution, delivery and performance of this Guaranty does not and will not violate, and are not restricted by, any applicable law, any provision of its organizational and authority documents or any contractual obligation to which Guarantor is bound or by which such Guarantor or any of its assets are bound.

(c) This Guaranty constitutes a valid and binding obligation of Guarantor, enforceable against such Guarantor in accordance with its terms, subject to bankruptcy, reorganization and other similar laws

affecting the enforcement of creditors' rights generally and to general principles of equity (regardless of whether enforceability is considered in equity or at law).

(d) Guarantor is familiar with the terms and conditions of the OTA, including all obligations of New Operator as described therein.

(e) Guarantor represents, warrants and covenants to maintain sufficient net worth to perform the Guaranteed Obligations.

2. Authorizations and Waivers Relating to Actions of New Operator.

(a) Guarantor's obligations under this Guaranty shall survive the Closing Date contemplated in the OTA. Guarantor shall not have the right to limit or revoke this Guaranty upon any modification of the OTA; provided, however, no such modification shall increase the obligations of Guarantor hereunder without the prior written consent of Guarantor, which shall not be unreasonably withheld or conditioned.

(b) Guarantor waives any right it may have to require Current Operator to proceed against New Operator or any other person or entity liable under the OTA, or to pursue any other remedy with respect to the Guaranteed Obligations.

(c) Guarantor waives any requirement of presentment, demand for performance, notice of non-payment or non-performance, protest or notice of protest, notice of dishonor, notice of any modification of any term or condition of the OTA, notice of extension of time for payment or performance or any other notice or demand to which Guarantor might otherwise be entitled.

(d) Guarantor waives any defense arising from the absence, impairment, or loss of any right of reimbursement, contribution, or subrogation, or any other right of Guarantor against Current Operator and/or New Operator, whether resulting from the election by New Operator or otherwise. Guarantor waives any defense arising from any cause whatsoever, including without limitation New Operator's act or omission, resulting in the cessation of Current Operator's liability to New Operator, either in whole or in part. Guarantor waives all rights and defenses arising out of an election of remedies by New Operator.

(e) Until all of the Guaranteed Obligations have either been indefeasibly paid or performed or have expired by the express terms of the OTA, Guarantor (i) waives any right of subrogation against Current Operator by reason of any payments or acts of performance by Guarantor hereunder; (ii) waives any right to enforce any remedy which Guarantor may now or hereafter have against Current Operator by reason of any one or more payments or acts of performance in compliance with Guarantor's obligations hereunder; and (iii) subordinates any liability or indebtedness of New Operator now or hereafter held by Guarantor to New Operator's obligations to Current Operator under the OTA.

GUARANTOR ACKNOWLEDGES THAT IT HAS DISCUSSED WITH ITS LEGAL COUNSEL THE EFFECT OF THE ABOVE WAIVERS ON RIGHTS AND REMEDIES IT MIGHT OTHERWISE HAVE.

4. Survival of Guarantor's Obligations. Guarantor agrees that if at any time all or any part of the payment of any of the Guaranteed Obligations at any time received by New Operator from Current Operator is or must be returned by New Operator for any reason whatsoever (including, without limitation, the insolvency, bankruptcy or reorganization of Current Operator), then Guarantor's obligations hereunder shall, to the extent of the amount returned, be deemed to have continued in existence as to such Guaranteed Obligations, as though such previous payment had never been made.

5. Notices. All notices, requests, demands and other communications required under this Guaranty shall be in writing and shall be deemed duly given and received (i) if personally delivered, on the date of delivery, (ii) if mailed, three (3) days after deposit in the United States Mail, registered or certified, return receipt requested, postage prepaid and addressed as provided below, (iii) if by a courier delivery service providing overnight or “next-day” delivery, on the next business day after deposit with such service, (iv) if by facsimile, on the date of transmission (as confirmed by electronic confirmation of transmission generated by the sender’s machine) or (v) if by electronic mail, on the date of transmission, in each case addressed as follows:

If to Current Operator:

Retirement Housing Foundation
911 N Studebaker Road
Long Beach, CA 90815
Attn: Robert Amberg, Esq.
Phone: (562) 257-5105
Fax: (562) 430-8543
Email: Robert.Amberg@rhf.org

If to Guarantor:

Aspen Skilled Healthcare, Inc.
28202 Cabot Road, Suite 412
Laguna Niguel, CA 92677
Attn: Jared Kirkwood, General Counsel
Email:
jkirkwood@aspenskiilledhealth.com

with a copy to:

Ofer Lion, Esq.
Seyfarth Shaw LLP
601 South Figueroa Street
Suite 3300
Los Angeles, CA 90017
Phone: (213) 270-9668
Email: olion@seyfarth.com

with a copy to:

Sternshein Legal Group LLP
5316 E. Chapman Avenue
Orange, CA 92869
Attn: Jai Chung
Email: jai@sternsheingroup.com

Any party may change its above-designated address by giving the other parties written notice of such change in the manner set forth above

6. WAIVER OF JURY TRIAL. THE PARTIES HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM (WHETHER ARISING IN TORT OR CONTRACT) BROUGHT BY SUCH PARTY AGAINST THE OTHER ON ANY MATTER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS GUARANTY.

7. Governing Law. This Guaranty shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to conflict of laws. The parties agree that any legal suit, action or proceeding arising out of or relating to this Guaranty must be instituted in the Superior Court of the State of California in Los Angeles County, California, and hereby irrevocably submit to the jurisdiction of any such court.

8. Successors and Assigns. This Guaranty shall be binding upon and inure to the benefit of Current Operator and Guarantor, and their respective successors and assigns. This Guaranty may not be assigned by Guarantor without the prior written consent of Current Operator, which may be withheld or conditioned in its sole and absolute discretion.

9. Survival. The representations and warranties of Guarantor shall survive for the duration of any indemnification obligation set forth in the OTA.

10. Severability. Should any part of this Guaranty be declared invalid by a court of competent jurisdiction for any reason, such decisions shall not affect or impair the validity of the remaining part or parts hereof, and this Guaranty shall remain in full force and effect as to all parts not declared invalid or unenforceable as if the same has been executed with the invalid or unenforceable portion(s) thereof eliminated.

11. Headings. The captions or paragraph titles contained in this Guaranty are for convenience and reference only and shall not be deemed to be part of the text of this Guaranty.

12. Entire Agreement. This Guaranty, together with the OTA and the exhibits thereto, if any, are hereby incorporated by reference as if set forth fully herein and comprise the entire agreement among the parties hereto with respect to the subject matter thereof and shall be construed together and shall supersede all prior agreements and undertakings of the parties related thereto. This Guaranty may not be amended or modified except by written instrument signed by Guarantor and Current Operator.

13. Counterparts. This Guaranty may be executed by the parties in separate counterparts, each of which when so executed and delivered shall be an original for all purposes, but all such counterparts shall together constitute one and the same instrument.

[Signatures on Following Page(s)]

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

GUARANTOR:

[redacted],
a [redacted]

By: _____
Name: [redacted]
Title: [redacted]

CURRENT OPERATOR:

BIXBY KNOLLS TOWERS, INC.,
a California nonprofit public benefit corporation

By: _____
Name: Stuart Hartman
Title: President

EXHIBIT A

Operations Transfer Agreement

**Notice to SNF residents and their families regarding
change in SNF operators**



RETIREMENT RESIDENCE AND HEALTH CARE CENTER

3737 AND 3747 ATLANTIC AVENUE, LONG BEACH CALIFORNIA 90807 • (562) 426-6123

March 10, 2023

Dear Bixby Knolls Towers SNF Residents and Families,

On November 2, 2022, we sent you a notice to inform you that we planned to make certain changes at our skilled nursing facility ("SNF") in connection with our upcoming sale of Bixby Knolls Towers.

The Buyer, Atlantic Ave Holdings LLC, will not change. As we previously shared with you, Deepak Israni is the initial general manager. The Buyer's address is 1775 Hancock Street, Suite 200, San Diego, CA 92110.

There will, however, be a change in the licensed operator of the SNF. The operator will no longer be 3747 Atlantic Ave SNF, LLC. The new SNF operator will be ASLB, LLC, a California limited liability company ("ASLB"). ASLB, LLC's corporate address is located at 28202 Cabot Rd., Ste 412, Laguna Niguel, CA 92677.

The manager of ASLB is Stephen Thompson. The equity ownership of ASLB is as follows:

<u>Name:</u>	<u>Equity Ownership Percentage:</u>
Jacaranda Healthcare Group LLC	100%

This transition will require ASLB to submit various documents to the licensing agencies and enter into various agreements. We hope to close the sale on or before June 15, 2023. At closing, ASLB will operate the SNF.

We hope to make this transition as smooth as possible for you and your families. We, the Buyer, and ASLB will collaborate to avoid any disruption in service and to assure that you continue to receive quality care and services.

Thank you for your patience, and for allowing us to serve you over the years. It has been our honor and privilege. As always, Donald McDonald, your Executive Director, is available to answer any questions.

Yours truly,

David W. Napierskie
Vice President of Healthcare Operations



A Facility of Retirement Housing Foundation®
Member of Council for Health & Human Services Ministries, United Church of Christ