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September 18, 2014

Amha Selassie
Director
State Health Planning and Development Agency
D.C. Department of Health
899 North Capitol Street
Second Floor
Washington, D.C. 20002



Re: Application of Brinton Woods Senior Living IV, LLC and Brinton Woods of Washington, D.C., LLC, to acquire Carolyn Boone Lewis Health Care Center

Dear Mr. Selassie:

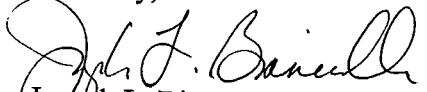
Enclosed please find three copies of an Application for a Certificate of Need by Brinton Woods Senior Living IV, LLC and Brinton Woods of Washington, D.C., LLC, to acquire Carolyn Boone Lewis Health Care Center, an existing 183-bed nursing facility located at 1380 Southern Avenue, S.E., Ward 8, Washington, D.C. 20032.

The Applicants will be sending you the application fee under separate cover.

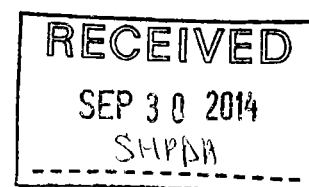
I have enclosed an additional cover page; please return it to me with your date stamp, as well as a receipt for the application fee, in the enclosed self-addressed envelope.

Please feel free to contact me if you have any questions or comments regarding this project. I look forward to working with you on this interesting matter.

Sincerely,


Joseph L. Bianculli
Counsel to the Applicants

cc: Daren Cortese



**DISTRICT OF COLUMBIA
DEPARTMENT OF HEALTH
STATE HEALTH PLANNING AND DEVELOPMENT AGENCY**

APPLICATION FOR CERTIFICATE OF NEED

Registration No. _____; Date Received _____

PART ONE

Project Title: Acquisition of Carolyn Boone Lewis Health Care Center by Brinton Woods Senior Living IV, LLC and Brinton Woods of Washington, D.C., LLC.

Applicants: Brinton Woods Senior Living IV, LLC (real estate) and Brinton Woods of Washington, D.C., LLC (operations).

Project Address: 1380 Southern Avenue, S.E.
Washington, D.C. 20032

Brinton Woods Senior Living IV, LLC, and Brinton Woods of Washington, D.C., LLC (collectively, “the Applicants” or “Brinton Woods”) hereby jointly submit this Certificate of Need registration pursuant to the transfer of ownership provisions set forth in the District’s Certificate of Need Law, D.C. Code § 44-406(b), to acquire Carolyn Boone Lewis Health Care Center, an existing 183-bed skilled nursing facility located at 1380 Southern Avenue, S.E., Ward 8, Washington, D.C. 20032.

Questions about this application may be directed to Joseph L. Bianculli, Counsel to the Applicants, at (703) 841-9330; Fax (703) 841-9334; bianculli@healthcarelawyers.com.

PROJECT NARRATIVE

INTRODUCTION

Carolyn Boone Lewis Health Care Center (“the Facility”) (formerly known as “Health Care Institute”) is an existing 183-bed skilled nursing facility located at 1380 Southern Avenue, S.E., Ward 8, Washington, D.C. 20032. So far as the Applicants are aware, the Facility has operated this number of beds for many years. The current owner of the facility, including the real estate, license and operations, is Carolyn Boone Lewis Health Care Center, Inc., a Delaware not for profit corporation (the “Seller”). The Facility has had financial challenges in recent years that threaten its financial and operational viability, so in late 2012 its Board of Directors engaged legal and accounting experts to assist in the sale of the Facility. Following a lengthy process of obtaining and

reviewing bids by a number of prospective purchasers, the Seller's Board agreed that the Applicants offered the best financial and operational capability to carry on the Facility's mission. (The Seller has requested approval of this decision and transaction by the Attorney General of the District of Columbia.) Following this transaction, the Seller no longer will be in the business of operating inpatient health care facilities, and its Board has authorized its officers to enter into and complete the Asset Purchase Agreement attached hereto as Exhibit A. A resolution of the Seller's Board approving the transaction is attached hereto as Exhibit B..

Applicant Brinton Woods Senior Living IV, LLC, a Maryland limited liability company authorized to do business in the District of Columbia, will purchase the real estate and operating assets of the Facility, and then will lease the real estate to Brinton Woods of Washington, D.C., LLC, also a Maryland limited liability company authorized to do business in the District of Columbia, which will hold all operating licenses, Medicare and Medicaid certification, and will be solely responsible to operate the Facility. Brinton Woods Senior Living IV, LLC is acquiring all of the Seller's assets, but will assume no liabilities other than certain service and maintenance contracts that contain individual termination provisions.

The two Brinton Woods entities are commonly owned, and were created to enter into this transaction. Their Certificates of Formation, authorizations to do business in the District of Columbia, and Operating Agreements are attached hereto as Exhibits D through H, and a draft of the Lease Agreement between them, which will be executed at closing, is attached as Exhibit I.

SHPDA will recall that in 2011, it issued a Certificate of Need to a related commonly owned entity, Brinton Woods of Rock Creek, LLC, to acquire by Lease a 180-bed nursing facility in the District that Brinton Woods currently operates as Brinton Woods Health and Rehabilitation at Dupont Circle. "Brinton Woods" consists of a series of commonly owned entities that are in the business of owning and operating nursing facilities in the Washington, D.C./Baltimore area. In 2005, Brinton Woods acquired a 60-bed nursing facility now known as Brinton Woods Nursing and Rehabilitation Center, located in Sykesville, MD. In 2007 Brinton Woods acquired Frankford Nursing and Rehabilitation Center, a 225 bed skilled nursing facility located in Baltimore. In 2008 Brinton Woods acquired a 25% ownership interest in Arlington West Nursing and Rehabilitation Center, an 82-bed nursing facility in Baltimore which Brinton Woods now manages. A list of the facilities Brinton Woods owns, leases, and/or manages is set forth below.

The Applicant entities are wholly owned and controlled by four individuals, Marvin Rabovsky, Daren A. Cortese and Gary Yankanich (30% each), and Gary Sudhalter (10%), each of whom has more than 20 years experience in the long term care profession. (Mr. Sudhalter is not a partner in Brinton Woods of Rock Creek, but he does have an ownership interest in the other Brinton Woods facilities.) The members' resumes are attached as Exhibit J. The philosophy of the members is to acquire facilities that have the potential for clinical and operational improvement, and to use their expertise to implement such improvements for the benefit of the facilities, their residents, staff and families, the community, and the company. Those benefits are particularly important in this case, as the Seller's financial situation threatens the Facility's viability, and many of the Facility's

former senior managers have left, causing a leadership void and posing operational challenges. Brinton Woods' owners and senior managers have extensive hands-on experience in clinical operations, management and finance, and all will be personally involved in oversight of those areas at the Facility.

The Applicants anticipate that the closing of this transaction will occur on or about December 1, 2014, and will be effective the first day of the month following receipt of CON approval.

At closing, Brinton Woods of Washington, D.C., LLC will assume the Seller's Medicare Provider Agreement, and will apply for a new operating license and Medicaid Provider Agreement to be effective as of the closing date. Brinton Woods plans to continue to operate 183 beds at the Facility. Based on limited due diligence review, the Applicants believe that the Facility currently serves fewer short term rehabilitation and post-hospitalization patients than is typical of a facility its size and location (adjacent to United Medical Center), so the Applicants expect to improve clinical services to serve such patients.

The Facility currently is subject to a commercial mortgage loan on the real estate, which the Seller will pay off as part of the transaction. (The Applicants do not know the current loan balance.) Brinton Woods Senior Living IV, LLC will finance the purchase by a commercial mortgage loan.

The Applicants are aware of no significant environmental, zoning, tax, or other issues that would affect this transaction, or that, by themselves or collectively, would threaten the continued operation of the Facility. (There are a number of personal injury actions pending against the Facility, but the Applicants believe that all are adequately insured, and the Seller will indemnify the Applicants against any liability for pre-closing events.) The Applicants are aware of no covenants, restrictions, judgments, liens, lawsuits, decrees, orders or any other impediments to closing the transaction or the continued operation of the Facility. So far as the Applicants are aware, there are no pending or threatened investigations of them or any of their affiliates, owners or managers.

The proposed transaction will benefit the residents of the District of Columbia in several respects. (The Applicants do not have patient origin data available, but believe that nearly all residents originate from the District of Columbia, or have families living nearby.) First, Brinton Woods has the resources to keep the Facility open as Brinton Woods expands and improves its clinical programs. Second, Brinton Woods has the expertise and experience to improve those clinical programs, and to build upon and enhance relationships with other community providers, in several respects. As noted, in its due diligence to date, Brinton Woods has noted that the Facility appears to serve a smaller number of rehabilitation and post-hospitalization residents than is typical at a large urban facility, and so Brinton Woods will reorganize the delivery of such services.

The Facility currently has, and will maintain, the usual transfer agreements with local hospitals. Brinton Woods already has good relationships with all local hospitals at its Brinton Woods Health and Rehabilitation at Dupont Circle facility, as local hospitals make nearly all referrals. A Notice to local Advisory Neighborhood Commission is attached as Exhibit K.

INFORMATION REQUIRED BY D.C. CODE § 44-406(b)(1)

A. The names of the current owners of the HCF, including, as applicable, all partners, controlling shareholders or members, directors, trustees and officers

1. Current Owner

The current owner and operator of Carolyn Boone Lewis Health Care Center is Carolyn Boone Lewis Health Care Center, Inc., a Delaware not for profit corporation. The sole shareholder of that entity is Nexus Health, Inc., a District of Columbia not for profit corporation that has no shareholders. Nexus Health, Inc. also owns Fort Washington Medical Center, Inc., a Maryland not for profit corporation, which owns and operate Fort Washington Medical Center. Nexus Health is in the process of selling Fort Washington Medical Center to the University of Maryland Medical System, and following the proposed transaction, it is our understanding that Nexus Health no longer will own or operate any inpatient health care facilities.

The current owner has requested the Attorney General of the District of Columbia to approve of the sale of the Facility's assets to the Applicants, and has presented a plan to the Attorney General for post-sale use of the proceeds for charitable purposes. The Applicants anticipate such approval per the D.C. Code prior to issuance of the CON requested herein.

B. The names of the Proposed Owner of the HCF, including, as applicable, all partners, controlling shareholders or members, directors, trustees, and officers

Brinton Woods Senior Living IV, LLC and Brinton Woods of Washington, D.C., LLC, both are Maryland limited liability companies that have qualified to do business in the District of Columbia. See Exhibits D-H.

Each Applicant entity is wholly owned and controlled by four individuals, Marvin Rabovsky, Daren A. Cortese, and Gary Yankanich (30% each) and Gary Sudhalter (10%), each of whom has more than 20 years experience in the long term care profession. Their resumes are attached as Exhibit J.

Marvin Rabovsky has been a licensed nursing home administrator, and was a founder and principal of a company that acquired, owned and operated nine nursing facilities, a rehabilitation company, and an institutional pharmacy that collectively employed more than 2000 persons.

Daren Cortese has performed the financial analysis for the acquisition or divestiture of more than 140 nursing facilities. This experience has provided Brinton Woods with access to capital that is very strong for a small regional nursing home provider.

Gary Yankanich has operational experience ranging from daily maintenance of a nursing facility to oversight of physical plant and life safety compliance for 59 facilities for a large national nursing home company.

Gary Sudhalter is an investor who is not involved in operations.

The members have employed their complementary skills to acquire and operate three nursing facilities in the Baltimore area, and they have operated Brinton Woods Health and Rehabilitation at Dupont Circle since July, 2010.

Brinton Woods currently operates the following nursing facilities:

Brinton Woods Health and Rehabilitation Center at Dupont Circle
2131 O Street, N.W.
Washington, D.C. 20036
180 beds; leased and operated

Brinton Woods Nursing and Rehabilitation Center at Winfield
1442 Bucktown Road
Sykesville, MD 21784.
60 beds; owned and operated

Brinton Woods Post Acute Center
5009 Frankford Avenue
Baltimore, MD 21206
232 beds; part ownership and managed

Brinton Woods Health and Rehabilitation Center at Arlington West
3939 Penhurst Avenue
Baltimore, MD 21215
82 beds; owned and operated

There are no existing, pending or threatened lawsuits or rulings, decrees or orders against Brinton Woods or any of its owners that would adversely affect the operation of the Facility; and no pending or threatened investigations by any government agency or third party payer.

C. The locations of the corporate offices of the Proposed Owner

The Applicants' corporate offices are located at 9515 Deerco Road, Timonium, MD 21093.

D. The proposed governance structure and, if investor-owned, a description of the mechanism for ensuring community involvement in policy matters

Both Applicant LLCs are managed by their owners. Brinton Woods of Washington, D.C., LLC will appoint the Facility's Administrator and Director of Nursing, who will be responsible to hire and supervise other department heads and staff.

The Facility will continue to maintain the usual resident and family councils, and the Applicants will consider establishment of a community advisory council if appropriate.

E. A summary of the agreement setting forth the terms of the Proposed Transaction including the cost and means of financing the Transaction and a reasonably estimated projection of the Transaction on costs to be charged for services to be provided

The Asset Purchase Agreement provides that Brinton Woods Senior Living IV, LLC will pay \$9,500,000 for all of the real estate and operations of the Facility, including essentially all of the Seller's assets except for cash in hand, accounts receivable, refunds and the like for periods prior to the closing, and certain of the Seller's financial and business records.

The allocation of the purchase price is as follows:

Land	\$900,000
Building	\$7,000,000
Equipment	\$1,000,000
Goodwill	\$600,000

The Applicants are not acquiring any of the Seller's liabilities except for employees' accrued vacation days, the costs of collecting accounts receivable generated prior to the closing, and obligations under miscellaneous service and maintenance contracts such as elevator and generator service agreements, postage meter lease agreements, and the like. The Seller has represented that it owns all of the assets the Applicants are acquiring, and that there are no undisclosed liabilities. The Asset Purchase Agreement provides that the Seller will indemnify the Applicants from and against most liabilities that accrued prior to the closing, and a portion of the purchase price will be retained in escrow to guarantee such indemnification. A number of personal injury actions are pending or threatened against the Facility, but the Applicants believe that the Facility's insurance is adequate to cover such claims.

The transaction will be financed by a commercial loan. The Sellers will pay off the current commercial mortgage at closing. The Applicants do not know the exact outstanding balance of the current mortgage, but believe that the proceeds from this transaction are adequate to satisfy the Seller's obligations.

The transaction is not anticipated to affect the cost or charges for services. The Facility's payer mix currently is, and is anticipated to remain, almost entirely Medicare and Medicaid; both Programs pay according to Government-established formulas. The facility's current average Medicaid rate is approximately \$243 per day; the current average Medicare rate is approximately \$519 per day; and the Applicants' pro forma financial statements project a conservative increase in both rates of approximately 2 to 5% annually.

The Applicants anticipate improving both operational and financial performance, including enhancing Medicare services and revenues, but, again, such services are reimbursed according to formulas beyond the Applicants' control.

F. A description of any capital expenditures contemplated as part of the Transaction

Other than the acquisition costs, no significant capital expenditures are anticipated at this time other than replacement of some resident room furniture. The Applicants have inspected the physical plant of the Facility and believe that it is in fair condition for a building of its age. After the acquisition is completed, the Applicants will conduct a detailed study of capital needs, systems and equipment replacement schedules, and the like.

G. A reasonable projection of utilization and financial results of the HCF, to include any expected material changes in the number of beds or services, inpatient admissions, and outpatient visits, total facility revenues, and expenses for the two-year period following the Transaction

The Facility historically has operated at about 80% occupancy, significantly lower than other nursing facilities in this area. The Applicants believe that occupancy can be improved to at least 90% by operational improvements, and that increased occupancy and operational improvements will combine to assure financial viability in the future.

Exhibit L includes pro forma revenue and expense projections for the first five years of operations. The projection is based on current costs and revenues, and anticipated program improvements and cost savings. The Applicants have examined some of the Facility's historical financial information during the course of due diligence, but cannot be certain that such information is complete or accurate. The Applicants believe that the Facility has operated at a considerable loss in recent years, and has been sustained by advances and loans from Nexus Health, which the Applicants understand will be repaid at closing.

H. A reasonably estimated projection of uncompensated care (bad debt and charity) and the nature of any proposed changes to admission policies and hours of operation over the two-year period following the transaction

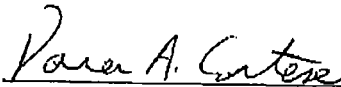
The Facility will continue operate 24 hours per day, 365 days per year. The Applicants anticipate no significant changes in the existing admission policies, hours of operation, or services.

The pro forma, Exhibit L, includes a projection of approximately 1.5% of patient revenues (approximately \$_____ annually) for uncompensated care (defined as bad debt and charity), almost all of which represents unpaid Medicare and Medicaid copayments and similar resident obligations. The Applicants believe that this figure is consistent with the typical experience of similar nursing facilities.

CERTIFICATIONS

Brinton Woods of Washington, D.C., LLC, which will operate the Facility, hereby certifies that for the five year period following the transaction, the percentage of uncompensated care (charity and bad debt) provided each year to the population served by the HCF will be equal to or exceed the average of the percentage of uncompensated care provided by the HCF for the two fiscal years immediately preceding the acquisition.

Brinton Woods of Washington, D.C., LLC, which will operate the Facility, agrees to abide by any and all applicable conditions contained in certificates of need issued to the Facility, for such time and to such extent as those conditions would be applicable to the current owners in the absence of the transaction.



Daren A. Cortese

Managing Partner

Brinton Woods of Washington, D.C., LLC

EXHIBITS TO CON APPLICATION

- A. Asset Purchase Agreement
- B.. Seller's resolution approving transaction.
- C. Brinton Woods Senior Living IV, LLC resolution approving transaction
- D. Brinton Woods Senior Living IV, LLC Operating Agreement
- E. Brinton Woods Senior Living IV, LLC qualification to do business in D.C.
- F. Brinton Woods of Washington, D.C., LLC resolution approving transaction
- G. Brinton Woods of Washington, D.C., LLC Operating Agreement
- H. Brinton Woods of Washington, D.C., LLC qualification to do business in D.C.
- I. Lease of real estate to Brinton Woods Senior Living IV, LLC to Brinton Woods of Washington, D.C., LLC.
- J. Resumes of Owners.
- K Notice to Advisory Neighborhood Commission
- L. Pro forma financial projections

Attachment A

Asset Purchase Agreement

Carolyn Boone Lewis Health Care Center, Inc.

("SELLER")

and

Brinton Woods Senior Living IV, LLC

("BUYER")

Dated as of July 24, 2014

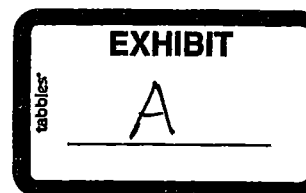


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EXHIBITS

- A DESCRIPTION OF REAL PROPERTY
- B FORM OF POST-CLOSING ESCROW AGREEMENT

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- 2.1(d) ASSUMED CONTRACTS
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- 8.2(c) COMPLIANCE OF BENEFIT ARRANGEMENT

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT dated as of July 24, 2014 (this "Agreement") by and among BRINTON WOODS SENIOR LIVING IV, LLC, a Maryland limited liability company (the "Buyer"), and CAROLYN BOONE LEWIS HEALTH CARE CENTER, INC., a Delaware nonprofit corporation ("Seller").

WITNESSETH:

WHEREAS, Seller is the owner of that certain real property located at 1380 Southern Avenue, S.E., Washington, D.C. 20032, as more particularly described in Exhibit A attached hereto (the "Real Property").

WHEREAS, Seller conducts a business (the "Business") owned by Seller and consisting of the operation of a licensed nursing care facility located on the Real Property and commonly known as Carolyn Boone Lewis Health Care Center (the "Facility") containing one hundred eighty-three (183) licensed nursing home beds; and

WHEREAS, Buyer desires to purchase substantially all of the assets used in the Business (including the Real Property) from Seller, and Seller desire to sell substantially all of the assets used in the Business (including the Real Property) to Buyer, upon the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of these premises and the representations, warranties, agreements and indemnities set forth in this Agreement, Buyer and Seller agree as follows:

ARTICLE I DEFINITIONS

1.1 **Certain Definitions.** For purposes of this Agreement, the following terms shall have the meanings set forth below:

"Affiliate" means, with respect to a specified Person, any Person who directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the Person specified.

"AG Approval" means the approval, in writing, by the Office of the Attorney General for the District of Columbia to the conversion of the Facility from a not-for-profit to a for-profit entity.

"AG Approval Date" means the date on which the AG Approval is received by Seller and a copy has been provided to Buyer.

"Ancillary Agreements" means the Deposit Escrow Agreement and any other document executed and delivered by either Buyer or Seller in connection with the transactions contemplated by this Agreement.

"Apportionment Date" means the last day of the month during which the Closing occurs.

"Balance Sheet" means the audited balance sheet of Seller as of the Balance Sheet Date.

"Balance Sheet Date" means December 31, 2012.

"Closing Date" means the date of closing determined in accordance with Section 2.12.

"CON" means a Certificate of Need issued by the SHPDA.

"Code" means the Internal Revenue Code of 1986, as amended, and the treasury regulations thereunder (including any amendments or any substitute or successor provisions thereto).

"Facility" means Carolyn Boone Lewis Health Care Center.

"Governmental Authority" means any government, court, regulatory or administrative agency or commission, or other governmental authority, agency or instrumentality, whether federal, state or local (domestic or foreign).

"Lien" means, with respect to any asset, any mortgage, lien, pledge, claim, charge, security interest, assessment, restriction, easement or encumbrance of any kind in respect of such asset.

"Material Adverse Change" means a material adverse change in the business, assets, condition (financial or otherwise), or operations of the Business taken as a whole, other than (i) those resulting from generally applicable economic conditions affecting the nursing home industry in general, (ii) those resulting from external events such as the opening or enlargement of competing facilities, (iii) those resulting from the announcement of the sale of the Business, (iv) seasonable variations in occupancy and revenue or (v) changes in historical patterns of referrals from hospitals.

"Material Adverse Effect" means an effect on the business, assets, condition (financial or otherwise), or operations of the Business, which has caused or could cause a Material Adverse Change.

"OSHA" means the United States Department of Labor, Office of Occupational Safety and Health.

"OSHA Investigation" means the investigation of the Facility by OSHA that commenced in January 2014 and was completed on July 15, 2014.

"Permitted Liens" shall have the meaning set forth in Section 2.13.

"Person" means an individual, corporation, partnership, association, trust or other entity or organization, including a Governmental Authority.

"Post-Closing Escrow Agreement" means the Post-Closing Escrow Agreement in the form set forth in Exhibit B.

"Proprietary Rights" means all (i) copyrights and registrations and applications for registration thereof, (ii) confidential business information with respect to the Facility, whether patentable or nonpatentable and whether or not reduced to practice, know-how, manufacturing and product processes and techniques, research and development information, copyrightable works, financial, marketing and business data, pricing and cost information, business and marketing plans and customer and supplier lists and information, (iii) other proprietary rights relating to any of the foregoing (including without limitation associated goodwill and remedies against infringements thereof and rights of protection of interest therein under the laws of all jurisdictions) and (iv) copies and tangible embodiments thereof.

"Return" means any return, declaration, report, claim for refund or information return or statement relating to Taxes, including any schedule or attachment thereto and any amendment thereof.

"SHPDA" means the DC State Health Planning and Development Agency.

"Tax" means any federal, state, local or foreign income, alternative or add-on minimum tax, gross income, gross receipts, sales, use, ad valorem, franchise, capital, paid-up capital, profits, greenmail, license, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental or windfall profit tax, custom, duty or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or any penalty, addition to tax or additional amount imposed by any Governmental Authority responsible for the imposition of any such tax.

ARTICLE II PURCHASE AND SALE

2.1 **Purchase and Sale.** Upon the terms and subject to the conditions set forth in this Agreement, Buyer shall purchase and acquire from Seller at the Closing, and Seller shall sell, transfer, assign and deliver to Buyer at the Closing, all of the assets, properties and business of every kind, nature and description, wherever located, real, personal or mixed, tangible or intangible, owned, held or used in the conduct of the Business other than the Excluded Assets (collectively, the "Purchased Assets"), free and clear of all Liens (other than Permitted Liens described in Section 3.11(a)), and including all right, title and interest of Seller in, to and under the following:

(a) all real property and leases of, and other interests in, real property, of Seller in each case together with all buildings, fixtures and improvements erected thereon and easements and other rights appurtenant thereto, as more particularly described on Exhibit A attached hereto;

(b) all personal property and interests therein (except for the Excluded Assets described in Section 2.2(e)) including machinery, equipment, furniture, office equipment, communications equipment, computer equipment, vehicles, storage tanks, spare and replacement parts, fuel and other tangible property used in connection with the Business, wherever located (including such property and interests owned by Seller in the possession of manufacturers, suppliers, customers, distributors, sales representatives or others or in transit);

(c) all inventories of supplies, drugs, disposable goods, labels, containers, bags and other packaging supplies, and other materials of the Business, wherever located (including such inventories owned by Seller in the possession of manufacturers, suppliers, customers, distributors, sales representatives or others or in transit);

(d) all of Seller's rights under those contracts, agreements, leases, licenses, commitments, sales and purchase orders and other instruments listed on Schedule 2.1(d) (collectively, the "Assumed Contracts");

(e) all agreements with residents of the Facility regarding admission and residency at the Facility (the "Resident Admission Agreements");

(f) all accounts receivable generated by the Business after the Apportionment Date, including Seller's rights to payments and reimbursements from private payors, Medicare, Medicaid or any other health care reimbursement or payment intermediary arising from services provided after the Apportionment Date;

(g) all rights, claims, credits, causes of action or rights of set-off of Seller against third parties relating to the Business or the Purchased Assets, including unliquidated rights under manufacturers' and vendors' warranties;

(h) all Proprietary Rights owned or licensed by Seller, or used in the Business;

(i) to the extent transferable, all licenses, certificates of need, permits or other governmental authorizations affecting, or relating in any way to, the Business or the Purchased Assets, and all rights to operate the Facility's beds, including (1) those licenses and permits listed on Schedule 2.1(i) and (2) acceptance of assignment of Seller's Medicare provider agreement;

(j) copies of all books, records, files and papers, whether in tangible or intangible form, used in, or relating in any way to, the Business or the Purchased Assets, including sales and promotional literature, sales and purchase correspondence, lists of present and former suppliers, lists of present and former patients, patient records, personnel and employment records, and any information relating to Taxes imposed on the Purchased Assets for three (3) years prior to the date hereof, but not including the Excluded Assets described in Section 2.2(e);

(k) to the extent transferable and/or assignable, all software license agreements used for keeping the financial records of the Facility, including any software license agreements used for the general ledger functions for the Facility (collectively the "Software License"); and

(l) all goodwill associated with the Business and the Purchased Assets, together with the right to represent to third parties that Buyer is the successor to the Business.

2.2 **Excluded Assets.** Notwithstanding anything to the contrary set forth in Section 2.1, Seller shall not sell, transfer, assign or deliver (or cause to be sold, transferred, assigned or delivered) to Buyer, and Buyer shall not purchase and acquire from Seller, any of the following assets and properties, which shall remain the exclusive property of Seller (collectively, the "Excluded Assets"):

(a) all of Seller's cash and cash equivalents on hand and in banks, certificates of deposit and marketable securities as of the close of business on the day prior to the Closing Date;

(b) all of Seller's accounts receivable generated and settlement amounts related to cost reports for periods through the Closing Date by the Business in the ordinary course consistent with past practice on or before the Apportionment Date, including Seller's right to payments and reimbursements from private payors, Medicare, Medicaid or any other health care reimbursement or payment intermediary arising from services provided by Seller on or before the Apportionment Date (the "Seller's A/R");

(c) all rights of Seller to Tax refunds and proceeds of insurance policies;

(d) the corporate seals, charter documents, by-laws, minute books and stock record books of Seller, and such other records of Seller that relate exclusively to the organization or capitalization of Seller;

(e) the assets listed on Schedule 2.2(e) attached hereto;

(f) all property owned by any patient which may be located in the Facility; and

(g) any Purchased Assets sold or otherwise disposed of in the ordinary course of the operation of the Business and not in violation of this Agreement during the period from the date hereof through the Closing Date.

Notwithstanding any provision of this Section 2.2 or any other Section of this Agreement to the contrary, Seller and Buyer understand and agree that in connection with the 2013 Medicaid audit either party may require access to (i) employee files and records and patient medical charts, records and files for the 2013 calendar year (the "2013 Medical and Employee Files") and (ii) those accounting files for the Facility for the 2013 calendar year as may be included in the auditor's request, and each of Seller and Buyer hereby covenant and agree to provide to the other party complete access to such required files and records in connection with such audit. The parties further agree that the 2013 Medical and Employee Files shall remain at the Facility following Closing. Additionally, Seller and Buyer understand and agree that in connection with any third party audits relating to fiscal year 2014, Buyer shall provide Seller with complete access to such required files and records in connection with such third party audits. The provisions of this paragraph shall survive Closing until settlement of the 2013 Medicaid audit and completion of any third party audits relating to fiscal year 2014. Seller and Buyer also understand and agree that in connection with any

claims or third party litigation relating to the period of time Seller owned the Facility, Buyer shall provide Seller with complete access to any files and records needed by Seller in connection with such claims or third party litigation.

2.3 **Assumption of Liabilities.** As partial consideration for the sale, transfer, assignment and delivery of the Business and the Purchased Assets and upon the terms and subject to the conditions set forth in this Agreement, Buyer shall assume, pay and perform the following liabilities and obligations of Seller (collectively, the "Assumed Liabilities") from and after the Closing and no others:

(a) all liabilities and obligations of Seller arising after the Apportionment Date under the Assumed Contracts which have been duly assigned by Seller and assumed by Buyer (other than liabilities or obligations attributable to any failure by Seller to comply with the terms thereof);

(b) subject to (and solely to the extent of) the Purchase Price adjustment set forth in Section 2.7, Seller's obligation to provide vacation and personal day pay benefits to the Transferred Employees; and

(c) subject to the provisions of Section 7.8 of this Agreement, all billing and collection obligations of Seller to collect Seller's A/R.

2.4 **Excluded Liabilities.** Notwithstanding anything to the contrary set forth in this Agreement, Buyer shall not assume, pay or perform any of the following liabilities or obligations of Seller, which shall be retained by and shall remain the exclusive responsibility of Seller (collectively, the "Excluded Liabilities");

(a) all liabilities and obligations of Seller arising on or before the Apportionment Date under the Assumed Contracts which have been duly assigned by Seller to Buyer;

(b) except as provided in Article VIII and Section 2.3(b), any liabilities or obligations of Seller relating to employee benefits or compensation arrangements of any nature existing as of the day preceding the Closing Date, including any liabilities or obligations under any of Seller's employee benefit agreements, plans or other arrangements listed on Schedule 8.2;

(c) any liability or obligation of Seller for breach of contract, personal injury or property damage (whether based on negligence, breach of warranty, strict liability or any other theory) caused by or arising out of or resulting from, directly or indirectly, any alleged or actual acts or omissions occurring on or before the Closing Date;

(d) any liability or obligation of Seller for money borrowed, whether such liabilities and obligations were incurred in the operation of the Business or otherwise;

(e) any amounts due or that may be claimed or become due to Medicare or any other health care reimbursement or payment intermediary (including Medicaid) including but not limited to audit adjustments, penalties, disallowances, or reclassifications on account of health care

reimbursement cost report adjustments or other payment adjustments attributable to any period ending on or before the Apportionment Date;

(f) any form of Medicare or other health care (including Medicaid) reimbursement recapture, adjustment, overpayment, penalty assessment or charge whatsoever with respect to any period ending on or before the Apportionment Date, including any obligation or liability with respect to Seller's Medicare provider agreement or provider number for any period ending on or before the Apportionment Date;

(g) any liability or obligation relating to an Excluded Asset;

(h) any liability or obligation of Seller to any present or former officer, director or stockholder of Seller in his, her or its capacity as such;

(i) any Environmental Liability arising from, or attributable to, the Business or the Purchased Assets on or before the Closing Date;

(j) any liability or obligation for Taxes of Seller, including Taxes which are attributable to either (i) events occurring on or before the Closing Date, including ownership of the Purchased Assets and operation of the Business, or (ii) the consummation of the transactions contemplated by this Agreement;

(k) any liability or obligation for Workers' Compensation claims incurred by Seller during any period on or prior to the Closing Date;

(l) any liability or obligation under any management, consulting or employment agreements with any Seller or any of its/their Affiliates;

(m) any and all other liabilities and obligations of every kind of Seller, including those incurred by Seller in connection with, or arising by reason of, its ownership of the Purchased Assets or its conduct of the Business on or prior to the Closing, other than the Assumed Liabilities; and

(n) any and all liability for monetary penalties associated with or related to Inspection Number 955309 and Inspection Number 961019 from the OSHA Investigation.

2.5 Nonassignable Contracts and Authorizations. To the extent that the assignment of any Contract or Permit shall require the consent of any other party thereto, or shall be subject to any option in any other person by virtue of a request for permission to assign or transfer or by reason of or pursuant to any transfer to Buyer, this Agreement shall not constitute a contract to assign the same to the extent that an attempted assignment would either constitute a breach thereof or in any way adversely affect the rights or obligations of Buyer or Seller thereunder. Seller shall, at no cost to Seller, use all commercially reasonable efforts to procure consent to any such assignment. If any such consent is not obtained, Seller shall, at no cost to Seller, cooperate with Buyer in any reasonable arrangement requested by Buyer designed to provide for Buyer the benefit, monetary or otherwise, of any such Contract or Permit, including enforcement of any and all rights of Seller

against the other party thereto arising out of breach or cancellation thereof by such party or otherwise. Seller shall promptly pay to Buyer when received all monies received by Seller under any Purchased Asset or any claim or right or any benefit arising thereunder, except to the extent the same represents an Excluded Asset.

2.6 **Ancillary Agreements.**

(a) That certain Deposit Escrow Agreement (the "Deposit Escrow Agreement") dated of even date herewith by and among Stewart Title Guaranty Company ("Escrow Holder"), Buyer and Seller whereby Buyer shall deliver within two (2) business days following execution of this Agreement to Escrow Holder a deposit in the amount of Two Hundred Fifty Thousand Dollars (\$250,000) (the "Deposit"), which shall be held by the Escrow Holder pursuant to the Deposit Escrow Agreement.

(b) Buyer and Seller shall also execute all other documents required under this Agreement and/or required to consummate the transactions contemplated herein.

2.7 **Purchase Price and Adjustments.**

(a) The purchase price of the Purchased Assets (the "Purchase Price") is Nine Million Five Hundred Thousand Dollars (\$9,500,000), subject to adjustment as provided in this Article II. The allocation of the Purchase Price for the Facility is specified on Schedule 2.10.

(b) At Closing Buyer shall receive a credit against the Purchase Price in the amount set forth on a written statement delivered by Seller to Buyer at Closing reflecting the total amount of accrued but unpaid vacation pay and accrued "free" or personal days applicable to the period prior to the Apportionment Date which would be payable to Transferred Employees of the Facility if such Transferred Employees remained with Seller long enough to earn in full such unpaid vacation pay and free days (the "Unpaid Benefit Amount"). Buyer shall assume the total amount of accrued sick pay applicable to the period prior to the Apportionment Date which would be payable to Transferred Employees of the Facility if such Transferred Employees remained with Seller long enough to earn in full such unpaid said pay.

(c) In addition, the Purchase Price shall be adjusted at Closing as follows:

(i) Seller shall prepare and deliver to Buyer, prior to the Closing, a written statement which shall set forth all prepayments of private pay revenues on account of services to be rendered or supplied by Buyer after the Apportionment Date that were received by Seller prior to the Closing Date. The Purchase Price shall be decreased by the amount of such prepayments.

(ii) The Purchase Price shall be reduced by an amount equal to the unpaid charges and expenses of the Business for public services and utilities or arising under any continuing service contracts or leases (including water, sewer, electric, gas and other utilities, garbage removal and maintenance agreements) relating to the periods on or before the Apportionment Date. The Purchase Price shall be increased by an amount equal to the prepaid

charges and expenses of the Business which accrue to the benefit of Buyer for the period after the Apportionment Date. Seller shall use all commercially reasonable efforts to have all utility meters read on the day preceding the Apportionment Date, and to obtain bills or statements for such charges and expenses for the period on or before the Apportionment Date, so that such charges and expenses may be accurately determined.

(iii) All real property and personal property Taxes attributable to the Purchased Assets shall be prorated between Seller and Buyer as of the Apportionment Date based on the number of days in the applicable tax period and the number of days elapsed in the applicable tax period on or before for Seller, and after for Buyer, the Apportionment Date.

(iv) If sufficient information is not available to accurately determine the amount of any adjustment required in (i), (ii) and (iii) of this Section 2.7(c), the parties shall estimate such amount for purposes of Closing using the best available information and shall reconcile and finalize such amount ninety (90) days after the Closing Date at which time any necessary adjusting payment shall be made by Buyer to Seller or by Seller to Buyer, as appropriate.

(d) Any statement delivered pursuant to this Section 2.7 shall be in reasonable detail and accompanied by documentation sufficient to enable Buyer to confirm the information set forth therein and shall otherwise be in form and substance reasonably acceptable to Buyer.

2.8 **Payment of Purchase Price.** The Purchase Price shall be paid as follows:

(a) Within two (2) days of the execution of this Agreement, Buyer shall deposit with the Escrow Holder the Deposit; however, if the Escrow Holder does not receive the Deposit within two (2) days of the execution of this Agreement, Seller shall have the right to terminate this Agreement by written notice to Buyer;

(b) Buyer shall (or cause Escrow Holder to) deliver to Seller the balance of the Purchase Price (as such amount may be adjusted pursuant to this Agreement and less the Deposit amount) by wire transfer of federal or other immediately available funds to a bank account designated by Seller on or before the Closing Date, and at Closing, Buyer shall (or cause Escrow Holder to) deliver the Deposit to Seller; and

(c) At Closing, Seller shall deposit with the Escrow Holder the sum of Seven Hundred Fifty Thousand Dollars (\$750,000) ("**Initial Escrow Amount**") to be held pursuant to the Post-Closing Escrow Agreement. Following Closing, Buyer shall make deposits with the Escrow Holder in the aggregate amount of Two Hundred Fifty Thousand Dollars (\$250,000), from any Seller's A/R collected by Buyer in accordance with Section 7.8, excluding any of Seller's 30-day A/R and Third Party Settlements (each as defined in Section 7.8) ("**Collected Escrow Amount**") (hereinafter the Initial Escrow Amount and the Collected Escrow Amount are collectively referred to herein as the "**Escrow Amount**"). The Post-Closing Escrow Agreement shall provide, among other things, that on the first anniversary of the Closing Date Escrow Holder shall release to Seller any amount of the Escrow Amount in excess of the sum of Five Hundred Thousand Dollars (\$500,000) plus the amount of any then pending claims.

2.9 **Transfer Taxes.** Seller and Buyer shall each be liable for and shall pay one-half of all applicable documentary, transfer and recordation taxes payable as a result of the consummation of the transactions contemplated by this Agreement.

2.10 **Allocation of Purchase Price.** The Purchase Price shall be allocated as set forth in Schedule 2.10, and the parties shall use such allocation as the basis for reporting this transaction for all Medicare, Medicaid, other third party payor, and tax purposes. No party shall take a position in any conference with representatives of Medicare, Medicaid, any other third party payor or Governmental Authority (including the Internal Revenue Service), on any Return, report or filing, or in any proceeding with any Governmental Authority that is inconsistent with the Purchase Price allocation made in accordance with this Section 2.10.

2.11 **Patient Trust Funds.** Schedule 2.11 sets forth a complete and accurate list of all amounts, if any, of monies or other property of patients of the Facility held in trust by Seller ("Patient Trust Funds") as of the date hereof. Schedule 2.11 shall be updated as of the Closing Date and, at the Closing, Seller shall assign, transfer and deliver to Buyer, as trustee and subject to the same terms of trust, all such Patient Trust Funds. Buyer shall assume all liability with respect to such Patient Trust Funds so delivered to Buyer arising from and after the Closing Date. Any liability with respect to such Patient Trust Funds arising or accruing on or before the Closing Date shall remain the sole responsibility of Seller.

2.12 **Closing.** Subject to the satisfaction or waiver of all conditions precedent set forth in Article IX, the Closing shall be held at the offices of Gallagher Evelius & Jones, LLP, 218 North Charles Street, Suite 400, Baltimore, Maryland 21201, on a date that is within ten (10) days after receipt of CON approval from SHPDA (or such earlier date as may be mutually agreed upon by Buyer and Seller). Buyer and Seller shall use all commercially reasonable efforts, on or prior to Closing, to execute and deliver all such instruments, documents or certificates as may be necessary or advisable for the consummation of the transactions contemplated by this Agreement at the Closing, including all warranty deeds, bills of sale, instruments of assumption, endorsements, consents, assignments and other agreements and instruments of conveyance and assignment reasonably necessary or appropriate to vest in Buyer all right, title and interest in, to and under the Purchased Assets.

2.13 **Title Insurance.**

(a) Promptly upon execution of this Agreement, Buyer shall obtain a title insurance commitment together with copies of all exceptions listed therein (the "Commitment") in the amount of the purchase price allocated to the Real Property and fixtures as reflected on Schedule 2.10 issued by a title insurance company selected by Buyer ("Title Company"), and a survey (the "Survey"). Buyer shall, within ten (10) business days after receipt of both the Commitment and the Survey, advise Seller of any encumbrances, defects or objections disclosed by such examination which Buyer shall reasonably determine to be unacceptable as adversely affecting Buyer's intended use of the Facility and/or the marketability of the Real Property (hereinafter collectively referred to as "Defect"). Buyer's notice shall be accompanied by a copy of the Commitment and any Defects. Seller shall then have ten (10) days (the "Cure Date") to cure such Defect and shall, in good faith, exercise reasonable diligence to cure such Defect, provided that any Defect representing a

mortgage, deed of trust or similar obligation for borrowed money may be paid off at Closing from Seller's proceeds. In the event Seller fails or refuses to cure any Defect prior to the Cure Date, then Buyer may, at its option (i) terminate this Agreement, in which event, the Deposit shall be immediately refunded by the Escrow Holder to Buyer, and this Agreement shall be deemed null and void and of no force and effect, and no party hereto shall have any further rights, obligations or liabilities hereunder, or (ii) if the Defect can be cured by the payment of a liquidated sum of money, Buyer may elect to cure the Defect at Closing and deduct the cost thereof from the Purchase Price, or, if not (iii) accept title to the Real Property subject to such Defect. Any matters disclosed in the Title Commitment to which Buyer does not object, or otherwise agrees to accept title subject to, shall be deemed to be "Permitted Liens." Notwithstanding the foregoing, the parties acknowledge that Buyer has obtained the Commitment with an effective date of January 10, 2014, that Seller has agreed to satisfy and release, prior to Closing, those encumbrances set forth in Sections 13 and 14 of the "Requirements" set forth in Schedule B- Part I of the Commitment, and that Buyer no longer has a termination right under this Section 2.13(a).

(b) At Closing, the Title Company shall issue, in favor of Buyer, if then available, an ALTA 2006 owner's policy or policies of title insurance (collectively, the "Title Policy") insuring the title to the Real Property in the amount of the Purchase Price subject only to the Permitted Liens and matters otherwise not objected to by Buyer hereunder.

(c) Prior to Closing, Buyer shall obtain an update to the effective date of the Commitment (the "Update"). If the Update reflects any new title exception not acceptable to Buyer, Seller shall either cure such Defect (in accordance with the provisions of this subparagraph) or if such Defect is not cured, Buyer may exercise its rights as is provided in subparagraph (a) above.

2.14 **Due Diligence Termination.** Within five (5) days of receipt by Buyer of the results of the Limited Phase II Environmental Site Assessment ("Due Diligence Termination Date"), Buyer, as its sole and exclusive remedy shall have the right to terminate this Agreement by written notice to Seller if Buyer is not reasonably satisfied with Buyer's Limited Phase II Environmental Site Assessment, provided, however, that such termination notice shall state in reasonable detail the basis for Buyer's dissatisfaction, and Seller shall have ten (10) business days from the receipt of such termination notice to agree in writing to either (x) correct the condition(s) with respect to which Buyer is dissatisfied or (y) adjust the Purchase Price on account of such condition(s) by an amount acceptable to Buyer. If Seller, after agreeing to correct any such condition(s), fails to do so within thirty (30) days following such agreement, then Buyer, as its sole and exclusive remedy, shall have the right to terminate this Agreement by written notice to Seller. Buyer and Seller acknowledge and agree that Buyer has provided Seller with its Commitment for title insurance. Buyer has notified Seller of Buyer's dissatisfaction with the liens and judgments noted on such Commitment, and Seller has agreed to cause such liens and judgments to be released prior to Closing. Buyer and Seller acknowledge and agree that if the results of the Limited Phase II Environmental Assessment establish that Seller's underground storage tank is in compliance with the applicable requirements of the District of Columbia Department of the Environment Underground Storage Tank program; then any request by Buyer to repair, remove or replace the underground storage tank shall be at the sole cost and expense of Buyer and Seller shall have no obligation to contribute to any costs or expenses related thereto. Moreover, any request to repair, remove or replace the underground storage tank shall not result in an extension of the Closing Date.

Notwithstanding the foregoing, the parties acknowledge that Buyer has obtained and is satisfied with the results of the Limited Phase II Environmental Site Assessment and that Buyer no longer has a termination right under this Section 2.14.

2.15 Termination.

(a) Notwithstanding anything to the contrary in this Agreement, if, on or before November 30, 2014, the AG Approval has not been received, Buyer shall have the right to terminate this Agreement by written notice to Seller. In the event Buyer terminates this Agreement in accordance with this Section 2.15(a), the Deposit shall be immediately refunded by Escrow Holder to Buyer and thereafter neither party shall have any further rights, obligations or liabilities hereunder.

(b) Notwithstanding anything to the contrary in this Agreement, if Buyer has not obtained SHPDA's approval of Buyer's application for CON on or before the date that is seven (7) months from the AG Approval Date, Seller shall have the right to terminate this Agreement by written notice to Buyer, whereupon, unless such failure is due to the failure of Buyer to diligently pursue such approval or is due to a rejection of Buyer's application by SHPDA based upon Buyer being the applicant on such application for CON, the Deposit shall be returned to Buyer. Notwithstanding anything to the contrary in this Agreement, if, on or before the date that is seven (7) months from the AG Approval Date, Buyer has not obtained reasonable assurance from the applicable Governmental Authorities that following Closing and submission of evidence of the same, such Governmental Authorities shall issue to Buyer the licenses reasonably required to operate the Facility in the same manner as it has heretofore been operated, then, unless such condition set forth in Section 9.1(a) is waived by Buyer, Seller shall have the right to terminate this Agreement by written notice to Buyer.

**ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SELLER**

Seller represents and warrants to Buyer as follows:

3.1 **Corporate Existence and Power.** Seller is a non-profit corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has all corporate power and authority necessary to enable it to own, lease or otherwise hold its properties and assets and to carry on its business as now conducted and currently proposed to be conducted. Seller will deliver to Buyer prior to Closing true and complete copies of its articles of incorporation and by-laws, as amended to date and as currently in effect.

3.2 **Corporate Authorization.** The execution, delivery and performance by Seller of this Agreement and the Ancillary Agreements and the consummation by Seller of the transactions contemplated hereby and thereby are within the corporate power and authority of Seller.

3.3 **Execution and Delivery.** This Agreement has been duly authorized, executed and delivered by Seller and constitutes a valid and binding obligation of Seller, enforceable against

Seller in accordance with its terms, and each Ancillary Agreement has been duly authorized and, when executed and delivered by Seller, as applicable, will have been duly executed and delivered by such party and will constitute a valid and binding obligation of such party, enforceable against such party in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of rights of creditors generally and except to the extent that enforcement of rights and remedies may be limited by equitable principles (regardless of whether enforcement is considered in a court of law or a proceeding in equity).

3.4 **Governmental Authorization.** The execution, delivery and performance of this Agreement and the Ancillary Agreements by Seller, and the consummation of the transactions contemplated hereby and thereby by Seller, does not and will not require any consent, approval or action by or in respect of, or any declaration, filing or registration with, any Governmental Authority other than those listed on Schedule 3.4.

3.5 **Non-Contravention.** The execution, delivery and performance of this Agreement and the Ancillary Agreements by Seller, and the consummation of the transactions contemplated hereby and thereby by Seller, does not and will not, with or without the giving of notice, the lapse of time or both: (i) contravene or conflict with the articles of incorporation or by-laws of Seller, (ii) contravene or conflict with or constitute a violation of any law, rule, regulation, judgment, injunction, order or decree binding upon or applicable to the Purchased Assets, the Business, the Real Property or Seller, (iii) except as set forth on Schedule 3.7, require any consent, approval or other action by any Person, contravene or conflict with or constitute a violation of or a default under, or give rise to any right of termination, cancellation or acceleration of any right or obligation of Seller or to a loss of any benefit to which such party is entitled, under (A) any agreement, contract, indenture, lease or other instrument to which Seller is a party or by which Seller is bound or (B) any license, franchise, Permit or other similar authorization held by Seller, or (iv) result in the creation or imposition of any Lien on any of the Purchased Assets.

3.6 **Subsidiaries.** Seller has no subsidiaries and does not hold or own, directly or indirectly, any capital stock or other equity securities of any other corporation or have a direct or indirect equity or ownership interest in any Person.

3.7 **Consents.** Schedule 3.7 sets forth each Permit, agreement, contract or other instrument binding upon Seller requiring a consent as a result of the execution, delivery or performance of this Agreement and the Ancillary Agreements or the consummation of the transactions contemplated hereby and thereby (the "Consents").

3.8 **Financial Statements.** Seller has previously delivered to Buyer the following financial statements (collectively, the "Financial Statements"):

(a) the audited financial statements of Seller as of December 31, 2010, December 31, 2011 and December 31, 2012, together with the notes thereto, in each case prepared in accordance with generally accepted accounting principles applied on a consistent basis both as to classification of items and amounts (except as may be indicated therein or in the notes thereto). Seller agrees to deliver to Buyer the audited financial statements of Seller as of December 31, 2013, together with the notes thereto, prepared in accordance with generally accepted accounting

principles applied on a consistent basis both as a classification of items and amounts (except as may be indicated therein or in the notes thereto) within sixty (60) days following the date of this Agreement; and

(b) the unaudited balance sheet of Seller as of the Balance Sheet Date and the related statements of operations and cash flows for the period from the first day of the current fiscal year through the Balance Sheet Date, together with the notes thereto. Each of the Financial Statements has been prepared in accordance with generally accepted accounting principles applied on a consistent basis both as to classification of items and amounts (except as may be indicated therein or in the notes thereto), and fairly presents the financial position of Seller as of its date or the results of operations or changes in financial position, as is appropriate, of Seller for the periods then ended (subject, in the case of unaudited interim financial statements, to normal year-end adjustments, which adjustments will not be material in amount or effect). Except as may be set forth in the Financial Statements, all of the revenues and expenses of Seller reflected in the Financial Statements were derived or incurred in the ordinary course of the Business. The account records underlying the Financial Statements accurately and fairly reflect, in reasonable detail, the transactions of Seller, and Seller's books of account have been maintained in accordance with generally accepted accounting practices applied on a consistent basis. Seller has previously delivered to Buyer a complete and accurate list of all of Seller's accounts receivable as of a recent date, specifying the name, invoice number, amount and age of each account receivable.

3.9 **Absence of Undisclosed Liabilities.** Seller has no liabilities or obligations, and there is no basis for any assertion against Seller of any liability or obligation, except those liabilities or obligations which are (a) fully reflected or adequately reserved against in the Balance Sheet, (b) disclosed in this Agreement or in the Schedules hereto, or (c) incurred in the ordinary course of business consistent with past practice since the Balance Sheet Date, which in the aggregate are not material to Seller. For the purposes of this Agreement the phrase "liabilities or obligations" shall include any direct or indirect indebtedness, claim, loss, damage, deficiency (including deferred income tax and other net tax deficiencies), cost, expense, obligation, guarantee, or responsibility, whether accrued, absolute or contingent, known or unknown, fixed or unfixed, liquidated or unliquidated, secured or unsecured.

3.10 **Absence of Certain Changes.** Since December 31, 2012, Seller has conducted the Business in the ordinary course consistent with past practice, and Seller has not:

(a) suffered any Material Adverse Change or any event, occurrence, development or state of circumstances or facts which has had or could reasonably be expected to result in or have a Material Adverse Effect on the Purchased Assets or the Business;

(b) made any material change in the Business or in the manner of conducting the Business, or entered into any contract or commitment other than in the ordinary course of business or as contemplated by this Agreement, except as listed on Schedule 3.10(b);

(c) incurred, assumed or guaranteed any indebtedness for money borrowed relating to the Business, or incurred any liabilities or obligations relating to the Business other than in the ordinary course of business consistent with past practice and in any event not in excess of \$5,000 in the aggregate;

(d) paid, discharged or satisfied any claim, Lien or liability, other than those (i) which were reflected or reserved against in the Balance Sheet and which were paid, discharged or satisfied in the ordinary course of business consistent with past practice or (ii) which were incurred and paid, discharged or satisfied since the Balance Sheet Date in the ordinary course of business consistent with past practice;

(e) permitted or allowed any of the Purchased Assets to be mortgaged, pledged or subjected to any Lien except those as listed on Schedule 3.10(e).

(f) written down the value of any inventory, or written off as uncollectible any notes, accounts or other receivables or any portion thereof, except in the ordinary course of business or as previously disclosed to Buyer;

(g) leased or acquired any of the Purchased Assets other than in the ordinary course of business and in any event not in excess of \$5,000 in the aggregate;

(h) suffered any damage, destruction or other casualty loss (whether or not covered by insurance) affecting the Business or the Purchased Assets;

(i) entered into any transaction with any of its Affiliates, other than in the ordinary course of, and pursuant to the reasonable requirements of, the Business and upon terms that are no less favorable to it than it could obtain in a comparable transaction with a Person who was not such an Affiliate;

(j) made any change in any method of financial or tax accounting or any financial or tax accounting practice or in its method of maintaining books and records;

(k) except for raises less than \$5,000 (annualized) to any one individual and arrangements set forth on Schedule 3.10(k), increased the rate of compensation of, or paid any bonus to, any of its directors, officers or employees, or entered into or amended any employment, management, consulting, deferred compensation, severance or other similar contract or agreement;

(l) experienced any labor dispute, other than routine individual grievances, or any activity or proceeding by a labor union or representative thereof to organize any of its employees, or any lockouts, strikes, slowdowns, work stoppages or threats thereof by or with respect to any of its employees;

(m) entered into any transaction, contract or agreement relating to the Purchased Assets or the Business (including the acquisition or disposition of any of the Purchased Assets) or to the relinquishment by Seller of any contract or other right, other than transactions, commitments,

and relinquishments in the ordinary course of business consistent with past practices and those contemplated by this Agreement;

(n) cancelled, released or waived any debts, claims or contract or other rights other than in the ordinary course of business consistent with past practice;

(o) except as set forth on Schedule 3.10(o), made any capital expenditure for additions or improvements to property, plant and equipment, other than in the ordinary course of business and in any event not in excess of \$5,000 in the aggregate; or

(p) agreed to, or made any commitment to, do any of the foregoing.

3.11 **Title and Condition of Assets.**

(a) The Purchased Assets and the Excluded Assets constitute, and on the Closing Date will constitute, all of the assets and properties used or held for use in the conduct of the Business, and the Purchased Assets are, and on the Closing Date will be, generally adequate to conduct the Business as currently conducted. Seller has good, valid and marketable title to the Purchased Assets, whether real, personal or mixed, tangible or intangible, free and clear of all Liens, except (i) Liens disclosed on the Balance Sheet, (ii) Liens for Taxes incurred in the ordinary course of business which are not yet due and payable, (iii) Permitted Liens, and (iv) any leased property. The Purchased Assets include substantially all of the assets and properties of the Business that are reflected on the Balance Sheet, except for the Excluded Assets and any of the Purchased Assets that may have been consumed or disposed of in the ordinary course of the Business consistent with past practices since the Balance Sheet Date and as permitted by this Agreement. At the Closing, Seller shall sell, convey, transfer and assign to Buyer, and Buyer shall acquire, good and marketable title to, the Purchased Assets free and clear of all of Liens except Permitted Liens. Seller shall, prior to Closing, provide to Buyer a schedule of all leased assets together with monthly rental amount due with respect to each such asset.

(b) Any lease encumbering any of the Real Property is disclosed on Schedule 3.11, specifying the name of the lessee, the lease term and basic annual rent. The Real Property includes all real property, and only such real property, as is used or held for use in connection with the conduct of the Business.

(c) The Purchased Assets include all personal property used or held for use in connection with the conduct of the Business, including all machinery, equipment, furniture, vehicles, storage tanks, spare and replacement parts, fuel and other trade fixtures and fixed assets (the "Personal Property"), and any Liens thereon. Any lease of an item of personal property among the Purchased Assets is listed on Schedule 3.11, specifying the name of the lessor and the terms of the lease.

(d) All leases affecting any of the of Real Property are in good standing and are valid, binding and enforceable in accordance with their respective terms, and to Seller's actual knowledge without independent inquiry or investigation, there does not exist under any such lease of Real Property any material default or any event that, with notice or lapse of time or both, would constitute a material default.

(e) To Seller's actual knowledge without independent inquiry or investigation, no violation of any law, regulation or ordinance including, without limitation, laws, regulations or ordinances relating to zoning (including, without limitation, all zoning requirements related to parking), environmental, city planning or similar matters, relating to the Business or any Purchased Asset currently exists, except for violations that have not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. To Seller's actual knowledge without independent inquiry or investigation, there are no known conditions or developments affecting any of the Purchased Assets pending or threatened, which might materially detract from the value of such Purchased Assets, materially interfere with any present or intended use of any such Purchased Assets at current bed capacities, or materially adversely affect the marketability of such Purchased Assets.

3.12 **Litigation; Proceedings.** Except as set forth on Schedule 3.12, there is no action, suit, investigation or proceeding (or any basis therefor) pending or, to the actual knowledge of Seller without independent investigation or inquiry, threatened against or affecting the Business or any Purchased Asset before any Governmental Authority (including, without limitation, any administrative appeal, audit adjustments, disallowances or reclassifications or other payment adjustments regarding Medicare, Medicaid or other third party reimbursements for services rendered by Seller at the Facility).

3.13 **Material Contracts.**

(a) Schedule 3.13 contains a complete and accurate list of all material contracts. Except as set forth on Schedule 3.13 (which shall be revised after the date hereof to include any new contracts Seller presents to Buyer for its approval and for which approval is obtained), Seller is not a party to or subject to:

- (i) any lease of real or personal property;
- (ii) any contract for the purchase of materials, supplies, goods, services, equipment or other assets providing for payments by Seller of, or pursuant to which in the last year Seller paid in the aggregate, \$5,000 or more;
- (iii) any sales, distribution or other agreement providing for the sale or provision by Seller of materials, supplies, goods, services, equipment or other assets that provides for payments to Seller of, or pursuant to which in the last year Seller received in the aggregate, \$5,000 or more;
- (iv) any partnership, joint venture or other similar contract arrangement or agreement;

(v) any contract or guarantee (other than endorsements of negotiable instruments in the ordinary course of business consistent with past practice) relating to indebtedness for borrowed money or the deferred purchase price of property (whether incurred, assumed, guaranteed or secured by an asset);

(vi) any license agreement, franchise agreement or agreement in respect of similar rights granted to or held by Seller;

(vii) any agency, dealer, sales representative or other similar agreement;

(viii) any agreement, contract or commitment that substantially limits the freedom of Seller to compete in any line of business or geographic area or with any Person, or to own, operate, sell, transfer, pledge or otherwise dispose of or encumber any Purchased Asset (including any right of first refusal, first offer, or similar agreement) or that would so limit the freedom of Buyer after the Closing Date or any successor owner of the Facility;

(ix) any agreement, contract or commitment which is or relates to an agreement with or for the benefit of any Affiliate of Seller;

(x) any contract or agreement with Medicare, Medicaid, any fiscal intermediary or carrier, or any health maintenance organization, preferred provider organization, self-insured employer, or other third party payor;

(xi) any contract for personal services or employment (including without limitation contracts with present or former directors, officers, employees, agents, consultants, advisors, salesmen, sales representatives, distributors or dealers) which provides for a specific period of notice of termination of employment or payment in lieu thereof, and any union contract, collective bargaining agreement or other employee association agreements;

(xii) any agreement or arrangement providing for the payment of any commission based on sales or revenues;

(xiii) any agreement with any hospital, nursing facility or other inpatient health care facility, including any agreement for the referral or transfer of patients; or

(xiv) any contract or agreement, not elsewhere specifically disclosed pursuant to this Agreement, involving the payment or receipt by Seller of \$5,000 or more; or

(xv) any other agreements, contracts, leases, licenses, and commitments to which Seller is a party (or under which Seller may be obligated or to which Seller or any of its rights, properties or assets may be subject or bound) which are material to the financial condition, results of operations, business, property or prospects of the Business.

(b) Each agreement, contract, plan, lease, arrangement and commitment disclosed in any Schedule to this Agreement or required to be disclosed pursuant to this

Section 3.13 is a valid and binding agreement of Seller and is in full force and effect, and neither Seller nor, to knowledge of Seller, is any other party thereto, in default or breach in any material respect under the terms of any such agreement, contract, plan, lease, arrangement or commitment. There is no contract, agreement, commitment or obligation to which Seller is a party or is bound that at the time it was entered into or made was, or is currently, known or expected by Seller to result in any loss to Seller upon completion or performance thereof, or any bid, offer or proposal which if accepted would result as such a contract, agreement, commitment or obligation. There is no contract, agreement, commitment or obligation to which Seller is a party or is bound that requires or obligates Seller (i) to provide any services or goods to any Person for less than the standard published prices or rates of Seller, or (ii) to return or repay to any person any amounts received, or to forego collection of accounts receivable or future payments, from any person in consideration of the performance of any services or the sale of any goods.

3.14 **Licenses and Permits.** Schedule 2.1(i) correctly describes (a) each license, Medicaid or Medicare participation agreement, franchise, permit or other similar authorization affecting, or relating in any way to, the Business, together with the name of the Governmental Authority or other Person issuing such license or permit (the "Permits") and (b) each final CON heretofore issued with respect to the Facility. Except as set forth on Schedule 2.1(i), such Permits are valid and in full force and effect, and Seller has not received any notice of any claim, default, complaint, citation or other proceeding relating to any such Permit. Assuming the related Consents have been obtained prior to the Closing Date, the Permits are transferable by Seller (or, where applicable, equivalent Permits may be obtained by Buyer upon filing of appropriate applications and payment of required fees), and none of the Permits will, assuming the related Consents have been obtained prior to the Closing Date, be terminated or impaired or become terminable as a result of the transactions contemplated by this Agreement. Schedule 2.1(i) also sets forth a description of each accreditation for the Facility, if any. Seller has previously delivered to Buyer complete and accurate copies of all such Permits, accreditation and certificates of need. Upon consummation of such transactions, Buyer will, assuming the related Consents have been obtained prior to the Closing Date, have all of the right, title and interest in all the Permits. For purposes of this Section, the "obtaining of Consents" shall include, where applicable, the surrender of an existing Permit by Seller, the filing of a completed application by Buyer and the compliance by Buyer with applicable laws and regulations, the payment of any applicable fees, and the issuance of a new permit, license or agreement in the name of Buyer.

3.15 **Insurance Coverage.** Schedule 3.15 sets forth a complete and accurate list of all insurance policies, including information pertaining to any self-insurance, and fidelity bonds covering the Purchased Assets and the business, operations and employees of the Business, and Seller has previously delivered to Buyer complete and accurate copies of all such policies and bonds. There is no claim by Seller pending under any of such policies or bonds as to which coverage has been questioned, denied or disputed by the underwriters of such policies or bonds. All premiums payable under all such policies and bonds have been paid, and Seller is otherwise in full compliance with the terms and conditions of all such policies and bonds. Such policies and bonds (or other policies and bonds providing substantially similar insurance coverage) have been in effect since the dates set forth on Schedule 3.15 and remain in full force and effect. As of the date of this Agreement, such insurance is adequate to cover all reasonably foreseeable risks associated with the Business and is in such amounts, with such deductibles and with such other terms as is prudent for a

business such as the Business. Seller does not know of any threatened termination of, and has received no written notice of, any premium increase with respect to, any of such policies or bonds.

3.16 **Compliance with Laws.**

(a) To the actual knowledge of Seller, without independent investigation or inquiry, Seller is not in violation of, or under investigation with respect to, any violation of, any law, rule, ordinance or regulation, or judgment, order or decree entered by any Governmental Authority, applicable to the Purchased Assets or the Business. Seller has not been threatened to be charged with, or given notice of a violation of, any law, rule, ordinance or regulation or judgment, order or decree of any Governmental Authority applicable to the Purchased Assets or the Business, except for the information provided in the surveys performed by the Department of Health and Human Services Centers for Medicare & Medicaid Services listed on Schedule 3.16. Without limiting the generality of the foregoing, except as set forth on Schedule 3.16, there exist no:

(i) proceedings pending or, to the actual knowledge of Seller, without independent investigation or inquiry, threatened, to change or redefine the present zoning classification of all or any portion of the Real Property;

(ii) annexation or condemnation proceedings pending or, to the actual knowledge of Seller, without independent investigation or inquiry, contemplated which may affect all or any portion of the Real Property, or any realty appurtenant thereto;

(iii) to the actual knowledge of Seller, without independent investigation or inquiry, special assessments pending or proposed affecting all or any portion of the Real Property, or any realty appurtenant thereto;

(iv) to the actual knowledge of Seller, without independent investigation or inquiry, moratoria pending or threatened affecting the availability of wells, septic, electric, gas and telephone services to the Real Property (in size and capacity sufficient fully and adequately at all times to service the Real Property for Buyer's continued use thereof as a comprehensive care nursing facility without charge to or requirement for contribution from Buyer); and

(v) to the actual knowledge of Seller, without independent investigation or inquiry, any other impediments, limitations or areas of noncompliance with licensure or certification standards presently affecting the Purchased Assets or Seller which will interfere with Buyer's continued use of the Facility as a fully-licensed comprehensive care nursing facility without any reduction of bed or patient capacity.

(b) Seller has previously delivered to Buyer complete and accurate copies of the most recent safety, licensing and certification inspections and surveys relating to the Facility.

3.17 **Medicare and Medicaid Cost Reports.** Seller has delivered to Buyer complete and accurate copies of all Medicare and Medicaid cost reports relating to the Facility filed by Seller for calendar years 2011, 2012, and 2013. The information contained in such reports is true and correct

in all material respects. Seller has filed all cost reports through December 31, 2013. Seller shall file all terminating cost reports after Closing within the time required by law.

3.18 **Intentionally Omitted.**

3.19 **Employees and Agents.**

(a) Schedule 3.19 sets forth a complete and accurate list of the name, current rate of compensation and any accrued vacation, holiday or sick pay of each current employee of the Business (together with a description of any specific arrangements or rights concerning such employees). Except as set forth on Schedule 8.2, Seller currently has no pension plans applicable to the employees of the Business and no employee has any vested or unvested retirement benefits or other termination benefits, except in the plans set forth on Schedule 8.2.

(b) To the knowledge of Seller, except as otherwise disclosed on Schedule 3.19, (i) Seller is in substantial compliance in all material respects with all Federal and state laws respecting employment and employment practices, terms and conditions of employment, wages and hours, and is not engaged in any unfair labor or unlawful employment practice relating to the Business, (ii) there is no unlawful employment practice or discrimination charge involving Seller pending before the Equal Employment Opportunity Commission ("EEOC"), EEOC recognized state "referral agency" or any other Governmental Authority, (iii) there is no unfair labor practice charge or complaint against Seller pending before the National Labor Relations Board ("NLRB"), (iv) none of the employees of Seller involved in the Business are represented by any labor union, (v) there is no labor strike, dispute, slow down or stoppage actually pending or, to knowledge of Seller, threatened against or involving or affecting Seller and no NLRB representation question exists respecting any of the employees of Seller involved in the Business, and (vi) no grievance or arbitration proceeding relating to the employees of Seller involved in the Business is pending and no written claim therefor exists with respect to Seller.

3.20 **Finders' Fees.** Seller has not directly or indirectly dealt with anyone acting in the capacity of a finder or broker and has not incurred any obligation for any finder's or broker's fee or commission in connection with the transactions contemplated by this Agreement.

3.21 **Environmental Compliance.**

(a) For purposes of this Agreement, the following terms shall have the meanings set forth below:

"CERCLA" means the Comprehensive Environmental Responses, Compensation and Liability Act of 1980, as amended.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws (including common or case law), regulations, ordinances, rules, judgments, judicial decisions, orders, decrees, codes, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements, or governmental restrictions in effect on the date of the Closing, relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or

petroleum products, chemicals or industrial, toxic, radioactive or hazardous substances or wastes (including ACM's) into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic, radioactive or hazardous substances or wastes or the clean-up or other remediation thereof.

"Environmental Liabilities" means all liabilities arising in connection with or in any way relating to the Purchased Assets or the Business, which arise from or relate in any way to actions occurring or conditions existing before the Closing Date.

"Hazardous Substance" means any toxic, caustic or otherwise hazardous substance, including asbestos and asbestos containing materials ("ACM's") and petroleum, its derivatives, by-products and other hydrocarbons, regulated under Environmental Laws as of the date of Closing. Hazardous Substances shall not include those substances (i) which may be present in paints, glues, medical equipment and medical supplies, (ii) in quantities commonly stored, found or maintained for similar uses in nursing home facilities and (iii) which are not used for manufacturing purposes.

"Release" has the meaning specified in 42 U.S.C. § 9601(22).

(b) To the actual knowledge of Seller, without independent investigation or inquiry, based solely on and except as otherwise described in, the Phase I Environmental Site Assessment prepared for Seller by ECS, Ltd., dated November 5, 2004, neither the Real Property nor the Facility has been the site of any activity that would violate any Environmental Laws. Specifically, but without limitation, to the actual knowledge of Seller, without independent investigation or inquiry, based solely on and except as otherwise described in, the Phase I Environmental Site Assessment prepared for Seller by ECS, Ltd. Dated November 5, 2004:

(i) no solid waste, petroleum or petroleum products have been handled on the Real Property (other than in the ordinary course of operations), such that they may have leaked or spilled on to the Real Property;

(ii) there is no onsite contamination resulting from activities at the Facility or on the Real Property;

(iii) the Real Property contains no Hazardous Substances;

(iv) there are no environmental Liens on any of the Purchased Assets, and no governmental actions have been taken or, to the knowledge of Seller, are in process that could subject any of such Purchased Assets to such Liens. Seller would not be required to place any notice or restriction relating to the presence of Hazardous Substances at any property used in connection with the operation of the Business in any deed to such property;

(v) there are no other underground storage tanks on the Real Property;

and

(vi) there have been no environmental investigations, studies, audits, tests, reviews or other analysis conducted by or which are in the possession of Seller in relation to the Facility which have not been delivered to Buyer prior to the date hereof.

3.22 **Patients.**

(a) Schedule 3.22 sets forth a complete and accurate list, as of a recent date specified on such schedule, of the names of all patients or residents of the Facility, the amounts payable by each patient, whether such patients are private pay patients, or payments are made to Seller by Medicare or Medicaid, Veterans Administration or TriCare, or any other healthcare reimbursement or payment arrangement, for or on behalf of such patients. Copies of all contracts and agreements of the Facility with each of such patients or residents have been provided to Buyer.

(b) No funds or other property belonging to any patients of the Facility are held by or have been entrusted to Seller or any employee of Seller, except as disclosed to Buyer pursuant to Section 2.11. All Patient Trust Funds held for the benefit of residents of the Facility are in balance, will be in balance as of the Closing, and have been kept in accordance with all requirements of applicable law. Seller shall indemnify, defend and hold Buyer harmless against any deficiencies in Patient Trust Funds, as determined by Buyer or any state agency, relating to the operation of the Facility prior to the Closing. Seller shall promptly pay or refund any such deficiency to Buyer.

3.23 **Status of Seller.** Seller is not a "foreign person" as defined by Section 1445 of the Code.

3.24 **Zoning and Violation Notices.** Seller has not received any notices of uncorrected violations of the housing, building, safety, or fire ordinances with respect to the Facility which are uncorrected and outstanding. Certification statements respecting the Facility and showing no violation of any zoning ordinance shall be ordered by Seller from the municipality in which the Facility is located and delivered at the Closing to the extent practices of such municipality provide for issuing such certification.

3.25 **Tax Matters.** Seller has filed when due in accordance with all applicable laws (or properly and timely filed an extension therefor) all Returns required under applicable statutes, rules or regulations to be filed by Seller. As of the time of filing, the Returns were accurate and complete in all material respects. All Taxes due, and all additional assessments received, have been paid or provided for on the Balance Sheet prior to the date hereof. Seller is not delinquent in the payment of any Tax and has not requested any extension of time within which to file or send any Return, which Return has not since been filed or sent. Seller has not waived the statute of limitations in respect of any Taxes or agreed to any extension of time with respect to any Tax assessment or deficiency. There are no Liens for Taxes (other than for current Taxes not yet due and payable) upon any of the Purchased Assets. The transactions contemplated by this Agreement are not subject to the tax withholding provisions of Code Section 3406, or of subchapter A of Chapter 3 of the Code or of any other provision of law.

3.26 **Ownership of Seller.** Nexus Health, Inc., a District of Columbia nonprofit corporation is the sole stockholder of Seller.

3.27 **Licensed Beds.** The Facility is licensed to operate one hundred eighty-three (183) nursing home beds.

3.28 **Accuracy of Information.** Neither this Agreement nor the Exhibits or Schedules hereto or any certificate to be delivered at the Closing by Seller to Buyer in connection with this Agreement or any of the transactions contemplated hereby contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements made, in light of the circumstances under which they are made, not misleading, or contains a statement which is misleading. The statements contained in the Exhibits and Schedules hereto or any certificate to be delivered at Closing by Seller to Buyer in connection with this Agreement or any of the transactions contemplated hereby shall be deemed to constitute representations and warranties under this Agreement to the same extent as if set forth in this Agreement in full.

When used in this Article III, the words “Seller’s knowledge” or the “actual knowledge of Seller” or words of similar import shall mean the actual knowledge of Verna Meacham, the Chief Executive Officer, and/or Joseph Tucker, the Chief Financial Officer, and with respect to each, such knowledge that each such person would reasonably be expected to obtain after commercially reasonable inquiry and investigation.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warranties to Seller as follows:

4.1 **Organization and Existence.** Buyer is a limited liability company duly incorporated, validly existing and in good standing under the laws of the State of Maryland, and has all limited liability power and authority necessary to enable it to own, lease or otherwise hold its properties and assets and to carry on its business as now conducted.

4.2 **Authorization.** The execution, delivery and performance by Buyer of this Agreement and the Ancillary Agreements and the consummation by Buyer of the transactions contemplated hereby and thereby are within the power and authority of Buyer. This Agreement has been duly authorized, executed and delivered by Buyer and constitutes a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, and each Ancillary Agreement has been duly authorized and, when executed and delivered by Buyer, will have been duly executed and delivered by Buyer and will constitute a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of rights of creditors generally and except to the extent that enforcement of rights and remedies may be limited by equitable principles (regardless of whether enforcement is considered in a court of law or a proceeding in equity).

4.3 **Non-Contravention.** The execution, delivery and performance of this Agreement and the Ancillary Agreements by Buyer, and the consummation of the transactions contemplated hereby and thereby by Buyer, do not and will not, with or without the giving of notice, the lapse of time or both: (i) contravene or conflict with the articles of organization or operating agreement of Buyer, or (ii) contravene or conflict with or constitute a violation of any provision of any law, rule, regulation, judgment, injunction, order or decree binding upon or applicable to Buyer.

4.4 **Consents; No Violation.** Neither the execution and delivery of this Agreement and any other documents executed and delivered by Buyer pursuant hereto or in connection herewith, nor the consummation by Buyer of the transactions contemplated hereby or thereby, nor compliance by Buyer with any of the provisions hereof or thereof (a) requires any consent of, filing with or notification to, or any other action by, any person or (b) violates, breaches, or conflicts with, or constitutes (with or without due notice or lapse of time or both) a default (or gives rise to any right of termination, cancellation or acceleration or any obligation to pay) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, encumbrance, contract or other instrument or obligation to which Buyer is a party or by which any of its businesses, property or assets is bound or affected.

ARTICLE V COVENANTS OF ALL PARTIES

Each of the parties hereby covenants and agrees with the other parties as follows:

5.1 **Cooperation.** It shall cooperate fully with the other parties hereto in furnishing any information or performing any action reasonably requested by any such party, which information or action is necessary to the speedy and successful consummation of the transactions contemplated by this Agreement or is necessary, appropriate or desirable for the corporate purposes of Buyer. During the week of August 4, 2014, Seller and Buyer shall make a joint announcement to staff at the Facility regarding the sale of the Facility to Buyer. Seller shall also cooperate, at Buyer's cost, in allowing Seller's key employees to be trained by Buyer at any time following the execution of this Agreement.

5.2 **Other Required Information.** It shall furnish to the other parties hereto any application or statement, and all information concerning itself and its Affiliates as may be required to be set forth in any application or statement, to be filed with any Governmental Authority in connection with the transactions contemplated by this Agreement.

5.3 **Miscellaneous Agreements and Consents.** Subject to the terms and conditions provided in this Agreement, it shall use all commercially reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, appropriate or desirable to consummate the transactions contemplated by this Agreement. It will use all commercially reasonable efforts to obtain consents of all third parties and Governmental Authorities necessary, appropriate or desirable for the consummation of the transactions contemplated by this Agreement, including, without limitation, the AG Approval.

5.4 **Assignment to Bill and Collect during the Interim Billing Period.**

Notwithstanding any other provision of this Agreement to the contrary, Buyer and Seller agree as follows:

(a) In order to allow Buyer to fully bill and collect for services provided by Buyer at the Facility to beneficiaries of Medicare; and, where applicable, to patients of other third party payors, during the Interim Billing Period (as defined below) in compliance with applicable law, Seller hereby agrees to assign its Medicare agreement with respect to the Facility and authorizes Buyer to use Seller's National Provider Identifier ("NPI") with respect to the Facility for the sole purpose of billing any claims to Medicare for medical services rendered by Buyer at the Facility during the Interim Billing Period (the "Interim Accounts Receivable"). Seller shall cooperate in good faith and provide Buyer with reasonable assistance necessary in order to allow Buyer to collect the Interim Accounts Receivable, including withholding the submission of Seller's forms to terminate its Medicare enrollment during the Interim Billing Period. Seller hereby authorizes Buyer to take the following actions with respect to the Interim Accounts Receivable: (A) to bill Medicare using Seller's NPI number; (B) to collect Interim Accounts Receivable resulting from such billing using Seller's NPI number; (C) to take possession of and subsequent to receipt, endorse in the name of Seller any notes, checks, money orders, insurance payments and other instruments received in payment of Interim Accounts Receivable; and (D) at Buyer's expense, to initiate legal proceedings to collect any Interim Accounts Receivable, to enforce the rights of Seller as creditor under any contract or in connection with the rendering of any service during the Interim Billing Period, and to contest adjustment and denials by Medicare. Seller and Buyer agree that any Interim Accounts Receivable shall continue to be deposited in the current operating account for the Facility in the name of the Seller and that after Closing Buyer shall continue to manage such account and have the right to withdraw any Interim Accounts Receivable deposited into such account that relate to the provision of services on or after the Apportionment Date.

(b) For purposes of this Agreement, "Interim Billing Period" shall mean the period commencing as of the Closing Date and ending upon the earlier of (i) the date set forth in written notice from Buyer to Seller that Buyer's Medicare Change of Ownership application has been processed, the Regional Office has issued the tie-in notice approving the Change of Ownership, and Buyer has received approval to file claims under the assigned provider agreement and Buyer's NPI number or (ii) such date that is one hundred eighty (180) days following the Closing Date. Seller and Buyer will cooperate in good faith with one another both before and after the Closing Date to obtain approval of such Change of Ownership application as expeditiously as possible after the Closing Date.

(c) Buyer shall be responsible for, and indemnify Seller from and against, any and all damages or costs that may arise due to any violations of any rules and regulations, and all claims and adjustments which may arise as a result of any health care reimbursement cost report adjustments, general overpayments, audit adjustments, disallowance or reclassifications and penalties or payment adjustments related to improper or over-billing pertaining to Medicare for services provided by Buyer on or after the Apportionment Date and billed by Buyer. The Repayment Obligations of Seller under Section 6.11 shall not be affected by this Section 5.4 and

shall continue to apply during the Interim Billing Period.

The provisions of this Section 5.4 shall survive Closing.

5.5 **Change of Ownership Application.** Buyer and Seller agree to work together to file their Change of Ownership applications at the same time, within the timeframe required by applicable law.

5.6 **Nursing Home Administrator.**

(a) Buyer and Seller agree to work together to jointly recruit and hire, on terms and conditions reasonably agreed upon by the parties, a new nursing home administrator for the Facility within sixty (60) days following the date of this Agreement (the “**Outside Hire Date**”). Toward that end, Buyer shall, within thirty (30) days following the date of this Agreement, provide to Seller the name of Buyer’s top candidate for this position and Seller shall immediately thereafter arrange an interview with such individual. If Buyer’s candidate meets all licensure, background and reference requirements for positions similar in nature to the nursing home administrator position, Seller shall agree to the hiring of such candidate. Buyer has presented an initial candidate, who Seller has interviewed. Buyer and Seller acknowledge and agree that if the initial candidate obtains the necessary licenses, meets all background requirements and provides Seller with names and contact information of commercially reasonable references, Seller agrees to provide the initial candidate with an offer for employment. Buyer and Seller acknowledge the need for a permanent nursing home administrator to be hired and agree to work together to accomplish such by the Outside Hire Date. Additionally, following execution of this Agreement, Buyer and Seller agree to work together to begin to address operational issues of the Facility.

(b) Buyer acknowledges and agrees that any new nursing home administrator hired by Seller shall be an employee of Seller and shall report to and be under the direction and control of only the Seller. As an employee of Seller, any correspondence or written communications by Buyer to such nursing home administrator shall also be simultaneously communicated to the Chief Executive Officer of Seller.

(c) Buyer and Seller agree that any portion of the new nursing home administrator’s base salary in excess of One Hundred Twenty Thousand Dollars (\$120,000) (the “Additional Compensation”) shall be paid by Buyer. Specifically, Buyer shall reimburse Seller, monthly, within fifteen (15) business days after payments are due to the nursing home administrator, for such Additional Compensation.

ARTICLE VI COVENANTS OF SELLER

Seller agrees with Buyer as follows:

6.1 **Conduct of the Business.** From the date hereof through the Closing Date, Seller shall conduct the Business in the ordinary course consistent with past practice and use all reasonable efforts to preserve intact the business organization, goodwill and relationships with third parties of

the Business, and to keep available the services of the present employees of the Business. Without limiting the generality of the foregoing, from the date hereof until the Closing Date, Seller shall:

(a) use all commercially reasonable efforts to maintain the Facility and the Purchased Assets in substantially the state of repair, order and condition as on the date hereof (reasonable wear and tear excepted), provided, that all lifting equipment, regardless of the state of its condition on the date hereof, will be in good working order;

(b) not sell, lease, license or otherwise dispose of any Purchased Asset except (i) pursuant to existing contracts or commitments or (ii) in the ordinary course of business consistent with past practice;

(c) not allow the inventory of supplies, drugs and other disposable goods at the Facility to be materially depleted from their levels as of the date hereof;

(d) use all commercially reasonable efforts to maintain in full force and effect, without qualification or limitation, all Permits currently in effect with respect to the Business;

(e) maintain in full force and effect the insurance policies and binders currently in effect with respect to the Business;

(f) cause to be paid when due, all Taxes, assessments and charges or levies imposed upon it with respect to or on the Business or any of the Purchased Assets or which it is required to withhold and pay over, other than any which it may contest in good faith;

(g) not take any action which would adversely affect their title to any of the Real Property;

(h) not enter into any new contract or agreement concerning the operation of the Business (except for agreements which can be terminated as of Closing); and

(i) agree or commit to do any of the foregoing.

6.2 **Discharge of Liabilities.** Seller shall pay all of its liabilities and obligations relating to the Business that are not expressly assumed by Buyer at the Closing, as and when the same shall become due and payable.

6.3 **Access.** Seller shall permit officers, employees, agents, construction inspectors, attorneys and accountants and other persons designated by Buyer full access after reasonable notice during normal business hours to the Facility, books, contracts, commitments, tax returns, examination reports and surveys of Governmental Authorities (including the Internal Revenue Service) and other records of Seller relating to the Purchased Assets and the Business, and shall furnish to such designees of Buyer such financial and operating data and other information relating to the Purchased Assets and the Business as such Persons may reasonably request. Unless prohibited by law or contract, such designees of Buyer shall be furnished with accurate and complete copies of such contracts, commitments and other records and all other information relating

to the Purchased Assets and the Business as such designees may reasonably request. Seller shall cause its employees, accountants, attorneys, financial advisors and other agents or representatives to cooperate with Buyer in its investigation of the Business and its planning for the transition of the Facility to Buyer on the Closing Date. Without limiting the generality of the foregoing provisions of this Section 6.3, (i) Seller hereby designates and appoints the nursing home administrator (including any temporary nursing home administrator) (the "Administrator") as the contact person for coordinating visits to the Facility by Buyer; (ii) the Administrator shall use good faith reasonable efforts to make him/herself available for Buyer or its designees in connection with its transition planning, including, without limitation, providing reasonable access to all department heads and other persons employed at the Facility or by the Business; (iii) in the event the Administrator shall be absent for more than one business day (other than in the event of an unanticipated illness), s/he shall notify Buyer prior to his/her absence and designate a substitute representative to coordinate such visits for the day or days s/he will be absent; and (iv) the violation of the provisions of this Section 6.3 shall extend all Buyer obligations hereunder on a day for day basis for up to ten (10) days and, if such violation continues for more than ten (10) days shall be an immediate default by Seller to which the cure provisions of Section 12.2(c) shall not apply.

6.4 **Notices of Certain Events.** Seller shall promptly notify Buyer of:

(a) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement, including copies of all correspondence to or from any party having or claiming to have any right of first offer or first refusal to purchase the Facility;

(b) any notice or other communication from any Governmental Authority in connection with the transactions contemplated by this Agreement, including, without limitation, all correspondence given to or received by OSHA (redacted to the extent reasonably deemed necessary by Seller) and all correspondence given to or received by any party in connection with the AG Approval (redacted to the extent reasonably deemed necessary by Seller);

(c) any actions, suits, claims, investigations or proceedings commenced or, to their knowledge, threatened relating to or involving or otherwise affecting Seller, the Purchased Assets or the Business that, if it had existed on the date of this Agreement, would have been required to have been disclosed pursuant to Article III or that relate to the consummation of the transactions contemplated by this Agreement; and

(d) any matter arising or discovered after the date hereof that, if existing or known on the date of this Agreement, would have been required to be disclosed pursuant to Article III, or that constitutes a breach or prospective breach of this Agreement by Seller. The delivery of any such notice shall not affect Buyer's remedies hereunder.

6.5 **Noncompetition/Non-Solicitation.**

(a) Until the third (3rd) anniversary of the Closing Date, Seller shall not:

(i) directly or indirectly, operate, manage, own, control, finance or provide financing for, be a consultant for or enter into a service contract with, any Competing Facility. For purposes hereof, "Competing Facility" shall mean any nursing home, skilled nursing facility or any facility providing like skilled nursing services that is located within a ten (10) mile radius of the Facility.

(ii) participate in any effort to act or induce, any of the patients, physicians, associates, employees or independent contractors admitted to, having contracts with, or employed by Seller or any of its Affiliates at the Facility as of the Closing Date, or by Buyer or any Affiliate of Buyer, to take any action disadvantageous to Buyer or any Affiliate of Buyer, including but not limited to soliciting the business of their respective patients admitted prior to the Closing Date or soliciting the employees or independent contractors to cease their business or employment relations with the Facility, Buyer or any Affiliate of Buyer.

(b) If any provision contained in this Section shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Section, but this Section shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. If any of the restrictions or covenants contained herein is held to cover a geographic area or to be for a length of time which is not permitted by applicable law, or in any way construed to be too broad or to any extent invalid, such provision shall not be construed to be null, void and of no effect, but to the extent such provision would be valid or enforceable under applicable law, a court of competent jurisdiction shall construe and interpret or reform this Section to provide for a covenant having the maximum enforceable geographic area, time period and other provisions (not greater than those contained herein) as shall be valid and enforceable under such applicable law. Seller acknowledges that Buyer would be irreparably harmed by any breach of this Section and that there would be no adequate remedy at law or in damages to compensate Buyer for any such breach. Seller agrees that Buyer shall be entitled to injunctive relief requiring specific performance by Seller of this Section, and Seller hereby consents to the entry thereof, in addition to any other remedies available at law or in equity.

6.6 **Intentionally Omitted.**

6.7 **Publicity.** Except as otherwise required by applicable law or applicable rules of any securities exchange or market, Seller shall not issue any press release or make any other public statement relating to this Agreement or the transactions contemplated hereby without obtaining the prior approval of Buyer to the contents and manner of presentation and publication thereof, which approval shall not be unreasonably withheld or delayed.

6.8 **Intentionally Omitted.**

6.9 **No Negotiation with Third Parties.** From the date hereof until the earlier of the Closing Date or the date on which this Agreement is terminated, Seller and their Affiliates, agents or representatives shall not, directly or indirectly, encourage, solicit or engage in any discussions or negotiations with, provide any information to, or approve any transaction with, any Person concerning the possible purchase or sale of all or any part of the Business or the Purchased Assets or

the merger, consolidation or sale of capital stock or other securities of Seller or other similar transaction involving Seller or its assets, other than as permitted by this Agreement.

6.10 **Medicare and Medicaid Reports.** Seller shall prepare, execute and file on a timely basis all interim and final cost reports and all other reports and statements required to be filed with all intermediaries and any other public or private third party payor administrative or regulatory body or agency for all periods prior to the Closing Date, or in connection with the transactions hereunder.

6.11 **Repayment Obligations.** Seller shall repay or make arrangements to repay to all Governmental Authorities with jurisdiction over the Facility (including the District of Columbia Medicaid program and the Center for Medicare Services) any amounts owed to such Governmental Authorities by Seller with respect to the ownership of the Facility or the operation of the Business prior to the Apportionment Date (including without limitation (i) all depreciation recapture or adjustment which may arise as a result of any health care reimbursement cost report adjustments, audit adjustments, disallowances or reclassifications or (ii) other penalties or payment adjustments pertaining to Medicare or Medicaid for services provided prior to the Apportionment Date by Seller ((i) and (ii) are collectively referred to herein as the "Repayment Obligations"). The parties acknowledge that overpayments or underpayments to Seller by the Medicaid or Medicare programs for periods ending prior to the Apportionment Date may be discovered after the Closing, whether in connection with an audit of the Facility or otherwise. Seller shall remain liable for all such overpayments received by Seller. Seller shall be liable for and shall promptly pay all depreciation recapture, and all recapture of property cost reimbursement, that is required under the Medicaid or Medicare programs as a result of the transactions contemplated by this Agreement. So long as Buyer is paid in full for all Repayment Obligations and does not have funds withheld from amounts due Buyer because of the Repayment Obligations, Seller, at its own expense, shall have the right to file whatever appeals or objections are available to challenge any amounts due which may become Repayment Obligations. If Buyer is required to make payment with respect to any Repayment Obligations, Seller shall reimburse Buyer within ten (10) days of Buyer's written demand therefore, and if such payment is not timely made, Buyer shall be entitled to draw upon the escrowed funds pursuant to the Post-Closing Escrow Agreement.

6.12 **Payment to Buyer for Expense Adjustments After Closing.** If, after the Closing Date, Buyer is required from time to time to pay any amounts for Medicare, Medicaid or other third party payor cost adjustments, Taxes, workers' compensation insurance premiums or other expenditures that relate to the ownership of the Facility or operation of the Business before the Apportionment Date, Buyer shall promptly provide Seller written notice and details of same. Seller shall, within ten (10) days of such written notice from Buyer, pay to Buyer the amount of such required payment, and if such payment is not timely made, Buyer shall be entitled to draw upon the escrowed funds pursuant to the Post-Closing Escrow Agreement. Seller shall have the right, at its own expense, to file whatever appeals or objections are available to challenge any amounts due so long as Buyer has been repaid in full for any amount paid by Buyer. If, after the Closing Date, Buyer receives from time to time any amounts for Medicare, Medicaid or other third party payer cost adjustments, Taxes, workers' compensation insurance premiums or other expenditures that relate to the ownership of the Facility or operation of the Business before the Apportionment Date, Buyer shall, within ten (10) days of receipt of such amounts, pay to Seller the amount so received. Any payment pertaining to ownership of the Facility or operation of the Business from and after the

Apportionment Date shall be the responsibility of Buyer. Any appeals from any Medicare, Medicaid or other third-party payor adjustments shall be pursued by Seller at Seller's cost. All final cost reports shall be submitted by Seller to Medicare and Medicaid within the time required by state or federal regulations, as applicable.

6.13 **Consents**. Seller shall use all reasonable efforts to obtain consents in writing to the transactions contemplated by this Agreement (including the Consents) and such amendments, assignments or modifications of such documents or instruments as may be required so that the transactions contemplated by this Agreement shall not result in any default with respect to any law, rule, regulation, order, decree, license, agreement, contract, commitment or instrument to which Seller is a party or by which Seller or any of the Purchased Assets is bound.

6.14 **Accuracy Representations and Warranties**. Seller shall not (i) take, or agree to commit to take, any action that would make any representation and warranty of Seller inaccurate in any material respect at, or as of any time prior to, the Closing Date or (ii) omit, or agree or commit to omit, to take any action necessary to prevent any such representation or warranty from being inaccurate in any material respect at any such time.

ARTICLE VII COVENANTS OF BUYER

Buyer hereby covenants and agrees with Seller as follows:

7.1 **Access**. After the Closing, Buyer shall permit Seller and its agents, attorneys and accountants and other persons designated by Seller full access after reasonable notice during normal business hours to the books and records of the Business including without limitation, all patient and resident records, to the extent reasonably necessary to enable Seller to investigate any claim for indemnification or otherwise exercise their rights under Article XI, to investigate and defend any claim, action, suit or other legal proceeding involving Seller, to file or defend cost reports or tax returns, and to perform similar matters. Buyer will maintain all books and records (including patient and resident records) to the extent required by law but in no event for a period less than seven (7) years from the Closing Date. This Section 7.1 shall survive Closing for a period of seven (7) years. Without limiting the generality of the foregoing sentence, Buyer shall use its best efforts to obtain from a purchaser, lessee or subsequent transferee of the Facility a contractual obligation to comply with the obligations set forth in this Section 7.1, which contract shall name Seller as a third party beneficiary.

7.2 **Confidentiality**. Prior to the Closing and after any termination of this Agreement, all information furnished by Seller to Buyer in connection with this Agreement and the transactions contemplated hereby shall be kept confidential by (and shall be used by it only in connection with this Agreement and the transactions contemplated by this Agreement or as is necessary, appropriate or desirable for the corporate purposes of Buyer), except to the extent that such information (i) is or becomes generally available to the public other than as a result of disclosure by Buyer or any of its directors, officers, employees, agents or advisors, (ii) was within the possession of Buyer prior to its being furnished to Buyer by or on behalf of Seller, (iii) becomes available to Buyer on a non-confidential basis from a source other than Seller or any of its directors, officers, employees,

agents or advisors, or (iv) is required to be disclosed by law or by the applicable rules of any securities exchange or market, or (v) is required to be supplied or provided in connection with any application for a required consent, or any permit or approval necessary to consummate the transactions contemplated herein. Buyer may disclose such information to its directors, officers, employees, agents or advisors in connection with the transactions contemplated by this Agreement, so long as such Persons are informed by Buyer of the confidential nature of such information and are directed by Buyer to treat such information confidentially. If the transactions contemplated by this Agreement shall fail to be consummated, Buyer shall promptly cause all copies of documents or extracts thereof containing information and data as to Seller to be returned or destroyed. This provision shall supersede any prior confidentiality or nondisclosure agreements entered into by Buyer and Seller or their Affiliates.

7.3 **Publicity.** Except as otherwise required by applicable law or by applicable rules of any securities exchange or market, Buyer shall not issue any press release or make any other public statement relating to this Agreement or the transactions contemplated hereby prior to the Closing without obtaining the prior approval of Seller to the content and manner of presentation and publication thereof. Buyer shall provide to Seller notice of any proposed press release to be issued by Buyer and shall obtain Seller's approval of said press release (when required hereby) which approval shall not be unreasonably withheld or delayed.

7.4 **Payment to Seller for Expense Adjustments After Closing.** If, after the Closing Date, Seller is required from time to time to pay any amounts for expenditures that relate to the ownership of the Facility or operation of the Business after the Apportionment Date, Seller shall promptly provide Buyer written notice and details of same. Buyer shall, within ten (10) days of such written notice from Seller, pay to Seller the amount of such required payment; *provided, however,* Buyer shall have the right, at its own expense, to file whatever appeals or objections are available to challenge any amounts due so long as Seller has been repaid in full for any amount paid by Seller. If, after the Closing Date, Seller receives from time to time any amounts for Medicare, Medicaid or other third party payer cost adjustments, Taxes or other expenditures that relate to the ownership of the Facility or operation of the Business after the Apportionment Date, Seller shall, within ten (10) days of receipt of such amounts, pay to Buyer the amount so received. Any payment pertaining to ownership of the Facility or operation of the Business prior to the Apportionment Date shall be the responsibility of Seller.

7.5 **Patients; Patients Records.** From and after the Closing Date, Buyer shall be solely responsible for caring for the patients of the Facility in accordance with their contractual rights and in accordance with law. Buyer shall preserve the existence and maintain the confidentiality of the patient records transferred to Buyer pursuant to this Agreement in accordance with federal and state law.

7.6 **Assumed Contracts.** From and after the Closing Date, Buyer shall be solely responsible for the payment of all costs and the performance of all obligations under the Assumed Contracts accruing on and after the Closing Date.

7.7 **Application for CON.** Within thirty (30) days following the AG Approval Date, Buyer shall submit Buyer's application for CON to SHPDA and thereafter use diligent best efforts

to obtain such CON as expeditiously as practicable. Buyer shall provide Seller with proof of submission of the application for CON as well as copies of all material correspondence between Buyer and SHPDA related to such CON.

7.8 **Collection Services.** For a period of twelve (12) months following Closing, Buyer shall (i) bill for any unbilled services provided by Seller prior to Closing, (ii) use commercially reasonable efforts to file for, pursue and collect any of Seller's A/R in an amount of Five Hundred Dollars (\$500) or more by payor type and patient in accordance with standard industry practices and (iii) provide to Seller on a monthly basis a report with respect to the status of all such outstanding Seller's A/R to the extent known by Buyer. Seller and Buyer agree that Buyer shall be entitled to retain fifteen percent (15%) of any such Seller's A/R collected by Buyer (the "Collection Fee") and Buyer shall promptly remit the remainder of any such collected Seller's A/R to Seller. Notwithstanding the foregoing, Seller and Buyer agree that Buyer shall not be entitled to a Collection Fee with respect to Seller's 30-day A/R and Third Party Settlements. "**Seller's 30-day A/R**" shall mean (i) Seller's A/R that is collected during the thirty (30) day period following Closing and (ii) any of Seller's A/R that is billed by Buyer on Seller's behalf during the thirty (30) day period following Closing and that relates to services rendered by Seller during the thirty (30) days period prior to Closing, so long as such amounts do not age over ninety (90) days. "**Third Party Settlements**" shall mean Medicaid and Medicare and other third party settlements, including case mix adjustments, (final, retroactive or otherwise) for periods prior to the Apportionment Date. Seller and Buyer acknowledge and agree that payments of Seller's 30-day A/R and Third Party Settlements shall be made to bank accounts or lockboxes in accordance with instructions submitted to Buyer and/or payers by Seller.

7.9 **Application for Licenses.** Within thirty (30) days following the AG Approval Date, Buyer shall notify SHPDA and such other Governmental Authorities as Buyer reasonably deems necessary of the pending change of ownership of the Facility. As soon as practicable, which may be following receipt of the CON and/or following Closing, Buyer shall submit applications for all licenses Buyer deems are reasonably required to operate the Facility in the same manner as it has heretofore been operated and thereafter, Buyer shall use diligent best efforts to obtain such licenses as expeditiously as practicable. To the extent Buyer submits any such applications prior to Closing, Buyer shall provide Seller with proof of submission of the application for such licenses as well as copies of all material correspondence related to such licenses.

ARTICLE VIII EMPLOYEE BENEFITS

8.1 **Employee Benefits Definitions.** For purposes of this Agreement, the following terms shall have the meanings set forth below:

"Benefit Arrangement" means an employment contract, arrangement or policy and each plan or arrangement providing for severance benefits, insurance coverage (including any self-insured arrangements), workers' compensation, disability benefits, supplemental unemployment benefits, vacation benefits, pension or retirement benefits or for deferred compensation, profit-sharing, bonuses or compensation or benefits that (i) is not an Employee Plan and (ii) is

maintained or contributed to by Seller or any of its ERISA Affiliates or Buyer or any of its ERISA Affiliates, as the case may be.

"Employee Plans" means each "employee benefit plan", as such term is defined in Section 3(3) of ERISA, that (i) is subject to any provision of ERISA and (ii) is maintained or contributed to by Seller or any of its ERISA Affiliates or Buyer or any of its ERISA Affiliates, as the case may be.

"ERISA" means the Employment Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" of any entity means any other entity that, together with such entity, would be treated as a single employer under Section 414 of the Code.

8.2 **ERISA Representations.** Seller represents and warrants to Buyer as follows:

(a) Schedule 8.2 lists each Employee Plan and each Benefit Arrangement that covers any employee of the Business, copies or descriptions of all of which have previously been furnished to Buyer. With respect to each Employee Plan, Seller has provided the most recently filed Form 5500 and an accurate summary description of such plan. Seller has provided Buyer with, or has caused to be provided to Buyer, complete age, salary, service and related data as of the most recent practicable date for employees of the Business.

(b) No Employee Plan is subject to Title IV of ERISA. Neither Seller nor any of Seller's Affiliates has incurred any liability under Title IV or ERISA arising in connection with the termination of any plan covered or previously covered by Title IV of ERISA that could become, after the Closing Date, an obligation of Buyer or any of its Affiliates.

(c) Each Benefit Arrangement has been maintained in substantial compliance with its terms and with the requirements prescribed by any and all statutes, orders, rules and regulations which are applicable to such Benefit Arrangement, except as disclosed on Schedule 8.2(c).

(d) No Transferred Employee (as defined in Section 8.3) will become entitled to any bonus, retirement, severance or similar benefit or enhanced benefit solely as a result of the transactions contemplated hereby.

8.3 **Employees.**

(a) Seller shall terminate employment and all benefits of the employees of Seller effective as of the Closing Date. Seller shall pay all wages due to all such employees prior to the Closing Date.

(b) On the Closing Date, Buyer shall offer to hire no less than the minimum number of employees necessary to avoid creating any obligation under the WARN Act (defined in Section 8.3(c) below) on the part of Seller. Such employees, who accept such employment

offers from Buyer, shall be referred to as the "Transferred Employees". Any such employment of a Transferred Employee by Buyer shall be on terms such that Seller shall not be deemed to have violated the WARN Act and will not result in a determination that Transferred Employees have been constructively terminated. At least twenty (20) days prior to the Closing Date, Buyer shall notify Seller of any employees who shall not be Transferred Employees. Seller shall not take any action that would impede, hinder, interfere or otherwise compete with Buyer's efforts to hire any Transferred Employees. Buyer shall not assume responsibility for any Transferred Employee until such employee commences employment with Buyer.

(c) Buyer and Seller acknowledge and agree that the provisions of Section 8.3(b), are designed, in part, to ensure that Seller is not required to give notice to employees of the Facility of the "closure" thereof under the Worker Adjustment and Retraining Notification Act (the "WARN Act") or any other comparable state law. Accordingly, Buyer agrees to indemnify, defend and hold harmless Seller from any liability which it may incur under the WARN Act or any comparable state law in the event of the violation by Buyer of its obligations under Section 8.3(b), including a violation which results from allegations that Buyer constructively terminated the employees of the Facility as a result of the terms and conditions of employment offered by Buyer. Nothing in this Section 8.3(c) shall, however, create any third party beneficiary or other rights in favor of any person not a party hereto, including employees of the Facility, or constitute an employment agreement or condition of employment for any employee of Seller who is a Transferred Employee.

8.4 Seller's Employee Benefit Plans.

(a) Seller shall retain all obligations and liabilities under the Employee Plans and Benefit Arrangements in respect of each employee or former employee of Seller or any of its Affiliates (including any beneficiary thereof) who is not a Transferred Employee. Except as expressly set forth herein, Seller or its designated Affiliate shall retain all liabilities and obligations in respect of benefits accrued as of the Closing Date by Transferred Employees under the Employee Plans and Benefit Arrangements, and neither Buyer nor any of its Affiliates shall have any liability with respect thereto. Except as expressly set forth herein or unless included as an Assumed Contract, no assets of any Employee Plan or Benefit Arrangement shall be transferred to Buyer or any of its Affiliates or to any plan of Buyer or any of its Affiliates. Accrued benefits or account balances of Transferred Employees under the Employee Plans and Benefit Arrangements shall be fully vested as of the Closing Date.

(b) With respect to the Transferred Employees (including any beneficiary or dependent thereof), except as provided in Section 2.3(b) above, Seller shall retain (i) all liabilities and obligations arising under any group life, accident, medical, dental or disability plan or similar arrangement (whether or not insured) to the extent that such liability or obligation relates to contributions or premiums accrued (whether or not payable), or to claims incurred (whether or not reported), on or prior to the Closing Date, (ii) all liabilities and obligations arising under any worker's compensation arrangement to the extent such liability or obligation relates to the period prior to the Closing Date, including liability for any retroactive workman's compensation premiums attributable to such period and (iii) all other liabilities and obligations arising under the Employee Plans and the Benefit Arrangements to the extent any such liability or obligation relates to the period prior to the Closing Date, and including liabilities and obligations in respect of accruals to the

Closing Date under any bonus plan or arrangement, and any vacation plans, arrangements and policies.

8.5 **No Third Party Beneficiaries.** No provision of this Article VIII shall create any third party beneficiary or other rights in any employee or former employee (including any beneficiary or dependent thereof) of Seller or of any of its Affiliates in respect of continued employment (or resumed employment) with either Buyer or the Business or any of their Affiliates, and no provision of this Article VIII shall create any such rights in any such Persons in respect of any benefits that may be provided, directly or indirectly, under any Employee Plan or Benefit Arrangement or any plan or arrangement that may be established by Buyer or any of its Affiliates. No provision of this Agreement shall constitute a limitation on rights to amend, modify or terminate after the Closing Date any such plans or arrangements of Buyer or any of its Affiliates.

8.6 **COBRA.** Seller shall notify all employees of the Facility in writing of their rights with regard to any group health plan coverage, shall timely collect and remit all premiums to the appropriate party, and perform all other actions mandated by Title X of the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") as codified in Section 4980B of the Code and that are required to be given, collected, or otherwise performed as a result of the Closing under this Agreement.

ARTICLE IX CONDITIONS OF CLOSING

9.1 **Conditions to Obligations of All Parties.** The obligations of each of Buyer and Seller under this Agreement to cause the transactions contemplated by this Agreement to be consummated are, at its option, subject to the satisfaction of the following conditions:

(a) **Governmental Approvals.** Buyer and Seller shall have received all approvals of the applicable Governmental Authorities and the applicable Governmental Authorities shall have taken all actions, required to permit the consummation of the transactions contemplated by this Agreement and to permit Buyer to operate the Business after the Closing, which shall include receipt of the CON Approval, and receipt by Buyer of reasonable assurance from the applicable Governmental Authorities that following Closing and submission of evidence of the same, such Governmental Authorities shall issue to Buyer the licenses reasonably required to operate the Facility in the same manner as it has heretofore been operated.

(b) **No Injunctions.** There shall not be in force any order or decree restraining or enjoining consummation of the transactions contemplated by this Agreement or placing any limitation upon such consummation or to invalidate, suspend or require modification of any provision of this Agreement.

9.2 **Conditions Applicable to Buyer.** The obligations of Buyer under this Agreement to cause the transactions contemplated by this Agreement to be consummated at the Closing are, at its option, subject to the satisfaction of the following conditions:

(a) Performance of This Agreement. All the terms, covenants and conditions of this Agreement to be complied with and performed by Seller on or before the Closing Date shall have been complied with and performed in all material respects.

(b) Accuracy of Representations and Warranties. The representations and warranties of Seller set forth in Article III shall be true and correct in all material respects both on the date of this Agreement and as of the Closing Date with the same force and effect as if such representations and warranties were made anew at and as of the Closing Date, except: (i) to the extent such representations and warranties are by their express provisions made as of the date of this Agreement or another specified date; and (ii) for the effect of any activities or transactions which may have taken place after the date of this Agreement which are contemplated by this Agreement.

(c) No Material Adverse Change. As of the Closing Date, there shall have been no Material Adverse Change.

(d) Certificate Concerning This Agreement. Seller shall have furnished to Buyer a certificate dated the Closing Date, signed by Seller to the effect that the conditions set forth in Sections 9.2(a), 9.2(b) and 9.2(c) have been satisfied.

(e) Required Consents. Seller has obtained and provided to Buyer all consents in writing to the transactions contemplated by this Agreement (including the Consents) and such amendments, assignments or modifications of such agreements or instruments as may be required so that the transactions contemplated by this Agreement may be consummated and shall not result in any default with respect to any law, rule, regulation, order, decree, license, agreement, contract, commitment or instrument to which Seller is a party or by which Seller, the Business or any of the Purchased Assets is bound, including consents to, and approvals of, the sale, transfer and assignment to Buyer of the Assumed Contracts.

(f) Litigation. No action, suit, litigation, proceeding or investigation shall (i) have been formally instituted and be pending with regard to the transactions contemplated by this Agreement or (ii) be threatened by any Governmental Authority with regard to the transactions contemplated by this Agreement, which if adversely decided would have a Material Adverse Effect.

(g) Ancillary Agreements. Seller shall have executed and delivered to Buyer the Ancillary Agreements.

(h) Other Approvals. No provision of any applicable law or regulation, and no judgment, injunction, order or decree, shall restrain, prohibit or otherwise interfere with the effective operation or enjoyment by Buyer of all or any material portion of the Purchased Assets or the Business.

(i) Proceedings. All proceedings to be taken in connection with the transactions contemplated by this Agreement and all documents incident thereto shall be reasonably satisfactory in form and substance to Buyer, and Buyer shall have received copies of all such documents and

other evidence as it may reasonably request to establish the consummation of such transactions and the taking of all proceedings in connection therewith.

9.3 **Conditions Applicable to Seller.** The obligations of Seller under this Agreement to cause the transactions contemplated by this Agreement to be consummated on or before the Closing Date are, at their option, subject to the satisfaction of the following conditions:

(a) **Performance of this Agreement.** All the terms, covenants and conditions of this Agreement to be complied with and performed by Buyer on or before the Closing Date shall have been complied with and performed in all material respects.

(b) **Accuracy of Representations and Warranties.** The representations and warranties of Buyer set forth in Article IV shall have been true and correct in all material respects on the date of this Agreement and as of the Closing Date with the same force and effect as if such representations and warranties were made anew at and as of the Closing Date, except: (i) to the extent such representations and warranties are by their express provisions made as of the date of this Agreement or another specified date; and (ii) for the effect of any activities or transactions which may have taken place after the date of this Agreement which are contemplated by this Agreement.

(c) **Officers' Certificate Concerning This Agreement.** Buyer shall have furnished to Seller a certificate dated the Closing Date, signed by Buyer, to the effect that, the conditions set forth in Sections 9.3(a) and 9.3(b) have been satisfied.

(d) **Ancillary Agreements.** Buyer shall have executed and delivered, or caused to be executed and delivered, to Seller the Ancillary Agreements.

ARTICLE X [RESERVED]

ARTICLE XI INDEMNIFICATION

11.1 **Survival of Representations.** The representations, warranties, covenants and agreements made by Buyer and Seller, as applicable, in this Agreement or any certificate or other writing delivered pursuant hereto or in connection herewith shall survive Closing for a period of twelve (12) months with the exception that Seller's Repayment Obligations and all obligations and indemnities of Seller with respect to any Medicaid and Medicare Cost Reports shall survive Closing for a period of twenty-four (24) months. Any investigation or other examination that may have been made at any time by or on behalf of the party to whom representations and warranties are made shall not limit, diminish or in any way affect the representations and warranties in this Agreement, and the parties may rely on the representations and warranties in this Agreement irrespective of any information obtained by them by any investigation, examination or otherwise.

11.2 **Indemnification by Seller.** Seller shall indemnify, defend and hold harmless Buyer from and against any damages, losses, liabilities, costs and expenses (including reasonable expenses of investigation and reasonable attorney's fees in connection with any claim, action, suit or

proceeding) (collectively, "Losses") and Seller for itself and the Purchased Assets it owns, indemnify, defend, and hold harmless Buyer from Losses incurred or suffered by Buyer or any of its Affiliates occasioned or caused by, resulting from or arising out of (i) any Excluded Liability, (ii) any inaccuracy in or breach of any representation or warranty of Seller set forth in this Agreement or any certificate or other writing delivered pursuant hereto or in connection herewith, (iii) any failure by Seller to perform any of its obligations or covenants set forth in this Agreement or any certificate or other writing delivered pursuant hereto or in connection herewith, (iv) any Medicaid and Medicare Cost Reports, including, without limitation, any Repayment Obligations, and (v) any and all actions, suits, litigations, arbitrations, proceedings, investigations or claims arising out of any of the foregoing or out of facts that have occurred on or prior to the Closing Date (collectively "Claims") even though such action, suit, litigation, arbitration, proceeding, investigation or claim may not be filed or come to light until after the Closing Date. With respect to Seller's indemnification set forth in (iv), on the Closing Date, Seller shall execute and deliver a guaranty agreement in form and substance reasonably acceptable to Buyer whereby Seller guarantees payment of any and all losses, damages and liability incurred by Buyer with respect to any Medicaid and Medicare Cost Reports. Such guaranty shall remain in effect until all Medicaid and Medicare Costs Reports have been fully and finally closed. In addition, to cover all indemnification obligations of Seller under this Agreement, Seller shall fund the amounts required by the Post-Closing Escrow Agreement at Closing, and Buyer shall have the right to draw upon the escrowed funds if Seller fails to indemnify Buyer as provided herein.

11.3 **Indemnification by Buyer.** Buyer shall indemnify, defend and hold harmless Seller from and against any Losses incurred or suffered by Seller or any of its Affiliates occasioned or caused by, resulting from or arising out of (i) any Assumed Liability, (ii) any inaccuracy in or breach on or after the date of the Closing Date of any representation or warranty of Buyer set forth in this Agreement or any certificate or other writing delivered pursuant hereto or in connection herewith, (iii) any failure by Buyer to perform any of its obligations or covenants set forth in this Agreement or any certificate or other writing delivered pursuant hereto or in connection herewith and (iv) any and all actions, suits, litigations, arbitrations, proceedings, investigations or claims arising out of any of the foregoing or out of facts that have occurred on or after the Closing Date.

11.4 **Process of Indemnification.** A party seeking indemnification under this Article XI shall promptly notify the party against whom indemnification is sought in writing of the assertion of any claim by a third party or the discovery of any fact upon which the indemnified party intends to base a claim hereunder. Such notice shall set forth the amount of the claim and specify the alleged basis of the claim. The delay or failure of any party to provide notice hereunder shall not in any way limit indemnification rights hereunder except to the extent that the indemnifying party shall have been materially adversely affected by such delay or failure. In the case of third party claims or assertions, each indemnified party shall, at the expense of the indemnifying party, cooperate with the indemnifying party in determining the validity of any such claim or assertion. In connection with any third party claim if the indemnifying party shall have acknowledged in writing its obligation to indemnify in respect of such claim which might give rise to a claim for indemnity hereunder, the indemnifying party may select counsel to direct the defense of such third party claim, which counsel shall be reasonably satisfactory to the indemnified party. The indemnifying party shall arrange for such counsel to inform the indemnified party on a regular basis of the status of

such case. The indemnified party may, at its election and expense, participate in the defense of such third party claim. The indemnifying party shall not settle any such claim without the consent of the indemnified party if any relief, other than the payment of money damages, would be granted by such settlement or if the indemnified party would be liable to the third party for the amount of such settlement.

11.5 **Purchase Price Adjustment.** All payments made under this Article XI shall be treated as adjustments to the Purchase Price.

11.6 **Certain Remedies Available.** Notwithstanding anything in this Agreement to the contrary, the right to claim indemnification under this Article XI shall apply only with respect to post-Closing indemnification obligations and shall not limit the rights of Buyer under this Agreement in the event Closing does not occur or in respect of any breach of any covenant set forth herein or in any related agreement.

11.7 **Survival.** The Provisions of Article XI shall survive closing for a period of twelve (12) months except that Seller's indemnification obligation set forth in (1) Section 11.2 (iv) shall survive as set forth in Sections 11.1 and 11.2 and (2) Section 11.2 (v) shall survive until the final resolution of such Claims and all appeal periods have expired.

11.8 **Certain Limitations on Indemnification Obligations.**

(a) Notwithstanding anything to the contrary set forth herein, Buyer shall not make a Claim against Seller for indemnification for breach of the representations and warranties under Sections 3.6 through 3.20 (excluding Section 3.11(a)), Sections 3.22 through 3.24 and Section 3.26 through 3.27 unless (i) any such Claim individually is in excess of Five Thousand Dollars (\$5,000) (the "Individual Basket") and (ii) the aggregate amount for all such Claims qualifying as an Individual Basket exceeds One Hundred Thousand Dollars (\$100,000) (the "Aggregate Basket"). Once Claims exceed the Aggregate Basket, Buyer may Claim indemnification for the full amount of any subsequent Claim. For avoidance of any doubt, the limitations set forth in this Section 11.8(a) shall not apply to Claims arising out of or related to (a) fraud, (b) breach of any covenant or agreement, or a breach of any of the representations and warranties set forth in Sections 3.1 through 3.5 and Sections 3.11(a), 3.21 and 3.25 or (c) the indemnity obligations of Seller under any clause of Section 11.2 above other than clause (ii) thereof, and Seller shall be liable for all Claims with respect to all of the foregoing without limitation.

(b) The total aggregate liability of Seller for Claims with respect to any Claims made pursuant to (i) Section 11.2 for breach of representations and warranties set forth in Sections 3.1 through 3.5 and Sections 3.11(a), 3.21 and 3.25 shall be limited to the Purchase Price, as adjusted pursuant to this Agreement, and (ii) Section 11.2 for breach of the representations and warranties set forth in Sections 3.6 through 3.20 (excluding Section 3.11(a)), Sections 3.22 through 3.24 and Sections 3.26 through 3.27 shall be limited to One Million Dollars (\$1,000,000). Notwithstanding the foregoing, the limitations set forth in this Section 11.8(b) shall not apply to any Claims arising out of or related to (a) fraud, (b) breach of any covenant or agreement, (c) the indemnity obligations of Sellers under any clause of Section 11.2 above other than clause (ii)

thereof, and Seller shall be liable for all Claims with respect to all of the foregoing without limitation.

(c) The total aggregate liability of Buyer for Claims with respect to any Claims made pursuant to Section 11.3 for breach of representations and warranties set forth in Article 4 shall be limited to the Purchase Price, as adjusted pursuant to this Agreement. Notwithstanding the foregoing, the limitations set forth in this Section 11.8(c) shall not apply to any Claims arising out of or related to (i) fraud or (ii) the indemnity obligations of Buyer under any clause of Section 11.3 above other than clause (ii) thereof, and Buyer shall be liable for all Claims with respect to all of the foregoing without limitation.

Notwithstanding the foregoing, the provisions of this Section 11.8 shall not apply with respect to the monetary penalties under Inspection Number 955309 and Inspection Number 961019 from the OSHA Investigation.

ARTICLE XII MISCELLANEOUS

12.1 **Casualty, Risk of Loss.** Seller shall bear the risk of all loss or damage to the Purchased Assets from all causes and all loss or damage arising out of or related to the operation of the Business until the Closing. If at any time prior to a Closing any material portion of the Purchased Assets is damaged or destroyed as a result of fire, other casualty or for any reason whatsoever, or in the event condemnation or eminent domain proceedings (or private purchase in lieu thereof) shall be commenced by any public or quasi-public authority having jurisdiction against all or any part of the Purchased Assets, Seller shall immediately give notice thereof to Buyer. Buyer shall have the right, in its sole and absolute discretion, within twenty (20) days of receipt of such notice, to (i) elect not to proceed with that Closing and terminate this Agreement, or (ii) proceed to Closing and consummate the transactions contemplated hereby to be completed at that Closing and receive any and all insurance proceeds received together with all deductible amounts recovered or receivable by Seller on account of any such casualty.

12.2 **Default.**

(a) **Seller's Default.** Subject to paragraph (c) below, if Seller fails to perform any of its obligations under this Agreement or fails to make full settlement, then Buyer's sole and exclusive remedy shall be either (i) termination of the Agreement and a refund of the Deposit, or (ii) an action for specific performance of this Agreement

(b) **Buyer's Default.** Subject to the following paragraph, if Buyer fails to make full settlement or to perform any of its obligations under this Agreement, then Seller's sole remedy shall be to terminate this Agreement and to retain the Deposit.

(c) **Cure Period.** A party shall not be deemed to have failed to perform any of its obligations under this Agreement unless such failure remains uncured for five (5) business days after written notice thereof from the other party.

12.3 **Expenses.** Except as specifically set forth herein, all fees and expenses incurred by Buyer in connection with this Agreement and the transactions contemplated hereby will be borne by Buyer. All fees and expenses incurred by Seller in connection with this Agreement and the transactions contemplated hereby will be borne by Seller.

12.4 **Further Assurances.** If at any time after Closing, Buyer shall consider it advisable and consistent with this Agreement that any further conveyance, agreements, documents, instruments and assurances of law or any other things are necessary or desirable to vest, perfect, confirm or record in Buyer the title to any of the Purchased Assets, Seller shall execute and deliver, upon Buyer's request, any and all proper conveyances, agreements, documents, instruments and assurances of law, and do all things reasonably necessary or proper to vest, perfect, confirm or record title to those Purchased Assets in Buyer and otherwise to carry out the provisions of this Agreement. When requested by Buyer, Seller shall deliver to Buyer (a) standard affidavits and indemnities regarding mechanics' liens and parties in possession in favor of Buyer's title insurance company and Buyer to the effect that no work has been performed or materials provided to the Facility for the account of Seller for which payment has not been made in full and that there are no Persons in possession of the Facility other than patients, (b) such other instruments as Buyer's title insurance company may reasonably require to issue an owner's title insurance policy to Buyer without exceptions other than for Permitted Liens, (c) an affidavit or certification in compliance with Section 1445(b)(2) of the Internal Revenue Code and the applicable regulations thereunder, (d) Internal Revenue Service Form 1099S, (e) executed assignments of any warranties furnished to Seller by applicable suppliers or contractors to the extent assignable, (f) all copies of plans and specifications owned by or in possession of Seller with respect to the Facility including any and all plans and specifications showing as-built conditions and/or alterations, additions and utility connections on or off site, (g) any surveys of the Facility, and (h) a copy of and, if available, the original, of the certificate of occupancy with respect to the Facility. The foregoing provisions, and any other provisions of this Agreement which call for performance of any obligation after Closing, shall survive Closing and the transfer of the Purchased Assets.

12.5 **Parties in Interest.** All the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the respective successors and permitted assigns of the parties hereto. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon or give any Person other than the parties hereto and their permitted successors or assigns any rights or remedies under or by reason of this Agreement or any transaction contemplated hereby.

12.6 **Entire Agreement.** This Agreement, together with the Schedules and Exhibits hereto, as to the Facility supersede any other agreement, whether written or oral, that may have been made or entered into by the parties or any of their Affiliates relating to the matters contemplated hereby. This Agreement, together with the Schedules and Exhibits hereto as to the Facility, constitute the entire agreement by the parties, and there are no agreements or commitments except as set forth herein and therein.

12.7 **Amendment or Modification.** This Agreement may be amended only with the written consent of Buyer and Seller.

12.8 **Waiver**. No action taken pursuant to this Agreement, including without limitation any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants, conditions or agreements contained in this Agreement. The failure of any party hereto to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of any such provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of such party thereafter to enforce each and every such provision. No waiver of any breach of or non-compliance with this Agreement shall be held to be a waiver of any other or subsequent breach or non-compliance.

12.9 **Assignability**. Neither this Agreement nor any rights or obligations hereunder may be assigned or delegated by any party without the prior written consent of the other parties.

12.10 **Headings and Interpretation**. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement. Terms such as "herein," "hereof" and "hereinafter" refer to this Agreement as a whole and not to the particular sentence or paragraph where they appear, unless the context otherwise requires. References in this Agreement to Articles, Sections, Exhibits or Schedules shall be to Articles, Sections, Exhibits or Schedules to this Agreement, unless otherwise indicated. Unless the context otherwise requires, (i) terms used in the plural include the singular, and vice versa, and (ii) words in the masculine gender include the feminine, and vice versa.

12.11 **Notices**. All notices and other communications under this Agreement shall be in writing and shall be delivered by hand or overnight courier service, mailed or sent by telex, graphic scanning or other telegraphic communications equipment of the sending party, as follows:

If to Buyer:

Brinton Woods Senior Living IV, LLC
9515 Deereco Road, Suite 407
Timonium, Maryland 21093
Attention: Daren Cortese
Telephone: (410) 560-4925

with a copy to:

Gallagher Evelius & Jones LLP
218 North Charles Street, Suite 400
Baltimore, Maryland 21201
Attention: Martha L. Hylton
Telephone: (410) 347-1362
Facsimile: (410) 468-2786

If to Seller:

Carolyn Boone Lewis Health Care Center, Inc.

c/o Nexus Health
225 - Waterfront Street, Suite 225
Oxon Hill, Maryland 20745
Attention: Verna S. Meacham, President
Telephone: (301) 686-9010

with a copy to:

William M. Davidow, Esq.
Miles & Stockbridge P.C.
100 Light Street
Baltimore, Maryland 21202
Telephone: (410) 385-3784
Facsimile: (410) 773-9016

or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall only be effective upon receipt. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt if delivered by hand or overnight courier service or sent by telex, graphic scanning or other telegraphic communications equipment of the sender, or on the date five (5) business days after dispatch by certified or registered mail if mailed, in each case delivered, sent or mailed (properly addressed) to such party as provided in this Section 12.11.

12.12 **Attorneys' Fees.** In the event of litigation arising out of this Agreement, the prevailing parties shall be entitled to recover, in addition to the relief granted, all costs incurred in connection with such action, including reasonable attorney's fees in pre-trial, trial, appellate and bankruptcy proceedings.

12.13 **Law Governing.** This Agreement shall be governed by and construed and enforced in accordance with the laws of the District of Columbia, without giving effect to the principles of conflicts of law thereof.

12.14 **Invalidity of Provisions.** Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof.

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

12.16 **Bulk Sales.** Buyer and Seller shall comply with any applicable provisions of the so-called bulk sales law of any state including the provisions of Article 6 of the Uniform Commercial Code and any comparable act in the District of Columbia.

12.17 **Time of the Essence.** Time shall be of the essence for all purposes in construing and applying this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, this Agreement has been duly executed under seal and delivered by the parties on the date first above written.


WITNESS:

BUYER:

BRINTON WOODS SENIOR LIVING IV, LLC,
a Maryland limited liability company



By:

 (Seal)
Daren Cortese
President

SELLER:

**CAROLYN BOONE LEWIS HEALTH
CARE CENTER, INC.**
a Delaware nonprofit corporation

By:

_____ (Seal)
Verna S. Meacham
President

IN WITNESS WHEREOF, this Agreement has been duly executed under seal and delivered by the parties on the date first above written.

WITNESS:

BUYER:

BRINTON WOODS SENIOR LIVING IV, LLC,
a Maryland limited liability company

By: _____ (Seal)
Daren Cortese
President

SELLER:

**CAROLYN BOONE LEWIS HEALTH
CARE CENTER, INC.**
a Delaware nonprofit corporation

Elizabeth H. Carter

By: _____ (Seal)
Verna S. Meacham
Verna S. Meacham
President

EXHIBIT A

DESCRIPTION OF REAL PROPERTY

1380 Southern Avenue, S.E., Washington, District of Columbia, more specifically described as follows:

Lot Numbered Two (2) In Square Numbered Fifty-Nine Hundred Nineteen (5919) in a subdivision made by The Greater Southeast Community Hospital Foundation, Inc., as per plat thereof recorded in Liber 169 at Folio 161 In the Office of the Surveyor for the District of Columbia.

EXHIBIT B
FORM OF POST-CLOSING ESCROW AGREEMENT

[See Attached]

EXHIBIT B

FORM OF HOLDBACK ESCROW AGREEMENT

HOLDBACK ESCROW AGREEMENT

This HOLDBACK ESCROW AGREEMENT (this “Escrow Agreement”) is entered into this [] day of [], 2014, by and among **CAROLYN BOONE LEWIS HEALTH CARE CENTER, INC.**, a Delaware non-profit corporation (“Seller”), **BRINTON WOODS SENIOR LIVING IV, LLC**, a Maryland limited liability company (“Buyer”), and **STEWART TITLE GUARANTY COMPANY**, as escrow agent (“Escrow Agent”). The parties recite and agree as follows.

Recitals

A. Seller and Buyer have entered into that certain Asset Purchase Agreement, dated as of July 24, 2014 (the “Contract”), whereby Seller agreed to sell and Buyer agreed to purchase that certain real property located at 1380 Southern Avenue, S.E., Washington, DC 20032 and the improvement thereon consisting of a one hundred-eighty-three (183) bed nursing care facility (the “Property”).

B. Pursuant to the Contract, Seller and Buyer have agreed that One Million and 00/100 Dollars (\$1,000,000.00) (the “Holdback”) shall be held back in escrow from the proceeds due to Seller under the Contract to provide readily available funds for the satisfaction of the indemnification obligations of Seller under the Contract. At Closing, Seven Hundred Fifty Thousand Dollars (\$750,000) of the Holdback shall be deposited with the Escrow Agent (the “Initial Deposit”) and the remaining Two Hundred Fifty Thousand Dollars (\$250,000) of the Holdback shall be deposited following Closing in accordance with the terms of the Contract (the “Follow-on Deposit”).

C. To establish and set forth procedures for administration of the Holdback, Seller, Buyer, and Escrow Agent desire to enter into this Escrow Agreement.

Agreement

NOW, THEREFORE, in consideration of the promises and the mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

1. **Defined Terms.** Capitalized terms used herein and not otherwise defined herein shall have the meanings provided in the Contract.

2. **Appointment of Escrow Agent.** Seller and Buyer hereby appoint Escrow Agent to act as escrow agent with respect to the Holdback upon the terms and conditions herein set forth, and Escrow Agent accepts such appointment on such terms and conditions.

3. Deposit and Investment of Funds. Escrow Agent hereby acknowledges receipt of the Initial Deposit, and shall hold, safeguard, and distribute all amounts so received in accordance with and subject to the terms of this Escrow Agreement. Escrow Agent shall hereinafter acknowledge receipt of each portion of the Follow-on Deposit, and shall hold, safeguard, and distribute all amounts so received in accordance with and subject to the terms of this Escrow Agreement. Escrow Agent shall deposit such funds received by it hereunder into an interest bearing account(s) (collectively, the “**Escrow Account**”) established for such purpose, which shall be established under Seller’s Federal Employer Identification Number and Name. Escrow Agent shall invest and reinvest the Holdback from time to time during the term of the escrow hereunder, upon direction of Seller, in a federally insured money market account with [] and/or other financial institutions selected by Escrow Agent and reasonably approved by Seller and Buyer in writing. Interest and other earnings on the Escrow Account shall be paid to Seller from time to time periodically. Any loss incurred from an investment shall be borne by the Seller, except for losses resulting from the gross negligence or willful misconduct of the Escrow Agent which losses shall be borne by the Escrow Agent.

4. Disbursement of Holdback. If Buyer notifies Escrow Agent and Seller in writing that Buyer is entitled to a disbursement of all or a portion of the Holdback pursuant to Article XI of the Contract, then unless Escrow Agent receives from Seller a written objection to such release within seven (7) days after delivery of such notice, Escrow Agent shall disburse the demanded portion of the Holdback to Buyer. Seller may waive in writing this seven (7) day period, in which event Escrow Agent shall immediately disburse such sum to Buyer. In the event of a dispute between Buyer and Seller regarding the disbursement of all or any portion of the Holdback, Escrow Agent shall withhold such disputed disbursement and either interplead and pay the Holdback into a court of competent jurisdiction or continue to hold the Holdback in accordance with the terms hereof until (a) receipt of joint instructions from Seller and Buyer, or (b) receipt of an order of a court of competent jurisdiction resolving the dispute or directing the disbursement of the Holdback. In addition, in the event of a disagreement regarding the interpretation of this Escrow Agreement or the rights and obligations or propriety of any action contemplated by Escrow Agent hereunder, Escrow Agent may, in its sole discretion, file an action of interpleader or other appropriate court action to resolve such disagreement. Notwithstanding the foregoing, (y) upon written demand by Seller on the date that is three hundred sixty-five (365) days following the date of this Escrow Agreement, Escrow Agent shall release to Seller any amount of the Holdback in excess of the sum of Five Hundred Thousand Dollars (\$500,000) plus the amount of any pending or disputed claims, and (z) on the date that is two (2) years from the date of this Escrow Agreement, Escrow Agent shall release to Seller any portion of the Holdback then held by Escrow Agent less the amount of any pending claims.

5. Escrow Agent. The Escrow Agent shall have no duty or obligation hereunder other than to take such specific actions as are required of it from time to time under the provisions hereof, and it shall incur no liability hereunder or in connection herewith for anything whatsoever other than as a result of its own gross negligence or willful misconduct. Buyer and Seller agree to indemnify, hold harmless and defend the Escrow Agent from and against any and all losses, claims, liabilities and expenses, including the reasonable fees of its counsel, which it may suffer or incur hereunder, or in connection herewith, except such as shall result from its own gross negligence, willful misconduct or failure to follow the instructions contained herein.

It is understood and agreed that should any dispute arise with respect to the payment, ownership or right of possession of the Holdback, the Escrow Agent is authorized and directed to retain in its possession, without liability to anyone, all or any part of the Holdback until such dispute shall have been settled either by mutual written agreement by the parties concerned or by the final order, decree or judgment of a court or other tribunal of competent jurisdiction and, if by such order, decree or judgment, time for appeal has expired and no appeal has been perfected, but the Escrow Agent shall be under no duty whatsoever to institute or defend any such proceedings. Escrow Agent shall further have the right to commence an action in interpleader and obtain an order from the court allowing Escrow Agent to deposit the Holdback with the court, in which case Escrow Agent shall have no further liability or obligation with respect to this Escrow Account or the Holdback.

Escrow Agent shall be entitled to rely reasonably upon any order, judgment, certification, demand, notice, instrument or other writing delivered to it hereunder without being required to determine the authenticity or the correctness of any fact stated therein or the propriety, validity or the service thereof. Escrow Agent may act in reasonable reliance upon any instrument or signature believed by it to be genuine and may reasonably assume that any person purporting to give notice, receive, advise or make any statement or execute any document in connection with the provisions hereof has been duly authorized to do so.

Escrow Agent may resign at any time as Escrow Agent hereunder by giving at least sixty (60) days written notice to Buyer and Seller. Upon such resignation and the appointment of a successor Escrow Agent, the resigning Escrow Agent shall be absolved from any and all liability in connection with its powers and duties as Escrow Agent under this Agreement. In addition, Buyer and Seller may remove Escrow Agent as the Escrow Agent under this Agreement upon sixty (60) days prior written notice signed by both Buyer and Seller. In either event, Buyer and Seller shall mutually agree on any successor Escrow Agent, and, if they cannot agree, the successor Escrow Agent shall be Continental Title Group.

6. Indemnification. Escrow Agent shall not be liable, except for its own gross negligence or willful misconduct, and, except with respect to claims based upon such gross negligence or willful misconduct that are successfully asserted against Escrow Agent. Buyer and Seller shall jointly and severally indemnify and hold harmless Escrow Agent from and against any and all losses, liabilities, claims, actions, damages and expenses, including reasonable attorneys' fees and disbursements, arising out of and in connection with this Escrow Agreement. All costs or expenses incurred by Escrow Agent because of litigation or dispute between Buyer and Seller arising out of the holding of the Holdback shall be divided equally among and be paid by Buyer and Seller. Escrow Agent shall have a lien on the Holdback for any and all of these costs and expenses.

7. Compensation of Escrow Agent. Escrow Agent shall be entitled to a reasonable fee as compensation for its services as Escrow Agent, which fee shall not exceed an amount equal to Seventy-Five Dollars (\$75.00) per disbursement made by Escrow Agent hereunder. Any such fee shall be paid one-half by Buyer and one-half by Seller.

8. Notice. All notices, demands, requests, consents and waivers under this Escrow Agreement shall be given in accordance with the Contract.

9. Governing Law. This Escrow Agreement shall be governed by, interpreted under and construed in accordance with the laws of the District of Columbia without regard to any otherwise applicable requirements of conflicts of laws.

10. Conflicts. This Escrow Agreement is entered into in furtherance of the Contract. The rights, duties and obligations of the Escrow Agent shall be exclusively as set forth in this Escrow Agreement. However, as between Buyer and Seller, in the event of a conflict between the terms and provisions of this Escrow Agreement and the terms and provisions of the Contract related to the disposition of the Holdback, the terms and provisions of this Escrow Agreement shall control.

11. Further Assurances. Each of the parties shall execute and deliver such additional instruments and other documents and shall take such reasonable further actions as may be necessary or appropriate to effectuate, carry out and comply with all of the terms of this Escrow Agreement; no party shall be obligated to provide any further assurance that would increase the liabilities or obligations of such party hereunder or reduce the rights and benefits of such party hereunder.

12. Successors and Assigns. This Escrow Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

13. Amendment. This Escrow Agreement may be altered, modified or amended only in such manner as may be mutually agreed upon in writing by each of the parties hereto.

14. Counterparts. This Escrow Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

15. Prevailing Party. If any party hereto brings any action or suit against the other party hereto by reason of any of the agreements or provisions of this Escrow Agreement, then, in such event, the prevailing party, as determined in such action or suit, shall be entitled to have and recover from the other party or parties all costs and expenses of such action or suit, including, without limitation, reasonable attorneys' fees and expenses resulting therefrom; it being understood and agreed that the determination of the prevailing party shall be included in the matters which are the subject of such action or suit.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, this Escrow Agreement has been duly executed by the parties hereof as of the date first set forth above.

CAROLYN BOONE LEWIS HEALTH CARE CENTER, INC.

By: _____
Name: Verna S. Meacham
Title: President

BRINTON WOODS SENIOR LIVING IV, LLC

By: _____
Daren Cortese
President

STEWART TITLE GUARANTY COMPANY

By: _____
Name:
Title:

Attachment B

**JOINT RESOLUTION
OF
BOARD OF DIRECTORS
OF
NEXUS HEALTH, INC.
AND
CAROLYN BOONE LEWIS HEALTH CARE CENTER, INC.**

WHEREAS, Nexus Health, Inc. ("Nexus"), as the sole owner of the common stock of Carolyn Boone Lewis Health Care Center, Inc. ("CBL"), entered into a letter of intent with Brinton Woods Management Company, LLC ("Brinton Woods") for the purchase of all assets of CBL (the "Transaction");

WHEREAS, since the execution and approval of the letter of intent, CBL and Brinton Woods have negotiated the specific terms of the purchase agreement, substantially in the form of the purchase agreement attached hereto as Exhibit A and incorporated herein by reference (the "Asset Purchase Agreement"); and

WHEREAS, in conjunction with the Transaction and the Asset Purchase Agreement, CBL and Brinton Woods have negotiated additional transaction documents that reflect the principal terms, covenants and conditions of the letter of intent and the Asset Purchase Agreement (collectively, the "Transaction Documents"). The forms of the Transaction Documents are attached hereto as Exhibit B and incorporated herein by reference.

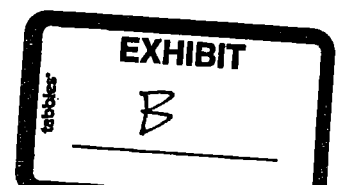
WHEREAS, the Board of Directors of Nexus, the sole shareholder of CBL, reviewed the proposed Asset Purchase Agreement and Transaction Documents and believes it is in the best interests of Nexus for CBL to sell all of its assets, in accordance with the Asset Purchase Agreement and Transaction Documents, to Brinton Woods.

WHEREAS, the Board of Directors of CBL reviewed the proposed Asset Purchase Agreement and Transaction Documents and believe it is in the best interests of CBL to accept the terms and enter into the Asset Purchase Agreement and Transaction Documents with Brinton Woods.

NOW, THEREFORE, BE IT:

RESOLVED, that the execution of the Asset Purchase Agreement and the Transaction Documents, subject to reasonable modifications agreed to by the President of CBL, be, and it hereby is, declared advisable, authorized and approved. Any modifications made to the final and executed Asset Purchase Agreement or the Transaction Documents shall be reported to the Board of Directors by the President; and

FURTHER RESOLVED, that the President of CBL be, and hereby is, authorized, empowered and directed, in the name and on behalf of Nexus, to take all such further actions, to cause to be finalized and executed the Asset Purchase Agreement and all such Transaction Documents, to make all expenditures and incur all expenses and to execute and deliver such



other instruments deemed by them to be necessary or appropriate for carrying out the intent and purpose of the foregoing resolutions.

Attachment C

BRINTON WOODS SENIOR LIVING IV, LLC

CONSENT OF MEMBERS

The undersigned, being all the Members of Brinton Woods Senior Living IV, LLC, a Maryland limited liability company (the "Company"), hereby consent as of the ___ day of September, 2014, to the resolutions set forth below and ratify the same:

RESOLUTIONS

WHEREAS, Carolyn Boone Lewis Health Care Center, Inc., a Delaware nonprofit corporation ("CBL Inc.") is the owner of that certain real property located at 1380 Southern Avenue, S.E. in Washington, DC 20032 and the improvements thereon consisting of a nursing care facility containing 183 licensed nursing home beds commonly known as Carolyn Boon Lewis Health Care Center (the "Facility"); and

WHEREAS, CBL Inc. and the Company are parties to that certain Asset Purchase Agreement dated as of July 24, 2014 (as amended, the "APA") whereby CBL Inc. has agreed to sell and the Company has agreed to purchase the Facility in accordance with the terms and conditions of the APA; and

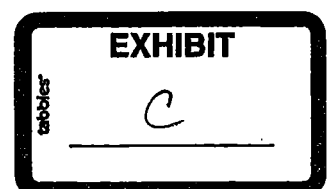
WHEREAS, on the closing date under the APA (the "Closing Date"), the Company and Brinton Woods of Washington D.C., LLC, a Maryland limited liability company and an affiliate of the Company ("BWDC"), intend to enter into a Lease Agreement whereby the Company will lease the Facility to BWDC.

NOW, THEREFORE, IT IS:

RESOLVED, that on the Closing Date, the Company is hereby authorized to enter into (i) any and all documents necessary to consummate the purchase and the sale of the Facility, including, without limitation, a deed, a bill of sale, and instruments of assumption, (ii) the Lease Agreement, and (iii) any and all other such other documents as may be required in connection therewith and/or in connection with the purchase or leasing of the Facility (collectively, the "Documents"); and it is

FURTHER RESOLVED, that the Vice President and President, acting in their capacities as such, be, and they are hereby, individually authorized, empowered and directed to take such other and further actions, in connection with the entering into the Documents, including, without limitation, the execution and delivery of the Documents, as in the opinion of either of them are necessary for the Company to take in connection therewith; and it is

FURTHER RESOLVED, that the Vice President and President of the Company are each empowered to agree to such other documents and instruments in connection with the entering into the Documents as he from time to time may deem to be in the best interests of the Company, and his execution of such documents with any such changes, modifications and amendments shall be



deemed conclusively to be in the best interests of the Company and any such changes, modifications and amendments shall be binding upon the Company; and it is

FURTHER RESOLVED, that all actions of the Company, its duly authorized officers, agents, servants and employees, for and on behalf of the Company, heretofore taken in connection with the aforesaid Documents are hereby ratified, confirmed and adopted; and it is

FURTHER RESOLVED, that this Consent may be executed in multiple counterparts each of which shall constitute an original and together shall constitute a single instrument.

[Signatures Appear on Following Page]

THIS CONSENT is executed by the Members of the Company as of the day and year first above written.

WITNESS/ATTEST:

MEMBERS:

Daren Cortese

Marvin Rabovsky

Gary Yankanich

Gary Sudhalter

Attachment D

**OPERATING AGREEMENT
FOR
BRINTON WOODS SENIOR LIVING IV, LLC**

THIS OPERATING AGREEMENT (as amended from time to time in accordance with the provisions hereof, this "Agreement") is made and entered into as of this day of ~~March~~September, 2014, with an effective date of January 3, 2014, by and among the parties listed on Exhibit A attached hereto as the Members.

ARTICLE I

Introduction

Section 1.1. Formation of Limited Liability Company.

The parties hereto, having formed a Maryland limited liability company under the Maryland Limited Liability Company Act, Title 4A of the Annotated Code of Maryland (as amended from time to time, the "Act") have entered into this Agreement. The Articles of Organization (the "Articles") forming a limited liability company under the name BRINTON WOODS SENIOR LIVING IV, LLC (the "Company") were executed and filed with the Maryland State Department of Assessments and Taxation on January 3, 2014. The Company's business shall be conducted under such name until such time as all the Members shall hereafter designate otherwise and file amendments to the Articles in accordance with applicable law.

This Agreement is subject to, and governed by, the Act and the Articles. In the event of a direct conflict between the provisions of this Agreement and either the mandatory provisions of the Act or the Articles, such provisions of the Act or the Articles, as the case may be, will be controlling.

Section 1.2. Defined Terms.

The terms defined in the Preamble hereto and in Section 1.1 shall have the meanings specified therein, and in addition, all capitalized terms used in this Agreement shall have the meanings set forth below.

1.2.1. "Additional Member" means any Person who is admitted to the Company as a Member pursuant to Section 2.5 hereof after the date of this Agreement.

1.2.2. "Affiliate" or "Affiliated Person" means any Person, directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with a Member. The term "control" as used in the immediately preceding sentence, means, with respect to a corporation, the right to exercise, directly or indirectly, more than 50% of the voting rights attributable to the controlled corporation, and, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled Person.

1.2.3. "Available Cash" of the Company means all cash funds of the Company on hand from time to time (other than cash funds obtained as contributions to the capital of the

Company by the Members and cash funds obtained from loans to the Company) after (i) payment of all operating expenses of the Company as of such time, (ii) provision for payment of all outstanding and unpaid current obligations of the Company as of such time, and (iii) provision for a working capital reserve in accordance with Section 5.2 below.

1.2.4. “Bankruptcy” means, and a Member shall be deemed a “Bankrupt Member” upon (i) the entry of a decree or order for relief against the Member by a court of competent jurisdiction in any involuntary case brought against the Member under any bankruptcy, insolvency, or other similar law (collectively, “Debtor Relief Laws”) generally affecting the rights of creditors and relief of debtors now or hereafter in effect, (ii) the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, or other similar agent under applicable Debtor Relief Laws for the Member or for any substantial part of its assets or property, (iii) the ordering of the winding up or liquidation of the Member’s affairs, (iv) the filing of a petition in any such involuntary bankruptcy case, which petition remains undismissed for a period of one hundred twenty (120) days or which is not dismissed or suspended pursuant to Section 305 of the Federal Bankruptcy Code (or any corresponding provision of any future United States bankruptcy law), (v) the commencement by the Member of a voluntary case under any applicable Debtor Relief Law now or hereafter in effect, (vi) the consent by the Member to the entry of an order for relief in an involuntary case under any such law or to the appointment of or the taking of possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator, or other similar agent under any applicable Debtor Relief Laws for the Member or for any substantial part of its assets or property, or (vii) the making by a Member of any general assignment for the benefit of its creditors.

1.2.5. “Capital Account” of a Member means the account established and maintained for each Member pursuant to Section 2.4. hereof.

1.2.6. “Capital Contribution” means the amount of money contributed to the Company by each Member, as shown in Exhibit A, as the same may be amended from time to time. Any reference in this Agreement to the Capital Contribution of a then Member shall include a Capital Contribution previously made by any prior Member for the interest of such then Member, reduced by any distribution to such Member in return of “Capital Contribution” as contemplated herein.

1.2.7. “Code” means the Internal Revenue Code of 1986, as amended. All references herein to sections of the Code shall include any corresponding provision or provisions of succeeding law.

1.2.8. “Company” means BRINTON WOODS SENIOR LIVING IV, LLC, the limited liability company formed under the Act by the filing of the Articles on January 3, 2014 and the subject of this Agreement.

1.2.9. “Deceased Member” is defined in Section 6.2.1.

~~1.2.10.~~ ~~1.2.9.~~ “Facility” means that certain licensed nursing home facility located at 1380 Southern Avenue, Washington, D.C. 20032 and to be known as “Brinton Woods Health and Rehabilitation Center of Washington, D.C.”.

~~1.2.11. 1.2.10.~~ “Interest” in the Company means the entire ownership interest of a Member in the Company at any particular time, including the right of such Member to any and all benefits to which a Member may be entitled as provided in this Agreement and under the Act, together with the obligations of such Member to comply with all of the terms and provisions of this Agreement.

~~1.2.12. 1.2.11.~~ “Member” means a Person designated as a Member in the Company as set forth in Exhibit A, as such Exhibit may be amended from time to time.

~~1.2.13. 1.2.12.~~ “Percentage Interest” means each Member’s percentage of the total Interests in the Company, as set forth opposite the name of such Member under the column “Percentage Interest” in Exhibit A hereto, as such percentage may be adjusted from time to time pursuant to the terms hereof.

~~1.2.14. 1.2.13.~~ “Permanent Disability” means the mental or physical disability, senility, insanity or other mental illness that renders the Member unable to participate in the management of the Company for a period in excess of one hundred eighty (180) consecutive days, or for a shorter period upon certification of a medical doctor stating that such condition is expected to continue for a period in excess of one hundred eighty (180) consecutive days.

~~1.2.15. 1.2.14.~~ “Person” means any individual or entity.

~~1.2.16. 1.2.15.~~ “Principal Office” means the location of the conduct of the Company’s management of its business, presently being 9515 Deereco Road, Suite 407, Timonium, Maryland 21093, or such other address as may be established by agreement of the Members.

~~1.2.17. 1.2.16.~~ “Pro Rata Part” means the proportion that a Percentage Interest of a Member bears to the aggregate Interest of all Members.

~~1.2.18.~~ “Purchasing Members” means Daren Cortese, Marvin Rabovsky and/or Gary Yankanich, unless such person is the Deceased Member.

~~1.2.19. 1.2.17.~~ “Regulations” means the federal income tax regulations promulgated under the Code, as amended from time to time and including corresponding provisions of succeeding regulations.

~~1.2.20. 1.2.18.~~ “Resident Agent” means the resident agent as provided in the Articles, until changed as provided in the Act.

~~1.2.21. 1.2.19.~~ “Substitute Member” means any Person admitted as a Member pursuant to Section 6.4 hereof after the date of this Agreement.

~~1.2.22. 1.2.20.~~ “Term” shall refer to the term of this Company, beginning on January 3, 2014 and, unless sooner terminated pursuant to the Act, ending on the date on which the Company is dissolved in accordance with Article VII hereof.

Section 1.3. Company Purpose.

The purpose of the Company is to own, finance and lease the Facility and to do all things incidental to or in furtherance of the same. In addition, the Company may engage in and do any act or all lawful business for which limited liability companies are organized according to the Act.

ARTICLE II

Members and Membership Interests

Section 2.1. Names and Addresses of Members; Principal Office.

Members, their respective addresses and their initial Capital Contributions to the Company and their respective Percentage Interests in the Company are set forth on Exhibit A attached hereto and made a part hereof. A Member need not be an individual, a resident of the State of Maryland or a citizen of the United States.

Section 2.2. Form of Contributions; Contribution of Additional Capital.

The initial Capital Contributions shall be in the amounts as provided in Exhibit A attached hereto and made a part hereof. Additional Capital Contributions shall require the consent of Members holding at least seventy-five percent (75%) of the aggregate Percentage Interests in the Company. Upon the receipt of such Consent, the President shall notify the other Members and each Member shall contribute his proportionate share of such additional Capital within ten (10) days of such notice. A Member's proportionate share of the total additional Capital Contribution shall be equal to the product obtained by multiplying the Member's Percentage Interest and the total additional Capital Contribution required. Notwithstanding anything to the contrary in this Section 2.2, in the event the President is notified by the Company's third party accountant that the Company is in immediate need of additional working capital, the President shall notify the other Members of such immediate need and each Member shall contribute his proportionate share of such additional Capital within five (5) days of such notice.

Section 2.3. Member Loans or Services.

Loans or services by any Member to the Company shall not be considered contributions to the capital of the Company.

Section 2.4. Capital and Capital Accounts.

2.4.1. An individual Capital Account shall be established and maintained on behalf of each Member, including any additional or Substitute Member who shall hereafter receive an Interest in the Company. The Capital Account of each Member shall consist of (i) the amount of cash such Member has contributed to the Company plus (ii) the agreed fair market value of any tangible or intangible property such Member has contributed to the Company, net of any liabilities assumed by the Company or to which such property is subject, plus (iii) the amount of profits or income (including tax-exempt income and any other item required to be credited for proper maintenance of capital accounts by the Regulations under Section 704(b) of the Code) allocated to such Member, less (iv) the amount of losses and deductions to such Member, less (v) the amount of all cash distributed to such Member, less (vi) the fair market value of any property distributed to such Member, net of any liability assumed by such Member or to which such

property is subject, and less (vii) such Member's share of any other expenditures which are not deductible by the Company for federal income tax purposes and which are not allowable as additions to the basis of Company property; all, however, subject to such other adjustments as may be required for proper maintenance of capital accounts by the Regulations under Section 704(b) of the Code. The Capital Account of a Member shall not be affected by any adjustments to basis made pursuant to Section 743 of the Code but shall be adjusted with respect to adjustments to basis made pursuant to Section 734 of the Code. This provision shall comply with the Treasury Regulations for Code Section 704(b).

2.4.2. The opening entry for each Member shall be such Member's initial Capital Contribution as set forth on Exhibit A. No interest shall be paid on any Capital Contribution.

2.4.3. No Member shall have the right to withdraw its Capital Contribution or to demand and receive property of the Company or any distribution in return for its Capital Contribution, except as may be specifically provided in this Agreement or required by law. No Member shall receive out of Company assets any part of its Capital Contribution until (i) all liabilities of the Company, except liabilities to Members on account of their undistributed income, have been paid or there remain assets of the Company sufficient to pay them and (ii) the consent of the President is had, unless the return of the Contribution to Capital may be rightfully demanded as provided in the Act or this Agreement.

2.4.4. Subject to the provisions of Section 2.4.3, a Member may rightfully demand the return of its Capital Contribution (i) on the dissolution of the Company or (ii) as may otherwise be provided in the Act. A Member shall have only the right to demand and receive cash in return for the Member's Capital Contribution.

2.4.5. Except as specifically provided otherwise in this Agreement or in the Act, no Member shall have any liability or obligation to restore a negative or deficit balance in such Member's Capital Account.

Section 2.5. Admission of Additional Members.

Additional Member(s) may be admitted to the Company from time to time upon the prior consent to all Members. Such Additional Members shall be allocated gain, loss, income, or expense by such method as may be provided in this Agreement.

Section 2.6. Limitation of Liability.

No Member shall be liable under a judgment, decree, or order of the court, or in any other manner, for a debt, obligation, or liability of the Company, except as otherwise provided in this Agreement or provided by law. No Member shall be required to loan any funds to the Company. Except as may be expressly provided otherwise herein, no Member shall be required to make any contribution to the Company by reason of any negative balance in such Member's Capital Account, nor shall any negative balance in a Member's Capital Account create any liability on the part of the Member to any other Member or to any third party.

Section 2.7. Facility Loan.

2.7.1. Facility Loan. The Members acknowledge that the Company will obtain certain mortgage loans from one or more lenders (collectively or individually, the “Lender”) selected by the President, in a principal amount to be approved by the unanimous consent of the Members (collectively or individually, the “Facility Loan”). The Members hereby acknowledge and agree that the Members have consented to a term loan from Capital Funding, LLC (together with its successors and assigns, “Capital Funding”) in the original principal amount of Ten Million Two Hundred Seventy Thousand (\$10,270,000) to be used to fund the acquisition of substantially all of the assets of Carolyn Boone Lewis Health Care Center, Inc. (“Seller”) used in the operation of the Facility (the “Asset Purchase”). The Facility Loan will be evidenced by, among other documents, a Promissory Note (the “Note”) and a deed of trust or mortgage which will be a lien upon the Facility (the “Security Instrument”). In the event any of the provisions of this Agreement conflict with the terms of the Note or the Security Instrument, the provisions of the Note and the Security Instrument will control. For so long as the Security Instrument shall be a lien upon the Facility or any part thereof, and until and unless the Facility Loan and all obligations thereunder are paid and satisfied in full, this Agreement shall not be amended or modified without the prior written consent of Capital Funding.

2.7.2. Refinancing of Facility Loan. The Members hereby acknowledge and agree that the decision to refinance any Facility Loan, and the terms thereof, shall be within the sole discretion of the President and provided that the rate of interest on such refinancing shall not be more than 200 basis points over the prevailing interest rate on the Facility Loan. Except as otherwise specifically set forth in this Agreement, in all other instances, the decision to refinance any Facility Loan, and the terms thereof, must be approved by Members holding at least seventy percent (70%) of the aggregate Percentage Interests in the Company. Notwithstanding the foregoing to the contrary, the Members acknowledge and agree that it is the intent of the Company to refinance the Facility Loan with a HUD-insured mortgage loan (the “HUD Loan”) and the President is hereby authorized to obtain the HUD Loan on terms and conditions acceptable to the President in his sole discretion without the requirement of any additional consent of the Members.

ARTICLE III

Management: Rights, Powers and Duties

Section 3.1. Management.

3.1.1. Management of Business and Affairs. The business and affairs of the Company shall be managed by the Members acting upon the prior consent of Members holding at least seventy percent (70%) of the aggregate Percentage Interests in the Company; provided, however, that the Members may consent from time to time to allocate management responsibilities among them, in which event a Member to whom any particular responsibility has been allocated may act on behalf of the Company without the consent of the other Members, and all persons dealing with the Company shall be entitled to assume conclusively that all actions taken by a Member authorized to act on behalf of the Company are properly and duly authorized, effective and binding.

3.1.2. Officers. The appointment of any officers of the Company shall require the unanimous consent of the Members. Such officers shall be vested with such duties as the Members

deem appropriate. All such officers of the Company shall be subject to removal by the unanimous consent of the Members.

The Members hereby appoint the following individuals as officers of the Company:

Daren Cortese	President
Marvin Rabovsky	Vice President
Gary Yankanich	Secretary/Treasurer

3.1.3. Authorized Persons. Each of the President and Vice President is hereby authorized to execute any document or instrument to be executed on behalf of the Company without the need for joinder by any other Member.

3.1.4. Member Powers. Subject to the other provisions of this Agreement and the requirements of applicable law, the following decisions and actions shall require the prior consent of Members holding at least seventy percent (70%) of the aggregate Percentage Interests in the Company:

3.1.4.1. determining when, and under what terms, the Company will rehabilitate, expand, develop, buy, sell, transfer or otherwise dispose of the Facility or interest therein;

3.1.4.2. selling, disposing, trading, or exchanging Company assets in the ordinary course of the Company's business;

3.1.4.3. entering into agreements and contracts and the giving of receipts, releases and discharges;

3.1.4.4. borrowing money for and on behalf of the Company, and, in connection therewith, executing and delivering instruments authorizing the confession of judgment against the Company;

3.1.4.5. executing or modifying leases with respect to any part or all of the assets of the Company;

3.1.4.6. executing any and all other instruments and documents which may be necessary or desirable to carry out the intent and purpose of this Agreement, including, but not limited to, documents whose operation and effect extend beyond the term of the Company;

3.1.4.7. making any and all expenditures in excess of the amount of such expenditure as shown on the budget of the Company for such fiscal year; and

3.1.4.8. entering into any kind of activity necessary to, in connection with, or incidental to, the accomplishment of the purposes of the Company.

3.1.5. Limitation on Authority of Members.

3.1.5.1. No Member is an agent of the Company solely by virtue of being a Member, and no Member has authority to act for the Company solely by virtue of being a Member.

3.1.5.2. This Section supersedes any authority granted to the Members pursuant to Section 4A-401 of the Act. Any Member who takes any action or binds the Company in violation of this Article III shall be solely responsible for any loss and expense incurred by the Company as a result of the unauthorized action and shall indemnify and hold the Company harmless with respect to the loss or expense.

Section 3.2. Meetings of Members.

A meeting of the Members may be called at any time by the President or by those Members holding at least fifty-one percent (51%) of the Percentage Interests then held by Members. Meetings of Members shall be held at the Company's principal place of business or at any other place in Maryland designated by the Person calling the meeting. Not less than ten (10) nor more than ninety (90) days before each meeting, the Person calling the meeting shall give written notice of the meeting to each Member entitled to vote at the meeting. Notwithstanding the foregoing provisions, each Member who is entitled to notice waives notice if before or after the meeting the Member signs a waiver of the notice which is filed with the records of Members' meetings, or is present at the meeting in person or by proxy. Unless this Agreement provides otherwise, at the meeting of Members, the presence in person or by proxy of Members holding not less than fifty-one percent (51%) of the Percentage Interests then held by Members constitutes a quorum. A Member may vote either in person or by written proxy signed by the Member or by his duly authorized attorney-in-fact.

Section 3.3. Personal Services.

Except as specifically set forth in this Agreement, (i) no Member shall be required to perform services for the Company or the Facility solely by virtue of being a Member and (ii) unless approved by Members holding at least seventy-five percent (75%) of the aggregate Percentage Interests in the Company, no Member shall be entitled to compensation for services performed for the Company or the Facility.

Section 3.4. Activities of Parties.

3.4.1. Except as otherwise expressly provided in Section 3.4.2, nothing in this Agreement shall be deemed to restrict in any way the rights of any Member, or of any Affiliate of any Member, to conduct any other business or activity whatsoever, and the Member shall not be accountable to the Company or to any Member with respect to that business or activity even if the business or activity competes with the Company's business. The organization of the Company shall be without prejudice to their respective rights (or the rights of their respective Affiliates) to maintain, expand or diversify such other interests and activates and to receive and enjoy profits or compensation therefrom. Each Member waives any rights the Member might otherwise have to share or participate in such other interests or activities of any other Member or the Member's Affiliates.

3.4.2. Each Member understands and acknowledges that the conduct of the Company's business may involve business dealings and undertakings with Members and their Affiliates. In any of those cases, those dealings and undertakings shall be at arm's length and on commercially reasonable terms.

Section 3.5. Power of Attorney.

3.5.1. Grant of Power. Each Member constitutes and appoints the President as the Member's true and lawful attorney-in-fact ("Attorney-in-Fact"), and in the Member's name, place and stead, to make, execute, sign, acknowledge, and file:

3.5.1.1. all documents (including amendments to articles of organization) which the Attorney-in-Fact deems appropriate to reflect any amendment, change, or modification of this Agreement, including an amendment to reflect the removal of a Member pursuant to Section 6.6;

3.5.1.2. any and all other certificates or other instruments required to be filed by the Company under the laws of the State of Maryland or of any other state or jurisdiction, including, without limitation, any certificate or other instruments necessary in order for the Company to continue to qualify as a limited liability company under the laws of the State of Maryland;

3.5.1.3. one or more fictitious or trade name certificates; and

3.5.1.4. all documents which may be required to dissolve and terminate the Company and to cancel its articles of organization.

Section 3.6. Irrevocability.

The foregoing power of attorney is irrevocable and is coupled with an interest, and, to the extent permitted by applicable law, shall survive the death or disability of a Member. It also shall survive the Transfer of an Interest, except that if the transferee is approved for admission as a Member, this power of attorney shall survive the delivery of the assignment for the sole purpose of enabling the Attorney-in-Fact to execute, acknowledge and file any documents needed to effectuate the substitution. Each Member shall be bound by any representations made by the Attorney-in-Fact acting in good faith pursuant to this power of attorney, and each Member hereby waives any and all defenses which may be available to contest, negate or disaffirm the action of the Attorney-in-Fact taken in good faith under this power of attorney.

Section 3.7. No Member Responsible for Other Member's Commitment.

In the event that any Member (or any such Member's officers, shareholders, partners, members, owners or Affiliates) has incurred any indebtedness or obligation prior to the date hereof or hereafter incurs any indebtedness or obligation, that relates to or otherwise affects the Company, neither the Company nor any other Member shall have any liability or responsibility for or with respect to such indebtedness or obligation unless such indebtedness or obligation is assumed or authorized by the Company pursuant to a written instrument signed by all Members. In the event that a Member (or any of such Member's officers, shareholders, partners, members, owners or

Affiliates [collectively, the “Liable Member”]), whether prior to or after the date hereof, incurs (or has incurred) any debt or obligation for which neither the Company nor any of the other Members is to have any responsibility or liability, the Liable Member shall be solely responsible for any loss or expense incurred by such unauthorized action and shall indemnify and hold harmless the Company and the other Members from any liability or obligation they may incur in respect thereof.

Section 3.8. Activities of Members.

3.8.1. Nothing in this Agreement shall be deemed to restrict in any way the rights of any Member, or any Affiliated Persons of any member, to conduct any business or activity whatsoever without any accountability to the Company or to any Member even if such business or activity competes with the business of the Company. Each Member acknowledges that each other Member or its Affiliated Person may be interested, directly or indirectly, in various other businesses and undertakings not including the Company.

3.8.2. If required by law a Member shall qualify to do business in Maryland by obtaining a certificate of authority to do so from the State Department of Assessments and Taxation.

Section 3.9. Organization Expenses.

The Company shall pay all expenses incurred in the organization of the Company.

ARTICLE IV

Accounting and Records

Section 4.1. Records and Accounting.

4.1.1. The books and records of the Company shall be kept, and the financial position and the results of its operations recorded, in accordance with the accounting methods elected to be followed by the Company for federal income tax purposes. The books and records of the Company shall reflect all Company transactions and shall be appropriate and adequate for the Company’s business. Each Member, and his duly authorized representative, shall have access to them at such office of the Company and the right to inspect and copy them at reasonable times. The Company may assess reasonable fees for copying expenses and search and handling costs. The fiscal year of the Company for financial reporting and for federal income tax purposes shall be the calendar year.

4.1.2. The President may engage or employ a competent person who shall be responsible for: authenticating the records of the Company, including keeping correct and complete books of account which show accurately at all times the financial condition of the Company, safeguarding all funds, notes, securities, and other valuables which may from time to time come into possession of the Company, depositing all funds of the Company with such depositories as the President shall designate. Such person shall have such other duties as the President may from time to time prescribe, but under no circumstances shall such person have any of the rights, powers, responsibilities, or duties of a Member of the Company as prescribed herein or by law.

Section 4.2. Annual and Tax Information.

The President shall use its best efforts to cause the Company to deliver to each Member within ninety (90) days after the end of each fiscal year all information necessary for the preparation of such Member's federal income tax return. The President shall also use its best efforts to cause the Company to prepare, within one hundred twenty (120) days after the end of each fiscal year, a financial report of the Company for such fiscal year, containing a balance sheet as of the last day of the year then ended, an income statement for the year then ended, a statement of sources and applications of funds, and a statement of reconciliation of the Capital Accounts of the Members.

Section 4.3. Accounting Decisions.

All decisions as to accounting matters, except as otherwise specifically set forth herein, shall be made by the President. The President may rely upon the advice of its accountants as to whether such decisions are in accordance with accounting methods followed for federal income tax purposes.

Section 4.4. Federal Income Tax Elections.

The Company may make all elections for federal income tax purposes, including, but not limited to, in case of a transfer of all or part of the Company Interest of any Member or the distribution to a Member of Company property, the election pursuant to Sections 734, 743 and 754 of the Code to adjust the basis of the assets of the Company. The President shall serve as the tax matters partner of the Company.

ARTICLE V

Allocations; Distributions; Interests

Section 5.1. Allocation of Net Income, Net Loss or Capital Gains.

5.1.1. Except as may be expressly provided otherwise in this Article V and subject to the provisions of Sections 704(b) and 704(c) of the Code, the net income or net loss and/or capital gains of the Company for each fiscal year of the Company shall be allocated to the Members, pro rata in accordance with their Percentage Interests, unless the Company's accountants shall determine that allocations of gross or net income or loss are required to be done differently to comply with Code Section 704(b) without any change to the distribution of Available Cash or distributions on termination of the Company pursuant to Article VII hereof. Any special allocations required to comply with Section 704(b) shall be reversed as soon as possible while maintaining the distribution of Available Cash and distributions on termination.

5.1.2. Qualified Income Offset. If any Member unexpectedly receives any adjustment, allocation or distribution described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) or 1.704-1(b)(2)(ii)(d)(6) that creates a deficit balance in a Member's Capital Account in excess of such Member's share of the Minimum Gain (as such term is defined in Treasury Regulation Section 1.704)(an "Excess Deficit"), items of income and gain shall be specially allocated consistently with the methods specified in any

applicable Regulations to such Member in an amount and manner sufficient to eliminate the Excess Deficit as quickly as possible. Any allocations of items of income and gain pursuant to this Section shall be taken into account in computing subsequent allocations of income and loss, so that the aggregate effect of all subsequent allocations under this Section shall, to the extent possible, be the same as if such adjustments, allocations or distributions had not occurred.

5.1.3. Special Allocation for Negative Capital Account. If any Member has a negative Capital Account balance at the end of any tax year and such deficit is not the result of deductions attributable to nonrecourse financing or loans from the Member, the Member shall be specially allocated items of income and gain in the amount of such excess as quickly as possible.

5.1.4. Minimum Gain Allocation. Notwithstanding any other provision of this Agreement, if there is a net decrease in Company or Member Minimum Gain during any tax year, each Member who would otherwise have a negative Capital Account at the end of such year shall be specially allocated items of income and gain for such year (and, if necessary, subsequent years) in an amount and manner sufficient to eliminate the deficit as quickly as possible. The items to be so allocated shall be determined in accordance with Section 1.704-2(f) and (i) of the Regulations. This Section is intended to comply with the minimum gain chargeback requirements in Section 1.704-2 of the Regulations and shall be interpreted consistently therewith.

Section 5.2. Distribution of Available Cash.

On the last day of each calendar year during the Term of this Agreement, the Available Cash of the Company, if any, shall be distributed to the Members, pro rata in accordance with their Percentage Interests. Notwithstanding the foregoing, Available Cash of the Company shall not be distributed without the consent of Members holding at least seventy-five percent (75%) of the aggregate Percentage Interests in the Company, other than for Tax Distributions (defined below), unless and until at least \$5,000 is on deposit in the operating account of the Company as a working capital reserve. To the extent not prohibited by any document executed in connection with any Facility Loan, the Company will use best efforts to make distributions to Members from Available Cash in an amount sufficient to pay state and federal income taxes (assuming the highest marginal tax rates) resulting from taxable income allocated to Members as a result of the Company's operations (the "Tax Distributions").

Section 5.3. Allocation of Income and Loss and Distributions in respect of Interests Transferred.

5.3.1. If any Interest in the Company is transferred, or is increased or decreased by reason of the admission of a new Member or otherwise, during any fiscal year of the Company, each item of income, gain, loss, deduction, or credit of the Company for such fiscal year shall be assigned pro rata to each day in the particular period of such fiscal year to which such item is attributable (i.e., the day on or during which it is accrued or otherwise incurred) and the amount of each such item so assigned to any such day shall be allocated to the Member based upon its respective Interest in the Company at the close of such day. For the purpose of accounting convenience and simplicity, the Company may treat a transfer of, or an increase or decrease in, an Interest in the Company which occurs at any time during a semi-monthly period (commencing with the semi-monthly period including the date hereof) as having been

consummated on the first day of such semi-monthly period, regardless of when during such semi-monthly period such transfer, increase or decrease actually occurs (i.e., sales and dispositions made during the first fifteen (15) days of any month will be deemed to have been made on the sixteenth (16th) day of the month). Notwithstanding the foregoing, this provision shall be applied in a manner consistent with Code Section 706 and the Treasury Regulations promulgated thereunder.

5.3.2. Distributions of Company assets in respect of an Interest in the Company shall be made only to the Members who, according to the books and records of the Company, are the holders of record of the Interests in respect of which such distributions are made on the actual date of distribution. Neither the Company nor any Member shall incur any liability for making distributions in accordance with the provisions of the preceding sentence, whether or not the Company or the Member has knowledge or notice of any transfer or purported transfer of ownership of Interest in the Company which has not been approved by unanimous vote of the Members. Notwithstanding any provision above to the contrary, gain or loss of the Company realized in connection with a sale or other disposition of any of the assets of the Company shall be allocated solely to the parties owning Interests in the Company as of the date such sale or other disposition occurs.

ARTICLE VI

Changes in Members

Section 6.1. Bankruptcy of Member or Court Ordered Dissolution of Company.

6.1.1. The Bankruptcy of a Member or a decree ordering the dissolution of the Company in accordance with Section 4A-903 of the Act shall each constitute a "Dissolution Event".

6.1.2. Upon the occurrence of a Dissolution Event the Company shall dissolve and its affairs wound up and its properties liquidated, in accordance with Section 7.1.2.

6.1.3. Notwithstanding the provisions of Section 6.1.2 above, in the case of a Bankruptcy of a Member (the "Bankrupt Member"), the Company may continue in business if two (2) or more Members remain and the remaining Members unanimously consent in writing to the continuation of the business of the Company (the "Unanimous Consent") within ninety (90) days after the occurrence of the Bankruptcy. After Unanimous Consent, the remaining and any Substitute Members shall make such amendments to this Agreement and such filings as are necessary to reflect the fact that such Members have agreed to continue the business of the Company; until such time as such amendments are entered into and such filings are made, the Members electing to continue to do business will be deemed to have entered into an Operating Agreement under Section 4A-402 of the Act containing the same terms and conditions as those contained in this Agreement as in effect immediately prior to the Dissolution Event. All expenses incurred in any reformation, or attempted reformation, of the Company shall be deemed to be expenses of the Company.

6.1.4. In the event the remaining Members elect to continue the business of the Company as set forth in Section 6.1.3, the Bankrupt Member shall cease to be a Member of the Company and, within twelve (12) months of the Dissolution Event, (a) the Company shall pay to the Bankrupt Member the amount to which such Bankrupt Member would be entitled to receive upon removal by the President pursuant to Section 6.7.1, and (b) the Bankrupt Member's Interest shall be reallocated to the remaining Member's such that each remaining Member shall get a percentage of the Bankrupt Member's Interest based upon the percentage that each such remaining Member owned of the collective overall percentage of all remaining Members prior to any such reallocation.

Section 6.2. Death or Permanent Disability of Member

6.2.1. In the event of the death or Permanent Disability of a Member (the "Deceased Member"), the personal representative or court-appointed guardian of such Deceased Member (the "Deceased Member's Representative") shall have a period of one (1) year following the date of death or incapacity of such Deceased Member to notify the Company and the remaining Purchasing Members in writing that the Deceased Member's Representative ~~desires~~ selects to sell the Deceased Member's Interest in the Company (the "Sell Notice") at a price equal to the fair market value of such Interest as of the date of death or Permanent Disability of the Deceased Member (the "Fair Market Value"). ~~The remaining Members shall have a period of thirty (30) days following receipt of the Sell Notice to notify the other remaining Members and the Deceased Member's Representative as to whether such Member desires to purchase all or any portion of the Deceased Member's Interest at the Fair Market Value (the "Purchase Notice").~~ If (i) only one (1) remaining Member issues a Purchase Notice, that Member shall be entitled to purchase all of the Deceased Member's Interest at the Fair Market Value, or (ii) if two (2) or more remaining Members issue a Purchase Notice, the Deceased Member's Interest shall be divided equally among all responding remaining ~~the~~ Purchasing Members ~~or as otherwise unless another allocation is mutually agreed upon by all responding remaining the Purchasing Members.~~ ~~In the event any Member issues a Purchase Notice, the~~ The purchase and sale of the Deceased Member's Interest shall occur on the date that is one hundred eighty (180) days following the determination of the Fair Market Value. At the closing of the purchase and sale of the Deceased Member's Interest, the Purchase Price (as hereinafter defined) to be paid by each ~~purchasing~~ Purchasing Member shall be paid, as applicable, (a) not less than one-half (1/2) in cash on the closing date, and (b) the remainder shall be evidenced by the execution and delivery of a promissory note that shall bear interest at a rate of two percent (2%) per annum, shall mature on the date that is five (5) years following the date of such note (the "Maturity Date") and shall require that accrued interest be paid together with a principal payment equal to one-twentieth (1/20th) of the original principal amount on the last day of each calendar quarter. All remaining principal and interest shall be due and payable on the Maturity Date. For purposes of this Section, the Fair Market Value determination shall be based on the appraised value of the Company as determined by an appraisal prepared by the Valuation and Information Group (or, in the event the Valuation and Information Group is not available, a mutually agreed upon appraisal firm that specializes in the valuation of health care facilities. The Purchase Price for the Deceased Member's Interest shall be calculated as follows: [Fair Market Value x Percentage Interest] – [(Fair Market Value x Percentage Interest) x 15%]¹. As an example only,

¹ Represents minority interest discount of fifteen percent (15%).

if the Fair Market Value is \$1,000,000 and the Percentage Interest is twenty percent (20%), then the Purchase Price would equal \$170,000, $[(1,000,000 \times 20\%) - [(1,000,000 \times 20\%) \times 15\%]]$.

6.2.2. ~~In the event that none of the remaining Members elect to purchase the Deceased Member's Representative elects to not sell the Deceased Member's Interest, as set forth in 6.2.1, the holder of the Deceased Member's Interest shall have no right to participate in the management of the business and affairs of the Company or to become a Member, but such holder shall be entitled to receive the share of profits or other compensation by way of income and the return of contributions to which the Deceased Member would be otherwise entitled. In addition, the holder of such Deceased Member's Interest may seek the consent of the remaining Members to otherwise transfer in such event, for management and voting purposes only, the Deceased Member's Interest in accordance with the terms and provisions of this Agreement shall be allocated to each remaining Member on pro rata basis.~~

Section 6.3. Transfer and Assignment of Members' Interest.

No Member shall be entitled to assign, convey, sell, pledge, hypothecate, encumber or in any way alienate (hereinafter, collectively a "Transfer") all or any part of his Interest in the Company, nor shall any Member be entitled to Transfer his rights as a Member, except with the prior written consent of all of the Members, which consent may be given or withheld, conditioned, or delayed (as allowed by this Agreement or the Act) as each Member may determine in his discretion. Transfers in violation of this Section 6.3 shall only be effective to the extent set forth in Section 6.5.2 hereof.

Section 6.4. Further Restrictions on Transfer.

No Member shall assign, convey, sell, encumber or in any way alienate all or any part of his Interest in the Company; (i) without registration under applicable federal and state securities laws, or unless he delivers an opinion of counsel satisfactory to the Company that registration under such laws is not required; or (ii) if the Interest to be sold or exchanged, when added to the total of all other Interests sold or exchanged in the preceding twelve (12) consecutive months prior thereto, would result, in the opinion of counsel to the Company, in a tax termination of the Company under Section 708 of the Code, unless Members holding at least seventy-five percent (75%) of the aggregate Percentage Interests in the Company waive such restriction.

Section 6.5. Substitute Members.

A transferee shall have the right to become a Substitute Member if (i) the requirements of Section 6.3. and 6.4 hereof are met, (ii) such Person executes an instrument satisfactory to the remaining Members accepting and adopting the terms and provisions of this Agreement, and (iii) such Person pays any reasonable expenses in connection with such Person's admission as a Member. In connection with the admission of a Substitute Member, this Agreement shall be amended in writing to reflect the permitted Transfer and the admission of the Substitute Member.

Section 6.6. Effect of Transfer.

6.6.1. Any permitted transfer of all or any portion of a Member's Interest in the Company will take effect on the first day of the month following compliance with all requirements hereof, and receipt by the Members of written notice of transfer. Any transferee of an Interest in the Company shall take subject to the restrictions on transfer imposed by this Agreement.

6.6.2. Upon any transfer of a Member's Interest in the Company in violation of this Agreement, the transferee shall have no right to participate in the management of the business and affairs of the Company or to become a Member, but such transferee shall only be entitled to receive the share of profits or other compensation by way of income and the return of contributions to which the transferor of such Interest in the Company would be otherwise entitled.

Section 6.7. Removal of Member.

6.7.1. Notwithstanding anything contained in this Agreement to the contrary, no Member shall be removed as a Member of the Company (each a "Removed Member") unless it is determined by the unanimous consent of the other Members that such Member, or any member, officer or director of such Member, is found to have engaged in any illegal or fraudulent activity. In the event any Member is removed at any time following the date of this Agreement, such Removed Member shall be paid an amount equal to the Removed Member's Capital Contribution plus any distribution of Available Cash such Removed Member would otherwise have been entitled to receive during such period in the normal course of business consistent with past practices; and

6.7.2. The removal of a Member shall be effective as of the date specified in a written notice to the Removed Member. Payment of the amount required by Section 6.7.1 shall be made within ninety (90) days after the effective day of removal. Each such Removed Member agrees to execute, sign, acknowledge, and file all documents which may be required to effectuate such Removed Members removal as a Member of the Company (the "Removal Documents").

6.7.3. Each such Removed Member constitutes and appoints the President or Vice President as the Removed Member's true and lawful attorney-in-fact, and in the Removed Member's name, place and stead, to make, execute, sign, acknowledge, and file any and all Removal Documents. Such power of attorney is irrevocable and is coupled with an interest, and, to the extent permitted by applicable law, shall survive the death and disability of each Removed Member. Each Removed Member shall be bound by any representations made the President or Vice President as attorney-in-fact acting in good faith pursuant to this power of attorney, and each Removed Member hereby waives any and all defenses which may be available to contest, negate or disaffirm the action of the President or Vice President as attorney-in-fact taken in good faith under this power of attorney.

ARTICLE VII

Termination

Section 7.1. Termination of the Company.

7.1.1. The Company shall be dissolved, its assets shall be disposed of, and its affairs wound up on the first to occur of the following:

- (i) a unanimous determination by the Members that the Company should be so dissolved;
- (ii) the occurrence of a Dissolution Event, and the Company's or remaining Member's failure to purchase the Interest of the Bankrupt Member as provided in Section 6.1; or
- (iii) at such earlier time as may be provided by applicable law.

7.1.2. In settling accounts of the Company after dissolution, the liabilities of the Company shall be entitled to payment in the following order, all as required by the Act:

- (i) liabilities to creditors, in the order of priority as provided by law, except liabilities to Members of the Company on account of their contributions;
- (ii) liabilities to Members of the Company in respect of their share of the profits and other compensation by way of income on their contributions; and
- (iii) liabilities to Members of the Company in respect of their contributions to capital.

ARTICLE VIII

Indemnification

Section 8.1. Liability and Indemnification of Members and Officers.

8.1.1. No Member or officer shall be liable, responsible or accountable, in damages or otherwise, to any other Member for any act performed by it within the scope of the authority conferred on it by this Agreement, except for acts or willful misconduct or gross negligence, and for damages arising from any material written misrepresentation or material breach of written warranty.

8.1.2. Each Member and officer shall be entitled to indemnity from the Company for any act performed by it in good faith and within the scope of the authority conferred on it by or pursuant to this Agreement, except for acts of willful misconduct or gross negligence and for damages arising from any material misrepresentation herein or material breach of warranty herein.

8.1.3. Any indemnity under this Section 8.1. shall be provided out of and to the extent of Company assets only, and no Member shall have any personal liability on account thereof beyond it's Capital Contribution.

8.1.4. The Company may purchase and maintain insurance for its benefit, the benefit of any Member or officer who is entitled to indemnification under this Section or both, against any liability asserted against or incurred by such Member or officer in any capacity or arising out of such Member's or officer's service with the Company, whether or not the Company would have the power to indemnify such individual against such liability.

ARTICLE IX

Miscellaneous

Section 9.1. Complete Agreement.

This Agreement and the Articles constitute the complete and exclusive statement of agreement among the Members with respect to the subject matter hereof. This Agreement and the Articles replace and supersede all prior written and oral agreements and statements by and among the Members or any of them and no representation, statement, or condition, or warranty not contained in this Agreement or the Articles will be binding on the Members or have any force or effect whatsoever.

Section 9.2. Governing Law.

This Agreement and the rights of the parties hereunder will be governed by, interpreted and enforced in accordance with, the laws of the State of Maryland.

Section 9.3. Binding Effect.

Subject to the provisions of this Agreement relating to transferability, this Agreement will be binding upon and inure to the benefit of the Members and their respective distributees, heirs, successors and assigns.

Section 9.4. Terms.

Common nouns and pronouns will be deemed to refer to the masculine, feminine, neuter, singular, and plural, as the identity of the Person may in the context require.

Section 9.5. Headings.

All headings herein are inserted only for convenience and ease of reference and in no way define, limit or describe the scope of this Agreement or the intent of the provisions thereof and are not to be considered in the construction or interpretation of any provision of this Agreement.

Section 9.6. Severability.

If any provision of this Agreement is held to be illegal, invalid, or unenforceable under the present or future laws effective during the term of this Agreement, such provision will be fully severable; this Agreement will be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part of this Agreement and the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid, or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

Section 9.7. Multiple Counterparts.

This Agreement may be executed in several counterparts, each of which will be deemed an original but all of which will constitute one and the same instrument binding on the Members.

Section 9.8. Further Assurances.

Each Member agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions and conditions of this Agreement and the transactions contemplated hereby.

Section 9.9. No Third Party Beneficiary.

This Agreement is made solely and specifically by and for the benefit of the parties hereto, and their respective successors and assigns subject to the express provisions hereof relating to successors and assigns, and no other Person will have any rights, interest, or claims hereunder or be entitled to any benefits under or on account of this Agreement as a third party beneficiary or otherwise.

Section 9.10. References to this Agreement.

Numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of this Agreement unless otherwise expressly stated.

Section 9.11. Notices.

Any notice to be given or to be served upon the Company or any party hereto in connection with this Agreement must be in writing and will be deemed to have been given and received when delivered to the address specified by the party to receive the notice. Such notices will be given to a Member at the address specified in Exhibit A hereto. Any Member or the Company may, at any time by giving ten (10) days prior written notice to the other Members and the Company, designate any other address in substitution of the foregoing address to which such notice will be given.

Section 9.12. Amendments.

This Agreement may not be amended except by written amendment signed by all the Members.

Section 9.13. Title to Company Property.

Legal title to all property of the Company will be held and conveyed in the name of the Company.

Section 9.14. Reliance on Authority of Person Signing Agreement.

In the event that a Member is not a natural person, neither the Company nor any Member will (a) be required to determine the authority of the individual signing this Agreement to make any commitment or undertaking on behalf of such entity or to determine any fact or circumstance bearing upon the existence of the authority of such individual or (b) be required to see to the application of distribution of proceeds paid or credited to individuals signing this Agreement on behalf of such entity.

ARTICLE X

HUD Required Provisions

HUD Provisions: Notwithstanding any clause or provision in the Articles of Organization or the Operating Agreement (collectively the “Organizational Documents”) to the contrary and so long as the United States Department of Housing and Urban Development (“HUD”) or a successor or assign of HUD is the insurer or holder of the HUD Loan, the following provisions shall prevail:

Section 10.1. Definitions. The following terms as used herein shall have the following meanings:

“HUD Loan Documents” shall mean (i) the Regulatory Agreement (as defined below), (ii) the note executed by the Company in connection with the HUD Loan and (iii) the security instrument and any other security agreements executed by the Company in connection with the HUD Loan.

“Regulatory Agreement” shall mean that certain Healthcare Regulatory Agreement – Borrower by and between HUD and the Company, and, if applicable, that certain Healthcare Regulatory Agreement – Operator by and between HUD and the Company in connection with the HUD Loan.

“Project” shall mean that certain licensed nursing home facility commonly known as—Carolyn Boone Lewis Health Care Center located at 1380 Southern Avenue, Washington, D.C. 20032.

Section 10.2. Conflicts with the HUD Loan Documents. If any of the provisions of the Organizational Documents conflicts with the provisions of any of the HUD Loan Documents, the provisions of the HUD Loan Documents shall control.

Section 10.3. Restrictions on Amendments. No provision required by HUD to be inserted in the Organizational Documents may be amended without the prior written approval of HUD. No provision of the Organizational Documents that results in any of the following will have any force or effect without the prior written approval of HUD:

10.3.1 Any amendment that shortens the term of Brinton Woods Senior Living IV, LLC's existence;

10.3.2. Any amendment that triggers application of HUD's previous participation certification requirements (as set forth in Form HUD-2530, Previous Participation Certification, and/or 24 C.F.R. § 200.210, et seq.);

10.3.3. Any amendment that in any way affects the HUD Loan Documents;

10.3.4. Any amendment that would authorize any member, partner, owner, officer, manager, director, and/or any other person, other than one previously approved by HUD, to bind the Company for all matters concerning the Project that require the consent or approval of HUD;

10.3.5. Any change that is subject to HUD's Transfer of Physical Assets requirements described in Program Obligations, as that term is defined in the HUD Loan Documents; or

10.3.6. Any change in any guarantor of any obligation to HUD (including those obligations arising from violations of the Regulatory Agreement).

Section 10.4. HUD Loan Authorization. The Company is authorized to execute (i) the HUD Loan Documents in order to secure the HUD Loan and (ii) such other documents as may be required by HUD in connection with the HUD Loan.

Section 10.5. Incoming Members, Partners and Owners. Any incoming member, partner and/or owner of the Company must as a condition of receiving an interest in the Company agree to be bound by the HUD Loan Documents and all other documents required in connection with the HUD Loan to the same extent and on the same terms as the other respective members, partners and/or owners.

Section 10.6. Dissolution and Conversion. The Company shall not be voluntarily dissolved or converted into another form of entity without the prior written approval of HUD. Upon any dissolution of the Company, no right or title to possession and control of the Project, and no right to collect the rents from the Project, shall pass to any individual or entity that is not bound by the Regulatory Agreement in a manner satisfactory to HUD.

Section 10.7. Liability of Key Principals. The key principals of the Company identified in Section 38 of the Regulatory Agreement are liable in their individual capacities to HUD as set forth in the Regulatory Agreement.

Section 10.8. Official Representative. The Company has authorized Daren Cortese as its official representative for all matters concerning the Project that require the consent or approval of HUD. The signature of this representative shall bind the Company in all such matters. The Company may from time to time authorize a new official representative to perform this function, but within three (3) business days of doing so, will provide HUD with written notification of the name, address and telephone number of such new official representative. When an individual other than the individual identified above as the official representative has full or partial authority to manage the Project, [Borrower] shall promptly provide HUD with the name of that individual and the nature of that individual's management authority.

Section 10.9. Business of the Company. The business and purpose of the Company shall consist solely of (a) acquiring, owning, operating and maintaining the Project, (b) executing, delivering and performing its obligations under the HUD Loan Documents, and (c) any lawful activities permitted under the law of the state in which the Company is organized that are incidental to the foregoing or necessary or convenient to accomplish the foregoing. The Company shall not engage in any other business or activity. The Project shall be the sole asset of the Company, and the Company shall not own any other real estate other than that associated with the Project.

Section 10.10. Indemnification. Any obligation of the Company to provide indemnification herein or in any other organizational documents of the Company shall be limited to (i) coverage afforded under any liability insurance carried by the Company, and (ii) available "Surplus Cash" of the Company as defined in the Regulatory Agreement. Until funds from a permitted source for payment of indemnification are available for payment, the Company shall not (a) pay funds to any members, partners, owners, officers and directors, or (b) pay the deductible on an indemnification policy for any members, managers, partners, officers and directors.

[Signature Page Follows]

IN WITNESS WHEREOF, the Members have executed this Agreement as of the date first written above.

WITNESS OR ATTEST:

MEMBERS:

_____ Daren Cortese

_____ Gary Yankanich

_____ Marvin Rabovsky

_____ Gary Sudhalter

EXHIBIT A
TO
OPERATING AGREEMENT
FOR

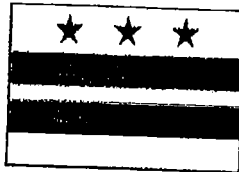
BRINTON WOODS SENIOR LIVING IV, LLC

<u>Member Name & Address</u>	<u>Initial Capital Contribution</u>	<u>Percentage Interest</u>
Daren Cortese 1911 Cranbourne Road Lutherville, Maryland 21093	\$300,000 <u>270,000</u>	33.34 <u>30</u> %
Marvin Rabovsky 9204 Potomac School Drive Potomac, Maryland 20854	\$300,000 <u>270,000</u>	33.33 <u>30</u> %
Gary Yankanich 2903 Lindenwood Drive Olney, Maryland 20832	\$300,000 <u>270,000</u>	33.33 <u>30</u> %
Gary Sudhalter <u>9320 Crimson Leaf Terrace</u> <u>Potomac, Maryland 20855</u>	<u>\$90,000</u>	<u>10</u> %
	<hr/> \$900,000	<hr/> 100.00%

Attachment E

Initial File #: L0000486557

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
CORPORATIONS DIVISION



CERTIFICATE

THIS IS TO CERTIFY that all applicable provisions of the District of Columbia Business Organizations Code have been complied with and accordingly, this **CERTIFICATE OF REGISTRATION** is hereby issued to:

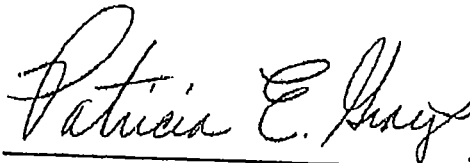
BRINTON WOODS SENIOR LIVING IV, LLC

Effective Date: 1/29/2014

IN WITNESS WHEREOF I have hereunto set my hand and caused the seal of this office to be affixed as of 1/29/2014 5:35 PM



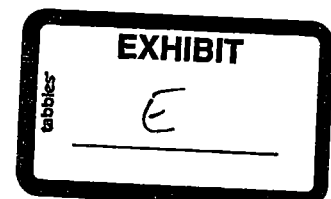
Business and Professional Licensing Administration



PATRICIA E. GRAYS
Superintendent of Corporations
Corporations Division

Vincent C. Gray
Mayor

Tracking #: UXPMhx13





Reset Form

DCRA Corp. Div.

JAN 29 2014

DEPARTMENT OF CONSUMER & REGULATORY AFFAIRS
District of Columbia Government

FILE COPY

File

Corporations Division

Foreign Registration Statement Form FN-1, Version 1, January 2012.

Use this form to register your foreign filing entity to conduct business in the District of Columbia. Review instruction sheet before completing this form.

ENTITY TYPE

Foreign Filing Entity

FILING FEE

Refer to Corporate Fee Schedule posted online

Under the provisions of the Title 29 of D.C. Code (Business Organizations Act), the foreign filing entity listed below hereby applies for a Certificate of Registration to transact business in the District of Columbia, and for that purpose submits the statement below.

1. Entity Name.
Brinton Woods Senior Living IV, LLC

2. Entity Type.
limited liability company

3. Entity's Alternate Name (if true legal name is not available)

4. Organized under the laws of which state or country.
Maryland

5. Date of Organization,
January 3, 2014

6. Date entity started or will start transacting business in the District of Columbia.
May 1, 2014

7. Principal Address.
9515 Deereco Road, Suite 407, Timonium, Maryland 21093

8. Registered Agent's name and address of registered office in District of Columbia.
CT Corporation System, 1015 15th Street, N.W., Suite 1000, Washington, D.C. 20005

9. Briefly describe the proposed activity company will transact in the District of Columbia.
To provide skilled nursing and rehabilitation services on inpatient basis; and to carry on any lawful business and activity in any state/district.

10. List the name of at least one governor. (may attach the statement)

TITLE	NAME	ADDRESS
Member	Daren Cortese	1911 Cranbourne Road, Lutherville, MD 21093

11. Attach an original Certificate of Good Standing (Certificate of Existence) from Registration Authority in the State/Country of Incorporation that is not over 90 days old.

If you sign this form you agree that anyone who makes a false statement can be punished by criminal penalties of a fine up to \$1000, imprisonment up to 180 days, or both, under DCOC § 22-2405.

12. Name of the Governor or Authorized Person;

Daren Cortese

12A. Signature of the Governor or Authorized Person & Date.

Daren Cortese 1/17/14

Mail all forms and required payment to:
Department of Consumer and Regulatory Affairs
Corporations Division
PO Box 92300
Washington, DC 20090
Phone: (202) 442-4400

Corporate Online Services Information:
Many corporate filings are available by using CorpOnline Service. Go to CorpOnline site at <https://corp.dcr.dcgov>, create a profile, access the online services main page and proceed. Online filers must pay by using a credit card.

Please check dora.dcgov to view organizations required to register, to search business names, to get step-by-step guidelines to register an organization, to search registered organizations, and to download forms and documents. Just click on "Corporate Registration."

STATE OF MARYLAND
Department of Assessments and Taxation

DCRA Corp. D

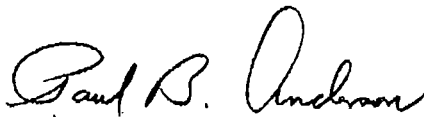
JAN 29 2014

FILE COPY *PM*

I, PAUL B. ANDERSON OF THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION OF THE STATE OF MARYLAND, DO HEREBY CERTIFY THAT THE DEPARTMENT, BY LAWS OF THE STATE, IS THE CUSTODIAN OF THE RECORDS OF THIS STATE RELATING TO LIMITED LIABILITY COMPANIES, OR THE RIGHTS OF LIMITED LIABILITY COMPANIES TO TRANACT BUSINESS IN THIS STATE, AND THAT I AM THE PROPER OFFICER TO EXECUTE THIS CERTIFICATE.

I FURTHER CERTIFY THAT BRINTON WOODS SENIOR LIVING IV, LLC, REGISTERED JANUARY 03, 2014, IS A LIMITED LIABILITY COMPANY EXISTING UNDER AND BY VIRTUE OF THE LAWS OF THE STATE OF MARYLAND, AND THAT THE LIMITED LIABILITY COMPANY IS AT THE TIME OF THIS CERTIFICATE IN GOOD STANDING TO TRANACT BUSINESS.

IN WITNESS WHEREOF, I HAVE HEREUNTO SUBSCRIBED MY SIGNATURE AND AFFIXED THE SEAL OF THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION OF MARYLAND AT BALTIMORE ON THIS JANUARY 22, 2014.



Paul B. Anderson
Charter Division



301 West Preston Street, Baltimore, Maryland 21201
Telephone Balto. Metro (410) 767-1340 / Outside Balto. Metro (888) 246-5941
MRS (Maryland Relay Service) (800) 735-2258 TT/Voice
Fax (410) 333-7097

crblnk

R8701552

Attachment F

BRINTON WOODS OF WASHINGTON D.C., LLC

CONSENT OF MEMBERS

The undersigned, being all the Members of Brinton Woods of Washington D.C., LLC, a Maryland limited liability company (the "Company"), hereby consent as of the ____ day of September, 2014, to the resolutions set forth below and ratify the same:

RESOLUTIONS

WHEREAS, Carolyn Boone Lewis Health Care Center, Inc., a Delaware nonprofit corporation ("CBL Inc.") is the owner of that certain real property located at 1380 Southern Avenue, S.E. in Washington, DC 20032 and the improvements thereon consisting of a nursing care facility containing 183 licensed nursing home beds commonly known as Carolyn Boon Lewis Health Care Center (the "Facility"); and

WHEREAS, CBL Inc. and Brinton Woods Senior Living IV, LLC, a Maryland limited liability company ("BWSLIV"), an affiliate of the Company, are parties to that certain Asset Purchase Agreement dated as of July 24, 2014 (as amended, the "APA") whereby CBL Inc. has agreed to sell and BWSLIV has agreed to purchase the Facility in accordance with the terms and conditions of the APA; and

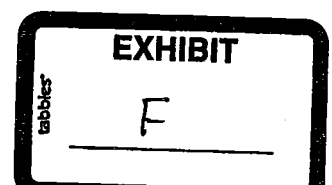
WHEREAS, on the closing date under the APA (the "Closing Date"), the Company and BWSLIV intend to enter into a Lease Agreement whereby the Company will lease the Facility from BWSLIV.

NOW, THEREFORE, IT IS:

RESOLVED, that on the Closing Date, the Company is hereby authorized to enter into the Lease Agreement and such other documents as may be required in connection therewith and/or in connection with the operation of the Facility (collectively, the "Lease Documents"); and it is

FURTHER RESOLVED, that the Vice President and President, acting in their capacities as such, be, and they are hereby, individually authorized, empowered and directed to take such other and further actions, in connection with the entering into the Lease Documents, including, without limitation, the execution and delivery of the Lease Agreement and the other Lease Documents, as in the opinion of either of them are necessary for the Company to take in connection therewith; and it is

FURTHER RESOLVED, that the Vice President and President of the Company are each empowered to agree to such other documents and instruments in connection with the entering into the Lease Documents as he from time to time may deem to be in the best interests of the Company, and his execution of such documents with any such changes, modifications and amendments shall be deemed conclusively to be in the best interests of the Company and any such changes, modifications and amendments shall be binding upon the Company; and it is



FURTHER RESOLVED, that all actions of the Company, its duly authorized officers, agents, servants and employees, for and on behalf of the Company, heretofore taken in connection with the aforesaid Lease Documents are hereby ratified, confirmed and adopted; and it is

FURTHER RESOLVED, that this Consent may be executed in multiple counterparts each of which shall constitute an original and together shall constitute a single instrument.

[Signatures Appear on Following Page]

THIS CONSENT is executed by the Members of the Company as of the day and year first above written.

WITNESS/ATTEST:

MEMBERS:

Daren Cortese

Marvin Rabovsky

Gary Yankanich

Gary Sudhalter

Attachment G

**OPERATING AGREEMENT
FOR
BRINTON WOODS OF WASHINGTON D.C., LLC**

THIS OPERATING AGREEMENT (as amended from time to time in accordance with the provisions hereof, this "Agreement") is made and entered into as of this ___ day of September, 2014, with an effective date of February 3, 2014, by and among the parties listed on Exhibit A attached hereto as the Members.

ARTICLE I

Introduction

Section 1.1. Formation of Limited Liability Company.

The parties hereto, having formed a Maryland limited liability company under the Maryland Limited Liability Company Act, Title 4A of the Annotated Code of Maryland (as amended from time to time, the "Act") have entered into this Agreement. The Articles of Organization (the "Articles") forming a limited liability company under the name BRINTON WOODS OF WASHINGTON D.C., LLC (the "Company") were executed and filed with the Maryland State Department of Assessments and Taxation on February 3, 2014. The Company's business shall be conducted under such name until such time as all the Members shall hereafter designate otherwise and file amendments to the Articles in accordance with applicable law.

This Agreement is subject to, and governed by, the Act and the Articles. In the event of a direct conflict between the provisions of this Agreement and either the mandatory provisions of the Act or the Articles, such provisions of the Act or the Articles, as the case may be, will be controlling.

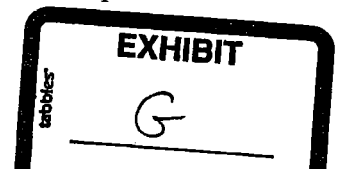
Section 1.2. Defined Terms.

The terms defined in the Preamble hereto and in Section 1.1 shall have the meanings specified therein, and in addition, all capitalized terms used in this Agreement shall have the meanings set forth below.

1.2.1. "Additional Member" means any Person who is admitted to the Company as a Member pursuant to Section 2.5 hereof after the date of this Agreement.

1.2.2. "Affiliate" or "Affiliated Person" means any Person, directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with a Member. The term "control" as used in the immediately preceding sentence, means, with respect to a corporation, the right to exercise, directly or indirectly, more than 50% of the voting rights attributable to the controlled corporation, and, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled Person.

1.2.3. "Available Cash" of the Company means all cash funds of the Company on hand from time to time (other than cash funds obtained as contributions to the capital of the



Company by the Members and cash funds obtained from loans to the Company) after (i) payment of all operating expenses of the Company as of such time, (ii) provision for payment of all outstanding and unpaid current obligations of the Company as of such time, and (iii) provision for a working capital reserve in accordance with Section 5.2 below.

1.2.4. “Bankruptcy” means, and a Member shall be deemed a “Bankrupt Member” upon (i) the entry of a decree or order for relief against the Member by a court of competent jurisdiction in any involuntary case brought against the Member under any bankruptcy, insolvency, or other similar law (collectively, “Debtor Relief Laws”) generally affecting the rights of creditors and relief of debtors now or hereafter in effect, (ii) the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, or other similar agent under applicable Debtor Relief Laws for the Member or for any substantial part of its assets or property, (iii) the ordering of the winding up or liquidation of the Member’s affairs, (iv) the filing of a petition in any such involuntary bankruptcy case, which petition remains undismissed for a period of one hundred twenty (120) days or which is not dismissed or suspended pursuant to Section 305 of the Federal Bankruptcy Code (or any corresponding provision of any future United States bankruptcy law), (v) the commencement by the Member of a voluntary case under any applicable Debtor Relief Law now or hereafter in effect, (vi) the consent by the Member to the entry of an order for relief in an involuntary case under any such law or to the appointment of or the taking of possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator, or other similar agent under any applicable Debtor Relief Laws for the Member or for any substantial part of its assets or property, or (vii) the making by a Member of any general assignment for the benefit of its creditors.

1.2.5. “Capital Account” of a Member means the account established and maintained for each Member pursuant to Section 2.4. hereof.

1.2.6. “Capital Contribution” means the amount of money contributed to the Company by each Member, as shown in Exhibit A, as the same may be amended from time to time. Any reference in this Agreement to the Capital Contribution of a then Member shall include a Capital Contribution previously made by any prior Member for the interest of such then Member, reduced by any distribution to such Member in return of “Capital Contribution” as contemplated herein.

1.2.7. “Code” means the Internal Revenue Code of 1986, as amended. All references herein to sections of the Code shall include any corresponding provision or provisions of succeeding law.

1.2.8. “Company” means BRINTON WOODS OF WASHINGTON D.C., LLC, the limited liability company formed under the Act by the filing of the Articles on February 3, 2014 and the subject of this Agreement.

1.2.9. “Deceased Member” is defined in Section 6.2.1.

1.2.10. “Facility” means that certain licensed nursing home facility located at 1380 Southern Avenue, Washington, D.C. 20032 and to be known as “Brinton Woods Health and Rehabilitation Center of Washington, D.C.”.

1.2.11. "Interest" in the Company means the entire ownership interest of a Member in the Company at any particular time, including the right of such Member to any and all benefits to which a Member may be entitled as provided in this Agreement and under the Act, together with the obligations of such Member to comply with all of the terms and provisions of this Agreement.

1.2.12. "Member" means a Person designated as a Member in the Company as set forth in Exhibit A, as such Exhibit may be amended from time to time.

1.2.13. "Percentage Interest" means each Member's percentage of the total Interests in the Company, as set forth opposite the name of such Member under the column "Percentage Interest" in Exhibit A hereto, as such percentage may be adjusted from time to time pursuant to the terms hereof.

1.2.14. "Permanent Disability" means the mental or physical disability, senility, insanity or other mental illness that renders the Member unable to participate in the management of the Company for a period in excess of one hundred eighty (180) consecutive days, or for a shorter period upon certification of a medical doctor stating that such condition is expected to continue for a period in excess of one hundred eighty (180) consecutive days.

1.2.15. "Person" means any individual or entity.

1.2.16. "Principal Office" means the location of the conduct of the Company's management of its business, presently being 9515 Deereco Road, Suite 407, Timonium, Maryland 21093, or such other address as may be established by agreement of the Members.

1.2.17. "Pro Rata Part" means the proportion that a Percentage Interest of a Member bears to the aggregate Interest of all Members.

1.2.18. "Purchasing Members" means Daren Cortese, Marvin Rabovsky and/or Gary Yankanich, unless such person is the Deceased Member.

1.2.19. "Regulations" means the federal income tax regulations promulgated under the Code, as amended from time to time and including corresponding provisions of succeeding regulations.

1.2.20. "Resident Agent" means the resident agent as provided in the Articles, until changed as provided in the Act.

1.2.21. "Substitute Member" means any Person admitted as a Member pursuant to Section 6.4 hereof after the date of this Agreement.

1.2.22. "Term" shall refer to the term of this Company, beginning on January 3, 2014 and, unless sooner terminated pursuant to the Act, ending on the date on which the Company is dissolved in accordance with Article VII hereof.

Section 1.3. Company Purpose.

The purpose of the Company is to lease and operate the Facility and to do all things incidental to or in furtherance of the same. In addition, the Company may engage in and do any act or all lawful business for which limited liability companies are organized according to the Act.

ARTICLE II

Members and Membership Interests

Section 2.1. Names and Addresses of Members; Principal Office.

Members, their respective addresses and their initial Capital Contributions to the Company and their respective Percentage Interests in the Company are set forth on Exhibit A attached hereto and made a part hereof. A Member need not be an individual, a resident of the State of Maryland or a citizen of the United States.

Section 2.2. Form of Contributions; Contribution of Additional Capital.

The initial Capital Contributions shall be in the amounts as provided in Exhibit A attached hereto and made a part hereof. Additional Capital Contributions shall require the consent of Members holding at least seventy-five percent (75%) of the aggregate Percentage Interests in the Company. Upon the receipt of such Consent, the President shall notify the other Members and each Member shall contribute his proportionate share of such additional Capital within ten (10) days of such notice. A Member's proportionate share of the total additional Capital Contribution shall be equal to the product obtained by multiplying the Member's Percentage Interest and the total additional Capital Contribution required. Notwithstanding anything to the contrary in this Section 2.2, in the event the President is notified by the Company's third party accountant that the Company is in immediate need of additional working capital, the President shall notify the other Members of such immediate need and each Member shall contribute his proportionate share of such additional Capital within five (5) days of such notice.

Section 2.3. Member Loans or Services.

Loans or services by any Member to the Company shall not be considered contributions to the capital of the Company.

Section 2.4. Capital and Capital Accounts.

2.4.1. An individual Capital Account shall be established and maintained on behalf of each Member, including any additional or Substitute Member who shall hereafter receive an Interest in the Company. The Capital Account of each Member shall consist of (i) the amount of cash such Member has contributed to the Company plus (ii) the agreed fair market value of any tangible or intangible property such Member has contributed to the Company, net of any liabilities assumed by the Company or to which such property is subject, plus (iii) the amount of profits or income (including tax-exempt income and any other item required to be credited for proper maintenance of capital accounts by the Regulations under Section 704(b) of the Code) allocated to such Member, less (iv) the amount of losses and deductions to such Member, less (v) the amount of all cash distributed to such Member, less (vi) the fair market value of any property distributed to such Member, net of any liability assumed by such Member

or to which such property is subject, and less (vii) such Member's share of any other expenditures which are not deductible by the Company for federal income tax purposes and which are not allowable as additions to the basis of Company property; all, however, subject to such other adjustments as may be required for proper maintenance of capital accounts by the Regulations under Section 704(b) of the Code. The Capital Account of a Member shall not be affected by any adjustments to basis made pursuant to Section 743 of the Code but shall be adjusted with respect to adjustments to basis made pursuant to Section 734 of the Code. This provision shall comply with the Treasury Regulations for Code Section 704(b).

2.4.2. The opening entry for each Member shall be such Member's initial Capital Contribution as set forth on Exhibit A. No interest shall be paid on any Capital Contribution.

2.4.3. No Member shall have the right to withdraw its Capital Contribution or to demand and receive property of the Company or any distribution in return for its Capital Contribution, except as may be specifically provided in this Agreement or required by law. No Member shall receive out of Company assets any part of its Capital Contribution until (i) all liabilities of the Company, except liabilities to Members on account of their undistributed income, have been paid or there remain assets of the Company sufficient to pay them and (ii) the consent of the President is had, unless the return of the Contribution to Capital may be rightfully demanded as provided in the Act or this Agreement.

2.4.4. Subject to the provisions of Section 2.4.3, a Member may rightfully demand the return of its Capital Contribution (i) on the dissolution of the Company or (ii) as may otherwise be provided in the Act. A Member shall have only the right to demand and receive cash in return for the Member's Capital Contribution.

2.4.5. Except as specifically provided otherwise in this Agreement or in the Act, no Member shall have any liability or obligation to restore a negative or deficit balance in such Member's Capital Account.

Section 2.5. Admission of Additional Members.

Additional Member(s) may be admitted to the Company from time to time upon the prior consent to all Members. Such Additional Members shall be allocated gain, loss, income, or expense by such method as may be provided in this Agreement.

Section 2.6. Limitation of Liability.

No Member shall be liable under a judgment, decree, or order of the court, or in any other manner, for a debt, obligation, or liability of the Company, except as otherwise provided in this Agreement or provided by law. No Member shall be required to loan any funds to the Company. Except as may be expressly provided otherwise herein, no Member shall be required to make any contribution to the Company by reason of any negative balance in such Member's Capital Account, nor shall any negative balance in a Member's Capital Account create any liability on the part of the Member to any other Member or to any third party.

ARTICLE III

Management: Rights, Powers and Duties

Section 3.1. Management.

3.1.1. Management of Business and Affairs. The business and affairs of the Company shall be managed by the Members acting upon the prior consent of Members holding at least seventy percent (70%) of the aggregate Percentage Interests in the Company; provided, however, that the Members may consent from time to time to allocate management responsibilities among them, in which event a Member to whom any particular responsibility has been allocated may act on behalf of the Company without the consent of the other Members, and all persons dealing with the Company shall be entitled to assume conclusively that all actions taken by a Member authorized to act on behalf of the Company are properly and duly authorized, effective and binding.

3.1.2. Officers. The appointment of any officers of the Company shall require the unanimous consent of the Members. Such officers shall be vested with such duties as the Members deem appropriate. All such officers of the Company shall be subject to removal by the unanimous consent of the Members.

The Members hereby appoint the following individuals as officers of the Company:

Daren Cortese	President
Marvin Rabovsky	Vice President
Gary Yankanich	Secretary/Treasurer

3.1.3. Authorized Persons. Each of the President and Vice President is hereby authorized to execute any document or instrument to be executed on behalf of the Company without the need for joinder by any other Member.

3.1.4. Member Powers. Subject to the other provisions of this Agreement and the requirements of applicable law, the following decisions and actions shall require the prior consent of Members holding at least seventy percent (70%) of the aggregate Percentage Interests in the Company:

3.1.4.1. selling, disposing, trading, or exchanging Company assets in the ordinary course of the Company's business;

3.1.4.2. entering into agreements and contracts and the giving of receipts, releases and discharges;

3.1.4.3. borrowing money for and on behalf of the Company, and, in connection therewith, executing and delivering instruments authorizing the confession of judgment against the Company;

3.1.4.4. executing or modifying leases with respect to any part or all of the assets of the Company;

3.1.4.5. executing any and all other instruments and documents which may be necessary or desirable to carry out the intent and purpose of this Agreement, including, but not limited to, documents whose operation and effect extend beyond the term of the Company;

3.1.4.6. making any and all expenditures in excess of the amount of such expenditure as shown on the budget of the Company for such fiscal year; and

3.1.4.7. entering into any kind of activity necessary to, in connection with, or incidental to, the accomplishment of the purposes of the Company.

3.1.5. Limitation on Authority of Members.

3.1.5.1. No Member is an agent of the Company solely by virtue of being a Member, and no Member has authority to act for the Company solely by virtue of being a Member.

3.1.5.2. This Section supersedes any authority granted to the Members pursuant to Section 4A-401 of the Act. Any Member who takes any action or binds the Company in violation of this Article III shall be solely responsible for any loss and expense incurred by the Company as a result of the unauthorized action and shall indemnify and hold the Company harmless with respect to the loss or expense.

Section 3.2. Meetings of Members.

A meeting of the Members may be called at any time by the President or by those Members holding at least fifty-one percent (51%) of the Percentage Interests then held by Members. Meetings of Members shall be held at the Company's principal place of business or at any other place in Maryland designated by the Person calling the meeting. Not less than ten (10) nor more than ninety (90) days before each meeting, the Person calling the meeting shall give written notice of the meeting to each Member entitled to vote at the meeting. Notwithstanding the foregoing provisions, each Member who is entitled to notice waives notice if before or after the meeting the Member signs a waiver of the notice which is filed with the records of Members' meetings, or is present at the meeting in person or by proxy. Unless this Agreement provides otherwise, at the meeting of Members, the presence in person or by proxy of Members holding not less than fifty-one percent (51%) of the Percentage Interests then held by Members constitutes a quorum. A Member may vote either in person or by written proxy signed by the Member or by his duly authorized attorney-in-fact.

Section 3.3. Personal Services.

Except as specifically set forth in this Agreement, (i) no Member shall be required to perform services for the Company or the Facility solely by virtue of being a Member and (ii) unless approved by Members holding at least seventy-five percent (75%) of the aggregate Percentage

Interests in the Company, no Member shall be entitled to compensation for services performed for the Company or the Facility.

Section 3.4. Activities of Parties.

3.4.1. Except as otherwise expressly provided in Section 3.4.2, nothing in this Agreement shall be deemed to restrict in any way the rights of any Member, or of any Affiliate of any Member, to conduct any other business or activity whatsoever, and the Member shall not be accountable to the Company or to any Member with respect to that business or activity even if the business or activity competes with the Company's business. The organization of the Company shall be without prejudice to their respective rights (or the rights of their respective Affiliates) to maintain, expand or diversify such other interests and activities and to receive and enjoy profits or compensation therefrom. Each Member waives any rights the Member might otherwise have to share or participate in such other interests or activities of any other Member or the Member's Affiliates.

3.4.2. Each Member understands and acknowledges that the conduct of the Company's business may involve business dealings and undertakings with Members and their Affiliates. In any of those cases, those dealings and undertakings shall be at arm's length and on commercially reasonable terms.

Section 3.5. Power of Attorney.

3.5.1. Grant of Power. Each Member constitutes and appoints the President as the Member's true and lawful attorney-in-fact ("Attorney-in-Fact"), and in the Member's name, place and stead, to make, execute, sign, acknowledge, and file:

3.5.1.1. all documents (including amendments to articles of organization) which the Attorney-in-Fact deems appropriate to reflect any amendment, change, or modification of this Agreement, including an amendment to reflect the removal of a Member pursuant to Section 6.6;

3.5.1.2. any and all other certificates or other instruments required to be filed by the Company under the laws of the State of Maryland or of any other state or jurisdiction, including, without limitation, any certificate or other instruments necessary in order for the Company to continue to qualify as a limited liability company under the laws of the State of Maryland;

3.5.1.3. one or more fictitious or trade name certificates; and

3.5.1.4. all documents which may be required to dissolve and terminate the Company and to cancel its articles of organization.

Section 3.6. Irrevocability.

The foregoing power of attorney is irrevocable and is coupled with an interest, and, to the extent permitted by applicable law, shall survive the death or disability of a Member. It also shall survive the Transfer of an Interest, except that if the transferee is approved for admission as a

Member, this power of attorney shall survive the delivery of the assignment for the sole purpose of enabling the Attorney-in-Fact to execute, acknowledge and file any documents needed to effectuate the substitution. Each Member shall be bound by any representations made by the Attorney-in-Fact acting in good faith pursuant to this power of attorney, and each Member hereby waives any and all defenses which may be available to contest, negate or disaffirm the action of the Attorney-in-Fact taken in good faith under this power of attorney.

Section 3.7. No Member Responsible for Other Member's Commitment.

In the event that any Member (or any such Member's officers, shareholders, partners, members, owners or Affiliates) has incurred any indebtedness or obligation prior to the date hereof or hereafter incurs any indebtedness or obligation, that relates to or otherwise affects the Company, neither the Company nor any other Member shall have any liability or responsibility for or with respect to such indebtedness or obligation unless such indebtedness or obligation is assumed or authorized by the Company pursuant to a written instrument signed by all Members. In the event that a Member (or any of such Member's officers, shareholders, partners, members, owners or Affiliates [collectively, the "Liable Member"]), whether prior to or after the date hereof, incurs (or has incurred) any debt or obligation for which neither the Company nor any of the other Members is to have any responsibility or liability, the Liable Member shall be solely responsible for any loss or expense incurred by such unauthorized action and shall indemnify and hold harmless the Company and the other Members from any liability or obligation they may incur in respect thereof.

Section 3.8. Activities of Members.

3.8.1. Nothing in this Agreement shall be deemed to restrict in any way the rights of any Member, or any Affiliated Persons of any member, to conduct any business or activity whatsoever without any accountability to the Company or to any Member even if such business or activity competes with the business of the Company. Each Member acknowledges that each other Member or its Affiliated Person may be interested, directly or indirectly, in various other businesses and undertakings not including the Company.

3.8.2. If required by law a Member shall qualify to do business in Maryland by obtaining a certificate of authority to do so from the State Department of Assessments and Taxation.

Section 3.9. Organization Expenses.

The Company shall pay all expenses incurred in the organization of the Company.

ARTICLE IV

Accounting and Records

Section 4.1. Records and Accounting.

4.1.1. The books and records of the Company shall be kept, and the financial position and the results of its operations recorded, in accordance with the accounting methods elected to be followed by the Company for federal income tax purposes. The books and records of the Company shall reflect all Company transactions and shall be appropriate and adequate for

the Company's business. Each Member, and his duly authorized representative, shall have access to them at such office of the Company and the right to inspect and copy them at reasonable times. The Company may assess reasonable fees for copying expenses and search and handling costs. The fiscal year of the Company for financial reporting and for federal income tax purposes shall be the calendar year.

4.1.2. The President may engage or employ a competent person who shall be responsible for: authenticating the records of the Company, including keeping correct and complete books of account which show accurately at all times the financial condition of the Company, safeguarding all funds, notes, securities, and other valuables which may from time to time come into possession of the Company, depositing all funds of the Company with such depositories as the President shall designate. Such person shall have such other duties as the President may from time to time prescribe, but under no circumstances shall such person have any of the rights, powers, responsibilities, or duties of a Member of the Company as prescribed herein or by law.

Section 4.2. Annual and Tax Information.

The President shall use its best efforts to cause the Company to deliver to each Member within ninety (90) days after the end of each fiscal year all information necessary for the preparation of such Member's federal income tax return. The President shall also use its best efforts to cause the Company to prepare, within one hundred twenty (120) days after the end of each fiscal year, a financial report of the Company for such fiscal year, containing a balance sheet as of the last day of the year then ended, an income statement for the year then ended, a statement of sources and applications of funds, and a statement of reconciliation of the Capital Accounts of the Members.

Section 4.3. Accounting Decisions.

All decisions as to accounting matters, except as otherwise specifically set forth herein, shall be made by the President. The President may rely upon the advice of its accountants as to whether such decisions are in accordance with accounting methods followed for federal income tax purposes.

Section 4.4. Federal Income Tax Elections.

The Company may make all elections for federal income tax purposes, including, but not limited to, in case of a transfer of all or part of the Company Interest of any Member or the distribution to a Member of Company property, the election pursuant to Sections 734, 743 and 754 of the Code to adjust the basis of the assets of the Company. The President shall serve as the tax matters partner of the Company.

ARTICLE V

Allocations; Distributions; Interests

Section 5.1. Allocation of Net Income, Net Loss or Capital Gains.

5.1.1. Except as may be expressly provided otherwise in this Article V and subject to the provisions of Sections 704(b) and 704(c) of the Code, the net income or net loss and/or capital gains of the Company for each fiscal year of the Company shall be allocated to the Members, pro rata in accordance with their Percentage Interests, unless the Company's accountants shall determine that allocations of gross or net income or loss are required to be done differently to comply with Code Section 704(b) without any change to the distribution of Available Cash or distributions on termination of the Company pursuant to Article VII hereof. Any special allocations required to comply with Section 704(b) shall be reversed as soon as possible while maintaining the distribution of Available Cash and distributions on termination.

5.1.2. Qualified Income Offset. If any Member unexpectedly receives any adjustment, allocation or distribution described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) or 1.704-1(b)(2)(ii)(d)(6) that creates a deficit balance in a Member's Capital Account in excess of such Member's share of the Minimum Gain (as such term is defined in Treasury Regulation Section 1.704)(an "Excess Deficit"), items of income and gain shall be specially allocated consistently with the methods specified in any applicable Regulations to such Member in an amount and manner sufficient to eliminate the Excess Deficit as quickly as possible. Any allocations of items of income and gain pursuant to this Section shall be taken into account in computing subsequent allocations of income and loss, so that the aggregate effect of all subsequent allocations under this Section shall, to the extent possible, be the same as if such adjustments, allocations or distributions had not occurred.

5.1.3. Special Allocation for Negative Capital Account. If any Member has a negative Capital Account balance at the end of any tax year and such deficit is not the result of deductions attributable to nonrecourse financing or loans from the Member, the Member shall be specially allocated items of income and gain in the amount of such excess as quickly as possible.

5.1.4. Minimum Gain Allocation. Notwithstanding any other provision of this Agreement, if there is a net decrease in Company or Member Minimum Gain during any tax year, each Member who would otherwise have a negative Capital Account at the end of such year shall be specially allocated items of income and gain for such year (and, if necessary, subsequent years) in an amount and manner sufficient to eliminate the deficit as quickly as possible. The items to be so allocated shall be determined in accordance with Section 1.704-2(f) and (i) of the Regulations. This Section is intended to comply with the minimum gain chargeback requirements in Section 1.704-2 of the Regulations and shall be interpreted consistently therewith.

Section 5.2. Distribution of Available Cash.

On the last day of each calendar year during the Term of this Agreement, the Available Cash of the Company, if any, shall be distributed to the Members, pro rata in accordance with their Percentage Interests. Notwithstanding the foregoing, Available Cash of the Company shall not be distributed without the consent of Members holding at least seventy-five percent (75%) of the aggregate Percentage Interests in the Company, other than for Tax Distributions (defined below), unless and until at least \$5,000 is on deposit in the operating account of the Company as a working capital reserve. To the extent not prohibited by any document executed in connection with any Facility Loan, the Company will use best efforts to make distributions to Members from Available Cash in an amount sufficient to pay state and federal income taxes (assuming the highest marginal

tax rates) resulting from taxable income allocated to Members as a result of the Company's operations (the "Tax Distributions").

Section 5.3. Allocation of Income and Loss and Distributions in respect of Interests Transferred.

5.3.1. If any Interest in the Company is transferred, or is increased or decreased by reason of the admission of a new Member or otherwise, during any fiscal year of the Company, each item of income, gain, loss, deduction, or credit of the Company for such fiscal year shall be assigned pro rata to each day in the particular period of such fiscal year to which such item is attributable (i.e., the day on or during which it is accrued or otherwise incurred) and the amount of each such item so assigned to any such day shall be allocated to the Member based upon its respective Interest in the Company at the close of such day. For the purpose of accounting convenience and simplicity, the Company may treat a transfer of, or an increase or decrease in, an Interest in the Company which occurs at any time during a semi-monthly period (commencing with the semi-monthly period including the date hereof) as having been consummated on the first day of such semi-monthly period, regardless of when during such semi-monthly period such transfer, increase or decrease actually occurs (i.e., sales and dispositions made during the first fifteen (15) days of any month will be deemed to have been made on the sixteenth (16th) day of the month). Notwithstanding the foregoing, this provision shall be applied in a manner consistent with Code Section 706 and the Treasury Regulations promulgated thereunder.

5.3.2. Distributions of Company assets in respect of an Interest in the Company shall be made only to the Members who, according to the books and records of the Company, are the holders of record of the Interests in respect of which such distributions are made on the actual date of distribution. Neither the Company nor any Member shall incur any liability for making distributions in accordance with the provisions of the preceding sentence, whether or not the Company or the Member has knowledge or notice of any transfer or purported transfer of ownership of Interest in the Company which has not been approved by unanimous vote of the Members. Notwithstanding any provision above to the contrary, gain or loss of the Company realized in connection with a sale or other disposition of any of the assets of the Company shall be allocated solely to the parties owning Interests in the Company as of the date such sale or other disposition occurs.

ARTICLE VI

Changes in Members

Section 6.1. Bankruptcy of Member or Court Ordered Dissolution of Company.

6.1.1. The Bankruptcy of a Member or a decree ordering the dissolution of the Company in accordance with Section 4A-903 of the Act shall each constitute a "Dissolution Event".

6.1.2. Upon the occurrence of a Dissolution Event the Company shall dissolve and its affairs wound up and its properties liquidated, in accordance with Section 7.1.2.

6.1.3. Notwithstanding the provisions of Section 6.1.2 above, in the case of a Bankruptcy of a Member (the "Bankrupt Member"), the Company may continue in business if two (2) or more Members remain and the remaining Members unanimously consent in writing to the continuation of the business of the Company (the "Unanimous Consent") within ninety (90) days after the occurrence of the Bankruptcy. After Unanimous Consent, the remaining and any Substitute Members shall make such amendments to this Agreement and such filings as are necessary to reflect the fact that such Members have agreed to continue the business of the Company; until such time as such amendments are entered into and such filings are made, the Members electing to continue to do business will be deemed to have entered into an Operating Agreement under Section 4A-402 of the Act containing the same terms and conditions as those contained in this Agreement as in effect immediately prior to the Dissolution Event. All expenses incurred in any reformation, or attempted reformation, of the Company shall be deemed to be expenses of the Company.

6.1.4. In the event the remaining Members elect to continue the business of the Company as set forth in Section 6.1.3, the Bankrupt Member shall cease to be a Member of the Company and, within twelve (12) months of the Dissolution Event, (a) the Company shall pay to the Bankrupt Member the amount to which such Bankrupt Member would be entitled to receive upon removal by the President pursuant to Section 6.7.1, and (b) the Bankrupt Member's Interest shall be reallocated to the remaining Member's such that each remaining Member shall get a percentage of the Bankrupt Member's Interest based upon the percentage that each such remaining Member owned of the collective overall percentage of all remaining Members prior to any such reallocation.

Section 6.2. Death or Permanent Disability of Member

6.2.1. In the event of the death or Permanent Disability of a Member (the "Deceased Member"), the personal representative or court-appointed guardian of such Deceased Member (the "Deceased Member's Representative") shall have a period of one (1) year following the date of death or incapacity of such Deceased Member to notify the Company and the Purchasing Members in writing that the Deceased Member's Representative elects to sell the Deceased Member's Interest in the Company (the "Sell Notice") at a price equal to the fair market value of such Interest as of the date of death or Permanent Disability of the Deceased Member (the "Fair Market Value"). The Deceased Member's Interest shall be divided equally among the Purchasing Members unless another allocation is mutually agreed upon by the Purchasing Members. The purchase and sale of the Deceased Member's Interest shall occur on the date that is one hundred eighty (180) days following the determination of the Fair Market Value. At the closing of the purchase and sale of the Deceased Member's Interest, the Purchase Price (as hereinafter defined) to be paid by each Purchasing Member shall be paid, as applicable, (a) not less than one-half (1/2) in cash on the closing date, and (b) the remainder shall be evidenced by the execution and delivery of a promissory note that shall bear interest at a rate of two percent (2%) per annum, shall mature on the date that is five (5) years following the date of such note (the "Maturity Date") and shall require that accrued interest be paid together with a principal payment equal to one-twentieth (1/20th) of the original principal amount on the last day

of each calendar quarter. All remaining principal and interest shall be due and payable on the Maturity Date. For purposes of this Section, the Fair Market Value determination shall be based on the appraised value of the Company as determined by an appraisal prepared by the Valuation and Information Group (or, in the event the Valuation and Information Group is not available, a mutually agreed upon appraisal firm that specializes in the valuation of health care facilities. The Purchase Price for the Deceased Member's Interest shall be calculated as follows: $[\text{Fair Market Value} \times \text{Percentage Interest}] - [(\text{Fair Market Value} \times \text{Percentage Interest}) \times 15\%^1]$. As an example only, if the Fair Market Value is \$1,000,000 and the Percentage Interest is twenty percent (20%), then the Purchase Price would equal \$170,000, $[[1,000,000 \times 20\%] - [(1,000,000 \times 20\%) \times 15\%]]$.

6.2.2. In the event the Deceased Member's Representative elects to not sell the Deceased Member's Interest as set forth in 6.2.1, the holder of the Deceased Member's Interest shall have no right to participate in the management of the business and affairs of the Company or to become a Member, but such holder shall be entitled to receive the share of profits or other compensation by way of income and the return of contributions to which the Deceased Member would be otherwise entitled. In addition, in such event, for management and voting purposes only, the Deceased Member's Interest shall be allocated to each remaining Member on pro rata basis.

Section 6.3. Transfer and Assignment of Members' Interest.

No Member shall be entitled to assign, convey, sell, pledge, hypothecate, encumber or in any way alienate (hereinafter, collectively a "Transfer") all or any part of his Interest in the Company, nor shall any Member be entitled to Transfer his rights as a Member, except with the prior written consent of all of the Members, which consent may be given or withheld, conditioned, or delayed (as allowed by this Agreement or the Act) as each Member may determine in his discretion. Transfers in violation of this Section 6.3 shall only be effective to the extent set forth in Section 6.5.2 hereof.

Section 6.4. Further Restrictions on Transfer.

No Member shall assign, convey, sell, encumber or in any way alienate all or any part of his Interest in the Company; (i) without registration under applicable federal and state securities laws, or unless he delivers an opinion of counsel satisfactory to the Company that registration under such laws is not required; or (ii) if the Interest to be sold or exchanged, when added to the total of all other Interests sold or exchanged in the preceding twelve (12) consecutive months prior thereto, would result, in the opinion of counsel to the Company, in a tax termination of the Company under Section 708 of the Code, unless Members holding at least seventy-five percent (75%) of the aggregate Percentage Interests in the Company waive such restriction.

Section 6.5. Substitute Members.

A transferee shall have the right to become a Substitute Member if (i) the requirements of Section 6.3. and 6.4 hereof are met, (ii) such Person executes an instrument satisfactory to the

¹ Represents minority interest discount of fifteen percent (15%).

remaining Members accepting and adopting the terms and provisions of this Agreement, and (iii) such Person pays any reasonable expenses in connection with such Person's admission as a Member. In connection with the admission of a Substitute Member, this Agreement shall be amended in writing to reflect the permitted Transfer and the admission of the Substitute Member.

Section 6.6. Effect of Transfer.

6.6.1. Any permitted transfer of all or any portion of a Member's Interest in the Company will take effect on the first day of the month following compliance with all requirements hereof, and receipt by the Members of written notice of transfer. Any transferee of an Interest in the Company shall take subject to the restrictions on transfer imposed by this Agreement.

6.6.2. Upon any transfer of a Member's Interest in the Company in violation of this Agreement, the transferee shall have no right to participate in the management of the business and affairs of the Company or to become a Member, but such transferee shall only be entitled to receive the share of profits or other compensation by way of income and the return of contributions to which the transferor of such Interest in the Company would be otherwise entitled.

Section 6.7. Removal of Member.

6.7.1. Notwithstanding anything contained in this Agreement to the contrary, no Member shall be removed as a Member of the Company (each a "Removed Member") unless it is determined by the unanimous consent of the other Members that such Member, or any member, officer or director of such Member, is found to have engaged in any illegal or fraudulent activity. In the event any Member is removed at any time following the date of this Agreement, such Removed Member shall be paid an amount equal to the Removed Member's Capital Contribution plus any distribution of Available Cash such Removed Member would otherwise have been entitled to receive during such period in the normal course of business consistent with past practices; and

6.7.2. The removal of a Member shall be effective as of the date specified in a written notice to the Removed Member. Payment of the amount required by Section 6.7.1 shall be made within ninety (90) days after the effective day of removal. Each such Removed Member agrees to execute, sign, acknowledge, and file all documents which may be required to effectuate such Removed Members removal as a Member of the Company (the "Removal Documents").

6.7.3. Each such Removed Member constitutes and appoints the President or Vice President as the Removed Member's true and lawful attorney-in-fact, and in the Removed Member's name, place and stead, to make, execute, sign, acknowledge, and file any and all Removal Documents. Such power of attorney is irrevocable and is coupled with an interest, and, to the extent permitted by applicable law, shall survive the death and disability of each Removed Member. Each Removed Member shall be bound by any representations made the President or Vice President as attorney-in-fact acting in good faith pursuant to this power of attorney, and each Removed Member hereby waives any and all defenses which may be available to contest, negate or

disaffirm the action of the President or Vice President as attorney-in-fact taken in good faith under this power of attorney.

ARTICLE VII

Termination

Section 7.1. Termination of the Company.

7.1.1. The Company shall be dissolved, its assets shall be disposed of, and its affairs wound up on the first to occur of the following:

- (i) a unanimous determination by the Members that the Company should be so dissolved;
- (ii) the occurrence of a Dissolution Event, and the Company's or remaining Member's failure to purchase the Interest of the Bankrupt Member as provided in Section 6.1; or
- (iii) at such earlier time as may be provided by applicable law.

7.1.2. In settling accounts of the Company after dissolution, the liabilities of the Company shall be entitled to payment in the following order, all as required by the Act:

- (i) liabilities to creditors, in the order of priority as provided by law, except liabilities to Members of the Company on account of their contributions;
- (ii) liabilities to Members of the Company in respect of their share of the profits and other compensation by way of income on their contributions; and
- (iii) liabilities to Members of the Company in respect of their contributions to capital.

ARTICLE VIII

Indemnification

Section 8.1. Liability and Indemnification of Members and Officers.

8.1.1. No Member or officer shall be liable, responsible or accountable, in damages or otherwise, to any other Member for any act performed by it within the scope of the authority conferred on it by this Agreement, except for acts or willful misconduct or gross negligence, and for damages arising from any material written misrepresentation or material breach of written warranty.

8.1.2. Each Member and officer shall be entitled to indemnity from the Company for any act performed by it in good faith and within the scope of the authority conferred on it by or pursuant to this Agreement, except for acts of willful misconduct or gross negligence and for

damages arising from any material misrepresentation herein or material breach of warranty herein.

8.1.3. Any indemnity under this Section 8.1. shall be provided out of and to the extent of Company assets only, and no Member shall have any personal liability on account thereof beyond it's Capital Contribution.

8.1.4. The Company may purchase and maintain insurance for its benefit, the benefit of any Member or officer who is entitled to indemnification under this Section or both, against any liability asserted against or incurred by such Member or officer in any capacity or arising out of such Member's or officer's service with the Company, whether or not the Company would have the power to indemnify such individual against such liability.

ARTICLE IX

Miscellaneous

Section 9.1. Complete Agreement.

This Agreement and the Articles constitute the complete and exclusive statement of agreement among the Members with respect to the subject matter hereof. This Agreement and the Articles replace and supersede all prior written and oral agreements and statements by and among the Members or any of them and no representation, statement, or condition, or warranty not contained in this Agreement or the Articles will be binding on the Members or have any force or effect whatsoever.

Section 9.2. Governing Law.

This Agreement and the rights of the parties hereunder will be governed by, interpreted and enforced in accordance with, the laws of the State of Maryland.

Section 9.3. Binding Effect.

Subject to the provisions of this Agreement relating to transferability, this Agreement will be binding upon and inure to the benefit of the Members and their respective distributees, heirs, successors and assigns.

Section 9.4. Terms.

Common nouns and pronouns will be deemed to refer to the masculine, feminine, neuter, singular, and plural, as the identity of the Person may in the context require.

Section 9.5. Headings.

All headings herein are inserted only for convenience and ease of reference and in no way define, limit or describe the scope of this Agreement or the intent of the provisions thereof and are not to be considered in the construction or interpretation of any provision of this Agreement.

Section 9.6. Severability.

If any provision of this Agreement is held to be illegal, invalid, or unenforceable under the present or future laws effective during the term of this Agreement, such provision will be fully severable; this Agreement will be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part of this Agreement and the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid, or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

Section 9.7. Multiple Counterparts.

This Agreement may be executed in several counterparts, each of which will be deemed an original but all of which will constitute one and the same instrument binding on the Members.

Section 9.8. Further Assurances.

Each Member agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions and conditions of this Agreement and the transactions contemplated hereby.

Section 9.9. No Third Party Beneficiary.

This Agreement is made solely and specifically by and for the benefit of the parties hereto, and their respective successors and assigns subject to the express provisions hereof relating to successors and assigns, and no other Person will have any rights, interest, or claims hereunder or be entitled to any benefits under or on account of this Agreement as a third party beneficiary or otherwise.

Section 9.10. References to this Agreement.

Numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of this Agreement unless otherwise expressly stated.

Section 9.11. Notices.

Any notice to be given or to be served upon the Company or any party hereto in connection with this Agreement must be in writing and will be deemed to have been given and received when delivered to the address specified by the party to receive the notice. Such notices will be given to a Member at the address specified in Exhibit A hereto. Any Member or the Company may, at any time by giving ten (10) days prior written notice to the other Members and the Company, designate any other address in substitution of the foregoing address to which such notice will be given.

Section 9.12. Amendments.

This Agreement may not be amended except by written amendment signed by all the Members.

Section 9.13. Title to Company Property.

Legal title to all property of the Company will be held and conveyed in the name of the Company.

Section 9.14. Reliance on Authority of Person Signing Agreement.

In the event that a Member is not a natural person, neither the Company nor any Member will (a) be required to determine the authority of the individual signing this Agreement to make any commitment or undertaking on behalf of such entity or to determine any fact or circumstance bearing upon the existence of the authority of such individual or (b) be required to see to the application of distribution of proceeds paid or credited to individuals signing this Agreement on behalf of such entity.

[Signature Page Follows]

IN WITNESS WHEREOF, the Members have executed this Agreement as of the date first written above.

WITNESS OR ATTEST:

MEMBERS:

Daren Cortese

Gary Yankanich

Marvin Rabovsky

Gary Sudhalter

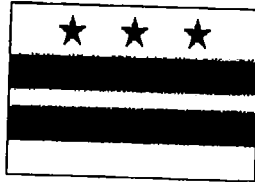
EXHIBIT A
TO
OPERATING AGREEMENT
FOR
BRINTON WOODS OF WASHINGTON D.C., LLC

<u>Member Name & Address</u>	<u>Initial Capital Contribution</u>	<u>Percentage Interest</u>
Daren Cortese 1911 Cranbourne Road Lutherville, Maryland 21093	\$ _____	30%
Marvin Rabovsky 9204 Potomac School Drive Potomac, Maryland 20854	\$ _____	30%
Gary Yankanich 2903 Lindenwood Drive Olney, Maryland 20832	\$ _____	30%
Gary Sudhalter 9320 Crimson Leaf Terrace Potomac, Maryland 20855	\$ _____	10%
	\$ _____	100.00%

Attachment H

Initial File #: L00004871427

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
CORPORATIONS DIVISION



CERTIFICATE

THIS IS TO CERTIFY that all applicable provisions of the District of Columbia Business Organizations Code have been complied with and accordingly, this **CERTIFICATE OF REGISTRATION** is hereby issued to:

BRINTON WOODS OF WASHINGTON D.C., LLC

Effective Date: 2/13/2014

IN WITNESS WHEREOF I have hereunto set my hand and caused the seal of this office to be affixed as of 2/11/2014 8:59 AM



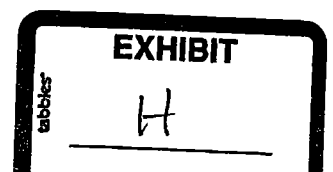
Business and Professional Licensing Administration

A handwritten signature in cursive script that reads 'Patricia E. Grays'.

PATRICIA E. GRAYS
Superintendent of Corporations
Corporations Division

Vincent C. Gray
Mayor

Tracking #: ioJTOM4R





DEPARTMENT OF CONSUMER & REGULATORY AFFAIRS
District of Columbia Government
 Corporations Division

Foreign Registration Statement Form FN-1, Version 1, January 2012.

Use this form to register your foreign filing entity to conduct business in the District of Columbia. Review instruction sheet before completing this form.

ENTITY TYPE	FILING FEE
Foreign Filing Entity	Refer to Corporate Fee Schedule posted online

Under the provisions of the Title 29 of D.C. Code (Business Organizations Act), the foreign filing entity listed below hereby applies for a Certificate of Registration to transact business in the District of Columbia, and for that purpose submits the statement below.

1. Entity Name.

Brinton Woods of Washington D.C., LLC

2. Entity Type.

Limited Liability Company

3. Entity's Alternate Name (if true legal name is not available)

4. Organized under the laws of which state or country.

Maryland

5. Date of Organization.

February 01, 2014

6. Date entity started or will start transacting business in the District of Columbia.

May 1, 2014

7. Principal Address.

9515 Deereco Road, Suite 407, Timonium Maryland 21093

8. Registered Agent's name and address of registered office in District of Columbia.

C T Corporation System, 1015 15th Street, N.W., Suite 1000, Washington, D.C. 20005

9. Briefly describe the proposed activity company will transact in the District of Columbia.

To provide skilled nursing and rehabilitation services on inpatient basis; and to carry on any lawful business and activity in any state or district.

10. List the name of at least one governor. (may attach the statement)

TITLE	NAME	ADDRESS
Member	Daren Cortese	1911 Cranbourne Road, Lutherville, Maryland 21093

11. Attach an original Certificate of Good Standing (Certificate of Existence) from Registration Authority in the State/Country of Incorporation that is not over 90 days old.

If you sign this form you agree that anyone who makes a false statement can be punished by criminal penalties of a fine up to \$1000, imprisonment up to 180 days, or both, under DCOC § 22-2405;

12. Name of the Governor or Authorized Person:

Daren Cortese

12A. Signature of the Governor or Authorized Person & Date.

Daren Cortese DCRA Corp. Div. FEB 13 2014

Mail all forms and required payment to:

Department of Consumer and Regulatory Affairs
 Corporations Division
 PO Box 92300
 Washington, DC 20090
 Phone: (202) 442-4400

Corporate Online Services Information:

Many corporate filings are available by using CorpOnline Service. Go to CorpOnline site at <https://corp.dcr.d.c.gov> to take a profile access the online services main page and proceed. Online filers must pay by using a credit card.

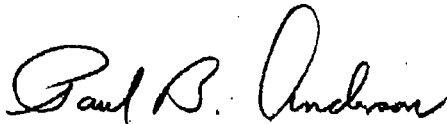
Please check dcr.d.c.gov to view organizations required to register, to search business names, to get step-by-step guidelines to register an organization, to search registered organizations, and to download forms and documents. Just click on "Corporate Registration."

STATE OF MARYLAND
Department of Assessments and Taxation

I, PAUL B. ANDERSON OF THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION OF THE STATE OF MARYLAND, DO HEREBY CERTIFY THAT THE DEPARTMENT, BY LAWS OF THE STATE, IS THE CUSTODIAN OF THE RECORDS OF THIS STATE RELATING TO LIMITED LIABILITY COMPANIES, OR THE RIGHTS OF LIMITED LIABILITY COMPANIES TO TRANSACT BUSINESS IN THIS STATE, AND THAT I AM THE PROPER OFFICER TO EXECUTE THIS CERTIFICATE.

I FURTHER CERTIFY THAT BRINTON WOODS OF WASHINGTON D.C., LLC, REGISTERED FEBRUARY 03, 2014, IS A LIMITED LIABILITY COMPANY EXISTING UNDER AND BY VIRTUE OF THE LAWS OF THE STATE OF MARYLAND, AND THAT THE LIMITED LIABILITY COMPANY IS AT THE TIME OF THIS CERTIFICATE IN GOOD STANDING TO TRANSACT BUSINESS.

IN WITNESS WHEREOF, I HAVE HEREUNTO SUBSCRIBED MY SIGNATURE AND AFFIXED THE SEAL OF THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION OF MARYLAND AT BALTIMORE ON THIS FEBRUARY 10, 2014.



Paul B. Anderson
Charter Division



301 West Preston Street, Baltimore, Maryland 21201
Telephone Balto. Metro (410) 767-1340 / Outside Balto. Metro (888) 246-FILE/COPY
MRS (Maryland Relay Service) (800) 735-2258 TT/Voice
Fax (410) 333-7097

DCRA Corp. D

FEB 13 2014

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Attachment I

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease") is made as of this __ day of _____, 2014 by and between **BRINTON WOODS SENIOR LIVING IV, LLC**, a Maryland limited liability company ("Lessor"), and **BRINTON WOODS OF WASHINGTON D.C., LLC**, a Maryland limited liability company ("Lessee").

WITNESSETH:

WHEREAS, Lessor is the owner of certain real property located at 1380 Southern Avenue, S.E., Washington, DC 20032, as more particularly described in **Exhibit "A"** attached hereto (the "Property");

WHEREAS, the Property is improved with a licensed nursing care facility containing not less than one hundred eighty-three (183) licensed nursing home beds and related amenities (the "Improvements"), including all of the furniture, furnishings, fixtures and equipment presently being used in the operation of said nursing care facility (the "Equipment", and collectively with the Property and the Improvements, the "Facility");

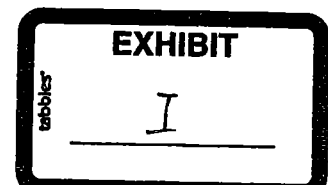
WHEREAS, Lessor desires to lease to Lessee and Lessee desires to lease from Lessor the Facility as of the Commencement Date (as hereinafter defined) pursuant to the terms and conditions of this Lease.

NOW THEREFORE, Lessor and Lessee hereby agree as follows:

ARTICLE I.

LEASE OF THE FACILITY; FINANCING

Section 1.1. **Lease of the Facility.** Lessor hereby leases to Lessee and Lessee hereby leases from Lessor, subject to the covenants, agreements, terms, provisions and conditions of this Lease and for the term and at the rent hereinafter stated, the Facility, together with the right to



the use, operation, possession, and control of the Facility during the Term (as hereinafter defined). During the Term, Lessee shall have absolute control, supervision, and responsibility over the operations of the Facility, subject to the terms and provisions set forth below.

Section 1.2. **Use.** The Facility shall be used during the Term hereof by Lessee solely and exclusively for the purpose of operating a long-term nursing care facility (including, without limitation, long-term care for Alzheimer's disease) and any and all related business activities on an ancillary basis. Lessee shall use the Facility in a careful and proper manner, and agrees not to permit the Facility to be operated or used in violation of any applicable federal, state or local statute, law, ordinance, rule or regulation (collectively, the "Laws") including but not limited to any Laws relating to the possession, use, or maintenance of the Facility as a long-term nursing care facility, including but not limited to, those of the Department of Health, Health Care Regulation & Licensing Administration of the District of Columbia ("HCRLA") and the U.S. Department of Health and Human Services ("DHHS") necessary to qualify the Facility for reimbursement under any applicable Medicaid and Medicare programs. Lessee agrees to provide Lessor with any notice received by Lessee of any violation of any Law or any proposed or threatened decertification or suspension of licensure of the Facility by any appropriate governmental authorities (a "Violation") within five (5) days after receipt of the same by Lessee. Unless such Violation is caused by the intentional or negligent actions of Lessor, Lessee shall cure all Violations promptly, but in no event later than the expiration of any applicable cure period, and prior to the imposition of any fines, penalties or forfeitures of any Licenses (as hereinafter defined).

Section 1.3. **Property, Condition and Licensure.** Lessee accepts the Facility in its present "as is" condition and acknowledges and agrees that, except for any representations and

warranties made in Section 1.5 below, Lessor has not made and does not hereby make any representations, warranties or covenants of any kind or character whatsoever whether express or implied with respect to the physical condition of the Facility. Lessee hereby represents that, except for such representations and warranties in Section 1.5 below, it is not relying upon any warranties, promises, guaranties, or representations made by Lessor or anyone acting or claiming to act on behalf of Lessor in entering into this Lease.

Section 1.4. **Intentionally Omitted.**

Section 1.5. **Representations and Warranties of Lessor.** Lessor hereby represents and warrants to Lessee as of the date of this Lease as follows:

(i) Lessor is a limited liability company duly formed, validly existing and in good standing under the Laws of the State of Maryland, and is qualified to do business in the District of Columbia;

(ii) Lessor has full right, power, authority and capacity to execute and deliver this Lease and to perform its obligations under this Lease;

(iii) This Lease has been duly authorized, executed and delivered by Lessor and constitutes a valid and binding obligation of Lessor, enforceable against Lessor in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy, insolvency or similar Laws affecting the enforcement of rights of creditors generally and except to the extent that enforcement of rights and remedies may be limited by equitable principals;

(iv) Lessor is the owner of fee simple title to the Facility;

(v) Lessor is not in default in the payment of any taxes either due or levied or assessed against it or any of its assets, or, to Lessor's knowledge, under any judgment, order, decree, rule or regulation of any court, arbitrator, administrative agency or other governmental

authority to which Lessor may be subject which would, in each case or in the aggregate, adversely affect the transactions contemplated by this Lease;

(vi) To Lessor's knowledge, there are no claims of any kind or any actions, suits, proceedings, arbitrations or investigations pending or threatened in any court or before any governmental agency or instrumentality or arbitration panel or otherwise against, by or affecting Lessor or its assets which might adversely affect or pertain to the Facility or which would prevent the performance of this Lease or any of the transactions contemplated hereby;

(vii) To Lessor's knowledge, there are no Hazardous Materials (as hereinafter defined) at, on or in the Facility in violation of any Laws, and to the best knowledge of Lessor, there is no proceeding or inquiry by any federal, state or local governmental agency with respect thereto; and

(viii) Lessor is not a "foreign person" within the meaning of Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended.

Lessor's representations and warranties under this Section 1.5 shall survive for the duration of this Lease.

Section 1.6. **Representations and Warranties of Lessee.** Lessee hereby represents and warrants to Lessor as of the date of this Lease as follows:

(i) Lessee is a limited liability company duly formed, validly existing, and in good standing under the Laws of the State of Maryland and is qualified to do business in the District of Columbia;

(ii) Lessee has full right, power, authority and capacity to execute and deliver, this Lease and to perform its obligations under this Lease;

(iii) This Lease has been duly authorized, executed and delivered by Lessee and constitutes a valid and binding obligation of Lessee, enforceable against Lessee in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy, insolvency or similar Laws affecting the enforcement of rights of creditors generally and except to the extent that enforcement of rights and remedies may be limited by equitable principals;

(iv) Lessee is not in default in the payment of any taxes either due or levied or assessed against it or any of its assets, or, to Lessee's knowledge, under any judgment, order, decree, rule or regulation of any court, arbitrator, administrative agency or other governmental authority to which Lessee may be subject which would, in each case or in the aggregate, adversely affect the transactions contemplated by this Lease;

(v) To Lessee's knowledge, there are no claims of any kind or any actions, suits, proceedings, arbitrations or investigations pending or threatened in any court or before any governmental agency or instrumentality or arbitration panel or otherwise against, by or affecting Lessee or its assets which might adversely affect or pertain to the Facility, or which would prevent the performance of this Lease or any of the transactions contemplated hereby;

(vi) Lessee has not engaged in the storage, release, holding, emission, discharge, generation, processing, disposition, handling or transportation of any Hazardous Materials, at, on or in the Facility in violation of any Laws; and

(vii) Lessee is not a "foreign person" within the meaning of Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended.

Lessee's representations and warranties under this Section 1.6 shall survive for the duration of this Lease.

When used in either Section 1.5 or 1.6, the word “knowledge” means the current actual knowledge of Lessor or Lessee without any independent investigation or due diligence by it, or any of its partners, or their respective employees, attorneys or agents. In addition, when used in either Section 1.5 or 1.6, the term “Hazardous Materials” means any inflammable explosives, radioactive materials, asbestos containing materials, oil, petroleum products, radon gas, urea formaldehyde insulation, toxic substances, or any hazardous materials, hazardous wastes, hazardous substances or related materials listed in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et seq.), the Resource Conservation and Recovery Act, and in the regulations adopted and publications promulgated pursuant thereto, and any other federal, state or local environmental law, ordinance, rule or regulation.

Section 1.7. **Capital Funding Loan.** This Lease is and shall be subject and subordinate to a Deed of Trust, Security Agreement and Fixture Filing (the “CF Security Instrument”) executed by Lessor for the benefit of Capital Funding, LLC (together with its successors and assigns, “CF”), which secures a loan evidenced by a Promissory Note in the original principal amount of Ten Million Two Hundred Seventy Thousand Dollars (\$10,270,000) (the “CF Loan”). For so long as the CF Security Instrument shall be a lien upon the Facility or any part thereof and unless and until the CF Loan and all obligations thereunder are paid in full, this Lease shall not be amended or terminated without the prior written consent of CF.

Section 1.8. **HUD Facility Loan.** Lessee acknowledges that Lessor may refinance the CF Loan by obtaining a loan in an amount not to exceed Twelve Million Dollars (\$12,000,000) the “HUD Loan”), to be secured by a Deed of Trust and Security Agreement (the “HUD

Mortgage”) covering the Facility and to insured by the U.S. Department of Housing and Urban Development Federal Housing Administration (“HUD”) under the provisions of Section 223(a)(7)/232 LEAN of the National Housing Act, and the regulations thereunder or under similar provisions. In connection with the HUD Loan, Lessor will be required to enter into a Healthcare Regulatory Agreement – Borrower (the “Lessor Regulatory Agreement”) with HUD and Lessee shall be required to enter into a Healthcare Regulatory Agreement – Operator (the “Lessee Regulatory Agreement”; and together with the Lessor Regulatory Agreement, the “Regulatory Agreement”) and certain other documents as may be required by HUD. In addition, in connection with the HUD Loan, this Lease will be amended to include any HUD required provisions and/or addendum and Lessee hereby covenants and agrees to promptly execute any such amendment. During any period the HUD Loan is in effect, this Lease shall comply with the requirements of the National Housing Act and Section 232 thereunder and all regulations promulgated pursuant thereto. Lessee hereby acknowledges and agrees that in the event of any conflict between the terms of this Lease and the terms of the Lessee Regulatory Agreement, the terms of the Lessee Regulatory Agreement shall control.

ARTICLE II.

LEASEHOLD TERM

Section 2.1. **Term.** The initial term of this Lease (the “Initial Term”) shall be for a period of five (5) years, commencing on the 1st day of _____, 2014 (the “Commencement Date”), and shall terminate on _____ 31, 2019, unless sooner terminated as hereinafter provided. Provided Lessee is not in default under the terms of this Lease at the time of giving notice and/or on the commencement date of any Renewal Term (as defined below), which

condition may be waived by Lessor in its sole discretion, Lessee shall have the right to renew the term of this Lease for five (5) renewal terms of five (5) years each (each a "Renewal Term") (the Initial Term and any Renewal Term is herein, the "Term"). Tenant shall exercise any renewal option by giving written notice to Landlord at least nine (9) months prior but not more than eighteen (18) months prior to the end of the Initial Term or any Renewal Term, as applicable, time being of the essence. Each Renewal Term shall commence on the expiration of the Initial Term or the preceding Renewal Term, as applicable, and shall expire on the fifth (5th) anniversary of each such Renewal Term. Each Renewal Term shall be upon the same terms and provisions of this Lease except that Lessee shall have one less Renewal Term available to Lessee and the Base Rent shall be as provided in Section 3.1 following each such renewal. The Initial Term and any Renewal Term shall be referred to collectively as the "Term".

Section 2.2. **Holding Over.** Except in the event that relinquishment of possession of the Facility is prohibited or obstructed by governmental rule, order or directive, or Lessor has in writing requested Lessee to remain in possession of the Facility, if Lessee, or any party claiming under Lessee (except for residents of the Facility) voluntarily retains possession of the Facility or any part thereof after the expiration of the Term or earlier termination of this Lease pursuant to the terms hereof, such possession shall be: (i) an unlawful detainer, no tenancy or interest shall result from such possession and such parties shall be subject to immediate eviction and removal; and (ii) such retention of the property is to be deemed to constitute a further lease of the Facility on a month-to-month tenancy at will at a monthly rental of one hundred twenty-five percent (125%) of the monthly Base Rent (as hereinafter defined) during the last month of the Term. Except in the event Lessee's immediate relinquishment of possession of the Facility is prohibited or obstructed by governmental rule, order or directive, or Lessor has in writing requested Lessee

to remain in possession, Lessee will vacate the Facility and deliver the Facility to Lessor in good condition and repair, usual wear and tear excepted, immediately upon Lessee's receipt of notice from Lessor to so vacate. No holding over by Lessee, whether with or without consent of Lessor, shall operate to extend this Lease except as provided herein.

Section 2.3. **Lessor's End of Term Rights.** Lessee hereby represents and warrants that at the end of the Term, the Facility shall be turned over to Lessor, or a successor tenant designated by Lessor, in a fully licensable condition and operating as a long-term nursing care facility; provided, however, that if Lessor or its designated successor tenant fails to obtain or elects not to obtain a license to operate the Facility as a long-term nursing care facility within sixty (60) days after the end of the Term, then Lessee may cease operations at the Facility in accordance with applicable Laws. To the extent transferable, Lessee shall cooperate with and assist Lessor, at Lessor's sole cost and expense, in having the applicable licenses to operate the Facility transferred to Lessor or its assignee. If Lessor or its designated successor tenant obtains a license and becomes Medicaid or Medicare certified, then at the end of the Term, Lessee shall, upon request of Lessor or Lessor's designated successor tenant and to the extent allowed by applicable Laws, assign Lessee's Medicaid or Medicare Provider agreements (as applicable) to Lessor or Lessor's designated successor tenant with the Medicaid contract, if any, reassigned, if then assignable, to Lessor.

Notwithstanding any contrary provision in this Lease, subject to any applicable Laws and the rights of secured parties, for so long as the CF Security Instrument and/or the HUD Mortgage shall be a lien against the Property or during any period in which the Regulatory Agreement is in effect, upon the expiration or earlier termination of this Lease for any reason whatsoever, this Lease shall become and be construed as an absolute assignment for purposes of vesting in Lessor

(or Lessor's designee) all of Lessee's right, title, and interest in and to the following, to the extent assignable by law:

- (a) the Licenses;
- (b) each of the Provider Agreements;
- (c) the Certificates of Need;
- (d) all Records;
- (e) all existing agreements with patients and residents of the Facility and any guarantors of such agreements, subject, however, to any security interest in favor of CF or any other lender providing accounts receivable financing to Lessee, and any and all patient trust fund accounts; and
- (f) all other assignable intangible property not enumerated above that is now or in the future used in connection with the operation of the Facility, subject, however, to any security interest in favor of CF or any other lender providing accounts receivable financing to Lessee.

Lessee shall sign and deliver to Lessor, or its designee, any documents that may be reasonably necessary to transfer the foregoing to Lessor. If necessary for Lessor or designee to operate the Facility, for the period commencing on the expiration or earlier termination of this Lease and ending on the date that Lessor or its designee obtains all appropriate licenses and certifications required to operate the Facility, Lessor shall operate the Facility under a management agreement with Lessee, with Lessor responsible for all costs of such operation (e.g., taxes, insurance, and maintenance).

ARTICLE III.

RENT

Section 3.1. **Base Rent.** Lessee agrees to pay monthly as rent for the Facility an aggregate base rent in the amount of One Hundred Thirty Five Thousand Dollars (\$135,000) per month (the "Base Rent") to Lessor at Lessor's office at 9151 Deereco Road, Suite 407, Timonium, Maryland 21093, or at such other address as Lessor may from time to time designate to Lessee in writing, without demand and without deduction, abatement or setoff except as otherwise expressly permitted herein. Base Rent shall adjust as needed to reflect any change in payments due under the CF Loan or the HUD Loan, as applicable.

Section 3.2. **Net Rental.** This Lease is intended to be a triple net lease. The Base Rent provided for in this Lease shall be absolutely net to Lessor throughout the Term of this Lease and Lessee accordingly covenants and agrees to pay all taxes other than income taxes and all costs of operating, maintaining, repairing (including capital repairs and replacements) and insuring the Facility as set forth in Article VII.

Section 3.3. **Payment Terms.** All Base Rent payable under this Article III shall be due and payable monthly, on the first (1st) day of each month in advance, during the Term of this Lease. In addition, if the Commencement Date is on a day other than the first (1st) day of a month, the Base Rent due for such month shall be based on the number of days in such partial month. All installments of Base Rent hereunder shall be paid in lawful money of the United States of America.

Section 3.4. **Late Charge.** If any installment of Base Rent is not paid within ten (10) days after the date it is due, Lessor, at its option, may assess a late charge equal to five percent (5%) of the amount due.

ARTICLE IV.

ALTERATIONS OR REPLACEMENT OF EQUIPMENT

Section 4.1. **Alterations.** Lessee may make alterations, additions and improvements to the Facility consistent with any approved use, subject, if applicable, to any requirements imposed by the HUD Facility Loan. Any single alteration, addition or improvement or any group thereof which is a part of a single renovation or capital improvement program to be commenced and completed as a “unit” having a cost in excess of Twenty-Five Thousand Dollars (\$25,000.00), except as otherwise provided herein, or which affect the structural integrity of the Facility (“Major Improvements”) may be commenced only upon obtaining prior written consent from Lessor, which consent shall not be unreasonably withheld, conditioned or delayed. Any and all such improvements, additions or alterations shall be made at Lessee’s sole cost and expense and shall become the property of Lessor.

Section 4.2. **Replacement of Equipment.** If during the Term of this Lease, any of the equipment in the Facility becomes obsolete, no longer usable, or beneath the standards of the industry for the proper operation of a long-term nursing care facility, then Lessee is given permission to junk or destroy such equipment, provided that Lessee shall replace such equipment with other equipment of equal or better kind, quality and grade (“Replacement Equipment”). Title and/or ownership to such Replacement Equipment shall immediately vest in Lessor upon placement of such equipment in the Facility. Upon expiration of this Lease, Lessee shall leave all equipment that originally belonged to Lessor and all Replacement Equipment in the Facility in good working order, ordinary wear and tear excepted. Notwithstanding the foregoing, Lessee is required to provide to Lessor upon the termination of this Lease, in good working order, ordinary wear and tear excepted, all equipment required under applicable Laws for a licensable

long-term nursing care facility of the same kind and nature as the Facility is then being operated by Lessee. Lessee may, at its sole expense, place additional personal property in the Facility as it desires (“Additional Property”), and the same shall be and remain the property of Lessee. Lessor agrees to execute a subordination of any statutory or landlord’s lien that Lessor may have to any security interest granted by Lessee to secure a purchase money obligation of any Additional Property or a lease of any Additional Property or fixtures.

ARTICLE V.

PEACEFUL ENJOYMENT OF THE FACILITY

Section 5.1. **Right of Quiet, Enjoyment.** Lessor covenants that during the Term, so long as no Event of Default (as hereinafter defined) exists, Lessee shall peaceably hold and enjoy the Facility without hindrance or interruption by Lessor or any person claiming by, through or under Lessor, including without limitation any lienholder or any person claiming by, through or under any such lienholder.

Section 5.2. **Mortgages.** If Lessor, or a subsequent owner of the Facility, fails to make payment on any liens or mortgages or deeds of trust (if any) against the Facility, including, without limitation, the CF Loan and the HUD Loan, then provided Lessee gives Lessor ten (10) days prior written notice, such payments may be made by Lessee, at Lessee’s option, and deducted from the Base Rent due under this Lease.

Any mortgage or deed of trust secured by a lien against the Facility or any portion thereof or any rentals arising pursuant hereto, or any amendments to any such mortgage or deed of trust or extensions thereto, including without limitation the CF Security Instrument and/or the HUD Mortgage, herewith, (the “Mortgage”) shall be subject to the following terms:

This Lease shall at all times and in all respects be subordinate to all of the terms, conditions and provisions of the Mortgage and to all renewals, modifications and extensions thereof.

If any lender or any transferee of the interest of Lessor in the Facility or this Lease pursuant to a foreclosure or other proceeding instituted or action taken under or in connection with the Mortgage and such transferee's successors and assigns (such transferee, its successors and assigns, including but not limited to, lender, being hereinafter referred to as "Purchaser") succeeds to the interest of Lessor in and to the Facility or under this Lease, this Lease and all terms herein, and the rights of Lessee thereunder, shall continue in full force and effect and shall not be altered, terminated or disturbed, and Lessee shall be bound to Purchaser under all of the terms, covenants and conditions of this Lease for the balance of the Term hereof with the same force and effect as if Purchaser were the Lessor under this Lease. In such event, Lessee shall attorn to Purchaser as its landlord, such attornment to be effective and self-operative without the execution of any other instruments on the part of Purchaser or Lessee, immediately upon Purchaser succeeding to the interest of Lessor under this Lease. Provided, however, Lessee shall be under no obligation to pay any monetary obligation set forth in this Lease to Purchaser until Lessee receives written notice from Purchaser that Purchaser has succeeded to the interest of Lessor in and to the Facility or under this Lease or Purchaser has posted the Facility for foreclosure with such notice being sent to Lessee postage prepaid, certified mail, return receipt requested at Lessee's address for notice as set forth in Section 13.5 of this Lease. Upon receipt by Lessee of such notice from Purchaser, Lessee shall make all payments of monetary obligations due by Lessee under this Lease to Purchaser or as Purchaser may in writing direct and Lessee shall not be liable to Lessor for any such payments made to Purchaser. The

respective rights and obligations of Lessee and Purchaser upon such attornment, to the extent of the then remaining balance of the Term of this Lease, shall be and are the same as are then in existence between Lessee and Landlord. Lessee hereby agrees to execute and deliver at any time during the Term of this Lease at the request of Lessor, an agreement regarding Lessee's subordination of this Lease provided that it contains a customary and reasonable non-disturbance provisions for the benefit of Lessee.

Section 5.3. **Intentionally Omitted.**

Section 5.4. **Non-Removal of Residents.** Lessee agrees that in anticipation of the termination of this Lease that it will not, directly or indirectly, move or make arrangements to move any of the residents from the Facility to any other long-term nursing care facility; provided, however, Lessor acknowledges that residents are free to discharge themselves from the Facility at any time. Lessee may assist any residents who choose to be discharged with placement in the long-term nursing care facility of such residents' choice. Upon expiration of the Term of this Lease, Lessee will cooperate with Lessor for an orderly turnover of management and control of the Facility to Lessor or any other third party designated by Lessor. Lessee further agrees that for a period of at least three (3) months prior to any termination of this Lease, Lessor shall have the right to have supervisory personnel and any other such personnel as Lessor may reasonably deem necessary in and about the Facility and with full and complete right of access to all of Lessee's activities and records in and about the Facility, in order that an orderly take-over by Lessor of the Facility may be accomplished upon the termination of this Lease. The above rights shall be exercised only in such a way as to not interfere with the quiet enjoyment of Lessee or interfere with Lessee's operations during the Term of this Lease or the residents of Lessee residing in the Facility.

Section 5.5. **Resident and Long Term Nursing Care Facility Records.** Upon the termination of this Lease, Lessee agrees to deliver to Lessor or the successor operator, in compliance with applicable Laws, the medical charts and records for current residents, all resident trust funds, the books and records showing the resident deposits, the payroll roster and such other records or information for the Facility and its operation as may be reasonably requested by Lessor or the equivalent thereof to Lessor or as required by applicable Laws. Unless otherwise prohibited by Law, Lessee may comply with this provision by providing Lessor or the successor operator with complete and legible copies of the records described above.

ARTICLE VI.

ASSIGNMENT AND SUBLETTING

Section 6.1. **Assignment and Subletting.** Other than assignments or subleases to a “related party,” as that term is defined below, which shall be deemed authorized by Lessor upon Lessee’s notice of same to Lessor together with a copy of the lease assignment or sublease and, if applicable, evidence of the approval of the assignment or sublease by CF, HUD and the holder of the HUD Loan, subject to the terms and conditions herein, Lessor agrees that Lessee may assign or sublease the Facility to a third party with good and sufficient experience operating nursing homes of similar size and financially capable in the operation of long-term nursing care facilities, and with the prior written approval of Lessor, which approval shall not be unreasonably withheld, delayed or conditioned. Lessee shall furnish to Lessor written notice of its intent to assign or sublet this Lease together with information and documentation which reasonably establishes the experience, and financial history of the proposed assignee or sublessee required in the preceding sentence (the “Transfer Information”). Lessor shall have thirty (30) days from receipt of the Transfer Information to either notify Lessee in writing of its acceptance of the

proposed assignee or sublessee or dispute the proposed assignee or sublessee. In the event that Lessor reasonably disputes the financial, or experience qualifications of the proposed assignee or sublessee, Lessor and Lessee agree that either party may request that the dispute be resolved by a binding arbitration proceeding conducted within sixty (60) days of notice of intent to assign or sublease in accordance with customary local arbitration practices. Notwithstanding anything contained in this Lease to the contrary, with the prior written consent of CF, HUD and/or the holder of the HUD Loan, as applicable, Lessee may, without the consent of Lessor and without having to comply with the provisions of this Section 6.1 assign this Lease to a corporation or entity into or with which Lessee shall be merged or consolidated or to which substantially all of Lessee's assets, stock or other equity interest may be transferred provided that such merger, consolidation or transfer of assets is for a good business purpose and not principally for the purpose of transferring the leasehold estate created by this Lease; or a corporation or entity which controls, is controlled by or is under common control with Lessee, provided that Lessee promptly provides evidence of such assignment or sublease to Lessor.

ARTICLE VII.

OPERATING COSTS; MAINTENANCE AND REPAIR; INSURANCE

Section 7.1. **Operating Costs.** "Operating Costs" shall include, but not be limited to, the following costs and expenses incurred in connection with the ownership, operation, maintenance, repair and security of the Facility, which costs and expenses shall be paid solely by Lessee as provided in Section 3.2 above, including but not limited to the following:

(i) All taxes and assessments and governmental charges applicable to the Facility or its operation, or to personal property used in connection therewith, whether federal, state, county

or municipal, and whether assessed by taxing districts or authorities presently taxing the Facility or the operation thereof, or by other taxing authorities, whether subsequently created or otherwise, and any other taxes and assessments attributable to the Facility or its operation;

(ii) Costs of all insurance relating to the Facility to be maintained, pursuant to this Article VII, during the Term of this Lease;

(iii) Costs and expenses incurred for electricity, gas, heat, fuel, steam, water, sewer, telephone or other similar utilities required in connection with operation and maintenance of the Facility;

(iv) Costs of all Licenses, Reports and inspection fees for the Facility;

(v) Costs incurred to comply with any new or revised Laws not in effect on the date first hereinabove written;

(vi) Costs of the maintenance of the Facility and the leasing, operation, maintenance, repair, use or occupation thereof;

(vii) Costs and expenses for the grounds maintenance for the Facility and adjacent and surrounding areas, trash pick-up, watering and repair of any portion of the Facility; and

(viii) Subject to Article IV, any and all other costs and expenses paid or incurred by Lessee in connection with, or arising out of, the operation of the Facility.

To the extent not included as part of the Mortgage Payment, Lessee shall pay to the appropriate taxing authorities, as additional rent and as they become due and payable and at least ten (10) days before they become delinquent, all taxes, assessments and other governmental charges levied or assessed against the Facility referred to above in Section 7.1 (i) (the "Taxes"). Nothing contained in this Lease shall be deemed to require Lessee to pay any franchise, corporate, estate, inheritance, succession, capital levy, transfer tax, or other charges against the

Lessor, or any income, profits or revenue tax charged upon the rent payable by Lessee under this Lease. Taxes for the Facility for the last year of this Lease Term shall be prorated between Lessor and Lessee to the date of termination thereof. Upon written request by Lessee, Lessor shall promptly present to Lessee copies or photocopies of all proposed assessments of the Facility and receipts for payment of all Tax bills for each year within ten (10) days from the receipt by Lessor. In the event Lessee shall desire to contest in good faith any proposed valuation of the Facility used to determine the Taxes, Lessee may file in the name of Lessor and/or Lessee all such protests or other instruments and institute and prosecute proceedings for the purpose of such contest, but shall, if required by Lessor, furnish to Lessor reasonable indemnity against any loss by reason of such contest. Lessor agrees that it will, at Lessee's expense, cooperate with Lessee in any such proceeding or contest to such extent as Lessee may reasonably request. Lessee shall be entitled to any refund of any Taxes (and penalties or interests thereon) refunded by the levying authority pursuant to any such proceedings or contest, if such Taxes shall have been paid by Lessee or shall have been paid by Lessor and reimbursed to Lessor by Lessee. If at any time the payment of any Taxes shall become necessary to prevent the creation or enforcement of a Tax lien against the Facility, or any portion thereof, because of nonpayment, then Lessee shall pay such Taxes in sufficient time to prevent the creation or foreclosure of such Tax lien.

Section 7.2. **Repairs and Maintenance.** Lessee shall maintain the grounds of the Facility at Lessee's sole cost and expense. Lessee shall keep the roof, foundation and interior and exterior walls of the building shell (including any doors, windows or glass portions thereof) and floors, HVAC, electrical and plumbing systems and all other building components of the Facility in good repair and condition, at its sole expense, for the intended use of a long-term

nursing care facility. Lessee shall keep all personalty, furniture, fixtures and equipment used in the operation of the Facility in good repair and condition, and at the end or other expiration of the Term deliver up the personalty, furniture, fixtures and equipment used in the operation of the Facility to Lessor (except the Additional Property which shall remain the property of Lessee) in good condition, reasonable wear and tear and loss or damage by fire or other casualty occurring during the last year of the Term or Renewal Term excepted.

Section 7.3. **Damage to Facility.** If, at any time during the Term of this Lease, the Facility becomes partially or wholly damaged or destroyed by fire, windstorm or other casualty, then Lessee shall notify Lessor thereof in writing and Lessee shall proceed promptly to rebuild and repair such portion of the Facility so damaged or destroyed, to the extent that either (i) the insurance proceeds are released by Lessor, or Lessor's lender, if any, or (ii) funds equal to the insurance proceeds are provided by Lessor, and in either case Lessee actually receives such funds to be used to reconstruct the Facility, and this Lease shall continue in full force and effect.

Whenever under the foregoing provisions of this Section 7.3 Lessee shall have the obligation to reconstruct all or any portion of the Facility and so continue this Lease in full force and effect, such construction shall be commenced within ninety (90) days after actual receipt by Lessee of sufficient insurance proceeds or funds from Lessor. Lessee shall prosecute such reconstruction diligently to the end that the Facility will be restored to substantially the same condition as before the occurrence of such damage within twelve (12) months after actual receipt by Lessee of sufficient insurance proceeds or funds from Lessor, and the Term shall be extended for a period of time equal to the period during which the repair or rebuilding is in progress, until possession of the repaired or replaced Facility is obtained by Lessee which extension shall not exceed twelve (12) months.

If Lessee does any rebuilding or repair, Lessee will be entitled to receive all insurance proceeds released by Lender, which shall be applied as necessary to accomplish such rebuilding or repair. If any lienholder will not release the insurance proceeds to Lessee, Lessor may elect to timely provide Lessee with funds equal to the insurance proceeds for such rebuilding, which funds shall be utilized by Lessee in the same manner as if the insurance proceeds had been paid directly to Lessee. Notwithstanding anything in this Lease to the contrary, if Lessee is provided neither all the insurance proceeds due to the Lessor's lender's election not to release such insurance proceeds, nor other funds from Lessor to repair or rebuild as required equal to the insurance proceeds to be applied to reconstruction of the Facility, then in such event, but only in such event, if the cost of repair exceeds One Hundred Thousand Dollars (\$100,000), Lessee may, at its election: (i) terminate this Lease and its obligations hereunder as of the date of such damage or destruction, (ii) repair the Facility (or replace if totally destroyed) such that it is operable as required by the licensing governmental authorities, using its own funds.

Notwithstanding any contrary provision herein, in the event that fifty percent (50%) or more of the square footage of the buildings comprising the Facility are destroyed or so damaged as to be rendered unusable for its intended purposes during the final three (3) years of the Term, Lessee may, at its option, either (i) promptly undertake the repair, replacement, and/or restoration of the Facility, in which event this Lease shall continue in full force and effect subject to lease extension as provided above, or (ii) cancel and terminate Lessee's obligations under this Lease as of the date of the occurrence of such destruction or damage, whereupon Lessor shall receive the insurance proceeds relating to such damage and this Lease shall terminate and be of no further force or effect.

Section 7.4. **Insurance Requirements.** Lessee shall procure and maintain throughout the Term of this Lease, at Lessee's sole cost and expense, the following insurance policies (which may be by blanket policy); a copy of which shall be delivered to Lessor within ten (10) days of Lessor's written request.

(a) A commercial general liability policy or policies of insurance with broad form endorsement, insuring Lessee and Lessor against any and all liability or injury to or death of a person or persons, and for damage to or destruction of property occasioned by or arising out of or in connection with the use or occupancy of the Facility, with the limits of such policy or policies to be in an amount not less than One Million Dollars (\$1,000,000) per occurrence for the Facility and Three Million Dollars (\$3,000,000) in the aggregate for the Facility. The liability insurance policies shall cover the entire Facility, including sidewalks, driveways, parking lots, private streets and alleys adjacent to or adjoining the Facility and all improvements located on the Facility.

(b) All risk hazard insurance coverage for all risk of direct physical loss including fire and lightning, extended coverage and special extended coverage for the Facility (including, comprehensive boiler and machinery coverage for all insurable objects, including but not limited to pressure vessels, HVAC, electrical apparatus and electrical distribution systems) and any other improvements located on the land, and all items of furniture, fixtures, inventory and other personal property, in an amount from time to time equal to one hundred percent (100%) of the full replacement cost of the Facility.

(c) Business interruption insurance to the extent necessary to pay the rental obligations of Lessee hereunder for at least twelve (12) months in the event of any damage or destruction to the Facility referred to in Section 7.3 above.

(d) Flood insurance as required by the Facility location or by Lessor's lender.

All policies of insurance described above shall be written by companies authorized to do business in the District of Columbia and with a policy rating and financial size category of at least "A-" according to the most current Best's Insurance Reports, or as otherwise reasonably acceptable to Lessor.

With respect to the policies referred to in Section 7.4(a) and (b) above, the policies shall insure Lessor and Lessor's lender, if any, as an additional insured and loss payee, as appropriate. Lessor reserves the right to review the coverages, exclusions and other provisions of the policy forms and the right to reject such coverages if Lessor deems reasonably the coverage provided by Lessee to be inconsistent with the foregoing provisions.

Section 7.5. **Application of Proceeds of Fire Insurance.** To the extent not retained by Lessor's lender, all proceeds payable pursuant to the provisions of any policies of hazard insurance shall be collected and held by Lessor and applied for the following purposes:

(i) All proceeds shall first be used, subject to any other conditions contained in this Lease, as a fund for the restoration, repair and replacement of any and all buildings, improvements and equipment comprising a part of the Facility which have become destroyed or damaged. Such proceeds in such event shall be used and applied in satisfaction and discharge of the cost of the restoration of the destroyed or damaged buildings, improvements and equipment;

(ii) Such funds shall be paid out from time to time to persons furnishing labor or materials, or both, including architects' fees and contractors' compensation with respect to the construction work, on vouchers approved by Lessor and by a licensed architect or engineer employed by Lessee to superintend the work;

(iii) Any funds not disbursed and remaining after the completion of the restoration of the repair work on the payment and discharge of the cost thereof shall be applied to any rent or other sums then due hereunder and the balance shall be delivered to Lessee; and

(iv) Lessee shall at all times prior to a loss thereon be entitled to cause the surrender of any policy or policies of fire insurance and to receive the allowable rebate of unearned premiums thereon upon the condition, however, that Lessee first shall substitute a policy or policies in an equal or greater amount issued by carriers and in form satisfactory to Lessor.

Section 7.6. **Premiums.** All premiums and charges for all of said insurance policies shall be paid by Lessee when due. If Lessee shall fail or neglect to make any payment when due, Lessor may, but shall not be obligated to, make such payment or carry such policy, and the amount of any premium paid therefore shall forthwith be repaid by Lessee to Lessor together with interest calculated at the rate of twelve percent (12%) per annum from the date of the payment by Lessor of such premium until repaid by Lessee.

Section 7.7. **Renewal Policies.** At least thirty (30) days prior to the expiration of each such insurance policy and upon request of Lessor, Lessee shall deliver to Lessor copies of a renewal policy or binder which shall comply with the foregoing provisions with respect to prior notice of cancellation thereof being given by the insurance company to Lessor. In the event of the failure of Lessee to procure and deliver such renewal policy or policies or binder or binders therefore within the time above prescribed, Lessor shall be permitted so to do and the premiums charged therefore shall be borne and forthwith paid by Lessee.

Section 7.8. **Waiver of Subrogation.** Lessee shall not have any right or claim against Lessor and its agents, servants, directors, officers, and employees (collectively "Indemnitees") for any property damage (whether caused by negligence or the condition of the Facility, or any part

thereof) by way of subrogation or assignment. Lessee hereby waives and relinquishes any such right of subrogation. Lessor hereby waives and relinquishes any right or claim against Lessee from damage to the extent covered by insurance proceeds. Lessee shall request its insurance carrier to endorse all applicable policies, if any, waiving the carrier's right of recovery under subrogation or otherwise in favor of Lessor. To the extent, but only to the extent, that such casualty insurance shall require a release of the claim of the insured against the other party in order to effectuate such a waiver of subrogation, such claim shall be deemed released.

Section 7.9. **Insurance Impound Account.** During any period within which the CF Loan or the HUD Loan is outstanding and/or the Regulatory Agreement is in effect, if CF, HUD or any lender with respect to the HUD Loan requires Lessor to impound insurance premiums on a periodic basis during the Term and such amount is not part of the mortgage payment due with respect to such loan, Lessee, on notice from Lessor indicating this requirement, shall pay a sum of money towards its liability under this Lease to Lessor on a periodic basis in accordance with instructions provided by Lessor.

Section 7.10. **Insurance Required by HUD.** During any period within which the HUD Facility Loan is outstanding and/or the Regulatory Agreement is in effect, Lessee further agrees to provide such professional liability insurance and other insurance with respect to its operations upon the Property, with such policy limits, as the Commissioner or Lender may require from time to time.

ARTICLE VIII.

INDEMNIFICATION

Section 8.1. **Indemnification.** Lessee covenants and agrees, at its sole cost and expense, to indemnify and hold harmless Lessor and its partners, shareholders, directors and

officers, employees and agents from and against any and all claims by or on behalf of any person, firm, corporation or governmental authority, arising from the occupation, use, possession, conduct or management of, or from, all operations, work or thing whatsoever done on and about the Facility during the Term, or the condition of the Facility, or arising from any breach or default on the part of Lessee to be performed pursuant to the terms of this Lease. Lessee covenants and agrees, at its sole cost and expense, to indemnify and hold harmless Lessor, and its partners, shareholders, directors and officers, employees and agents from and against any and all claims by or on behalf of any person, firm, corporation or governmental authority, arising from or out of Lessee's acts, omissions or failure of its obligations and agreements hereunder. Lessor covenants and agrees, at its sole cost and expense, to indemnify and hold harmless, Lessee, its shareholders, directors, officers, employees and agents from and against any and all claims by or on behalf of any person, firm, corporation or governmental authority, arising from or out of Lessor's acts, omissions or failure of its obligations and agreements under this Lease. The indemnification obligations of Lessee and Lessor hereunder shall include all costs, expenses and liabilities incurred by Lessor or Lessee, as applicable, including reasonable attorneys' fees, and in case any action or proceeding shall be brought against Lessor or Lessee by reason of such claim, Lessee or Lessor, upon receipt of written notice from Lessor or Lessee, covenants to defend such action or proceeding with counsel satisfactory to Lessor, unless such action or proceeding is defended by any carrier of public liability insurance maintained by Lessee hereunder.

ARTICLE IX.

CONDEMNATION

Section 9.1. **Eminent Domain.** Within fifteen (15) days from the receipt of written notice of any condemnation proceeding by any governmental authority, Lessor shall notify Lessee of such event. Should the Facility be taken or condemned in whole, but not in part, for public purpose during the Term hereof, the obligations of Lessee with respect to the Facility and under this Lease shall terminate. Should the Facility be taken or condemned in part during the Term hereof, to the extent that the Facility loses fifteen percent (15%) or more of the facilities necessary or required for the operation of the Facility in accordance with applicable state licensure and certification requirements that cannot reasonably be replaced elsewhere within the Facility, Lessee may elect to terminate the obligations of Lessee by written notice delivered pursuant to Section 13.5 of this Lease, or to continue the same in effect. If this Lease is to be continued, the Base Rent shall be reduced based upon the percentage difference between the operating income for the Facility for the six (6) month period immediately prior to the condemnation event and the operating income for the six (6) month period immediately following the condemnation event; provided, that nothing shall affect the provisions of Section 3.3 hereof. Lessee shall continue to pay the non-reduced applicable Base Rent until the percentage difference can be determined, at which time the Base Rent shall be retroactively reduced to the date of the condemnation event. Lessor shall have the right to terminate this Lease in the event that any such Base Rent reduction would result in a new Base Rent figure which is less than sixty percent (60%) of the Base Rent figure prior to the taking by condemnation. To the extent any condemnation award proceeds are released by Lessor's lender and neither party has elected to terminate this Lease, Lessee shall use such proceeds to repair any damage to the Facility resulting from any such taking. All sums awarded as a result of such

taking shall belong to and be paid as follows: To the extent not retained by Lessor's lender, first to repair any damage to the Facility resulting from any such taking; second to Lessor until it receives the fair market value of the portion of the Facility taken; third, so long as no Event of Default by Lessee is then occurring, to Lessee until it receives the fair market value of its unamortized improvements taken, but solely to the extent Lessee is entitled to such reimbursement under Section 4.2 hereof for Additional Property; and the remainder of the award shall be paid to Lessor. Nothing contained herein shall prevent Lessee from seeking a separate award from the condemning authority.

Section 9.2. **Damages from Certain Causes.** Lessor shall not be liable or responsible to Lessee for any loss or damage to any property or person occasioned by theft, fire, act of God, public enemy, injunction, riot, strike, insurrection, war, court order, requisition or order of a governmental body or authority, or any cause beyond Lessor's control.

ARTICLE X.

DEFAULT

Section 10.1. **Events of Default.** The following events shall be deemed to be events of default ("Events of Default") by Lessee under this Lease:

(i) If Lessee shall fail to pay any installment of Base Rent or amounts payable pursuant to Article VII hereof, on the date the same is due or is otherwise required to be paid under the terms of this Lease and shall not cure such failure within ten (10) days after receipt of written notice thereof from Lessor to Lessee in accordance with Section 13.5 hereof; provided, however, that Lessor shall not be obligated to provide the ten (10) day written notice under this subsection more than twice during any twelve (12) consecutive month period during the Term.

(ii) If Lessee shall fail to comply with any term, provision or covenant of this Lease, other than those relating to the payment of Base Rent or other sums of money or any other Event of Default listed in this Section 10.1, and shall not cure such failure within thirty (30) days after receipt of written notice thereof from Lessor to Lessee in accordance with Section 13.5 hereof.

(iii) If a decree or order by a court of competent jurisdiction shall have been entered adjudging Lessee, or any guarantor of Lessee's obligations hereunder (if any), bankrupt or insolvent or appointing a receiver or trustee or assignee in bankruptcy or insolvency of all or substantially all of its property and such decree or order shall have continued in force undischarged or unstayed for a period of sixty (60) days.

(iv) If Lessee shall do, or permit to be done, anything which creates a lien upon Lessor's interest in the Facility and any such lien is not discharged or bonded within sixty (60) days after filing.

(v) If Lessee, or any guarantor of Lessee's obligations hereunder (if any), shall become insolvent, file a voluntary petition for bankruptcy, make a transfer in fraud of creditors, or make an assignment for the benefit of creditors, or if a receiver or trustee shall be appointed for Lessee or any of the assets of Lessee.

(vi) If Lessee shall assign or otherwise transfer this Lease, or sublet the whole or any part of the Facility, otherwise than as expressly permitted hereunder, or if this Lease or the estate of the Lessee hereunder shall be transferred, or passed to, or devolved upon, any person, firm or corporation other than Lessee, except in the manner permitted hereby.

(vii) If the Facility is operating as a Medicaid or Medicare facility and such Medicaid or Medicare certification is involuntarily terminated for failure to comply with the requirements for participation in the Medicaid or Medicare program; provided, however, such involuntary

termination shall not be an Event of Default so long as Lessee is pursuing an appeal of such termination, or if Lessee obtains a new Medicaid or Medicare provider Agreement for the Facility within six (6) months after the effective date of the involuntary termination.

(viii) If any representation, warranty, report, certificate or other communication made by Lessee to Lessor, under the terms of this Lease, is false or misleading in any material respect and continues to be false or misleading in any material respect thirty (30) days after receipt of written notice thereof from Lessor to Lessee in accordance with Section 13.5 hereof.

(ix) Except in the event of damage, destruction or condemnation of the Facility, the intentional diversion of residents from the Facility by Lessee, or Lessee's sublessee, during the Term of this Lease.

(x) Lessee violates any term, covenant or condition of Lessee's Regulatory Agreement, if any, which violation is not cured within any applicable cure period provided therein.

(xi) Lessee is in violation of any Laws which could result in the closure of the Facility or a forfeiture, or suspension or termination of any Licenses and such violation is not cured within any applicable cure period specified in such Law or specified by the authority enforcing such Law.

Section 10.2. **Remedies.** Upon the occurrence of any such Event of Default, Lessor shall have the right, at Lessor's election, to pursue in addition to and cumulative of any other right Lessor may have, at law or in equity, the following remedy without any notice or demand whatsoever: to terminate this Lease, in which event Lessee shall immediately surrender the Facility to lessor, and if Lessee fails to do so, Lessor may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the

Facility and expel or remove Lessee and any other person who may be occupying the Facility or any part thereof, provided such removal of such other persons is done in accordance with all applicable Laws, without being liable for prosecution or any claim of damages therefor and Lessee agrees to pay to Lessor on demand the amount of all loss and damage which Lessor may suffer by reason of such termination.

Section 10.3. **Cumulative Rights.** Pursuit of the foregoing remedy shall not preclude pursuit of any other remedies provided by law, nor shall pursuit or any remedy herein provided constitute a forfeiture or waiver of any rent due to Lessor hereunder or of any damages accruing to Lessor by reason of the violation of any of the terms, provisions and covenants herein contained. Failure by Lessor to enforce the remedy herein provided, upon any Event of Default, shall not be deemed or construed to constitute a waiver of such default or of any other violations or breach of any of the terms, provisions and covenants herein contained.

Section 10.4. **Effect of Waiver or Forbearance.** No waiver by Lessor of or any breach by Lessee of, its obligations, agreements or covenants hereunder, shall be a waiver of any subsequent breach or of any obligation, agreement or covenant, nor shall any forbearance by Lessor to seek a remedy for any breach by Lessee be a waiver by Lessor of its rights and remedies with respect to such subsequent breach.

ARTICLE XI.

ATTORNEYS' FEES

Section 11.1. **Attorneys' Fees.** If on account of any breach or default by either party hereunder, it shall become necessary for the other party hereto to employ an attorney to enforce or defend any of said party's rights or remedies hereunder, and should such party prevail in a final judgment, the party against whom enforcement was sought shall pay to the other party any

reasonable attorneys' fees incurred by reason of such proceedings plus all costs involved therewith including without limitation, court costs.

ARTICLE XII.

SIGNS

Section 12.1. **Lessee's Signage Rights.** Lessor covenants that Lessee shall have the right to place any signs or other advertising devices, electrical or non-electrical which are consistent with the use of the Facility, on or about the Facility in accordance with applicable city ordinances and other applicable Laws.

ARTICLE XIII.

MISCELLANEOUS

Section 13.1. **Inspection.** Lessee shall permit Lessor and its agents to enter into and upon the Facility at all reasonable times and upon reasonable notice for the purpose of inspecting the same on the condition that Lessee's use and quiet enjoyment of the same is not unreasonably interfered with.

Section 13.2. **Estoppel Certificates.** Either party shall, at any time and from time to time upon not less than ten (10) days prior written request by the other party, execute, acknowledge and deliver to the other party or its lender a statement in writing certifying that: (1) this Lease is unmodified and in full force and effect (or if there have been any modifications, that the same is in full force and effect as modified and stating the modifications) and, if so, the dates to which the Base Rent and any other charges have been paid in advance; and (2) that, to its knowledge no default exists hereunder on the part of the Lessor or Lessee (except that if any such default does exist, specifying such default).

Section 13.3. **Lessor's Right to Perform Lessee's Covenants.** If Lessee shall default in the performance of any of its covenants, obligations or agreements contained in this Lease, other than the obligation to pay rent, Lessor after twenty (20) days notice to Lessee specifying such default (or shorter notice if any emergency exists) may (but without any obligation so to do) perform the same for the account and at the expense of Lessee, and the amount of any payment made or other reasonable expenses, including reasonable attorneys' fees incurred by Lessor for curing such default, with interest thereon at the rate of twelve percent (12%) per annum shall be payable by Lessee to Lessor on demand.

Section 13.4. **Operating Statement.** Lessee shall furnish Lessor with a copy of the annual operating statement for the Facility within thirty (30) days after the end of each fiscal year. Lessee also agrees to provide Lessor within thirty (30) days of its filing, the balance sheet and income information for Lessee contained in the consolidated federal income tax return filed by Lessee, its parent and its subsidiaries for the applicable fiscal year.

Section 13.5. **Notices.** Any notice to be given or to be served in connection with this Lease must be in writing, and may be given by certified or registered mail and shall be deemed to have been given and received forty-eight (48) hours after a certified or registered letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail or one (1) business day after shipping for notices sent by U.S. Express Mail or overnight delivery or on the date hand-delivered, addressed as follows:

If to Lessee:	Brinton Woods of Washington D.C., LLC c/o Brinton Woods Senior Living 9515 Deereco road, Suite 407 Timonium, Maryland 21093 Attention: Daren Cortese
---------------	--

If to Lessor: Brinton Woods Senior Living IV, LLC
c/o Brinton Woods Senior Living
9515 Deereco road, Suite 407
Timonium, Maryland 21093
Attention: Daren Cortese

Each Party hereto shall have the right by giving not less than five (5) days prior written notice to the other party hereto, to change the address of such party for the purpose of notices under this Section 13.5.

Section 13.6. **Successors and Assigns.** All of the covenants, agreements, conditions and stipulations herein contained which inure to the benefit of and are binding upon Lessor shall also inure to the benefit of and shall be binding upon the successors, assigns and grantees of Lessor, and each of them and any and all person who at any time or from time to time during the Term shall succeed to the interest and estate of Lessor in the real estate and property hereby demised. All of the covenants, agreements, conditions and stipulations herein contained which inure to the benefit of or are binding upon Lessee shall also inure to the benefit of and be jointly and severally binding upon the successors, permitted assigns, or other representatives of Lessee, and of any and all persons who shall at any time or from time to time during the Term succeed to the interest and estate of Lessee hereby created in the Facility. The foregoing is subject to the terms and provisions of Article VI hereof.

Section 13.7. **Modification.** This Lease may be modified only by written agreement signed by Lessor and Lessee.

Section 13.8. **Descriptive Headings.** The descriptive headings of this Lease are inserted for convenience in reference only and do not in any way limit or amplify the terms and provisions of this Lease.

Section 13.9. **No Joint Venture.** The relationship between Lessor and Lessee at all times shall remain solely that of Lessor and Lessee and shall not be deemed a partnership or joint venture.

Section 13.10. **Memorandum of Lease.** Lessor and Lessee agree that they shall, upon the written request of either, promptly after such a request, execute and record a memorandum or short form of this Lease, setting forth a description of the Facility, the Term and any other provisions herein, or the substance thereof, as either party desires.

Section 13.11. **Partial Invalidity.** If any term or provision of this Lease or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to any person or circumstances than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term of this Lease shall be valid and be in force to the fullest extent permitted by law.

Section 13.12. **Commission.** Each party represents and warrants to the other that they have not contracted or entered into any agreement with any real estate broker, agent, finder, or any other party in connection with this transaction, and that neither party has taken any action which would result in any real estate broker's, finder's, or other fees or commissions being due or payable to any other party with respect to the transaction contemplated hereby. Each party hereby indemnifies and agrees to hold the other harmless from any loss, liability, damage, cost or expense (including reasonable attorneys' fees) resulting to the other party by reason of a breach of any representation and warranty made by such party herein.

Section 13.13. **Governing Law.** This Lease shall be governed by and interpreted in accordance with the Laws of the District of Columbia.

[Signatures appear on following page.]

IN WITNESS WHEREOF, the parties have executed this instrument as of the day and year first above written.

LESSOR:

BRINTON WOODS SENIOR LIVING IV, LLC,
a Maryland limited liability company

By: _____
Daren Cortese
President

LESSEE:

BRINTON WOODS OF WASHINGTON, D.C.,
LLC, a Maryland limited liability company

By: _____
Daren Cortese
President

EXHIBIT "A"

Legal Description

Attachment J

Qualification of Owners & CV's

The principals and owners of BWSL are extremely active in the day-to-day operations of their nursing homes. They take great pride in getting to know and spending time with their residents and employees. This is truly what sets BWSL apart from its competitors.

Marvin Rabovsky, a resident of Potomac, Maryland, and has lived in Montgomery County, MD since 1982. He has over 20 years experience in healthcare. He is responsible for the day-to-day operations of the company. Prior to BWSL, Marvin founded and operated, Allegis Health Services, which owned and operated nine nursing homes (eight in MD, one in FL), a rehabilitation company and an institutional pharmacy. The company employed more than 2,200 employees and specialized in turning around troubles facilities. Allegis was sold to Mariner health in 1996.

Marvin has a BA from the University of Maryland and a Master's degree in health services administration from the George Washington University. He currently serves on the board of trustees and executive board of the University of Maryland. He is married and has five children.

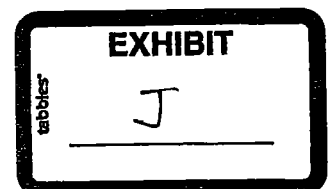
Daren A. Cortese has over 20 years of experience in the long-term care industry. Daren is the President & CFO and founder of BWSL. He specializes in financial management matters particularly as they relate to daily operations. Financial management responsibilities include cash management, preparation of detailed operating and capital budgets, reimbursement management, regulatory affairs, and lender relations.

On May 1, 2005 Mr. Cortese, closed on the purchase of Golden Age Guest Home, a 61 bed skilled nursing facility located in Sykesville, Maryland. It is now called Brinton Woods Nursing & Rehabilitation Center and that was how Brinton Woods was born. By pure coincidence May 1st has been a magical date for our company because that was also the date Frankford was acquired in 2007 and Haven Nursing Home (now known as Arlington West) in 2008.

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Gary Yankanich is an owner and partner of BWSL His qualifications are meeting and exceeding the health care standards of excellence in Environmental Services and overall customer satisfaction. He has over 35 years experience in the long term care industry. He has developed an extensive QA Program for Environmental Services. He was previously Regional Director of Environmental Services for a major nursing home chain with responsibilities for 52 facilities in 6 states.

Gary works with the housekeeping, laundry, dietary and maintenance departments of



the facilities. He also oversees all capital expenditure work and renovations. He is married and lives in Olney, Maryland.

The home office of BWSL is located at:

Brinton Woods Senior Living
9515 Deerco Road
Suite 407
Lutherville, MD 21093

Daren A. Cortese

1911 Cranbourne Road, Lutherville, MD 21093 (443) 610-8340

PROFESSIONAL PROFILE

- Owner and operator of 4 Skilled Nursing Homes in MD and DC with 547 beds.
- Twenty-three years of merger & acquisitions/financial analysis experience in the long-term care and health care industries.
- Extensive knowledge of all aspects in the underwriting, due diligence and operational transition process for acquisition and asset management of Skilled Nursing Facilities.
- Identify, consult, and negotiate with sellers and buyers of various nursing homes and other healthcare businesses.

SELECTED ACCOMPLISHMENTS

- Personally acquired 4 Skilled Nursing facilities in MD and DC. Oversee operations through weekly communications with the Administrator and handle all correspondences with our lenders. Regulatory compliance, customer satisfaction, and profitability have been greatly enhanced within first 6 months of ownership in facility.
- Completed the acquisition or divestiture of over 140 skilled nursing facilities with a combined value of over \$500 million.
- Business development accomplishments include assisting in securing over 30 management contracts, the formation of 5 joint ventures, the acquisition of several ancillary companies, and the construction of 3 skilled nursing facilities.
- Prepared valuation, financial feasibility, and financial restructuring plan for all third party leases and mortgages involved in the initial Plan of Reorganization for Mariner Health Group. This led to court approval of their Disclosure Statement.
- Handled all Asset Management responsibilities for a Private Real Estate Investment Trust. This responsibility includes assuring that all Nursing Home Operators are in compliance with timely payment of rent, Lease covenants, and overseeing material capital projects.
- Consulted with the Executive Committee during the negotiations for the sale of Allegis to Mariner Health; this resulted in a 20% increase in the final purchase price from the initial offer.
- Negotiated legal documentation and Loan Agreements for over \$160 million of acquisitions and divestiture deals.

- Performed all functions required in developing appraisal reports primarily for skilled nursing facilities. This included utilizing an internally developed discounted cash flow model to determine value via the income approach.
- Analyzed local real estate environments, which included researching local competition, demographics and economic climate in order to determine real estate value.

EMPLOYMENT HISTORY

President/Owner <i>Brinton Woods Senior Living, Lutherville, MD</i>	2005-Current
Independent Consultant <i>Healthcare Acquisition Network, Baltimore, MD</i>	2003-2006 & 1999 - 2002
Vice President of Development <i>Xavier Health Care Services, Baltimore, MD</i>	2002 - 2003
Director of Development <i>Mariner Post-Acute Network/Allegis Health Services, Calverton, MD</i>	1996 - 1999
Director of Development <i>Integrated Health Services, Owings Mills, MD</i>	1992 – 1996
Healthcare Valuation Analyst <i>Valuation Counselors, Princeton, NJ</i>	1989 - 1992

EDUCATION

Johns Hopkins University
Masters of Business Administration

Trenton State College
Bachelors of Science Degree in Economics

PROFESSIONAL AFFILIATIONS

Board of Director with Health Facilities Associations of Maryland
Chesapeake Down Syndrome Parent Support Group

References Available Upon Request

Marvin Rabovsky

7700 Old Georgetown Rd. Suite 530

Bethesda, MD 20814

301-654-1004

MHR@Alliantcompanies.com

EDUCATION

1987 MBA - George Washington University
 Health Care Administration

1981 BA- University of Maryland

CAREER

2005 – Present Owner and COO
 Brinton Woods Senior Living

Responsible for operational oversight of 4 skilled nursing facilities with 547 beds

1999 – Present Founder and Principal
 Alliant Companies

Alliant Companies is composed of two different divisions that provide solutions to service industry businesses. *Alliant Staffing* provides temporary and full time staff to hospitals, nursing homes and assisted living facilities. *Alliant Resources* provides operational and financial consulting as well as providing health, worker's comp. and property and liability insurance to service industry facilities and organizations.

1990 - 1996 Founder and Principal
 President and Chief Operating Officer
 Allegis Health Services

As an owner/operator of a health care company, was responsible for all of the daily operations. Swiftly expanded revenues to \$80 million and operating profits to more than \$4 million in less than six years after the creation of the company.

Responsible and accountable for the operations of nine nursing homes, a rehabilitation company and an institutional pharmacy which in sum

employed a staff of more than 2000 employees.

Responsible for the analysis and eventual acquisition of all the nursing homes and pharmacy. Created the rehabilitation company from the ground up.

Allegis found its niche by purchasing "problem" entities inexpensively, and quickly turning around financial and quality issues.

Assisted in the negotiations and analysis of the eventual sale of Allegis' assets and management contracts to Mariner Health for \$ 110 million.

1987 - 1990 Nursing Home Administrator

Community Involvement

University of Maryland Alumni Association

President of Board of Governors

Gary L. Yankanich
2903 Lindenwood Drive
Olney, Maryland 20832
301- 674- 1258

PROFESSIONAL PROFILE

- Over 30 years of experience in long term care.
- Owner and operator of 4 skilled nursing homes in Maryland with 547 beds.
- Extensive knowledge of building and life safety codes.
- Oversaw various major renovation projects to include but not limited to a 100 bed addition and a new 137 bed facility.

EMPLOYMENT:

Vice President/Owner May 2005 - Present
BRINTON WOODS SENIOR LIVING
Oversee and create capital budgets for all 4 facilities. Oversee the environmental and facility maintenance departments. Negotiate all group purchasing contracts. Oversee all renovations and capital purchases.

Regional Director of Facilities March 2004 – June 2008
MARINER HEALTH CARE/ SAVA SENIOR CARE
Oversee and help create capital budgets for 59 Facilities in 4 states with over 7,000 beds .Develop preventive maintenance programs for the buildings. Perform quality reviews and building rounds at all the buildings. Oversee all renovations and capital projects. Assist with housekeeping and laundry contract service company to include quality rounds.

Regional Director of Facilites 1996 – MARCH 2004
MARINER HEALTH CARE
Oversee 15 Facilities with over 2,000 beds. Help create and oversee the capital budgets, all renovation projects to include a 100 bed addition and a new 137 bed nursing home. Perform quality reviews at all 15 facilities.

Regional Director of Environment Services 1990 – 1996
ALLEGIS HEALTH SERVICES

Oversee 8 facilities with over 1,400 beds. Help create and oversee the operating and capital budgets. Oversee and create budgets for all the renovation projects to include a 16 station dialysis unit (\$1million in renovations). Ran the purchasing department to include group purchasing accounts. Oversee the Maintenance, Housekeeping and Laundry Departments.

Director of Environmental Services 1978 – 1990
CIRLCE MANOR NURSING AND RANDOLPH HILLS NURSING
HOMES

Oversee the daily maintenance operations in maintenance, housekeeping, and laundry. Supervised the addition of an adult day care center which included 20 Long Tem Care beds and a new rehabilitation room.

EDUCATION:

1975 – 1978 Wheaton High School
12601 Dalewood Drive
Silver Spring, MD 20906
Diploma

Attachment K

Advisory Neighborhood Commission 8E
1310 Southern Avenue, S.E.
Room 043
Washington, D.C. 20032

Re: Change of Ownership of Carolyn Boone Lewis Health Care Center

Dear Commissioners:

I am pleased to inform you that Brinton Woods of Washington D.C., LLC and Brinton Woods Senior Living IV, LLC have filed a Notification with the D.C. State Health Planning and Development Agency that we are acquiring the operations and real estate, respectively of Carolyn Boone Lewis Health Care Center, 1380 Southern Avenue, S.E., Washington D.C. 20032.

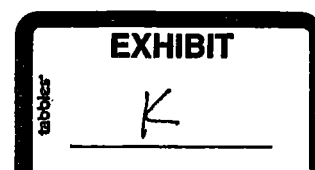
Brinton Woods, which will operate the facility, is owned Marvin Rabovsky, Gary Yankenich, and myself. We all have many years experience in owning and operating nursing facilities. We currently operate Brinton Woods Health and Rehabilitation Center at Dupont Circle, in Northwest Washington, and three nursing facilities in the Baltimore area. We expect to make substantial clinical and operating improvements at Carolyn Boone Lewis in order to keep the facility a viable part of the community in the future.

Please note that the D.C. SHPDA will hold a public hearing on this matter in approximately 30 days. Further details may be obtained from the Agency's Director, Amha Selassie, at 202-442-9355.

I would be pleased to answer any questions you may have about this acquisition.

Sincerely,

Daren Cortese
Managing Partner



Attachment L

Brinton Woods of Washington DC
Washington, DC

Carolyn Boone Lewis HCC

Trailing 12 Mos: 7/31/14

	Amount	PPD	% of Total
Private	3,009	5,300	5.30%
Medicare	4,526	7,996	7.99%
Medicaid DC	49,195	86,726	86.72%
Managed Care	0	0.00%	0.00%
Total Billed Days	56,730	84,933	84.93%
Average Daily Census	185	N/A	N/A
Total Licensed Beds	183	N/A	N/A

	Amount	PPD	% of Total
Private	3,009	4,988	4.98%
Medicare	6,908	11,444	11.44%
Medicaid DC	50,202	83,111	83.11%
Managed Care	288	0.48%	0.48%
Total Billed Days	60,407	90,444	90.44%
Average Daily Census	165	N/A	N/A
Total Licensed Beds	183	N/A	N/A

	Amount	PPD	% of Total
Private	2,690	4,288	4.28%
Medicare	8,906	14,166	14.16%
Medicaid DC	50,290	79,944	79.94%
Managed Care	1,022	1,622	1.62%
Total Billed Days	62,907	94,188	94.18%
Average Daily Census	172	N/A	N/A
Total Licensed Beds	183	N/A	N/A

	Amount	PPD	% of Total
Private	2,690	4,288	4.28%
Medicare	8,906	14,166	14.16%
Medicaid DC	50,290	79,944	79.94%
Managed Care	1,022	1,622	1.62%
Total Billed Days	62,907	94,188	94.18%
Average Daily Census	172	N/A	N/A
Total Licensed Beds	183	N/A	N/A

	Amount	PPD	% of Total
Revenues:			
Room & Board:			
Private	856,576	284.67	
Medicare	2,349,164	519.04	
Medicaid	12,671,020	257.57	
Managed Care	0	0.00	
Total Inpatient Revenue	15,876,760	279.87	
Part B Ancillary/Rehab	179,911	3.17	
PY Settlements	0	0.00	
Current Year Settlements	0	0.00	
Other Income	145,725	2.57	
Net Revenue	16,202,396	285.61	
Operating Expenses:			
Nursing	7,010,109	123.57	
Other Patient Care	1,347,597	23.75	
Routine Services	2,279,648	40.18	
Administration	1,309,590	23.08	
Bad Debt	325,364	5.74	
Capital/Property Services	1,394,373	24.58	
Capital Value Rental	174,817	3.08	
Employee Benefits	2,044,142	36.03	
Total Operating Expenses	15,885,640	280.02	
EBITDAR	316,756	5.58	
EBITDARIM%	1.95%		

	Amount	PPD	% of Total
Private	856,576	284.67	
Medicare	3,714,531	537.71	
Medicaid DC	12,179,005	242.60	
Managed Care	107,856	375.00	
Total Inpatient Revenue	16,857,968	279.07	
Part B Ancillary/Rehab	179,911	2.98	
PY Settlements	0	0.00	
Current Year Settlements	0	0.00	
Other Income	145,725	2.41	
Net Revenue	17,163,604	284.47	
Operating Expenses:			
Nursing	6,588,335	109.07	
Other Patient Care	1,270,074	21.03	
Routine Services	2,029,648	33.60	
Administration	1,276,297	21.13	
Bad Debt	257,754	4.27	
Capital/Property Services	1,455,321	24.09	
Capital Value Rental	174,817	2.89	
Employee Benefits	1,854,846	30.71	
Total Operating Expenses	14,907,092	246.78	
EBITDAR	2,276,512	37.69	
EBITDARIM%	13.25%		

	Amount	PPD	% of Total
Private	788,631	283.21	
Medicare	4,881,379	548.10	
Medicaid DC	12,200,354	242.60	
Managed Care	390,792	382.50	
Total Inpatient Revenue	18,261,156	290.29	
Part B Ancillary/Rehab	179,911	2.86	
PY Settlements	0	0.00	
Current Year Settlements	0	0.00	
Other Income	145,725	2.32	
Net Revenue	18,586,792	295.46	
Operating Expenses:			
Nursing	6,613,490	105.13	
Other Patient Care	1,520,601	24.17	
Routine Services	2,060,093	32.75	
Administration	1,295,441	20.59	
Bad Debt	278,802	4.43	
Capital/Property Services	1,477,151	23.48	
Capital Value Rental	177,439	2.82	
Employee Benefits	1,882,669	29.93	
Total Operating Expenses	15,303,686	243.31	
EBITDAR	3,281,106	52.16	
EBITDARIM%	17.85%		

	Amount	PPD	% of Total
Private	812,290	302.01	
Medicare	5,027,820	564.54	
Medicaid DC	12,566,365	249.88	
Managed Care	402,516	393.98	
Total Inpatient Revenue	18,808,991	299.00	
Part B Ancillary/Rehab	185,308	2.95	
PY Settlements	0	0.00	
Current Year Settlements	0	0.00	
Other Income	150,097	2.39	
Net Revenue	19,144,396	304.33	
Operating Expenses:			
Nursing	6,745,760	107.23	
Other Patient Care	1,551,013	24.66	
Routine Services	2,101,295	33.40	
Administration	1,321,350	21.00	
Bad Debt	284,378	4.52	
Capital/Property Services	1,506,694	23.95	
Capital Value Rental	180,988	2.88	
Employee Benefits	1,920,322	30.53	
Total Operating Expenses	15,611,800	248.17	
EBITDAR	3,532,596	56.16	
EBITDARIM%	18.45%		

Mgmt. Fees	859,180		
EBITDAR	1,417,332		
Rent	0		
EBITDA	1,417,332		
Depreciation/Amortization	272,727		
Interest (Working Capital)	0		
Interest (1st Mortgage)	919,650		
HUD Costs	0		
Pre-Tax Income	224,954		
DSC	1.37		

Mgmt. Fees	929,340		
EBITDAR	2,351,766		
Rent	0		
EBITDA	2,351,766		
Depreciation/Amortization	284,963		
Interest (Working Capital)	0		
Interest (1st Mortgage)	908,902		
HUD Costs	0		
Pre-Tax Income	1,157,901		
DSC	2.27		

Mgmt. Fees	957,220		
EBITDAR	2,575,376		
Rent	0		
EBITDA	2,575,376		
Depreciation/Amortization	290,662		
Interest (Working Capital)	0		
Interest (1st Mortgage)	897,146		
HUD Costs	0		
Pre-Tax Income	1,387,568		
DSC	2.87		

Mgmt. Fees	957,220		
EBITDAR	2,575,376		
Rent	0		
EBITDA	2,575,376		
Depreciation/Amortization	290,662		
Interest (Working Capital)	0		
Interest (1st Mortgage)	897,146		
HUD Costs	0		
Pre-Tax Income	1,387,568		
DSC	2.87		

