Keiro
Senior HealthCare

Written Notice

to the

California Attorney General

for the

Proposed Sale

of

Keiro Nursing Home

South Bay Keiro Nursing Home

Keiro Intermediate Care Facility

Keiro Retirement Home

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SECTION 999.5(d)(1)(A)

Description of the Transaction
(d)(1)(A)

Description of the agreement and proposed transaction

Overview of the Transaction. The proposed transaction is the sale of the real property, buildings and operating assets associated with the Keiro Nursing Home, South Bay Keiro Nursing Home, Keiro Intermediate Care Facility and Keiro Retirement Home. These facilities are owned and operated as follows:

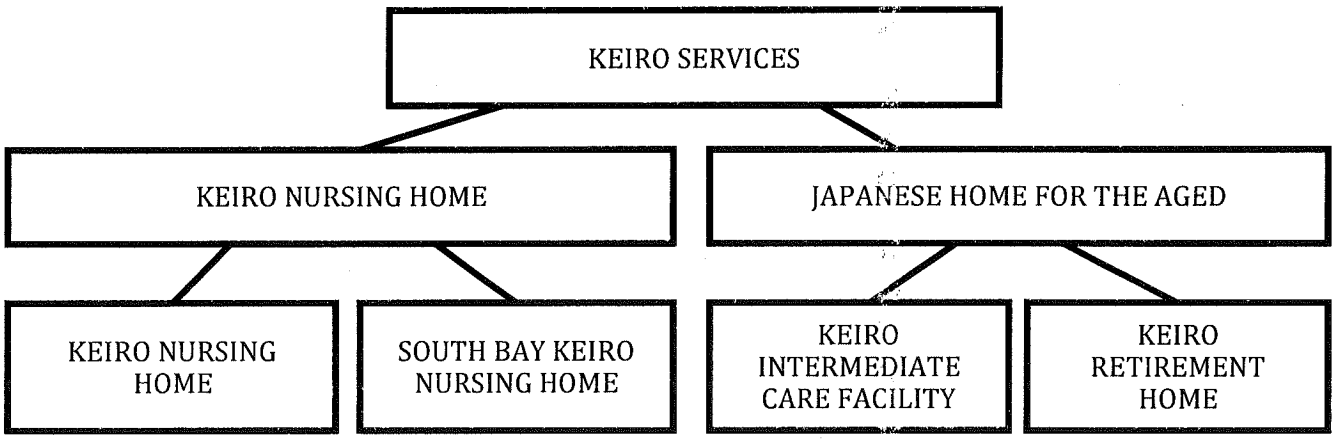
- Keiro Nursing Home is a skilled nursing facility located at 2221 Lincoln Park Avenue, Los Angeles, California, with 300 licensed and Medicare/Medicaid-certified skilled nursing beds, that is owned and operated by Keiro Nursing Home, a California nonprofit public benefit corporation ("KNH").

- South Bay Keiro Nursing Home is a skilled nursing facility located at 15115 South Vermont Avenue, Gardena, California, with 98 licensed and Medicare/Medicaid-certified skilled nursing beds, that is owned and operated by KNH.

- Keiro Intermediate Care Facility is an intermediate care facility located at 325 South Boyle Avenue, Los Angeles, California, with 90 licensed and Medicaid-certified intermediate care beds, that is owned and operated by Japanese Home for the Aged, a California nonprofit public benefit corporation ("JHA").

- Keiro Retirement Home is a residential care facility for the elderly located at 325 South Boyle Avenue, Los Angeles, California, with 127 independent living units, that is owned and operated by JHA.

The sole member of KNH and JHA is Keiro Services, a California nonprofit public benefit corporation doing business as Keiro Senior HealthCare. The organization of the Keiro system can be depicted as follows:



Keiro Services, together with KNH and JHA, are the applicants and are sometimes collectively referred to as "Keiro," and the Keiro healthcare system is referred to as the "Keiro system."

The proposed transaction is the sale to three affiliates of Pacifica Companies LLC, a California limited liability company, of the real property, buildings and operating assets associated with Keiro Nursing Home, South Bay Keiro Nursing Home, Keiro Intermediate Care Facility and Keiro Retirement Home. The two affiliates of Pacifica purchasing Keiro Nursing Home and South Bay Keiro Nursing Home will lease each of these facilities to a separate subsidiary of Aspen Skilled Healthcare, Inc., a California corporation, which will operate these facilities. The affiliate of Pacifica purchasing Keiro Intermediate Care Facility and Keiro Retirement Home will lease Keiro Intermediate Care Facility to a wholly-owned subsidiary of Aspen Skilled Healthcare, Inc., which will operate this facility, and will lease Keiro Retirement Home to Northstar Senior Living, Inc., a Delaware corporation, which will operate this facility.

Description of the Parties. Pacifica is a private, family owned company headquartered in San Diego, California. It was established in 1978 and is a multi-billion dollar company engaged in real estate investment and development, primarily involving residential, senior housing, hospitality, multifamily, mixed use, office and retail properties.

Pacifica Companies LLC and its affiliates owned and/or operated as of April 14, 2015, a portfolio of 51 senior residential facilities located in 14 states, with 20 in California and ten in Florida. The services provided include independent living, assisted living, memory care, adult day care, respite care and companion living. Of the California facilities, 12 are assisted living and eight are combined independent living and assisted living. Many of these also provide memory and respite care. Most of these facilities are owned by limited partnerships or limited liability companies, the partners or members of which are the principals of Pacifica Senior Living LLC, and are operated under the Pacifica name by Pacifica Senior Living Management LLC. Except as otherwise provided or the context otherwise requires, Pacifica Companies LLC and its affiliates are collectively referred to as "Pacifica."

Northstar Senior Living, Inc. is a private company headquartered in Redding, California. It operates and manages Residential Care Facilities for the Elderly ("RCFEs") on behalf of owners and investment groups. As of April 13, 2015, Northstar managed 12 RCFEs, nine of which were in California. Four of the nine are facilities owned by Pacifica. Northstar manages its facilities directly, rather than through subsidiaries. Northstar also provides accounting services to healthcare facilities, including some owned by Pacifica. Except as otherwise provided or the context otherwise requires, Northstar Senior Living, Inc. is referred to as "Northstar."

Aspen Skilled Healthcare, Inc. is a private company headquartered in Laguna Niguel, California. In 2009 Aspen began acquiring skilled nursing facilities. Aspen currently operates eight skilled nursing facilities in California, two of which are in Southern California. Among its facilities is Mission Palms Healthcare Center in Westminster, California that primarily serves members of the Vietnamese community. Aspen has also partnered with Pacifica in the operation of Oakland Heights Nursing and Rehabilitation Center in Oakland, California that provides both senior living and skilled nursing. The facilities managed by Aspen are operated

through separate wholly-owned subsidiaries. Except as otherwise provided or the context otherwise requires, Aspen Skilled Healthcare, Inc. and its subsidiaries are collectively referred to as "Aspen."

The Agreements. As of February 19, 2015, an Asset Purchase and Sale Agreement (the "Purchase Agreement") was entered into by and among the Keiro entities and Pacifica and its affiliates, which contains the basic terms for the sale of the real property and operating assets. Pacifica has formed three affiliate limited liability companies to purchase each of the three properties on which the four facilities are situated. In addition, four Operations Transfer Agreements (the "OTAs") were entered into by and among the Keiro entities, Pacifica and its affiliates and Aspen and its subsidiaries, which provide for the transfer of the operating assets to the buyers and new operators and the transition of operational and financial control to the new operators. Pursuant to separate OTAs, two subsidiaries of Aspen are to operate each of Keiro Nursing Home and South Bay Keiro Nursing Home under leases from the respective buyers. Pursuant to additional separate OTAs, Pacifica Senior Living Management LLC was initially to manage and operate Keiro Intermediate Care Facility and Keiro Retirement Home.

The Purchase Agreement was amended as of March 13, 2015, and again as of March 26, 2015, to extend the due diligence period from March 23, 2015 to March 30, 2015.

Pacifica subsequently advised Keiro that it wanted to revise the arrangements for the operation and management of Keiro Intermediate Care Facility and Keiro Retirement Home. Accordingly, the Purchase Agreement was amended as of May 21, 2015, to provide that a subsidiary of Aspen will lease and operate Keiro Intermediate Care Facility and that Northstar will lease and manage Keiro Retirement Home. The OTAs for Keiro Intermediate Care Facility and for Keiro Retirement Home were also amended as of May 21, 2015, to substitute a subsidiary of Aspen and Northstar, respectively, as operators of these facilities.

The following is a description of the proposed transaction contemplated by the Purchase Agreement and the OTAs:

Assets Being Sold. The assets being sold by Keiro are the real property, buildings, improvements, fixtures, furniture, furnishings, equipment, vehicles, inventory, supplies, intangibles, records and other operating assets associated with each facility. The real property, buildings and improvements will be sold through a traditional escrow, with provisions for approval of title, proration for property taxes, assessments and utilities, title insurance and payment of transfer taxes and escrow expenses. The operating assets will be sold to Pacifica outside of escrow by bills of sale, and some of the operating contracts will be assigned by Keiro, and assumed by the respective new operators, by assignment and assumption agreements.

Assets Being Retained. Keiro will retain all cash and cash equivalents, investments, funds held in trust and charitable remainder trusts, receivables, corporate and tax records and certain other assets. Keiro will retain the Keiro name and the new operators will not be permitted to use that name in connection with operation of the facilities after the closing, subject to a short period of transition.

Purchase Price. The base purchase price is $41,000,000 cash at closing, which will be allocated among the Keiro entities as follows:

- $26,975,000 will be allocated to KNH, of which approximately $18,000,000 will be for Keiro Nursing Home and $8,975,000 will be for South Bay Keiro Nursing Home;
- $14,000,000 will be allocated to JHA for the Keiro Intermediate Care Facility and the Keiro Retirement Home; and
- $25,000 will be allocated to Keiro Services for the assets it is selling.

The base purchase price will be subject to certain adjustments, including proration for property taxes, assessments and utilities and of various operational items at and after closing.

Due Diligence Period. Keiro will be providing documents and other information to Pacifica in response to its due diligence requests. Pacifica had until March 30, 2015, to give notice to Keiro in its sole discretion that the assets were not suitable for Pacifica's intended use and to terminate the Purchase Agreement. No such notice was given.

Deposit. Pacifica has deposited $1,000,000 in escrow. In the event Pacifica fails to close the proposed transaction under the Purchase Agreement and the OTAs (other than by reason of any material misrepresentation, breach or default of Keiro or a failure of a condition to the obligation of Pacifica to close the transaction), Keiro may terminate the Purchase Agreement and will be entitled to the deposit as liquidated damages. If the proposed transaction closes, the deposit will be credited towards the purchase price.

Intermediate Care Facility. At the closing, a subsidiary of Aspen will lease and operate Keiro Intermediate Care Facility under a lease with the subsidiary of Pacifica that will purchase the property on which Keiro Intermediate Care Facility and Keiro Retirement Home are situated. The lease will provide for a term of three years, but either party has the right to terminate the lease upon 180 days written notice. The base rent is a fixed amount, with annual adjustments, and the parties will split the operating revenue and facility expenses. The lease is triple net, meaning that in addition to rent payments, the operator is responsible for payment of all amounts necessary to operate and maintain the facility, including real estate taxes, repairs, maintenance, replacements and insurance.

Retirement Facility. At the closing, Northstar will occupy and operate Keiro Retirement Home under a lease with the subsidiary of Pacifica that will purchase the property on which Keiro Intermediate Care Facility and Keiro Retirement Home are situated. The lease will provide for a term continuing until such time as Pacifica's subsidiary receives a license from the California Department of Social Services for the Keiro Retirement Home. The rent is the amount remaining from collected gross receipts after payment of all premises expenses (as defined).

Nursing Home Facilities. At the closing, the Aspen subsidiaries that will occupy and operate Keiro Nursing Home and South Bay Keiro Nursing Home will enter into leases with the subsidiaries of Pacifica that will have purchased those properties. The leases will provide for an initial term of 15 years, with an option of the operator to extend the term for an additional 10 years. The rent is a fixed amount, with annual adjustments and an adjustment if the option to extend the term is exercised. The leases are triple net, meaning that in addition to rent payments, the operator is responsible for payment of all amounts necessary to operate and maintain the facility, including real estate taxes, repairs, maintenance, replacements and insurance.

Responsibility for Liabilities. The real property is being sold on an "as-is" basis without any warranty as to title. Keiro will remain responsible for liabilities at and prior to the closing, and Pacifica will be responsible for liabilities arising after the closing. In addition to liabilities arising in the ordinary course of business, Keiro will be responsible for payment of, and indemnification of Pacifica, Northstar and Aspen for, certain other pre-closing liabilities.

Representations and Warranties. Each party has made various representations and warranties in the Purchase Agreement and OTAs. Keiro's representations and warranties in the Purchase Agreement relating to the sale of the real property will survive for a period of six months after the closing, and Keiro's representations and warranties in the OTAs relating to operational and related matters will survive until the expiration of the relevant statutes of limitation.

Preclosing Covenants. The Purchase Agreement and OTAs contain covenants by the parties. Pacifica, Northstar and Aspen agree to proceed with all reasonable diligence to obtain the consents, approvals and licenses necessary to close the proposed transaction, and the parties agree to confer on a regular basis with respect to material operational matters.

Postclosing Covenants. For a period of five years after the closing of the proposed transaction:

- Pacifica, Northstar and Aspen have agreed to operate the facilities in a "culturally sensitive" manner, meaning the existence of an environment that fosters an awareness and acceptance of the cultural characteristics, history, values, belief systems and behaviors of the Japanese American residents and families, which will include elements listed on an exhibit to the Purchase Agreement;

- Keiro has agreed to support the existing volunteer program for the facilities, assisting the new operators upon their request with training regarding recruitment and retention of volunteers;

- Pacifica has agreed to organize and sponsor a Community Advisory Board to provide the new operators with advice and feedback to assist them in providing a consistent experience and ensure continuity during and after the transition and

in providing quality care for residents of the facilities, and a charter for the Community Advisory Board is attached as an exhibit to the Purchase Agreement;

- Pacifica, Northstar and Aspen have each agreed to continue providing community benefit programs relating to the facilities and to expend specified amounts (aggregating at least $237,883 annually), including the value of the use of the facilities by community groups, which is the average out-of-pocket expenses paid by Keiro for such programs over the last three fiscal years;

- Pacifica, Northstar and Aspen have agreed to continue providing a placement priority to residents of the facilities who may require either a higher or a lower level of care over new residents admitted from outside the Keiro system; and

- Pacifica, Northstar and Aspen have agreed to maintain the physical donor recognition at the facilities.

Pacifica and Northstar also have agreed to assume the occupancy agreements for current residents of the Keiro Retirement Home at the same rates, and not to change the base rates for a period of a year.

Conditions to Closing. The closing of the transaction will be subject to a number of conditions, including the following:

- Receipt of a waiver or consent (that may contain conditions) from the California Attorney General;

- Licensing by the California Department of Public Health and the California Department of Social Services;

- The delivery of specific documents, including deeds, bills of sale and assignment and assumption agreements; and

- The absence of any unfavorable legal or governmental actions or proceedings.

Personnel. Since this is a sale of assets, the employment of the facility employees of Keiro will have to be terminated. Each new operator has agreed to make offers of employment to all of the facility employees in good standing as of the closing at their existing wages and otherwise with benefits that are not less favorable than those provided to other similarly situated employees of the facilities that the respective new operators operate and are located in California. They have also agreed to provide one year service credit to rehired employees for purposes of determining eligibility for sick leave, holiday, vacation, PTO and similar benefit programs.

Expenses. Keiro, Pacifica, Northstar and Aspen will each be responsible for payment of the costs and expenses they incur that are associated with the proposed transaction. In the case of Keiro, this will include the fees of its real estate broker and legal counsel.

Timing of Closing. The closing is currently scheduled for July 31, 2015, but the sellers or the buyers may extend the closing in monthly increments until November 30, 2015, if the licensing and regulatory approvals have not been obtained.

(d)(1)(B)

(d)(1)(B)

A complete copy of all proposed written agreements or contracts to be entered into by the applicant and the transferee that relate to or effectuate any part of the proposed transaction.

The following documents attached as Appendix A are the written agreements or contracts that have been executed or will be executed that relate to or effectuate any part of the proposed transaction:

1. Confidentiality Agreements dated January 1, 2015, January 28, 2015 and April 15, 2015, which provide, respectively, for the agreement of Pacifica, Aspen and Northstar to maintain information provided by Keiro in confidence.

2. Letter of intent dated December 3, 2014, which contains the general terms of the proposed transaction.

3. Asset Purchase and Sale Agreement dated as of February 19, 2015, which contains the basic terms for the sale of the real property and operating assets, and amendments dated March 13, 2015, and March 26, 2015 to extend the due diligence period.

4. Amendment to Asset Purchase and Sale Agreement dated as of May 21, 2015, which, among other things, reflects the substitution of a subsidiary of Aspen as operator of Keiro Intermediate Care Facility and Northstar as the operator of Keiro Retirement Home.

5. Operations Transfer Agreements dated as of February 19, 2015, which govern in more detail the transfer by KNH and JHA of the operating assets of the four facilities to each of the buyers and the transition of operational and financial control to the new operators:

    a. Operations Transfer Agreement (Keiro Nursing Home);

    b. Operations Transfer Agreement (South Bay Keiro Nursing Home);

    c. Operations Transfer Agreement (Keiro Retirement Home); and

    d. Operations Transfer Agreement (Keiro Intermediate Care Facility).

6. Amendments to Operations Transfer Agreement dated as of May 21, 2015, for each of Keiro Intermediate Care Facility and Keiro Retirement Home, which, among other things, substitute a subsidiary of Aspen as the operator of Keiro Intermediate Care Facility and Northstar as the operator of Keiro Retirement Home.

7. Forms of an Assignment and Assumption Agreement and a Bill of Sale, whereby at closing various contracts are to be assigned to, and assumed by, the new operators, and the operating assets are to be sold (attached as Exhibits A and C, respectively, to each of the OTAs).

8. Form of lease agreement, whereby Keiro Intermediate Care Facility is to be leased to a subsidiary of Aspen (attached as Exhibit M to Amendment to Operations Transfer Agreement for Keiro Intermediate Care Facility).

9. Form of lease agreement, whereby Keiro Retirement Home is to be leased to Northstar (attached as Exhibit N to the Amendment to Operations Transfer Agreement for Keiro Retirement Home).

10. Forms of lease agreement, whereby Keiro Nursing Home and South Bay Keiro Nursing Home are to be leased by Pacifica to subsidiaries of Aspen (attached as Exhibit F to each of the OTAs for Keiro Nursing Home and South Bay Keiro Nursing Home).

11. Form of Business Associate Agreement, whereby KNH, JHA and the new operators will agree as to the use and disclosure of protected health information (attached as Exhibits to each of the OTAs).

A

CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT (this "Agreement") is made and entered into as of 1 day of JAN 2015, by and between PACIFICA, a CA LLC ("Recipient"), and Keiro Services (dba Keiro Senior HealthCare), a California public benefit corporation (the "Company").

WITNESSETH:

WHEREAS, the parties desire to enter into discussions regarding a possible transaction (a "Transaction") between Recipient, or its Affiliates, and the Company, or its Affiliates;

WHEREAS, Recipient has requested certain information concerning the business, operations and affairs of the Company and its Affiliates in connection with its evaluation of a Transaction; and

WHEREAS, the parties desire to provide for the confidential treatment of such information;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereby agree as follows:

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

"Affiliate" of a party means any other Person that controls, is controlled by or is under common control with such Person. The Affiliates of the Company include, without limitation, its subsidiaries, Keiro Nursing Home and Japanese Home for the Aged, both of which are California public benefit corporations.

"Confidential Information" means (i) any information (whether written, electronic, oral or by visual inspection or in any other form or medium) furnished to Recipient or its Representatives by or on behalf of the Company or any of its Affiliates (whether before or after the date hereof) concerning the business, financial condition, operations, assets or liabilities of the Company and its Affiliates, including, without limitation, proprietary technology, operating procedures and methods of operations, financial statements, pricing policies, the substance of agreements with suppliers, managed care plans, hospital systems, patients, residents, contractors and others, resident lists, resident information, protected health information, other trade secrets and documents embodying confidential and proprietary information, and (ii) all notes, analyses, compilations, summaries, data, forecasts, studies, interpretations or other documents or materials (in any form or medium) prepared by Recipient or its Representatives or Affiliates, which contain, are based upon or otherwise incorporate or are generated or derived, in whole or in part, from information furnished to any of them by or on behalf of the Company or its Affiliates. The term "Confidential Information" does not include information which (i) is or becomes generally

available to the public other than as a result of a disclosure by Recipient or its Representatives in violation of this Agreement, (ii) was within the possession of Recipient or its Representatives prior to its being furnished to Recipient pursuant hereto, provided that the source of such information was not known by Recipient or its Representatives to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation to the furnishing party or any other party with respect to such information, or (iii) becomes available to Recipient on a nonconfidential basis from a source other than the Company or any of its Affiliates or Representatives, provided that such source is not bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation to the Company or any other party with respect to such information.

"Person" means any corporation, company, partnership, other entity or individual.

"Representatives" of a party means any directors, officers, employees, agents or advisors (including, without limitation, attorneys, accountants, consultants, bankers and financial advisors) of such party or of its Affiliates.

2. Use of Confidential Information. Recipient hereby agrees that (except as required in any legal proceedings and only after compliance with Section 4 below) it shall use, and shall cause its Representatives and Affiliates to use, the Confidential Information furnished to any of them solely for the purpose of evaluating a possible Transaction and not for any other purpose whatsoever (whether or not it is or may be in any way directly or indirectly detrimental to the Company or its Affiliates), that the Confidential Information will be kept confidential, and that Recipient will not disclose, and will cause its Representatives not to disclose, any of the Confidential Information in any manner whatsoever; provided, however, that (i) Recipient may make any disclosure of information constituting part of the Confidential Information to which the Company gives its prior written consent and (ii) any of such information constituting part of the Confidential Information may be disclosed to the Representatives and Affiliates of Recipient who need to know such information for the sole purpose of evaluating a possible Transaction, who agree to keep such information confidential and who are provided with a copy of this Agreement and agree to be bound by the terms hereof to the same extent if they were parties hereto. Recipient shall be responsible for any breach of this Agreement by any of its Affiliates or Representatives and agrees, at its sole expense, to take all appropriate measures (including, without limitation, court proceedings) to restrain its Representatives or Affiliates from prohibited or unauthorized disclosure or use of the Confidential Information. With respect to individually identifiable health information and protected health information, Recipient shall protect any such health information that Recipient receives hereunder or during the evaluation, negotiation, closing or implementation of the potential transaction in the same manner as required of Confidential Information provided under this Agreement. To the extent applicable, Recipient shall comply with all state and federal laws and regulations governing the confidentiality, security, transmission, retransmission, copying, handling, disclosure and use of any protected health information pertaining to individuals, including by way of example and not in limitation, state and federal regulations pertaining to the protection of health information.

3. Confidentiality of Discussions. Recipient agrees that it and its Representatives and Affiliates will not (except as required by any legal proceedings and only after compliance with Section 4 below), without the Company's prior written consent, disclose to any Person (including, without limitation, directors, officers, employees, clients, suppliers, landlords or lenders) (i) the fact that the Confidential Information exists or has been made available, (ii) that it is considering a possible Transaction, (iii) that discussions or negotiations are taking or have taken place concerning a possible Transaction, or (iv) any term, condition or other fact relating to a possible Transaction or such discussions or negotiations, including, without limitation, the status thereof or the subject matter of this Agreement. Recipient further agrees that until the earlier of (a) the consummation of a Transaction involving Recipient or any of its Affiliates or (b) one (1) year from the date of termination of this letter agreement, it will not, without the prior written consent of the Company, initiate or maintain contact (except in the ordinary course of business), directly or indirectly, with any director, officer, employee, client, supplier, landlord or lender of the Company or of its Affiliates for the purposes of obtaining information regarding, without limitation, the Company's or its Affiliates' operations, assets, prospects or finances.

4. Protective Orders. In the event that Recipient or any of its Affiliates or Representatives is requested or required (by deposition, interrogatories, request for information or documents, subpoena, civil investigative demand or other similar process in legal proceedings) to disclose any of the Confidential Information, such party shall provide the Company with prompt written notice of any such request or requirement so that the Company may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement. If, in the absences of a protective order, other remedy or the receipt of a waiver by the Company, Recipient or any of its Affiliates or Representatives are nonetheless, in the written opinion of counsel, legally compelled to disclose any Confidential Information to any tribunal or else stand liable for contempt or suffer other censure or penalty, Recipient or its Affiliate or Representative, may, without liability hereunder, disclose to such tribunal only that portion of the Confidential Information which such counsel advises Recipient is legally required to be disclosed, provided that Recipient exercises its best efforts to preserve the confidentiality of the Confidential Information, including, without limitation, by cooperating with the Company to attempt to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded the Confidential Information by such tribunal. Recipient will give the Company written notice (unless prohibited by law) of the Confidential Information to be disclosed as far in advance as practicable and exercise all reasonable efforts to obtain reliable assurance that confidential treatment will be accorded the Confidential Information.

5. Return of Confidential Information. If either party decides that it does not wish to proceed with a Transaction, it will promptly inform the other party of that decision. In that case, or at any time upon the request of the Company for any reason, Recipient will (i) promptly deliver to the Company at Recipient's own expense or, at the Company's request, destroy all copies of the written Confidential Information in the receiving party's or its Affiliates' or Representatives' possession that were delivered to the receiving party or its Affiliates or Representatives, and (ii) promptly destroy all notes, analyses, compilations, summaries, data, forecasts, studies, interpretations or other documents or materials (in any form or medium) prepared by Recipient or its Representatives or Affiliates, which contain, are based upon or otherwise incorporate or are generated or derived, in whole or in part, from information

furnished to any of them by or on behalf of the Company or any of its Affiliates. Recipient will confirm any such destruction to the Company in writing. Notwithstanding the return or destruction of the Confidential Information, Recipient will, and will cause its Affiliates and Representatives to, continue to be bound by the obligations of confidentiality and other obligations hereunder.

6. No Representations or Warranties. Recipient understands and acknowledges that neither the Company nor any of its Affiliates, directors, officers, employees, agents or Representatives is making any representations or warranties, express or implied, as to the accuracy or completeness of the Confidential Information. Recipient agrees that neither the Company nor any other Person shall have any liability to Recipient or to any of its Representatives relating to or resulting from the use of the Confidential Information or any errors contained therein or omissions therefrom. Only those representations or warranties which are made in a final definitive agreement regarding any Transaction, when, as and if executed, and subject to such limitations and restrictions as may be specified therein, will have any legal effect.

7. No Solicitation of Employees. In consideration of its being furnished Confidential Information, Recipient agrees that for a period of one (1) year from the date hereof it will not, and it will not permit any of its Affiliates to, without the prior written consent of the Company, induce any employee of the Company or its Affiliates to leave its employ or solicit for employment or hire any of the current employees of the Company or any of its Affiliates, so long as they remain employed by the Company or such Affiliate, provided that general industry solicitations not directed any particular person shall not be considered a violation of this Section 7.

8. Waivers. It is understood and agreed by each party that no failure or delay by a party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or future exercise thereof for the exercise of any other right, power or privilege hereunder.

9. Remedies. Recipient understands and agrees that money damages would not be a sufficient remedy for any breach of this Agreement by it or any of its Affiliates or Representatives and that the Company shall be entitled to equitable relief, including injunction and specific performance, as a remedy for any such breach. Such remedy shall not be deemed to be the exclusive remedy for a breach of this Agreement but shall be in addition to all other remedies available at law or in equity to the Company. Recipient agrees to waive any requirement for the security or posting of any bond in connection with any such remedy. In the event of litigation relating to this Agreement, Recipient shall be liable and pay to the Company the reasonable legal fees and other costs and expenses incurred by the Company in connection with such litigation, including any appeal therefrom.

10. Communications and Process. The parties agree that all communications, including (i) any requests for additional information, facility tours or management meetings, and (ii) discussions or questions regarding procedures with respect to a Transaction, will be first submitted or directed to Shawn Miyake, Chief Executive Officer of the Company, or to the person or persons designated by him in writing. Recipient acknowledges and agrees that (a) the Company is free to conduct the process relating to any potential transactions with other third

parties as it and its Representatives, in their sole discretion, determine (including, without limitation, conduct of the due diligence process, negotiating with any prospective purchaser and entering into a preliminary or definitive agreement to effect any transactions without prior notice to Recipient), and (b) the Company reserves the right, in its sole discretion, to change the procedures relating to a Transaction at any time without prior notice to Recipient, to reject any and all proposals made by Recipient or any of its Affiliates or Representatives with respect to a Transaction and to terminate access by Recipient and its Affiliates and Representatives to any Confidential Information and any discussions and negotiations at any time and for any reason. Recipient confirms that it is considering a Transaction solely for its own account or for the account of its Affiliates.

11. Governing Law and Venue. This Agreement will be governed by and construed in accordance with the internal laws of the State of California without giving effect to any principles of choice or conflicts of law that would cause the application of any laws or any jurisdiction other than those of the State of California. Each party hereto consents and agrees to submit to the jurisdiction of the courts of the State of California and of the United States of America, in each case located in the County of Los Angeles, for any action or proceeding arising out of or relating to this Agreement and waives any objection based on improper venue or *forum non conveniens*. Delivery of process, summons or notice by U.S. first class mail, or by recognized overnight courier, to a party's principal executive office, will be effective for purposes of this Agreement, and for purposes of service in any such action or proceeding.

12. Entire Agreement. This Agreement contains the entire agreement between the parties concerning the subject matter hereof, and no provision of this Agreement may be waived, amended or modified, in whole or in part, or any consent given, unless approved in writing by a duly authorized representative of each party.

13. Execution and Interpretation. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement, and by facsimile or electronic signatures. Each party acknowledges and agrees that this Agreement was negotiated by the parties with the benefit of legal representation, and that any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any party will not apply to any construction or interpretation hereof. Section headings of this Agreement have been inserted for convenience of reference and shall in no way restrict or otherwise modify any of the terms or provisions of this Agreement.

14. Assignment, Successors and Third Party Rights. This Agreement will be binding upon, and will inure to the benefit of the parties hereto, and their successors and assigns. Neither party hereto may assign this Agreement or any part hereof by operation of law or otherwise without the prior written consent of the other party, and any purported assignment without such consent will be null and void; provided, however, that the Company reserves the right to assign its rights, powers and privileges under this Agreement without the consent of Recipient (including the right to enforce this Agreement) to any Person in connection with its purchase or acquisition of any of the facilities, properties and assets of an Affiliate of the Company. Nothing expressed or referred to in this Agreement will be construed to give any Person other than the parties any legal or equitable right or remedy under or with respect to this Agreement or any provision of this Agreement, except (i) that each of Keiro Nursing Home and Japanese Home for

the Aged shall be considered a third party beneficiary with respect to the obligations of Recipient hereunder, and (ii) for such rights as shall inure to a successor or permitted assignee pursuant to this Section 14.

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

THE COMPANY:

KEIRO SERVICES, a California public benefit corporation

By: _____
Name: SHAWN MIYAKE
Title: CEO

RECIPIENT:

PACIFICA COMPANIES,
a CA LLC

By: _____
Name: ADAM ISANDEL
Title: MG. Dir.

CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT (this "Agreement") is made and entered into as of this 28th day of January, 2015, by and between Aspen Skilled Healthcare, Inc., a California corporation ("Recipient"), and Keiro Services (dba Keiro Senior HealthCare), a California public benefit corporation (the "Company").

WITNESSETH:

WHEREAS, the parties desire to enter into discussions regarding a possible transaction (a "Transaction") between Recipient, or its Affiliates, and the Company, or its Affiliates;

WHEREAS, Recipient has requested certain information concerning the business, operations and affairs of the Company and its Affiliates in connection with its evaluation of a Transaction; and

WHEREAS, the parties desire to provide for the confidential treatment of such information;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereby agree as follows:

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

"Affiliate" of a party means any other Person that controls, is controlled by or is under common control with such Person. The Affiliates of the Company include, without limitation, its subsidiaries, Keiro Nursing Home and Japanese Home for the Aged, both of which are California public benefit corporations.

"Confidential Information" means (i) any information (whether written, electronic, oral or by visual inspection or in any other form or medium) furnished to Recipient or its Representatives by or on behalf of the Company or any of its Affiliates (whether before or after the date hereof) concerning the business, financial condition, operations, assets or liabilities of the Company and its Affiliates, including, without limitation, proprietary technology, operating procedures and methods of operations, financial statements, pricing policies, the substance of agreements with suppliers, managed care plans, hospital systems, patients, residents, contractors and others, resident lists, resident information, protected health information, other trade secrets and documents embodying confidential and proprietary information, and (ii) all notes, analyses, compilations, summaries, data, forecasts, studies, interpretations or other documents or materials (in any form or medium) prepared by Recipient or its Representatives or Affiliates, which contain, are based upon or otherwise incorporate or are generated or derived, in whole or in part, from information furnished to any of them by or on behalf of the Company or its Affiliates. The term "Confidential Information" does not include information which (i) is or becomes generally

available to the public other than as a result of a disclosure by Recipient or its Representatives in violation of this Agreement, (ii) was within the possession of Recipient or its Representatives prior to its being furnished to Recipient pursuant hereto, provided that the source of such information was not known by Recipient or its Representatives to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation to the furnishing party or any other party with respect to such information, or (iii) becomes available to Recipient on a nonconfidential basis from a source other than the Company or any of its Affiliates or Representatives, provided that such source is not bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation to the Company or any other party with respect to such information.

"Person" means any corporation, company, partnership, other entity or individual.

"Representatives" of a party means any directors, officers, employees, agents or advisors (including, without limitation, attorneys, accountants, consultants, bankers and financial advisors) of such party or of its Affiliates.

2. Use of Confidential Information. Recipient hereby agrees that (except as required in any legal proceedings and only after compliance with Section 4 below) it shall use, and shall cause its Representatives and Affiliates to use, the Confidential Information furnished to any of them solely for the purpose of evaluating a possible Transaction and not for any other purpose whatsoever (whether or not it is or may be in any way directly or indirectly detrimental to the Company or its Affiliates), that the Confidential Information will be kept confidential, and that Recipient will not disclose, and will cause its Representatives not to disclose, any of the Confidential Information in any manner whatsoever; provided, however, that (i) Recipient may make any disclosure of information constituting part of the Confidential Information to which the Company gives its prior written consent and (ii) any of such information constituting part of the Confidential Information may be disclosed to the Representatives and Affiliates of Recipient who need to know such information for the sole purpose of evaluating a possible Transaction, who agree to keep such information confidential and who are provided with a copy of this Agreement and agree to be bound by the terms hereof to the same extent if they were parties hereto. Recipient shall be responsible for any breach of this Agreement by any of its Affiliates or Representatives and agrees, at its sole expense, to take all appropriate measures (including, without limitation, court proceedings) to restrain its Representatives or Affiliates from prohibited or unauthorized disclosure or use of the Confidential Information. With respect to individually identifiable health information and protected health information, Recipient shall protect any such health information that Recipient receives hereunder or during the evaluation, negotiation, closing or implementation of the potential transaction in the same manner as required of Confidential Information provided under this Agreement. To the extent applicable, Recipient shall comply with all state and federal laws and regulations governing the confidentiality, security, transmission, retransmission, copying, handling, disclosure and use of any protected health information pertaining to individuals, including by way of example and not in limitation, state and federal regulations pertaining to the protection of health information.

3. Confidentiality of Discussions. Recipient agrees that it and its Representatives and Affiliates will not (except as required by any legal proceedings and only after compliance with Section 4 below), without the Company's prior written consent, disclose to any Person (including, without limitation, directors, officers, employees, clients, suppliers, landlords or lenders) (i) the fact that the Confidential Information exists or has been made available, (ii) that it is considering a possible Transaction, (iii) that discussions or negotiations are taking or have taken place concerning a possible Transaction, or (iv) any term, condition or other fact relating to a possible Transaction or such discussions or negotiations, including, without limitation, the status thereof or the subject matter of this Agreement. Recipient further agrees that until the earlier of (a) the consummation of a Transaction involving Recipient or any of its Affiliates or (b) one (1) year from the date of termination of this letter agreement, it will not, without the prior written consent of the Company, initiate or maintain contact (except in the ordinary course of business), directly or indirectly, with any director, officer, employee, client, supplier, landlord or lender of the Company or of its Affiliates for the purposes of obtaining information regarding, without limitation, the Company's or its Affiliates' operations, assets, prospects or finances.

4. Protective Orders. In the event that Recipient or any of its Affiliates or Representatives is requested or required (by deposition, interrogatories, request for information or documents, subpoena, civil investigative demand or other similar process in legal proceedings) to disclose any of the Confidential Information, such party shall provide the Company with prompt written notice of any such request or requirement so that the Company may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement. If, in the absences of a protective order, other remedy or the receipt of a waiver by the Company, Recipient or any of its Affiliates or Representatives are nonetheless, in the written opinion of counsel, legally compelled to disclose any Confidential Information to any tribunal or else stand liable for contempt or suffer other censure or penalty, Recipient or its Affiliate or Representative, may, without liability hereunder, disclose to such tribunal only that portion of the Confidential Information which such counsel advises Recipient is legally required to be disclosed, provided that Recipient exercises its best efforts to preserve the confidentiality of the Confidential Information, including, without limitation, by cooperating with the Company to attempt to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded the Confidential Information by such tribunal. Recipient will give the Company written notice (unless prohibited by law) of the Confidential Information to be disclosed as far in advance as practicable and exercise all reasonable efforts to obtain reliable assurance that confidential treatment will be accorded the Confidential Information.

5. Return of Confidential Information. If either party decides that it does not wish to proceed with a Transaction, it will promptly inform the other party of that decision. In that case, or at any time upon the request of the Company for any reason, Recipient will (i) promptly deliver to the Company at Recipient's own expense or, at the Company's request, destroy all copies of the written Confidential Information in the receiving party's or its Affiliates' or Representatives' possession that were delivered to the receiving party or its Affiliates or Representatives, and (ii) promptly destroy all notes, analyses, compilations, summaries, data, forecasts, studies, interpretations or other documents or materials (in any form or medium) prepared by Recipient or its Representatives or Affiliates, which contain, are based upon or otherwise incorporate or are generated or derived, in whole or in part, from information

furnished to any of them by or on behalf of the Company or any of its Affiliates. Recipient will confirm any such destruction to the Company in writing. Notwithstanding the return or destruction of the Confidential Information, Recipient will, and will cause its Affiliates and Representatives to, continue to be bound by the obligations of confidentiality and other obligations hereunder.

6. No Representations or Warranties. Recipient understands and acknowledges that neither the Company nor any of its Affiliates, directors, officers, employees, agents or Representatives is making any representations or warranties, express or implied, as to the accuracy or completeness of the Confidential Information. Recipient agrees that neither the Company nor any other Person shall have any liability to Recipient or to any of its Representatives relating to or resulting from the use of the Confidential Information or any errors contained therein or omissions therefrom. Only those representations or warranties which are made in a final definitive agreement regarding any Transaction, when, as and if executed, and subject to such limitations and restrictions as may be specified therein, will have any legal effect.

7. No Solicitation of Employees. In consideration of its being furnished Confidential Information, Recipient agrees that for a period of one (1) year from the date hereof it will not, and it will not permit any of its Affiliates to, without the prior written consent of the Company, induce any employee of the Company or its Affiliates to leave its employ or solicit for employment or hire any of the current employees of the Company or any of its Affiliates, so long as they remain employed by the Company or such Affiliate, provided that general industry solicitations not directed any particular person shall not be considered a violation of this Section 7.

8. Waivers. It is understood and agreed by each party that no failure or delay by a party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or future exercise thereof for the exercise of any other right, power or privilege hereunder.

9. Remedies. Recipient understands and agrees that money damages would not be a sufficient remedy for any breach of this Agreement by it or any of its Affiliates or Representatives and that the Company shall be entitled to equitable relief, including injunction and specific performance, as a remedy for any such breach. Such remedy shall not be deemed to be the exclusive remedy for a breach of this Agreement but shall be in addition to all other remedies available at law or in equity to the Company. Recipient agrees to waive any requirement for the security or posting of any bond in connection with any such remedy. In the event of litigation relating to this Agreement, Recipient shall be liable and pay to the Company the reasonable legal fees and other costs and expenses incurred by the Company in connection with such litigation, including any appeal therefrom.

10. Communications and Process. The parties agree that all communications, including (i) any requests for additional information, facility tours or management meetings, and (ii) discussions or questions regarding procedures with respect to a Transaction, will be first submitted or directed to Shawn Miyake, Chief Executive Officer of the Company, or to the person or persons designated by him in writing. Recipient acknowledges and agrees that (a) the Company is free to conduct the process relating to any potential transactions with other third

parties as it and its Representatives, in their sole discretion, determine (including, without limitation, conduct of the due diligence process, negotiating with any prospective purchaser and entering into a preliminary or definitive agreement to effect any transactions without prior notice to Recipient), and (b) the Company reserves the right, in its sole discretion, to change the procedures relating to a Transaction at any time without prior notice to Recipient, to reject any and all proposals made by Recipient or any of its Affiliates or Representatives with respect to a Transaction and to terminate access by Recipient and its Affiliates and Representatives to any Confidential Information and any discussions and negotiations at any time and for any reason. Recipient confirms that it is considering a Transaction solely for its own account or for the account of its Affiliates.

11. Governing Law and Venue. This Agreement will be governed by and construed in accordance with the internal laws of the State of California without giving effect to any principles of choice or conflicts of law that would cause the application of any laws or any jurisdiction other than those of the State of California. Each party hereto consents and agrees to submit to the jurisdiction of the courts of the State of California and of the United States of America, in each case located in the County of Los Angeles, for any action or proceeding arising out of or relating to this Agreement and waives any objection based on improper venue or *forum non conveniens*. Delivery of process, summons or notice by U.S. first class mail, or by recognized overnight courier, to a party's principal executive office, will be effective for purposes of this Agreement, and for purposes of service in any such action or proceeding.

12. Entire Agreement. This Agreement contains the entire agreement between the parties concerning the subject matter hereof, and no provision of this Agreement may be waived, amended or modified, in whole or in part, or any consent given, unless approved in writing by a duly authorized representative of each party.

13. Execution and Interpretation. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement, and by facsimile or electronic signatures. Each party acknowledges and agrees that this Agreement was negotiated by the parties with the benefit of legal representation, and that any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any party will not apply to any construction or interpretation hereof. Section headings of this Agreement have been inserted for convenience of reference and shall in no way restrict or otherwise modify any of the terms or provisions of this Agreement.

14. Assignment, Successors and Third Party Rights. This Agreement will be binding upon, and will inure to the benefit of the parties hereto, and their successors and assigns. Neither party hereto may assign this Agreement or any part hereof by operation of law or otherwise without the prior written consent of the other party, and any purported assignment without such consent will be null and void; provided, however, that the Company reserves the right to assign its rights, powers and privileges under this Agreement without the consent of Recipient (including the right to enforce this Agreement) to any Person in connection with its purchase or acquisition of any of the facilities, properties and assets of an Affiliate of the Company. Nothing expressed or referred to in this Agreement will be construed to give any Person other than the parties any legal or equitable right or remedy under or with respect to this Agreement or any provision of this Agreement, except (i) that each of Keiro Nursing Home and Japanese Home for

the Aged shall be considered a third party beneficiary with respect to the obligations of Recipient hereunder, and (ii) for such rights as shall inure to a successor or permitted assignee pursuant to this Section 14.

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

THE COMPANY:

KEIRO SERVICES, a California public benefit corporation

By: _____
Name: SHAWN MIYAKE
Title: CEO

RECIPIENT:

ASPEN SKILLED HEALTHCARE, INC.,
a California corporation

By: _____
Name: Jay Brady
Title: President

CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT (this "Agreement") is made and entered into as of 15th day of April, 2015, by and between Northstar Senior Living, Inc., a Delaware corporation ("Recipient"), and Keiro Services (dba Keiro Senior HealthCare), a California public benefit corporation (the "Company").

WITNESSETH:

WHEREAS, the parties desire to enter into discussions regarding a possible transaction (a "Transaction") between Recipient, or its Affiliates, and the Company, or its Affiliates;

WHEREAS, Recipient has requested certain information concerning the business, operations and affairs of the Company and its Affiliates in connection with its evaluation of a Transaction; and

WHEREAS, the parties desire to provide for the confidential treatment of such information;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereby agree as follows:

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

"Affiliate" of a party means any other Person that controls, is controlled by or is under common control with such Person. The Affiliates of the Company include, without limitation, its subsidiaries, Keiro Nursing Home and Japanese Home for the Aged, both of which are California public benefit corporations.

"Confidential Information" means (i) any information (whether written, electronic, oral or by visual inspection or in any other form or medium) furnished to Recipient or its Representatives by or on behalf of the Company or any of its Affiliates (whether before or after the date hereof) concerning the business, financial condition, operations, assets or liabilities of the Company and its Affiliates, including, without limitation, proprietary technology, operating procedures and methods of operations, financial statements, pricing policies, the substance of agreements with suppliers, managed care plans, hospital systems, patients, residents, contractors and others, resident lists, resident information, protected health information, other trade secrets and documents embodying confidential and proprietary information, and (ii) all notes, analyses, compilations, summaries, data, forecasts, studies, interpretations or other documents or materials (in any form or medium) prepared by Recipient or its Representatives or Affiliates, which contain, are based upon or otherwise incorporate or are generated or derived, in whole or in part, from information furnished to any of them by or on behalf of the Company or its Affiliates. The term "Confidential Information" does not include information which (i) is or becomes generally

available to the public other than as a result of a disclosure by Recipient or its Representatives in violation of this Agreement, (ii) was within the possession of Recipient or its Representatives prior to its being furnished to Recipient pursuant hereto, provided that the source of such information was not known by Recipient or its Representatives to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation to the furnishing party or any other party with respect to such information, or (iii) becomes available to Recipient on a nonconfidential basis from a source other than the Company or any of its Affiliates or Representatives, provided that such source is not bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation to the Company or any other party with respect to such information.

"Person" means any corporation, company, partnership, other entity or individual.

"Representatives" of a party means any directors, officers, employees, agents or advisors (including, without limitation, attorneys, accountants, consultants, bankers and financial advisors) of such party or of its Affiliates.

2. Use of Confidential Information. Recipient hereby agrees that (except as required in any legal proceedings and only after compliance with Section 4 below) it shall use, and shall cause its Representatives and Affiliates to use, the Confidential Information furnished to any of them solely for the purpose of evaluating a possible Transaction and not for any other purpose whatsoever (whether or not it is or may be in any way directly or indirectly detrimental to the Company or its Affiliates), that the Confidential Information will be kept confidential, and that Recipient will not disclose, and will cause its Representatives not to disclose, any of the Confidential Information in any manner whatsoever; provided, however, that (i) Recipient may make any disclosure of information constituting part of the Confidential Information to which the Company gives its prior written consent and (ii) any of such information constituting part of the Confidential Information may be disclosed to the Representatives and Affiliates of Recipient who need to know such information for the sole purpose of evaluating a possible Transaction, who agree to keep such information confidential and who are provided with a copy of this Agreement and agree to be bound by the terms hereof to the same extent if they were parties hereto. Recipient shall be responsible for any breach of this Agreement by any of its Affiliates or Representatives and agrees, at its sole expense, to take all appropriate measures (including, without limitation, court proceedings) to restrain its Representatives or Affiliates from prohibited or unauthorized disclosure or use of the Confidential Information. With respect to individually identifiable health information and protected health information, Recipient shall protect any such health information that Recipient receives hereunder or during the evaluation, negotiation, closing or implementation of the potential transaction in the same manner as required of Confidential Information provided under this Agreement. To the extent applicable, Recipient shall comply with all state and federal laws and regulations governing the confidentiality, security, transmission, retransmission, copying, handling, disclosure and use of any protected health information pertaining to individuals, including by way of example and not in limitation, state and federal regulations pertaining to the protection of health information.

3. Confidentiality of Discussions. Recipient agrees that it and its Representatives and Affiliates will not (except as required by any legal proceedings and only after compliance with Section 4 below), without the Company's prior written consent, disclose to any Person (including, without limitation, directors, officers, employees, clients, suppliers, landlords or lenders) (i) the fact that the Confidential Information exists or has been made available, (ii) that it is considering a possible Transaction, (iii) that discussions or negotiations are taking or have taken place concerning a possible Transaction, or (iv) any term, condition or other fact relating to a possible Transaction or such discussions or negotiations, including, without limitation, the status thereof or the subject matter of this Agreement. Recipient further agrees that until the earlier of (a) the consummation of a Transaction involving Recipient or any of its Affiliates or (b) one (1) year from the date of termination of this letter agreement, it will not, without the prior written consent of the Company, initiate or maintain contact (except in the ordinary course of business), directly or indirectly, with any director, officer, employee, client, supplier, landlord or lender of the Company or of its Affiliates for the purposes of obtaining information regarding, without limitation, the Company's or its Affiliates' operations, assets, prospects or finances.

4. Protective Orders. In the event that Recipient or any of its Affiliates or Representatives is requested or required (by deposition, interrogatories, request for information or documents, subpoena, civil investigative demand or other similar process in legal proceedings) to disclose any of the Confidential Information, such party shall provide the Company with prompt written notice of any such request or requirement so that the Company may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement. If, in the absences of a protective order, other remedy or the receipt of a waiver by the Company, Recipient or any of its Affiliates or Representatives are nonetheless, in the written opinion of counsel, legally compelled to disclose any Confidential Information to any tribunal or else stand liable for contempt or suffer other censure or penalty, Recipient or its Affiliate or Representative, may, without liability hereunder, disclose to such tribunal only that portion of the Confidential Information which such counsel advises Recipient is legally required to be disclosed, provided that Recipient exercises its best efforts to preserve the confidentiality of the Confidential Information, including, without limitation, by cooperating with the Company to attempt to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded the Confidential Information by such tribunal. Recipient will give the Company written notice (unless prohibited by law) of the Confidential Information to be disclosed as far in advance as practicable and exercise all reasonable efforts to obtain reliable assurance that confidential treatment will be accorded the Confidential Information.

5. Return of Confidential Information. If either party decides that it does not wish to proceed with a Transaction, it will promptly inform the other party of that decision. In that case, or at any time upon the request of the Company for any reason, Recipient will (i) promptly deliver to the Company at Recipient's own expense or, at the Company's request, destroy all copies of the written Confidential Information in the receiving party's or its Affiliates' or Representatives' possession that were delivered to the receiving party or its Affiliates or Representatives, and (ii) promptly destroy all notes, analyses, compilations, summaries, data, forecasts, studies, interpretations or other documents or materials (in any form or medium) prepared by Recipient or its Representatives or Affiliates, which contain, are based upon or otherwise incorporate or are generated or derived, in whole or in part, from information

furnished to any of them by or on behalf of the Company or any of its Affiliates. Recipient will confirm any such destruction to the Company in writing. Notwithstanding the return or destruction of the Confidential Information, Recipient will, and will cause its Affiliates and Representatives to, continue to be bound by the obligations of confidentiality and other obligations hereunder.

6. No Representations or Warranties. Recipient understands and acknowledges that neither the Company nor any of its Affiliates, directors, officers, employees, agents or Representatives is making any representations or warranties, express or implied, as to the accuracy or completeness of the Confidential Information. Recipient agrees that neither the Company nor any other Person shall have any liability to Recipient or to any of its Representatives relating to or resulting from the use of the Confidential Information or any errors contained therein or omissions therefrom. Only those representations or warranties which are made in a final definitive agreement regarding any Transaction, when, as and if executed, and subject to such limitations and restrictions as may be specified therein, will have any legal effect.

7. No Solicitation of Employees. In consideration of its being furnished Confidential Information, Recipient agrees that for a period of one (1) year from the date hereof it will not, and it will not permit any of its Affiliates to, without the prior written consent of the Company, induce any employee of the Company or its Affiliates to leave its employ or solicit for employment or hire any of the current employees of the Company or any of its Affiliates, so long as they remain employed by the Company or such Affiliate, provided that neither general industry solicitations not directed at any particular person nor any offers, solicitations or employment of any facility-level employees at the Keiro Retirement Home in connection with a Transaction shall be considered a violation of this Section 7.

8. Waivers. It is understood and agreed by each party that no failure or delay by a party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or future exercise thereof for the exercise of any other right, power or privilege hereunder.

9. Remedies. Recipient understands and agrees that money damages would not be a sufficient remedy for any breach of this Agreement by it or any of its Affiliates or Representatives and that the Company shall be entitled to equitable relief, including injunction and specific performance, as a remedy for any such breach. Such remedy shall not be deemed to be the exclusive remedy for a breach of this Agreement but shall be in addition to all other remedies available at law or in equity to the Company. Recipient agrees to waive any requirement for the security or posting of any bond in connection with any such remedy. In the event of litigation relating to this Agreement, Recipient shall be liable and pay to the Company the reasonable legal fees and other costs and expenses incurred by the Company in connection with such litigation, including any appeal therefrom.

10. Communications and Process. The parties agree that all communications, including (i) any requests for additional information, facility tours or management meetings, and (ii) discussions or questions regarding procedures with respect to a Transaction, will be first submitted or directed to Shawn Miyake, Chief Executive Officer of the Company, or to the person or persons designated by him in writing. Recipient acknowledges and agrees that (a) the

Company is free to conduct the process relating to any potential transactions with other third parties as it and its Representatives, in their sole discretion, determine (including, without limitation, conduct of the due diligence process, negotiating with any prospective purchaser and entering into a preliminary or definitive agreement to effect any transactions without prior notice to Recipient), and (b) the Company reserves the right, in its sole discretion, to change the procedures relating to a Transaction at any time without prior notice to Recipient, to reject any and all proposals made by Recipient or any of its Affiliates or Representatives with respect to a Transaction and to terminate access by Recipient and its Affiliates and Representatives to any Confidential Information and any discussions and negotiations at any time and for any reason. Recipient confirms that it is considering a Transaction solely for its own account or for the account of its Affiliates.

11. Governing Law and Venue. This Agreement will be governed by and construed in accordance with the internal laws of the State of California without giving effect to any principles of choice or conflicts of law that would cause the application of any laws or any jurisdiction other than those of the State of California. Each party hereto consents and agrees to submit to the jurisdiction of the courts of the State of California and of the United States of America, in each case located in the County of Los Angeles, for any action or proceeding arising out of or relating to this Agreement and waives any objection based on improper venue or *forum non conveniens*. Delivery of process, summons or notice by U.S. first class mail, or by recognized overnight courier, to a party's principal executive office, will be effective for purposes of this Agreement, and for purposes of service in any such action or proceeding.

12. Entire Agreement. This Agreement contains the entire agreement between the parties concerning the subject matter hereof, and no provision of this Agreement may be waived, amended or modified, in whole or in part, or any consent given, unless approved in writing by a duly authorized representative of each party.

13. Execution and Interpretation. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement, and by facsimile or electronic signatures. Each party acknowledges and agrees that this Agreement was negotiated by the parties with the benefit of legal representation, and that any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any party will not apply to any construction or interpretation hereof. Section headings of this Agreement have been inserted for convenience of reference and shall in no way restrict or otherwise modify any of the terms or provisions of this Agreement.

14. Assignment, Successors and Third Party Rights. This Agreement will be binding upon, and will inure to the benefit of the parties hereto, and their successors and assigns. Neither party hereto may assign this Agreement or any part hereof by operation of law or otherwise without the prior written consent of the other party, and any purported assignment without such consent will be null and void; provided, however, that the Company reserves the right to assign its rights, powers and privileges under this Agreement without the consent of Recipient (including the right to enforce this Agreement) to any Person in connection with its purchase or acquisition of any of the facilities, properties and assets of an Affiliate of the Company. Nothing expressed or referred to in this Agreement will be construed to give any Person other than the parties any legal or equitable right or remedy under or with respect to this Agreement or any

provision of this Agreement, except (i) that each of Keiro Nursing Home and Japanese Home for the Aged shall be considered a third party beneficiary with respect to the obligations of Recipient hereunder, and (ii) for such rights as shall inure to a successor or permitted assignee pursuant to this Section 14.

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

THE COMPANY:

KEIRO SERVICES, a California public benefit corporation

By: _____
Shawn Miyake
President

RECIPIENT:

NORTHSTAR SENIOR LIVING, INC.,
a Delaware corporation

By: _____
C. Rick Jensen
Chief Executive Officer

PACIFICA
SENIOR LIVING

December 3, 2014

VIA EMAIL TO SMIYAKE@KEIRO.ORG

Shawn Miyake
President and Chief Executive Officer
Keiro Senior HealthCare
325 South Boyle Avenue
Los Angeles, CA 90033-3812

Re: Offer for Keiro Senior HealthCare Portfolio

Dear Shawn:

This Letter of Intent serves as an offer to purchase the above-referenced property and sets forth the general terms. This offer is nonbinding until the execution and delivery of a formal Purchase Agreement.

Property: The Keiro Senior Healthcare Portfolio, consisting of **Keiro Nursing Home**, a skilled nursing facility located at 2221 Lincoln Park Avenue, Los Angeles, CA 90031; **South Bay Keiro Nursing Home**, a skilled nursing facility located at 15115 South Vermont Avenue, Gardena, CA 90427; **Keiro Retirement Home**, an independent living facility located at 325 South Boyle Avenue, Los Angeles, CA 90033; and **Keiro Intermediate Care Facility**, an intermediate care facility located at 325 South Boyle Avenue, Los Angeles, CA 90033 (collectively, the "Facilities"), including the land, all ancillary buildings and improvements, furnishings, fixtures, equipment, vehicles, inventory, supplies, contracts, intangibles (other than the "Keiro" name and mark) and other assets currently held or used in connection with the operation thereof (collectively, together with the Facilities, the "Property"), provided, however, that Seller will retain cash and cash equivalents, accounts receivable, investments, funds held in trust, contributions receivable and other usually-excluded assets, as well as several vehicles and computer and miscellaneous office equipment.

Buyer: Pacifica Companies LLC or affiliated assignees (collectively, "Buyer"). Concurrently with the closing of the transaction, Buyer intends to enter into a long-term lease of the Property associated with the Keiro Nursing Home and the South Bay Keiro Nursing Home with Aspen Skilled Healthcare, Inc. or its operating subsidiaries (collectively, "Aspen"), which will operate both of these Facilities.

Seller: Keiro Services (dba Keiro Senior HealthCare) and its wholly-owned subsidiaries, Keiro Nursing Home and Japanese Home for the Aged (collectively, "Seller"). Keiro Nursing Home owns and operates the Keiro Nursing Home and the South Bay Keiro Nursing Home, and Japanese Home for the Aged owns and operates the Keiro

	Retirement Home and the Keiro Intermediate Care Facility.
Purchase Price and Deposit:	$41,000,000, payable by a $1,000,000 cash deposit (the "Deposit") in Escrow upon execution and delivery of a formal Purchase Agreement and the balance shall be paid in cash at closing. The Deposit shall be refundable until the expiration of the Due Diligence Period (as defined below), at which time the Deposit shall become nonrefundable unless Buyer has properly cancelled this transaction during the Due Diligence Period. There will be no financing contingency or lender to deal with at or prior to closing.
Contract Timing:	Within five (5) business days after mutual execution of this Letter of Intent, Seller shall prepare and deliver to Buyer a draft Purchase Agreement and any related documents.
Opening of Escrow:	One (1) business day after execution and delivery of the Purchase Agreement, Buyer and Seller shall open Escrow to complete the transaction and Buyer shall deliver the Deposit to Escrow.
Close of Escrow:	The parties estimate that the close of Escrow and transfer of the Property will take place in about six months, but the date can be accelerated or extended depending on when the conditions to closing have been satisfied or waived. Buyer shall be entitled to three (3) thirty (30) day extensions if needed to obtain Regulatory Approvals.
Title & Escrow:	Fidelity National Title, Newport Beach, California.
Due Diligence Period:	Buyer shall have thirty (30) days from the execution and delivery of a Purchase Agreement (the "Due Diligence Period") to perform all inspections and tests as required by Buyer and to conduct any and all other due diligence as Buyer may desire in its absolute discretion. Buyer may cancel this transaction by written notice at any time during the Due Diligence Period for any reason in its sole and absolute discretion and receive a refund of the Deposit and all accrued interest thereon.
Seller's Documents:	Seller shall provide or make available to Buyer, within five (5) business days of opening of Escrow, any and all due diligence materials as are reasonably requested by Buyer and which are in the possession of Seller. Buyer shall submit a due diligence list to Seller in conjunction with the Purchase Agreement.

Property Transfers:	Title to the real property will be transferred by grant deed free of all encumbrances except current real estate taxes and assessments prorated per local custom, easements and CC&Rs of record. Seller will pay for a CLTA Owner's Standard Coverage policy of title insurance for the real property. Transfer of the real property shall be on an "AS-IS, WHERE-IS" basis, without warranty or representation except as to title. Furniture, fixtures, equipment, supplies, inventories and other operating assets currently used in connection with the Facilities shall be transferred in-place by a Bill of Sale. Buyer (or, as the case may be, Aspen) will assume assignable vendor and service contracts, licenses, provider certifications, numbers and agreements, permits and other agreements related to the operation of the Facilities, and the same will be assigned and assumed in-place by an Assignment and Assumption. Buyer will assume the rental agreements with current residents at the same rates. Vehicles will be transferred by delivery of signed certificates of title and keys.
Operation of the Facilities:	During the pendency of this transaction, Seller shall refrain from entering into any leases, contracts or modifications to the same that materially affect the Facilities. Neither Buyer nor Aspen, as the case may be, will use the Keiro name on the Facilities or in any other manner after the closing of the transaction, as Seller contemplates providing services to the community under that name in the future. Buyer and Aspen, as the case may be, shall maintain the Facilities and services as culturally sensitive for the Japanese American community.
Personnel:	Buyer or Aspen, as the case may be, will extend offers of employment to all Facility staff in good standing as of the Closing. Such offers of employment will be made in a manner sufficient to comply with federal, state, and local law, and for their existing wages and otherwise with benefits that are not less favorable than those provided to other similarly situated employees of the facilities in which Purchaser's affiliates have an ownership interest and which are located in California.
Representations and Warranties:	Seller represents to Buyer that Seller has no actual knowledge regarding any violations of applicable codes, laws and statutes relating to the Facilities, including, but not limited to, building codes, all seismic codes and any environmental law. This representation shall not give rise to any duty of inquiry on the part of Seller but is limited to Seller's actual knowledge.
Conditions to Closing:	The close of escrow and transfer of the Property will be conditioned upon, among other things, (a) receipt of a waiver or consent in writing from the California Attorney General, and (b) licensing of the Facilities by the California Department of Public Health and the California Department of Social Services, as applicable ((a) & (b) being the "Regulatory Approvals"). The Deposit shall be fully refundable to Buyer in the event the Regulatory Approvals are not obtained. The execution and delivery of a formal Purchase Agreement and related documents will be subject to approval of the boards of directors of Seller.

Standard Contract Clauses:	The Purchase Agreement and related documents contemplated under this Letter of Intent shall all include typical contract clauses for a transaction of this nature, including, but not necessarily limited to, the following: Licensure provisions Integration clause No amendment except by writing signed by all parties California law to govern Severability Dispute resolution Execution in counterparts allowed Time of the essence
Confidentiality:	Buyer and Seller agree that all terms of this Letter of Intent shall remain confidential and shall not be disclosed to third parties, excepting legal and financial advisors of Buyer and Seller, representatives of Fidelity National Title, Facility staff personnel, officers and directors of the parties and the California Attorney General.
Brokers; Fees and Costs:	Seller and Buyer shall each be responsible for their own broker's fees and commissions, if any. Buyer has used no broker in this transaction. Seller shall pay all broker commissions due to Blueprint Healthcare Real Estate Advisors per separate agreement. Each party shall bear its own transaction costs, including attorneys' fees.

It is expressly agreed by Seller and Buyer that this Letter of Intent is nonbinding on Seller and Buyer, and Seller and Buyer will have no contractual obligation to sell or purchase the Property prior to the execution and delivery of a formal Purchase Agreement. No legal obligation is intended to be created by this Letter of Intent or by any written or oral statements, negotiations or promises between the parties hereto, directly or through any representatives. Moreover, this Letter of Intent will not give rise to any rights based on any legal theory, it being intended that only a formal written Purchase Agreement, executed and delivered by the parties hereto, will bind the parties with respect to any matter covered by this Letter of Intent. If this Letter of Intent is not executed by both parties within ten (10) days of the date hereof, it will expire and be of no further effect.

Sincerely,

PACIFICA COMPANIES LLC,
a California limited liability company

By: _____
Adam Bandel

ACCEPTED AND AGREED TO:

KEIRO SERVICES
(DBA KEIRO SENIOR HEALTHCARE),
a California nonprofit public benefit corporation

By: _____
Shawn Miyake
President and Chief Executive Officer

Dated: 12/3, 2014

ASSET PURCHASE AND SALE AGREEMENT

THIS ASSET PURCHASE AND SALE AGREEMENT (this "Agreement") is made and entered into as of February 19, 2015 (the "Effective Date"), by and among KEIRO SERVICES, a California nonprofit public benefit corporation ("KS"), and its wholly-owned subsidiaries, JAPANESE HOME FOR THE AGED, a California nonprofit public benefit corporation ("JHA"), and KEIRO NURSING HOME, a California nonprofit public benefit corporation ("KNH" and together with KS and JHA, the "Sellers" and each individually a "Seller"), and PACIFICA COMPANIES LLC, a California limited liability company ("Pacifica"), and its direct or indirect wholly-owned subsidiaries, PACIFICA SL LINCOLN LLC, a California limited liability company ("Lincoln Buyer"), PACIFICA SL BOYLE LLC, a California limited liability company ("Boyle Buyer"), and PACIFICA SL VERMONT LLC, a California limited liability company ("South Bay Buyer" and together with Lincoln Buyer and Boyle Buyer, the "Buyers" and each individually a "Buyer") (Pacifica and the Buyers being sometimes referred to collectively as the "Other Parties" and individually as an "Other Party").

RECITALS

A. KNH owns (i) a skilled nursing facility and the underlying real property located at 2221 Lincoln Park Avenue, Los Angeles, California, with 300 licensed and Medicare/Medicaid-certified skilled nursing beds ("SNF1"), and (ii) a skilled nursing facility and the underlying real property located at 15115 South Vermont Avenue, Gardena, California, with 98 licensed and Medicare/Medicaid-certified skilled nursing beds ("SNF2"). JHA owns (i) an independent living facility with 127 independent living units ("ILF") and (ii) an intermediate care facility with 90 licensed Medicaid-certified intermediate care beds ("ICF"), together with the underlying real property, both of which are located at 325 South Boyle Avenue, Los Angeles, California (ILF, together with ICF, the "Boyle Campus," and collectively with SNF1, SNF2 and ICF, the "Facilities" and each a "Facility"). Each Facility includes the "Assets" as described below and the continuing business operations therein.

B. JHA desires to sell to Boyle Buyer, and Boyle Buyer desires to purchase from JHA, all of JHA's right, title and interest in and to the Real Property and Operating Assets (each as defined below) associated with the Boyle Campus, and KNH desires to sell to Lincoln Buyer and to South Bay Buyer, and Lincoln Buyer and South Bay Buyer desire to purchase from KNH, all of KNH's right, title and interest in and to the Real Property and Operating Assets associated with SNF1 and SNF2, respectively, all on the terms and subject to the conditions of this Agreement.

C. Concurrently with Buyers' acquisition of the Real Property and Operating Assets associated with each of the Facilities, (i) Boyle Buyer will contract with Pacifica Senior Living Management LLC, a California limited liability company, to manage and operate ICF and ILF ("New ICF/ILF Operator"), (ii) Lincoln Buyer will lease the Real Property and Operating Assets associated with SNF1 to ALAL, LLC, a California limited liability company, that will operate SNF1 ("New SNF1 Operator"), and (iii) South Bay Buyer will lease the Real Property and Operating Assets associated with SNF2 to AGVA, LLC, a California limited liability company, that will operate SNF2 ("New SNF2 Operator" and together with New ICF/ILF Operator and New SNF1 Operator, the "New Operators"). New SNF1 Operator and New SNF2 Operator are

each a direct or indirect wholly-owned subsidiary of Aspen Skilled Healthcare, Inc., a California corporation ("Aspen").

D. Each Seller has entered into an Operations Transfer Agreement ("OTA" and collectively, the "OTAs") with each of the applicable Buyers, New Operators and, in the case of SNF1 and SNF2, Aspen, with respect to transfer of each Seller's right, title and interest in and to the Operating Assets associated with each Facility to Buyers and in order to provide for the orderly transition of operational and financial responsibility for each Facility from Sellers to New Operators.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter contained, the parties agree as follows:

TERMS AND CONDITIONS

ARTICLE 1. PURCHASE AND SALE OF ASSETS

1.1 Purchase and Sale. Subject to the terms and conditions of this Agreement, Sellers agree to sell, convey, transfer, assign and deliver to Buyers free of all leases, liens and security interests (except as otherwise provided in this Agreement or in the OTAs), and Buyers agree to purchase from Sellers, all of Sellers' right, title and interest in and to only, the following assets, as such assets shall exist on the Closing Date (as defined below) with respect to the operation of the Facilities (whether or not such assets are essential to the operation of the Facilities), all of which are referred to herein collectively as the "Assets," provided, however, that the Assets shall not include the "Excluded Assets" as set forth in Section 1.2:

(i) "Real Property," which means (a) the land as described in Exhibit 1.1(i), located in the County of Los Angeles, State of California, including all easements and other rights, interests and appurtenances thereto, which is owned or used by Sellers in connection therewith, together with (b) all buildings, structures, fixtures and other improvements located in, on, at, under or above or attached to such land; and

(ii) "Operating Assets," which means (a) all inventory used or held for use at the Facilities (the "Inventory"); (b) all furniture, fixtures, equipment, tools, machinery, computers, vehicles and all other tangible personal property owned by Sellers and used in connection with the Facilities owned by Sellers (the "Personal Property"); (c) to the extent assignable or transferable, all Assumed Operating Contracts, if any, to be listed in Exhibit A to the OTAs that relate exclusively to the ownership, repair, maintenance or operation of the Facilities; and (d) to the extent assignable or transferable, all general intangibles related to the ownership, possession, lease or use of the Assets or operation of the Facilities, including telephone numbers, medical records, administrative records, databases, files, manuals, and other records relating to the past, present or future operation of the Facilities, lien waivers, surety agreements, bonds, warranties, guaranties, utility use agreements, covenants, commitments, permits, certificates, regulatory approvals, Medicare and Medicaid certifications and entitlements owned or employed by Sellers in conjunction with the operation of the Facilities.

1.2 Excluded Assets. Notwithstanding anything to the contrary in Section 1.1, each Seller shall retain all of the following assets owned directly or indirectly by it (or any of Sellers'

affiliates), and such assets below shall not be included in the Assets to be transferred to Buyers (collectively, the "Excluded Assets"):

(a) all cash, cash equivalents, investments, funds held in trust, pledges, contributions and charitable remainder trusts (excepting Patient Trust Property (as defined in the OTAs), which shall be transferred to New Operators as set forth in the OTAs);

(b) all accounts receivable, revenues, accounts, notes, interest and other receivables of Sellers (collectively, the "Accounts Receivable"), including all claims, rights, interests and proceeds related thereto, billed and unbilled, recorded and unrecorded, for services provided or for goods and supplies used by any patients or residents by Sellers while owner of the Assets whether payable by private pay patients, private insurance, third party payors, private payors, Medicare, Medicaid (also known in California as Medi-Cal), or Medicare advantage payors, Medicaid managed care payors or by any other source and any governmental overpayments and any rights to prosecute any governmental underpayments and receivables; together with all documents, records, correspondence, work papers and other documents relating to the Accounts Receivable;

(c) all intercompany receivables of Sellers with any of Sellers' affiliates;

(d) subject to the provisions of the OTAs, computer hardware, software and programs;

(e) subject to the provisions of the OTAs, all of Sellers' or any affiliate of Sellers' proprietary manuals, policy and procedure manuals and standard operating procedures;

(f) the names "Keiro," "Keiro Senior HealthCare," "Keiro Nursing Home," "South Bay Keiro Nursing Home," Keiro Intermediate Care Facility" and "Keiro Retirement Home," any abbreviations and variations thereof, and any trademarks, trade names, service marks, symbols and logos related thereto, any world-wide web addresses associated with Sellers, and any other trademarks, trade names, service marks, copyrights and applications therefor;

(g) all Assets of Sellers that are disposed of, expended or cancelled in the ordinary course of business prior to the Effective Time (as defined below), provided that Sellers shall not dispose of any Asset without the prior written consent of Buyers (other than Inventory and other Assets used at the Facilities in the ordinary course of business, which shall be replenished to at least statutorily-required levels in the normal course);

(h) assets owned and provided by vendors of services or goods to the Facilities;

(i) all claims, rights, interests and proceeds with respect to state or local tax refunds (including property tax) resulting from periods prior to the Effective Time, and the right to pursue appeals of same;

(j) all of Sellers' organizational and corporate records, minute books and financial, tax and accounting books and records;

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

(l) all refunds, rebates and dividends paid in respect of workers' compensation or other insurance premiums paid by Sellers prior to the Effective Time and any refunds or additional recoveries by or payments to Sellers from any person for services or sales of goods or supplies prior to the Effective Time;

(m) all settlements, refunds or returns of any other monies from any source or rights of any nature arising from or connected to Sellers' operation of the Facilities prior to the Effective Time;

(n) all prepaids or deposits made by Sellers;

(o) all accounts and balances in such accounts maintained by Sellers at banks or other financial institutions;

(p) all rights, claims and choses in action of Sellers and their affiliates with respect to periods prior to the Effective Time, and any payments, awards or other proceeds resulting therefrom;

(q) all existing licenses issued for or in connection with the ownership or operation of the Facilities, including those issued by the California Department of Public Health and the California Department of Social Services;

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

(s) all of Sellers' interest in and to the Terminated Operating Contracts (as defined in the OTAs);

(t) all insurance policies of Sellers and, except as otherwise provided in Section 9.3, rights to proceeds or return of premiums with respect thereto; and

(u) all items specifically listed on Exhibit 1.2(u)

1.3 Liabilities Excluded. THIS AGREEMENT EXCLUDES, AND BUYERS AND NEW OPERATORS DO NOT ASSUME, ANY LIABILITIES OF SELLERS NOT EXPRESSLY ASSUMED BY BUYERS OR NEW OPERATORS IN WRITING IN THIS AGREEMENT, IN THE OTAS OR IN ANY OTHER AGREEMENT RELATING TO THE TRANSFER OF THE FACILITIES FROM SELLERS TO BUYERS AND NEW OPERATORS, INCLUDING THE FOLLOWING (COLLECTIVELY, THE "EXCLUDED LIABILITIES"): SELLERS' ACCOUNTS PAYABLE AND ALL OBLIGATIONS ARISING OUT OF OR RELATED TO THE OPERATION OF THE FACILITIES PRIOR TO THE EFFECTIVE TIME, INCLUDING COSTS, EXPENSES AND OTHER LIABILITIES AND

OBLIGATIONS ARISING FROM THE OPERATION OF THE FACILITIES; ANY OBLIGATIONS UNDER ANY SERVICE CONTRACTS, EQUIPMENT LEASES OR AUTOMOBILE LEASES; LIABILITY FOR OVERPAYMENTS AND ANY FRAUD UNDER MEDICARE, MEDICAID OR ANY THIRD-PARTY PAYOR AGREEMENT OR OTHER RESIDENT-RELATED CONTRACTUAL OBLIGATION; ANY OBLIGATIONS UNDER ANY COLLECTIVE BARGAINING AGREEMENT, EMPLOYMENT AGREEMENT, PENSION OR RETIREMENT PLAN, PROFIT-SHARING PLAN, MEDICAL OR OTHER BENEFITS OR INSURANCE PLAN, COMPENSATION OR BONUS AGREEMENT, VACATION OR SEVERANCE PAY PLAN OR AGREEMENT AND ANY OTHER EMPLOYEE BENEFIT PLAN. ANY AND ALL ACCOUNTS PAYABLE OR OTHER OBLIGATIONS ACCRUING TO AND EXISTING AS OF THE EFFECTIVE TIME (INCLUDING ANY CAPITALIZED LEASE OBLIGATIONS, WHICH SHALL BE PAID OFF AT OR PRIOR TO CLOSING) ARE AND SHALL REMAIN THE SOLE OBLIGATION AND RESPONSIBILITY OF SELLERS EXCEPT AS EXPRESSLY ASSUMED BY BUYERS IN WRITING. NOTHING IN THIS SECTION 1.3 AFFECTS OR WILL BE DEEMED TO AFFECT THE "AS-IS" AND "WHERE-IS" NATURE OF THE PURCHASE AND SALE OF THE REAL PROPERTY AS MORE PARTICULARLY DESCRIBED IN SECTION 2.9.

1.4 The Escrow. The purchase and sale of the Assets shall be consummated through the establishment of an escrow (the "Escrow") with Fidelity National Title Insurance Company ("Escrow Agent"). Upon its deposit with the Escrow Agent, this Agreement shall constitute the parties' joint escrow instructions to the Escrow Agent. The Escrow Agent shall act in accordance with this Agreement. The parties agree to execute the general escrow instructions as may be requested by the Escrow Agent, provided that in the event of any conflict between the provisions of such general escrow instructions and the provisions of this Agreement, the provisions of this Agreement shall control. The Escrow Agent shall notify Buyers and Sellers in writing of the date of receipt of this Agreement.

1.5 The Closing. Provided that all of the conditions to Closing set forth in Articles 7 and 8 have been satisfied or waived, the Escrow and the transaction contemplated hereby shall close (referred to herein as the "Closing" and the date as the "Closing Date") by the release and delivery of documents and funds as provided herein at 10:00 a.m., Pacific Time, on (a) July 31, 2015, or (b) such other date agreed to in writing by Buyers and Sellers; provided that Sellers and Buyers shall each have the right to extend the Closing from July 31, 2015 or from the last extended date, as the case may be, to the last day of the next month by notice in writing to the other parties in the event that any of the conditions in Sections 7.2, 7.6, 8.2 or 8.4 have not been satisfied, but there may be no more than three extensions and such extensions may not be to a date later than November 30, 2015. The Closing shall be deemed to have occurred and to be effective as between the parties as of the Effective Time. For purposes of this Agreement, the term "Effective Time" shall mean 12:01 a.m., Pacific Time, on the first day following the Closing Date. On the Closing Date, Escrow Agent shall: (i) issue and deliver to Buyers the Title Policy (as defined below) or, alternatively, be irrevocably committed to issue the Title Policy, (ii) deliver to Sellers by wire transfer of immediately available funds to the account or accounts designated by Sellers the Purchase Price (as defined below, as adjusted by Sellers and Buyers pursuant to a closing statement executed by Sellers and Buyers at Closing reflecting allocations of costs and prorations of items as more particularly described herein), and (iii) deliver to Buyers and Sellers such other agreements, documents and instruments as the parties instruct in the

escrow instructions. On the next business day immediately following the Closing Date, Escrow Agent shall cause the grant deeds for the Real Property and any other documents which the parties mutually designate, to be recorded in the Official Records of Los Angeles County, State of California.

1.6 Purchase Price. The "Purchase Price" for the Assets shall be Forty One Million and 00/100 U.S. Dollars ($41,000,000), which shall be allocated as follows: (a) Fourteen Million and 00/100 U.S. Dollars ($14,000,000) to JHA for the Boyle Campus, (b) Twenty Six Million Nine Hundred Seventy Five Thousand and 00/100 U.S. Dollars ($26,975,000) to KNH, of which Eighteen Million and 00/100 U.S. Dollars ($18,000,000) is for SNF1, and Eight Million Nine Hundred Seventy Five Thousand and 00/100 U.S. Dollars ($8,975,000) is for SNF2; and (c) Twenty Five Thousand and 00/100 U.S. Dollars ($25,000) to KS for the Assets being sold by it to the Boyle Buyer. The Purchase Price shall be payable as follows:

(i) Within one (1) business day after the execution and delivery of this Agreement, Pacifica shall deliver or cause to be delivered One Million and 00/100 U.S. Dollars ($1,000,000) (the "Deposit") into Escrow in the form of a wire transfer or other immediately available funds. The Deposit shall be held in an interest-bearing account for Buyers' benefit in a segregated account at the bank at which the Escrow Agent maintains its principal depository relationship. If this transaction closes, the Deposit and all interest accrued thereon (collectively, the "Escrow Funds") shall be credited toward the Purchase Price. If this transaction does not close, the Escrow Funds shall be paid to the party entitled thereto pursuant to the terms of this Agreement.

(ii) On or before the Closing Date, Pacifica and Buyers shall collectively cause to be deposited with Escrow Agent an amount equal to the Purchase Price minus the Deposit in the form of a wire transfer or other immediately available funds (the "Cash Due at Closing"). If the Purchase Price is adjusted for any reason, or Escrow Agent's balancing of the credits and debits due Buyers and Sellers at Closing results in a change in the net amount due Sellers hereunder, any difference shall be reflected in the Cash Due at Closing.

ARTICLE 2. REPRESENTATIONS AND WARRANTIES OF SELLERS

Each Seller, severally as to such representing Seller only and not jointly as to all Sellers, represents and warrants to the Other Parties in Sections 2.1 through 2.8 that as of the Effective Date:

2.1 Organization and Standing. Seller is a nonprofit corporation duly organized and validly existing under the laws of the State of California.

2.2 Capacity; Authority; Consents. Seller has full power, legal capacity and authority to execute and deliver this Agreement, to consummate the transactions contemplated hereby and to perform its obligations under this Agreement. The execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the performance of its obligations hereunder have been duly authorized by Seller's board of directors and its member, if any, and no other proceedings by Seller are necessary. This Agreement constitutes, and each other instrument to be executed and delivered by Seller pursuant to the terms of this Agreement will constitute, valid and binding obligations of Seller, enforceable against Seller in accordance with

their respective terms. The individual(s) executing and delivering this Agreement on Seller's behalf are duly authorized and empowered to bind Seller as contemplated hereby.

2.3 No Violation. Neither the execution and delivery by Seller of this Agreement nor the consummation of the transactions contemplated hereby nor compliance with any of the material provisions hereof by Seller will violate, conflict with or result in a breach of any material provision of its Articles of Incorporation, Bylaws or other organizational documents. To Seller's actual knowledge, Seller is not in violation of any statute, rule, regulation or order of any court or Federal, state or local governmental agency or instrumentality having jurisdiction over it, its Facilities or Assets, the violation of which would have a material adverse effect on the ownership or operation of the Facilities.

2.4 Environmental Compliance. To Seller's actual knowledge, except as disclosed by Sellers in writing to the Other Parties: (a) no hazardous material has been stored or exists in, on, under or around the Real Property to be sold by Seller hereunder, other than (i) asbestos, PCBs, if any, lead emanating from lead-based paint and blood and body fluids, and (ii) such hazardous materials customarily used, stored and disposed of in skilled nursing, independent living and intermediate care facilities similar to the Facilities, which hazardous materials are used, stored and disposed of in compliance with applicable environmental laws, rules and regulations; and (b) Seller has not caused or suffered any hazardous materials other than as excepted in (a) above to be used, released, discharged, placed or disposed of at, on or under the Real Property to be sold by Seller hereunder, or any real property adjacent thereto, except in compliance with applicable environmental laws, rules and regulations. To Seller's actual knowledge, except as disclosed by Sellers in writing to Buyers, no underground storage tanks are located on the Real Property to be sold by Seller hereunder and no portion of the Real Property has ever been used as a dump for waste material. To Seller's actual knowledge, except for matters which were previously brought into compliance, Seller has not received any written notice from any governmental authority or any written complaint from any third party with respect to its alleged noncompliance with, or potential liability under, any applicable environmental laws, rules or regulations involving the Real Property or the Facilities to be sold by Seller hereunder, nor, to Seller's actual knowledge, does it have a reasonable basis to expect the issuance of such a notice or complaint.

2.5 Brokers and Finders. Seller has not engaged any finder or broker in connection with the transactions contemplated hereby, other than Blueprint Healthcare Real Estate Advisors, for which Sellers shall be jointly responsible.

2.6 Title to Assets. Title to the Assets will be conveyed by Seller free and clear of all leases, liens and security interests, except: (i) the Real Property shall be subject to the Permitted Exceptions (as defined in Section 6.6); (ii) as disclosed in the OTAs, including the Exhibits to the OTAs; and (iii) as consented to in writing by Buyers. No officer, director or employee of Seller owns or has any interest, directly or indirectly, in any of the Assets to be sold by Seller hereunder.

2.7 Knowledge. For purposes of this Agreement, the phrase "to Seller's actual knowledge" and other similar knowledge qualifiers means the present actual knowledge, after reasonable inquiry, solely of Shawn Miyake, in his capacity as President and Chief Executive Officer of each Seller and, with respect to a Facility, of the Administrator of such Facility in his

or her capacity as an Administrator. Such individuals are named in this Agreement and in the OTAs solely for the purpose of establishing the scope of each of Seller's knowledge. Such individuals shall not be deemed to be a party to this Agreement or to the OTAs nor to have made any representations or warranties hereunder, and no recourse shall be had to such individuals for any of Seller's representations and warranties hereunder or under the OTAs (and Buyers hereby waive any liability of or recourse against any such individuals). Seller represents that such individuals are employees of Sellers who are knowledgeable about the Facilities. Seller represents that the individuals identified in this Section 2.7 as the knowledgeable parties have operational knowledge regarding the Real Property and Operating Assets to be sold by Seller hereunder and the matters covered by the representations and warranties of Seller set forth above.

2.8 Full Disclosure. All of Seller's representations and warranties in this Agreement, which pertain only to the sale of the Real Property: (i) constitute a material part of the consideration hereunder; and (ii) shall be complete, current and accurate as of the Closing to Seller's actual knowledge. To Seller's actual knowledge, none of the statements, representations or warranties of Seller set forth in this Article 2 misstates or omits any fact which would make such statements, representations or warranties incomplete, misleading or incorrect in any material respect.

2.9 Disclaimer and Release. THE OTHER PARTIES ACKNOWLEDGE AND AGREE THAT, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, SELLERS HAVE NOT MADE, DO NOT MAKE AND SPECIFICALLY NEGATE AND DISCLAIM ANY REPRESENTATIONS, WARRANTIES, PROMISES, COVENANTS, AGREEMENTS OR GUARANTIES OF ANY KIND OR CHARACTER WHATSOEVER, EITHER EXPRESS OR IMPLIED, ORAL OR WRITTEN, PAST, PRESENT OR FUTURE, OF, AS TO, CONCERNING OR WITH RESPECT TO (A) THE VALUE, NATURE, QUALITY OR CONDITION OF THE REAL PROPERTY, (B) THE INCOME TO BE DERIVED FROM THE REAL PROPERTY, (C) THE SUITABILITY OF THE REAL PROPERTY FOR ANY AND ALL ACTIVITIES AND USES WHICH ANY OTHER PARTY MAY CONDUCT THEREON, (D) THE COMPLIANCE OF OR BY THE REAL PROPERTY OR ITS OPERATION WITH ANY LAWS, RULES, ORDINANCES OR REGULATIONS OF ANY APPLICABLE GOVERNMENTAL AUTHORITY OR BODY, (E) THE MANNER OR QUALITY OF THE CONSTRUCTION OR MATERIALS, IF ANY, INCORPORATED INTO THE REAL PROPERTY, (F) THE MANNER, QUALITY, STATE OF REPAIR OR LACK OF REPAIR OF THE REAL PROPERTY, (G) COMPLIANCE WITH ANY ENVIRONMENTAL PROTECTION, POLLUTION OR LAND USE LAWS, RULES, REGULATIONS, ORDERS OR REQUIREMENTS, INCLUDING THE EXISTENCE IN OR ON THE REAL PROPERTY OF HAZARDOUS MATERIALS, OR (H) ANY OTHER MATTER WITH RESPECT TO THE REAL PROPERTY. ADDITIONALLY, NO PERSON ACTING ON BEHALF OF SELLERS IS AUTHORIZED TO MAKE, AND BY EXECUTION HEREOF THE OTHER PARTIES ACKNOWLEDGE THAT NO PERSON HAS MADE, ANY REPRESENTATION, AGREEMENT, STATEMENT, WARRANTY, GUARANTY OR PROMISE REGARDING THE REAL PROPERTY OR THE TRANSACTION CONTEMPLATED HEREIN, EXCEPT AS EXPRESSLY SET FORTH HEREIN; AND NO SUCH REPRESENTATION, WARRANTY, AGREEMENT, GUARANTY, STATEMENT OR PROMISE, IF ANY, MADE BY ANY PERSON ACTING ON BEHALF OF SELLERS SHALL BE VALID OR BINDING

UPON SELLERS UNLESS EXPRESSLY SET FORTH HEREIN. THE OTHER PARTIES FURTHER ACKNOWLEDGE AND AGREE THAT, HAVING BEEN GIVEN THE OPPORTUNITY TO INSPECT THE REAL PROPERTY, THEY ARE RELYING SOLELY ON THE EXPRESS REPRESENTATIONS AND WARRANTIES OF SELLERS SET FORTH HEREIN AND THEIR OWN INVESTIGATIONS OF THE REAL PROPERTY AND NOT ON ANY INFORMATION PROVIDED OR TO BE PROVIDED BY ANY SELLER. EXCEPT AS EXPRESSLY SET FORTH HEREIN, SELLERS ARE NOT LIABLE OR BOUND IN ANY MANNER BY ANY ORAL OR WRITTEN STATEMENT, REPRESENTATION OR INFORMATION PERTAINING TO THE REAL PROPERTY, OR THE OPERATION THEREOF, FURNISHED BY ANY REAL ESTATE BROKER, CONTRACTOR, AGENT, EMPLOYEE, SERVANT OR OTHER PERSON. THE OTHER PARTIES FURTHER ACKNOWLEDGE AND AGREE THAT TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE SALE OF THE REAL PROPERTY AS PROVIDED FOR HEREIN IS MADE ON AN "AS-IS" "WHERE-IS" CONDITION AND BASIS WITH ALL FAULTS. THE OTHER PARTIES HEREBY AGREE TO INDEMNIFY, PROTECT, DEFEND, SAVE AND HOLD HARMLESS SELLERS FROM AND AGAINST ANY AND ALL DEBTS, DUTIES, OBLIGATIONS, LIABILITIES, SUITS, CLAIMS, DEMANDS, CAUSES OF ACTION, DAMAGES, LOSSES, FEES AND EXPENSES (INCLUDING ATTORNEYS' FEES AND EXPENSES AND COURT COSTS) IN ANY WAY RELATING TO, OR IN CONNECTION WITH OR ARISING OUT OF THE OTHER PARTIES' ACQUISITION, OWNERSHIP, LEASING, USE, OPERATION, MAINTENANCE OR MANAGEMENT OF THE REAL PROPERTY. THE PROVISIONS OF THIS SECTION 2.9 ARE AN IMPORTANT BASIS OF THE BARGAIN INDUCING SELLERS TO CONVEY THE REAL PROPERTY AND SHALL SURVIVE THE CLOSING OR ANY TERMINATION HEREOF. THE OTHER PARTIES ASSUME THE RISK THAT ADVERSE MATTERS, INCLUDING CONSTRUCTION DEFECTS AND ADVERSE PHYSICAL AND ENVIRONMENTAL CONDITIONS, MAY NOT HAVE BEEN REVEALED BY INVESTIGATION, AND THE OTHER PARTIES SHALL BE DEEMED TO HAVE WAIVED, RELINQUISHED AND RELEASED SELLERS (AND SELLERS' OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES AND AGENTS) FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, CAUSES OF ACTION (INCLUDING CAUSES OF ACTION IN TORT, EXCEPT FOR FRAUD OR WILLFUL MISCONDUCT AND CLAIMS ARISING FROM ANY BREACH OF THE EXPRESS TERMS OF THIS AGREEMENT), LOSSES, DAMAGES, LIABILITIES, COSTS AND EXPENSES (INCLUDING REASONABLE ATTORNEYS' FEES) OF ANY AND EVERY KIND OR CHARACTER, KNOWN OR UNKNOWN, WHICH THE OTHER PARTIES MIGHT HAVE ASSERTED OR ALLEGED AGAINST SELLERS (AND SELLERS' OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES AND AGENTS) AT ANY TIME BY REASON OF OR ARISING OUT OF ANY LATENT OR PATENT CONSTRUCTION DEFECTS OR PHYSICAL CONDITIONS, VIOLATIONS OF ANY APPLICABLE LAWS AND ANY AND ALL OTHER ACTS, OMISSIONS, EVENTS, CIRCUMSTANCES OR MATTERS REGARDING THE REAL PROPERTY, AND THE OTHER PARTIES HEREBY WAIVE ANY OBLIGATION, LIABILITY, RIGHT, RIGHT OF RESCISSION, CLAIM OR DEMAND IN CONTRACT, TORT, STRICT LIABILITY OR OTHERWISE IN LAW OR IN EQUITY, INCLUDING ANY RIGHTS OF INDEMNIFICATION, CONTRIBUTION, REIMBURSEMENT, OR SIMILAR RIGHTS UNDER THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT OF 1980, AS

AMENDED. IN CONNECTION WITH THE ABOVE, BUYERS EXPRESSLY WAIVE THE BENEFITS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

THE OTHER PARTIES ACKNOWLEDGE AND AGREE THAT THEY HAVE BEEN REPRESENTED BY LEGAL COUNSEL OF THEIR CHOICE IN CONNECTION WITH THIS AGREEMENT, AND THAT SUCH COUNSEL HAS EXPLAINED TO THE OTHER PARTIES THE PROVISIONS OF THIS SECTION.

_____ _____

Sellers' Initials Pacifica's and Buyers' Initials

Notwithstanding anything to the contrary set forth in this Section 2.9, the foregoing release is not intended to and does not cover (i) any claims arising from a breach of any Seller's express representations and warranties set forth in this Agreement or the OTAs, or (ii) any other breach by any Seller of an express obligation of such Seller under this Agreement or the OTAs which by its terms survives the Closing.

ARTICLE 3. REPRESENTATIONS AND WARRANTIES OF BUYERS

Each Other Party severally represents and warrants to Sellers that as of the Effective Date:

3.1 Organization and Standing. Such Other Party is a limited liability company duly formed, validly existing, and in good standing under the laws of the State of California. Each Other Party has the requisite power and authority to own and operate the Assets in the manner in which they are presently being operated.

3.2 Capacity; Authority; Consents. Such Other Party has full power, legal capacity and authority to execute and deliver this Agreement, to consummate the transactions contemplated hereby and to perform its obligations under this Agreement. The execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the performance of Buyers' obligations hereunder have been duly authorized by such Other Party's sole member and manager, and no other proceedings on the part of such Other Party are necessary in connection therewith. This Agreement constitutes, and each other instrument to be executed and delivered by such Other Party will constitute, valid and binding obligations of such Other Party, enforceable against such Other Party in accordance with their respective terms. The individual(s) executing and delivering this Agreement on Buyers' behalf are duly authorized and empowered to bind such Other Party as contemplated hereby.

AMENDED. IN CONNECTION WITH THE ABOVE, BUYERS EXPRESSLY WAIVE THE BENEFITS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

THE OTHER PARTIES ACKNOWLEDGE AND AGREE THAT THEY HAVE BEEN REPRESENTED BY LEGAL COUNSEL OF THEIR CHOICE IN CONNECTION WITH THIS AGREEMENT, AND THAT SUCH COUNSEL HAS EXPLAINED TO THE OTHER PARTIES THE PROVISIONS OF THIS SECTION.

Sellers' Initials _____ Pacifica's and Buyers' Initials _____

Notwithstanding anything to the contrary set forth in this Section 2.9, the foregoing release is not intended to and does not cover (i) any claims arising from a breach of any Seller's express representations and warranties set forth in this Agreement or the OTAs, or (ii) any other breach by any Seller of an express obligation of such Seller under this Agreement or the OTAs which by its terms survives the Closing.

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3.1 Organization and Standing. Such Other Party is a limited liability company duly formed, validly existing, and in good standing under the laws of the State of California. Each Other Party has the requisite power and authority to own and operate the Assets in the manner in which they are presently being operated.

3.2 Capacity; Authority; Consents. Such Other Party has full power, legal capacity and authority to execute and deliver this Agreement, to consummate the transactions contemplated hereby and to perform its obligations under this Agreement. The execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the performance of Buyers' obligations hereunder have been duly authorized by such Other Party's sole member and manager, and no other proceedings on the part of such Other Party are necessary in connection therewith. This Agreement constitutes, and each other instrument to be executed and delivered by such Other Party will constitute, valid and binding obligations of such Other Party, enforceable against such Other Party in accordance with their respective terms. The individual(s) executing and delivering this Agreement on Buyers' behalf are duly authorized and empowered to bind such Other Party as contemplated hereby.

3.3 No Violation. Neither the execution and delivery by such Other Party of this Agreement nor the consummation of the transactions contemplated hereby nor compliance with any of the material provisions hereof by such Other Party will violate, conflict with or result in a breach of any material provision of the articles of organization, operating agreements or other organizational documents of such Other Party, as applicable.

3.4 No Brokers or Finders. No Other Party or affiliate of any Other Party has engaged any finder or broker in connection with the transactions contemplated hereby.

3.5 Ability to Perform. The Other Parties have the ability to obtain funds in cash in amounts equal to the Purchase Price by means of credit facilities or otherwise and will at the Closing have immediately available funds in cash, which are sufficient to pay the Purchase Price and to pay any other amounts payable pursuant to this Agreement and to consummate the transactions contemplated in this Agreement.

3.6 Compliance. During the past five (5) years, no Other Party or affiliate of any Other Party (i) has been or is subject to any order, judgment, decree, stipulation or consent of any court or governmental body or agency relating to any actual or alleged violation of any health care law, regulation or program, (ii) has received from any Federal, state or local governmental body or agency any statement of material deficiencies or other notice of material noncompliance with any standard applicable to the physical plant, equipment, care or patient services at any health care facility under its ownership or management for which such deficiencies or noncompliance have not been corrected, (iii) has been the subject of any investigation by any Federal, state or local governmental body or agency for any alleged violation of any Medicare or Medicaid laws or regulations or other Federal, state or local health care programs or (iv) has been excluded or suspended from a Federal health care program, including Medicare, Medicaid or Veterans Administration programs.

3.7 Full Disclosure. All of such Other Party's warranties, representations or covenants in this Agreement: (i) constitute a material part of the consideration hereunder; and (ii) will be true and complete, current and accurate as of the Closing. None of the statements, representations or warranties of such Other Party misstates or omits any fact which would make such statements, representations or warranties incomplete, misleading or incorrect in any material respect.

ARTICLE 4. MUTUAL COVENANTS

4.1 General Covenants. Following the execution of this Agreement and until the Closing, Sellers and the Other Parties agree, and, where applicable, the Other Parties shall cause New Operators to agree:

(i) Until such time as all consents and approvals are obtained and subject to Section 4.2, to cooperate fully with each other in preparing, filing, prosecuting, and taking any other actions which are or may be reasonable and necessary to obtain the consent of any governmental instrumentality or any third party, to accomplish the transactions contemplated in this Agreement, including the timely filing of all applications with applicable Federal and state authorities necessary to obtain new licenses, permits or Medicare or Medicaid provider

agreements or to effect the change of ownership of any such licenses, permits and Medicaid and Medicare provider agreements;

(ii) To deliver such other instruments of title, certificates, consents, endorsements, assignments, assumptions and other documents or instruments, in form reasonably acceptable to the party requesting the same and its counsel, as may be reasonably necessary to carry out and/or to comply with the terms of this Agreement and the transactions contemplated herein; and

(iii) To confer on a regular basis with the other parties, report on material operational matters and promptly advise the other orally and in writing of any change or event having, or which, insofar as can reasonably be foreseen could have, a material adverse effect on such party or which would cause or constitute a material breach of any of the representations, warranties or covenants of such party contained herein.

4.2 Licensing. The Other Parties shall use, and shall cause New Operators to use, their best efforts to obtain prior to the Closing Date: (i) all Federal and state governmental health care consents, approvals and licenses necessary to permit the consummation of the transactions contemplated by this Agreement, including such licensure and certification approval as may be necessary to enable Buyers to lawfully own and New Operators to lawfully operate the Facilities as they are currently owned and operated by Sellers, including the submission of change of ownership applications, within or prior to the timeframe required by the applicable Federal or state authority, all as set forth on Exhibit 4.2 ("Required Licenses"); (ii) all consents required for the transfer or assignment of the personal property leases; and (iii) all consents required for the transfer or assignment of the Assumed Operating Contracts (as defined in the OTAs) which will be assigned and transferred by Sellers to Buyers pursuant to the terms of the OTAs. Sellers shall cooperate in all reasonable respects with the Other Parties and New Operators, at no cost to Sellers, in the Other Parties' and New Operators' efforts to obtain such consents, approvals and licenses. The Other Parties acknowledge that Sellers shall not be liable to the Other Parties or New Operators in the event the Other Parties and New Operators are unable to obtain any such consents, approvals or licenses.

4.3 Public Announcements. The parties shall not publicly issue any press release or any written statement with respect to this Agreement or the transactions contemplated hereby; provided, however, that nothing herein shall be construed as prohibiting (i) public disclosures in connection with securing any licensing or certification approvals, or complying with regulations or other requirements of the California Attorney General or other governmental agencies, (ii) public disclosures to employees, volunteers, patients and residents and their families and to past supporters of the Sellers with respect to a potential sale of the Facilities, (iii) disclosures to employees, directors, agents, contractors, consultants, attorneys, accountants, lenders and affiliates of the disclosing party or (iv) disclosure pursuant to public announcements (including press releases) by Sellers or Buyers after having given the other parties a reasonable opportunity to provide comments thereon.

4.4 Utilities. Buyers and Sellers shall cooperate to take all steps necessary to transfer all utilities related to the operation of the Facilities, including electric service, gas service,

telephone service, sewage, water and trash removal, into Buyers' or New Operators' names, as directed by Buyers, effective as of the Effective Time.

ARTICLE 5. ADDITIONAL COVENANTS

5.1 Covenants of Sellers.

(i) Sellers' Information; Nonreliance. To the extent in Sellers' possession, Sellers shall deliver such due diligence materials as the Other Parties have requested in the document attached as Exhibit 5.1(i) and copies of any other materials relating to the transfer of Assets as may be reasonably requested by the Other Parties. If prior to the Closing Date Sellers receive, discover or become aware of any material change in the Assets or any matter affecting the Assets which would render any of the representations and warranties made by Sellers in this Agreement false or misleading, then Sellers shall disclose such changes in writing to the Other Parties and deliver any additional related materials in Sellers' possession to the Other Parties as soon as reasonably possible after such receipt or discovery. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT OR IN THE OTAS, NEITHER SELLERS NOR ANY OF SELLERS' AGENTS, EMPLOYEES OR REPRESENTATIVES HAVE MADE, NOR ARE ANY OF THEM MAKING, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IN RESPECT OF THE SELLERS, THE ASSETS OR THE FACILITIES, AND ANY SUCH OTHER REPRESENTATIONS OR WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED. THE OTHER PARTIES EXPRESSLY ACKNOWLEDGE AND AGREE THAT NEITHER THE OTHER PARTIES NOR ANY OF THEIR AGENTS, EMPLOYEES OR REPRESENTATIVES ARE RELYING ON ANY OTHER REPRESENTATIONS OR WARRANTIES OF SELLERS OR ANY OF SELLERS' AGENTS, EMPLOYEES OR REPRESENTATIVES, INCLUDING THE ACCURACY OR COMPLETENESS OF ANY SUCH OTHER REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS OR IMPLIED.

(ii) Right of Inspection. From the date of this Agreement until the termination of this Agreement or through the Closing Date, as applicable, and subject to Section 6.2, Sellers shall permit the Other Parties' authorized representatives to have full access to the Facilities during regular business hours, shall make its key employees and officers available to confer with the Other Parties and their authorized representatives, shall make available to the Other Parties' representatives all books and records relating to the Facilities and the obligations and liabilities of Sellers, including contracts and agreements, filings with any regulatory authority, any financial operating data and any other information relating to Sellers' business activities with respect to the Facilities, as the Other Parties may from time to time reasonably request; provided, that Sellers shall not be obligated to make available books and records or other information relating to the Excluded Assets. Prior to the entry onto the Facilities by the Other Parties and their authorized representatives, the Other Parties agree to provide Sellers evidence that the Other Parties and their authorized representatives maintain commercial general liability insurance, from an insurer reasonably acceptable to Sellers, in the amount of not less than One Million and 00/100 U.S. Dollars ($1,000,000) combined single limit for personal injury and property damage per occurrence. Such policies shall name Sellers as additional insured parties and shall provide coverage against any claim for personal liability or property damage caused by the Other Parties and their authorized representatives in connection with such inspections. The

terms of this Section 5.1(ii) shall survive the Closing, or the termination of this Agreement, as applicable. Neither the Other Parties nor any of their authorized representatives shall enter the Facilities without Seller's prior written or oral consent, which shall not be unreasonably withheld, conditioned or delayed to facilitate the Other Parties' inspections. The Other Parties shall not damage or alter the Facilities (or, if there is any damage, then the Other Parties shall repair the same and return the Facilities to substantially the same condition). In any event, Sellers and their representatives, agents, and/or contractors shall have the right to be present during any such inspections. The Other Parties shall be liable for all damage or injury to any person or property resulting from, relating to or arising out of any inspection, investigation or testing performed in connection with its determination to proceed with the purchase of the Real Property and Operating Assets hereunder, whether occasioned by the acts of any Other Party or any of its representatives, and the Other Parties shall indemnify, defend and hold harmless Sellers and their agents, employees, officers, directors, affiliates and asset managers to the extent of any liability resulting therefrom; provided, however, such indemnification obligation shall not be applicable to the Other Parties' mere discovery of any pre-existing adverse physical condition of the Real Property, except to the extent the Other Parties and/or their representatives aggravate such pre-existing condition. This indemnification by the Other Parties shall survive the Closing or the termination of this Agreement, as applicable.

5.2 Covenants of the Other Parties.

(i) Confidentiality. All information furnished by Sellers to the Other Parties and New Operators shall be kept confidential by them in accordance with the terms of the confidentiality agreements dated January 1, 2015 and January 28, 2015, executed by Pacifica and Aspen, respectively (the "Confidentiality Agreements") If the Closing does not occur, the Other Parties and New Operators shall return or destroy the information delivered or derived therefrom.

(ii) HIPAA. Buyers shall comply, and shall cause New Operators to comply, with the Health Information Privacy and Accountability Act of 1996, as amended to date, and the privacy, security and breach regulations promulgated thereunder ("HIPAA"), and shall maintain the confidentiality and privacy of all protected health information as defined in HIPAA.

ARTICLE 6. DUE DILIGENCE; TITLE

6.1 Due Diligence Period. Buyers shall have until 5:00 p.m., Pacific Time, on the day thirty (30) days after the Effective Date (the "Due Diligence Deadline," and the period starting on the Effective Date and ending on the Due Diligence Deadline being the "Due Diligence Period") to approve or disapprove, at their sole and absolute discretion and at their sole expense, the suitability of the Assets for Buyers' intended use.

6.2 Due Diligence Materials. Subject to Section 5.1(ii), Buyers, at Buyers' expense, shall have the right to obtain such title reports, litigation and lien searches, environmental reports, property appraisals, engineering and building condition reports, surveys, and other information and reports concerning the Assets, as Buyers may reasonably require (collectively, the "Due Diligence Materials"), and Sellers agree to cooperate with Buyers, at no expense to Sellers, in locating and/or obtaining such Due Diligence Materials.

6.3 Termination Rights. If, during the Due Diligence Period, Buyers, as a matter of their sole discretion, determine for any or no reason whatsoever that the Assets are not suitable for Buyers' intended use, Buyers, by written notice given to Sellers before the Due Diligence Deadline, shall have the right to terminate this Agreement. If Buyers fail to give such notice to Sellers before the Due Diligence Deadline, Buyers shall be deemed to have approved the suitability of the Assets for Buyers' intended use. Any timely and proper termination of this Agreement pursuant to this Section 6.3 shall result in the automatic termination of the OTAs. If this Agreement is terminated as provided in this Section 6.3: (i) the Escrow Funds shall be returned to Buyers, and the Independent Consideration (as defined in Section 13.15) shall be retained by Sellers; (ii) Buyers and Sellers shall cooperate to withdraw any and all applications for consents, approvals and licenses as contemplated in Section 4.2, and (iii) except as otherwise expressly provided in this Agreement, the parties shall have no further liability or obligations hereunder.

6.4 Title Review Period. Escrow Agent shall promptly cause Fidelity National Title Insurance Company (the "Title Insurer") to issue to Buyers a current preliminary title report covering the Real Property (the "Title Report"), together with readable copies of all instruments of record referred to therein. Buyers may, at Buyers' election, deliver to Escrow Agent and Title Insurer an ALTA survey of the Real Property and request that the Title Insurer issue an extended coverage owner's policy of title insurance, provided that issuance of such extended coverage shall not be a condition precedent to Closing. Buyers shall have until the Due Diligence Deadline (the "Title Review Period" and the last day of that period being the "Title Objection Deadline") to notify Sellers in writing of any objection to exceptions contained in the Title Report or on an ALTA/ACSM survey of the Real Property (the "Survey"). If Buyers fail to so make an objection by the Title Objection Deadline, Buyers shall be deemed to have approved the condition of title to the Real Property as reflected in the Title Report and on the Survey. If Buyers timely object to any exception(s) in the Title Report or on the Survey, Sellers shall have the right, but not the obligation, to cause the removal of such exception to title or to cause the Title Insurer to commit to issuance of an endorsement reasonably acceptable to Buyers insuring against such exception to title. In the event Sellers determine that they are unable or unwilling to remove any one or more of such exception(s) to title, Sellers shall so notify Buyers in writing ("Sellers' Election to Not Correct Objections") within three (3) business days after it receives Buyers' notice of objection. Failure of Sellers to so notify Buyers within such three (3) business day period shall be deemed Sellers' election not to remove such exceptions to title and/or not to cause the Title Insurer to commit to issuance of an endorsement reasonably acceptable to Buyers insuring against such exceptions to title. Buyers may, at their option, terminate this Agreement within three (3) business days after Buyers receive Sellers' Election to Not Correct Objections or immediately upon Sellers failure to deliver notice of its election within the three (3) day period described above. Upon such termination, Buyers shall be entitled to the return of the Escrow Funds, and except as expressly provided herein, the parties shall have no further liability or obligations under this Agreement. Notwithstanding anything contained herein to the contrary, Buyers shall not be required to object to delinquent tax liens, judgment liens, mechanic liens, deeds of trust or other security interests in the Title Report, it being agreed that all such delinquent tax liens, judgment liens, mechanic liens, deeds of trust and security interests shall be removed by Sellers at or prior to the Closing Date.

6.5 New Exceptions. If additional exception(s) to title are disclosed after the date of the Title Report, then Buyers' approval or deemed approval of such exception(s) to title shall be a condition precedent to Buyers' obligation to purchase the Assets. Unless Buyers give written notice to Sellers that they disapprove any such additional exception(s) to title on or before the Title Objection Deadline or the date that is three (3) business days after the disclosure of such additional exception(s), whichever is later, Buyers shall be deemed to have approved such additional exception(s). If Buyers timely object in writing to any such additional exception(s), Sellers shall have the right, but not the obligation, to cause the removal of such additional exception(s) to title or to cause the Title Insurer to commit to issuance of an endorsement reasonably acceptable to Buyers insuring against such exception(s) to title. In the event Buyers timely object in writing to any such additional exception(s), and Sellers determine that they are unable or unwilling to remove any one or more of such additional exception(s) to title, Sellers shall so notify Buyers in writing ("Sellers' Election to Not Correct Additional Objections") within three (3) business days after it receives Buyers' notice of objection. Failure of Sellers to so notify Buyers within such three (3) business day period shall be deemed Sellers' election not to remove such additional exception(s) to title and/or not to cause the Title Insurer to commit to issuance of an endorsement reasonably acceptable to Buyers insuring against such exception(s) to title. Buyers may, at their option, terminate this Agreement within three (3) business days after Buyers receive Sellers' Election to Not Correct Additional Objections or immediately upon Sellers failure to deliver notice of their election within the three (3) business day period described above. Upon such termination, Buyers shall be entitled to the return of the Escrow Funds and, except as expressly provided in this Agreement, the parties shall have no further liability or obligations under this Agreement. Notwithstanding the foregoing provisions, Sellers covenant that they will not knowingly cause the creation of additional exception(s) to title after the Effective Date without the prior written consent of Buyers, which consent shall not be unreasonably withheld or delayed. Notwithstanding anything contained herein to the contrary, Buyers shall not be required to object to delinquent tax liens, judgment liens, mechanic liens, deeds of trust or other security interests constituting additional exceptions, it being agreed that all such delinquent tax liens, judgment liens, mechanic liens, deeds of trust and security interests shall be removed by Sellers at or prior to the Closing Date.

6.6 Title Policy. At the Closing, Sellers will cause the Title Insurer to issue to Buyers a CLTA standard owner's policy(ies) of title insurance (the "Title Policy") with liability equal to that portion of the Purchase Price allocable to the Real Property, showing fee simple title to the Real Property vested in Buyers, as applicable, with such title coverages, endorsements or other assurances requested by Sellers to cure Buyers' title or survey objection pursuant to Section 6.4 or Section 6.5, subject only to the following "Permitted Exceptions": (i) the lien of non-delinquent real property taxes and assessments; (ii) the matters approved or deemed approved as provided in Section 6.4 and Section 6.5; and (iii) such matters which have been created by or for the benefit of Buyers. If Buyers desire ALTA or extended coverage or any title endorsements or other additions to the Title Policy or any survey, or any lender's title insurance, Buyers shall be responsible therefor. Buyers shall pay for the cost of any such extended title coverages, endorsements, other assurances or survey desired by Buyers, except that Sellers shall pay for standard title coverages and such title coverages, endorsements or other assurances obtained by Sellers to cure Buyers' title or survey objection pursuant to Section 6.4 or Section 6.5. The willingness or ability of the Title Insurer to issue any such additional coverages or endorsements, other assurances, survey or lender's title insurance (other than the CLTA standard owner's

coverage and such additional coverages and endorsements obtained by Sellers pursuant to Section 6.4 or Section 6.5 to cure Buyers' title or survey objection) is not a condition of Closing.

ARTICLE 7. CONDITIONS TO OBLIGATIONS OF THE OTHER PARTIES TO CLOSE

The obligations of the Other Parties to close the transactions contemplated in this Agreement are subject to the satisfaction, on or before the Closing Date, of the following conditions, each of which is for the sole benefit of the Other Parties and may be waived by the Other Parties at their sole option by delivery to Sellers of a written notice of such waiver.

7.1 Compliance with Agreement. Sellers shall have performed all of their obligations hereunder, and Sellers' representations and warranties in this Agreement shall be true and correct in all material respects on and as of the Closing Date.

7.2 Required Licenses. The Other Parties and New Operators shall have received all Federal and state governmental health care consents, approvals and licenses necessary to permit the consummation of the transactions contemplated by this Agreement, including such licensure and certification approval as may be necessary to enable the Other Parties to lawfully own and New Operators to lawfully operate the Facilities as they are currently owned and operated by Sellers.

7.3 Operations Transfer Agreements. No material default by the applicable Current Operator shall have occurred under any of the OTAs that would reasonably be expected to have a material adverse effect on the applicable Facility.

7.4 Delivery of Sellers Closing Items. Sellers shall have deposited in Escrow or otherwise delivered to the Other Parties all of the Sellers Closing Items (as defined below).

7.5 Unfavorable Action or Proceeding. On the Closing Date, no orders, decrees, judgments or injunctions of any court or governmental body shall be in effect, and no claims, actions, suits, proceedings, arbitrations or investigations shall be pending or threatened, which challenge or seek to challenge, or which could prevent or cause the rescission of, the consummation of the transactions contemplated in this Agreement.

7.6 California Attorney General. The California Attorney General shall have granted a waiver or consent (that may contain conditions) allowing the sale of the Assets by Sellers pursuant to the terms of this Agreement and any other transactions contemplated in this Agreement that may require such waiver or consent.

ARTICLE 8. CONDITIONS TO OBLIGATIONS OF SELLERS TO CLOSE

The obligations of Sellers to close the transactions contemplated in this Agreement are subject to the satisfaction, on or before the Closing Date, of the following conditions, each of which is for the benefit of Sellers and may be waived by Sellers at Sellers' sole option by delivery to the Other Parties of a written notice of such waiver.

8.1 Compliance with Agreement. The Other Parties shall have performed all of their obligations hereunder, and their representations and warranties in this Agreement shall be true and correct in all material respects on and as of the Closing Date.

8.2 Required Licenses. The Other Parties and New Operators shall have received all Federal and state governmental health care consents, approvals and licenses necessary to permit the consummation of the transactions contemplated by this Agreement, including such licensure and certification approval as may be necessary to enable the Other Parties to lawfully own and New Operators to lawfully operate the Facilities as they are currently owned and operated by Sellers.

8.3 Operations Transfer Agreements. No material default by the applicable Other Party, Aspen or New Operator shall have occurred under any of the OTAs that would reasonably be expected to have a material adverse effect on Sellers or the applicable Facility.

8.4 California Attorney General. The California Attorney General shall have granted a waiver or consent (that may contain conditions) allowing the sale of the Assets by Sellers pursuant to the terms of this Agreement and any other transactions contemplated in this Agreement that may require such waiver or consent.

8.5 Delivery of the Other Parties Closing Items. The Other Parties shall have deposited in Escrow or otherwise delivered to Sellers all the Other Parties' Closing Items (as defined below).

8.6 Unfavorable Action or Proceeding. On the Closing Date, no orders, decrees, judgments or injunctions of any court or governmental body shall be in effect, and no claims, actions, suits, proceedings, arbitrations or investigations shall be pending or threatened, which challenge or seek to challenge, or which could prevent or cause the rescission of, the consummation of the transactions contemplated in this Agreement.

ARTICLE 9. RISKS AND REMEDIES

9.1 Remedies Prior to or on Closing.

(i) Default of Sellers. In the event of any material misrepresentation by Sellers hereunder or under the OTAs, or any material breach or default of any material warranty, covenant or other obligation of Sellers hereunder or under the OTAs, Buyers, as their sole and exclusive remedy, may, subject to Section 9.2, either (A) terminate this Agreement (except for the obligations that expressly survive termination) and receive a refund of all Escrow Funds from Escrow Agent, or (B) enforce specific performance of this Agreement. Buyers hereby expressly waive any right which it may have to sue Sellers for damages of any kind, unless a court of competent jurisdiction determines that the remedy of specific performance is not available to Buyers, in which event: (x) if the failure to close occurs as a direct result of a willful act or intentional omission of Sellers, Buyers may bring an action for Buyers' damages measured by the loss of the benefit of its bargain, but not to exceed Five Hundred Thousand and 00/100 U.S. Dollars ($500,000); and (y) if the failure to close occurs as a direct result of a negligent act or omission of any Seller, Buyers may bring an action for Buyers' damages which shall be specifically limited to its actual, documented reasonable third-party out of pocket expenditures

incurred in connection with its due diligence investigations of the Assets (and Buyers agree to provide evidence of such expenditures to Sellers), and in no event shall Sellers' liability for such damages exceed One Hundred Fifty Thousand and 00/100 U.S. Dollars ($150,000). Buyers acknowledge and agree that any assertion by Buyers of the damage remedy in subsections (i)(x) or (y) hereof in any specific performance proceeding will terminate Buyers' right to pursue such damage claim, and in the event specific performance is not available Buyers' remedy will be limited to that provided in subsections (i)(x) or (y) hereof. Notwithstanding the foregoing, in no event shall Sellers be liable to Buyers for any punitive, speculative, consequential or other damages.

(ii) Default of Buyers. IN THE EVENT THAT AFTER THE DUE DILIGENCE DEADLINE BUYERS OR NEW OPERATORS FAIL TO CLOSE THE PURCHASE OF ASSETS HEREUNDER OR UNDER THE OTAS (OTHER THAN BY REASON OF ANY MATERIAL MISREPRESENTATION BY SELLERS HEREUNDER OR UNDER THE OTAS, OR ANY MATERIAL BREACH OR DEFAULT OF ANY MATERIAL WARRANTY, COVENANT OR OTHER OBLIGATION OF SELLERS HEREUNDER OR UNDER THE OTAS, OR THE FAILURE OF A CONDITION TO THE OBLIGATIONS OF THE OTHER PARTIES TO CLOSE UNDER ARTICLE 7 TO BE SATISFIED OR WAIVED), OR IN THE EVENT OF ANY MATERIAL MISREPRESENTATION BY THE OTHER PARTIES HEREUNDER OR BY THE OTHER PARTIES, ASPEN OR THE NEW OPERATORS UNDER THE OTAS, OR ANY MATERIAL BREACH OR DEFAULT OF ANY MATERIAL WARRANTY, COVENANT OR OTHER OBLIGATION OF THE OTHER PARTIES HEREUNDER OR OF THE OTHER PARTIES, ASPEN OR THE NEW OPERATORS UNDER THE OTAS, SELLERS MAY, SUBJECT TO SECTION 9.2, TERMINATE THIS AGREEMENT (EXCEPT FOR THE OBLIGATIONS THAT EXPRESSLY SURVIVE TERMINATION) AND THEREUPON SHALL BE ENTITLED TO THE ESCROW FUNDS HELD BY THE ESCROW AGENT AS LIQUIDATED DAMAGES (AND NOT AS A FORFEITURE OR PENALTY) AND AS SELLERS' SOLE REMEDY AND RELIEF HEREUNDER, WHICH IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLERS PURSUANT TO CALIFORNIA CIVIL CODE SECTIONS 1671, 1676 AND 1677. SELLERS AND THE OTHER PARTIES HAVE MADE THIS PROVISION FOR LIQUIDATED DAMAGES BECAUSE IT WOULD BE DIFFICULT TO CALCULATE, ON THE DATE HEREOF, THE AMOUNT OF ACTUAL DAMAGES FOR ANY SUCH MISREPRESENTATION, BREACH OR DEFAULT, AND SELLERS AND BUYERS AGREE THAT THESE SUMS REPRESENT REASONABLE COMPENSATION TO SELLERS FOR SUCH MISREPRESENTATION, BREACH OR DEFAULT. SELLERS HEREBY WAIVE THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 3389, EXCEPT TO THE EXTENT NECESSARY TO ENFORCE THIS SECTION 9.1(ii). THE PARTIES AGREE THAT THIS PROVISION IS INTENDED TO COMPLY WITH CALIFORNIA CIVIL CODE SECTION 1671, ET. SEQ. NOTWITHSTANDING THE FOREGOING, THE PROVISIONS OF THIS SECTION 9.1(ii) SHALL NOT LIMIT OR AFFECT ANY OF THE OTHER PARTIES' INDEMNITIES AS PROVIDED IN OTHER SECTIONS OF THIS AGREEMENT. THE PROVISIONS OF THIS SECTION 9.1(ii) SHALL SURVIVE ANY TERMINATION OF THIS AGREEMENT.

Sellers' Initials

Pacifica's and Buyers' Initials

incurred in connection with its due diligence investigations of the Assets (and Buyers agree to provide evidence of such expenditures to Sellers), and in no event shall Sellers' liability for such damages exceed One Hundred Fifty Thousand and 00/100 U.S. Dollars ($150,000). Buyers acknowledge and agree that any assertion by Buyers of the damage remedy in subsections (i)(x) or (y) hereof in any specific performance proceeding will terminate Buyers' right to pursue such damage claim, and in the event specific performance is not available Buyers' remedy will be limited to that provided in subsections (i)(x) or (y) hereof. Notwithstanding the foregoing, in no event shall Sellers be liable to Buyers for any punitive, speculative, consequential or other damages.

(ii) Default of Buyers. IN THE EVENT THAT AFTER THE DUE DILIGENCE DEADLINE BUYERS OR NEW OPERATORS FAIL TO CLOSE THE PURCHASE OF ASSETS HEREUNDER OR UNDER THE OTAS (OTHER THAN BY REASON OF ANY MATERIAL MISREPRESENTATION BY SELLERS HEREUNDER OR UNDER THE OTAS, OR ANY MATERIAL BREACH OR DEFAULT OF ANY MATERIAL WARRANTY, COVENANT OR OTHER OBLIGATION OF SELLERS HEREUNDER OR UNDER THE OTAS, OR THE FAILURE OF A CONDITION TO THE OBLIGATIONS OF THE OTHER PARTIES TO CLOSE UNDER ARTICLE 7 TO BE SATISFIED OR WAIVED), OR IN THE EVENT OF ANY MATERIAL MISREPRESENTATION BY THE OTHER PARTIES HEREUNDER OR BY THE OTHER PARTIES, ASPEN OR THE NEW OPERATORS UNDER THE OTAS, OR ANY MATERIAL BREACH OR DEFAULT OF ANY MATERIAL WARRANTY, COVENANT OR OTHER OBLIGATION OF THE OTHER PARTIES HEREUNDER OR OF THE OTHER PARTIES, ASPEN OR THE NEW OPERATORS UNDER THE OTAS, SELLERS MAY, SUBJECT TO SECTION 9.2, TERMINATE THIS AGREEMENT (EXCEPT FOR THE OBLIGATIONS THAT EXPRESSLY SURVIVE TERMINATION) AND THEREUPON SHALL BE ENTITLED TO THE ESCROW FUNDS HELD BY THE ESCROW AGENT AS LIQUIDATED DAMAGES (AND NOT AS A FORFEITURE OR PENALTY) AND AS SELLERS' SOLE REMEDY AND RELIEF HEREUNDER, WHICH IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLERS PURSUANT TO CALIFORNIA CIVIL CODE SECTIONS 1671, 1676 AND 1677. SELLERS AND THE OTHER PARTIES HAVE MADE THIS PROVISION FOR LIQUIDATED DAMAGES BECAUSE IT WOULD BE DIFFICULT TO CALCULATE, ON THE DATE HEREOF, THE AMOUNT OF ACTUAL DAMAGES FOR ANY SUCH MISREPRESENTATION, BREACH OR DEFAULT, AND SELLERS AND BUYERS AGREE THAT THESE SUMS REPRESENT REASONABLE COMPENSATION TO SELLERS FOR SUCH MISREPRESENTATION, BREACH OR DEFAULT. SELLERS HEREBY WAIVE THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 3389, EXCEPT TO THE EXTENT NECESSARY TO ENFORCE THIS SECTION 9.1(ii). THE PARTIES AGREE THAT THIS PROVISION IS INTENDED TO COMPLY WITH CALIFORNIA CIVIL CODE SECTION 1671, ET. SEQ. NOTWITHSTANDING THE FOREGOING, THE PROVISIONS OF THIS SECTION 9.1(ii) SHALL NOT LIMIT OR AFFECT ANY OF THE OTHER PARTIES' INDEMNITIES AS PROVIDED IN OTHER SECTIONS OF THIS AGREEMENT. THE PROVISIONS OF THIS SECTION 9.1(ii) SHALL SURVIVE ANY TERMINATION OF THIS AGREEMENT.

Sellers' Initials

Pacifica's and Buyers' Initials

9.2 Notice of Default. Notwithstanding anything contained herein to the contrary, neither Sellers nor Buyers may claim termination of this Agreement, a failure to satisfy a condition or pursue any other remedy on account of a misrepresentation or any breach or default of any warranty, covenant, agreement, condition or other obligation by the others, without first giving such other party(ies) written notice of such misrepresentation, breach or default and providing not less than ten (10) business days within which to cure such misrepresentation, breach or default. The Closing Date, if necessary, shall be postponed to afford such opportunity to cure.

9.3 Risk of Loss. Until the Closing Date, Sellers (a) shall bear all risk of loss with regard to the Assets (whether or not insured), (b) shall cause to be maintained in full force and effect fire and extended coverage insurance in an amount equal to one hundred percent (100%) of the replacement cost of the Real Property, Inventory and Personal Property, less any applicable deductible or self-insurance amount, and (c) shall comply with all requirements of all such insurance policies. Prior to the Closing Date, Sellers shall not reduce or cancel the amount of coverage of any insurance policy pertaining to the Real Property, Inventory and Personal Property. In the event that all or any part of the Real Property, Inventory or Personal Property is damaged or destroyed by fire, windstorm or any other casualty on or prior to the Closing Date, Sellers shall immediately notify Buyers of such damage or destruction. In the event that such damage or destruction is in the aggregate more than Five Hundred Thousand and 00/100 U.S. Dollars ($500,000), Buyers shall have the option to: (x) terminate this Agreement by written notice delivered to Sellers within ten (10) days after Buyers' receipt of notice of such damage or destruction, in which event the Escrow Funds shall be returned to the Other Parties, and no parties shall have any further liability or obligations hereunder, or (y) proceed with the transactions contemplated in this Agreement without abatement of the Purchase Price, in which case (i) all insurance proceeds shall be deemed to have been absolutely and irrevocably assigned to and be payable directly to Buyers, (ii) after the Closing, Buyers shall have the right to conduct all settlement proceedings with respect to the insurance claims, (iii) Buyers shall receive credit for any deductible amount under any such insurance policy and (iv) Sellers shall deliver to Buyers through Escrow an unconditional assignment of all insurance proceeds. If this Agreement is not terminated, Sellers shall not be obligated to repair any damage or destruction.

9.4 Condemnation. If condemnation or eminent domain proceedings or an agreement with a governmental agency in lieu of such proceedings should affect all or a material portion of the land or of the improvements on the land constituting the Real Property prior to the Closing, Buyers may, at their option, either (i) terminate this Agreement by written notice to Sellers, in which event the Escrow Funds shall be returned to the Other Parties, and no parties shall have any further liability or obligations hereunder, or (ii) elect to consummate this transaction without abatement of the Purchase Price, in which event Sellers shall assign to Buyers all of their right, title and interest in and to any award made or to be made in connection with such proceedings or agreement, and shall permit Buyers to conduct all negotiations and enter into all agreements with respect thereto. Buyers' rights hereunder shall be cumulative, and Buyers shall have the foregoing rights in the case of each such condemnation or eminent domain proceeding.

9.5 Sellers' Indemnification. From and after the Closing Date, each Seller shall indemnify, defend and hold the Other Parties, New Operators, and their respective officers, directors, employees, shareholders and affiliates ("Buyer Indemnified Parties"), harmless for, from and against any and all claims, losses, expenses, damages, obligations, deficiencies, or liabilities of any kind, including costs of investigation, interest, penalties, reasonable attorneys' fees, and any and all costs, expenses, and fees incident to any suit, action or proceeding, incurred, sustained or suffered by the Buyer Indemnified Parties which arise out of, result from or are related to any of the following:

(i) except as otherwise provided in this Agreement, any and all obligations and liabilities relating to the ownership of the Facilities by such Seller that exist as of the Effective Time,

(ii) any misrepresentation of a material fact, breach of warranty or nonfulfillment of any agreement on the part of such Seller under this Agreement or in any certificate required to be furnished to Buyers hereunder;

(iii) any failure by such Seller in connection with the transactions contemplated herein to comply with the requirements of any Federal, state or local laws or regulations relating to bulk sales or transfers, whether or not Buyers have waived such Seller's compliance therewith; or

(iv) any Excluded Liabilities.

Notwithstanding anything to the contrary contained in this Agreement, Sellers shall have no liability or indemnification obligation to Buyers with respect to the condition of the Assets, and Section 2.9 shall govern with respect to such condition; and the limited survival of any cause of action provided in Section 13.13 shall apply to any misrepresentation, breach of warranty or nonfulfillment of any agreement.

9.6 Buyers Indemnification. From and after the Closing Date, the Other Parties shall indemnify, defend and hold Sellers, and their respective officers, directors, employees, shareholders and affiliates (the "Seller Indemnified Parties"), harmless for, from and against any and all claims, losses, expenses, damages, obligations, deficiencies, or liabilities of any kind, including costs of investigation, interest, penalties, reasonable attorneys' fees, and any and all costs, expenses, and fees incident to any suit, action or proceeding, incurred, sustained or suffered by the Seller Indemnified Parties which arise out of, result from or are related to and of the following:

(i) any misrepresentation of a material fact, breach of warranty or nonfulfillment of any agreement on the part of the Other Parties under this Agreement or in any certificate required to be furnished to Sellers hereunder; or

(ii) Buyers' ownership or New Operators' operation of the Facilities on and after the Effective Time.

9.7 Indemnification Procedures. Sellers, on the one hand, and the Other Parties, on the other hand, agree that, upon receipt by any party of a claim in respect of which any indemnity

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

ARTICLE 10. CLOSING

10.1 Sellers' Obligations at Closing. On or before the Closing Date, Sellers shall deposit into Escrow, or deliver or cause to be delivered directly to the Other Parties, all of the following, which are referred to herein as "Sellers Closing Items":

(i) Evidence of all required board and member, if any, approvals authorizing the execution and performance of this Agreement and the OTAs on behalf of each Seller;

(ii) All releases, waivers and satisfactions necessary to deliver title and/or satisfy any requirements under Article 6 of this Agreement for issuance of the Title Policy;

(iii) A certificate of the President and Chief Executive Officer of each Seller certifying (a) compliance with such Seller's covenants set forth in this Agreement and (b) the accuracy in all material respects of all representations and warranties of such Seller set forth in this Agreement on and as of the Closing Date to such Seller's actual knowledge;

(iv) Evidence that Sellers have received a written waiver or consent (that may contain conditions) from the California Attorney General allowing the sale of the Assets by Sellers pursuant to the terms of this Agreement and any other transactions contemplated in this Agreement that may require such waiver or consent;

(v) All necessary instruments of transfer, properly executed by Sellers and acknowledged, conveying, transferring and assigning to the respective Buyers all of Sellers' right, title and interest in and to the Assets, all in form and substance reasonably satisfactory to Buyers and Sellers, including:

(a) A grant deed or deeds from JHA conveying the Real Property associated with the Boyle Campus to Boyle Buyer;

(b) A grant deed or deeds from KNH conveying the Real Property associated with SNF1 to Lincoln Buyer;

(c) A grant deed or deeds from KNH conveying the Real Property associated with the SNF2 to South Bay Buyer;

(d) A Bill of Sale and an Assignment and Assumption Agreement from each Seller to each Buyer or New Operator, as appropriate, in the forms attached to the OTAs, which shall include the Operating Assets to be conveyed to the Buyers or New Operators pursuant to this Agreement and the OTAs; and

(e) The original certificates of title to all motor vehicles transferred under the OTAs; provided, that Buyers may designate New Operators to take title to such motor vehicles;

(vi) All keys and combinations for all locks on the Real Property and for all motor vehicles, which Sellers shall immediately deliver to Buyers upon Closing; and

(vii) Such other forms and documents as the Other Parties or Escrow Agent may reasonably request in order to effectuate the transactions contemplated hereby and close the Escrow.

10.2 The Other Parties' Obligations at Closing. On or before the Closing Date, the Other Parties shall deposit in Escrow, or deliver or cause to be delivered directly to Sellers, all of the following, which are referred to herein as the "Other Parties Closing Items":

(i) Evidence of all required member and manager approvals authorizing the execution and performance of this Agreement and the OTAs on behalf of each Other Party;

(ii) The Cash Due at Closing, plus other amounts required to be deposited by the Other Parties to pay for their share of costs and prorations, by wire transfer or other form of immediately available funds acceptable to Escrow Agent;

(iii) A certificate of the managing member or manager of each Other Party certifying to Sellers on and as of the Closing Date of (a) compliance with such Other Party's covenants set forth in this Agreement and (b) the accuracy in all material respects of all representations and warranties of such Other Party set forth in this Agreement; and

(iv) Such other documents, forms, certifications, instructions or items as Sellers or Escrow Agent may reasonably request to effectuate the transactions contemplated hereby and close the Escrow.

10.3 Costs and Prorations. The costs of the transaction and the expenses related to the ownership and operation of the Facilities shall be allocated between Sellers and Buyers as follows.

(i) All items to be prorated shall be prorated (a) as of the Effective Time, with Sellers responsible therefor or entitled thereto for the period prior to the Effective Time, and with Buyers responsible therefor or entitled thereto for the period from and after the Effective Time, (b) on the basis of actual days elapsed in the relevant accounting, revenue or expense period and, (c) if exact information is not available, shall be estimated based on the most recent information available. If, after netting together all credits due each party hereunder, there is a net credit due (x) Buyers, such credit shall reduce, dollar-for-dollar, the Cash Due at Closing; or (y) Sellers, such credit shall increase, dollar-for-dollar, the Cash Due at Closing.

(ii) Sellers shall pay any and all transfer, documentary stamp, recording fee, excise tax or other fee, tax, charge or assessment which may be imposed by any governmental agency on the sale or transfer of the Real Property to Buyers or the recording of the grant deeds to be delivered to Buyers as provided herein.

(iii) Buyers shall pay any sales tax due on the transfer of title to the Operating Assets to New Operators.

(iv) Sellers shall pay the equivalent cost of a standard CLTA Owner's Title Policy, and Buyers shall pay the excess cost of ALTA extended coverage and any endorsements which they elect to secure.

(v) Real property and personal property taxes, assessments and other impositions shall be prorated as of the Effective Time.

(vi) Sellers and Buyers shall each pay their own attorney's fees.

(vii) Buyers and Sellers shall share any Escrow fees on a 50-50 basis.

(viii) Sellers shall pay all costs associated with obtaining and recording any releases necessary to cause the monetary liens affecting the Real Property to be discharged in accordance with the terms of this Agreement, and with any liens encumbering the motor vehicles of Sellers and any liens, encumbrances or other security interests affecting any of the Assets that are unpaid as of the Closing. Escrow Agent shall use Sellers' Purchase Price proceeds to discharge any or all such encumbrances on the Real Property (other than Permitted Exceptions) and obtain the corresponding releases through Escrow at Closing.

(ix) Utility charges accrued as of the Effective Time shall be estimated based on prior charges, and shall be prorated between the parties as of the Effective Time.

(x) Personal property lease payments, plus all other income and expenses which are normally prorated upon the sale of assets of a going concern, advance payments, prepayments, prepaid expenses and utility deposits shall be prorated as of the Effective Time.

Notwithstanding the foregoing provisions, there shall be no prorations under this Agreement for employment related matters, as such matters are governed by, and shall be prorated pursuant to, the terms of the OTAs.

ARTICLE 11. POST CLOSING

11.1 Delivery of Possession. Sellers shall tender possession of the Facilities to Buyers as of the Effective Time, subject to the rights of tenants and residents occupying the Facilities pursuant to occupancy agreements between Sellers and such tenants or residents, and such other residents who have been admitted to the Facilities in the ordinary course of Sellers' business. Notwithstanding the foregoing, Sellers shall not be obligated to evict, and it shall not be deemed a condition precedent to Closing for Sellers to evict, any residents occupying any Facility as of the Closing Date, and Buyers shall cause the New Operators to assume any occupancy agreements with such residents pursuant to the OTAs.

11.2 Access. In connection with (i) the transition of the Facilities pursuant to the transaction contemplated by this Agreement, (ii) Sellers' rights to the Excluded Assets, and (iii) Sellers' obligations under the Excluded Liabilities, Buyers shall after the Closing Date give Sellers, Sellers' affiliates and their respective representatives access during normal business hours to Buyers' books, accounts and records, resident medical and facility records and all other relevant documents and information with respect to the assets, liabilities and business of the Facilities as representatives of Sellers and Sellers' affiliates may from time to time reasonably request, all in such manner as not to unreasonably interfere with the operations of the Facilities.

11.3 Sellers' Continuing Activities. The Other Parties acknowledge that Sellers intend to continue using the "Keiro" name and to continue to provide and to expand their community-based care and wellness programs and activities. Neither Buyer nor any of its affiliates shall use the "Keiro" name, nor shall they permit Aspen or New Operators to use the "Keiro" name, on the Facilities or in connection with operation of the Facilities in any manner after the Effective Time.

11.4 Post–Closing Operations. For a period of at least five (5) years from and after the Effective Time:

(i) the Other Parties shall, and shall cause New Operators to, operate the Facilities in a "culturally sensitive" manner, meaning the existence of an environment that fosters an awareness and acceptance of the cultural characteristics, history, values, belief systems and behaviors of the Japanese American residents and families, which will include elements listed on Exhibit 11.4(i) to maintain that environment;

(ii) Sellers shall support the existing volunteer program for the Facilities, assisting New Operators upon their request with training regarding recruitment and retention of volunteers;

(iii) the Other Parties shall organize and sponsor a Community Advisory Board, the initial charter of which is attached as Exhibit 11.4(iii), to provide New Operators with advice and feedback to assist them in providing a consistent experience and ensure continuity during and after the transition and in providing quality care for residents of the Facilities;

(iv) the Other Parties shall, and shall cause New Operators to, continue providing community benefit programs relating to the Facilities, and to expend in the aggregate at least $237,883 (including waiving rental for use of Facilities by community groups) allocated

equally between ILF and ICF, on the one hand, and SNF1 and SNF2, on the other hand, for such programs during each twelve (12) month period from and after the Closing Date, which is the average expended by Sellers for such programs over their last three fiscal years;

(v) the Other Parties shall, and shall cause New Operators to, continue providing a placement priority to residents of the Facilities who may require either a higher or a lower level of care over new residents admitted from outside the Facilities; and

(vi) the Other Parties shall, and shall cause New Operators to, maintain the physical donor recognition at the Facilities.

ARTICLE 12. JUDICIAL REFERENCE

12.1 Judicial Reference. ANY CONTROVERSY OR DISPUTE HEREUNDER BETWEEN THE SELLERS, ON THE ONE HAND, AND THE OTHER PARTIES, ON THE OTHER HAND, SHALL BE RESOLVED BY A REFEREE APPOINTED BY THE SUPERIOR COURT FOR THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA ("SUPERIOR COURT") IN ACCORDANCE WITH THE PROVISIONS OF SECTION 638 ET SEQ. OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. IN THIS REGARD, IN THE EVENT THE PARTIES ARE UNABLE AGREE UPON A RESOLUTION TO ANY SUCH QUESTION, ANY PARTY SHALL HAVE THE RIGHT TO SERVE A WRITTEN DEMAND FOR JUDICIAL REFERENCE OF SUCH CLAIM OR CONTROVERSY ON THE OTHER PARTIES. THE PARTIES SHALL THEN NEGOTIATE IN GOOD FAITH FOR A MUTUALLY ACCEPTABLE REFEREE, HOWEVER IN NO EVENT SHALL ANY PARTY SEEK THE APPOINTMENT OF A REFEREE THAT MAY BE DISQUALIFIED PURSUANT TO CALIFORNIA SECTION 641 OF THE CODE OF CIVIL PROCEDURE. IN THE EVENT THAT THE PARTIES HAVE NOT AGREED UPON A REFEREE WITHIN TEN (10) BUSINESS DAYS AFTER WRITTEN DEMAND FOR SUCH REFERENCE HAS BEEN MADE, THE PARTIES SHALL SUBMIT TO THE SUPERIOR COURT THE NAMES OF UP TO THREE NOMINEES FOR APPOINTMENT AS REFEREE, IN ACCORDANCE WITH THE PROVISIONS OF SECTION 640 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. THE REFEREE, ONCE AGREED UPON BY THE PARTIES OR APPOINTED BY THE SUPERIOR COURT, SHALL HAVE FULL AND COMPLETE AUTHORITY TO HEAR AND DETERMINE ANY AND ALL OF THE ISSUES IN AN ACTION OR PROCEEDING, WHETHER OF FACT OR OF LAW, AND TO REPORT A STATEMENT OF DECISION. IN CONNECTION WITH SUCH REFERENCE PROCEDURE, THE PARTIES SHALL HAVE ALL RIGHTS AND POWERS AFFORDED TO A CIVIL LITIGANT IN THE SUPERIOR COURT, INCLUDING THE ABILITY TO CONDUCT FULL DISCOVERY. THE REFEREE SHALL BE GOVERNED BY THE RULES OF CIVIL PROCEDURE FOR ACTIONS FILED IN CALIFORNIA SUPERIOR COURTS AS SET FORTH IN THE CALIFORNIA CODE OF CIVIL PROCEDURE, EXCEPT TO THE EXTENT THE PARTIES STIPULATE THE REFEREE MAY DEVIATE THEREFROM. THE PARTIES SHALL EVENLY DIVIDE THE COST OF THE REFEREE'S FEES. THE REFEREE SHALL HAVE THE POWER, AS PART OF ANY AWARD, TO INCLUDE THESE FEES AS AN ELEMENT OF RECOVERY. THE DECISION OF THE REFEREE UPON THE WHOLE ISSUE SHALL STAND AS THE DECISION OF THE SUPERIOR COURT, AND UPON THE FILING OF THE STATEMENT OF DECISION WITH THE

CLERK OF THE SUPERIOR COURT, JUDGMENT MAY BE ENTERED THEREON IN THE SAME MANNER AS IF THE ACTION HAD BEEN TRIED BY THE SUPERIOR COURT. EXCEPT AS SET FORTH IN SECTION 645 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE, THE REFEREE'S AWARD SHALL BE CONSIDERED FINAL, AND NOT SUBJECT TO APPEAL OR COLLATERAL ATTACK.

YOU HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THIS AGREEMENT TO JUDICIAL REFERENCE AS PROVIDED ABOVE.

_____ _____

Seller's Initials Buyers' and Pacifica's Initials

ARTICLE 13. MISCELLANEOUS

13.1 Assignment. None of the parties may assign this Agreement to any other party or parties and any such attempted assignment will be void, provided that notwithstanding anything herein to the contrary, this Agreement may be assigned, upon written notice to Sellers, in whole or in part to an affiliate of a Buyer if such affiliate agrees to be bound by the terms hereof, provided no such assignment shall relieve such Buyer of its obligations hereunder and that such Buyer or an entity controlling such Buyer retains control of such affiliate.

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

13.3 Expenses. Each of the parties shall pay all costs and expenses incurred or to be incurred by it in negotiating and preparing this Agreement, the OTAs and the other agreements and documents referred to in this Agreement.

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

CLERK OF THE SUPERIOR COURT, JUDGMENT MAY BE ENTERED THEREON IN THE SAME MANNER AS IF THE ACTION HAD BEEN TRIED BY THE SUPERIOR COURT. EXCEPT AS SET FORTH IN SECTION 645 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE, THE REFEREE'S AWARD SHALL BE CONSIDERED FINAL, AND NOT SUBJECT TO APPEAL OR COLLATERAL ATTACK.

YOU HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THIS AGREEMENT TO JUDICIAL REFERENCE AS PROVIDED ABOVE.

Seller's Initials

Buyers' and Pacifica's Initials

ARTICLE 13. MISCELLANEOUS

13.1 Assignment. None of the parties may assign this Agreement to any other party or parties and any such attempted assignment will be void, provided that notwithstanding anything herein to the contrary, this Agreement may be assigned, upon written notice to Sellers, in whole or in part to an affiliate of a Buyer if such affiliate agrees to be bound by the terms hereof, provided no such assignment shall relieve such Buyer of its obligations hereunder and that such Buyer or an entity controlling such Buyer retains control of such affiliate.

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

13.3 Expenses. Each of the parties shall pay all costs and expenses incurred or to be incurred by it in negotiating and preparing this Agreement, the OTAs and the other agreements and documents referred to in this Agreement.

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

If to Sellers:

Keiro Services
325 South Boyle Avenue
Los Angeles, CA 90033-3812
Attn: Shawn Miyake
Phone: (323) 980-7500
Fax: (323) 980-2344
Email: smiyake@keiro.org

If to the Other Parties:

Pacifica Companies LLC
1775 Hancock Street, Suite 200
San Diego, CA 92110
Attn: Adam Bandel
Phone: (619) 296-9000
Fax: (619) 296-9090
Email: abandel@pacificacompanies.com

with a copy to:

Neal H. Brockmeyer
Locke Lord LLP
300 South Grand Ave.
Suite 2600
Los Angeles, CA 90071
Phone: (213) 687-6774
Fax: (213) 341-6774
Email: nbrockmeyer@lockelord.com

If to Escrow Agent:

Fidelity National Title Insurance Company
Attn: Darcy Marsh Praw
915 Wilshire Blvd., Suite 1920
Los Angeles, CA 90017
Phone: (310) 270-6073
Fax: (213) 689-9330
Email: Darcy.Marsh@fnf.com

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

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

13.6 Counterparts; Signatures. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. A manual signature on this Agreement or certificates to be delivered pursuant to this Agreement, an image of which shall have been transmitted electronically, will constitute an original signature for all purposes. The delivery of copies of this Agreement or certificates to be delivered pursuant to this Agreement, including executed signature pages where required, by electronic transmission will constitute effective delivery of this Agreement or such certificates for all purposes.

13.7 Construction. This Agreement has been negotiated by and among the parties in arms-length negotiations, with all parties being responsible for its drafting. All parties have reviewed this Agreement with appropriate counsel, or have waived their right to do so, and hereby mutually and irrevocably agree that this Agreement shall be construed neither for nor against any party, but in accordance with the plain language and intent hereof. The captions of articles, sections and subsections of this Agreement have been inserted solely for the purposes of

convenience and reference, and shall not control or affect the meaning or construction of any of the provisions of this Agreement. Unless the context otherwise requires, references to articles, sections and exhibits shall be to the articles or sections of, or exhibits to, this Agreement. Exhibits referred to in this Agreement and in the OTAs, whether attached hereto or thereto at the time of this Agreement's execution and delivery or thereafter, are hereby incorporated into this Agreement and made a part hereof. "Including" and words of similar import mean "including without limitation" or "but not limited to," and "or" is used in the inclusive sense. Time is of the essence for all dates and time periods set forth in this Agreement and each performance called for in this Agreement.

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

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

13.10 Entire Agreement. This Agreement, together with the OTAs and the exhibits to the OTAs and to this Agreement, and the Confidentiality Agreements comprise the entire agreement among the parties hereto with respect to the subject matter hereof, shall be construed together and shall supersede all prior agreements and undertakings of the parties, provided that the Confidentiality Agreements shall remain in effect until, but not after, the Closing. This Agreement may not be amended or modified except by written instrument signed by all of the parties hereto.

13.11 No Unintended Beneficiaries. This Agreement is solely between the parties hereto, and shall not create any right or benefit in any third party, including any creditor, agent, officer, employee or affiliate of Sellers or any entity or agency having jurisdiction over the Required Licenses, the Facilities or the operation of the business therein.

13.12 Effect of Termination. The termination of this Agreement shall operate to terminate the OTAs and any other agreements and documents executed in connection with the transfer of the Assets to Buyers or New Operators; provided that such termination shall not diminish a party's rights and remedies for a breach or default by another party as provided in this Agreement, or otherwise affect the rights and obligations of the parties which expressly survive termination of this Agreement.

13.13 Survival of Representations and Warranties. The respective representations and warranties, covenants and obligations of the parties made in this Agreement (except the covenants and obligations set forth in Sections 5.2, 11.2, 11.3, 11.4, 13.2 and 13.3) or in any certificate delivered at the Closing pursuant to this Agreement, including the obligations of indemnity hereunder, shall survive the consummation of the transactions contemplated hereby

and the conveyance of the Real Property to Buyers for a period of six (6) months, at which time any cause of action relating thereto shall expire unless to the extent that a party has given written notice to the other parties of a claim specifying such a misrepresentation, breach or default thereof prior to the expiration of such six (6) month period.

13.14 Bulk Sales. Buyers hereby waive compliance by Sellers with the requirements, if any, of Article 6 of the California Uniform Commercial Code and all other similar laws applicable to bulk sales and transfers.

13.15 Independent Consideration. Sellers acknowledge the receipt from the Other Parties, direct and outside of Escrow, of Two Hundred Fifty and 00/100 U.S. Dollars ($250.00) (the "Independent Consideration"), which the parties have bargained for and agreed upon as consideration for Sellers' execution, delivery and performance of this Agreement. The Independent Consideration is non-refundable in all circumstances, is not part of the Purchase Price hereunder, and is in addition to and independent of any other consideration or payment provided for in this Agreement.

13.16 Multiple Parties. This Agreement is entered into by multiple parties, namely the Sellers, on the one hand, and the Other Parties, on the other hand. Accordingly, references to a party, the other party, a defaulting party, a non-defaulting party and the like shall mean Sellers, on the one hand, and the Other Parties, on the other hand. The parties agree that any action to be taken by Sellers pursuant to this Agreement, including the giving of any notice or other communication, providing any consent or waiver or taking any other action, is to be given or provided by KS on behalf of all Sellers. Similarly, the parties agree that any action to be taken by the Other Parties pursuant to this Agreement, including the giving of any notice or other communication, providing any consent or waiver or taking any other action, is to be given or provided by Pacifica on behalf of all the Other Parties.

13.17 Single Transaction. The transaction contemplated by this Agreement is a single purchase and sale transaction with respect to all of the Real Property and Operating Assets. Under no circumstances shall Sellers have any obligation to sell less than all of the Real Property and Operating Assets to Buyers, and under no circumstances shall Buyers have an obligation to purchase less than all of the Real Property and Operating Assets from Sellers.

13.18 Several/Not Joint Liability. Buyers hereby acknowledge and agree that Sellers are each severally, and not jointly, liable for their respective representations, warranties, duties and obligations hereunder, regardless of whether this Agreement specifies (or fails to specify) that Sellers are responsible for such representations, warranties, duties and obligations.

13.19 Cross Default. Any material breach or default of any warranty, covenant, agreement, condition or other obligation of a party under the OTAs shall constitute a material breach or default by such party of this Agreement and any non-breaching party shall be entitled to any and all remedies to which such non-breaching party may be entitled under the terms of this Agreement.

[SIGNATURES ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first set forth above.

SELLERS:

JAPANESE HOME FOR THE AGED,
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

KEIRO NURSING HOME,
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

KEIRO SERVICES,
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

BUYERS:

PACIFICA COMPANIES LLC,
a California limited liability company

By: _____
Deepak Israni, General Manager

PACIFICA SL LINCOLN LLC,
a California limited liability company

By: _____
Deepak Israni, General Manager

PACIFICA SL BOYLE LLC,
a California limited liability company

By: _____
Deepak Israni, General Manager

PACIFICA SL VERMONT LLC,
a California limited liability company

By: _____
Deepak Israni, General Manager

[Signature Page for Asset Purchase and Sale Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first set forth above.

SELLERS:

JAPANESE HOME FOR THE AGED,
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

KEIRO NURSING HOME,
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

KEIRO SERVICES,
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

BUYERS:

PACIFICA COMPANIES LLC,
a California limited liability company

By: _____
Deepak Israni, General Manager

PACIFICA SL LINCOLN LLC,
a California limited liability company

By: _____
Deepak Israni, General Manager

PACIFICA SL BOYLE LLC,
a California limited liability company

By: _____
Deepak Israni, General Manager

PACIFICA SL VERMONT LLC,
a California limited liability company

By: _____
Deepak Israni, General Manager

[Signature Page for Asset Purchase and Sale Agreement]

EXHIBITS

TO

ASSET PURCHASE AND SALE AGREEMENT[1]

Exhibit	Title
1.1(i)	Real Property Legal Description
1.2(u)	Additional Excluded Assets
4.2	Required Licenses
5.1(i)	Seller Information
11.4(i)	Cultural Sensitivity
11.4(iii)	Community Advisory Board

[1] Terms not otherwise defined shall have the meanings set forth in the accompanying Asset Purchase and Sale Agreement.

EXHIBIT 1.1(i)

REAL PROPERTY LEGAL DESCRIPTION

[Attached]

Fidelity National Title Company
1300 Dove Street, Suite 310, Newport Beach, CA 92660
Phone: (949) 622-5000• Fax: (949) 477-6813

PRELIMINARY REPORT

Amended

Title Officer: Trent Cornell (MA) Order No.: 008-**23041425**-A-TC1

TO:
Blueprint Healthcare
10880 Wilshire Boulevard, Suite 1101
Los Angeles, CA 90024

ATTN: .**Christopher Hyldahl**
YOUR REFERENCE:

PROPERTY ADDRESS: **325 South Boyle Avenue, 2221 & 2237 Lincoln Park Avenue, 15111 & 15123 South Vermont Avenue, Los Angeles, CA**

EFFECTIVE DATE: **May 7, 2014 at 7:30 a.m.**

The form of policy or policies of title insurance contemplated by this report is:

CLTA Std. Owner's

1. THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:

   A Fee as to Parcel(s) A, B-1, B-2, B-3, B-4, B-5 and C
   Easement(s) more fully described below as to Parcel(s) B-2A

2. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:

   JAPANESE HOME FOR THE AGED, Non-Profit California corporation, as to Parcel A

   KEIRO NURSING HOME, a Non-Profit California corporation, as to Parcels B and C

3. THE LAND REFERRED TO IN THIS REPORT IS DESCRIBED AS FOLLOWS:

   See Exhibit A attached hereto and made a part hereof.

/ah1 01/29/14

LEGAL DESCRIPTION

EXHIBIT "A"

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL A: (APN: 5174-012-008; 5174-012-009)

PARCEL 1:

THOSE PORTIONS OF LOT 3 IN BLOCK 59 AND LOT 4 IN BLOCK 60 OF HANCOCK'S SURVEY AND THAT PORTION OF FOURTH STREET VACATED BY ORDINANCE NO. 6210, NEW SERIES, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 1, PAGE 463 AND 464 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE POINT OF INTERSECTION OF THE SOUTHERLY LINE OF THIRD STREET WITH THE EASTERLY LINE OF BODIE STREET; THENCE ALONG SAID SOUTHERLY LINE OF THIRD STREET, NORTH 85°03'05" EAST 93.00 FEET TO THE NORTHWEST CORNER OF THE LAND DESCRIBED IN THE DEED TO A. E. BOYCE BY DEED RECORDED IN BOOK 7281, PAGE 79 OF DEEDS, RECORDS OF SAND COUNTY; THENCE SOUTHERLY ALONG THE WESTERLY LINE OF THE LAND OF A. E. BOYCE, SOUTH 3°01'45" EAST 66.19 FEET; THENCE SOUTH 2°56'18" EAST 76.06 FEET TO THE NORTHERLY LINE OF THE LAND DESCRIBED IN THE DEED TO C. N. MASSON, BY DEED RECORDED IN BOOK 5629, PAGE 209 OF DEEDS, RECORDS OF SAID COUNTY; THENCE EASTERLY ALONG SAID NORTHERLY LINE NORTH 86°58'15" EAST 185.02 FEET TO THE WESTERLY LINE OF BOYLE AVENUE; THENCE SOUTHERLY ALONG SAID WESTERLY LINE OF BOYLE AVENUE, SOUTH 3°01'45" EAST 652.56 FEET TO THE NORTHERLY LINE OF FOURTH STREET; THENCE WESTERLY ALONG SAID NORTHERLY LINE OF FOURTH STREET SOUTH 86°58'00" WEST 302.33 FEET TO THE SOUTHERLY PROLONGATION OF SAID EASTERLY LINE OF BODIE STREET; THENCE NORTHERLY ALONG SAID SOUTHERLY PROLONGATION OF THE EASTERLY LINE OF BODIE STREET AND NORTHERLY ALONG SAID EAST LINE OF BODIE STREET NORTH 1°15'30" WEST 792.09 FEET TO THE POINT OF BEGINNING.

EXCEPT THAT PORTION OF THE ABOVE DESCRIBED PARCEL DEEDED TO THE STATE OF CALIFORNIA IN THE DEED RECORDED FEBRUARY 24, 1943 AS INSTRUMENT NO. 715, IN BOOK 19846, PAGE 217 OF OFFICIAL RECORDS OF SAID COUNTY.

PARCEL 2:

THAT PORTION OF LOT 25 OF THE FOURTH STREET BRIDGE TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGE 67 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOW:

BEGINNING AT THE NORTHEASTERLY CORNER OF SAID LOT; THENCE SOUTH 1°11'40" EAST, ALONG THE EASTERLY LINE OF SAID LOT, A DISTANCE OF 131.31 FEET; THENCE NORTH 1°28'34" WEST, 131.04 FEET TO A POINT ON THE NORTHERLY LINE OF SAID LOT, DISTANT THEREON, 23.51 FEET WESTERLY FROM SAID NORTHEASTERLY CORNER; THENCE EASTERLY ALONG SAID NORTHERLY LINE, 23.51 FEET TO SAID POINT OF BEGINNING.

EXCEPTING THEREFROM ALL MINERALS, OILS, GASES AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN THAT MAY BE WITHIN OR UNDER THE PARCEL OF LAND HEREINABOVE DESCRIBED WITHOUT, HOWEVER, THE RIGHT TO DRILL, DIG OR MINE THROUGH THE SURFACE THEREOF, AS EXCEPTED IN THE DEED FROM THE STATE OF CALIFORNIA, RECORDED AUGUST 18, 1958 AS INSTRUMENT NO. 3581, IN BOOK D-189, PAGE 644 OF OFFICIAL RECORDS.

PARCEL 3:

THAT PORTION OF BODIE STREET (FORMERLY BLUFF STREET), 50 FEET WIDE, AND THAT PORTION OF KOLSTER STREET, 50 FEET WIDE, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON MAP OF THE FOURTH STREET BRIDGE TRACT, RECORDED IN BOOK 3, PAGE 67 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, AS VACATED BY THE CITY OF LOS ANGELES IN ORDINANCE NO. 107077, RECORDED IN BOOK 50594, PAGE 101 OF OFFICIAL RECORDS, INCLUDED WITHIN THE FOLLOWING DESCRIBED BOUNDARIES:

BEGINNING AT THE NORTHEASTERLY CORNER OF LOT 25 OF SAID FOURTH STREET BRIDGE TRACT; THENCE NORTH 1°11'40" WEST, ALONG THE EASTERLY LINE OF SAID BODIE STREET, A DISTANCE OF 211.36 FEET; THENCE SOUTH 88°48'20" WEST, A DISTANCE OF 35.50 FEET; THENCE SOUTH 1°15'06" EAST, A DISTANCE OF 147.79 FEET; THENCE SOUTH 11°28'34" EAST, A DISTANCE OF 67.03 FEET TO A POINT ON THE NORTHERLY LINE OF SAID LOT 25 DISTANT THEREON, 23.51 FEET WESTERLY FROM SAID NORTHEASTERLY CORNER; THENCE EASTERLY ALONG SAID NORTHERLY LINE, A DISTANCE OF 23.51 FEET TO THE POINT OF BEGINNING.

PARCEL 4:

THOSE PORTIONS OF LOT 3 IN BLOCK 59 AND OF LOT 4 IN BLOCK 60, BOTH OF HANCOCK SURVEY, AS SHOWN ON MAP RECORDED IN BOOK 1, PAGES 463 AND 464 OF MISCELLANEOUS RECORDS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, INCLUDED WITH THE FOLLOWING DESCRIBED LINES:

BEGINNING AT A POINT IN THAT COURSE DESCRIBED AS SOUTH 88°48'20" WEST, 35.50 FEET IN DIRECTOR'S DEED D-120, RECORDED AUGUST 18, 1958 IN BOOK D-189, PAGE 644 OF OFFICIAL RECORDS IN SAID OFFICE, DISTANT ALONG SAID COURSE ON A DIFFERENT BASIS OF BEARINGS SOUTH 88°39'43" WEST, 15.58 FEET FROM THE EASTERLY TERMINUS OF SAID COURSE, SAID EASTERLY TERMINUS BEING A POINT IN THE EASTERLY LINE OF BODIE STREET, FORMERLY BLUFF STREET, 50 FEET WIDE; THENCE NORTH 01°24'22" WEST, 390.68 FEET; THENCE NORTH 11°55'59" EAST, 57.25 FEET TO THE WESTERLY PROLONGATION OF THE NORTHERLY LINE OF THE LAND ACQUIRED BY THE STATE OF CALIFORNIA BY DEED (STATE PARCEL 179) RECORDED FEBRUARY 24, 1943 IN BOOK 19846, PAGE 217 OF SAID OFFICIAL RECORDS, SAID NORTHERLY LINE BEING A PORTION OF THE SOUTHERLY LINE OF THIRD STREET, 60 FEET WIDE; THENCE ALONG SAID WESTERLY PROLONGATION AND SAID NORTHERLY LINE NORTH 84°58'15" EAST, 20.91 FEET TO THE NORTHEASTERLY CORNER OF SAID ACQUIRED LAND; THENCE ALONG THE EASTERLY LINE OF SAID ACQUIRED LAND, SOUTH 11°55'59" WEST, 78.25 FEET TO THE ABOVE-MENTIONED EASTERLY LINE OF SAID BODIE STREET; THENCE ALONG SAID EASTERLY LINE OF BODIE STREET SOUTH 01°20'17" EAST, 371.59 FEET TO SAID EASTERLY TERMINUS OF THE COURSE MENTIONED ABOVE AS SOUTH 88°39'43" WEST, 15.88 FEET; THENCE ALONG LAST-MENTIONED COURSE SOUTH 88°39'43" WEST, 15.88 FEET TO THE POINT OF BEGINNING.

PARCEL B:

PARCEL 1: (APN: 5211-007-049)

PARCEL "A", IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON PARCEL MAP NO. 603, FILED IN BOOK 7, PAGE 10 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2: (APN: 5211-007-048)

THAT PORTION OF LOT 2, IN BLOCK "A" OF PARK TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 6, PAGES 434 AND 435 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, AND ALSO THAT PORTION OF THE PARK TRACT ADJOINING SAID BLOCK "A" ON THE WEST DESCRIBED AS A WHOLE AS FOLLOWS:

BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT, DISTANT SOUTHERLY ALONG SAID EASTERLY LINE, 45 FEET FROM THE NORTHEASTERLY CORNER OF SAID LOT; THENCE SOUTHERLY ALONG SAID EASTERLY LINE, 7.285 FEET; THENCE WESTERLY PARALLEL WITH THE NORTHERLY LINE OF SAID LOT, 413.85 FEET, MORE OR LESS, TO THE WESTERLY LINE OF SAID VACATED ALLEY; THENCE NORTHERLY ALONG SAID WESTERLY LINE 52.25 FEET, MORE OR LESS, TO THE WESTERLY PROLONGATION OF THE NORTHERLY LINE OF SAID LOT; THENCE EASTERLY ALONG SAID PROLONGATION TO AND ALONG SAID NORTHERLY LINE 253.73 FEET TO A POINT IN SAID NORTHERLY LINE, DISTANT WESTERLY ALONG SAID NORTHERLY LINE 160 FEET FROM THE NORTHEASTERLY CORNER OF SAID LOT; THENCE SOUTHERLY PARALLEL WITH SAID EASTERLY LINE OF SAID LOT, 45 FEET; THENCE EASTERLY PARALLEL WITH SAID NORTHERLY LINE, 160 FEET TO THE POINT OF BEGINNING.

PARCEL 2A:

AN EASEMENT FOR SEWER PURPOSES OVER THE SOUTHERLY 10 FEET OF THAT PORTION OF SAID LOT 2, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEASTERLY CORNER OF SAID LOT; THENCE SOUTHERLY ALONG THE EASTERLY LINE OF SAID LOT, 45 FEET; THENCE WESTERLY PARALLEL WITH THE NORTHERLY LINE OF SAID LOT, 160 FEET; THENCE NORTHERLY PARALLEL WITH SAID EASTERLY LINE, 45 FEET TO THE NORTHERLY LINE OF SAID LOT; THENCE EASTERLY ALONG SAID NORTHERLY LINE 160 FEET TO THE POINT OF BEGINNING.

PARCEL 3: (APN: 5211-007-051)

PARCEL "C", IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON PARCEL MAP NO. 603, FILED IN BOOK 7, PAGE 10 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 4: (APN: 5211-007-025)

THAT PORTION OF LOT 2, IN BLOCK "A" OF PARK TRACT, IN THE CITY OF LOS ANGELES, AS PER MAP RECORDED IN BOOK 6, PAGES 434 AND 435 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEASTERLY CORNER OF SAID LOT; THENCE SOUTHERLY ALONG THE EASTERLY LINE OF SAID LOT, 45 FEET; THENCE WESTERLY PARALLEL WITH THE NORTHERLY LINE OF SAID LOT, 160; THENCE NORTHERLY PARALLEL WITH SAID EASTERLY LINE, 45 FEET TO THE NORTHERLY LINE OF SAID LOT; THENCE EASTERLY ALONG SAID NORTHERLY LINE, 160 FEET TO THE POINT OF BEGINNING.

PARCEL 5: (APN: 5211-007-020)

THE WEST 130 FEET OF LOT 1 IN BLOCK A OF PARK TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 6, PAGE(S) 434 AND 435 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THE EAST 50 FEET THEREOF.

ALSO EXCEPT THAT PORTION OF THAT CERTAIN STRIP OF LAND 2 FEET IN WIDTH AND OF THE VACATED ALLEY SHOWN ON THE MAP OF SAID PARK TRACT ADJOINING BLOCK A OF SAID PARK TRACT ON THE WEST WHICH LIES BETWEEN THE WESTERLY PROLONGATION OF THE NORTHERLY LINE OF SAID LOT 1 AND THE WESTERLY PROLONGATION OF THE SOUTHERLY LINE OF SAID LOT 1.

PARCEL C:

PARCEL 1: (APN: 6114-029-001; 6114-029-012)

LOT 1 IN BLOCK "C" OF STRAWBERRY PARK TRACT, IN THE CITY OF GARDENA, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 4, PAGES 27 AND 28, INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THE WESTERLY 2.92 ACRES THEREOF.

ALSO EXCEPT THAT PORTION THEREOF DEEDED TO THE COUNTY OF LOS ANGELES FOR STREET PURPOSES TO BE KNOWN AS VERMONT AVENUE.

PARCEL 2: (APN: 6114-028-051)

PART OF LOT 4 OF THE GARDENA TRACT, IN THE CITY OF GARDENA, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 52, PAGE 73 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WESTERLY LINE OF VERMONT AVENUE, FORMERLY ORANGE AVENUE, DISTANT NORTHERLY ALONG SAID WESTERLY LINE 400 FEET FROM THE SOUTHERLY LINE OF LOT 4, SAID VERMONT AVENUE, FORMERLY ORANGE AVENUE, BEING SHOWN ON A MAP RECORDED IN BOOK 2730, PAGE 244 OF DEEDS, AS A STRIP OF LAND 40 FEET WIDE, THE WESTERLY LINE THEREOF BEING PARALLEL WITH AND DISTANT 100 FEET WESTERLY FROM THE EASTERLY LINE OF LOT 4; THENCE WESTERLY PARALLEL WITH THE SOUTHERLY LINE OF SAID LOT 127 FEET; THENCE NORTHERLY PARALLEL WITH SAID VERMONT AVENUE, FORMERLY ORANGE AVENUE, 80 FEET, MORE OR LESS, TO THE NORTHERLY LINE OF SAID LOT; THENCE EASTERLY ALONG SAID NORTHERLY LINE, 135 FEET, MORE OR LESS, TO THE INTERSECTION THEREOF WITH SAID NORTHWESTERLY LINE OF SAID VERMONT AVENUE, FORMERLY ORANGE AVENUE; THENCE SOUTHERLY ALONG THE SAID WESTERLY LINE, 125 FEET, MORE OR LESS, TO THE POINT OF BEGINNING.

EXHIBIT 1.2(u)

ADDITIONAL EXCLUDED ASSETS

The following is an equipment lease to be excluded:

Type of Equipment	Lessor	Date of Lease
Photocopiers	Canon	12/20/11

Attached are Excel spreadsheets listing additional Excluded Assets. In certain of the lists, there are reference to "HCHP," which stands for Healthy Community – Healthy People, the name of the model of programming for Keiro going forward (New Keiro). A description of the attached lists follows:

Excluded Assets – includes things like furniture and artwork.
Verizon Wireless List – a complete cellphone list, indicating which cellphones will be excluded.
IT Assets Exclusion List. This has several tabs:

- New Keiro – for items that are already located at the new office at 3rd & San Pedro, or are used by people who will be moving to the new office (*e.g.,* Mr. Miyake's furniture is still located at the Boyle facilities, but it is the intention that it be retained for the new office).
- Located At Boyle – Going to New Keiro – for items that are located at the Boyle facilities but used in departments that will likely be eliminated (*e.g.,* Accounting, IT, etc.). The Boyle facilities do not need these items, so New Keiro is planning to retain and repurpose them.
- New Keiro Network Closet – for phone equipment and other IT items purchased for New Keiro and have nothing to do with the facilities.
- Software Licenses – lists all the IT-related software, noting items to be retained for New Keiro (*e.g.,* donation software) and items that Keiro may need to work out with Pacifica and/or Aspen. For example, they may want to continue the Keane/NTT Data clinical system immediately post-transaction. New Keiro will need to use this system to complete its billing and collections and then eventually to access it for historical data.

Excluded Assets

20 05

Room	Item
CEO office (Shawn)	All wooden furniture
CEO office (Shawn)	Artwork (2 large canvases)
CEO office (Shawn)	Black task chair
CEO office (Shawn)	Office supplies (pens, stapler, waste basket, floor mat, etc)
CEO office (Shawn)	Round table and 6 side chairs
Exec Assist office at Boyle (Yuki)	1 three foot cabinet
Exec Assist office at Boyle (Yuki)	4 Five foot cabinets
Exec Assist office at Boyle (Yuki)	Artwork
Exec Assist office at Boyle (Yuki)	Green task chair
Exec Assist office at Boyle (Yuki)	Office supplies (pens, stapler, waste basket, floor mat, etc)
HR @ Boyle	Artwork
HR @ Boyle	Office supplies (pens, stapler, paper, labels, etc)
HR@Boyle	ID Badge Laminator
HR@Boyle	ID Badge photo cutter
Licenses	AARP Community Partner Program
Licenses	Create the Good license
Licenses	Crescendo (planned giving software licensing: Crescendo Lite/Presents, Crescendo Plus)
Licenses	Facebook
Licenses	Go to Webinar
Licenses	Hoot Suite
Licenses	Stanford Chronic Disease Management and Diabetes Self Management Licenses
Licenses	Stelter Company (planned giving content for website licensing)
Licenses	Turning Technology audience response software and clickers
Licenses	Twitter
Licenses	UCLA Memory Program License
Licenses	Volunteer Match license
Licenses	Word Press account
Misc	Selected donated artwork and items in KS, KNH, KICF, SBKNH, KRH buildings and basements

Room	Item
New Office (3rd & San Pedro)	Adobe Stock Photos
New Office (3rd & San Pedro)	All office furniture, files, 17 task chairs, 12 side chairs
New Office (3rd & San Pedro)	ArcSoft Connect
New Office (3rd & San Pedro)	ArcSoft MediaImpression for Kodak
New Office (3rd & San Pedro)	Audio-techna lavalier microphone
New Office (3rd & San Pedro)	Benq Mp 720p projector
New Office (3rd & San Pedro)	Benq New projector(02248)
New Office (3rd & San Pedro)	Brother P-touch labeler
New Office (3rd & San Pedro)	Canon 430 EX flash
New Office (3rd & San Pedro)	Canon CA-910 charger
New Office (3rd & San Pedro)	Canon EF-S 10-22 zoom lens
New Office (3rd & San Pedro)	Canon EOS Rebel T3
New Office (3rd & San Pedro)	Canon EOS Rebel XT camera with battery charger
New Office (3rd & San Pedro)	Canon EW-83E filter
New Office (3rd & San Pedro)	Canon GL1 NTSC video camera
New Office (3rd & San Pedro)	Canon Powershot G5 camera
New Office (3rd & San Pedro)	Canon Speedlite 220 EX flash
New Office (3rd & San Pedro)	Canon Speedlite 430 EX flash
New Office (3rd & San Pedro)	Casio AC adapter
New Office (3rd & San Pedro)	Casio charger dock
New Office (3rd & San Pedro)	Casio Elixim 4.0MP camera
New Office (3rd & San Pedro)	Circle of Caring
New Office (3rd & San Pedro)	Core FTP
New Office (3rd & San Pedro)	Folding black card table
New Office (3rd & San Pedro)	GBC Binding Machine
New Office (3rd & San Pedro)	GBC Docseal 1200
New Office (3rd & San Pedro)	Hand cart
New Office (3rd & San Pedro)	Hitachi DVD player
New Office (3rd & San Pedro)	Huey Pro Pantone version 1.0
New Office (3rd & San Pedro)	IHA, RD supplies/boxes including easels, shirts, step stool, space heaters, etc.
New Office (3rd & San Pedro)	Keiro Senior HealthCare photo mosaic
New Office (3rd & San Pedro)	Kodak HD 720 video camera with Aetna logo
New Office (3rd & San Pedro)	Kodak Zi8 videocamera

Room	Item
New Office (3rd & San Pedro)	Lamp unit CPX275Lamp (bulb for projector)
New Office (3rd & San Pedro)	large screen
New Office (3rd & San Pedro)	Lexar 16 GB Platinum II SDHC
New Office (3rd & San Pedro)	LightScribe Direct Disc Labeling
New Office (3rd & San Pedro)	LightScribe Direct Disk labeling control panel
New Office (3rd & San Pedro)	Optimus Cassette Tape recorder CTR-116
New Office (3rd & San Pedro)	Papercutter
New Office (3rd & San Pedro)	Plants, office supplies
New Office (3rd & San Pedro)	projector lamp MP720p
New Office (3rd & San Pedro)	push cart
New Office (3rd & San Pedro)	Quartet papercutter
New Office (3rd & San Pedro)	rolling cabinet for Canon 4700 printer
New Office (3rd & San Pedro)	Sandisk Image Mate 12 in 1
New Office (3rd & San Pedro)	Screen (large and small)
New Office (3rd & San Pedro)	Sentry S3417 safe
New Office (3rd & San Pedro)	Sentry Safe
New Office (3rd & San Pedro)	Shelving in supply room
New Office (3rd & San Pedro)	Shure SM48 Microphone
New Office (3rd & San Pedro)	Sony Digital 8 HandyCam
New Office (3rd & San Pedro)	Tascam AV-452 sound system
New Office (3rd & San Pedro)	umbrella lights (for camera)
New Office (3rd & San Pedro)	Velbon CX 300 camera stand
New Office (3rd & San Pedro)	XGA Hitachi CP-X275
New Office (3rd & San Pedro)	NEC phone system
New Office (3rd & San Pedro)	Art work
New Office (3rd & San Pedro)	
New Office (Audrey)	2 coffee makers
New Office (break room)	All breakroom furniture (2 tables, 8 black chairs)
New Office (break room)	kitchen supplies, trash can
New Office (break room)	microwave

Room	Item
New Office (break room)	refrigerator
New Office (conference room)	2 side tables
New Office (conference room)	2 Speaker phones
New Office (conference room)	4 conference tables
New Office (conference room)	50th anniversary cumulative wall
New Office (conference room)	Buffet console
New Office (conference room)	Legacy Circle
New Office (conference room)	Room supplies (clock, waste basket, etc)
New Office (conference room)	Sharp TV
New Office (conference room)	16 black rolling chairs
New Office (Dianne)	Art work, plants
Public Storage	IHA, RD boxes and supplies including banner stands, table top display, etc.
Public Storage	Shelving

Keiro Senior HealthCare Cellular / Broadband Service List

VERIZON WIRELESS (ACCOUNT#: 470293728-00001) - (800) 922-0204

#	CARRIER	PHONE#	FACILITY	DEPARTMENT	EMPLOYEE	Equipment	Eligibal Upgrade	ACCOUNT#	Excluded in Sale
1	VERIZON	323-326-7602	HCHP	Health Promotion Specialist	Kanako Kusano	Samsung Galaxy	6/24/2015	80-691186	x
2	VERIZON	323-804-6918	HCHP	Director, Coommunity Advancement	Brandon Leong	iPhone 5 16gb	3/10/2015	80-691186	x
3	VERIZON	323-806-2498	HCHP	Program Coordinator, Healthy Living	Mei Kameda	iPhone 5S 16gb	7/24/2016	80-691186	x
4	VERIZON	323-829-7910	HCHP	Health Promotion Specialist	Kanako Kusano (Broadband)	USB760 Modem	x	80-691186	x
5	VERIZON	323-806-2473	HCHP	Program Coordinator, Community	Steven Sharp	iPhone 5S 16gb	7/24/2016	80-691186	x
6	VERIZON	323-203-8278	KNH	DON	Dory Polo	Motorola W385	x	40-611086	
7	VERIZON	323-450-6193	KNH	EVS	Lead	Motorola Droid X	x	40-620186	
8	VERIZON	323-533-1734	KNH	EVS	STAFF ON-CALL	Samsung Gusto 2	x	40-620186	
9	VERIZON	323-630-2620	KNH	General	Nursing Station	Samsung Convoy 2	1/9/2015	40-699086	
10	VERIZON	323-630-7791	KNH	General	Nursing Station	Samsung Convoy 2	1/9/2015	40-699086	
11	VERIZON	323-646-5205	KNH	General	Nursing Station	Samsung Convoy 2	1/9/2015	40-699086	
12	VERIZON	323-480-1324	KNH	Manager, KNH EVS	Dennis Yamakawa	Samsung Note II	7/3/2016	40-620186	
13	VERIZON	213-700-0451	KRH	EVS	Bill Craig (Broadband)	Mi-fi 4G SCHLC11	x	30-917286	
14	VERIZON	323-204-6017	KRH	Health Services	Weili Materna	Motorola W385	x	30-917086	
15	VERIZON	323-547-1460	KRH	Activities	N/A	Motorola W385	x	30-917186	
16	VERIZON	323-547-1480	KRH	Activities	N/A	Motorola W385	x	30-917186	
17	VERIZON	323-547-5459	KRH	Activities	N/A	Motorola W385	x	30-917186	
18	VERIZON	323-821-2814	KRH	EVS	Bill Craig	Samsung Note II	6/24/2015	30-917286	
19	VERIZON	213-505-1385	KRH	EVS	Jose Hernandez	Motorola Droid X	2/10/2015	30-917286	
20	VERIZON	310-989-8629	KS	CAO	Dianne Belli	iPhone 5 16gb	10/15/2014	50-690386	x
21	VERIZON	323-219-4957	KS	Resource Development	Christina Tatsugawa	Samsung Galaxy	6/24/2015	50-691086	x
22	VERIZON	323-240-5107	KS	CAO	Dianne Belli (Broadband)	Paetech USB	x	50-690386	x
23	VERIZON	323-533-6173	KS	CEO	Shawn Miyake	iPhone 5S 16gb	12/17/2015	50-690386	x
24	VERIZON	323-717-9260	KS	General	Courier	Samsung Convoy 2	1/6/2015	50-699086	
25	VERIZON	323-807-2542	KS	Resource Development	Audrey Tanaka Lee-Sung	Samsung Galaxy	x	50-691086	x
26	VERIZON	323-680-0593	KS	IT	Glen Yoshida	Samsung Galaxy	4/18/2016	50-690986	
27	VERIZON	323-828-9898	KS	IT	Walter Morita	Samsung Note II	x	50-690986	
28	VERIZON	562-991-4085	KS	IT	IT DEPT - MI-FI (Broadban	Jetpack MiFi 5510L	12/30/2015	50-690986	
29	VERIZON	562-991-4352	KS	IT	IT DEPT - MI-FI (Broadban	Jetpack MiFi 4510L	x	50-690986	
30	VERIZON	310-405-1038	SBK	General	STAFF ON-CALL	Motorola W385	x	10-699086	
31	VERIZON	310-508-0473	SBK	Nursing	Juliet Martinez	Motorola W385	x	10-611086	
32	VERIZON	323-895-2034	SBK	EVS	Alex Orozco	Samsung Galaxy	6/18/2015	10-620186	

			COMPUTER			MONITOR			PRINTER			ACCESSORIES	GREEN TAG			
FACILITY	LAST NAME	FIRST NAME	Model/Part Number	Description	Serial #	Model/Part #	Descrip	Serial no.	Model / Part #	Descript	Serial Num		Computer GT#	Monitor GT#	Printer GT#	
HCHP	Aguinaldo	Irene	HP Pro 3400 MT	Intel core i5 2300 CPU 2.80 GHZ, 4GB RAM, 500 GB HD	MXL1461J0N	HP L1910	19" flat screen	CNC818RVCD	HP LaserJet 5200dtn	Laser printer	CNGXC14899	Keyboard, mouse, ext speakers, UPS	0773	0495	0911	
HCHP	Belli	Dianne	Lenovo Ideapad Y560	Intel core i7, 1.73 GHz, 4 GB RAM, 500 GB HD	QB0202733	HP Compaq LE1911	19" flat screen	CNK2450265	HP Officejet 7680	All-in-one Ink jet	MY74R440RD	mouse, UPS, wireless presenter	0934	02135	no #	
HCHP	Fukuyama	Kanako	HP EliteBook 8470p	Intel Core i5-3210M 2.50 GHz, 4 GB RAM, 500 GB HD	CNU311C2BC	HP LE1911	19" flat screen	CNK01407RB	HP LaserJet Pro M1530 MFP	All-in-one	CNF8F3R1S6	Keyboard, mouse, UPS, wireless presenter	02128	0926	02114	
HCHP	Harada	Heather	HP Pro 3130MT	Intel core i5, 3.30 GHZ, 2 GB RAM, 300 GB HD	MXL11108MT	ViewSonic VA902b Samsung 940N	19" flat screen 19" flat screen	PSWB60376261 HA19H9NLA09881B	HP LaserJet P2015, Canon lp4200	Laser printer Inkjet printer	CNB1M08534 FCTS83975	Keyboard, mouse, ext speakers, UPS	0967	0083	0899,0991	
HCHP	Kameda	Mei	HP Pro G650	Intel Core i5, 2.60 Ghz, 4GB RAM, 500 GB HD	5CG4433FL9	HP LE1911	19" flat screen	CNK2090ZY0				UPS	02228			
HCHP	Kanamori	Gene	HP Pro 6300MT	Intel core i5-3470, 3.20 GHz, 4 GB RAM 500GB HD	MXL22618C8	ViewSonic VA902b / Part #VS10780	19" flat screen	PSW054270815	HP LaserJet 1200 / Part #C7044A	Laser printer	CNCV051629	Keyboard, mouse, ext speakers, UPS	02075	0082	0296	
HCHP	Kanamori	Gene	HP Pavilion 6730s	Intel Core 2 Duo 1.80 GHz, 2 GB RAM, 240 GV HD	CNU9010DP1								0684			
HCHP	Lee-Sung	Audrey	HP Pro 6300MT	Intel core i5-3470, 3.20 GHz, 4 GB RAM 500GB HD	MXL225189V	Samsung 940N HP LA1951g	19" flat screen 19" flat screen	HA19H9NLA08892L 3CQ2120PW9				Keyboard, mouse, ext speakers, UPS	02073	0805, 02165		
HCHP	Leong	Brandon	HP Pavilion dv6	Intel Core i5, 2.53 GHz, 4 GB RAM, 500 GB HD									0936			
HCHP	Leong	Brandon	HP Pavilion p7-1280t	Intel core i5, 3.00 GHz, 6GB RAM, 1 TB HD	2MD2100J1C	HP LA1951g	19" flat screen	3CQ2120PWC				Keyboard, mouse, ext speakers, UPS	0239	02117		
HCHP	Miyake	Shawn	HP Pavilion dv6-2150us	Intel Core i3 2.13 GHz, 4 GB RAM, 320 GB HD	CNF01923YL								0925			
HCHP	Miyake	Shawn	HP Pro 6300MT	Intel core i5-3570, 3.40 GHz, 4 GB RAM 500GB HD	MXL3031WZR	HP H905	19" flat screen	CNC6041C62	Canon MF4570dn	Multifunction laser printer	HBF05284	Keyboard, mouse, ext speakers, UPS	02106	no #	0965	
HCHP	Posadas	Dale	HP Pro 6300MT	Intel core i5-3570, 3.40 GHz, 4 GB RAM 500GB HD	MXL3031WZH	LG W2353VPF	23" flat screen	907NDNUKE623	HP 4015dn	Laser printer	CNCDYB20425	Keyboard, mouse, ext speakers, UPS	02107	0905	02032	
HCHP	Posadas	Dale	Lenovo Ideapad z570	Intel core i7, 2.20 GHz, 8 GB RAM, 660 GB HD	WB03473758								0780			
HCHP	Sharp	Steven	HP Pro 3000 MT	Intel Core Duo, 2.94 GHz, 2 GB RAM, 150 GB HD	MXL5021116T	ViewSonic VX1910 HP LE1911	19" flat screen 19" flat screen	P1T044652137 CNK01407R7				Keyboard, mouse, ext speakers, UPS	022058	02015, no#		
HCHP	Sharp	Steven	Lenovo Thinkpad T540p 20BE	Intel Core i5 2.6 GHz, 4 GB RAM, 500 GB HD	R902CGEM14/06								02227			
HCHP	Spare		HP Pro All-in-One MS218	AMD Athlon DC, 1.60 GHz, 2 GB RAM, 220 GB HD	4CS94809SZ	HP LaserJet 4250	Laser printer	CNGXH31687	HP LaserJet 4250	Laser printer	CNGXH31687		0929		0757	
HCHP	Spare	Laptop	Dell Inspiron 6000	Pentium M 2.00 GHz, 1 GB RAM, 80 GB HD	CN-0UF414-12961-61C-3735				Brother MFC-7460dn	laser all in one fax	U62701E2N915103		0904		02053	
HCHP	Spare	Laptop	Toshiba Satellite P205D-S7429	AMD Athlon DC, 1.80 GHz, 2 GB RAM, 120GB HD					Canon lide 70	scanner			0586		no #	
HCHP	Spare	Laptop	Lenovo Z560	Intel i5-480M, 4 GB RAM, 500 GB HD	CB08939481CB010313								0946		0731	
HCHP	Tatsugawa	Christina	HP Pavilion p7-1280t	Intel core i5, 3.00 GHz, 6GB RAM, 1 TB HD	2MD2100G53	HP L1910 HP LE1911	19" flat screen 19" flat screen	CNC820NSCM CNK01407R7				Keyboard, mouse, ext speakers, UPS	02062	0840, no#		

				COMPUTER			MONITOR				PRINTER			ACCESSORIES	GREEN TAG				
FACILITY	DEPARTMENT	NAME	FIRST NAME	Model/Part Number	Description	Serial #	Model/Part #	Descrip	Serial no.	Model / Part #	Descript	Serial Num		Computer GT#	Monitor GT#	Printer GT#		
KS	Acctg	Amoranto	Lydia	HP dc5800	Intel Pentium Dual 2.00GHZ, 2 GB RAM, 80 GB HD	MXM82703NM	Samsung 912N	19" flat screen	MJ19HMEY500846Z	Canon Image Class MF8060cn	Color laser fax	EXP07279	keyboard, mouse, UPS	0696	0811	no#		
KS	Acctg	Manalo	May	HP dc5800	Intel Pentium Dual 2.00GHZ, 2 GB RAM, 80 GB HD	MXM82703Q2	ViewSonic VA903b	19" flat screen	Q87063804124	HP LaserJet P2035n	Laser printer	CNB9X70228	keyboard, mouse, UPS	0741	0814	02060		
KS	Acctg	Surjadi	Yuliana	HP dc5800	Intel Pentium Dual 2.00GHZ, 2 GB RAM, 80 GB HD	MXM82703N0	Samsung 912N	19" flat screen	MJ19HMEY500868E	HP Color LaserJet 4700dn	Color laser printer	JP4LB19689	keyboard, mouse, UPS	0695	0813			
KS	Acctg	Tu	Shirlee	HP dc5800	Intel Pentium Dual 2.00GHZ, 1 GB RAM, 80 GB HD	MXM82703NB	Samsung 912N	19" flat screen	MJ19HMEY500881F				keyboard, mouse, ext speakers, UPS	0637	0812			
KS	CEO Secretary	Simmons	Yuki	HP ProBook 4540s	Intel Core i7 3612QM / 2.1 GHz, 4 GB RAM, 500 GB HDD	2CE2502XQT	HP LE1911	19" flat screen	CNK2090ZY2					02031	02058			
KS	CEO Secretary	Simmons	Yuki	HP Pavilion p7-1280t	Intel core i5, 3.00 GHz, 6GB RAM, 1 TB HD	ZMD2100G65	HP LE1901wm	19" flat screen	3CQ135CPKQ				keyboard, mouse, ext speakers, UPS		02038			
KS	HR	Flores	Patty	HP Pro 6300MT	Intel core i5-3470, 3.20 GHz, 4 GB RAM 500GB HD	MXL2450W85	LG W2353VPF	23" flat screen	907NDWEGF209	HP LaserJet P2015	Laser printer	CNB15Y9477	keyboard, mouse, UPS	02083	0814	0819		
KS	HR	Nakabayashi	Mark	HP Pro 3130MT	Intel core i5, 3.30 GHZ, 2 GB RAM, 300 GB HD	MXL11106MK	HP L1910	19" flat screen	CNC918RV48	Canon Image Class MF6960dw	All-in-one	HPY02848	keyboard, mouse, UPS	0888	0922	0788		
KS	HR	Spare	Laptop	HP ProBook 650 G1	Intel Core i5, 2.60 Ghz, 4GB RAM, 500 GB HD	5CG5022535								02253				
KS	HR	Spare	Laptop	Sony Vaio PCG71913L	Intel Core i3 2310m, 2.10 GHz, 4 GB RAM, 500 GB HD	275477113011709.00								0781				
KS	IT	IT Spare Laptop		Dell Inspiron 8000	Pentium M 2.00 GHz, 1 GB RAM, 80 GB HD	CN-0X9238-12961-59C-2229								0841				
KS	IT	IT Spare Laptop		IBM ThinkPad R61	Intel Core 2 Duo 1.50 GHz, 2 GB RAM, 500 GB HD	L3-D9656 07/09								0721				
KS	IT	IT Spare Laptop		Acer Aspire 6742Z-4200	Intel Pentium P6100 2 GHz, 2 GB DDR3 RAM, 250 GB HD	LXR4P0200203640190160l								1000				
KS	IT (overheats)	IT Spare Laptop		Toshiba Satellite A215-S7437	AMD Turion 64 1.90 GHz, 2 GB RAM, 80 GB HD	97182948Q								0583				
KS	IT	IT Spare Laptop		HP Pavilion dv7		CND9151551								0668				
KS	IT (dim display and needs a/c adapter	IT Spare Laptop		HP Pavilion 6730s	Intel Core 2 Duo 1.80 GHz, 2 GB RAM, 240 GB HD	CNU8481YF3								0853				
KS	IT	IT Spare Laptop		Toshiba Satellite P205D-S7429	AMD Athlon DC, 1.80 GHz, 2 GB RAM, 120GB HD	X7119687K								0585				
KS	IT	IT Spare Laptop		Compaq Presario V6000	AMD Turion 64 2.01 GHz, 1 GB RAM, 80GB RAM	CNF7064781								0562				
KS	IT	IT Spare Laptop		Compaq Presario V2000		2CE712270M								0635				
KS	IT Support Specialist	Morita	Walter	HP Pro 3000	Intel Pentium Dual 3.00 GHz, 2 GB RAM, 140 GB HD	MXL0270Y85	Viewsonic VG900b HP LA1951g	19" flat screen 19" flat screen	A1Q061260551 PCQ2120FWH				keyboard, mouse, ext speakers, UPS	0932	02259, 02164			
KS	IT Support Specialist	Yoshida	Glen	HP dc5800	Intel Pentium Dual 2.00GHZ, 2 GB RAM, 80 GB HD	MXM82703NC	HP L1910 Samsung 940N	19" flat screen 19" flat screen	CNC820N5CJ HA19H9NLA09896K				keyboard, mouse, ext speakers, UPS	0966	02071, 0614			
KS	Payroll	Shimozawa	Janice	e Machine T5048	Intel Pentium 4 3.07 GHZ, 1.37 GB RAM, 160 GB HD	XRC8A90007096												
KS	Payroll	Shimozawa	Janice	HP dc5800	Intel Pentium Dual 2.00GHZ, 2 GB RAM, 80 GB HD	MXM82703RY	ViewSonic VP920b	19" flat screen	FXY061002911	HP LaserJet 4100dtn	Laser printer	USBNJ29973	keyboard, mouse, ext speakers, UPS	0756	0097	0909		
KS	Purchasing	Maemori	Lance	HP Pro 3400 MT	Intel core i5 2300 CPU 2.80 GHZ, 4GB RAM, 500 GB HD	MXL1461J1M	OptiquestQ19wb	19" flat screen	QCW071120477	HP Photosmart Premium	Ink jet printer	MY8C9D90J5	keyboard, mouse, UPS	02004	no #	no#		
KS	Purchasing	Salcido	Ed	HP dc5800	Intel Pentium Dual 2.00GHZ, 2 GB RAM, 80 GB HD	MXM82703MY	Xerox 900P / XQ 91D	19" flat screen	E8GZ5306002U				keyboard, mouse, UPS	0660	0669			

Keiro Excluded Assets - IT

Located at 3rd San Pedro IT Closet for New Keiro

2015.02.04

HCHP NETWORK EQUIPMENT		
Model/Part Number	Description	Serial #
'P 2920-48G 48-port POE+ switch	J9729A#ABA	SG49FLZ5TK
.P 2920-48G 48-port POE+ switch	J9729A#ABA	SG49FLZ5B1
SonicWALL NSA2600	01-SSC-3863	C0EAE490C4B6
NEC 9100 Voice Mail Server		000000B4702450
SonicWALL SRA1200 SSL-VPN appliance	01-SSC-6063	0017C57F6604
APC Back-UPS NS 1080VA		N/A
Cisco Systems - 1700 Series AP 802.11ac CAP	AIR-CAP1702I-A-K9	SFTX1841S7LC
Cisco Systems - 1700 Series AP 802.11ac CAP	AIR-CAP1702I-A-K9	SFTX1841S7LV
Cisco Systems - 1700 Series AP 802.11ac CAP	AIR-CAP1702I-A-K9	SFTX1841S7L4

Name	Users	# of Licenses	Expiration Date	Notes	Retained by New Keiro
Abra Suite 9.04	HR			New Keiro will require historical data	
Adobe Acrobat 6 Standard		1			
Adobe Acrobat 7 Standard	a few users at each facility	1			
Adobe Acrobat 8 Professional	Audrey	1			x
Adobe Acrobat 8 Standard		1			x
Adobe Acrobat 8 Standard					x
Adobe Creative Suite 4					x
Adobe Design Premium CS4 (InDesign, Photoshop, Illustrator, Flash, Dreamweaver, Acrobat Pro, Fireworks)	Brandon, KSTS2				x
Adobe Illustrator 13 (no disk)		1			x
Adobe Illustrator 14 (no disk)		1			x
Adobe Illustrator CS2	Audrey	1			x
Adobe InDesign CS4	New Keiro	1		Installed on Brandon and Audrey's computers.	x
Adobe Photoshop CS2 or 9	Yoshie	1			x
Adobe Photoshop CS3 or 10 (no disk)		1			x
Adobe Photoshop CS4 or 11 (no disk)		1			x
Adobe Photoshop Elements 10 (no disk)		1			x
Adobe Photoshop Elements 2.0		2			x
Adobe Photoshop Elements 5.0		2			x
Adobe Photoshop Extended 10 (no disk)		1			x
Adobe Premier Pro 2.0					x
Adobe Premiere Elements 10	Yumi, Yoshiko, Shizuka, KRHlab1, KSTS2, IT	6			

Name	Users	# of Licenses	Expiration Date	Notes	Retained by New Keiro
Adobe Premiere Elements 11	Yumi, Yoshiko, Shizuka, KRHlab1, KSTS2, IT	6			
Adobe Premiere Elements 9	Yumi, Yoshiko, Shizuka, KRHlab1, KSTS2, IT	6			
Adobe Premiere Pro 2.0		1			x
Blackbaud (Raisers Edge Fundraising Solutions/NetCommunity software licensing (Inv. #90697133/90697137/0067135)	New Keiro			New Keiro will require historical data	x
CareTracker				Prospective buyers may opt to continue service.	
Crescendo Interactive	Audrey	1			x
Crystal Reports 12.0	HR	3			
DCA Quick Card	SBK	1		Dietary Program	
DonorPro	New Keiro			DonorPro (Agreement #ASPKSS101513) donor software	x
ESVMWare Email Security Virtual Appliance Support (spam filter)	All Facilities	250	12/22/2015	Keiro and New Keiro using same license. Come renewal time just need to renew for the number of New Keiro staff.	x
Filemaker Pro 5.5	KNH, SBK			a few users still use this program	
Geri Menu 9.0	KNH			Dietary Program	
Kronos Time Keeper Central 4.3	Accounting/Payroll			Current payroll software	x
Kronos Workforce	Accounting/Payroll			Payroll software that we never used	x

Name	Users	# of Licenses	Expiration Date	Notes	Retained by New Keiro
Mail Security for Microsoft Exchange	All Facilities			Keiro and New Keiro using same license. Come renewal time just need to renew for the number of New Keiro staff.	
McKesson Orbits	KICF			Medical Supplies	
MessageNOW Client	KNH, SBK			Software for Senior TV message and television broadcasting system.	
Microsoft Office Professional Plus 2007	All Facilities			Keiro and New Keiro using the same license. When new buyer takes over, who gets the license? Maybe New Keiro should upgrade to the latest version of software and leave the old one for prospective buyer.	
Microsoft Visio Professional 2010	Heather, Walter, Glen	3			x
Microsoft Visio Standard 2003		1			
NTTData Fixed Assets	Accounting			New Keiro will require historical data	x
NTTData NetSolutions (Clinical)	All Facilities			New Keiro will require historical data	x
NTTData NetSolutions (Financial)				New Keiro will require historical data	
NTTData Payroll	Accounting			New Keiro will require historical data	x
Pathlinks 7.4.1				Static copy on cloud for historical purposes	
PC-Ace Pro32	KNH			Medicare Billing	
Quark XPress 6.5	New Keiro	1			x

Name	Users	# of Licenses	Expiration Date	Notes	Retained by New Keiro
Quark XPress 7	New Keiro	2			x
SonicWALL Comprehensive Gateway Security Suite For SonicWALL NSA 2400	SBK		4/12/2015	Support for firewall	
SonicWALL Comprehensive Gateway Security Suite For SonicWALL NSA 2400	Boyle		5/23/2015	Support for firewall	
SonicWALL Comprehensive Gateway Security Suite For SonicWALL NSA 2400	KNH		1/29/2016	Support for firewall	
SonicWALL Comprehensive Gateway Security Suite For SonicWALL NSA 2600	New Keiro		12/2/2015	Support for firewall	x
SpeedySoft Speedy Claims UB-04 Lite	KNH	4		Medicare claims printing software	
SpeedySoft Speedy Claims UB-04 Lite	KICF	1		Medicare claims printing software	
SpeedySoft Speedy Claims UB-04 Lite	SBK	1		Medicare claims printing software	
Symantec Endpoint Protection Antivirus for Workstations and Servers	All Facilities	200	7/21/2015	Keiro and New Keiro using same license. Come renewal time just need to renew for the number of New Keiro staff.	x
Symantec Mail Security for Microsoft Exchange (250 licenses)	All Facilities	250	12/9/2015	Keiro and New Keiro using same license. Come renewal time just need to renew for the number of New Keiro staff.	x
The Worx Hub	Boyle, KNH			Prospective buyers have the option to purchase this from Keiro.	

Name	Users	# of Licenses	Expiration Date	Notes	Retained by New Keiro
Volgistics volunteer mgnt software	KICF, KNH, KRH, SBK			Prospective buyers may opt to continue service.	
Windows 7	All Facilities	20		Some Keiro and New Keiro computers	
Windows 7 Enterprise Software Assurance	All Facilities	74		May, Yuliana, Lydia, Shirlee, Dale's Laptop, RD Laptop, 2 HR Laptops, several IT Laptops, and the rest are other Keiro facilities.	
Windows Server 2008	Server	1		No longer used	
Winzip 12.1	Angie, Dale P., Gene, KNH Bus Off, Audrey	6			
Winzip 15.0		1			

EXHIBIT 4.2

REQUIRED LICENSES

[Attached]

License: 970000039
Effective: 02/04/2015
Expires: 02/03/2016
Licensed Capacity: 90

State of California
Department of Public Health

In accordance with applicable provisions of the Health and Safety Code of California and its rules and regulations, the Department of Public Health hereby issues

this License to

Japanese Home For Aged

to operate and maintain the following **Intermediate Care Facility**

KEIRO INTERMEDIATE CARE FACILITY

325 S Boyle Ave
Los Angeles , CA 90033-3812

Bed Classifications/Services
90 Intermediate Care

This **LICENSE** is not transferable and is granted solely upon the following conditions, limitations and comments:
None

Ron Chapman, MD, MPH
Director & State Health Officer

Adewole Adegoke, District Supervisor

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, L.A. County East District Office, 3400 Aeroject Avenue, Suite 323, El Monte, CA 91731, (626)569-3724

POST IN A PROMINENT PLACE

State of California

Department of Social Services

Facility Number: 191802206
Effective Date: 03/29/94 Total Capacity: 154

In accordance with applicable provisions of the Health and Safety Code of California, and its rules and regulations; the Department of Social Services hereby issues

this License to

JAPANESE HOME FOR THE AGED

to operate and maintain a RESIDENTIAL-ELDERLY

Name of Facility

KEIRO RETIREMENT HOME
325 SOUTH BOYLE AVENUE
LOS ANGELES CA 90033

This License is not transferable and is granted solely upon the following:

AMBULATORY ONLY,LICENSEE PREFERS TO SERVE ELDERLY RESIDENTS AGES 60 YRS & OVER.

Client Groups Served: ELDERLY

Complaints regarding services provided in this facility should be directed to:
GREATER LA AREA SC DISTRICT OFFICE (818) 596-4334

David Dodds

Deputy Director,
Community Care Licensing Division

Authorized Representative
of Licensing Agency

POST IN A PROMINENT PLACE

LIC 203A (1/04)

CU-PA018

License: 970000059
Effective: 06/30/2014
Expires: 06/29/2015
Licensed Capacity: 300

State of California
Department of Public Health

In accordance with applicable provisions of the Health and Safety Code of California and its rules and regulations, the Department of Public Health hereby issues

this License to

Keiro Nursing Home

to operate and maintain the following Skilled Nursing Facility

Keiro Nursing Home
2221 Lincoln Park Ave
Los Angeles , CA 90031-2920

Bed Classifications/Services
300 Skilled Nursing

This LICENSE is not transferable and is granted solely upon the following conditions, limitations and comments:
None

Ron Chapman, MD, MPH
Director & State Health Officer

Adewole Adegoke, District Supervisor

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, L.A. County East District Office, 3400 Aeroject Avenue, Suite 323, El Monte, CA 91731, (626)569-3724

POST IN A PROMINENT PLACE

License: 910000135
Effective: 03/23/2014
Expires: 03/22/2015
Licensed Capacity: 98

State of California
Department of Public Health

In accordance with applicable provisions of the Health and Safety Code of California and its rules and regulations, the Department of Public Health hereby issues

this License to

Keiro Nursing Home, Inc.

to operate and maintain the following Skilled Nursing Facility

SOUTH BAY KEIRO NURSING HOME
15115 S Vermont Ave
Gardena, CA 90247-4101

Bed Classifications/Services
98 Skilled Nursing

This LICENSE is not transferable and is granted solely upon the following conditions, limitations and comments:
None

Ron Chapman, MD, MPH
Director & State Health Officer

Julie Schauer, District Supervisor

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, L.A. County West District Office, 600 South Commonwealth Avenue, Suite 903, Los Angeles, CA 90005, (213)351-8114

POST IN A PROMINENT PLACE

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

MARK B HORTON, MD, MSPH
Director

EDMUND G. BROWN JR.
Governor

August 18, 2011

CCN: 05-A411

Administrator
Keiro Intermediate Care Facility
325 South Boyle Avenue
Los Angeles, CA 90033

Dear Administrator:

We have accepted your agreement to participate as **Intermediate Care Facility** facility in the Medi-Cal program under Title XIX of the Social Security Act.

This letter **verifies** your facility's participation in the Medi-Cal program and should be retained in your records. This Medi-Cal Provider Agreement is effective, August 18, 2011.

Your continued participation in the Medi-Cal program depends on your ability to maintain compliance with Title 42 of the Code of Federal Regulations. Staff of the California Department of Public Health or the Department of Health and Human Services, Centers for Medicare and Medicaid Services, may inspect your facility on a periodic basis to determine your compliance with federal regulations.

For provider billing number inquiries please contact the Department of Health Care Services, Provider Enrollment Division, at MS 4704, P.O. Box 997413, Sacramento, CA 95899-7413, (916) 323-1945.

Questions relative to Medi-Cal certification call and speak with my staff at (916) 552-8619.

Sincerely,

John Dexter, Chief
Provider Certification Unit

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

CDPH

MARK B HORTON, MD, MSPH
Director

ARNOLD SCHWARZENEGGER
Governor

December 9, 2010

CCN: 55-5306

Administrator
South Bay Keiro Nursing Home
15115 South Vermont Avenue
Gardena, CA 90247

Dear Administrator:

We have accepted your agreement to participate as a Skilled Nursing/ Nursing facility in the Medi-Cal program under Title XIX of the Social Security Act.

This letter verifies your facility's participation in the Medi-Cal program and should be retained in your records. This Medi-Cal Provider Agreement is effective Nov 11, 2010.

Your continued participation in the Medi-Cal program depends on your ability to maintain compliance with Title 42 of the Code of Federal Regulations. Staff of the California Department of Public Health or the Department of Health and Human Services, Centers for Medicare and Medicaid Services, may inspect your facility on a periodic basis to determine your compliance with federal regulations.

You must notify Elena Marquez, Chief of the Centralized Applications Unit at (916) 552-8756 immediately if your facility changes owners. A change of ownership includes changes in the legal status of the owner, such as a corporate merger or change of partner.

For provider billing number inquiries please contact the Department of Health Care Services, Provider Enrollment Division, at MS 4704, P.O. Box 997413, Sacramento, CA 95899-7413, (916) 323-1945.

Please call me at (916) 552-8619, if you have certification questions.

Sincerely,

John Dexter, Chief
Provider Certification Unit

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

MARK B HORTON, MD, MSPH
Director

EDMUND G. BROWN JR.
Governor

February 22, 2011

CCN: 55-5438

Administrator
Keiro Nursing Home II
2221 Lincoln Park Avenue
Los Angeles, CA 90031

Dear Administrator:

We have accepted your agreement to participate as **Skilled Nursing/Nursing** facility in the Medi-Cal program under Title XIX of the Social Security Act.

This letter **verifies** your facility's participation in the Medi-Cal program and should be retained in your records. This Medi-Cal Provider Agreement is effective February 22, 2011.

Your continued participation in the Medi-Cal program depends on your ability to maintain compliance with Title 42 of the Code of Federal Regulations. Staff of the California Department of Public Health or the Department of Health and Human Services, Centers for Medicare and Medicaid Services, may inspect your facility on a periodic basis to determine your compliance with federal regulations.

For provider billing number inquiries please contact the Department of Health Care Services, Provider Enrollment Division, at MS 4704, P.O. Box 997413, Sacramento, CA 95899-7413, (916) 323-1945.

Questions relative to Medi-Cal certification call and speak with my staff at (916) 552-8619.

Sincerely,

John Dexter, Chief
Provider Certification Unit

noridian
Healthcare Solutions

February 19, 2014

KEIRO NURSING HOME
ATTN: JANIE TESHIMA
2221 LINCOLN PARK AVE
LOS ANGELES CA 90031-2920

Reference # 355834193

Dear Janie,

We are pleased to inform you that your revalidated Medicare enrollment application is approved. Listed below are your National Provider Identifier (NPI) and Provider Transaction Access Number (PTAN).

You must use your NPI on all Medicare claim submissions. Because the PTAN is not considered a Medicare legacy identifier, do not report it as an "other" provider identification number to the National Plan and Provider Enumeration System (NPPES).

Your PTAN will be the required authentication element for all inquiries to customer service representatives (CSRs), written inquiry units, and the interactive voice response (IVR) system. The IVR allows you to inquire about claims status, beneficiary eligibility and transaction information.

If you plan to file claims electronically, please contact our EDI department at 855-609-9960 (JE).

Medicare Enrollment Information

Provider name:	LBN: KEIRO NURSING HOME
Practice Location:	2221 Lincoln Park Ave Los Angeles CA 90031-2920
National Provider Identifier (NPI):	1487754297
Provider Transaction Access Number (PTAN):	55-5438
Specialty:	SNF
Effective date:	09-25-1990

Please verify the accuracy of your enrollment information. If you have any questions regarding the information above, call 855-609-9960 (JE) between the hours of 8:00 AM and 4:00 PM. You are required to submit updates and changes to your enrollment information in accordance with specified timeframes pursuant to 42 CFR §424.516. Reportable changes include, but are not limited to, changes in: (1) legal business name (LBN)/tax identification number (TIN), (2) practice location, (3) ownership, (4) authorized/delegated officials, (5) changes in payment information such as electronic funds transfer information and (6) final adverse legal actions, including felony convictions, license suspensions or revocations, an exclusion or debarment from participation in Federal or State health care program, or a Medicare revocation by a different Medicare contractor.

Providers and suppliers may enroll or make changes to their existing enrollment in the Medicare program using the Internet-based Provider Enrollment, Chain and Organization System (PECOS). Go to: www.cms.hhs.gov/MedicareProviderSupEnroll.

Providers and suppliers enrolled in Medicare are required to ensure strict compliance with Medicare regulations, including payment policy and coverage guidelines. CMS conducts numerous types of compliance reviews to ensure providers and suppliers are meeting this obligation. Please visit the Medicare Learning Network at http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/index.html for further information about regulations and compliance reviews, as well as Continuing Medical Education (CME) courses for qualified providers.

Additional information about the Medicare program, including billing, fee schedules, and Medicare polices and regulations can be found at our Web site at http://www.noridianmedicare.com or the Centers for Medicare & Medicaid Services (CMS) Web site at http://www.cms.hhs.gov/home/medicare.asp.

Sincerely,

Cassie R
Provider Enrollment
Noridian Healthcare Solutions, LLC

MEDI-CAL CERTIFICATE

NURSING FACILITY

JAPANESE RETIREMENT HOME INTERMEDIATE CARE FACILITY, dba

KEIRO INTERMEDIATE CARE FACILITY

325 S. BOYLE AVENUE, LOS ANGELES, CALIFORNIA 90033

OCTOBER 29, 1999

Complaints concerning patient care in this or other facilities may be sent to the Deputy Director, Licensing and Certification Program, Department of Health Services, 1800 Third Street, Suite 210, P. O. Box 942732, Sacramento, California, 94234-7320.

Medi-Cal certification is effective from the date specified above and continues as long as provider maintains compliance with State and Federal laws, rules and regulations, as determined by an annual survey.

For the Director:
Department of Health Services

Michael R. Gaddy, P.T., Chief
Provider Certification Unit
Licensing and Certification
Program

JAN 21 2000

Date

March 13, 1989 Provider No. 55-5306

Harry Matoba, Administrator
South Bay Keiro Nursing Home
15115 S. Vermont Avenue
Gardena, CA 90247

NOTICE

Your facility has just received its recertification survey for the Federal Title XVIII (Medicare) program.

The facility's Medicare provider agreement will be extended for a one year period starting with the first day of the month after the end of the current agreement, unless you hear from HCFA to the contrary.

You should keep a copy of this notice with your signed provider agreement.

Ronald S. Currie
Chief, Standards and Certification
Operations Branch

EXHIBIT 5.1(i)

SELLER INFORMATION

[Attached]

BUYER'S DUE DILIGENCE REQUEST

a. A current Preliminary Title Report prepared by a title company acceptable to Buyer, along with legible copies of all documents referenced or described therein.

b. Any plans, drawings, specifications and an ALTA survey describing the properties and improvements; as in Seller's possession.

c. A list and complete copies of all leases,(not including resident contacts or leases which will be reviewed on site) service contracts, maintenance contracts, management contracts and warranties relating to the Property.

d. A list and complete copies of all licenses, permits, maps, certificates of occupancy, building inspection approvals and covenants, conditions and restrictions relating to the property.

e. A list of any personal property owned or leased by Seller and used in connection with the operation of the property for the past two (2) years.

f. Copies of the property tax bills, utility bills, and similar records on the Property for the past year, including three (3) years of financial statements.

g. Appraisals, maintenance records, and such other matters as may be material to an evaluation of the Property to the extent the same are in Seller's possession.

h. Copy of the workers compensation policy, PLGL property policy and loss runs for the last 3 years.

i. A complete copy of the most recently filed licensing application

j. The most recent copy of Department of Social Services annual visit.

k. Copies of any Department of Social Services citations and plan of corrections for the last two years.

l. An insurance claim/loss history for the last two years.

m. A complete list of all employee's which states job title and responsibilities, date employed, hourly or salary pay scale and accrued vacation, sick leave, or holiday pay if any. Copies of pension plans, profit sharing plans or other employee benefit plans.

n. Employment agreements, employee handbooks.

o. A copy of any pending litigation.

p. Statement of operations for the last two calendar years and year to date.

q. Any other material the Buyer may request relevant to their investigation of the facilities.

EXHIBIT 11.4(i)

CULTURAL SENSITIVITY

The following are some of the specifics that have helped Keiro create and maintain a "culturally sensitive" environment at the facilities:

Menus: The menus contain many traditional Japanese dishes, and alternative Japanese dishes are made available with notes about dietary factors.

Television Programing: Residents are able to view NHK TV, operated by Japan Broadcasting Corporation, which broadcasts Japanese and Asian news and lifestyle and cultural programming.

Programs and Activities: Residents may participate in traditional Japanese activities, such as ikebana (the art of floral arrangements), the koto (a stringed musical instrument), origami (the art of paper folding) and shigin (reciting/singing).

Japanese Holiday Observance: The facilities observe the Respect for the Aged Day (Keiro no Hi), which since 1966 has been celebrated annually in September to honor elderly persons.

Library. Keiro provides at its facilities libraries that, in addition to English materials, contain books, videos and discs in the Japanese language and Japanese books, videos and discs in the English language.

Keiro also participates in other community programs directed to the Japanese American population and uses volunteers who have the Japanese American cultural and language background.

EXHIBIT 11.4(iii)

COMMUNITY ADVISORY BOARD

Keiro Nursing Home and Japanese Home for the Aged have agreed to sell the real estate, improvements and operating assets of the facilities known as Keiro Nursing Home, South Bay Keiro Nursing Home, Keiro Intermediate Care Facility and Keiro Retirement Home (collectively, the "Facilities") to Pacifica Companies, LLC ("Pacifica"). Following the sale, Keiro Intermediate Care Facility and Keiro Retirement Home will be owned and operated by subsidiaries of Pacifica, and Keiro Nursing Home and South Bay Keiro Nursing Home will be leased by Pacifica to, and operated by subsidiaries of, Aspen Skilled Healthcare, Inc. (collectively, the "Operators").

Purpose

The purpose of the Community Advisory Board ("CAB") is to support the Operators with advice and feedback which will assist them in providing a consistent experience and ensure continuity during and after the transition and up to five years thereafter and in providing quality care for the residents. Volunteers serving on the CAB are the link between the Operators and the community.

Membership

The number of members of the CAB shall be no less than 7 nor more than 10.

Composition

The CAB will be primarily composed of members from the Japanese American community representing residents, families and the supporting community. At least one member shall be a director of Keiro Services. The members will be appointed by Keiro Services, with the approval of Pacifica, as representing the Operators. Once appointed, the CAB will work with the Operators to develop a governance structure and policies for its operation.

Meetings

The CAB will meet on at least a quarterly basis, with the initial meeting to take place shortly before the completion of the sale of the Facilities. Such meetings shall be held at the Facilities.

2015-03-13 AMENDMENT TO ASSET PURCHASE AND SALE AGREEMENT

This *2015-03-13 Amendment to Asset Purchase and Sale Agreement* (this "**Amendment**") is dated as of March 13, 2015, and is entered into by and among KEIRO SERVICES, a California nonprofit public benefit corporation ("KS"), and its wholly-owned subsidiaries, JAPANESE HOME FOR THE AGED, a California nonprofit public benefit corporation ("JHA"), and KEIRO NURSING HOME, a California nonprofit public benefit corporation ("KNH" and together with KS and JHA, the "Sellers" and each individually a "Seller"), and PACIFICA COMPANIES LLC, a California limited liability company ("Pacifica"), and its direct or indirect wholly-owned subsidiaries, PACIFICA SL LINCOLN LLC, a California limited liability company ("Lincoln Buyer"), PACIFICA SL BOYLE LLC, a California limited liability company ("Boyle Buyer"), and PACIFICA SL VERMONT LLC, a California limited liability company ("South Bay Buyer" and together with Lincoln Buyer and Boyle Buyer, the "Buyers" and each individually a "Buyer") (Pacifica and the Buyers being sometimes referred to collectively as the "Other Parties" and individually as an "Other Party") with regard to the following facts and circumstances:

Recitals

A. Seller and Buyers entered into an *Asset Purchase and Sale Agreement* dated as of February 19, 2015 (the "**Agreement**"), pursuant to which Seller agreed to sell, and Buyer agreed to purchase, (i) a skilled nursing facility and the underlying real property located at 2221 Lincoln Park Avenue, Los Angeles, California, with 300 licensed and Medicare/Medicaid-certified skilled nursing beds ("SNF1"), (ii) a skilled nursing facility and the underlying real property located at 15115 South Vermont Avenue, Gardena, California, with 98 licensed and Medicare/Medicaid-certified skilled nursing beds ("SNF2"), (iii) an independent living facility with 127 independent living units ("ILF") and an intermediate care facility with 90 licensed Medicaid-certified intermediate care beds ("ICF"), together with the underlying real property, both of which are located at 325 South Boyle Avenue, Los Angeles, California (ILF, together with ICF, the "Boyle Campus," and collectively with SNF1, SNF2 and ICF, the "Facilities" and each a "Facility");

B. The parties have negotiated certain modifications to the Agreement and now wish to reinstate and amend the Agreement as set forth below.

Now, therefore, for good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties agree as follows:

Agreement

1. **Definitions.** Capitalized terms not otherwise defined herein shall have the meanings given to them in the Agreement.

2. **Due Diligence Period.** The Due Diligence Period as defined in Section 6.1 of the Agreement is hereby extended until 5:00 p.m. on March 26, 2015.

3. **Ratification.** Except as specifically amended herein, the Agreement shall remain in full force and effect.

4. **Counterparts**. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. A manual signature on this Amendment, an image of which shall have been transmitted electronically, will constitute an original signature for all purposes. The delivery of copies of this Amendment, including executed signature pages where required, by electronic transmission will constitute effective delivery of this Amendment for all purposes.

SELLERS:

JAPANESE HOME FOR THE AGED,
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

KEIRO NURSING HOME,
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

KEIRO SERVICES,
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

BUYERS:

PACIFICA COMPANIES LLC,
a California limited liability company

By: _____

PACIFICA SL LINCOLN LLC,
a California limited liability company

By: _____
Deepak Israni, General Manager

PACIFICA SL BOYLE LLC,
a California limited liability company

By: _____
Deepak Israni, General Manager

PACIFICA SL VERMONT LLC,
a California limited liability company

By: _____
Deepak Israni, General Manager

2015-03-26 AMENDMENT TO ASSET PURCHASE AND SALE AGREEMENT

This *2015-03-26 Amendment to Asset Purchase and Sale Agreement* (this "**Amendment**") is dated as of March 26, 2015, and is entered into by and among KEIRO SERVICES, a California nonprofit public benefit corporation ("KS"), and its wholly-owned subsidiaries, JAPANESE HOME FOR THE AGED, a California nonprofit public benefit corporation ("JHA"), and KEIRO NURSING HOME, a California nonprofit public benefit corporation ("KNH" and together with KS and JHA, the "Sellers" and each individually a "Seller"), and PACIFICA COMPANIES LLC, a California limited liability company ("Pacifica"), and its direct or indirect wholly-owned subsidiaries, PACIFICA SL LINCOLN LLC, a California limited liability company ("Lincoln Buyer"), PACIFICA SL BOYLE LLC, a California limited liability company ("Boyle Buyer"), and PACIFICA SL VERMONT LLC, a California limited liability company ("South Bay Buyer" and together with Lincoln Buyer and Boyle Buyer, the "Buyers" and each individually a "Buyer") (Pacifica and the Buyers being sometimes referred to collectively as the "Other Parties" and individually as an "Other Party") with regard to the following facts and circumstances:

Recitals

A. Seller and Buyers entered into an *Asset Purchase and Sale Agreement* dated as of February 19, 2015 and amended by written amendment dated March 13, 2015 (as amended, the "**Agreement**"), pursuant to which Seller agreed to sell, and Buyer agreed to purchase, (i) a skilled nursing facility and the underlying real property located at 2221 Lincoln Park Avenue, Los Angeles, California, with 300 licensed and Medicare/Medicaid-certified skilled nursing beds ("SNF1"), (ii) a skilled nursing facility and the underlying real property located at 15115 South Vermont Avenue, Gardena, California, with 98 licensed and Medicare/Medicaid-certified skilled nursing beds ("SNF2"), (iii) an independent living facility with 127 independent living units ("ILF") and an intermediate care facility with 90 licensed Medicaid-certified intermediate care beds ("ICF"), together with the underlying real property, both of which are located at 325 South Boyle Avenue, Los Angeles, California (ILF, together with ICF, the "Boyle Campus," and collectively with SNF1, SNF2 and ICF, the "Facilities" and each a "Facility");

B. The parties have negotiated certain modifications to the Agreement and now wish to reinstate and amend the Agreement as set forth below.

Now, therefore, for good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties agree as follows:

Agreement

1. **Definitions.** Capitalized terms not otherwise defined herein shall have the meanings given to them in the Agreement.

2. **Due Diligence Period.** The Due Diligence Period as defined in Section 6.1 of the Agreement is hereby extended until 5:00 p.m. on March 30, 2015.

3. **Ratification.** Except as specifically amended herein, the Agreement shall remain in full force and effect.

4. **Counterparts**. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. A manual signature on this Amendment, an image of which shall have been transmitted electronically, will constitute an original signature for all purposes. The delivery of copies of this Amendment, including executed signature pages where required, by electronic transmission will constitute effective delivery of this Amendment for all purposes.

SELLERS:

JAPANESE HOME FOR THE AGED,
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

KEIRO NURSING HOME,
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

KEIRO SERVICES,
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

BUYERS:

PACIFICA COMPANIES LLC,
a California limited liability company

By: _____

PACIFICA SL LINCOLN LLC,
a California limited liability company

By: _____
Deepak Israni, General Manager

PACIFICA SL BOYLE LLC,
a California limited liability company

By: _____
Deepak Israni, General Manager

PACIFICA SL VERMONT LLC,
a California limited liability company

By: _____
Deepak Israni, General Manager

Execution Copy

AMENDMENT TO ASSET PURCHASE AND SALE AGREEMENT

THIS AMENDMENT TO ASSET PURCHASE AND SALE AGREEMENT (this "Amendment") is made and entered into as of May 21, 2015, by and among KEIRO SERVICES, a California nonprofit public benefit corporation ("KS"), and its wholly-owned subsidiaries, JAPANESE HOME FOR THE AGED, a California nonprofit public benefit corporation ("JHA"), and KEIRO NURSING HOME, a California nonprofit public benefit corporation ("KNH") ("KNH" and together with KS and JHA, the "Sellers" and each individually a "Seller"), and PACIFICA COMPANIES LLC, a California limited liability company ("Pacifica"), and its affiliates, PACIFICA SL LINCOLN LLC, a California limited liability company ("Lincoln Buyer"), PACIFICA SL BOYLE LLC, a California limited liability company ("Boyle Buyer"), and PACIFICA SL VERMONT LLC, a California limited liability company ("South Bay Buyer" and together with Lincoln Buyer and Boyle Buyer, the "Buyers" and each individually a "Buyer") (Pacifica and the Buyers being sometimes referred to collectively as the "Other Parties" and individually as an "Other Party").

RECITALS

A. Sellers, Pacifica and Buyers entered into that certain Asset Purchase and Sale Agreement dated as of February 19, 2015, as amended by that certain 2015-03-13 Amendment to Asset Purchase and Sale Agreement and that certain 2015-03-26 Amendment to Asset Purchase and Sale Agreement (as amended, the "Purchase Agreement"), providing for the purchase and sale of certain real property and skilled nursing, assisted living, and intermediate care facilities in Los Angeles County, California owned and operated by JHA and KNH. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Agreement.

B. The parties desire to set forth their understanding with respect to an amendment of the Purchase Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter contained, the parties agree as follows:

1. Recitals C and D of the Purchase Agreement are hereby amended to read as follows:

> C. Concurrently with Buyers' acquisition of the Real Property and Operating Assets associated with each of the Facilities, (i) Boyle Buyer will lease the Real Property and Operating Assets associated with ILF to Northstar Senior Living, Inc. a Delaware corporation, that will manage and operate ILF ("New ILF Operator"), (ii) Boyle Buyer will lease the Real Property and Operating Assets associated with ICF to AICF, LLC, a California limited liability company, that will manage and operate ICF ("New ICF Operator"), (iii) Lincoln Buyer will lease the Real Property and Operating Assets associated with SNF1 to ALAL, LLC, a California limited liability company, that will manage and operate SNF1 ("New SNF1 Operator"), and (iv) South Bay Buyer will lease the Real Property and Operating Assets associated with SNF2 to AGVA, LLC, a California limited liability company, that will manage and operate SNF2 ("New SNF2 Operator" and together with New ILF Operator, New ICF Operator and New SNF1

Operator, the "New Operators"). New ICF Operator, New SNF1 Operator and New SNF2 Operator are each a direct or indirect wholly-owned subsidiary of Aspen Skilled Healthcare, Inc., a California corporation ("Aspen").

D. Each Seller has entered into an Operations Transfer Agreement, in some cases as amended ("OTA" and collectively, the "OTAs"), with each of the applicable Buyers, New Operators and, in the case of ILF, Northstar, and in the case of ICF, SNF1 and SNF2, Aspen, with respect to transfer of each Seller's right, title and interest in and to the Operating Assets associated with each Facility to Buyers and in order to provide for the orderly transition of operational and financial responsibility for each Facility from Sellers to New Operators.

2. All references to "New Operators" in the Purchase Agreement shall hereafter refer to the New Operators as defined in recital C above, and all references to "OTA" or "OTAs" in the Purchase Agreement shall hereafter refer to the OTA and OTAs as defined in recital D above.

3. The confidentiality agreement dated April 15, 2015, executed by Northstar shall be added to the definition of "Confidentiality Agreements" in Section 5.2(i) of the Purchase Agreement.

4. The defined term "Northstar" shall be added after "Aspen" in Sections 8.3, 9.1(ii) and 11.3 of the Purchase Agreement.

5. Section 10.3(iii) of the Purchase Agreement shall be amended to read as follows:

(iii) Buyers shall pay any sales tax due on the transfer of title to the Operating Assets to Buyers or New Operators;

6. This Agreement shall amend the Purchase Agreement to the extent set forth herein, and otherwise all of the terms and conditions of the Purchase Agreement shall remain in full force and effect, notwithstanding Section 13.10 of the Purchase Agreement. The provisions of Articles 12 and 13 of the Purchase Agreement shall apply to this Amendment to the extent appropriate.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first set forth above.

SELLERS:

JAPANESE HOME FOR THE AGED,
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

KEIRO NURSING HOME,
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

KEIRO SERVICES,
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

PACIFICA:

PACIFICA COMPANIES LLC,
a California limited liability company

By: _____
Deepak Israni, General Manager

BUYERS:

PACIFICA SL LINCOLN LLC,
a California limited liability company

By: _____
Deepak Israni, General Manager

PACIFICA SL BOYLE LLC,
a California limited liability company

By: _____
Deepak Israni, General Manager

PACIFICA SL VERMONT LLC,
a California limited liability company

By: _____
Deepak Israni, General Manager

[Signature Page for Amendment to Asset Purchase and Sale Agreement]

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Deepak Israni, General Manager

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By: _____
Deepak Israni, General Manager

PACIFICA SL BOYLE LLC,
a California limited liability company

By: _____
Deepak Israni, General Manager

PACIFICA SL VERMONT LLC,
a California limited liability company

By: _____
Deepak Israni, General Manager

[Signature Page for Amendment to Asset Purchase and Sale Agreement]

OPERATIONS TRANSFER AGREEMENT

THIS OPERATIONS TRANSFER AGREEMENT (this "Agreement") is made and entered into as of February 19, 2015, by and among KEIRO NURSING HOME, a California nonprofit public benefit corporation ("Current Operator"), PACIFICA COMPANIES LLC, a California limited liability company ("Buyer Parent") and its direct or indirect wholly-owned subsidiary, PACIFICA SL LINCOLN LLC, a California limited liability company ("Buyer"), and ASPEN SKILLED HEALTHCARE, INC., a California corporation ("New Operator Parent"), and its direct or indirect wholly-owned subsidiary, ALAL, LLC, a California limited liability company ("New Operator").

RECITALS

A. Current Operator holds a valid and current License (as defined in Article 1 below, which contains definitions of certain capitalized terms used in this Agreement that are hereby incorporated into these Recitals) to operate the Facility;

B. Buyer has agreed to purchase the Real Property and Operating Assets associated with the Facility from Current Operator pursuant to the Purchase Agreement;

C. Concurrently with Buyer's purchase of the Real Property and Operating Assets associated with the Facility, Buyer has agreed to lease the Real Property and Operating Assets to New Operator pursuant to the terms of the Lease, and New Operator has agreed to lease the Real Property and Operating Assets from Buyer and to operate the Facility;

D. The transfer of title to the Real Property and Operating Assets associated with the Facility, the commencement of the Lease and the transfer of operations contemplated hereby are scheduled to occur simultaneously on the Transfer Date; and

E. The parties desire to document certain terms and conditions relevant to the orderly transition of operational and financial responsibility for the Facility to New Operator and the transfer of the Operating Assets at the Facility from Current Operator to Buyer.

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

AGREEMENT

ARTICLE 1. DEFINITIONS

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

1.1. "Accounts" means all Pre-Transfer Accounts and Post-Transfer Accounts.

1.2. "Assignment and Assumption Agreement" refers to the Assignment and Assumption Agreement in the form attached hereto as Exhibit A, which shall be delivered to

New Operator on or before the Transfer Date, reflecting the transfer to, and assumption by, New Operator of the Assumed Operating Contracts.

1.3. "Assumed Operating Contracts" refers to the Operating Contracts identified by New Operator in its sole discretion, if any, on Exhibit B, which shall be delivered to Current Operator by New Operator within thirty (30) days of the date of this Agreement, provided that any Operating Contracts not so identified shall not be deemed Assumed Operating Contracts under any circumstances.

1.4. "Benefits" means all vacation, sick leave, comp time, health, dental, vision and similar employer-sponsored benefit plans, 401(k), 403(b), Keogh and similar savings and retirement plans, in-lieu payments and each and every other employer benefit generally provided to employees.

1.5. "Bill of Sale" refers to the Bill of Sale transferring the Operating Assets to Buyer in the form attached hereto as Exhibit C.

1.6. "Buyer Group" refers to Buyer Parent, Buyer, Pacifica SL Boyle LLC, a California limited liability company, and Pacifica SL Vermont LLC, a California limited liability company, collectively.

1.7. "CMS" refers to the Centers for Medicare and Medicaid Services and its agents and intermediaries.

1.8. "Certification" means the Medicare and Medicaid certification necessary to operate the Facility as a duly certified skilled nursing facility.

1.9. "Current Operator's actual knowledge" and similar knowledge qualifiers means the present actual (as opposed to constructive or imputed) knowledge, after reasonable inquiry, solely of Shawn Miyake, in his capacity of President of Current Operator, and of Janie Teshima, in her capacity as Administrator of the Facility.

1.10. "DPH" means the Department of Public Health of the State of California.

1.11. "Encumbrances" refers to security interests, leases, liens and financing arrangements encumbering the FF&E, as listed on Exhibit D, if any.

1.12. "Employee Schedule" means a complete schedule which reflects, among other things the following: (a) the name and Social Security numbers of all employees of the Facility immediately prior to the Transfer Date, (b) their positions, status (part or full time) and rates of pay, (c) current Benefits enrollment data, and (d) a reasonable estimate of all accrued Benefits which Current Operator is or will be required to pay to such employees as of the Transfer Date.

1.13. "Employment Claims" means all pending and threatened employee and employment-related claims, suits, charges, complaints and actions filed with any court or agency having jurisdiction of Current Operator, the Facility or its employees, including any potential claims, whether known or unknown, arising under the Uniform Services Employment and Re-

employment Rights Act ("USERRA") or under the Family and Medical Leave Act ("FMLA") or claims related to Current Operator's Benefits.

1.14. "Excluded Assets" means and refers to the items enumerated on Exhibit E.

1.15. "Facility" means that certain operating skilled nursing facility comprised of 300 Medicaid and Medicare-certified skilled nursing beds located at 2221 Lincoln Park Avenue, Los Angeles, California, commonly known as "Keiro Nursing Home," together with all Operating Assets owned, leased, held or used by Current Operator in connection with operation of the Facility, but not including any Excluded Assets.

1.16. "FF&E" refers to all furnishings, fixtures, equipment and every other item of personal property in place or in use at the Facility, except for the Excluded Assets, which are to be retained and may be removed by Current Operator, provided that it shall repair all damage to the Facility occasioned by such removal, if any.

1.17. "General Intangibles" means all of Current Operator's right, title and interest in any intangible property currently used in connection with the Facility, including all of Current Operator's rights under all admission agreements, claims, contracts, leases, licenses, permits, plans, appraisals, studies, warranties, trade lists, mailing lists, utility arrangements and other agreements relating to the ownership, operation or occupancy of the Facility, and all telephone numbers, email addresses and all other identifying information, except for the Excluded Assets.

1.18. "HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as amended.

1.19. "HITECH" means the Health Information Technology for Economic and Clinical Act of 2009, as amended.

1.20. "Inventory" means all consumable inventories of every kind and nature whatsoever (including all pharmacy supplies, medical supplies, office supplies, maintenance supplies, foodstuffs and other supplies and consumables) owned by Current Operator and located at the Facility as of the Transfer Date.

1.21. "Lease" means the form of lease agreement to be entered into between Buyer and New Operator, a copy of which is attached hereto as Exhibit F.

1.22. "License" means and refers to a current and valid operating license issued by DPH permitting the Facility's operation as a 300-bed skilled nursing facility.

1.23. "Medicaid" refers to program(s) administered by agencies, departments or private intermediaries of the State to distribute federal Medicaid and related funding.

1.24. "Medicaid Provider Agreement(s)" refers to the Medicaid (or the State's program or agency that administers Medicaid funds) provider agreement(s) in force at the Facility.

1.25. "Medicare Provider Agreement(s)" refers to the Medicare provider agreement(s) in force at the Facility.

1.26. "Operating Assets" shall be as defined in the Purchase Agreement and shall include all patient records and admission agreements, FF&E, Inventory, Vehicles and every other right and asset owned or employed by Current Operator in connection with the operation of the Facility, but not including any Excluded Assets.

1.27. "Operating Contracts" means those vendor, service and supplier operating contracts, equipment leases, resident occupancy contracts and similar arrangements related to the operation of the Facility.

1.28. "Other Parties" means the parties to this Agreement other than Current Operator.

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

1.30. "Pre-Transfer Accounts" means all revenues, monies, accounts, payments, receivables, compensation, reimbursement and other proceeds of the operation of the Facility, including Medicare and Medicaid-related reimbursement and general intangibles and any other third party payor reimbursements, together with the products and proceeds of all of the foregoing, attributable to the operation of the Facility on or before the Transfer Date.

1.31. "Post-Transfer Accounts" means all revenues, monies, accounts, payments and other proceeds of the operation of the Facility, including Medicare and Medicaid-related reimbursement and general intangibles and any other third party payor reimbursements, together with the products and proceeds of all of the foregoing, attributable to operation of the Facility after the Transfer Date.

1.32. "Provider Agreements" means the Medicaid Provider Agreement(s) and Medicare Provider Agreement(s).

1.33. "Purchase Agreement" means that certain Asset Purchase and Sale Agreement dated February 19, 2015, by and among Buyer Group and Seller Group.

1.34. "Real Property" shall be as defined in the Purchase Agreement.

1.35. "Rehired Employee" refers to any employee of Current Operator who accepts employment with New Operator on or before the Transfer Date, with such employment to commence as of the Transfer Date.

1.36. "Seller Group" means Current Operator, Keiro Services and Japanese Home for the Aged, collectively.

1.37. "State" means the State of California.

1.38. "Terminated Operating Contracts" refers to all Operating Contracts in effect at the Facility prior to the Transfer Date that are not Assumed Operating Contracts.

1.39. "Transfer Date" shall be the date of closing of Buyer Group's acquisition of the Real Property and Operating Assets pursuant to the Purchase Agreement and the satisfaction or waiver of the conditions set forth in Section 2.4 below.

1.40. "Vehicle" refers to all vehicles used by Current Operator primarily in connection with the operation of the Facility, which shall be listed on Exhibit G, if any.

1.41. "WARN Act" refers to the federal Worker Adjustment and Retraining Notification Act and any comparable State law or regulation.

ARTICLE 2. TRANSFER OF OPERATIONS; AGREEMENTS

2.1. Transfer of Operations. Pursuant to the terms of the Purchase Agreement, the respective members of the Seller Group, including Current Operator, have agreed to convey, assign and deliver to the members of the Buyer Group, including Buyer, the Operating Assets and all of the Seller Group's right, title and interest therein, free of all Encumbrances, effective as of the Transfer Date. From the date hereof until the Transfer Date, Current Operator agrees to operate the Facility as a going concern and in substantial compliance with all laws, statutes, orders and regulations applicable to and/or necessary for the lawful operation of the Facility and maintenance of licensure and provider Certifications, and agrees not to refuse admission or remove any patient from the Facility prior to the Transfer Date except, within Current Operator's sole discretion, for valid medical and other lawful reasons or as would otherwise occur in the normal course of operating the Facility. NOTWITHSTANDING ANYTHING CONTAINED HEREIN OR IN ANY RELATED DOCUMENT OR AGREEMENT TO THE CONTRARY, CURRENT OPERATOR IS ONLY TRANSFERRING CERTAIN OPERATING ASSETS OF THE FACILITY AND IS NOT ASSIGNING TO BUYER OR NEW OPERATOR, NOR IS BUYER OR NEW OPERATOR ASSUMING FROM CURRENT OPERATOR, ANY LIABILITY FOR CLAIMS, COSTS, EXPENSES, CONTRACTUAL ARRANGEMENTS, DUTIES OR OBLIGATIONS, CURRENT OPERATOR'S GENERAL, PROFESSIONAL AND OTHER OPERATIONAL LIABILITIES, ERRORS OR OMISSIONS, OR OTHER DUTIES, OBLIGATIONS OR LIABILITIES OF CURRENT OPERATOR, ITS AFFILIATES OR ITS PREDECESSORS-IN-INTEREST, WHETHER KNOWN OR UNKNOWN, CONTINGENT OR OTHERWISE, ARISING FROM OR RELATED IN ANY WAY TO THE OPERATION OF THE FACILITY PRIOR TO THE TRANSFER DATE (COLLECTIVELY, "EXCLUDED LIABILITIES").

2.2. Best Efforts. In consideration for the agreements of Current Operator set forth herein, and the full and faithful performance of all of Current Operator's covenants hereunder, Buyer and New Operator agree to proceed with all reasonable diligence to acquire (a) an operating license from DPH, (b) the transfer or assignment of the Medicare Provider Agreement to New Operator's name pursuant to all applicable laws and regulations regarding the same, and (c) the transfer or assignment of the Medicaid Provider Agreement in the name of the New Operator pursuant to all applicable laws and regulations regarding the same.

2.3. Cooperation. Current Operator agrees to reasonably cooperate with Buyer's and New Operator's efforts to effect a change in ownership of the Facility for the purposes of licensing and Certification in order to ensure the continuous and uninterrupted operation of the

Facility as a licensed skilled nursing facility, including the execution of any documents and the surrender of the existing License and Provider Agreements, that may be necessary or desirable to effect the orderly and uninterrupted transition of the License, Provider Agreements and other Certifications to New Operator. Buyer and New Operator agree to timely file all required change of ownership, Medicaid, Medicare and licensure applications and to use their best efforts to obtain the new Licenses, a Medicaid Provider Agreement and the assignment of the Medicare Provider Agreement. Current Operator agrees not to take any action or commit any omission that would result in the termination or suspension of the existing License or Provider Agreements.

2.4. Conditions. This Agreement and the respective obligations of the parties hereunder are conditioned upon the following:

2.4.1. For each of the Other Party's respective benefit, (a) the closing of Seller Group's sale of each of the Facilities (as defined in the Purchase Agreement) in accordance with the terms of the Purchase Agreement, (b) Current Operator's prior fulfillment of all requirements of any governmental agency having jurisdiction of the Facility as contained in any survey report, citation, plan of correction, judgment, order or other directive relating to the operation of the Facility, and the official acceptance thereof by such agency, (c) New Operator's receipt of its own License from DPH, (d) Seller Group's receipt of a waiver or consent (that may contain conditions) from the California Attorney General allowing the transactions contemplated by this Agreement and the Purchase Agreement, and (e) Current Operator having performed and complied with all agreements, conditions and obligations required by this Agreement to be performed or complied with by Current Operator prior to or on the Transfer Date, including Current Operator's surrender of possession of the Facility and the operations therein to New Operator on the Transfer Date in accordance with this Agreement. Buyer and New Operator may, but are not required to, waive or defer (in writing) the fulfillment of any one or more of these conditions in their sole discretion.

2.4.2. For Current Operator's benefit, (a) the closing of Buyer Group's purchase of each of the Facilities (as defined in the Purchase Agreement) in accordance with the terms of the Purchase Agreement, (b) New Operator's receipt of its own License from DPH, (c) Seller Group's receipt of a waiver or consent (that may contain conditions) from the California Attorney General allowing the transactions contemplated by this Agreement and the Purchase Agreement, and (d) Buyer and New Operator having performed and complied with all agreements, conditions and obligations required by this Agreement to be performed or complied with by Buyer or New Operator prior to or on the Transfer Date, including acceptance of possession of the Facility and the operations therein on the Transfer Date in accordance with this Agreement and the timely filing of all applications for licensure. Current Operator may, but is not required to, waive or defer (in writing) the fulfillment of any one or more of these conditions in its sole discretion.

2.5. Post-Closing Matters. For a period of at least five (5) years from and after the Transfer Date:

2.5.1. New Operator shall operate, and New Operator Parent and Buyer will cause New Operator to operate, the Facility in a "culturally sensitive" manner, meaning the

existence of an environment that fosters an awareness and acceptance of the cultural characteristics, history, values, belief systems and behaviors of the Japanese American residents and families, which will include elements listed on Exhibit 11.4(i) of the Purchase Agreement to maintain that environment;

2.5.2. Current Operator shall support the existing volunteer program for the Facility, assisting New Operator upon its request with training regarding recruitment and retention of volunteers;

2.5.3. New Operator shall continue providing, and Buyer Parent and Buyer shall cause New Operator to continue providing, community benefit programs relating to the Facility and shall expend at least $118,942 (including waiving rental for use by community groups) for community programs at SNF1 and SNF2 (as defined in the Purchase Agreement) during each twelve (12) month period from and after the Closing Date;

2.5.4. New Operator shall continue providing a placement priority to residents of the other Facilities (as defined in the Purchase Agreement) who may require a higher level of care over new residents admitted from outside such Facilities; and

2.5.5. Buyer shall, and shall cause New Operator to, maintain the physical donor recognition at the Facility.

2.6. Right of Observation. From and after the Due Diligence Deadline (as defined in the Purchase Agreement) until the Transfer Date, Current Operator shall allow up to one individual appointed by New Operator to have access to the Facility during regular business hours to observe the day-to-day operations and management of the Facility. Such access shall be granted with at least twenty-four (24) hour notice to Current Operator by New Operator.

2.7 Tail Insurance. On or before the Closing Date, Current Operator shall deliver to New Operator a certificate of insurance for pre-paid general and professional liability extended reporting "tail" or "runoff" insurance for a period of at least three (3) years from and after the Closing Date with respect to acts and/or omissions occurring or allegedly occurring prior to the Transfer Date, naming Current Operator and its affiliates as insureds, and New Operator and Buyer as additional insureds, with coverage limits of at least One Million Dollars ($1,000,000) individual per claim and Three Million Dollars ($3,000,000) aggregate for all claims.

ARTICLE 3. TRANSFER OF OPERATING ASSETS

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

3.2. Furnishings, Fixtures and Equipment. Current Operator and Buyer acknowledge and agree that, except for the Excluded Assets, the FF&E is the property of Current Operator, Current Operator agrees not to remove any FF&E from the Facility and, in the event of any such permitted removal, to repair any damage to the Facility occasioned thereby. Current Operator shall have no obligation to deliver the FF&E to any location other than the Facility, it being understood and agreed that the presence of the FF&E at the Facility on the Transfer Date shall constitute delivery thereof.

3.3. Computer Systems and Migration of Data. Subject to the acknowledgements, terms and conditions set forth in Section 3.3.1 below, Current Operator shall, at no charge to Buyer or New Operator, to the extent applicable, (a) leave all such hardware, software and data intact and in place, complete with any passwords or codes necessary to use the equipment and fully access the data, at the Facility to the extent any licenses for such hardware and software are transferrable to New Operator, (b) acknowledge that the data contained therein and accessed thereby is essential to the continuation of the operations in the Facility, (c) leave such computer systems connected to its remote network (if any) for a period of up to sixty (60) days after the Transfer Date to the extent any software and hardware containing such data is transferable to New Operator or, if applicable, to cooperate with New Operator in transferring such data in a retrievable and usable format, and (d) make any data or records relating to the past operation of the Facility which are held or stored offsite accessible to New Operator, in order to facilitate New Operator's lawful and uninterrupted operation of the Facility after the Transfer Date in compliance with applicable laws and in a manner that does not jeopardize the health, care or welfare of the Facility's patients and residents. New Operator shall be responsible for the payment of any licensing fees relating to such software and hardware, if applicable, and Current Operator shall promptly transfer any such licenses, if transferable, to New Operator's name within sixty (60) days following the Transfer Date or obtain new licenses for such software or applicable hardware.

3.3.1. Notwithstanding the foregoing Section 3.3, the parties acknowledge that Current Operator recently converted its data storage system to the ADS Cloud, whereby its data is maintained, managed and backed up remotely and made available through a dedicated environment. Current Operator and New Operator acknowledge that such data and New Operator's access thereto is essential to continuation of operation of the Facility and that Current Operator will also need access to the historical data for financial and other purposes. No decisions have been made as to whether New Operator will continue the same storage system or migrate the data to another such system or on site servers. Similarly, no decisions have been made as to the transfer as part of the Operating Assets of Current Operator's existing computer hardware and software or assignment of its licenses. Current Operator shall cooperate with New Operator in evaluating the alternatives in order to facilitate New Operator's lawful and uninterrupted operation of the Facility after the Transfer Date, with the understanding that the availability of the data and the use of computer hardware, software and licenses, and the responsibility of any license fees and costs of conversion or migration, will be on terms and conditions as agreeable to Current Operator, Buyer and New Operator.

3.4. Medicare and Medicaid Provider Numbers. Current Operator, Buyer and New Operator acknowledge and agree that, pursuant to 42 C.F.R. §§ 442.14(a) and 489.18(c), Current Operator's Medicare Provider Agreement will be automatically assigned to New Operator by

CMS upon the review, processing and approval of New Operator's timely filed 855A change of ownership application; and further Current Operator agrees that it will complete any documentation necessary to assign such Medicare Provider Agreement and its rights thereunder to New Operator, and further agrees to promptly provide any such letters, consents, verifications, information and other documents, as necessary and required by applicable law or regulation, to CMS and any fiscal intermediary, DPH, the State Medicaid program or agency, any other governmental and/or regulatory authority having jurisdiction of the Facility, the License, the Medicare Provider Agreement, or New Operator as may be reasonably requested or required to effectuate the transfer or assignment of the Medicare Provider Agreement and New Operator's obtaining acquisition of a new Medicaid provider agreement; provided, however, that as long as Current Operator submits any required documentation to such governmental or regulatory authority materially complying with the foregoing, Current Operator shall have no liability whatsoever to New Operator or otherwise in the event that (a) CMS does not approve and/or recognize the assignment of the Medicare Provider Agreement, or (b) the State Medicaid program or agency does not issue to New Operator a new Medicaid provider agreement; or (c) DPH does not issue a new License to New Operator. Current Operator acknowledges that, solely to the extent permissible in accordance with all applicable laws and regulations, New Operator may bill Medicare for services furnished to Facility residents who qualify as Medicare beneficiaries from and after the Transfer Date, utilizing the provider number issued to Current Operator under the assigned Medicare Provider Agreement, and Current Operator agrees to cooperate with New Operator to permit the sweep or electronic transfer of such reimbursement for items and services provided on and after the Transfer Date to New Operator's designated bank account on a periodic or as agreed to basis. New Operator has the express right under this Agreement to direct the payment of reimbursements to an account or accounts titled in the name of New Operator or any other entity designated by New Operator for such purpose, and Current Operator agrees to cooperate in obtaining all necessary approvals for the assignment of said Provider Agreements and any documentation reasonably requested by New Operator to direct the payment to New Operator's account and to execute such assignment documentation to implement such assignment as may be required by governmental authorities and/or third party payors or banking institutions. New Operator agrees that Current Operator shall not have any liability or obligation with respect to New Operator's utilization of such provider numbers and New Operator shall indemnify Current Operator for any and all liability, including overpayments, arising from the billing and collection by New Operator for services and items provided on and after the Transfer Date. New Operator acknowledges and agrees that Medicare receivables must be paid to the Current Operator until assignment of the Medicare Provider Agreement is approved.

3.5. General Intangibles. General Intangibles used or held in connection with the operation of the Facility shall be transferred to Buyer on the Transfer Date by execution and delivery of the Bill of Sale.

3.6. Excluded Assets. The Excluded Assets are not included in this transaction and shall be retained by or delivered to Current Operator.

ARTICLE 4. PATIENT TRUST PROPERTY

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

4.2. Transfer of Patient Trust Property. Within one (1) business day after Current Operator and New Operator agree upon the accounting provided for hereinabove, and in any event no later than three (3) business days following the Transfer Date, Current Operator agrees to (a) remit to the parties entitled thereto all Patient Trust Property which Current Operator or the Facility are no longer entitled or permitted to hold, and (b) transfer all remaining Patient Trust Property to New Operator, and New Operator hereby agrees that it will hold, and accepts responsibility and liability for holding, such remaining Patient Trust Property in trust for the patients entitled thereto, in accordance with applicable statutory and regulatory requirements.

4.3. Indemnification for Patient Trust Property.

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

4.3.2. New Operator will indemnify, defend and hold Current Operator harmless for, from and against all liabilities, claims and demands, including reasonable attorneys' fees and costs, in the event a claim is made against Current Operator by a patient for his/her Patient Trust Property where such patient's funds or other property were properly transferred to New Operator pursuant to the terms hereof. New Operator shall be solely responsible for and shall indemnify, defend and hold Current Operator harmless for, from and against all liabilities, claims and demands, including reasonable attorneys' fees and costs, arising from any claim, action, investigation or liability arising from maintenance, use, holding, or any acts or omissions of New Operator relating to the Patient Trust Property on and after the date such Patient Trust Property is transferred by Current Operator to New Operator. All claims shall be submitted by New Operator in the form required by the permitted third party payors. New Operator shall archive claims submissions data until the claim is paid, to enable resubmission of the original claim, if necessary, and thereafter for a period of six (6) years after the Transfer Date or such shorter time in accordance with applicable law.

ARTICLE 5. RECEIVABLES & REIMBURSEMENTS

5.1. Current Operator's Cost Reports. Current Operator shall timely prepare and file with CMS and the State Medicaid agency its cost reports for the fiscal year ending immediately preceding the fiscal year in which the Transfer Date occurs, and for any stub period, and final

cost reports up to the Transfer Date in respect to its operation of the Facility which are required to be filed by law under the terms of the Medicare and Medicaid programs. Current Operator will provide the appropriate agencies with any information needed to support claims for reimbursement made by Current Operator either in such final cost reports or in any cost reports filed for prior or subsequent cost reporting periods. Current Operator shall promptly provide New Operator with copies of such reports and supporting documentation.

5.2. Accounts Receivable.

5.2.1. Schedule of Pre-Transfer Accounts. Current Operator shall deliver to New Operator a complete, correct patient/resident roster with account status, responsible party, payor source and aging not less than thirty (30) days prior to the Transfer Date, and shall update such roster as of the Transfer Date.

5.2.2. Pre-Transfer Accounts. Current Operator shall retain its right, title and interest in and to all unpaid Pre-Transfer Accounts, including accounts receivable arising from rate adjustments which relate to periods prior to the Transfer Date even if such adjustments occur after the Transfer Date, and Current Operator shall remain liable for any overpayments (including recapture of pass-throughs) made to Current Operator for periods prior to the Transfer Date for which payment is due to (or for which subsequent reimbursements are offset or denied by) Medicare, Medicaid or any other third party payor after the Transfer Date. On the Transfer Date, Current Operator shall provide to New Operator a schedule setting forth by patient/resident its outstanding Pre-Transfer Accounts as of the Transfer Date. For the avoidance of doubt, Current Operator shall be solely responsible for the timely and proper billing and collection of all Pre-Transfer Accounts and New Operator's obligations related to such collection activities shall be limited to those set forth elsewhere in this Article 5. Current Operator and New Operator agree that the "pay to" address for Medicare and Medicaid payments shall continue to be the Facility address. Current Operator further agrees to authorize New Operator to endorse checks made payable to "Keiro Nursing Home" or any similar names or payees, and deposit the same in New Operator's account solely to the extent permissible under applicable law and Medicare and Medicaid manual provisions, subject to New Operator complying with the accounting, notification, distribution and other provisions of this Agreement with respect to Pre-Transfer Accounts.

5.2.3. Post-Transfer Accounts. As of the Transfer Date, Current Operator hereby irrevocably assigns to New Operator any and all interest it may have in the Post-Transfer Accounts with the authority and power to bill and collect the same, and disclaims all right, title and interest therein and thereto to the extent permitted by applicable law including Medicare manual provisions and similar formal guidance from governmental agencies and administrative contractors in regards to Medicare and Medicaid.

5.3. Handling of Receipts by New Operator. Payments received by New Operator after the Transfer Date from third party payors, such as Medicare, Medicaid, Veterans Administration, HMOs and insurers, if any, shall be handled as follows:

5.3.1. To the extent such payments either specifically indicate on the accompanying remittance advice, or if the parties agree that they relate to periods prior to the

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

5.3.2. If such payments fail to indicate the period to which they relate, then all such unidentified payments received within forty-five (45) days following the Transfer Date shall be deemed to relate to the covered patient's unpaid Pre-Transfer Accounts (if any). All unidentified payments received thereafter shall be deemed to relate to Post-Transfer Accounts.

5.4. Handling of Receipts by Current Operator. Payments received by Current Operator after the Transfer Date from third party payors, such as Medicare, Medicaid, Veterans Administration, managed health organizations and insurers, if any, shall be handled as follows:

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

5.4.2. If such payments fail to indicate the period to which they relate, then all such unidentified payments received within forty-five (45) days following the Transfer Date shall be deemed to relate to the covered patient's unpaid Pre-Transfer Accounts (if any). All unidentified payments received thereafter shall be deemed to relate to Post-Transfer Accounts.

5.5. Private Pay. Any payments received by either Current Operator or New Operator from or on behalf of private pay patients (including self-pay, HMO and other private insurance payors) shall be treated in the same manner as described in Section 5.3 and 5.4 above; provided that any payment received by either party during the first forty-five (45) days after the Transfer Date for a private pay patient or resident, which fails to designate the period to which it relates, will first be applied to reduce the patient's Pre-Transfer Account balances (if any). Social Security payments received at the Facility on behalf of patients shall be applied toward the respective patient's account in the month the payment is actually received. All unidentified payments received thereafter shall be deemed to relate to Post-Transfer Accounts. New Operator shall be responsible for confirming that private pay patients, Medicare, Medicaid, and any Medicare Advantage or Medicaid managed care payors permit the New Operator to bill under the Current Operator's payor and Provider Agreements until such agreements are assigned to New Operator or New Operator obtains new payor and provider agreements. New Operator warrants that all payors, including private pay payors, Medicaid, Medicare, Medicare Advantage and Medicaid managed care payors, permit such billing arrangement.

5.6. Dispute Resolution. The parties shall attempt in good faith to resolve any dispute arising out of or relating to this Article 5 promptly by negotiation between representatives of the parties who have authority to settle the controversy. Either party may give the other party written notice of any dispute (a "Dispute Notice") not resolved in the normal course of business.

Within five (5) days after delivery of such Dispute Notice, both parties shall meet at a mutually acceptable time and place (by mutual agreement, such meeting may be held by telephone and thereafter as often as they deem necessary) to exchange relevant information and to attempt to resolve the dispute. If the matter has not been resolved within twenty (20) days of the disputing party's delivery of the Dispute Notice, or if the parties fail to meet within five (5) days of the delivery of the Dispute Notice, either party may initiate the mediation of the controversy or claim as provided below. If any dispute arising out of this Article 5 has not been resolved by negotiation as provided above, the parties shall endeavor to resolve the dispute by mediation. The mediation shall be conducted by a neutral mediator from a nationally recognized health care accounting and consulting firm (or an accounting and consulting firm with a nationally recognized health care accounting and consulting practice) mutually agreed upon by the parties. If the parties are unable to completely resolve the dispute through mediation (or are unable to agree on a mediator within thirty (30) days following delivery of the Dispute Notice), either party shall pursue dispute resolution pursuant to Article 11.

5.7. Payor Communications.

5.7.1. Payment Notices. For a period of six (6) months following the Transfer Date, whenever a Payor sends to Current Operator on the one hand or New Operator on the other, a remittance advice, explanation of benefits or other notice that a payment has been deposited in a party's bank account (a "Payment Notice"), the receiving party agrees to send a copy of such Payment Notice to the other party by electronic transmission within five (5) business days of the time the Payment Notice is received.

5.7.2. Regulatory Notices. In the event Current Operator receives notice of any claims or requests for recoupment or reimbursement with respect to the billing services or notice of any appeals, adjustments, challenges, audits, litigation, inspections or investigations with respect to the billing services, Current Operator shall inform New Operator and send a copy of such notice to New Operator by overnight mail or electronic transmission no later than five (5) business days after receipt of such notice.

5.7.3. Other Payor Notices. For a period of twelve (12) months following the Transfer Date, whenever a payor sends any other notice to or requests information from Current Operator regarding a claim for services rendered after the Effective Date, Current Operator shall send a copy of such notice or inform New Operator of such request by overnight mail or electronic transmission no later than five (5) business days after receipt of such notice or request.

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

5.9. Cooperation in Processing of Claims. Each party agrees to take all reasonable steps to assist the other in processing Medicare and Medicaid claims and obtaining Medicare and Medicaid payments for services rendered to the extent permitted by applicable law, regulations and formal agency and administrative contractor guidance (a) in the case of New Operator, from and after the Transfer Date, and (b) in the case of Current Operator, prior to the Transfer Date.

The party being assisted agrees to reimburse the party rendering assistance for any reasonable documented out-of-pocket expenses incurred by the assisting party in rendering such assistance.

5.10. Access. For the period of twelve (12) months following the Transfer Date, after providing advance notice to New Operator in each instance, Current Operator and its agents and representatives shall have reasonable access during business hours to such medical records, resident contracts, patient status reports, medical necessity documentation, services documentation, account documentation, remittance advice documentation, Nursing Services Statements (CMS-3616), and other documents and records as reasonably necessary to confirm the division of the accounts receivable, payments or accounts payable, to facilitate billing and collection of Current Operator's receivables, to handle any of Current Operator's accounts payable or reconcile any financial information. Following the expiration of twelve (12) months following the Transfer Date, Current Operator shall continue to have reasonable access during business hours to such medical records, resident contracts, patient status reports, medical necessity documentation, services documentation, account documentation, remittance advice documentation, Nursing Services Statements (CMS-3616), and other documents and records as reasonably necessary in any audit, investigation, notice of determination, repayment request, overpayment notice or other matter relating to the provision of services or billing and reimbursement for services provided prior to the Transfer Date.

5.11. Overpayment Claims. In the event that federal or state agencies or any private insurer or other payor making payments to Current Operator for services performed prior to the Transfer Date make any claim for fines, civil money penalties, recoupment of fraudulent charges or overpayments (including recapture of pass-throughs) occurring for any such period, then Current Operator agrees to save, indemnify, defend and hold Buyer and New Operator harmless for, from and against any and all loss, damage, injury or expense incurred by Buyer or New Operator because of any such claim, and Current Operator shall promptly reimburse Buyer or New Operator for the full amount of any such claim, offset, chargeback or other attempted recovery of such fraud and overpayments upon demand. In the event Current Operator successfully appeals any such overpayment claim and Buyer or New Operator receives funds or credits as result thereof, Buyer or New Operator, as the case may be, shall promptly remit to Current Operator the full amount of any such funds or credits. In the event that federal or state agencies or any private insurer or other payor making payments to New Operator for services performed on or after to Transfer Date make any claim for fines, civil money penalties, recoupment of fraudulent charges or overpayments (including recapture of pass-throughs) occurring for any such period (including for time periods prior to the assignment of the Medicare Provider Agreement to New Operator or issuance of a new Medicaid provider agreement), then New Operator agrees to save, indemnify, defend and hold Current Operator harmless for, from and against any and all loss, damage, injury or expense incurred by Current Operator because of any such claim, and New Operator shall promptly reimburse Current Operator for the full amount of any such claim, offset, chargeback or other attempted recovery of such fraud and overpayments upon demand. In the event New Operator successfully appeals any such overpayment claim and Current Operator receives funds or credits as result thereof, Current Operator shall promptly remit to New Operator the full amount of any such funds or credits.

ARTICLE 6. EMPLOYEES

6.1. Current Employees; Payroll & Benefits. Current Operator shall deliver the Employee Schedule to New Operator not less than twenty-five (25) days prior to the Transfer Date, except that the Social Security numbers shall be delivered not less than ten (10) days prior to the Transfer Date, and shall update such Employee Schedule three (3) business days prior to the Transfer Date. New Operator acknowledges that Current Operator may make reasonable personnel changes up to the Transfer Date. Current Operator shall not solicit or offer to employ any current Facility employees at any of its affiliated operations, for a period of one (1) year following the Transfer Date without the prior written consent of New Operator. Current Operator agrees not to give any Facility employee a salary or wage increase prior to the Transfer Date without New Operator's written consent, except in the normal course of business. Current Operator also agrees to provide to New Operator, promptly following the execution and delivery of this Agreement, copies of Current Operator's current employee handbook and/or human resources manual, detailed benefits information including carriers, brokers and participating employees, contact information and cost information, 403(b) plan documents and a roster of enrolled employees, and such other documentation of current terms and conditions of employment as New Operator may reasonably request, to the extent not disclosed in the Employee Schedule. All information disclosed or provided to New Operator hereunder shall be deemed confidential and shall in all events be subject to the confidentiality provisions of Section 5.2(i) of the Purchase Agreement.

6.2. Employee Status.

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

6.2.2. Offers of Employment. New Operator will extend offers of employment to all of the Facilities employees in good standing as of the Closing Date. Such offers of employment will be made in a manner sufficient to comply with Federal, state and local law, and for such employees' existing wages and otherwise with Benefits, subject to qualification requirements pertaining to such Benefits, that are not less favorable than those provided to other similarly situated employees of the facilities which New Operator operates and which are located in California.

6.2.3. Eligibility for Benefits. For purposes of determining eligibility of Rehired Employees to receive and participate in New Operator's sick leave, holiday, vacation, PTO or similar Benefit programs, New Operator agrees to accord Rehired Employees with one

(1) year of employment service credit, so that all such Rehired Employees shall be eligible to enroll and/or begin accruing benefits on the first day of their employment with New Operator as if they were second year employees of New Operator. Notwithstanding the above, any Rehired Employee who has not been continuously employed by Current Operator for at least ninety (90) days immediately prior to the Transfer Date shall not be accorded prior employment service credit and no other Rehired Employee shall be entitled to less than two (2) weeks vacation per year. New Operator shall permit Rehired Employees to enroll in New Operator's group health plan on or as soon as practicable after the Transfer Date, with no eligibility waiting period so long as the Rehired Employee has been continuously employed by Current Operator for at least ninety (90) days immediately prior to the Transfer Date. In the event the Transfer Date falls on a date other than the first (1st) day of a calendar month, Current Operator and New Operator acknowledge and agree that Rehired Employees shall be eligible to participate in New Operator's group health plan from and after the first (1st) day of the calendar month following the Transfer Date. Any Rehired Employee who has not been continuously employed by Current Operator for at least ninety (90) days immediately prior to the Transfer Date shall become eligible to participate in the group health plan as of the first (1st) day of the calendar month following the ninetieth (90th) day of combined continued employment with Current Operator and New Operator.

6.2.4. WARN Act Compliance. It is the understanding of Current Operator and New Operator that Current Operator may be required to give notice to the Facility employees of the termination of their employment under the WARN Act unless a sufficient number of employees do not suffer an "employment loss," or an exception to giving notice is applicable. New Operator has advised Current Operator that (a) it does not want Current Operator to deliver any such notice to the Facility employees, (b) it will offer employment on an "at-will" basis at or before the Transfer Date to a sufficient number of employees such that such notice will not be necessary and (c) in reliance thereon Current Operator will not provide notice under the WARN Act to the Facility employees. New Operator Parent and New Operator hereby agree to indemnify, defend and hold harmless Current Operator from any loss, cost or expense Current Operator may incur as a result of or a failure to give any required notice under the WARN Act.

6.3. Employee Records. Current Operator shall allow New Operator to retain Current Operator's employee files, including originally executed employee applications and original Form I-9s of Rehired Employees, for a period of ninety (90) days from the Transfer Date, or until New Operator has obtained new employee applications and I-9s; immediately thereafter New Operator shall deliver the original documents to Current Operator; provided that, during such retention period, New Operator shall allow Current Operator reasonable access, upon prior notice and during normal business hours, to such employee files and the ability to copy the same, as Current Operator may require in its reasonable discretion.

6.4. No Employment Rights or Contract. Notwithstanding anything in this Agreement to the contrary, nothing in this Article 6 or any other provision of this Agreement shall be interpreted to create any rights in favor of any person not a party hereto, including the employees of the Facility, or to constitute an employment agreement or condition of employment for any employee of Current Operator or any Rehired Employee.

6.5. Foreign Workers. Current Operator shall deliver to New Operator not less than twenty-five (25) days prior to the Transfer Date, a list of all foreign nationals employed at the Facility who are working under a visa or other work authorization. Current Operator represents that, to Current Operator's actual knowledge, (a) all such Facility employees will be either citizens or legal residents of the United States, (b) all foreign workers will have provided to Current Operator copies of valid identity and work authorization documents, and (c) no such work authorizations will have expired or been revoked.

6.6. Employment Claims and Complaints. Current Operator has included, as part of Exhibit H hereto, a list of all pending and threatened Employment Claims. Current Operator acknowledges that New Operator is not assuming any liability for pending, or threatened or other pre-Transfer Date Employment Claims, and (a) New Operator hereby disclaims any and all liability for all Employment Claims arising from or in connection with the employment of any Facility employee prior to the Transfer Date, and (b) Current Operator hereby agrees to indemnify, defend and hold New Operator harmless for, from and against any and all Employment Claims arising from or in connection with the employment of any Facility employee prior to the Transfer Date.

ARTICLE 7. PRORATIONS

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

7.2. Calculation. All such prorations shall be made on the basis of actual days elapsed in the relevant accounting or revenue period and shall be based on the most recent information available. Without limiting the foregoing, water, electricity, sewer, gas, telephone and other utility charges shall be based, to the extent practicable, on final meter readings and invoices covering the period of time through the Transfer Date. Utility charges which are not metered and read on the Transfer Date shall be estimated based on prior charges, and shall be re-prorated upon receipt of statements therefor.

7.3. Adjustments. All amounts owing from one party hereto to the other party hereto that require adjustment after the Transfer Date shall be settled within sixty (60) days after the Transfer Date or, in the event the information necessary for such adjustment is not available within said sixty (60) day period, then as soon thereafter as practicable.

7.4. Petty Cash. On the Transfer Date, Current Operator shall retain the petty cash.

ARTICLE 8. RECORDS

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

8.2. Access to Records.

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

8.2.2. Current Operator shall be entitled to remove the originals of any records delivered to New Operator for purposes of litigation involving a patient or employee to whom such records relate, if (a) an officer of or counsel for Current Operator certifies that such original must be produced in order to comply with applicable law or the order of a court of competent jurisdiction in connection with such litigation, and (b) Current Operator leaves a full and complete copy of such records in the Facility while the originals are in its possession. Any record so removed shall promptly be returned to New Operator following its use. New Operator shall release originals of any records as required or requested by a governmental authority, regulatory agency or as otherwise required by law for the investigation or audit of Medicare, Medicaid or other governmental payor billing, services, or payments.

8.2.3. New Operator agrees to maintain such books, records and other material comprising records of the Facility's operations prior to the Transfer Date that have been received by New Operator from Current Operator or otherwise, including patient records and records of patient funds, to the extent required by law, but in no event less than three (3) years or, when longer, the minimum period required by any applicable statute of limitations in force as of the

Transfer Date, and shall provide Current Operator with reasonable advance notice and allow Current Operator a reasonable opportunity to remove such documents, at Current Operator's expense, at such time as New Operator shall decide to dispose of such documents.

ARTICLE 9. OPERATING CONTRACTS

9.1. Operating Contracts. Current Operator will make available to New Operator true, complete and current copies of all Operating Contracts within ten (10) days after this Agreement has been executed. There are no material Operating Contracts, oral or written, which have not been disclosed pursuant to the foregoing or otherwise, to New Operator, and the Operating Contracts delivered and disclosed are in full force and effect prior to the Transfer Date and have not been modified, altered or amended in any way. Current Operator assigns, and New Operator assumes and agrees to be bound by all of the terms and conditions of, the Assumed Operating Contracts from and after the Transfer Date. Current Operator shall not have any liability arising from New Operator's acts or omissions in regards to the Assumed Operating Contracts on and after the Transfer Date.

9.1.1. Nothing herein shall be construed as imposing any liability on New Operator with respect to any obligations under (a) the Assumed Operating Contracts which relate to the period prior to the Transfer Date even if the same do not arise until after the Transfer Date (except to the extent that New Operator receives and accepts goods or services under an Assumed Operating Contract, in which case its liability shall be determined by the pro-ration of the cost of such benefit under such Assumed Operating Contract), it being specifically understood and agreed that New Operator's liability shall be limited to its acts and omissions thereunder and any liability arising from and after the Transfer Date, or (b) any Terminated Operating Contracts. New Operator shall indemnify and hold Current Operator harmless from any and all liability and claims arising from the Assumed Operating Contracts on and after the Transfer Date.

9.1.2. To the extent commercially reasonable, Current Operator agrees to give conditional notice of cancellation under each of the Terminated Operating Contracts, with the terminations to be effective on or before the Transfer Date or at the earliest possible date(s) thereafter.

9.2. Vehicles. Current Operator represents and warrants that the Vehicles are owned by Current Operator and are not subject to any lease or otherwise subject to any liens or other encumbrances.

9.3. Equipment Financing and Leases. Current Operator and New Operator acknowledge and agree that the FF&E listed on Exhibit I, if any, is leased or otherwise encumbered under the terms of certain equipment leases (the "Equipment Leases") identified on Exhibit I. Current Operator will provide to New Operator access to copies of all Equipment Leases. Current Operator represents and warrants that there are no outstanding liens, leases or other encumbrances affecting the Facility or any of the FF&E therein which have not been disclosed to New Operator and identified on Exhibit I. New Operator shall only assume (subject to the lessors' consent) and be responsible for all payments and other charges accruing on the

Equipment Leases that may be listed on Exhibit B as Assumed Operating Contracts from and after the Transfer Date. New Operator shall indemnify and hold Current Operator harmless from any and all liability and claims arising under the Equipment Leases that constitute Assumed Operating Contracts on and after the Transfer Date.

9.4. Tenant Leases. Exhibit J attached hereto contains a list of all leases of space in the Facility by Current Operator to third party service providers, such as physical therapists, banks, medical clinics or beauty shop operators (collectively, the "Tenant Leases"). Current Operator will provide to New Operator access to copies of all Tenant Leases. Except as disclosed on Exhibit J, each Tenant Lease is in full force and effect and to Current Operator's actual knowledge, no party to any such Tenant Lease is in default thereunder. New Operator shall assume all the Tenant Leases that may be set forth on Exhibit B as Assumed Operating Contracts.

ARTICLE 10. INDEMNIFICATION

10.1. Current Operator. Without limiting its other obligations and duties hereunder, from and after the Transfer Date, Current Operator shall indemnify, defend and hold Buyer Group and the Other Parties, and their respective officers, directors, employees, shareholders and affiliates ("Buyer Indemnified Parties"), harmless for, from and against any and all claims, losses, expenses, damages, obligations, deficiencies, or liabilities of any kind, including costs of investigation, interest, penalties, reasonable attorneys' fees, and any and all costs, expenses, and fees incident to any suit, action or proceeding, incurred, sustained or suffered by the Buyer Indemnified Parties which arise out of, result from or are related to any of the following:

10.1.1. except as otherwise provided in this Agreement, any and all obligations and liabilities relating solely to the ownership of the Operating Assets and the operation of the Facility by Current Operator prior to the Transfer Date, including (a) any obligations under the Assumed Operating Contracts, (b) any violations of applicable Medicare or Medicaid fraud and abuse laws, (c) any violations of other State or federal law governing the operation of the Facility, including laws relating to Employment Claims, and (d) any failure of any cost report filed by Current Operator for the cost reporting periods prior to the Transfer Date, including the final cost reports filed after the Transfer Date, to comply with applicable State or federal law; and for purposes of this Section, an obligation shall be deemed to "exist" as of the Transfer Date if it relates to events which occurred as a result of the acts or omissions of Current Operator prior to the Transfer Date, even if it is not asserted until after the Transfer Date;

10.1.2. any Terminated Operating Contracts;

10.1.3. any misrepresentation of a material fact, breach of warranty or nonfulfillment of any material agreement on the part of Current Operator under this Agreement or in any certificate required to be furnished to New Operator hereunder;

10.1.4. any failure by Current Operator in connection with the transactions contemplated herein to comply with the requirements of any State, federal or local laws or

regulations relating to bulk sales or transfers, whether or not New Operator has waived Current Operator's compliance therewith;

10.1.5. any claims against Current Operator, New Operator or the Facility under Medicare, Medicaid, Veterans Administration or any other third party payor programs (a) with respect to any Excluded Assets, (b) with respect to the operation of the Facility by Current Operator prior to the Transfer Date, (c) for recapture of depreciation generated by the transaction contemplated hereby, (d) for any fees, fines or penalties assessed against the Operating Assets or the Provider Agreements solely to the extent attributable to periods prior to the Transfer Date, or (e) for repayment of any overpayments made to Current Operator under Medicare, Medicaid, Veterans Administration or any other third party payor program for services rendered at the Facility prior to the Transfer Date, including claims against New Operator in the form of offsets by Medicare, Medicaid, Veterans Administration or any other third party payor against their payments due solely to the extent such offsets relate to services rendered by Current Operator prior to the Transfer Date;

10.1.6. in the event the amount of the Patient Trust Property, if any, transferred to New Operator do not represent the full amount of the Patient Trust Property shown to have been delivered to Current Operator as custodian, and for claims which arise from actions or omissions of Current Operator with respect to the Patient Trust Property prior to the Transfer Date; and

10.1.7. any Excluded Liabilities.

10.2. Other Parties. From and after the Transfer Date, each Other Party shall indemnify, defend and hold Current Operator and Selling Group, and their respective officers, directors, employees, member and affiliates (the "Seller Indemnified Parties"), harmless for, from and against any and all claims, losses, expenses, damages, obligations, deficiencies, or liabilities of any kind, including costs of investigation, interest, penalties, reasonable attorneys' fees, and any and all costs, expenses, and fees incident to any suit, action or proceeding, incurred, sustained or suffered by the Seller Indemnified Parties which arise out of, result from or are related to New Operator's operation of the Facility on and after the Transfer Date, including all billing and collections for services, board and care provided to residents on and after the Transfer Date, and including any liability or claim resulting from or relating to any of the following:

10.2.1. except as otherwise provided in this Agreement, any and all obligations and liabilities relating to the ownership and the operation of the Facility by New Operator that relate solely to the operation of the Facility on and after the Transfer Date, including (a) any obligations under the Assumed Operating Contracts, (b) any violations of applicable Medicare or Medicaid fraud and abuse laws, (c) any other State or federal law governing the operation of the Facility, including to laws relating to Employment Claims, and (d) any failure of any cost report filed by New Operator for the cost reporting periods on and after the Transfer Date to comply with applicable State or federal law; and for purposes of this Section, an obligation shall be deemed to "exist" on and after of the Transfer Date if it relates to events which occurred as a result of the acts or omissions of New Operator on and after the Transfer Date, regardless of when asserted;

10.2.2. any misrepresentation of a material fact, breach of warranty or nonfulfillment of any material agreement on the part of an Other Party under this Agreement;

10.2.3. any claims against Current Operator, New Operator or the Facility under Medicare, Medicaid, Veterans Administration or any other third party payor programs (a) with respect to the operation of the Facility by New Operator on and after the Transfer Date, (b) for any fees, fines or penalties assessed against the Operating Assets or the Medicare or Medicaid Provider Agreements of the Facility solely to the extent attributable to periods on and after Transfer Date, or (c) for repayment of any proven overpayments made to New Operator under Medicare, Medicaid, Veterans Administration or any other third party payor program for services rendered at the Facility on and after the Transfer Date, including claims against Current Operator in the form of offsets by Medicare, Medicaid, Veterans Administration or any other third party payor against their payments due to Current Operator; or

10.2.4. claims which arise from actions or omissions of New Operator with respect to the Patient Trust Property on and after the Transfer Date.

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

ARTICLE 11. JUDICIAL REFERENCE

11.1 Judicial Reference. EXCEPT AS PROVIDED IN SECTION 5.7, ANY CONTROVERSY OR DISPUTE HEREUNDER SHALL BE RESOLVED BY A REFEREE APPOINTED BY THE SUPERIOR COURT FOR THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA ("SUPERIOR COURT") IN ACCORDANCE WITH THE PROVISIONS OF SECTION 638 ET SEQ. OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. IN THIS REGARD, IN THE EVENT THE PARTIES ARE UNABLE AGREE

UPON A RESOLUTION TO ANY SUCH QUESTION, ANY PARTY SHALL HAVE THE RIGHT TO SERVE A WRITTEN DEMAND FOR JUDICIAL REFERENCE OF SUCH CLAIM OR CONTROVERSY ON THE OTHER PARTIES. THE PARTIES SHALL THEN NEGOTIATE IN GOOD FAITH FOR A MUTUALLY ACCEPTABLE REFEREE, HOWEVER IN NO EVENT SHALL ANY PARTY SEEK THE APPOINTMENT OF A REFEREE THAT MAY BE DISQUALIFIED PURSUANT TO CALIFORNIA SECTION 641 OF THE CODE OF CIVIL PROCEDURE. IN THE EVENT THAT THE PARTIES HAVE NOT AGREED UPON A REFEREE WITHIN TEN (10) BUSINESS DAYS AFTER WRITTEN DEMAND FOR SUCH REFERENCE HAS BEEN MADE, THE PARTIES SHALL SUBMIT TO THE SUPERIOR COURT THE NAMES OF UP TO THREE NOMINEES FOR APPOINTMENT AS REFEREE, IN ACCORDANCE WITH THE PROVISIONS OF SECTION 640 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. THE REFEREE, ONCE AGREED UPON BY THE PARTIES OR APPOINTED BY THE SUPERIOR COURT, SHALL HAVE FULL AND COMPLETE AUTHORITY TO HEAR AND DETERMINE ANY AND ALL OF THE ISSUES IN AN ACTION OR PROCEEDING, WHETHER OF FACT OR OF LAW, AND TO REPORT A STATEMENT OF DECISION. IN CONNECTION WITH SUCH REFERENCE PROCEDURE, THE PARTIES SHALL HAVE ALL RIGHTS AND POWERS AFFORDED TO A CIVIL LITIGANT IN THE SUPERIOR COURT, INCLUDING THE ABILITY TO CONDUCT FULL DISCOVERY. THE REFEREE SHALL BE GOVERNED BY THE RULES OF CIVIL PROCEDURE FOR ACTIONS FILED IN CALIFORNIA SUPERIOR COURTS AS SET FORTH IN THE CALIFORNIA CODE OF CIVIL PROCEDURE, EXCEPT TO THE EXTENT THE PARTIES STIPULATE THE REFEREE MAY DEVIATE THEREFROM. THE CURRENT OPERATOR, ON THE ONE HAND, AND THE OTHER PARTIES, ON THE OTHER HAND, SHALL EVENLY DIVIDE THE COST OF THE REFEREE'S FEES. THE REFEREE SHALL HAVE THE POWER, AS PART OF ANY AWARD, TO INCLUDE THESE FEES AS AN ELEMENT OF RECOVERY. THE DECISION OF THE REFEREE UPON THE WHOLE ISSUE SHALL STAND AS THE DECISION OF THE SUPERIOR COURT, AND UPON THE FILING OF THE STATEMENT OF DECISION WITH THE CLERK OF THE SUPERIOR COURT, JUDGMENT MAY BE ENTERED THEREON IN THE SAME MANNER AS IF THE ACTION HAD BEEN TRIED BY THE SUPERIOR COURT. EXCEPT AS SET FORTH IN SECTION 645 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE, THE REFEREE'S AWARD SHALL BE CONSIDERED FINAL, AND NOT SUBJECT TO APPEAL OR COLLATERAL ATTACK.

YOU HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THIS AGREEMENT TO JUDICIAL REFERENCE AS PROVIDED ABOVE.

Current Operator's Initials	Buyer Parent's and Buyer's Initials	New Operator Parent's and New Operator's Initials

ARTICLE 12. REPRESENTATIONS AND WARRANTIES

12.1. Current Operator's Representations and Warranties. Current Operator hereby represents and warrants to each of the Other Parties as follows:

UPON A RESOLUTION TO ANY SUCH QUESTION, ANY PARTY SHALL HAVE THE RIGHT TO SERVE A WRITTEN DEMAND FOR JUDICIAL REFERENCE OF SUCH CLAIM OR CONTROVERSY ON THE OTHER PARTIES. THE PARTIES SHALL THEN NEGOTIATE IN GOOD FAITH FOR A MUTUALLY ACCEPTABLE REFEREE, HOWEVER IN NO EVENT SHALL ANY PARTY SEEK THE APPOINTMENT OF A REFEREE THAT MAY BE DISQUALIFIED PURSUANT TO CALIFORNIA SECTION 641 OF THE CODE OF CIVIL PROCEDURE. IN THE EVENT THAT THE PARTIES HAVE NOT AGREED UPON A REFEREE WITHIN TEN (10) BUSINESS DAYS AFTER WRITTEN DEMAND FOR SUCH REFERENCE HAS BEEN MADE, THE PARTIES SHALL SUBMIT TO THE SUPERIOR COURT THE NAMES OF UP TO THREE NOMINEES FOR APPOINTMENT AS REFEREE, IN ACCORDANCE WITH THE PROVISIONS OF SECTION 640 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. THE REFEREE, ONCE AGREED UPON BY THE PARTIES OR APPOINTED BY THE SUPERIOR COURT, SHALL HAVE FULL AND COMPLETE AUTHORITY TO HEAR AND DETERMINE ANY AND ALL OF THE ISSUES IN AN ACTION OR PROCEEDING, WHETHER OF FACT OR OF LAW, AND TO REPORT A STATEMENT OF DECISION. IN CONNECTION WITH SUCH REFERENCE PROCEDURE, THE PARTIES SHALL HAVE ALL RIGHTS AND POWERS AFFORDED TO A CIVIL LITIGANT IN THE SUPERIOR COURT, INCLUDING THE ABILITY TO CONDUCT FULL DISCOVERY. THE REFEREE SHALL BE GOVERNED BY THE RULES OF CIVIL PROCEDURE FOR ACTIONS FILED IN CALIFORNIA SUPERIOR COURTS AS SET FORTH IN THE CALIFORNIA CODE OF CIVIL PROCEDURE, EXCEPT TO THE EXTENT THE PARTIES STIPULATE THE REFEREE MAY DEVIATE THEREFROM. THE CURRENT OPERATOR, ON THE ONE HAND, AND THE OTHER PARTIES, ON THE OTHER HAND, SHALL EVENLY DIVIDE THE COST OF THE REFEREE'S FEES. THE REFEREE SHALL HAVE THE POWER, AS PART OF ANY AWARD, TO INCLUDE THESE FEES AS AN ELEMENT OF RECOVERY. THE DECISION OF THE REFEREE UPON THE WHOLE ISSUE SHALL STAND AS THE DECISION OF THE SUPERIOR COURT, AND UPON THE FILING OF THE STATEMENT OF DECISION WITH THE CLERK OF THE SUPERIOR COURT, JUDGMENT MAY BE ENTERED THEREON IN THE SAME MANNER AS IF THE ACTION HAD BEEN TRIED BY THE SUPERIOR COURT. EXCEPT AS SET FORTH IN SECTION 645 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE, THE REFEREE'S AWARD SHALL BE CONSIDERED FINAL, AND NOT SUBJECT TO APPEAL OR COLLATERAL ATTACK.

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Current Operator's Initials	Buyer Parent's and Buyer's Initials	New Operator Parent's and New Operator's Initials

ARTICLE 12. REPRESENTATIONS AND WARRANTIES

12.1. Current Operator's Representations and Warranties. Current Operator hereby represents and warrants to each of the Other Parties as follows:

12.1.1. Current Operator is a nonprofit public benefit corporation duly organized and in good standing under the laws of the State.

12.1.2. Current Operator (a) possesses, if and where required, all Certifications and all similar approvals necessary to maintain and operate, and (b) is licensed by the State to operate, the Facility as a skilled nursing facility with 300 licensed beds certified and eligible for Medicare and Medicaid reimbursement, and all permits, licenses, provider agreements and other governmental approvals necessary for the operation of the Facility as it is currently operated have been received and are now currently effective. A true and current copy of the Licenses (and, if applicable, the Certifications) is attached hereto as Exhibit K.

12.1.3. There are currently no court orders, consent decrees, judgments or similar directives, including corporate integrity agreements under 42 USC Sec. 1320a-7b(f), affecting the Facility or Current Operator.

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

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

12.1.6. To Current Operator's actual knowledge, the Facility is currently in material compliance with (a) all governmental orders issued by any agency having jurisdiction of the Facility against the Facility or Current Operator, (b) all plans of correction and allegations of compliance filed by or in behalf of the Facility within the three (3) year period immediately preceding the Transfer Date, and (c) all applicable Conditions and Standards of Participation for the Medicare and Medicaid programs. Current Operator has not received written or verbal notice of, nor does it have a reasonable basis to expect the issuance of a written or verbal notice with respect to, any action or proceeding initiated or proposed by State or federal agencies having jurisdiction thereof, to either revoke, withdraw or suspend any of the License or Certificate or to decertify, terminate, ban or limit the participation of Current Operator or the Facility in the Medicare, Medicaid, Veterans Administration or any other third-party payor programs, and to Current Operator's actual knowledge there is no condition or event which constitutes, or which with notice or the lapse of time or both would constitute, a default under or a violation of the

License, the Certification (if any), the Medicare Provider Agreement or the Medicaid Provider Agreement, which might result in the revocation or termination thereof.

12.1.7. Current Operator's financial statements, which were submitted to Buyer Parent and New Operator Parent in connection with its evaluation of the Facility, were prepared in accordance with the books of account and other financial records of Current Operator and fairly present the financial condition and results of operations of the Facility at the dates and for the periods covered thereby. All of the books and records of the Facility, including books and records related to Patient Trust Property and employee records, are true and correct in all material respects.

12.1.8. Current Operator is duly authorized to consummate the transactions contemplated by this Agreement. Current Operator has all necessary power and authority to enter into this Agreement and to execute all documents and instruments referred to herein or contemplated hereby, and all necessary action has been taken to authorize the individual executing this Agreement to do so. This Agreement has been duly and validly executed and delivered by Current Operator and is enforceable against Current Operator in accordance with its terms.

Except as expressly set forth in this Agreement or in the Purchase Agreement, neither Current Operator nor any of its agents, employees or representatives have made, nor are any of them making, any representation or warranty, express or implied, in respect of the Current Operator or its assets, business or operations, and any such other representations or warranties are hereby expressly disclaimed. The Other Parties each expressly acknowledge and agree that none of them or any of their agents, employees or representatives are relying on any other representations or warranties of Current Operator or any of its agents, employees or representatives, including the accuracy or completeness of any such other representations and warranties, whether express or implied.

12.2. Other Parties' Representations, Warranties and Covenants. Each of the Other Parties hereby represents and warrants to, and covenants with, Current Operator, as follows:

12.2.1. Such Other Party is a limited liability company or corporation duly formed and in good standing in the State.

12.2.2. Such Other Party has all requisite power and authority to execute and deliver this Agreement and to carry out its obligations hereunder and the transactions contemplated hereby, and all necessary action has been taken to authorize the individual executing this Agreement to do so. The documents contemplated hereby have been or will be duly authorized by all necessary action on such Other Party's part. This Agreement has been, and the documents contemplated hereby to be executed by such Other Party will be, duly executed and delivered by such Other Party and constitute its legal, valid and binding obligations enforceable against it in accordance with their terms, and the consummation and performance by such Other Party of the transactions contemplated herein will not result in a violation of or be in conflict with or constitute a default under any term or provision of the organizational documents of such Other Party, or any of the terms or provisions of any agreement or instrument to which it is a party or by which it is bound, or of any term of any applicable law, ordinance, rule or

regulation of any governmental authority, or of any term of any applicable order, judgment or decree of any court, arbitrator or governmental authority.

12.2.3. During the past five (5) years, neither such Other Party nor any affiliate of such Other Party (i) has been or is subject to any order, judgment, decree, stipulation or consent of any court or governmental body or agency relating to any actual or alleged violation of any health care law, regulation or program, (ii) has received from any Federal, state or local governmental body or agency any statement of material deficiencies or other notice of material noncompliance with any standard applicable to the physical plant, equipment, care or patient services at any health care facility under its ownership or management for which such deficiencies or noncompliance have not been corrected, (iii) has been the subject of any investigation by any Federal, state or local governmental body or agency for any alleged violation of any Medicare or Medicaid laws or regulations or other Federal, state or local health care programs or (iv) has been excluded or suspended from a Federal health care program, including Medicare, Medicaid or Veterans Administration programs.

12.2.4. As of the Transfer Date, New Operator will qualify and will continue to qualify as a "covered entity" as such term is defined in HIPAA, and will comply and will continue to comply with all requirements under HIPAA and HITECH, including the use or disclosure of protected health information. New Operator will execute and deliver to Current Operator a Business Associate Agreement in the form attached as Exhibit M.

ARTICLE 13. MISCELLANEOUS

13.1. Assignment. Without the prior written consent of the other parties, no party may assign this Agreement to any third parties and any such attempted assignment will be void.

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

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

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

If to Current Operator:

KEIRO SERVICES
325 South Boyle Avenue
Los Angeles, CA 90033-3812
Attn: Shawn Miyake
Phone: (323) 980-7500
Fax: (323) 980-2344
Email: smiyake@keiro.org

With a copy to (which shall not constitute notice):

Neal H. Brockmeyer
Locke Lord LLP
300 South Grand Ave.
Suite 2600
Los Angeles, CA 90071
Phone: (213) 687-6774
Fax: (213) 341-6774
Email: nbrockmeyer@lockelord.com

If to Buyer Parent or Buyer:

PACIFICA COMPANIES LLC
1775 Hancock Street, Suite 200
San Diego, CA 92110
Attn: Adam Bandel
Phone: (619) 296-9000
Fax: (619) 296-9090
Email: abandel@pacificacompanies.com

If to New Operator Parent or New Operator:

ASPEN SKILLED HEALTHCARE, INC.
Attn: V. Jay Brady
28202 Cabot Road, Suite 412
Laguna Niguel, CA 92677
Phone: (949) 347-7100
Fax: (94) 347-7800
Email:
jbrady@aspenskilledhealthcare.com

With a copy to (which shall not constitute notice):

Jennifer Sternshein
Sanders Rehaste Sternshein & Harvey, LLP
5316 E. Chapman Avenue
Orange, CA 92869
Phone: (714) 289-7070
Fax: (714) 289-7071
Email: Jennifer @srshhealthlaw.com

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

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

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

instrument. A manual signature on this Agreement or certificates to be delivered pursuant to this Agreement, an image of which shall have been transmitted electronically, will constitute an original signature for all purposes. The delivery of copies of this Agreement or certificates to be delivered pursuant to this Agreement, including executed signature pages where required, by electronic transmission will constitute effective delivery of this Agreement or such certificates for all purposes.

13.7. Construction. This Agreement has been negotiated by and among the parties in arms-length negotiations, and the parties are responsible for its drafting. The parties have reviewed this Agreement with appropriate counsel, or have waived their right to do so, and the parties hereby mutually and irrevocably agree that this Agreement shall be construed neither for nor against any party, but in accordance with the plain language and intent hereof. The captions of paragraphs and subparagraphs of this Agreement have been inserted solely for the purposes of convenience and reference, and shall not control or affect the meaning or construction of any of the provisions of this Agreement. Unless the context otherwise requires, references to the parties shall be to the parties to this Agreement, and references to articles, sections and exhibits shall be to the articles or sections of, or exhibits to, this Agreement. Exhibits referred to in this Agreement, whether attached hereto or thereto at the time of this Agreement's execution and delivery or thereafter, are hereby incorporated into this Agreement and made a part hereof. "Including" and words of similar import mean "including without limitation" or "but not limited to," and "or" is used in the inclusive sense. Time is of the essence for all dates and time periods set forth in this Agreement and each performance called for in this Agreement.

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

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

13.10. Entire Agreement. This Agreement is being entered into pursuant to the Purchase Agreement and, together with the Purchase Agreement and the exhibits thereto, the Confidentiality Agreements (as defined in the Purchase Agreement) and the other Operations Transfer Agreements, comprises the entire agreement between the parties hereto with respect to the subject matter hereof and shall be construed together with such other agreements. This Agreement may not be amended, modified or terminated except by written instrument signed by the parties hereto.

13.11. No Unintended Beneficiaries. This Agreement is solely between the parties hereto, and shall not create any right or benefit in any third party, including any creditor, agent, partner, employee or affiliate of Current Operator or any entity or agency having jurisdiction of the License, the Facility or the operation of the business therein.

13.12. Survival of Obligations, Representations and Warranties. The respective representations, warranties, covenants and remedies of Current Operator and the Other Parties made herein or in any certificate or other document delivered pursuant to this Agreement, including the obligations of indemnity hereunder, shall survive the Transfer Date, the consummation of the transactions contemplated hereby and by the Purchase Agreement and the delivery of the Operating Assets to Buyer, and shall not be waived or merged thereby, until any applicable statute of limitations has run, notwithstanding any examination made by or for the party to whom such representations, warranties or covenants were made, the knowledge of any officers, directors, shareholders, members, partners, employees or agents of the party, or the acceptance of any certificate or opinion.

13.13. Cross Default. Any material breach or default of any warranty, covenant, agreement, condition or other obligation of a party hereunder, shall constitute a material breach or default of such party under the Purchase Agreement and the non-breaching party shall be entitled to any and all remedies to which such non-breaching party may be entitled under the terms of this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

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

CURRENT OPERATOR:
KEIRO NURSING HOME, a California nonprofit public benefit corporation

By:_____
Shawn Miyake
Its President

BUYER PARENT:
PACIFICA COMPANIES LLP, a California limited liability company

By:_____
Deepak Israni
Its General Manager

BUYER:
PACIFICA SL LINCOLN LLC, a California limited liability company

By:_____
Deepak Israni
Its General Manager

NEW OPERATOR PARENT:
ASPEN SKILLED HEALTHCARE, INC., a California corporation

By:_____
Jay Brady
Its President

NEW OPERATOR:
ALAL, LLC, a California limited liability company

By:_____
Jay Brady
Its Manager

[Signature Page for Keiro Nursing Home OTA]

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By:_____
Jay Brady
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By:_____
Jay Brady
Its President

NEW OPERATOR:
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By:_____
Jay Brady
Its Manager

[Signature Page for Keiro Nursing Home OTA]

EXHIBITS

TO

OPERATIONS TRANSFER AGREEMENT

KEIRO NURSING HOME[1]

Exhibit	Title
A	Form of Assignment and Assumption Agreement
B	Assumed Operating Contracts
C	Form of Bill of Sale
D	Encumbrances
E	Excluded Assets
F	Form of Lease
G	Vehicles
H	Employment Claims
I	Equipment Leases
J	Tenant Leases
K	Licenses and Certifications
L	Pending Actions
M	Form of Business Associate Agreement

[1] Terms not otherwise defined shall have the meanings set forth in the accompanying Operations Transfer Agreement.

EXHIBIT A

FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT

[Attached]

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment") is made and entered into as of the ____ day of _____, 2015, by and between [_____], a California nonprofit public benefit corporation ("Assignor"), and [_____], a [California] limited liability company ("Assignee").

WHEREAS, Assignor and Assignee are parties to that certain Operations Transfer Agreement dated as of _____, 2015 (the "Transfer Agreement"), pursuant to which Assignor has agreed to assign and transfer to Assignee, and Assignee has agreed to assume the obligations under, the Assumed Operating Agreements associated with [_____];

WHEREAS, Assignor now desires to confirm such transfer and assignment, and Assignee now desires to confirm such assumption; and

WHEREAS, all capitalized terms used herein not otherwise defined, shall have the meanings assigned under the Transfer Agreement, and the miscellaneous provisions in Article 13 of the Transfer Agreement shall apply, to the extent appropriate, to this Assignment;

NOW THEREFORE, in accordance with and pursuant to the terms and conditions of the Transfer Agreement and this Assignment, and for good and valuable consideration, the receipt and sufficiency of which Assignee hereby acknowledges, the parties hereto agree as follows:

1. **Assignment**. Assignor hereby assigns and transfers to Assignee, all of Assignor's right, title and interest in, to and under the Assumed Operating Contracts specified on Schedule A attached hereto. In addition, Assignor hereby transfers, assigns and delivers to Assignee all right, title and interest of Assignor in and to all deposits and other security interests, if any, under any Assumed Operating Contracts. Assignor represents and warrants that the full amount of such deposits are in the amounts set forth on Schedule B attached hereto. Assignor further agrees to indemnify and save harmless Assignee from and against any claims which arise in connection with the failure of Assignor to have performed its obligations and liabilities under the Assumed Operating Contracts during the period prior to the Transfer Date.

2. **Assumption.** Assignee hereby accepts the foregoing assignment and hereby assumes and agrees to perform and satisfy, all of the obligations and liabilities of Assignor under the Assumed Operating Contracts to the extent such obligations and liabilities relate to the period from and after the Transfer Date. Assignee further agrees to indemnify and save harmless Assignor from and against any claims which arise in connection with Assignee's failure to perform such obligations and liabilities from and after the Transfer Date.

3. **Authority**. The parties hereto have the full right, power and authority to enter into this Assignment and bind the respective parties, and have obtained all necessary approval for the same from any party affected hereby.

4. **Successors and Assigns**. This Assignment shall inure to the benefit of, and be binding upon, the respective legal representatives, successors and permitted assigns of the parties hereto.

5. **Limitation**. This Assignment is executed in accordance with the terms and conditions of the Transfer Agreement, and the terms hereof are subject to the terms and conditions of the Transfer Agreement. Without limiting the foregoing, nothing contained herein shall be deemed to alter or amend the Transfer Agreement in any way, including without limitation any Excluded Liabilities thereunder.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Assignor and Assignee have caused this Assignment to be duly executed and delivered as of the date first stated above.

ASSIGNOR:

[_____],
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

ASSIGNEE:

[_____],
a [California] limited liability company

By: _____
Name: _____
Its: _____

EXHIBIT B

ASSUMED OPERATING CONTRACTS

[To be delivered by New Operator within 30 days of date of Operations Transfer Agreement]

EXHIBIT C

FORM OF BILL OF SALE

[Attached]

BILL OF SALE

THIS BILL OF SALE (this "Bill of Sale") is executed effective as of the ____ day of _____, 2015, from [_____], a California nonprofit public benefit corporation ("Seller"), to [_____], a [California] limited liability company ("Buyer").

WHEREAS, Seller and Buyer are among the parties to that certain Operations Transfer Agreement dated as of _____, 2015 (the "Transfer Agreement"), pursuant to which Seller has agreed to convey, assign and deliver to Buyer the Operating Assets associated with [_____], and all of Seller's right, title and interest therein, free of Encumbrances;

WHEREAS, Seller now desires to confirm such conveyance, assignment and delivery pursuant to the terms of the Transfer Agreement; and

WHEREAS, all capitalized terms used herein not otherwise defined, shall have the meanings assigned under the Transfer Agreement, and the miscellaneous provisions in Article 13 of the Transfer Agreement shall apply, to the extent appropriate, to this Bill of Sale;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller hereby conveys, assigns and delivers to Buyer all of Seller's right, title and interest in the Operating Assets associated with [_____], including without limitation all patient records and admission agreements, FF&E, Inventory, General Intangibles and Vehicles, but not including any Excluded Assets,

TO HAVE AND TO HOLD, all and singular, for Buyer's use and benefit, and Seller hereby represents and warrants to Buyer that it has full right, power and authority to convey, assign and deliver the foregoing Operating Assets and to make this Bill of Sale, and that the foregoing Operating Assets are free and clear of all Encumbrances. With the exception of the representations and warranties set forth in the immediately preceding sentence, the foregoing Operating Assets are being conveyed, assigned and delivered in their "AS IS, WHERE IS" condition, without any representation or warranty of any kind.

[Remainder of page left intentionally blank]

IN WITNESS WHEREOF, the undersigned has caused this Bill of Sale to be duly executed and delivered as of the date first stated above.

[_____],
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

EXHIBIT D

ENCUMBRANCES

The following are leases for equipment used in the Keiro Nursing Home:

Type of Equipment	Lessor	Expiration Date of Lease
Photocopier	Canon	11/21/14
Photocopier	Canon	3/28/16
Photocopier	Canon	3/28/16
Photocopier	Canon	3/28/16

EXHIBIT E

EXCLUDED ASSETS

The following assets ("Excluded Assets") of Current Operator are not included in this transaction and shall be retained by or delivered to Current Operator in accordance with the terms, conditions, and procedures, including without limitation proration procedures, set forth herein:

(a) all cash, cash equivalents, investments, funds held in trust, pledges, contributions and charitable remainder trusts, excepting Patient Trust Property, which shall be transferred to the New Operator as set forth in the Operations Transfer Agreement (OTA);

(b) all accounts receivable, revenues, accounts, notes, interest and other receivables of Sellers (collectively, the "Accounts Receivable"), including all claims, rights, interests and proceeds related thereto, billed and unbilled, recorded and unrecorded, for services provided or for goods and supplies used by any patients or residents by Current Operator while owner of the Operating Assets whether payable by private pay patients, private insurance, third party payors, private payors, Medicaid (also known in California as Medi-Cal), or Medicaid managed care payors or by any other source and any governmental overpayments and any rights to prosecute any governmental underpayments and receivables; together with all documents, records, correspondence, work papers and other documents relating to the Accounts Receivable;

(c) all intercompany receivables of Current Operator with any of its affiliates;

(d) computer hardware, software and programs;

(e) subject to the provisions of the OTA, all of Sellers' or any affiliate of Sellers' proprietary manuals, policy and procedure manuals and standard operating procedures;

(f) the names "Keiro," "Keiro Senior HealthCare," "Keiro Nursing Home," "South Bay Keiro Nursing Home," Keiro Intermediate Care Facility" and "Keiro Retirement Home," any abbreviations and variations thereof, and any trademarks, trade names, service marks, symbols and logos related thereto, any world-wide web addresses associated with the Seller Group, and any other trademarks, trade names, service marks, copyrights and applications therefor;

(g) all Operating Assets of Current Operator that are disposed of, expended or cancelled in the ordinary course of business prior to the Transfer Date, provided that Current Operator shall not dispose of any Operating Assets without the prior written consent of New Operator (other than Inventory and other Operating Assets used at the Facility in the ordinary course of business, which shall be replenished to at least statutorily-required levels in the normal course);

(h) assets owned and provided by vendors of services or goods to the Facility;

(i) all claims, rights, interests and proceeds with respect to state or local tax refunds (including property tax) resulting from periods prior to the Transfer Date, and the right to pursue appeals of same;

(j) all of Current Operator's organizational and corporate records, minute books and financial, tax and accounting books and records;

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

(l) all refunds, rebates and dividends paid in respect of worker's compensation or other insurance premiums paid by Current Operator prior to the Transfer Date and any refunds or additional recoveries by or payments to Current Operator from any person for services or sales of goods or supplies prior to the Transfer Date;

(m) all settlements, refunds or returns of any other monies from any source or rights of any nature arising from or connected to Current Operator's operation of the Facility prior to the Transfer Date;

(n) all prepaids or deposits made by Current Operator;

(o) all accounts and balances in such accounts maintained by Current Operator at banks or other financial institutions;

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

(q) all existing licenses issued for or in connection with the ownership or operation of the Facility, including those issued by the California Department of Public Health;

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

(s) all of Current Operator's interest in and to the Terminated Operating Contracts;

(t) all insurance policies of Current Operator and, except as otherwise provided in Section 9.3 of the Purchase Agreement, rights to proceeds or return of premiums with respect thereto; and

(u) the Excluded Assets listed on Exhibit 1.2(u) to the Purchase Agreement.

EXHIBIT F

FORM OF LEASE

LEASE AND OPERATIONAL CONTROL AGREEMENT

THIS LEASE AND OPERATIONAL CONTROL AGREEMENT ("Agreement" or "Lease") is made as of _____, 2015, between Pacifica SL Lincoln, LLC, a California limited liability company ("Owner") and ALAL, LLC, a California limited liability company (the "Operator"). Owner and Operator are collectively referred to herein as "Parties."

WITNESSETH:

WHEREAS, Owner is a limited liability company organized in the state of California and is under contract to acquire a skilled nursing facility and the underlying real property located at 2221 Lincoln Park Avenue, Los Angeles, California, with 300 licensed and Medicare/Medicaid-certified skilled nursing beds commonly known as "Keiro Nursing Home" (the "Facility" and/or the "Premises" according to context);

WHEREAS, escrow for the acquisition of the Premises by Owner is scheduled to close on or about July 1, 2015, subject to licensing approval;

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

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

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

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

1. Lease and Operations. For and in consideration of the covenants and agreements hereinafter contained, Owner does hereby let, lease, and demise unto Operator, and Operator does hereby lease from Owner, the real property described on Exhibit A and the Facility located thereon and the parking spaces (on a non-exclusive basis), equipment, inventory and furnishings located at the Facility (the "Premises").

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

2. Term.

(a) The term of this Agreement shall be for a period of fifteen (15) years beginning on the date that Owner acquires fee title to the Premises (the "Commencement Date") and ending on the fifteenth (15th) anniversary of such date (including any Extension Term described below, the "Term").

(b) Operator shall have and is hereby granted one (1) option (the "Extension Option") to extend the Term (the "Extended Term") for an additional ten (10) years,

provided no continuing Event of Default then exists hereunder at the commencement of the Extended Term, upon the terms, covenants, conditions set forth herein but at a rental rate of the greater of (i) 1.03 percent of the rental amount in effect at the end of the Extended Term; and (ii) market rental rate for similar facilities taking into consideration all relevant factors, which market rental rate shall be determined by mutual agreement or, in the absence of mutual agreement, by appraisal conducted by an MAI appraiser specializing in the appraisal of senior housing facilities. Such appraiser shall be selected by mutual consent of the parties or, in the absence of mutual consent, each party shall select a qualified appraiser and the those two appraisers shall select a third qualified appraiser who shall establish the rental rate for the Extended Term. All costs of the appraisal process shall be shared equally by the parties. Operator may exercise such Extension Option by giving written notice to Owner not less than six (6) months nor more than twelve (12) months prior to the expiration of the initial Term. Should Operator fail to give Owner such timely written notice during the required period, the then current Term and all rights of renewal shall automatically expire as of the then scheduled expiration date of the Term.

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

3. Rental. As rental for the Premises, Operator shall pay to Owner on the first day of each month of the Term, rent as follows:

(a) Base rent not less than One Million Eight Hundred Thirty-Two Thousand and No/100 Dollars ($1,832,000.00) per year payable monthly which is equal to One Hundred Fifty-Two Thousand Six Hundred Sixty-Seven and No/100 Dollars ($152,667.00) per month.

(b) Except for the market rent adjustments applicable at the commencement of the Extended Term described above, Base rent shall be increased on each annual anniversary date of the commencement of this Lease (each a "Rent Adjustment Date") by an amount equal to the result of multiplying the Base Rent in effect immediately prior to the applicable Rent Adjustment Date by 1.03.

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

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

4. Triple Net Lease. This is a triple net lease (meaning that in addition to the rental payment set forth in Section 3 above, Operator shall pay all amounts necessary to operate and maintain the Facility, including without limitation, all real property taxes and assessments, repairs, maintenance and replacements for the Premises, and insurance. The rent due under this lease will

be paid by Operator and be received by Owner without any deduction or offset whatsoever by Operator, foreseeable or unforeseeable. Property tax and insurance payments shall be paid by Operator to Owner quarterly. The timing and amount of such quarterly payments shall be such that Owner will have sufficient funds from which to pay all property tax and insurance invoices at such times as to avoid any and all penalties and to take maximum advantage of any and all discounts available.

5. Absolute Net Lease.

(a) All rent payments shall be absolutely net to the Owner free of taxes, assessments, utility charges, operating expenses, refurnishings, insurance premiums or any other charge or expense in connection with the Premises. All expenses and charges, whether for upkeep, maintenance, repair, (whether structural or non-structural) refurnishing, refurbishing, restoration, replacement, insurance premiums, taxes, utilities, and other operating or other charges of a like nature or otherwise, shall be paid by Operator provided, however, that Operator shall not be responsible for repair or replacement necessary to cure any condition for which Owner is responsible under Paragraph 16(d). This provision is not in derogation of the specific provisions of this Lease, but in expansion thereof and as an indication of the general intentions of the parties hereto. Operator shall continue to perform its obligations under this Lease even if Operator claims that Operator has been damaged by any act or omission of Owner. Therefore, Operator shall at all times remain obligated under this Lease without any right of set-off, counterclaim, abatement, deduction, reduction or defense of any kind, except as otherwise expressly provided for in this Agreement. Operator's sole right to recover damages against Owner by reason of a breach or alleged breach of Owner's obligations under this Lease shall be to prove such damages in a separate action against Owner.

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

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

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

9. Operational Responsibilities.

(a) Responsibilities of Owner.

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

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

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

(iv) Owner shall endeavor to refer residents from the independent living, assisted living, and memory care components of its related Keiro facility located at 325 South Boyle Avenue, Los Angeles, California (the "Boyle Campus") to the skilled nursing Facility to the greatest extent feasible. Likewise, Operator shall endeavor to refer residents from the skilled nursing Facility to the independent living, assisted living, and memory care components of the Boyle Campus to the greatest extent feasible. Neither party shall pay nor be entitled to remuneration nor compensation of any kind for such referrals. Operator has no obligation to provide such referrals as a matter of compliance with this Lease.

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

(i) Recruit, screen, employ, train, promote, direct and terminate the employment of Facility personnel as necessary for the operation of all departments and services of the Facility, including without limitation, setting the salary levels, establishing personnel policies, and maintaining employee benefits within prescribed regulatory limits and consistent with developed performance standards. At or prior to the Commencement Date, Operator will tender offers of employment to all of the Employees involved in the skilled nursing facility activities at the Facility in good standing. Such offers of employment made by Operator will be made in a manner sufficient to comply with federal, state, and local law, and for wages and benefits that are not less favorable than those provided to other similarly situated employees of the facilities in which Owner's affiliates have an ownership interest and which are located in California.

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

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

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

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

(vi) Be responsible for purchase of supplies, equipment, maintaining supply agreements or purchase contracts. Implement repairs and continued maintenance of Facility equipment and buildings. Be responsible for conducting periodic on-site inspections of the Facility, announced and unannounced, to ensure the physical plant and grounds are in satisfactory repair and condition.

(vii) Maintain a set and system of accounting books and records used in the operation of the Facility at Operator's expense by Operator's employees. Such books and records shall be maintained on the basis of a December 31st calendar year or other such fiscal year elected by the Operator with written notice to Owner and shall permit Owner or any of its agents, representatives or lenders to have access to and to examine and copy or make abstracts of all such books and records at any time or times hereafter during normal business hours.

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

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

(x) For a period of at least five (5) years from and after the Commencement Date, Operator shall operate the Facility in a "culturally sensitive" manner, meaning the existence of an environment that fosters an awareness and

acceptance of the cultural characteristics, history, values, belief systems and behaviors of the Japanese American residents and families, which will include:

Menus: The menus will contain many traditional Japanese dishes, and alternative Japanese dishes are made available with notes about dietary factors.

Television Programming: Residents will be able to view NHK TV, operated by Japan Broadcasting Corporation, which broadcasts Japanese and Asian news and lifestyle and cultural programming.

Programs and Activities: Residents may participate in traditional Japanese activities, such as ikebana (the art of floral arrangements), the koto (a stringed musical instrument), origami (the art of paper folding) and shigin (reciting/singing).

Japanese Holiday Observance: The Facility will observe the Respect for the Aged Day (Keiro no Hi), which since 1966 has been celebrated annually in September to honor elderly persons.

Library. Residents will have access to libraries that, in addition to English materials, contain books, videos and discs in the Japanese language and Japanese books, videos and discs in the English language.

Operator will participate in other community programs directed to the Japanese American population and use volunteers who have the Japanese American cultural and language background.

Operator shall support the existing volunteer program for the Facilities;

Operator shall organize and sponsor a Community Advisory Board, the initial charter of which is attached as Exhibit B, to provide Operator with advice and feedback to assist them in providing a consistent experience and ensure continuity during and after the transition and in providing quality care for residents of the Facility;

Operator shall continue providing community benefit programs and to expend a combined total of $118,941.50 at the Facility and the other 98 bed skilled nursing facility Operator leases from Owner located at 15115 South Vermont Avenue, Gardena, California and commonly known as "South Bay Keiro Nursing Home," for such programs during each twelve (12) month period from and after the Commencement Date;

Operator shall continue providing a placement priority to residents of the Facilities who may require either a higher or a lower level of care over new residents admitted from outside the Facilities; and

Operator shall maintain the physical donor recognition at the Facility.

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

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

11. Repairs and Replacements. Subject to Section 5, Operator agrees, at its own cost and expense, to keep and maintain each and every part of the Facility both structural and non-structural, the equipment and furnishings on the Premises, (including the roof, walls, electrical systems and all plumbing), and the aesthetical features of the Premises (paint, floor coverings, landscaping, window treatments, case goods, etc.) in as good repair as when the premises were received, or in their highest state of repair during the Term, casualties beyond Operator's control alone excepted, and to be responsible for the maintenance and normal operating condition of all heating, electrical and air conditioning equipment and plumbing on the Premises at its own cost and expense. Operator shall expend no less than One Hundred Thousand and No/100 Dollars ($100,000.00) annually on true capital expenditures (excluding any soft costs such as IT, software, or administrative expenses) in complying with this repair and replacement obligation, and shall provide written evidence of compliance to Owner within 15-day days following each Rent Adjustment Date. Operator shall return the Premises at the expiration or termination of this Agreement in the same or better condition as at the commencement date of this Lease, excepting only casualties beyond Operator's control. Further, Operator shall promptly make or cause to be made all repairs, interior and exterior, structural and nonstructural, ordinary and extraordinary, foreseen and unforeseen, necessary to keep the Premises in good and lawful order and aesthetically pleasing condition and in substantial compliance with all applicable local, state and federal laws and licensing requirements, provided, however, Operator shall not be responsible for repair or replacement necessary to cure any defect in condition for which Owner is responsible as set forth in Section 16(d). Operator shall also replace any worn out equipment located at the Facility in accordance with practices which are reasonable or customary in the operation of nursing homes. Provided, however, in the event Operator does not wish to remain in possession of any such worn out equipment which is not needed in connection with the operation of the Premises, in lieu of replacing or retaining at the Premises, Operator may return to Owner, or, at Owner's discretion, may discard same. Owner reserves the right at all times, on reasonable notice, to inspect the condition to the Premises for compliance with Operator's obligations hereunder.

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

13. Alterations. Operator shall have the right and privilege to make, at Operator's expense, ordinary repairs and alterations to the Premises; provided, however, no alterations or changes of a structural nature exceeding One Hundred Thousand Dollars ($100,000) shall be made without the prior written consent of Owner.

14. Reserved.

15. Untenantability. Should the improvements on the Premises be rendered unfit for occupancy for the purposes for which they are hereby let, by reason of fire, windstorm or other act of nature or unavoidable casualty, the rentals hereinabove stipulated to be paid by Operator, or such proportion thereof as is related to that portion of the improvements on the Premises rendered untenantable by reason of such damage, shall continue and not be remitted or abated, the parties recognizing that Operator shall purchase and obtain Business Interruption Insurance under Section 21 of this Lease. Provided, however, Owner may, upon the occurrence of any such casualty, elect to terminate this Agreement if the cost of replacing or repairing the improvements so damaged upon the Premises equals or exceeds fifty percent (50%) of the appraised property value prior to such damage. Owner shall in no way be liable or responsible for any damage to any property of Operator in or about the Premises by reason of flood, water, fire, windstorm or other casualty or act of nature.

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

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

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

(c) Lease. There is no lease affecting the Premises that Owner does not have the power to terminate on or before the Effective Date.

(d) Condition. Subject to Owner's completion of its due diligence, the Premises shall be accepted by Operator in its current condition. Should Operator's due diligence reveal that Material Physical Defects exist at the Premises, and that repairs of such Material Physical Defects are necessary, such repairs shall be set forth on Schedule 16(d) with a corresponding increase to the lease basis ($20,355,555) and rent (9% of lease basis). For the purposes of this Section 16(d) "Material Physical Defects" shall mean, any physical defect(s) of the Premises, including the roof, walls, and exterior plumbing, together with all equipment, furnishings, heating, electrical and air conditioning equipment, and interior plumbing on the Premises, which are beyond normal wear and tear, and the continued existence of such physical defect would have a material adverse effect on Operator's ability to use the Premises for its primary intended use as a duly licensed, Medicare/Medi-Cal certified skilled nursing facility.

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

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

(g) No Consent. No consent or approval of any third party is required in connection with the execution and delivery of this Agreement by Owner or the consummation by Owner of the transactions contemplated hereby, other than governmental licenses required for the operation of the Facilities.

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

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

(j) Broker or Finder. Both Owner and Operator represent and warrant to each other that no brokerage fees are required to be paid by either Owner or Operator as a consequence of entering into this Lease.

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

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

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

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

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

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

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

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

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

(h) Compliance With Laws by Operator. During the Term and any renewal or extension term, Operator shall, at its sole cost and expense, comply with (and shall be liable for violations and cure of) all local legal requirements relating to the physical condition of all parts of the Premises (other than such items covered by the warranty contained in Paragraph 16(d)). Operator shall not commit any act or omission that would in any way violate a certificate of occupancy affecting the Premises.

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

other person takes possession of the Premises through foreclosure proceeding or otherwise. Upon the request of Owner, Operator shall subordinate this Agreement to the lien of a new Encumbrance on the Premises, on the condition that the proposed lender agrees not to disturb Operator's rights under this Agreement so long as Operator is not in Default hereunder.

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

20. Conduct of Business and Uses. The Premises are leased to Operator for the purpose of operating the Facility as a skilled nursing facility and Operator covenants and agrees with and unto Owner that the Premises will be used only for such purpose, except with the prior written consent of Owner. Operator covenants and agrees that Operator will not do or permit to be done anything in, upon, or about the Premises that increases the hazard of fire beyond that which exists by reason of the uses and occupancy of the Premises for Operator's stated purpose. Operator will not do or permit to be done anything within Operator's control which would make the Premises, or the improvements thereon, uninsurable in whole or in part. Operator agrees that Operator will neither commit waste nor permit waste to be committed or done upon the Premises.

21. Insurance.

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

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

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

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

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

(f) General Insurance Requirements.

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

(ii) All insurance provided for in this Lease shall be maintained under valid and enforceable policies issued by insurers of recognized responsibility, which are acceptable to Owner in its reasonable discretion. Any and all policies of insurance required under this Lease shall name the Owner as an additional insured. In addition, Owner shall be shown as the loss payable beneficiary under the casualty insurance policy maintained by Operator pursuant to this Section 21. Original policies or satisfactory certificates from the insurers evidencing the existence of all policies of insurance required by this Lease and showing the interest of the Owner shall be provided to Owner prior to the commencement of the Term and shall provide that the subject policy may not be canceled except upon not less than ten (10) days prior written notice to Owner. If Owner is provided with a certificate, upon Owner's request Operator shall provide Owner with a complete copy of the insurance policy evidenced by such certificate within thirty (30) days of the commencement of the Term. Renewal policies or certificates therefor from the insurers evidencing the existence thereof shall be provided to Owner not less than ten (10) days prior to the expiration dates of the policies. If Owner is provided with a certificate for a renewal policy, upon Owner's request Operator shall deliver a copy of the complete renewal policy to Owner within thirty (30) days of

the expiration of the replaced policy. Any claims under any policies of insurance described in this Lease shall be adjudicated by and at the expense of Operator or of its insurance carrier, but shall be subject to joint control of Operator and Owner. Operator shall comply with the reasonable requirements of Facility Mortgagee, if any, with respect to naming the Facility Mortgagee as additional insured or loss payee.

22. No Liens, Permitted Contests. Operator shall not cause or permit any liens, levies or attachments to be placed or assessed against the Premises or the operation thereof for any reason except as permitted in Section 12 hereof. However, Operator shall be permitted in good faith and at its expense to contest the existence, amount or validity of any lien upon the Premises by appropriate proceedings sufficient to prevent the collection or other realization of the lien or claim so contested, as well as the sale, forfeiture or loss of any of the Premises or any rent to satisfy the same. Operator shall provide Owner with security satisfactory to Owner in Owner's reasonable judgment to assure the foregoing. Each contest permitted by this Section 22 shall be promptly and diligently prosecuted to a final conclusion by Operator.

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

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

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

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

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

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

Information and not disclose or reveal such information to any third party without prior written consent of the other, except as required by law.

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

Notwithstanding any other provision of this Section 25, Operator agrees that any information furnished by Operator to Owner under this Lease may be furnished to Owner's lender providing the mortgage financing on the Premises and that such disclosure shall not violate the provisions of this Section 25.

26. Indemnification.

(a) By Operator: Subject in all respects to Section 29 hereof, to the fullest extent permitted by law, Operator agrees to protect, indemnify, defend and save harmless Owner, its directors, officers, shareholders, agents, affiliated companies and employees from and against any and all foreseeable or unforeseeable liability, expense loss, costs, deficiency, fine, penalty, injury, claims or damage (including, without limitation, punitive or consequential damages) of any kind or nature, including reasonable attorneys' fees, from or relating to any suits, claim or demands based on events occurring during the Term, (i) on account of any action (or failure to act) of Operator arising out of or in connection with this Lease (including, without limitation, the breach by Operator of any of its obligations hereunder), or (ii) relating in any manner to the operations of Operator on or relating to the Premises, or (iii) relating in any manner to the operation of the Facility by Operator. Upon receiving knowledge of any suit, claim or demand asserted by a third party that Owner believes is covered by this indemnity, Owner shall give Operator written notice of the matter. Operator shall defend Owner against such matters that are covered by this indemnity at Operator's sole cost and expense (including, without limitation, Owner's reasonable attorneys' fees and costs) with legal counsel reasonably satisfactory to Owner. Owner may elect to defend the matter with its own counsel at Owner's expense.

(b) By Owner. Subject in all respects to Section 29 hereof, to the fullest extent permitted by law, Owner agrees to protect, indemnify, defend and save harmless Operator, its directors, officers, shareholders, agents, affiliated companies and employees from and against any and all foreseeable or unforeseeable liability, expense loss, costs, deficiency, fine, penalty, injury, claims or damage (including, without limitation, punitive or consequential damages) of any kind or nature, including reasonable attorneys' fees, from or relating to any suits, claim or demands based on events occurring during the Term, (i) on account of any action (or failure to act) of Owner arising out of or in connection with this Lease (including, without limitation, the breach by Owner of any of its obligations hereunder), or (ii) relating in any manner to the operations of Owner on or relating to the Premises, or (iii) relating in any manner to the operation of the Facility by Owner. Upon receiving knowledge of any suit, claim or demand asserted by a third party that Operator believes is covered by this indemnity, Operator shall give Owner written notice of the matter. Owner shall defend Operator against such matters that are covered by this

indemnity at Owner's sole cost and expense (including, without limitation, Operator's reasonable attorneys' fees and costs) with legal counsel satisfactory to Operator. Operator may elect to defend the matter with its own counsel at Owner's expense. Notwithstanding any other provision of this Paragraph 26(b), Owner shall have no indemnity obligation under this Paragraph 26(b) for or with respect to or relating to any matter which is or would be covered by the insurance required under Section 21.

(c) The provisions of this Paragraph 26 shall survive the termination of this Agreement.

27. Default. In the event either party fails to perform any material obligations under this Agreement and such failure continues for a period of three (3) days (following any applicable grace period) in connection with a payment default or thirty (30) days with respect to any other default after written notice is given by the other party which sets forth the nature of the default, such party shall be deemed to be in "Default" and any applicable remedies thereon shall be available to such other party; provided, however, that if the nature of the default is such that the same cannot reasonably be cured within such thirty (30) day period, the defaulting party shall not be deemed to be in Default if it, within such thirty (30) day period, commences cure of such Default and thereafter diligently pursues the same to completion within a reasonable time. In addition to the foregoing, the Operator and Owner agree that the following shall constitute a Default by Operator under this Agreement and Operator shall have no cure period with respect thereto:

(a) If Operator has its license to operate the Facility as a provider of nursing home services suspended or revoked or an order is imposed suspending its right to operate including, by example and not by limitation, any action that limits the ability to admit residents or patients; or

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

(c) If Operator is terminated as a provider of nursing services in the Medicare or Medicaid programs for the Facility;

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

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

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

(g) Any default by AGVA, LLC, a California limited liability company ("AGVA") under that certain Lease and Operational Control Agreement of even date herewith between AGVA (an affiliate of Operator) and Pacifica SL Vermont LLC, a California limited liability company (an affiliate of Owner) for that certain skilled nursing facility and the underlying real property located 15115 South Vermont Avenue, Gardena, California, with 98 licensed and Medicare/Medicaid-certified skilled nursing beds commonly known as "South Bay Keiro Nursing Home."

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

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

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

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

Operator acknowledges that one of the rights and remedies available to Owner under applicable law is to apply to a court of competent jurisdiction for the appointment of a receiver to take possession of the Premises, to collect the rents, issues, profits and income of the Premises and to manage the operation of the Premises. Operator further acknowledges that the triggering of a Default pursuant to Sections 27(a) or (c) above will materially and irreparably impair the value of Owner's investment in the Premises. Therefore, in any of such events, and in addition to any other right or remedy of Owner under this Lease, Owner may petition any appropriate court for, and

Operator hereby consents to, the appointment of a receiver to take possession of the Premises, to manage the operation of the Premises and the Facility, to collect and disburse all rents, issues, profits and income generated thereby and to preserve or replace to the extent possible any such license and provider certification for the Premises and the Facility or to otherwise substitute the licensee or provider thereof. The receiver shall be entitled to a reasonable fee for its services as a receiver. Operator hereby irrevocably stipulates to the appointment of a receiver under such circumstances and for such purposes and agrees not to contest such appointment.

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

30. Assignment and Subletting. Owner is relying upon the particular knowledge and expertise of Operator in entering into this Agreement and, therefore, this Agreement shall be treated as a personal services agreement. Accordingly, Operator shall not assign this Agreement, nor sublet the Premises or any part thereof, without the prior consent in writing of Owner which may be withheld or conditioned in Owner's sole discretion. The consent by Owner to a particular assignment or subletting shall not be construed to relieve Operator from the obligation to obtain the consent in writing of Owner on any other or future assignment or subletting. Any change in the majority ownership of the Operator shall constitute an assignment for purposes of this Agreement; except that the foregoing shall not apply to (i) a transfer of an ownership interest in Operator to a relative of a member of Operator for estate planning purposes; (ii) if, after effectuating the Change, there is no change in the voting or operational control of Operator; or (iii) in connection with a capital transaction involving a new equity partner at the parent level of Operator.. Owner may assign this lease without the prior written consent of Lessee and will provide Operator with ninety (90) days advance written notice of such assignment.

31. Condemnation. In the event all or any part of the Premises should be subjected to eminent domain proceedings, and a portion of the Premises shall be condemned so as to render the residue inadequate for Operator's purposes as herein set forth, Operator shall have the option to terminate and cancel this Agreement by giving written notice to Owner. If any such taking shall not render the residue of the Premises wholly inadequate for Operator's purposes as herein set forth, Operator's rentals hereunder shall be reduced in the proportion which the value of the property taken bears to the whole value of the Premises with improvements. In any such condemnation proceedings, all damages allocable to full fee simple ownership of the Premises shall be payable to Owner, and any damages for loss of leasehold interest, including the unamortized portion of the value involved in such condemnation of any non-removable fixture placed on the Premises by Operator shall be payable to Operator provided such payment to Operator does not reduce the amount payable to Owner as compensation for the fee simple ownership interest alone.

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

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

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

(b) Reserved.

34. Relationship of the Parties.

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

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

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

the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part by Medicare or Medicaid, or (ii) in return for purchasing, leasing, or ordering or arranging for or recommending purchasing, leasing, or ordering any good, facility, service, or item for which payment may be made in whole or in part by Medicare or Medicaid.

36. Provisions on Termination of Term.

(a) Surrender of Possession. Operator shall, on or before the last day of the Term, or upon earlier termination of this Lease or upon Owner taking possession of the Premises under Paragraph 28, surrender to Owner the Premises (including, if required by law, all patient charts and resident records along with appropriate patient and resident consents, if necessary in accordance with applicable law) in good condition and repair, ordinary wear and tear excepted. Operator, to the extent permitted by law, may request and receive a copy of any records relating to patients in the prior care of Operator for a preceding period of five (5) years.

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

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

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

anticipate that allowing such arrangement could potentially cause harm to Operator's reputation or good standing with CDPH, Medicare, Medicaid or such similar successor reimbursement programs.

(e) If this Lease is terminated by reason of Default by Operator, or upon the expiration of the Term, or upon Owner taking possession of the Premises under Paragraph 28, then, and in any of such events, Operator, upon Owner's written request, shall to the greatest extent permitted by law, transfer to Owner or its assigns, the following: (i) all federal, state or municipal certificates, licenses and permits which relate to the operation of the Facility; and (ii) all rights attendant to the name of the Facility as then known to the general public and (iii) at Owner's option, any provider agreements relating to the Facility (or allow Owner, at its option, to assume such agreements). In the event Operator fails or refuses to transfer any such certificate, license, permit or trade name, or other items then this provision shall constitute an act of assignment by Operator to Owner or its assigns without the necessity of any further written instrument and Owner hereby grants to Operator an irrevocable power of attorney and appoints Owner its true and lawful attorney by this instrument, said appointment being coupled with an interest, to sign such documents and take such action in Operator's name to accomplish the actions contemplated by this Paragraph 36.

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

37. Miscellaneous Provisions.

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

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

Pacifica SL Lincoln, LLC,

Address: 1775 Hancock Street, Suite 200
San Diego, CA 92110

Attn: Deepak Israni
Telephone: 619-296-9000
Facsimile: 619-296-9090
Email: disrani@pacificacompanies.com

with a copy to:
Thomas P. Sayer, Jr., Esq.
Address: 9974 Scripps Ranch Blvd. #284
San Diego, CA 92131
Telephone: 858-335-9590
Facsimile: 800-796-4203
Email: tsayer1@san.rr.com

ALAL, LLC

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

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

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

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

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

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

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

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

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

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

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

(k) Effective Date. This Lease shall become effective as of 12:01a.m. on the date that Owner acquires ownership of the Premises.

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

38. Key Payment. In consideration for the execution of this Lease, Operator shall pay Owner a contract fee in the total amount of Seventy-Five Thousand and No/100 Dollars ($75,000.00) at the Commencement Date which fee shall be fully earned by Owner.

39. Deposit. Operator agrees that a deposit in the total amount of One Hundred Forty-Nine Thousand Five Hundred and No/100 Dollars ($149,500.00) shall be paid in connection with this Agreement. Operator may defer payment of 50% of the deposit until the first (1st) day of the second (2nd) year of the initial Term of this Lease. Such deposit may be applied against any and all payments or obligations owed by Operator under this Agreement to Owner if Operator fails to pay such payments or comply with such obligations on or before the date on which such payments are due or the date on which such obligations are to be satisfied. The portion of deposit not so applied shall be returned to Operator within fifteen (15) days after the expiration of this Lease.

40. Owner's Security Interest. The parties intend and Operator agree that upon a Default, Owner will be entitled to exercise the remedies of a secured party under the UCC with respect to the

Operator Property so that Owner or its designee will be entitled to operate or re-let the Premises intact for use as a Facility licensed for the applicable Primary Intended Use.

41. Grant of Security Interest.

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

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

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

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

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

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

(iv) As necessary, Operator's accounts receivable lender and [Bank] shall enter into an intercreditor agreement in compliance with Section 12 hereof; and

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

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

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

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

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

IN WITNESS WHEREOF, Owner and Operator have hereunto set their hands this _____ day of _____, 2015.

OWNER:

Pacifica SL Lincoln, LLC, its General Partner

By: _____
Name: Deepak Israni
Title: General Manager

OPERATOR:

ALAL, LLC, a California limited liability company

By: _____
Name: Jay Brady
Title: Manager

EXHIBIT A

Legal Description

EXHIBIT A-1

Description of Facility/Premises

OWNER	PROPERTY LOCATION	LICENSED BEDS
Pacifica SL Lincoln, LLC a California limited liability company	The skilled nursing facility and the underlying real property located at 2221 Lincoln Park Avenue, Los Angeles, California, with 300 licensed and Medicare/Medicaid-certified skilled nursing beds commonly known as "Keiro Nursing Home"	300

EXHIBIT B

Community Advisory Board - Initial Charter

EXHIBIT C

(Operational Control Transfer and Assignment Agreement)

NOTICE OF CHANGE IN OPERATIONAL CONTROL

1. Effective _____, 2015, ALAL, LLC, a California limited liability company will control operations of the 300-bed facility now controlled by Keiro Nursing Home and licensed at:

2221 Lincoln Park Avenue,
Los Angeles CA 90031

2. Keiro Nursing Home relinquished control of the operations of the above-referenced long term care nursing facility as of _____, 2015.

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

The foregoing terms and conditions are hereby accepted and approved by the undersigned as of _____, 2015.

Keiro Nursing Home

By: _____
Name:
Title:

ALAL, LLC

By: _____
Name: Jay Brady
Title: Manager

EXHIBIT G

VEHICLES

The following vehicles are used for the Keiro Nursing Home:

Year	Make	Model	License	VIN
2000	DODGE	BRAUN	6J56522	2B6LB31Z3YK142234
2000	DODGE	BRAUN	6F37906	2B6LB31Z6YK130708
2000	NISSAN	FRONTIER	6F37906	1N6DD21S4YC385779
2013	FORD	E-350 BRAUN	7ANB971	1FTDS3ELXDDA39032
2013	FORD	E-350 BRAUN	7ANB970	1FTDS3EL1DDA39033

EXHIBIT H

EMPLOYMENT CLAIMS

None

EXHIBIT I

EQUIPMENT LEASES

See Exhibit D, which is incorporated by reference.

EXHIBIT J

TENANT LEASES

None

EXHIBIT K

LICENSES AND CERTIFICATIONS

[Attached]

License: 970000059
Effective: 06/30/2014
Expires: 06/29/2015
Licensed Capacity: 300

State of California
Department of Public Health

In accordance with applicable provisions of the Health and Safety Code of California and its rules and regulations, the Department of Public Health hereby issues

this License to

Keiro Nursing Home

to operate and maintain the following Skilled Nursing Facility

Keiro Nursing Home
2221 Lincoln Park Ave
Los Angeles , CA 90031-2920

Bed Classifications/Services
300 Skilled Nursing

This LICENSE is not transferable and is granted solely upon the following conditions, limitations and comments:
None

Ron Chapman, MD, MPH
Director & State Health Officer

Adewole Adegoke, District Supervisor

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, L.A. County East District Office, 3400 Aerojet Avenue, Suite 323, El Monte, CA 91731, (626)569-3724

POST IN A PROMINENT PLACE

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

MARK B HORTON, MD, MSPH
Director

EDMUND G. BROWN JR.
Governor

February 22, 2011

CCN: 55-5438

Administrator
Keiro Nursing Home II
2221 Lincoln Park Avenue
Los Angeles, CA 90031

Dear Administrator:

We have accepted your agreement to participate as **Skilled Nursing/Nursing** facility in the Medi-Cal program under Title XIX of the Social Security Act.

This letter **verifies** your facility's participation in the Medi-Cal program and should be retained in your records. This Medi-Cal Provider Agreement is effective February 22, 2011.

Your continued participation in the Medi-Cal program depends on your ability to maintain compliance with Title 42 of the Code of Federal Regulations. Staff of the California Department of Public Health or the Department of Health and Human Services, Centers for Medicare and Medicaid Services, may inspect your facility on a periodic basis to determine your compliance with federal regulations.

For provider billing number inquiries please contact the Department of Health Care Services, Provider Enrollment Division, at MS 4704, P.O. Box 997413, Sacramento, CA 95899-7413, (916) 323-1945.

Questions relative to Medi-Cal certification call and speak with my staff at (916) 552-8619.

Sincerely,

John Dexter, Chief
Provider Certification Unit

noridian
Healthcare Solutions

February 19, 2014

KEIRO NURSING HOME
ATTN: JANIE TESHIMA
2221 LINCOLN PARK AVE
LOS ANGELES CA 90031-2920

Reference # 355834193

Dear Janie,

We are pleased to inform you that your revalidated Medicare enrollment application is approved. Listed below are your National Provider Identifier (NPI) and Provider Transaction Access Number (PTAN).

You must use your NPI on all Medicare claim submissions. Because the PTAN is not considered a Medicare legacy identifier, do not report it as an "other" provider identification number to the National Plan and Provider Enumeration System (NPPES).

Your PTAN will be the required authentication element for all inquiries to customer service representatives (CSRs), written inquiry units, and the interactive voice response (IVR) system. The IVR allows you to inquire about claims status, beneficiary eligibility and transaction information.

If you plan to file claims electronically, please contact our EDI department at 855-609-9960 (JE).

Medicare Enrollment Information

Provider name:	LBN: KEIRO NURSING HOME
Practice Location:	2221 Lincoln Park Ave Los Angeles CA 90031-2920
National Provider Identifier (NPI):	1487754297
Provider Transaction Access Number (PTAN):	55-5438
Specialty:	SNF
Effective date:	09-25-1990

Please verify the accuracy of your enrollment information. If you have any questions regarding the information above, call 855-609-9960 (JE) between the hours of 8:00 AM and 4:00 PM. You are required to submit updates and changes to your enrollment information in accordance with specified timeframes pursuant to 42 CFR §424.516. Reportable changes include, but are not limited to, changes in: (1) legal business name (LBN)/tax identification number (TIN), (2) practice location, (3) ownership, (4) authorized/delegated officials, (5) changes in payment information such as electronic funds transfer information and (6) final adverse legal actions, including felony convictions, license suspensions or revocations, an exclusion or debarment from participation in Federal or State health care program, or a Medicare revocation by a different Medicare contractor.

Providers and suppliers may enroll or make changes to their existing enrollment in the Medicare program using the Internet-based Provider Enrollment, Chain and Organization System (PECOS). Go to: www.cms.hhs.gov/MedicareProviderSupEnroll.

Providers and suppliers enrolled in Medicare are required to ensure strict compliance with Medicare regulations, including payment policy and coverage guidelines. CMS conducts numerous types of compliance reviews to ensure providers and suppliers are meeting this obligation. Please visit the Medicare Learning Network at http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/index.html for further information about regulations and compliance reviews, as well as Continuing Medical Education (CME) courses for qualified providers.

Additional information about the Medicare program, including billing, fee schedules, and Medicare polices and regulations can be found at our Web site at http://www.noridianmedicare.com or the Centers for Medicare & Medicaid Services (CMS) Web site at http://www.cms.hhs.gov/home/medicare.asp.

Sincerely,

Cassie R
Provider Enrollment
Noridian Healthcare Solutions, LLC

EXHIBIT L

PENDING ACTIONS

None

EXHIBIT M

FORM OF BUSINESS ASSOCIATE AGREEMENT

[Attached]

BUSINESS ASSOCIATE AGREEMENT

This Business Associate Agreement (this "Agreement") is made and entered into as of _____, 2015 by and between _____, a California nonprofit public benefit corporation (the "Covered Entity"), and _____, a [California] limited liability company (the "Business Associate"). Covered Entity and Business Associate may be referred to individually as a "party" or collectively as the "parties."

1. **Statement of Purpose**. Business Associate and Covered Entity are parties to that certain Operations Transfer Agreement dated as of _____, 2015 (the "Transfer Agreement") pursuant to which Business Associate has been engaged to provide certain billing and other services (the "Services") to Covered Entity arising from the transfer and sale of certain assets and operations associated with [_____] to Business Associate. Because Business Associate may access, retain, be exposed to, or become aware of confidential health information in the performance of the Services, the parties agree to protect the confidentiality of such information in accordance with federal and state laws and regulations including, but not limited to, information protected by the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the Health Information Technology for Economic and Clinical Health Act in Public Law 111-5 (the "HITECH Act"), and the regulations promulgated thereto (collectively, the "HIPAA Regulations"), which include, as amended from time to time, (i) the privacy standards, requirements and specifications promulgated by the Secretary at 45 C.F.R. Parts 160 and 164 subparts A and E (the "Privacy Rule"), (ii) the security standards, requirements and specifications promulgated by the Secretary at 45 C.F.R. Parts 160 and 164 subparts A and C (the "Security Rule"), and (iii) the breach notification standards, requirements and specifications enacted by Subtitle D of the HITECH Act and promulgated by the Secretary at 45 C.F.R. Part 164 subpart D (the "Breach Notification Rule").

2. **Definitions**. The following capitalized terms used herein shall have the meanings given below:

(a) "**Breach**" shall mean the acquisition, access, use or disclosure of PHI in a manner not permitted by the Privacy Rule that compromises the security or privacy of the PHI, as defined and subject to the exceptions set forth in 45 C.F.R. § 164.402.

(b) "**Electronic Protected Health Information**" or "**EPHI**" means electronic protected health information, as defined in the Security Rule. that is created, received, maintained or transmitted by or on behalf of the Covered Entity.

(c) "**Individual**" shall have the same meaning as the term "individual" in 45 C.F.R. § 160.103 and shall include a person who qualifies as a personal representative in accordance with 45 C.F.R. § 164.502(g).

(d) "**Law**" shall mean all applicable Federal and State Statutes and all relevant regulations thereunder, including but not limited to HIPAA, the HITECH Act, and HIPAA Regulations.

(e) "**Protected Health Information**" or "**PHI**" shall have the same meaning as the term "Protected Health Information" in 45 C.F.R. § 160.103, limited to the information created, received, maintained or transmitted by Business Associate from or on behalf of the Covered Entity.

(f) "**Secretary**" shall mean the Secretary of the Department of Health and Human Services, or his or her designee.

(g) "**Security Incident**" shall have the meaning set out in the Security Rule. Generally, a "Security Incident" shall mean any attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or systems operations in an electronic information system.

(h) "**Subcontractor**" shall mean a person or entity to whom Business Associate delegates a function, activity, or service other than in the capacity of a member of the workforce of Business Associate.

(i) "**Unsecured PHI**" shall mean PHI that is not rendered unusable, unreadable, or indecipherable to unauthorized individuals through the use of either the encryption method or the destruction method, as defined in Department of Health and Human Services ("HHS") guidance published on April 27, 2009 (74 FR 19006) and modified by guidance published on August 24, 2009 (74 FR 42740), as amended from time to time. Unsecured PHI can include information in any form or medium, including electronic, paper, or oral.

Any other terms used but not otherwise defined in this Agreement shall have the same meaning as set forth in the HIPAA Regulations and the HITECH Act.

3. **Business Associate Compliance**.

(a) Except as otherwise limited in this Agreement, Business Associate may use or disclose Protected Health Information to perform functions, activities, or services for, on behalf of, the Covered Entity, as specified in the underlying Transfer Agreement, provided that such use or disclosure would not violate HIPAA, the HITECH Act, HIPAA Regulations and all other Law if performed by the Covered Entity itself.

(b) Business Associate agrees to comply with its obligations as a business associate under HIPAA and acknowledges that it is subject to, and agrees to comply with, HIPAA, the HITECH Act and all applicable guidance and regulations issued in the past, present or future by the Secretary to implement HIPAA and the HITECH Act, including, but not limited to, HIPAA Regulations and all other Law. Business Associate will not act in any way to hinder, and will act in good faith to assist the Covered Entity to comply with Law or as required by Law. Business Associate agrees to comply with applicable state and federal Law relating to the confidentiality, security, privacy, and reporting or notification of breaches of health information.

4. **General Confidentiality**. Business Associate recognizes the sensitive and confidential nature of the Protected Health Information and agrees:

(a) That such Protected Health Information will be used or disclosed, including the uses and disclosures inherent in the performance of the Services, solely as required or permitted under this Agreement and in accordance with Law or as required by Law; and

(b) That Business Associate shall use reasonable safeguards designed to prevent uses and disclosures of Protected Health Information other than as permitted by this Agreement and to ensure that the transmission, handling, storage, and use of such Protected Health Information by

Business Associate will preserve the confidentiality of the Protected Health Information, in accordance with HIPAA, the HITECH Act, HIPAA Regulations and all other Law.

5. **Privacy Rule Responsibilities of Business Associate**.

(a) Business Associate will maintain accurate records of all transactions made in connection with this Agreement.

(b) Business Associate agrees to document and make available to Covered Entity the information required for the Covered Entity to provide an accounting of disclosures as set forth in the Privacy Rule at 45 C.F.R. § 164.528, as amended by the HITECH Act and implementing regulations, for uses and disclosures for which an accounting is required. Such records and accounting shall be provided to Covered Entity within ten (10) days of a written request from Covered Entity and Business Associate will maintain information necessary to provide an accounting for a period of six (6) years from the date of the disclosure.

(c) Business Associate agrees to report to the Covered Entity within five (5) days of Business Associate's discovery of any unauthorized use or disclosure of PHI or EPHI not permitted by this Agreement. To the extent applicable, Business Associate shall also follow Section 7 of this Agreement relating to breaches of unsecured Protected Health Information.

(d) Business Associate shall ensure that any Subcontractors that create, receive, maintain, or transmit PHI on behalf of Business Associate agree in writing to restrictions, conditions, and requirements relating to the use or disclosure of Protected Health Information that are at least as stringent as those that apply throughout this Agreement with respect to such information. In the event that Business Associate discovers a pattern of activity or practice of its Subcontractor that constitutes a material breach or violation of the Subcontractor's obligation under its agreement with Business Associate, in accordance with 45 C.F.R. § 164.504(e)(1)(iii), Business Associate must take reasonable steps to cure the breach or end the violation, as applicable, and if such steps are unsuccessful, terminate the agreement with the Subcontractor, if feasible.

(e) Business Associate, including its Subcontractors, agrees to limit any request, use and disclosure of Protected Health Information, to the extent practicable, to the Limited Data Set or, if needed, to the minimum amount of Protected Health Information necessary to accomplish the purpose of the request, use or disclosure in compliance with the HITECH Act and any regulations or guidance promulgated pursuant thereto. The parties acknowledge that the phrase "minimum necessary" shall be interpreted in accordance with the Privacy Rule, HITECH Act and any guidance issued by the Secretary.

(f) To the extent Business Associate has Protected Health Information in a Designated Record Set, Business Associate agrees to provide access within five (5) days of receipt of a written request from Covered Entity, to Protected Health Information in a Designated Record Set, to Covered Entity or, as directed by Covered Entity, to an Individual in order to meet the requirements under 45 C.F.R. § 164.524. An Individual's right of access to PHI includes the right to access EPHI contained in an electronic health record. If Business Associate or its Subcontractors maintains or uses PHI in an EHR, then promptly after receipt of a request from Covered Entity, Business Associate shall make a copy of such PHI available to Covered Entity in an electronic format in order to enable Covered Entity to fulfill its obligations under the HITECH Act and the Privacy Rule.

(g) Business Associate agrees to incorporate any amendments to Protected Health Information or to a record regarding an Individual contained in a Designated Record Set (for so long as the Protected Health Information is maintained in the Designated Record Set) provided by an Individual as set forth in the Privacy Rule at 45 C.F.R. 164.526. Business Associate shall provide Covered Entity with written notice of an Individual's request for an amendment within ten (10) days of receipt of such a request. Unless otherwise determined by Covered Entity, any approvals or denials of amendment to the Protected Health Information shall be the responsibility of the Covered Entity.

(h) Business Associate agrees to make its internal practices, books and records relating to the use and disclosure of Protected Health Information received from, or created or received by Business Associate on behalf of the Covered Entity available to the Covered Entity and the Secretary for the purpose of compliance determinations as set forth in the Privacy Rule. Such records shall include, but not be limited to, policies and procedures relating to the use and disclosure of PHI or EPHI, documentation required by the Security Rule relating to safeguards, and documentation required by the Breach Notification Rule.

(i) Business Associate and Covered Entity agree that the confidentiality provisions of this Agreement, specifically Sections 2 through 7, shall survive termination of this Agreement.

(j) Business Associate may, solely at the written request of the Covered Entity, provide Data Aggregation Services relating to the health care operations of the Covered Entity.

(k) Business Associate is not prohibited by this Agreement from utilizing Protected Health Information for its proper management and administration or to carry out its legal responsibilities, if any. Further, Business Associate is not prohibited from disclosing Protected Health Information for its proper management and administration or to carry out its legal responsibilities if the disclosure is required by Law or Business Associate obtains reasonable assurances from the person to whom the information is disclosed that it will be held confidentially and used or further disclosed only as required by Law or for the purpose for which is disclosed to the person. Business Associate will further require that the person to whom information is disclosed inform the Business Associate of any breach of confidentiality or violation of the HIPAA Regulations with respect to that information. In such event, Business Associate will immediately notify the Covered Entity of any instances of which it is aware in which the confidentiality of the information has been compromised, breached or the Privacy Rule was otherwise violated.

(l) Business Associate is not prohibited from using Protected Health Information to report violations of law to appropriate Federal and State authorities consistent with the Privacy Rule.

(m) Business Associate agrees to mitigate, to the extent practicable, any material adverse effect that is known to Business Associate resulting from a use or disclosure of Protected Health Information by Business Associate or its Subcontractors in violation of the requirements of this Agreement or Law.

(n) With respect to Protected Health Information that Business Associate creates, receives, maintains, or transmits on behalf of the Covered Entity, Business Associate will be responsible for obtaining from an Individual any necessary authorizations to use or disclose that Individual's Protected Health Information, in accordance with 45 C.F.R. § 164.506 or § 164.508.

Business Associate acknowledges that failure to obtain an authorization when necessary prior to disclosure constitutes a violation of this Agreement and must be reported to the Covered Entity.

(o) Within two (2) days of receiving a request from an Individual for a restriction on uses and disclosures of Protected Health Information or for confidential communications, as set forth in the Privacy Rule at 45 C.F.R. § 164.522, Business Associate shall forward such request to Covered Entity. Unless otherwise determined by Covered Entity, any denials of such requests shall be the responsibility of the Covered Entity. If the Covered Entity agrees to a request for restriction or confidential communications, Business Associate will be responsible for using and disclosing Protected Health Information consistent with that request. Failure to act in accordance with an agreed-to or required restriction constitutes a violation of this Agreement and must be reported to the Covered Entity.

(p) With respect to Protected Health Information that Business Associate creates, receives, maintains or transmits on behalf of the Covered Entity, Business Associate agrees to not directly or indirectly receive remuneration in exchange for any Protected Health Information as prohibited by, and subject to the exceptions under, 45 C.F.R. § 164.508(a)(4) of the Privacy Rule, the HITECH Act and state law. Failure to act in accordance with this restriction on selling Protected Health Information constitutes a violation of this Agreement and must be reported to the Covered Entity within two (2) days.

(q) With respect to Protected Health Information that Business Associate creates, receives, maintains or transmits on behalf of Covered Entity, Business Associate agrees to not make or cause to be made any communication about a product or service that encourages recipients of the communication to purchase or use the project or service as prohibited by, and subject to the exceptions under, 45 C.F.R. § 164.508(a)(3) of the Privacy Rule, the HITECH Act, and state law. Failure to act in accordance with this restriction on marketing communications constitutes a violation of this Agreement and must be reported to the Covered Entity.

(r) With respect to Protected Health Information that Business Associate creates, receives, maintains or transmits on behalf of the Covered Entity, Business Associate agrees to not make or cause to be made any written fundraising communication that is a Health Care Operation without provision, in a clear and conspicuous manner, of an opportunity for the recipient to elect not to receive further fundraising communications in accordance with 45 C.F.R. § 164.514(f) of the Privacy Rule, the HITECH Act, and state law. Failure to act in accordance with this restriction on fundraising communications constitutes a violation of this Agreement and must be reported to the Covered Entity.

(s) The parties agree to promptly execute an amendment to this Agreement upon the promulgation of any additional final rules, regulations or guidance by the Secretary as required by the HITECH Act. Business Associate agrees to promptly negotiate in good faith and execute an amendment which complies with the additional requirements of the HITECH Act and its implementing guidance and regulations.

6. **Responsibilities of Business Associate Regarding Electronic PHI.**

(a) With respect to EPHI, without limiting the other provisions of this Agreement, Business Associate will (i) implement administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the EPHI that it creates, receives, maintains, or transmits on behalf of the Covered Entity, as required by

the Security Rule; (ii) ensure that any Subcontractor to whom it provides EPHI agrees in writing to implement reasonable and appropriate safeguards to protect it; and (iii) report to Covered Entity any Security Incident of which it becomes aware within five (5) business days of becoming aware of such Security Incident. Business Associate shall provide Covered Entity with such information concerning such safeguards as Covered Entity may from time to time request.

(b) Business Associate agrees to implement and maintain a written security program that contains the necessary administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of EPHI and must implement and maintain a privacy policy and procedure both in compliance with the HITECH Act and HIPAA including, but not limited to, the HIPAA Regulations.

7. **Responsibilities of Business Associate Regarding Unsecured PHI**.

(a) Securing PHI. Unless specifically agreed to by the Covered Entity, Business Associate agrees to implement, in a reasonable and appropriate manner, the technologies and methodologies the HITECH Act, the Secretary, or other Law specifies in order to render PHI that Contractor creates, receives, maintains or transmits on behalf of the Plan, unusable, unreadable, or indecipherable to unauthorized individuals, thereby making the Protected Health Information secure. Contractor shall ensure that any agent, including, but not limited to, Subcontractors or vendors to whom it provides the Plan's Protected Health Information will implement, in a reasonable and appropriate manner, the technologies and methodologies the HITECH Act, the Secretary, or other Law specifies with respect to rendering the Plan's PHI unusable, unreadable or indecipherable to unauthorized individuals.

(b) Breach Notification. With respect to any Unsecured PHI, Business Associate shall report to the Covered Entity any Breach discovered by Business Associate, or any of Business Associate's Subcontractors, within five (5) business days of Discovery.

1. The report must include (or be supplemented on an ongoing basis as information becomes available) with: (i) the identification of all Individuals whose Unsecured PHI was or is believed to have been breached; (ii) a brief description of the Breach, including the type of Breach (*e.g*, theft, loss, improper disposal, hacking), location of the Breach (e.g., laptop, desktop, paper), how the Breach occurred, the date the Breach occurred, and the date the Breach was discovered; (iii) a description of the type of Unsecured PHI involved (e.g., social security number, diagnosis, EOBs, etc.), including the type of media, but not the Breached PHI itself, unless requested by the Covered Entity; (iv) a description of the safeguards in place prior to the Breach (e.g., firewalls, packet filtering, secure browser sessions, strong authentication); (v) a description of the actions taken in response to the Breach (e.g., additional safeguards, mitigation, sanctions, policies, and procedures); (vi) all other information reasonably requested by the Covered Entity to enable the Covered Entity to perform and document a risk assessment in accordance with the Breach Notification Rule, and (vii) all other information reasonably necessary to provide notice to Individuals, the Secretary and/or the media.

2. At the Covered Entity's sole option, the Covered Entity may delegate to Business Associate the responsibility for determining (and providing evidence to the Covered Entity) that any such incident is not a Breach, including the requirement to perform a risk assessment to determine whether a low probability of compromise has occurred, as provided by the Breach Notification Rule. In the event that the Covered Entity delegates this obligation to Business Associate, without unreasonable delay, and in any event no later than thirty (30) calendar days after Discovery, Business Associate shall provide the Covered Entity with written notification of the Breach and a copy of the risk assessment that assesses whether a low probability of compromise occurred.

3. At the Covered Entity's sole option, the Covered Entity may delegate to Business Associate the responsibility of providing any notifications the Covered Entity determines is required by the Breach Notification Rule, including notifications to Individuals, the Secretary and/or the media. Prior to sending out such notifications, Business Associate will provide a copy of the template notification letters for approval by the Covered Entity. All notifications shall comply with the elements established by the Breach Notification Rule and be sent within timeframes established by the Breach Notification Rule. In the event that the Covered Entity delegates these obligations to Business Associate and in the event of a Breach, without unreasonable delay, and in any event no later than sixty (60) calendar days after Discovery, Business Associate shall provide the Covered Entity evidence that all required notifications, including any media or Secretary notifications, have been made.

4. Business Associate shall pay all reasonable costs incurred in relation to the occurrence of a Breach or potential Breach, including, but not limited to, expenses relating to providing any notifications the Covered Entity, or as applicable the Business Associate, determines necessary under the Breach Notification Rule, regardless of whether Business Associate or the Covered Entity makes the notifications.

8. **Term and Termination**.

(a) Term. The term of this Agreement shall begin on the date hereof and continue until termination of the Transfer Agreement or until otherwise terminated as noted herein.

(b) Termination and Amendment by Operation of Law. This Agreement shall terminate immediately in the event that a HIPAA Business Associate Agreement is no longer applicable or required under then current Law. If on the advice of Covered Entity's counsel, Covered Entity reasonably determines that the terms of this Agreement likely would be interpreted to violate or not comply with any applicable Laws, the parties shall negotiate in good faith to amend the Agreement to comply with such Laws. If the parties cannot reasonably agree on such amendment, then this Agreement and the underlying services Transfer Agreement or the relevant portions of such Transfer Agreement shall terminate.

(c) Termination of Agreement by Covered Entity. Covered Entity may terminate this Agreement immediately if it reasonably determines that Business Associate has violated a

material term of this Agreement, HIPAA, the HITECH Act, HIPAA Regulations or any other applicable Law. In the event that Business Associate breaches this Agreement, HIPAA, the HITECH Act, HIPAA Regulations or any other applicable Law, Covered Entity reserves the right to cure such breach. Business Associate will cooperate with any such efforts undertaken by Covered Entity. Cure of breach does not limit Covered Entity's ability to immediately terminate this Agreement and the Transfer Agreement, at its sole option, and to report the breach to the Secretary, notwithstanding any other provision of this Agreement to the contrary.

(d) Injunctive Relief. Business Associate acknowledges and agrees that the terms of this Agreement and the HIPAA Regulations are necessarily of a special, unique and extraordinary nature and that the loss arising from a breach thereof cannot reasonably and adequately be compensated by money damage, as such breach will cause Covered Entity to suffer irreparable harm. Accordingly, upon failure of Business Associate to comply with the terms of the Agreement, HIPAA, the HITECH Act, HIPAA Regulations or any other applicable Law, and except as otherwise provided herein, Covered Entity or any of its successors or assigns shall be entitled to injunctive or other extraordinary relief and with such injunctive or other extraordinary relief to be cumulative to, but not in limitation of, any other remedies that may be available to Covered Entity, its successors or assigns, such relief to be without the necessity of posting a bond.

(e) Effect of Termination. Upon termination or expiration of this Agreement, Business Associate shall within ten (10) days either return or destroy all Protected Health Information received from, or created, received, maintained, or transmitted by Business Associate on behalf of the Covered Entity that the Business Associate maintains in any form and shall retain no copies of such information to the extent that such action is feasible and not prohibited by other applicable law. This provision applies to all Subcontractors of Business Associate who may possess Protected Health Information on behalf of the Business Associate and/or the Covered Entity. In the event that the Covered Entity has ascertained that the return or destruction of such information is not feasible or permissible, Business Associate agrees to continue to comply with all provisions of this Agreement and applicable Law with regard to its uses, storage, and disclosure of such Protected Health Information for so long as Business Associate maintains such Protected Health Information.

9. **Miscellaneous Terms**.

(a) Independent Contractor Status. In performing Business Associate's responsibilities pursuant to this Agreement, it is understood and agreed that Business Associate is all times acting as an independent contractor and that Business Associate is not a partner, joint-venturer, agent or employee of the Covered Entity. It is expressly agreed that Business Associate will not for any purpose be deemed to be an agent, ostensible or apparent agent, or servant of the Covered Entity, and the parties agree to take any and all such action as may be reasonably requested by the Covered Entity to inform the public and others utilizing the professional services of Business Associate of such fact.

(b) Governing Law and Venue. This Agreement shall be construed and governed according to the laws of the State of California, without giving effect to its conflict of laws provisions.

(c) Assignment. No assignment of this Agreement or the rights and obligations hereunder shall be valid without the prior written consent of the non-assigning party.

Notwithstanding the foregoing, this Agreement may be assigned to any successor of the Covered Entity. This Agreement may also be assigned to any affiliate of the Covered Entity.

(d) Notices. Any notice to a party hereto pursuant to this Agreement shall be given in writing by personal delivery, overnight delivery, facsimile, telecommunications, or United States certified or registered mail, return receipt requested, to the addresses set forth at the end of this Agreement. The parties shall hereafter notify each other in accordance herewith of any change of address to which notice is required to be sent. Notice shall be effective upon delivery.

(e) Parties Bound. This Agreement and the rights and obligations hereunder shall be binding upon and inure to the benefit of the parties, and their respective heirs, personal representatives, and permitted assigns. This Agreement shall also bind and inure to the benefit of any successor of Covered Entity by sale, merger or consolidation.

(f) Data Ownership. Business Associate acknowledges and agrees that the Covered Entity is the owner of the Protected Health Information.

(g) Non-Waiver. No waiver by either of the parties hereto of any failure by the other party to keep or perform any provision, covenant or condition of this Agreement shall be deemed to be a waiver of any preceding or succeeding breach of the same, or any other provision, covenant or condition.

(h) No Third Party Beneficiaries. This Agreement is not intended to benefit any third person or entity, nor shall anyone not a party to this Agreement be able to enforce or recover any right or remedy hereunder.

(i) Additional Documents. Each of the parties hereto agrees to execute any document or documents that may be requested from time to time by the other party to implement or complete such party's obligations pursuant to this Agreement or Law.

(j) Entire Agreement. This Agreement and the Transfer Agreement, including any agreements, exhibits or addenda identified and incorporated by reference herein or therein, contains the entire understanding of the parties and supersedes any prior written or oral agreements or understandings among them concerning the subject matter set forth above. There are no representations, warranties, covenants, promises, agreements, arrangements or understandings, oral or written, express or implied among the parties hereto relating to the subject matter set forth above which have not been fully expressed herein.

(k) Amendments. This Agreement can be amended only by an instrument in writing signed by the parties. Amendments to this Agreement shall be effective as of the date stipulated therein. The parties agree to take such reasonable actions as are necessary to amend this Agreement from time to time as is necessary for the Covered Entity to comply with HIPAA, the HITECH Act, HIPAA Regulations or any other applicable Law.

(l) Severability. The sections, paragraphs and individual provisions contained in this Agreement shall be considered severable from the remainder of this Agreement and in the event that any section, paragraph or other provision should be determined to be unenforceable as written for any reason, such determination shall not adversely affect the remainder of the sections, paragraphs or other provisions of this Agreement. It is agreed further, that in the event any section, paragraph or other provision is determined to be unenforceable, the parties shall use their best efforts to reach agreement on an amendment to the Agreement to supersede such severed section, paragraph or provision.

(m) Indemnification. Business Associate shall indemnify and defend the Covered Entity against and hold it harmless from all claims, damages, losses, judgments, civil monetary penalties, settlements, costs and expenses (including attorneys' fees) arising out of Business Associate's negligence or intentional misconduct in Business Associate's use, disclosure, and storage of Protected Health Information and/or Business Associate's breach of this Agreement.

(n) Interpretation. Any ambiguity in this Agreement will be resolved in favor of a meaning that permits the Covered Entity to comply with HIPAA, the HITECH Act, and the HIPAA Regulations.

(o) Assistance in Litigation or Administrative Proceedings. Business Associate shall make itself, and any subcontractors, employees or agents assisting Business Associate in the performance of Business Associate's obligations under this Agreement, available to Covered Entity, at no cost to Covered Entity, to testify as witnesses, or otherwise, in the event of litigation or administrative proceedings against Covered Entity, its directors, officers, or employees based upon a claimed violation of Law.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have signed this Agreement as of the date set forth above.

COVERED ENTITY:

_____

By:_____
Name:_____
Title:_____
Address:_____
_____

BUSINESS ASSOCIATE:

_____

By:_____
Name:_____
Title:_____
Address:_____
_____

OPERATIONS TRANSFER AGREEMENT

THIS OPERATIONS TRANSFER AGREEMENT (this "Agreement") is made and entered into as of February 19, 2015, by and among KEIRO NURSING HOME, a California nonprofit public benefit corporation ("Current Operator"), PACIFICA COMPANIES LLC, a California limited liability company ("Buyer Parent") and its direct or indirect wholly-owned subsidiary, PACIFICA SL VERMONT LLC, a California limited liability company ("Buyer"), and ASPEN SKILLED HEALTHCARE, INC., a California corporation ("New Operator Parent"), and its direct or indirect wholly-owned subsidiary, AGVA, LLC, a California limited liability company ("New Operator").

RECITALS

A. Current Operator holds a valid and current License (as defined in Article 1 below, which contains definitions of certain capitalized terms used in this Agreement that are hereby incorporated into these Recitals) to operate the Facility;

B. Buyer has agreed to purchase the Real Property and Operating Assets associated with the Facility from Current Operator pursuant to the Purchase Agreement;

C. Concurrently with Buyer's purchase of the Real Property and Operating Assets associated with the Facility, Buyer has agreed to lease the Real Property and Operating Assets to New Operator pursuant to the terms of the Lease, and New Operator has agreed to lease the Real Property and Operating Assets from Buyer and to operate the Facility;

D. The transfer of title to the Real Property and Operating Assets associated with the Facility, the commencement of the Lease and the transfer of operations contemplated hereby are scheduled to occur simultaneously on the Transfer Date; and

E. The parties desire to document certain terms and conditions relevant to the orderly transition of operational and financial responsibility for the Facility to New Operator and the transfer of the Operating Assets at the Facility from Current Operator to Buyer.

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

AGREEMENT

ARTICLE 1. DEFINITIONS

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

1.1. "Accounts" means all Pre-Transfer Accounts and Post-Transfer Accounts.

1.2. "Assignment and Assumption Agreement" refers to the Assignment and Assumption Agreement in the form attached hereto as Exhibit A, which shall be delivered to

New Operator on or before the Transfer Date, reflecting the transfer to, and assumption by, New Operator of the Assumed Operating Contracts.

1.3. "Assumed Operating Contracts" refers to the Operating Contracts identified by New Operator in its sole discretion, if any, on Exhibit B, which shall be delivered to Current Operator by New Operator within thirty (30) days of the date of this Agreement, provided that any Operating Contracts not so identified shall not be deemed Assumed Operating Contracts under any circumstances.

1.4. "Benefits" means all vacation, sick leave, comp time, health, dental, vision and similar employer-sponsored benefit plans, 401(k), 403(b), Keogh and similar savings and retirement plans, in-lieu payments and each and every other employer benefit generally provided to employees.

1.5. "Bill of Sale" refers to the Bill of Sale transferring the Operating Assets to Buyer in the form attached hereto as Exhibit C.

1.6. "Buyer Group" refers to Buyer Parent, Buyer, Pacifica SL Boyle LLC, a California limited liability company, and Pacifica SL Lincoln LLC, a California limited liability company, collectively.

1.7. "CMS" refers to the Centers for Medicare and Medicaid Services and its agents and intermediaries.

1.8. "Certification" means the Medicare and Medicaid certification necessary to operate the Facility as a duly certified skilled nursing facility.

1.9. "Current Operator's actual knowledge" and similar knowledge qualifiers means the present actual (as opposed to constructive or imputed) knowledge, after reasonable inquiry, solely of Shawn Miyake, in his capacity of President of Current Operator, and of Howard Hiyoshida, in her capacity as Administrator of the Facility.

1.10. "DPH" means the Department of Public Health of the State of California.

1.11. "Encumbrances" refers to security interests, leases, liens and financing arrangements encumbering the FF&E, as listed on Exhibit D, if any.

1.12. "Employee Schedule" means a complete schedule which reflects, among other things the following: (a) the name and Social Security numbers of all employees of the Facility immediately prior to the Transfer Date, (b) their positions, status (part or full time) and rates of pay, (c) current Benefits enrollment data, and (d) a reasonable estimate of all accrued Benefits which Current Operator is or will be required to pay to such employees as of the Transfer Date.

1.13. "Employment Claims" means all pending and threatened employee and employment-related claims, suits, charges, complaints and actions filed with any court or agency having jurisdiction of Current Operator, the Facility or its employees, including any potential claims, whether known or unknown, arising under the Uniform Services Employment and Re-

employment Rights Act ("USERRA") or under the Family and Medical Leave Act ("FMLA") or claims related to Current Operator's Benefits.

1.14. "Excluded Assets" means and refers to the items enumerated on Exhibit E.

1.15. "Facility" means that certain operating skilled nursing facility comprised of 98 Medicaid and Medicare-certified skilled nursing beds located at 15115 South Vermont Avenue, Gardena, California, commonly known as "South Bay Keiro Nursing Home," together with all Operating Assets owned, leased, held or used by Current Operator in connection with operation of the Facility, but not including any Excluded Assets.

1.16. "FF&E" refers to all furnishings, fixtures, equipment and every other item of personal property in place or in use at the Facility, except for the Excluded Assets, which are to be retained and may be removed by Current Operator, provided that it shall repair all damage to the Facility occasioned by such removal, if any.

1.17. "General Intangibles" means all of Current Operator's right, title and interest in any intangible property currently used in connection with the Facility, including all of Current Operator's rights under all admission agreements, claims, contracts, leases, licenses, permits, plans, appraisals, studies, warranties, trade lists, mailing lists, utility arrangements and other agreements relating to the ownership, operation or occupancy of the Facility, and all telephone numbers, email addresses and all other identifying information, except for the Excluded Assets.

1.18. "HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as amended.

1.19. "HITECH" means the Health Information Technology for Economic and Clinical Act of 2009, as amended.

1.20. "Inventory" means all consumable inventories of every kind and nature whatsoever (including all pharmacy supplies, medical supplies, office supplies, maintenance supplies, foodstuffs and other supplies and consumables) owned by Current Operator and located at the Facility as of the Transfer Date.

1.21. "Lease" means the form of lease agreement to be entered into between Buyer and New Operator, a copy of which is attached hereto as Exhibit F.

1.22. "License" means and refers to a current and valid operating license issued by DPH permitting the Facility's operation as a 98-bed skilled nursing facility.

1.23. "Medicaid" refers to program(s) administered by agencies, departments or private intermediaries of the State to distribute federal Medicaid and related funding.

1.24. "Medicaid Provider Agreement(s)" refers to the Medicaid (or the State's program or agency that administers Medicaid funds) provider agreement(s) in force at the Facility.

1.25. "Medicare Provider Agreement(s)" refers to the Medicare provider agreement(s) in force at the Facility.

1.26. "Operating Assets" shall be as defined in the Purchase Agreement and shall include all patient records and admission agreements, FF&E, Inventory, Vehicles and every other right and asset owned or employed by Current Operator in connection with the operation of the Facility, but not including any Excluded Assets.

1.27. "Operating Contracts" means those vendor, service and supplier operating contracts, equipment leases, resident occupancy contracts and similar arrangements related to the operation of the Facility.

1.28. "Other Parties" means the parties to this Agreement other than Current Operator.

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

1.30. "Pre-Transfer Accounts" means all revenues, monies, accounts, payments, receivables, compensation, reimbursement and other proceeds of the operation of the Facility, including Medicare and Medicaid-related reimbursement and general intangibles and any other third party payor reimbursements, together with the products and proceeds of all of the foregoing, attributable to the operation of the Facility on or before the Transfer Date.

1.31. "Post-Transfer Accounts" means all revenues, monies, accounts, payments and other proceeds of the operation of the Facility, including Medicare and Medicaid-related reimbursement and general intangibles and any other third party payor reimbursements, together with the products and proceeds of all of the foregoing, attributable to operation of the Facility after the Transfer Date.

1.32. "Provider Agreements" means the Medicaid Provider Agreement(s) and Medicare Provider Agreement(s).

1.33. "Purchase Agreement" means that certain Asset Purchase and Sale Agreement dated February 19, 2015, by and among Buyer Group and Seller Group.

1.34. "Real Property" shall be as defined in the Purchase Agreement.

1.35. "Rehired Employee" refers to any employee of Current Operator who accepts employment with New Operator on or before the Transfer Date, with such employment to commence as of the Transfer Date.

1.36. "Seller Group" means Current Operator, Keiro Services and Japanese Home for the Aged, collectively.

1.37. "State" means the State of California.

1.38. "Terminated Operating Contracts" refers to all Operating Contracts in effect at the Facility prior to the Transfer Date that are not Assumed Operating Contracts.

1.39. "Transfer Date" shall be the date of closing of Buyer Group's acquisition of the Real Property and Operating Assets pursuant to the Purchase Agreement and the satisfaction or waiver of the conditions set forth in Section 2.4 below.

1.40. "Vehicle" refers to all vehicles used by Current Operator primarily in connection with the operation of the Facility, which shall be listed on Exhibit G, if any.

1.41. "WARN Act" refers to the federal Worker Adjustment and Retraining Notification Act and any comparable State law or regulation.

ARTICLE 2. TRANSFER OF OPERATIONS; AGREEMENTS

2.1. Transfer of Operations. Pursuant to the terms of the Purchase Agreement, the respective members of the Seller Group, including Current Operator, have agreed to convey, assign and deliver to the members of the Buyer Group, including Buyer, the Operating Assets and all of the Seller Group's right, title and interest therein, free of all Encumbrances, effective as of the Transfer Date. From the date hereof until the Transfer Date, Current Operator agrees to operate the Facility as a going concern and in substantial compliance with all laws, statutes, orders and regulations applicable to and/or necessary for the lawful operation of the Facility and maintenance of licensure and provider Certifications, and agrees not to refuse admission or remove any patient from the Facility prior to the Transfer Date except, within Current Operator's sole discretion, for valid medical and other lawful reasons or as would otherwise occur in the normal course of operating the Facility. NOTWITHSTANDING ANYTHING CONTAINED HEREIN OR IN ANY RELATED DOCUMENT OR AGREEMENT TO THE CONTRARY, CURRENT OPERATOR IS ONLY TRANSFERRING CERTAIN OPERATING ASSETS OF THE FACILITY AND IS NOT ASSIGNING TO BUYER OR NEW OPERATOR, NOR IS BUYER OR NEW OPERATOR ASSUMING FROM CURRENT OPERATOR, ANY LIABILITY FOR CLAIMS, COSTS, EXPENSES, CONTRACTUAL ARRANGEMENTS, DUTIES OR OBLIGATIONS, CURRENT OPERATOR'S GENERAL, PROFESSIONAL AND OTHER OPERATIONAL LIABILITIES, ERRORS OR OMISSIONS, OR OTHER DUTIES, OBLIGATIONS OR LIABILITIES OF CURRENT OPERATOR, ITS AFFILIATES OR ITS PREDECESSORS-IN-INTEREST, WHETHER KNOWN OR UNKNOWN, CONTINGENT OR OTHERWISE, ARISING FROM OR RELATED IN ANY WAY TO THE OPERATION OF THE FACILITY PRIOR TO THE TRANSFER DATE (COLLECTIVELY, "EXCLUDED LIABILITIES").

2.2. Best Efforts. In consideration for the agreements of Current Operator set forth herein, and the full and faithful performance of all of Current Operator's covenants hereunder, Buyer and New Operator agree to proceed with all reasonable diligence to acquire (a) an operating license from DPH, (b) the transfer or assignment of the Medicare Provider Agreement to New Operator's name pursuant to all applicable laws and regulations regarding the same, and (c) the transfer or assignment of the Medicaid Provider Agreement in the name of the New Operator pursuant to all applicable laws and regulations regarding the same.

2.3. Cooperation. Current Operator agrees to reasonably cooperate with Buyer's and New Operator's efforts to effect a change in ownership of the Facility for the purposes of licensing and Certification in order to ensure the continuous and uninterrupted operation of the

Facility as a licensed skilled nursing facility, including the execution of any documents and the surrender of the existing License and Provider Agreements, that may be necessary or desirable to effect the orderly and uninterrupted transition of the License, Provider Agreements and other Certifications to New Operator. Buyer and New Operator agree to timely file all required change of ownership, Medicaid, Medicare and licensure applications and to use their best efforts to obtain the new Licenses, a Medicaid Provider Agreement and the assignment of the Medicare Provider Agreement. Current Operator agrees not to take any action or commit any omission that would result in the termination or suspension of the existing License or Provider Agreements.

2.4. Conditions. This Agreement and the respective obligations of the parties hereunder are conditioned upon the following:

2.4.1. For each of the Other Party's respective benefit, (a) the closing of Seller Group's sale of each of the Facilities (as defined in the Purchase Agreement) in accordance with the terms of the Purchase Agreement, (b) Current Operator's prior fulfillment of all requirements of any governmental agency having jurisdiction of the Facility as contained in any survey report, citation, plan of correction, judgment, order or other directive relating to the operation of the Facility, and the official acceptance thereof by such agency, (c) New Operator's receipt of its own License from DPH, (d) Seller Group's receipt of a waiver or consent (that may contain conditions) from the California Attorney General allowing the transactions contemplated by this Agreement and the Purchase Agreement, and (e) Current Operator having performed and complied with all agreements, conditions and obligations required by this Agreement to be performed or complied with by Current Operator prior to or on the Transfer Date, including Current Operator's surrender of possession of the Facility and the operations therein to New Operator on the Transfer Date in accordance with this Agreement. Buyer and New Operator may, but are not required to, waive or defer (in writing) the fulfillment of any one or more of these conditions in their sole discretion.

2.4.2. For Current Operator's benefit, (a) the closing of Buyer Group's purchase of each of the Facilities (as defined in the Purchase Agreement) in accordance with the terms of the Purchase Agreement, (b) New Operator's receipt of its own License from DPH, (c) Seller Group's receipt of a waiver or consent (that may contain conditions) from the California Attorney General allowing the transactions contemplated by this Agreement and the Purchase Agreement, and (d) Buyer and New Operator having performed and complied with all agreements, conditions and obligations required by this Agreement to be performed or complied with by Buyer or New Operator prior to or on the Transfer Date, including acceptance of possession of the Facility and the operations therein on the Transfer Date in accordance with this Agreement and the timely filing of all applications for licensure. Current Operator may, but is not required to, waive or defer (in writing) the fulfillment of any one or more of these conditions in its sole discretion.

2.5. Post-Closing Matters. For a period of at least five (5) years from and after the Transfer Date:

2.5.1. New Operator shall operate, and New Operator Parent and Buyer will cause New Operator to operate, the Facility in a "culturally sensitive" manner, meaning the

existence of an environment that fosters an awareness and acceptance of the cultural characteristics, history, values, belief systems and behaviors of the Japanese American residents and families, which will include elements listed on Exhibit 11.4(i) of the Purchase Agreement to maintain that environment;

2.5.2. Current Operator shall support the existing volunteer program for the Facility, assisting New Operator upon its request with training regarding recruitment and retention of volunteers;

2.5.3. New Operator shall continue providing, and Buyer Parent and Buyer shall cause New Operator to continue providing, community benefit programs relating to the Facility and shall expend at least $118,942 (including waiving rental for use by community groups) for community programs at SNF1 and SNF2 (as defined in the Purchase Agreement) during each twelve (12) month period from and after the Closing Date;

2.5.4. New Operator shall continue providing a placement priority to residents of the other Facilities (as defined in the Purchase Agreement) who may require a higher level of care over new residents admitted from outside such Facilities; and

2.5.5. Buyer shall, and shall cause New Operator to, maintain the physical donor recognition at the Facility.

2.6. Right of Observation. From and after the Due Diligence Deadline (as defined in the Purchase Agreement) until the Transfer Date, Current Operator shall allow up to one individual appointed by New Operator to have access to the Facility during regular business hours to observe the day-to-day operations and management of the Facility. Such access shall be granted with at least twenty-four (24) hour notice to Current Operator by New Operator.

2.7 Tail Insurance. On or before the Closing Date, Current Operator shall deliver to New Operator a certificate of insurance for pre-paid general and professional liability extended reporting "tail" or "runoff" insurance for a period of at least three (3) years from and after the Closing Date with respect to acts and/or omissions occurring or allegedly occurring prior to the Transfer Date, naming Current Operator and its affiliates as insureds, and New Operator and Buyer as additional insureds, with coverage limits of at least One Million Dollars ($1,000,000) individual per claim and Three Million Dollars ($3,000,000) aggregate for all claims.

ARTICLE 3. TRANSFER OF OPERATING ASSETS

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

3.2. Furnishings, Fixtures and Equipment. Current Operator and Buyer acknowledge and agree that, except for the Excluded Assets, the FF&E is the property of Current Operator,

Current Operator agrees not to remove any FF&E from the Facility and, in the event of any such permitted removal, to repair any damage to the Facility occasioned thereby. Current Operator shall have no obligation to deliver the FF&E to any location other than the Facility, it being understood and agreed that the presence of the FF&E at the Facility on the Transfer Date shall constitute delivery thereof.

3.3. Computer Systems and Migration of Data. Subject to the acknowledgements, terms and conditions set forth in Section 3.3.1 below, Current Operator shall, at no charge to Buyer or New Operator, to the extent applicable, (a) leave all such hardware, software and data intact and in place, complete with any passwords or codes necessary to use the equipment and fully access the data, at the Facility to the extent any licenses for such hardware and software are transferrable to New Operator, (b) acknowledge that the data contained therein and accessed thereby is essential to the continuation of the operations in the Facility, (c) leave such computer systems connected to its remote network (if any) for a period of up to sixty (60) days after the Transfer Date to the extent any software and hardware containing such data is transferable to New Operator or, if applicable, to cooperate with New Operator in transferring such data in a retrievable and usable format, and (d) make any data or records relating to the past operation of the Facility which are held or stored offsite accessible to New Operator, in order to facilitate New Operator's lawful and uninterrupted operation of the Facility after the Transfer Date in compliance with applicable laws and in a manner that does not jeopardize the health, care or welfare of the Facility's patients and residents. New Operator shall be responsible for the payment of any licensing fees relating to such software and hardware, if applicable, and Current Operator shall promptly transfer any such licenses, if transferable, to New Operator's name within sixty (60) days following the Transfer Date or obtain new licenses for such software or applicable hardware.

3.3.1. Notwithstanding the foregoing Section 3.3, the parties acknowledge that Current Operator recently converted its data storage system to the ADS Cloud, whereby its data is maintained, managed and backed up remotely and made available through a dedicated environment. Current Operator and New Operator acknowledge that such data and New Operator's access thereto is essential to continuation of operation of the Facility and that Current Operator will also need access to the historical data for financial and other purposes. No decisions have been made as to whether New Operator will continue the same storage system or migrate the data to another such system or on site servers. Similarly, no decisions have been made as to the transfer as part of the Operating Assets of Current Operator's existing computer hardware and software or assignment of its licenses. Current Operator shall cooperate with New Operator in evaluating the alternatives in order to facilitate New Operator's lawful and uninterrupted operation of the Facility after the Transfer Date, with the understanding that the availability of the data and the use of computer hardware, software and licenses, and the responsibility of any license fees and costs of conversion or migration, will be on terms and conditions as agreeable to Current Operator, Buyer and New Operator.

3.4. Medicare and Medicaid Provider Numbers. Current Operator, Buyer and New Operator acknowledge and agree that, pursuant to 42 C.F.R. §§ 442.14(a) and 489.18(c), Current Operator's Medicare Provider Agreement will be automatically assigned to New Operator by CMS upon the review, processing and approval of New Operator's timely filed 855A change of ownership application; and further Current Operator agrees that it will complete any

documentation necessary to assign such Medicare Provider Agreement and its rights thereunder to New Operator, and further agrees to promptly provide any such letters, consents, verifications, information and other documents, as necessary and required by applicable law or regulation, to CMS and any fiscal intermediary, DPH, the State Medicaid program or agency, any other governmental and/or regulatory authority having jurisdiction of the Facility, the License, the Medicare Provider Agreement, or New Operator as may be reasonably requested or required to effectuate the transfer or assignment of the Medicare Provider Agreement and New Operator's obtaining acquisition of a new Medicaid provider agreement; provided, however, that as long as Current Operator submits any required documentation to such governmental or regulatory authority materially complying with the foregoing, Current Operator shall have no liability whatsoever to New Operator or otherwise in the event that (a) CMS does not approve and/or recognize the assignment of the Medicare Provider Agreement, or (b) the State Medicaid program or agency does not issue to New Operator a new Medicaid provider agreement; or (c) DPH does not issue a new License to New Operator. Current Operator acknowledges that, solely to the extent permissible in accordance with all applicable laws and regulations, New Operator may bill Medicare for services furnished to Facility residents who qualify as Medicare beneficiaries from and after the Transfer Date, utilizing the provider number issued to Current Operator under the assigned Medicare Provider Agreement, and Current Operator agrees to cooperate with New Operator to permit the sweep or electronic transfer of such reimbursement for items and services provided on and after the Transfer Date to New Operator's designated bank account on a periodic or as agreed to basis. New Operator has the express right under this Agreement to direct the payment of reimbursements to an account or accounts titled in the name of New Operator or any other entity designated by New Operator for such purpose, and Current Operator agrees to cooperate in obtaining all necessary approvals for the assignment of said Provider Agreements and any documentation reasonably requested by New Operator to direct the payment to New Operator's account and to execute such assignment documentation to implement such assignment as may be required by governmental authorities and/or third party payors or banking institutions. New Operator agrees that Current Operator shall not have any liability or obligation with respect to New Operator's utilization of such provider numbers and New Operator shall indemnify Current Operator for any and all liability, including overpayments, arising from the billing and collection by New Operator for services and items provided on and after the Transfer Date. New Operator acknowledges and agrees that Medicare receivables must be paid to the Current Operator until assignment of the Medicare Provider Agreement is approved.

3.5. General Intangibles. General Intangibles used or held in connection with the operation of the Facility shall be transferred to Buyer on the Transfer Date by execution and delivery of the Bill of Sale.

3.6. Excluded Assets. The Excluded Assets are not included in this transaction and shall be retained by or delivered to Current Operator.

ARTICLE 4. PATIENT TRUST PROPERTY

4.1. Accounting for Patient Trust Property. As of the Transfer Date, Current Operator shall prepare and deliver to New Operator a true, correct and complete accounting (properly reconciled) of all Patient Trust Property. As required by law in connection with the issuance of

the License by DPH to New Operator, such accounting shall be certified by an independent certified public accountant.

4.2. Transfer of Patient Trust Property. Within one (1) business day after Current Operator and New Operator agree upon the accounting provided for hereinabove, and in any event no later than three (3) business days following the Transfer Date, Current Operator agrees to (a) remit to the parties entitled thereto all Patient Trust Property which Current Operator or the Facility are no longer entitled or permitted to hold, and (b) transfer all remaining Patient Trust Property to New Operator, and New Operator hereby agrees that it will hold, and accepts responsibility and liability for holding, such remaining Patient Trust Property in trust for the patients entitled thereto, in accordance with applicable statutory and regulatory requirements.

4.3. Indemnification for Patient Trust Property.

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

4.3.2. New Operator will indemnify, defend and hold Current Operator harmless for, from and against all liabilities, claims and demands, including reasonable attorneys' fees and costs, in the event a claim is made against Current Operator by a patient for his/her Patient Trust Property where such patient's funds or other property were properly transferred to New Operator pursuant to the terms hereof. New Operator shall be solely responsible for and shall indemnify, defend and hold Current Operator harmless for, from and against all liabilities, claims and demands, including reasonable attorneys' fees and costs, arising from any claim, action, investigation or liability arising from maintenance, use, holding, or any acts or omissions of New Operator relating to the Patient Trust Property on and after the date such Patient Trust Property is transferred by Current Operator to New Operator. All claims shall be submitted by New Operator in the form required by the permitted third party payors. New Operator shall archive claims submissions data until the claim is paid, to enable resubmission of the original claim, if necessary, and thereafter for a period of six (6) years after the Transfer Date or such shorter time in accordance with applicable law.

ARTICLE 5. RECEIVABLES & REIMBURSEMENTS

5.1. Current Operator's Cost Reports. Current Operator shall timely prepare and file with CMS and the State Medicaid agency its cost reports for the fiscal year ending immediately preceding the fiscal year in which the Transfer Date occurs, and for any stub period, and final cost reports up to the Transfer Date in respect to its operation of the Facility which are required to be filed by law under the terms of the Medicare and Medicaid programs. Current Operator will provide the appropriate agencies with any information needed to support claims for reimbursement made by Current Operator either in such final cost reports or in any cost reports

filed for prior or subsequent cost reporting periods. Current Operator shall promptly provide New Operator with copies of such reports and supporting documentation.

5.2. Accounts Receivable.

5.2.1. Schedule of Pre-Transfer Accounts. Current Operator shall deliver to New Operator a complete, correct patient/resident roster with account status, responsible party, payor source and aging not less than thirty (30) days prior to the Transfer Date, and shall update such roster as of the Transfer Date.

5.2.2. Pre-Transfer Accounts. Current Operator shall retain its right, title and interest in and to all unpaid Pre-Transfer Accounts, including accounts receivable arising from rate adjustments which relate to periods prior to the Transfer Date even if such adjustments occur after the Transfer Date, and Current Operator shall remain liable for any overpayments (including recapture of pass-throughs) made to Current Operator for periods prior to the Transfer Date for which payment is due to (or for which subsequent reimbursements are offset or denied by) Medicare, Medicaid or any other third party payor after the Transfer Date. On the Transfer Date, Current Operator shall provide to New Operator a schedule setting forth by patient/resident its outstanding Pre-Transfer Accounts as of the Transfer Date. For the avoidance of doubt, Current Operator shall be solely responsible for the timely and proper billing and collection of all Pre-Transfer Accounts and New Operator's obligations related to such collection activities shall be limited to those set forth elsewhere in this Article 5. Current Operator and New Operator agree that the "pay to" address for Medicare and Medicaid payments shall continue to be the Facility address. Current Operator further agrees to authorize New Operator to endorse checks made payable to "South Bay Keiro Nursing Home" or any similar names or payees, and deposit the same in New Operator's account solely to the extent permissible under applicable law and Medicare and Medicaid manual provisions, subject to New Operator complying with the accounting, notification, distribution and other provisions of this Agreement with respect to Pre-Transfer Accounts.

5.2.3. Post-Transfer Accounts. As of the Transfer Date, Current Operator hereby irrevocably assigns to New Operator any and all interest it may have in the Post-Transfer Accounts with the authority and power to bill and collect the same, and disclaims all right, title and interest therein and thereto to the extent permitted by applicable law including Medicare manual provisions and similar formal guidance from governmental agencies and administrative contractors in regards to Medicare and Medicaid.

5.3. Handling of Receipts by New Operator. Payments received by New Operator after the Transfer Date from third party payors, such as Medicare, Medicaid, Veterans Administration, HMOs and insurers, if any, shall be handled as follows:

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

advice, or if the parties agree that they relate to periods on or after the Transfer Date, they shall be retained by New Operator.

5.3.2. If such payments fail to indicate the period to which they relate, then all such unidentified payments received within forty-five (45) days following the Transfer Date shall be deemed to relate to the covered patient's unpaid Pre-Transfer Accounts (if any). All unidentified payments received thereafter shall be deemed to relate to Post-Transfer Accounts.

5.4. Handling of Receipts by Current Operator. Payments received by Current Operator after the Transfer Date from third party payors, such as Medicare, Medicaid, Veterans Administration, managed health organizations and insurers, if any, shall be handled as follows:

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

5.4.2. If such payments fail to indicate the period to which they relate, then all such unidentified payments received within forty-five (45) days following the Transfer Date shall be deemed to relate to the covered patient's unpaid Pre-Transfer Accounts (if any). All unidentified payments received thereafter shall be deemed to relate to Post-Transfer Accounts.

5.5. Private Pay. Any payments received by either Current Operator or New Operator from or on behalf of private pay patients (including self-pay, HMO and other private insurance payors) shall be treated in the same manner as described in Section 5.3 and 5.4 above; provided that any payment received by either party during the first forty-five (45) days after the Transfer Date for a private pay patient or resident, which fails to designate the period to which it relates, will first be applied to reduce the patient's Pre-Transfer Account balances (if any). Social Security payments received at the Facility on behalf of patients shall be applied toward the respective patient's account in the month the payment is actually received. All unidentified payments received thereafter shall be deemed to relate to Post-Transfer Accounts. New Operator shall be responsible for confirming that private pay patients, Medicare, Medicaid, and any Medicare Advantage or Medicaid managed care payors permit the New Operator to bill under the Current Operator's payor and Provider Agreements until such agreements are assigned to New Operator or New Operator obtains new payor and provider agreements. New Operator warrants that all payors, including private pay payors, Medicaid, Medicare, Medicare Advantage and Medicaid managed care payors, permit such billing arrangement.

5.6. Dispute Resolution. The parties shall attempt in good faith to resolve any dispute arising out of or relating to this Article 5 promptly by negotiation between representatives of the parties who have authority to settle the controversy. Either party may give the other party written notice of any dispute (a "Dispute Notice") not resolved in the normal course of business. Within five (5) days after delivery of such Dispute Notice, both parties shall meet at a mutually acceptable time and place (by mutual agreement, such meeting may be held by telephone and thereafter as often as they deem necessary) to exchange relevant information and to attempt to

resolve the dispute. If the matter has not been resolved within twenty (20) days of the disputing party's delivery of the Dispute Notice, or if the parties fail to meet within five (5) days of the delivery of the Dispute Notice, either party may initiate the mediation of the controversy or claim as provided below. If any dispute arising out of this Article 5 has not been resolved by negotiation as provided above, the parties shall endeavor to resolve the dispute by mediation. The mediation shall be conducted by a neutral mediator from a nationally recognized health care accounting and consulting firm (or an accounting and consulting firm with a nationally recognized health care accounting and consulting practice) mutually agreed upon by the parties. If the parties are unable to completely resolve the dispute through mediation (or are unable to agree on a mediator within thirty (30) days following delivery of the Dispute Notice), either party shall pursue dispute resolution pursuant to Article 11.

5.7. Payor Communications.

5.7.1. Payment Notices. For a period of six (6) months following the Transfer Date, whenever a Payor sends to Current Operator on the one hand or New Operator on the other, a remittance advice, explanation of benefits or other notice that a payment has been deposited in a party's bank account (a "Payment Notice"), the receiving party agrees to send a copy of such Payment Notice to the other party by electronic transmission within five (5) business days of the time the Payment Notice is received.

5.7.2. Regulatory Notices. In the event Current Operator receives notice of any claims or requests for recoupment or reimbursement with respect to the billing services or notice of any appeals, adjustments, challenges, audits, litigation, inspections or investigations with respect to the billing services, Current Operator shall inform New Operator and send a copy of such notice to New Operator by overnight mail or electronic transmission no later than five (5) business days after receipt of such notice.

5.7.3. Other Payor Notices. For a period of twelve (12) months following the Transfer Date, whenever a payor sends any other notice to or requests information from Current Operator regarding a claim for services rendered after the Effective Date, Current Operator shall send a copy of such notice or inform New Operator of such request by overnight mail or electronic transmission no later than five (5) business days after receipt of such notice or request.

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

5.9. Cooperation in Processing of Claims. Each party agrees to take all reasonable steps to assist the other in processing Medicare and Medicaid claims and obtaining Medicare and Medicaid payments for services rendered to the extent permitted by applicable law, regulations and formal agency and administrative contractor guidance (a) in the case of New Operator, from and after the Transfer Date, and (b) in the case of Current Operator, prior to the Transfer Date. The party being assisted agrees to reimburse the party rendering assistance for any reasonable documented out-of-pocket expenses incurred by the assisting party in rendering such assistance.

5.10. Access. For the period of twelve (12) months following the Transfer Date, after providing advance notice to New Operator in each instance, Current Operator and its agents and representatives shall have reasonable access during business hours to such medical records, resident contracts, patient status reports, medical necessity documentation, services documentation, account documentation, remittance advice documentation, Nursing Services Statements (CMS-3616), and other documents and records as reasonably necessary to confirm the division of the accounts receivable, payments or accounts payable, to facilitate billing and collection of Current Operator's receivables, to handle any of Current Operator's accounts payable or reconcile any financial information. Following the expiration of twelve (12) months following the Transfer Date, Current Operator shall continue to have reasonable access during business hours to such medical records, resident contracts, patient status reports, medical necessity documentation, services documentation, account documentation, remittance advice documentation, Nursing Services Statements (CMS-3616), and other documents and records as reasonably necessary in any audit, investigation, notice of determination, repayment request, overpayment notice or other matter relating to the provision of services or billing and reimbursement for services provided prior to the Transfer Date.

5.11. Overpayment Claims. In the event that federal or state agencies or any private insurer or other payor making payments to Current Operator for services performed prior to the Transfer Date make any claim for fines, civil money penalties, recoupment of fraudulent charges or overpayments (including recapture of pass-throughs) occurring for any such period, then Current Operator agrees to save, indemnify, defend and hold Buyer and New Operator harmless for, from and against any and all loss, damage, injury or expense incurred by Buyer or New Operator because of any such claim, and Current Operator shall promptly reimburse Buyer or New Operator for the full amount of any such claim, offset, chargeback or other attempted recovery of such fraud and overpayments upon demand. In the event Current Operator successfully appeals any such overpayment claim and Buyer or New Operator receives funds or credits as result thereof, Buyer or New Operator, as the case may be, shall promptly remit to Current Operator the full amount of any such funds or credits. In the event that federal or state agencies or any private insurer or other payor making payments to New Operator for services performed on or after to Transfer Date make any claim for fines, civil money penalties, recoupment of fraudulent charges or overpayments (including recapture of pass-throughs) occurring for any such period (including for time periods prior to the assignment of the Medicare Provider Agreement to New Operator or issuance of a new Medicaid provider agreement), then New Operator agrees to save, indemnify, defend and hold Current Operator harmless for, from and against any and all loss, damage, injury or expense incurred by Current Operator because of any such claim, and New Operator shall promptly reimburse Current Operator for the full amount of any such claim, offset, chargeback or other attempted recovery of such fraud and overpayments upon demand. In the event New Operator successfully appeals any such overpayment claim and Current Operator receives funds or credits as result thereof, Current Operator shall promptly remit to New Operator the full amount of any such funds or credits.

ARTICLE 6. EMPLOYEES

6.1. Current Employees; Payroll & Benefits. Current Operator shall deliver the Employee Schedule to New Operator not less than twenty-five (25) days prior to the Transfer

Date, except that the Social Security numbers shall be delivered not less than ten (10) days prior to the Transfer Date, and shall update such Employee Schedule three (3) business days prior to the Transfer Date. New Operator acknowledges that Current Operator may make reasonable personnel changes up to the Transfer Date. Current Operator shall not solicit or offer to employ any current Facility employees at any of its affiliated operations, for a period of one (1) year following the Transfer Date without the prior written consent of New Operator. Current Operator agrees not to give any Facility employee a salary or wage increase prior to the Transfer Date without New Operator's written consent, except in the normal course of business. Current Operator also agrees to provide to New Operator, promptly following the execution and delivery of this Agreement, copies of Current Operator's current employee handbook and/or human resources manual, detailed benefits information including carriers, brokers and participating employees, contact information and cost information, 403(b) plan documents and a roster of enrolled employees, and such other documentation of current terms and conditions of employment as New Operator may reasonably request, to the extent not disclosed in the Employee Schedule. All information disclosed or provided to New Operator hereunder shall be deemed confidential and shall in all events be subject to the confidentiality provisions of Section 5.2(i) of the Purchase Agreement.

6.2. Employee Status.

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

6.2.2. Offers of Employment. New Operator will extend offers of employment to all of the Facilities employees in good standing as of the Closing Date. Such offers of employment will be made in a manner sufficient to comply with Federal, state and local law, and for such employees' existing wages and otherwise with Benefits, subject to qualification requirements pertaining to such Benefits, that are not less favorable than those provided to other similarly situated employees of the facilities which New Operator operates and which are located in California.

6.2.3. Eligibility for Benefits. For purposes of determining eligibility of Rehired Employees to receive and participate in New Operator's sick leave, holiday, vacation, PTO or similar Benefit programs, New Operator agrees to accord Rehired Employees with one (1) year of employment service credit, so that all such Rehired Employees shall be eligible to enroll and/or begin accruing benefits on the first day of their employment with New Operator as if they were second year employees of New Operator. Notwithstanding the above, any Rehired Employee who has not been continuously employed by Current Operator for at least ninety (90)

days immediately prior to the Transfer Date shall not be accorded prior employment service credit and no other Rehired Employee shall be entitled to less than two (2) weeks vacation per year. New Operator shall permit Rehired Employees to enroll in New Operator's group health plan on or as soon as practicable after the Transfer Date, with no eligibility waiting period so long as the Rehired Employee has been continuously employed by Current Operator for at least ninety (90) days immediately prior to the Transfer Date. In the event the Transfer Date falls on a date other than the first (1st) day of a calendar month, Current Operator and New Operator acknowledge and agree that Rehired Employees shall be eligible to participate in New Operator's group health plan from and after the first (1st) day of the calendar month following the Transfer Date. Any Rehired Employee who has not been continuously employed by Current Operator for at least ninety (90) days immediately prior to the Transfer Date shall become eligible to participate in the group health plan as of the first (1st) day of the calendar month following the ninetieth (90th) day of combined continued employment with Current Operator and New Operator.

6.2.4. WARN Act Compliance. It is the understanding of Current Operator and New Operator that Current Operator may be required to give notice to the Facility employees of the termination of their employment under the WARN Act unless a sufficient number of employees do not suffer an "employment loss," or an exception to giving notice is applicable. New Operator has advised Current Operator that (a) it does not want Current Operator to deliver any such notice to the Facility employees, (b) it will offer employment on an "at-will" basis at or before the Transfer Date to a sufficient number of employees such that such notice will not be necessary and (c) in reliance thereon Current Operator will not provide notice under the WARN Act to the Facility employees. New Operator Parent and New Operator hereby agree to indemnify, defend and hold harmless Current Operator from any loss, cost or expense Current Operator may incur as a result of or a failure to give any required notice under the WARN Act.

6.3. Employee Records. Current Operator shall allow New Operator to retain Current Operator's employee files, including originally executed employee applications and original Form I-9s of Rehired Employees, for a period of ninety (90) days from the Transfer Date, or until New Operator has obtained new employee applications and I-9s; immediately thereafter New Operator shall deliver the original documents to Current Operator; provided that, during such retention period, New Operator shall allow Current Operator reasonable access, upon prior notice and during normal business hours, to such employee files and the ability to copy the same, as Current Operator may require in its reasonable discretion.

6.4. No Employment Rights or Contract. Notwithstanding anything in this Agreement to the contrary, nothing in this Article 6 or any other provision of this Agreement shall be interpreted to create any rights in favor of any person not a party hereto, including the employees of the Facility, or to constitute an employment agreement or condition of employment for any employee of Current Operator or any Rehired Employee.

6.5. Foreign Workers. Current Operator shall deliver to New Operator not less than twenty-five (25) days prior to the Transfer Date, a list of all foreign nationals employed at the Facility who are working under a visa or other work authorization. Current Operator represents that, to Current Operator's actual knowledge, (a) all such Facility employees will be either citizens or legal residents of the United States, (b) all foreign workers will have provided to

Current Operator copies of valid identity and work authorization documents, and (c) no such work authorizations will have expired or been revoked.

6.6. Employment Claims and Complaints. Current Operator has included, as part of Exhibit H hereto, a list of all pending and threatened Employment Claims. Current Operator acknowledges that New Operator is not assuming any liability for pending, or threatened or other pre-Transfer Date Employment Claims, and (a) New Operator hereby disclaims any and all liability for all Employment Claims arising from or in connection with the employment of any Facility employee prior to the Transfer Date, and (b) Current Operator hereby agrees to indemnify, defend and hold New Operator harmless for, from and against any and all Employment Claims arising from or in connection with the employment of any Facility employee prior to the Transfer Date.

ARTICLE 7. PRORATIONS

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

7.2. Calculation. All such prorations shall be made on the basis of actual days elapsed in the relevant accounting or revenue period and shall be based on the most recent information available. Without limiting the foregoing, water, electricity, sewer, gas, telephone and other utility charges shall be based, to the extent practicable, on final meter readings and invoices covering the period of time through the Transfer Date. Utility charges which are not metered and read on the Transfer Date shall be estimated based on prior charges, and shall be re-prorated upon receipt of statements therefor.

7.3. Adjustments. All amounts owing from one party hereto to the other party hereto that require adjustment after the Transfer Date shall be settled within sixty (60) days after the Transfer Date or, in the event the information necessary for such adjustment is not available within said sixty (60) day period, then as soon thereafter as practicable.

7.4. Petty Cash. On the Transfer Date, Current Operator shall retain the petty cash.

ARTICLE 8. RECORDS

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

8.2. Access to Records.

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

8.2.2. Current Operator shall be entitled to remove the originals of any records delivered to New Operator for purposes of litigation involving a patient or employee to whom such records relate, if (a) an officer of or counsel for Current Operator certifies that such original must be produced in order to comply with applicable law or the order of a court of competent jurisdiction in connection with such litigation, and (b) Current Operator leaves a full and complete copy of such records in the Facility while the originals are in its possession. Any record so removed shall promptly be returned to New Operator following its use. New Operator shall release originals of any records as required or requested by a governmental authority, regulatory agency or as otherwise required by law for the investigation or audit of Medicare, Medicaid or other governmental payor billing, services, or payments.

8.2.3. New Operator agrees to maintain such books, records and other material comprising records of the Facility's operations prior to the Transfer Date that have been received by New Operator from Current Operator or otherwise, including patient records and records of patient funds, to the extent required by law, but in no event less than three (3) years or, when longer, the minimum period required by any applicable statute of limitations in force as of the Transfer Date, and shall provide Current Operator with reasonable advance notice and allow Current Operator a reasonable opportunity to remove such documents, at Current Operator's expense, at such time as New Operator shall decide to dispose of such documents.

ARTICLE 9. OPERATING CONTRACTS

9.1. Operating Contracts. Current Operator will make available to New Operator true, complete and current copies of all Operating Contracts within ten (10) days after this Agreement has been executed. There are no material Operating Contracts, oral or written, which have not been disclosed pursuant to the foregoing or otherwise, to New Operator, and the Operating Contracts delivered and disclosed are in full force and effect prior to the Transfer Date and have not been modified, altered or amended in any way. Current Operator assigns, and New Operator assumes and agrees to be bound by all of the terms and conditions of, the Assumed Operating Contracts from and after the Transfer Date. Current Operator shall not have any liability arising from New Operator's acts or omissions in regards to the Assumed Operating Contracts on and after the Transfer Date.

9.1.1. Nothing herein shall be construed as imposing any liability on New Operator with respect to any obligations under (a) the Assumed Operating Contracts which relate to the period prior to the Transfer Date even if the same do not arise until after the Transfer Date (except to the extent that New Operator receives and accepts goods or services under an Assumed Operating Contract, in which case its liability shall be determined by the pro-ration of the cost of such benefit under such Assumed Operating Contract), it being specifically understood and agreed that New Operator's liability shall be limited to its acts and omissions thereunder and any liability arising from and after the Transfer Date, or (b) any Terminated Operating Contracts. New Operator shall indemnify and hold Current Operator harmless from any and all liability and claims arising from the Assumed Operating Contracts on and after the Transfer Date.

9.1.2. To the extent commercially reasonable, Current Operator agrees to give conditional notice of cancellation under each of the Terminated Operating Contracts, with the terminations to be effective on or before the Transfer Date or at the earliest possible date(s) thereafter.

9.2. Vehicles. Current Operator represents and warrants that the Vehicles are owned by Current Operator and are not subject to any lease or otherwise subject to any liens or other encumbrances.

9.3. Equipment Financing and Leases. Current Operator and New Operator acknowledge and agree that the FF&E listed on Exhibit I, if any, is leased or otherwise encumbered under the terms of certain equipment leases (the "Equipment Leases") identified on Exhibit I. Current Operator will provide to New Operator access to copies of all Equipment Leases. Current Operator represents and warrants that there are no outstanding liens, leases or other encumbrances affecting the Facility or any of the FF&E therein which have not been disclosed to New Operator and identified on Exhibit I. New Operator shall only assume (subject to the lessors' consent) and be responsible for all payments and other charges accruing on the Equipment Leases that may be listed on Exhibit B as Assumed Operating Contracts from and after the Transfer Date. New Operator shall indemnify and hold Current Operator harmless from any and all liability and claims arising under the Equipment Leases that constitute Assumed Operating Contracts on and after the Transfer Date.

9.4. Tenant Leases. Exhibit J attached hereto contains a list of all leases of space in the Facility by Current Operator to third party service providers, such as physical therapists,

banks, medical clinics or beauty shop operators (collectively, the "Tenant Leases"). Current Operator will provide to New Operator access to copies of all Tenant Leases. Except as disclosed on Exhibit J, each Tenant Lease is in full force and effect and to Current Operator's actual knowledge, no party to any such Tenant Lease is in default thereunder. New Operator shall assume all the Tenant Leases that may be set forth on Exhibit B as Assumed Operating Contracts.

ARTICLE 10. INDEMNIFICATION

10.1. Current Operator. Without limiting its other obligations and duties hereunder, from and after the Transfer Date, Current Operator shall indemnify, defend and hold Buyer Group and the Other Parties, and their respective officers, directors, employees, shareholders and affiliates ("Buyer Indemnified Parties"), harmless for, from and against any and all claims, losses, expenses, damages, obligations, deficiencies, or liabilities of any kind, including costs of investigation, interest, penalties, reasonable attorneys' fees, and any and all costs, expenses, and fees incident to any suit, action or proceeding, incurred, sustained or suffered by the Buyer Indemnified Parties which arise out of, result from or are related to any of the following:

10.1.1. except as otherwise provided in this Agreement, any and all obligations and liabilities relating solely to the ownership of the Operating Assets and the operation of the Facility by Current Operator prior to the Transfer Date, including (a) any obligations under the Assumed Operating Contracts, (b) any violations of applicable Medicare or Medicaid fraud and abuse laws, (c) any violations of other State or federal law governing the operation of the Facility, including laws relating to Employment Claims, and (d) any failure of any cost report filed by Current Operator for the cost reporting periods prior to the Transfer Date, including the final cost reports filed after the Transfer Date, to comply with applicable State or federal law; and for purposes of this Section, an obligation shall be deemed to "exist" as of the Transfer Date if it relates to events which occurred as a result of the acts or omissions of Current Operator prior to the Transfer Date, even if it is not asserted until after the Transfer Date;

10.1.2. any Terminated Operating Contracts;

10.1.3. any misrepresentation of a material fact, breach of warranty or nonfulfillment of any material agreement on the part of Current Operator under this Agreement or in any certificate required to be furnished to New Operator hereunder;

10.1.4. any failure by Current Operator in connection with the transactions contemplated herein to comply with the requirements of any State, federal or local laws or regulations relating to bulk sales or transfers, whether or not New Operator has waived Current Operator's compliance therewith;

10.1.5. any claims against Current Operator, New Operator or the Facility under Medicare, Medicaid, Veterans Administration or any other third party payor programs (a) with respect to any Excluded Assets, (b) with respect to the operation of the Facility by Current Operator prior to the Transfer Date, (c) for recapture of depreciation generated by the transaction contemplated hereby, (d) for any fees, fines or penalties assessed against the Operating Assets or

the Provider Agreements solely to the extent attributable to periods prior to the Transfer Date, or (e) for repayment of any overpayments made to Current Operator under Medicare, Medicaid, Veterans Administration or any other third party payor program for services rendered at the Facility prior to the Transfer Date, including claims against New Operator in the form of offsets by Medicare, Medicaid, Veterans Administration or any other third party payor against their payments due solely to the extent such offsets relate to services rendered by Current Operator prior to the Transfer Date;

10.1.6. in the event the amount of the Patient Trust Property, if any, transferred to New Operator do not represent the full amount of the Patient Trust Property shown to have been delivered to Current Operator as custodian, and for claims which arise from actions or omissions of Current Operator with respect to the Patient Trust Property prior to the Transfer Date; and

10.1.7. any Excluded Liabilities.

10.2. Other Parties. From and after the Transfer Date, each Other Party shall indemnify, defend and hold Current Operator and Selling Group, and their respective officers, directors, employees, member and affiliates (the "Seller Indemnified Parties"), harmless for, from and against any and all claims, losses, expenses, damages, obligations, deficiencies, or liabilities of any kind, including costs of investigation, interest, penalties, reasonable attorneys' fees, and any and all costs, expenses, and fees incident to any suit, action or proceeding, incurred, sustained or suffered by the Seller Indemnified Parties which arise out of, result from or are related to New Operator's operation of the Facility on and after the Transfer Date, including all billing and collections for services, board and care provided to residents on and after the Transfer Date, and including any liability or claim resulting from or relating to any of the following:

10.2.1. except as otherwise provided in this Agreement, any and all obligations and liabilities relating to the ownership and the operation of the Facility by New Operator that relate solely to the operation of the Facility on and after the Transfer Date, including (a) any obligations under the Assumed Operating Contracts, (b) any violations of applicable Medicare or Medicaid fraud and abuse laws, (c) any other State or federal law governing the operation of the Facility, including to laws relating to Employment Claims, and (d) any failure of any cost report filed by New Operator for the cost reporting periods on and after the Transfer Date to comply with applicable State or federal law; and for purposes of this Section, an obligation shall be deemed to "exist" on and after of the Transfer Date if it relates to events which occurred as a result of the acts or omissions of New Operator on and after the Transfer Date, regardless of when asserted;

10.2.2. any misrepresentation of a material fact, breach of warranty or nonfulfillment of any material agreement on the part of an Other Party under this Agreement;

10.2.3. any claims against Current Operator, New Operator or the Facility under Medicare, Medicaid, Veterans Administration or any other third party payor programs (a) with respect to the operation of the Facility by New Operator on and after the Transfer Date, (b) for any fees, fines or penalties assessed against the Operating Assets or the Medicare or Medicaid

Provider Agreements of the Facility solely to the extent attributable to periods on and after Transfer Date, or (c) for repayment of any proven overpayments made to New Operator under Medicare, Medicaid, Veterans Administration or any other third party payor program for services rendered at the Facility on and after the Transfer Date, including claims against Current Operator in the form of offsets by Medicare, Medicaid, Veterans Administration or any other third party payor against their payments due to Current Operator; or

10.2.4. claims which arise from actions or omissions of New Operator with respect to the Patient Trust Property on and after the Transfer Date.

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

ARTICLE 11. JUDICIAL REFERENCE

11.1 Judicial Reference. EXCEPT AS PROVIDED IN SECTION 5.7, ANY CONTROVERSY OR DISPUTE HEREUNDER SHALL BE RESOLVED BY A REFEREE APPOINTED BY THE SUPERIOR COURT FOR THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA ("SUPERIOR COURT") IN ACCORDANCE WITH THE PROVISIONS OF SECTION 638 ET SEQ. OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. IN THIS REGARD, IN THE EVENT THE PARTIES ARE UNABLE AGREE UPON A RESOLUTION TO ANY SUCH QUESTION, ANY PARTY SHALL HAVE THE RIGHT TO SERVE A WRITTEN DEMAND FOR JUDICIAL REFERENCE OF SUCH CLAIM OR CONTROVERSY ON THE OTHER PARTIES. THE PARTIES SHALL THEN NEGOTIATE IN GOOD FAITH FOR A MUTUALLY ACCEPTABLE REFEREE, HOWEVER IN NO EVENT SHALL ANY PARTY SEEK THE APPOINTMENT OF A REFEREE THAT MAY BE DISQUALIFIED PURSUANT TO CALIFORNIA SECTION 641 OF THE CODE OF CIVIL PROCEDURE. IN THE EVENT THAT THE PARTIES HAVE

NOT AGREED UPON A REFEREE WITHIN TEN (10) BUSINESS DAYS AFTER WRITTEN DEMAND FOR SUCH REFERENCE HAS BEEN MADE, THE PARTIES SHALL SUBMIT TO THE SUPERIOR COURT THE NAMES OF UP TO THREE NOMINEES FOR APPOINTMENT AS REFEREE, IN ACCORDANCE WITH THE PROVISIONS OF SECTION 640 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. THE REFEREE, ONCE AGREED UPON BY THE PARTIES OR APPOINTED BY THE SUPERIOR COURT, SHALL HAVE FULL AND COMPLETE AUTHORITY TO HEAR AND DETERMINE ANY AND ALL OF THE ISSUES IN AN ACTION OR PROCEEDING, WHETHER OF FACT OR OF LAW, AND TO REPORT A STATEMENT OF DECISION. IN CONNECTION WITH SUCH REFERENCE PROCEDURE, THE PARTIES SHALL HAVE ALL RIGHTS AND POWERS AFFORDED TO A CIVIL LITIGANT IN THE SUPERIOR COURT, INCLUDING THE ABILITY TO CONDUCT FULL DISCOVERY. THE REFEREE SHALL BE GOVERNED BY THE RULES OF CIVIL PROCEDURE FOR ACTIONS FILED IN CALIFORNIA SUPERIOR COURTS AS SET FORTH IN THE CALIFORNIA CODE OF CIVIL PROCEDURE, EXCEPT TO THE EXTENT THE PARTIES STIPULATE THE REFEREE MAY DEVIATE THEREFROM. THE CURRENT OPERATOR, ON THE ONE HAND, AND THE OTHER PARTIES, ON THE OTHER HAND, SHALL EVENLY DIVIDE THE COST OF THE REFEREE'S FEES. THE REFEREE SHALL HAVE THE POWER, AS PART OF ANY AWARD, TO INCLUDE THESE FEES AS AN ELEMENT OF RECOVERY. THE DECISION OF THE REFEREE UPON THE WHOLE ISSUE SHALL STAND AS THE DECISION OF THE SUPERIOR COURT, AND UPON THE FILING OF THE STATEMENT OF DECISION WITH THE CLERK OF THE SUPERIOR COURT, JUDGMENT MAY BE ENTERED THEREON IN THE SAME MANNER AS IF THE ACTION HAD BEEN TRIED BY THE SUPERIOR COURT. EXCEPT AS SET FORTH IN SECTION 645 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE, THE REFEREE'S AWARD SHALL BE CONSIDERED FINAL, AND NOT SUBJECT TO APPEAL OR COLLATERAL ATTACK.

YOU HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THIS AGREEMENT TO JUDICIAL REFERENCE AS PROVIDED ABOVE.

Current Operator's Initials	Buyer Parent's and Buyer's Initials	New Operator Parent's and New Operator's Initials

ARTICLE 12. REPRESENTATIONS AND WARRANTIES

12.1. Current Operator's Representations and Warranties. Current Operator hereby represents and warrants to each of the Other Parties as follows:

12.1.1. Current Operator is a nonprofit public benefit corporation duly organized and in good standing under the laws of the State.

12.1.2. Current Operator (a) possesses, if and where required, all Certifications and all similar approvals necessary to maintain and operate, and (b) is licensed by the State to operate, the Facility as a skilled nursing facility with 300 licensed beds certified and eligible for Medicare and Medicaid reimbursement, and all permits, licenses, provider agreements and other

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12.1.2. Current Operator (a) possesses, if and where required, all Certifications and all similar approvals necessary to maintain and operate, and (b) is licensed by the State to operate, the Facility as a skilled nursing facility with 300 licensed beds certified and eligible for Medicare and Medicaid reimbursement, and all permits, licenses, provider agreements and other

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Current Operator's Initials	Buyer Parent's and Buyer's Initials	New Operator Parent's and New Operator's Initials

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12.1.1. Current Operator is a nonprofit public benefit corporation duly organized and in good standing under the laws of the State.

12.1.2. Current Operator (a) possesses, if and where required, all Certifications and all similar approvals necessary to maintain and operate, and (b) is licensed by the State to operate, the Facility as a skilled nursing facility with 300 licensed beds certified and eligible for Medicare and Medicaid reimbursement, and all permits, licenses, provider agreements and other

governmental approvals necessary for the operation of the Facility as it is currently operated have been received and are now currently effective. A true and current copy of the Licenses (and, if applicable, the Certifications) is attached hereto as Exhibit K.

12.1.3. There are currently no court orders, consent decrees, judgments or similar directives, including corporate integrity agreements under 42 USC Sec. 1320a-7b(f), affecting the Facility or Current Operator.

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

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

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

12.1.7. Current Operator's financial statements, which were submitted to Buyer Parent and New Operator Parent in connection with its evaluation of the Facility, were prepared in accordance with the books of account and other financial records of Current Operator and fairly present the financial condition and results of operations of the Facility at the dates and for the periods covered thereby. All of the books and records of the Facility, including books and

records related to Patient Trust Property and employee records, are true and correct in all material respects.

12.1.8. Current Operator is duly authorized to consummate the transactions contemplated by this Agreement. Current Operator has all necessary power and authority to enter into this Agreement and to execute all documents and instruments referred to herein or contemplated hereby, and all necessary action has been taken to authorize the individual executing this Agreement to do so. This Agreement has been duly and validly executed and delivered by Current Operator and is enforceable against Current Operator in accordance with its terms.

Except as expressly set forth in this Agreement or in the Purchase Agreement, neither Current Operator nor any of its agents, employees or representatives have made, nor are any of them making, any representation or warranty, express or implied, in respect of the Current Operator or its assets, business or operations, and any such other representations or warranties are hereby expressly disclaimed. The Other Parties each expressly acknowledge and agree that none of them or any of their agents, employees or representatives are relying on any other representations or warranties of Current Operator or any of its agents, employees or representatives, including the accuracy or completeness of any such other representations and warranties, whether express or implied.

12.2. Other Parties' Representations, Warranties and Covenants. Each of the Other Parties hereby represents and warrants to, and covenants with, Current Operator, as follows:

12.2.1. Such Other Party is a limited liability company or corporation duly formed and in good standing in the State.

12.2.2. Such Other Party has all requisite power and authority to execute and deliver this Agreement and to carry out its obligations hereunder and the transactions contemplated hereby, and all necessary action has been taken to authorize the individual executing this Agreement to do so. The documents contemplated hereby have been or will be duly authorized by all necessary action on such Other Party's part. This Agreement has been, and the documents contemplated hereby to be executed by such Other Party will be, duly executed and delivered by such Other Party and constitute its legal, valid and binding obligations enforceable against it in accordance with their terms, and the consummation and performance by such Other Party of the transactions contemplated herein will not result in a violation of or be in conflict with or constitute a default under any term or provision of the organizational documents of such Other Party, or any of the terms or provisions of any agreement or instrument to which it is a party or by which it is bound, or of any term of any applicable law, ordinance, rule or regulation of any governmental authority, or of any term of any applicable order, judgment or decree of any court, arbitrator or governmental authority.

12.2.3. During the past five (5) years, neither such Other Party nor any affiliate of such Other Party (i) has been or is subject to any order, judgment, decree, stipulation or consent of any court or governmental body or agency relating to any actual or alleged violation of any health care law, regulation or program, (ii) has received from any Federal, state or local governmental body or agency any statement of material deficiencies or other notice of material

noncompliance with any standard applicable to the physical plant, equipment, care or patient services at any health care facility under its ownership or management for which such deficiencies or noncompliance have not been corrected, (iii) has been the subject of any investigation by any Federal, state or local governmental body or agency for any alleged violation of any Medicare or Medicaid laws or regulations or other Federal, state or local health care programs or (iv) has been excluded or suspended from a Federal health care program, including Medicare, Medicaid or Veterans Administration programs.

12.2.4. As of the Transfer Date, New Operator will qualify and will continue to qualify as a "covered entity" as such term is defined in HIPAA, and will comply and will continue to comply with all requirements under HIPAA and HITECH, including the use or disclosure of protected health information. New Operator will execute and deliver to Current Operator a Business Associate Agreement in the form attached as Exhibit M.

ARTICLE 13. MISCELLANEOUS

13.1. Assignment. Without the prior written consent of the other parties, no party may assign this Agreement to any third parties and any such attempted assignment will be void.

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

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

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

If to Current Operator:

KEIRO SERVICES
325 South Boyle Avenue
Los Angeles, CA 90033-3812
Attn: Shawn Miyake
Phone: (323) 980-7500
Fax: (323) 980-2344
Email: smiyake@keiro.org

With a copy to (which shall not constitute notice):

Neal H. Brockmeyer
Locke Lord LLP
300 South Grand Ave.
Suite 2600
Los Angeles, CA 90071
Phone: (213) 687-6774
Fax: (213) 341-6774
Email: nbrockmeyer@lockelord.com

If to Buyer Parent or Buyer:

PACIFICA COMPANIES LLC
1775 Hancock Street, Suite 200
San Diego, CA 92110
Attn: Adam Bandel
Phone: (619) 296-9000
Fax: (619) 296-9090
Email: abandel@pacificacompanies.com

If to New Operator Parent or New Operator:

ASPEN SKILLED HEALTHCARE, INC.
Attn: V. Jay Brady
28202 Cabot Road, Suite 412
Laguna Niguel, CA 92677
Phone: (949) 347-7100
Fax: (94) 347-7800
Email:
jbrady@aspenskilledhealthcare.com

With a copy to (which shall not constitute notice):

Jennifer Sternshein
Sanders Rehaste Sternshein & Harvey, LLP
5316 E. Chapman Avenue
Orange, CA 92869
Phone: (714) 289-7070
Fax: (714) 289-7071
Email: Jennifer @srshhealthlaw.com

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

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

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

instrument. A manual signature on this Agreement or certificates to be delivered pursuant to this Agreement, an image of which shall have been transmitted electronically, will constitute an original signature for all purposes. The delivery of copies of this Agreement or certificates to be delivered pursuant to this Agreement, including executed signature pages where required, by electronic transmission will constitute effective delivery of this Agreement or such certificates for all purposes.

13.7. Construction. This Agreement has been negotiated by and among the parties in arms-length negotiations, and the parties are responsible for its drafting. The parties have reviewed this Agreement with appropriate counsel, or have waived their right to do so, and the parties hereby mutually and irrevocably agree that this Agreement shall be construed neither for nor against any party, but in accordance with the plain language and intent hereof. The captions of paragraphs and subparagraphs of this Agreement have been inserted solely for the purposes of convenience and reference, and shall not control or affect the meaning or construction of any of the provisions of this Agreement. Unless the context otherwise requires, references to the parties shall be to the parties to this Agreement, and references to articles, sections and exhibits shall be to the articles or sections of, or exhibits to, this Agreement. Exhibits referred to in this Agreement, whether attached hereto or thereto at the time of this Agreement's execution and delivery or thereafter, are hereby incorporated into this Agreement and made a part hereof. "Including" and words of similar import mean "including without limitation" or "but not limited to," and "or" is used in the inclusive sense. Time is of the essence for all dates and time periods set forth in this Agreement and each performance called for in this Agreement.

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

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

13.10. Entire Agreement. This Agreement is being entered into pursuant to the Purchase Agreement and, together with the Purchase Agreement and the exhibits thereto, the Confidentiality Agreements (as defined in the Purchase Agreement) and the other Operations Transfer Agreements, comprises the entire agreement between the parties hereto with respect to the subject matter hereof and shall be construed together with such other agreements. This Agreement may not be amended, modified or terminated except by written instrument signed by the parties hereto.

13.11. No Unintended Beneficiaries. This Agreement is solely between the parties hereto, and shall not create any right or benefit in any third party, including any creditor, agent, partner, employee or affiliate of Current Operator or any entity or agency having jurisdiction of the License, the Facility or the operation of the business therein.

13.12. Survival of Obligations, Representations and Warranties. The respective representations, warranties, covenants and remedies of Current Operator and the Other Parties made herein or in any certificate or other document delivered pursuant to this Agreement, including the obligations of indemnity hereunder, shall survive the Transfer Date, the consummation of the transactions contemplated hereby and by the Purchase Agreement and the delivery of the Operating Assets to Buyer, and shall not be waived or merged thereby, until any applicable statute of limitations has run, notwithstanding any examination made by or for the party to whom such representations, warranties or covenants were made, the knowledge of any officers, directors, shareholders, members, partners, employees or agents of the party, or the acceptance of any certificate or opinion.

13.13. Cross Default. Any material breach or default of any warranty, covenant, agreement, condition or other obligation of a party hereunder, shall constitute a material breach or default of such party under the Purchase Agreement and the non-breaching party shall be entitled to any and all remedies to which such non-breaching party may be entitled under the terms of this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

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

CURRENT OPERATOR:
KEIRO NURSING HOME, a California nonprofit public benefit corporation

By:_____
Shawn Miyake
Its President

BUYER PARENT:
PACIFICA COMPANIES LLP, a California limited liability company

By:_____
Deepak Israni
Its General Manager

BUYER:
PACIFICA SL VERMONT LLC, a California limited liability company

By:_____
Deepak Israni
Its General Manager

NEW OPERATOR PARENT:
ASPEN SKILLED HEALTHCARE, INC., a California corporation

By:_____
Jay Brady
Its President

NEW OPERATOR:
AGVA, LLC, a California limited liability company

By:_____
Jay Brady
Its Manager

[Signature Page for South Bay Keiro Nursing Home OTA]

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By:_____
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Its President

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By:_____
Jay Brady
Its Manager

[Signature Page for South Bay Keiro Nursing Home OTA]

EXHIBITS

TO

OPERATIONS TRANSFER AGREEMENT

SOUTH BAY KEIRO NURSING HOME[1]

Exhibit	Title
A	Form of Assignment and Assumption Agreement
B	Assumed Operating Contracts
C	Form of Bill of Sale
D	Encumbrances
E	Excluded Assets
F	Form of Lease
G	Vehicles
H	Employment Claims
I	Equipment Leases
J	Tenant Leases
K	Licenses and Certifications
L	Pending Actions
M	Form of Business Associate Agreement

[1] Terms not otherwise defined shall have the meanings set forth in the accompanying Operations Transfer Agreement.

EXHIBIT A

FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT

[Attached]

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment") is made and entered into as of the ____ day of _____, 2015, by and between [_____], a California nonprofit public benefit corporation ("Assignor"), and [_____], a [California] limited liability company ("Assignee").

WHEREAS, Assignor and Assignee are parties to that certain Operations Transfer Agreement dated as of _____, 2015 (the "Transfer Agreement"), pursuant to which Assignor has agreed to assign and transfer to Assignee, and Assignee has agreed to assume the obligations under, the Assumed Operating Agreements associated with [_____];

WHEREAS, Assignor now desires to confirm such transfer and assignment, and Assignee now desires to confirm such assumption; and

WHEREAS, all capitalized terms used herein not otherwise defined, shall have the meanings assigned under the Transfer Agreement, and the miscellaneous provisions in Article 13 of the Transfer Agreement shall apply, to the extent appropriate, to this Assignment;

NOW THEREFORE, in accordance with and pursuant to the terms and conditions of the Transfer Agreement and this Assignment, and for good and valuable consideration, the receipt and sufficiency of which Assignee hereby acknowledges, the parties hereto agree as follows:

1. **Assignment**. Assignor hereby assigns and transfers to Assignee, all of Assignor's right, title and interest in, to and under the Assumed Operating Contracts specified on Schedule A attached hereto. In addition, Assignor hereby transfers, assigns and delivers to Assignee all right, title and interest of Assignor in and to all deposits and other security interests, if any, under any Assumed Operating Contracts. Assignor represents and warrants that the full amount of such deposits are in the amounts set forth on Schedule B attached hereto. Assignor further agrees to indemnify and save harmless Assignee from and against any claims which arise in connection with the failure of Assignor to have performed its obligations and liabilities under the Assumed Operating Contracts during the period prior to the Transfer Date.

2. **Assumption.** Assignee hereby accepts the foregoing assignment and hereby assumes and agrees to perform and satisfy, all of the obligations and liabilities of Assignor under the Assumed Operating Contracts to the extent such obligations and liabilities relate to the period from and after the Transfer Date. Assignee further agrees to indemnify and save harmless Assignor from and against any claims which arise in connection with Assignee's failure to perform such obligations and liabilities from and after the Transfer Date.

3. **Authority**. The parties hereto have the full right, power and authority to enter into this Assignment and bind the respective parties, and have obtained all necessary approval for the same from any party affected hereby.

4. **Successors and Assigns**. This Assignment shall inure to the benefit of, and be binding upon, the respective legal representatives, successors and permitted assigns of the parties hereto.

5. **Limitation**. This Assignment is executed in accordance with the terms and conditions of the Transfer Agreement, and the terms hereof are subject to the terms and conditions of the Transfer Agreement. Without limiting the foregoing, nothing contained herein shall be deemed to alter or amend the Transfer Agreement in any way, including without limitation any Excluded Liabilities thereunder.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Assignor and Assignee have caused this Assignment to be duly executed and delivered as of the date first stated above.

ASSIGNOR:

[_____],
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

ASSIGNEE:

[_____],
a [California] limited liability company

By: _____
Name: _____
Its: _____

EXHIBIT B

ASSUMED OPERATING CONTRACTS

[To be delivered by New Operator within 30 days of date of Operations Transfer Agreement]

EXHIBIT C

FORM OF BILL OF SALE

[Attached]

BILL OF SALE

THIS BILL OF SALE (this "Bill of Sale") is executed effective as of the ____ day of _____, 2015, from [_____], a California nonprofit public benefit corporation ("Seller"), to [_____], a [California] limited liability company ("Buyer").

WHEREAS, Seller and Buyer are among the parties to that certain Operations Transfer Agreement dated as of _____, 2015 (the "Transfer Agreement"), pursuant to which Seller has agreed to convey, assign and deliver to Buyer the Operating Assets associated with [_____], and all of Seller's right, title and interest therein, free of Encumbrances;

WHEREAS, Seller now desires to confirm such conveyance, assignment and delivery pursuant to the terms of the Transfer Agreement; and

WHEREAS, all capitalized terms used herein not otherwise defined, shall have the meanings assigned under the Transfer Agreement, and the miscellaneous provisions in Article 13 of the Transfer Agreement shall apply, to the extent appropriate, to this Bill of Sale;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller hereby conveys, assigns and delivers to Buyer all of Seller's right, title and interest in the Operating Assets associated with [_____], including without limitation all patient records and admission agreements, FF&E, Inventory, General Intangibles and Vehicles, but not including any Excluded Assets,

TO HAVE AND TO HOLD, all and singular, for Buyer's use and benefit, and Seller hereby represents and warrants to Buyer that it has full right, power and authority to convey, assign and deliver the foregoing Operating Assets and to make this Bill of Sale, and that the foregoing Operating Assets are free and clear of all Encumbrances. With the exception of the representations and warranties set forth in the immediately preceding sentence, the foregoing Operating Assets are being conveyed, assigned and delivered in their "AS IS, WHERE IS" condition, without any representation or warranty of any kind.

[Remainder of page left intentionally blank]

IN WITNESS WHEREOF, the undersigned has caused this Bill of Sale to be duly executed and delivered as of the date first stated above.

[_____],
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

EXHIBIT D

ENCUMBRANCES

The following are leases for equipment used in the South Bay Keiro Nursing Home:

Type of Equipment	Lessor	Expiration Date of Lease
Photocopier	Canon	9/30/13
Photocopier	Canon	12/29/14
Photocopier	Canon	4/20/15

EXHIBIT E

EXCLUDED ASSETS

The following assets ("Excluded Assets") of Current Operator are not included in this transaction and shall be retained by or delivered to Current Operator in accordance with the terms, conditions, and procedures, including without limitation proration procedures, set forth herein:

(a) all cash, cash equivalents, investments, funds held in trust, pledges, contributions and charitable remainder trusts, excepting Patient Trust Property, which shall be transferred to the New Operator as set forth in the Operations Transfer Agreement (OTA);

(b) all accounts receivable, revenues, accounts, notes, interest and other receivables of Sellers (collectively, the "Accounts Receivable"), including all claims, rights, interests and proceeds related thereto, billed and unbilled, recorded and unrecorded, for services provided or for goods and supplies used by any patients or residents by Current Operator while owner of the Operating Assets whether payable by private pay patients, private insurance, third party payors, private payors, Medicaid (also known in California as Medi-Cal), or Medicaid managed care payors or by any other source and any governmental overpayments and any rights to prosecute any governmental underpayments and receivables; together with all documents, records, correspondence, work papers and other documents relating to the Accounts Receivable;

(c) all intercompany receivables of Current Operator with any of its affiliates;

(d) computer hardware, software and programs;

(e) subject to the provisions of the OTA, all of Sellers' or any affiliate of Sellers' proprietary manuals, policy and procedure manuals and standard operating procedures;

(f) the names "Keiro," "Keiro Senior HealthCare," "Keiro Nursing Home," "South Bay Keiro Nursing Home," Keiro Intermediate Care Facility" and "Keiro Retirement Home," any abbreviations and variations thereof, and any trademarks, trade names, service marks, symbols and logos related thereto, any world-wide web addresses associated with the Seller Group, and any other trademarks, trade names, service marks, copyrights and applications therefor;

(g) all Operating Assets of Current Operator that are disposed of, expended or cancelled in the ordinary course of business prior to the Transfer Date, provided that Current Operator shall not dispose of any Operating Assets without the prior written consent of New Operator (other than Inventory and other Operating Assets used at the Facility in the ordinary course of business, which shall be replenished to at least statutorily-required levels in the normal course);

(h) assets owned and provided by vendors of services or goods to the Facility;

(i) all claims, rights, interests and proceeds with respect to state or local tax refunds (including property tax) resulting from periods prior to the Transfer Date, and the right to pursue appeals of same;

(j) all of Current Operator's organizational and corporate records, minute books and financial, tax and accounting books and records;

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

(l) all refunds, rebates and dividends paid in respect of worker's compensation or other insurance premiums paid by Current Operator prior to the Transfer Date and any refunds or additional recoveries by or payments to Current Operator from any person for services or sales of goods or supplies prior to the Transfer Date;

(m) all settlements, refunds or returns of any other monies from any source or rights of any nature arising from or connected to Current Operator's operation of the Facility prior to the Transfer Date;

(n) all prepaids or deposits made by Current Operator;

(o) all accounts and balances in such accounts maintained by Current Operator at banks or other financial institutions;

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

(q) all existing licenses issued for or in connection with the ownership or operation of the Facility, including those issued by the California Department of Public Health;

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

(s) all of Current Operator's interest in and to the Terminated Operating Contracts;

(t) all insurance policies of Current Operator and, except as otherwise provided in Section 9.3 of the Purchase Agreement, rights to proceeds or return of premiums with respect thereto; and

(u) the Excluded Assets listed on Exhibit 1.2(u) to the Purchase Agreement.

EXHIBIT F

FORM OF LEASE

LEASE AND OPERATIONAL CONTROL AGREEMENT

THIS LEASE AND OPERATIONAL CONTROL AGREEMENT ("Agreement" or "Lease") is made as of February __, 2015, between Pacifica SL Vermont, LLC, a California limited liability company ("Owner") and AGVA, LLC, a California limited liability company (the "Operator"). Owner and Operator are collectively referred to herein as "Parties."

WITNESSETH:

WHEREAS, Owner is a limited liability company organized in the state of California and is under contract to acquire a skilled nursing facility and the underlying real property located 15115 South Vermont Avenue, Gardena, California, with 98 licensed and Medicare/Medicaid-certified skilled nursing beds commonly known as "South Bay Keiro Nursing Home" (the "Facility" and/or the "Premises" according to context);

WHEREAS, escrow for the acquisition of the Premises by Owner is scheduled to close on or about July 1, 2015, subject to licensing approval;

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

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

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

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

1. Lease and Operations. For and in consideration of the covenants and agreements hereinafter contained, Owner does hereby let, lease, and demise unto Operator, and Operator does hereby lease from Owner, the real property described on Exhibit A and the Facility located thereon and the parking spaces (on a non-exclusive basis), equipment, inventory and furnishings located at the Facility (the "Premises").

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

2. Term.

(a) The term of this Agreement shall be for a period of fifteen (15) years beginning on the date that Owner acquires fee title to the Premises (the "Commencement Date") and ending on the fifteenth (15th) anniversary of such date (including any Extension Term described below, the "Term").

(b) Operator shall have and is hereby granted one (1) option (the "Extension Option") to extend the Term (the "Extended Term") for an additional ten (10) years, provided no continuing Event of Default then exists hereunder at the commencement of the Extended Term, upon the terms, covenants, conditions set forth herein but at a rental rate of

the greater of (i) 1.03 percent of the rental amount in effect at the end of the Extended Term; and (ii) market rental rate for similar facilities taking into consideration all relevant factors, which market rental rate shall be determined by mutual agreement or, in the absence of mutual agreement, by appraisal conducted by an MAI appraiser specializing in the appraisal of senior housing facilities. Such appraiser shall be selected by mutual consent of the parties or, in the absence of mutual consent, each party shall select a qualified appraiser and the those two appraisers shall select a third qualified appraiser who shall establish the rental rate for the Extended Term. All costs of the appraisal process shall be shared equally by the parties. Operator may exercise such Extension Option by giving written notice to Owner not less than six (6) months nor more than twelve (12) months prior to the expiration of the initial Term. Should Operator fail to give Owner such timely written notice during the required period, the then current Term and all rights of renewal shall automatically expire as of the then scheduled expiration date of the Term.

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

3. Rental. As rental for the Premises, Operator shall pay to Owner on the first day of each month of the Term, rent as follows:

(a) Base rent not less than Five Hundred Ninety-Eight Thousand and No/100 Dollars ($598,000.00) per year payable monthly which is equal to Forty-Nine Thousand Eight Hundred Thirty-Three and No/100 Dollars ($49,833.00) per month.

(b) Except for the market rent adjustments applicable at the commencement of the Extended Term described above, Base rent shall be increased on each annual anniversary date of the commencement of this Lease (each a "Rent Adjustment Date") by an amount equal to the result of multiplying the Base Rent in effect immediately prior to the applicable Rent Adjustment Date by 1.03.

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

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

4. Triple Net Lease. This is a triple net lease (meaning that in addition to the rental payment set forth in Section 3 above, Operator shall pay all amounts necessary to operate and maintain the Facility, including without limitation, all real property taxes and assessments, repairs, maintenance and replacements for the Premises, and insurance. The rent due under this lease will be paid by Operator and be received by Owner without any deduction or offset whatsoever by Operator, foreseeable or unforeseeable. Property tax and insurance payments shall be paid by Operator to Owner quarterly. The timing and amount of such quarterly payments shall be such

that Owner will have sufficient funds from which to pay all property tax and insurance invoices at such times as to avoid any and all penalties and to take maximum advantage of any and all discounts available.

5. Absolute Net Lease.

(a) All rent payments shall be absolutely net to the Owner free of taxes, assessments, utility charges, operating expenses, refurnishings, insurance premiums or any other charge or expense in connection with the Premises. All expenses and charges, whether for upkeep, maintenance, repair, (whether structural or non-structural) refurnishing, refurbishing, restoration, replacement, insurance premiums, taxes, utilities, and other operating or other charges of a like nature or otherwise, shall be paid by Operator provided, however, that Operator shall not be responsible for repair or replacement necessary to cure any condition for which Owner is responsible under Paragraph 16(d). This provision is not in derogation of the specific provisions of this Lease, but in expansion thereof and as an indication of the general intentions of the parties hereto. Operator shall continue to perform its obligations under this Lease even if Operator claims that Operator has been damaged by any act or omission of Owner. Therefore, Operator shall at all times remain obligated under this Lease without any right of set-off, counterclaim, abatement, deduction, reduction or defense of any kind, except as otherwise expressly provided for in this Agreement. Operator's sole right to recover damages against Owner by reason of a breach or alleged breach of Owner's obligations under this Lease shall be to prove such damages in a separate action against Owner.

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

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

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

9. Operational Responsibilities.

(a) Responsibilities of Owner.

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

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

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

(iv) Owner shall endeavor to refer residents from the independent living, assisted living, and memory care components of its related Keiro facility located at 325 South Boyle Avenue, Los Angeles, California (the "Boyle Campus") to the skilled nursing Facility to the greatest extent feasible. Likewise, Operator shall endeavor to refer residents from the skilled nursing Facility to the independent living, assisted living, and memory care components of the Boyle Campus to the greatest extent feasible. Neither party shall pay nor be entitled to remuneration nor compensation of any kind for such referrals. Operator has no obligation to provide such referrals as a matter of compliance with this Lease.

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

(i) Recruit, screen, employ, train, promote, direct and terminate the employment of Facility personnel as necessary for the operation of all departments and services of the Facility, including without limitation, setting the salary levels, establishing personnel policies, and maintaining employee benefits within prescribed regulatory limits and consistent with developed performance standards. At or prior to the Commencement Date, Operator will tender offers of employment to all of the Employees involved in the skilled nursing facility activities at the Facility in good standing. Such offers of employment made by Operator will be made in a manner sufficient to comply with federal, state, and local law, and for wages and benefits that are not less favorable than those provided to other similarly situated employees of the facilities in which Owner's affiliates have an ownership interest and which are located in California.

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

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

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

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

(vi) Be responsible for purchase of supplies, equipment, maintaining supply agreements or purchase contracts. Implement repairs and continued maintenance of Facility equipment and buildings. Be responsible for conducting periodic on-site inspections of the Facility, announced and unannounced, to ensure the physical plant and grounds are in satisfactory repair and condition.

(vii) Maintain a set and system of accounting books and records used in the operation of the Facility at Operator's expense by Operator's employees. Such books and records shall be maintained on the basis of a December 31st calendar year or other such fiscal year elected by the Operator with written notice to Owner and shall permit Owner or any of its agents, representatives or lenders to have access to and to examine and copy or make abstracts of all such books and records at any time or times hereafter during normal business hours.

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

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

(x) For a period of at least five (5) years from and after the Commencement Date, Operator shall operate the Facility in a "culturally sensitive" manner, meaning the existence of an environment that fosters an awareness and acceptance of the cultural characteristics, history, values, belief systems and behaviors of the Japanese American residents and families, which will include:

Menus: The menus will contain many traditional Japanese dishes, and alternative Japanese dishes are made available with notes about dietary factors.

Television Programming: Residents will be able to view NHK TV, operated by Japan Broadcasting Corporation, which broadcasts Japanese and Asian news and lifestyle and cultural programming.

Programs and Activities: Residents may participate in traditional Japanese activities, such as ikebana (the art of floral arrangements), the koto (a stringed musical instrument), origami (the art of paper folding) and shigin (reciting/singing).

Japanese Holiday Observance: The Facility will observe the Respect for the Aged Day (Keiro no Hi), which since 1966 has been celebrated annually in September to honor elderly persons.

Library. Residents will have access to libraries that, in addition to English materials, contain books, videos and discs in the Japanese language and Japanese books, videos and discs in the English language.

Operator will participate in other community programs directed to the Japanese American population and use volunteers who have the Japanese American cultural and language background.

Operator shall support the existing volunteer program for the Facilities;

Operator shall organize and sponsor a Community Advisory Board, the initial charter of which is attached as Exhibit B, to provide Operator with advice and feedback to assist them in providing a consistent experience and ensure continuity during and after the transition and in providing quality care for residents of the Facility;

Operator shall continue providing community benefit programs and to expend a combined total of $118,941.50 at the Facility and the other 300 bed skilled nursing facility Operator leases from Owner located at 2221 Lincoln Park Avenue, Los Angeles, California and commonly known as "Keiro Nursing Home," for such programs during each twelve (12) month period from and after the Commencement Date;

Operator shall continue providing a placement priority to residents of the Facilities who may require either a higher or a lower level of care over new residents admitted from outside the Facilities; and

Operator shall maintain the physical donor recognition at the Facility.

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

10. Continuous Use. Operator shall, at Operator's expense, continuously use and occupy and operate the Premises during the Term as a nursing facility licensed for not less than the number of beds listed on Exhibit A-1 and for ancillary services relating thereto, but for no other

purpose. Notwithstanding the foregoing, Operator may temporarily interrupt the continuous operation of all or a portion of the Facility (i) for purposes of restoration following a casualty (ii) for a reasonable period of time to complete refurbishment work approved by Owner (iii) to as reasonably necessary construct alterations or improvements or to perform maintenance, repair, and replacement as may be required or permitted under this Lease. In the event Operator fails to perform its obligation, Owner shall be entitled to (a) injunctive relief requiring Operator to occupy the Premises and operate as hereinabove provided and/or (b) at Owner's election to immediately possess the Premises for the purpose of commencing reletting efforts or other operational efforts without prejudice in each instance to Owner's right to damages and other remedies as set forth herein or available under applicable law.

11. Repairs and Replacements. Subject to Section 5, Operator agrees, at its own cost and expense, to keep and maintain each and every part of the Facility both structural and non-structural, the equipment and furnishings on the Premises, (including the roof, walls, electrical systems and all plumbing), and the aesthetical features of the Premises (paint, floor coverings, landscaping, window treatments, case goods, etc.) in as good repair as when the premises were received, or in their highest state of repair during the Term, casualties beyond Operator's control alone excepted, and to be responsible for the maintenance and normal operating condition of all heating, electrical and air conditioning equipment and plumbing on the Premises at its own cost and expense. Operator shall expend no less than Fifty Thousand and No/100 Dollars ($50,000.00) annually on true capital expenditures (excluding any soft costs such as IT, software, or administrative expenses) in complying with this repair and replacement obligation, and shall provide written evidence of compliance to Owner within 15-day days following each Rent Adjustment Date. Operator shall return the Premises at the expiration or termination of this Agreement in the same or better condition as at the commencement date of this Lease, excepting only casualties beyond Operator's control. Further, Operator shall promptly make or cause to be made all repairs, interior and exterior, structural and nonstructural, ordinary and extraordinary, foreseen and unforeseen, necessary to keep the Premises in good and lawful order and aesthetically pleasing condition and in substantial compliance with all applicable local, state and federal laws and licensing requirements, provided, however, Operator shall not be responsible for repair or replacement necessary to cure any defect in condition for which Owner is responsible as set forth in Section 16(d). Operator shall also replace any worn out equipment located at the Facility in accordance with practices which are reasonable or customary in the operation of nursing homes. Provided, however, in the event Operator does not wish to remain in possession of any such worn out equipment which is not needed in connection with the operation of the Premises, in lieu of replacing or retaining at the Premises, Operator may return to Owner, or, at Owner's discretion, may discard same. Owner reserves the right at all times, on reasonable notice, to inspect the condition to the Premises for compliance with Operator's obligations hereunder.

12. Operator Liens. Operator may secure a working capital line of credit from a third party lender collateralized by facility accounts receivable and accounts receivable related collateral as more fully described in such working capital lender loan documents and UCC-1 financing statements. Owner agrees to subordinate any interest it may now or in the future have in such collateral and further agrees to execute applicable legal documents with Operator's lender customary in such transactions. Upon Owner's request, Operator agrees to cause the accounts receivable lender to execute a customary Intercreditor Agreement with respect to any liens granted in connection with such financing. For the avoidance of doubt, the collateral for the

accounts receivable loan shall only consist of that property owned solely by Operator and Owner is not subordinating its interest in any property owned solely by Owner.

13. Alterations. Operator shall have the right and privilege to make, at Operator's expense, ordinary repairs and alterations to the Premises; provided, however, no alterations or changes of a structural nature exceeding One Hundred Thousand Dollars ($100,000) shall be made without the prior written consent of Owner.

14. Reserved.

15. Untenantability. Should the improvements on the Premises be rendered unfit for occupancy for the purposes for which they are hereby let, by reason of fire, windstorm or other act of nature or unavoidable casualty, the rentals hereinabove stipulated to be paid by Operator, or such proportion thereof as is related to that portion of the improvements on the Premises rendered untenantable by reason of such damage, shall continue and not be remitted or abated, the parties recognizing that Operator shall purchase and obtain Business Interruption Insurance under Section 21 of this Lease. Provided, however, Owner may, upon the occurrence of any such casualty, elect to terminate this Agreement if the cost of replacing or repairing the improvements so damaged upon the Premises equals or exceeds fifty percent (50%) of the appraised property value prior to such damage. Owner shall in no way be liable or responsible for any damage to any property of Operator in or about the Premises by reason of flood, water, fire, windstorm or other casualty or act of nature.

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

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

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

(c) Lease. There is no lease affecting the Premises that Owner does not have the power to terminate on or before the Effective Date.

(d) Condition. Subject to Owner's completion of its due diligence, the Premises shall be accepted by Operator in its current condition. Should Operator's due diligence reveal that Material Physical Defects exist at the Premises, and that repairs of such Material Physical Defects are necessary, such repairs shall be set forth on Schedule 16(d) with a corresponding increase to the lease basis ($6,644,444) and rent (9% of lease basis). For the purposes of this Section 16(d) "Material Physical Defects" shall mean, any physical defect(s) of the Premises, including the roof, walls, and exterior plumbing, together with all equipment, furnishings, heating, electrical and air conditioning equipment, and interior

plumbing on the Premises, which are beyond normal wear and tear, and the continued existence of such physical defect would have a material adverse effect on Operator's ability to use the Premises for its primary intended use as a duly licensed, Medicare/Medi-Cal certified skilled nursing facility.

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

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

(g) No Consent. No consent or approval of any third party is required in connection with the execution and delivery of this Agreement by Owner or the consummation by Owner of the transactions contemplated hereby, other than governmental licenses required for the operation of the Facilities.

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

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

(j) Broker or Finder. Both Owner and Operator represent and warrant to each other that no brokerage fees are required to be paid by either Owner or Operator as a consequence of entering into this Lease.

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

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

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

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

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

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

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

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

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

(h) Compliance With Laws by Operator. During the Term and any renewal or extension term, Operator shall, at its sole cost and expense, comply with (and shall be liable for violations and cure of) all local legal requirements relating to the physical condition of all parts of the Premises (other than such items covered by the warranty contained in Paragraph 16(d)). Operator shall not commit any act or omission that would in any way violate a certificate of occupancy affecting the Premises.

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

19. Conveyance by Owner. If Owner or any successor owner of the Premises shall convey all or any portion of the Premises, Owner or such successor owner shall thereupon be released from all future liabilities and obligations of Owner under this Agreement arising or

accruing from and after the date of such conveyance or other transfer as to all or any portion of the Premises conveyed, and all such future liabilities and obligations shall thereupon be binding upon the new owner.

20. Conduct of Business and Uses. The Premises are leased to Operator for the purpose of operating the Facility as a skilled nursing facility and Operator covenants and agrees with and unto Owner that the Premises will be used only for such purpose, except with the prior written consent of Owner. Operator covenants and agrees that Operator will not do or permit to be done anything in, upon, or about the Premises that increases the hazard of fire beyond that which exists by reason of the uses and occupancy of the Premises for Operator's stated purpose. Operator will not do or permit to be done anything within Operator's control which would make the Premises, or the improvements thereon, uninsurable in whole or in part. Operator agrees that Operator will neither commit waste nor permit waste to be committed or done upon the Premises.

21. Insurance.

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

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

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

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

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

(f) General Insurance Requirements.

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

(ii) All insurance provided for in this Lease shall be maintained under valid and enforceable policies issued by insurers of recognized responsibility, which are acceptable to Owner in its reasonable discretion. Any and all policies of insurance required under this Lease shall name the Owner as an additional insured. In addition, Owner shall be shown as the loss payable beneficiary under the casualty insurance policy maintained by Operator pursuant to this Section 21. Original policies or satisfactory certificates from the insurers evidencing the existence of all policies of insurance required by this Lease and showing the interest of the Owner shall be provided to Owner prior to the commencement of the Term and shall provide that the subject policy may not be canceled except upon not less than ten (10) days prior written notice to Owner. If Owner is provided with a certificate, upon Owner's request Operator shall provide Owner with a complete copy of the insurance policy evidenced by such certificate within thirty (30) days of the commencement of the Term. Renewal policies or certificates therefor from the insurers evidencing the existence thereof shall be provided to Owner not less than ten (10) days prior to the expiration dates of the policies. If Owner is provided with a certificate for a renewal policy, upon Owner's request Operator shall deliver a copy of the complete renewal policy to Owner within thirty (30) days of the expiration of the replaced policy. Any claims under any policies of insurance described in this Lease shall be adjudicated by and at the expense of Operator or of its insurance carrier, but shall be subject to joint control of Operator and Owner. Operator shall comply with the reasonable requirements of Facility Mortgagee, if any, with respect to naming the Facility Mortgagee as additional insured or loss payee.

22. No Liens, Permitted Contests. Operator shall not cause or permit any liens, levies or attachments to be placed or assessed against the Premises or the operation thereof for any reason

except as permitted in Section 12 hereof. However, Operator shall be permitted in good faith and at its expense to contest the existence, amount or validity of any lien upon the Premises by appropriate proceedings sufficient to prevent the collection or other realization of the lien or claim so contested, as well as the sale, forfeiture or loss of any of the Premises or any rent to satisfy the same. Operator shall provide Owner with security satisfactory to Owner in Owner's reasonable judgment to assure the foregoing. Each contest permitted by this Section 22 shall be promptly and diligently prosecuted to a final conclusion by Operator.

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

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

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

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

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

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

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

Notwithstanding any other provision of this Section 25, Operator agrees that any information furnished by Operator to Owner under this Lease may be furnished to Owner's lender providing the mortgage financing on the Premises and that such disclosure shall not violate the provisions of this Section 25.

26. Indemnification.

(a) By Operator: Subject in all respects to Section 29 hereof, to the fullest extent permitted by law, Operator agrees to protect, indemnify, defend and save harmless Owner, its directors, officers, shareholders, agents, affiliated companies and employees from and against any and all foreseeable or unforeseeable liability, expense loss, costs, deficiency, fine, penalty, injury, claims or damage (including, without limitation, punitive or consequential damages) of any kind or nature, including reasonable attorneys' fees, from or relating to any suits, claim or demands based on events occurring during the Term, (i) on account of any action (or failure to act) of Operator arising out of or in connection with this Lease (including, without limitation, the breach by Operator of any of its obligations hereunder), or (ii) relating in any manner to the operations of Operator on or relating to the Premises, or (iii) relating in any manner to the operation of the Facility by Operator. Upon receiving knowledge of any suit, claim or demand asserted by a third party that Owner believes is covered by this indemnity, Owner shall give Operator written notice of the matter. Operator shall defend Owner against such matters that are covered by this indemnity at Operator's sole cost and expense (including, without limitation, Owner's reasonable attorneys' fees and costs) with legal counsel reasonably satisfactory to Owner. Owner may elect to defend the matter with its own counsel at Owner's expense.

(b) By Owner. Subject in all respects to Section 29 hereof, to the fullest extent permitted by law, Owner agrees to protect, indemnify, defend and save harmless Operator, its directors, officers, shareholders, agents, affiliated companies and employees from and against any and all foreseeable or unforeseeable liability, expense loss, costs, deficiency, fine, penalty, injury, claims or damage (including, without limitation, punitive or consequential damages) of any kind or nature, including reasonable attorneys' fees, from or relating to any suits, claim or demands based on events occurring during the Term, (i) on account of any action (or failure to act) of Owner arising out of or in connection with this Lease (including, without limitation, the breach by Owner of any of its obligations hereunder), or (ii) relating in any manner to the operations of Owner on or relating to the Premises, or (iii) relating in any manner to the operation of the Facility by Owner. Upon receiving knowledge of any suit, claim or demand asserted by a third party that Operator believes is covered by this indemnity, Operator shall give Owner written notice of the matter. Owner shall defend Operator against such matters that are covered by this indemnity at Owner's sole cost and expense (including, without limitation, Operator's reasonable attorneys' fees and costs) with legal counsel satisfactory to Operator. Operator may elect to defend the matter with its own counsel at Owner's expense. Notwithstanding any other provision of this Paragraph 26(b), Owner shall have no indemnity obligation under this Paragraph 26(b) for or with respect to or relating to any matter which is or would be covered by the insurance required under Section 21.

(c) The provisions of this Paragraph 26 shall survive the termination of this Agreement.

27. Default. In the event either party fails to perform any material obligations under this Agreement and such failure continues for a period of three (3) days (following any applicable grace period) in connection with a payment default or thirty (30) days with respect to any other default after written notice is given by the other party which sets forth the nature of the default, such party shall be deemed to be in "Default" and any applicable remedies thereon shall be available to such other party; provided, however, that if the nature of the default is such that the same cannot reasonably be cured within such thirty (30) day period, the defaulting party shall not be deemed to be in Default if it, within such thirty (30) day period, commences cure of such Default and thereafter diligently pursues the same to completion within a reasonable time. In addition to the foregoing, the Operator and Owner agree that the following shall constitute a Default by Operator under this Agreement and Operator shall have no cure period with respect thereto:

(a) If Operator has its license to operate the Facility as a provider of nursing home services suspended or revoked or an order is imposed suspending its right to operate including, by example and not by limitation, any action that limits the ability to admit residents or patients; or

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

(c) If Operator is terminated as a provider of nursing services in the Medicare or Medicaid programs for the Facility;

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

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

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

(g) Any default by ALAL, LLC, a California limited liability company ("ALAL") under that certain Lease and Operational Control Agreement of even date herewith between ALAL (an affiliate of Operator) and Pacifica SL Lincoln, LLC, a California limited liability company (an affiliate of Owner) for that certain skilled nursing facility and the underlying real property located at 2221 Lincoln Park Avenue, Los Angeles, California, with 300 licensed and Medicare/Medicaid-certified skilled nursing beds commonly known as "Keiro Nursing Home."

28. Remedies Upon Default. In the event of a Default by Operator, Owner shall be entitled to all rights and remedies available under applicable law. Without limiting the foregoing, Owner may, at its option, declare this Agreement terminated, but in all cases, whether or not

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

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

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

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

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

29. Waiver of Subrogation. Owner and Operator hereby waive any right of subrogation and right or recovery or cause of action for injury or lawsuit to the extent that such injury or loss is covered by fire, extended coverage, "all risk" or similar policies covering real property or personal property required to be obtained and maintained under this Lease (or which would have

been covered if the party claiming such right of subrogation or recovery or cause of action had carried the insurance required by this Lease) or covered by any other insurance maintained by the waiving party. Written notice of the terms of the above mutual waiver shall be given to the insurance carriers of Owner and Operator, and the parties' insurance policies shall be properly endorsed, if necessary, to prevent the invalidation of the policies by reason of such waivers.

30. Assignment and Subletting. Owner is relying upon the particular knowledge and expertise of Operator in entering into this Agreement and, therefore, this Agreement shall be treated as a personal services agreement. Accordingly, Operator shall not assign this Agreement, nor sublet the Premises or any part thereof, without the prior consent in writing of Owner which may be withheld or conditioned in Owner's sole discretion. The consent by Owner to a particular assignment or subletting shall not be construed to relieve Operator from the obligation to obtain the consent in writing of Owner on any other or future assignment or subletting. Any change in the majority ownership of the Operator shall constitute an assignment for purposes of this Agreement; except that the foregoing shall not apply to (i) a transfer of an ownership interest in Operator to a relative of a member of Operator for estate planning purposes; (ii) if, after effectuating the Change, there is no change in the voting or operational control of Operator; or (iii) in connection with a capital transaction involving a new equity partner at the parent level of Operator.. Owner may assign this lease without the prior written consent of Lessee and will provide Operator with ninety (90) days advance written notice of such assignment.

31. Condemnation. In the event all or any part of the Premises should be subjected to eminent domain proceedings, and a portion of the Premises shall be condemned so as to render the residue inadequate for Operator's purposes as herein set forth, Operator shall have the option to terminate and cancel this Agreement by giving written notice to Owner. If any such taking shall not render the residue of the Premises wholly inadequate for Operator's purposes as herein set forth, Operator's rentals hereunder shall be reduced in the proportion which the value of the property taken bears to the whole value of the Premises with improvements. In any such condemnation proceedings, all damages allocable to full fee simple ownership of the Premises shall be payable to Owner, and any damages for loss of leasehold interest, including the unamortized portion of the value involved in such condemnation of any non-removable fixture placed on the Premises by Operator shall be payable to Operator provided such payment to Operator does not reduce the amount payable to Owner as compensation for the fee simple ownership interest alone.

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

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

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

(b) Reserved.

34. Relationship of the Parties.

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

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

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

36. Provisions on Termination of Term.

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

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

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

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

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

(e) If this Lease is terminated by reason of Default by Operator, or upon the expiration of the Term, or upon Owner taking possession of the Premises under Paragraph 28, then, and in any of such events, Operator, upon Owner's written request, shall to the greatest extent permitted by law, transfer to Owner or its assigns, the following: (i) all federal, state or municipal certificates, licenses and permits which relate to the operation of the Facility; and (ii) all rights attendant to the name of the Facility as then known to the general public and (iii) at Owner's option, any provider agreements relating to the Facility (or allow Owner, at its option, to assume such agreements). In the event Operator fails or refuses to transfer any such certificate, license, permit or trade name, or other items then this

provision shall constitute an act of assignment by Operator to Owner or its assigns without the necessity of any further written instrument and Owner hereby grants to Operator an irrevocable power of attorney and appoints Owner its true and lawful attorney by this instrument, said appointment being coupled with an interest, to sign such documents and take such action in Operator's name to accomplish the actions contemplated by this Paragraph 36.

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

37. Miscellaneous Provisions.

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

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

Pacifica SL Vermont, LLC

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

with a copy to:

	Thomas P. Sayer, Jr., Esq.
Address:	9974 Scripps Ranch Blvd. #284 San Diego, CA 92131
Telephone:	858-335-9590
Facsimile:	800-796-4203
Email:	tsayer1@san.rr.com

AGVA, LLC

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

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

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

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

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

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

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

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

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

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

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

(k) Effective Date. This Lease shall become effective as of 12:01a.m. on the date that Owner acquires ownership of the Premises.

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

38. Key Payment. In consideration for the execution of this Lease, Operator shall pay Owner a contract fee in the total amount of Twenty-Five Thousand and No/100 Dollars ($25,000.00) at the Commencement Date which fee shall be fully earned by Owner.

39. Deposit. Operator agrees that a deposit in the total amount of One Hundred Forty-Nine Thousand Five Hundred and No/100 Dollars ($149,500.00) shall be paid in connection with this Agreement. Operator may defer payment of 50% of the deposit until the first (1st) day of the second (2nd) year of the initial Term of this Lease. Such deposit may be applied against any and all payments or obligations owed by Operator under this Agreement to Owner if Operator fails to pay such payments or comply with such obligations on or before the date on which such payments are due or the date on which such obligations are to be satisfied. The portion of deposit not so applied shall be returned to Operator within fifteen (15) days after the expiration of this Lease.

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

41. Grant of Security Interest.

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

This security agreement and the security interest herein shall survive the termination of this Lease if such termination results from the occurrence of a Default. As used in this Lease, "Operator Property" shall mean and include only all Inventory and Equipment, as those terms are defined in the Uniform Commercial Code in effect in the State of California, owned by the Operator and located at the Facility, and the proceeds thereof.

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

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

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

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

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

(iv) As necessary, Operator's accounts receivable lender and [Bank] shall enter into an intercreditor agreement in compliance with Section 12 hereof; and

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

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

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

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

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

IN WITNESS WHEREOF, Owner and Operator have hereunto set their hands this _____ day of _____, 2015.

OWNER:

Pacifica SL Vermont, LLC, its General Partner

By: _____
Name: Deepak Israni
Title: General Manager

OPERATOR:

AGVA, LLC, a California limited liability company

By: _____
Name: Jay Brady
Title: Manager

EXHIBIT A

Legal Description

EXHIBIT A-1

Description of Facility/Premises

OWNER	PROPERTY LOCATION	LICENSED BEDS
Pacific SL Vermont, LLC a California limited liability company	The skilled nursing facility and the underlying real property located at 15115 South Vermont Avenue, Gardena, California, with 98 licensed and Medicare/Medicaid-certified skilled nursing beds commonly known as "South Bay Keiro Nursing Home"	98

EXHIBIT B

Community Advisory Board - Initial Charter

EXHIBIT C

(Operational Control Transfer and Assignment Agreement)

NOTICE OF CHANGE IN OPERATIONAL CONTROL

1. Effective _____, 2015, AGVA, LLC, a California limited liability company will control operations of the 98-bed facility now controlled by Keiro Nursing Home and licensed at:

15115 South Vermont Avenue,
Gardena CA 90247

2. South Bay Keiro Nursing Home relinquished control of the operations of the above-referenced long term care nursing facility as of _____, 2015.

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

The foregoing terms and conditions are hereby accepted and approved by the undersigned as of _____, 2015.

South Bay Keiro Nursing Home

By: _____
Name:
Title:

AGVA, LLC

By: _____
Name: Jay Brady
Title: Manager

EXHIBIT G

VEHICLES

The following vehicles are used for the South Bay Keiro Nursing Home:

Year	Make	Model	License	VIN
1997	FORD	AEROTECH	5M75590	1FDLE40S9VHB41886
2001	DODGE	BRAUN	6W93476	2B6LB3Z1351K524089

EXHIBIT H

EMPLOYMENT CLAIMS

None

EXHIBIT I

EQUIPMENT LEASES

See Exhibit D, which is incorporated by reference.

EXHIBIT J

TENANT LEASES

None

EXHIBIT K

LICENSES AND CERTIFICATIONS

[Attached]

License: 910000135
Effective: 03/23/2014
Expires: 03/22/2015
Licensed Capacity: 98

State of California
Department of Public Health

In accordance with applicable provisions of the Health and Safety Code of California and its rules and regulations, the Department of Public Health hereby issues

this License to

Keiro Nursing Home, Inc.

to operate and maintain the following Skilled Nursing Facility

SOUTH BAY KEIRO NURSING HOME
15115 S Vermont Ave
Gardena, CA 90247-4101

Bed Classifications/Services
98 Skilled Nursing

This LICENSE is not transferable and is granted solely upon the following conditions, limitations and comments:
None

Ron Chapman, MD, MPH
Director & State Health Officer

Julie Schauer, District Supervisor

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, L.A. County West District Office, 600 South Commonwealth Avenue, Suite 903, Los Angeles, CA 90005, (213)351-8114

POST IN A PROMINENT PLACE

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

CDPH

MARK B HORTON, MD, MSPH
Director

ARNOLD SCHWARZENEGGER
Governor

December 9, 2010

CCN: 55-5306

Administrator
South Bay Keiro Nursing Home
15115 South Vermont Avenue
Gardena, CA 90247

Dear Administrator:

We have accepted your agreement to participate as a Skilled Nursing/ Nursing facility in the Medi-Cal program under Title XIX of the Social Security Act.

This letter verifies your facility's participation in the Medi-Cal program and should be retained in your records. This Medi-Cal Provider Agreement is effective Nov 11, 2010.

Your continued participation in the Medi-Cal program depends on your ability to maintain compliance with Title 42 of the Code of Federal Regulations. Staff of the California Department of Public Health or the Department of Health and Human Services, Centers for Medicare and Medicaid Services, may inspect your facility on a periodic basis to determine your compliance with federal regulations.

You must notify Elena Marquez, Chief of the Centralized Applications Unit at (916) 552-8756 immediately if your facility changes owners. A change of ownership includes changes in the legal status of the owner, such as a corporate merger or change of partner.

For provider billing number inquiries please contact the Department of Health Care Services, Provider Enrollment Division, at MS 4704, P.O. Box 997413, Sacramento, CA 95899-7413, (916) 323-1945.

Please call me at (916) 552-8619, if you have certification questions.

Sincerely,

John Dexter, Chief
Provider Certification Unit

Licensing and Certification Program
MS 3100, P.O. Box 997377, Sacramento, CA 95899-7377
(916) 552-8619 FAX (916) 552-8680
Internet Address: www.cdph.ca.gov

March 13, 1989 Provider No. 55-5306

Harry Matoba, Administrator
South Bay Keiro Nursing Home
15115 S. Vermont Avenue
Gardena, CA 90247

NOTICE

Your facility has just received its recertification survey for the Federal Title XVIII (Medicare) program.

The facility's Medicare provider agreement will be extended for a one year period starting with the first day of the month after the end of the current agreement, unless you hear from HCFA to the contrary.

You should keep a copy of this notice with your signed provider agreement.

Ronald S. Currie
Chief, Standards and Certification
Operations Branch

EXHIBIT L

PENDING ACTIONS

None

EXHIBIT M

FORM OF BUSINESS ASSOCIATE AGREEMENT

[Attached]

BUSINESS ASSOCIATE AGREEMENT

This Business Associate Agreement (this "Agreement") is made and entered into as of _____, 2015 by and between _____, a California nonprofit public benefit corporation (the "Covered Entity"), and _____, a [California] limited liability company (the "Business Associate"). Covered Entity and Business Associate may be referred to individually as a "party" or collectively as the "parties."

1. **Statement of Purpose**. Business Associate and Covered Entity are parties to that certain Operations Transfer Agreement dated as of _____, 2015 (the "Transfer Agreement") pursuant to which Business Associate has been engaged to provide certain billing and other services (the "Services") to Covered Entity arising from the transfer and sale of certain assets and operations associated with [_____] to Business Associate. Because Business Associate may access, retain, be exposed to, or become aware of confidential health information in the performance of the Services, the parties agree to protect the confidentiality of such information in accordance with federal and state laws and regulations including, but not limited to, information protected by the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the Health Information Technology for Economic and Clinical Health Act in Public Law 111-5 (the "HITECH Act"), and the regulations promulgated thereto (collectively, the "HIPAA Regulations"), which include, as amended from time to time, (i) the privacy standards, requirements and specifications promulgated by the Secretary at 45 C.F.R. Parts 160 and 164 subparts A and E (the "Privacy Rule"), (ii) the security standards, requirements and specifications promulgated by the Secretary at 45 C.F.R. Parts 160 and 164 subparts A and C (the "Security Rule"), and (iii) the breach notification standards, requirements and specifications enacted by Subtitle D of the HITECH Act and promulgated by the Secretary at 45 C.F.R. Part 164 subpart D (the "Breach Notification Rule").

2. **Definitions**. The following capitalized terms used herein shall have the meanings given below:

(a) "**Breach**" shall mean the acquisition, access, use or disclosure of PHI in a manner not permitted by the Privacy Rule that compromises the security or privacy of the PHI, as defined and subject to the exceptions set forth in 45 C.F.R. § 164.402.

(b) "**Electronic Protected Health Information**" or "**EPHI**" means electronic protected health information, as defined in the Security Rule. that is created, received, maintained or transmitted by or on behalf of the Covered Entity.

(c) "**Individual**" shall have the same meaning as the term "individual" in 45 C.F.R. § 160.103 and shall include a person who qualifies as a personal representative in accordance with 45 C.F.R. § 164.502(g).

(d) "**Law**" shall mean all applicable Federal and State Statutes and all relevant regulations thereunder, including but not limited to HIPAA, the HITECH Act, and HIPAA Regulations.

(e) "**Protected Health Information**" or "**PHI**" shall have the same meaning as the term "Protected Health Information" in 45 C.F.R. § 160.103, limited to the information created, received, maintained or transmitted by Business Associate from or on behalf of the Covered Entity.

(f) "**Secretary**" shall mean the Secretary of the Department of Health and Human Services, or his or her designee.

(g) "**Security Incident**" shall have the meaning set out in the Security Rule. Generally, a "Security Incident" shall mean any attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or systems operations in an electronic information system.

(h) "**Subcontractor**" shall mean a person or entity to whom Business Associate delegates a function, activity, or service other than in the capacity of a member of the workforce of Business Associate.

(i) "**Unsecured PHI**" shall mean PHI that is not rendered unusable, unreadable, or indecipherable to unauthorized individuals through the use of either the encryption method or the destruction method, as defined in Department of Health and Human Services ("HHS") guidance published on April 27, 2009 (74 FR 19006) and modified by guidance published on August 24, 2009 (74 FR 42740), as amended from time to time. Unsecured PHI can include information in any form or medium, including electronic, paper, or oral.

Any other terms used but not otherwise defined in this Agreement shall have the same meaning as set forth in the HIPAA Regulations and the HITECH Act.

3. **Business Associate Compliance**.

(a) Except as otherwise limited in this Agreement, Business Associate may use or disclose Protected Health Information to perform functions, activities, or services for, on behalf of, the Covered Entity, as specified in the underlying Transfer Agreement, provided that such use or disclosure would not violate HIPAA, the HITECH Act, HIPAA Regulations and all other Law if performed by the Covered Entity itself.

(b) Business Associate agrees to comply with its obligations as a business associate under HIPAA and acknowledges that it is subject to, and agrees to comply with, HIPAA, the HITECH Act and all applicable guidance and regulations issued in the past, present or future by the Secretary to implement HIPAA and the HITECH Act, including, but not limited to, HIPAA Regulations and all other Law. Business Associate will not act in any way to hinder, and will act in good faith to assist the Covered Entity to comply with Law or as required by Law. Business Associate agrees to comply with applicable state and federal Law relating to the confidentiality, security, privacy, and reporting or notification of breaches of health information.

4. **General Confidentiality**. Business Associate recognizes the sensitive and confidential nature of the Protected Health Information and agrees:

(a) That such Protected Health Information will be used or disclosed, including the uses and disclosures inherent in the performance of the Services, solely as required or permitted under this Agreement and in accordance with Law or as required by Law; and

(b) That Business Associate shall use reasonable safeguards designed to prevent uses and disclosures of Protected Health Information other than as permitted by this Agreement and to ensure that the transmission, handling, storage, and use of such Protected Health Information by

Business Associate will preserve the confidentiality of the Protected Health Information, in accordance with HIPAA, the HITECH Act, HIPAA Regulations and all other Law.

5. **Privacy Rule Responsibilities of Business Associate**.

(a) Business Associate will maintain accurate records of all transactions made in connection with this Agreement.

(b) Business Associate agrees to document and make available to Covered Entity the information required for the Covered Entity to provide an accounting of disclosures as set forth in the Privacy Rule at 45 C.F.R. § 164.528, as amended by the HITECH Act and implementing regulations, for uses and disclosures for which an accounting is required. Such records and accounting shall be provided to Covered Entity within ten (10) days of a written request from Covered Entity and Business Associate will maintain information necessary to provide an accounting for a period of six (6) years from the date of the disclosure.

(c) Business Associate agrees to report to the Covered Entity within five (5) days of Business Associate's discovery of any unauthorized use or disclosure of PHI or EPHI not permitted by this Agreement. To the extent applicable, Business Associate shall also follow Section 7 of this Agreement relating to breaches of unsecured Protected Health Information.

(d) Business Associate shall ensure that any Subcontractors that create, receive, maintain, or transmit PHI on behalf of Business Associate agree in writing to restrictions, conditions, and requirements relating to the use or disclosure of Protected Health Information that are at least as stringent as those that apply throughout this Agreement with respect to such information. In the event that Business Associate discovers a pattern of activity or practice of its Subcontractor that constitutes a material breach or violation of the Subcontractor's obligation under its agreement with Business Associate, in accordance with 45 C.F.R. § 164.504(e)(1)(iii), Business Associate must take reasonable steps to cure the breach or end the violation, as applicable, and if such steps are unsuccessful, terminate the agreement with the Subcontractor, if feasible.

(e) Business Associate, including its Subcontractors, agrees to limit any request, use and disclosure of Protected Health Information, to the extent practicable, to the Limited Data Set or, if needed, to the minimum amount of Protected Health Information necessary to accomplish the purpose of the request, use or disclosure in compliance with the HITECH Act and any regulations or guidance promulgated pursuant thereto. The parties acknowledge that the phrase "minimum necessary" shall be interpreted in accordance with the Privacy Rule, HITECH Act and any guidance issued by the Secretary.

(f) To the extent Business Associate has Protected Health Information in a Designated Record Set, Business Associate agrees to provide access within five (5) days of receipt of a written request from Covered Entity, to Protected Health Information in a Designated Record Set, to Covered Entity or, as directed by Covered Entity, to an Individual in order to meet the requirements under 45 C.F.R. § 164.524. An Individual's right of access to PHI includes the right to access EPHI contained in an electronic health record. If Business Associate or its Subcontractors maintains or uses PHI in an EHR, then promptly after receipt of a request from Covered Entity, Business Associate shall make a copy of such PHI available to Covered Entity in an electronic format in order to enable Covered Entity to fulfill its obligations under the HITECH Act and the Privacy Rule.

(g) Business Associate agrees to incorporate any amendments to Protected Health Information or to a record regarding an Individual contained in a Designated Record Set (for so long as the Protected Health Information is maintained in the Designated Record Set) provided by an Individual as set forth in the Privacy Rule at 45 C.F.R. 164.526. Business Associate shall provide Covered Entity with written notice of an Individual's request for an amendment within ten (10) days of receipt of such a request. Unless otherwise determined by Covered Entity, any approvals or denials of amendment to the Protected Health Information shall be the responsibility of the Covered Entity.

(h) Business Associate agrees to make its internal practices, books and records relating to the use and disclosure of Protected Health Information received from, or created or received by Business Associate on behalf of the Covered Entity available to the Covered Entity and the Secretary for the purpose of compliance determinations as set forth in the Privacy Rule. Such records shall include, but not be limited to, policies and procedures relating to the use and disclosure of PHI or EPHI, documentation required by the Security Rule relating to safeguards, and documentation required by the Breach Notification Rule.

(i) Business Associate and Covered Entity agree that the confidentiality provisions of this Agreement, specifically Sections 2 through 7, shall survive termination of this Agreement.

(j) Business Associate may, solely at the written request of the Covered Entity, provide Data Aggregation Services relating to the health care operations of the Covered Entity.

(k) Business Associate is not prohibited by this Agreement from utilizing Protected Health Information for its proper management and administration or to carry out its legal responsibilities, if any. Further, Business Associate is not prohibited from disclosing Protected Health Information for its proper management and administration or to carry out its legal responsibilities if the disclosure is required by Law or Business Associate obtains reasonable assurances from the person to whom the information is disclosed that it will be held confidentially and used or further disclosed only as required by Law or for the purpose for which is disclosed to the person. Business Associate will further require that the person to whom information is disclosed inform the Business Associate of any breach of confidentiality or violation of the HIPAA Regulations with respect to that information. In such event, Business Associate will immediately notify the Covered Entity of any instances of which it is aware in which the confidentiality of the information has been compromised, breached or the Privacy Rule was otherwise violated.

(l) Business Associate is not prohibited from using Protected Health Information to report violations of law to appropriate Federal and State authorities consistent with the Privacy Rule.

(m) Business Associate agrees to mitigate, to the extent practicable, any material adverse effect that is known to Business Associate resulting from a use or disclosure of Protected Health Information by Business Associate or its Subcontractors in violation of the requirements of this Agreement or Law.

(n) With respect to Protected Health Information that Business Associate creates, receives, maintains, or transmits on behalf of the Covered Entity, Business Associate will be responsible for obtaining from an Individual any necessary authorizations to use or disclose that Individual's Protected Health Information, in accordance with 45 C.F.R. § 164.506 or § 164.508.

Business Associate acknowledges that failure to obtain an authorization when necessary prior to disclosure constitutes a violation of this Agreement and must be reported to the Covered Entity.

(o) Within two (2) days of receiving a request from an Individual for a restriction on uses and disclosures of Protected Health Information or for confidential communications, as set forth in the Privacy Rule at 45 C.F.R. § 164.522, Business Associate shall forward such request to Covered Entity. Unless otherwise determined by Covered Entity, any denials of such requests shall be the responsibility of the Covered Entity. If the Covered Entity agrees to a request for restriction or confidential communications, Business Associate will be responsible for using and disclosing Protected Health Information consistent with that request. Failure to act in accordance with an agreed-to or required restriction constitutes a violation of this Agreement and must be reported to the Covered Entity.

(p) With respect to Protected Health Information that Business Associate creates, receives, maintains or transmits on behalf of the Covered Entity, Business Associate agrees to not directly or indirectly receive remuneration in exchange for any Protected Health Information as prohibited by, and subject to the exceptions under, 45 C.F.R. § 164.508(a)(4) of the Privacy Rule, the HITECH Act and state law. Failure to act in accordance with this restriction on selling Protected Health Information constitutes a violation of this Agreement and must be reported to the Covered Entity within two (2) days.

(q) With respect to Protected Health Information that Business Associate creates, receives, maintains or transmits on behalf of Covered Entity, Business Associate agrees to not make or cause to be made any communication about a product or service that encourages recipients of the communication to purchase or use the project or service as prohibited by, and subject to the exceptions under, 45 C.F.R. § 164.508(a)(3) of the Privacy Rule, the HITECH Act, and state law. Failure to act in accordance with this restriction on marketing communications constitutes a violation of this Agreement and must be reported to the Covered Entity.

(r) With respect to Protected Health Information that Business Associate creates, receives, maintains or transmits on behalf of the Covered Entity, Business Associate agrees to not make or cause to be made any written fundraising communication that is a Health Care Operation without provision, in a clear and conspicuous manner, of an opportunity for the recipient to elect not to receive further fundraising communications in accordance with 45 C.F.R. § 164.514(f) of the Privacy Rule, the HITECH Act, and state law. Failure to act in accordance with this restriction on fundraising communications constitutes a violation of this Agreement and must be reported to the Covered Entity.

(s) The parties agree to promptly execute an amendment to this Agreement upon the promulgation of any additional final rules, regulations or guidance by the Secretary as required by the HITECH Act. Business Associate agrees to promptly negotiate in good faith and execute an amendment which complies with the additional requirements of the HITECH Act and its implementing guidance and regulations.

6. **Responsibilities of Business Associate Regarding Electronic PHI**.

(a) With respect to EPHI, without limiting the other provisions of this Agreement, Business Associate will (i) implement administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the EPHI that it creates, receives, maintains, or transmits on behalf of the Covered Entity, as required by

the Security Rule; (ii) ensure that any Subcontractor to whom it provides EPHI agrees in writing to implement reasonable and appropriate safeguards to protect it; and (iii) report to Covered Entity any Security Incident of which it becomes aware within five (5) business days of becoming aware of such Security Incident. Business Associate shall provide Covered Entity with such information concerning such safeguards as Covered Entity may from time to time request.

(b) Business Associate agrees to implement and maintain a written security program that contains the necessary administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of EPHI and must implement and maintain a privacy policy and procedure both in compliance with the HITECH Act and HIPAA including, but not limited to, the HIPAA Regulations.

7. **Responsibilities of Business Associate Regarding Unsecured PHI**.

(a) Securing PHI. Unless specifically agreed to by the Covered Entity, Business Associate agrees to implement, in a reasonable and appropriate manner, the technologies and methodologies the HITECH Act, the Secretary, or other Law specifies in order to render PHI that Contractor creates, receives, maintains or transmits on behalf of the Plan, unusable, unreadable, or indecipherable to unauthorized individuals, thereby making the Protected Health Information secure. Contractor shall ensure that any agent, including, but not limited to, Subcontractors or vendors to whom it provides the Plan's Protected Health Information will implement, in a reasonable and appropriate manner, the technologies and methodologies the HITECH Act, the Secretary, or other Law specifies with respect to rendering the Plan's PHI unusable, unreadable or indecipherable to unauthorized individuals.

(b) Breach Notification. With respect to any Unsecured PHI, Business Associate shall report to the Covered Entity any Breach discovered by Business Associate, or any of Business Associate's Subcontractors, within five (5) business days of Discovery.

1. The report must include (or be supplemented on an ongoing basis as information becomes available) with: (i) the identification of all Individuals whose Unsecured PHI was or is believed to have been breached; (ii) a brief description of the Breach, including the type of Breach (*e.g*, theft, loss, improper disposal, hacking), location of the Breach (e.g., laptop, desktop, paper), how the Breach occurred, the date the Breach occurred, and the date the Breach was discovered; (iii) a description of the type of Unsecured PHI involved (e.g., social security number, diagnosis, EOBs, etc.), including the type of media, but not the Breached PHI itself, unless requested by the Covered Entity; (iv) a description of the safeguards in place prior to the Breach (e.g., firewalls, packet filtering, secure browser sessions, strong authentication); (v) a description of the actions taken in response to the Breach (e.g., additional safeguards, mitigation, sanctions, policies, and procedures); (vi) all other information reasonably requested by the Covered Entity to enable the Covered Entity to perform and document a risk assessment in accordance with the Breach Notification Rule, and (vii) all other information reasonably necessary to provide notice to Individuals, the Secretary and/or the media.

2. At the Covered Entity's sole option, the Covered Entity may delegate to Business Associate the responsibility for determining (and providing evidence to the Covered Entity) that any such incident is not a Breach, including the requirement to perform a risk assessment to determine whether a low probability of compromise has occurred, as provided by the Breach Notification Rule. In the event that the Covered Entity delegates this obligation to Business Associate, without unreasonable delay, and in any event no later than thirty (30) calendar days after Discovery, Business Associate shall provide the Covered Entity with written notification of the Breach and a copy of the risk assessment that assesses whether a low probability of compromise occurred.

3. At the Covered Entity's sole option, the Covered Entity may delegate to Business Associate the responsibility of providing any notifications the Covered Entity determines is required by the Breach Notification Rule, including notifications to Individuals, the Secretary and/or the media. Prior to sending out such notifications, Business Associate will provide a copy of the template notification letters for approval by the Covered Entity. All notifications shall comply with the elements established by the Breach Notification Rule and be sent within timeframes established by the Breach Notification Rule. In the event that the Covered Entity delegates these obligations to Business Associate and in the event of a Breach, without unreasonable delay, and in any event no later than sixty (60) calendar days after Discovery, Business Associate shall provide the Covered Entity evidence that all required notifications, including any media or Secretary notifications, have been made.

4. Business Associate shall pay all reasonable costs incurred in relation to the occurrence of a Breach or potential Breach, including, but not limited to, expenses relating to providing any notifications the Covered Entity, or as applicable the Business Associate, determines necessary under the Breach Notification Rule, regardless of whether Business Associate or the Covered Entity makes the notifications.

8. **Term and Termination**.

(a) Term. The term of this Agreement shall begin on the date hereof and continue until termination of the Transfer Agreement or until otherwise terminated as noted herein.

(b) Termination and Amendment by Operation of Law. This Agreement shall terminate immediately in the event that a HIPAA Business Associate Agreement is no longer applicable or required under then current Law. If on the advice of Covered Entity's counsel, Covered Entity reasonably determines that the terms of this Agreement likely would be interpreted to violate or not comply with any applicable Laws, the parties shall negotiate in good faith to amend the Agreement to comply with such Laws. If the parties cannot reasonably agree on such amendment, then this Agreement and the underlying services Transfer Agreement or the relevant portions of such Transfer Agreement shall terminate.

(c) Termination of Agreement by Covered Entity. Covered Entity may terminate this Agreement immediately if it reasonably determines that Business Associate has violated a

material term of this Agreement, HIPAA, the HITECH Act, HIPAA Regulations or any other applicable Law. In the event that Business Associate breaches this Agreement, HIPAA, the HITECH Act, HIPAA Regulations or any other applicable Law, Covered Entity reserves the right to cure such breach. Business Associate will cooperate with any such efforts undertaken by Covered Entity. Cure of breach does not limit Covered Entity's ability to immediately terminate this Agreement and the Transfer Agreement, at its sole option, and to report the breach to the Secretary, notwithstanding any other provision of this Agreement to the contrary.

(d) Injunctive Relief. Business Associate acknowledges and agrees that the terms of this Agreement and the HIPAA Regulations are necessarily of a special, unique and extraordinary nature and that the loss arising from a breach thereof cannot reasonably and adequately be compensated by money damage, as such breach will cause Covered Entity to suffer irreparable harm. Accordingly, upon failure of Business Associate to comply with the terms of the Agreement, HIPAA, the HITECH Act, HIPAA Regulations or any other applicable Law, and except as otherwise provided herein, Covered Entity or any of its successors or assigns shall be entitled to injunctive or other extraordinary relief and with such injunctive or other extraordinary relief to be cumulative to, but not in limitation of, any other remedies that may be available to Covered Entity, its successors or assigns, such relief to be without the necessity of posting a bond.

(e) Effect of Termination. Upon termination or expiration of this Agreement, Business Associate shall within ten (10) days either return or destroy all Protected Health Information received from, or created, received, maintained, or transmitted by Business Associate on behalf of the Covered Entity that the Business Associate maintains in any form and shall retain no copies of such information to the extent that such action is feasible and not prohibited by other applicable law. This provision applies to all Subcontractors of Business Associate who may possess Protected Health Information on behalf of the Business Associate and/or the Covered Entity. In the event that the Covered Entity has ascertained that the return or destruction of such information is not feasible or permissible, Business Associate agrees to continue to comply with all provisions of this Agreement and applicable Law with regard to its uses, storage, and disclosure of such Protected Health Information for so long as Business Associate maintains such Protected Health Information.

9. **Miscellaneous Terms**.

(a) Independent Contractor Status. In performing Business Associate's responsibilities pursuant to this Agreement, it is understood and agreed that Business Associate is all times acting as an independent contractor and that Business Associate is not a partner, joint-venturer, agent or employee of the Covered Entity. It is expressly agreed that Business Associate will not for any purpose be deemed to be an agent, ostensible or apparent agent, or servant of the Covered Entity, and the parties agree to take any and all such action as may be reasonably requested by the Covered Entity to inform the public and others utilizing the professional services of Business Associate of such fact.

(b) Governing Law and Venue. This Agreement shall be construed and governed according to the laws of the State of California, without giving effect to its conflict of laws provisions.

(c) Assignment. No assignment of this Agreement or the rights and obligations hereunder shall be valid without the prior written consent of the non-assigning party.

Notwithstanding the foregoing, this Agreement may be assigned to any successor of the Covered Entity. This Agreement may also be assigned to any affiliate of the Covered Entity.

(d) Notices. Any notice to a party hereto pursuant to this Agreement shall be given in writing by personal delivery, overnight delivery, facsimile, telecommunications, or United States certified or registered mail, return receipt requested, to the addresses set forth at the end of this Agreement. The parties shall hereafter notify each other in accordance herewith of any change of address to which notice is required to be sent. Notice shall be effective upon delivery.

(e) Parties Bound. This Agreement and the rights and obligations hereunder shall be binding upon and inure to the benefit of the parties, and their respective heirs, personal representatives, and permitted assigns. This Agreement shall also bind and inure to the benefit of any successor of Covered Entity by sale, merger or consolidation.

(f) Data Ownership. Business Associate acknowledges and agrees that the Covered Entity is the owner of the Protected Health Information.

(g) Non-Waiver. No waiver by either of the parties hereto of any failure by the other party to keep or perform any provision, covenant or condition of this Agreement shall be deemed to be a waiver of any preceding or succeeding breach of the same, or any other provision, covenant or condition.

(h) No Third Party Beneficiaries. This Agreement is not intended to benefit any third person or entity, nor shall anyone not a party to this Agreement be able to enforce or recover any right or remedy hereunder.

(i) Additional Documents. Each of the parties hereto agrees to execute any document or documents that may be requested from time to time by the other party to implement or complete such party's obligations pursuant to this Agreement or Law.

(j) Entire Agreement. This Agreement and the Transfer Agreement, including any agreements, exhibits or addenda identified and incorporated by reference herein or therein, contains the entire understanding of the parties and supersedes any prior written or oral agreements or understandings among them concerning the subject matter set forth above. There are no representations, warranties, covenants, promises, agreements, arrangements or understandings, oral or written, express or implied among the parties hereto relating to the subject matter set forth above which have not been fully expressed herein.

(k) Amendments. This Agreement can be amended only by an instrument in writing signed by the parties. Amendments to this Agreement shall be effective as of the date stipulated therein. The parties agree to take such reasonable actions as are necessary to amend this Agreement from time to time as is necessary for the Covered Entity to comply with HIPAA, the HITECH Act, HIPAA Regulations or any other applicable Law.

(l) Severability. The sections, paragraphs and individual provisions contained in this Agreement shall be considered severable from the remainder of this Agreement and in the event that any section, paragraph or other provision should be determined to be unenforceable as written for any reason, such determination shall not adversely affect the remainder of the sections, paragraphs or other provisions of this Agreement. It is agreed further, that in the event any section, paragraph or other provision is determined to be unenforceable, the parties shall use their best efforts to reach agreement on an amendment to the Agreement to supersede such severed section, paragraph or provision.

(m) Indemnification. Business Associate shall indemnify and defend the Covered Entity against and hold it harmless from all claims, damages, losses, judgments, civil monetary penalties, settlements, costs and expenses (including attorneys' fees) arising out of Business Associate's negligence or intentional misconduct in Business Associate's use, disclosure, and storage of Protected Health Information and/or Business Associate's breach of this Agreement.

(n) Interpretation. Any ambiguity in this Agreement will be resolved in favor of a meaning that permits the Covered Entity to comply with HIPAA, the HITECH Act, and the HIPAA Regulations.

(o) Assistance in Litigation or Administrative Proceedings. Business Associate shall make itself, and any subcontractors, employees or agents assisting Business Associate in the performance of Business Associate's obligations under this Agreement, available to Covered Entity, at no cost to Covered Entity, to testify as witnesses, or otherwise, in the event of litigation or administrative proceedings against Covered Entity, its directors, officers, or employees based upon a claimed violation of Law.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have signed this Agreement as of the date set forth above.

COVERED ENTITY:

_____

By:_____
Name:_____
Title:_____
Address:_____
_____

BUSINESS ASSOCIATE:

_____

By:_____
Name:_____
Title:_____
Address:_____
_____

OPERATIONS TRANSFER AGREEMENT

THIS OPERATIONS TRANSFER AGREEMENT (this "Agreement") is made and entered into as of February 19, 2015, by and among JAPANESE HOME FOR THE AGED, a California nonprofit public benefit corporation ("Current Operator"), and PACIFICA COMPANIES LLC, a California limited liability company ("Buyer Parent"), and its direct or indirect wholly-owned subsidiaries, PACIFICA SL BOYLE LLC, a California limited liability company ("Buyer") and PACIFICA SENIOR LIVING MANAGEMENT LLC, a California limited liability company ("New Operator").

RECITALS

A. Current Operator holds valid and current Licenses (as defined in Article 1 below, which contains definitions of certain capitalized terms used in this Agreement that are hereby incorporated into these Recitals) to operate the Facility;

B. Buyer has agreed to purchase the Real Property and Operating Assets associated with the Facility from Current Operator pursuant to the Purchase Agreement;

C. Buyer has designated New Operator to manage, and New Operator has agreed to manage, the Facility concurrently with Buyer's purchase of the Real Property and Operating Assets associated with the Facility; and

E. The parties desire to document certain terms and conditions relevant to the orderly transition of operational and financial responsibility for the Facility to New Operator and the transfer of the Operating Assets from Current Operator to Buyer.

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

AGREEMENT

ARTICLE 1. DEFINITIONS

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

1.1. "Accounts" means all Pre-Transfer Accounts and Post-Transfer Accounts.

1.2. "Assignment and Assumption Agreement" refers to the Assignment and Assumption Agreement in the form attached hereto as Exhibit A, which shall be delivered to New Operator on or before the Transfer Date, reflecting the transfer to, and assumption by, New Operator of the Assumed Operating Contracts.

1.3. "Assumed Operating Contracts" refers to the Operating Contracts identified by New Operator in its sole discretion, if any, on Exhibit B, which shall be delivered to Current Operator by New Operator within thirty (30) days of the date of this Agreement, provided that

any Operating Contracts not so identified shall not be deemed Assumed Operating Contracts under any circumstances.

1.4. "Benefits" means all vacation, sick leave, comp time, health, dental, vision and similar employer-sponsored benefit plans, 401(k), 403(b), Keogh and similar savings and retirement plans, in-lieu payments and each and every other employer benefit generally provided to employees.

1.5. "Bill of Sale" refers to the Bill of Sale transferring the Operating Assets in the form attached hereto as Exhibit C.

1.6. "Buyer Group" refers to Buyer Parent, Buyer, Pacifica SL LLC, a California limited liability company.

1.7. "Current Operator's actual knowledge" and similar knowledge qualifiers means the present actual (as opposed to constructive or imputed) knowledge, after reasonable inquiry, solely of Shawn Miyake, in his capacity of President of Current Operator, and of Takeshi Oishi, in his capacity as Administrator of Keiro Retirement Home.

1.8. "DSS" means the Department of Social Services of the State of California.

1.9."Encumbrances" refers to security interests, leases, liens and financing arrangements encumbering the FF&E, as listed on Exhibit D, if any.

1.10. "Employee Schedule" means a complete schedule which reflects, among other things, the following: (a) the name and Social Security numbers of all employees of the Facility immediately prior to the Transfer Date, (b) their positions, status (part or full time) and rates of pay, (c) current Benefits enrollment data, and (d) a reasonable estimate of all accrued Benefits which Current Operator is or will be required to pay to such employees as of the Transfer Date.

1.11. "Employment Claims" means all pending and threatened employee and employment-related claims, suits, charges, complaints and actions filed with any court or agency having jurisdiction of Current Operator, the Facility or its employees, including any potential claims, whether known or unknown, arising under the Uniform Services Employment and Re-employment Rights Act ("USERRA") or under the Family and Medical Leave Act ("FMLA") or claims related to Current Operator's Benefits.

1.12. "Excluded Assets" means and refers to the items enumerated on Exhibit E.

1.13. "Facility" means that certain independent living facility with 127 independent living units, commonly known as "Keiro Retirement Home," located at 325 South Boyle Avenue, Los Angeles, California, together with all Operating Assets owned, leased, held or used by Current Operator in connection with operation of the Facility, but not including any Excluded Assets.

1.14. "FF&E" refers to all furnishings, fixtures, equipment, and every other item of personal property in place or in use at the Facility, except for the Excluded Assets, which are to

be retained and may be removed by Current Operator, provided that it shall repair all damage to the Facility occasioned by such removal, if any.

1.15. "General Intangibles" means all of Current Operator's right, title and interest in any intangible property currently used in connection with the Facility, including all of Current Operator's rights under all admission agreements, claims, contracts, leases, licenses, permits, plans, appraisals, studies, warranties, trade lists, mailing lists, utility arrangements and other agreements relating to the ownership, operation or occupancy of the Facility, and all telephone numbers, email addresses and all other identifying information; except for the Excluded Assets.

1.16. "HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as amended;

1.17. "HITECH" means the Health Information Technology for Economic and Clinical Act of 2009, as amended.

1.18. "Inventory" means all consumable inventories of every kind and nature whatsoever (including all pharmacy supplies, medical supplies, office supplies, maintenance supplies, foodstuffs and other supplies and consumables) owned by Current Operator and located at the Facility as of the Transfer Date.

1.19. "Licenses" shall mean and refer to a current and valid operating license issued by DSS permitting the Facility's operation as a 127 bed independent living facility.

1.20. "Operating Assets" shall be as defined in the Purchase Agreement and shall include all patient records and admission agreements, FF&E, Inventory, Vehicles and every other right and asset owned or employed by Current Operator in connection with the operation of the Facility, but not including any Excluded Assets.

1.21. "Operating Contracts" means those vendor, service and supplier operating contracts, equipment leases, resident occupancy contracts and similar arrangements related to the operation of the Facility.

1.22. "Other Parties" means the parties to this Agreement other than Current Operator.

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

1.24. "Pre-Transfer Accounts" means all revenues, monies, accounts, payments, receivables, compensation, reimbursement and other proceeds of the operation of the Facility, including reimbursements and general intangibles and any other third party payor reimbursements, together with the products and proceeds of all of the foregoing, attributable to the operation of the Facility on or before the Transfer Date.

1.25. "Post-Transfer Accounts" means all revenues, monies, accounts, payments and other proceeds of the operation of the Facility, including reimbursements and general intangibles

and any other third party payor reimbursements, together with the products and proceeds of all of the foregoing, attributable to operation of the Facility after the Transfer Date.

1.26. "Purchase Agreement" means that certain Asset Purchase and Sale Agreement dated February 19, 2015, by and among Buyer Group and Seller Group.

1.27. "Real Property" shall be as defined in the Purchase Agreement.

1.28. "Rehired Employee" refers to any employee of Current Operator who accepts employment with New Operator on or before the Transfer Date, with such employment to commence as of the Transfer Date.

1.29. "Seller Group" means Current Operator, Keiro Services and Keiro Nursing Home.

1.30. "State" means the State of California.

1.31. "Terminated Operating Contracts" refers to all Operating Contracts in effect at the Facility prior to the Transfer Date that are not Assumed Operating Contracts.

1.32. "Transfer Date" shall be the date of closing of Buyer Group's acquisition of the Real Property and Operating Assets pursuant to the Purchase Agreement and the satisfaction or waiver of the conditions set forth in Section 2.4 below.

1.33. "Vehicle" refers to all vehicles used by Current Operator primarily in connection with the operation of the Facility, which shall be listed on Exhibit F, if any.

1.34. "WARN Act" refers to the federal Worker Adjustment and Retraining Notification Act and any comparable State law or regulation.

ARTICLE 2. TRANSFER OF OPERATIONS; AGREEMENTS

2.1. Transfer of Operations. Pursuant to the terms of the Purchase Agreement, the respective members of the Seller Group, including Current Operator, have agreed to convey, assign and deliver to the members of the Buyer Group, including Buyer, the Operating Assets and all of the Seller Group's right, title and interest therein, free of all Encumbrances, effective as of the Transfer Date. From the date hereof until the Transfer Date, Current Operator agrees to operate the Facility as a going concern and in substantial compliance with all laws, statutes, orders and regulations applicable to and/or necessary for the lawful operation of the Facility and maintenance of licensure, and agrees not to refuse admission or remove any patient from the Facility prior to the Transfer Date except, within Current Operator's sole discretion, for valid medical and other lawful reasons or as would otherwise occur in the normal course of operating the Facility. NOTWITHSTANDING ANYTHING CONTAINED HEREIN OR IN ANY RELATED DOCUMENT OR AGREEMENT TO THE CONTRARY, CURRENT OPERATOR IS ONLY TRANSFERRING CERTAIN OPERATING ASSETS OF THE FACILITY AND IS NOT ASSIGNING TO BUYER OR NEW OPERATOR, NOR IS BUYER OR NEW OPERATOR ASSUMING FROM CURRENT OPERATOR, ANY LIABILITY FOR CLAIMS, COSTS, EXPENSES, CONTRACTUAL ARRANGEMENTS, DUTIES OR OBLIGATIONS,

CURRENT OPERATOR'S GENERAL, PROFESSIONAL AND OTHER OPERATIONAL LIABILITIES, ERRORS OR OMISSIONS, OR OTHER DUTIES, OBLIGATIONS OR LIABILITIES OF CURRENT OPERATOR, ITS AFFILIATES OR ITS PREDECESSORS-IN-INTEREST, WHETHER KNOWN OR UNKNOWN, CONTINGENT OR OTHERWISE, ARISING FROM OR RELATED IN ANY WAY TO THE OPERATION OF THE FACILITY PRIOR TO THE TRANSFER DATE (COLLECTIVELY, "EXCLUDED LIABILITIES").

2.2. Best Efforts. In consideration for the agreements of Current Operator set forth herein, and the full and faithful performance of all of Current Operator's covenants hereunder, Buyer and New Operator agree to proceed with all reasonable diligence to acquire (a) operating licenses from DSS, pursuant to all applicable laws and regulations regarding the same.

2.3. Cooperation. Current Operator agrees to reasonably cooperate with Buyer's and New Operator's efforts to effect a change in ownership of the Facility for the purposes of licensing in order to ensure the continuous and uninterrupted operation of the Facility as a licensed independent living facility, including the execution of any documents and the surrender of the existing Licenses, that may be necessary or desirable to effect the orderly and uninterrupted transition of the Licenses to New Operator. Buyer and New Operator agree to timely file all required change of ownership and licensure applications and to use their best efforts to obtain new Licenses. Current Operator agrees not to take any action or commit any omission that would result in the termination or suspension of the existing Licenses.

2.4. Conditions. This Agreement and the respective obligations of the parties hereunder are conditioned upon the following:

2.4.1. For each of the Other Party's respective benefit, (a) the closing of Seller Group's sale of the Facility (as defined in the Purchase Agreement) in accordance with the terms of the Purchase Agreement, (b) Current Operator's prior fulfillment of all requirements of any governmental agency having jurisdiction of the Facility as contained in any survey report, citation, plan of correction, judgment, order or other directive relating to the operation of the Facility, and the official acceptance thereof by such agency, (c) New Operator's receipt of its own Licenses from DSS, (d) Seller Group's receipt of a waiver or consent (that may contain conditions) from the California Attorney General allowing the transactions contemplated by this Agreement and the Purchase Agreement, and (e) Current Operator having performed and complied with all agreements, conditions and obligations required by this Agreement to be performed or complied with by Current Operator prior to or on the Transfer Date, including Current Operator's surrender of possession of the Facility and the operations therein to New Operator on the Transfer Date in accordance with this Agreement. Buyer and New Operator may, but are not required to, waive or defer (in writing) the fulfillment of any one or more of these conditions in its sole discretion.

2.4.2. For Current Operator's benefit, (a) the closing of Buyer Group's purchase of each of the Facility (as defined in the Purchase Agreement) in accordance with the terms of the Purchase Agreement, and (b) New Operator's receipt of its own Licenses from DSS, (c) Seller Group's receipt of a waiver or consent (that may contain conditions) from the California Attorney General allowing the transactions contemplated by this Agreement and the Purchase Agreement, and (d) Buyer and New Operator having performed and complied with all

agreements, conditions and obligations required by this Agreement to be performed or complied with by Buyer or New Operator prior to or on the Transfer Date, including acceptance of possession of the Facility and the operations therein on the Transfer Date in accordance with this Agreement and the timely filing of all applications for licensure. Current Operator may, but is not required to, waive or defer (in writing) the fulfillment of any one or more of these conditions in its sole discretion.

2.5 Post-Closing Matters. For a period of at least five (5) years from and after the Transfer Date:

2.5.1. New Operator shall operate the Facility in a "culturally sensitive" manner, meaning the existence of an environment that fosters an awareness and acceptance of the cultural characteristics, history, values, belief systems and behaviors of the Japanese American residents and families, which will include elements listed on Exhibit 11.4(i) of the Purchase Agreement to maintain that environment;

2.5.2. Current Operator shall support the existing volunteer program for the Facility, assisting New Operator upon its request with training regarding recruitment and retention of volunteers;

2.5.3. New Operator shall continue providing, and Buyer Parent and Buyer shall cause New Operator to continue providing, community benefit programs relating to the Facility and shall expend at least $118,942 (including waiving rental for use by community groups) for community programs at the Facilities located on the Boyle Campus (as defined in the Purchase Agreement) during each twelve (12) month period from and after the Closing Date;

2.5.4. New Operator shall continue providing a placement priority to residents of the Facilities (as defined in the Purchase Agreement) who may require either a higher or a lower level of care over new residents admitted from outside such Facilities; and

2.5.5. Buyer shall, and shall cause New Operator to, maintain the physical donor recognition at the Facility.

2.6. Right of Observation. From and after the Due Diligence Deadline (as defined in the Purchase Agreement) until the Transfer Date, Current Operator shall allow up to one individual appointed by New Operator to have access to the Facility during regular business hours to observe the day-to-day operations and management of the Facility. Such access shall be granted with at least twenty-four (24) hour notice to Current Operator by New Operator.

2.7 Occupancy Agreements. Buyer and New Operator shall assume the occupancy agreements that Current Operator has with the current residents of the Facility at the same rates and will not change the base reate for a period of one (1) year.

2.8 Tail Insurance. On or before the Closing Date, Current Operator shall deliver to New Operator a certificate of insurance for pre-paid general and professional liability extended reporting "tail" or "runoff" insurance for a period of at least three (3) years from and after the Closing Date with respect to acts and/or omissions occurring or allegedly occurring prior to the

Transfer Date, naming Current Operator and its affiliates as insureds, and New Operator and Buyer as additional insureds, with coverage limits of at least One Million Dollars ($1,000,000) individual per claim and Three Million Dollars ($3,000,000) aggregate for all claims.

ARTICLE 3. TRANSFER OF OPERATING ASSETS

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

3.2. Furnishings, Fixtures and Equipment. Current Operator and Buyer acknowledge and agree that, except for the Excluded Assets, the FF&E is the property of Current Operator, Current Operator agrees not to remove any FF&E from the Facility and, in the event of any such permitted removal, to repair any damage to the Facility occasioned thereby. Current Operator shall have no obligation to deliver the FF&E to any location other than the Facility, it being understood and agreed that the presence of the FF&E at the Facility on the Transfer Date shall constitute delivery thereof.

3.3. Computer Systems and Migration of Data. Subject to the acknowledgements, terms and conditions set forth in Section 3.3.1 below, Current Operator shall, at no charge to Buyer or New Operator, to the extent applicable, (a) leave all such hardware, software and data intact and in place, complete with any passwords or codes necessary to use the equipment and fully access the data, at the Facility to the extent any licenses for such hardware and software are transferrable to New Operator, (b) acknowledge that the data contained therein and accessed thereby is essential to the continuation of the operations in the Facility, (c) leave such computer systems connected to its remote network (if any) for a period of up to sixty (60) days after the Transfer Date to the extent any software and hardware containing such data is transferable to New Operator or, if applicable, to cooperate with New Operator in transferring such data in a retrievable and usable format, and (d) make any data or records relating to the past operation of the Facility which are held or stored offsite accessible to New Operator, in order to facilitate New Operator's lawful and uninterrupted operation of the Facility after the Transfer Date in compliance with applicable laws and in a manner that does not jeopardize the health, care or welfare of the Facility's patients and residents. New Operator shall be responsible for the payment of any licensing fees relating to such software and hardware, if applicable, and Current Operator shall promptly transfer any such licenses, if transferable, to New Operator's name within sixty (60) days following the Transfer Date or obtain new licenses for such software or applicable hardware.

3.3.1. Notwithstanding the foregoing Section 3.3, the parties acknowledge that Current Operator recently converted its data storage system to the ADS Cloud, whereby its data is maintained, managed and backed up remotely and made available through a dedicated environment. Current Operator and New Operator acknowledge that such data and New Operator's access thereto is essential to continuation of operation of the Facility and that Current

Operator will also need access to the historical data for financial and other purposes. No decisions have been made as to whether New Operator will continue the same storage system or migrate the data to another such system or on site servers. Similarly, no decisions have been made as to the transfer as part of the Operating Assets of Current Operator's existing computer hardware and software or assignment of its licenses. Current Operator shall cooperate with New Operator in evaluating the alternatives in order to facilitate New Operator's lawful and uninterrupted operation of the Facility after the Transfer Date, with the understanding that the availability of the data and the use of computer hardware, software and licenses, and the responsibility of any license fees and costs of conversion or migration, will be on terms and conditions as agreeable to Current Operator, Buyer and New Operator.

3.4. General Intangibles. General Intangibles used or held in connection with the operation of the Facility shall be transferred to Buyer on the Transfer Date by execution and delivery of the Bill of Sale.

3.5. Excluded Assets. The Excluded Assets are not included in this transaction and shall be retained by or delivered to Current Operator.

ARTICLE 4. PATIENT TRUST PROPERTY

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

4.2. Transfer of Patient Trust Property. Within one (1) business day after Current Operator and New Operator agree upon the accounting provided for hereinabove, and in any event no later than three (3) business days following the Transfer Date, Current Operator agrees to (a) remit to the parties entitled thereto all Patient Trust Property which Current Operator or the Facility are no longer entitled or permitted to hold, and (b) transfer all remaining Patient Trust Property to New Operator, and New Operator hereby agrees that it will hold, and accepts responsibility and liability for holding, such remaining Patient Trust Property in trust for the patients entitled thereto, in accordance with applicable statutory and regulatory requirements.

4.3. Indemnification for Patient Trust Property.

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

4.3.2. New Operator will indemnify, defend and hold Current Operator harmless for, from and against all liabilities, claims and demands, including reasonable attorneys' fees and costs, in the event a claim is made against Current Operator by a patient for his/her

Patient Trust Property where such patient's funds or other property were properly transferred to New Operator pursuant to the terms hereof. New Operator shall be solely responsible for and shall indemnify, defend and hold Current Operator harmless for, from and against all liabilities, claims and demands, including reasonable attorneys' fees and costs, arising from any claim, action, investigation or liability arising from maintenance, use, holding, or any acts or omissions of New Operator relating to the Patient Trust Property on and after the date such Patient Trust Property is transferred by Current Operator to New Operator. All claims shall be submitted by New Operator in the form required by the permitted third party payors. New Operator shall archive claims submissions data until the claim is paid, to enable resubmission of the original claim, if necessary, and thereafter for a period of six (6) years after the Transfer Date or such shorter time in accordance with applicable law.

ARTICLE 5. RECEIVABLES & REIMBURSEMENTS

5.1. Accounts Receivable.

5.1.1. Schedule of Pre-Transfer Accounts. Current Operator shall deliver to New Operator a complete, correct patient/resident roster with account status, responsible party, payor source and aging not less than thirty (30) days prior to the Transfer Date, and shall update such roster as of the Transfer Date.

5.1.2. Pre-Transfer Accounts. Current Operator shall retain its right, title and interest in and to all unpaid Pre-Transfer Accounts, including accounts receivable arising from rate adjustments which relate to periods prior to the Transfer Date even if such adjustments occur after the Transfer Date, and Current Operator shall remain liable for any overpayments (including recapture of pass-throughs) made to Current Operator for periods prior to the Transfer Date for which payment is due to (or for which subsequent reimbursements are offset or denied by) Medicaid or any other third party payor after the Transfer Date. On the Transfer Date, Current Operator shall provide to New Operator a schedule setting forth by patient/resident its outstanding Pre-Transfer Accounts as of the Transfer Date. For the avoidance of doubt, Current Operator shall be solely responsible for the timely and proper billing and collection of all Pre-Transfer Accounts and New Operator's obligations related to such collection activities shall be limited to those set forth elsewhere in this Article 5. Current Operator and New Operator agree that the "pay to" address for Medicaid payments shall continue to be the Facility's address. Current Operator further agrees to authorize New Operator to endorse checks made payable to "Keiro Retirement Home" or any similar names or payees, and deposit the same in New Operator's account solely to the extent permissible under applicable law, subject to New Operator complying with the accounting, notification, distribution and other provisions of this Agreement with respect to Pre-Transfer Accounts.

5.1.3. Post-Transfer Accounts. As of the Transfer Date, Current Operator hereby irrevocably assigns to New Operator any and all interest it may have in the Post-Transfer Accounts with the authority and power to bill and collect the same, and disclaims all right, title and interest therein and thereto to the extent permitted by applicable law.

5.2. Handling of Receipts by New Operator. Payments received by New Operator after the Transfer Date from third party payors shall be handled as follows:

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

5.2.2. If such payments fail to indicate the period to which they relate, then all such unidentified payments received within forty five (45) days following the Transfer Date shall be deemed to relate to the covered patient's unpaid Pre-Transfer Accounts (if any). All unidentified payments received thereafter shall be deemed to relate to Post-Transfer Accounts.

5.3. Handling of Receipts by Current Operator. Payments received by Current Operator after the Transfer Date from third party payors shall be handled as follows:

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

5.3.2. If such payments fail to indicate the period to which they relate, then all such unidentified payments received within forty-five (45) days following the Transfer Date shall be deemed to relate to the covered patient's unpaid Pre-Transfer Accounts (if any). All unidentified payments received thereafter shall be deemed to relate to Post-Transfer Accounts.

5.4. Private Pay. Any payments received by either Current Operator or New Operator from or on behalf of private pay patients (including self-pay, HMO and other private insurance payors) shall be treated in the same manner as described in Section 5.3 and 5.4 above; provided that any payment received by either party during the first forty-five (45) days after the Transfer Date for a private pay patient or resident, which fails to designate the period to which it relates, will first be applied to reduce the patient's Pre-Transfer Account balances (if any). Social Security payments received at the Facility on behalf of patients or residents shall be applied toward the respective patient's or resident's account in the month the payment is actually received. All unidentified payments received thereafter shall be deemed to relate to Post-Transfer Accounts. New Operator shall be responsible for confirming that private pay patients permit New Operator to bill under the Current Operator's payor until such agreements are assigned to New Operator or New Operator obtains new payor. New Operator warrants that all payors, including private pay payors, permit such billing arrangement.

5.5. Dispute Resolution. The parties shall attempt in good faith to resolve any dispute arising out of or relating to this Article 5 promptly by negotiation between representatives of the parties who have authority to settle the controversy. Either party may give the other party written notice of any dispute (a "Dispute Notice") not resolved in the normal course of business. Within five (5) days after delivery of such Dispute Notice, both parties shall meet at a mutually

acceptable time and place (by mutual agreement, such meeting may be held by telephone and thereafter as often as they deem necessary) to exchange relevant information and to attempt to resolve the dispute. If the matter has not been resolved within twenty (20) days of the disputing party's delivery of the Dispute Notice, or if the parties fail to meet within five (5) days of the delivery of the Dispute Notice, either party may initiate the mediation of the controversy or claim as provided below. If any dispute arising out of this Article 5 has not been resolved by negotiation as provided above, the parties shall endeavor to resolve the dispute by mediation. The mediation shall be conducted by a neutral mediator from a nationally recognized health care accounting and consulting firm (or an accounting and consulting firm with a nationally recognized health care accounting and consulting practice) mutually agreed upon by the parties. If the parties are unable to completely resolve the dispute through mediation (or are unable to agree on a mediator within thirty (30) days following delivery of the Dispute Notice), either party shall pursue dispute resolution pursuant to Article 11.

5.6. Payor Communications.

5.6.1. Payment Notices. For a period of six (6) months following the Transfer Date, whenever a Payor sends to Current Operator on the one hand or New Operator on the other, a remittance advice, explanation of benefits or other notice that a payment has been deposited in a party's bank account (a "Payment Notice"), the receiving party agrees to send a copy of such Payment Notice to the other party by electronic transmission within five (5) business days of the time the Payment Notice is received.

5.6.2. Regulatory Notices. In the event Current Operator receives notice of any claims or requests for recoupment or reimbursement with respect to the billing services or notice of any appeals, adjustments, challenges, audits, litigation, inspections or investigations with respect to the billing services, Current Operator shall inform New Operator and send a copy of such notice to New Operator by overnight mail or electronic transmission no later than five (5) business days after receipt of such notice.

5.6.3. Other Payor Notices. For a period of twelve (12) months following the Transfer Date, whenever a payor sends any other notice to or requests information from Current Operator regarding a claim for services rendered after the Effective Date, Current Operator shall send a copy of such notice or inform New Operator of such request by overnight mail or electronic transmission no later than five (5) business days after receipt of such notice or request.

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

5.8. Access. For the period of twelve (12) months following the Transfer Date, after providing advance notice to New Operator in each instance, Current Operator and its agents and representatives shall have reasonable access during business hours to such medical records, resident contracts, patient status reports, medical necessity documentation, services documentation, account documentation, remittance advice documentation, Nursing Services Statements (CMS-3616), and other documents and records as reasonably necessary to confirm

the division of the accounts receivable, payments or accounts payable, to facilitate billing and collection of Current Operator's receivables, to handle any of Current Operator's accounts payable or reconcile any financial information. Following the expiration of twelve (12) months following the Transfer Date, Current Operator shall continue to have reasonable access during business hours to such medical records, resident contracts, patient status reports, medical necessity documentation, services documentation, account documentation, remittance advice documentation, Nursing Services Statements (CMS-3616), and other documents and records as reasonably necessary in any audit, investigation, notice of determination, repayment request, overpayment notice or other matter relating to the provision of services or billing and reimbursement for services provided prior to the Transfer Date.

5.9. Overpayment Claims. In the event that federal or state agencies or any private insurer or other payor making payments to Current Operator for services performed prior to the Transfer Date make any claim for fines, civil money penalties, recoupment of fraudulent charges or overpayments (including recapture of pass-throughs) occurring for any such period, then Current Operator agrees to save, indemnify, defend and hold Buyer and New Operator harmless for, from and against any and all loss, damage, injury or expense incurred by Buyer or New Operator because of any such claim, and Current Operator shall promptly reimburse Buyer or New Operator for the full amount of any such claim, offset, chargeback or other attempted recovery of such fraud and overpayments upon demand. In the event Current Operator successfully appeals any such overpayment claim and Buyer or New Operator receives funds or credits as result thereof, Buyer or New Operator, as the case may be, shall promptly remit to Current Operator the full amount of any such funds or credits. In the event that federal or state agencies or any private insurer or other payor making payments to Buyer or New Operator for services performed on or after to Transfer Date make any claim for fines, civil money penalties, recoupment of fraudulent charges or overpayments (including recapture of pass-throughs) occurring for any such period, then New Operator agrees to save, indemnify, defend and hold Current Operator harmless for, from and against any and all loss, damage, injury or expense incurred by Current Operator because of any such claim, and New Operator shall promptly reimburse Current Operator for the full amount of any such claim, offset, chargeback or other attempted recovery of such fraud and overpayments upon demand. In the event New Operator successfully appeals any such overpayment claim and Current Operator receives funds or credits as result thereof, Current Operator shall promptly remit to New Operator the full amount of any such funds or credits.

ARTICLE 6. EMPLOYEES

6.1. Current Employees; Payroll & Benefits. Current Operator shall deliver the Employee Schedule to New Operator not less than twenty-five (25) days prior to the Transfer Date, except that Social Security numbers shall be delivered not less than ten (10) days prior to the Transfer Date, and shall update such Employee Schedule three (3) business days prior to the Transfer Date. New Operator acknowledges that Current Operator may make reasonable personnel changes up to the Transfer Date. Current Operator shall not solicit or offer to employ any current Facility employees at any of its affiliated operations, for a period of one (1) year following the Transfer Date without the prior written consent of New Operator. Current Operator agrees not to give any Facility employee a salary or wage increase prior to the Transfer

Date without New Operator's written consent, except in the normal course of business. Current Operator also agrees to provide to New Operator, promptly following the execution and delivery of this Agreement, copies of Current Operator's current employee handbook and/or human resources manual, detailed benefits information including carriers, brokers and participating employees, contact information and cost information, 403(b) plan documents and a roster of enrolled employees, and such other documentation of current terms and conditions of employment as New Operator may reasonably request, to the extent not disclosed in the Employee Schedule. All information disclosed or provided to New Operator hereunder shall be deemed confidential and shall in all events be subject to the confidentiality provisions of Section 5.2(i) of the Purchase Agreement.

6.2. Employee Status.

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

6.2.2. Offers of Employment. New Operator will extend offers of employment to all of the Facility employees in good standing as of the Closing Date. Such offers of employment will be made in a manner sufficient to comply with Federal, state and local law, and for such employees' existing wages and otherwise with Benefits, subject to qualification requirements pertaining to such Benefits, that are not less favorable than those provided to other similarly situated employees of the facilities which New Operator operates and which are located in California.

6.2.3 Eligibility for Benefits. For purposes of determining eligibility of Rehired Employees to receive and participate in New Operator's sick leave, holiday, vacation, PTO or similar Benefit programs, New Operator agrees to accord Rehired Employees with one (1) year of employment service credit, so that all such Rehired Employees shall be eligible to enroll and/or begin accruing benefits on the first day of their employment with New Operator as if they were second year employees of New Operator. Notwithstanding the above, any Rehired Employee who has not been continuously employed by Current Operator for at least ninety (90) days immediately prior to the Transfer Date shall not be accorded prior employment service credit and no other Rehired Employee shall be entitled to less than two (2) weeks vacation per year. New Operator shall permit Rehired Employees to enroll in New Operator's group health plan on or as soon as practicable after the Transfer Date, with no eligibility waiting period so long as the Rehired Employee has been continuously employed by Current Operator for at least ninety (90) days immediately prior to the Transfer Date. In the event the Transfer Date falls on a date other than the first (1st) day of a calendar month, Current Operator and New Operator

acknowledge and agree that Rehired Employees shall be eligible to participate in New Operator's group health plan from and after the first (1st) day of the calendar month following the Transfer Date. Any Rehired Employee who has not been continuously employed by Current Operator for at least ninety (90) days immediately prior to the Transfer Date shall become eligible to participate in the group health plan as of the first (1st) day of the calendar month following the ninetieth (90th) day of combined continued employment with Current Operator and New Operator.

6.2.4 WARN Act Compliance. It is the understanding of Current Operator and New Operator that Current Operator may be required to give notice to the Facility employees of the termination of their employment under the WARN Act unless a sufficient number of employees do not suffer an "employment loss," or an exception to giving notice is applicable. New Operator has advised Current Operator that (a) it does not want Current Operator to deliver any such notice to the Facility employees, (b) it will offer employment on an "at-will" basis at or before the Transfer Date to a sufficient number of the Facility employees such that such notice will not be necessary and (c) in reliance thereon Current Operator will not provide notice under the WARN Act to the Facility employees. New Operator hereby agrees to indemnify, defend and hold harmless Current Operator from any loss, cost or expense Current Operator may incur as a result of or a failure to give any required notice under the WARN Act.

6.3. Employee Records. Current Operator shall allow New Operator to retain Current Operator's employee files, including originally executed employee applications and original Form I-9s of Rehired Employees, for a period of ninety (90) days from the Transfer Date, or until New Operator has obtained new employee applications and I-9s; immediately thereafter New Operator shall deliver the original documents to Current Operator; provided that, during such retention period, New Operator shall allow Current Operator reasonable access, upon prior notice and during normal business hours, to such employee files and the ability to copy the same, as Current Operator may require in its reasonable discretion.

6.4. No Employment Rights or Contract. Notwithstanding anything in this Agreement to the contrary, nothing in this Article 6 or any other provision of this Agreement shall be interpreted to create any rights in favor of any person not a party hereto, including the employees of the Facility, or to constitute an employment agreement or condition of employment for any employee of Current Operator or any Rehired Employee.

6.5. Foreign Workers. Current Operator shall deliver to New Operator not less than twenty five (25) days prior to the Transfer Date, a list of all foreign nationals employed at the Facility who are working under a visa or other work authorization. Current Operator represents that, to Current Operator's actual knowledge, (a) all such Facility employees will be either citizens or legal residents of the United States, (b) all foreign workers will have provided to Current Operator copies of valid identity and work authorization documents, and (c) no such work authorizations have expired or been revoked.

6.6. Employment Claims and Complaints. Current Operator has included, as part of Exhibit G hereto, a list of all pending and threatened Employment Claims. Current Operator acknowledges that New Operator is not assuming any liability for pending, or threatened or other pre-Transfer Date Employment Claims, and (a) New Operator hereby disclaims any and all

liability for all Employment Claims arising from or in connection with the employment of any Facility employee prior to the Transfer Date, and (b) Current Operator hereby agrees to indemnify, defend and hold New Operator harmless for, from and against any and all Employment Claims arising from or in connection with the employment of any Facility employee prior to the Transfer Date.

ARTICLE 7. PRORATIONS

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

7.2. Calculation. All such prorations shall be made on the basis of actual days elapsed in the relevant accounting or revenue period and shall be based on the most recent information available. Without limiting the foregoing, water, electricity, sewer, gas, telephone and other utility charges shall be based, to the extent practicable, on final meter readings and invoices covering the period of time through the Transfer Date. Utility charges which are not metered and read on the Transfer Date shall be estimated based on prior charges, and shall be re-prorated upon receipt of statements therefor.

7.3. Adjustments. All amounts owing from one party hereto to the other party hereto that require adjustment after the Transfer Date shall be settled within sixty (60) days after the Transfer Date or, in the event the information necessary for such adjustment is not available within said sixty (60) day period, then as soon thereafter as practicable.

7.4. Petty Cash. On the Transfer Date, Current Operator shall retain the petty cash.

ARTICLE 8. RECORDS

8.1. Delivery of Records. On the Transfer Date, Current Operator shall deliver to New Operator all of the records of the Facility, including patient medical records, financial records, employee records and other relevant records used or developed in connection with the

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

8.2. Access to Records.

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

8.2.2. Current Operator shall be entitled to remove the originals of any records delivered to New Operator for purposes of litigation involving a patient or employee to whom such records relate, if (a) an officer of or counsel for Current Operator certifies that such original must be produced in order to comply with applicable law or the order of a court of competent jurisdiction in connection with such litigation, and (b) Current Operator leaves a full and complete copy of such records in the Facility while the originals are in its possession. Any record so removed shall promptly be returned to New Operator following its use. New Operator shall release originals of any records as required or requested by a governmental authority, regulatory agency or as otherwise required by law for the investigation or audit of governmental payor billing, services, or payments.

8.2.3. New Operator agrees to maintain such books, records and other material comprising records of the Facility's operations prior to the Transfer Date that have been received by New Operator from Current Operator or otherwise, including patient records and records of patient funds, to the extent required by law, but in no event less than three (3) years or, when longer, the minimum period required by any applicable statute of limitations in force as of the Transfer Date, and shall provide Current Operator with reasonable advance notice and allow Current Operator a reasonable opportunity to remove such documents, at Current Operator's expense, at such time as New Operator shall decide to dispose of such documents.

ARTICLE 9. OPERATING CONTRACTS

9.1. Operating Contracts. Current Operator will make available to New Operator true, complete and current copies of all Operating Contracts within ten (10) days after this Agreement has been executed. There are no material Operating Contracts, oral or written, which have not been disclosed pursuant to the foregoing or otherwise, to New Operator, and the Operating Contracts delivered and disclosed are in full force and effect prior to the Transfer Date and have

not been modified, altered or amended in any way. Current Operator assigns, and New Operator assumes and agrees to be bound by all of the terms and conditions of, the Assumed Operating Contracts from and after the Transfer Date. Current Operator shall not have any liability arising from New Operator's acts or omissions in regards to the Assumed Operating Contracts on and after the Transfer Date.

9.1.1. Nothing herein shall be construed as imposing any liability on New Operator with respect to any obligations under (a) the Assumed Operating Contracts which relate to the period prior to the Transfer Date even if the same do not arise until after the Transfer Date (except to the extent that New Operator receives and accepts goods or services under an Assumed Operating Contract, in which case its liability shall be determined by the pro-ration of the cost of such benefit under such Assumed Operating Contract), it being specifically understood and agreed that New Operator's liability shall be limited to its acts and omissions thereunder and any liability arising from and after the Transfer Date, or (b) any Terminated Operating Contracts. New Operator shall indemnify and hold Current Operator harmless from any and all liability and claims arising from the Assumed Operating Contracts on and after the Transfer Date.

9.1.2. To the extent commercially reasonable, Current Operator agrees to give conditional notice of cancellation under each of the Terminated Operating Contracts, with the terminations to be effective on or before the Transfer Date or at the earliest possible date(s) thereafter.

9.2. Vehicles. Current Operator represents and warrants that the Vehicles are owned by Current Operator and are not subject to any lease or otherwise subject to any liens or other encumbrances.

9.3. Equipment Financing and Leases. Current Operator and New Operator acknowledge and agree that the FF&E listed on Exhibit H, if any, is leased or otherwise encumbered under the terms of certain equipment leases (the "Equipment Leases") identified on Exhibit H. Current Operator will provide to New Operator access to copies of all Equipment Leases. Current Operator represents and warrants that there are no outstanding liens, leases or other encumbrances affecting the Facility or any of the FF&E therein which have not been disclosed to New Operator and identified on Exhibit H. New Operator shall only assume (subject to the lessors' consent) and be responsible for all payments and other charges accruing on the Equipment Leases that may be listed on Exhibit H as Assumed Operating Contracts from and after the Transfer Date. New Operator shall indemnify and hold Current Operator harmless from any and all liability and claims arising under the Equipment Leases that constitute Assumed Operating Contracts on and after the Transfer Date.

9.4. Tenant Leases. Exhibit I attached hereto contains a list of all leases of space in the Facility by Current Operator to third party service providers, such as physical therapists, banks, medical clinics or beauty shop operators (collectively, the "Tenant Leases"). Current Operator will provide to New Operator access to copies of all Tenant Leases. Except as disclosed on Exhibit I, each Tenant Lease is in full force and effect and to Current Operator's actual knowledge, no party to any such Tenant Lease is in default thereunder. New Operator

shall assume all the Tenant Leases that may set forth on Exhibit B as Assumed Operating Contracts.

9.5 Resident Leases. Exhibit J attached hereto also contains a list of all resident occupancy agreements for the Facility (collectively, the "Resident Leases"). Current Operator will provide to New Operator access to copies of all Resident Leases. Except as disclosed on Exhibit J, each Resident Lease is in full force and effect. New Operator shall assume all the Resident Leases as Assumed Operating Contracts.

ARTICLE 10. INDEMNIFICATION

10.1. Current Operator. Without limiting its other obligations and duties hereunder, from and after the Transfer Date, Current Operator shall indemnify, defend and hold Buyer Group, the Other Parties, and their respective officers, directors, employees, shareholders and affiliates ("Buyer Indemnified Parties"), harmless for, from and against any and all claims, losses, expenses, damages, obligations, deficiencies, or liabilities of any kind, including costs of investigation, interest, penalties, reasonable attorneys' fees, and any and all costs, expenses, and fees incident to any suit, action or proceeding, incurred, sustained or suffered by the Buyer Indemnified Parties which arise out of, result from or are related to any of the following:

10.1.1. except as otherwise provided in this Agreement, any and all obligations and liabilities relating solely to the ownership of the Operating Assets and the operation of the Facility by Current Operator prior to the Transfer Date, including (a) any obligations under the Assumed Operating Contracts, (b) any violations of other State or federal law governing the operation of the Facility, including laws relating to Employment Claims, and (c) any failure of any cost report filed by Current Operator for the cost reporting periods prior to the Transfer Date, including the final cost reports filed after the Transfer Date, to comply with applicable State or federal law; and for purposes of this Section, an obligation shall be deemed to "exist" as of the Transfer Date if it relates to events which occurred as a result of the acts or omissions of Current Operator prior to the Transfer Date, even if it is not asserted until after the Transfer Date;

10.1.2. any Terminated Operating Contracts;

10.1.3. any misrepresentation of a material fact, breach of warranty or nonfulfillment of any material agreement on the part of Current Operator under this Agreement or in any certificate required to be furnished to New Operator hereunder;

10.1.4. any failure by Current Operator in connection with the transactions contemplated herein to comply with the requirements of any State, federal or local laws or regulations relating to bulk sales or transfers, whether or not New Operator has waived Current Operator's compliance therewith;

10.1.5. any claims against Current Operator, New Operator or the Facility under Veterans Administration or any other third party payor programs (a) with respect to any Excluded Assets, (b) with respect to the operation of the Facility by Current Operator prior to the Transfer Date, (c) for recapture of depreciation generated by the transaction contemplated hereby, (d) for any fees, fines or penalties assessed against the Operating Assets solely to the

extent attributable to periods prior to the Transfer Date, or (e) for repayment of any overpayments made to Current Operator under Medicaid, Veterans Administration or any other third party payor program for services rendered at the Facility prior to the Transfer Date, including claims against New Operator in the form of offsets by Veterans Administration or any other third party payor against their payments due solely to the extent such offsets relate to services rendered by Current Operator prior to the Transfer Date;

10.1.6. in the event the amount of the Patient Trust Property, if any, transferred to New Operator do not represent the full amount of the Patient Trust Property shown to have been delivered to Current Operator as custodian, and for claims which arise from actions or omissions of Current Operator with respect to the Patient Trust Property prior to the Transfer Date; and

10.1.7. any Excluded Liabilities.

10.2. Other Parties. From and after the Transfer Date, each Other Party shall indemnify, defend and hold Current Operator and Selling Group, and their respective officers, directors, employees, member and affiliates (the "Seller Indemnified Parties"), harmless for, from and against any and all claims, losses, expenses, damages, obligations, deficiencies, or liabilities of any kind, including costs of investigation, interest, penalties, reasonable attorneys' fees, and any and all costs, expenses, and fees incident to any suit, action or proceeding, incurred, sustained or suffered by the Seller Indemnified Parties which arise out of, result from or are related to New Operator's operation of the Facility on and after the Transfer Date, including all billing and collections for services, board and care provided to residents on and after the Transfer Date, and including any liability or claim resulting from or relating to any of the following:

10.2.1. except as otherwise provided in this Agreement, any and all obligations and liabilities relating to the ownership and the operation of the Facility by New Operator that relate solely to the operation of the Facility on and after the Transfer Date, including (a) any obligations under the Assumed Operating Contracts, (b) any other State or federal law governing the operation of the Facility, including to laws relating to Employment Claims, and (c) any failure of any cost report filed by New Operator for the cost reporting periods on and after the Transfer Date to comply with applicable State or federal law; and for purposes of this Section, an obligation shall be deemed to "exist" on and after of the Transfer Date if it relates to events which occurred as a result of the acts or omissions of New Operator on and after the Transfer Date, regardless of when asserted;

10.2.2. any misrepresentation of a material fact, breach of warranty or nonfulfillment of any material agreement on the part of an Other Party under this Agreement;

10.2.3. any claims against Current Operator, New Operator or the Facility under Veterans Administration or any other third party payor programs (a) with respect to the operation of the Facility by New Operator on and after the Transfer Date, (b) for any fees, fines or penalties assessed against the Operating Assets of the Facility solely to the extent attributable to periods on and after Transfer Date, or (c) for repayment of any proven overpayments made to New Operator under Veterans Administration or any other third party payor program for services

rendered at the Facility on and after the Transfer Date, including claims against Current Operator in the form of offsets by Veterans Administration or any other third party payor against their payments due to Current Operator; and

10.2.4. claims which arise from actions or omissions of New Operator with respect to the Patient Trust Property on and after the Transfer Date.

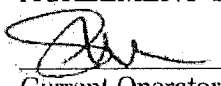
10.3. Indemnification Procedures. The parties agree that, upon receipt by any party of a claim in respect of which any indemnity may be sought hereunder, such party (the "Claimant") shall give written notice (the "Notice of Claim") to the other (the "Indemnitor") within ten (10) days of receiving such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

ARTICLE 11. JUDICIAL REFERENCE

11.1 Judicial Reference. EXCEPT AS PROVIDED IN SECTION 5.7, ANY CONTROVERSY OR DISPUTE HEREUNDER SHALL BE RESOLVED BY A REFEREE APPOINTED BY THE SUPERIOR COURT FOR THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA ("SUPERIOR COURT") IN ACCORDANCE WITH THE PROVISIONS OF SECTION 638 ET SEQ. OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. IN THIS REGARD, IN THE EVENT THE PARTIES ARE UNABLE AGREE UPON A RESOLUTION TO ANY SUCH QUESTION, ANY PARTY SHALL HAVE THE RIGHT TO SERVE A WRITTEN DEMAND FOR JUDICIAL REFERENCE OF SUCH CLAIM OR CONTROVERSY ON THE OTHER PARTIES. THE PARTIES SHALL THEN NEGOTIATE IN GOOD FAITH FOR A MUTUALLY ACCEPTABLE REFEREE, HOWEVER IN NO EVENT SHALL ANY PARTY SEEK THE APPOINTMENT OF A REFEREE THAT MAY BE DISQUALIFIED PURSUANT TO CALIFORNIA SECTION 641 OF THE CODE OF CIVIL PROCEDURE. IN THE EVENT THAT THE PARTIES HAVE NOT AGREED UPON A REFEREE WITHIN TEN (10) BUSINESS DAYS AFTER WRITTEN DEMAND FOR SUCH REFERENCE HAS BEEN MADE, THE PARTIES SHALL SUBMIT TO THE SUPERIOR COURT THE NAMES OF UP TO THREE NOMINEES FOR

APPOINTMENT AS REFEREE, IN ACCORDANCE WITH THE PROVISIONS OF SECTION 640 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. THE REFEREE, ONCE AGREED UPON BY THE PARTIES OR APPOINTED BY THE SUPERIOR COURT, SHALL HAVE FULL AND COMPLETE AUTHORITY TO HEAR AND DETERMINE ANY AND ALL OF THE ISSUES IN AN ACTION OR PROCEEDING, WHETHER OF FACT OR OF LAW, AND TO REPORT A STATEMENT OF DECISION. IN CONNECTION WITH SUCH REFERENCE PROCEDURE, THE PARTIES SHALL HAVE ALL RIGHTS AND POWERS AFFORDED TO A CIVIL LITIGANT IN THE SUPERIOR COURT, INCLUDING THE ABILITY TO CONDUCT FULL DISCOVERY. THE REFEREE SHALL BE GOVERNED BY THE RULES OF CIVIL PROCEDURE FOR ACTIONS FILED IN CALIFORNIA SUPERIOR COURTS AS SET FORTH IN THE CALIFORNIA CODE OF CIVIL PROCEDURE, EXCEPT TO THE EXTENT THE PARTIES STIPULATE THE REFEREE MAY DEVIATE THEREFROM. THE CURRENT OPERATOR, ON THE ONE HAND, AND THE OTHER PARTIES, ON THE OTHER HAND, SHALL EVENLY DIVIDE THE COST OF THE REFEREE'S FEES. THE REFEREE SHALL HAVE THE POWER, AS PART OF ANY AWARD, TO INCLUDE THESE FEES AS AN ELEMENT OF RECOVERY. THE DECISION OF THE REFEREE UPON THE WHOLE ISSUE SHALL STAND AS THE DECISION OF THE SUPERIOR COURT, AND UPON THE FILING OF THE STATEMENT OF DECISION WITH THE CLERK OF THE SUPERIOR COURT, JUDGMENT MAY BE ENTERED THEREON IN THE SAME MANNER AS IF THE ACTION HAD BEEN TRIED BY THE SUPERIOR COURT. EXCEPT AS SET FORTH IN SECTION 645 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE, THE REFEREE'S AWARD SHALL BE CONSIDERED FINAL, AND NOT SUBJECT TO APPEAL OR COLLATERAL ATTACK.

YOU HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THIS AGREEMENT TO JUDICIAL REFERENCE AS PROVIDED ABOVE.



Current Operator's Initials Buyer Parent's and Buyer's Initials New Operator's Initials

ARTICLE 12. REPRESENTATIONS AND WARRANTIES

12.1. Current Operator's Representations and Warranties. Current Operator hereby represents and warrants to the Other Parties as follows:

12.1.1. Current Operator is a nonprofit public benefit corporation duly organized and in good standing under the laws of the State.

12.1.2. Current Operator (a) possesses, if and where required, all approvals necessary to maintain and operate, and (b) is licensed by the State to operate, the Facility as an independent living facility with 127 independent living untis, and all permits, licenses, and other governmental approvals necessary for the operation of the Facility as it is currently operated have been received and are now currently effective. A true and current copy of the Licenses is attached hereto as Exhibit K.

APPOINTMENT AS REFEREE, IN ACCORDANCE WITH THE PROVISIONS OF SECTION 640 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. THE REFEREE, ONCE AGREED UPON BY THE PARTIES OR APPOINTED BY THE SUPERIOR COURT, SHALL HAVE FULL AND COMPLETE AUTHORITY TO HEAR AND DETERMINE ANY AND ALL OF THE ISSUES IN AN ACTION OR PROCEEDING, WHETHER OF FACT OR OF LAW, AND TO REPORT A STATEMENT OF DECISION. IN CONNECTION WITH SUCH REFERENCE PROCEDURE, THE PARTIES SHALL HAVE ALL RIGHTS AND POWERS AFFORDED TO A CIVIL LITIGANT IN THE SUPERIOR COURT, INCLUDING THE ABILITY TO CONDUCT FULL DISCOVERY. THE REFEREE SHALL BE GOVERNED BY THE RULES OF CIVIL PROCEDURE FOR ACTIONS FILED IN CALIFORNIA SUPERIOR COURTS AS SET FORTH IN THE CALIFORNIA CODE OF CIVIL PROCEDURE, EXCEPT TO THE EXTENT THE PARTIES STIPULATE THE REFEREE MAY DEVIATE THEREFROM. THE CURRENT OPERATOR, ON THE ONE HAND, AND THE OTHER PARTIES, ON THE OTHER HAND, SHALL EVENLY DIVIDE THE COST OF THE REFEREE'S FEES. THE REFEREE SHALL HAVE THE POWER, AS PART OF ANY AWARD, TO INCLUDE THESE FEES AS AN ELEMENT OF RECOVERY. THE DECISION OF THE REFEREE UPON THE WHOLE ISSUE SHALL STAND AS THE DECISION OF THE SUPERIOR COURT, AND UPON THE FILING OF THE STATEMENT OF DECISION WITH THE CLERK OF THE SUPERIOR COURT, JUDGMENT MAY BE ENTERED THEREON IN THE SAME MANNER AS IF THE ACTION HAD BEEN TRIED BY THE SUPERIOR COURT. EXCEPT AS SET FORTH IN SECTION 645 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE, THE REFEREE'S AWARD SHALL BE CONSIDERED FINAL, AND NOT SUBJECT TO APPEAL OR COLLATERAL ATTACK.

YOU HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THIS AGREEMENT TO JUDICIAL REFERENCE AS PROVIDED ABOVE.

Current Operator's Initials	Buyer Parent's and Buyer's Initials	New Operator's Initials

ARTICLE 12. REPRESENTATIONS AND WARRANTIES

12.1. Current Operator's Representations and Warranties. Current Operator hereby represents and warrants to the Other Parties as follows:

12.1.1. Current Operator is a nonprofit public benefit corporation duly organized and in good standing under the laws of the State.

12.1.2. Current Operator (a) possesses, if and where required, all approvals necessary to maintain and operate, and (b) is licensed by the State to operate, the Facility as an independent living facility with 127 independent living untis, and all permits, licenses, and other governmental approvals necessary for the operation of the Facility as it is currently operated have been received and are now currently effective. A true and current copy of the Licenses is attached hereto as Exhibit K.

12.1.3. There are currently no court orders, consent decrees, judgments or similar directives, including corporate integrity agreements under 42 USC Sec. 1320a-7b(f), affecting the Facility or Current Operator.

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

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

12.1.6. To Current Operator's actual knowledge, the Facility is currently in material compliance with (a) all governmental orders issued by any agency having jurisdiction of the Facility against the Facility or Current Operator, and (b) all plans of correction and allegations of compliance filed by or in behalf of the Facility within the three (3) year period immediately preceding the Transfer Date. Current Operator has not received written or verbal notice of, nor does it have a reasonable basis to expect the issuance of a written or verbal notice with respect to, any action or proceeding initiated or proposed by State or federal agencies having jurisdiction thereof, to either revoke, withdraw or suspend any of the License or Certificate or to decertify, terminate, ban or limit the participation of Current Operator or the Facility in the Veterans Administration or any other third-party payor programs, and to Current Operator's actual knowledge there is no condition or event which constitutes, or which with notice or the lapse of time or both would constitute, a default under or a violation of the License which might result in the revocation or termination thereof.

12.1.7. Current Operator's financial statements, which were submitted to New Operator in connection with its evaluation of the Facility, were prepared in accordance with the books of account and other financial records of Current Operator and fairly present the financial condition and results of operations of the Facility at the dates and for the periods covered thereby. All of the books and records of the Facility, including books and records related to Patient Trust Property and employee records, are true and correct in all material respects.

12.1.8. Current Operator is duly authorized to consummate the transactions contemplated by this Agreement. Current Operator has all necessary power and authority to enter into this Agreement and to execute all documents and instruments referred to herein or contemplated hereby, and all necessary action has been taken to authorize the individual

executing this Agreement to do so. This Agreement has been duly and validly executed and delivered by Current Operator and is enforceable against Current Operator in accordance with its terms.

Except as expressly set forth in this Agreement or in the Purchase Agreement, neither Current Operator nor any of its agents, employees or representatives have made, nor are any of them making, any representation or warranty, express or implied, in respect of the Current Operator or its assets, business or operations, and any such other representations or warranties are hereby expressly disclaimed. The Other Parties each expressly acknowledge and agree that none of them or any of their agents, employees or representatives are relying on any other representations or warranties of Current Operator or any of its agents, employees or representatives, including the accuracy or completeness of any such other representations and warranties, whether express or implied.

12.2. Other Parties Representations, Warranties and Covenants. Each of the Other Parties hereby represents and warrants to, and covenants with, Current Operator as follows:

12.2.1. Such Other Party is a limited liability company duly formed and in good standing in the State.

12.2.2. Such Other Party has all requisite power and authority to execute and deliver this Agreement and to carry out its obligations hereunder and the transactions contemplated hereby, and all necessary action has been taken to authorize the individual executing this Agreement to do so. The documents contemplated hereby have been or will be duly authorized by all necessary action on such Other Party's part. This Agreement has been, and the documents contemplated hereby to be executed by such Other Party will be, duly executed and delivered by such Other Party and constitute its legal, valid and binding obligations enforceable against it in accordance with their terms, and the consummation and performance by such Other Party of the transactions contemplated herein will not result in a violation of or be in conflict with or constitute a default under any term or provision of the organizational documents of such Other Party, or any of the terms or provisions of any agreement or instrument to which it is a party or by which it is bound, or of any term of any applicable law, ordinance, rule or regulation of any governmental authority, or of any term of any applicable order, judgment or decree of any court, arbitrator or governmental authority.

12.2.3. During the past five (5) years, neither such Other Party nor any affiliate of such Other Party (i) has been or is subject to any order, judgment, decree, stipulation or consent of any court or governmental body or agency relating to any actual or alleged violation of any health care law, regulation or program, (ii) has received from any Federal, state or local governmental body or agency any statement of material deficiencies or other notice of material noncompliance with any standard applicable to the physical plant, equipment, care or patient services at any health care facility under its ownership or management for which such deficiencies or noncompliance have not been corrected, (iii) has been the subject of any investigation by any Federal, state or local governmental body or agency for any alleged violation of any Federal, state or local health care programs or (iv) has been excluded or suspended from a Federal health care program, including Veterans Administration programs.

12.2.4. As of the Transfer Date, New Operator will qualify and will continue to qualify as a "covered entity" as such term is defined in HIPAA, and will comply and will continue to comply with all requirements under HIPAA and HITECH, including the use or disclosure of protected health information. New Operator will execute and deliver to Current Operator a Business Associate Agreement in the form attached as Exhibit M.

ARTICLE 13. MISCELLANEOUS

13.1. Assignment. Without the prior written consent of the other parties, no party may assign this Agreement to any third parties and any such attempted assignment will be void.

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

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

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

If to Current Operator:

KEIRO SERVICES
325 South Boyle Avenue
Los Angeles, CA 90033-3812
Attn: Shawn Miyake
Phone: (323) 980-7500
Fax: (323) 980-2344
Email: smiyake@keiro.org

If to Buyer Parent, Buyer or New Operator:

PACIFICA COMPANIES LLC
1775 Hancock Street, Suite 200
San Diego, CA 92110
Attn: Adam Bandel
Phone: (619) 296-9000
Fax: (619) 296-9090
Email:
abandel@pacificacompanies.com

With a copy to (which shall not constitute notice):

Neal H. Brockmeyer
Locke Lord LLP
300 South Grand Ave.
Suite 2600

Los Angeles, CA 90071
Phone: (213) 687-6774
Fax: (213) 341-6774
Email: nbrockmeyer@lockelord.com

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

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

13.6. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. A manual signature on this Agreement or certificates to be delivered pursuant to this Agreement, an image of which shall have been transmitted electronically, will constitute an original signature for all purposes. The delivery of copies of this Agreement or certificates to be delivered pursuant to this Agreement, including executed signature pages where required, by electronic transmission will constitute effective delivery of this Agreement or such certificates for all purposes.

13.7. Construction. This Agreement has been negotiated by and among the parties in arms-length negotiations, and the parties are responsible for its drafting. The parties have reviewed this Agreement with appropriate counsel, or have waived their right to do so, and the parties hereby mutually and irrevocably agree that this Agreement shall be construed neither for nor against any party, but in accordance with the plain language and intent hereof. The captions of paragraphs and subparagraphs of this Agreement have been inserted solely for the purposes of convenience and reference, and shall not control or affect the meaning or construction of any of the provisions of this Agreement. Unless the context otherwise requires, references to the parties shall be to the parties to this Agreement , and references to articles, sections and exhibits shall be to the articles or sections of, or exhibits to, this Agreement. Exhibits referred to in this Agreement, whether attached hereto or thereto at the time of this Agreement's execution and delivery or thereafter, are hereby incorporated into this Agreement and made a part hereof. "Including" and words of similar import mean "including without limitation" or "but not limited to," and "or" is used in the inclusive sense. Time is of the essence for all dates and time periods set forth in this Agreement and each performance called for in this Agreement.

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

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

13.10. Entire Agreement. This Agreement is being entered into pursuant to the Purchase Agreement and, together with the Purchase Agreement and the exhibits thereto, the Confidentiality Agreements (as defined in the Purchase Agreement) and the other Operations Transfer Agreements, comprises the entire agreement between the parties hereto with respect to the subject matter hereof and shall be construed together with such other agreements. This Agreement may not be amended, modified or terminated except by written instrument signed by the parties hereto.

13.11. No Unintended Beneficiaries. This Agreement is solely between the parties hereto, and shall not create any right or benefit in any third party, including any creditor, agent, partner, employee or affiliate of Current Operator or any entity or agency having jurisdiction of the License, the Facility or the operation of the business therein.

13.12. Survival of Obligations, Representations and Warranties. The respective representations, warranties, covenants and remedies of the Current Operator and the Other Parties made herein or in any certificate or other document delivered pursuant to this Agreement, including the obligations of indemnity hereunder, shall survive the Transfer Date, the consummation of the transactions contemplated hereby and by the Purchase Agreement and the delivery of the Operating Assets to Buyer, and shall not be waived or merged thereby, until any applicable statute of limitations has run, notwithstanding any examination made by or for the party to whom such representations, warranties or covenants were made, the knowledge of any officers, directors, shareholders, members, partners, employees or agents of the party, or the acceptance of any certificate or opinion.

13.13. Cross Default. Any material breach or default of any warranty, covenant, agreement, condition or other obligation of a party hereunder, shall constitute a material breach or default of such party under the Purchase Agreement and the non-breaching party shall be entitled to any and all remedies to which such non-breaching party may be entitled under the terms of this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

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

CURRENT OPERATOR:

JAPANESE HOME FOR THE AGED, a California nonprofit public benefit corporation

By: _____
Shawn Miyake
Its President

BUYER PARENT:

PACIFICA COMPANIES LLC, a California limited liability company

By: _____
Deepak Israni
Its General Manager

BUYER:

PACIFICA SL BOYLE LLC, a California limited liability company

By: _____
Deepak Israni
Its General Manager

NEW OPERATOR:

PACIFICA SENIOR LIVING MANAGEMENT LLC, a California limited liability company

By: _____
Deepak Israni
Its General Manager

[Signature Page for Keiro Retirement Home OTA]

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

CURRENT OPERATOR:

JAPANESE HOME FOR THE AGED, a California nonprofit public benefit corporation

By: _____
Shawn Miyake
Its President

BUYER PARENT:

PACIFICA COMPANIES LLC, a California limited liability company

By: _____
Deepak Israni
Its General Manager

BUYER:

PACIFICA SL BOYLE LLC, a California limited liability company

By: _____
Deepak Israni
Its General Manager

NEW OPERATOR:

PACIFICA SENIOR LIVING MANAGEMENT LLC, a California limited liability company

By: _____
Deepak Israni
Its General Manager

[Signature Page for Keiro Retirement Home OTA]

EXHIBITS

TO

OPERATIONS TRANSFER AGREEMENT

KEIRO RETIREMENT HOME[1]

Exhibit	Title
A	Form of Assignment and Assumption Agreement
B	Assumed Operating Contracts
C	Form of Bill of Sale
D	Encumbrances
E	Excluded Assets
F	Vehicles
G	Employment Claims
H	Equipment Leases
I	Tenant Leases
J	Resident Leases
K	Licenses and Certifications
L	Pending Actions
M	Form of Business Associate Agreement

[1] Terms not otherwise defined shall have the meanings set forth in the accompanying Operations Transfer Agreement.

EXHIBIT A

FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT

[Attached]

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment") is made and entered into as of the ____ day of _____, 2015, by and between [_____], a California nonprofit public benefit corporation ("Assignor"), and [_____], a [California] limited liability company ("Assignee").

WHEREAS, Assignor and Assignee are parties to that certain Operations Transfer Agreement dated as of _____, 2015 (the "Transfer Agreement"), pursuant to which Assignor has agreed to assign and transfer to Assignee, and Assignee has agreed to assume the obligations under, the Assumed Operating Agreements associated with [_____];

WHEREAS, Assignor now desires to confirm such transfer and assignment, and Assignee now desires to confirm such assumption; and

WHEREAS, all capitalized terms used herein not otherwise defined, shall have the meanings assigned under the Transfer Agreement, and the miscellaneous provisions in Article 13 of the Transfer Agreement shall apply, to the extent appropriate, to this Assignment;

NOW THEREFORE, in accordance with and pursuant to the terms and conditions of the Transfer Agreement and this Assignment, and for good and valuable consideration, the receipt and sufficiency of which Assignee hereby acknowledges, the parties hereto agree as follows:

1. **Assignment**. Assignor hereby assigns and transfers to Assignee, all of Assignor's right, title and interest in, to and under the Assumed Operating Contracts specified on Schedule A attached hereto. In addition, Assignor hereby transfers, assigns and delivers to Assignee all right, title and interest of Assignor in and to all deposits and other security interests, if any, under any Assumed Operating Contracts. Assignor represents and warrants that the full amount of such deposits are in the amounts set forth on Schedule B attached hereto. Assignor further agrees to indemnify and save harmless Assignee from and against any claims which arise in connection with the failure of Assignor to have performed its obligations and liabilities under the Assumed Operating Contracts during the period prior to the Transfer Date.

2. **Assumption.** Assignee hereby accepts the foregoing assignment and hereby assumes and agrees to perform and satisfy, all of the obligations and liabilities of Assignor under the Assumed Operating Contracts to the extent such obligations and liabilities relate to the period from and after the Transfer Date. Assignee further agrees to indemnify and save harmless Assignor from and against any claims which arise in connection with Assignee's failure to perform such obligations and liabilities from and after the Transfer Date.

3. **Authority**. The parties hereto have the full right, power and authority to enter into this Assignment and bind the respective parties, and have obtained all necessary approval for the same from any party affected hereby.

4. **Successors and Assigns**. This Assignment shall inure to the benefit of, and be binding upon, the respective legal representatives, successors and permitted assigns of the parties hereto.

5. **Limitation**. This Assignment is executed in accordance with the terms and conditions of the Transfer Agreement, and the terms hereof are subject to the terms and conditions of the Transfer Agreement. Without limiting the foregoing, nothing contained herein shall be deemed to alter or amend the Transfer Agreement in any way, including without limitation any Excluded Liabilities thereunder.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Assignor and Assignee have caused this Assignment to be duly executed and delivered as of the date first stated above.

ASSIGNOR:

[_____],
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

ASSIGNEE:

[_____],
a [California] limited liability company

By: _____
Name: _____
Its: _____

EXHIBIT B

ASSUMED OPERATING CONTRACTS

[To be delivered by New Operator within 30 days of date of Operations Transfer Agreement]

EXHIBIT C

FORM OF BILL OF SALE

[Attached]

BILL OF SALE

THIS BILL OF SALE (this "Bill of Sale") is executed effective as of the ____ day of _____, 2015, from [_____], a California nonprofit public benefit corporation ("Seller"), to [_____], a [California] limited liability company ("Buyer").

WHEREAS, Seller and Buyer are among the parties to that certain Operations Transfer Agreement dated as of _____, 2015 (the "Transfer Agreement"), pursuant to which Seller has agreed to convey, assign and deliver to Buyer the Operating Assets associated with [_____], and all of Seller's right, title and interest therein, free of Encumbrances;

WHEREAS, Seller now desires to confirm such conveyance, assignment and delivery pursuant to the terms of the Transfer Agreement; and

WHEREAS, all capitalized terms used herein not otherwise defined, shall have the meanings assigned under the Transfer Agreement, and the miscellaneous provisions in Article 13 of the Transfer Agreement shall apply, to the extent appropriate, to this Bill of Sale;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller hereby conveys, assigns and delivers to Buyer all of Seller's right, title and interest in the Operating Assets associated with [_____], including without limitation all patient records and admission agreements, FF&E, Inventory, General Intangibles and Vehicles, but not including any Excluded Assets,

TO HAVE AND TO HOLD, all and singular, for Buyer's use and benefit, and Seller hereby represents and warrants to Buyer that it has full right, power and authority to convey, assign and deliver the foregoing Operating Assets and to make this Bill of Sale, and that the foregoing Operating Assets are free and clear of all Encumbrances. With the exception of the representations and warranties set forth in the immediately preceding sentence, the foregoing Operating Assets are being conveyed, assigned and delivered in their "AS IS, WHERE IS" condition, without any representation or warranty of any kind.

[Remainder of page left intentionally blank]

IN WITNESS WHEREOF, the undersigned has caused this Bill of Sale to be duly executed and delivered as of the date first stated above.

[_____],
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

EXHIBIT D

ENCUMBRANCES

The following are leases for equipment used in the Keiro Retirement Home:

Type of Equipment	Lessor	Expiration Date of Lease
Dish machine	Ecolab	7/30/15
Photocopier	Canon	3/26/13
Photocopier	Canon	6/20/11
Mailing system	Hasler Financial Services, LLC	63 months from 10/28/09

EXHIBIT E

EXCLUDED ASSETS

The following assets ("Excluded Assets") of Current Operator are not included in this transaction and shall be retained by or delivered to Current Operator in accordance with the terms, conditions, and procedures, including without limitation proration procedures, set forth herein:

(a) all cash, cash equivalents, investments, funds held in trust, pledges, contributions and charitable remainder trusts, excepting Patient Trust Property, which shall be transferred to the New Operator as set forth in the Operations Transfer Agreement (OTA);

(b) all accounts receivable, revenues, accounts, notes, interest and other receivables of Sellers (collectively, the "Accounts Receivable"), including all claims, rights, interests and proceeds related thereto, billed and unbilled, recorded and unrecorded, for services provided or for goods and supplies used by any patients or residents by Current Operator while owner of the Operating Assets whether payable by private pay patients, private insurance, third party payors, private payors, Medicaid (also known in California as Medi-Cal), or Medicaid managed care payors or by any other source and any governmental overpayments and any rights to prosecute any governmental underpayments and receivables; together with all documents, records, correspondence, work papers and other documents relating to the Accounts Receivable;

(c) all intercompany receivables of Current Operator with any of its affiliates;

(d) computer hardware, software and programs;

(e) subject to the provisions of the OTA, all of Sellers' or any affiliate of Sellers' proprietary manuals, policy and procedure manuals and standard operating procedures;

(f) the names "Keiro," "Keiro Senior HealthCare," "Keiro Nursing Home," "South Bay Keiro Nursing Home," Keiro Intermediate Care Facility" and "Keiro Retirement Home," any abbreviations and variations thereof, and any trademarks, trade names, service marks, symbols and logos related thereto, any world-wide web addresses associated with the Seller Group, and any other trademarks, trade names, service marks, copyrights and applications therefor;

(g) all Operating Assets of Current Operator that are disposed of, expended or cancelled in the ordinary course of business prior to the Transfer Date, provided that Current Operator shall not dispose of any Operating Assets without the prior written consent of New Operator (other than Inventory and other Operating Assets used at the Facility in the ordinary course of business, which shall be replenished to at least statutorily-required levels in the normal course);

(h) assets owned and provided by vendors of services or goods to the Facility;

(i) all claims, rights, interests and proceeds with respect to state or local tax refunds (including property tax) resulting from periods prior to the Transfer Date, and the right to pursue appeals of same;

(j) all of Current Operator's organizational and corporate records, minute books and financial, tax and accounting books and records;

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

(l) all refunds, rebates and dividends paid in respect of worker's compensation or other insurance premiums paid by Current Operator prior to the Transfer Date and any refunds or additional recoveries by or payments to Current Operator from any person for services or sales of goods or supplies prior to the Transfer Date;

(m) all settlements, refunds or returns of any other monies from any source or rights of any nature arising from or connected to Current Operator's operation of the Facility prior to the Transfer Date;

(n) all prepaids or deposits made by Current Operator;

(o) all accounts and balances in such accounts maintained by Current Operator at banks or other financial institutions;

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

(q) all existing licenses issued for or in connection with the ownership or operation of the Facility, including those issued by the California Department of Public Health;

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

(s) all of Current Operator's interest in and to the Terminated Operating Contracts;

(t) all insurance policies of Current Operator and, except as otherwise provided in Section 9.3 of the Purchase Agreement, rights to proceeds or return of premiums with respect thereto; and

(u) the Excluded Assets listed on Exhibit 1.2(u) to the Purchase Agreement.

EXHIBIT F

VEHICLES

The following vehicles are used for the Keiro Retirement Home:

Year	Make	Model	License	VIN
2000	TOYOTA	SIENNA	4MAM917	4T3ZF19C0YU279143
2004	DODGE	SPRINTER	5NSD719	WD5PD644245631295
2006	HONDA	ODYSSEY	5UJP296	5FNRL38236B064341
2008	HONDA	ODYSSEY	6CUG846	5FNRL38208B054627
2011	FORD	E-350 Xpress	07294B1	1FDWE3FLBD439375
2007	HONDA	ELEMENT	8U46360	5J6YH18747L011024
2004	TOYOTA	SIENNA/BRUNO	5FSL699	5TDBA22C94S000025

EXHIBIT G

EMPLOYMENT CLAIMS

None

EXHIBIT H

EQUIPMENT LEASES

See Exhibit D, which is incorporated by reference.

EXHIBIT I

TENANT LEASES

None

EXHIBIT J

RESIDENT LEASES

Attached is a list of current residents of the Keiro Retirement Home. Each resident has signed an admissions agreement in a standard form, with occupancy on a month-to-month basis and the rent varying in amount by location and when the resident was admitted.

KEIRO RETIREMENT HOME RESIDENTS' LIST

January 26, 2015

	RM#	Resident Name		RM#	Resident Name		RM#	Resident Name
1	305	Akimoto, Takashi	51	216	Manaka, Marion	101	409	Tanaka, Maya
2	417	Asayama, Noboru	52	408	Matsui, Chiyoko	102	210	Tanaka, Rose
3	415	Bridgewater, Maruko	53	313	Matsui, Toshiko	103	311	Thurston, Masako
4	114	Cha, Diana	54	419	Matsunami, Tamotsu	104	103	Tokeshi, Helen
5	218	Chono, Mary	55	518	Matsuoka, Toshiko	105	117	Tokunaga, Nobuo
6	412	Collins, Akiko	56	104	Maye, Kikue	106	407	Tsuenaka, Tsutomu
7	112	Cox, Kinue	57	322	Mizufuka, Joe	107	413	Tsukayama, Haruko
8	106	Davis, Takeko	58	124	Mizuno, Toshi	108	413	Tsukayama, Takeshi
9	514	Doi, Akira	59	521	Morimoto, Sui	109	420	Uchida, Bette C.
10	426	Duggan, Kimiko	60	422	Morita, Mike Y.	110	107	Uehara, Minoru
11	212	Favatella, Chizuko	61	422	Morita, Sachiko	111	207	Uenoyama, Michiyo
12	223	Fujimoto, Ittsui Paul	62	510	Mosby, Haru	112	406	Uragami, Mieko
13	119	Gingery, Michiko	63	118	Murao, Harue	113	209	Ushiyama, Hoover
14	211	Goi, Shigeharu	64	222	Murata, Jitsuko	114	515	Wade, Fujie
15	505	Hamilton, Atsuko	65	110	Murayama, Yuri	115	503	Wakabayashi, Michie
16	504	Harada, Tsutomu	66	204	Nagatani, Kayo	116	508	Watanabe, Hideyuki
17	319	Hasegawa, Yoshiko	67	425	Nakamura, Chidori	117	213	Wauke, Ellen C.
18	316	Hashiba, Nagiko	68	414	Nakamura, Sumiko	118	303	Whiteley, Tomoko
19	404B	Hashimoto, Miyuki	69	5A	Naito, Minoru Kay	119	403	Wimer, Atsuko
20	318	Hashioka, Henry K.	70	315	Nelson, Sachi	120	105	Yamada, John
21	302	Hattori, Akiko	71	402	Nishikawa, Mas	121	102	Yamahata, May
22	203	Hattori, Fumi	72	326	Oka, Chikara Don	122	220	Yamaji, Yasuo
23	122	Hattori, Tomie	73	304	Okamura, Fumiko	123	423	Yamakido, June
24	215	Hiroto, William	74	405	O'Malley, Yoko	124	301	Yamasaki, Katsuo
25	421	Hori, Hiroshi	75	308	Onomoto, Fumiko	125	301	Yamasaki, Toshiko
26	121	Hoshizaki, Tomi	76	506	Oshima, Kunio	126	306	Yasui, Sumiko
27	318	Imahara, Paul	77	217	Ota, Toshiye	127	116	Yokoro, Alice
28	309A	Imamura, Hideo	78	513	Pace, Sheri	128	411	Yokoyama, Masami
29	317	Inaba-Shimbashi, Kazuko	79	219	Rapp, Natsu	129	507	Yoshimi, Takeko
30	520	Ishii, Yoshie	80	522	Rensberry, Mickey	130	307	Yoshikawa, Fujiko
31	201	Ishimatsu, Cherry	81	221	Sasaki, Misako	131	320	Yoshioka, Yasuko
32	509	Ito, Ichiro	82	5B	Seki, Kiyo	132		
33	208	Ito, Junko	83	109	Sekiguchi, Kayoko	133		
34	501	Izumi, Fujiko	84	108	Sheehan, Kikue	134		
35	314	Jennings, Kei	85	517	Shido, Fumiko	135		
36	424	Kamiyama, Ethel S.	86	416	Shimamura, Yoko	136		
37	324	Kawana, Hatsumi	87	523	Shimo, Cedrick	137		
38	519	Kawanami, Mary	88	524	Shishida, Mutsu	138		
39	205	Kimura, Kiyoko	89	312	Suda, Roy	139		
40	5C	Kiyama, Obi	90	224	Sugi, Tei	140		
41	111	Kiyomoto, Utako	91	214	Sugimoto, Yasuko	141		
42	502	Kobayashi, Sachiko	92	516	Sweeney, Nancy	142		
43	502	Kobayashi, Stanley	93	321	Takagi, George	143		
44	401	Kodani, Kumiko	94	123	Takamine, Toshiyuki	144		
45	101	Kopicki, Lily	95	123	Takamine, Michiko	145		
46	512	Kozono, Nobuko	96	325	Takara, Naomi	146		
47	512	Kozono, Yoshio	97	202	Takase, Hayahiko	147		
48	206	Kunishige, Dora	98	202	Takase, Sumiko	148		Female Residents 93
49	120	Kurosumi, Edward J.	99	113	Takemoto, Emiko	149		Male Residents 38
50	216	Manaka, Timothy	100	511	Taketa, Elaine	150		**Total Census 131**

EXHIBIT K

LICENSES AND CERTIFICATIONS

[Attached]

State of California

Department of Social Services

Facility Number: 191802206
Effective Date: 03/29/94 Total Capacity: 154

In accordance with applicable provisions of the Health and Safety Code of California, and its rules and regulations; the Department of Social Services hereby issues

this License to

JAPANESE HOME FOR THE AGED

to operate and maintain a RESIDENTIAL-ELDERLY

Name of Facility

KEIRO RETIREMENT HOME
325 SOUTH BOYLE AVENUE
LOS ANGELES CA 90033

This License is not transferable and is granted solely upon the following:

AMBULATORY ONLY,LICENSEE PREFERS TO SERVE ELDERLY RESIDENTS AGES 60 YRS & OVER.

Client Groups Served: ELDERLY

Complaints regarding services provided in this facility should be directed to:
GREATER LA AREA SC DISTRICT OFFICE (818) 596-4334

David Dodds
Deputy Director,
Community Care Licensing Division

Authorized Representative
of Licensing Agency

LIC 203A (1/04)

POST IN A PROMINENT PLACE

CU-PA018

EXHIBIT L

PENDING ACTIONS

None

EXHIBIT M

FORM OF BUSINESS ASSOCIATE AGREEMENT

[Attached]

BUSINESS ASSOCIATE AGREEMENT

This Business Associate Agreement (this "Agreement") is made and entered into as of _____, 2015 by and between _____, a California nonprofit public benefit corporation (the "Covered Entity"), and _____, a [California] limited liability company (the "Business Associate"). Covered Entity and Business Associate may be referred to individually as a "party" or collectively as the "parties."

1. **Statement of Purpose**. Business Associate and Covered Entity are parties to that certain Operations Transfer Agreement dated as of _____, 2015 (the "Transfer Agreement") pursuant to which Business Associate has been engaged to provide certain billing and other services (the "Services") to Covered Entity arising from the transfer and sale of certain assets and operations associated with [_____] to Business Associate. Because Business Associate may access, retain, be exposed to, or become aware of confidential health information in the performance of the Services, the parties agree to protect the confidentiality of such information in accordance with federal and state laws and regulations including, but not limited to, information protected by the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the Health Information Technology for Economic and Clinical Health Act in Public Law 111-5 (the "HITECH Act"), and the regulations promulgated thereto (collectively, the "HIPAA Regulations"), which include, as amended from time to time, (i) the privacy standards, requirements and specifications promulgated by the Secretary at 45 C.F.R. Parts 160 and 164 subparts A and E (the "Privacy Rule"), (ii) the security standards, requirements and specifications promulgated by the Secretary at 45 C.F.R. Parts 160 and 164 subparts A and C (the "Security Rule"), and (iii) the breach notification standards, requirements and specifications enacted by Subtitle D of the HITECH Act and promulgated by the Secretary at 45 C.F.R. Part 164 subpart D (the "Breach Notification Rule").

2. **Definitions**. The following capitalized terms used herein shall have the meanings given below:

(a) "**Breach**" shall mean the acquisition, access, use or disclosure of PHI in a manner not permitted by the Privacy Rule that compromises the security or privacy of the PHI, as defined and subject to the exceptions set forth in 45 C.F.R. § 164.402.

(b) "**Electronic Protected Health Information**" or "**EPHI**" means electronic protected health information, as defined in the Security Rule. that is created, received, maintained or transmitted by or on behalf of the Covered Entity.

(c) "**Individual**" shall have the same meaning as the term "individual" in 45 C.F.R. § 160.103 and shall include a person who qualifies as a personal representative in accordance with 45 C.F.R. § 164.502(g).

(d) "**Law**" shall mean all applicable Federal and State Statutes and all relevant regulations thereunder, including but not limited to HIPAA, the HITECH Act, and HIPAA Regulations.

(e) "**Protected Health Information**" or "**PHI**" shall have the same meaning as the term "Protected Health Information" in 45 C.F.R. § 160.103, limited to the information created, received, maintained or transmitted by Business Associate from or on behalf of the Covered Entity.

(f) "**Secretary**" shall mean the Secretary of the Department of Health and Human Services, or his or her designee.

(g) "**Security Incident**" shall have the meaning set out in the Security Rule. Generally, a "Security Incident" shall mean any attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or systems operations in an electronic information system.

(h) "**Subcontractor**" shall mean a person or entity to whom Business Associate delegates a function, activity, or service other than in the capacity of a member of the workforce of Business Associate.

(i) "**Unsecured PHI**" shall mean PHI that is not rendered unusable, unreadable, or indecipherable to unauthorized individuals through the use of either the encryption method or the destruction method, as defined in Department of Health and Human Services ("HHS") guidance published on April 27, 2009 (74 FR 19006) and modified by guidance published on August 24, 2009 (74 FR 42740), as amended from time to time. Unsecured PHI can include information in any form or medium, including electronic, paper, or oral.

Any other terms used but not otherwise defined in this Agreement shall have the same meaning as set forth in the HIPAA Regulations and the HITECH Act.

3. **Business Associate Compliance**.

(a) Except as otherwise limited in this Agreement, Business Associate may use or disclose Protected Health Information to perform functions, activities, or services for, on behalf of, the Covered Entity, as specified in the underlying Transfer Agreement, provided that such use or disclosure would not violate HIPAA, the HITECH Act, HIPAA Regulations and all other Law if performed by the Covered Entity itself.

(b) Business Associate agrees to comply with its obligations as a business associate under HIPAA and acknowledges that it is subject to, and agrees to comply with, HIPAA, the HITECH Act and all applicable guidance and regulations issued in the past, present or future by the Secretary to implement HIPAA and the HITECH Act, including, but not limited to, HIPAA Regulations and all other Law. Business Associate will not act in any way to hinder, and will act in good faith to assist the Covered Entity to comply with Law or as required by Law. Business Associate agrees to comply with applicable state and federal Law relating to the confidentiality, security, privacy, and reporting or notification of breaches of health information.

4. **General Confidentiality**. Business Associate recognizes the sensitive and confidential nature of the Protected Health Information and agrees:

(a) That such Protected Health Information will be used or disclosed, including the uses and disclosures inherent in the performance of the Services, solely as required or permitted under this Agreement and in accordance with Law or as required by Law; and

(b) That Business Associate shall use reasonable safeguards designed to prevent uses and disclosures of Protected Health Information other than as permitted by this Agreement and to ensure that the transmission, handling, storage, and use of such Protected Health Information by

Business Associate will preserve the confidentiality of the Protected Health Information, in accordance with HIPAA, the HITECH Act, HIPAA Regulations and all other Law.

5. **Privacy Rule Responsibilities of Business Associate**.

(a) Business Associate will maintain accurate records of all transactions made in connection with this Agreement.

(b) Business Associate agrees to document and make available to Covered Entity the information required for the Covered Entity to provide an accounting of disclosures as set forth in the Privacy Rule at 45 C.F.R. § 164.528, as amended by the HITECH Act and implementing regulations, for uses and disclosures for which an accounting is required. Such records and accounting shall be provided to Covered Entity within ten (10) days of a written request from Covered Entity and Business Associate will maintain information necessary to provide an accounting for a period of six (6) years from the date of the disclosure.

(c) Business Associate agrees to report to the Covered Entity within five (5) days of Business Associate's discovery of any unauthorized use or disclosure of PHI or EPHI not permitted by this Agreement. To the extent applicable, Business Associate shall also follow Section 7 of this Agreement relating to breaches of unsecured Protected Health Information.

(d) Business Associate shall ensure that any Subcontractors that create, receive, maintain, or transmit PHI on behalf of Business Associate agree in writing to restrictions, conditions, and requirements relating to the use or disclosure of Protected Health Information that are at least as stringent as those that apply throughout this Agreement with respect to such information. In the event that Business Associate discovers a pattern of activity or practice of its Subcontractor that constitutes a material breach or violation of the Subcontractor's obligation under its agreement with Business Associate, in accordance with 45 C.F.R. § 164.504(e)(1)(iii), Business Associate must take reasonable steps to cure the breach or end the violation, as applicable, and if such steps are unsuccessful, terminate the agreement with the Subcontractor, if feasible.

(e) Business Associate, including its Subcontractors, agrees to limit any request, use and disclosure of Protected Health Information, to the extent practicable, to the Limited Data Set or, if needed, to the minimum amount of Protected Health Information necessary to accomplish the purpose of the request, use or disclosure in compliance with the HITECH Act and any regulations or guidance promulgated pursuant thereto. The parties acknowledge that the phrase "minimum necessary" shall be interpreted in accordance with the Privacy Rule, HITECH Act and any guidance issued by the Secretary.

(f) To the extent Business Associate has Protected Health Information in a Designated Record Set, Business Associate agrees to provide access within five (5) days of receipt of a written request from Covered Entity, to Protected Health Information in a Designated Record Set, to Covered Entity or, as directed by Covered Entity, to an Individual in order to meet the requirements under 45 C.F.R. § 164.524. An Individual's right of access to PHI includes the right to access EPHI contained in an electronic health record. If Business Associate or its Subcontractors maintains or uses PHI in an EHR, then promptly after receipt of a request from Covered Entity, Business Associate shall make a copy of such PHI available to Covered Entity in an electronic format in order to enable Covered Entity to fulfill its obligations under the HITECH Act and the Privacy Rule.

(g) Business Associate agrees to incorporate any amendments to Protected Health Information or to a record regarding an Individual contained in a Designated Record Set (for so long as the Protected Health Information is maintained in the Designated Record Set) provided by an Individual as set forth in the Privacy Rule at 45 C.F.R. 164.526. Business Associate shall provide Covered Entity with written notice of an Individual's request for an amendment within ten (10) days of receipt of such a request. Unless otherwise determined by Covered Entity, any approvals or denials of amendment to the Protected Health Information shall be the responsibility of the Covered Entity.

(h) Business Associate agrees to make its internal practices, books and records relating to the use and disclosure of Protected Health Information received from, or created or received by Business Associate on behalf of the Covered Entity available to the Covered Entity and the Secretary for the purpose of compliance determinations as set forth in the Privacy Rule. Such records shall include, but not be limited to, policies and procedures relating to the use and disclosure of PHI or EPHI, documentation required by the Security Rule relating to safeguards, and documentation required by the Breach Notification Rule.

(i) Business Associate and Covered Entity agree that the confidentiality provisions of this Agreement, specifically Sections 2 through 7, shall survive termination of this Agreement.

(j) Business Associate may, solely at the written request of the Covered Entity, provide Data Aggregation Services relating to the health care operations of the Covered Entity.

(k) Business Associate is not prohibited by this Agreement from utilizing Protected Health Information for its proper management and administration or to carry out its legal responsibilities, if any. Further, Business Associate is not prohibited from disclosing Protected Health Information for its proper management and administration or to carry out its legal responsibilities if the disclosure is required by Law or Business Associate obtains reasonable assurances from the person to whom the information is disclosed that it will be held confidentially and used or further disclosed only as required by Law or for the purpose for which is disclosed to the person. Business Associate will further require that the person to whom information is disclosed inform the Business Associate of any breach of confidentiality or violation of the HIPAA Regulations with respect to that information. In such event, Business Associate will immediately notify the Covered Entity of any instances of which it is aware in which the confidentiality of the information has been compromised, breached or the Privacy Rule was otherwise violated.

(l) Business Associate is not prohibited from using Protected Health Information to report violations of law to appropriate Federal and State authorities consistent with the Privacy Rule.

(m) Business Associate agrees to mitigate, to the extent practicable, any material adverse effect that is known to Business Associate resulting from a use or disclosure of Protected Health Information by Business Associate or its Subcontractors in violation of the requirements of this Agreement or Law.

(n) With respect to Protected Health Information that Business Associate creates, receives, maintains, or transmits on behalf of the Covered Entity, Business Associate will be responsible for obtaining from an Individual any necessary authorizations to use or disclose that Individual's Protected Health Information, in accordance with 45 C.F.R. § 164.506 or § 164.508.

Business Associate acknowledges that failure to obtain an authorization when necessary prior to disclosure constitutes a violation of this Agreement and must be reported to the Covered Entity.

(o) Within two (2) days of receiving a request from an Individual for a restriction on uses and disclosures of Protected Health Information or for confidential communications, as set forth in the Privacy Rule at 45 C.F.R. § 164.522, Business Associate shall forward such request to Covered Entity. Unless otherwise determined by Covered Entity, any denials of such requests shall be the responsibility of the Covered Entity. If the Covered Entity agrees to a request for restriction or confidential communications, Business Associate will be responsible for using and disclosing Protected Health Information consistent with that request. Failure to act in accordance with an agreed-to or required restriction constitutes a violation of this Agreement and must be reported to the Covered Entity.

(p) With respect to Protected Health Information that Business Associate creates, receives, maintains or transmits on behalf of the Covered Entity, Business Associate agrees to not directly or indirectly receive remuneration in exchange for any Protected Health Information as prohibited by, and subject to the exceptions under, 45 C.F.R. § 164.508(a)(4) of the Privacy Rule, the HITECH Act and state law. Failure to act in accordance with this restriction on selling Protected Health Information constitutes a violation of this Agreement and must be reported to the Covered Entity within two (2) days.

(q) With respect to Protected Health Information that Business Associate creates, receives, maintains or transmits on behalf of Covered Entity, Business Associate agrees to not make or cause to be made any communication about a product or service that encourages recipients of the communication to purchase or use the project or service as prohibited by, and subject to the exceptions under, 45 C.F.R. § 164.508(a)(3) of the Privacy Rule, the HITECH Act, and state law. Failure to act in accordance with this restriction on marketing communications constitutes a violation of this Agreement and must be reported to the Covered Entity.

(r) With respect to Protected Health Information that Business Associate creates, receives, maintains or transmits on behalf of the Covered Entity, Business Associate agrees to not make or cause to be made any written fundraising communication that is a Health Care Operation without provision, in a clear and conspicuous manner, of an opportunity for the recipient to elect not to receive further fundraising communications in accordance with 45 C.F.R. § 164.514(f) of the Privacy Rule, the HITECH Act, and state law. Failure to act in accordance with this restriction on fundraising communications constitutes a violation of this Agreement and must be reported to the Covered Entity.

(s) The parties agree to promptly execute an amendment to this Agreement upon the promulgation of any additional final rules, regulations or guidance by the Secretary as required by the HITECH Act. Business Associate agrees to promptly negotiate in good faith and execute an amendment which complies with the additional requirements of the HITECH Act and its implementing guidance and regulations.

6. **Responsibilities of Business Associate Regarding Electronic PHI.**

(a) With respect to EPHI, without limiting the other provisions of this Agreement, Business Associate will (i) implement administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the EPHI that it creates, receives, maintains, or transmits on behalf of the Covered Entity, as required by

the Security Rule; (ii) ensure that any Subcontractor to whom it provides EPHI agrees in writing to implement reasonable and appropriate safeguards to protect it; and (iii) report to Covered Entity any Security Incident of which it becomes aware within five (5) business days of becoming aware of such Security Incident. Business Associate shall provide Covered Entity with such information concerning such safeguards as Covered Entity may from time to time request.

(b) Business Associate agrees to implement and maintain a written security program that contains the necessary administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of EPHI and must implement and maintain a privacy policy and procedure both in compliance with the HITECH Act and HIPAA including, but not limited to, the HIPAA Regulations.

7. **Responsibilities of Business Associate Regarding Unsecured PHI**.

(a) Securing PHI. Unless specifically agreed to by the Covered Entity, Business Associate agrees to implement, in a reasonable and appropriate manner, the technologies and methodologies the HITECH Act, the Secretary, or other Law specifies in order to render PHI that Contractor creates, receives, maintains or transmits on behalf of the Plan, unusable, unreadable, or indecipherable to unauthorized individuals, thereby making the Protected Health Information secure. Contractor shall ensure that any agent, including, but not limited to, Subcontractors or vendors to whom it provides the Plan's Protected Health Information will implement, in a reasonable and appropriate manner, the technologies and methodologies the HITECH Act, the Secretary, or other Law specifies with respect to rendering the Plan's PHI unusable, unreadable or indecipherable to unauthorized individuals.

(b) Breach Notification. With respect to any Unsecured PHI, Business Associate shall report to the Covered Entity any Breach discovered by Business Associate, or any of Business Associate's Subcontractors, within five (5) business days of Discovery.

1. The report must include (or be supplemented on an ongoing basis as information becomes available) with: (i) the identification of all Individuals whose Unsecured PHI was or is believed to have been breached; (ii) a brief description of the Breach, including the type of Breach (*e.g*, theft, loss, improper disposal, hacking), location of the Breach (e.g., laptop, desktop, paper), how the Breach occurred, the date the Breach occurred, and the date the Breach was discovered; (iii) a description of the type of Unsecured PHI involved (e.g., social security number, diagnosis, EOBs, etc.), including the type of media, but not the Breached PHI itself, unless requested by the Covered Entity; (iv) a description of the safeguards in place prior to the Breach (e.g., firewalls, packet filtering, secure browser sessions, strong authentication); (v) a description of the actions taken in response to the Breach (e.g., additional safeguards, mitigation, sanctions, policies, and procedures); (vi) all other information reasonably requested by the Covered Entity to enable the Covered Entity to perform and document a risk assessment in accordance with the Breach Notification Rule, and (vii) all other information reasonably necessary to provide notice to Individuals, the Secretary and/or the media.

2. At the Covered Entity's sole option, the Covered Entity may delegate to Business Associate the responsibility for determining (and providing evidence to the Covered Entity) that any such incident is not a Breach, including the requirement to perform a risk assessment to determine whether a low probability of compromise has occurred, as provided by the Breach Notification Rule. In the event that the Covered Entity delegates this obligation to Business Associate, without unreasonable delay, and in any event no later than thirty (30) calendar days after Discovery, Business Associate shall provide the Covered Entity with written notification of the Breach and a copy of the risk assessment that assesses whether a low probability of compromise occurred.

3. At the Covered Entity's sole option, the Covered Entity may delegate to Business Associate the responsibility of providing any notifications the Covered Entity determines is required by the Breach Notification Rule, including notifications to Individuals, the Secretary and/or the media. Prior to sending out such notifications, Business Associate will provide a copy of the template notification letters for approval by the Covered Entity. All notifications shall comply with the elements established by the Breach Notification Rule and be sent within timeframes established by the Breach Notification Rule. In the event that the Covered Entity delegates these obligations to Business Associate and in the event of a Breach, without unreasonable delay, and in any event no later than sixty (60) calendar days after Discovery, Business Associate shall provide the Covered Entity evidence that all required notifications, including any media or Secretary notifications, have been made.

4. Business Associate shall pay all reasonable costs incurred in relation to the occurrence of a Breach or potential Breach, including, but not limited to, expenses relating to providing any notifications the Covered Entity, or as applicable the Business Associate, determines necessary under the Breach Notification Rule, regardless of whether Business Associate or the Covered Entity makes the notifications.

8. **Term and Termination**.

(a) Term. The term of this Agreement shall begin on the date hereof and continue until termination of the Transfer Agreement or until otherwise terminated as noted herein.

(b) Termination and Amendment by Operation of Law. This Agreement shall terminate immediately in the event that a HIPAA Business Associate Agreement is no longer applicable or required under then current Law. If on the advice of Covered Entity's counsel, Covered Entity reasonably determines that the terms of this Agreement likely would be interpreted to violate or not comply with any applicable Laws, the parties shall negotiate in good faith to amend the Agreement to comply with such Laws. If the parties cannot reasonably agree on such amendment, then this Agreement and the underlying services Transfer Agreement or the relevant portions of such Transfer Agreement shall terminate.

(c) Termination of Agreement by Covered Entity. Covered Entity may terminate this Agreement immediately if it reasonably determines that Business Associate has violated a

material term of this Agreement, HIPAA, the HITECH Act, HIPAA Regulations or any other applicable Law. In the event that Business Associate breaches this Agreement, HIPAA, the HITECH Act, HIPAA Regulations or any other applicable Law, Covered Entity reserves the right to cure such breach. Business Associate will cooperate with any such efforts undertaken by Covered Entity. Cure of breach does not limit Covered Entity's ability to immediately terminate this Agreement and the Transfer Agreement, at its sole option, and to report the breach to the Secretary, notwithstanding any other provision of this Agreement to the contrary.

(d) Injunctive Relief. Business Associate acknowledges and agrees that the terms of this Agreement and the HIPAA Regulations are necessarily of a special, unique and extraordinary nature and that the loss arising from a breach thereof cannot reasonably and adequately be compensated by money damage, as such breach will cause Covered Entity to suffer irreparable harm. Accordingly, upon failure of Business Associate to comply with the terms of the Agreement, HIPAA, the HITECH Act, HIPAA Regulations or any other applicable Law, and except as otherwise provided herein, Covered Entity or any of its successors or assigns shall be entitled to injunctive or other extraordinary relief and with such injunctive or other extraordinary relief to be cumulative to, but not in limitation of, any other remedies that may be available to Covered Entity, its successors or assigns, such relief to be without the necessity of posting a bond.

(e) Effect of Termination. Upon termination or expiration of this Agreement, Business Associate shall within ten (10) days either return or destroy all Protected Health Information received from, or created, received, maintained, or transmitted by Business Associate on behalf of the Covered Entity that the Business Associate maintains in any form and shall retain no copies of such information to the extent that such action is feasible and not prohibited by other applicable law. This provision applies to all Subcontractors of Business Associate who may possess Protected Health Information on behalf of the Business Associate and/or the Covered Entity. In the event that the Covered Entity has ascertained that the return or destruction of such information is not feasible or permissible, Business Associate agrees to continue to comply with all provisions of this Agreement and applicable Law with regard to its uses, storage, and disclosure of such Protected Health Information for so long as Business Associate maintains such Protected Health Information.

9. **Miscellaneous Terms**.

(a) Independent Contractor Status. In performing Business Associate's responsibilities pursuant to this Agreement, it is understood and agreed that Business Associate is all times acting as an independent contractor and that Business Associate is not a partner, joint-venturer, agent or employee of the Covered Entity. It is expressly agreed that Business Associate will not for any purpose be deemed to be an agent, ostensible or apparent agent, or servant of the Covered Entity, and the parties agree to take any and all such action as may be reasonably requested by the Covered Entity to inform the public and others utilizing the professional services of Business Associate of such fact.

(b) Governing Law and Venue. This Agreement shall be construed and governed according to the laws of the State of California, without giving effect to its conflict of laws provisions.

(c) Assignment. No assignment of this Agreement or the rights and obligations hereunder shall be valid without the prior written consent of the non-assigning party.

Notwithstanding the foregoing, this Agreement may be assigned to any successor of the Covered Entity. This Agreement may also be assigned to any affiliate of the Covered Entity.

(d) Notices. Any notice to a party hereto pursuant to this Agreement shall be given in writing by personal delivery, overnight delivery, facsimile, telecommunications, or United States certified or registered mail, return receipt requested, to the addresses set forth at the end of this Agreement. The parties shall hereafter notify each other in accordance herewith of any change of address to which notice is required to be sent. Notice shall be effective upon delivery.

(e) Parties Bound. This Agreement and the rights and obligations hereunder shall be binding upon and inure to the benefit of the parties, and their respective heirs, personal representatives, and permitted assigns. This Agreement shall also bind and inure to the benefit of any successor of Covered Entity by sale, merger or consolidation.

(f) Data Ownership. Business Associate acknowledges and agrees that the Covered Entity is the owner of the Protected Health Information.

(g) Non-Waiver. No waiver by either of the parties hereto of any failure by the other party to keep or perform any provision, covenant or condition of this Agreement shall be deemed to be a waiver of any preceding or succeeding breach of the same, or any other provision, covenant or condition.

(h) No Third Party Beneficiaries. This Agreement is not intended to benefit any third person or entity, nor shall anyone not a party to this Agreement be able to enforce or recover any right or remedy hereunder.

(i) Additional Documents. Each of the parties hereto agrees to execute any document or documents that may be requested from time to time by the other party to implement or complete such party's obligations pursuant to this Agreement or Law.

(j) Entire Agreement. This Agreement and the Transfer Agreement, including any agreements, exhibits or addenda identified and incorporated by reference herein or therein, contains the entire understanding of the parties and supersedes any prior written or oral agreements or understandings among them concerning the subject matter set forth above. There are no representations, warranties, covenants, promises, agreements, arrangements or understandings, oral or written, express or implied among the parties hereto relating to the subject matter set forth above which have not been fully expressed herein.

(k) Amendments. This Agreement can be amended only by an instrument in writing signed by the parties. Amendments to this Agreement shall be effective as of the date stipulated therein. The parties agree to take such reasonable actions as are necessary to amend this Agreement from time to time as is necessary for the Covered Entity to comply with HIPAA, the HITECH Act, HIPAA Regulations or any other applicable Law.

(l) Severability. The sections, paragraphs and individual provisions contained in this Agreement shall be considered severable from the remainder of this Agreement and in the event that any section, paragraph or other provision should be determined to be unenforceable as written for any reason, such determination shall not adversely affect the remainder of the sections, paragraphs or other provisions of this Agreement. It is agreed further, that in the event any section, paragraph or other provision is determined to be unenforceable, the parties shall use their best efforts to reach agreement on an amendment to the Agreement to supersede such severed section, paragraph or provision.

(m) Indemnification. Business Associate shall indemnify and defend the Covered Entity against and hold it harmless from all claims, damages, losses, judgments, civil monetary penalties, settlements, costs and expenses (including attorneys' fees) arising out of Business Associate's negligence or intentional misconduct in Business Associate's use, disclosure, and storage of Protected Health Information and/or Business Associate's breach of this Agreement.

(n) Interpretation. Any ambiguity in this Agreement will be resolved in favor of a meaning that permits the Covered Entity to comply with HIPAA, the HITECH Act, and the HIPAA Regulations.

(o) Assistance in Litigation or Administrative Proceedings. Business Associate shall make itself, and any subcontractors, employees or agents assisting Business Associate in the performance of Business Associate's obligations under this Agreement, available to Covered Entity, at no cost to Covered Entity, to testify as witnesses, or otherwise, in the event of litigation or administrative proceedings against Covered Entity, its directors, officers, or employees based upon a claimed violation of Law.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have signed this Agreement as of the date set forth above.

COVERED ENTITY:

_____

By:_____
Name:_____
Title:_____
Address:_____
_____

BUSINESS ASSOCIATE:

_____

By:_____
Name:_____
Title:_____
Address:_____
_____

OPERATIONS TRANSFER AGREEMENT

THIS OPERATIONS TRANSFER AGREEMENT (this "Agreement") is made and entered into as of February 19, 2015, by and among JAPANESE HOME FOR THE AGED, a California nonprofit public benefit corporation ("Current Operator"), and PACIFICA COMPANIES LLC, a California limited liability company ("Buyer Parent"), and its direct or indirect wholly-owned subsidiaries, PACIFICA SL BOYLE LLC, a California limited liability company ("Buyer") and PACIFICA SENIOR LIVING MANAGEMENT LLC, a California limited liability company ("New Operator").

RECITALS

A. Current Operator holds valid and current Licenses (as defined in Article 1 below, which contains definitions of certain capitalized terms used in this Agreement that are hereby incorporated into these Recitals) to operate the Facility;

B. Buyer has agreed to purchase the Real Property and Operating Assets associated with the Facility from Current Operator pursuant to the Purchase Agreement;

C. Buyer has designated New Operator to manage, and New Operator has agreed to manage, the Facility concurrently with Buyer's purchase of the Real Property and Operating Assets associated with the Facility; and

E. The parties desire to document certain terms and conditions relevant to the orderly transition of operational and financial responsibility for the Facility to New Operator and the transfer of the Operating Assets from Current Operator to Buyer.

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

AGREEMENT

ARTICLE 1. DEFINITIONS

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

1.1. "Accounts" means all Pre-Transfer Accounts and Post-Transfer Accounts.

1.2. "Assignment and Assumption Agreement" refers to the Assignment and Assumption Agreement in the form attached hereto as Exhibit A, which shall be delivered to New Operator on or before the Transfer Date, reflecting the transfer to, and assumption by, New Operator of the Assumed Operating Contracts.

1.3. "Assumed Operating Contracts" refers to the Operating Contracts identified by New Operator in its sole discretion, if any, on Exhibit B, which shall be delivered to Current Operator by New Operator within thirty (30) days of the date of this Agreement, provided that

any Operating Contracts not so identified shall not be deemed Assumed Operating Contracts under any circumstances.

1.4. "Benefits" means all vacation, sick leave, comp time, health, dental, vision and similar employer-sponsored benefit plans, 401(k), 403(b), Keogh and similar savings and retirement plans, in-lieu payments and each and every other employer benefit generally provided to employees.

1.5. "Bill of Sale" refers to the Bill of Sale transferring the Operating Assets in the form attached hereto as Exhibit C.

1.6. "Buyer Group" refers to Buyer Parent, Buyer, Pacifica SL LLC, a California limited liability company.

1.7. "CMS" refers to the Centers for Medicare and Medicaid Services and its agents and intermediaries.

1.8. "Certification" means the Medicaid certification necessary to operate the Facility as a duly certified intermediate care facility.

1.9. "Current Operator's actual knowledge" and similar knowledge qualifiers means the present actual (as opposed to constructive or imputed) knowledge, after reasonable inquiry, solely of Shawn Miyake, in his capacity of President of Current Operator, and of Beverly Ito, in her capacity as Administrator of Keiro Intermediate Care Facility.

1.10. "DPH" means the Department of Public Health of the State of California.

1.11. "Encumbrances" refers to security interests, leases, liens and financing arrangements encumbering the FF&E, as listed on Exhibit D, if any.

1.12. "Employee Schedule" means a complete schedule which reflects, among other things, the following: (a) the name and Social Security numbers of all employees of the Facility immediately prior to the Transfer Date, (b) their positions, status (part or full time) and rates of pay, (c) current Benefits enrollment data, and (d) a reasonable estimate of all accrued Benefits which Current Operator is or will be required to pay to such employees as of the Transfer Date.

1.13. "Employment Claims" means all pending and threatened employee and employment-related claims, suits, charges, complaints and actions filed with any court or agency having jurisdiction of Current Operator, the Facility or its employees, including any potential claims, whether known or unknown, arising under the Uniform Services Employment and Re-employment Rights Act ("USERRA") or under the Family and Medical Leave Act ("FMLA") or claims related to Current Operator's Benefits.

1.14. "Excluded Assets" means and refers to the items enumerated on Exhibit E.

1.15. "Facility" means that certain operating intermediate care facility with 90 Medicaid-certified intermediate care beds, commonly known as "Keiro Intermediate Care Facility," located at 325 South Boyle Avenue, Los Angeles, California, together with all

Operating Assets owned, leased, held or used by Current Operator in connection with operation of the Facility, but not including any Excluded Assets.

1.16. "FF&E" refers to all furnishings, fixtures, equipment, and every other item of personal property in place or in use at the Facility, except for the Excluded Assets, which are to be retained and may be removed by Current Operator, provided that it shall repair all damage to the Facility occasioned by such removal, if any.

1.17. "General Intangibles" means all of Current Operator's right, title and interest in any intangible property currently used in connection with the Facility, including all of Current Operator's rights under all admission agreements, claims, contracts, leases, licenses, permits, plans, appraisals, studies, warranties, trade lists, mailing lists, utility arrangements and other agreements relating to the ownership, operation or occupancy of the Facility, and all telephone numbers, email addresses and all other identifying information; except for the Excluded Assets.

1.18. "HIPAA" means the Health Insurance Portability and Accountability Act of 1996, as amended;

1.19. "HITECH" means the Health Information Technology for Economic and Clinical Act of 2009, as amended.

1.20. "Inventory" means all consumable inventories of every kind and nature whatsoever (including all pharmacy supplies, medical supplies, office supplies, maintenance supplies, foodstuffs and other supplies and consumables) owned by Current Operator and located at the Facility as of the Transfer Date.

1.21. "Licenses" shall mean and refer to a current and valid operating license issued by DPH permitting the Facility's operation as a 90-bed intermediate care facility.

1.22. "Medicaid" refers to program(s) administered by agencies, departments or private intermediaries of the State to distribute federal Medicaid and related funding.

1.23. "Medicaid Provider Agreement(s)" refers to the Medicaid (or the State's program or agency that administers Medicaid funds) provider agreement(s) in force at the Facility.

1.24. "Operating Assets" shall be as defined in the Purchase Agreement and shall include all patient records and admission agreements, FF&E, Inventory, Vehicles and every other right and asset owned or employed by Current Operator in connection with the operation of the Facility, but not including any Excluded Assets.

1.25. "Operating Contracts" means those vendor, service and supplier operating contracts, equipment leases, resident occupancy contracts and similar arrangements related to the operation of the Facility.

1.26. "Other Parties" means the parties to this Agreement other than Current Operator.

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

1.28. "Pre-Transfer Accounts" means all revenues, monies, accounts, payments, receivables, compensation, reimbursement and other proceeds of the operation of the Facility, including Medicaid-related reimbursement and general intangibles and any other third party payor reimbursements, together with the products and proceeds of all of the foregoing, attributable to the operation of the Facility on or before the Transfer Date.

1.29. "Post-Transfer Accounts" means all revenues, monies, accounts, payments and other proceeds of the operation of the Facility, including Medicaid-related reimbursement and general intangibles and any other third party payor reimbursements, together with the products and proceeds of all of the foregoing, attributable to operation of the Facility after the Transfer Date.

1.30. "Provider Agreements" means the Medicaid Provider Agreement(s).

1.31. "Purchase Agreement" means that certain Asset Purchase and Sale Agreement dated February 19, 2015, by and among Buyer Group and Seller Group.

1.32. "Real Property" shall be as defined in the Purchase Agreement.

1.33. "Rehired Employee" refers to any employee of Current Operator who accepts employment with New Operator on or before the Transfer Date, with such employment to commence as of the Transfer Date.

1.34. "Seller Group" means Current Operator, Keiro Services and Keiro Nursing Home.

1.35. "State" means the State of California.

1.36. "Terminated Operating Contracts" refers to all Operating Contracts in effect at the Facility prior to the Transfer Date that are not Assumed Operating Contracts.

1.37. "Transfer Date" shall be the date of closing of Buyer Group's acquisition of the Real Property and Operating Assets pursuant to the Purchase Agreement and the satisfaction or waiver of the conditions set forth in Section 2.4 below.

1.38. "Vehicle" refers to all vehicles used by Current Operator primarily in connection with the operation of the Facility, which shall be listed on Exhibit F, if any.

1.39. "WARN Act" refers to the federal Worker Adjustment and Retraining Notification Act and any comparable State law or regulation.

ARTICLE 2. TRANSFER OF OPERATIONS; AGREEMENTS

2.1. Transfer of Operations. Pursuant to the terms of the Purchase Agreement, the respective members of the Seller Group, including Current Operator, have agreed to convey,

assign and deliver to the members of the Buyer Group, including Buyer, the Operating Assets and all of the Seller Group's right, title and interest therein, free of all Encumbrances, effective as of the Transfer Date. From the date hereof until the Transfer Date, Current Operator agrees to operate the Facility as a going concern and in substantial compliance with all laws, statutes, orders and regulations applicable to and/or necessary for the lawful operation of the Facility and maintenance of licensure and provider Certifications, and agrees not to refuse admission or remove any patient from the Facility prior to the Transfer Date except, within Current Operator's sole discretion, for valid medical and other lawful reasons or as would otherwise occur in the normal course of operating the Facility. NOTWITHSTANDING ANYTHING CONTAINED HEREIN OR IN ANY RELATED DOCUMENT OR AGREEMENT TO THE CONTRARY, CURRENT OPERATOR IS ONLY TRANSFERRING CERTAIN OPERATING ASSETS OF THE FACILITY AND IS NOT ASSIGNING TO BUYER OR NEW OPERATOR, NOR IS BUYER OR NEW OPERATOR ASSUMING FROM CURRENT OPERATOR, ANY LIABILITY FOR CLAIMS, COSTS, EXPENSES, CONTRACTUAL ARRANGEMENTS, DUTIES OR OBLIGATIONS, CURRENT OPERATOR'S GENERAL, PROFESSIONAL AND OTHER OPERATIONAL LIABILITIES, ERRORS OR OMISSIONS, OR OTHER DUTIES, OBLIGATIONS OR LIABILITIES OF CURRENT OPERATOR, ITS AFFILIATES OR ITS PREDECESSORS-IN-INTEREST, WHETHER KNOWN OR UNKNOWN, CONTINGENT OR OTHERWISE, ARISING FROM OR RELATED IN ANY WAY TO THE OPERATION OF THE FACILITY PRIOR TO THE TRANSFER DATE (COLLECTIVELY, "EXCLUDED LIABILITIES").

2.2. Best Efforts. In consideration for the agreements of Current Operator set forth herein, and the full and faithful performance of all of Current Operator's covenants hereunder, Buyer and New Operator agree to proceed with all reasonable diligence to acquire (a) operating licenses from DPH and (b) the transfer or assignment of the Medicaid Provider Agreement in the name of the New Operator, pursuant to all applicable laws and regulations regarding the same.

2.3. Cooperation. Current Operator agrees to reasonably cooperate with Buyer's and New Operator's efforts to effect a change in ownership of the Facility for the purposes of licensing and Certification in order to ensure the continuous and uninterrupted operation of the Facility as a licensed intermediate care facility, including the execution of any documents and the surrender of the existing Licenses and Provider Agreements, that may be necessary or desirable to effect the orderly and uninterrupted transition of the Licenses, Provider Agreements and other Certifications to New Operator. Buyer and New Operator agree to timely file all required change of ownership, Medicaid and licensure applications and to use their best efforts to obtain new Licenses and Medicaid Provider Agreements. Current Operator agrees not to take any action or commit any omission that would result in the termination or suspension of the existing Licenses or Provider Agreements.

2.4. Conditions. This Agreement and the respective obligations of the parties hereunder are conditioned upon the following:

2.4.1. For each of the Other Party's respective benefit, (a) the closing of Seller Group's sale of the Facility (as defined in the Purchase Agreement) in accordance with the terms of the Purchase Agreement, (b) Current Operator's prior fulfillment of all requirements of any governmental agency having jurisdiction of the Facility as contained in any survey report,

citation, plan of correction, judgment, order or other directive relating to the operation of the Facility, and the official acceptance thereof by such agency, (c) New Operator's receipt of its own Licenses from DPH, (d) Seller Group's receipt of a waiver or consent (that may contain conditions) from the California Attorney General allowing the transactions contemplated by this Agreement and the Purchase Agreement, and (e) Current Operator having performed and complied with all agreements, conditions and obligations required by this Agreement to be performed or complied with by Current Operator prior to or on the Transfer Date, including Current Operator's surrender of possession of the Facility and the operations therein to New Operator on the Transfer Date in accordance with this Agreement: Buyer and New Operator may, but are not required to, waive or defer (in writing) the fulfillment of any one or more of these conditions in its sole discretion.

2.4.2. For Current Operator's benefit, (a) the closing of Buyer Group's purchase of each of the Facility (as defined in the Purchase Agreement) in accordance with the terms of the Purchase Agreement, and (b) New Operator's receipt of its own Licenses from DPH, (c) Seller Group's receipt of a waiver or consent (that may contain conditions) from the California Attorney General allowing the transactions contemplated by this Agreement and the Purchase Agreement, and (d) Buyer and New Operator having performed and complied with all agreements, conditions and obligations required by this Agreement to be performed or complied with by Buyer or New Operator prior to or on the Transfer Date, including acceptance of possession of the Facility and the operations therein on the Transfer Date in accordance with this Agreement and the timely filing of all applications for licensure. Current Operator may, but is not required to, waive or defer (in writing) the fulfillment of any one or more of these conditions in its sole discretion.

2.5 Post-Closing Matters. For a period of at least five (5) years from and after the Transfer Date:

2.5.1. New Operator shall operate the Facility in a "culturally sensitive" manner, meaning the existence of an environment that fosters an awareness and acceptance of the cultural characteristics, history, values, belief systems and behaviors of the Japanese American residents and families, which will include elements listed on Exhibit 11.4(i) of the Purchase Agreement to maintain that environment;

2.5.2. Current Operator shall support the existing volunteer program for the Facility, assisting New Operator upon its request with training regarding recruitment and retention of volunteers;

2.5.3. New Operator shall continue providing, and Buyer Parent and Buyer shall cause New Operator to continue providing, community benefit programs relating to the Facility and shall expend at least $118,942 (including waiving rental for use by community groups) for community programs at the Facilities located on the Boyle Campus (as defined in the Purchase Agreement) during each twelve (12) month period from and after the Closing Date;

2.5.4. New Operator shall continue providing a placement priority to residents of the Facilities (as defined in the Purchase Agreement) who may require either a higher or a lower level of care over new residents admitted from outside such Facilities; and

2.5.5. Buyer shall, and shall cause New Operator to, maintain the physical donor recognition at the Facility.

2.6. Right of Observation. From and after the Due Diligence Deadline (as defined in the Purchase Agreement) until the Transfer Date, Current Operator shall allow up to one individual appointed by New Operator to have access to the Facility during regular business hours to observe the day-to-day operations and management of the Facility. Such access shall be granted with at least twenty-four (24) hour notice to Current Operator by New Operator.

2.7 Tail Insurance. On or before the Closing Date, Current Operator shall deliver to New Operator a certificate of insurance for pre-paid general and professional liability extended reporting "tail" or "runoff" insurance for a period of at least three (3) years from and after the Closing Date with respect to acts and/or omissions occurring or allegedly occurring prior to the Transfer Date, naming Current Operator and its affiliates as insureds, and New Operator and Buyer as additional insureds, with coverage limits of at least One Million Dollars ($1,000,000) individual per claim and Three Million Dollars ($3,000,000) aggregate for all claims.

ARTICLE 3. TRANSFER OF OPERATING ASSETS

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

3.2. Furnishings, Fixtures and Equipment. Current Operator and Buyer acknowledge and agree that, except for the Excluded Assets, the FF&E is the property of Current Operator, Current Operator agrees not to remove any FF&E from the Facility and, in the event of any such permitted removal, to repair any damage to the Facility occasioned thereby. Current Operator shall have no obligation to deliver the FF&E to any location other than the Facility, it being understood and agreed that the presence of the FF&E at the Facility on the Transfer Date shall constitute delivery thereof.

3.3. Computer Systems and Migration of Data. Subject to the acknowledgements, terms and conditions set forth in Section 3.3.1 below, Current Operator shall, at no charge to Buyer or New Operator, to the extent applicable, (a) leave all such hardware, software and data intact and in place, complete with any passwords or codes necessary to use the equipment and fully access the data, at the Facility to the extent any licenses for such hardware and software are transferrable to New Operator, (b) acknowledge that the data contained therein and accessed thereby is essential to the continuation of the operations in the Facility, (c) leave such computer systems connected to its remote network (if any) for a period of up to sixty (60) days after the Transfer Date to the extent any software and hardware containing such data is transferable to New Operator or, if applicable, to cooperate with New Operator in transferring such data in a retrievable and usable format, and (d) make any data or records relating to the past operation of

the Facility which are held or stored offsite accessible to New Operator, in order to facilitate New Operator's lawful and uninterrupted operation of the Facility after the Transfer Date in compliance with applicable laws and in a manner that does not jeopardize the health, care or welfare of the Facility's patients and residents. New Operator shall be responsible for the payment of any licensing fees relating to such software and hardware, if applicable, and Current Operator shall promptly transfer any such licenses, if transferable, to New Operator's name within sixty (60) days following the Transfer Date or obtain new licenses for such software or applicable hardware.

3.3.1. Notwithstanding the foregoing Section 3.3, the parties acknowledge that Current Operator recently converted its data storage system to the ADS Cloud, whereby its data is maintained, managed and backed up remotely and made available through a dedicated environment. Current Operator and New Operator acknowledge that such data and New Operator's access thereto is essential to continuation of operation of the Facility and that Current Operator will also need access to the historical data for financial and other purposes. No decisions have been made as to whether New Operator will continue the same storage system or migrate the data to another such system or on site servers. Similarly, no decisions have been made as to the transfer as part of the Operating Assets of Current Operator's existing computer hardware and software or assignment of its licenses. Current Operator shall cooperate with New Operator in evaluating the alternatives in order to facilitate New Operator's lawful and uninterrupted operation of the Facility after the Transfer Date, with the understanding that the availability of the data and the use of computer hardware, software and licenses, and the responsibility of any license fees and costs of conversion or migration, will be on terms and conditions as agreeable to Current Operator, Buyer and New Operator.

3.4. Medicaid Provider Number. Current Operator, Buyer and New Operator acknowledge and agree to promptly provide any such letters, consents, verifications, information and other documents, as necessary and required by applicable law or regulation, to CMS and any fiscal intermediary, DPH, the State Medicaid program or agency, any other governmental and/or regulatory authority having jurisdiction of the Facility, the License, the Medicaid Provider Agreement, and New Operator as may be reasonably requested or required to facilitate Buyer's or New Operator's acquisition of a new Medicaid provider agreement; provided, however, that as long as Current Operator submits any required documentation to such governmental or regulatory authority materially complying with the foregoing, Current Operator shall have no liability whatsoever to Buyer or New Operator or otherwise in the event that the State Medicaid program or agency does not issue to Buyer or New Operator a new Medicaid provider agreement; or DPH does not issue a new License to Buyer or New Operator.

3.5. General Intangibles. General Intangibles used or held in connection with the operation of the Facility shall be transferred to Buyer on the Transfer Date by execution and delivery of the Bill of Sale.

3.6. Excluded Assets. The Excluded Assets are not included in this transaction and shall be retained by or delivered to Current Operator.

ARTICLE 4. PATIENT TRUST PROPERTY

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

4.2. Transfer of Patient Trust Property. Within one (1) business day after Current Operator and New Operator agree upon the accounting provided for hereinabove, and in any event no later than three (3) business days following the Transfer Date, Current Operator agrees to (a) remit to the parties entitled thereto all Patient Trust Property which Current Operator or the Facility are no longer entitled or permitted to hold, and (b) transfer all remaining Patient Trust Property to New Operator, and New Operator hereby agrees that it will hold, and accepts responsibility and liability for holding, such remaining Patient Trust Property in trust for the patients entitled thereto, in accordance with applicable statutory and regulatory requirements.

4.3. Indemnification for Patient Trust Property.

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

4.3.2. New Operator will indemnify, defend and hold Current Operator harmless for, from and against all liabilities, claims and demands, including reasonable attorneys' fees and costs, in the event a claim is made against Current Operator by a patient for his/her Patient Trust Property where such patient's funds or other property were properly transferred to New Operator pursuant to the terms hereof. New Operator shall be solely responsible for and shall indemnify, defend and hold Current Operator harmless for, from and against all liabilities, claims and demands, including reasonable attorneys' fees and costs, arising from any claim, action, investigation or liability arising from maintenance, use, holding, or any acts or omissions of New Operator relating to the Patient Trust Property on and after the date such Patient Trust Property is transferred by Current Operator to New Operator. All claims shall be submitted by New Operator in the form required by the permitted third party payors. New Operator shall archive claims submissions data until the claim is paid, to enable resubmission of the original claim, if necessary, and thereafter for a period of six (6) years after the Transfer Date or such shorter time in accordance with applicable law.

ARTICLE 5. RECEIVABLES & REIMBURSEMENTS

5.1. Current Operator's Cost Reports. Current Operator shall timely prepare and file with CMS and the State Medicaid agency its cost reports for the fiscal year ending immediately preceding the fiscal year in which the Transfer Date occurs, and for any stub period, and final

cost reports up to the Transfer Date in respect to its operation of the Facility which are required to be filed by law under the terms of the Medicaid program. Current Operator will provide the appropriate agencies with any information needed to support claims for reimbursement made by Current Operator either in such final cost reports or in any cost reports filed for prior or subsequent cost reporting periods. Current Operator shall promptly provide New Operator with copies of such reports and supporting documentation.

5.2. Accounts Receivable.

5.2.1. Schedule of Pre-Transfer Accounts. Current Operator shall deliver to New Operator a complete, correct patient/resident roster with account status, responsible party, payor source and aging not less than thirty (30) days prior to the Transfer Date, and shall update such roster as of the Transfer Date.

5.2.2. Pre-Transfer Accounts. Current Operator shall retain its right, title and interest in and to all unpaid Pre-Transfer Accounts, including accounts receivable arising from rate adjustments which relate to periods prior to the Transfer Date even if such adjustments occur after the Transfer Date, and Current Operator shall remain liable for any overpayments (including recapture of pass-throughs) made to Current Operator for periods prior to the Transfer Date for which payment is due to (or for which subsequent reimbursements are offset or denied by) Medicaid or any other third party payor after the Transfer Date. On the Transfer Date, Current Operator shall provide to New Operator a schedule setting forth by patient/resident its outstanding Pre-Transfer Accounts as of the Transfer Date. For the avoidance of doubt, Current Operator shall be solely responsible for the timely and proper billing and collection of all Pre-Transfer Accounts and New Operator's obligations related to such collection activities shall be limited to those set forth elsewhere in this Article 5. Current Operator and New Operator agree that the "pay to" address for Medicaid payments shall continue to be the Facility's address. Current Operator further agrees to authorize New Operator to endorse checks made payable to "Keiro Intermediate Care Facility" or any similar names or payees, and deposit the same in New Operator's account solely to the extent permissible under applicable law and Medicaid manual provisions, subject to New Operator complying with the accounting, notification, distribution and other provisions of this Agreement with respect to Pre-Transfer Accounts.

5.2.3. Post-Transfer Accounts. As of the Transfer Date, Current Operator hereby irrevocably assigns to New Operator any and all interest it may have in the Post-Transfer Accounts with the authority and power to bill and collect the same, and disclaims all right, title and interest therein and thereto to the extent permitted by applicable law including guidance from governmental agencies and administrative contractors in regards to Medicaid.

5.3. Handling of Receipts by New Operator. Payments received by New Operator after the Transfer Date from third party payors, such as Medicaid, shall be handled as follows:

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

advice, or if the parties agree that they relate to periods on or after the Transfer Date, they shall be retained by New Operator.

5.3.2. If such payments fail to indicate the period to which they relate, then all such unidentified payments received within forty five (45) days following the Transfer Date shall be deemed to relate to the covered patient's unpaid Pre-Transfer Accounts (if any). All unidentified payments received thereafter shall be deemed to relate to Post-Transfer Accounts.

5.4. Handling of Receipts by Current Operator. Payments received by Current Operator after the Transfer Date from third party payors, such as Medicaid, shall be handled as follows:

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

5.4.2. If such payments fail to indicate the period to which they relate, then all such unidentified payments received within forty-five (45) days following the Transfer Date shall be deemed to relate to the covered patient's unpaid Pre-Transfer Accounts (if any). All unidentified payments received thereafter shall be deemed to relate to Post-Transfer Accounts.

5.5. Private Pay. Any payments received by either Current Operator or New Operator from or on behalf of private pay patients (including self-pay, HMO and other private insurance payors) shall be treated in the same manner as described in Section 5.3 and 5.4 above; provided that any payment received by either party during the first forty-five (45) days after the Transfer Date for a private pay patient or resident, which fails to designate the period to which it relates, will first be applied to reduce the patient's Pre-Transfer Account balances (if any). Social Security payments received at the Facility on behalf of patients or residents shall be applied toward the respective patient's or resident's account in the month the payment is actually received. All unidentified payments received thereafter shall be deemed to relate to Post-Transfer Accounts. New Operator shall be responsible for confirming that private pay patients, Medicaid, or Medicaid managed care payors permit New Operator to bill under the Current Operator's payor and Provider Agreements until such agreements are assigned to New Operator or New Operator obtains new payor and provider agreements. New Operator warrants that all payors, including private pay payors, Medicaid and Medicaid managed care payors, permit such billing arrangement.

5.6. Dispute Resolution. The parties shall attempt in good faith to resolve any dispute arising out of or relating to this Article 5 promptly by negotiation between representatives of the parties who have authority to settle the controversy. Either party may give the other party written notice of any dispute (a "Dispute Notice") not resolved in the normal course of business. Within five (5) days after delivery of such Dispute Notice, both parties shall meet at a mutually acceptable time and place (by mutual agreement, such meeting may be held by telephone and thereafter as often as they deem necessary) to exchange relevant information and to attempt to

resolve the dispute. If the matter has not been resolved within twenty (20) days of the disputing party's delivery of the Dispute Notice, or if the parties fail to meet within five (5) days of the delivery of the Dispute Notice, either party may initiate the mediation of the controversy or claim as provided below. If any dispute arising out of this Article 5 has not been resolved by negotiation as provided above, the parties shall endeavor to resolve the dispute by mediation. The mediation shall be conducted by a neutral mediator from a nationally recognized health care accounting and consulting firm (or an accounting and consulting firm with a nationally recognized health care accounting and consulting practice) mutually agreed upon by the parties. If the parties are unable to completely resolve the dispute through mediation (or are unable to agree on a mediator within thirty (30) days following delivery of the Dispute Notice), either party shall pursue dispute resolution pursuant to Article 11.

5.7. Payor Communications.

5.7.1. Payment Notices. For a period of six (6) months following the Transfer Date, whenever a Payor sends to Current Operator on the one hand or New Operator on the other, a remittance advice, explanation of benefits or other notice that a payment has been deposited in a party's bank account (a "Payment Notice"), the receiving party agrees to send a copy of such Payment Notice to the other party by electronic transmission within five (5) business days of the time the Payment Notice is received.

5.7.2. Regulatory Notices. In the event Current Operator receives notice of any claims or requests for recoupment or reimbursement with respect to the billing services or notice of any appeals, adjustments, challenges, audits, litigation, inspections or investigations with respect to the billing services, Current Operator shall inform New Operator and send a copy of such notice to New Operator by overnight mail or electronic transmission no later than five (5) business days after receipt of such notice.

5.7.3. Other Payor Notices. For a period of twelve (12) months following the Transfer Date, whenever a payor sends any other notice to or requests information from Current Operator regarding a claim for services rendered after the Effective Date, Current Operator shall send a copy of such notice or inform New Operator of such request by overnight mail or electronic transmission no later than five (5) business days after receipt of such notice or request.

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

5.9. Cooperation in Processing of Claims. Each party agrees to take all reasonable steps to assist the other in processing Medicaid claims and obtaining Medicaid payments for services rendered to the extent permitted by applicable law, regulations and formal agency and administrative contractor guidance (a) in the case of New Operator, from and after the Transfer Date, and (b) in the case of Current Operator, prior to the Transfer Date. The party being assisted agrees to reimburse the party rendering assistance for any reasonable documented out-of-pocket expenses incurred by the assisting party in rendering such assistance.

5.10. Access. For the period of twelve (12) months following the Transfer Date, after providing advance notice to New Operator in each instance, Current Operator and its agents and representatives shall have reasonable access during business hours to such medical records, resident contracts, patient status reports, medical necessity documentation, services documentation, account documentation, remittance advice documentation, Nursing Services Statements (CMS-3616), and other documents and records as reasonably necessary to confirm the division of the accounts receivable, payments or accounts payable, to facilitate billing and collection of Current Operator's receivables, to handle any of Current Operator's accounts payable or reconcile any financial information. Following the expiration of twelve (12) months following the Transfer Date, Current Operator shall continue to have reasonable access during business hours to such medical records, resident contracts, patient status reports, medical necessity documentation, services documentation, account documentation, remittance advice documentation, Nursing Services Statements (CMS-3616), and other documents and records as reasonably necessary in any audit, investigation, notice of determination, repayment request, overpayment notice or other matter relating to the provision of services or billing and reimbursement for services provided prior to the Transfer Date.

5.11. Overpayment Claims. In the event that federal or state agencies or any private insurer or other payor making payments to Current Operator for services performed prior to the Transfer Date make any claim for fines, civil money penalties, recoupment of fraudulent charges or overpayments (including recapture of pass-throughs) occurring for any such period, then Current Operator agrees to save, indemnify, defend and hold Buyer and New Operator harmless for, from and against any and all loss, damage, injury or expense incurred by Buyer or New Operator because of any such claim, and Current Operator shall promptly reimburse Buyer or New Operator for the full amount of any such claim, offset, chargeback or other attempted recovery of such fraud and overpayments upon demand. In the event Current Operator successfully appeals any such overpayment claim and Buyer or New Operator receives funds or credits as result thereof, Buyer or New Operator, as the case may be, shall promptly remit to Current Operator the full amount of any such funds or credits. In the event that federal or state agencies or any private insurer or other payor making payments to Buyer or New Operator for services performed on or after to Transfer Date make any claim for fines, civil money penalties, recoupment of fraudulent charges or overpayments (including recapture of pass-throughs) occurring for any such period (including for time periods prior to the issuance of a new Medicaid provider agreement), then New Operator agrees to save, indemnify, defend and hold Current Operator harmless for, from and against any and all loss, damage, injury or expense incurred by Current Operator because of any such claim, and New Operator shall promptly reimburse Current Operator for the full amount of any such claim, offset, chargeback or other attempted recovery of such fraud and overpayments upon demand. In the event New Operator successfully appeals any such overpayment claim and Current Operator receives funds or credits as result thereof, Current Operator shall promptly remit to New Operator the full amount of any such funds or credits.

ARTICLE 6. EMPLOYEES

6.1. Current Employees; Payroll & Benefits. Current Operator shall deliver the Employee Schedule to New Operator not less than twenty-five (25) days prior to the Transfer

Date, except that Social Security numbers shall be delivered not less than ten (10) days prior to the Transfer Date, and shall update such Employee Schedule three (3) business days prior to the Transfer Date. New Operator acknowledges that Current Operator may make reasonable personnel changes up to the Transfer Date. Current Operator shall not solicit or offer to employ any current Facility employees at any of its affiliated operations, for a period of one (1) year following the Transfer Date without the prior written consent of New Operator. Current Operator agrees not to give any Facility employee a salary or wage increase prior to the Transfer Date without New Operator's written consent, except in the normal course of business. Current Operator also agrees to provide to New Operator, promptly following the execution and delivery of this Agreement, copies of Current Operator's current employee handbook and/or human resources manual, detailed benefits information including carriers, brokers and participating employees, contact information and cost information, 403(b) plan documents and a roster of enrolled employees, and such other documentation of current terms and conditions of employment as New Operator may reasonably request, to the extent not disclosed in the Employee Schedule. All information disclosed or provided to New Operator hereunder shall be deemed confidential and shall in all events be subject to the confidentiality provisions of Section 5.2(i) of the Purchase Agreement.

6.2. Employee Status.

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

6.2.2. Offers of Employment. New Operator will extend offers of employment to all of the Facility employees in good standing as of the Closing Date. Such offers of employment will be made in a manner sufficient to comply with Federal, state and local law, and for such employees' existing wages and otherwise with Benefits, subject to qualification requirements pertaining to such Benefits, that are not less favorable than those provided to other similarly situated employees of the facilities which New Operator operates and which are located in California.

6.2.3 Eligibility for Benefits. For purposes of determining eligibility of Rehired Employees to receive and participate in New Operator's sick leave, holiday, vacation, PTO or similar Benefit programs, New Operator agrees to accord Rehired Employees with one (1) year of employment service credit, so that all such Rehired Employees shall be eligible to enroll and/or begin accruing benefits on the first day of their employment with New Operator as if they were second year employees of New Operator. Notwithstanding the above, any Rehired Employee who has not been continuously employed by Current Operator for at least ninety (90)

days immediately prior to the Transfer Date shall not be accorded prior employment service credit and no other Rehired Employee shall be entitled to less than two (2) weeks vacation per year. New Operator shall permit Rehired Employees to enroll in New Operator's group health plan on or as soon as practicable after the Transfer Date, with no eligibility waiting period so long as the Rehired Employee has been continuously employed by Current Operator for at least ninety (90) days immediately prior to the Transfer Date. In the event the Transfer Date falls on a date other than the first (1st) day of a calendar month, Current Operator and New Operator acknowledge and agree that Rehired Employees shall be eligible to participate in New Operator's group health plan from and after the first (1st) day of the calendar month following the Transfer Date. Any Rehired Employee who has not been continuously employed by Current Operator for at least ninety (90) days immediately prior to the Transfer Date shall become eligible to participate in the group health plan as of the first (1^{st}) day of the calendar month following the ninetieth (90th) day of combined continued employment with Current Operator and New Operator.

6.2.4 WARN Act Compliance. It is the understanding of Current Operator and New Operator that Current Operator may be required to give notice to the Facility employees of the termination of their employment under the WARN Act unless a sufficient number of employees do not suffer an "employment loss," or an exception to giving notice is applicable. New Operator has advised Current Operator that (a) it does not want Current Operator to deliver any such notice to the Facility employees, (b) it will offer employment on an "at-will" basis at or before the Transfer Date to a sufficient number of the Facility employees such that such notice will not be necessary and (c) in reliance thereon Current Operator will not provide notice under the WARN Act to the Facility employees. New Operator hereby agrees to indemnify, defend and hold harmless Current Operator from any loss, cost or expense Current Operator may incur as a result of or a failure to give any required notice under the WARN Act.

6.3. Employee Records. Current Operator shall allow New Operator to retain Current Operator's employee files, including originally executed employee applications and original Form I-9s of Rehired Employees, for a period of ninety (90) days from the Transfer Date, or until New Operator has obtained new employee applications and I-9s; immediately thereafter New Operator shall deliver the original documents to Current Operator; provided that, during such retention period, New Operator shall allow Current Operator reasonable access, upon prior notice and during normal business hours, to such employee files and the ability to copy the same, as Current Operator may require in its reasonable discretion.

6.4. No Employment Rights or Contract. Notwithstanding anything in this Agreement to the contrary, nothing in this Article 6 or any other provision of this Agreement shall be interpreted to create any rights in favor of any person not a party hereto, including the employees of the Facility, or to constitute an employment agreement or condition of employment for any employee of Current Operator or any Rehired Employee.

6.5. Foreign Workers. Current Operator shall deliver to New Operator not less than twenty five (25) days prior to the Transfer Date, a list of all foreign nationals employed at the Facility who are working under a visa or other work authorization. Current Operator represents that, to Current Operator's actual knowledge, (a) all such Facility employees will be either citizens or legal residents of the United States, (b) all foreign workers will have provided to

Current Operator copies of valid identity and work authorization documents, and (c) no such work authorizations have expired or been revoked.

6.6. Employment Claims and Complaints. Current Operator has included, as part of Exhibit G hereto, a list of all pending and threatened Employment Claims. Current Operator acknowledges that New Operator is not assuming any liability for pending, or threatened or other pre-Transfer Date Employment Claims, and (a) New Operator hereby disclaims any and all liability for all Employment Claims arising from or in connection with the employment of any Facility employee prior to the Transfer Date, and (b) Current Operator hereby agrees to indemnify, defend and hold New Operator harmless for, from and against any and all Employment Claims arising from or in connection with the employment of any Facility employee prior to the Transfer Date.

ARTICLE 7. PRORATIONS

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

7.2. Calculation. All such prorations shall be made on the basis of actual days elapsed in the relevant accounting or revenue period and shall be based on the most recent information available. Without limiting the foregoing, water, electricity, sewer, gas, telephone and other utility charges shall be based, to the extent practicable, on final meter readings and invoices covering the period of time through the Transfer Date. Utility charges which are not metered and read on the Transfer Date shall be estimated based on prior charges, and shall be re-prorated upon receipt of statements therefor.

7.3. Adjustments. All amounts owing from one party hereto to the other party hereto that require adjustment after the Transfer Date shall be settled within sixty (60) days after the Transfer Date or, in the event the information necessary for such adjustment is not available within said sixty (60) day period, then as soon thereafter as practicable.

7.4. Petty Cash. On the Transfer Date, Current Operator shall retain the petty cash.

ARTICLE 8. RECORDS

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

8.2. Access to Records.

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

8.2.2. Current Operator shall be entitled to remove the originals of any records delivered to New Operator for purposes of litigation involving a patient or employee to whom such records relate, if (a) an officer of or counsel for Current Operator certifies that such original must be produced in order to comply with applicable law or the order of a court of competent jurisdiction in connection with such litigation, and (b) Current Operator leaves a full and complete copy of such records in the Facility while the originals are in its possession. Any record so removed shall promptly be returned to New Operator following its use. New Operator shall release originals of any records as required or requested by a governmental authority, regulatory agency or as otherwise required by law for the investigation or audit of Medicaid or other governmental payor billing, services, or payments.

8.2.3. New Operator agrees to maintain such books, records and other material comprising records of the Facility's operations prior to the Transfer Date that have been received by New Operator from Current Operator or otherwise, including patient records and records of patient funds, to the extent required by law, but in no event less than three (3) years or, when longer, the minimum period required by any applicable statute of limitations in force as of the Transfer Date, and shall provide Current Operator with reasonable advance notice and allow Current Operator a reasonable opportunity to remove such documents, at Current Operator's expense, at such time as New Operator shall decide to dispose of such documents.

ARTICLE 9. OPERATING CONTRACTS

9.1. Operating Contracts. Current Operator will make available to New Operator true, complete and current copies of all Operating Contracts within ten (10) days after this Agreement has been executed. There are no material Operating Contracts, oral or written, which have not been disclosed pursuant to the foregoing or otherwise, to New Operator, and the Operating Contracts delivered and disclosed are in full force and effect prior to the Transfer Date and have not been modified, altered or amended in any way. Current Operator assigns, and New Operator assumes and agrees to be bound by all of the terms and conditions of, the Assumed Operating Contracts from and after the Transfer Date. Current Operator shall not have any liability arising from New Operator's acts or omissions in regards to the Assumed Operating Contracts on and after the Transfer Date.

9.1.1. Nothing herein shall be construed as imposing any liability on New Operator with respect to any obligations under (a) the Assumed Operating Contracts which relate to the period prior to the Transfer Date even if the same do not arise until after the Transfer Date (except to the extent that New Operator receives and accepts goods or services under an Assumed Operating Contract, in which case its liability shall be determined by the pro-ration of the cost of such benefit under such Assumed Operating Contract), it being specifically understood and agreed that New Operator's liability shall be limited to its acts and omissions thereunder and any liability arising from and after the Transfer Date, or (b) any Terminated Operating Contracts. New Operator shall indemnify and hold Current Operator harmless from any and all liability and claims arising from the Assumed Operating Contracts on and after the Transfer Date.

9.1.2. To the extent commercially reasonable, Current Operator agrees to give conditional notice of cancellation under each of the Terminated Operating Contracts, with the terminations to be effective on or before the Transfer Date or at the earliest possible date(s) thereafter.

9.2. Vehicles. Current Operator represents and warrants that the Vehicles are owned by Current Operator and are not subject to any lease or otherwise subject to any liens or other encumbrances.

9.3. Equipment Financing and Leases. Current Operator and New Operator acknowledge and agree that the FF&E listed on Exhibit H, if any, is leased or otherwise encumbered under the terms of certain equipment leases (the "Equipment Leases") identified on Exhibit H. Current Operator will provide to New Operator access to copies of all Equipment Leases. Current Operator represents and warrants that there are no outstanding liens, leases or other encumbrances affecting the Facility or any of the FF&E therein which have not been disclosed to New Operator and identified on Exhibit H. New Operator shall only assume (subject to the lessors' consent) and be responsible for all payments and other charges accruing on the Equipment Leases that may be listed on Exhibit H as Assumed Operating Contracts from and after the Transfer Date. New Operator shall indemnify and hold Current Operator harmless from any and all liability and claims arising under the Equipment Leases that constitute Assumed Operating Contracts on and after the Transfer Date.

9.4. Tenant Leases. Exhibit I attached hereto contains a list of all leases of space in the Facility by Current Operator to third party service providers, such as physical therapists,

banks, medical clinics or beauty shop operators (collectively, the "Tenant Leases"). Current Operator will provide to New Operator access to copies of all Tenant Leases. Except as disclosed on Exhibit I, each Tenant Lease is in full force and effect and to Current Operator's actual knowledge, no party to any such Tenant Lease is in default thereunder. New Operator shall assume all the Tenant Leases that may set forth on Exhibit B as Assumed Operating Contracts.

ARTICLE 10. INDEMNIFICATION

10.1. Current Operator. Without limiting its other obligations and duties hereunder, from and after the Transfer Date, Current Operator shall indemnify, defend and hold Buyer Group, the Other Parties, and their respective officers, directors, employees, shareholders and affiliates ("Buyer Indemnified Parties"), harmless for, from and against any and all claims, losses, expenses, damages, obligations, deficiencies, or liabilities of any kind, including costs of investigation, interest, penalties, reasonable attorneys' fees, and any and all costs, expenses, and fees incident to any suit, action or proceeding, incurred, sustained or suffered by the Buyer Indemnified Parties which arise out of, result from or are related to any of the following:

10.1.1. except as otherwise provided in this Agreement, any and all obligations and liabilities relating solely to the ownership of the Operating Assets and the operation of the Facility by Current Operator prior to the Transfer Date, including (a) any obligations under the Assumed Operating Contracts, (b) any violations of applicable Medicaid fraud and abuse laws, (c) any violations of other State or federal law governing the operation of the Facility, including laws relating to Employment Claims, and (d) any failure of any cost report filed by Current Operator for the cost reporting periods prior to the Transfer Date, including the final cost reports filed after the Transfer Date, to comply with applicable State or federal law; and for purposes of this Section, an obligation shall be deemed to "exist" as of the Transfer Date if it relates to events which occurred as a result of the acts or omissions of Current Operator prior to the Transfer Date, even if it is not asserted until after the Transfer Date;

10.1.2. any Terminated Operating Contracts;

10.1.3. any misrepresentation of a material fact, breach of warranty or nonfulfillment of any material agreement on the part of Current Operator under this Agreement or in any certificate required to be furnished to New Operator hereunder;

10.1.4. any failure by Current Operator in connection with the transactions contemplated herein to comply with the requirements of any State, federal or local laws or regulations relating to bulk sales or transfers, whether or not New Operator has waived Current Operator's compliance therewith;

10.1.5. any claims against Current Operator, New Operator or the Facility under Medicaid, Veterans Administration or any other third party payor programs (a) with respect to any Excluded Assets, (b) with respect to the operation of the Facility by Current Operator prior to the Transfer Date, (c) for recapture of depreciation generated by the transaction contemplated hereby, (d) for any fees, fines or penalties assessed against the Operating Assets or the Provider Agreements solely to the extent attributable to periods prior to the Transfer Date, or (e) for

repayment of any overpayments made to Current Operator under Medicaid, Veterans Administration or any other third party payor program for services rendered at the Facility prior to the Transfer Date, including claims against New Operator in the form of offsets by Medicaid, Veterans Administration or any other third party payor against their payments due solely to the extent such offsets relate to services rendered by Current Operator prior to the Transfer Date;

10.1.6. in the event the amount of the Patient Trust Property, if any, transferred to New Operator do not represent the full amount of the Patient Trust Property shown to have been delivered to Current Operator as custodian, and for claims which arise from actions or omissions of Current Operator with respect to the Patient Trust Property prior to the Transfer Date; and

10.1.7. any Excluded Liabilities.

10.2. Other Parties. From and after the Transfer Date, each Other Party shall indemnify, defend and hold Current Operator and Selling Group, and their respective officers, directors, employees, member and affiliates (the "Seller Indemnified Parties"), harmless for, from and against any and all claims, losses, expenses, damages, obligations, deficiencies, or liabilities of any kind, including costs of investigation, interest, penalties, reasonable attorneys' fees, and any and all costs, expenses, and fees incident to any suit, action or proceeding, incurred, sustained or suffered by the Seller Indemnified Parties which arise out of, result from or are related to New Operator's operation of the Facility on and after the Transfer Date, including all billing and collections for services, board and care provided to residents on and after the Transfer Date, and including any liability or claim resulting from or relating to any of the following:

10.2.1. except as otherwise provided in this Agreement, any and all obligations and liabilities relating to the ownership and the operation of the Facility by New Operator that relate solely to the operation of the Facility on and after the Transfer Date, including (a) any obligations under the Assumed Operating Contracts, (b) any violations of applicable Medicaid fraud and abuse laws, (c) any other State or federal law governing the operation of the Facility, including to laws relating to Employment Claims, and (d) any failure of any cost report filed by New Operator for the cost reporting periods on and after the Transfer Date to comply with applicable State or federal law; and for purposes of this Section, an obligation shall be deemed to "exist" on and after of the Transfer Date if it relates to events which occurred as a result of the acts or omissions of New Operator on and after the Transfer Date, regardless of when asserted;

10.2.2. any misrepresentation of a material fact, breach of warranty or nonfulfillment of any material agreement on the part of an Other Party under this Agreement;

10.2.3. any claims against Current Operator, New Operator or the Facility under Medicaid, Veterans Administration or any other third party payor programs (a) with respect to the operation of the Facility by New Operator on and after the Transfer Date, (b) for any fees, fines or penalties assessed against the Operating Assets or the Medicaid Provider Agreements of the Facility solely to the extent attributable to periods on and after Transfer Date, or (c) for repayment of any proven overpayments made to New Operator under, Medicaid, Veterans Administration or any other third party payor program for services rendered at the Facility on

and after the Transfer Date, including claims against Current Operator in the form of offsets by Medicaid, Veterans Administration or any other third party payor against their payments due to Current Operator; and

10.2.4. claims which arise from actions or omissions of New Operator with respect to the Patient Trust Property on and after the Transfer Date.

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

ARTICLE 11. JUDICIAL REFERENCE

11.1 Judicial Reference. EXCEPT AS PROVIDED IN SECTION 5.7, ANY CONTROVERSY OR DISPUTE HEREUNDER SHALL BE RESOLVED BY A REFEREE APPOINTED BY THE SUPERIOR COURT FOR THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA ("SUPERIOR COURT") IN ACCORDANCE WITH THE PROVISIONS OF SECTION 638 ET SEQ. OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. IN THIS REGARD, IN THE EVENT THE PARTIES ARE UNABLE AGREE UPON A RESOLUTION TO ANY SUCH QUESTION, ANY PARTY SHALL HAVE THE RIGHT TO SERVE A WRITTEN DEMAND FOR JUDICIAL REFERENCE OF SUCH CLAIM OR CONTROVERSY ON THE OTHER PARTIES. THE PARTIES SHALL THEN NEGOTIATE IN GOOD FAITH FOR A MUTUALLY ACCEPTABLE REFEREE, HOWEVER IN NO EVENT SHALL ANY PARTY SEEK THE APPOINTMENT OF A REFEREE THAT MAY BE DISQUALIFIED PURSUANT TO CALIFORNIA SECTION 641 OF THE CODE OF CIVIL PROCEDURE. IN THE EVENT THAT THE PARTIES HAVE NOT AGREED UPON A REFEREE WITHIN TEN (10) BUSINESS DAYS AFTER WRITTEN DEMAND FOR SUCH REFERENCE HAS BEEN MADE, THE PARTIES SHALL SUBMIT TO THE SUPERIOR COURT THE NAMES OF UP TO THREE NOMINEES FOR

APPOINTMENT AS REFEREE, IN ACCORDANCE WITH THE PROVISIONS OF SECTION 640 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. THE REFEREE, ONCE AGREED UPON BY THE PARTIES OR APPOINTED BY THE SUPERIOR COURT, SHALL HAVE FULL AND COMPLETE AUTHORITY TO HEAR AND DETERMINE ANY AND ALL OF THE ISSUES IN AN ACTION OR PROCEEDING, WHETHER OF FACT OR OF LAW, AND TO REPORT A STATEMENT OF DECISION. IN CONNECTION WITH SUCH REFERENCE PROCEDURE, THE PARTIES SHALL HAVE ALL RIGHTS AND POWERS AFFORDED TO A CIVIL LITIGANT IN THE SUPERIOR COURT, INCLUDING THE ABILITY TO CONDUCT FULL DISCOVERY. THE REFEREE SHALL BE GOVERNED BY THE RULES OF CIVIL PROCEDURE FOR ACTIONS FILED IN CALIFORNIA SUPERIOR COURTS AS SET FORTH IN THE CALIFORNIA CODE OF CIVIL PROCEDURE, EXCEPT TO THE EXTENT THE PARTIES STIPULATE THE REFEREE MAY DEVIATE THEREFROM. THE CURRENT OPERATOR, ON THE ONE HAND, AND THE OTHER PARTIES, ON THE OTHER HAND, SHALL EVENLY DIVIDE THE COST OF THE REFEREE'S FEES. THE REFEREE SHALL HAVE THE POWER, AS PART OF ANY AWARD, TO INCLUDE THESE FEES AS AN ELEMENT OF RECOVERY. THE DECISION OF THE REFEREE UPON THE WHOLE ISSUE SHALL STAND AS THE DECISION OF THE SUPERIOR COURT, AND UPON THE FILING OF THE STATEMENT OF DECISION WITH THE CLERK OF THE SUPERIOR COURT, JUDGMENT MAY BE ENTERED THEREON IN THE SAME MANNER AS IF THE ACTION HAD BEEN TRIED BY THE SUPERIOR COURT. EXCEPT AS SET FORTH IN SECTION 645 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE, THE REFEREE'S AWARD SHALL BE CONSIDERED FINAL, AND NOT SUBJECT TO APPEAL OR COLLATERAL ATTACK.

YOU HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THIS AGREEMENT TO JUDICIAL REFERENCE AS PROVIDED ABOVE.

Current Operator's Initials _____ Buyer Parent's and Buyer's Initials _____ New Operator's Initials _____

ARTICLE 12. REPRESENTATIONS AND WARRANTIES

12.1. Current Operator's Representations and Warranties. Current Operator hereby represents and warrants to the Other Parties as follows:

12.1.1. Current Operator is a nonprofit public benefit corporation duly organized and in good standing under the laws of the State.

12.1.2. Current Operator (a) possesses, if and where required, Certifications and all similar approvals necessary to maintain and operate, and (b) is licensed by the State to operate, the Facility as an intermediate care facility with 90 licensed beds certified and eligible for Medicaid reimbursement and all permits, licenses, provider agreements and other governmental approvals necessary for the operation of the Facility as it is currently operated have been received and are now currently effective. A true and current copy of the Licenses (and, if applicable, the Certifications) is attached hereto as Exhibit J.

APPOINTMENT AS REFEREE, IN ACCORDANCE WITH THE PROVISIONS OF SECTION 640 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. THE REFEREE, ONCE AGREED UPON BY THE PARTIES OR APPOINTED BY THE SUPERIOR COURT, SHALL HAVE FULL AND COMPLETE AUTHORITY TO HEAR AND DETERMINE ANY AND ALL OF THE ISSUES IN AN ACTION OR PROCEEDING, WHETHER OF FACT OR OF LAW, AND TO REPORT A STATEMENT OF DECISION. IN CONNECTION WITH SUCH REFERENCE PROCEDURE, THE PARTIES SHALL HAVE ALL RIGHTS AND POWERS AFFORDED TO A CIVIL LITIGANT IN THE SUPERIOR COURT, INCLUDING THE ABILITY TO CONDUCT FULL DISCOVERY. THE REFEREE SHALL BE GOVERNED BY THE RULES OF CIVIL PROCEDURE FOR ACTIONS FILED IN CALIFORNIA SUPERIOR COURTS AS SET FORTH IN THE CALIFORNIA CODE OF CIVIL PROCEDURE, EXCEPT TO THE EXTENT THE PARTIES STIPULATE THE REFEREE MAY DEVIATE THEREFROM. THE CURRENT OPERATOR, ON THE ONE HAND, AND THE OTHER PARTIES, ON THE OTHER HAND, SHALL EVENLY DIVIDE THE COST OF THE REFEREE'S FEES. THE REFEREE SHALL HAVE THE POWER, AS PART OF ANY AWARD, TO INCLUDE THESE FEES AS AN ELEMENT OF RECOVERY. THE DECISION OF THE REFEREE UPON THE WHOLE ISSUE SHALL STAND AS THE DECISION OF THE SUPERIOR COURT, AND UPON THE FILING OF THE STATEMENT OF DECISION WITH THE CLERK OF THE SUPERIOR COURT, JUDGMENT MAY BE ENTERED THEREON IN THE SAME MANNER AS IF THE ACTION HAD BEEN TRIED BY THE SUPERIOR COURT. EXCEPT AS SET FORTH IN SECTION 645 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE, THE REFEREE'S AWARD SHALL BE CONSIDERED FINAL, AND NOT SUBJECT TO APPEAL OR COLLATERAL ATTACK.

YOU HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THIS AGREEMENT TO JUDICIAL REFERENCE AS PROVIDED ABOVE.

Current Operator's Initials	Buyer Parent's and Buyer's Initials	New Operator's Initials

ARTICLE 12. REPRESENTATIONS AND WARRANTIES

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12.1.2. Current Operator (a) possesses, if and where required, Certifications and all similar approvals necessary to maintain and operate, and (b) is licensed by the State to operate, the Facility as an intermediate care facility with 90 licensed beds certified and eligible for Medicaid reimbursement and all permits, licenses, provider agreements and other governmental approvals necessary for the operation of the Facility as it is currently operated have been received and are now currently effective. A true and current copy of the Licenses (and, if applicable, the Certifications) is attached hereto as Exhibit J.

12.1.3. There are currently no court orders, consent decrees, judgments or similar directives, including corporate integrity agreements under 42 USC Sec. 1320a-7b(f), affecting the Facility or Current Operator.

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

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

12.1.6. To Current Operator's actual knowledge, the Facility is currently in material compliance with (a) all governmental orders issued by any agency having jurisdiction of the Facility against the Facility or Current Operator, (b) all plans of correction and allegations of compliance filed by or in behalf of the Facility within the three (3) year period immediately preceding the Transfer Date, and (c) all applicable Conditions and Standards of Participation for Medicaid. Current Operator has not received written or verbal notice of, nor does it have a reasonable basis to expect the issuance of a written or verbal notice with respect to, any action or proceeding initiated or proposed by State or federal agencies having jurisdiction thereof, to either revoke, withdraw or suspend any of the License or Certificate or to decertify, terminate, ban or limit the participation of Current Operator or the Facility in the Medicaid, Veterans Administration or any other third-party payor programs, and to Current Operator's actual knowledge there is no condition or event which constitutes, or which with notice or the lapse of time or both would constitute, a default under or a violation of the License, the Certification (if any) or the Medicaid Provider Agreement, which might result in the revocation or termination thereof.

12.1.7. Current Operator's financial statements, which were submitted to New Operator in connection with its evaluation of the Facility, were prepared in accordance with the books of account and other financial records of Current Operator and fairly present the financial condition and results of operations of the Facility at the dates and for the periods covered thereby. All of the books and records of the Facility, including books and records related to Patient Trust Property and employee records, are true and correct in all material respects.

12.1.8. Current Operator is duly authorized to consummate the transactions contemplated by this Agreement. Current Operator has all necessary power and authority to enter

into this Agreement and to execute all documents and instruments referred to herein or contemplated hereby, and all necessary action has been taken to authorize the individual executing this Agreement to do so. This Agreement has been duly and validly executed and delivered by Current Operator and is enforceable against Current Operator in accordance with its terms.

Except as expressly set forth in this Agreement or in the Purchase Agreement, neither Current Operator nor any of its agents, employees or representatives have made, nor are any of them making, any representation or warranty, express or implied, in respect of the Current Operator or its assets, business or operations, and any such other representations or warranties are hereby expressly disclaimed. The Other Parties each expressly acknowledge and agree that none of them or any of their agents, employees or representatives are relying on any other representations or warranties of Current Operator or any of its agents, employees or representatives, including the accuracy or completeness of any such other representations and warranties, whether express or implied.

12.2. Other Parties Representations, Warranties and Covenants. Each of the Other Parties hereby represents and warrants to, and covenants with, Current Operator as follows:

12.2.1. Such Other Party is a limited liability company duly formed and in good standing in the State.

12.2.2. Such Other Party has all requisite power and authority to execute and deliver this Agreement and to carry out its obligations hereunder and the transactions contemplated hereby, and all necessary action has been taken to authorize the individual executing this Agreement to do so. The documents contemplated hereby have been or will be duly authorized by all necessary action on such Other Party's part. This Agreement has been, and the documents contemplated hereby to be executed by such Other Party will be, duly executed and delivered by such Other Party and constitute its legal, valid and binding obligations enforceable against it in accordance with their terms, and the consummation and performance by such Other Party of the transactions contemplated herein will not result in a violation of or be in conflict with or constitute a default under any term or provision of the organizational documents of such Other Party, or any of the terms or provisions of any agreement or instrument to which it is a party or by which it is bound, or of any term of any applicable law, ordinance, rule or regulation of any governmental authority, or of any term of any applicable order, judgment or decree of any court, arbitrator or governmental authority.

12.2.3. During the past five (5) years, neither such Other Party nor any affiliate of such Other Party (i) has been or is subject to any order, judgment, decree, stipulation or consent of any court or governmental body or agency relating to any actual or alleged violation of any health care law, regulation or program, (ii) has received from any Federal, state or local governmental body or agency any statement of material deficiencies or other notice of material noncompliance with any standard applicable to the physical plant, equipment, care or patient services at any health care facility under its ownership or management for which such deficiencies or noncompliance have not been corrected, (iii) has been the subject of any investigation by any Federal, state or local governmental body or agency for any alleged violation of any Medicare or Medicaid laws or regulations or other Federal, state or local health

care programs or (iv) has been excluded or suspended from a Federal health care program, including Medicare, Medicaid or Veterans Administration programs.

12.2.4. As of the Transfer Date, New Operator will qualify and will continue to qualify as a "covered entity" as such term is defined in HIPAA, and will comply and will continue to comply with all requirements under HIPAA and HITECH, including the use or disclosure of protected health information. New Operator will execute and deliver to Current Operator a Business Associate Agreement in the form attached as Exhibit L.

ARTICLE 13. MISCELLANEOUS

13.1. Assignment. Without the prior written consent of the other parties, no party may assign this Agreement to any third parties and any such attempted assignment will be void.

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

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

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

If to Current Operator:

KEIRO SERVICES
325 South Boyle Avenue
Los Angeles, CA 90033-3812
Attn: Shawn Miyake
Phone: (323) 980-7500
Fax: (323) 980-2344
Email: smiyake@keiro.org

If to Buyer Parent, Buyer or New Operator:

PACIFICA COMPANIES LLC
1775 Hancock Street, Suite 200
San Diego, CA 92110
Attn: Adam Bandel
Phone: (619) 296-9000
Fax: (619) 296-9090
Email:
abandel@pacificacompanies.com

With a copy to (which shall not constitute notice):

Neal H. Brockmeyer

Locke Lord LLP
300 South Grand Ave.
Suite 2600
Los Angeles, CA 90071
Phone: (213) 687-6774
Fax: (213) 341-6774
Email: nbrockmeyer@lockelord.com

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

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

13.6. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. A manual signature on this Agreement or certificates to be delivered pursuant to this Agreement, an image of which shall have been transmitted electronically, will constitute an original signature for all purposes. The delivery of copies of this Agreement or certificates to be delivered pursuant to this Agreement, including executed signature pages where required, by electronic transmission will constitute effective delivery of this Agreement or such certificates for all purposes.

13.7. Construction. This Agreement has been negotiated by and among the parties in arms-length negotiations, and the parties are responsible for its drafting. The parties have reviewed this Agreement with appropriate counsel, or have waived their right to do so, and the parties hereby mutually and irrevocably agree that this Agreement shall be construed neither for nor against any party, but in accordance with the plain language and intent hereof. The captions of paragraphs and subparagraphs of this Agreement have been inserted solely for the purposes of convenience and reference, and shall not control or affect the meaning or construction of any of the provisions of this Agreement. Unless the context otherwise requires, references to the parties shall be to the parties to this Agreement , and references to articles, sections and exhibits shall be to the articles or sections of, or exhibits to, this Agreement. Exhibits referred to in this Agreement, whether attached hereto or thereto at the time of this Agreement's execution and delivery or thereafter, are hereby incorporated into this Agreement and made a part hereof. "Including" and words of similar import mean "including without limitation" or "but not limited to," and "or" is used in the inclusive sense. Time is of the essence for all dates and time periods set forth in this Agreement and each performance called for in this Agreement.

13.8. Waiver. Waiver by one party of the performance of any covenant, condition or promise of the other party shall not invalidate this Agreement, nor shall it be considered to be a waiver by such party of any other covenant, condition or promise contained herein. The waiver

of either or both parties of the time for performing any act shall not be construed as a waiver of any other act required to be performed at a later date.

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

13.10. Entire Agreement. This Agreement is being entered into pursuant to the Purchase Agreement and, together with the Purchase Agreement and the exhibits thereto, the Confidentiality Agreements (as defined in the Purchase Agreement) and the other Operations Transfer Agreements, comprises the entire agreement between the parties hereto with respect to the subject matter hereof and shall be construed together with such other agreements. This Agreement may not be amended, modified or terminated except by written instrument signed by the parties hereto.

13.11. No Unintended Beneficiaries. This Agreement is solely between the parties hereto, and shall not create any right or benefit in any third party, including any creditor, agent, partner, employee or affiliate of Current Operator or any entity or agency having jurisdiction of the License, the Facility or the operation of the business therein.

13.12. Survival of Obligations, Representations and Warranties. The respective representations, warranties, covenants and remedies of the Current Operator and the Other Parties made herein or in any certificate or other document delivered pursuant to this Agreement, including the obligations of indemnity hereunder, shall survive the Transfer Date, the consummation of the transactions contemplated hereby and by the Purchase Agreement and the delivery of the Operating Assets to Buyer, and shall not be waived or merged thereby, until any applicable statute of limitations has run, notwithstanding any examination made by or for the party to whom such representations, warranties or covenants were made, the knowledge of any officers, directors, shareholders, members, partners, employees or agents of the party, or the acceptance of any certificate or opinion.

13.13. Cross Default. Any material breach or default of any warranty, covenant, agreement, condition or other obligation of a party hereunder, shall constitute a material breach or default of such party under the Purchase Agreement and the non-breaching party shall be entitled to any and all remedies to which such non-breaching party may be entitled under the terms of this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

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

CURRENT OPERATOR:

JAPANESE HOME FOR THE AGED, a California nonprofit public benefit corporation

By: _____
Shawn Miyake
Its President

BUYER PARENT:

PACIFICA COMPANIES LLC, a California limited liability company

By: _____
Deepak Israni
Its General Manager

BUYER:

PACIFICA SL BOYLE LLC, a California limited liability company

By: _____
Deepak Israni
Its General Manager

NEW OPERATOR:

PACIFICA SENIOR LIVING MANAGEMENT LLC, a California limited liability company

By: _____
Deepak Israni
Its General Manager

[Signature Page for Keiro Intermediate Care Facility OTA]

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

CURRENT OPERATOR:

JAPANESE HOME FOR THE AGED, a California nonprofit public benefit corporation

By: _____
Shawn Miyake
Its President

BUYER PARENT:

PACIFICA COMPANIES LLC, a California limited liability company

By: _____
Deepak Israni
Its General Manager

BUYER:

PACIFICA SL BOYLE LLC, a California limited liability company

By: _____
Deepak Israni
Its General Manager

NEW OPERATOR:

PACIFICA SENIOR LIVING MANAGEMENT LLC, a California limited liability company

By: _____
Deepak Israni
Its General Manager

[Signature Page for Keiro Intermediate Care Facility OTA]

EXHIBITS

TO

OPERATIONS TRANSFER AGREEMENT

KEIRO INTERMEDIATE CARE FACILITY[1]

Exhibit	Title
A	Form of Assignment and Assumption Agreement
B	Assumed Operating Contracts
C	Form of Bill of Sale
D	Encumbrances
E	Excluded Assets
F	Vehicles
G	Employment Claims
H	Equipment Leases
I	Tenant Leases
J	Licenses and Certifications
K	Pending Actions
L	Form of Business Associate Agreement

[1] Terms not otherwise defined shall have the meanings set forth in the accompanying Operations Transfer Agreement.

EXHIBIT A

FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT

[Attached]

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment") is made and entered into as of the ____ day of _____, 2015, by and between [_____], a California nonprofit public benefit corporation ("Assignor"), and [_____], a [California] limited liability company ("Assignee").

WHEREAS, Assignor and Assignee are parties to that certain Operations Transfer Agreement dated as of _____, 2015 (the "Transfer Agreement"), pursuant to which Assignor has agreed to assign and transfer to Assignee, and Assignee has agreed to assume the obligations under, the Assumed Operating Agreements associated with [_____];

WHEREAS, Assignor now desires to confirm such transfer and assignment, and Assignee now desires to confirm such assumption; and

WHEREAS, all capitalized terms used herein not otherwise defined, shall have the meanings assigned under the Transfer Agreement, and the miscellaneous provisions in Article 13 of the Transfer Agreement shall apply, to the extent appropriate, to this Assignment;

NOW THEREFORE, in accordance with and pursuant to the terms and conditions of the Transfer Agreement and this Assignment, and for good and valuable consideration, the receipt and sufficiency of which Assignee hereby acknowledges, the parties hereto agree as follows:

1. **Assignment**. Assignor hereby assigns and transfers to Assignee, all of Assignor's right, title and interest in, to and under the Assumed Operating Contracts specified on Schedule A attached hereto. In addition, Assignor hereby transfers, assigns and delivers to Assignee all right, title and interest of Assignor in and to all deposits and other security interests, if any, under any Assumed Operating Contracts. Assignor represents and warrants that the full amount of such deposits are in the amounts set forth on Schedule B attached hereto. Assignor further agrees to indemnify and save harmless Assignee from and against any claims which arise in connection with the failure of Assignor to have performed its obligations and liabilities under the Assumed Operating Contracts during the period prior to the Transfer Date.

2. **Assumption.** Assignee hereby accepts the foregoing assignment and hereby assumes and agrees to perform and satisfy, all of the obligations and liabilities of Assignor under the Assumed Operating Contracts to the extent such obligations and liabilities relate to the period from and after the Transfer Date. Assignee further agrees to indemnify and save harmless Assignor from and against any claims which arise in connection with Assignee's failure to perform such obligations and liabilities from and after the Transfer Date.

3. **Authority**. The parties hereto have the full right, power and authority to enter into this Assignment and bind the respective parties, and have obtained all necessary approval for the same from any party affected hereby.

4. **Successors and Assigns**. This Assignment shall inure to the benefit of, and be binding upon, the respective legal representatives, successors and permitted assigns of the parties hereto.

5. **Limitation**. This Assignment is executed in accordance with the terms and conditions of the Transfer Agreement, and the terms hereof are subject to the terms and conditions of the Transfer Agreement. Without limiting the foregoing, nothing contained herein shall be deemed to alter or amend the Transfer Agreement in any way, including without limitation any Excluded Liabilities thereunder.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Assignor and Assignee have caused this Assignment to be duly executed and delivered as of the date first stated above.

ASSIGNOR:

[_____],
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

ASSIGNEE:

[_____],
a [California] limited liability company

By: _____
Name: _____
Its: _____

EXHIBIT B

ASSUMED OPERATING CONTRACTS

[To be delivered by New Operator within 30 days of date of Operations Transfer Agreement]

EXHIBIT C

FORM OF BILL OF SALE

[Attached]

BILL OF SALE

THIS BILL OF SALE (this "Bill of Sale") is executed effective as of the ____ day of _____, 2015, from [_____], a California nonprofit public benefit corporation ("Seller"), to [_____], a [California] limited liability company ("Buyer").

WHEREAS, Seller and Buyer are among the parties to that certain Operations Transfer Agreement dated as of _____, 2015 (the "Transfer Agreement"), pursuant to which Seller has agreed to convey, assign and deliver to Buyer the Operating Assets associated with [_____], and all of Seller's right, title and interest therein, free of Encumbrances;

WHEREAS, Seller now desires to confirm such conveyance, assignment and delivery pursuant to the terms of the Transfer Agreement; and

WHEREAS, all capitalized terms used herein not otherwise defined, shall have the meanings assigned under the Transfer Agreement, and the miscellaneous provisions in Article 13 of the Transfer Agreement shall apply, to the extent appropriate, to this Bill of Sale;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller hereby conveys, assigns and delivers to Buyer all of Seller's right, title and interest in the Operating Assets associated with [_____], including without limitation all patient records and admission agreements, FF&E, Inventory, General Intangibles and Vehicles, but not including any Excluded Assets,

TO HAVE AND TO HOLD, all and singular, for Buyer's use and benefit, and Seller hereby represents and warrants to Buyer that it has full right, power and authority to convey, assign and deliver the foregoing Operating Assets and to make this Bill of Sale, and that the foregoing Operating Assets are free and clear of all Encumbrances. With the exception of the representations and warranties set forth in the immediately preceding sentence, the foregoing Operating Assets are being conveyed, assigned and delivered in their "AS IS, WHERE IS" condition, without any representation or warranty of any kind.

[Remainder of page left intentionally blank]

IN WITNESS WHEREOF, the undersigned has caused this Bill of Sale to be duly executed and delivered as of the date first stated above.

[_____],
a California nonprofit public benefit corporation

By: _____
Shawn Miyake, President

EXHIBIT D

ENCUMBRANCES

The following are leases for equipment used in the Keiro Intermediate Care Facility:

Type of Equipment	Lessor	Expiration Date of Lease
Photocopier	Canon	9/26/12
Photocopier	Canon	10/20/12
Photocopier	Canon	2/20/15

EXHIBIT E

EXCLUDED ASSETS

The following assets ("Excluded Assets") of Current Operator are not included in this transaction and shall be retained by or delivered to Current Operator in accordance with the terms, conditions, and procedures, including without limitation proration procedures, set forth herein:

(a) all cash, cash equivalents, investments, funds held in trust, pledges, contributions and charitable remainder trusts, excepting Patient Trust Property, which shall be transferred to the New Operator as set forth in the Operations Transfer Agreement (OTA);

(b) all accounts receivable, revenues, accounts, notes, interest and other receivables of Sellers (collectively, the "Accounts Receivable"), including all claims, rights, interests and proceeds related thereto, billed and unbilled, recorded and unrecorded, for services provided or for goods and supplies used by any patients or residents by Current Operator while owner of the Operating Assets whether payable by private pay patients, private insurance, third party payors, private payors, Medicaid (also known in California as Medi-Cal), or Medicaid managed care payors or by any other source and any governmental overpayments and any rights to prosecute any governmental underpayments and receivables; together with all documents, records, correspondence, work papers and other documents relating to the Accounts Receivable;

(c) all intercompany receivables of Current Operator with any of its affiliates;

(d) computer hardware, software and programs;

(e) subject to the provisions of the OTA, all of Sellers' or any affiliate of Sellers' proprietary manuals, policy and procedure manuals and standard operating procedures;

(f) the names "Keiro," "Keiro Senior HealthCare," "Keiro Nursing Home," "South Bay Keiro Nursing Home," Keiro Intermediate Care Facility" and "Keiro Retirement Home," any abbreviations and variations thereof, and any trademarks, trade names, service marks, symbols and logos related thereto, any world-wide web addresses associated with the Seller Group, and any other trademarks, trade names, service marks, copyrights and applications therefor;

(g) all Operating Assets of Current Operator that are disposed of, expended or cancelled in the ordinary course of business prior to the Transfer Date, provided that Current Operator shall not dispose of any Operating Assets without the prior written consent of New Operator (other than Inventory and other Operating Assets used at the Facility in the ordinary course of business, which shall be replenished to at least statutorily-required levels in the normal course);

(h) assets owned and provided by vendors of services or goods to the Facility;

(i) all claims, rights, interests and proceeds with respect to state or local tax refunds (including property tax) resulting from periods prior to the Transfer Date, and the right to pursue appeals of same;

(j) all of Current Operator's organizational and corporate records, minute books and financial, tax and accounting books and records;

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

(l) all refunds, rebates and dividends paid in respect of worker's compensation or other insurance premiums paid by Current Operator prior to the Transfer Date and any refunds or additional recoveries by or payments to Current Operator from any person for services or sales of goods or supplies prior to the Transfer Date;

(m) all settlements, refunds or returns of any other monies from any source or rights of any nature arising from or connected to Current Operator's operation of the Facility prior to the Transfer Date;

(n) all prepaids or deposits made by Current Operator;

(o) all accounts and balances in such accounts maintained by Current Operator at banks or other financial institutions;

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

(q) all existing licenses issued for or in connection with the ownership or operation of the Facility, including those issued by the California Department of Public Health;

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

(s) all of Current Operator's interest in and to the Terminated Operating Contracts;

(t) all insurance policies of Current Operator and, except as otherwise provided in Section 9.3 of the Purchase Agreement, rights to proceeds or return of premiums with respect thereto; and

(u) the Excluded Assets listed on Exhibit 1.2(u) to the Purchase Agreement.

EXHIBIT F

VEHICLES

The following vehicles are used for the Keiro Intermediate Care Facility:

Year	Make	Model	License	VIN
2002	TOYOTA	SIENNA	4YDK310	4T3ZF13C22U498329
2008	FORD	E-350	8T06341	1FD3E35L18DB29349

EXHIBIT G

EMPLOYMENT CLAIMS

None

EXHIBIT H

EQUIPMENT LEASES

See Exhibit D, which is incorporated by reference.

EXHIBIT I

TENANT LEASES

None

EXHIBIT J

LICENSES AND CERTIFICATIONS

[Attached]

License: 970000039
Effective: 02/04/2015
Expires: 02/03/2016
Licensed Capacity: 90

State of California
Department of Public Health

In accordance with applicable provisions of the Health and Safety Code of California and its rules and regulations, the Department of Public Health hereby issues

this License to

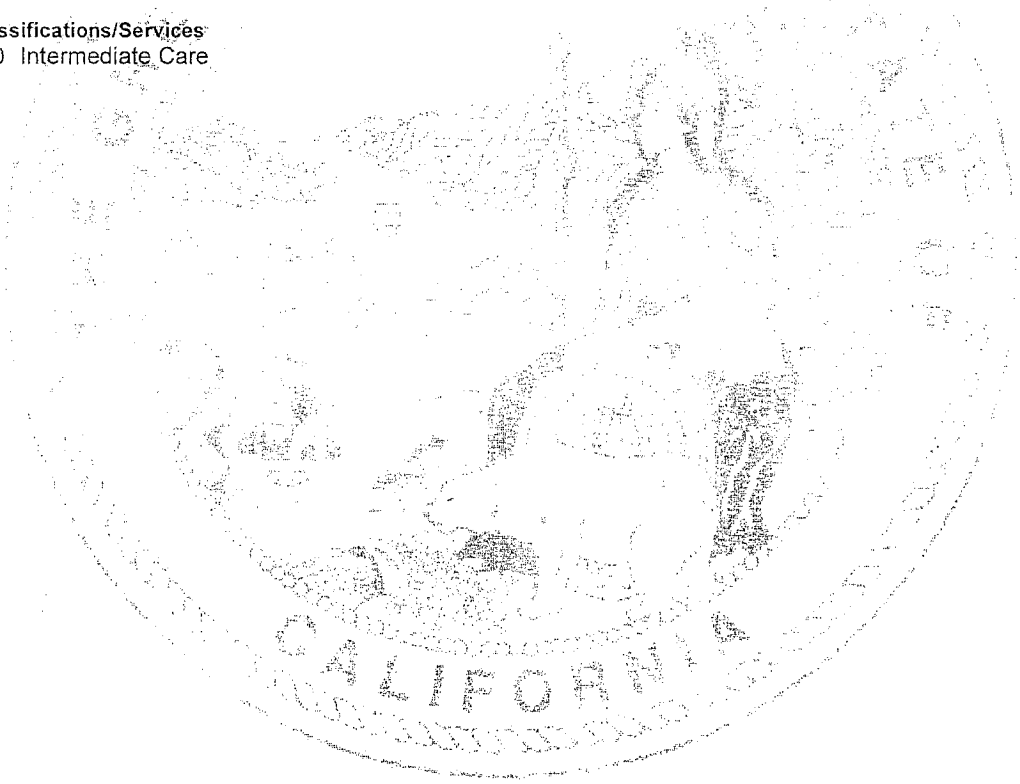
Japanese Home For Aged

to operate and maintain the following **Intermediate Care Facility**

KEIRO INTERMEDIATE CARE FACILITY

325 S Boyle Ave
Los Angeles , CA 90033-3812

Bed Classifications/Services
90 Intermediate Care



This **LICENSE** is not transferable and is granted solely upon the following conditions, limitations and comments:
None

Ron Chapman, MD, MPH
Director & State Health Officer

Adewole Adegoke, District Supervisor

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, L.A. County East District Office, 3400 Aeroject Avenue, Suite 323, El Monte, CA 91731, (626)569-3724

POST IN A PROMINENT PLACE

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

MARK B HORTON, MD, MSPH
Director

EDMUND G. BROWN JR.
Governor

August 18, 2011

CCN: 05-A411

Administrator
Keiro Intermediate Care Facility
325 South Boyle Avenue
Los Angeles, CA 90033

Dear Administrator:

We have accepted your agreement to participate as **Intermediate Care Facility** facility in the Medi-Cal program under Title XIX of the Social Security Act.

This letter **verifies** your facility's participation in the Medi-Cal program and should be retained in your records. This Medi-Cal Provider Agreement is effective, August 18, 2011.

Your continued participation in the Medi-Cal program depends on your ability to maintain compliance with Title 42 of the Code of Federal Regulations. Staff of the California Department of Public Health or the Department of Health and Human Services, Centers for Medicare and Medicaid Services, may inspect your facility on a periodic basis to determine your compliance with federal regulations.

For provider billing number inquiries please contact the Department of Health Care Services, Provider Enrollment Division, at MS 4704, P.O. Box 997413, Sacramento, CA 95899-7413, (916) 323-1945.

Questions relative to Medi-Cal certification call and speak with my staff at (916) 552-8619.

Sincerely,

John Dexter, Chief
Provider Certification Unit

MEDI-CAL CERTIFICATE

NURSING FACILITY

JAPANESE RETIREMENT HOME INTERMEDIATE CARE FACILITY, dba

KEIRO INTERMEDIATE CARE FACILITY

325 S. BOYLE AVENUE, LOS ANGELES, CALIFORNIA 90033

OCTOBER 29, 1999

Complaints concerning patient care in this or other facilities may be sent to the Deputy Director, Licensing and Certification Program, Department of Health Services, 1800 Third Street, Suite 210, P. O. Box 942732, Sacramento, California, 94234-7320.

Medi-Cal certification is effective from the date specified above and continues as long as provider maintains compliance with State and Federal laws, rules and regulations, as determined by an annual survey.

For the Director:
Department of Health Services

Michael R. Geddy, P.T., Chief
Provider Certification Unit
Licensing and Certification
Program

JAN 21 2000

Date

EXHIBIT K

PENDING ACTIONS

None

EXHIBIT L

FORM OF BUSINESS ASSOCIATE AGREEMENT

[Attached]

BUSINESS ASSOCIATE AGREEMENT

This Business Associate Agreement (this "Agreement") is made and entered into as of _____, 2015 by and between _____, a California nonprofit public benefit corporation (the "Covered Entity"), and _____, a [California] limited liability company (the "Business Associate"). Covered Entity and Business Associate may be referred to individually as a "party" or collectively as the "parties."

1. **Statement of Purpose**. Business Associate and Covered Entity are parties to that certain Operations Transfer Agreement dated as of _____, 2015 (the "Transfer Agreement") pursuant to which Business Associate has been engaged to provide certain billing and other services (the "Services") to Covered Entity arising from the transfer and sale of certain assets and operations associated with [_____] to Business Associate. Because Business Associate may access, retain, be exposed to, or become aware of confidential health information in the performance of the Services, the parties agree to protect the confidentiality of such information in accordance with federal and state laws and regulations including, but not limited to, information protected by the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the Health Information Technology for Economic and Clinical Health Act in Public Law 111-5 (the "HITECH Act"), and the regulations promulgated thereto (collectively, the "HIPAA Regulations"), which include, as amended from time to time, (i) the privacy standards, requirements and specifications promulgated by the Secretary at 45 C.F.R. Parts 160 and 164 subparts A and E (the "Privacy Rule"), (ii) the security standards, requirements and specifications promulgated by the Secretary at 45 C.F.R. Parts 160 and 164 subparts A and C (the "Security Rule"), and (iii) the breach notification standards, requirements and specifications enacted by Subtitle D of the HITECH Act and promulgated by the Secretary at 45 C.F.R. Part 164 subpart D (the "Breach Notification Rule").

2. **Definitions**. The following capitalized terms used herein shall have the meanings given below:

(a) "**Breach**" shall mean the acquisition, access, use or disclosure of PHI in a manner not permitted by the Privacy Rule that compromises the security or privacy of the PHI, as defined and subject to the exceptions set forth in 45 C.F.R. § 164.402.

(b) "**Electronic Protected Health Information**" or "**EPHI**" means electronic protected health information, as defined in the Security Rule. that is created, received, maintained or transmitted by or on behalf of the Covered Entity.

(c) "**Individual**" shall have the same meaning as the term "individual" in 45 C.F.R. § 160.103 and shall include a person who qualifies as a personal representative in accordance with 45 C.F.R. § 164.502(g).

(d) "**Law**" shall mean all applicable Federal and State Statutes and all relevant regulations thereunder, including but not limited to HIPAA, the HITECH Act, and HIPAA Regulations.

(e) "**Protected Health Information**" or "**PHI**" shall have the same meaning as the term "Protected Health Information" in 45 C.F.R. § 160.103, limited to the information created, received, maintained or transmitted by Business Associate from or on behalf of the Covered Entity.

(f) "**Secretary**" shall mean the Secretary of the Department of Health and Human Services, or his or her designee.

(g) "**Security Incident**" shall have the meaning set out in the Security Rule. Generally, a "Security Incident" shall mean any attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or systems operations in an electronic information system.

(h) "**Subcontractor**" shall mean a person or entity to whom Business Associate delegates a function, activity, or service other than in the capacity of a member of the workforce of Business Associate.

(i) "**Unsecured PHI**" shall mean PHI that is not rendered unusable, unreadable, or indecipherable to unauthorized individuals through the use of either the encryption method or the destruction method, as defined in Department of Health and Human Services ("HHS") guidance published on April 27, 2009 (74 FR 19006) and modified by guidance published on August 24, 2009 (74 FR 42740), as amended from time to time. Unsecured PHI can include information in any form or medium, including electronic, paper, or oral.

Any other terms used but not otherwise defined in this Agreement shall have the same meaning as set forth in the HIPAA Regulations and the HITECH Act.

3. **Business Associate Compliance**.

(a) Except as otherwise limited in this Agreement, Business Associate may use or disclose Protected Health Information to perform functions, activities, or services for, on behalf of, the Covered Entity, as specified in the underlying Transfer Agreement, provided that such use or disclosure would not violate HIPAA, the HITECH Act, HIPAA Regulations and all other Law if performed by the Covered Entity itself.

(b) Business Associate agrees to comply with its obligations as a business associate under HIPAA and acknowledges that it is subject to, and agrees to comply with, HIPAA, the HITECH Act and all applicable guidance and regulations issued in the past, present or future by the Secretary to implement HIPAA and the HITECH Act, including, but not limited to, HIPAA Regulations and all other Law. Business Associate will not act in any way to hinder, and will act in good faith to assist the Covered Entity to comply with Law or as required by Law. Business Associate agrees to comply with applicable state and federal Law relating to the confidentiality, security, privacy, and reporting or notification of breaches of health information.

4. **General Confidentiality**. Business Associate recognizes the sensitive and confidential nature of the Protected Health Information and agrees:

(a) That such Protected Health Information will be used or disclosed, including the uses and disclosures inherent in the performance of the Services, solely as required or permitted under this Agreement and in accordance with Law or as required by Law; and

(b) That Business Associate shall use reasonable safeguards designed to prevent uses and disclosures of Protected Health Information other than as permitted by this Agreement and to ensure that the transmission, handling, storage, and use of such Protected Health Information by

Business Associate will preserve the confidentiality of the Protected Health Information, in accordance with HIPAA, the HITECH Act, HIPAA Regulations and all other Law.

5. **Privacy Rule Responsibilities of Business Associate**.

(a) Business Associate will maintain accurate records of all transactions made in connection with this Agreement.

(b) Business Associate agrees to document and make available to Covered Entity the information required for the Covered Entity to provide an accounting of disclosures as set forth in the Privacy Rule at 45 C.F.R. § 164.528, as amended by the HITECH Act and implementing regulations, for uses and disclosures for which an accounting is required. Such records and accounting shall be provided to Covered Entity within ten (10) days of a written request from Covered Entity and Business Associate will maintain information necessary to provide an accounting for a period of six (6) years from the date of the disclosure.

(c) Business Associate agrees to report to the Covered Entity within five (5) days of Business Associate's discovery of any unauthorized use or disclosure of PHI or EPHI not permitted by this Agreement. To the extent applicable, Business Associate shall also follow Section 7 of this Agreement relating to breaches of unsecured Protected Health Information.

(d) Business Associate shall ensure that any Subcontractors that create, receive, maintain, or transmit PHI on behalf of Business Associate agree in writing to restrictions, conditions, and requirements relating to the use or disclosure of Protected Health Information that are at least as stringent as those that apply throughout this Agreement with respect to such information. In the event that Business Associate discovers a pattern of activity or practice of its Subcontractor that constitutes a material breach or violation of the Subcontractor's obligation under its agreement with Business Associate, in accordance with 45 C.F.R. § 164.504(e)(1)(iii), Business Associate must take reasonable steps to cure the breach or end the violation, as applicable, and if such steps are unsuccessful, terminate the agreement with the Subcontractor, if feasible.

(e) Business Associate, including its Subcontractors, agrees to limit any request, use and disclosure of Protected Health Information, to the extent practicable, to the Limited Data Set or, if needed, to the minimum amount of Protected Health Information necessary to accomplish the purpose of the request, use or disclosure in compliance with the HITECH Act and any regulations or guidance promulgated pursuant thereto. The parties acknowledge that the phrase "minimum necessary" shall be interpreted in accordance with the Privacy Rule, HITECH Act and any guidance issued by the Secretary.

(f) To the extent Business Associate has Protected Health Information in a Designated Record Set, Business Associate agrees to provide access within five (5) days of receipt of a written request from Covered Entity, to Protected Health Information in a Designated Record Set, to Covered Entity or, as directed by Covered Entity, to an Individual in order to meet the requirements under 45 C.F.R. § 164.524. An Individual's right of access to PHI includes the right to access EPHI contained in an electronic health record. If Business Associate or its Subcontractors maintains or uses PHI in an EHR, then promptly after receipt of a request from Covered Entity, Business Associate shall make a copy of such PHI available to Covered Entity in an electronic format in order to enable Covered Entity to fulfill its obligations under the HITECH Act and the Privacy Rule.

(g) Business Associate agrees to incorporate any amendments to Protected Health Information or to a record regarding an Individual contained in a Designated Record Set (for so long as the Protected Health Information is maintained in the Designated Record Set) provided by an Individual as set forth in the Privacy Rule at 45 C.F.R. 164.526. Business Associate shall provide Covered Entity with written notice of an Individual's request for an amendment within ten (10) days of receipt of such a request. Unless otherwise determined by Covered Entity, any approvals or denials of amendment to the Protected Health Information shall be the responsibility of the Covered Entity.

(h) Business Associate agrees to make its internal practices, books and records relating to the use and disclosure of Protected Health Information received from, or created or received by Business Associate on behalf of the Covered Entity available to the Covered Entity and the Secretary for the purpose of compliance determinations as set forth in the Privacy Rule. Such records shall include, but not be limited to, policies and procedures relating to the use and disclosure of PHI or EPHI, documentation required by the Security Rule relating to safeguards, and documentation required by the Breach Notification Rule.

(i) Business Associate and Covered Entity agree that the confidentiality provisions of this Agreement, specifically Sections 2 through 7, shall survive termination of this Agreement.

(j) Business Associate may, solely at the written request of the Covered Entity, provide Data Aggregation Services relating to the health care operations of the Covered Entity.

(k) Business Associate is not prohibited by this Agreement from utilizing Protected Health Information for its proper management and administration or to carry out its legal responsibilities, if any. Further, Business Associate is not prohibited from disclosing Protected Health Information for its proper management and administration or to carry out its legal responsibilities if the disclosure is required by Law or Business Associate obtains reasonable assurances from the person to whom the information is disclosed that it will be held confidentially and used or further disclosed only as required by Law or for the purpose for which is disclosed to the person. Business Associate will further require that the person to whom information is disclosed inform the Business Associate of any breach of confidentiality or violation of the HIPAA Regulations with respect to that information. In such event, Business Associate will immediately notify the Covered Entity of any instances of which it is aware in which the confidentiality of the information has been compromised, breached or the Privacy Rule was otherwise violated.

(l) Business Associate is not prohibited from using Protected Health Information to report violations of law to appropriate Federal and State authorities consistent with the Privacy Rule.

(m) Business Associate agrees to mitigate, to the extent practicable, any material adverse effect that is known to Business Associate resulting from a use or disclosure of Protected Health Information by Business Associate or its Subcontractors in violation of the requirements of this Agreement or Law.

(n) With respect to Protected Health Information that Business Associate creates, receives, maintains, or transmits on behalf of the Covered Entity, Business Associate will be responsible for obtaining from an Individual any necessary authorizations to use or disclose that Individual's Protected Health Information, in accordance with 45 C.F.R. § 164.506 or § 164.508.

Business Associate acknowledges that failure to obtain an authorization when necessary prior to disclosure constitutes a violation of this Agreement and must be reported to the Covered Entity.

(o) Within two (2) days of receiving a request from an Individual for a restriction on uses and disclosures of Protected Health Information or for confidential communications, as set forth in the Privacy Rule at 45 C.F.R. § 164.522, Business Associate shall forward such request to Covered Entity. Unless otherwise determined by Covered Entity, any denials of such requests shall be the responsibility of the Covered Entity. If the Covered Entity agrees to a request for restriction or confidential communications, Business Associate will be responsible for using and disclosing Protected Health Information consistent with that request. Failure to act in accordance with an agreed-to or required restriction constitutes a violation of this Agreement and must be reported to the Covered Entity.

(p) With respect to Protected Health Information that Business Associate creates, receives, maintains or transmits on behalf of the Covered Entity, Business Associate agrees to not directly or indirectly receive remuneration in exchange for any Protected Health Information as prohibited by, and subject to the exceptions under, 45 C.F.R. § 164.508(a)(4) of the Privacy Rule, the HITECH Act and state law. Failure to act in accordance with this restriction on selling Protected Health Information constitutes a violation of this Agreement and must be reported to the Covered Entity within two (2) days.

(q) With respect to Protected Health Information that Business Associate creates, receives, maintains or transmits on behalf of Covered Entity, Business Associate agrees to not make or cause to be made any communication about a product or service that encourages recipients of the communication to purchase or use the project or service as prohibited by, and subject to the exceptions under, 45 C.F.R. § 164.508(a)(3) of the Privacy Rule, the HITECH Act, and state law. Failure to act in accordance with this restriction on marketing communications constitutes a violation of this Agreement and must be reported to the Covered Entity.

(r) With respect to Protected Health Information that Business Associate creates, receives, maintains or transmits on behalf of the Covered Entity, Business Associate agrees to not make or cause to be made any written fundraising communication that is a Health Care Operation without provision, in a clear and conspicuous manner, of an opportunity for the recipient to elect not to receive further fundraising communications in accordance with 45 C.F.R. § 164.514(f) of the Privacy Rule, the HITECH Act, and state law. Failure to act in accordance with this restriction on fundraising communications constitutes a violation of this Agreement and must be reported to the Covered Entity.

(s) The parties agree to promptly execute an amendment to this Agreement upon the promulgation of any additional final rules, regulations or guidance by the Secretary as required by the HITECH Act. Business Associate agrees to promptly negotiate in good faith and execute an amendment which complies with the additional requirements of the HITECH Act and its implementing guidance and regulations.

6. **Responsibilities of Business Associate Regarding Electronic PHI**.

(a) With respect to EPHI, without limiting the other provisions of this Agreement, Business Associate will (i) implement administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the EPHI that it creates, receives, maintains, or transmits on behalf of the Covered Entity, as required by

the Security Rule; (ii) ensure that any Subcontractor to whom it provides EPHI agrees in writing to implement reasonable and appropriate safeguards to protect it; and (iii) report to Covered Entity any Security Incident of which it becomes aware within five (5) business days of becoming aware of such Security Incident. Business Associate shall provide Covered Entity with such information concerning such safeguards as Covered Entity may from time to time request.

(b) Business Associate agrees to implement and maintain a written security program that contains the necessary administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of EPHI and must implement and maintain a privacy policy and procedure both in compliance with the HITECH Act and HIPAA including, but not limited to, the HIPAA Regulations.

7. **Responsibilities of Business Associate Regarding Unsecured PHI**.

(a) Securing PHI. Unless specifically agreed to by the Covered Entity, Business Associate agrees to implement, in a reasonable and appropriate manner, the technologies and methodologies the HITECH Act, the Secretary, or other Law specifies in order to render PHI that Contractor creates, receives, maintains or transmits on behalf of the Plan, unusable, unreadable, or indecipherable to unauthorized individuals, thereby making the Protected Health Information secure. Contractor shall ensure that any agent, including, but not limited to, Subcontractors or vendors to whom it provides the Plan's Protected Health Information will implement, in a reasonable and appropriate manner, the technologies and methodologies the HITECH Act, the Secretary, or other Law specifies with respect to rendering the Plan's PHI unusable, unreadable or indecipherable to unauthorized individuals.

(b) Breach Notification. With respect to any Unsecured PHI, Business Associate shall report to the Covered Entity any Breach discovered by Business Associate, or any of Business Associate's Subcontractors, within five (5) business days of Discovery.

1. The report must include (or be supplemented on an ongoing basis as information becomes available) with: (i) the identification of all Individuals whose Unsecured PHI was or is believed to have been breached; (ii) a brief description of the Breach, including the type of Breach (*e.g*, theft, loss, improper disposal, hacking), location of the Breach (e.g., laptop, desktop, paper), how the Breach occurred, the date the Breach occurred, and the date the Breach was discovered; (iii) a description of the type of Unsecured PHI involved (e.g., social security number, diagnosis, EOBs, etc.), including the type of media, but not the Breached PHI itself, unless requested by the Covered Entity; (iv) a description of the safeguards in place prior to the Breach (e.g., firewalls, packet filtering, secure browser sessions, strong authentication); (v) a description of the actions taken in response to the Breach (e.g., additional safeguards, mitigation, sanctions, policies, and procedures); (vi) all other information reasonably requested by the Covered Entity to enable the Covered Entity to perform and document a risk assessment in accordance with the Breach Notification Rule, and (vii) all other information reasonably necessary to provide notice to Individuals, the Secretary and/or the media.

2. At the Covered Entity's sole option, the Covered Entity may delegate to Business Associate the responsibility for determining (and providing evidence to the Covered Entity) that any such incident is not a Breach, including the requirement to perform a risk assessment to determine whether a low probability of compromise has occurred, as provided by the Breach Notification Rule. In the event that the Covered Entity delegates this obligation to Business Associate, without unreasonable delay, and in any event no later than thirty (30) calendar days after Discovery, Business Associate shall provide the Covered Entity with written notification of the Breach and a copy of the risk assessment that assesses whether a low probability of compromise occurred.

3. At the Covered Entity's sole option, the Covered Entity may delegate to Business Associate the responsibility of providing any notifications the Covered Entity determines is required by the Breach Notification Rule, including notifications to Individuals, the Secretary and/or the media. Prior to sending out such notifications, Business Associate will provide a copy of the template notification letters for approval by the Covered Entity. All notifications shall comply with the elements established by the Breach Notification Rule and be sent within timeframes established by the Breach Notification Rule. In the event that the Covered Entity delegates these obligations to Business Associate and in the event of a Breach, without unreasonable delay, and in any event no later than sixty (60) calendar days after Discovery, Business Associate shall provide the Covered Entity evidence that all required notifications, including any media or Secretary notifications, have been made.

4. Business Associate shall pay all reasonable costs incurred in relation to the occurrence of a Breach or potential Breach, including, but not limited to, expenses relating to providing any notifications the Covered Entity, or as applicable the Business Associate, determines necessary under the Breach Notification Rule, regardless of whether Business Associate or the Covered Entity makes the notifications.

8. **Term and Termination**.

(a) Term. The term of this Agreement shall begin on the date hereof and continue until termination of the Transfer Agreement or until otherwise terminated as noted herein.

(b) Termination and Amendment by Operation of Law. This Agreement shall terminate immediately in the event that a HIPAA Business Associate Agreement is no longer applicable or required under then current Law. If on the advice of Covered Entity's counsel, Covered Entity reasonably determines that the terms of this Agreement likely would be interpreted to violate or not comply with any applicable Laws, the parties shall negotiate in good faith to amend the Agreement to comply with such Laws. If the parties cannot reasonably agree on such amendment, then this Agreement and the underlying services Transfer Agreement or the relevant portions of such Transfer Agreement shall terminate.

(c) Termination of Agreement by Covered Entity. Covered Entity may terminate this Agreement immediately if it reasonably determines that Business Associate has violated a

material term of this Agreement, HIPAA, the HITECH Act, HIPAA Regulations or any other applicable Law. In the event that Business Associate breaches this Agreement, HIPAA, the HITECH Act, HIPAA Regulations or any other applicable Law, Covered Entity reserves the right to cure such breach. Business Associate will cooperate with any such efforts undertaken by Covered Entity. Cure of breach does not limit Covered Entity's ability to immediately terminate this Agreement and the Transfer Agreement, at its sole option, and to report the breach to the Secretary, notwithstanding any other provision of this Agreement to the contrary.

(d) Injunctive Relief. Business Associate acknowledges and agrees that the terms of this Agreement and the HIPAA Regulations are necessarily of a special, unique and extraordinary nature and that the loss arising from a breach thereof cannot reasonably and adequately be compensated by money damage, as such breach will cause Covered Entity to suffer irreparable harm. Accordingly, upon failure of Business Associate to comply with the terms of the Agreement, HIPAA, the HITECH Act, HIPAA Regulations or any other applicable Law, and except as otherwise provided herein, Covered Entity or any of its successors or assigns shall be entitled to injunctive or other extraordinary relief and with such injunctive or other extraordinary relief to be cumulative to, but not in limitation of, any other remedies that may be available to Covered Entity, its successors or assigns, such relief to be without the necessity of posting a bond.

(e) Effect of Termination. Upon termination or expiration of this Agreement, Business Associate shall within ten (10) days either return or destroy all Protected Health Information received from, or created, received, maintained, or transmitted by Business Associate on behalf of the Covered Entity that the Business Associate maintains in any form and shall retain no copies of such information to the extent that such action is feasible and not prohibited by other applicable law. This provision applies to all Subcontractors of Business Associate who may possess Protected Health Information on behalf of the Business Associate and/or the Covered Entity. In the event that the Covered Entity has ascertained that the return or destruction of such information is not feasible or permissible, Business Associate agrees to continue to comply with all provisions of this Agreement and applicable Law with regard to its uses, storage, and disclosure of such Protected Health Information for so long as Business Associate maintains such Protected Health Information.

9. **Miscellaneous Terms**.

(a) Independent Contractor Status. In performing Business Associate's responsibilities pursuant to this Agreement, it is understood and agreed that Business Associate is all times acting as an independent contractor and that Business Associate is not a partner, joint-venturer, agent or employee of the Covered Entity. It is expressly agreed that Business Associate will not for any purpose be deemed to be an agent, ostensible or apparent agent, or servant of the Covered Entity, and the parties agree to take any and all such action as may be reasonably requested by the Covered Entity to inform the public and others utilizing the professional services of Business Associate of such fact.

(b) Governing Law and Venue. This Agreement shall be construed and governed according to the laws of the State of California, without giving effect to its conflict of laws provisions.

(c) Assignment. No assignment of this Agreement or the rights and obligations hereunder shall be valid without the prior written consent of the non-assigning party.

Notwithstanding the foregoing, this Agreement may be assigned to any successor of the Covered Entity. This Agreement may also be assigned to any affiliate of the Covered Entity.

(d) Notices. Any notice to a party hereto pursuant to this Agreement shall be given in writing by personal delivery, overnight delivery, facsimile, telecommunications, or United States certified or registered mail, return receipt requested, to the addresses set forth at the end of this Agreement. The parties shall hereafter notify each other in accordance herewith of any change of address to which notice is required to be sent. Notice shall be effective upon delivery.

(e) Parties Bound. This Agreement and the rights and obligations hereunder shall be binding upon and inure to the benefit of the parties, and their respective heirs, personal representatives, and permitted assigns. This Agreement shall also bind and inure to the benefit of any successor of Covered Entity by sale, merger or consolidation.

(f) Data Ownership. Business Associate acknowledges and agrees that the Covered Entity is the owner of the Protected Health Information.

(g) Non-Waiver. No waiver by either of the parties hereto of any failure by the other party to keep or perform any provision, covenant or condition of this Agreement shall be deemed to be a waiver of any preceding or succeeding breach of the same, or any other provision, covenant or condition.

(h) No Third Party Beneficiaries. This Agreement is not intended to benefit any third person or entity, nor shall anyone not a party to this Agreement be able to enforce or recover any right or remedy hereunder.

(i) Additional Documents. Each of the parties hereto agrees to execute any document or documents that may be requested from time to time by the other party to implement or complete such party's obligations pursuant to this Agreement or Law.

(j) Entire Agreement. This Agreement and the Transfer Agreement, including any agreements, exhibits or addenda identified and incorporated by reference herein or therein, contains the entire understanding of the parties and supersedes any prior written or oral agreements or understandings among them concerning the subject matter set forth above. There are no representations, warranties, covenants, promises, agreements, arrangements or understandings, oral or written, express or implied among the parties hereto relating to the subject matter set forth above which have not been fully expressed herein.

(k) Amendments. This Agreement can be amended only by an instrument in writing signed by the parties. Amendments to this Agreement shall be effective as of the date stipulated therein. The parties agree to take such reasonable actions as are necessary to amend this Agreement from time to time as is necessary for the Covered Entity to comply with HIPAA, the HITECH Act, HIPAA Regulations or any other applicable Law.

(l) Severability. The sections, paragraphs and individual provisions contained in this Agreement shall be considered severable from the remainder of this Agreement and in the event that any section, paragraph or other provision should be determined to be unenforceable as written for any reason, such determination shall not adversely affect the remainder of the sections, paragraphs or other provisions of this Agreement. It is agreed further, that in the event any section, paragraph or other provision is determined to be unenforceable, the parties shall use their best efforts to reach agreement on an amendment to the Agreement to supersede such severed section, paragraph or provision.

(m) Indemnification. Business Associate shall indemnify and defend the Covered Entity against and hold it harmless from all claims, damages, losses, judgments, civil monetary penalties, settlements, costs and expenses (including attorneys' fees) arising out of Business Associate's negligence or intentional misconduct in Business Associate's use, disclosure, and storage of Protected Health Information and/or Business Associate's breach of this Agreement.

(n) Interpretation. Any ambiguity in this Agreement will be resolved in favor of a meaning that permits the Covered Entity to comply with HIPAA, the HITECH Act, and the HIPAA Regulations.

(o) Assistance in Litigation or Administrative Proceedings. Business Associate shall make itself, and any subcontractors, employees or agents assisting Business Associate in the performance of Business Associate's obligations under this Agreement, available to Covered Entity, at no cost to Covered Entity, to testify as witnesses, or otherwise, in the event of litigation or administrative proceedings against Covered Entity, its directors, officers, or employees based upon a claimed violation of Law.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have signed this Agreement as of the date set forth above.

COVERED ENTITY:

_____

By:_____
Name:_____
Title:_____
Address:_____
_____

BUSINESS ASSOCIATE:

_____

By:_____
Name:_____
Title:_____
Address:_____
_____

Execution Copy

AMENDMENT TO OPERATIONS TRANSFER AGREEMENT

THIS AMENDMENT TO OPERATIONS TRANSFER AGREEMENT (this "Amendment") is made and entered into as of May 21, 2015, by and among JAPANESE HOME FOR THE AGED, a California nonprofit public benefit corporation ("Current Operator"), PACIFICA COMPANIES LLC, a California limited liability company ("Buyer Parent"), and its affiliates, PACIFICA SL BOYLE LLC, a California limited liability company ("Buyer") and PACIFICA SENIOR LIVING MANAGEMENT LLC, a California limited liability company ("Pacifica Senior Living"), and ASPEN SKILLED HEALTHCARE, INC., a California corporation ("New Operator Parent") and its direct or indirect wholly-owned subsidiary, AICF, LLC, a California limited liability company ("New Operator").

RECITALS

A. Current Operator, Buyer Parent, Buyer and Pacifica Senior Living entered into that certain Operations Transfer Agreement dated as of February 19, 2015 (the "OTA"), providing for the transfer of the Operating Assets associated with the "Keiro Intermediate Care Facility" to Buyers and for the orderly transition of operational and financial responsibility for the "Keiro Intermediate Care Facility" from Current Operator to Pacifica Senior Living. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the OTA.

B. Buyer has now agreed to lease the Real Property and Operating Assets to New Operator pursuant to the terms of the Lease, and New Operator has agreed to lease the Real Property and Operating Assets from Buyer and to operate the Facility.

C. The transfer of title to the Real Property and Operating Assets associated with the Facility, the commencement of the Lease and the transfer of operations contemplated in the OTA are scheduled to occur simultaneously on the Transfer Date.

D. The parties desire to set forth their understanding with respect to the substitution of operators and related matters in an amendment of the OTA.

AGREEMENT

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

1. All references to "New Operator" in the OTA shall hereafter refer to AICF, LLC, a subsidiary of Aspen Skilled Healthcare, Inc., which shall hereafter be referred to as "New Operator Parent," and references to "Other Parties" shall hereafter exclude Pacifica Senior Living and include New Operator Parent and New Operator, as well as Buyer Parent and Buyer. Pacifica Senior Living shall no longer have any obligation or liability under the OTA.

2. Section 1.6 of the OTA shall be amended to read as follows:

1.6 "Buyer Group" refers to Buyer, Buyer Parent, Pacifica SL Lincoln LLC and Pacifica SL Vermont LLC.

3. Section 1.31 of the OTA shall be amended to read as follows:

1.31 "Purchase Agreement" means that certain Asset Purchase and Sale Agreement dated February 19, 2015, as amended on March 13, 2015, March 26, 2015 and May 21, 2015, by and among Buyer Group and Seller Group.

4. Section 1.40 shall be added to the OTA to read as follows:

1.40 "Lease" means the form of lease agreement to be entered into between Buyer and New Operator, a copy of which is attached hereto (by virtue of the Amendment) as Exhibit M.

5. Section 2.5.1 of the OTA shall be amended to read as follows:

2.5.1. New Operator will operate, and Buyer Parent, New Operator Parent and Buyer will cause New Operator to operate, the Facility in a "culturally sensitive" manner, meaning the existence of an environment that fosters an awareness and acceptance of the cultural characteristics, history, values, belief systems and behaviors of the Japanese American residents and families, which will include elements listed on Exhibit 11.4(i) of the Purchase Agreement to maintain that environment;

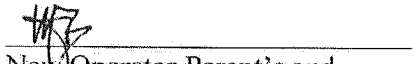
6. Section 2.5.3 of the OTA shall be amended to read as follows:

2.5.3. New Operator shall continue providing, and Buyer Parent, New Operator Parent and Buyer shall cause New Operator to continue providing, community benefit programs relating to the Facility and shall expend at least $118,942 (including waiving rental for use by community groups) for community programs at the Facilities located on the Boyle Campus (as defined in the Purchase Agreement) during each twelve (12) month period from and after the Closing Date, such amount to be allocated equally between New Operator and the operator of the retirement home located on the Boyle Campus;

7. The last sentence of Section 6.2.4 of the OTA shall be amended to read as follows:

"New Operator Parent and New Operator hereby agree to indemnify, defend and hold harmless Current Operator from any loss, cost or expense Current Operator may incur as a result of or a failure to give any required notice under the WARN Act."

8. The following shall add the initials of New Operator Parent and New Operator to Section 11.1 of the OTA:



New Operator Parent's and
New Operator's Initials

9. The first sentence of Section 12.1.7 of the OTA shall be amended to read as follows:

Current Operator's financial statements, which were submitted to Buyer Parent and New Operator Parent in connection with their evaluation of the Facility, were prepared in accordance with the books of account and other financial records of Current Operator and fairly present the financial condition and results of operations of the Facility at the dates and for the periods covered thereby.

10. The following address shall be added to Section 13.4 of the OTA for notices to New Operator Parent or New Operator:

If to New Operator Parent or New Operator:

ASPEN SKILLED HEALTHCARE, INC.,
Attn: V. Jay Brady
28202 Cabot Road, Suite 412
Laguna Niguel, CA 92677
Phone: (949) 347-7100
Fax: (949) 347-7800
Email: jbrady@aspenskilledhealthcare.com

With a copy to (which shall not constitute notice):

Jennifer Sternshein
Sanders Rehaste Sternshein & Harvey, LLP
5316 E. Chapman Avenue
Orange, CA 92869
Phone: (714) 289-7070
Fax: (714) 289-7071
Email: Jennifer@srshhealthlaw.com

[SIGNATURES ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first above written.

CURRENT OPERATOR:

JAPANESE HOME FOR THE AGED, a California nonprofit public benefit corporation

By: _____
Shawn Miyake
Its President

BUYER PARENT:

PACIFICA COMPANIES LLC, a California limited liability company

By: _____
Deepak Israni
Its General Manager

BUYER:

PACIFICA SL BOYLE LLC, a California limited liability company

By: _____
Deepak Israni
Its General Manager

PACIFICA SENIOR LIVING:

PACIFICA SENIOR LIVING MANAGEMENT LLC, a California limited liability company

By: _____
Deepak Israni
Its General Manager

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Its General Manager

PACIFICA SENIOR LIVING:

PACIFICA SENIOR LIVING MANAGEMENT LLC, a California limited liability company

By: _____
Deepak Israni
Its General Manager

NEW OPERATOR PARENT:

ASPEN SKILLED HEALTHCARE, INC.,
a California corporation

By: _____
Jay Brady
Its President

NEW OPERATOR:

AICF, LLC, a California limited liability company

By: _____
Jay Brady
Its President

[Signature Pages for Keiro Intermediate Care Facility Amendment to OTA]

EXHIBIT M

LEASE AND OPERATIONAL CONTROL AGREEMENT

THIS LEASE AND OPERATIONAL CONTROL AGREEMENT ("**Agreement**" or "**Lease**") is made as of May _____, 2015, between **Pacifica SL Boyle, LLC**, a California limited liability company ("**Owner**") and **AICF, LLC**, a California limited liability company (the "**Operator**"). Owner and Operator are collectively referred to herein as "**Parties.**"

WITNESSETH:

WHEREAS, Owner is a limited liability company organized in the state of California and is under contract to acquire an intermediate care facility and the underlying real property located at 325 South Boyle Avenue, Los Angeles, California, with 90 licensed and Medicaid-certified intermediate care beds commonly known as "Keiro Intermediate Care Facility" (the "**Facility**" and/or the "**Premises**" according to context);

WHEREAS, Owner desires to not be involved in the intermediate care facility activities at the Facility;

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

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

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

1. Lease and Operations. For and in consideration of the covenants and agreements hereinafter contained, Owner does hereby let, lease, and demise unto Operator, and Operator does hereby lease from Owner, the real property described on Exhibit A and the Facility located thereon and the parking spaces (on a non-exclusive basis), equipment, inventory and furnishings located at the Facility (the "**Premises**").

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

2. Term.

(a) The term of this Agreement shall be for a period of 3 years beginning on the date that Owner acquires fee title to the Premises (the "**Commencement Date**") and ending on the third (3rd) anniversary of such date (the "**Term**"). This Agreement shall be mutually cancellable by Owner or Operator for cause or no-cause with a 180 day written notice.

3. Rental; Operating Revenue; and Facility Expenses. As rental for the Premises, Operator shall pay to Owner on the first day of each month of the Term, rent as follows:

(a) Base rent not less than Twelve Thousand and No/100 Dollars ($12,000.00) per year payable monthly which is equal to One Thousand and No/100 Dollars ($1,000.00) per month.

(b) Base rent shall be increased on each annual anniversary date of the commencement of this Lease (each a "**Rent Adjustment Date**") by an amount equal to the result of multiplying the Base Rent in effect immediately prior to the applicable Rent Adjustment Date by 1.03.

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

(d) Notwithstanding any terms to the contrary, Landlord and Operator agree to equally split the Operating Revenue of the Facility and the Facility Expenses (as such terms are defined below) incurred by Operator in the operation of the Facility. Within twenty (20) days of the end of each calendar quarter, Operator shall submit to Landlord a schedule of the Operating Revenue and the Facility Expenses for the immediately preceding calendar quarter ("**Revenue and Expense Schedule**"). If Landlord agrees to the Revenue and Expense Schedule, then within thirty (30) days of the end of each calendar quarter, the Landlord or Operator shall remit such sums as necessary, to the other party, such that the Landlord and Operator shall have equally shared in the Revenue and the Facility Expenses incurred by Operator for the period set forth on such Revenue and Expense Schedule.

If Landlord disagrees with the Revenue and Expense Schedule, then within thirty (30) days of the end of each calendar quarter Operator and Landlord shall select a neutral third party certified public accountant to audit the Revenue and Expense Schedule. The findings or adjustments to the Revenue and Expense Schedule by such certified public accountant shall be binding upon Landlord and Operator, with either Landlord or Operator to remit such sums as necessary within five (5) days of such finding to the other party, such that the Landlord and Operator shall have equally shared in the Operating Revenues and the expenses incurred by Operator for the period set forth on such Revenue and Expense Schedule.

(i) As used in this Section 3(d), the term "**Operating Revenue**" shall mean and include, all payments received in connection with agreements with the residents of the Facility or other payments for the use or occupancy of space in the Facility, including, without limitation, any such payments received pursuant to any sublease or assignment of resident agreements, any lease, license, concession, or other permissive use arrangement; all payments made by any third-party payors under any third-party payor program (including, without limitation, to the extent applicable to the Facility, Medi-Cal, CHAMPUS, Blue Cross and/or Blue Shield, managed care plans, or other private insurance plans or employee assistance programs), parking revenues, income from vending machines, photocopy machines, and other such devices, late charges, interest on past due rentals, payments under any

licenses, concessions, or other agreements for advertising signs, telecommunications services, antennas, or disks, all lease modification, amendment, surrender, or cancellation payments, all proceeds in lieu of rental revenues from any business interruption insurance policies; all escalation payments; and all payments made by residents, or other users of the Facility for extra services, including, without limitation, the use of any personal property used in connection with the Facility and the provision of any healthcare or other personal services.

(ii) As used in this Section 3(d) the term "**Facility Expenses**" shall mean all expenses incurred in the course of the operation of the Facility during the term identified on the Revenue and Expenses Schedule including, but not limited to, any and all fees incurred by Operator in applying for and obtaining the CDPH license and renewals of the CDPH license, necessary to operate the Facility, the reasonable salaries, bonuses, commissions, state and federal payroll and social security tax obligations and benefits paid to or on behalf of the employees of the Facility, any out of pocket costs incurred by Operator in preparing the Facility tax returns and any taxes due thereunder and any penalties or interest related to the payment thereof; the cost of all Facility supplies and equipment; any expenses incurred by Operator in billing for services rendered at the Facility and/or in collecting or attempting to collect the accounts receivable of the Facility; and the cost of all insurance premiums due with respect to any insurance policies or programs which provide coverage for the Facility and any deductible, retention amounts or security payments related to claims or potential claims made under such insurance policies. Shared facility expenses with Sakura Gardens, including but not limited to dietary, security, maintenance, and landscaping shall be combined and allocated per total number of residents. "Facility Expenses" shall not include any Corporate overhead, non-facility employees of Operator, or management fees.

4. Triple Net Lease. This is a triple net lease (meaning that in addition to the rental payment set forth in Section 3 above, Operator shall pay all amounts necessary to operate and maintain the Facility, including without limitation, all real property taxes and assessments, repairs, maintenance and replacements for the Premises, and insurance. The rent due under this lease will be paid by Operator and be received by Owner without any deduction or offset whatsoever by Operator, foreseeable or unforeseeable. Property tax and insurance payments shall be paid by Operator to Owner quarterly. The timing and amount of such quarterly payments shall be such that Owner will have sufficient funds from which to pay all property tax and insurance invoices at such times as to avoid any and all penalties and to take maximum advantage of any and all discounts available.

5. Absolute Net Lease.

(a) All rent payments shall be absolutely net to the Owner free of taxes, assessments, utility charges, operating expenses, refurnishings, insurance premiums or any other charge or expense in connection with the Premises. All expenses and charges, whether for upkeep, maintenance, repair, (whether structural or non-structural) refurnishing, refurbishing, restoration, replacement, insurance premiums, taxes, utilities, and other operating or other charges of a like nature or otherwise, shall be paid by Operator provided, however, that Operator shall not be responsible for repair or replacement necessary to cure

any condition for which Owner is responsible under Section 16(d). This provision is not in derogation of the specific provisions of this Lease, but in expansion thereof and as an indication of the general intentions of the parties hereto. Operator shall continue to perform its obligations under this Lease even if Operator claims that Operator has been damaged by any act or omission of Owner. Therefore, Operator shall at all times remain obligated under this Lease without any right of set-off, counterclaim, abatement, deduction, reduction or defense of any kind, except as otherwise expressly provided for in this Agreement. Operator's sole right to recover damages against Owner by reason of a breach or alleged breach of Owner's obligations under this Lease shall be to prove such damages in a separate action against Owner.

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

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

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

9. Operational Responsibilities.

(a) Responsibilities of Owner.

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

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

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

(iv) Owner shall endeavor to refer residents from the independent living, assisted living, and memory care components of its related Keiro facility located at

325 South Boyle Avenue, Los Angeles, California (the "Boyle Campus") to the skilled nursing Facility to the greatest extent feasible. Likewise, Operator shall endeavor to refer residents from the skilled nursing Facility to the independent living, assisted living, and memory care components of the Boyle Campus to the greatest extent feasible. Neither party shall pay nor be entitled to remuneration nor compensation of any kind for such referrals. Operator has no obligation to provide such referrals as a matter of compliance with this Lease.

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

(i) Recruit, screen, employ, train, promote, direct and terminate the employment of Facility personnel as necessary for the operation of all departments and services of the Facility, including without limitation, setting the salary levels, establishing personnel policies, and maintaining employee benefits within prescribed regulatory limits and consistent with developed performance standards. At or prior to the Commencement Date, Operator will tender offers of employment to all of the Employees involved in the intermediate care facility activities at the Facility in good standing. Such offers of employment made by Operator will be made in a manner sufficient to comply with federal, state, and local law, and for wages and benefits that are not less favorable than those provided to other similarly situated employees of the facilities in which Owner's affiliates have an ownership interest and which are located in California.

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

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

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

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

(vi) Be responsible for purchase of supplies, equipment, maintaining supply agreements or purchase contracts. Implement repairs and continued

maintenance of Facility equipment and buildings. Be responsible for conducting periodic on-site inspections of the Facility, announced and unannounced, to ensure the physical plant and grounds are in satisfactory repair and condition.

(vii) Maintain a set and system of accounting books and records used in the operation of the Facility at Operator's expense by Operator's employees. Such books and records shall be maintained on the basis of a December 31st calendar year or other such fiscal year elected by the Operator with written notice to Owner and shall permit Owner or any of its agents, representatives or lenders to have access to and to examine and copy or make abstracts of all such books and records at any time or times hereafter during normal business hours.

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

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

(x) For a period of at least five (5) years from and after the Commencement Date, Operator shall operate the Facility in a "culturally sensitive" manner, meaning the existence of an environment that fosters an awareness and acceptance of the cultural characteristics, history, values, belief systems and behaviors of the Japanese American residents and families, which will include:

Menus: The menus will contain many traditional Japanese dishes, and alternative Japanese dishes are made available with notes about dietary factors.

Television Programming: Residents will be able to view NHK TV, operated by Japan Broadcasting Corporation, which broadcasts Japanese and Asian news and lifestyle and cultural programming.

Programs and Activities: Residents may participate in traditional Japanese activities, such as ikebana (the art of floral arrangements), the koto (a stringed musical instrument), origami (the art of paper folding) and shigin (reciting/singing).

Japanese Holiday Observance: The Facility will observe the Respect for the Aged Day (Keiro no Hi), which since 1966 has been celebrated annually in September to honor elderly persons.

Library. Residents will have access to libraries that, in addition to English materials, contain books, videos and discs in the Japanese language and Japanese books, videos and discs in the English language.

Operator will participate in other community programs directed to the Japanese American population and use volunteers who have the Japanese American cultural and language background.

Operator shall support the existing volunteer program for the Facilities;

Operator shall organize and sponsor a Community Advisory Board, the initial charter of which is attached as Exhibit B, to provide Operator with advice and feedback to assist them in providing a consistent experience and ensure continuity during and after the transition and in providing quality care for residents of the Facility;

Operator, in coordination with Owner, shall continue providing community benefit programs and to expend a pro rata portion of $118,941.50 at the Facility, based on number of residents in coordination with Owner's other 127 unit independent living facility that Owner leases to another healthcare operator, located on the Premises and commonly known as "Keiro Retirement Home," for such programs during each twelve (12) month period from and after the Commencement Date. Notwithstanding any terms to the contrary, Owner and Operator agree to share the burden and equally split the costs of the community benefits programs at the Facility;

Operator shall continue providing a placement priority to residents of the Facilities who may require either a higher or a lower level of care over new residents admitted from outside the Facilities; and

Operator shall maintain the physical donor recognition at the Facility.

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

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

11. Repairs and Replacements. Subject to Sections 5, 13, and 16(d), Operator agrees, after discussing with Owner, to keep and maintain each and every part of the Facility both structural and non-structural, the equipment and furnishings on the Premises, (including the roof, walls, electrical systems and all plumbing), and the aesthetical features of the Premises (paint, floor coverings, landscaping, window treatments, case goods, etc.) in as good repair as when the premises were received, or in their highest state of repair during the Term, casualties beyond Operator's control alone excepted, and to be responsible for the maintenance and normal operating condition of all heating, electrical and air conditioning equipment and plumbing on the Premises at its own cost and expense. Operator shall return the Premises at the expiration or termination of this Agreement in the same or better condition as at the commencement date of this Lease, excepting only casualties beyond Operator's control. Further, Operator shall promptly make or cause to be made all repairs, interior and exterior, structural and nonstructural, ordinary and extraordinary, foreseen and unforeseen, necessary to keep the Premises in good and lawful order and aesthetically pleasing condition and in substantial compliance with all applicable local, state and federal laws and licensing requirements, provided, however, Operator shall not be responsible for repair or replacement necessary to cure any defect in condition for which Owner is responsible as set forth in Section 16(d). Operator shall also replace any worn out equipment located at the Facility in accordance with practices which are reasonable or customary in the operation of intermediate care facilities. Provided, however, in the event Operator does not wish to remain in possession of any such worn out equipment which is not needed in connection with the operation of the Premises, in lieu of replacing or retaining at the Premises, Operator may return to Owner, or, at Owner's discretion, may discard same. Owner reserves the right at all times, on reasonable notice, to inspect the condition to the Premises for compliance with Operator's obligations hereunder.

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

13. Repairs and Alterations. Operator shall have the right and privilege to make, at Operator's expense, ordinary repairs and alterations to the Premises; provided, however, no alterations or changes of a structural nature exceeding FiveThousand Dollars ($5,000) shall be made without the prior written consent of Owner.

14. Reserved.

15. Untenantability. Should the improvements on the Premises be rendered unfit for occupancy for the purposes for which they are hereby let, by reason of fire, windstorm or other act of nature or unavoidable casualty, the rentals hereinabove stipulated to be paid by Operator, or such proportion thereof as is related to that portion of the improvements on the Premises rendered untenantable by reason of such damage, shall continue and not be remitted or abated, the parties

recognizing that Operator shall purchase and obtain Business Interruption Insurance under Section 21 of this Lease. Provided, however, Owner may, upon the occurrence of any such casualty, elect to terminate this Agreement if the cost of replacing or repairing the improvements so damaged upon the Premises equals or exceeds fifty percent (50%) of the appraised property value prior to such damage. Owner shall in no way be liable or responsible for any damage to any property of Operator in or about the Premises by reason of flood, water, fire, windstorm or other casualty or act of nature.

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

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

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

(c) Lease. There is no lease affecting the Premises that Owner does not have the power to terminate on or before the Effective Date.

(d) Condition. Subject to Owner's completion of its due diligence, the Premises shall be accepted by Operator in its current condition. Should Operator's due diligence reveal that Material Physical Defects exist at the Premises, and that repairs of such Material Physical Defects are necessary, such repairs shall be set forth on Schedule 16(d). For the purposes of this Section 16(d) "Material Physical Defects" shall mean, any physical defect(s) of the Premises, including the roof, walls, and exterior plumbing, together with all equipment, furnishings, heating, electrical and air conditioning equipment, and interior plumbing on the Premises, which are beyond normal wear and tear, and the continued existence of such physical defect would have a material adverse effect on Operator's ability to use the Premises for its primary intended use as a duly licensed, Medi-Cal certified intermediate care facility.

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

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

(g) No Consent. No consent or approval of any third party is required in connection with the execution and delivery of this Agreement by Owner or the consummation by Owner of the transactions contemplated hereby, other than governmental licenses required for the operation of the Facilities.

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

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

(j) Broker or Finder. Both Owner and Operator represent and warrant to each other that no brokerage fees are required to be paid by either Owner or Operator as a consequence of entering into this Lease.

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

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

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

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

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

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

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

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

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

(h) Compliance With Laws by Operator. During the Term, Operator shall, at its sole cost and expense, comply with (and shall be liable for violations and cure of) all local legal requirements relating to the physical condition of all parts of the Premises (other than such items covered by the warranty contained in Section 16(d)). Operator shall not commit any act or omission that would in any way violate a certificate of occupancy affecting the Premises.

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

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

20. Conduct of Business and Uses. The Premises are leased to Operator for the purpose of operating the Facility as an intermediate care facility and Operator covenants and agrees with and unto Owner that the Premises will be used only for such purpose, except with the prior written consent of Owner. Operator covenants and agrees that Operator will not do or permit to be done anything in, upon, or about the Premises that increases the hazard of fire beyond that which exists by reason of the uses and occupancy of the Premises for Operator's stated purpose. Operator will not do or permit to be done anything within Operator's control which would make the Premises, or the improvements thereon, uninsurable in whole or in part. Operator agrees that Operator will neither commit waste nor permit waste to be committed or done upon the Premises.

21. Insurance.

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

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

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

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

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

(f) General Insurance Requirements.

(i) If Operator fails to procure or maintain any insurance required hereunder, after written notice by Owner to Operator and ten (10) business days

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

(ii) All insurance provided for in this Lease shall be maintained under valid and enforceable policies issued by insurers of recognized responsibility, which are acceptable to Owner in its reasonable discretion. Any and all policies of insurance required under this Lease shall name the Owner as an additional insured. In addition, Owner shall be shown as the loss payable beneficiary under the casualty insurance policy maintained by Operator pursuant to this Section 21. Original policies or satisfactory certificates from the insurers evidencing the existence of all policies of insurance required by this Lease and showing the interest of the Owner shall be provided to Owner prior to the commencement of the Term and shall provide that the subject policy may not be canceled except upon not less than ten (10) days prior written notice to Owner. If Owner is provided with a certificate, upon Owner's request Operator shall provide Owner with a complete copy of the insurance policy evidenced by such certificate within thirty (30) days of the commencement of the Term. Renewal policies or certificates therefor from the insurers evidencing the existence thereof shall be provided to Owner not less than ten (10) days prior to the expiration dates of the policies. If Owner is provided with a certificate for a renewal policy, upon Owner's request Operator shall deliver a copy of the complete renewal policy to Owner within thirty (30) days of the expiration of the replaced policy. Any claims under any policies of insurance described in this Lease shall be adjudicated by and at the expense of Operator or of its insurance carrier, but shall be subject to joint control of Operator and Owner. Operator shall comply with the reasonable requirements of Facility Mortgagee, if any, with respect to naming the Facility Mortgagee as additional insured or loss payee.

22. No Liens, Permitted Contests. Operator shall not cause or permit any liens, levies or attachments to be placed or assessed against the Premises or the operation thereof for any reason except as permitted in Section 12 hereof. However, Operator shall be permitted in good faith and at its expense to contest the existence, amount or validity of any lien upon the Premises by appropriate proceedings sufficient to prevent the collection or other realization of the lien or claim so contested, as well as the sale, forfeiture or loss of any of the Premises or any rent to satisfy the same. Operator shall provide Owner with security satisfactory to Owner in Owner's reasonable judgment to assure the foregoing. Each contest permitted by this Section 22 shall be promptly and diligently prosecuted to a final conclusion by Operator.

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

Operator. Operator shall provide such additional and further financial information as may be reasonably requested by Owner from time to time.

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

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

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

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

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

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

Notwithstanding any other provision of this Section 25, Operator agrees that any information furnished by Operator to Owner under this Lease may be furnished to Owner's lender providing the mortgage financing on the Premises and that such disclosure shall not violate the provisions of this Section 25.

26. Indemnification.

(a) By Operator: Subject in all respects to Section 29 hereof, to the fullest extent permitted by law, Operator agrees to protect, indemnify, defend and save harmless Owner, its directors, officers, shareholders, agents, affiliated companies and employees from and against any and all foreseeable or unforeseeable liability, expense loss, costs, deficiency, fine, penalty, injury, claims or damage (including, without limitation, punitive or consequential damages) of any kind or nature, including reasonable attorneys' fees, from or relating to any suits, claim or demands based on events occurring during the Term, (i) on

account of any action (or failure to act) of Operator arising out of or in connection with this Lease (including, without limitation, the breach by Operator of any of its obligations hereunder), or (ii) relating in any manner to the operations of Operator on or relating to the Premises, or (iii) relating in any manner to the operation of the Facility by Operator. Upon receiving knowledge of any suit, claim or demand asserted by a third party that Owner believes is covered by this indemnity, Owner shall give Operator written notice of the matter. Operator shall defend Owner against such matters that are covered by this indemnity at Operator's sole cost and expense (including, without limitation, Owner's reasonable attorneys' fees and costs) with legal counsel reasonably satisfactory to Owner. Owner may elect to defend the matter with its own counsel at Owner's expense.

(b) By Owner. Subject in all respects to Section 29 hereof, to the fullest extent permitted by law, Owner agrees to protect, indemnify, defend and save harmless Operator, its directors, officers, shareholders, agents, affiliated companies and employees from and against any and all foreseeable or unforeseeable liability, expense loss, costs, deficiency, fine, penalty, injury, claims or damage (including, without limitation, punitive or consequential damages) of any kind or nature, including reasonable attorneys' fees, from or relating to any suits, claim or demands based on events occurring during the Term, (i) on account of any action (or failure to act) of Owner arising out of or in connection with this Lease (including, without limitation, the breach by Owner of any of its obligations hereunder), or (ii) relating in any manner to the operations of Owner on or relating to the Premises, or (iii) relating in any manner to the operation of the Facility by Owner. Upon receiving knowledge of any suit, claim or demand asserted by a third party that Operator believes is covered by this indemnity, Operator shall give Owner written notice of the matter. Owner shall defend Operator against such matters that are covered by this indemnity at Owner's sole cost and expense (including, without limitation, Operator's reasonable attorneys' fees and costs) with legal counsel satisfactory to Operator. Operator may elect to defend the matter with its own counsel at Owner's expense. Notwithstanding any other provision of this Section 26(b), Owner shall have no indemnity obligation under this Section 26(b) for or with respect to or relating to any matter which is or would be covered by the insurance required under Section 21.

(c) The provisions of this Section 26 shall survive the termination of this Agreement.

27. Default. In the event either party fails to perform any material obligations under this Agreement and such failure continues for a period of three (3) days (following any applicable grace period) in connection with a payment default or thirty (30) days with respect to any other default after written notice is given by the other party which sets forth the nature of the default, such party shall be deemed to be in "Default" and any applicable remedies thereon shall be available to such other party; provided, however, that if the nature of the default is such that the same cannot reasonably be cured within such thirty (30) day period, the defaulting party shall not be deemed to be in Default if it, within such thirty (30) day period, commences cure of such Default and thereafter diligently pursues the same to completion within a reasonable time. In addition to the foregoing, the Operator and Owner agree that the following shall constitute a Default by Operator under this Agreement and Operator shall have no cure period with respect thereto:

(a) If Operator has its license to operate the Facility as a provider of intermediate care services suspended or revoked or an order is imposed suspending its right to operate including, by example and not by limitation, any action that limits the ability to admit residents or patients; or

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

(c) If Operator is terminated as a provider of intermediate care services in the Medicaid program for the Facility;

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

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

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

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

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

Owner of a duty to mitigate damages by making reasonable efforts to relet the Premises at a fair market rate in an arms length transaction.

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

30. Assignment and Subletting. Neither Owner nor Operator shall assign their interests under this Agreement, nor sublet the Premises or any part thereof, without the prior consent in writing of the other party which may be withheld or conditioned in the other party's sole discretion. The consent by Owner to a particular assignment or subletting shall not be construed to relieve Operator from the obligation to obtain the consent in writing of Owner on any other or future assignment or subletting. Any change in the majority ownership of the Operator shall constitute an assignment for purposes of this Agreement; except that the foregoing shall not apply to (i) a transfer of an ownership interest in Operator to a relative of a member of Operator for estate planning purposes; (ii) if, after effectuating the Change, there is no change in the voting or operational control of Operator; or (iii) in connection with a capital transaction involving a new equity partner at the parent level of Operator.

31. Condemnation. In the event all or any part of the Premises should be subjected to eminent domain proceedings, and a portion of the Premises shall be condemned so as to render the residue inadequate for Operator's purposes as herein set forth, Operator shall have the option to terminate and cancel this Agreement by giving written notice to Owner. If any such taking shall not render the residue of the Premises wholly inadequate for Operator's purposes as herein set forth, Operator's rentals hereunder shall be reduced in the proportion which the value of the property taken bears to the whole value of the Premises with improvements. In any such condemnation proceedings, all damages allocable to full fee simple ownership of the Premises shall be payable to Owner, and any damages for loss of leasehold interest, including the unamortized portion of the value involved in such condemnation of any non-removable fixture placed on the Premises by Operator shall be payable to Operator provided such payment to Operator does not reduce the amount payable to Owner as compensation for the fee simple ownership interest alone.

32. Surrender of Possession. At the end of the Term, or upon earlier termination by Owner in accordance with the options herein reserved, Operator agrees to surrender possession of the Premises without demand.

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

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

(b) Owner and/or Operator's Right to Terminate. Notwithstanding any terms to the contrary herein, Owner and/or Operator may terminate this Agreement upon one hundred and eighty (180) days written notice to Owner ("**Notice of Termination**"). Upon expiration of the Notice of Termination, the provisions of Section 36, shall govern the transfer and surrender of the Facility from Operator to Owner, or its designee.

34. Relationship of the Parties.

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

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

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

36. Provisions on Termination of Lease.

(a) Surrender of Possession. Operator shall, on or before the last day of the Term, or upon earlier termination of this Lease or upon Owner taking possession of the Premises under Section 28, surrender to Owner, the Premises (including, if required by law, all patient charts and resident records along with appropriate patient and resident consents, if

necessary in accordance with applicable law) in good condition and repair, ordinary wear and tear excepted. Operator, to the extent permitted by law, may request and receive a copy of any records relating to patients in the prior care of Operator for a preceding period of five (5) years.

(b) Removal of Personal Property. If Operator is not then in Default hereunder Operator shall have the right in connection with the surrender of the Premises to remove from the Premises all proprietary personal property of Operator (such as signage or software) but not any personal property located at the Facility that is used in the operation of the Premises as an intermediate care facility in a manner consistent with the operation of the Facility on the date hereof. Any such removal shall be done in a workmanlike manner leaving the Premises in good and presentable condition and appearance, including repair of any damage caused by such removal. At the end of the Term or upon the earlier termination of this Lease or upon Owner taking possession of the Premises under Section 28, Operator shall return the Premises to Owner with the personal property required to be returned hereunder (or replacements thereof) in the same condition and utility as was delivered to Operator at the commencement of the Term.

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

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

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

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

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

37. Miscellaneous Provisions.

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

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

Pacifica SL Boyle, LLC,

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

with a copy to:

	Thomas P. Sayer, Jr., Esq.
Address:	9974 Scripps Ranch Blvd. #284 San Diego, CA 92131
Telephone:	858-335-9590
Facsimile:	800-796-4203

Email: tsayer1@san.rr.com

AICF, LLC

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

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

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

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

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

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

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

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

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

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

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

(k) Effective Date. This Lease shall become effective as of 12:01a.m. on the date that Owner acquires ownership of the Premises.

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

38. Reserved.

39. Reserved.

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

41. Grant of Security Interest.

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

the Uniform Commercial Code in effect in the State of California, owned by the Operator and located at the Facility, and the proceeds thereof.

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

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

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

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

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

(iv) As necessary, Operator's accounts receivable lender and ~~[Bank]~~Owner's lender shall enter into an intercreditor agreement in compliance with Section 12 hereof; and

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

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

(vii) To the extent the insurance requirements in this Lease are materially different from the insurance requirements set forth in the Owner's lender~~[Bank]~~ loan documents, Operator shall comply with the insurance requirements set forth in the Owner's lender~~[Bank]~~ loan documents.

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

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

IN WITNESS WHEREOF, Owner and Operator have hereunto set their hands this _____ day of _____, 2015.

OWNER:

Pacifica SL Boyle, LLC, its General Partner

By: _____
Name: Deepak Israni
Title: General Manager

OPERATOR:

AICF, LLC, a California
limited liability company

By: _____
Name: Jay Brady
Title: Manager

EXHIBIT A

Legal Description

EXHIBIT A-1

Description of Facility/Premises

OWNER	PROPERTY LOCATION	LICENSED BEDS
Pacifica SL Boyle, LLC a California limited liability company	The intermediate care facility and the underlying real property located at 325 South Boyle Avenue, Los Angeles, California, with 90 licensed and Medicaid-certified intermediate care beds commonly known as "Keiro Intermediate Care Facility"	90

EXHIBIT B

Community Advisory Board - Initial Charter

EXHIBIT C

(Operational Control Transfer and Assignment Agreement)

NOTICE OF CHANGE IN OPERATIONAL CONTROL

1. Effective _____, 2015, AICF, LLC, a California limited liability company will control operations of the 90-bed intermediate care facility now controlled by Japanese Home for the Aged, a California nonprofit public benefit corporation and commonly known as Keiro Intermediate Care Facility and licensed at:

325 South Boyle Avenue,
Los Angeles CA 90033

2. Japanese Home for the Aged relinquished control of the operations of the above-referenced intermediate care facility as of _____, 2015.

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

The foregoing terms and conditions are hereby accepted and approved by the undersigned as of _____, 2015.

JAPANESE HOME FOR THE AGED
a California nonprofit public benefit corporation

By: _____
Name:
Title:

AICF, LLC

By: _____
Name: Jay Brady
Title: Manager

Execution Copy

AMENDMENT TO OPERATIONS TRANSFER AGREEMENT

THIS AMENDMENT TO OPERATIONS TRANSFER AGREEMENT (this "Amendment") is made and entered into as of May 21, 2015, by and among JAPANESE HOME FOR THE AGED, a California nonprofit public benefit corporation ("Current Operator"), PACIFICA COMPANIES LLC, a California limited liability company ("Buyer Parent"), and its affiliates, PACIFICA SL BOYLE LLC, a California limited liability company ("Buyer") and PACIFICA SENIOR LIVING MANAGEMENT LLC, a California limited liability company ("Pacifica Senior Living"), and NORTHSTAR SENIOR LIVING, INC., a Delaware corporation ("New Operator").

RECITALS

A. Current Operator, Buyer Parent, Buyer and Pacifica Senior Living entered into that certain Operations Transfer Agreement dated as of February 19, 2015 (the "OTA"), providing for the transfer of the Operating Assets associated with the "Keiro Retirement Home" to Buyers and for the orderly transition of operational and financial responsibility for the "Keiro Retirement Home" from Current Operator to Pacifica Senior Living. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the OTA.

B. Buyer has now agreed to lease the Real Property and Operating Assets to New Operator pursuant to the terms of the Lease, and New Operator has agreed to lease the Real Property and Operating Assets from Buyer and to operate the Facility.

C. The transfer of title to the Real Property and Operating Assets associated with the Facility, the commencement of the Lease and the transfer of operations contemplated in the OTA are scheduled to occur simultaneously on the Transfer Date.

D. The parties desire to set forth their understanding with respect to the substitution of operators and related matters in an amendment of the OTA.

AGREEMENT

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

1. All references to "New Operator" in the OTA shall hereafter refer to Northstar Senior Living, Inc., and references to "Other Parties" shall hereafter exclude Pacifica Senior Living and include New Operator, as well as Buyer Parent and Buyer. Pacifica Senior Living shall no longer have any obligation or liability under the OTA.

2. Section 1.6 of the OTA shall be amended to read as follows:

1.6 "Buyer Group" refers to Buyer, Buyer Parent, Pacifica Lincoln SL LLC and Pacifica Vermont SL LLC.

3. Section 1.26 of the OTA shall be amended to read as follows:

1.26 "Purchase Agreement" means that certain Asset Purchase and Sale Agreement dated February 19, 2015, as amended on March 13, 2015, March 26, 2015 and May 21, 2015, by and among Buyer Group and Seller Group.

4. Section 1.42 shall be added to the OTA to read as follows:

1.42 "Lease" means the form of lease agreement to be entered into between Buyer and New Operator, a copy of which is attached hereto (by virtue of the Amendment) as Exhibit N.

5. Section 2.5.1 of the OTA shall be amended to read as follows:

2.5.1. New Operator will operate, and Buyer Parent and Buyer will cause New Operator to operate, the Facility in a "culturally sensitive" manner, meaning the existence of an environment that fosters an awareness and acceptance of the cultural characteristics, history, values, belief systems and behaviors of the Japanese American residents and families, which will include elements listed on Exhibit 11.4(i) of the Purchase Agreement to maintain that environment;

6. Section 2.5.3 of the OTA shall be amended to read as follows:

2.5.3. New Operator shall continue providing, and Buyer Parent and Buyer shall cause New Operator to continue providing, community benefit programs relating to the Facility and shall expend at least $118,942 (including waiving rental for use by community groups) for community programs at the Facilities located on the Boyle Campus (as defined in the Purchase Agreement) during each twelve (12) month period from and after the Closing Date, such amount to be allocated between New Operator and the operator of the intermediate care facility located on the Boyle Campus as they shall agree upon;

7. The last sentence of Section 6.2.4 of the OTA shall be amended to read as follows:

New Operator hereby agrees to indemnify, defend and hold harmless Current Operator from any loss, cost or expense Current Operator may incur as a result of or a failure to give any required notice under the WARN Act.

8. The following shall add the initials of New Operator to Section 11.1 of the OTA:

_____
New Operator's Initials

9. The first sentence of Section 12.1.7 of the OTA shall be amended to read as follows:

Current Operator's financial statements, which were submitted to Buyer Parent and New Operator in connection with their evaluation of the Facility, were prepared in accordance with the books of account and other financial records of Current Operator and

fairly present the financial condition and results of operations of the Facility at the dates and for the periods covered thereby.

10. Section 12.2.1 shall be amended to read as follows:

12.2.1 Such Other Party is a limited liability company or corporation duly formed and in good standing, or qualified to do business, in the State.

11. The following address shall be added to Section 13.4 of the OTA for notices to New Operator Parent or New Operator:

If to New Operator:

NORTHSTAR SENIOR LIVING, INC.,
Attn: C. Rick Jensen
2334 Washington Ave., Suite A
Redding, CA 96001
Phone: (530) 242-8300
Email: rjensen@northstarsl.com

With a copy to (which shall not constitute notice):

Scott Putnam, Esq.
Email: sputnam@northstarsl.com

[SIGNATURES ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first above written.

CURRENT OPERATOR:

JAPANESE HOME FOR THE AGED, a California nonprofit public benefit corporation

By: _____
Shawn Miyake
Its President

BUYER PARENT:

PACIFICA COMPANIES LLC, a California limited liability company

By: _____
Deepak Israni
Its General Manager

BUYER:

PACIFICA SL BOYLE LLC, a California limited liability company

By: _____
Deepak Israni
Its General Manager

PACIFICA SENIOR LIVING:

PACIFICA SENIOR LIVING MANAGEMENT LLC, a California limited liability company

By: _____
Deepak Israni
Its General Manager

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first above written.

CURRENT OPERATOR:

JAPANESE HOME FOR THE AGED, a California nonprofit public benefit corporation

By: _____
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Its President

BUYER PARENT:

PACIFICA COMPANIES LLC, a California limited liability company

By: _____
Deepak Israni
Its General Manager

BUYER:

PACIFICA SL BOYLE LLC, a California limited liability company

By: _____
Deepak Israni
Its General Manager

PACIFICA SENIOR LIVING:

PACIFICA SENIOR LIVING MANAGEMENT LLC, a California limited liability company

By: _____
Deepak Israni
Its General Manager

NEW OPERATOR:

NORTHSTAR SENIOR LIVING, INC.,
a Delaware corporation

By: _____
C. Rick Jensen
Its Chief Executive Officer

[Signature Pages for Keiro Retirement Home Amendment to OTA]

EXHIBIT N

OPERATING LEASE

THIS OPERATING LEASE (hereinafter referred to as "Lease") made and entered into this _____ day of _____, 2014, by and between _____, a _____ (hereinafter referred to as "Lessor"), and Northstar Senior Living, Inc, a California corporation (hereinafter referred to as "Lessee").

RECITALS

1. WHEREAS, Lessor owns that certain assisted living community commonly known as _____, which is located at _____, _____, California _____ (hereinafter referred to as the "Premises"); and

2. WHEREAS, Lessor owns or leases the furnishings, fixtures, equipment and supplies to be used in or about the Premises (hereinafter collectively referred to as the "Property"); and

3. WHEREAS, Lessee has experience in the operation of Residential Care Facilities for the Elderly ("RCFE's");

4. WHEREAS, Lessor and Lessee desire that the Premises be operated as an RCFE; and

5. WHEREAS, Lessee desires to operate and otherwise fulfill the role of licensee of the Premises in conjunction with its manager, Northstar Senior Living, Inc., a Delaware corporation ("Manager") and Lessor permits Lessee to take all actions upon and in connection with the Premises and Property necessary or appropriate to act as its licensed operator and, without interference from Lessor, to perform all the operations and functions set forth in this Agreement and otherwise required of an RCFE operator; and

6. WHEREAS, Lessee represents that it is a corporation duly organized and existing under the laws of the State of California, that Lessee is in good standing under the laws of the State of California and is authorized under its governing documents to enter into and make the agreements contained herein; that Lessee has been specifically authorized to enter into this Lease by all necessary and proper action; and

7. WHEREAS, Lessor represents that it is a _____ duly organized and existing under the laws of the State of _____ is in good standing under the laws of the State of California and is authorized under its governing documents to enter into and make the agreements contained herein; that Lessor has been specifically authorized to enter into this Lease by all necessary and proper action; and

8. WHEREAS, Lessee and Lessor acknowledge that the Premises are to be operated as an RCFE, and Lessee agrees to use its best efforts in operating the Premises, to hire and provide supervision to the employees to whom duties under this Agreement may be delegated,

and to exercise the highest degree of professional skill and competence in order to provide Lessor with an economic return consistent with proper operation; and

9. WHEREAS, Lessor has entered into a mortgage loan (the "Loan") with _____ ("Lender"); and

10. WHEREAS, the parties hereto have agreed to the terms and conditions of this Lease.

NOW, THEREFORE, it is agreed that the use and occupancy of the Premises, and the use of the Property shall be subject to and in accordance with the terms, conditions and provisions of this Lease.

ARTICLE I
PREMISES AND PERSONAL PROPERTY

1.1 Lessor, for and in consideration of the rents, covenants, and agreements hereinafter reserved, mentioned and contained on the part of Lessee, its successors and assigns, to be paid, kept and performed, does hereby Lease unto Lessee the Premises together with the Property to be used in and upon the Premises for the term hereinafter specified, for use and operation therein and thereon of an RCFE, in full compliance with all the rules and regulations and minimum standards applicable thereto, as prescribed by the State of California and such other governmental authorities having jurisdiction thereof and for no other purpose.

1.2 On the Commencement Date, this Lease shall be deemed and construed as a license for the duration of the term of this Lease permitting Lessee to use the following intangible property which is now or hereafter used in connection with the operation of the Premises, to the extent of Lessor's right, title and interest, if any, in and to such property:

(a) all licenses, permits, accreditation, and certificates of occupancy issued by any federal, state, municipal or quasi-governmental authority for the use, maintenance or operation of the Premises, running to or in favor of Lessor, which were assigned to or obtained by Lessor in connection with Lessor's ownership of the Premises, to the extent assignable by Lessor;

(b) all documents, charts, personnel records, property manuals, books, records, files and other business records attributable to the business or operations of the Premises, which were assigned to or obtained by Lessor in connection with Lessor's ownership of the Premises and/or the Property;

(c) all assignable guaranties and warranties in favor of Lessor with respect to the Premises and/or the Property, which were assigned to or obtained by Lessor in connection with Lessor's ownership of the Premises; and

(d) All other assignable intangible property not enumerated herein which is now or hereafter used in connection with the operation of the Premises as an RCFE, which were assigned to or obtained by Lessor in connection with Lessor's ownership of the Premises.

1.3 Lessee expressly covenants and agrees that it hereby takes this Lease and the leasehold estate hereby established upon and subject to Lessor's interest, including all rights, rights of way, easements, profits, servitudes, reservations, restrictions, conditions, exceptions, reversions, possibilities of reverter, liens, encumbrances, occupancies, tenancies, licenses, clouds, claims and defects, known and unknown, and whether of record or not.

ARTICLE II
RENT

Lessee shall pay as Rent that amount remaining from the collected gross receipts (including, without limitation, Gross Collections as described below) after payment of all Premises Expenses. Lessee shall pay Rent to Lessor only from such amounts as may remain in the Operating Account after all Premises Expenses set forth in Article 7 have been paid. Gross Collections shall mean monthly fees from residents, fees for other services and accommodations from residents, reimbursement from insurance, concessions proceeds and insurance proceeds with respect to the Premises and/or the Property received during the preceding month.

ARTICLE III
TERM OF LEASE

The term of this Lease shall be for a period commencing on the date hereof ("Commencement Date") and continuing until such time as Lessor receives an RCFE license from the California Department of Social Services ("DSS") for the Premises.

ARTICLE IV
OPERATIONAL PROVISIONS

4.1 (a) Lessee represents and warrants that the premises will be properly licensed as an RCFE by the DSS and will be operated as such by Lessee. Lessee shall maintain the RCFE license, and all other licenses, certifications and permits, if any, required by all federal, state and local laws, rules and regulations in connection with the management and operation of the Premises. Lessee shall have sole authority and responsibility to take such actions as are necessary to operate the premises as an RCFE and to maintain ongoing compliance with said RCFE license requirements. Lessee shall cause, at Lessor's expense (except as otherwise expressly provided herein), all acts and things to be done in and about the Premises as shall be required by any statute, ordinance, law, rule, regulation, or order of any governmental or regulatory body having jurisdiction over the Premises respecting the use or manner of use of the Premises or the construction, maintenance, or operation thereof, as well as with all orders and requirements of the local Board of Fire Underwriters, the local building officials, or any other body which may hereafter exercise similar functions. Lessee hereby covenants, warrants and represents to Lessor that throughout the term of this Agreement, the operation of the Premises shall conform with the applicable licensing and regulatory requirements of all government bodies so that Lessee will be able to perform all services that it has agreed to perform pursuant to this Agreement. Notwithstanding the above, Lessor understands and agrees that Lessee has engaged Manager to perform some or all of Lessee's obligations hereunder and Lessee hereby consents to such delegation of responsibility to Manager.

(b) The parties expressly agree and understand that under no circumstances shall Lessor exercise any control, authority, or discretion with respect to the operations or management of the Premises. Lessor shall in no way interfere with Lessee's operation of the Premises, nor shall Lessor interfere with Lessee's obligation to establish operational policies respecting the Premises. Without limiting the generality of the foregoing, under no circumstances shall Lessor take any action that would require it to be a co-licensee of the Premises.

4.2 Lessee shall operate the Premises in substantial accordance with its plan of operation as submitted to DSS.

4.3 Lessee shall develop operational organization charts, staffing tables, schedules of employment and proposed rates of compensation for persons to be employed hereunder. All on-site personnel will be recruited, hired, paid, supervised, and terminated solely by Lessee or Manager. Lessee shall be responsible for compliance with all applicable employment, anti-discrimination, wrongful discharge, occupational safety and health and other similar laws and regulations affecting employment of Personnel, and for compliance with private employment or union contracts.

4.4 Lessee shall ensure that those services required to be provided in order to maintain an RCFE license shall be provided. Those services include safe and healthful living accommodations, personal assistance and care, observation and supervision, planned activities, food service, and arrangements for obtaining incidental medical and dental care.

4.5 Lessee shall prepare and/or review, approve, and implement a marketing program consisting of advertising, public relations and related activities for the purpose of promoting the name and business of the Premises, and with the purpose of increasing and maintaining occupancy.

4.6 Lessee shall have the right to negotiate and enter into agreements with concessionaires and licensees of the Premises; these agreements shall be in writing. Lessee shall conduct assessments as required by licensure laws, impose other admission requirements as it deems appropriate for sound business reasons, and enter into written residence and care agreements.

4.7 Lessee will have the following responsibilities with respect to records and reports:

(a) Lessee will establish and maintain a comprehensive system of records and books. All records, books, and accounts will be subject to examination at reasonable hours by any authorized representative of Lessor at Lessee's office. Notwithstanding the foregoing, Lessor shall not be entitled to have access to confidential resident records.

(b) Lessee will furnish such information (including occupancy reports) as may be requested by Lessor from time to time, with respect to the financial, physical and operational condition of the Premises.

(c) By the thirtieth (30th) day of each month, Lessee will furnish Lessor with a statement of receipts and disbursements during the previous month, with a schedule of

accounts receivable and payable, and reconciled bank statements for the Operating Account as of the end of the previous month.

4.8 Lessee shall have the right to negotiate and enter into service contracts, in the name of Lessor, as required in the ordinary course of business for the operations of the Premises, including, without limitation, contracts for water, electricity, natural gas, telephone, cable installation, sewer, cleaning, laundry, food service, trash removal, pest control and extermination, elevator and boiler maintenance, and other services related to the maintenance of the Premises or to the comfort or safety of the occupants; provided, however, that Lessee shall not enter into any utility or service contracts for a term longer than one (1) year without the prior written approval of Lessor.

4.9 Lessee shall cause the purchase (or arrange for the purchase of) all inventories, provisions, supplies and operating equipment which in the normal course of business are necessary to properly maintain and operate the Premises.

4.10 Lessee shall be responsible for the exercise of due diligence in all matters of safety, including, but not limited to: emergency evacuation of residents, maintenance of the Premises and Property in a safe condition, training of all on-site employees and promulgation of rules and regulations for use of the central administration and service facilities.

4.11 Lessee shall maintain a relationship with relevant community groups and public service organizations. Lessee shall inform such groups and organizations, by written notice and personal contact, as to the qualifications for residence at the Premises. In addition, as a Premises Expense, brochures and other promotional materials will be prepared and distributed, as appropriate, in the local market area to emphasize the availability of the Premises.

4.12 Lessee will encourage and work to maintain good-faith communications with residents to avoid and solve problems affecting the Premises and its residents.

ARTICLE V
RESIDENCY AGREEMENTS

5.1 Lessee will offer and execute residency agreements for all the units on the Premises. Incidental thereto, the following provisions will apply:

(a) Lessee will undertake the preparation and offering of residency and care agreements.

(b) Lessee will show the Premises to prospective occupants.

(c) Lessee will take and process applications for residency. A current list of prospective occupants will also be maintained.

(d) Lessee will maintain fee schedules, showing the rates for residence and for basic and optional services at the Premises as may from time to time be modified.

5.2 Lessee will secure full compliance by each resident with the terms of his or her residency agreement. Voluntary compliance will be encouraged. In cases of financial hardship, Lessee will counsel residents and refer them to community agencies in order to avoid involuntary termination of tenancies. Nevertheless, and subject to the pertinent licensing regulations and procedures, Lessee may lawfully terminate any tenancy when, in Lessee's judgment, sufficient cause (including but not limited to nonpayment of rent) for such termination occurs under the terms of the resident's residence and care agreement. For this purpose, Lessee is authorized to consult with legal counsel to bring actions for eviction and to execute notices to vacate and judicial pleadings incidental to such actions. Reasonable attorneys' fees and other necessary costs incurred in connection with such actions will be paid out of the Premises Operating Account as Premises Expenses.

ARTICLE VI
REPAIRS AND MAINTENANCE

As a Premises Expense to be paid from the Operating Account, Lessee will cause the Premises to be maintained and repaired in accordance with the licensure requirements and local codes, including, but not limited to: cleaning, painting, decorating, plumbing, electrical, HVAC, appliances, carpentry, grounds care, and such other maintenance and repair work as may be necessary, subject to reasonable limitations imposed by Lessor in addition to those contained herein. Lessor's limitations shall not interfere with Lessee's responsibilities and authority to comply with all RCFE licensure requirements. Incidental thereto, the following provisions will apply:

(a) Special attention will be given to preventive maintenance and, to the greatest extent feasible, the services of on-site maintenance employees will be used.

(b) Lessee will contract with qualified independent contractors for the maintenance and repair of air-conditioning systems and elevators, and for extraordinary repairs to the Premises beyond the capability of on-site maintenance employees.

(c) Lessee will systematically and promptly receive and investigate all service requests from residents, take such action thereon as may be justified, and keep records of the same. Emergency requests will be received and serviced on a twenty-four (24) hour basis.

ARTICLE VII
COLLECTION AND DISBURSEMENT OF REVENUE

7.1 Lessee shall collect when due all resident fees, charges, and other amounts receivable in connection with the management and operation of the Premises, including without limitation, Gross Collections as defined in Article II above. Such receipts will be deposited in an account separate from all other accounts and funds, with a bank whose deposits are insured by an agency of the United States Government. This account will be designated of record as the "Operating Account."

7.2 From the funds collected and deposited by Lessee in the Operating Account, Lessee will make the following disbursements promptly when payable, and in the following order of priority:

(a) All sums paid or advanced by Lessee as Premises Expenses under the terms of this Agreement, including any payments to Manager in accordance with the Management Agreement between Lessee and Manager.

(b) Rent.

7.3 It is specifically understood and agreed that the Premises shall not be responsible for, and neither the Operating Account nor Gross Collections shall be used to pay any obligations or payment not incurred for the Premises.

7.4 In the event that the balance in the Operating Account is at any time insufficient to pay disbursements due and payable under this Article, Lessee will inform Lessor of that fact and Lessor will then remit to Lessee sufficient funds to cover the deficit within two (2) business days and Lessor shall be entitled to reimbursement of such amounts pursuant to Section 7.2 above. In no event will Lessee be required to use its own funds to pay such disbursements.

ARTICLE VIII
OPERATING CAPITAL

Lessor shall provide security in the form and amount sufficient to satisfy the licensing requirements of the Department of Social Services such that the Premises may continue to qualify for licensing.

ARTICLE IX
INSURANCE

9.1 Lessee shall maintain, as a Premises Expense, all insurance necessary and appropriate to the operation and maintenance of the Premises.

ARTICLE X
REPORTS AND PAYMENT OF TAXES AND ASSESSMENTS

10.1 As an expense of the Premises, Lessee shall prepare and file all reports and other documents required by the State of California, and the different counties to operate the Premises. Lessee shall at all times comply with all rules and regulations, statutes and ordinances promulgated or enacted by any governmental agency having and exercising jurisdiction over the Premises.

10.2 All real estate taxes, ad valorem taxes, school taxes, assessments and personal property taxes, intangible and use taxes and any other taxes relating to the Premises or Property shall be paid as a Premises Expense.

10.3 All licenses and permit fees, charges for public utilities, and all governmental charges, general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever which during the term of this Lease may have been, or may be assessed, levied, confirmed, imposed upon or become due and payable out of or in respect of, or become a lien on the Premises or Property or any part thereof, shall be paid as a Premises Expense.

10.4 Nothing herein contained shall require Lessee to pay taxes or assessments against Lessor or the Premises, or to pay capital levy, franchise, estate, succession or inheritance taxes of Lessor, other than as provided for herein out of the Operating Account.

ARTICLE XI
OCCUPANCY

11.1 During the term of this Lease, the Premises shall be used and occupied by Lessee for and as an RCFE and for no other purpose. Lessee shall at all times maintain in good standing and in full force and effect all the licenses issued by the State of California and any other applicable governmental agencies, permitting the operation on the Premises as an RCFE.

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

11.3 Upon termination of this Lease for any reason, Lessee will return to Lessor the Premises qualified and sufficient for licensing by all governmental agencies having jurisdiction over the Premises as an RCFE with licenses in full force and good standing.

ARTICLE XII
ALTERATIONS AND DEMOLITION

Lessee will not remove or demolish any improvement which is part of the Premises or any portion thereof or allow it to be removed or demolished. Lessee further agrees that it will not make, authorize or permit to be made any changes or alterations in or to the Premises without first obtaining Lessor's written consent thereto. All alterations, improvements and additions to the Premises shall be in quality and class at least equal to the original work and shall meet all building and fire codes, and all other applicable codes, rules, regulations, laws and ordinances.

ARTICLE XIII
DISCHARGE OF LIENS

Lessee and Lessor shall use their best efforts to prevent any liens from being filed against the Premises which arise from any maintenance, repairs, alterations, improvements, renewals, or replacements in or to the Premises. They shall cooperate fully in obtaining the release of any such liens, and the cost thereof if the lien was not occasioned by the fault of either party, shall be treated the same as the cost of the matter to which it relates. If the lien arises as a result of the fault of either party, then the party at fault shall bear the cost of obtaining the lien release.

ARTICLE XIV
INSPECTION OF PREMISES BY LESSOR

14.1 At any time Lessor and/or its authorized representative shall have the right to enter and inspect the Premises and Property.

14.2 Lessor agrees that the person or persons entering and inspecting the Premises and Property pursuant to Section 14.1 above will cause as little inconvenience to Lessee and residents as may reasonably be possible under the circumstances.

14.3 Lessee hereby acknowledges and agrees that the holder of any mortgage encumbering the Premises shall have the right, but not the obligation, to enter and inspect the Premises and Property to the extent such holder is entitled to do so under the terms of its mortgage.

ARTICLE XV
INDEMNIFICATION

15.1 Lessor agrees to indemnify and hold Lessee free and harmless from any loss, liability, or cost (including reasonable attorneys' fees) that is not covered by insurance proceeds that Lessee may sustain, incur, or assume as a result of any claims which may be alleged, made, instituted or maintained against Lessee or Lessor, jointly or severally, which is determined to have resulted from the negligence or willful misconduct of Lessor, its agents or employees, in connection with this Lease.

15.2 Lessee agrees to indemnify and hold Lessor free and harmless from any loss, liability, or cost (including reasonable attorneys' fees) that is not covered by insurance proceeds that Lessor may sustain, incur, or assume as a result of any claims which may be alleged, made, instituted or maintained against Lessee or Lessor, jointly or severally, which is determined to have resulted from the negligence or willful misconduct of Lessee, its agents or employees, in connection with the lease, management or operation of the Premises.

ARTICLE XVI
ASSIGNMENT AND SUBLETTING

During the term of the Lease, Lessee shall not, without the prior written consent of Lessor, assign this Lease or in any manner whatsoever sublet, assign or transfer all or any part of the Premises or in any manner whatsoever transfer or assign any interest in the Premises. Any violation or breach or attempted violation or breach of the provisions of this Article by Lessee, or any acts inconsistent herewith shall vest no right, title or interest herein or hereunder or in the Leased property, in any such transferee or assignee, and Lessor may, at its exclusive option, terminate this Lease and invoke the provisions of this Lease relating to default.

ARTICLE XVII
CUMULATIVE REMEDIES OF LESSOR ;WAIVER

The failure of either party to insist upon a strict performance of any of the terms or provisions of this Lease or exercise any option, right or remedy herein contained, shall not be construed as a waiver or as a relinquishment for the future of such term, provision, option, right, or remedy, but the same shall continue and remain in full force and effect. No waiver by either party of any term or provision hereof shall be deemed to have been made unless expressed in writing and signed by such party.

ARTICLE XVIII
RIGHT TO CONTEST

Lessee shall have the right to contest by appropriate legal proceedings, diligently conducted in good faith, the validity or application of any law, regulation or rule mentioned herein, and to delay compliance therewith pending the prosecution of such proceedings; provided, however, that no civil or criminal liability would thereby be incurred by Lessor and no lien or charge would thereby be imposed upon or satisfied out of the Premises and further provided that the effectiveness and good standing of any license, certificate or permit affecting the Premises would continue in full force and effect during the period of such contest, and provided, further, that Lessee satisfies any and all applicable requirements this Agreement.

ARTICLE XIX
PERFORMANCE OF OBLIGATIONS

19.1 Any failure by Lessor to timely pay to the Operating Account such amount necessary to pay in full the Premises Expenses shall constitute a breach of this Lease, and Lessor shall remain fully liable therefor after the termination of this Lease.

19.2 To secure payment of all rentals and other sums of money becoming due from Lessee under this Lease, Lessor shall have, and Lessee grants to Lessor a first lien upon the Leasehold of Lessee under this Lease, which lien may be enforced in equity, and a continuing security interest upon all rents, Gross Collections, gross receipts, accounts, and contract rights, of Lessee that arise in connection with Lessee's lease of the Premises hereunder. If there is an Event of a Default under this Lease, Lessor shall have, in addition to any other remedy provided in this Lease or by law, including the right to have a receiver appointed to collect the rents, all rights and remedies under the Uniform Commercial Code, including without limitation the right to sell the property described in this Article at public or private sale upon five (5) days' notice to Lessee. Lessee shall execute all such financing statements and other instruments as shall be deemed necessary or desirable in Lessor's discretion to perfect the security interest hereby created.

ARTICLE XX
SUBORDINATION TO FINANCING

Lessor and Lessee hereby agree that this Lease and any and all liens, rights (including the right to receive operating fees) and interests (whether choate or inchoate) owed, claimed or held by Lessee in and to the Premises and the rent and revenue generated therefrom, are and shall be in all respects subordinate and inferior to the liens and security interests created or to be created for the benefit of Lender, its successors and assigns, and securing the repayment of the Loan, and filed or to be filed of record in the public records maintained for the recording of mortgages in the jurisdiction where the Premises is located, and all renewals, extensions, increases, supplements, amendments, modifications and replacements thereof.

ARTICLE XXI
DISPUTE RESOLUTION AND ARBITRATION

Any claim or controversy arising out of this Lease or a breach thereof shall be submitted to and settled by binding arbitration by Judicial Arbitration and Mediation Service ("JAMS") or a similar service acceptable to both parties if JAMS is not available. The arbitration shall be conducted in accordance with California Code of Civil Procedure Sections 1280-1294.2. Arbitration hearings shall be held in Shasta County, California. The determination of the arbitrator(s) shall be conclusive and binding upon the parties. The parties shall each pay arbitration fees and charges as determined by the arbitrator.

ARTICLE XXII
NON-DISCRIMINATION

In the performance of its obligations under this Lease, Lessee will comply with the provisions of any federal, state or local law prohibiting discrimination in housing on the grounds of race, color, sex, creed or national origin, including Title VI of the Civil Rights Act of 1964 (Public Law 88-352, 78 Stat. 241), all requirements imposed by or pursuant to the Regulations of the Secretary (24 CFR, Subtitle A, Part 1) issued pursuant to that Title, regulations issued pursuant to the Executive Order 11063, and Title VIII of the 1968 Civil Rights Act.

ARTICLE XXIII
TRANSFER OF OPERATIONS UPON TERMINATION OF LEASE

23.1 The date on which this Lease either terminates pursuant to its terms or is terminated by either party whether pursuant to a right granted to it hereunder or otherwise shall be referred to as the "Closing Date" in this Article. On the Closing Date, this Lease shall be deemed and construed as an absolute assignment for purposes of vesting in Lessor all of Lessee's right, title and interest in and to the following intangible property which is now or hereafter used in connection with the operation of the Premises (the "Intangibles") and an assumption by Lessor of Lessee's obligations under the Intangibles from and after the Closing Date:

(a) service contracts for the benefit of the Premises to which Lessee is a party and which can be terminated without penalty by Lessee within thirty (30) or fewer days' notice; and

(b) all existing agreements with residents and any guarantors thereof of the Premises, to the extent assignable by Lessee (excluding the right to any payments for periods prior to the Adjustment Date).

23.2 Lessor shall be responsible for and shall pay all accrued expenses with respect to the Premises accruing on or after 12:01 a.m. on the day after the Closing Date (the "Adjustment Date") and shall be entitled to receive and retain all revenues from the Premises accruing on or after the Adjustment Date.

23.3 All necessary arrangements shall be made to provide possession of the Premises to Lessor on the Closing Date, at which time of possession Lessee shall deliver to Lessor all resident records and other personal information concerning all residents residing at the Premises

as of the Closing Date, all financial statements, and other relevant records used or developed in connection with the business conducted at the Premises. Such transfer and delivery shall be in accordance with all applicable laws, rules and regulations concerning the transfer of such records.

23.4 On the Closing Date, Lessee shall provide Lessor with an accounting of all funds belonging to residents at the Premises which are held by Lessee in a custodial capacity. Such accounting shall set forth the names of the residents for whom such funds are held, the amounts held on behalf of each such resident and Lessee's warranty that, to the actual current knowledge of Lessee, the accounting is true, correct and complete. Additionally, Lessee, in accordance with all applicable rules and regulations, shall make all necessary arrangements to transfer such funds to a bank account designated by Lessor, and Lessor shall in writing acknowledge receipt of and expressly assume all Lessee's financial and custodial obligations with respect thereto.

23.5 All cash, checks and cash equivalent at the Premises and deposits in bank accounts (other than resident trust accounts) relating to the Premises on the Closing Date shall remain Lessor's property after the Closing Date and will be used to pay any reimbursement of expenses due to Lessee. Subject to the provisions of Section 23.4 hereof, all accounts receivable, loans receivable and other receivables of the Premises shall remain the property of Lessor after the Closing Date and after payment of all of Lessee's expenses. Lessor shall assume responsibility for the billing and collection of payments on account of services rendered by it on and after the Adjustment Date. All payments received shall be retained by Lessor as being applicable to services rendered after the Closing Date. Lessee shall cooperate with Lessor in Lessor's collection of its pre-closing accounts receivable. Lessee shall have no liability for uncollectible receivables and shall not be obligated to bear any expense as a result of such activities on behalf of Lessor.

23.6 Within thirty (30) days of the Closing Date, Lessee shall submit to Lessor a complete reconciliation of records.

23.7 In addition to the obligations required to be performed hereunder by Lessee and Lessor on and after the Closing Date, Lessee and Lessor agree to perform such other acts, and to execute, acknowledge and/or deliver subsequent to the Closing Date such other instruments, documents and materials, as the other may reasonably request in order to effectuate the consummation of the transaction contemplated herein. Without limiting the foregoing, Lessee will, at Lessor's expense, cooperate with Lessor in securing an RCFE license and such other permits, certificates of authority, and approvals for Lessor or the successor operator of the Premises as may be required by applicable law to continue operation of the RCFE portion of the Premises as an RCFE from and after the Closing Date, and Lessee shall continue to perform such services under this Lease until the Closing Date as may be necessary for the Premises to remain open and operated in compliance with law.

ARTICLE XXIV
DEFAULTS BY LESSEE

24.1 Defaults. This Lease is made upon the condition that Lessee shall punctually and faithfully perform all of the covenants, conditions and agreements by it to be performed as set

forth in this Lease. The following shall each be deemed to be an "Event of Default" on the part of Lessee:

(a) the failure by Lessee to pay any item of Rent or any installment by the due date therefor if such failure continues for five (5) days after receipt of written notice thereof by Lessee;

(b) the failure of Lessee to observe or perform any of the covenants, terms or conditions set forth in this Lease where the failure continues for a period of thirty (30) days after receipt of written notice thereof by Lessee (unless the failure cannot reasonably be cured within thirty (30) days and Lessee shall have commenced to cure the failure within thirty (30) days and continues diligently to pursue the curing of the failure until completed);

(c) a general assignment by Lessee for the benefit of creditors;

(d) the filing of a voluntary petition by Lessee, or the filing of an involuntary petition by any of Lessee's creditors seeking the rehabilitation, liquidation or reorganization of Lessee under any law relating to bankruptcy, insolvency or other relief of debtors;

(e) the appointment of a receiver or other custodian to take possession of substantially all of Lessee's assets or of this Leasehold;

(f) Lessee shall become insolvent or unable to pay its debts, or shall fail generally to pay its debts as they become due; or any court shall enter a decree or order directing the winding up or liquidation of Lessee or of substantially all of its assets; or Lessee shall take any action toward the dissolution or winding up of its affairs or the cessation or suspension of its use of the Premises or Property;

(g) attachment, execution or other judicial seizure of substantially all of Lessee's assets or this Leasehold;

(h) vacation or abandonment of the Premises; or

(i) an accusation against Lessee pertaining to the Premises is filed by the California Department of Social Services and is not withdrawn within fifteen (15) days of such filing.

24.2 Lessor's Remedies. Upon an Event of Default by Lessee, Lessor shall have the following remedies; provided, however, that said remedies shall not dilute the obligation of Lessor to honor resident agreements and/or residence and care agreements in effect at the time of the Event of Default:

(a) If Lessee vacates or abandons the Premises, this Lease shall continue in effect. Lessor shall not be deemed to have terminated this Lease other than by written notice of termination from Lessor, and Lessor shall have all of the remedies of a landlord, including those provided by Section 1951.4 of the California Civil Code. At any time after Lessee vacates or abandons the Property, Lessor may give notice of termination and shall thereafter have all of the rights set forth below.

(b) After an Event of Default occurs, Lessor shall have the right, so long as the Event of Default continues, to terminate this Lease by written notice to Lessee setting forth: (i) the Event of Default; (ii) the requirements to cure it; and (iii) a demand for possession, which shall be effective three (3) days after it is given or upon expiration of the times specified in Section 23.1, whichever is later.

(c) Following termination under subsection (b), without prejudice to any other remedies Lessor may have by reason of Lessee's Event of Default or of the termination, Lessor may then or at anytime thereafter: (i) peaceably re-enter the Premises, or any part thereof, upon voluntary surrender by Lessee, or expel or remove Lessee from the Premises using any legal proceedings as are then available; (ii) repossess and enjoy the Premises or re-let the Premises or any part of the Premises for any term or terms (which may be beyond the Lease Term) at any rental or rentals and upon other terms and conditions as Lessor, in its sole discretion, shall determine, with the right to make reasonable alterations and repairs to the Premises; and (iii) remove all personal property from the Premises that does not belong to Lessor and store it at Lessee's expense.

(d) Each right and remedy of Lessor provided for in this Lease shall be cumulative and shall be in addition to every other right or remedy provided for in this Lease or now or hereafter existing.

ARTICLE XXV
DEFAULTS BY LESSOR

25.1 Defaults. This Lease is made upon the condition that Lessor shall punctually and faithfully perform all of the covenants, conditions and agreements by it to be performed as set forth in this Lease. The following shall each be deemed to be a "Lessor's Event of Default" on the part of Lessor:

(a) the failure by Lessor to pay any amount required to be paid by it by the due date therefor if such failure continues for ten (10) days after receipt of written notice thereof by Lessor;

(b) the failure of Lessor to observe or perform any of the covenants, terms or conditions set forth in this Lease where the failure continues for a period of thirty (30) days after receipt of written notice thereof by Lessor (unless the failure cannot reasonably be cured within thirty (30) days and Lessee shall have commenced to cure the failure within thirty (30) days and continues diligently to pursue the curing of the failure until completed);

(c) a general assignment by Lessor for the benefit of creditors;

(d) the filing of a voluntary petition by Lessor, or the filing of an involuntary petition by any of Lessor's creditors seeking the rehabilitation, liquidation or reorganization of Lessor under any law relating to bankruptcy, insolvency or other relief of debtors;

(e) the appointment of a receiver or other custodian to take possession of substantially all of Lessor's assets or of this Leasehold; or

(f) Lessor shall become insolvent or unable to pay its debts, or shall fail generally to pay its debts as they become due; or any court shall enter a decree or order directing the winding up or liquidation of Lessor or of substantially all of its assets; or Lessor shall take any action toward the dissolution or winding up of its affairs.

25.2 Lessee's Remedies. Upon an Event of Default by Lessor, Lessee shall have the following remedies; provided, however, that said remedies shall not dilute the obligation of Lessor to honor resident agreements and/or residence and care agreements in effect at the time of the Event of Default:

(a) After a Lessor's Event of Default occurs, Lessee shall have the right, so long as the Lessor's Event of Default continues, to terminate this Lease by written notice to Lessor setting forth: (i) the Lessor's Event of Default; and (ii) the requirements to cure it.

(b) Each right and remedy of Lessee provided for in this Lease shall be cumulative and shall be in addition to every other right or remedy provided for in this Lease or now or hereafter existing.

ARTICLE XXVI
MISCELLANEOUS

26.1 Lessee, upon paying Rent and all other charges herein provided, and for observing and keeping the covenants, agreements, terms and conditions of this Lease on its part to be performed, shall lawfully and quietly hold, occupy and enjoy the Premises during the term of this Lease, and subject to its terms, without hindrance by Lessor or by any other person or persons claiming under Lessor, other than any mortgagee of record either as of the date of this Lease or subsequent thereto.

26.2 The parties hereby agree that the Lender is a third party beneficiary to this Agreement and will be entitled to enforce the terms hereof against the Lessor and Lessee as though the Lender were a party hereto.

26.3 All notices, demands or requests which may or are required to be given by either party to the other shall be in writing and shall be sent by United States certified mail, addressed to the other party hereto at the address set forth below:

If to Lessor: _____
_____
_____
_____
Attn: _____

If to Lessee: Northstar Senior Living, Inc.
2334 Washington Ave., Suite A
Redding, CA 96001
Attn: C. Rick Jensen, CEO

or if written notification of a change of address has been sent, to such other party and/or to such other address as may be designated in that written notification. All such notices, demands or requests delivered in this manner shall be deemed effective upon mailing.

26.4 Upon demand by either party, Lessor and Lessee agree to execute and deliver a short form Lease in recordable form so that the same may be recorded by either party.

26.5 Each party agrees at any time and from time to time, upon not less than fifteen (15) days prior written request from the other party, to execute, acknowledge and deliver to the other party a statement in writing, certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified, and stating the modifications), the dates to which the Rent has been paid, and whether the Lease is then in default or whether any events have occurred which, with the giving of notice or the passage of time, or both, could constitute a default hereunder; it being intended that any such statement delivered pursuant to this paragraph may be relied upon by any prospective assignee, mortgagee or purchaser of the fee interest in the Premises or of this Lease.

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

26.7 Any reference herein to the termination of this Lease shall be deemed to include any termination hereof by expiration or pursuant to the provisions hereof referring to early termination.

26.8 The headings and titles in this Lease are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or intent of this Lease, nor in any way affect this Lease.

26.9 This Lease contains the entire agreement between the parties and any executory agreement hereafter made shall be ineffective to change, modify or discharge it in whole or in part unless such executory agreement is in writing and signed by the party against whom enforcement of the change, modification or discharge is sought. This Lease cannot be changed orally or terminated orally.

26.10 This Lease, including any security interest created hereunder, is subordinate to any mortgage, loan or lease for which the Premises or Property are used as security, whether or not such liens are now in effect or are created in the future, and the parties shall cooperate in executing any subordinations or other documentation required to effectuate the same.

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

26.12 All nouns and pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons, firm or firms, corporation or corporations, entity or entities or any other thing or things may require.

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

26.14 This Lease shall be deemed to have been made and shall be construed and interpreted in accordance with the laws of the State of California.

26.15 Whenever under any provision of this Lease the approval or consent of either party is required, said approval and consent shall be given or denied in a reasonably prompt manner.

26.16 This Lease may be executed in several counterparts, each of which shall constitute a complete original agreement, which may be introduced as evidence or used for any other purpose without production of any of the other counterparts.

26.17 All consents, approvals, determinations, requirements, and other acts required by either party hereunder shall be subject to the standard of reasonableness under the circumstances, and no such consents, approvals, determinations, requirements, or other acts required by either party hereto shall be unreasonably withheld, delayed or denied.

26.18 The parties shall execute and deliver all other appropriate supplemental agreements and other instruments and take any other action necessary to make this Lease fully and legally effective, binding and enforceable, as between the parties, and as against third parties.

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

Lessor:

_____,
a _____

Date: _____

By: _____

Title: _____

Lessee:

Northstar Senior Living, Inc.
a California corporation

Date: _____

By: _____

Title: _____

(d)(1)(C)

(d)(1)(C)

A statement of all the reasons the board of directors of applicant believes that the proposed agreement or transaction is either necessary or desirable.

The decision to pursue the proposed restructuring is based on a combination of challenges facing the Keiro system, specifically changes in healthcare reimbursement and the impact of healthcare reform on the delivery of healthcare, changes in the demographics of the community that the Keiro system serves and changes in the long-term care market. Each of these will be discussed below.

Changes in Healthcare Reimbursement and Impact of Healthcare Reform on Healthcare Delivery

Medicare and Medi-Cal reimbursement account for about 70% of the consolidated revenues of the Keiro system, so any reductions in reimbursement to these two core funding streams will have a negative impact upon Keiro's ability to deliver care in the future. Medicare provides funding for the care of the elderly and disabled, while Medi-Cal provides healthcare funds for low income individuals. Medicare reimbursement for nursing homes was previously cut 2% as part of the budget sequester, which follows a nearly 12% reduction that took effect in 2011. Future efforts are aimed at reducing the rise in providers' payments even further. California prevailed in its efforts before the courts (*California Medical Association v. Toby Douglas*) to proceed with 10% Medi-Cal rate reductions beginning in October 2013 and January 2014 for nursing homes.

As health reform has unfolded, providers have faced increasing uncertainty regarding reimbursement rates in these two essential funding streams. Additionally, current contract negotiations with managed care plans and hospital systems are resulting in significantly reduced reimbursement rates for Medicare, in excess of 30% for skilled nursing and rehabilitation services going forward. As it is, Medicare and Medi-Cal reimbursement does not currently cover all the operational costs of skilled nursing facilities. Added to this challenge is the fact that application of managed care approaches inherent in healthcare reform will significantly decrease the utilization of facility-based care at all levels of care delivery. This fact is supported by a wealth of data demonstrating utilization impacts at hospitals which are important feeders to skilled nursing facilities. Keiro's own utilization data support a multi-year decline in utilization in its most important payer source, Medicare. Anticipated further cuts in reimbursement, whether by legislative action or through contracting with managed care entities, combined with declines in utilization, will create more financial instability for the Keiro system.

With an aging community and donor base, Keiro does not anticipate that it will continue to receive adequate donations to offset operating losses due to decreased patient-care revenue. The concern is that the ongoing reimbursement cuts, combined with decreased utilization of facility-based care due to more aggressive care management, will make it

extremely difficult to provide services in the same manner to which Keiro's residents and their families have become accustomed.

Keiro anticipates that Medicare and Medi-Cal will continue to evolve to more widespread managed care approaches that will impact the manner in which reimbursement and health system development will occur. Plans are being implemented to expand this healthcare approach through a variety of programs like the conversion of traditional Medicare beneficiaries to Medicare Advantage HMOs and the mandatory enrollment of Medi-Cal recipients in managed care plans in Los Angeles County, which will continue to significantly erode either contracted reimbursement rates or utilization, thus negatively impacting revenue for small providers like Keiro. Keiro is already experiencing reduced cash flow as a result of the confusing reimbursement processes and paperwork, which differ from plan to plan, contested invoices and reduced contract rates.

Additionally, organizations such as Keiro that serve a unique and narrow niche of the general population will likely find it increasingly difficult to attract enough patients in their targeted segments to continue to implement their narrow missions, given the changes in care delivery to more acute forms of care required in order to improve revenue streams and the need to fill beds with any consumer with the aligned health plan contract to cover operating costs. As revenues decline, Keiro believes that smaller healthcare organizations will find it very difficult to absorb the costs of new and increased regulation, to have the technical capacity to adapt to new technology requirements of healthcare reform and to achieve the necessary efficiencies to remain solvent.

All told, the many different initiatives within and paralleling the Patient Protection and Affordable Care Act all employ the same managed care approach that lowers healthcare costs by integrating and coordinating care, while at the same time decreasing utilization of facility-based services. Keiro does not have the necessary infrastructure, geographic coverage and/or collaborative networks to be successful in this emerging long-term care model.

Changes in Demographics

According to recent U.S. Census data, 74% of children in the Japanese American community under the age of 19 are multi-racial. This evolving statistic is expected to reduce the need for Keiro's Japanese focused facility-based care over time. It is anticipated that older multi-racial couples will prefer to reside in long-term care facilities in geographic proximity to their children, and will choose to receive services in more diverse mainstream settings. The current Keiro facility locations are becoming less desirable and more difficult to access as community members disperse throughout Southern California. As this generational shift is occurring, a growing number of community members are also expressing the desire to remain at home for as long as possible. To do so requires extensive and targeted community education regarding healthcare financing options, resources to support older adults living at home, caregivers' skills training and lifestyle management strategies.

Changes in Long-Term Care Market

Consolidation of community-based healthcare providers has been increasing due to cost pressures, the development of alternative healthcare delivery models and the growth of managed care. Hospitals and physician groups have been in a consolidation mode for the past few years in an attempt to scale up, and it is expected that similar consolidation of long-term care facilities will occur with increasing frequency. A recent Zeigler report reviewing affiliation and consolidation activity in 2014 noted that 54 not-for-profit organizations were involved in affiliation activity. The report anticipated that this number would be higher in 2015. These affiliations were proactive and strategic in nature rather than due to financial distress, and had as objectives achieving greater economies of scale and gaining necessary capacity to respond to external pressures due to health care reform. As consolidation in the long-term care market accelerates, smaller providers like Keiro will be forced to seek out larger organizations in an attempt to scale up in size to increase efficiencies and attract managed care referrals and post-acute care contracts. The belief is that smaller organizations must realign and bolster their resources and influence, which is often a function of size and a broader geographic footprint, to assure that continuous service to their targeted populations will continue for as long as possible. The timing of a sale will be critical to Keiro as the market for long-term care facilities evolves, so Keiro can preserve the value of its assets and assure its ability to continue to serve its mission through community-based initiatives.

(d)(2)(A)

SECTION 999.5(d)(2)

Fair Market Value

(d)(2)(A)

The estimated market value of all cash, property, stock, notes, assumption or forgiveness of debt, and any other thing of value that the applicant would receive for each health facility covered by the proposed agreement or transaction.

Keiro will receive an agreed upon base purchase price of $41,000,000 in cash for the real property, buildings and operating assets of the facilities, as adjusted for prorations and other items. The Purchase Agreement provides that the base purchase price will be allocated as follows:

Keiro Nursing Home	$18,000,000
South Bay Keiro Nursing Home	$8,975,000
Keiro Retirement Home and Keiro Intermediate Care Facility	$14,000,000
Keiro Services	$25,000

This allocation of the purchase price has been made generally on the basis of the purchase prices in the initial letters of intent submitted by Pacifica and Aspen dated as of November 4, 2014 and November 5, 2014, respectively, and referred to in Section 999.5(d)(11)(E) below.

As of October 31, 2014, the carrying value of the assets to be sold in the proposed transaction was approximately $27,490,232, including land, improvements, buildings, equipment and construction-in-progress, net of accumulated depreciation of $30,567,385.

(d)(2)(B)

(d)(2)(B)

The estimated market value of each health facility or other asset to be sold or transferred by the applicant under the proposed agreement or transaction.

The estimated market value of the Keiro facilities is derived from the following appraisal reports prepared by the Valuation & Information Group, an appraisal firm experienced in valuing healthcare facilities, copies of which are attached as Appendix B:

1. An Appraisal of a Skilled Nursing Facility (Keiro Nursing Home) dated January 10, 2014;

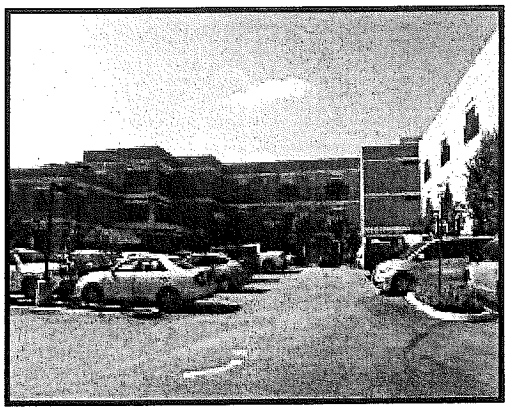
2. An Appraisal of an Intermediate Care and Independent Living Facility (Keiro Intermediate Care Facility and Keiro Retirement Home) dated February 3, 2014; and

3. An Appraisal of a Skilled Nursing Facility (South Bay Keiro Nursing Home) dated February 3, 2014

The value reported is that of the fee simple estate, which includes the land, improvements, equipment and intangible going concern assets. Working capital is not included in the valuation, but is assumed to be available and adequate to support the operations of the facility. On this basis, the total rounded "as-is" fee simple market value of the going concerns was determined to be $38,940,000, allocated as follows:

Keiro Nursing Home	$23,100,000
South Bay Keiro Nursing Home	$7,200,000
Keiro Retirement Home and Keiro Intermediate Care Facility	$8,640,000

B



An Appraisal of a Skilled Nursing Facility

Keiro Nursing Home
2221 Lincoln Park Avenue
Los Angeles, California

Prepared For
Keiro Senior HealthCare
325 South Boyle Avenue
Los Angeles, California

Prepared By
Valuation & Information Group
6167 Bristol Parkway
Suite 430
Culver City, California

VALUATION & INFORMATION GROUP

PROFESSIONALISM. INTEGRITY. PARTNERSHIP. V&IG

6167 Bristol Parkway
Suite 430
Culver City, CA 90230
Tel 310.342.0123
Fax 310.342.0147

5 Neshaminy Interplex
Suite 215
Trevose, PA 19053
Tel 215.639.7600
Fax 215.639.7605

www.valinfo.com

January 10, 2014

Shawn Miyake
President/CEO
Keiro Senior HealthCare
325 South Boyle Avenue
Los Angeles, California 90033

RE: Keiro Nursing Home
2221 Lincoln Park Avenue
Los Angeles, California

Dear Mr. Miyake:

In accordance with your request, a valuation of the above referenced facility was conducted and is provided in an appraisal report. The subject consists of a 300-bed skilled nursing facility built in 1968 and 1989.

The primary purpose of this valuation is to estimate the as-is fee simple market value of the going concern. This appraisal will be used in connection with internal planning.

The value reported herein is that of the fee simple estate, which includes the land, improvements, equipment and intangible going concern assets. Working capital is not included in the valuation, but is assumed to be available and adequate to support the operations of the facility.

This appraisal investigation included a visit to the property on October 10, 2013, and all necessary investigation and analyses were made by the appraisers. The appraisal was prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) and involved the facts, assumptions, investigations and analyses set forth in the report.

Based upon the procedures outlined in this report, the as-is fee simple market value of the going concern, as of October 10, 2013, is reasonably represented in the following rounded amount:

$23,100,000

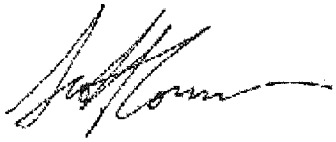
This estimate and the report are subject to the statement of facts and limiting conditions that are a critical part of the valuation report. No part of the appraisal report should be published or disseminated without Valuation & Information Group's prior written approval.

Thank you for the opportunity to provide you this service.

Respectfully submitted,

Valuation & Information Group

Jean-Pierre LoMonaco, MAI
President
CA Cert. Gen. AG011111



Scott Conner
Senior Consultant
CA Cert. Gen. AG034937

JPL/SC/TC:cb
230305a/N1FB

SUMMARY OF SALIENT FACTS

LOCATION

PROPERTY	Keiro Nursing Home
ADDRESS	2221 Lincoln Park Avenue, Los Angeles, California

GENERAL INFORMATION

PARCEL NUMBERS	5211-007-049 5211-007-048 5211-007-051 5211-007-025 5211-007-020
INTEREST APPRAISED	Fee Simple Estate
EFFECTIVE DATE OF APPRAISAL	October 10, 2013
DATE OF PHYSICAL INSPECTION	October 10, 2013
DATE OF REPORT	February 3, 2014
TYPE OF VALUE	As-is fee simple market value of the total assets of the business.
INTENDED USE	Internal planning
INTENDED USERS	Keiro Senior HealthCare

SITE CHARACTERISTICS

SIZE	3.16 acres, or 137,631 square feet
SHAPE	Irregular
ZONING	RD-1.5-1D (Restricted Density Multiple Dwelling - Height District)
CORNER/INTERIOR	Interior

IMPROVEMENT CHARACTERISTICS - NORTH BUILDING

SIZE (GROSS SQUARE FEET)	67,076
NUMBER OF STORIES	3, with basement
YEAR BUILT	1989
EXTERIOR	Stucco
FRAMING	Pre-cast concrete and metal
QUALITY	Good
CONDITION	Good
LICENSED BED CAPACITY	300 skilled nursing beds
OPERATING BED CAPACITY	300 skilled nursing beds

IMPROVEMENT CHARACTERISTICS - SOUTH BUILDING

SIZE (GROSS SQUARE FEET)	25,454
NUMBER OF STORIES	1, with basement
YEAR BUILT	1968
EXTERIOR	Stucco
FRAMING	Wood (main floor); reinforced concrete and concrete block (basement)
QUALITY	Good
CONDITION	Average
LICENSED BED CAPACITY	Included in North Building
OPERATING BED CAPACITY	Included in North Building

HIGHEST & BEST USE

AS VACANT	Multifamily residential use
AS DEVELOPED	Skilled nursing facility

VALUE INDICATORS

VALUE CONCLUSION **$23,100,000**

This value may be allocated as follows:

Land	$4,820,000
Improvements	$16,930,000
Equipment	$1,350,000
Business	$0

COST APPROACH

VALUE INDICATION **$24,230,000**

Land	$4,820,000
Improvements	$18,060,000
Equipment	$1,350,000

SALES COMPARISON APPROACH

VALUE INDICATION		**$23,000,000**
Value Per Bed Comparison	$22,500,000	
EGIM Analysis	$23,370,000	

INCOME APPROACH

VALUE INDICATION			**$23,100,000**
Net Revenue	$23,372,324	**Payor Mix**	
Expenses	20,484,604	Private	28.5%
NOI	$2,887,720	Medicaid	61.0%
Capitalization Rate	12.5%	Medicare	8.5%
Value (Rounded)	**$23,100,000**	Other	2.0%
Per Bed	$77,000	Total	100.0%
EGIM	0.99	**Occupancy**	**93.0%**

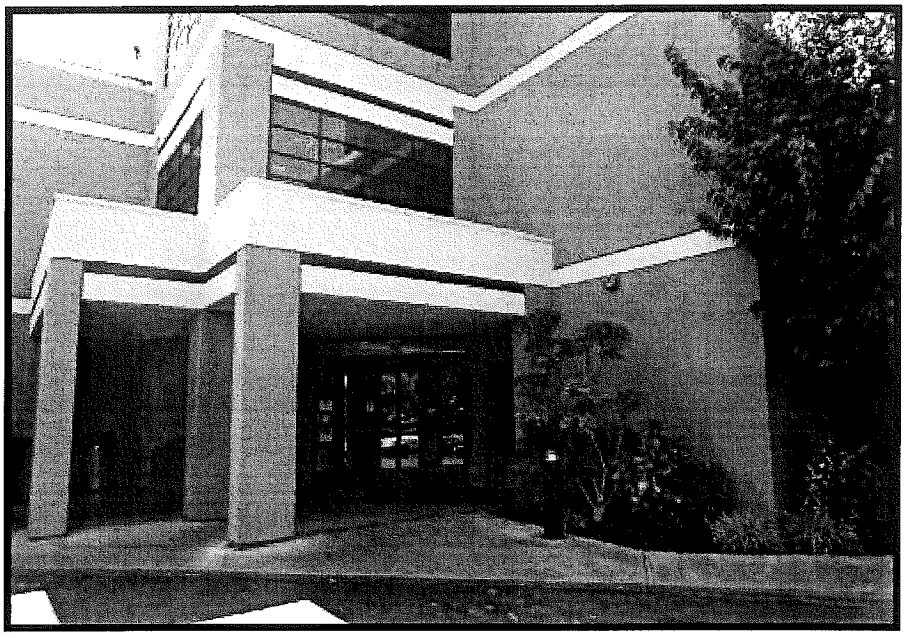
EXTRAORDINARY ASSUMPTIONS

The appraisal has no extraordinary assumptions.

HYPOTHETICAL CONDITIONS

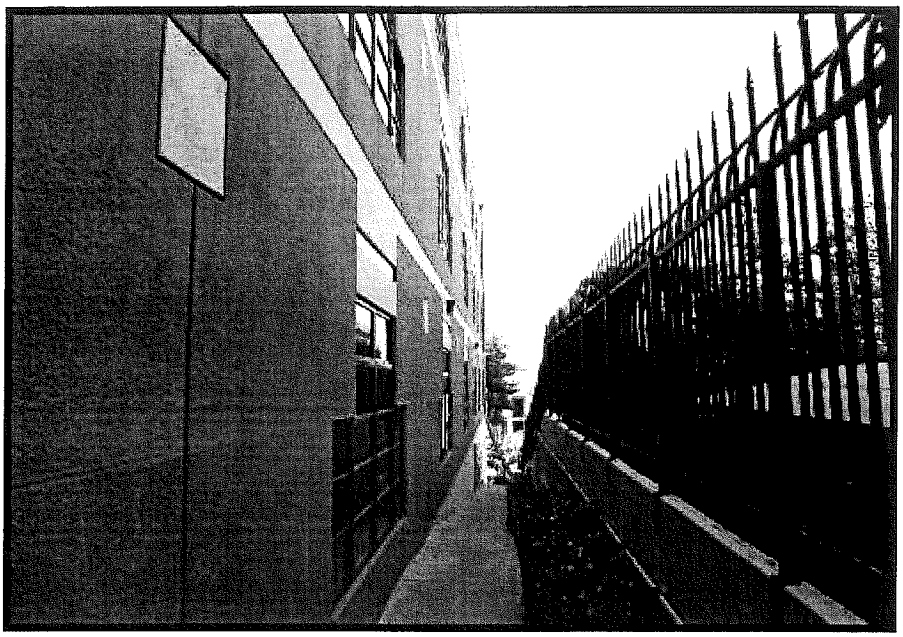
The appraisal has no hypothetical conditions.

SUBJECT PHOTOGRAPHS

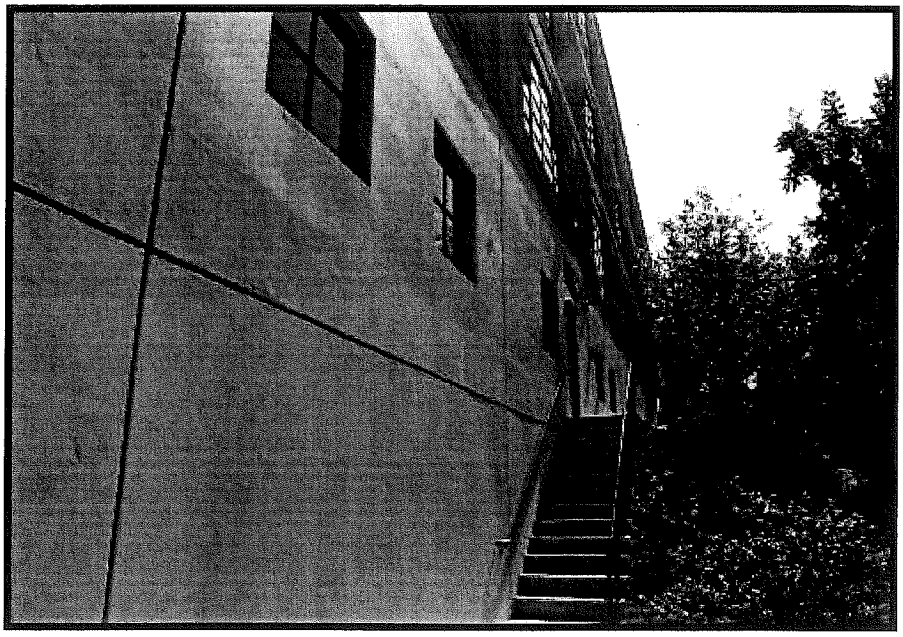


North Building - Main Entrance (East Side)

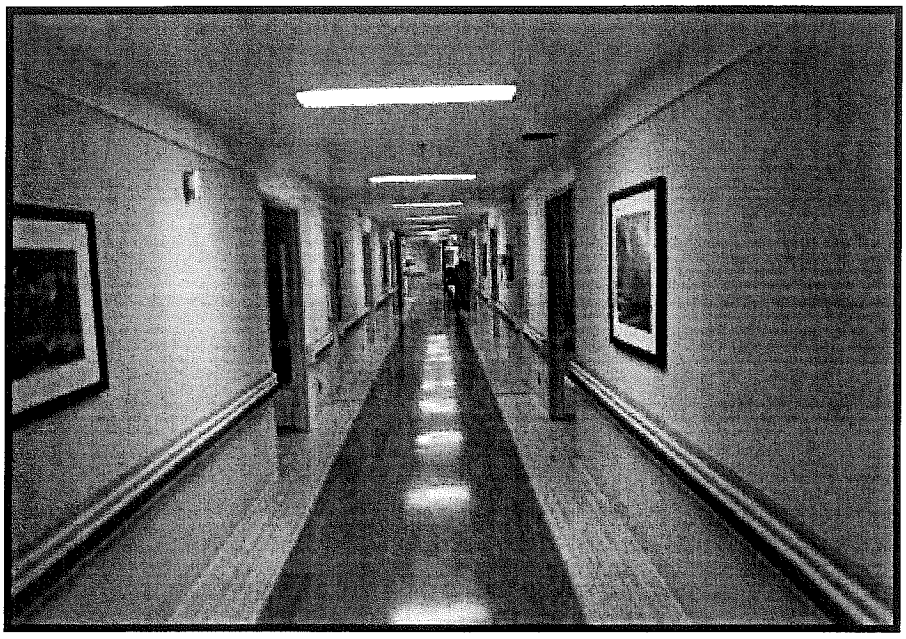
North Building - East Side (Front)



North Building - North Side

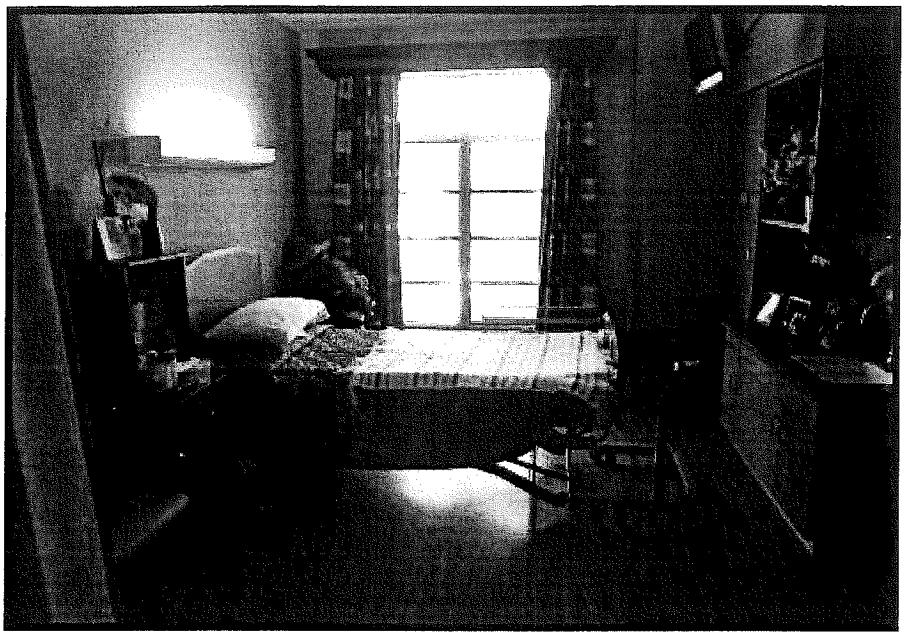


North Building - West Side (Rear)



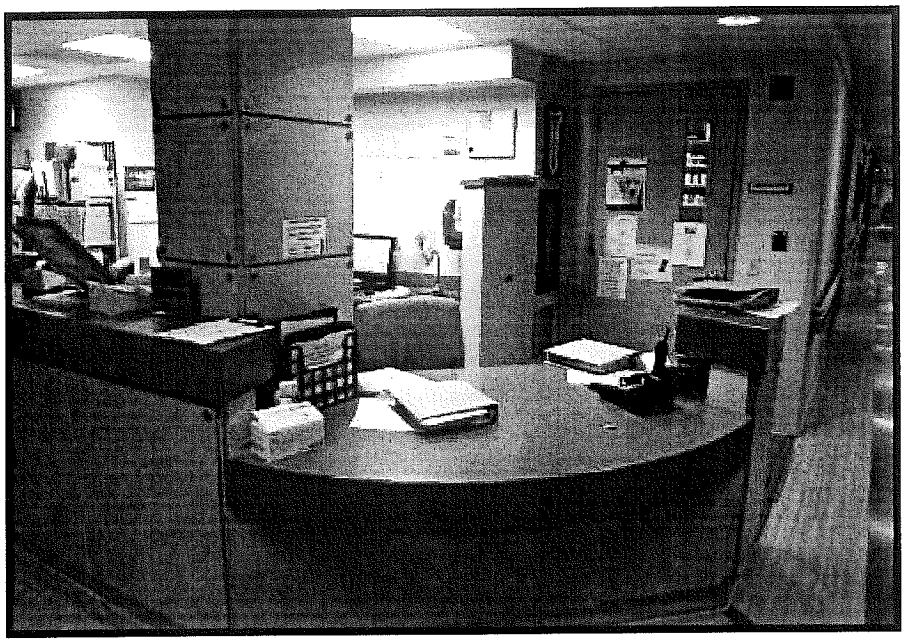
North Building - Typical Hallway

North Building - Typical Foyer

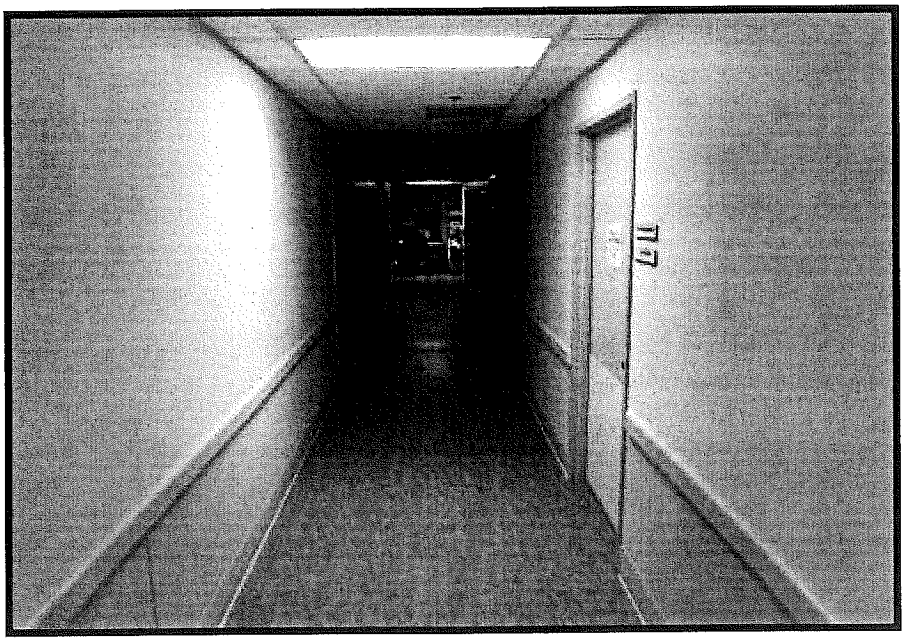


North Building - Typical Private Room

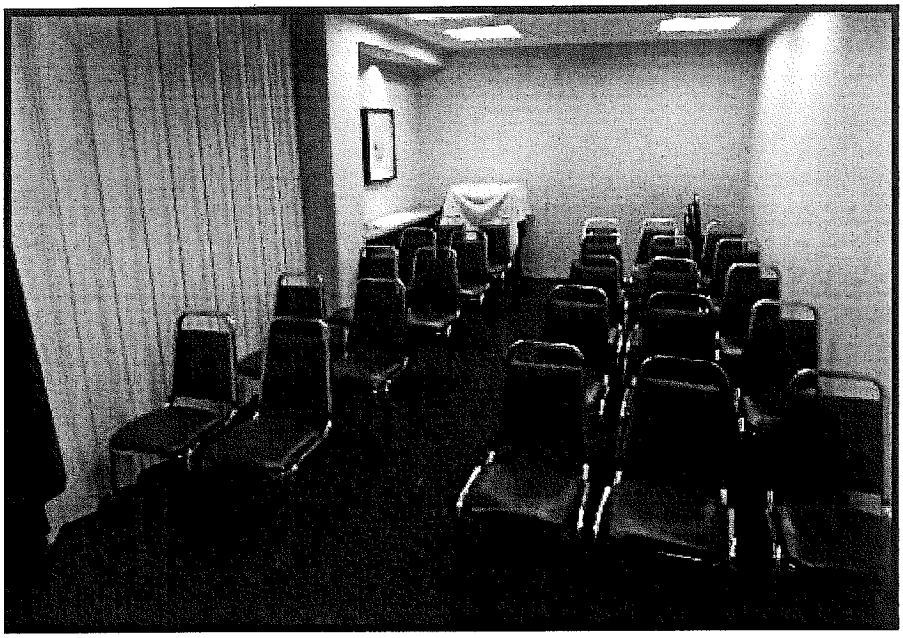
North Building – Typical Four-bed Ward Room



North Building - Typical Nurses' Station

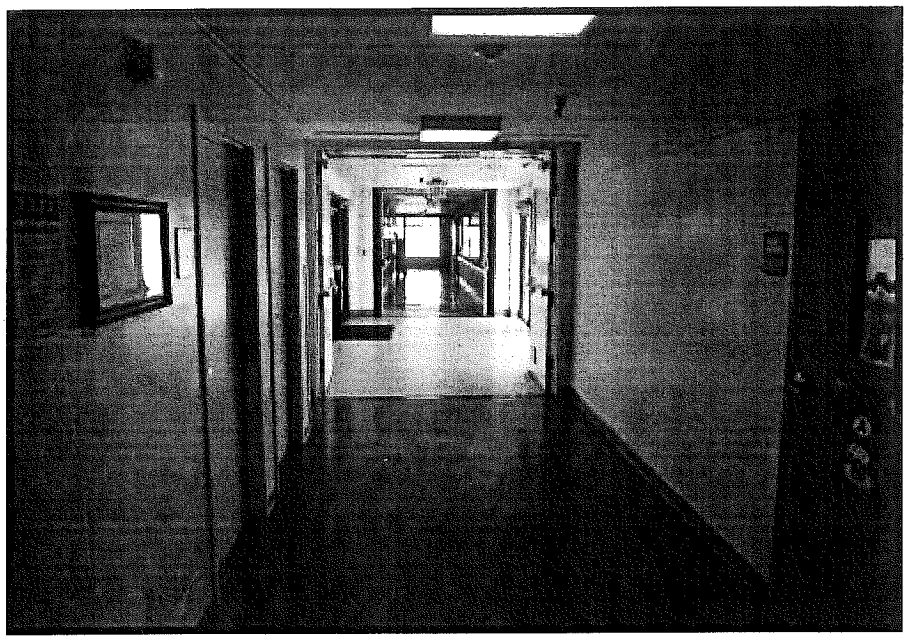


North Building - Typical Basement Hallway

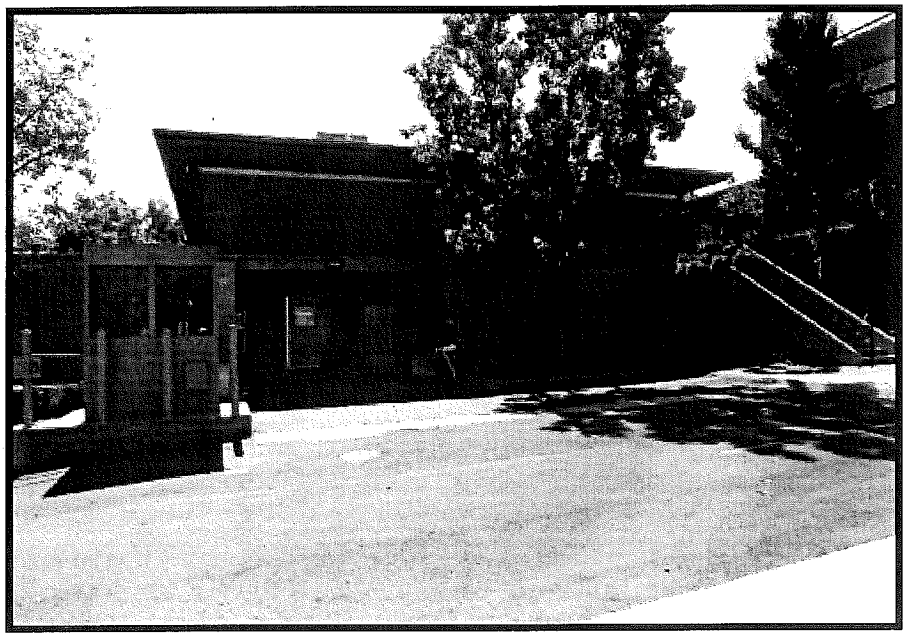


North Building - Basement Classroom

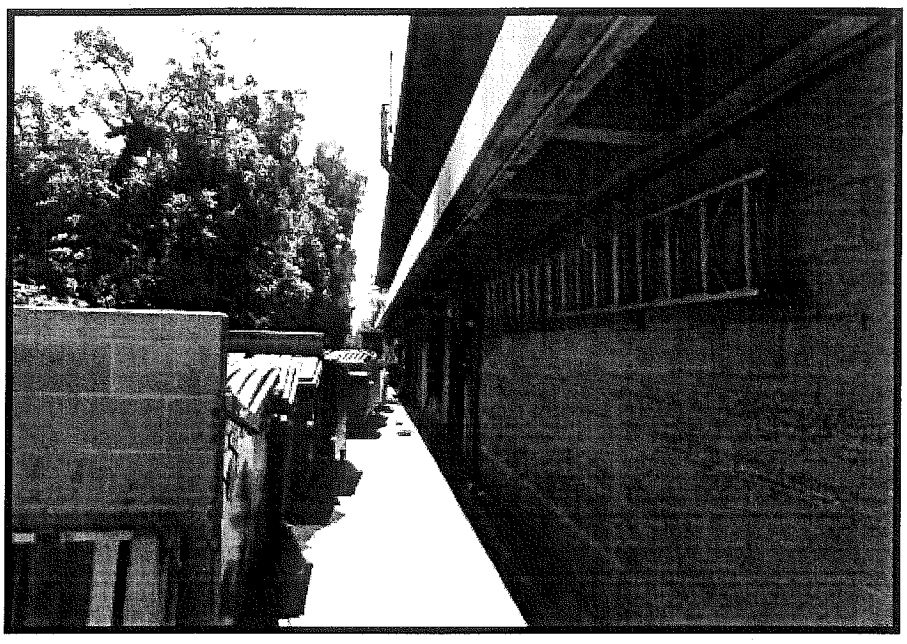
North Building - Basement Conference Room



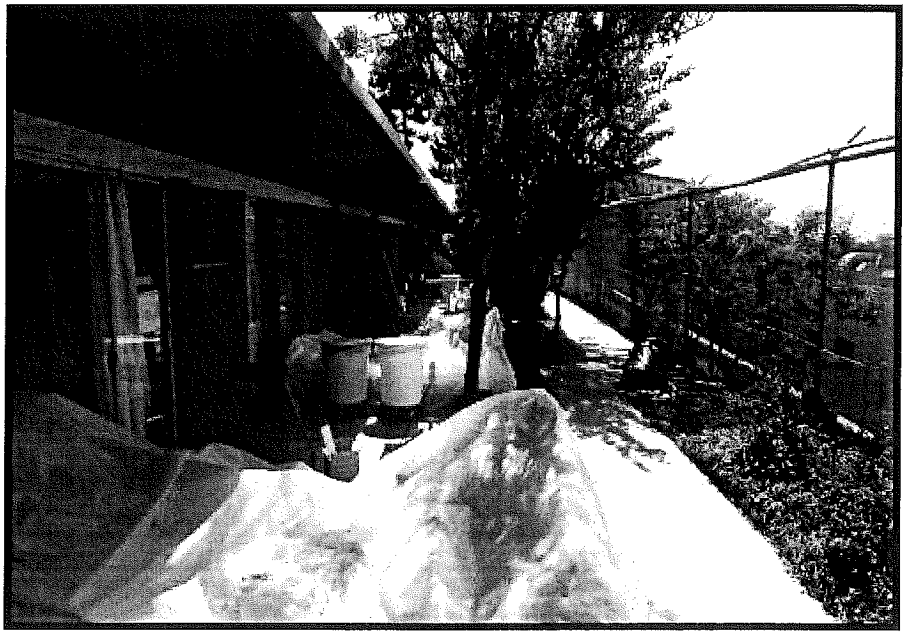
Connector Hallway Between North and South Buildings



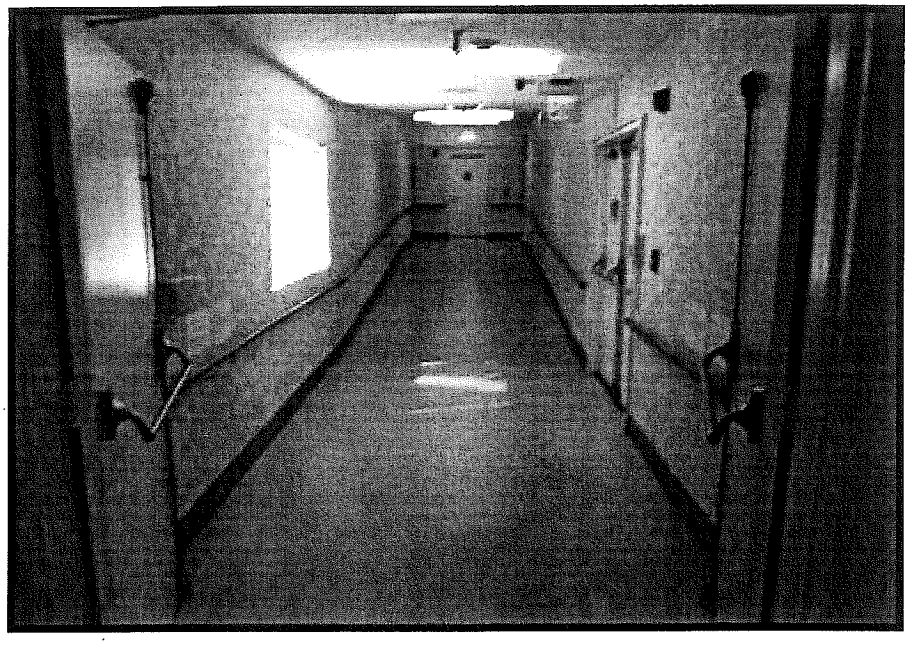
South Building – North Side



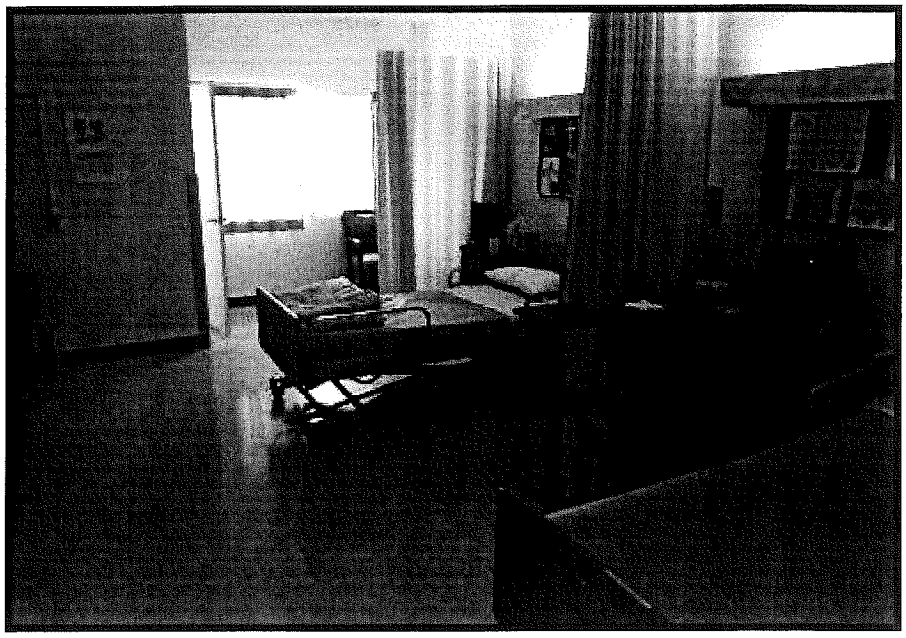
South Building – East Side



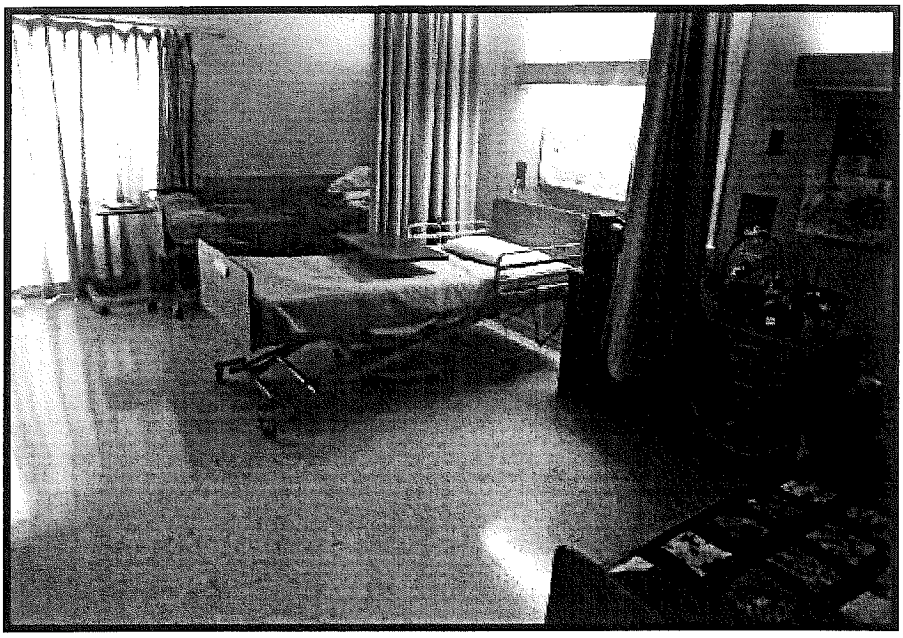
South Building – West Side



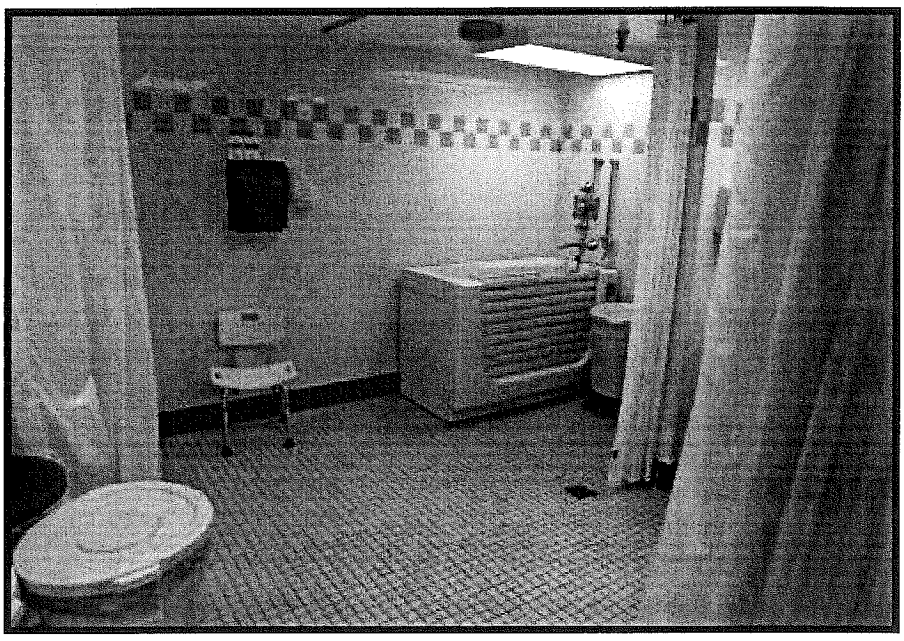
South Building – Typical Hallway



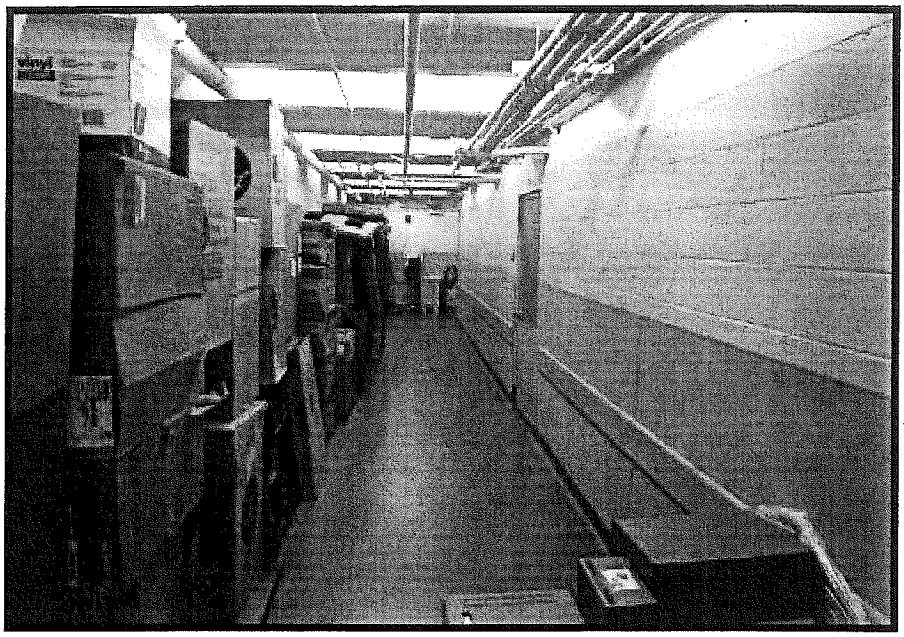
South Building – Typical Semiprivate Room



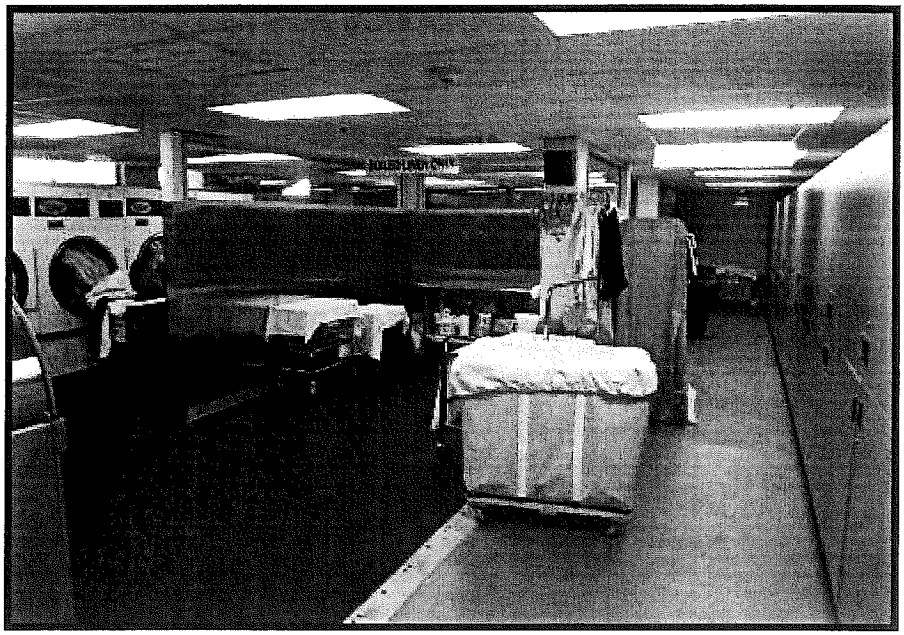
South Building – Typical Three-bed Ward Room



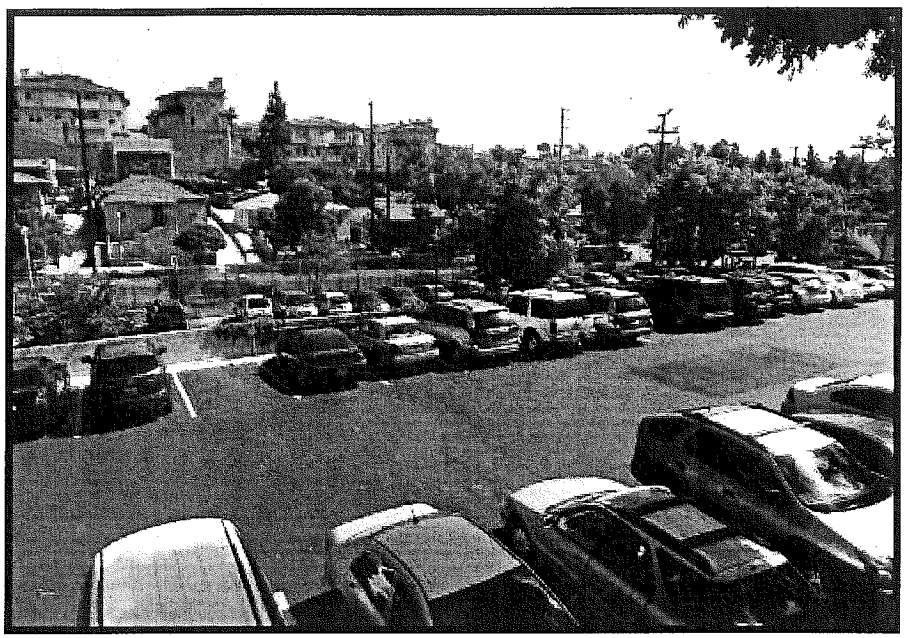
South Building – Typical Shower Room



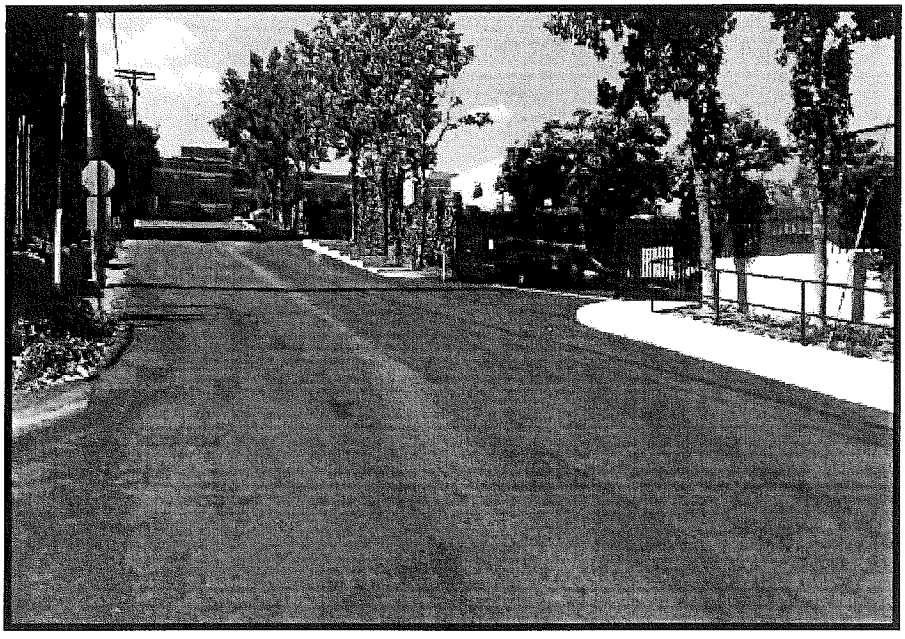
South Building – Basement Hallway



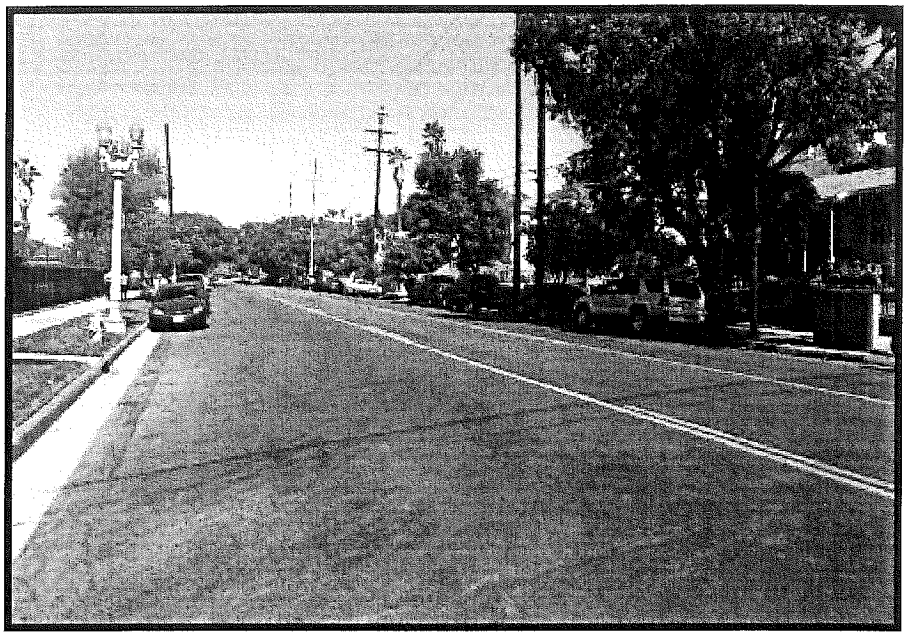
South Building – Laundry in Basement



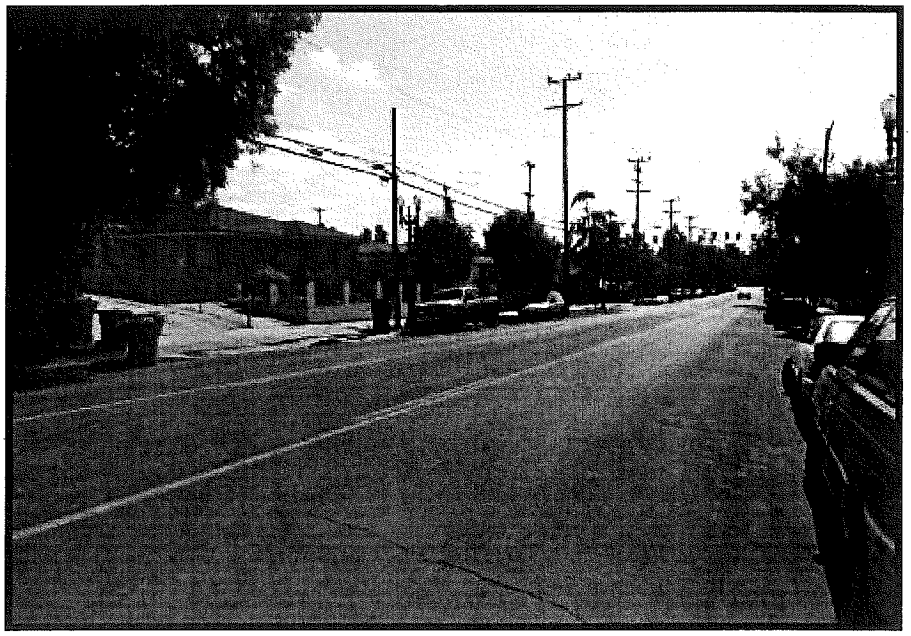
Parking Area on East Side



Driveway from Lincoln Park Avenue

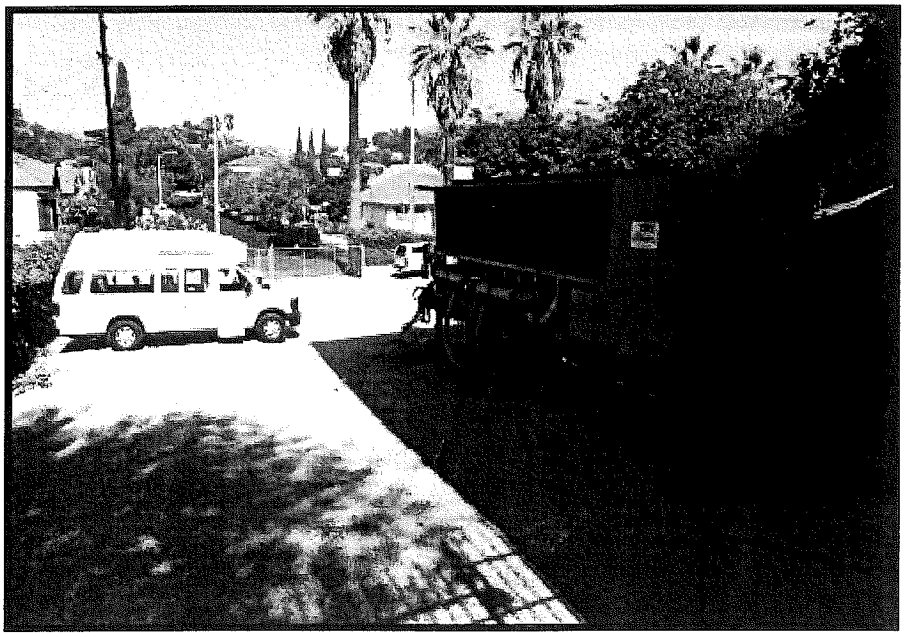


Looking North along Lincoln Park Avenue



Looking South along Lincoln Park Avenue

Sign along Lincoln Park Avenue



Subject's Undeveloped North Parcel (5211-007-020)

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ADDENDUM

Exhibit A - Legal Description, Zoning Information and License
Exhibit B - Demographics
Exhibit C - Improved Sales Data Sheets and Photographs
Exhibit D - Financials
Exhibit E - Appraisers' Licenses and Qualifications

INTRODUCTION

PROPERTY IDENTIFICATION

ADDRESS	2221 Lincoln Park Avenue Los Angeles, California 90031
COUNTY	Los Angeles
PARCEL NUMBERS	5211-007-049 5211-007-048 5211-007-051 5211-007-025 5211-007-020
LEGAL	See addendum

TYPE AND DEFINITION OF VALUE

The purpose of the appraisal is to set forth an estimate of and support for the market value of the total assets of the business. For the purpose of this report, "market value" is defined as follows:

> The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:[1]
>
> a) buyer and seller are typically motivated;
>
> b) both parties are well informed or well advised and each acting in what they consider their best interests;
>
> c) a reasonable time is allowed for exposure in the open market;
>
> d) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
>
> e) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

[1] Office of the Comptroller of the Currency, 12 CFR Part 34.42g.

INTENDED USE, INTENDED USERS AND CLIENT

INTENDED USE	Internal planning
INTENDED USERS	Keiro Senior HealthCare
CLIENT	Keiro Senior HealthCare

SCOPE OF THE APPRAISAL

The subject is a going concern with a substantial real estate base. Included in the concept of going concern are tangible and business assets comprising the business. Tangible assets include land, site improvements, building and equipment. In addition to tangible assets, also known as real and personal property, the subject includes various business assets necessary for the provision of healthcare, dietary, housekeeping, laundry and ancillary services. The provision of these services may create a going concern value beyond the value of the real and personal property. These assets, which tend to increase in value in relation to the level of services provided, include an assembled workforce, referral sources, systems and procedures, resident records and goodwill. This appraisal is of the entire going concern, one part of which is real estate. The appraisal engagement uses applicable standard appraisal techniques and is in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) as set forth by the Appraisal Foundation

This appraisal engagement entails the collection, analysis and description of data pertaining to the physical, legal and economic conditions that affect the use and value of the subject property, and any other relevant data that would pertain to the appraisal of a senior care facility.

The scope of the appraisal includes, but is not limited to, the following:

1. Conducting an inspection of the subject property.
2. Describing the property and its environment.
3. Conducting an analysis of the city and neighborhood.
4. Estimating the market value of the land by the analysis of the land sales identified.
5. Estimating the depreciated replacement cost of the improvements which, when added to the land and equipment, indicates the market value via the Cost Approach.

6. Conducting a search for (with verification) and analysis of sales of similarly improved properties.
7. Estimating the market value by the analysis of the sales identified via the Sales Comparison Approach.
8. Estimating the fee simple market value via the Income Capitalization Approach.
9. Reconciling the three approaches to value for the final value estimate.
10. Preparing an appraisal report based on all findings.

APPRAISAL STANDARDS

This appraisal engagement was conducted using applicable standard appraisal techniques and is in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

PROPERTY RIGHTS APPRAISED

The property rights appraised herein are the fee simple of the tangible and business assets. These interests are defined as follows:

> Fee Simple Estate: Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.[2]

EFFECTIVE DATE OF THE APPRAISAL

The effective date of the as-is market value is October 10, 2013. The facility was inspected on October 10, 2013.

APPRAISAL DEFINITIONS

For the purposes of this report, "Appraisal Report" is defined as:

> A written report prepared under Standards Rule 2-2(a).[3]

[2] *The Appraisal of Real Estate*, Fourteenth Edition, Appraisal Institute, Illinois, 2013, page 5.

[3] *Uniform Standards of Professional Appraisal Practice*, 2014-2015 Edition, The Appraisal Foundation, Washington D.C., page 22.

"Going-concern value" is defined as:

> An established and operating business with an indefinite future life. The market value of the going concern including real property, personal property, financial assets and the intangible assets of the business. The market value of a going concern includes the incremental value associated with the business concern, which is distinct from the value of the tangible real property and personal property. The assemblage of the land, buildings, labor, equipment, financial assets and the marketing operation creates an economically viable business that is expected to continue.[4]

"Personal property" is defined as:

> Movable items of property that are not permanently affixed to, or part of, the real estate.[5]

For purposes of this appraisal, equipment represents personal property.

The appraisal reflects the value in a proven property operation considered as an assembled economic unit. Financial assets are assumed to exist but are not valued in this appraisal. The value estimate is expressed in terms of cash.

COMPLIANCE

The analyses, opinions and conclusions that are developed in this report were prepared in conformity with the regulations of the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation and the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA).

[4] *The Appraisal of Real Estate*, Fourteenth Edition, Appraisal Institute, Illinois, 2013, pages 63, 64.

[5] Ibid., page 7.

COMPETENCY

The appraisers identified in the Certification are competent to perform this appraisal due to the fact that:

1. The appraisers have knowledge and experience in the nature of this assignment.
2. All necessary and appropriate steps have been taken in order to complete the assignment competently.
3. There is no lack of knowledge or experience that would prohibit this assignment from being completed in a professional, competent manner or where a biased or misleading opinion of value is to be rendered.

SALES AND PROPERTY HISTORY

The following table presents the last arm's-length transaction:

SALE DATE	From 1968 to 2009
PRICE	N/A
SELLER	Various
BUYER	Keiro Nursing Home

The subject is comprised of five contiguous parcels purchase from 1968 to 2009. The subject is not currently listed for sale or under contract to sell.

REASONABLE EXPOSURE TIME

"Exposure time" is defined as:

> Estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.[6]

The concept of reasonable exposure time encompasses not only adequate, sufficient and reasonable time, but also adequate, sufficient and reasonable effort. This concept also takes into consideration the

[6] *Uniform Standards of Professional Appraisal Practice*, 2014-2015 Edition, The Appraisal Foundation, Washington D.C., page 79.

type of property being appraised, supply/demand conditions as of the effective date(s) of the appraisal and the analysis of historical sales information (sold after exposure and after completion of negotiations between the seller and buyer). The reasonable exposure period is therefore a function of price, time and use, and is not an isolated estimate of time alone.

Reasonable exposure time is always presumed to precede the effective date of the appraisal and differs for various types of real estate and under various market conditions. The estimate of exposure time is therefore based on the subject property's determined highest and best use, in a market where there is evidence of demand for such a facility.

The estimate of reasonable exposure time is not a predication, but rather a judgment made by the appraiser based on market conditions preceding the effective date of the appraisal.

Given the subject's highest and best use, condition, physical characteristics and market value conclusion, the subject could sell within 12 months if offered for sale.

LONG-TERM CARE INDUSTRY OUTLOOK

DEMAND

The rapid increase in the elderly population will result in the continued expansion of the senior housing and long-term care industries. The U.S. Bureau of the Census estimates that between 1990 and 2050, the number of Americans aged 65 and older will more than double (from 31 million in 1990 to more than 79 million in 2050).

The United States population statistics and forecasts are provided in the following table:

U.S. Population Growth					
	2000	2014 Estimate	% Change	2019 Projection	% Change
Total Population	281,421,906	317,199,353	12.7%	328,309,464	3.5%
65+ Population	18,390,870	25,630,875	39.4%	31,928,703	24.6%
% of Total	6.5%	8.1%		9.7%	
75+ Population	12,361,442	13,554,516	9.7%	15,011,456	10.7%
% of Total	4.4%	4.3%		4.6%	
85+ Population	4,239,540	5,972,019	40.9%	6,338,467	6.1%
% of Total	1.5%	1.9%		1.9%	
Source: The Nielsen Company					

Over the next five years the fastest growing age group is expected to be the 65 and older population.

In the United States, the population is composed of those 65 years of age or older is projected to increase from 12.4% of the population in 2000 to 20.7% by 2050 due to the aging of the baby boom generation as well as increased longevity. The implications for the delivery and financing of healthcare will be profound because elderly persons use healthcare services at a greater rate than younger persons. The larger number of elderly persons will put greater pressure on the budget for the Medicare program. An increase in the number of persons 85 years of age or older, who are most likely to require nursing home and other long-term care, will exert similar pressure on the Medicaid program, which pays for about half of the total costs of nursing home care.

A factor contributing to growth in demand for elderly care is the increased life expectancy of the United States population. As the average life expectancy for both men and women continues to increase (as illustrated in the following table) the probability of an elderly individual requiring some form of healthcare service also increases.

United States Life Expectancy				
	Men		Women	
	At Birth	At Age 65	At Birth	At Age 65
1950	65.6	12.8	71.1	15.0
1960	66.6	12.8	73.1	15.8
1970	67.1	13.1	74.7	17.0
1980	70.0	14.1	77.4	18.3
1990	71.8	15.1	78.8	18.9
2000	74.1	16.0	79.3	19.0
2010	76.2	N/A	81.0	N/A
Source: National Center for Health Statistics				

While most major healthcare providers will benefit as America ages, the senior housing/care industry will be the primary beneficiary.

SUPPLY

Many types of in-home care services and new kinds of senior housing, offering a wide range of costs and services, are emerging to meet the needs of America's aging population. Defining the different types of housing options can be difficult since there are many types and variations that can vary from facility to facility, and since many residences offer more than one type of housing or care. The definitions below are considered a general guide to the types of housing options seniors may find.

Home and Day Care Services

If an individual requires assistance, a combination of health and social services may allow the older person to continue living at home if desired. The home can be physically adapted with a variety of helpful features to make it more accessible. Home health aides can help with daily activities such as medication, bathing and dressing. Homemaker services can help with housekeeping, cooking and home and yard maintenance. Meals on Wheels and other groups may deliver low cost, nutritious lunches to homebound elders. Visiting nurses, medical laboratories and occupational and physical therapists can provide in-home medical services.

Many cities have adult day care programs where seniors can spend daytime hours to socialize while also relieving the individual's primary caregiver. Many of these programs are designed for seniors in relatively good health but with cognitive or mental difficulties. These programs are commonly nonprofit and low cost but often have waiting lists. Local support groups for specific illnesses, community

organizations and agencies are a good source for finding other appropriate care and support services.

Retirement Communities

There are many types of retirement communities to choose from, varying greatly in services offered, scope and cost. They range from lushly landscaped, country club-style condominium developments in a suburb to senior apartments in a bustling urban area.

Traditional retirement communities, sometimes regarded as active adult communities, restrict admission to adults above a certain age and offer security, recreational facilities, planned activities and possibly communal dining and housekeeping. Planned adult communities can be open to renters or may offer condominiums or homes for purchase. Medical services are not included but are generally located nearby.

Senior apartment complexes, also called congregate housing, generally charge a monthly rental fee and security deposit for services such as transportation, activities and meals. Some are under federal housing guidelines and only accept low income seniors, but most are privately owned.

Continuing Care Retirement Communities

A continuing care retirement community (CCRC), or life care community, provides housing and health-related services to an older person under an agreement effective for the person's lifetime or a specified period of time. This living alternative can be attractive since it eliminates the need for moving when the individual's health and medical needs change. An essential part of continuing care is the provision that a resident can stay in the community even if he or she needs skilled nursing services.

Some CCRCs require a substantial entry fee or buy-in, which may be forfeited if the person dies or decides to leave. Most also charge monthly maintenance fees in exchange for a living unit, meals and some health services. Both types of fees vary greatly among CCRCs, depending on location, size of the unit, services and programs. CCRCs typically require that the individual be in relatively good health and independent upon entrance. Those with serious illnesses or limited financial resources may not qualify for admission to this type of community.

Assisted Living

Assisted living is a type of licensed care that provides personal care services, support and housing for those who need help with daily activities, yet need limited medical care. Assisted living can be in an independent facility or part of a retirement, continuing care or life care community. The programs and services may include transportation, social activities, exercise and fitness programs, beauty or barber shop access, hobby and craft activities, community excursions, meals in a dining room

setting and other activities sought by residents. These facilities are often in apartment-like buildings with private residences ranging from single rooms to large apartments. Rooms may typically be furnished at least partially with the resident's belongings.

Although assisted living facilities are not licensed to perform skilled nursing activities, residents can sometimes receive skilled nursing care from outside licensed home health agencies that come in on a daily or weekly basis.

Alzheimer's Facilities

An increasing number of facilities are focusing on the needs of people with Alzheimer's or other dementia-related illnesses. These facilities may be exclusively dedicated or have special sections or areas for elderly residents with these conditions. Typically, Alzheimer's facilities offer a secured environment, a high ratio of staff to residents and special activity programs designed for those with limited attention spans. Other services may include incontinence care, medication management and transportation to medical appointments. Alzheimer's facilities may be licensed as either assisted living or skilled nursing.

Skilled Nursing Facilities

A skilled nursing facility is state licensed to provide room and board, nursing care, supervision and medical care. These facilities are also referred to as convalescent homes, rehabilitation homes or hospitals, and nursing homes. They provide the type of extended nursing care not given in assisted living or residential care homes. Skilled nursing facilities, at a minimum, include skilled nursing, dietary and pharmaceutical services, and an activity program.

Skilled nursing facilities provide three levels of care, defined as basic, skilled and subacute. Basic care is the level of care required to maintain daily living activities and includes personal care and supervision. Skilled care is for residents requiring the services of a registered nurse or other medical professional on a regular basis for treatments and procedures. Subacute care is comprehensive inpatient care for someone who has an acute illness or injury and requires frequent patient assessment.

Facilities usually bill for two types of charges. There are standard daily rates for room, care and some nursing services, and extra charges for any services not included in the basic rate, such as therapies, pharmacy, wheelchairs, dental care, hand feeding or care for incontinence. Skilled nursing facilities are generally the most expensive senior housing option. Thus, financial planning is critical since private insurance, Medicaid and Medicare have only limited provisions for skilled nursing care. A skilled nursing facility may be the best and only alternative when an individual needs 24-hour nursing care and supervision.

INDUSTRY DYNAMICS

Although the senior population has increased, MedPac indicates that the number of nursing home beds has increased at a slow pace (7% annually) since 2001. In addition, overall nursing facility occupancy has been stable during this period. This is primarily due to alternative senior housing and home care options. In the late 1990s, assisted living facilities became a popular housing alternative for private pay patients who did not require skilled nursing. The assisted living market took much of the demand for private pay nursing home beds, leaving nursing homes with a higher Medicaid census. Medicaid does not sufficiently reimburse nursing facilities and, therefore, profits declined.

In mid-2008, private firms purchased several of the large nursing home chains, which took the industry out of the public eye. However, the national recession and credit crisis have significantly reduced the amount of capital available for the acquisition of nursing homes. In previous years, Medicaid reimbursement improved with better state economies and, in many states, a higher federal match with the use of quality assurance fees. However, given high unemployment and decreased tax bases, several states experienced difficulty in funding their Medicaid systems and have frozen and slightly reduced nursing home Medicaid rates in fiscal years 2009, 2010 and 2011. Given the current national economic outlook and the elimination of the increased federal match, this trend is projected to continue in the immediate future.

Based on preliminary indications, the majority of states surveyed have indicated that they will be maintaining reimbursement levels in fiscal year 2013, with a moderate number of states reducing rates. Only a very limited number of states have indicated that they actually will be increasing rates. This reflects the sunset of the Tax Relief and Health Care Act of 2006 on October 1, 2011. This act reduced the maximum quality assessment fee that states could charge from 6.0% to 5.5% of total revenue. A moderate number of states have utilized this higher ceiling to increase their quality assessment fees. This has allowed states to generate additional federal matching revenue that will be utilized to fund the states' Medicaid reimbursement systems in fiscal year 2013.

REGULATORY ENVIRONMENT

The movement to control Medicare and Medicaid fraud and abuse, especially in the home health area, promises to continue. This will continue to favor quality providers, for whom patient care is emphasized and for whom cost efficiencies and marketing synergies, rather than overbilling, drive margin improvement. The movement toward privatization of reimbursement will accentuate this trend. This is expected to manifest in substantial growth in Medicare-risk HMOs.

Unlike traditional fee-for-service Medicare programs, HMOs are free to shift Medicare patients to a lower cost long-term care facility immediately, foregoing a required three-day hospital stay. Studies show that savings can range from 40.0% to 60.0%, even with longer lengths of stay in a skilled nursing facility. Hospitals have been unsuccessful in operating captive skilled nursing beds profitably because of this inability to downscale care regimens and nursing staffs appropriately for certain diagnostic-related groups (DRGs). Companies with a wide range of services will benefit as reimbursement moves toward payment for episodes of care and disease management.

As both state and federal governments attempt to cut medical costs and maintain quality medical care, there is a greater recognition that it is cost-effective to fund the most efficient level of care for each individual. Subacute care offers a savings of 30% to 60% from an acute-care hospital stay and assisted living costs are about two-thirds the cost of care in an average skilled nursing facility. However, the promise of increased regulation of aging-in-place assisted living (and the increased cost of retrofitting most recently built assisted living facilities to skilled nursing facility standards to qualify for higher acuity care) will limit the level of services that can be provided in an assisted living facility. This is evidenced by the trend toward shorter lengths of stay at assisted living facilities over the past several years, as residents who enter are older and frailer. These residents quickly require skilled care that only the integrated-service capabilities of a more sophisticated long-term care provider can produce on a cost efficient basis.

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act, which is projected to decrease Medicare funding. These funding reductions are proposed to be feasible by reducing cost through more efficient care and promoting the utilization of community-based long-term care options that will allow residents to remain in their homes. In addition, the Patient and Protection and Affordable Care Act also will provide additional federal matching funds for Medicaid to states that increase and encourage access to community based care alternatives. The law will also create increased transparency and oversight of the long-term care industry.

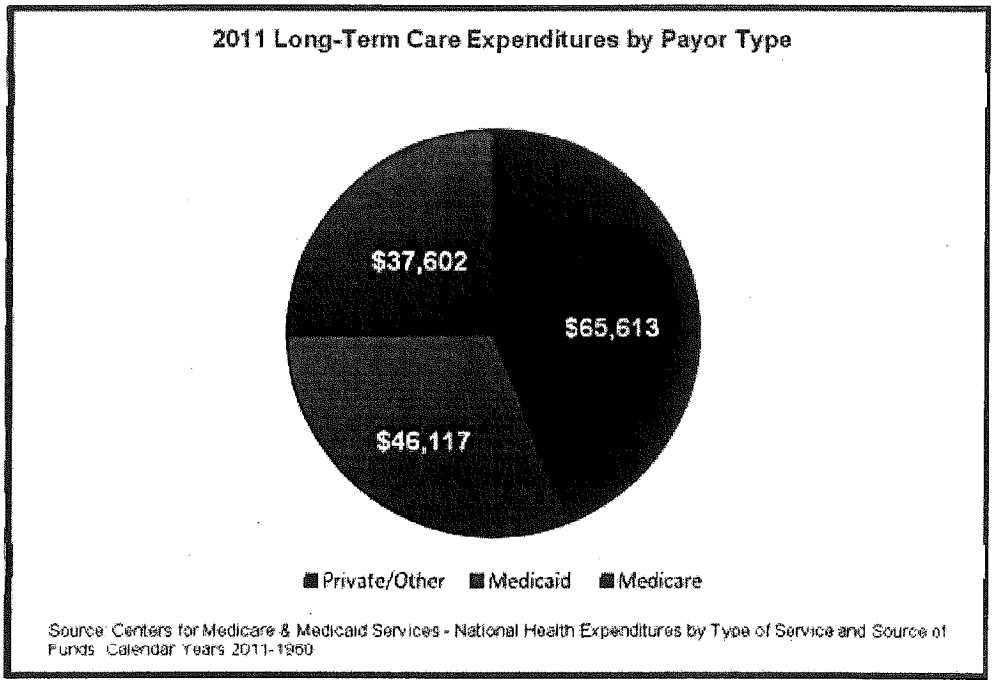
Another significant change that will be implemented through healthcare reform will be the development of Accountable Care Organizations (ACOs). ACOs are legal entities that agree to be accountable for the quality, cost and overall care of a specific population of Medicare beneficiaries. The stakeholders of an ACO will primarily be hospitals, health systems and physician networks. The responsibility of the ACOs will be to coordinate care for Medicare beneficiaries through a network of affiliated providers. The healthcare delivery model utilized by ACOs will tie reimbursement to quality metrics and reductions in the total cost of care for an assigned population of patients.

The goal of an ACO will also be to reduce Medicare spending by greater reduction of utilization of more costly healthcare services. Services will be coordinated through ACOs by "ACO Exclusive" primary care physicians. It is unlikely that nursing homes will be part of an ACO entity. Most likely, nursing homes will be contracted by ACOs on an as-needed basis. Nursing homes may be able to contract with multiple ACOs. However, given the focus on quality of care, nursing homes with poor health surveys and outcomes may be excluded from contracting with ACOs. Given that Medicare represents a significant revenue source for nursing homes this could severely impact a facility's profitability and financial solvency.

Healthcare networks were permitted to be begin operating as ACOs and contracting with Medicare on January 1, 2012. These healthcare networks must sign a three-year agreement with Medicare. It is currently unclear how many healthcare networks applied to be ACOs in 2012.

REIMBURSEMENT ENVIRONMENT

Reimbursement for nursing facilities is primarily comprised of private pay sources, the federal Medicare program and state Medicaid programs for indigent patients. These revenues will be influenced by a number of factors, including the licensed bed capacity of its facilities, occupancy rates, the mix of patients and rates of reimbursement among payor categories (private and other, Medicare and Medicaid), and the extent to which subacute and other specialty medical and ancillary services are utilized by the patients and paid for by the respective payment sources. The following pie chart indicates the percentage of funding from each source:



2011 Long-Term Care Expenditures (in millions)		
Private/Other	$65,613	43.9%
Medicaid	$46,117	30.9%
Medicare	$37,602	25.2%

PRIVATE AND OTHER FUNDING

Private and other revenues include payments from individuals who pay directly for services without government assistance or from commercial insurers, HMOs, preferred provider organizations (PPOs), workers' compensation programs, hospice programs and other similar payment sources. Private pay rates are typically higher than rates for patients eligible for assistance under state Medicaid programs.

MEDICARE

Medicare is a federally funded and administered health insurance program primarily designed for individuals aged 65 and over and who are entitled to receive Social Security benefits. Currently, the Medicare program consists of four parts: Medicare parts A, B, C and D. Part A is typically free for those who are eligible and covers inpatient hospital services and certain services furnished by other institutional healthcare providers, such as long-term care facilities. Part B is optional, typically requiring a monthly premium, and covers the services of doctors, suppliers of medical items and services, and various types of outpatient services.

Part B services include physical, occupational and speech therapy; pharmaceuticals and medical supplies; certain intensive rehabilitation and psychiatric services; and ancillary services of the type provided by long-term care or acute-care facilities. Originally called Medicare + Choice program, Part C became available in 1997 for persons who were eligible for Part A and enrolled in Part B. These recipients could choose to use an insurance company that would contract with the federal government for healthcare insurance. This program typically offered recipients more choices including managed care plans (such as HMOs) and preferred provider organizations (PPOs). This program became known as Medicare Advantage with the enactment of the Medicare Prescription Drug, Improvement, and Modernization Act in 2003. This act also created Part D of Medicare, which provides prescription drug benefits to anyone eligible for Medicare. Part D is administered through private insurance companies with recipients choosing the plan and paying the associated monthly premium.

Part A coverage, as applied to services delivered in a long-term care facility, is limited to skilled nursing and rehabilitative care related to recent hospitalization and limited to a specified term (generally 100 days per calendar year); requires beneficiaries to share some of the cost of covered services through the payment of a deductible and co-insurance payment; and requires beneficiaries to meet certain qualifying criteria. The coinsurance for 2012 is $144.50 per day for Medicare stays greater than 20 days. There is no coinsurance for the first 20 days. There are no limits on duration of coverage for Part B services, but there is a co-insurance requirement for most services covered by Part B.

In 1997, Congress passed the Balanced Budget Act of 1997 (BBA 1997) mandating that the Health Care Finance Administration, now known as the Center for Medicare and Medicaid Services (CMS), develop a prospective payment system (PPS) for skilled nursing facilities. Prior to PPS, skilled nursing facilities were reimbursed based on costs subject to ceilings. The PPS that was developed included a classification system known as Resource Utilization Group version III (RUG) and originally included 44 groups. On May 17, 2005, CMS released the SNF PPS Rule for fiscal 2006. CMS added nine RUGs to create more accurate payments for medically complex patients. The changes became effective January 1, 2006. The 53 RUG III classification system used the Minimum Data Set 2.0 (MDS 2.0) tool to classify patients by acuity.

Effective October 1, 2010, CMS instituted several changes to the Medicare system, including a new classification (RUG IV) and assessment tool (MDS 3.0), which was originally scheduled for implementation on October 1, 2010. The implementation was originally delayed by the Patient Protection and Affordable Care Act until October 1, 2011, but President Obama signed the Medicare and Medicaid Extenders Act of 2010 on December 15, 2010, thus repealing the delay of the new RUG IV system and making it retroactive to October 1, 2010.

The RUG IV system reflects updated staff time measurement data derived from the recently completed Staff Time and Resource Intensity Verification (STRIVE) project. It includes the transition to the Minimum Data Set 3.0 (MDS 3.0) resident assessment instrument and an expansion from 53 to 66

RUG categories. The law also includes the implementation of the concurrent therapy adjustment and an adjustment to the look-back period to ensure that only services provided after a resident is admitted to a skilled nursing facility are utilized to determine a resident's RUG classification.

The fiscal year 2011 rates (effective October 1, 2010) reflect an update using the latest market basket index and adjusting for the fiscal year 2009 forecast error correction. Given that Medicare reimburses nursing facilities on a prospective basis, the market basket index increases project how much costs are forecasted to increase. The actual market basket increase for a given period can be higher or lower than the forecasted increase available at the time a payment update is determined. This is commonly referred to as a forecast error. CMS is required to provide a market basket adjustment if the actual market basket increase differs significantly from the CMS projection. The fiscal year 2011 market basket increase factor is 2.3%. When combined with the negative 0.6% forecast error adjustment for fiscal year 2009, this results in a net fiscal year 2011 increase of 1.7%.

Skilled nursing facilities experienced substantial increases in the weighted average Medicare rate as a result of the new classification system (RUG IV verses RUG III). This is primarily due to an adjustment to the rate ("parity adjustment") intended to keep RUG IV weighted average reimbursement in line with RUG III. After reviewing the first three months of data, CMS has acknowledged that skilled nursing facilities' weighted average Medicare rates are significantly higher under RUG IV verses RUG III and the parity adjustment utilized was incorrect. Given this factor, CMS recently announced that the RUG IV reimbursement system cuts 11.1% for fiscal year 2012 from 2011 for skilled nursing providers. However, the weighted average Medicare rate for skilled nursing facilities increased substantially with the conversion from RUG III to RUG IV the previous year. Although the 2012 weighted average rate is 11.1% lower than 2011, it is still 3.4% higher than 2010 weighted average rates.

The switch from RUG III to RUG IV for fiscal year 2011 was calculated to be budget neutral, meaning that most providers would not have any substantial changes in reimbursement. What was not

expected is the skilled nursing home industry's reaction in their business models, which increased average daily reimbursement by $90. The 11.1% decrease in average reimbursement for 2012 serves as the correction for CMS's miscalculation.

MEDICAID

Medicaid is a federal/state entitlement program that pays for medical assistance for certain individuals and families with low incomes and resources. Medicaid is the largest source of funding for medical and health-related services for America's poorest people.

Medicaid programs vary from state to state. Although reimbursement rates are determined by the state, the federal government retains the right to approve or disapprove individual state plans. Providers must accept reimbursement from Medicaid as payment in full for the services rendered, because the provider may not bill the patient for more than the amount of the Medicaid payment received.

Medicaid operates as a vendor payment program. States may pay healthcare providers directly on a fee-for-service basis, or states may pay for Medicaid services via various prepayment arrangements such as HMOs. Within federally imposed upper limits and specific restrictions, each state, for the most part, has broad discretion in determining the payment methodology and payment rate for services.

The federal government pays a share of the medical assistance expenditures under each state's Medicaid program. That share, known as the Federal Medical Assistance Percentage (FMAP), is determined annually by a formula that compares the state's average per capita income level with the national income average. States with a higher per capita income level are reimbursed a smaller share of their costs. The American Recovery and Reinvestment Act of 2009 increased FMAPs approximately 6.4% until December 31, 2010. In addition, the American Workers, State and Business Relief Act extends the increased FMAP to June 30, 2010; however, the standard FMAP increase will be decreased

50% from 6.4% to 3.2% from January 1, 2011, to March 31, 2011, and further reduced to 1.2% from April 1, 2011, to June 30, 2011. The increased FMAP percentages were eliminated on July 1, 2011.

There are generally two types of Medicaid fee for service reimbursement rates: retrospective and prospective, although some states have adopted plans that have both retrospective and prospective features. A retrospective rate is determined after completion of a cost report by the service provider and is designed to reimburse costs after they are incurred. Typically, an interim rate based upon historical cost factors and inflation is paid to the state during the cost reporting period and a cost settlement is made following an audit of the filed cost report.

The more prevalent type of Medicaid reimbursement rate is the prospective rate. Under a prospective plan, the state sets its rate of payment for the period in advance of services rendered. Actual costs incurred by operators during a period are used by the state to establish the prospective rate for a subsequent period. The provider must accept the prospective rate as payment in full for all services rendered.

MANAGED CARE

In an effort to control rising healthcare costs, both the federal (Medicare) and state (Medicaid) reimbursement agencies are requiring seniors to enroll in managed care plans. Since the 1970s, Medicare beneficiaries have had the option to receive their health benefits through managed care plans, predominately HMOs. In 2010, Medicare's managed care plan (Medicare Advantage) accounted for 22% of total Medicare spending. In addition, Medicare Advantage subscribers represented approximately 24% of total Medicare eligible individuals.

Medicare reimburses these managed care plans on a capitated basis (per member, per month) to coordinate for eligible subscribers Part A and B benefits. In addition, Medicare reimburses these plans separately for Part D (prescription drug plan) services. Traditionally, Medicare Advantage plans reimburse providers at higher than fee-for-service costs. The Patient Protection and Affordable Care

Act will reduce federal payments to Medicare Advantage plans in an effort to reduce reimbursement levels from these plans to amounts more consistent with fee-for-service costs. These changes are estimated to significantly reduce Medicare spending and enrollment in Medicare Advantage Plans.

With respect to Medicaid, an increasing number of states are turning over the coordination of long-term care benefits to managed care organizations. Currently, Arizona, Hawaii and New Mexico have transitioned over the responsibility of reimbursing long-term care facilities to contracted managed care agencies. Florida has indicated that it will convert to a managed care reimbursement system in fiscal year 2013 and a minor number of additional states are considering doing the same. Under these arrangements, the states provide capitation payments to these managed care organizations, which have the discretion to negotiate specific rates with long-term care providers. Although there is very limited transparency on how these organizations are determining reimbursement rates for nursing facilities, it appears that these rates are at least partially based on previous or current calculated fee for services rates determined through the states' reimbursement methodologies.

California Nursing Home Industry Overview

Introduction

Nursing facilities in California are licensed by the California Department of Public Health (CDPH), Certificates and Licenses Division, under the designation of "Skilled Nursing Facilities." Prior to July 1, 2007, nursing homes had been licensed by the Department of Health Services, which has since been divided into the Department of Public Health and the Department of Health Care Services (DHCS). The DHCS administers the state's Medi-Cal reimbursement system, which will be detailed later in this overview. The following table summarizes the total number of nursing facilities within the state:

NURSING FACILITIES IN CALIFORNIA	
Licensed Nursing Facilities*	1,144
Licensed Nursing Beds*	119,656
Beds per 1,000 Aged 65 >**	27.68
Beds per 1,000 Aged 75 >**	32.28
Occupancy Percentage - 2010***	86.3%

**Source: California Office of Statewide Health Planning and Development*

***Source: The Nielsen Company - 2011 Population*

****Source: 2010 Medicare Cost Reports*

CERTIFICATE OF NEED

California does not require an individual or organization to obtain a Certificate of Need (CON) to construct or acquire a nursing facility or increase the capacity and services offered at an existing facility. The CON program in California was terminated in 1986, creating an open market as it relates to the new construction and expansion of existing nursing homes. Potential new developments continue to require licensing as well as notification to the state of intent to build. Construction plans must be in accordance with state codes and meet the approval of the Office of Statewide Health Planning and Development for such construction. There is no moratorium on the construction of nursing facility beds in California.

BED NEED METHODOLOGY

California does not possess a bed need methodology and is not in the process of developing a bed need calculation.

QUALITY ASSURANCE FEE

California utilizes a quality assurance fee (QAF) to obtain additional reimbursement for, and to support quality improvement efforts in, licensed skilled nursing facilities. The QAF was established under the Medicaid Long-Term Care Reimbursement Act, Assembly Bill 1629 (AB 1629).

The DHCS possesses two different QAF rates, with one for nursing facilities with less than 100,000 total resident days and one for nursing homes with 100,000 or more total resident days, based on the maximum allowable QAF amount and total resident days for each facility group. The DHCS calculates the total QAF charge by multiplying the appropriate assessment fee by the total resident days.

The QAF was set to expire on July 31, 2013, but the California Legislature recently reauthorized the QAF on freestanding skilled nursing facilities until July 31, 2015. An Assembly Bill (ABx4 5) adopted under California's 2009 state budget in July 2009 expanded the QAF calculation to include Medicare revenue, which had previously been excluded. The resulting revenue is not passed through to the Medi-Cal reimbursement rate.

The QAF for fiscal year 2011 was $13.08 per resident day for nursing facilities with less than 100,000 total resident days and $11.93 per resident day for nursing homes with 100,000 or more total resident days. These rates are an increase from the 2009-2010 rates of $11.16 and $10.12, respectively. Effective October 1, 2011, the Tax Relief and Health Care Act of 2006 was terminated. This act temporarily reduced the maximum QAF that states could charge from 6.0% to 5.5% of total revenue. Therefore, the ceiling reverted to 6.0% on October 1, 2011. Medi-Cal has increased its QAF to reflect the new ceiling. Effective August 1, 2011, the QAF is $14.33 per resident day for nursing facilities with less than 100,000 total resident days and $13.43 per resident day for nursing homes with 100,000 or more total resident days.

Effective January 1, 2012, the QAF was slightly increased to $14.42 per resident day for nursing facilities with less than 100,000 total resident days and $13.46 per resident day for nursing homes with 100,000 or more total resident days. The state is in the process of determining the QAF that will be effective August 1, 2012. However, it is estimated that the QAF will increase by slightly more than $1.00.

The QAF is paid by each provider on a monthly basis to the DHCS for deposit into the state treasury. For each facility assessed, the QAF is reimbursed for the Medi-Cal portion of its fee (the per diem rate assigned to the facility multiplied by Medi-Cal patient days).

Those facilities identified as multi-level retirement communities (MLRCs) were exempt from the QAF until October 2010, when SB 853 extended the QAF to these facilities. An MLRC is a provider of a continuum of services, including independent living services, assisted living services and skilled nursing care on a single campus. However, these facilities are not required to provide more than one level of care and are not licensed as continuing care retirement communities (CCRCs). CCRCs are still be exempt from the QAF. This purpose of this legislation is to ensure the general fund will not be impacted by the loss of the QAF.

MEDI-CAL RATE CALCULATION SYSTEM

California's Medi-Cal program previously reimbursed facilities on a prospective, flat-rate system. AB 1629 converted the Medi-Cal payment system into a cost based, facility-specific reimbursement system. Medi-Cal now reimburses nursing facilities for improved wages and staffing based on the actual cost of care derived from the facility's cost reports. It also holds nursing facilities accountable for residents' quality of life and provides a way for the state to tap into more federal Medicaid dollars.

As part of the reform proposal that reauthorizes several aspects of nursing facility quality and accountability under AB 1629, the California Legislature passed SB 853, which, among other provisions, allowed a maximum rate increase of 3.93% through July 31, 2011. In addition, fiscal year 2012 rates (effective August 1, 2011) were increased 0.426%, which was funded by increases to the state's QAF.

Given budget issues, effective June 1, 2011, California announced that it would temporarily reduce nursing facility Medi-Cal rates by 10.0% for a 14-month period. The state indicated that it will

retroactively reimburse nursing facilities for this rate reduction by December 31, 2012. However, the state experienced delays in implementing this policy. Given this factor, the temporary reduction was only collected for the period of April 19, 2012, to July 31, 2012. The temporary reduction has since been refunded to nursing facilities.

COST CENTERS

Reimbursement is facility specific and reflects the sum of six cost components as follows:

- The Labor cost component includes direct resident care labor, and indirect resident care labor. Direct care labor includes wages associated with routine nursing, social services, activities and other direct care personnel. Indirect care labor includes wages associated with staff supporting the delivery of patient care including housekeeping, laundry/linen, dietary, medical records, in-service education and plant operations.
- The Indirect Care Non-Labor component includes the non-labor costs related to services supporting the delivery of resident care, including the non-labor portion of nursing, housekeeping, laundry and linen, dietary, in-service education, and plant operations and maintenance costs.
- The Administrative cost component includes allowable administrative and general expenses of operating the facility, including a facility's allocated expenditures related to allowable home office costs. This component also includes allowable property insurance costs, and excludes expenditures associated with caregiver training, facility license fees and medical records. However, legal and consulting costs for cases not found in favor of facilities are not considered allowable expenses.
- The Capital cost component is based on a fair rental value system (FRVS), which reimburses a facility's property costs. The FRVS is used in lieu of actual cost and/or lease payments on land, buildings, fixed equipment and major moveable equipment used in providing resident care.
- The Direct Pass-Through cost component is comprised of Medi-Cal's proportional costs for property taxes, facility license fees, caregiver training, and new state or federal mandates. This also includes QAF reimbursement discussed in the Quality Assurance Fee section.
- Professional Liability Insurance cost component includes professional liability insurance costs. Effective August 1, 2010, this expense was removed from the Administrative cost component and made its own cost center.

INFLATION AND REBASING

The rate year in California is from August 1 to July 31. Rates are updated annually based on the most recent cost report data. Facilities must be audited a minimum of once every three years. Audit adjustment factors from prior fiscal period audits are applied to reported costs. For facilities not audited during the rate-setting year, audit adjustments based on the previous audit will be applied to the reported costs during intervening years (if not an audit). Fiscal year 2011 rates were calculated utilizing 2008 cost report data. Nursing facility Medi-Cal rates were not rebased in fiscal year 2012 and will not be rebased in fiscal year 2013.

In normal rebasing years, Direct Resident Care Labor and Indirect Care Labor costs are inflated forward using an inflation index based on the most recent industry-specific historical wage data available. Indirect Care Non-Labor, Administrative (caregiver training), Liability Insurance costs are inflated forward using the California Consumer Price Index (CCPI). Property tax costs are inflated 2% annually. Direct pass-through expenses are not inflated.

Beginning with fiscal year 2006, Medi-Cal has established maximum allowable increases in the weighted average Medicaid reimbursement rate from the prior year. The maximum allowable increase for fiscal years 2010 and 2011 was proposed to be 5.0%. However, due to California's fiscal crisis, ABx4 5 (previously discussed in the Quality Assurance Fee section) eliminated the maximum and froze the statewide average reimbursement rate for fiscal years 2010 at the fiscal year 2009 level.

The statewide average reimbursement rate, via SB 853, allowed the stateside average reimbursement rate to increase up to 3.93% for fiscal year 2011. Based on increases to the QAF, in fiscal year 2012 rates were increased 0.426%. With the exception of a minor reduction ($0.87) in total potential rate add-ons, Medicaid rates in fiscal year 2013 (effective August 1, 2012) will remain frozen at fiscal year 2012 levels. Therefore, there will be no updates to individual cost component rates. The state has indicated that it will rebase rates in fiscal years 2014 and 2015. However, this rate increase will be

limited to assure that the statewide weighted average rate does not increase by greater than 3.0% in either year.

In addition, via SB 853, the state approved a Quality and Accountability (Q&A) Program. Medicaid rates for fiscal year 2012 were to be reduced 1.0% as a set-aside for the Q&A program. The implementation of the program has been temporarily suspended until fiscal 2014.

RATE METHODOLOGY

A facility's per diem reimbursement rate is the sum of its six cost components. In typical rebasing years, allowable inflated costs within each component are divided by patient days, resulting in a facility's per diem rate. The components are subject to applicable maximum allowable reimbursement levels, or ceilings.

Historically, the total statewide weighted average per diem rate was $142.11 in fiscal year 2006 (as adjusted for 2006-2007 mandates), $148.59 in fiscal year 2007, $152.14 in fiscal year 2008, $161.81 in fiscal year 2009 and $164.27 in fiscal year 2010, which represented a 1.5% increase over the previous year. The weighted average rate for fiscal year 2011 was $173.34, which represents an approximate 5.5% increase from the prior year. The weighted average rate is projected to $177.65 in fiscal year 2012, which represents a 2.5% increase from the prior year.

Effective August 1, 2011, the state implemented two new rate add-ons, one for the conversion to MDS 3.0 and one to protect employees against airborne transmitted diseases. All facilities in the state receive these add-ons, which were $1.24 per day for the conversion to MDS and $0.86 for the protection against airborne transmitted diseases. The add-ons for MDS and the protection again airborne transmitted diseases are projected to decrease to $0.51 and $0.25, respectively, in fiscal year 2013. However, this will be partially offset by two additional add-ons equating to a total of approximately $0.47 per day. Overall, the total amount of add-on revenue a nursing facility can

receive in fiscal year 2013 will be $1.23 per day, which is a $0.87 per day reduction from the prior year total ($2.10).

MINIMUM OCCUPANCY STANDARDS

Medi-Cal methodology does not utilize any minimum occupancy standards.

OTHER RATE PROVISIONS

Newly constructed nursing facilities with no cost history or an existing facility newly certified to participate in the Medi-Cal program will receive an interim reimbursement rate based on the peer grouped weighted average Medi-Cal reimbursement rate. Once the new nursing facility has submitted six months of audited cost data, its facility-specific rate will be calculated according to the methodology set forth by the state.

Nursing facilities that experience a change of ownership are not qualified for increases in reimbursement rates associated with the change of ownership. In instances where the previous owner participated in the Medi-Cal program, the state will reimburse the new owner the per diem payment rate of the previous provider until the new owner or operator has submitted six or more months of audited cost data.

The nursing homes in California are eligible to be reimbursed by Medi-Cal for holding a bed for a resident that required hospitalization. Bed hold reimbursement is limited to a maximum of seven days per hospitalization. The nursing home is reimbursed its current per diem rate minus a-per diem raw food costs. Effective August 1, 2011, this per diem is $6.28. This amount will remain the same in fiscal year 2013.

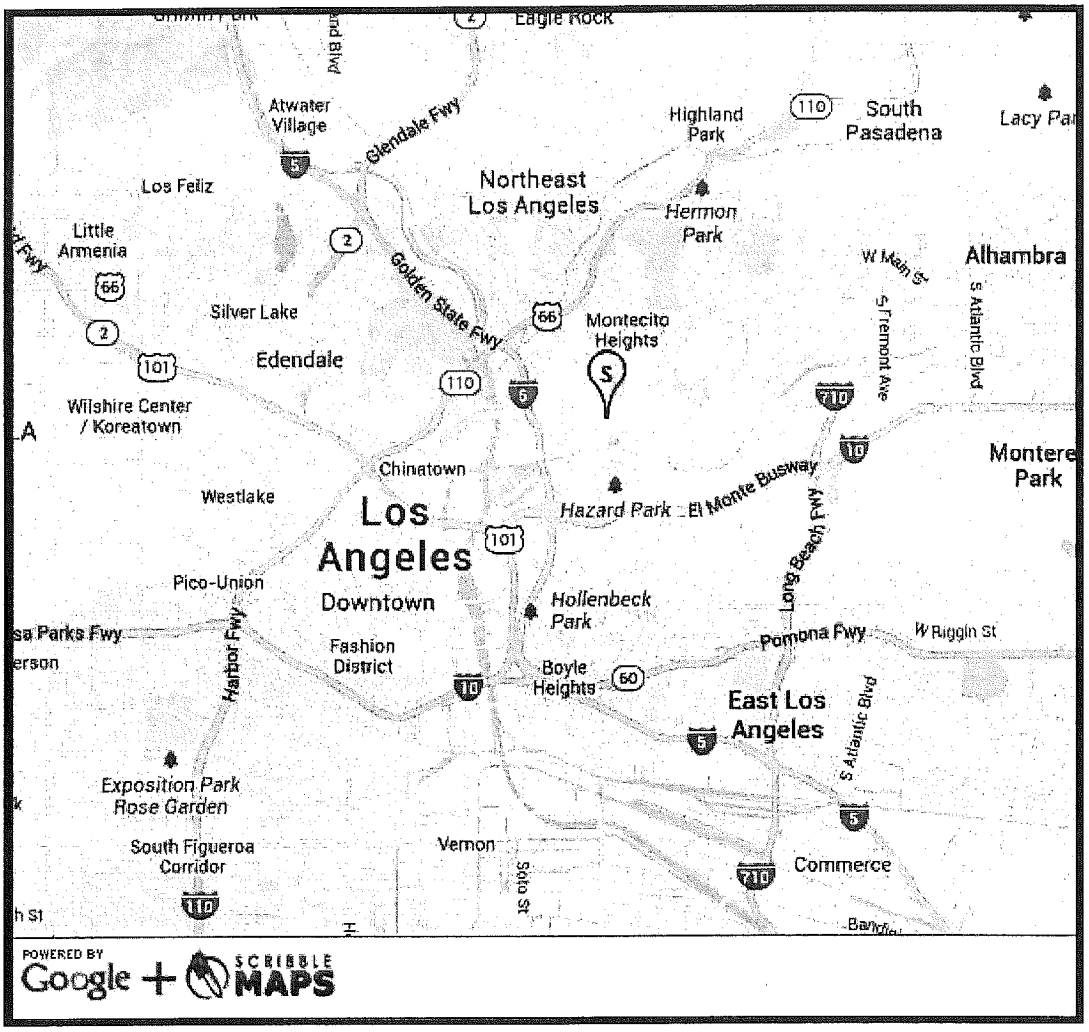
PROPOSED CHANGES TO THE MEDI-CAL RATE CALCULATION

As of the date of this report, there is no significant planned or proposed legislation that would impact the state's reimbursement system.

REGIONAL ANALYSIS

The subject property is located in Los Angeles, Los Angeles County, California. The subject property is located in the East Los Angeles region of the Greater Los Angeles Metropolitan Area. The Greater Los Angeles Area is home to over 16 million people and is the world's 12th-largest economy. The $500 billion in gross regional output in 2000 represents 5.0% of all U.S. jobs. The Los Angeles economy is led by the motion picture, foreign trade and manufacturing industries. The Los Angeles basin had nearly 7.5 million jobs in 2000, accounting for half of the state's total economic activity. The services sector is the region's largest major industry category, led by business and health services, which account for over two million jobs. Los Angeles County is the largest international trade center in the United States. It is also a national leader in manufacturing and distribution. Perched on the edge of the Pacific Rim, its system of harbors, airports, transcontinental railroads and freeways will make it possible for the country to capitalize on the near doubling of trade with Pacific Rim countries that is anticipated to occur over the next 15 to 20 years.

Los Angeles County is larger than the combined area of Delaware and Rhode Island, covering 4,083 square miles, including 76 miles of coastline. Situated in the southwest corner of the state, Los Angeles County is bounded by Ventura County to the northwest, Kern County to the north, San Bernardino to the northeast and Orange County to the southeast. Approximately 29.0% of California's residents live in Los Angeles County, which consists of 88 cities.



TRANSPORTATION

The city has excellent transportation linkages to surrounding areas. Major freeways traveling in all directions surround the subject area, providing rapid access to the entire state and nation. Major highways and freeways within proximity to the subject include the following:

- Interstate 5 runs north/south that merges and spans the West Coast, originating at the nation's busiest international border crossing at San Ysidro (San Diego), California, and culminating at Blaine, Washington. This freeway connects all of the major population centers of the western

seaboard, including San Diego, Santa Ana, Anaheim, Los Angeles, Sacramento, Portland and Seattle.

- U.S. Highway 101 (Hollywood Freeway) runs north/south from Los Angeles along the coast to the Canadian border in the north.
- State Route 2 (Glendale Freeway) forms the subject neighborhood's western border and runs north/south from the Silver Lake neighborhood of Los Angeles to La Canada Flintridge to the north.
- Interstate 10 (Santa Monica Freeway) runs east/west from Santa Monica on the west coast through downtown Los Angeles and across the nation to Jacksonville, Florida, on the east coast.
- Interstate 110 (Harbor Freeway) stretches north/south from San Pedro in the south through downtown Los Angeles and to Pasadena in the northeast.
- Interstate 710 runs north/south from Alhambra to San Pedro Port.

Public bus transportation is provided by the Los Angeles County Transportation Authority and Greyhound Bus Lines. Transportation service for the elderly is provided by Dial-A-Ride and Access Services, Inc.

Metrolink, Amtrak and the Metropolitan Transit Authority (MTA) provide passenger rail transportation in the area. General transportation information is available at Caltrans Transportation Hotline.

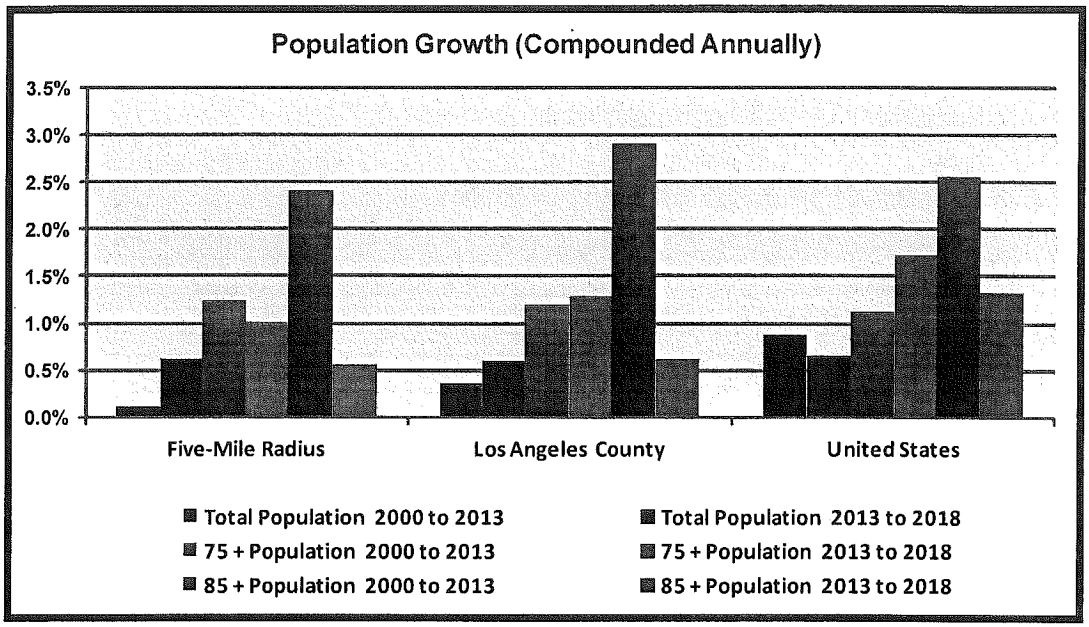
Water transportation is provided at Los Angeles County's San Pedro Bay Ports, composed of the Los Angeles and Long Beach shipping harbors. It is the largest port complex in the United States and is currently undergoing expansion. The complex ranks third in the world in terms of containers moved, after Singapore and Hong Kong.

Passenger air transportation is provided by Los Angeles International Airport, 15 miles southwest of the subject; Burbank Bob Hope International Airport is approximately 12 miles northwest of the subject and Long Beach Airport is approximately 18 miles south of the subject property.

DEMOGRAPHICS

The 2000 census, 2013 estimate and 2018 projections for the total population and the 65-plus, 75-plus and 85-plus age cohorts are presented in the following tables:

Population Growth					
	2000 Census	2013 Estimate	CAGR	2018 Projection	CAGR
Total Population					
Five-Mile Radius	903,372	916,052	0.1%	944,272	0.6%
Los Angeles County	9,519,329	9,969,384	0.4%	10,271,386	0.6%
United States	281,421,942	314,861,807	0.9%	325,322,277	0.7%
65+ Population					
Five-Mile Radius	87,537	103,399	1.3%	117,484	2.6%
Los Angeles County	926,712	1,150,007	1.7%	1,337,385	3.1%
United States	34,991,852	43,861,920	1.8%	50,997,686	3.1%
65+ Population, as a % of Total Population					
Five-Mile Radius	9.7%	11.3%	N/A	12.4%	N/A
Los Angeles County	9.7%	11.5%	N/A	13.0%	N/A
United States	12.4%	13.9%	N/A	15.7%	N/A
75+ Population					
Five-Mile Radius	40,907	47,903	1.2%	50,301	1.0%
Los Angeles County	433,869	506,106	1.2%	539,723	1.3%
United States	16,600,982	19,158,070	1.1%	20,873,124	1.7%
75+ Population, as a % of Total Population					
Five-Mile Radius	4.5%	5.2%	N/A	5.3%	N/A
Los Angeles County	4.6%	5.1%	N/A	5.3%	N/A
United States	5.9%	6.1%	N/A	6.4%	N/A
85+ Population					
Five-Mile Radius	11,081	15,094	2.4%	15,524	0.6%
Los Angeles County	109,160	158,118	2.9%	163,100	0.6%
United States	4,239,540	5,876,669	2.5%	6,278,130	1.3%
85+ Population, as a % of Total Population					
Five-Mile Radius	1.2%	1.6%	N/A	1.6%	N/A
Los Angeles County	1.1%	1.6%	N/A	1.6%	N/A
United States	1.5%	1.9%	N/A	1.9%	N/A
Source: The Nielsen Company					
**CAGR - Compounded Annual Growth Rate*					



The general population in the U.S., Los Angeles County and the five-mile radius is projected to increase. The senior population in the U.S., Los Angeles County and the five-mile radius is projected to increase at a faster rate than the total population over the next five years. This suggests stability within the senior market for both Los Angeles County and the five-mile radius.

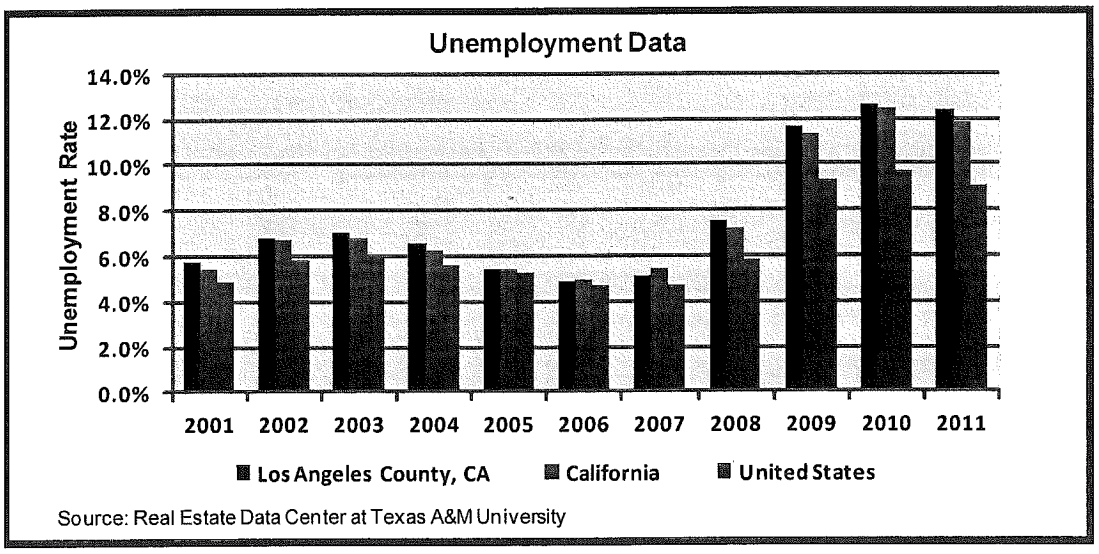
EMPLOYMENT

As indicated in the following table, the county labor force decreased from 4,566,914 in 2008 to 4,322,993 in 2011. During that same time, the unemployment rate in Los Angeles County changed from 7.5% in 2008 to 11.6% in 2009, 12.6% in 2010 and 12.3% in 2011. In 2011, the national unemployment rate was lower than Los Angeles County's unemployment rate.

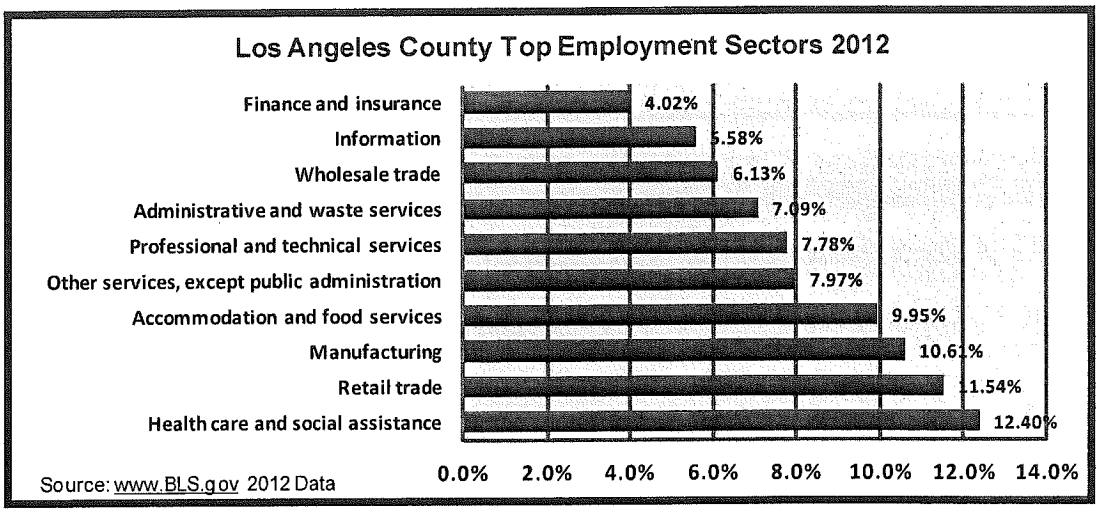
Employment Information												
	Los Angeles County, CA				California				United States			
Date	Total Employment	% Change	Unemployment Rate	% Change	Total Employment	% Change	Unemployment Rate	% Change	Total Employment	% Change	Unemployment Rate	% Change
2000	4,424,894	-	5.4%	-	16,024,341	-	4.9%	-	138,117,863	-	4.0%	-
2001	4,483,355	1.3%	5.7%	0.3%	16,220,033	1.2%	5.4%	0.5%	138,241,765	0.1%	4.8%	0.8%
2002	4,447,115	-0.8%	6.8%	1.1%	16,180,799	-0.2%	6.7%	1.3%	137,936,672	-0.2%	5.8%	1.0%
2003	4,427,053	-0.5%	7.0%	0.2%	16,200,064	0.1%	6.8%	0.1%	138,386,941	0.3%	6.0%	0.2%
2004	4,454,108	0.6%	6.5%	-0.5%	16,354,779	1.0%	6.2%	-0.6%	139,988,841	1.2%	5.6%	-0.4%
2005	4,516,008	1.4%	5.4%	-1.1%	16,592,204	1.5%	5.4%	-0.8%	142,328,021	1.7%	5.2%	-0.4%
2006	4,578,726	1.4%	4.8%	-0.6%	16,821,266	1.4%	4.9%	-0.5%	144,990,051	1.9%	4.7%	-0.5%
2007	4,625,623	1.0%	5.1%	0.3%	16,960,730	0.8%	5.4%	0.5%	146,397,562	1.0%	4.7%	0.0%
2008	4,566,914	-1.3%	7.5%	2.4%	16,893,860	-0.4%	7.2%	1.8%	146,068,941	-0.2%	5.8%	1.1%
2009	4,336,969	-5.0%	11.6%	4.1%	16,151,063	-4.4%	11.3%	4.1%	140,721,690	-3.7%	9.3%	3.5%
2010	4,294,202	-1.0%	12.6%	1.0%	16,063,550	-0.5%	12.4%	1.1%	139,982,125	-0.5%	9.7%	0.4%
2011	4,322,993	0.7%	12.3%	-0.3%	16,237,286	1.1%	11.8%	-0.6%	140,943,799	0.7%	9.0%	-0.7%
2012	4,357,751	0.8%	10.9%	-1.4%	16,631,898	2.4%	10.4%	-1.4%	142,647,214	1.2%	8.6%	-0.4%
2013 - Jan	4,357,751	0.8%	10.9%	-1.4%	16,631,898	2.4%	10.4%	-1.4%	142,647,214	1.2%	8.6%	-0.4%
Feb	4,418,003	1.4%	10.3%	-0.6%	16,835,907	1.2%	9.7%	-0.7%	143,257,989	0.4%	8.1%	-0.5%
Mar	4,409,777	-0.2%	9.9%	-0.4%	16,816,802	-0.1%	9.4%	-0.3%	143,719,559	0.3%	7.7%	-0.4%
Apr	4,439,362	0.7%	9.3%	-0.6%	16,944,904	0.8%	8.5%	-0.9%	143,073,939	-0.4%	7.8%	0.1%
May	4,469,608	0.7%	9.2%	-0.1%	17,080,583	0.8%	8.1%	-0.4%	145,449,778	1.7%	7.3%	-0.5%
Jun	4,465,624	-0.1%	10.2%	1.0%	17,038,189	-0.2%	8.9%	0.8%	145,857,596	0.3%	7.8%	0.5%
Jul	4,451,602	-0.3%	10.8%	0.6%	16,947,100	-0.5%	9.3%	0.4%	146,125,306	0.2%	7.7%	-0.1%
Aug	4,486,406	0.8%	10.2%	-0.6%	17,005,863	0.3%	8.8%	-0.5%	145,515,974	-0.4%	7.4%	-0.3%

Source: Real Estate Data Center at Texas A&M University

The following chart depicts unemployment trends in the last 10 years:



The following chart presents an overview of industry percentages:



The largest employers of Los Angeles County are summarized in the following table:

Major Employers

Employer	Number of Employees	Industry
American Honda Motor Co.	Torrance	Auto Wholesale
California Institute of Technology	Pasadena	Academic
California State Northridge	Northridge	Academic
Cedars Sinai Medical Center	West	Medical
Fire Command Control	Los Angeles	Fire Department
Gold Coast Tire Company	Los Angeles	Storage & Retail
Kaiser Permanente	Los Angeles	Medical
USC Medical Center	Los Angeles	Medical
Los Angeles County Sheriff	Monterey Park	Police Department
Los Angeles County Sheriff	Los Angeles	Police Department

Source:America's Labor Market Information System (ALMIS) Employer Database, 2011 1st

EDUCATION

Los Angeles is served by the Los Angeles Unified School District (LAUSD). LAUSD served 662,140 students during the 2011-2012 school year. It is the second-largest public school district in the United States, after the New York City Department of Education.

In addition, Los Angeles County is home to over 80 colleges and universities including several well-known universities. The largest universities are the University of Southern California (USC), the University of California Los Angeles (UCLA) and Loyola Marymount University (LMU). Other universities include California State University Los Angeles (CSULA), California State University Northridge (CSUN) and Pepperdine University, located in Malibu.

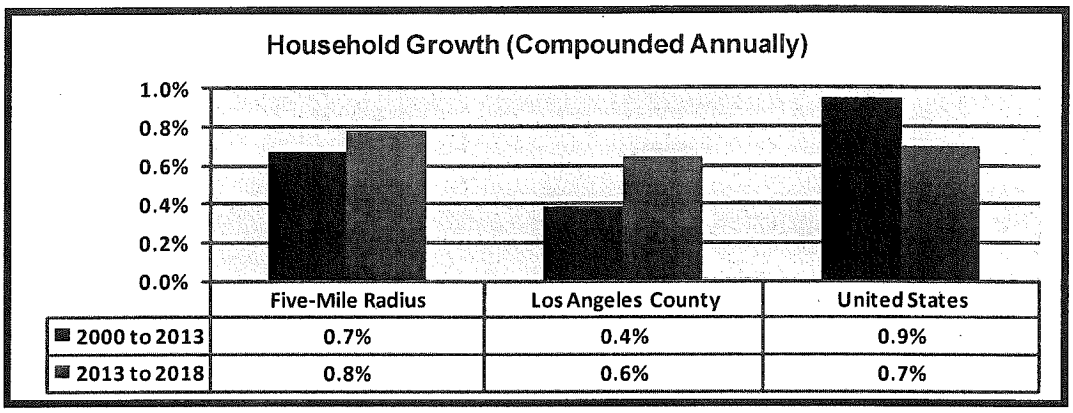
HOUSING

The following table presents housing characteristics for the city, county and nation:

Housing Characteristics					
	2000	2013	CAGR	2018	CAGR
Households					
Five-Mile Radius	274,509	299,242	0.7%	311,089	0.8%
Los Angeles County	3,133,620	3,293,054	0.4%	3,398,794	0.6%
United States	105,480,131	119,206,509	0.9%	123,405,917	0.7%
Median Household Income					
Five-Mile Radius	$30,446	$39,095	1.9%	$39,455	0.2%
Los Angeles County	$43,098	$53,880	1.7%	$54,740	0.3%
United States	$42,728	$49,297	1.1%	$49,815	0.2%
Median Home Value					
Five-Mile Radius	$185,528	$354,498	5.1%	$333,346	-1.2%
Los Angeles County	$201,648	$369,400	4.8%	$347,514	-1.2%
United States	$112,465	$171,345	3.3%	$176,692	0.6%
	2000	2013	% Change	2018	% Change
Household Size					
Five-Mile Radius	3.29	3.06	-7.0%	3.04	-0.8%
Los Angeles County	3.04	3.03	-0.3%	3.02	-0.2%
United States	2.67	2.64	-1.0%	2.64	-0.2%
Percentage of Homeowners					
Five-Mile Radius	31.7%	31.2%	-1.6%	30.9%	-0.8%
Los Angeles County	47.9%	47.5%	-0.7%	47.4%	-0.3%
United States	66.2%	65.0%	-1.8%	64.9%	-0.2%
Source: The Nielsen Company					

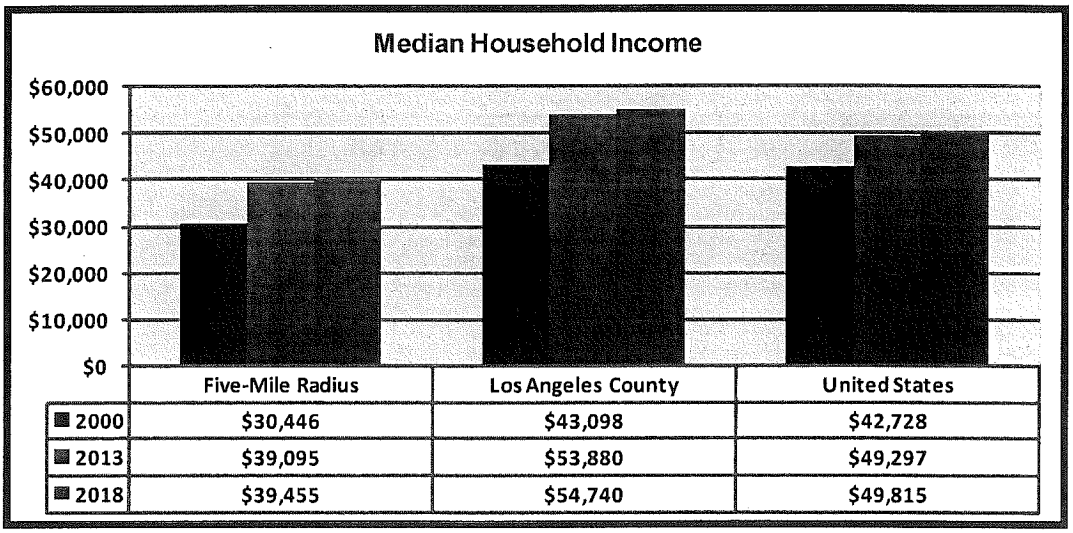
HOUSEHOLDS

Based on the above statistics, households in the U.S., Los Angeles County and the five-mile radius have increased since 2000 and are projected to increase over the next five years.

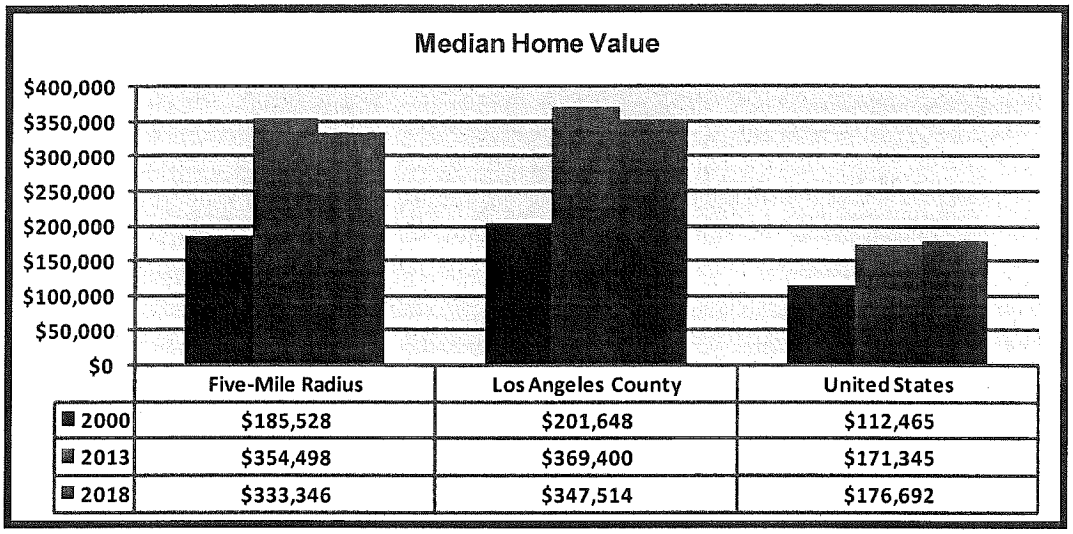


	Five-Mile Radius	Los Angeles County	United States
2000 to 2013	0.7%	0.4%	0.9%
2013 to 2018	0.8%	0.6%	0.7%

The median household income and median home value have increased in both the five-mile radius and Los Angeles County. This trend is not expected to continue over the next five years.



	Five-Mile Radius	Los Angeles County	United States
2000	$30,446	$43,098	$42,728
2013	$39,095	$53,880	$49,297
2018	$39,455	$54,740	$49,815

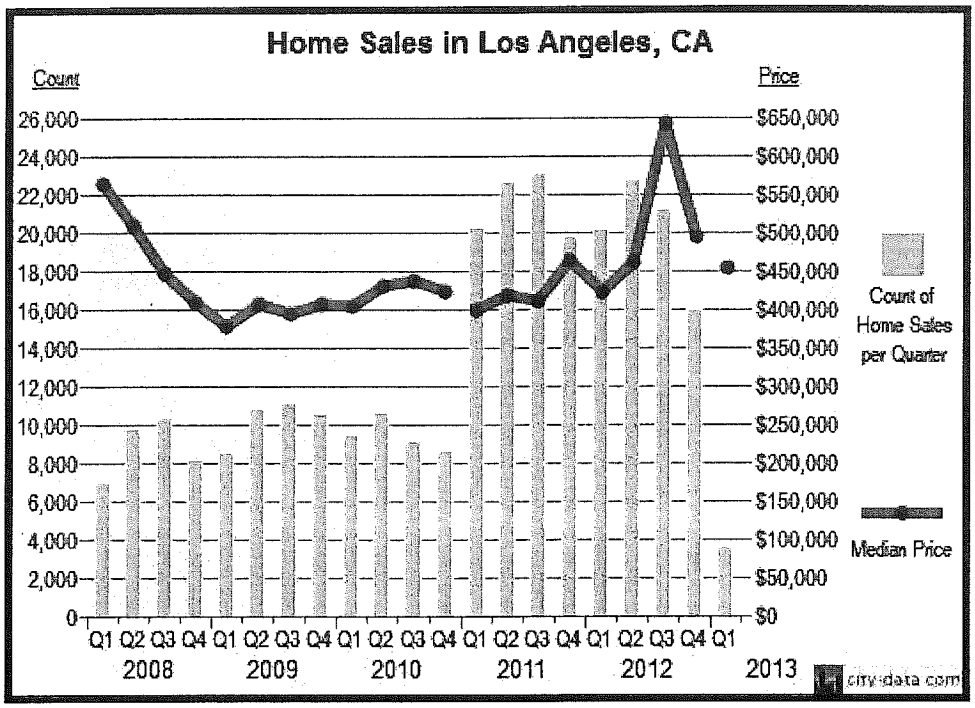


	Five-Mile Radius	Los Angeles County	United States
2000	$185,528	$201,648	$112,465
2013	$354,498	$369,400	$171,345
2018	$333,346	$347,514	$176,692

AVERAGE HOME PRICES

There is a variety of housing available in Los Angeles and the surrounding areas. The subject is located in zip code 90031. The median list prices and median home sales are shown in the following table and chart.

Median List Prices				
Community	Zip Code	Median List Price	Change From Previous Year	Change From Previous Quarter
Los Angeles	**90031**	**$399,900**	**38.0%**	**N/A**
Los Angeles	90032	$335,000	N/A	8.5%
Los Angeles	90065	$560,900	35.9%	1.3%
Los Angeles	90042	$418,400	15.5%	6.3%
Los Angeles	90026	$616,000	22.3%	-3.4%
Los Angeles	90039	$648,000	5.0%	-8.9%
Los Angeles	90063	$285,900	N/A	N/A
Source: www.zillow.com				



HOUSEHOLD SIZE

Between 2000 and 2013, the household size in the U.S. decreased 1.0% and is expected to decrease by 0.2% over the next five years. From 2000 to 2013, the household size in Los Angeles County decreased by 0.3% and is expected to decrease by 0.2% over the next five years. During the same period, the household size in the five-mile radius decreased by 7.0% and is expected to decrease by 0.8% over the next five years.

PERCENTAGE OF OWNERS

Between 2000 and 2013, the percentage of homeowners in the U.S. decreased 1.8% and is expected to decrease by 0.2% over the next five years. From 2000 to 2013, the percentage of homeowners in Los Angeles County decreased by 0.7% and is expected to decrease by 0.3% over the next five years. During the same period, the percentage of homeowners in the five-mile radius decreased by 1.6% and is expected to decrease by 0.8% over the next five years.

HEALTHCARE

HOSPITALS

The following is a summary of acute-care hospitals within a four-mile radius of the subject:

Hospitals		
Facility	**Beds**	**Distance (Miles)**
Keck Hospital of USC	334	0.6
LAC+USC Medical Center	674	1.0
White Memorial Medical Center	353	1.7
Pacific Alliance Medical Center	142	2.2
Silver Lake Medical Center - Downtown	186	3.4
Alhambra Hospital Medical Center	144	3.6
Total	**1,833**	
Source: www.ahd.com		

Keck Hospital of USC is a 334-bed acute-care facility located 0.6 miles south of the subject. Keck Hospital is a private teaching hospital, part of the Keck School of Medicine, located on the USC Health Sciences Campus adjacent to the LAC+USC Medical Center in East Los Angeles. The facility offers some of the most sophisticated technology available, with advanced services including neurointerventional radiology, cardiac catheterization and interventional cardiology.

The following table summarizes historical discharge statistics of nearby acute-care facilities:

Historical Discharge Statistics					
Facility	**FY 2012**	**FY 2011**	**FY 2010**	**FY 2009**	**FY 2008**
Keck Hospital of USC					
Total Discharges	3,727	4,128	3,590	2,731	2,699
Discharges to Skilled Nursing Facilities	408	426	344	244	237
Facility	**FY 2012**	**FY 2011**	**FY 2010**	**FY 2009**	**FY 2008**
LAC+USC Medical Center					
Total Discharges	1,512	1,272	1,836	1,702	2,008
Discharges to Skilled Nursing Facilities	169	129	201	174	181
Facility	**FY 2012**	**FY 2011**	**FY 2010**	**FY 2009**	**FY 2008**
White Memorial Medical Center					
Total Discharges	4,021	4,051	4,089	3,928	3,788
Discharges to Skilled Nursing Facilities	806	893	984	964	932
Source: www.ahd.com					

CONCLUSION

Population is expected to increase in the city, county and nation over the next five years. The 75-plus population is expected to increase in the city and county over the next five years. Median incomes are expected to increase in the city, county and nation over the next five years. Based upon the increases in the 75-plus population, coupled with income gains, the demand for skilled nursing services should increase.

NEIGHBORHOOD ANALYSIS

Neighborhoods may be devoted to one or more uses such as residential, commercial, industrial, agricultural, and cultural and civic activities. Analysis of the neighborhood in which a particular property is located is important due to the fact that the various economic, social, political and physical forces that affect the neighborhood also directly influence the individual properties within it. An

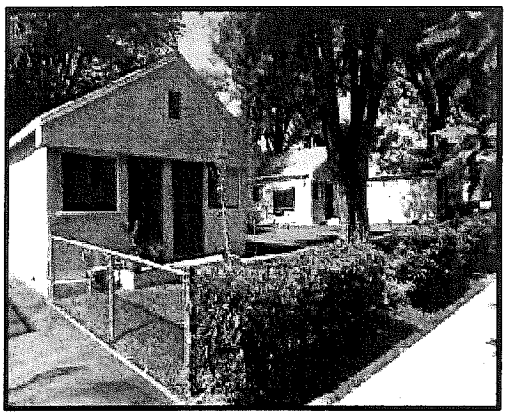
analysis of these various factors as they affect the subject property is presented in the following discussion.

The subject is on the west side of Lincoln Park Avenue, a two-lane residential connector street with a center turn lane, approximately 0.9 miles east of the north end of downtown Los Angeles and 1.9 miles east of Dodger Stadium. The following table presents the neighborhood boundaries:

NORTH	**North Broadway** Small multifamily residential buildings are adjacent to the subject, followed by a mix of multifamily residential and single-family homes. Development along North Broadway, a four-lane major commercial thoroughfare is developed with mixed-use buildings with retail/commercial on the ground floor and multifamily residential on upper floors. A large high school campus is on the north side of North Broadway at the northwest corner of its intersection with Lincoln Park Avenue.
SOUTH	**Valley Boulevard** A three-story multifamily residential complex at the end of a residential street is adjacent to the subject, followed by single-family homes and multifamily residential. The area between the south side of North Mission Road and East Valley Boulevard, both major thoroughfares, is developed with the 50-acre Lincoln Park, which contains a lake, recreation center, senior center, playground, picnic tables and ball fields.
EAST	**Soto Street** Small multifamily residential buildings and single-family homes are across Lincoln Park Avenue, followed by a large newer multifamily development, small multifamily buildings, single-family homes and a large older multifamily development. The area between the east side of North Mission Road and Soto Street, a three-lane secondary thoroughfare, is developed with large industrial buildings.
WEST	**Griffin Avenue** A large newer multifamily development is adjacent to the subject, followed by a mix of small multifamily residential buildings and single-family homes. An elementary school campus is one block northwest of the subject.

The following pictures depict the land uses surrounding the subject:

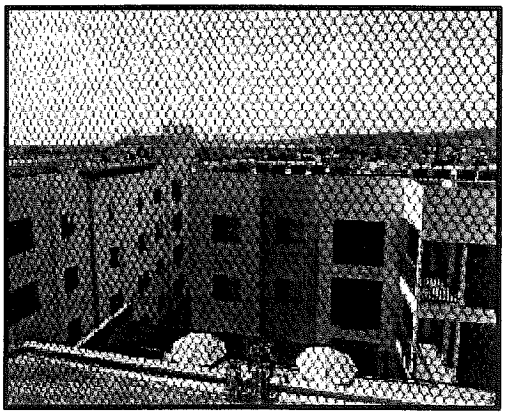
ADJACENT USE TO THE NORTH



ADJACENT USE TO THE SOUTH

ADJACENT USE TO THE EAST

ADJACENT USE TO THE WEST



The subject's suburban mixed-use neighborhood includes a short-term acute-care hospital, a long-term acute-care hospital, nursing homes, an assisted living facility, medical offices, various retail/commercial businesses, industrial, the Hustler Casino, a trailer park, multifamily and single-family homes. According to Zillow.com, single-family homes in the subject's neighborhood have recently sold from $190,000 to $510,000. Most of the homes were built from the 1940s to the 1960s and

range in size from 800 to 2,000 square feet. Overall, the subject's neighborhood is in average condition. The subject and its surroundings are included in the following photograph:

Every neighborhood has a dynamic quality of its own. This quality can be described as the life cycle of the neighborhood. There are four stages that a neighborhood will typically encounter. These phases, in the order in which they typically appear, are defined below.

Growth – A period during which the neighborhood gains public favor and acceptance.

Stability – A period of equilibrium without marked gains or losses.

Decline – A period of diminishing demand.

Revitalization – A period of renewal, modernization and increasing demand.

The complementary land uses that comprise a neighborhood typically evolve around these four stages. These four stages describe the neighborhood in a general way and are not a specific guide to market trends. No set number of years is assigned to any of the cycles, and a neighborhood can remain in a cycle for many years.

The subject's neighborhood is in the stability phase of its life cycle. The subject area's population has seen an increase over several years, and is projected to increase over the next five years.

A neighborhood is affected by social factors that will determine why people reside and work in the area. Potential residents and workers are attracted to or deterred by a neighborhood based on its status, physical environment, services, affordability, safety and convenience. The subject neighborhood is suburban in nature and has a good combination of land uses. The neighborhood has good linkage via major thoroughfares and interstates 5 and 10, which provides access to neighboring communities. Retail and commercial uses are located one block north of the subject along North Broadway. The downtown area of Los Angeles is located 0.9 miles west of the subject. The overall social outlook for the subject's neighborhood is average.

Economic considerations relate to the financial capacity of a neighborhood's occupants. Some of these considerations include the ability of residents to rent or own property, the ability to adequately maintain property and the ability to make repairs or renovations to property as needed. The residential properties are a mix of owner-occupied single- and multifamily, along with renter-occupied multifamily. Most improvements are in fair condition and somewhat maintained. There appear to be no adverse effects on the subject's neighborhood due to economic conditions.

Governmental considerations relate to the laws, regulations and taxes that are imposed on a neighborhood's properties. The more desirable these attributes, the more desirable the neighborhood becomes. Real estate tax rates are in line with neighboring communities' rates and do not have an adverse effect on the neighborhood. Regulations regarding zoning and land use are dictated by the

City of Los Angeles. There appear to be no adverse effects on the neighborhood due to governmental considerations.

The final consideration one must give to a neighborhood focuses on environmental issues. These consist of man-made or natural features of the neighborhood that include building sizes, neighborhood density, topographical features, adequacy of public utilities and nuisances and hazards emanating from nearby properties. The subject's neighborhood is composed of rolling terrain as is typical of the area. There appear to be no adverse effects on the neighborhood due to environmental considerations.

In conclusion, the neighborhood provides adequate services and amenities needed to support a senior care facility. The neighborhood is suburban in nature and within proximity to neighborhood commercial services and medical centers. Overall, the subject neighborhood is good location for a skilled nursing facility.

FACILITY OVERVIEW

The subject facility is licensed for 300 skilled nursing beds. The facility is comprised of the South Building, which is the original nursing home building in 1968 that currently houses long-term care and Alzheimer's/dementia patients, and the North Building, a three-story building built in 1989 that houses long-term care and short-term rehabilitation patients. The buildings are connected by a hallway. The following tables indicate the unit and bed mix in each building:

Unit and Bed Mix - North Building					
Type of Room	Approximate Size (SF)	Rooms	Beds Per Room	Total Beds	Bathrooms
Private	209 - 292	9	1	9	Private toilet; sink in room
Four-Bed	509	51	4	204	Private toilet; sink in room
Total		**60**		**213**	

Unit and Bed Mix - South Building					
Type of Room	Approximate Size (SF)	Rooms	Beds Per Room	Total Beds	Bathrooms
Semiprivate	282 - 292	9	2	18	Private 2-fixture
Three-Bed	290 - 300	23	3	69	Private 2-fixture
Total		**32**		**87**	

Services provided include 24-hour skilled nursing care as well as ancillary services, including physical therapy, occupational therapy and speech therapy. The target population is 75-plus in age and requires skilled nursing services. In addition, the target population includes patients requiring rehabilitative therapies.

MANAGEMENT OVERVIEW

Since the successful operation of a business is dependent upon effective management, a perusal of facility management can provide an indication of growth potential or the likelihood of achieving budgeted cash flows. Professional management with a high level of experience and expertise can improve the stability of operations, reducing the risk associated with the assets.

The subject is owned and operated by Keiro Senior HealthCare. The company was founded in 1961 by a group of eight community leaders, George Aratani, Edwin Hiroto, Kiyoshi Maruyama, James Mitsumori, Gongoro Nakamura, Frank Omatsu, Joseph Shinoda and Fred Wada, to meet the need of Japanese American seniors.

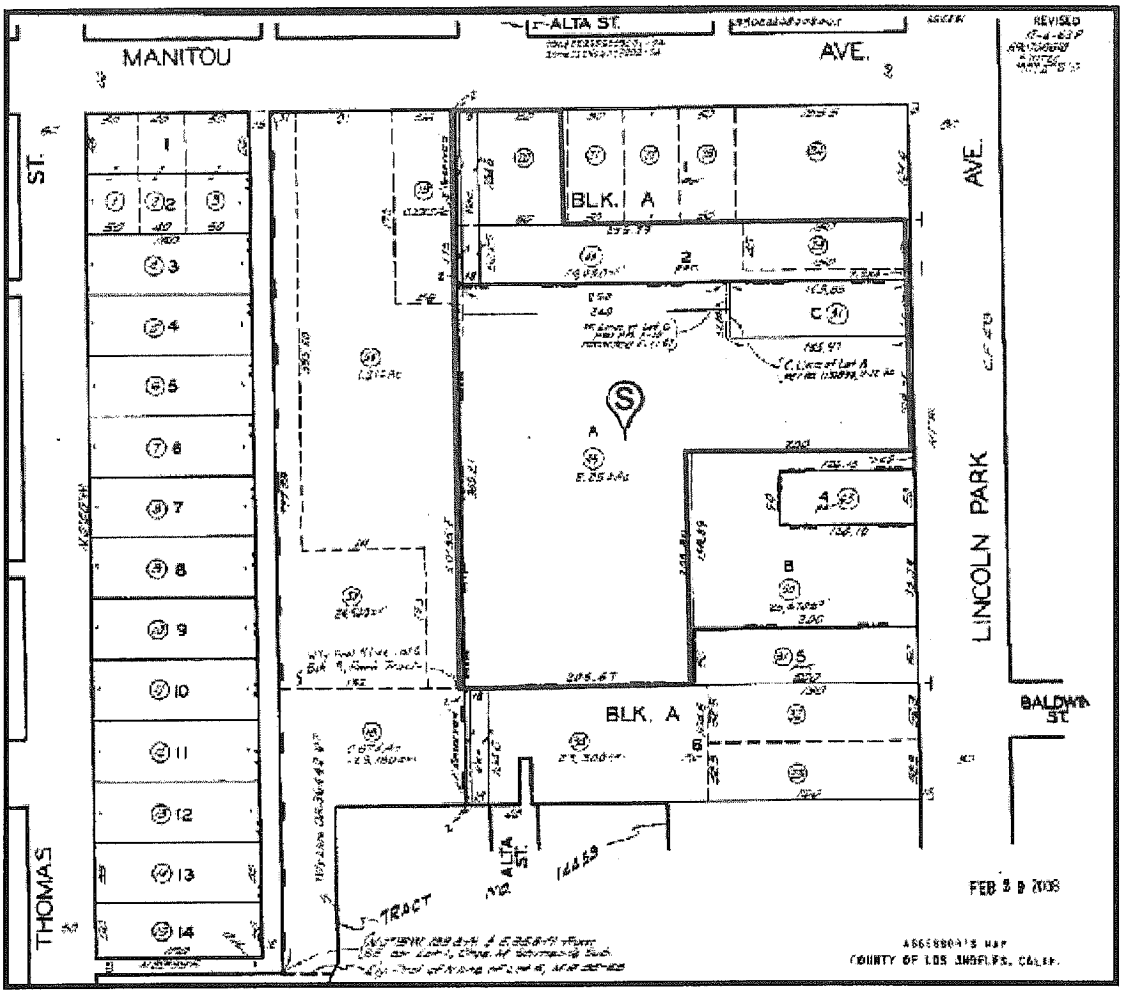
Keiro began with the purchase of the Japanese Hospital of Los Angeles in 1961. The subject, Keiro Nursing Home began operating in 1969. In 1974, Keiro purchased five acres of land from the Jewish Home for the Aging in Boyle Heights for a reported $1,000,000, which was developed with the Keiro Retirement Home in 1975 and the Keiro Intermediate Care Facility in 1977. South Bay Keiro Nursing Home in Gardena opened in 1982.

The 1987 Whittier earthquake severely damaged Keiro Retirement Home and the facility was rebuilt and reopened in 1989.

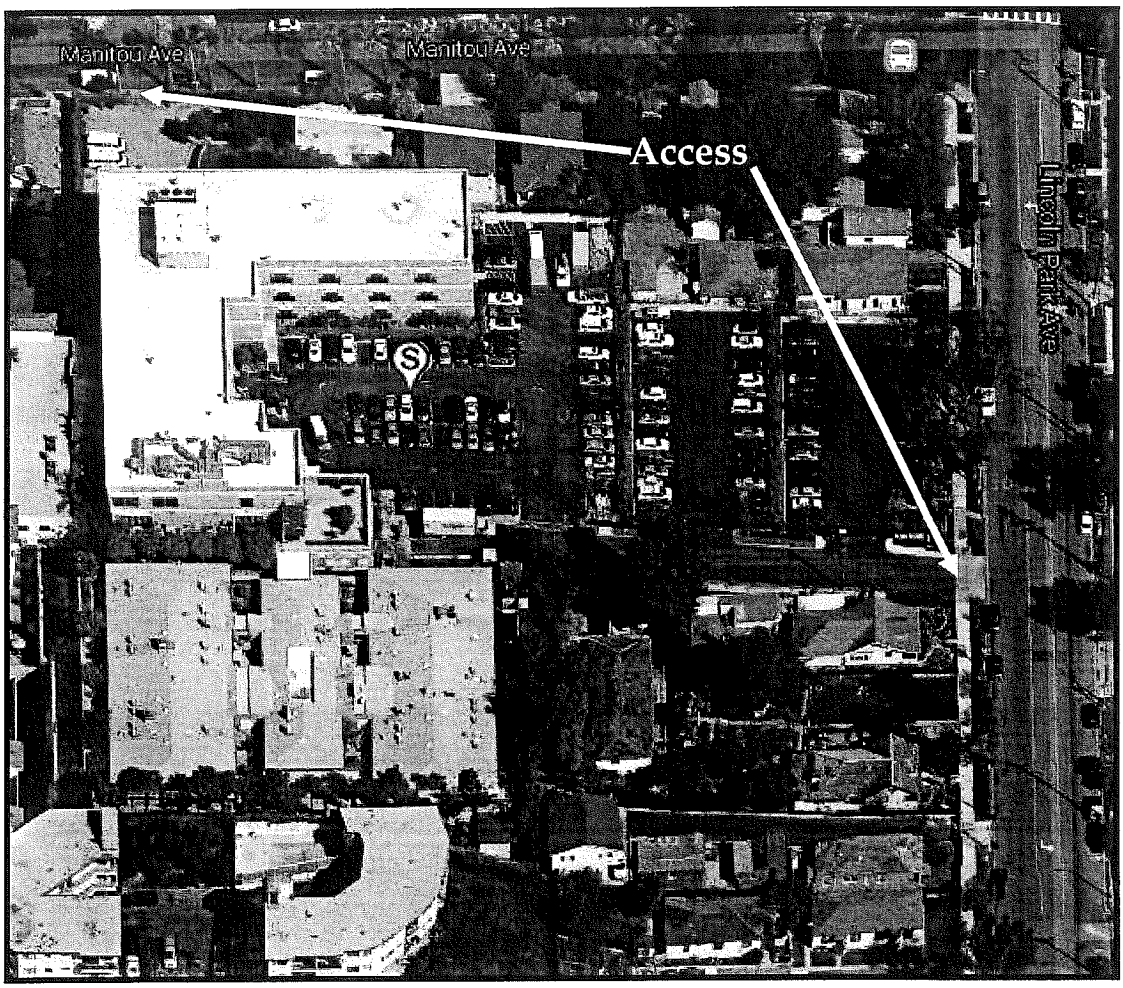
SITE DESCRIPTION

SITE CHARACTERISTICS	
ADDRESS	2221 Lincoln Park Avenue, Los Angeles (Los Angeles County), California
PARCEL NUMBERS	5211-007-049 5211-007-048 5211-007-051 5211-007-025 5211-007-020
SIZE	137,631 square feet, or 3.16 acres, according to the Los Angeles County Assessor.
FRONTAGE	Frontage along Lincoln Park Avenue measures approximately 209 feet, with a maximum depth of 407 feet. Frontage along Manitou Avenue measures approximately 100 feet.
SHAPE	Irregular
CORNER INFLUENCE	Interior
TOPOGRAPHY	Sloping
DRAINAGE	Observed in a dry condition, but assumed to be adequate.
SOIL HAZARDS	No information was received regarding the condition of the subsoils. No unusual soil conditions were reported by Management. No negative impact on property values due to soil conditions is assumed to exist.
VISIBILITY	Visibility is good along Lincoln Park Avenue and Manitou Avenue.
ACCESS	Access is good. The subject site is accessed from on curb cut along the west side of Lincoln Park Avenue to a driveway that sloped up significantly from street level to the subject buildings hilltop location. Three separate parking lots are accessed from the north side of the driveway. Undeveloped parcel 5211-007-020 is .24-acres and is at the northwest corner of the subject site, with frontage along Manitou Avenue, a two-lane residential side street. This portion of the site is level at street grade well below the rest of the site and is accessed from one curb cut along the south side of Manitou Avenue. The main portion of the site is accessed from this undeveloped parcel from a gated stairway. Non-metered street parking is available along Lincoln Park and Manitou avenues.

The following parcel maps indicate the subject's location, shape and other features:



The following aerial photograph illustrates the access to the subject:



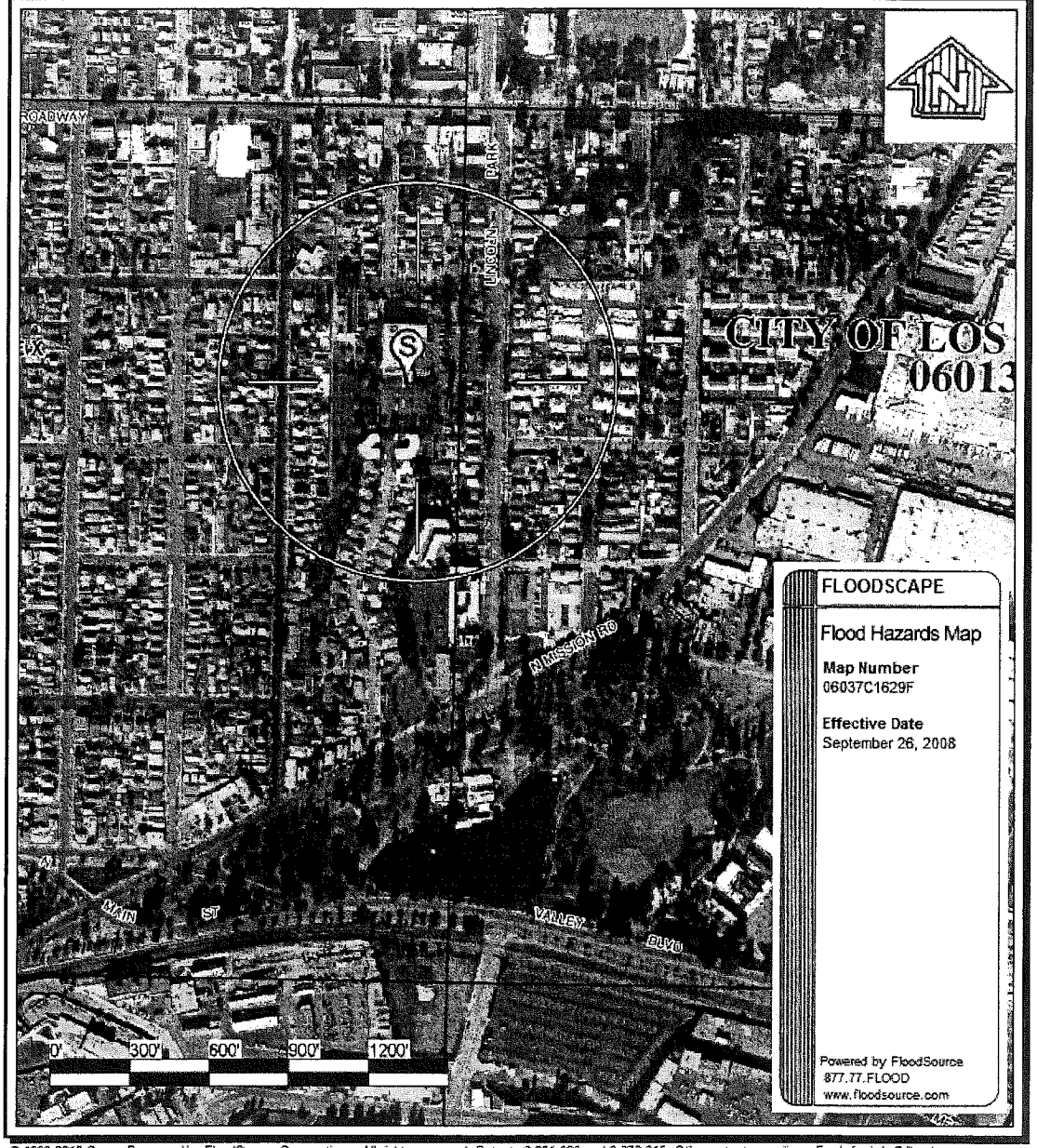
FLOOD ZONE

FLOOD ZONE	X
COMMUNITY MAP/ PANEL	06037C1629F
EFFECTIVE DATE	September 26, 2008
DEFINITION	Zone X (unshaded) is an area of minimal flood hazard, usually depicted on FIRMs as above the 500-year flood level.

InterFlood by a la mode
www.interflood.com • 1-800-252-6633

Prepared for:
Valuation & Information Group

2221 Lincoln Park Ave
Los Angeles, CA 90031-2920



© 1999-2013 SourceProse and/or FloodSource Corporations. All rights reserved. Patents 6,631,326 and 6,673,615. Other patents pending. For Info: info@floodsource.com.

ZONING

ZONING	RD-1.5-1D (Restricted Density Multiple Dwelling - Height District)
ZONING DEPARTMENT	City of Los Angeles
PERMITTED USES	One-family dwellings, two-family dwellings, multiple or group dwellings, apartment houses, playgrounds The subject is an eldercare facility. Section 14.3.1 of the City of Los Angeles Planning and Zoning Code was established on December 20, 2006, to create a single process for approvals and to facilitate the processing of applications for "Eldercare Facilities," including Alzheimer's/dementia, independent living, assisted living and skilled nursing. This section gives the zoning administrator broader power to approve applications for such facilities, even if the facility does not meet the use, area or height provisions of its respective zone.
CONFORMING USE	Legally conforming
DEVELOPMENT	The subject may be rebuilt if destroyed, in accordance with current development standards.
RESTRICTIONS:	
Minimum Lot Size	1,500 square feet
Minimum Front Yard	15 feet
Minimum Side Yard	10% lot width < 50 feet; 5 feet; 3 feet minimum; plus 1 feet for each story over 2nd, not to exceed 16 feet
Minimum Rear Yard	15 feet
Maximum Building Height	45 feet
PARKING	Varies by use, not by zone — skilled nursing facilities require 0.2 parking spaces per bed. The City of Los Angeles requires 60 parking spaces based on the subject's 300 licensed beds. The subject site provides 148 parking spaces.

UTILITIES

All public utilities exist and are available to the subject site, including sewer, water, gas, electricity, sanitation, and fire and police protection.

EASEMENTS, ENCROACHMENTS AND RESTRICTIONS

A property profile was not reviewed for this appraisal. It is assumed typical easements exist and provide for the availability of utilities such as water, gas and electricity. The easements are of the type normally found on a developed parcel and do not adversely affect the marketability of the subject site.

ASSESSMENT AND TAXES

The subject is tax exempt and is only responsible for direct assessments, except for parcels 5211-007-025 and 5211-007-020.

The following table presents the pertinent real estate tax information:

TAXING AUTHORITY	Los Angeles County
TOTAL TAX RATE	1.224234%
FREQUENCY OF ASSESSMENT	Annually per Proposition 13
LAST REASSESSMENT	2013
REASSESSMENT TRIGGERED BY SALE	Yes
PERSONAL PROPERTY TAXES	No

The following table presents the subject's real estate assessment and taxes:

Assessment and Property Taxes

	Assessments						Real Property	Direct	Total
APN	Land	Improvements	Personal Prop.	Fixtures	Exemptions	Total	Taxes	Assessments	Taxes
5211-007-049	$1,310,578	$8,086,096	$1,768,000	$411,000	($11,575,674)	$0	$0.00	$5,235.14	$5,235.14
5211-007-048	$1,054	$3,409,836	$0	$0	($3,410,890)	$0	$0.00	$1,645.01	$1,645.01
5211-007-051	$40,071	$0	$0	$0	($40,071)	$0	$0.00	$79.10	$79.10
5211-007-025	$257,040	$0	$0	$0	$0	$257,040	$3,146.77	$68.27	$3,215.04
5211-007-020	$136,680	$0	$0	$0	$0	$136,680	$1,673.28	$133.57	$1,806.85
Total	**$1,745,423**	**$11,495,932**	**$1,768,000**	**$411,000**	**($15,026,635)**	**$393,720**	**$4,820.05**	**$7,161.09**	**$11,981.14**
Effective Date of Assessment/Taxes 2013									

COMPARABLE ASSESSMENT DATA

The real estate taxes in this report are calculated in accordance with California's Proposition 13. Upon transfer, the subject will be reassessed at market value. New construction is also reassessed at cost. Subsequent assessments are limited to 2% annual increases or annual appreciation, whichever is less. It is an assumption within this appraisal that the subject is reassessed at market value. Therefore, the use of comparable tax data and historical assessment trends is not meaningful in California.

IMPROVEMENTS DESCRIPTION

BUILDINGS

Building plans for the subject were not available for review. The following is based on an inspection and discussions with Management. It is assumed that all information provided by Management is accurate.

GENERAL INFORMATION	
BUILDING	North
LICENSED BEDS	300
OPERATING BEDS	300
CONSTRUCTION QUALITY	Good
GENERAL CONDITION	Good
STORIES	3, with basement
SIZE	67,076 square feet (per county assessor)
	22,359 square feet - ground floor
	5,400 square feet - basement
YEAR BUILT	1989

GENERAL CONSTRUCTION	
SITE PREPARATION	Grading, leveling and excavation
FOUNDATION	Reinforced concrete
FRAME	Pre-cast concrete and metal
EXTERIOR WALLS	Stucco
FLOORS	Pre-cast concrete
UPPER FLOORS	Pre-cast concrete
ROOF	Flat

FINISH CONSTRUCTION

ROOF COVER	Waterproof membrane
PARTITIONING	Drywall over metal studs
CEILINGS	Hanging acoustic panels and drywall
FLOOR COVERINGS	
Foyer/Entrance	Ceramic tile
Hallways	Woodstyle vinyl
Administration Offices	Carpet
Patient Rooms	Woodstyle vinyl
Services Areas	Vinyl tile
Dining Room	Woodstyle vinyl
Kitchen	Quarry tile

MECHANICAL EQUIPMENT

PLUMBING	
Domestic Hot Water Supply	2 boilers
Storage Tanks	2 200-gal.
Shower Rooms	6 (2 per floor)
Public Restrooms	9 (3 public; 3 employee)
HVAC	Split-system with 2 boilers and 170-ton chiller
ELECTRICAL	
Amperes	1,600
Volts	480
Wire Type	3-phase, 4-wire
GENERATOR	
Kilowatts	150
Fuel Type	Diesel

OTHER FEATURES

FIRE PROTECTION	Wet sprinkler fire protection; fire alarms; smoke detectors
EMERGENCY CALL SYSTEM	Yes
WASHERS	Located in South Building
DRYERS	Located in South Building
MISCELLANEOUS	Exterior video surveillance

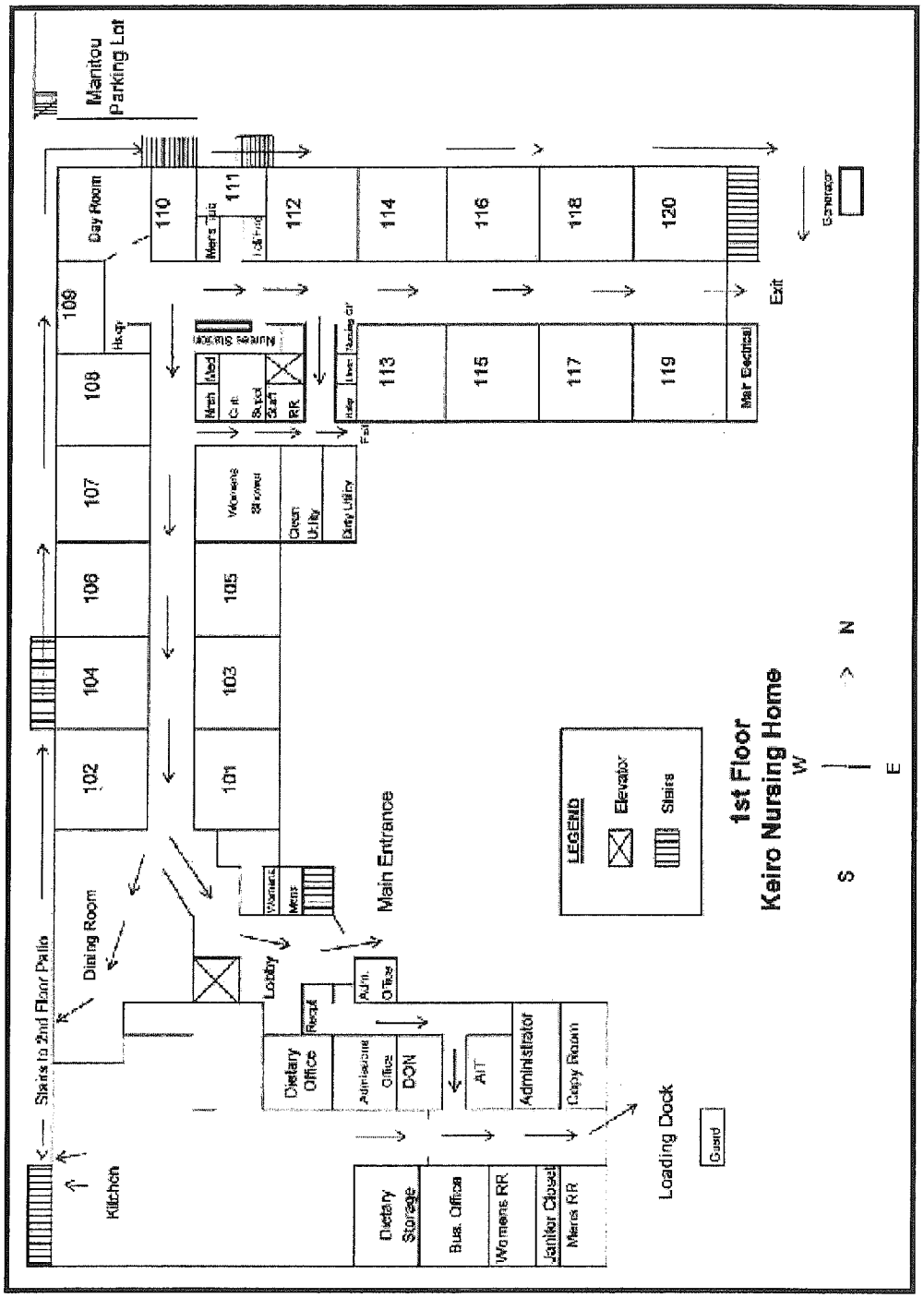
LAYOUT

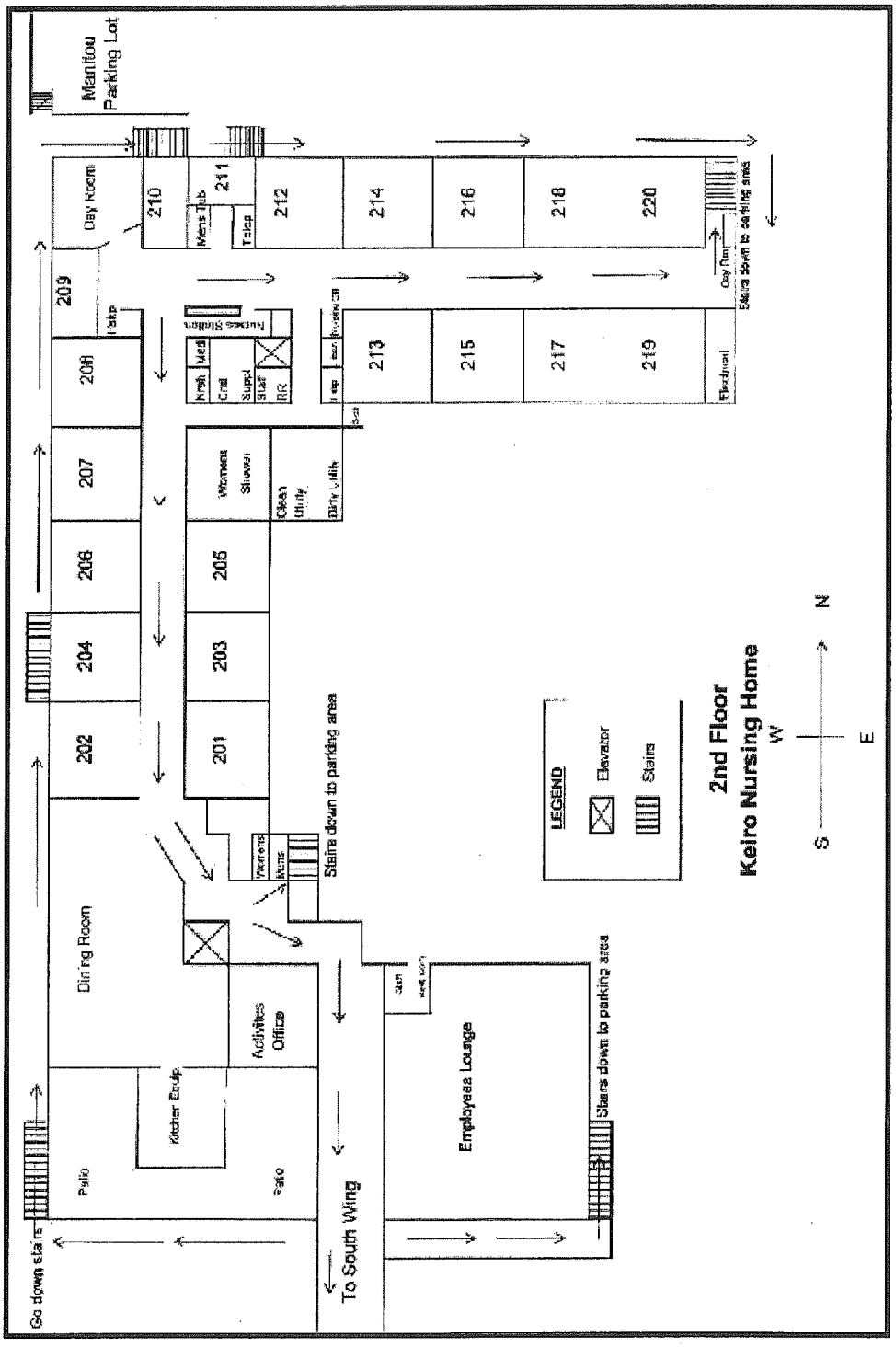
The subject is a three-story, U-shape skilled nursing building with a partial basement. The main entrance is near the southeast corner of the building. The south end of the building contains the lobby, reception desk, an elevator that accesses three upper floors, administrative offices, main dining room and kitchen. Patient rooms are located in the central and north hallways on all three floors. One nurses' station is located at the northwest corner of each floor, along with three private patient rooms. The second elevator is in the northwest corner of the building, which acessed all three floors and the basement. The south end of the second floor contains a dining room, activities, patio, employee lounge and the connecting hallway to the South Building. The south end of the third floor contains a dining room, patio and therapy room. The partial basement contains medical records, storage, a classroom, a conference room and maintenance.

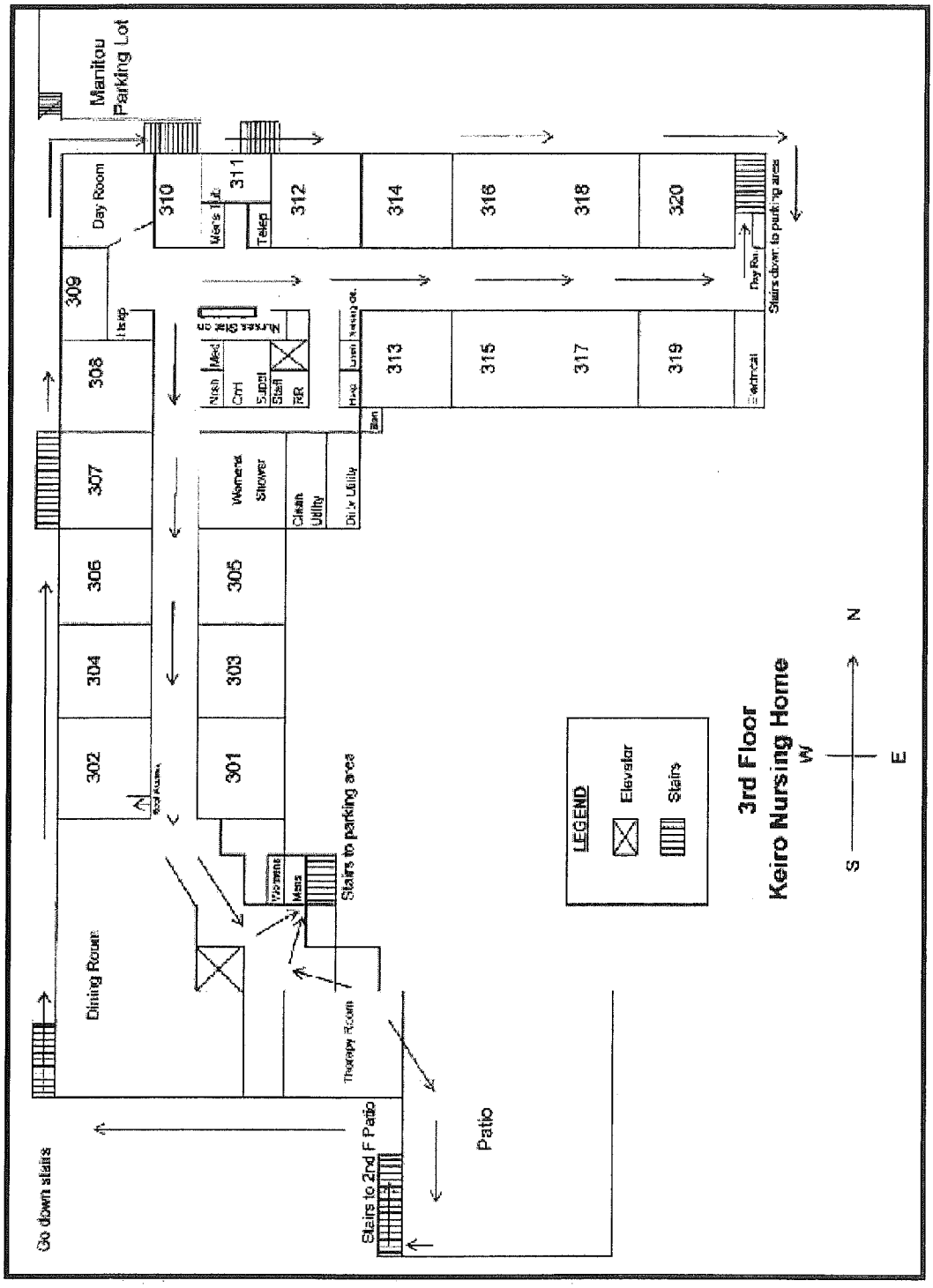
The subject consists of the following type and number of rooms:

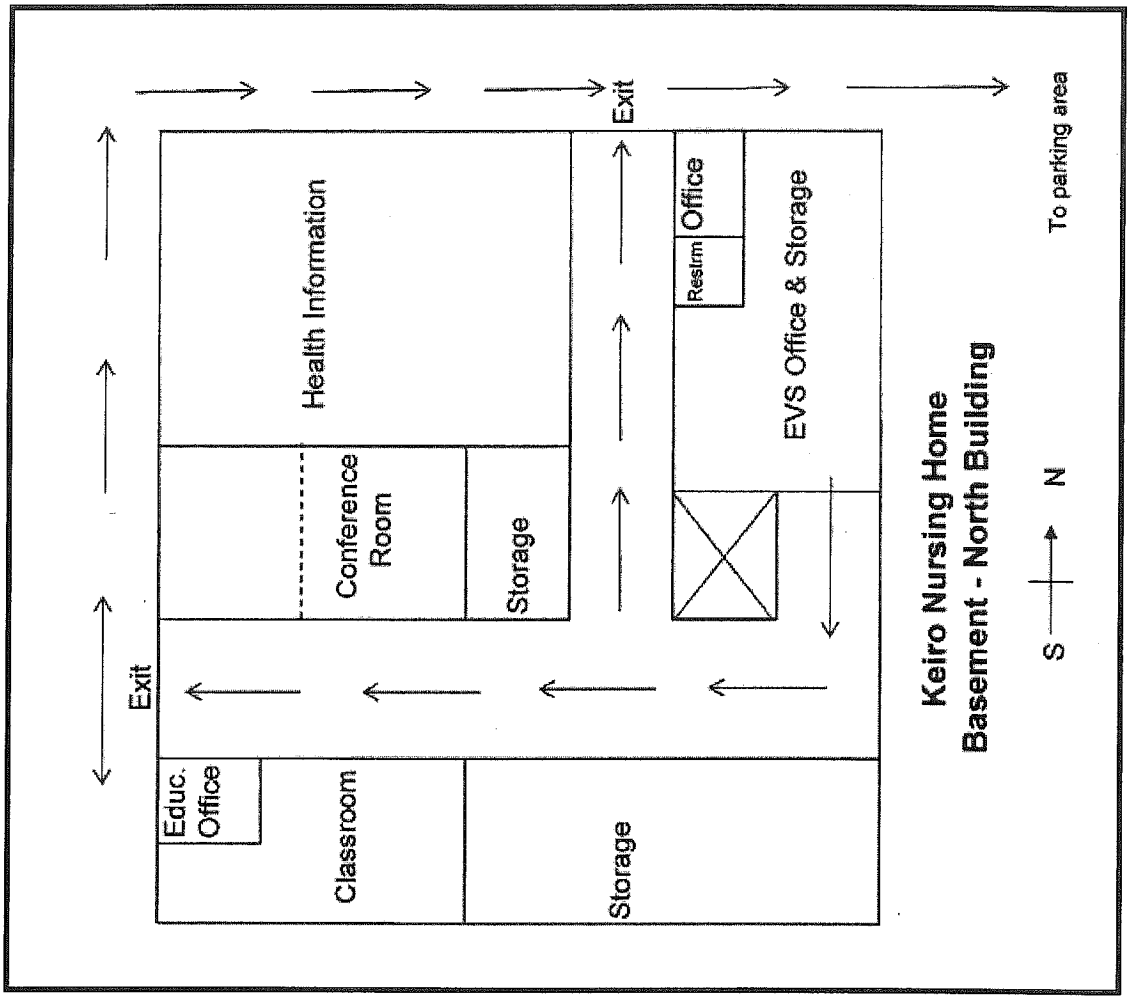
Unit and Bed Mix - North Building					
Type of Room	Approximate Size (SF)	Rooms	Beds Per Room	Total Beds	Bathrooms
Private	209 - 292	9	1	9	Private toilet; sink in room
Four-Bed	509	51	4	204	Private toilet; sink in room
Total		**60**		**213**	

A copy of the facility floor plans is presented as follows:




Manitou Parking Lot
Day Room
209
208
207
206
204
202
210
211
212
214
216
218
220
213
215
217
219
205
203
201
Women
Shower
Clean Utility
Dirty Utility
Mens Tub
Treat
Nurses Station
Medi
Supvr
Staff
RR
Elevator
Stairs down to parking area
Dining Room
Activities Office
Kitchen Equip
Patio
Employees Lounge
To South Wing
Go down stairs
LEGEND
Elevator
Stairs
2nd Floor
Keiro Nursing Home
N
S
E
W


Manitou Parking Lot
Day Room
310
311
312
314
316
318
320
309
308
307
306
305
304
303
302
301
313
315
317
319
Dining Room
Therapy Room
Patio
Stairs to parking area
Stairs to 2nd F Patio
Go down stairs
LEGEND
Elevator
Stairs
3rd Floor
Keiro Nursing Home
N
S
E
W


Keiro Nursing Home
Basement - North Building
Health Information
Conference Room
Storage
Exit
Office
Restrm
EVS Office & Storage
Exit
To parking area
N
S
Educ. Office
Classroom
Storage
Exit

GENERAL INFORMATION

BUILDING	South
LICENSED BEDS	Included in North Building
OPERATING BEDS	Included in North Building
CONSTRUCTION QUALITY	Good
GENERAL CONDITION	Average
STORIES	1 with basement
SIZE	25,454 square feet (per county assessor)
YEAR BUILT	1968

GENERAL CONSTRUCTION

SITE PREPARATION	Grading, leveling and excavation
FOUNDATION	Reinforced concrete
FRAME	Wood (main floor); reinforced concrete and concrete block (basement)
EXTERIOR WALLS	Stucco
ROOF	Gable

FINISH CONSTRUCTION

ROOF COVER	Composition shingle
PARTITIONING	Drywall over wood studs
CEILINGS	Sprayed acoustic
FLOOR COVERINGS	Vinyl tile

MECHANICAL EQUIPMENT

PLUMBING	
Domestic Hot Water Supply	Included in North Building
Shower Rooms	2
Public Restrooms	2
HVAC	5 roof-mounted HVAC units
ELECTRICAL	
Amperes	1,200
Volts	120/208
Wire Type	3-phase, 4-wire
GENERATOR	
Kilowatts	175
Fuel Type	Diesel

OTHER FEATURES

FIRE PROTECTION	Wet sprinkler fire protection; fire alarms; smoke detectors
EMERGENCY CALL SYSTEM	Yes
WASHERS	1 100-lb. and 1 60-lb. commercial
DRYERS	5 75-lb. commercial
MISCELLANEOUS	Exterior video survelliance

LAYOUT

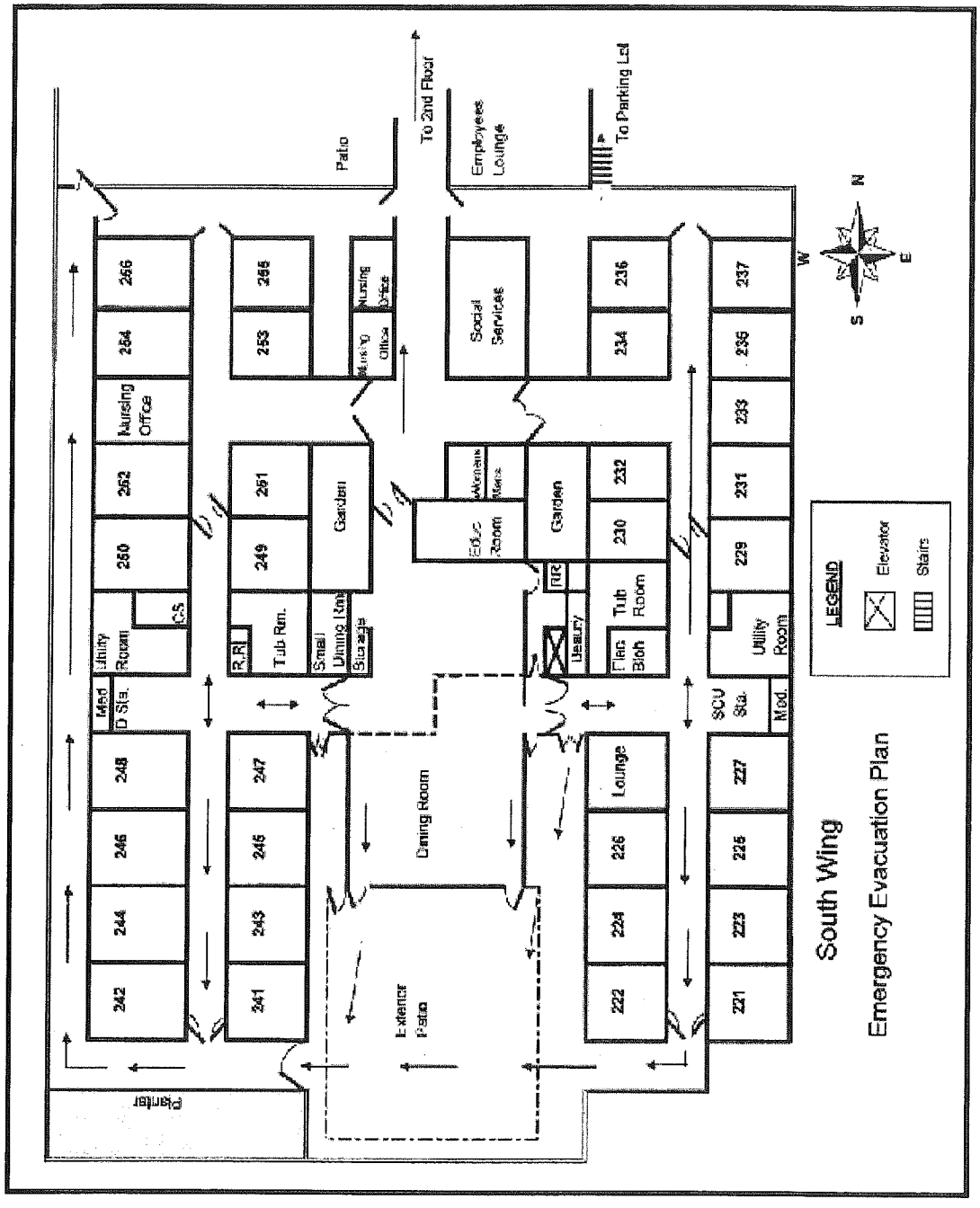
The subject is a one-story skilled nursing building comprised of three parallel hallways connected short sloping hallways. The main access is from the center of its north side from a hallway connecting it to the North Building. The west hallway contains long-term care patient rooms, with the east hallway housing the secure special care unit for Alzheimer's/dementia patients (16 patient rooms). The center hallway contains the dining room, therapy area and offices. The partial basement is under the east hallway and contains mechanical areas, storage, walk-in freezer and refrigerator, generator and laundry. A loading area is at the north end of the basement.

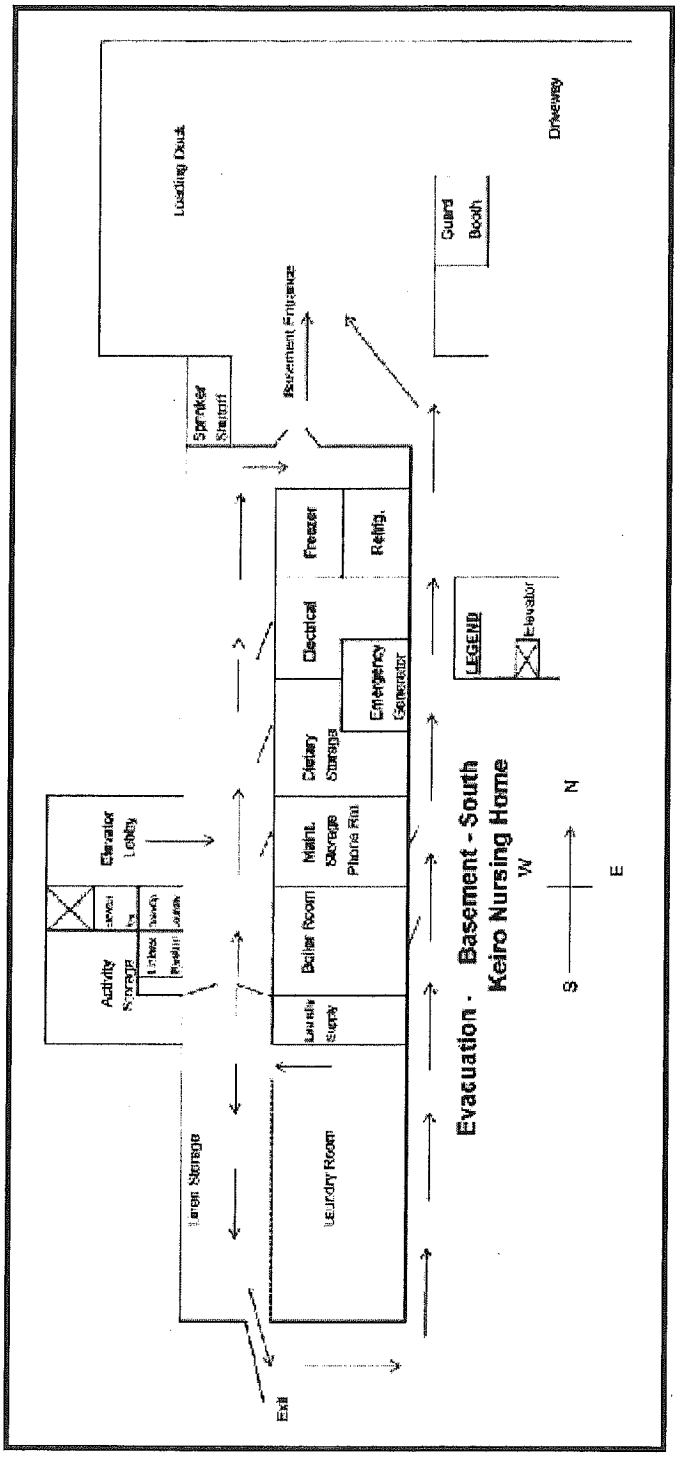
The subject consists of the following type and number of rooms:

Unit and Bed Mix - South Building

Type of Room	Approximate Size (SF)	Rooms	Beds Per Room	Total Beds	Bathrooms
Semiprivate	282 - 292	9	2	18	Private 2-fixture
Three-Bed	290 - 300	23	3	69	Private 2-fixture
Total		**32**		**87**	

A copy of the facility floor plans is presented as follows:




Loading Dock
Driveway
Guard Booth
Basement Entrance
Sprinkler Station
Freezer
Refrig.
Electrical
Emergency Generator
Dietary Storage
Maint. Storage Pharm Rm
Boiler Room
Laundry Supply
Activity Storage
Elevator Lobby
Linen Storage
Laundry Room
Exit
LEGEND
Elevator
Evacuation - Basement - South
Keiro Nursing Home
W
N
S
E

SITE IMPROVEMENTS

The subject site is improved with asphalt paving, concrete walks, concrete block walls, retaining walls, metal fencing and gates, signage and mature landscaping surrounding the structure. The subject site provides parking for 148 vehicles. Parking is available east side of the subject site.

DEPRECIATION

PHYSICAL

The improvements consist of a skilled nursing facility built in 1968 and 1989. No significant renovations or repairs other than routine maintenance have been completed within the last few years.

Overall, the facility and grounds were in good condition at the time of inspection with no signs of significant deferred maintenance. The mechanical components appeared to be and were reported to be in adequate working order. The North Building interior is well maintained and in good repair. The South Building interior is adequately maintained and in average repair No significant roof leakage was reported, and no leakage or water stains were apparent at inspection. The overall quality of construction and the condition of the improvements are good.

FUNCTIONAL

The subject contains 51 four-bed and 23 three-bed wards. Typically, new skilled nursing facilities have eliminated wards, which would suggest that some functional obsolescence exists at the subject. However, there are several factors that eliminate the need to deduct functional obsolescence in the Cost Approach.

The effects of the subject's 51 four-bed and 23 three-bed wards have been considered in the Sales Comparison and Income Capitalization approaches through the selection of appropriate rates, payor mix and census levels. In addition to the quality of care provided, a facility's layout can affect payor mix. Typically, the most profitable payor types are Medicare, HMO/Insurance and Private. These payors prefer private or semiprivate rooms. The census and payor mix used in this analysis are

consistent with the subject's past performance. Therefore, a further deduction for the existence of 51 four-bed and 23 three-bed wards is not necessary.

ECONOMIC/EXTERNAL

No adjacent land uses appear detrimental to the use of the subject. Elderly demographics indicate the potential for relatively stable future demand. No alternative use is suggested that would generate a higher net return to the land.

BUSINESS AND OTHER ASSETS

Business and other assets typical in a going concern include, but are not limited to, an assembled workforce, systems and procedures, medical records, noncompete agreements and other contracts, licenses, referral sources, CON, waiting lists, management and marketing plans.

EQUIPMENT

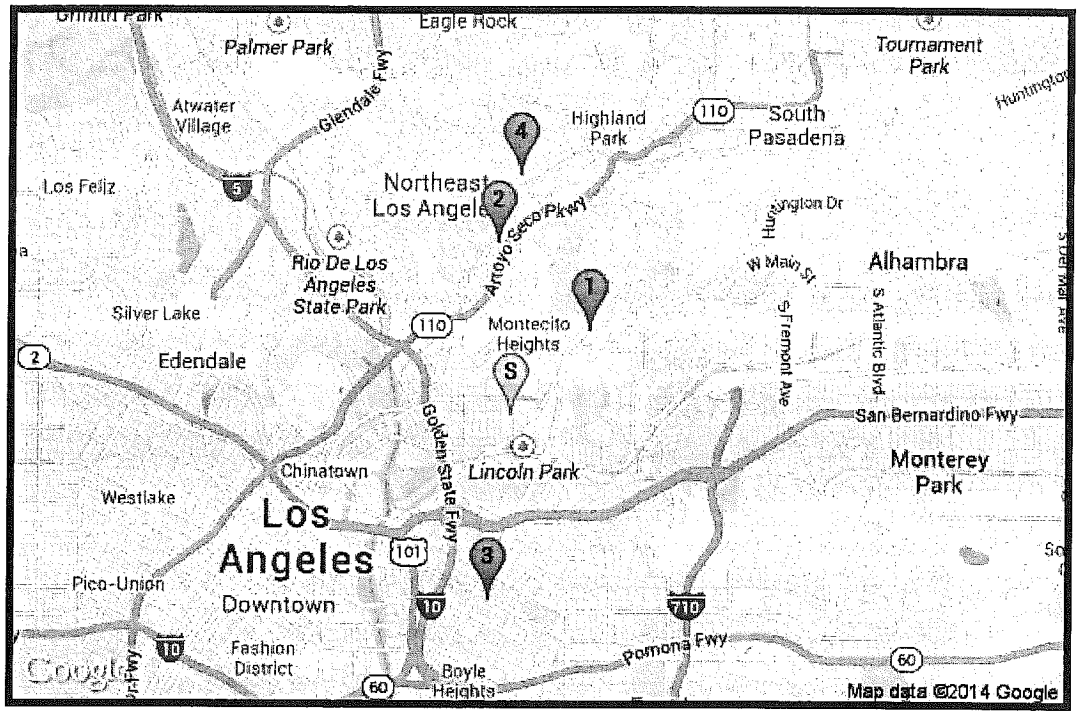
Equipment includes the normal complement of items (nursing, patient, office, laundry, kitchen, dining, activities and therapy) necessary to serve a skilled nursing facility. A detailed inventory of the equipment is beyond the scope of this assignment. The equipment appeared to be of adequate quantity and quality to serve patient needs and was in average condition.

SUMMARY

The subject improvements comprise a skilled nursing facility. The improvements are of good quality and condition and exhibit no significant signs of deferred maintenance. Functional obsolescence was noted due to the subject's ward rooms. No economic obsolescence was noted. The subject is well suited to provide skilled nursing.

SUPPLY ANALYSIS

A search for local competition consisted of an interview with the subject's administrator and a search on www.medicare.gov. A map indicating the location of each facility is presented as follows:

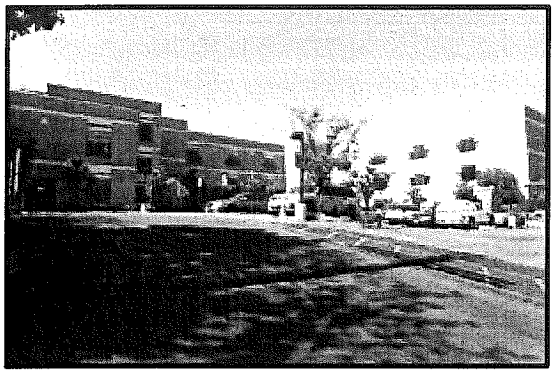


	Name	Address	City	State	Distance (Miles)
Subject	**Keiro Nursing Home**	**2221 Lincoln Park Avenue**	**Los Angeles**	**CA**	**N/A**
1	Huntington Health Care	4515 Huntington Drive South	Los Angeles	CA	1.2
2	Sycamore Park Care Center	4585 North Figueroa Street	Los Angeles	CA	1.9
3	Infinity Care of East Los Angeles	101 South Fickett Street	Los Angeles	CA	2.0
4	Highland Park Skilled Nursing and Wellness Centre	5125 Monte Vista Street	Los Angeles	CA	2.6

Profiles of the subject and the competition are presented on the following pages:

Keiro Nursing Home

SUBJECT PROFILE



General	
Street Address:	2221 Lincoln Park Avenue
City, State, Zip:	Los Angeles, California 90031
Contact Person:	Janie Teshima - Administrator
Telephone Number:	(323) 276-5710
Owner:	Keiro Nursing Home
Operator:	Keiro Senior HealthCare

Operations	
Licensed Facility Beds	300
Operating Facility Beds	300

Certified Beds: Medi-Cal Y Medicare Y

Other types of units available: ☐ AL ☑ MC ☐ CC/IN

Building			
Stories	1 & 3 w/bsmt	Design	Institutional
Constructed	1989	Visibility	Good
Quality	Good	Access	Good
Condition	Good	Neighborhood	Suburban

Services Provided in Basic Rate			
Three Daily Meals	☑	Utilities	☑
Weekly Housekeeping	☑	Maintenance	☑
Laundry - Linens	☑	Furnished Room	☑
Laundry - Personal Items	☑	Activities	☑
Scheduled Transportation	☑	Social Services	☑

Nursing Facility Rates*	
Unit Type	**Daily Rate**
Private	$226.00
Semiprivate	$226.00
Ward	$205.00
Memory Care	

Other Services Provided			
Physical Therapy	☑	Tube Feeding	☑
Occupational Therapy	☑	Outpatient Rehab	☐
Speech Therapy	☑	Psychiatric Treatment	☐
Respiratory Therapy	☐	Behavioral Treatment	☐
Intravenous Therapy	☑	Other	☐

Payor Mix	
Private/Other	32.1%
Medicare	6.8%
Medi-Cal	61.1%
Total	100.0%

Occupied Beds*	
SN	280
Licensed Occupancy	93%

Specialized Units			
Ventilator Unit	☐	Stroke/CVA Unit	☐
SN MC Unit	☑	AIDS/HIV Unit	☐

* As of the effective date of value, 10/10/2013

Comments:

The subject is along a two-lane residential connector street with a center turn lane. It is comprised of the South Building, which was the original nursing home building in 1968 that currently houses long-term care and Alzheimer's/dementia patients, and the North Building, a three-story building built in 1989 that houses long-term care and short-term rehabilitation patients. The buildings are connected by a hallway. The administrator indicated that the current occupancy and payor mix is typical.

IN-Independent, CC- Congregate Care, AL- Assisted Living, MC - Memory Care, SN - Skilled Nursing, SN MC- Nursing Memory Care

Huntington Health Care

Competitor 1

General	
Street Address:	4515 Huntington Drive South
City, State, Zip:	Los Angeles, CA 90032
Contact Person:	Sonny - Marketing
Telephone Number:	(213) 225-5991
Distance from Subject:	1.2 miles northeast

Owner: Hans, LLC
Operator: LA Huntington Healthcare LLC

Operations	
Licensed Facility Beds	99
Operating Facility Beds	99

Certified Beds: Medi-Cal Y Medicare Y
Service Level Compared to Subject: Similar
Other types of units available: ☐ AL ☐ MC ☐ CC/IN

Building			
Stories	1	Design	Institutional
Constructed	1967	Visibility	Fair
Quality	Average	Access	Average
Condition	Average	Neighborhood	Suburban

Services Provided in Basic Rate			
Three Daily Meals	☑	Utilities	☑
Weekly Housekeeping	☑	Maintenance	☑
Laundry - Linens	☑	Furnished Room	☑
Laundry - Personal Items	☑	Activities	☑
Scheduled Transportation	☑	Social Services	☑

Nursing Facility Rates*	
Unit Type	**Daily Rate**
Private	$200.00
Semiprivate	$190.00
Ward	$180.00
Memory Care	

Other Services Provided			
Physical Therapy	☑	Tube Feeding	☑
Occupational Therapy	☑	Outpatient Rehab	☐
Speech Therapy	☑	Psychiatric Treatment	☐
Respiratory Therapy	☐	Behavioral Treatment	☐
Intravenous Therapy	☑	Other	☐

Payor Mix	
Private/Other	2.0%
Medicare	6.5%
Medi-Cal	91.5%
Total	100.0%

Occupied Beds*	
SN	87
Licensed Occupancy	88%

Specialized Units			
Ventilator Unit	☐	Stroke/CVA Unit	☐
SN MC Unit	☐	AIDS/HIV Unit	☐

* As of the effective date of value, 10/10/2013

Comments:

The facility underwent major renovations and reopened in March 2010. It is located in a mixed industrial and residential neighborhood between downtown Los Angeles to the southwest and Alhambra to the east. The facility contact indicated the current occupancy and payor mix is typical.

IN-Independent, CC-Congregate Care, AL-Assisted Living, MC-Memory Care, SN-Skilled Nursing, SN MC-Nursing Memory Care

Sycamore Park Care Center

Competitor 2

General	
Street Address:	4585 North Figueroa Street
City, State, Zip:	Los Angeles, CA 90065
Contact Person:	Arcadia - Admissions
Telephone Number:	(323) 223-3441
Distance from Subject:	1.9 miles north
Owner:	Robert & Sheila Snukal
Operator:	Sycamore Park Care Center, LLC

Operations	
Licensed Facility Beds	90
Operating Facility Beds	87

Certified Beds: Medi-Cal Y Medicare Y
Service Level Compared to Subject: Similar
Other types of units available: ☐ AL ☐ MC ☐ CC/IN

Building			
Stories	1	Design	Residential
Constructed	1963	Visibility	Average
Quality	Good	Access	Good
Condition	Good	Neighborhood	Suburban

Nursing Facility Rates*	
Unit Type	**Daily Rate**
Private	$334.51
Semiprivate	$233.34
Ward	$225.30
Memory Care	

Services Provided in Basic Rate			
Three Daily Meals	☑	Utilities	☑
Weekly Housekeeping	☑	Maintenance	☑
Laundry - Linens	☑	Furnished Room	☑
Laundry - Personal Items	☑	Activities	☑
Scheduled Transportation	☑	Social Services	☑

Other Services Provided			
Physical Therapy	☑	Tube Feeding	☑
Occupational Therapy	☑	Outpatient Rehab	☐
Speech Therapy	☑	Psychiatric Treatment	☐
Respiratory Therapy	☐	Behavioral Treatment	☐
Intravenous Therapy	☑	Other	☐

Payor Mix	
Private/Other	19.0%
Medicare	10.0%
Medi-Cal	71.0%
Total	100.0%

Occupied Beds*	
SN	86
Licensed Occupancy	96%
Operating Occupancy	99%

Specialized Units			
Ventilator Unit	☐	Stroke/CVA Unit	☐
SN MC Unit	☐	AIDS/HIV Unit	☐

* As of the effective date of value, 10/10/2013

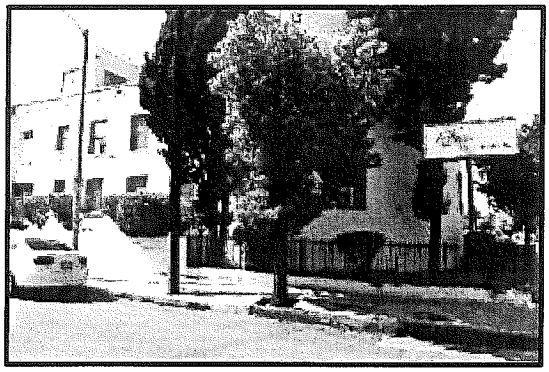
Comments:

This facility is located on a portion of Figueroa Street that is improved with average quality multifamily residential buildings. It is also opposite the Ernest E. Debs Regional County Park. The facility contact indicated the current occupancy and payor mix are typical.

IN-Independent, CC- Congregate Care, AL- Assisted Living, MC - Memory Care, SN - Skilled Nursing, SN MC- Nursing Memory Care

Infinity Care of East Los Angeles

Competitor 3



General	
Street Address:	101 South Fickett Street
City, State, Zip:	Los Angeles, CA 90033
Contact Person:	Elizabeth - Admissions
Telephone Number:	(323) 261-8108
Distance from Subject:	2.0 miles south
Owner:	Le Monde Enterprises, Inc.
Operator:	Infinity Care of East LA

Operations	
Licensed Facility Beds	99
Operating Facility Beds	99

Certified Beds: Medi-Cal Y Medicare Y
Service Level Compared to Subject: Similar
Other types of units available: ☐ AL ☐ MC ☐ CC/IN

Building			
Stories	2	Design	Institutional
Constructed	1930	Visibility	Good
Quality	Good	Access	Average
Condition	Average	Neighborhood	Suburban

Services Provided in Basic Rate			
Three Daily Meals	☑	Utilities	☑
Weekly Housekeeping	☑	Maintenance	☑
Laundry - Linens	☑	Furnished Room	☑
Laundry - Personal Items	☑	Activities	☑
Scheduled Transportation	☑	Social Services	☑

Nursing Facility Rates*	
Unit Type	Daily Rate
Private	$300.00
Semiprivate	$210.00
Ward	$185.00
Memory Care	

Other Services Provided			
Physical Therapy	☑	Tube Feeding	☑
Occupational Therapy	☑	Outpatient Rehab	☐
Speech Therapy	☑	Psychiatric Treatment	☐
Respiratory Therapy	☐	Behavioral Treatment	☐
Intravenous Therapy	☑	Other	☐

Payor Mix	
Private/Other	2.0%
Medicare	19.0%
Medi-Cal	79.0%
Total	100.0%

Occupied Beds*	
SN	89
Licensed Occupancy	90%

Specialized Units			
Ventilator Unit	☐	Stroke/CVA Unit	☐
SN MC Unit	☐	AIDS/HIV Unit	☐

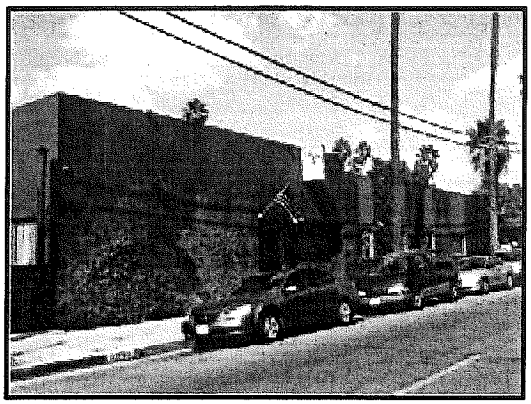
* As of the effective date of value, 10/10/2013

Comments:

This facility is at the intersection of a main thoroughfare and a residential street. All of its ward rooms have three beds.The facility contact indicated that the current occupancy and payor mix is typical.

IN-Independent, CC- Congregate Care, AL- Assisted Living, MC - Memory Care, SN - Skilled Nursing, SN MC- Nursing Memory Care

Highland Park Skilled Nursing andWellness Centre — Competitor 4



General	
Street Address:	5125 Monte Vista Street
City, State, Zip:	Los Angeles, CA 90042
Contact Person:	Myles Andrews - Administrator
Telephone Number:	(323) 254-6125
Distance from Subject:	2.6 miles north
Owner:	GFT Properties, Inc.
Operator:	Rockport Health Services

Operations	
Licensed Facility Beds	59
Operating Facility Beds	59

Certified Beds: Medi-Cal Y Medicare Y
Service Level Compared to Subject: Similar
Other types of units available: ☐ AL ☐ MC ☐ CC/IN

Building			
Stories	1	Design	Institutional
Constructed	1963	Visibility	Good
Quality	Good	Access	Average
Condition	Average	Neighborhood	Suburban

Nursing Facility Rates*	
Unit Type	**Daily Rate**
Private	$203.00
Semiprivate	$196.00
Ward	$189.00
Memory Care	

Services Provided in Basic Rate			
Three Daily Meals	☑	Utilities	☑
Weekly Housekeeping	☑	Maintenance	☑
Laundry - Linens	☑	Furnished Room	☑
Laundry - Personal Items	☑	Activities	☑
Scheduled Transportation	☑	Social Services	☑

Other Services Provided			
Physical Therapy	☑	Tube Feeding	☑
Occupational Therapy	☑	Outpatient Rehab	☐
Speech Therapy	☑	Psychiatric Treatment	☐
Respiratory Therapy	☐	Behavioral Treatment	☐
Intravenous Therapy	☑	Other	☐

Payor Mix	
Private/Other	2.0%
Medicare	33.0%
Medi-Cal	65.0%
Total	100.0%

Occupied Beds*	
SN	56
Licensed Occupancy	95%

Specialized Units			
Ventilator Unit	☐	Stroke/CVA Unit	☐
SN MC Unit	☐	AIDS/HIV Unit	☐

* As of the effective date of value, 10/10/2013

Comments:

This facility was formerly known as Ember Care Center. The facility contact indicated the current occupancy and payor mix are typical. Current management has significantly increased the Medicare census since taking over operations in 2008.

IN-Independent, CC-Congregate Care, AL-Assisted Living, MC-Memory Care, SN-Skilled Nursing, SN MC-Nursing Memory Care

ADDITIONS TO SUPPLY

Based on discussions with the management of the subject and its competitors, as well as an interview with the local building and planning department, there are no additional facilities in the planning stages or under construction.

SUMMARY OF LOCAL COMPETITIVE FACILITIES

OCCUPANCY

A total of 647 licensed beds (including the subject) were surveyed, of which 598 were occupied, indicating an occupancy rate of 92.4%. The subject's occupancy of 93.3% is within the upper end of the range of the competitors.

The subject is the largest, newest and most physically appealing facility in the area. The following table presents the occupancy rates of the local comparable facilities:

Occupancy Statistics					
	Occupied	Licensed Beds		Operating Beds	
Provider	Beds	Beds	Occup.	Beds	Occup.
1 Huntington Health Care	87	99	87.9%	99	87.9%
2 Sycamore Park Care Center	86	90	95.6%	87	98.9%
3 Infinity Care of East Los Angeles	89	99	89.9%	99	89.9%
4 Highland Park Skilled Nursing andWellness Centre	56	59	94.9%	59	94.9%
Weighted Average	318	347	91.6%	344	92.4%
Subject	**280**	**300**	**93.3%**	**300**	**93.3%**
Total Including Subject	**598**	**647**	**92.4%**	**644**	**92.9%**

The following table presents the comparable facilities' payor mixes:

Payor Source			
Provider	Private/Other	Medicare	Medi-Cal
1 Huntington Health Care	2%	7%	92%
2 Sycamore Park Care Center	19%	10%	71%
3 Infinity Care of East Los Angeles	2%	19%	79%
4 Highland Park Skilled Nursing andWellness Centre	2%	33%	65%
Low	2%	7%	65%
High	19%	33%	92%
Weighted Average	6%	15%	78%
Subject	**32%**	**7%**	**61%**

The subject's Private/Other payor mix is above the range of the competitors, with Medicare at the lower end of the range, and Medi-Cal just below the range.

RATE

In order to determine if the subject's private pay rates are within market, a survey of local facilities was conducted. The following table presents a summary of these rates:

Private Pay Daily Rates			
Provider	Private	Semiprivate	Ward
1 Huntington Health Care	$200	$190	$180
2 Sycamore Park Care Center	$335	$233	$225
3 Infinity Care of East Los Angeles	$300	$210	$185
4 Highland Park Skilled Nursing andWellness Centre	$203	$196	$189
Min to Max	$200 to $335	$190 to $233	$180 to $225
Subject	**$226**	**$226**	**$205**

All of the subject's private pay room rates are within the range of the comparable facilities. Based on the subject's location, age, design appeal, historical census and private pay rates, the subject's rates are reasonable.

HIGHEST AND BEST USE

"Highest and best use" is defined as:

> The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value.[7]

For existing properties, two analyses of highest and best use are required. The first is the highest and best use "as vacant," which assumes that the actual improvements do not exist. The outcome of the highest and best use "as vacant" determines the methodology of the land valuation. The second highest and best use analysis is "as improved," which is based on the land and current improvements.

The highest and best use of the land as vacant may be different from the highest and best use of the improved property. This may be true when the improvement is not the maximally productive use but still makes a contribution to the total property in excess of land value.

The highest and best use of both the land as vacant and the property as improved must meet four criteria. The highest and best use must be legally permissible, physically possible, financially feasible and maximally productive. These criteria are defined as follows:

> **Legally Permissible** – Uses that are allowed by private restrictions, zoning, building codes, historic districts, environmental regulations and possible long-term leases.
>
> **Physically Possible** – Considers the size, shape, area, terrain and accessibility of a parcel, and the risk of natural disasters such as floods or earthquakes.
>
> **Financially Feasible** – Uses that are likely to satisfy operating expenses, financial obligation and capital amortization. All uses that are expected to produce a positive return are regarded as financially feasible.
>
> **Maximally Productive** – Of the financially feasible uses, the use that produces the highest residual land value consistent with the rate of return warranted by the market for that use is the highest and best use.

[7] *The Appraisal of Real Estate*, Fourteenth Edition, Appraisal Institute, Illinois, 2013, page 333.

HIGHEST AND BEST USE AS VACANT

Highest and best use as vacant assumes that the subject site is vacant and available for development.

LEGALLY PERMISSIBLE

Legal restrictions to a site are typically private deeded restrictions or public restrictions created by zoning. Additional legal restrictions may include a lease or similar encumbrance such as an easement, encroachment or an attachment to the site. There are no known leases on the land, recorded easements, deed restrictions or environmental restrictions that would limit development of the site. The subject site is zoned RD-1.5-1D (Restricted Density Multiple Dwelling - Height District) by the City of Los Angeles. Permitted uses include, but are not limited to, one-family dwellings, two-family dwellings, multiple or group dwellings, apartment houses, playgrounds. The subject is an eldercare facility. Section 14.3.1 of the City of Los Angeles Planning and Zoning Code was established on December 20, 2006, to create a single process for approvals and to facilitate the processing of applications for "Eldercare Facilities," including Alzheimer's/dementia, independent living, assisted living and skilled nursing. This section gives the zoning administrator broader power to approve applications for such facilities, even if the facility does not meet the use, area or height provisions of its respective zone. According to the City of Los Angeles Zoning Department, the subject is a legally conforming use that is allowed to continue as a skilled nursing facility. The subject may be rebuilt if destroyed, in accordance with current development standards. It is unlikely that there would be any adverse reactions from local residents to develop the site given the predetermined zoning. Thus, a multifamily residential use is legally permissible.

PHYSICALLY POSSIBLE

The size, shape, available utilities, terrain, accessibility and risk of natural disasters all affect potential development of the subject site. Only typical utility easements exist on the subject site, which do not limit its potential development. The subject site is an irregular, interior lot with sloping topography. It contains approximately 137,631 square feet, or 3.16 acres.

The subject site provides good functional utility for potential developments. The site soils appear adequate to support a variety of development types. All public utilities are available and of adequate capacity to support a variety of development. The subject could support any of the legally permitted uses.

Based upon the legal constraints as set forth by the zoning district, and the surrounding uses in the subject's immediate area in conjunction with the site's physical characteristics, the most probable use is a multifamily residential use.

FINANCIALLY FEASIBLE

The next step in the analysis is to consider the financial feasibility of those uses that are legally permitted and physically possible. Any use of the subject site that provides an acceptable financial return to the land is financially feasible. The primary test is whether the particular use results in a market value that is high enough to cover all development costs, or whether the income generated by the property is sufficient to satisfy all operating expenses. Based upon the development of other sites in the area, a multifamily residential use is financially feasible.

MAXIMALLY PRODUCTIVE

The use that produces the highest residual land value is the highest and best use. Therefore, the maximally productive use of the subject, assuming it is vacant and available for development, is a multifamily residential use.

HIGHEST AND BEST USE AS IMPROVED

This analysis considers the property with the existing improvements in place. The highest and best use of the property as improved is analyzed for the following two reasons:

1. To identify the property use that can be expected to produce the highest overall return for each dollar of capital invested.

2. To apply the principle of consistent use to the collection and selection of data. All the comparable data used later in this report were partially selected due to similar highest and best uses.

The same four tests that are applied to arrive at the highest and best use as vacant are also applied to determine the highest and best use as improved.

LEGALLY PERMISSIBLE

The improvements are a legally conforming use according to current zoning regulations. Considering the density and configuration of the existing improvements, any addition to the property is not warranted.

PHYSICALLY POSSIBLE

The improvements consist of two skilled nursing buildings connected by a hallway that operate as one facility, a three-story with basement, 67,076-square-foot building built in 1989 and a one-story with basement, 24,454-square-foot skilled nursing building, which adequately serve their intended function and, therefore, pass the physically possible test. Considering the density and configuration of the existing improvements, any addition to the property is not warranted. As indicated in the description of improvements, deferred maintenance was not noted.

FINANCIALLY FEASIBLE AND MAXIMALLY PRODUCTIVE

The three basic questions addressed in the financially feasible analysis are as follows:

1. Do the improvements contribute to the land value?
2. Should the improvements be modified?
3. Should the improvements be left alone?

The method used to determine if the existing improvements are contributing to the overall property is to compare the estimated total market value derived in this report to the value of the site, less the cost of demolition. If the latter is higher, the existing improvements should be replaced. If it is similar to

the total value, the existing improvements are an interim use. If the value of the site, less demolition, is much lower than the overall value, the existing improvements reflect a financially feasible use.

Based on the conclusions within this report, the value of the subject property as improved is higher than the value of the subject site. Therefore, existing improvements add considerable value to the site and are a financially feasible use.

No other use is feasible considering the cost of conversion and the subject's surrounding uses. The financially feasible and maximally productive use of the subject is for continuation of its current use.

VALUATION METHODOLOGY

Appraisal methodology applied to any specific property or property types must emulate the rationale of market participants. The first step is defining the appraisal problem, including the identification of the real estate, the effective date of value, the property rights being appraised and the type of value sought. Once accomplished, the appraiser collects and analyzes the factors that affect the market value of the subject property.

The three recognized approaches in the valuation of real property are the Cost, Sales Comparison and Income Capitalization approaches. The type and age of the property and the quality and quantities of available data affect the applicability of each approach in a specific appraisal situation.

The basic tenet of all three appraisal approaches is the principle of substitution. This principle is defined as follows:

> When several similar or commensurate commodities, goods, or services are available, the one with the lowest price attracts the greatest demand and widest distribution.[8]

[8] Ibid., page 38.

This principle assumes rational, prudent market behavior, with no undue cost due to delay. According to the principle of substitution, a buyer will not pay more for a property than another that is equally desirable. It affirms that a prudent purchaser has three alternative courses of action available: to buy a vacant site and build a similar property (Cost Approach), to acquire an equally desirable existing property offering comparable utility (Sales Comparison Approach), or to acquire a substitute income stream of comparable quality, quantity and durability (Income Capitalization Approach).

> In the **Cost Approach**, the current cost of constructing the subject improvements is estimated, less all forms of depreciation plus the market value of the underlying land. The result is the indicated property value via the Cost Approach.
>
> The **Sales Comparison Approach** involves a search for recent sales and current listings of comparable properties and an analysis of the selected data as they relate to the subject. The two indicators of value employed in this approach are the price per bed and the effective gross income multiplier. In valuing skilled nursing buildings, the most common unit of comparison is the price per bed. Comparable data is adjusted to compensate for differences. An analysis of the comparable data is then made to arrive at a current estimate of the market value of the subject. The second method is based on selecting an effective gross rent multiplier, which is derived from the market data, and multiplying it by the subject's estimated effective gross income. Based upon these two techniques, an estimate of value via the Sales Comparison Approach is determined.
>
> The **Income Capitalization Approach** involves an estimate of a property's capacity to produce income. This method involves estimating market rent for the subject property, typical vacancy, and credit loss rates and expenses. From this, an estimate of the net operating income is generated. There are two primary methods to value the income stream of a property. One is the Direct Capitalization Method, which capitalizes the net operating income by a single rate derived from the market. The second method is a Discounted Cash Flow Analysis, which projects the income and expense streams for a specified holding period. The ultimate reversion from the sale of the property at the end of the holding period is also considered.

The final step in the valuation process is the reconciliation of the three value indications into a single conclusion of value for the subject. The reliability and precision of each approach are considered, along with possible inconsistencies with the other approaches. Thus, certain approaches may be emphasized because of more reliable data and analyses, or because of a greater degree of relevance to the behavior of the marketplace.

The subject is appraised using all three approaches to value. The Cost Approach is presented first, followed by the Sales Comparison Approach and the Income Capitalization Approach. The valuation concludes with a reconciliation of the three approaches and a final estimate of value.

Value estimates determined by the Cost, Sales Comparison and Income Capitalization approaches are rounded to the nearest $10,000.

Following the three approaches to value, a final opinion of value is presented in the reconciliation.

COST APPROACH

The Cost Approach is divided into three segments: the land value estimate, the estimated cost new of the improvements and the depreciation estimate. The Cost Approach is also known as the summation approach because at the end of the approach, the three segments are brought together to derive an indication of value. Each one of these three processes is further described later in this section.

LAND VALUATION

Anticipation, change, supply and demand, substitution and balance are appraisal principles that influence land value. The subject is valued in accordance with its highest and best use as vacant. The procedures used to value vacant land are as follows.

Sales Comparison: Sales of similar parcels of land are analyzed, compared and adjusted to provide a value indication for the land being appraised.

Allocation: Allocates total value, including improvements, to land and building. The principles of balance and the related concept of contribution affirm that there is a typical ratio of land value to property value for specific categories of real estate in specific locations. This method is typically used when adequate land sales do not exist.

Extraction: Land value is extracted from the sale price of an improved property by deducting the value contribution of the improvements, estimated at their depreciated costs.

Income Capitalization: Converts, via a capitalization or discount rate, a cash flow attributable to the land into value.

The Sales Comparison procedure is the most common technique for valuing land, and is the preferred method when comparable sales are available. Based upon the quantity and quality of the available data herein, the Sales Comparison procedure is used to estimate land value.

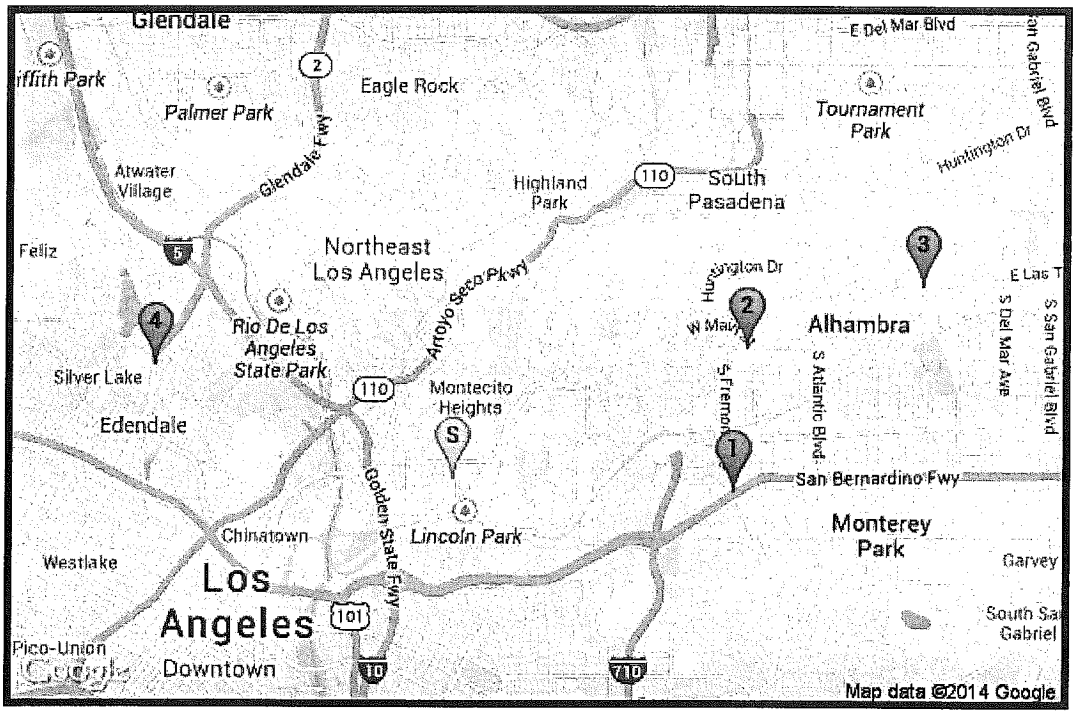
SURVEY OF COMPARABLE LAND DATA

In order to estimate the value of the subject site, an extensive survey is conducted for comparable sales, sales negotiations and offerings of vacant or minimally improved sites within the surrounding area. Land in the subject area is purchased, sold and valued on a price-per-square-foot basis. The unit of comparison used in this analysis is the price-per-square-foot. The data most pertinent in formulating an opinion of value are presented in the following table:

Comparable Land Data							
	Address	Date	Zoning	Land SF	Acres	Price	Price Per SF
Subject	2221 Lincoln Park Avenue	N/A	RD-1.5-1D	137,631	3.16	N/A	N/A
1	2500 - 2520 W. Hellman Ave.	8/31/12	CPD	51,836	1.19	$2,770,415	$53.45
2	2300 Poplar Boulevard	8/3/12	CPD	28,750	0.66	$2,395,000	$83.30
3	1133 E. Main Street	4/18/12	CPD	17,860	0.41	$1,100,000	$61.59
4	1819 - 1855 Glendale Blvd.	7/1/11	CM & RD2	101,930	2.34	$4,800,000	$47.09

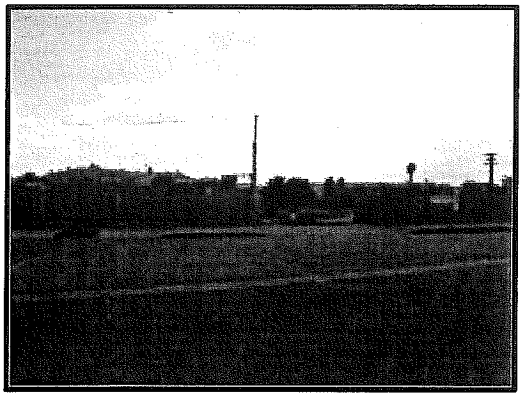
The above comparable sales indicate an unadjusted price range of $47.09 to $83.30 per square foot. Adjustments are applied for factors such as property rights conveyed, financing terms, conditions of sale, market conditions (time), location, access and visibility, and physical characteristics, such as topography, shape, size and zoning.

A map indicating the location of each land sale is presented as follows:



	Address	City	State	Distance (Miles)
Subject	**2221 Lincoln Park Avenue**	**Los Angeles**	**CA**	N/A
1	2500 - 2520 W. Hellman Ave.	Alhambra	CA	3.0
2	2300 Poplar Boulevard	Alhambra	CA	3.4
3	1133 E. Main Street	Alhambra	CA	5.5
4	1819 - 1855 Glendale Blvd.	Los Angeles	CA	3.4

COMPARABLE LAND SALE 1



General

Location	2500 - 2520 W. Hellman Ave.
City	Alhambra
State	CA
Tax ID	5352-029-015, -008 & -003
Distance from Subject	3.0 miles east

Site

Land SF	51,836
Acres	1.19
Zoning	CPD
Topography	Level
Shape	Irregular
Corner/Interior	Corner

Transaction

Grantor	Reifer Trust
Grantee	Westport-Alhambra Storage
Property Rights	Fee Simple
Recording	1309534
Date	8/31/2012
Terms	All cash to seller
Price	$2,770,415
Price Per SF	$53.45
Price Per Acre	$2,328,080

Additional Information

The site sold partially developed with three vacant retail buildings totaling 4,608 square feet built in 1922, 1940 and 1956. These improvements have been razed and the site is being developed with a self-storage facility. The site is bordered by a four-lane major thoroughfare, a two-lane freeway frontage road and Interstate 10. Surrounding uses include a school and single-family homes. The sales data was obtained and verified through Costar.com, public records and the broker, Stephen Chan with GE Property Development, Inc.

COMPARABLE LAND SALE 2

General	
Location	2300 Poplar Boulevard
City	Alhambra
State	CA
Tax ID	5342-009-002
Distance from Subject	3.4 miles northeast

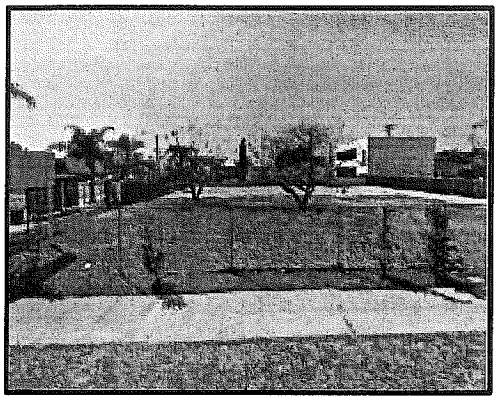
Site	
Land SF	28,750
Acres	0.66
Zoning	CPD
Topography	Level
Shape	Rectangular
Corner/Interior	Interior

Transaction	
Grantor	Stephen Claro
Grantee	Caster Alhambra Storage, L.P.
Property Rights	Fee Simple
Recording	1154561
Date	8/3/2012
Terms	Cash to seller
Price	$2,395,000
Price Per SF	$83.30
Price Per Acre	$3,628,788

Additional Information

The site sold vacant and will be developed with a self-storage facility. It is located along a four-lane residential access street in the western portion of Alhambra next to a Target store, Costco and a power substation. The sales data was obtained and verified through Costar.com and public records.

COMPARABLE LAND SALE 3



General	
Location	1133 E. Main Street
City	Alhambra
State	CA
Tax ID	5336-012-001 and -002
Distance from Subject	5.5 miles northeast

Site	
Land SF	17,860
Acres	0.41
Zoning	CPD
Topography	Level
Shape	Rectangular
Corner/Interior	Corner

Transaction	
Grantor	Alhambra Main Property LLC
Grantee	AAA Cornerstone LLC
Property Rights	Fee Simple
Recording	637543
Date	4/18/2012
Terms	All cash to seller
Price	$1,100,000
Price Per SF	$61.59
Price Per Acre	$2,682,927

Additional Information

The site sold vacant and is currently undeveloped. It is located on the northwest corner of the non-signalized intersection of a four-lane commercial thoroughfare and a residential side street. The surrounding neighborhood is developed with with two-story apartment buildings and neighborhood-oriented commercial uses. This site is also near Alhambra's revitalized downtown area and San Gabriel Hospital. The buyer plans to develop a mixed-use project. The sales data was obtained and verified through Costar.com and public records.

COMPARABLE LAND SALE 4

General

Location	1819 - 1855 Glendale Blvd.
City	Los Angeles
State	CA
Tax ID	5423-003-020, -036 & -037
Distance from Subject	3.4 miles northwest

Site

Land SF	101,930
Acres	2.34
Zoning	CM & RD2
Topography	Level and sloping
Shape	Irregular
Corner/Interior	Corner

Transaction

Grantor	East West Bank
Grantee	1855 Glendale Boulevard
Property Rights	Fee Simple
Recording	895934
Date	7/1/2011
Terms	All cash to seller
Price	$4,800,000
Price Per SF	$47.09
Price Per Acre	$2,051,282

Additional Information

The site is comprised of three parcels near the end of the Glendale Freeway (State Route 2) as it becomes Glendale Boulevard, a six-lane major commercial thoroughfare. It includes two contiguous vacant parcels on the northwest corner of Glendale Boulevard and a residential cul-de-sac. The third parcel is on the southwest corner and sold developed with a vacant and gutted, 36,239-square-foot industrial building built from 1946 to 1965 that has since been razed. The buyer is currently building a 71-unit multifamily development. The sales data was obtained and verified through Costar.com, public records and the broker, Richard Byrd, at Land Advisors Organization.

EXPLANATION OF ADJUSTMENTS

Property Rights

All of the comparable sales reflect fee simple estates. The sales do not require an adjustment.

Financing

The verification process indicates that the prices of the transactions used in this analysis are cash-equivalent prices. The sales do not require an adjustment.

Conditions of Sale

This adjustment takes into account any unusual conditions or circumstances that may affect the sales or listing price. Utilities and off-site improvements were available to all of the comparable sales. Sales 2 and 3 sold vacant and ready for development and do not warrant adjustments. Sale 1 sold partially developed with three vacant retail buildings totaling 4,608 square feet built in 1922, 1940 and 1956. An upward adjustment of $23,040 ($5 per square foot) to account for demolition costs is warranted for Sale 1. Sale 4 sold partially developed with a vacant and gutted, 36,239-square-foot industrial building built from 1946 to 1965 that has since been razed. An upward adjustment of $181,195 ($5 per square foot) to account for demolition costs is warranted for Sale 4.

Market Conditions

The next adjustment accounts for the influence of change in market conditions between the transaction dates and the date of valuation. The comparable sales transacted within the last 27 months. During this time, there has been minimal new development activity and no significant pressure on land prices. No adjustments are warranted for this factor.

Location

The location is a major contributing factor to a value of a site. Location influences include quality of the surrounding improvements, proximity to arterials and business centers, and convenience to residential neighborhoods as well as the perception of market participants.

The subject is on the west side of Lincoln Park Avenue, a two-lane residential connector street with a center turn lane, approximately 0.9 miles east of the north end of downtown Los Angeles and 1.9 miles east of Dodger Stadium. The subject's suburban mixed-use neighborhood includes a short-term acute-care hospital, a long-term acute-care hospital, nursing homes, an assisted living facility, medical offices, various retail/commercial businesses, industrial, the Hustler Casino, a trailer park, multifamily and single-family homes. According to Zillow.com, single-family homes in the subject's neighborhood have recently sold from $190,000 to $510,000. Most of the homes were built from the 1940s to the 1960s and range in size from 800 to 2,000 square feet. Overall, the subject's neighborhood is in average condition.

All the sales are located in areas with superior overall quality and condition of the surroundings and local demographics as the subject. Downward adjustments are warranted.

Zoning

The subject site is zoned RD-1.5-1D (Restricted Density Multiple Dwelling - Height District). Due to the lack of recent multifamily zoned sales, commercially zoned sales have been utilized. Sales 1, 2 and 3 are zoned commercial, which allows for a wider variety of uses, and warrant downward adjustments. Sale 4 is zoned commercial and multifamily, more similar to the subject's zoning, but does allow for commercial uses, and warrant a smaller downward adjustment.

Topography

The subject property's topography is slopes significantly, which could hamper some types of development. All the sales have level or less sloping topography, which is more useful, and warrant downward adjustments.

Shape

The shape is a primary factor in determining the utility of a site. It limits as well as strongly influences the type of configuration of the improvements developed on the land. The subject site is irregular and

adequate for most types of development. All the sales have functional shapes and do not warrant adjustments.

Exposure

The exposure adjustment accounts for the positive or negative effect on value for access and visibility. The subject is an interior site with its visibility and access primarily along a two-lane residential connector street. Sales 1, 3 and 4 have superior exposure due to their visibility and access along a more heavily traveled roadways and warrant downward adjustments. Sale 2 has similar exposure due to its interior location along a similarly traveled roadway and does not warrant an adjustment.

Size

The subject property contains an area of 137,631 square feet, or 3.16 acres. The comparable sales range in size from 17,860 to 101,930 square feet. Typically, a larger property will sell for a lower price-per-square-foot compared to an otherwise similar but smaller property. Sales 1, 2 and 3 are smaller than the subject and warrant downward adjustments. Sale 4 is similar and does not warrant an adjustment.

The Comparable Land Sales Adjustment Grid is presented as follows:

Keiro Nursing Home Comparable Land Sales Adjustment Grid							
	Subject		**1**		**2**	**3**	**4**
	2221 Lincoln Park Avenue		2500 - 2520 W. Hellman Ave.		2300 Poplar Boulevard	1133 E. Main Street	1819 - 1855 Glendale Blvd.
	Los Angeles		Alhambra		Alhambra	Alhambra	Los Angeles
Parcel Data							
Tax ID	Multiple		5352-029-015, -008 & -003		5342-009-002	5336-012-001 and -002	5423-003-020, -036 & -037
Zoning	RD-1.5-1D		CPD		CPD	CPD	CM & RD2
Topography	Sloping		Level		Level	Level	Level and sloping
Shape	Irregular		Irregular		Rectangular	Rectangular	Irregular
Corner/Interior	Interior		Corner		Interior	Corner	Corner
Land SF	137,631		51,836		28,750	17,860	101,930
Acres	3.16		1.19		0.66	0.41	2.34
Sales Data							
Recording	N/A		1309534		1154561	637543	895934
Date	N/A		8/31/2012		8/3/2012	4/18/2012	7/1/2011
Property Rights	Fee Simple		Fee Simple		Fee Simple	Fee Simple	Fee Simple
Price	N/A		$2,770,415		$2,395,000	$1,100,000	$4,800,000
Price Adjustment	$0		$0		$0	$0	$0
Price Per SF	N/A		$53.45		$83.30	$61.59	$47.09
Adjustments							
Property Rights			0		0	0	0
			2,770,415		2,395,000	1,100,000	4,800,000
Financing			0		0	0	0
			2,770,415		2,395,000	1,100,000	4,800,000
Conditions of Sale			23,040		0	0	181,195
			2,793,455		2,395,000	1,100,000	4,981,195
Market Conditions			0		0	0	0
Adjusted Sale Price			$2,793,455		$2,395,000	$1,100,000	$4,981,195
Adjusted Price Per SF			$53.89		$83.30	$61.59	$48.87
Adjustments							
Location			-10%		-10%	-10%	-10%
Zoning			-10%		-10%	-10%	-5%
Topography			-10%		-10%	-10%	-5%
Shape			0%		0%	0%	0%
Exposure			-15%		0%	-10%	-15%
Size			-5%		-10%	-10%	0%
Overall Adjustment			-50.0%		-40.0%	-50.0%	-35.0%
Adjusted Price Per SF			$26.95		$49.98	$30.80	$31.76
Low	$26.95						
High	$49.98						
Mean	$34.87						
Median	$31.28						
Conclusion	$35.00	x	137,631	=	$4,817,085		
Rounded					**$4,820,000**		

CONCLUSION OF LAND VALUE

After adjustments, the comparable sales indicate a range in value of $26.95 to $49.98 per square foot, with a mean of $34.87 and a median of $31.28 per square foot. All the sales require similar overall adjustments from -50% to -30%, require adjustment to most of the same categories, are similar in proximity to the subject, and are given similar emphasis. Therefore, the estimated land value is presented as follows:

Land Value Conclusion		
$35.00 per SF × 137,631 SF	=	$4,817,085
Rounded		$4,820,000

BUILDING AND SITE IMPROVEMENTS VALUATION

The building and land improvements are valued on the basis of replacement cost new, less accrued depreciation. The replacement cost new consists of direct costs and indirect costs associated with construction.

MARSHALL & SWIFT VALUATION

Direct costs include only the hard costs associated with the construction of the building. *Marshall Valuation Service,* a nationally recognized cost manual, provides the average base cost for typical buildings, classified by construction class and quality of construction, and applies it to the gross building area. *Marshall Valuation Service* includes all direct costs and the following indirect costs:

- Plans, specifications and building permits.
- The cost of interim money during normal periods of construction, not discount points or permanent financing charges.
- Sales tax on materials.
- Contractor's overhead and profit, including workers' compensation, fire and liability insurance, and unemployment insurance.

The improvements consist of the following:

NORTH BUILDING	
TYPE OF PROPERTY	Three-story, with basement
SIZE	67,076 square feet
FRAME	Pre-cast concrete and metal
EXTERIOR FINISH	Stucco
YEAR BUILT	1989
QUALITY OF CONSTRUCTION	Good
GENERAL CONDITION	Good

SOUTH BUILDING	
TYPE OF PROPERTY	One-story, with basement
SIZE	25,454 square feet
FRAME	Wood (main floor); reinforced concrete and concrete block (basement)
EXTERIOR FINISH	Stucco
YEAR BUILT	1968
QUALITY OF CONSTRUCTION	Good
GENERAL CONDITION	Average

The base cost per square foot of gross building area is as follows:

Base Cost Per Square Foot	
Category	convalescent hospitals
Section/Page	15/26
Quality	good
Base Cost	$178.67

Adjustments to the base cost include fire sprinklers, elevators, height, perimeter, time and location.

SITE IMPROVEMENTS

Site improvements include all improvements except the building. These typically include parking lots, signage, fencing, lighting, landscaping and walkways. Site improvements are estimated on a price per square foot of the site area less the building footprint. This calculation is as follows:

Keiro Nursing Home Site Improvements	
Site Size	137,631
Building Footprint	-47,813
Site Improvements	89,818
Cost per SF of Improvements	$3.50
Total	$314,363
Rounded	**$310,000**

The total direct costs via the *Marshall Valuation Service* total $20,650,009. The following table summarizes the *Marshall Valuation Service* direct cost calculations:

Marshall Valuation Service Direct Costs		
Marshall Valuation Service		
Base Cost	$178.67	
$/SF Adjustments		
Sprinklers	3.00	
Elevators	0.00	
	$181.67	
Multipliers		
Height	1.00	
Perimeter	1.00	
Time	1.00	
Location	1.21	
Adjusted Base Cost	$219.82	
Gross Building Area	92,530	
Direct Cost - Buildings		$20,340,009
Direct Cost - Site Improvements		310,000
Total Direct Costs		$20,650,009
Marshall Valuation Service Cost PSF		$223.17

COMPARABLE COST METHOD

The comparable cost method estimates direct costs by considering construction costs for new skilled nursing projects. The costs include direct costs and site improvements. The following table summarizes these costs:

Comparable Construction Data									
Facility City, State	Quality	Building Size (SF)	Beds	Year Built	Building Cost $	 PSF	 Per Bed	FF&E $	 Per Bed
1) Gilbert SNF Gilbert, Arizona	Good	77,000	120	2009	$12,919,819	$167.79	$107,665	$1,190,000	$9,917
2) Ashton Creek Ft. Wayne, Indiana	Good	68,684	139	2009	$8,977,691	$130.71	$64,588	$1,377,659	$9,911
3) Dallas Center of Rehab Dallas, Texas	Excellent	62,255	136	2008	$15,643,384	$251.28	$115,025	$1,986,000	$14,603
4) Fort Apache SNF Las Vegas, Nevada	Good	57,000	160	2009	$9,978,231	$175.06	$62,364	N/A	
5) Colonnades at Reflection Bay Pearland, Texas	Good	88,146	180	2007	$13,338,110	$151.32	$74,101	$1,642,909	$9,127
6) West Jefferson Replacement Facility Rogers, Arkansas	Good	48,761	104	2012	$7,385,703	$151.47	$71,016	N/A	
7) Fort Worth Center of Rehab Fort Worth, Texas	Excellent	64,069	136	2010	$14,170,516	$221.18	$104,195	$2,255,264	$16,583
8) Lutz Care & Rehab Center Lutz, Florida	Excellent	55,227	120	2010	$14,238,958	$257.83	$118,658	$2,488,881	$20,741

Year Built - May also be date of construction contract/bid.
Total Cost - Excludes land, fill up, FF&E and entrepreneurial profit.

The building costs indicate a range of $130.71 to $257.83 per square foot, or $62,364 to $118,658 per bed. However, adjustments for time and location via *Marshall Valuation Service* can be applied to refine the indicated range relative to the subject. The following grid applies time and location factors to each of the projects:

Adjusted Comparable Construction Data										
		Time Adjustment			Location Adjustments					
Facility	Building Cost	Year	Factor	Adj Cost	Local	National Avg	Subj Factor	Adj Cost	PSF	Per Bed
Gilbert SNF	$12,919,819	2009	1.087	$14,043,843	0.95	$14,782,993	1.21	$17,887,421	$232.30	$149,062
Ashton Creek	$8,977,691	2009	1.077	$9,668,973	0.98	$9,866,299	1.21	$11,938,222	$173.81	$85,886
Dallas Center of Rehab	$15,643,384	2008	1.074	$16,800,994	0.89	$18,877,522	1.21	$22,841,801	$366.91	$167,954
Fort Apache SNF	$9,978,231	2009	1.087	$10,846,337	1.12	$9,684,230	1.21	$11,717,918	$205.58	$73,237
Colonnades at Reflection Bay	$13,338,110	2007	1.109	$14,791,964	0.89	$16,620,184	1.21	$20,110,423	$228.15	$111,725
West Jefferson Replacement Facility	$7,385,703	2012	1.094	$8,079,959	0.92	$8,782,564	1.21	$10,626,903	$217.94	$102,182
Fort Worth Center of Rehab	$14,170,516	2010	1.042	$14,765,678	0.89	$16,590,649	1.21	$20,074,685	$313.33	$147,608
Lutz Care & Rehab Center	$14,238,958	2010	1.066	$15,178,729	1.03	$14,736,630	1.21	$17,831,323	$322.87	$148,594

Time Adjustment - Marshall Valuation Service, Section 98, Pages 15-36; Local Adjustment - Section 99

After adjusting for time and location, the comparable data indicates a range of $173.81 to $366.91 per square foot and $73,237 to $167,954 per bed. The upper end of the range is represented by three facilities. One is a three-story, Class A building of excellent quality in the heart of a major metropolitan area, the second has extensive rehabilitation areas and the third is an excellent quality facility. Excluding these three facilities, the range narrows to $173.81 to $232.30 per square foot and $73,237 to $149,062 per bed.

Based on the data presented above, a direct cost of $230.00 per square foot is estimated. This calculation is presented in the following table:

Comparable Cost Method		
Base Cost	$230.00	
Gross Building Area	92,530	
Total Direct Costs		**$21,281,900**

DIRECT COST SUMMARY AND RECONCILIATION

The two methods indicate a 3.1% range and are supportive of one another. The comparable cost method is given more emphasis, as it is based on actual current construction costs of skilled nursing facilities adjusted for time and location. Therefore, the direct cost estimated in the analysis is $21,000,000. The two methods are summarized in the following table:

Reconciliation	
Methodology	**Value**
Marshall Valuation Service	$20,650,009
Comparable Cost Method	$21,281,900
Concluded Direct Costs	**$21,000,000**

INDIRECT COSTS

The indirect costs include such items as financing points, property taxes on land during construction, marketing, revenue loss during construction and entrepreneurial profit.

- **Financing Points:** Financing points are estimated at 2%, based on a 75% loan-to-value ratio of the concluded direct costs, plus land value and equipment.
- **Taxes During Construction:** Taxes are calculated based on the market value of the land during construction, assumed to take 12 months. This time frame is based on estimations received from contractors who specialize in the construction of convalescent hospitals.
- **Marketing:** A marketing expense is estimated in order to account for the initial marketing effort required to bring a property to a stabilized level. Based on experiences of several national and regional providers, this expense ranges from $1,500 to $3,500 per bed. An estimate of $1,500 per bed is utilized.
- **Revenue Loss:** This expense accounts for the difference in revenue between a stabilized property and a property in the initial absorption period. This expense is based upon an absorption period of 365 days, multiplied by the number of beds to be absorbed, multiplied by an average daily revenue, which equals a total potential revenue loss. Since the absorption of beds will occur gradually over time, the midpoint is utilized. Therefore, the total revenue loss is divided in half, which is the average loss. This amount is further reduced by 40% to account for lower variable expenses during the absorption period. Therefore, the revenue loss during absorption is estimated as follows:

Keiro Nursing Home Revenue Loss		
Absorption Period	365	
Stabilized ADC	279.0	
Less Beds Pre Leased	55.8	
Remaining Beds to be Absorbed	223.2	
Average Daily Revenue	$229.51	
Total Estimated Loss		$18,697,860
Average Loss	$9,348,930	
% Offset by Reduced Expenses	40.0%	
Revenue Loss		$5,609,358
Rounded		$5,610,000

- **Entrepreneurial Profit:** This profit is a necessary element in the enticement for undertaking the cost and risks associated with developing a property such as the subject. The amount of entrepreneurial profit varies according to economic conditions and types of development, exhibiting a fairly wide range. An

entrepreneurial profit of 15% of direct and indirect costs is utilized in this analysis.

DEPRECIATION

Depreciation of a structure is its loss in value due to physical deterioration and obsolescence. These terms are defined as follows:

- **Physical Deterioration:** The loss in value due to ordinary wear and tear, i.e., age and natural forces taking their toll on the improvements. This begins at the time the building is completed and continues throughout its physical life.
- **Functional Obsolescence:** An element of accrued depreciation resulting from deficiencies or superadequacies in the structure.
- **External Obsolescence:** An element of accrued depreciation. A defect, usually incurable, caused by negative influences outside a site and generally incurable on the part of the owner, landlord or tenant.

ECONOMIC LIFE

The assignment of an economic life assumes that, except for the building shell and foundation, shorter-lived building components will be replaced periodically over the life of the building.

The amount of depreciation and obsolescence in the subject building is typical for a facility of its age. An inspection of the property revealed that the structure and related component parts are adequately maintained through a continuous maintenance service program.

Marshall Valuation Service indicates that the typical building life of a convalescent hospital ranges from 35 to 50 years. However, the effective lives of buildings can vary greatly depending on a number of factors including, but not limited to, maintenance level, barriers to entry, CONs, competition, demand growth, renovations and overall profitability of the operations. The majority of the skilled nursing facilities in the United States were built in the 1960s and 1970s, which equates to building ages of 30 to 50 years. The economic lives of these buildings are often extended due to the factors previously discussed.

A more reliable method of determining the economic life of skilled nursing facilities is based on market data. This can be accomplished by comparing the replacement cost new to the sale price, less land value and FF&E. The following table is a summary of the market derived depreciation and total economic life:

Depreciation And Effective Life Analysis									
Comparable	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Facility	Lufkin, TX	Snellville, GA	Dallas, TX	Denver, CO	Carson, NV	Stockton, CA	Smithfield, RI	Fresno, CA	Vineland, NJ
Beds	150	144	303	265	73	98	133	59	210
Size	42,457	45,347	212,147	82,399	22,326	27,070	66,174	14,617	72,336
Year Built	1988	1991/96	1953/84	1961-72	1965	1967	1947-1990	1920/62	1985
Cost Approach Analysis									
Replacement Cost Improvements	$9,070,000	$14,640,000	$30,123,000	$12,731,000	$4,910,000	$7,280,000	$15,330,000	$3,257,000	$21,270,000
Land Value	470,000	790,000	2,470,000	2,530,000	1,060,000	380,000	290,000	480,000	470,000
Total Cost New	$9,540,000	$15,430,000	$32,593,000	$15,261,000	$5,970,000	$7,660,000	$15,620,000	$3,737,000	$21,740,000
Depreciation Analysis									
Sale Price	$8,000,000	$12,000,000	$17,000,000	$12,057,000	$3,250,000	$5,300,000	$6,600,000	$2,400,000	$20,000,000
Less Land Value	470,000	790,000	2,470,000	2,530,000	1,060,000	380,000	290,000	480,000	470,000
Less MME Value	375,000	500,000	608,000	530,000	180,000	245,000	200,000	120,000	945,000
Indicated Value of the Improvements	$7,155,000	$10,710,000	$13,922,000	$8,997,000	$2,010,000	$4,675,000	$6,110,000	$1,800,000	$18,585,000
Replacement Cost Improvements	$9,070,000	$14,640,000	$30,123,000	$12,731,000	$4,910,000	$7,280,000	$15,330,000	$3,257,000	$21,270,000
Improved Price Divided By Cost New	78.9%	73.2%	46.2%	70.7%	40.9%	64.2%	39.9%	55.3%	87.4%
Implied Total Depreciation	21.1%	26.8%	53.8%	29.3%	59.1%	35.8%	60.1%	44.7%	12.6%
Building Effective Age	15	15	35	25	35	30	35	35	10
Implied Annual Rate of Depreciation	1.4%	1.8%	1.5%	1.2%	1.7%	1.2%	1.7%	1.3%	1.3%
Implied Total Economic Life - Years	71.0	55.9	65.1	85.2	59.3	83.8	58.2	78.2	79.2

	Min	Max	Median	Mean
Building Effective Age	10.0	35.0	30.0	26.1
Implied Annual Rate of Depreciation	1.2%	1.8%	1.4%	1.4%
Implied Total Economic Life - Years	55.9	85.2	71.0	70.7

The comparable data suggests that the economic life of a skilled nursing facility ranges from 56 to 85 years, with a mean and median of 71 years. Facilities near the upper end of the range have more profitable operations. Considering the factors that influence the subject's total economic life, and based on the data previously presented, the subject is estimated to have an economic life of 70 years.

The actual age of the building is 24 to 46 years, and the effective age of the building is estimated at 30 years. Nursing facilities are licensed, inspected regularly and maintained at a higher level relative to other income-producing properties. Therefore, an effective age below the actual age is warranted. The building is estimated to have an economic life of 70 years. Therefore, the remaining economic life is 40 years. Economic life is the period over which the improvements to the real estate contribute to the value of the property.

The amount of depreciation attributable to the property is estimated on a straight-line age/life basis. Straight-line depreciation is founded on the assumption that depreciation of a property occurs at the same rate throughout its economic life. The straight-line depreciation percentage is estimated at 42.9% (30 years/70 years).

The elements that comprise the site improvements typically have shorter economic lives than the life of the building. The aggregate economic life of these items is estimated to be 20 years, with an effective age of 10 years. The straight-line depreciation percentage is estimated at 50.0%.

The subject contains 51 four-bed wards. Typically, new skilled nursing facilities have eliminated wards, which would suggest that some functional obsolescence exists at the subject. However, there are several factors that eliminate the need to deduct functional obsolescence in the Cost Approach.

The subject consists of 67,076 square feet, which equates to 447 square feet per bed. Typically, new nursing homes consist of 350 to 500 square feet per bed. The cost estimate used in this appraisal is based on the subject's actual size. The additional cost associated with building only semiprivate

rooms has not been included in the replacement cost estimate. Therefore, no deduction for functional obsolescence is necessary in the Cost Approach.

The effects of the subject's 51 four-bed wards have been considered in the Sales Comparison and Income Capitalization approaches through the selection of appropriate rates, payor mix and census levels. In addition to the quality of care provided, a facility's layout can affect payor mix. Typically, the most profitable payor types are Medicare, HMO/Insurance and private. These payors prefer private or semiprivate rooms. The census and payor mix used in this analysis are consistent with the subject's past performance. Therefore, a further deduction for the existence of 51 four-bed wards is not necessary.

EQUIPMENT VALUATION

Equipment cost new for a nursing home ranges from $6,000 to $16,500 per bed. Depreciated equipment values for nursing homes range from $1,500 to $5,500 per bed. The low end of this range represents equipment that is either sparse in quantity, low in quality or highly depreciated. The upper end of the range would be expected at a newer facility or at a facility with a higher percentage of private rooms. The correlated equipment value per bed is calculated as follows:

Equipment Conclusion		
$4,500 per bed x 300 beds	=	$1,350,000
Rounded		$1,350,000

The Cost Approach is summarized as follows:

Keiro Nursing Home Summary Of Cost Approach		
Concluded Direct Costs		$21,000,000
Indirect Costs		
Financing Points	$407,550	
Taxes During Construction	59,008	
Marketing	450,000	
Revenue Loss	5,610,000	
Entrepreneurial Profit	4,130,000	
Total Indirect Costs		$10,656,558
Replacement Cost New		$31,656,558
Depreciation		
Deferred Maintenance	$0	
Physical - Buildings	13,363,426	
Physical - Site Improvements	237,616	
Functional Obsolescence	0	
External Obsolescence	0	
Total Depreciation		$13,601,041
Depreciated Replacement Cost		$18,055,517
Land Value		4,820,000
Equipment		1,350,000
Indicated Value - Cost Approach		$24,225,517
Rounded		$24,230,000

COST APPROACH SUMMARY

Based on the aforementioned data and analysis, the market value, via the Cost Approach of the assets comprising the subject property, is represented in the following rounded amount:

Keiro Nursing Home Summary Of Cost Approach	
Land	$4,820,000
Improvements	18,060,000
Furniture, Fixture and Equipment	1,350,000
Total	**$24,230,000**

INSURABLE VALUE

"Insurable value" is defined as follows:

> Value used by insurance companies as the basis for insurance. Often considered to be replacement or reproduction cost less deterioration and non-insurable items. Sometimes cash value or market value but often entirely a cost concept (Marshall & Swift, Section 3, Page 2).

For the purposes of this report, insurable value is estimated by subtracting the non-insurable items, financing points, marketing revenue loss and entrepreneurial profit from the replacement costs, and adding the costs of the furniture, fixtures and equipment. The non-insurable items include the grading, foundation, utility lines from the street, pavement, concrete walks and landscaping. These items are estimated at 5%.

Keiro Nursing Home Summary of Insurable Value	
Replacement Cost New	$31,656,55
Less	
Non Insurable Items	-
Financing Points	-407,550
Marketing	-450,000
Revenue Loss	-5,610,000
Entrepreneurial Profit	-4,130,000
Equipment	1,350,000
Total	**$20,826,180**

SALES COMPARISON APPROACH

The Sales Comparison Approach is a method of estimating value by comparing prices paid for similar properties. Property prices are a direct function of the balance between supply and demand for real estate. This approach, like the Cost Approach, is based upon the principle of substitution. The principle of substitution implies that a prudent investor will not pay more for a property than it would cost to buy a substitute property with similar utility and desirability. The reliability of this approach is dependent upon the availability of recent sales or listings of competitive properties in the market and the degree of comparability of each sale with the appraised property.

The past several years have been a mixed bag for the skilled nursing industry. With the credit market and recession playing a large role in decreasing transactions during 2008 and 2009, a general lack of transactions in 2010, followed by a high M&A market in 2011, 2012 proved to be an anomaly. According to *The Senior Care Acquisition Report, Eighteenth Edition, 2013*, published by Irving Levin Associates Inc., the dollar value of all healthcare M&A transactions dropped, with healthcare services falling from $81.7 billion to $56.0 billion. Yet, in spite of low dollar volume, transaction volume went up. REIT healthcare acquisitions are on a concerted rise, with a 2011 combined total of $19.2 billion.

The rise in volume and corresponding REIT activity is expected to continue into 2013, with smaller publicly traded REITs completing a substantial amount of the acquisitions.

The total 2012 healthcare market volume rose almost 6% (1,004 deals in 2011 compared to 1,063 deals in 2012), with healthcare services climbing from 563 deals in 2011 to 613 in 2012 according to *The Senior Care Acquisition Report, Eighteenth Edition, 2013*, published by Irving Levin Associates Inc., making 2012 one of the most active years in the past decade. Specifically, senior housing and care increased 9.3% in deal volume, making the greater indication that in spite of dollar volumes being lower across the board, buyers were extremely active and focused on making strategic acquisitions.

According to the March 2013 *SeniorCare Investor*, skilled nursing facility bed prices increased in 2012 relative to 2011. Despite concerns over Medicare costs and sequestration, the average price paid for a nursing home increased to $60,400 per bed. The higher 2012 average may be attributable to the higher quality facilities that were available in 2012. The capitalization rate in 2012 declined by 10 basis points to 12.5%, and remained relatively stable compared to the range over the past nine years.

The demand for skilled nursing facilities is on the rise, and with the past two years exhibiting such an exceptional level of acquisition activity, there is a new depth to the skilled nursing market. With interest rates projected to remain low for the upcoming two to three years, the supply of high-quality properties will not be an issue and demand should remain strong.

One limitation to the Sales Comparison Approach is the complexity of the asset type. A skilled nursing facility is a business with a substantial real estate base in one of the most regulated and scrutinized industries in the nation. Individual characteristics of sale transactions need to be isolated and adjusted for differences with the subject in order to successfully complete a Sales Comparison Approach. This is a difficult procedure with simple real estate transactions and is nearly impossible for senior care transactions. Skilled nursing facilities not only include the general real estate

characteristics such as location, age and condition, quality of materials and square footage of improvements, but also are affected by many other factors and externalities. Some of these factors include quality mix of patients (the ratio of private and Medicare patients versus Medicaid), average Medicare and Medicaid reimbursement, reputation in community, quality of the administrator and director of nursing, and expense containment. Another factor is the investor's opinion as to which of the preceding factors can be improved to ultimately increase the net operating income. Additionally, adjusting for traditional real estate factors such as location is not as simple as in the general real estate market. For example, an apartment complex in a desirable and affluent neighborhood will likely sell for more than an apartment complex in a less desirable and affluent neighborhood, all else being equal. One way of supporting an adjustment for this difference may be to compare average rents in these neighborhoods. This same theory may not be true with nursing facilities. The proximity to major referral sources and adult children is likely more influential on price than location in a more desirable and affluent neighborhood.

Therefore, the sales used in this are analyzed as follows:

- **Price Per Bed Method:** This analysis examines qualitative features of each sale and adjusts the price per bed of the comparable sales based on net operating income (NOI) per bed compared to the subject's estimated NOI per bed derived in the Income Approach.
- **Effective Gross Income Multiplier Method:** The effective gross income multiplier (EGIM) is applied to the subject's effective gross income developed in the Income Approach. The appropriate EGIM is obtained from other recent transactions of similar facilities.

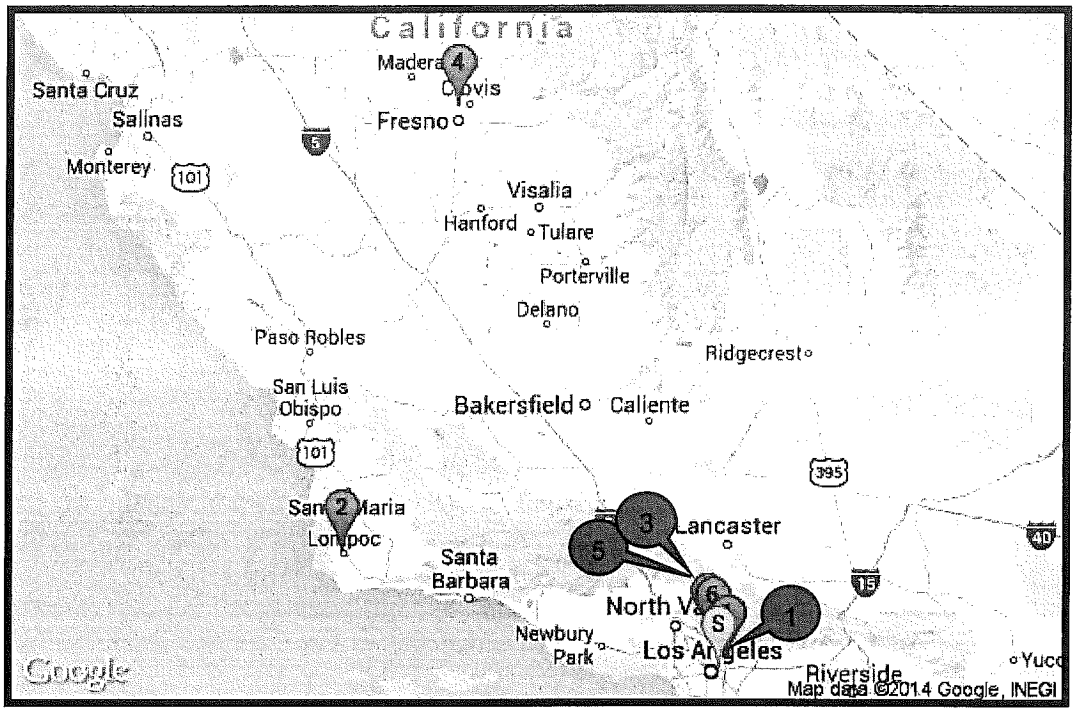
The following procedures are utilized in the application of the Sales Comparison Approach:

- Research the market for information on sales transactions, listings and offers to purchase or sell involving properties that are similar to the subject property in terms of property type, date of sale, size, physical condition, location, zoning and highest and best use. The market area is determined to include the state of California.
- Verify the information by confirming that the data obtained are factually accurate and that the transactions reflect arm's-length market considerations. Verification

was performed through discussions with one or more of the following parties: buyer, seller and/or the listing or selling brokers.

- Select relevant units of comparison and develop a comparative analysis for each unit. During the verification process, the unit of comparison most commonly used by buyers, sellers and brokers is the price per bed. As a test of reasonableness, a second unit of comparison, the effective gross income multiplier, was utilized.
- Compare comparable sale properties with the subject property using the elements of comparison and adjust the price of each comparable to the subject property. Information sheets and photographs are presented in the addendum. The selected properties used are the highest and best use of their respective sites.
- Reconcile the various value indications produced from the analysis of comparable data into a single value indication.

The comparable facility map and transactions are as follows, followed by an analysis:



	Name	Address	City	State
Subject	**Keiro Nursing Home**	**2221 Lincoln Park Avenue**	**Los Angeles**	**CA**
1	Marlinda Imperial Convalescent Hospital	150 Bellefontaine St.	Pasadena	CA
2	Lompoc Skilled Nursing & Rehabilitation Center	1428 W. North Ave.	Lompoc	CA
3	Oakview Convalescent Hospital	9166 Tujunga Canyon Blvd.	Tujunga	CA
4	Elim Alzheimer's & Rehab	668 E. Bullard Ave.	Fresno	CA
5	GEM Transitional Care Center	716 S. Fair Oaks Ave.	Pasadena	CA
6	Autumn Hills and Verdugo Vista Healthcare Center	430 N. Glendale Ave. and 3050 Montrose Ave.	Glendale and La Crescenta	CA

Keiro Nursing Home
Comparable Improved Sales Data

Facility	Beds	Year Built	Sales Date	Sales Price	Price/ Bed	Occupancy at Sale	NOI/ Bed	EGIM	Cap. Rate (Ro)
1 Marlinda Imperial Convalescent Hospital Pasadena, CA	130	1968	12/5/2012	$14,900,000	$114,615	95.0%	$16,279	0.78	14.2%
2 Lompoc Skilled Nursing & Rehabilitation Center Lompoc, CA	120	2001	10/24/2012	$10,000,000	$83,333	81.2%	$10,443	1.05	12.5%
3 Oakview Convalescent Hospital Tujunga, CA	49	1962	7/25/2012	$2,200,000	$44,898	92.5%	$5,376	0.63	12.0%
4 Elim Alzheimer's & Rehab Fresno, CA	99	1979	11/22/2011	$6,200,000	$62,626	95.9%	$8,133	0.89	13.0%
5 GEM Transitional Care Center Pasadena, CA	75	1964	12/21/2010	$9,000,000	$120,000	84.0%	$15,896	1.25	13.2%
6 Autumn Hills and Verdugo Vista Healthcare Center Glendale and La Crescenta, CA	191	1962 and 1967	11/5/2010	$24,000,000	$125,654	94.9%	$18,499	1.39	14.7%
Subject Keiro Nursing Home Los Angeles, CA	300	1989	N/A	N/A	N/A	93.0%	$9,626	N/A	N/A

PRICE PER BED METHOD

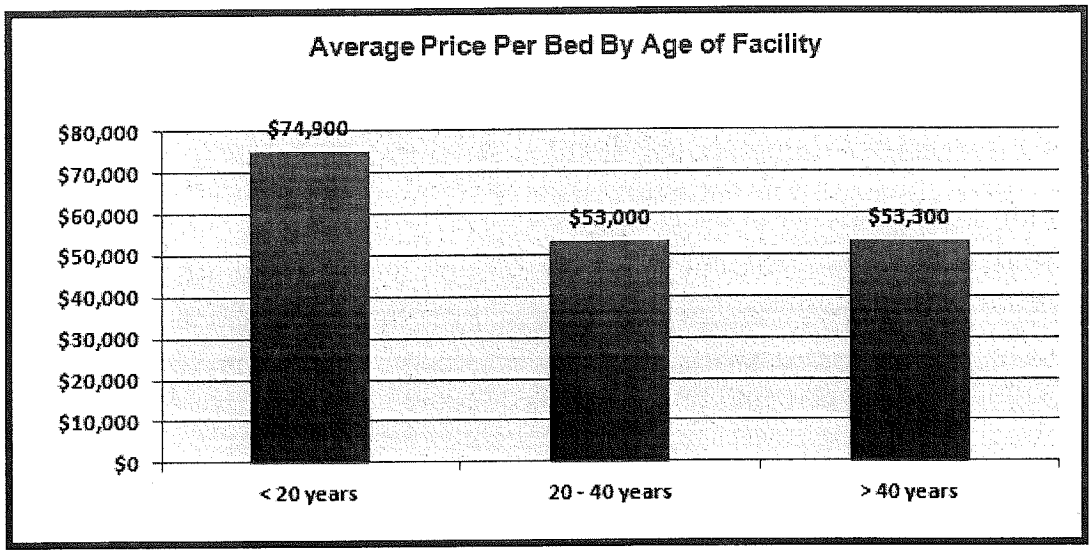
In this analysis, adjustments are first made to the sales prices of the comparable sales for property rights conveyed, financing terms, conditions of sale and market conditions at the time of sale. The following is an explanation of the adjustments made to the comparable sales used in this analysis:

- **Property Rights**: All of the sales used in this analysis reflect the fee simple interest. Therefore, the sales do not require an adjustment.
- **Financing**: The verification process indicated that the sales prices are considered to be cash-equivalent prices. Therefore, the sales do not require an adjustment.
- **Conditions of Sale**: This adjustment takes into account any unusual conditions or circumstances that may affect the sales price. No conditions are identified that would have a noticeable impact on the sales prices of the transactions. Therefore, the sales do not require an adjustment.
- **Market Conditions**: The next adjustment is made to account for the influence of change in market conditions between the transaction dates and the date of valuation. The improved sales analyzed in this valuation occurred between November 5, 2010, and December 5, 2012. Based on capitalization rates and other data, the market began to weaken during the credit crunch of 2007. However, according to the March 2013 *Senior Care Investor*, the average price paid for skilled nursing facilities reached a record high during 2010 at $62,500. Although the average price paid did decrease in 2011, it still represents the fourth highest average price per bed in the past 20 years. The 2012 average price bed rebounded to $60,400. Rather than try to quantify the changes in the market by making adjustments, the conclusion of this approach considers the timing of the transactions and places more emphasis on the current sales.

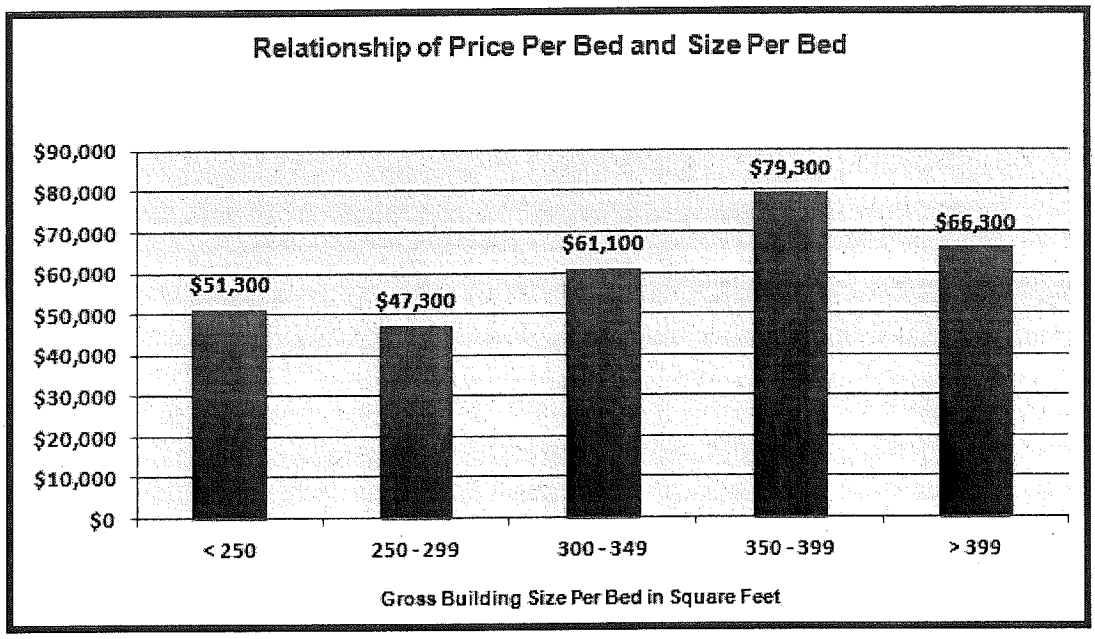
Subsequent to these adjustments, other adjustments are made for location, age/condition, occupancy and gross building size per bed. The final adjustment is based upon the sale's ratio of net operating income per bed compared to the subject's net operating income per bed.

- **Location:** The location comparison is based on demographic characteristics of the comparable market area for each sale as well as the quality of the surrounding neighborhood. Factors considered are the number of elderly persons in the market, distance from acute-care hospitals, general income data and population trends. At the local level, the surrounding uses and access and visibility characteristics of each sale are considered.
- **Age/Condition:** The age, construction quality and condition of a facility are interrelated factors. The age and condition of a building must be considered if there is physical depreciation or functional obsolescence. Construction design and materials as well as routine maintenance affect the degree of depreciation and

obsolescence. The following chart illustrates the average price per bed by age of facility, according to a survey conducted for *The Senior Care Acquisition Report, Eighteenth Edition, 2013,* published by Irving Levin Associates Inc.



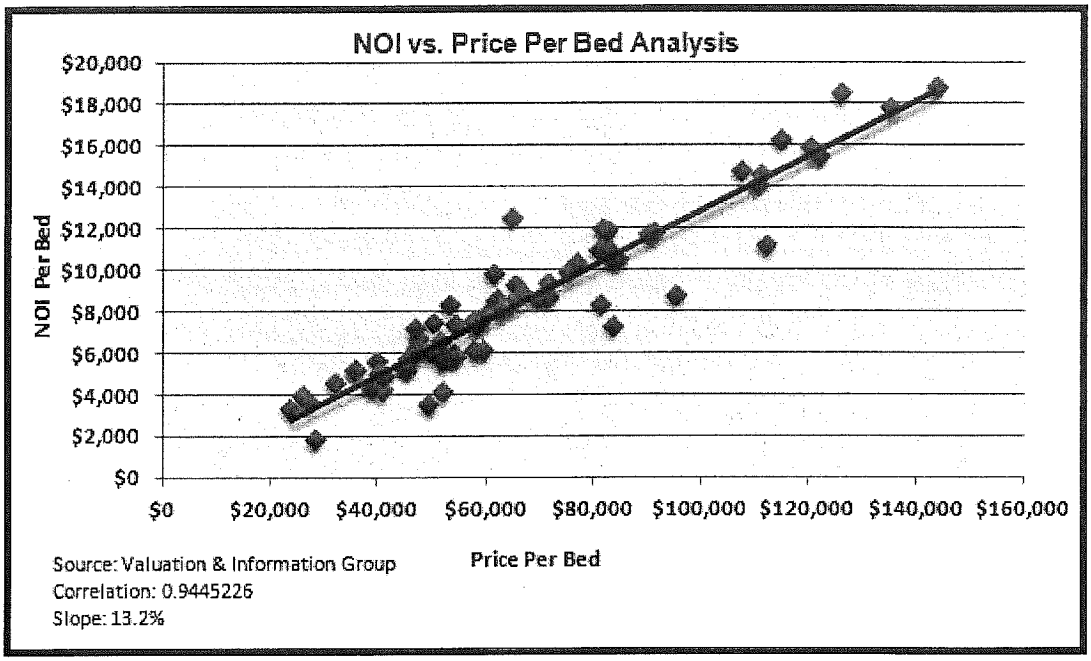
- **Occupancy:** Overall, occupancy is an important factor impacting the profitability of a facility. Generally, a higher occupancy rate translates into a lower expense ratio. In a well-managed facility where expenses are contained at reasonable levels, an increase in revenue will result in an increase in profitability. Since the profitability of a business is a key element in determining its value, facilities with high occupancy levels tend to be more valuable.
- **Building Size:** Building size can be analyzed on a gross-building-size-per-bed basis. A low area-per-bed ratio may indicate overcrowding or crowdedness in general, characteristic of facilities with large multibed wards. Skilled nursing facilities with high area-per-bed ratios often have larger numbers of one-bed private rooms, which tend to achieve higher rents. According to a survey conducted for *The Senior Care Acquisition Report, Eighteenth Edition, 2013,* published by Irving Levin Associates Inc., the price paid per bed generally increases as the building size per bed increases. The relationship is illustrated in the following chart:



- **Operation:** All of the qualitative factors discussed have a direct result in a property's net operating income. Therefore, by developing a ratio between the subject's net operating income and the net operating income of the comparable sales, an adjustment factor can be calculated for each sale.

  This adjustment factor may then be applied to the comparable sale's price per bed to render a value indication for the subject property. The characteristics of a project (e.g., physical, operational and location) are reflected in the net operating income being generated, and the resultant price per bed paid for a property has a direct relationship to the net operating income being generated. The advantage of basing adjustments on this method is that subjective, unsupportable individual adjustments are avoided.

  To support the use of this adjustment, a regression analysis of 2009, 2010, 2011 and 2012 skilled nursing facility sales was performed. A total of 71 sales are used in this analysis, which may or may not include the sales in this approach. All of these sales are fully developed and verified sales in Valuation & Information Group's database. Complete write-ups of these sales are retained in the working file. The following chart presents the findings of this analysis:



As the chart demonstrates, there is a correlation between NOI per bed and price per bed. The correlation is 0.94, which is statistically significant. A result near 1 or -1 indicates a strong correlation.

QUALITATIVE ANALYSIS

The characteristics of a comparable facility are rated as inferior, similar or superior to the subject. This analysis does not attempt to make adjustments to the comparable sales, but rather rates the sales in comparison to the subject. A value indication can then be determined by considering the comparable sale price per bed and its ranking relative to the subject. The following chart and analysis present this comparison:

Keiro Nursing Home
Improved Sales Comparison Chart

	Subject	1	2	3	4	5	6
Name	Keiro Nursing Home	Marlinda Imperial Convalescent Hospital	Lompoc Skilled Nursing & Rehabilitation Center	Oakview Convalescent Hospital	Elim Alzheimer's & Rehab	GEM Transitional Care Center	Autumn Hills and Verdugo Vista Healthcare Center
City	Los Angeles	Pasadena	Lompoc	Tujunga	Fresno	Pasadena	Glendale and La Crescenta
State	CA	CA	CA	CA	CA	CA	CA
Locational							
Population	Increasing	Increasing	Stable	Increasing	Increasing	Increasing	Increasing
Median Household Income	$39,095	$57,591	$50,977	$65,058	$44,914	$61,450	$84,684
Median Housing Value	$354,498	$470,108	$252,525	$475,761	$199,846	$556,584	$556,729
Overall Locational Comparison		**Superior**	**Similar**	**Superior**	**Similar**	**Superior**	**Superior**
Physical							
Beds	300	130	120	49	99	75	191
Year Built	1989	1968	2001	1962	1979	1964	1962 and 1967
Overall Condition	Good	Average	Good	Average	Good	Average	Average
Overall Age/Condition Comparison		**Inferior**	**Similar**	**Inferior**	**Similar**	**Inferior**	**Inferior**
GSF Per Bed	308	223	372	270	291	240	251
Operating							
Net Revenue PPD	$229.51	$424.39	$268.09	$212.01	$202.03	$314.02	$261.62
Occupancy	93.0%	95.0%	81.2%	92.5%	95.9%	84.0%	94.9%
Expense Ratio	87.6%	88.9%	86.9%	92.5%	88.5%	83.5%	79.6%
NOI Per Bed	$9,626	$16,279	$10,443	$5,376	$8,133	$15,896	$18,499
Payor Mix							
Private Pay/Other	30.5%	18.5%	8.4%	17.3%	11.5%	17.5%	15.6%
Medicaid	61.0%	36.5%	84.7%	72.5%	81.7%	49.0%	61.8%
Medicare	8.5%	45.0%	6.9%	10.3%	6.8%	33.5%	22.6%
Total Price	N/A	$14,900,000	$10,000,000	$2,200,000	$6,200,000	$9,000,000	$24,000,000
Total Price Per Bed	N/A	$114,615	$83,333	$44,898	$62,626	$120,000	$125,654
Overall Sale Comparison		**Superior**	**Superior**	**Inferior**	**Inferior**	**Superior**	**Superior**

The Subject's NOI Per Bed is derived from the Income Approach

Unadjusted, the sales range from $44,898 to $125,654 per bed. Sale 1 was underperforming at the time of the sale and was purchased for turnaround potential. In addition, Sale 4 was operating at a loss, and the financials are based on upside potential. Sales 5 and 6 are based on prospective estimates of revenues and expenses. The subject maintains a net revenue PPD that falls in the lower end of the comparable range and, combined with its high expense ratio, results in an inferior NOI per bed. Comparable 4 is the most similar of the inferior sales and sets an unadjusted price-per-bed lower limit of $62,626. Comparable 2 is the most similar of the superior sales and sets an unadjusted price-per-bed upper limit of $83,333. Therefore, a value per bed between $62,626 and $83,333 is warranted for the subject.

QUANTITATIVE ANALYSIS

The comparable sales are adjusted based on the qualitative comparisons discussed, and by developing a ratio between the subject's net operating income and the net operating income of the comparable sales. The quantitative analysis is presented in the following table:

Keiro Nursing Home Comparable Improved Sales Data							
	Subject	**1**	**2**	**3**	**4**	**5**	**6**
City	Los Angeles	Pasadena	Lompoc	Tujunga	Fresno	Pasadena	Glendale and La Crescenta
Date of Sale	N/A	12/5/2012	10/24/2012	7/25/2012	11/22/2011	12/21/2010	11/5/2010
Licensed Beds	300	130	120	49	99	75	191
Year Built	1989	1968	2001	1962	1979	1964	1962 and 1967
Overall Occupancy	93.0%	95.0%	81.2%	92.5%	95.9%	84.0%	94.9%
Building Size SF	92,530	28,955	44,593	13,222	28,769	17,999	47,875
Size Per Bed	308	223	372	270	291	240	251
Price	N/A	$14,900,000	$10,000,000	$2,200,000	$6,200,000	$9,000,000	$24,000,000
Price Per Bed	N/A	$114,615	$83,333	$44,898	$62,626	$120,000	$125,654
NOI Per Bed	$9,626	$16,279	$10,443	$5,376	$8,133	$15,896	$18,499
Adjustments							
Property Rights		$0	$0	$0	$0	$0	$0
		$14,900,000	$10,000,000	$2,200,000	$6,200,000	$9,000,000	$24,000,000
Financing		$0	$0	$0	$0	$0	$0
		$14,900,000	$10,000,000	$2,200,000	$6,200,000	$9,000,000	$24,000,000
Conditions of Sale		$0	$0	$0	$0	$0	$0
		$14,900,000	$10,000,000	$2,200,000	$6,200,000	$9,000,000	$24,000,000
Market Conditions		$0	$0	$0	$0	$0	$0
Adjusted Price		$14,900,000	$10,000,000	$2,200,000	$6,200,000	$9,000,000	$24,000,000
Price Per Bed		$114,615	$83,333	$44,898	$62,626	$120,000	$125,654
Qualitative Anlaysis							
Location		Superior	Similar	Superior	Similar	Superior	Superior
Age/Condition		Inferior	Similar	Inferior	Similar	Inferior	Inferior
Occupancy		Similar	Inferior	Similar	Similar	Inferior	Similar
Operation		Superior	Superior	Inferior	Inferior	Superior	Superior
SF Per Bed		Inferior	Superior	Inferior	Similar	Inferior	Inferior
Overall Comparison		Superior	Superior	Inferior	Inferior	Superior	Superior
Quantitative Adjustment							
Location		-0.05	0.00	-0.05	0 00	-0.05	-0.05
Age/Condition		0.05	0.00	0.05	0.00	0.05	0.05
Occupancy		0.00	0.05	0.00	0.00	0.05	0.00
Operation		-0.41	-0.08	0.84	0.23	-0.44	-0.43
SF Per Bed		0.00	-0.05	-0.05	-0.05	0.00	-0.05
Overall Comparison		-0.41	-0.08	0.79	0.18	-0.39	-0.48
Price Per Bed		$114,615	$83,333	$44,898	$62,626	$120,000	$125,654
Adjustments Per Bed		-$46,992	-$6,667	$35,469	$11,273	-$46,800	-$60,314
Adjusted Price		$67,623	$76,667	$80,367	$73,899	$73,200	$65,340
Low	$65,340						
High	$80,367						
Median	$73,549						
Mean	$72,849						
Conclusion	$75,000	x	300	=	$22,500,000		
Rounded					$22,500,000		

After adjustments, the price per bed ranges from $65,340 to $80,367 with a median and mean of $73,549 and $72,849 per bed, respectively. Each sale requires adjustment in relation to the subject, and each is considered to provide a reasonable value indicator for the subject after adjustments. Sales 2 and 4 require the least overall adjustments of -7.8% to 18.4% and are given primary emphasis. Sales 1,

3, 5 and 6 require overall adjustments of -48.0% to 79.1% and are given secondary emphasis. Based upon the data and analysis, a value per bed of $75,000 is warranted for the subject. The indicated value via the Price-Per-Bed Method is calculated as follows:

Price Per Bed Conclusion		
$75,000 per bed x 300 beds	=	$22,500,000
Rounded		$22,500,000

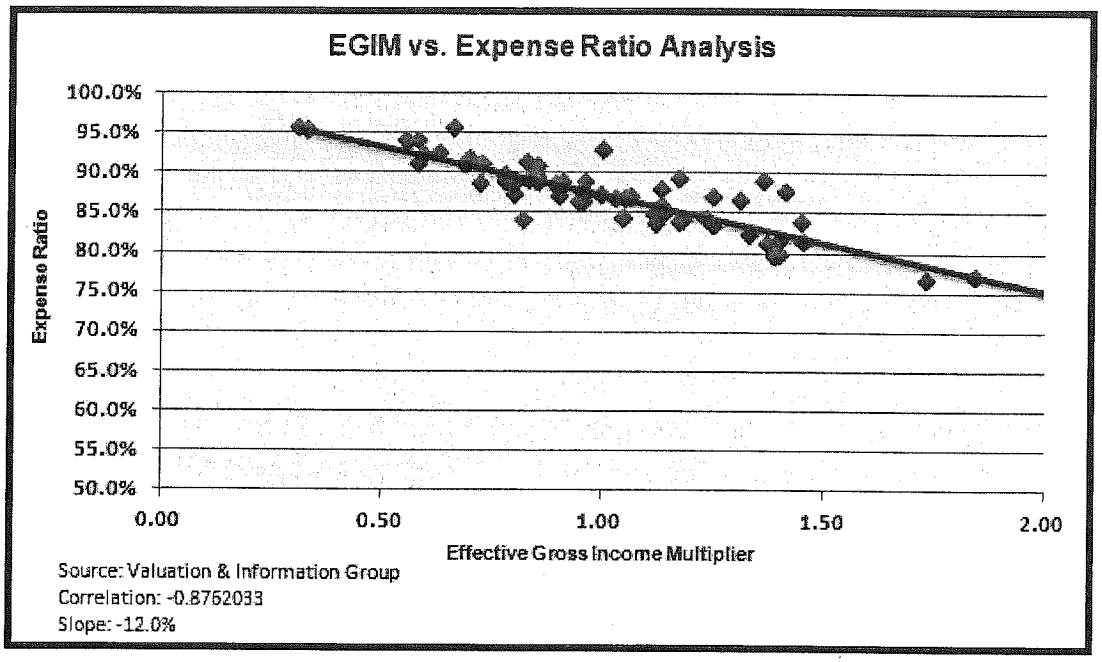
EFFECTIVE GROSS INCOME MULTIPLIER METHOD

The adjusted effective gross income multipliers (EGIM) for the comparable sales were calculated by dividing the adjusted sale price by the effective gross income. *The Senior Care Acquisition Report, Eighteenth Edition, 2013*, published by Irving Levin Associates Inc., indicates that the average and median EGIMs in 2012 were 0.97 and 0.94, respectively.

The sales indicate a range from 0.63x to 1.39x of adjusted effective gross income. The following table summarizes the sales' expense ratios and EGIMs:

Comparison of Expense Ratio to EGIM		
Sale	Expense Ratio	EGIM
6	79.6%	1.39
5	83.5%	1.25
2	86.9%	1.05
Subject	87.6%	-
4	88.5%	0.89
1	88.9%	0.78
3	92.5%	0.63

There is an inverse relationship between expense ratio and EGIM. This is confirmed by the sales in the NOI vs. Price Per Bed Analysis table. The following graph presents the inverse relationship between the EGIM and expense ratio:



As the chart demonstrates, there is an inverse relationship between the expense ratio and EGIM. The correlation is -0.88, which is statistically significant. A result near -1 indicates a strong inverse relationship.

In general, as expense ratio increases, EGIM decreases. The subject's expense ratio is closest to comparable sales 2 and 4, which indicate a range of 0.89 to 1.05. Given the subject's projected expense ratio, age and location, an EGIM of 1.00 is utilized for the subject. The indicated value via the EGIM method is calculated as follows:

EGIM Conclusion				
1.00	x	$23,372,324	=	$23,372,324
Rounded				$23,370,000

SALES COMPARISON APPROACH CONCLUSION

The two methods utilized indicate a 3.9% range in value from $22,500,000 to $23,370,000 and are supportive of one another. Therefore, the market value conclusion via the Sales Comparison Approach is $23,000,000.

INCOME CAPITALIZATION APPROACH

Properties such as the subject are normally valued based on their ability to generate an income stream characterized by their quality, quantity and desirability. Hence, analysis of a property in terms of its ability to provide sufficient net annual return on investment capital is an important means of developing a value indication. This estimate is developed in the Income Capitalization Approach by capitalizing the projected net income at a rate commensurate with investment risks inherent to the ownership of the property. Such conversion of income considers competitive returns offered by alternative investment opportunities. When properly applied, this approach provides a reliable indication of value for income-producing properties.

An initial step in the Income Capitalization Approach is to estimate the gross income, which can be generated by the appraised property. In the case of the subject property, stabilized occupancy needs to be estimated. Once this estimate is established, an estimate of effective gross income can be derived for the subject. Expenses are then deducted to arrive at a property's net operating income. The value of the property can then be estimated through two capitalization techniques: the Direct Capitalization Method and/or a Discounted Cash Flow Analysis (DCF).

In this report, the Direct Capitalization Method is employed to estimate the fee simple value since the subject is at a stabilized operation.

HISTORICAL PERFORMANCE

The estimated income and expenses for the subject property are based on a review and analysis of financial data provided by Management, comparable data and our experience appraising properties of this nature. The historical data provided by Management includes income statements as well as census data for the years ending October 31, 2010, 2011, 2012 and eight months ending August 31, 2013.

The available revenue and expense data is analyzed on a per-patient-day (PPD) basis and as a percentage of revenue. In addition to actual historical data from the subject, the operating data from four comparable facilities is analyzed. This historical and forecast data as well as the comparable operating data are presented on the following pages.

The financial data provided by Management is presented in Table 1. The adjusted financial operations analysis is presented in Table 2, which presents the normalized financial history. Certain expenses are adjusted for property taxes, management fees and capital reserves. These adjustments are discussed systematically throughout the analysis.

Keiro Nursing Home
Table 1 - Financial Operations Analysis

	Fiscal Year Ending 10/31/2010			Fiscal Year Ending 10/31/2011			Fiscal Year Ending 10/31/2012			Annualized Period Ending 8/31/2013			VIG Estimate		
	Days	ADC	%	Days	ADC	%	Days	ADC	%	Days	ADC	%	Days	ADC	%
Patient Days															
Private (Self Pay)	26,793	73.4	25.9%	28,562	78.3	27.9%	30,193	82.5	29.2%	28,254	77.4	27.9%	29,023	79.5	28.5%
Medi-Cal	67,030	183.6	64.7%	62,597	171.5	61.1%	61,463	167.9	59.5%	62,713	171.8	62.0%	62,119	170.2	61.0%
Medicare	8,180	22.4	7.9%	9,033	24.7	8.8%	8,297	22.7	8.0%	8,095	22.2	8.0%	8,656	23.7	8.5%
Other	1,537	4.2	1.5%	2,334	6.4	2.3%	3,339	9.1	3.2%	2,082	5.7	2.1%	2,037	5.6	2.0%
Total	103,540	283.7	100.0%	102,526	280.9	100.0%	103,292	282.2	100.0%	101,143	277.1	100.0%	101,835	279.0	100.0%
Available Days/Licensed Beds	109,500	300.0		109,500	300.0		109,800	300.0		109,500	300.0		109,500	300.0	
Occupancy	94.6%			93.6%			94.1%			92.4%			93.0%		
	$	PPD	% of Rev.	$	PPD	% of Rev.	$	PPD	% of Rev.	$	PPD	% of Rev.	$	PPD	% of Rev.
Revenue:															
Private (Self Pay)	$5,080,365	$189.62	24.3%	$5,548,259	$194.25	24.3%	$6,510,360	$215.62	29.1%	$6,162,815	$218.12	27.0%	$6,329,916	$218.10	27.1%
Medi-Cal	11,301,140	168.60	54.0%	11,219,407	179.23	49.1%	11,436,961	186.08	51.1%	11,648,036	185.74	51.0%	11,521,832	185.48	49.3%
Medicare	4,341,569	530.75	20.7%	5,953,498	659.08	26.1%	4,593,596	553.65	20.5%	4,831,135	596.82	21.2%	5,318,420	614.42	22.8%
Other	25,357	16.50	0.1%	32,996	14.14	0.1%	191,732	57.42	0.9%	97,292	46.73	0.4%	95,230	46.75	0.4%
Total R&B	$20,748,431	$200.39	99.1%	$22,754,160	$221.94	99.7%	$22,732,649	$220.08	101.7%	$22,739,278	$224.82	99.6%	$23,265,398	$228.46	99.5%
Ancillary	93,557	0.90	0.4%	56,791	0.55	0.2%	52,956	0.51	0.2%	108,664	1.07	0.5%	106,927	1.05	0.5%
Miscellaneous	85,401	0.82	0.4%	18,303	0.18	0.1%	-425,761	-4.12	-1.9%	-14,026	-0.14	-0.1%	0	0.00	0.0%
Total Revenue	$20,927,389	$202.12	100.0%	$22,829,254	$222.67	100.0%	$22,359,844	$216.47	100.0%	$22,833,916	$225.76	100.0%	$23,372,324	$229.51	100.0%
Expenses:															
General/Administrative	$826,533	$7.98	3.9%	$835,711	$8.15	3.7%	$873,646	$8.46	3.9%	$888,345	$8.78	3.9%	$891,056	$8.75	3.8%
Bad Debt	264,295	2.55	1.3%	219,255	2.14	1.0%	117,942	1.14	0.5%	137,861	1.36	0.6%	196,009	1.92	0.8%
Quality Assurance Fee	1,094,869	10.57	5.2%	1,262,452	12.31	5.5%	1,390,183	13.46	6.2%	1,549,119	15.32	6.8%	1,589,644	15.61	6.8%
Benefits/Payroll Taxes	2,363,918	22.83	11.3%	2,555,224	24.92	11.2%	2,704,761	26.19	12.1%	2,971,783	29.38	13.0%	2,647,710	26.00	11.3%
Plant Operations	569,670	5.50	2.7%	916,757	8.94	4.0%	940,554	9.11	4.2%	959,651	9.49	4.2%	967,433	9.50	4.1%
Utilities	375,432	3.63	1.8%	386,599	3.77	1.7%	402,506	3.90	1.8%	407,347	4.03	1.8%	407,340	4.00	1.7%
Dietary	1,800,334	17.39	8.6%	1,943,380	18.95	8.5%	2,014,408	19.50	9.0%	1,844,652	18.24	8.1%	1,858,489	18.25	8.0%
Housekeeping/Laundry	790,984	7.64	3.8%	739,625	7.21	3.2%	773,704	7.49	3.5%	756,124	7.48	3.3%	763,763	7.50	3.3%
Nursing	7,187,172	69.41	34.3%	7,400,931	72.19	32.4%	7,580,508	73.39	33.9%	7,424,355	73.40	32.5%	7,433,955	73.00	31.8%
Therapies/Ancillaries	1,376,629	13.30	6.6%	1,456,263	14.20	6.4%	1,357,481	13.14	6.1%	1,461,078	14.45	6.4%	1,425,690	14.00	6.1%
Activities and Social Services	443,557	4.28	2.1%	488,967	4.77	2.1%	486,554	4.71	2.2%	493,007	4.87	2.2%	493,900	4.85	2.1%
Insurance	231,539	2.24	1.1%	241,781	2.36	1.1%	225,982	2.19	1.0%	246,404	2.44	1.1%	245,000	2.41	1.0%
Subtotal	$17,324,932	$167.33	82.8%	$18,446,945	$179.92	80.8%	$18,868,229	$182.67	84.4%	$19,139,726	$189.23	83.8%	$18,919,988	$185.79	81.0%
Property Taxes	6,489	0.06	0.0%	6,816	0.07	0.0%	13,300	0.13	0.1%	11,271	0.11	0.0%	291,000	2.86	1.2%
Management Fee	1,556,885	15.04	7.4%	1,620,795	15.81	7.1%	1,772,523	17.16	7.9%	1,791,440	17.71	7.8%	1,168,616	11.48	5.0%
Reserves	0	0.00	0.0%	0	0.00	0.0%	0	0.00	0.0%	0	0.00	0.0%	105,000	1.03	0.4%
Total Expenses	$18,888,306	$182.43	90.3%	$20,074,556	$195.80	87.9%	$20,654,052	$199.96	92.4%	$20,942,437	$207.06	91.7%	$20,484,604	$201.15	87.6%
Net Operating Income	$2,039,083	$19.69	9.7%	$2,754,698	$26.87	12.1%	$1,705,792	$16.51	7.6%	$1,891,479	$18.70	8.3%	$2,887,720	$28.36	12.4%

Keiro Nursing Home
Table 2 - Adjusted Financial Operations Analysis

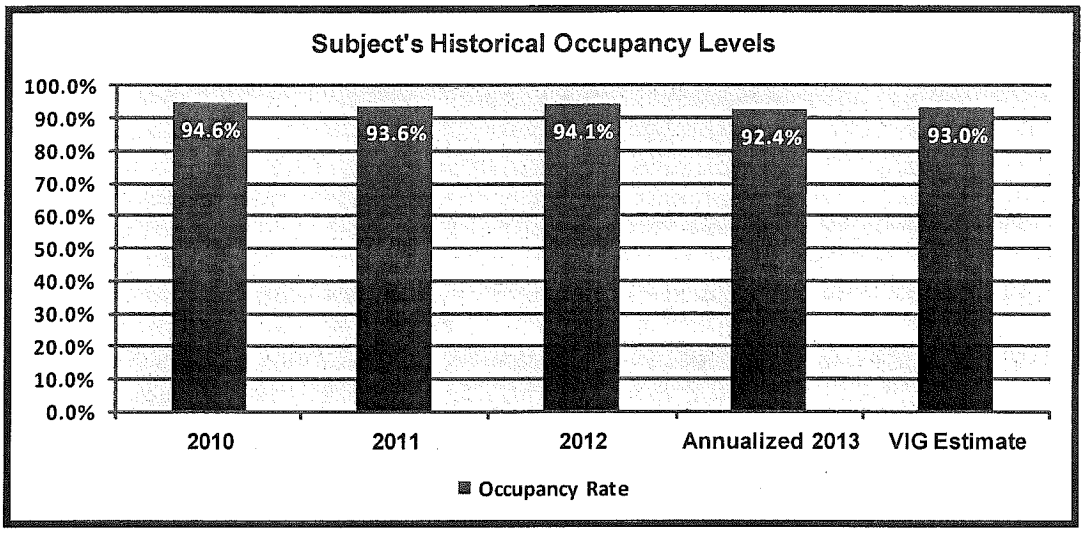
		Fiscal Year Ending 10/31/2010			Fiscal Year Ending 10/31/2011			Fiscal Year Ending 10/31/2012			Annualized Period Ending 8/31/2013			VIG Estimate		
Patient Days																
		$	PPD	% of Rev.	$	PPD	% of Rev.	$	PPD	% of Rev.	$	PPD	% of Rev.	$	PPD	% of Rev.
Total Revenue		$20,927,389	$202.12	100.0%	$22,829,254	$222.67	100.0%	$22,359,844	$216.47	100.0%	$22,833,916	$225.76	100.0%	$23,372,324	$229.51	100.0%
Expenses:																
General/Administrative		$826,533	$7.98	3.9%	$835,711	$8.15	3.7%	$873,646	$8.46	3.9%	$888,345	$8.78	3.9%	$891,056	$8.75	3.8%
Bad Debt		264,295	2.55	1.3%	219,255	2.14	1.0%	117,942	1.14	0.5%	137,861	1.36	0.6%	196,009	1.92	0.8%
Quality Assurance Fee		1,094,869	10.57	5.2%	1,262,452	12.31	5.5%	1,390,183	13.46	6.2%	1,549,119	15.32	6.8%	1,589,644	15.61	6.8%
Benefits/Payroll Taxes		2,363,918	22.83	11.3%	2,555,224	24.92	11.2%	2,704,761	26.19	12.1%	2,971,783	29.38	13.0%	2,647,710	26.00	11.3%
Plant Operations		569,670	5.50	2.7%	916,757	8.94	4.0%	940,554	9.11	4.2%	959,651	9.49	4.2%	967,433	9.50	4.1%
Utilities		375,432	3.63	1.8%	386,599	3.77	1.7%	402,506	3.90	1.8%	407,347	4.03	1.8%	407,340	4.00	1.7%
Dietary		1,800,334	17.39	8.6%	1,943,380	18.95	8.5%	2,014,408	19.50	9.0%	1,844,652	18.24	8.1%	1,858,489	18.25	8.0%
Housekeeping/Laundry		790,984	7.64	3.8%	739,625	7.21	3.2%	773,704	7.49	3.5%	756,124	7.48	3.3%	763,763	7.50	3.3%
Nursing		7,187,172	69.41	34.3%	7,400,931	72.19	32.4%	7,580,508	73.39	33.9%	7,424,355	73.40	32.5%	7,433,955	73.00	31.8%
Therapies/Ancillaries		1,376,629	13.30	6.6%	1,456,263	14.20	6.4%	1,357,481	13.14	6.1%	1,461,078	14.45	6.4%	1,425,690	14.00	6.1%
Activities and Social Services		443,557	4.28	2.1%	488,967	4.77	2.1%	486,554	4.71	2.2%	493,007	4.87	2.2%	493,900	4.85	2.1%
Insurance		231,539	2.24	1.1%	241,781	2.36	1.1%	225,982	2.19	1.0%	246,404	2.44	1.1%	245,000	2.41	1.0%
Subtotal		$17,324,932	$167.33	82.8%	$18,446,945	$179.92	80.8%	$18,868,229	$182.67	84.4%	$19,139,726	$189.23	83.8%	$18,919,988	$185.79	81.0%
Property Taxes		6,489	0.06	0.0%	6,816	0.07	0.0%	13,300	0.13	0.1%	11,271	0.11	0.0%	291,000	2.86	1.2%
Management Fee		1,556,885	15.04	7.4%	1,620,795	15.81	7.1%	1,772,523	17.16	7.9%	1,791,440	17.71	7.8%	1,168,616	11.48	5.0%
Reserves		0	0.00	0	0	0.00	0.0%	0	0.00	0.0%	0	0.00	0.0%	105,000	1.03	0.4%
Total Expense		$18,888,306	$182.43	90.3%	$20,074,556	$195.80	87.9%	$20,654,052	$199.96	92.4%	$20,942,437	$207.06	91.7%	$20,484,604	$201.15	87.6%
Normalization Calculations:																
Deduct Actual Taxes	-	$6,489	$0.06	0.0%	$6,816	$0.07	0.0%	$13,300	$0.13	0.1%	$11,271	$0.11	0.0%	N/A	N/A	N/A
Add Market Rate Taxes	+	291,000	2.81	1.4%	291,000	2.84	1.3%	291,000	2.82	1.3%	291,000	2.88	1.3%	N/A	N/A	N/A
Deduct Actual Management Fee	-	1,556,885	15.04	7.4%	1,620,795	15.81	7.1%	1,772,523	17.16	7.9%	1,791,440	17.71	7.8%	N/A	N/A	N/A
Add Market Management Fee at 5.0%	+	1,046,369	10.11	5.0%	1,141,463	11.13	5.0%	1,117,992	10.82	5.0%	1,141,696	11.29	5.0%	N/A	N/A	N/A
Deduct Actual Reserves for Replacement	-	0	0.00	0.0%	0	0.00	0.0%	0	0.00	0.0%	0	0.00	0.0%	N/A	N/A	N/A
Add Market Reserves by Appraiser	+	105,000	1.01	0.5%	105,000	1.02	0.5%	105,000	1.02	0.5%	105,000	1.04	0.5%	N/A	N/A	N/A
Total Normalized Expenses		$18,767,301	$181.26	89.7%	$19,984,408	$194.92	87.5%	$20,382,221	$197.33	91.2%	$20,677,422	$204.44	90.6%	$20,484,604	$201.15	87.6%
Normalized Net Operating Income		$2,160,088	$20.86	10.3%	$2,844,846	$27.75	12.5%	$1,977,623	$19.15	8.8%	$2,156,494	$21.32	9.4%	$2,887,720	$28.36	12.4%

Keiro Nursing Home
Table 3 - Comparable Expense Data

	Historical Period Ending			1			2			3			4			VIG Estimate		
	Subject			Castro Valley Healthcare Center			Palomar Heights Care Center			Ha-Le Aloha Convalescent Hospital			Colonial Manor Convalescent			Subject		
	2221 Lincoln Park Avenue Los Angeles, CA			20259 Lake Chabot Road Castro Valley, CA			1260 East Ohio Avenue Escondido, CA			1711 Rihcland Avenue Ceres, CA			919 North Sunset Ave. West Covina, CA			2221 Lincoln Park Avenue Los Angeles, CA		
Year Built	1989			1961			1963			1965/1983			1963			1989		
Gross Square Footage	67,076			25,965			24,432			11,656			12,754			67,076		
Licensed Beds	300			91			98			46			54			300		
Available Patient Days	109,500			33,215			35,770			16,790			19,710			109,500		
Actual Patient Days	101,143			25,172			31,893			14,992			18,976			101,835		
Occupancy	92.4%			75.8%			89.2%			89.3%			96.3%			93.0%		
Payor Mix																		
Private/Other	30.0%			5.5%			17.5%			3.0%			15.6%			30.5%		
Medicaid	62.0%			83.3%			70.6%			93.1%			77.1%			61.0%		
Medicare	8.0%			11.2%			11.9%			4.0%			7.3%			8.5%		
Total	100.0%			100.0%			100.0%			100.1%			100.0%			100.0%		
	$	PPD	%	$	PPD	%	$	PPD	%	$	PPD	%	$	PPD	%	$	PPD	%
Revenue:																		
Base Revenue	$22,847,942	$225.90	100.1%	$6,728,489	$267.30	100.0%	$8,529,613	$267.44	99.9%	$3,191,034	$212.85	99.9%	$3,564,858	$187.86	100.0%	$23,372,324	$229.51	100.0%
Prior Period	0	0.00	0.0%	0	0.00	0.0%	0	0.00	0.0%	0	0.00	0.0%	0	0.00	0.0%	0	0.00	0.0%
Miscellaneous	-14,026	-0.14	-0.1%	849	0.03	0.0%	6,090	0.19	0.1%	2,335	0.16	0.1%	0	0.00	0.0%	0	0.00	0.0%
Total Revenue	$22,833,916	$225.76	100.0%	$6,729,349	$267.33	100.0%	$8,535,702	$267.64	100.0%	$3,193,369	$213.00	100.0%	$3,564,858	$187.86	100.0%	$23,372,324	$229.51	100.0%
Expenses:																		
General/Administrative	$888,345	$8.78	3.9%	$677,739	$26.92	10.1%	$561,803	$17.62	6.6%	$180,789	$12.06	5.7%	$261,953	$13.80	7.3%	$891,056	$8.75	3.8%
Bad Debt	137,861	1.36	0.6%	141,385	5.62	2.1%	42,491	1.33	0.5%	0	0.00	0.0%	634	0.03	0.0%	196,009	1.92	0.8%
Quality Assurance Fee	1,549,119	15.32	6.8%	374,950	14.90	5.6%	458,155	14.37	5.4%	228,318	15.23	7.1%	261,473	13.78	7.3%	1,589,644	15.61	6.8%
Benefits/Payroll Taxes	2,971,783	29.38	13.0%	619,171	24.60	9.2%	646,646	20.28	7.6%	409,567	27.32	12.8%	253,125	13.34	7.1%	2,647,710	26.00	11.3%
Plant Operations	959,651	9.49	4.2%	53,752	2.14	0.8%	188,125	5.90	2.2%	52,886	3.53	1.7%	57,974	3.06	1.6%	967,433	9.50	4.1%
Utilities	407,347	4.03	1.8%	120,196	4.77	1.8%	141,864	4.44	1.7%	78,430	5.23	2.5%	51,306	2.70	1.4%	407,340	4.00	1.7%
Dietary	1,844,652	18.24	8.1%	405,950	16.13	6.0%	409,869	12.85	4.8%	227,039	15.14	7.1%	314,018	16.55	8.8%	1,858,489	18.25	8.0%
Housekeeping/Laundry	756,124	7.48	3.3%	237,249	9.43	3.5%	189,378	5.94	2.2%	159,300	10.63	5.0%	175,882	9.27	4.9%	763,763	7.50	3.3%
Nursing	7,424,355	73.40	32.5%	1,962,917	77.96	29.2%	2,667,156	83.63	31.2%	980,065	65.37	30.7%	1,015,439	53.51	28.5%	7,433,955	73.00	31.8%
Therapies/Ancillaries	1,461,078	14.45	6.4%	626,607	24.89	9.3%	1,199,234	37.60	14.0%	93,913	6.26	2.9%	233,089	12.28	6.5%	1,425,890	14.00	6.1%
Activities and Social Services	493,007	4.87	2.2%	129,791	5.16	1.9%	135,225	4.24	1.6%	84,816	5.66	2.7%	99,512	5.24	2.8%	493,900	4.85	2.1%
Insurance	246,404	2.44	1.1%	83,470	3.32	1.2%	262,410	8.23	3.1%	42,659	2.85	1.3%	4,566	0.24	0.1%	245,000	2.41	1.0%
Subtotal	$19,139,726	$189.23	83.8%	$5,433,176	$216.84	80.7%	$6,902,158	$216.42	80.9%	$2,537,783	$169.28	79.5%	$2,728,971	$143.81	76.6%	$18,919,988	$185.79	81.0%
Property Taxes	11,271	0.11	0.0%	71,102	2.82	1.1%	40,031	1.26	0.5%	7,865	0.52	0.2%	25,423	1.34	0.7%	291,000	2.86	1.2%
Management Fee	1,791,440	17.71	7.8%	336,438	13.37	5.0%	570,509	17.89	6.7%	180,143	12.02	5.6%	320,129	16.87	9.0%	1,168,616	11.48	5.0%
Reserves	0	0.00	0.0%	0	0.00	0.0%	0	0.00	0.0%	0	0.00	0.0%	0	0.00	0.0%	105,000	1.03	0.4%
Total Expenses	$20,942,437	$207.06	91.7%	$5,840,716	$232.03	86.8%	$7,512,697	$235.56	88.0%	$2,725,791	$181.82	85.4%	$3,074,523	$162.02	86.2%	$20,484,604	$201.15	87.6%
Deduct Actual Management Fee	-1,791,440	-17.71	-7.8%	-336,438	-13.37	-5.0%	-570,509	-17.89	-6.7%	-180,143	-12.02	-5.6%	-320,129	-16.87	-9.0%	N/A	N/A	N/A
Add Management Fee at 5.0%	1,141,896	11.29	5.0%	336,467	13.37	5.0%	426,785	13.36	5.0%	159,668	10.65	5.0%	178,243	9.39	5.0%	N/A	N/A	N/A
Add Reserves	105,000	1.04	0.5%	31,850	1.27	0.5%	34,300	1.08	0.4%	16,100	1.07	0.5%	18,900	1.00	0.5%	N/A	N/A	N/A
Normalized Total Expenses	$20,397,892	$201.67	89.3%	$5,872,595	$233.30	87.3%	$7,403,273	$232.13	86.7%	$2,721,416	$181.52	85.2%	$2,951,537	$155.54	82.8%	$20,484,604	$201.15	87.6%
Normalized Net Operating Income	$2,436,224	$24.09	10.7%	$856,753	$34.04	12.7%	$1,132,429	$35.51	13.3%	$471,953	$31.48	14.8%	$613,321	$32.32	17.2%	$2,887,720	$28.36	12.4%
Trended Year Starting				01/01/2012			01/01/2011			01/01/2012			07/01/2010					

The comparable data has been trended upward at 2.0% per year beginning at the start of the reporting period for each comparable facility.

OCCUPANCY LEVELS



The comparable skilled nursing facilities indicate overall occupancy rates of 87.9% to 95.6%, with a weighted average of 91.6%.

The subject's correlated occupancy of 93.0% is within the range of the comparable data 87.9% to 94.9%, with a weighted average of 92.4%. In addition, the subject has achieved strong occupancy figures in the past, maintaining an occupancy above 93.5% until the recent decline of 92.4% in the annualized 2013 period. Based upon the subject's historical census and the local competition, an occupancy rate of 93.0% is used in this analysis.

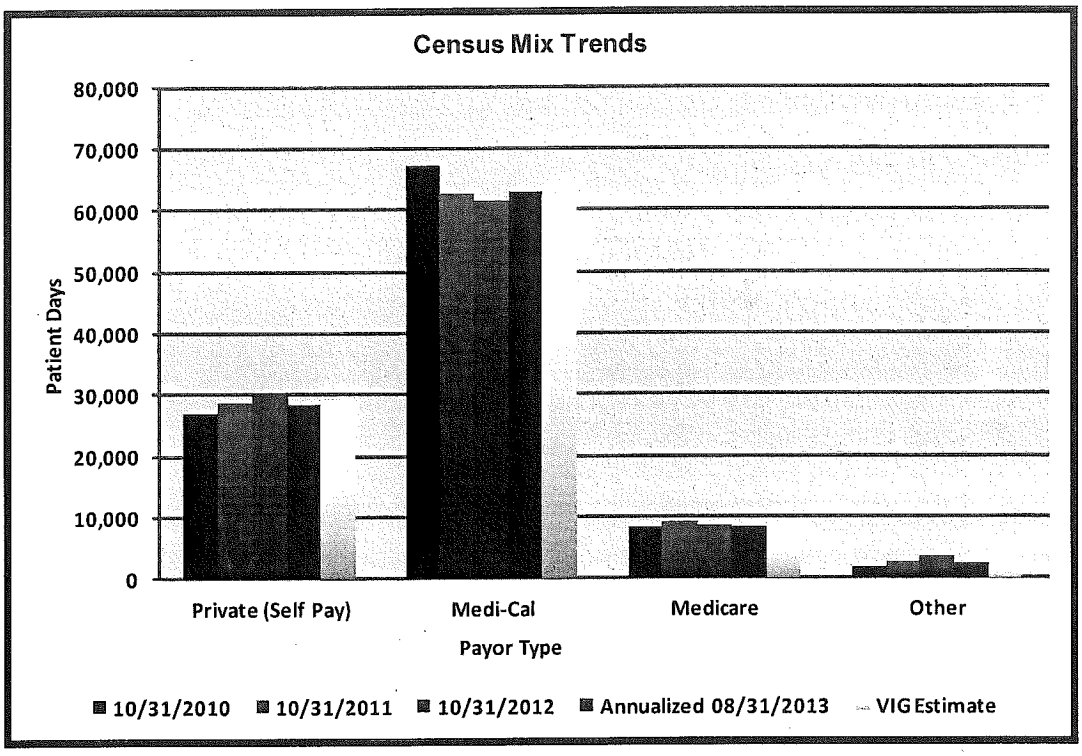
The following table summarizes the stabilized census and utilization estimates used in this analysis:

Correlated Census and Utilization Summary			
	Patient Days	ADC	Payor Mix
Private (Self Pay)	29,023	79.5	28.5%
Medi-Cal	62,119	170.2	61.0%
Medicare	8,656	23.7	8.5%
Other	2,037	5.6	2.0%
Total Patient Days	101,835	279.0	100.0%
Available Days/Licensed Beds	109,500	300.0	
Occupancy Rate	93.0%		

UTILIZATION (PAYOR MIX)

The subject's historical payor mix and census are presented in Table 1. The subject's census is comprised of four payor sources: Private (Self Pay), Medi-Cal, Medicare and Other.

The following chart illustrates the trends in census mix by payor type:



REVENUE

Revenue is categorized into three groups: Room and Board, Ancillary and Miscellaneous. Room and Board revenues represent the revenue paid for routine services. The amounts paid by all sources are determined by the level of care a patient requires and, in some instances, the number of patients per room, the number of rooms per facility and the facility's cost of providing care.

Room and Board revenues are further divided according to their four payor sources: Private (Self Pay), Medi-Cal, Medicare and Other. The historical data presents the net figures for each category

(i.e., revenue less contractual deductions and adjustments). These revenue sources are discussed as follows.

PRIVATE

All of the subject's private pay room rates are within the range of the comparable facilities. Based on the subject's location, age, design appeal, historical census and private pay rates, the subject's rates are reasonable.

Nursing facilities are typically comprised of several different unit types and do not historically track private pay revenue by unit type. The historical revenue PPD is an average revenue for private pay and is given more emphasis than the current asking rates. The correlated estimate is an average of all unit types and is consistent with historical trends.

The following table presents the subject's historical performance and estimate of this revenue category:

Private (Self Pay) Revenue					
	Subject Historical Operations				VIG
	2010	2011	2012	2013	Estimated
Amount	$5,080,365	$5,548,259	$6,510,360	$6,162,815	$6,329,916
PPD	$189.62	$194.25	$215.62	$218.12	$218.10
% of Revenue	24.3%	24.3%	29.1%	27.0%	27.1%

MEDICAID

In California, the Medi-Cal rate is determined by the Department of Health Care Services and updated annually. The current issued rate, as of August 1, 2013, is $185.48 per Medi-Cal patient day. The following table presents the subject's historical performance and estimate of this revenue category:

Medi-Cal Revenue					
	Subject Historical Operations				VIG
	2010	2011	2012	2013	Estimated
Amount	$11,301,140	$11,219,407	$11,436,961	$11,648,036	$11,521,832
PPD	$168.60	$179.23	$186.08	$185.74	$185.48
% of Revenue	54.0%	49.1%	51.1%	51.0%	49.3%

The current Medicaid rate for the subject is $185.48 per patient day. A copy of the current rates can be found at http://www.dhcs.ca.gov/services/medi-cal/Pages/AB1629/LTCAB1629.aspx.

MEDICARE

Medicare is a federally funded and administered health insurance program primarily designed for individuals age 65 and over, or individuals who are disabled and are entitled to receive Social Security benefits.

Part A coverage, as applied to services delivered in a long-term care facility, is limited to skilled nursing and rehabilitative care related to recent hospitalization and limited to a specified term (generally 100 days per calendar year).

Up until October 1, 2010, skilled nursing reimbursement for skilled nursing facilities was based on a 53 RUG III classification system, which used the Minimum Data Set 2.0 (MDS 2.0) tool to classify patients. CMS instituted several changes to the Medicare system, including a new classification (RUG IV) and assessment tool (MDS 3.0), which was originally scheduled for implementation on October 1, 2010. The implementation was originally delayed by the Patient Protection and Affordable Care Act

until October 1, 2011, but President Obama signed the Medicare and Medicaid Extenders Act of 2010 on December 15, 2010, thus repealing the delay of the new RUG IV system and making it retroactive to October 1, 2010.

The RUG IV system reflects updated staff time measurement data derived from the recently completed Staff Time and Resource Intensity Verification (STRIVE) project. It includes the transition to the Minimum Data Set 3.0 (MDS 3.0) resident assessment instrument and an expansion from 53 to 66 RUG categories. The law also includes the implementation of the concurrent therapy adjustment and an adjustment to the look-back period to ensure that only services provided after a resident is admitted to a skilled nursing facility are utilized to determine a resident's RUG classification.

There have been substantial increases in the weighted average Medicare rate for skilled nursing facilities as a result of the new RUG IV classification system. This is primarily due to an adjustment to the rate intended to keep the RUG IV weighted average reimbursement in line with RUG III. However, after reviewing the first eight months of data, CMS realized the parity adjustment resulted in a significant increase in the weighted average Medicare rates under RUG IV versus RUG III. The adjustment was not intended to significantly increase the weighted average reimbursement.

On July 29, 2011, CMS announced a final rule that reduced the fiscal year 2012 rates by 11.1% compared to fiscal year 2011 rates. The fiscal year 2012 rates corrected the significant increase experienced during fiscal year 2011 and better aligned Medicare payments with costs. However, even with the recalibration, the fiscal year 2012 rates represent a 3.4% increase over the rates established for fiscal year 2010, which was the year preceding the unintended spike in reimbursement levels. The final ruling on the fiscal year 2012 rates became effective October 1, 2011.

On July 27, 2012, CMS announced the fiscal year 2013 rates, effective October 1, 2012. This announcement was formalized in the August 2, 2012, Federal Registrar. The rates included a 2.5%

market basket increase and a 0.7% decrease under the Affordable Care Act, resulting in a net 1.8% increase.

On July 31, 2013, CMS announced the fiscal year 2014 rates, effective October 1, 2013. This announcement was formalized in the August 6, 2013, Federal Registrar. CMS estimates that aggregate payments to SNFs will increase by $470 million, or 1.3%, for fiscal year 2014, relative to payments in fiscal year 2013.

In order to estimate an amount of reimbursement related to Medicare – Part A, a weighted average calculation using the subject's actual historical RUG utilization is applied to the October 1, 2013, RUG reimbursement rate. The calculation is summarized in the following tables:

Urban RUG Rate Calculation									
RUG-66 Category	Unadjusted Total Rate	Labor Portion	Wage Index	Adjusted Labor Portion	Non-Labor Portion	Adjusted RUG Rate	RUG Days T8 8/31/2013	Percent to Total	Weighted Rate
RUX	$760.89	$529.16	1.2417	$657.06	$231.73	$888.79	14	0.2%	$1.85
RUL	$744.31	$517.63	1.2417	$642.74	$226.68	$869.42	0	0.0%	$0.00
RVX	$677.25	$470.99	1.2417	$584.83	$206.26	$791.09	1	0.0%	$0.12
RVL	$607.61	$422.56	1.2417	$524.69	$185.05	$709.74	0	0.0%	$0.00
RHX	$613.61	$426.74	1.2417	$529.88	$186.87	$716.75	0	0.0%	$0.00
RHL	$547.28	$380.61	1.2417	$472.60	$166.67	$639.27	0	0.0%	$0.00
RMX	$562.87	$391.45	1.2417	$486.06	$171.42	$657.48	0	0.0%	$0.00
RML	$516.44	$359.16	1.2417	$445.97	$157.28	$603.25	0	0.0%	$0.00
RLX	$494.32	$343.77	1.2417	$426.86	$150.55	$577.41	0	0.0%	$0.00
RUC	$576.84	$401.16	1.2417	$498.12	$175.68	$673.80	1,059	15.7%	$105.84
RUB	$576.84	$401.16	1.2417	$498.12	$175.68	$673.80	3,530	52.4%	$352.79
RUA	$482.33	$335.44	1.2417	$416.52	$146.89	$563.41	19	0.3%	$1.59
RVC	$494.86	$344.15	1.2417	$427.33	$150.71	$578.04	161	2.4%	$13.80
RVB	$428.54	$298.03	1.2417	$370.06	$130.51	$500.57	1,257	18.6%	$93.33
RVA	$426.88	$296.87	1.2417	$368.62	$130.01	$498.63	113	1.7%	$8.36
RHC	$431.21	$299.88	1.2417	$372.36	$131.33	$503.69	79	1.2%	$5.90
RHB	$388.10	$269.90	1.2417	$335.13	$118.20	$453.33	148	2.2%	$9.95
RHA	$341.68	$237.62	1.2417	$295.05	$104.06	$399.11	19	0.3%	$1.12
RMC	$378.82	$263.45	1.2417	$327.13	$115.37	$442.50	27	0.4%	$1.77
RMB	$355.61	$247.31	1.2417	$307.08	$108.30	$415.38	57	0.8%	$3.51
RMA	$292.60	$203.49	1.2417	$252.67	$89.11	$341.78	26	0.4%	$1.32
RLB	$368.31	$256.14	1.2417	$318.05	$112.17	$430.22	0	0.0%	$0.00
RLA	$237.32	$165.04	1.2417	$204.93	$72.28	$277.21	0	0.0%	$0.00
ES3	$694.67	$483.11	1.2417	$599.88	$211.56	$811.44	0	0.0%	$0.00
ES2	$543.78	$378.17	1.2417	$469.57	$165.61	$635.18	0	0.0%	$0.00
ES1	$485.75	$337.81	1.2417	$419.46	$147.94	$567.40	0	0.0%	$0.00
HE2	$469.17	$326.28	1.2417	$405.14	$142.89	$548.03	0	0.0%	$0.00
HE1	$389.58	$270.93	1.2417	$336.41	$118.65	$455.06	6	0.1%	$0.40
HD2	$439.32	$305.53	1.2417	$379.38	$133.79	$513.17	0	0.0%	$0.00
HD1	$366.37	$254.79	1.2417	$316.37	$111.58	$427.95	28	0.4%	$1.78
HC2	$414.45	$288.23	1.2417	$357.90	$126.22	$484.12	0	0.0%	$0.00
HC1	$346.47	$240.95	1.2417	$299.19	$105.52	$404.71	26	0.4%	$1.56
HB2	$409.48	$284.77	1.2417	$353.60	$124.71	$478.31	0	0.0%	$0.00
HB1	$343.15	$238.64	1.2417	$296.32	$104.51	$400.83	0	0.0%	$0.00
LE2	$426.06	$296.30	1.2417	$367.92	$129.76	$497.68	0	0.0%	$0.00
LE1	$356.42	$247.87	1.2417	$307.78	$108.55	$416.33	0	0.0%	$0.00
LD2	$409.48	$284.77	1.2417	$353.60	$124.71	$478.31	0	0.0%	$0.00
LD1	$343.15	$238.64	1.2417	$296.32	$104.51	$400.83	45	0.7%	$2.68
LC2	$359.73	$250.17	1.2417	$310.64	$109.56	$420.20	0	0.0%	$0.00
LC1	$303.36	$210.97	1.2417	$261.96	$92.39	$354.35	30	0.4%	$1.58
LB2	$341.49	$237.49	1.2417	$294.89	$104.00	$398.89	0	0.0%	$0.00
LB1	$290.09	$201.74	1.2417	$250.50	$88.35	$338.85	7	0.1%	$0.35
CE2	$379.63	$264.01	1.2417	$327.82	$115.62	$443.44	0	0.0%	$0.00
CE1	$349.79	$243.26	1.2417	$302.06	$106.53	$408.59	18	0.3%	$1.09
CD2	$359.73	$250.17	1.2417	$310.64	$109.56	$420.20	0	0.0%	$0.00
CD1	$329.89	$229.42	1.2417	$284.87	$100.47	$385.34	30	0.4%	$1.71
CC2	$314.96	$219.04	1.2417	$271.98	$95.92	$367.90	0	0.0%	$0.00
CC1	$291.75	$202.90	1.2417	$251.94	$88.85	$340.79	34	0.5%	$1.72
CB2	$291.75	$202.90	1.2417	$251.94	$88.85	$340.79	0	0.0%	$0.00
CB1	$270.20	$187.91	1.2417	$233.33	$82.29	$315.62	0	0.0%	$0.00
CA2	$246.98	$171.76	1.2417	$213.27	$75.22	$288.49	0	0.0%	$0.00
CA1	$230.40	$160.23	1.2417	$198.96	$70.17	$269.13	0	0.0%	$0.00
BB2	$261.91	$182.15	1.2417	$226.18	$79.76	$305.94	0	0.0%	$0.00
BB1	$250.30	$174.07	1.2417	$216.14	$76.23	$292.37	1	0.0%	$0.04
BA2	$217.14	$151.01	1.2417	$187.51	$66.13	$253.64	0	0.0%	$0.00
BA1	$207.19	$144.09	1.2417	$178.92	$63.10	$242.02	0	0.0%	$0.00
PE2	$349.79	$243.26	1.2417	$302.06	$106.53	$408.59	0	0.0%	$0.00
PE1	$333.20	$231.72	1.2417	$287.73	$101.48	$389.21	0	0.0%	$0.00
PD2	$329.89	$229.42	1.2417	$284.87	$100.47	$385.34	0	0.0%	$0.00
PD1	$313.31	$217.89	1.2417	$270.55	$95.42	$365.97	0	0.0%	$0.00
PC2	$283.46	$197.13	1.2417	$244.78	$86.33	$331.11	0	0.0%	$0.00
PC1	$270.20	$187.91	1.2417	$233.33	$82.29	$315.62	2	0.0%	$0.09
PB2	$240.35	$167.15	1.2417	$207.55	$73.20	$280.75	0	0.0%	$0.00
PB1	$230.40	$160.23	1.2417	$198.96	$70.17	$269.13	0	0.0%	$0.00
PA2	$198.90	$138.33	1.2417	$171.76	$60.57	$232.33	0	0.0%	$0.00
PA1	$190.61	$132.56	1.2417	$164.60	$58.05	$222.65	0	0.0%	$0.00
Default						$222.65	5	0.1%	$0.17
						Total:	6,742	100.0%	$614.42

Based upon the August 31, 2013, trailing 12-month RUG utilization and the 2014 RUG IV rates (effective October 1, 2013), the weighted average Medicare reimbursement per patient day (PPD) is $614.42. Given this factor, a Medicare rate of $614.42 is utilized in this analysis.

The following table presents the subject's historical performance and estimate of this revenue category:

Medicare Revenue					
	Subject Historical Operations				VIG
	2010	2011	2012	2013	Estimated
Amount	$4,341,569	$5,953,498	$4,593,596	$4,831,135	$5,318,420
PPD	$530.75	$659.08	$553.65	$596.82	$614.42
% of Revenue	20.7%	26.1%	20.5%	21.2%	22.8%

OTHER

The following table presents the subject's historical performance and estimate of this revenue category:

Other Revenue					
	Subject Historical Operations				VIG
	2010	2011	2012	2013	Estimated
Amount	$25,357	$32,996	$191,732	$97,292	$95,230
PPD	$16.50	$14.14	$57.42	$46.73	$46.75
% of Revenue	0.1%	0.1%	0.9%	0.4%	0.4%

ANCILLARY

Ancillary revenue is generated by various routine and non-routine services such as physical therapies and related supplies, and pharmacy revenues. The following table presents the subject's historical performance and estimate of this revenue category:

Ancillary Revenue					
	Subject Historical Operations				VIG
	2010	2011	2012	2013	Estimated
Amount	$93,557	$56,791	$52,956	$108,664	$106,927
PPD	$0.90	$0.55	$0.51	$1.07	$1.05
% of Revenue	0.4%	0.2%	0.2%	0.5%	0.5%

According to Management, the increase in Ancillary revenue is attributed to the higher RUG levels billed.

MISCELLANEOUS REVENUE

Miscellaneous revenue comprises minor items such as guest meals, beauty shop and special activities. The following table presents the subject's historical performance and estimate of this revenue category:

Miscellaneous Revenue					
	Subject Historical Operations				VIG
	2010	2011	2012	2013	Estimated
Amount	$85,401	$18,303	-$425,761	-$14,026	$0
PPD	$0.82	$0.18	-$4.12	-$0.14	$0.00
% of Revenue	0.4%	0.1%	-1.9%	-0.1%	0.0%

TOTAL NET REVENUE

The following table presents the subject's estimated effective gross income:

Correlated Effective Gross Income			
Revenue:	**Amount**	**PPD**	**% of Rev.**
Private (Self Pay)	$6,329,916	$218.10	27.1%
Medi-Cal	11,521,832	185.48	49.3%
Medicare	5,318,420	614.42	22.8%
Other	95,230	46.75	0.4%
Total R&B	$23,265,398	$228.46	99.5%
Ancillary	106,927	1.05	0.5%
Miscellaneous	0	0.00	0.0%
Total Revenue	$23,372,324	$229.51	100.0%

The following table compares historical and correlated revenue:

Subject Total Revenue Analysis					
	Fiscal Year Ending 10/31/2010	**Fiscal Year Ending 10/31/2011**	**Fiscal Year Ending 10/31/2012**	**Annualized Period Ending 8/31/2013**	**VIG Estimate**
Total Revenue	$20,927,389	$22,829,254	$22,359,844	$22,833,916	$23,372,324
PPD	$202.12	$222.67	$216.47	$225.76	$229.51
Avg Daily Census	283.7	280.9	282.2	277.1	279.0

The total revenue correlated estimate is slightly higher than the historical data primarily due to the increase in the Medicaid and Medicare rates. The current issued Medicaid rate, as of August 1, 2013, is $185.48 per Medi-Cal patient day. Based upon the August 31, 2013, trailing 12-month RUG utilization and the 2014 RUG IV rates, a Medicare rate of $614.42 is utilized in this analysis.

OPERATING EXPENSES

Operating expenses consist of variable expenses that change with the occupancy, fixed expenses that do not change with occupancy and reserves for replacement of short-lived items. As presented in tables 1 and 2, historical operating statements were obtained for the subject. These operating expenses

are analyzed on a per-patient-day basis and as a percentage of net revenue. In order to determine market level expenses, the expenses of four comparable facilities are compared to the subject. An explanation of the expense amounts used in this analysis is as follows:

General/Administrative

This category includes wages and salaries associated with general administration as well as office supplies, education, professional and legal fees, marketing and travel. The following table presents the subject's historical performance, comparable expense data and estimate of this expense category:

General/Administrative Expense									
	Subject Historical Operations				Expense Comparable Data				VIG
	2010	2011	2012	2013	1	2	3	4	Estimated
Amount	$826,533	$835,711	$873,646	$888,345	$677,739	$561,803	$180,789	$261,953	$891,056
PPD	$7.98	$8.15	$8.46	$8.78	$26.92	$17.62	$12.06	$13.80	$8.75
% of Revenue	3.9%	3.7%	3.9%	3.9%	10.1%	6.6%	5.7%	7.3%	3.8%

The General/Administrative expense correlated estimate is lower than comparable data PPD but is in line with the historical trend.

Bad Debt

This category includes expenses related to uncollectable accounts. The following table presents the subject's historical performance, comparable expense data and estimate of this expense category:

Bad Debt Expense									
	Subject Historical Operations				Expense Comparable Data				VIG
	2010	2011	2012	2013	1	2	3	4	Estimated
Amount	$264,295	$219,255	$117,942	$137,861	$141,385	$42,491	$0	$634	$196,009
PPD	$2.55	$2.14	$1.14	$1.36	$5.62	$1.33	$0.00	$0.03	$1.92
% of Revenue	1.3%	1.0%	0.5%	0.6%	2.1%	0.5%	0.0%	0.0%	0.8%

The subject's Bad Debt expense is based on the three-period average. Comparable 3 did not report Bad Debt expense.

Quality Assurance Fee

This category includes the quality assurance fee. The current quality assurance fee, as of January 1, 2013, is $15.61 per patient day. This is an increase over the previous rate of $14.42 per patient day. The following table presents the subject's historical performance, comparable expense data and estimate of this expense category:

Quality Assurance Fee Expense									
	Subject Historical Operations				Expense Comparable Data				VIG
	2010	2011	2012	2013	1	2	3	4	Estimated
Amount	$1,094,869	$1,262,452	$1,390,183	$1,549,119	$374,950	$458,155	$228,318	$261,473	$1,589,644
PPD	$10.57	$12.31	$13.46	$15.32	$14.90	$14.37	$15.23	$13.78	$15.61
% of Revenue	5.2%	5.5%	6.2%	6.8%	5.6%	5.4%	7.1%	7.3%	6.8%

Therefore, the calculation of 101,835 multiplied by the $15.61 quality assurance fee, equates to a total expense of $1,589,644.

Benefits/Payroll Taxes

This category includes employee benefits and payroll taxes. The following table presents the subject's historical performance, comparable expense data and estimate of this expense category:

Benefits/Payroll Taxes Expense									
	Subject Historical Operations				Expense Comparable Data				VIG
	2010	2011	2012	2013	1	2	3	4	Estimated
Amount	$2,363,918	$2,555,224	$2,704,761	$2,971,783	$619,171	$646,646	$409,567	$253,125	$2,647,710
PPD	$22.83	$24.92	$26.19	$29.38	$24.60	$20.28	$27.32	$13.34	$26.00
% of Revenue	11.3%	11.2%	12.1%	13.0%	9.2%	7.6%	12.8%	7.1%	11.3%

According to Management, the annual increases in Benefits/Payroll Taxes expenses are attributed to the increase in dental reimbursement claims, increases in workers' compensation claims and increases in the health insurance premiums. However, the subject has historically operated higher than the comparable data. Therefore, the correlated estimate has been adjusted downward to be in line with the comparable data and market expenses.

Plant Operations

This category includes wages and salaries associated with the maintenance staff, as well as supplies, normal maintenance and repairs. The following table presents the subject's historical performance, comparable expense data and estimate of this expense category:

Plant Operations Expense									
	Subject Historical Operations				Expense Comparable Data				VIG
	2010	2011	2012	2013	1	2	3	4	Estimated
Amount	$569,670	$916,757	$940,554	$959,651	$53,752	$188,125	$52,886	$57,974	$967,433
PPD	$5.50	$8.94	$9.11	$9.49	$2.14	$5.90	$3.53	$3.06	$9.50
% of Revenue	2.7%	4.0%	4.2%	4.2%	0.8%	2.2%	1.7%	1.6%	4.1%

According to Management, the increase in Plant Operations expenses is attributed to increased contract with Sodexo EVS. Therefore, the correlated estimate is in line with the recent annualized 2013 period.

Utilities

This category includes utilities expenses, including electric, gas, telephone, water and sewer. The following table presents the subject's historical performance, comparable expense data and estimate of this expense category:

Utilities Expense									
	Subject Historical Operations				Expense Comparable Data				VIG
	2010	2011	2012	2013	1	2	3	4	Estimated
Amount	$375,432	$386,599	$402,506	$407,347	$120,196	$141,664	$78,430	$51,306	$407,340
PPD	$3.63	$3.77	$3.90	$4.03	$4.77	$4.44	$5.23	$2.70	$4.00
% of Revenue	1.8%	1.7%	1.8%	1.8%	1.8%	1.7%	2.5%	1.4%	1.7%

According to Management, the increase in the Utilities expense in 2012 (beginning in March) is attributed to the additional AT&T subscription and router for MIS Access charges. This expense is expected to continue. Therefore, the correlated estimate is in line with the annualized 2013 expenses.

Dietary

This category includes wages and salaries expenses for dietary personnel, raw food costs, dietary supplies and nutritional supplements. The following table presents the subject's historical performance, comparable expense data and estimate of this expense category:

Dietary Expense									
	Subject Historical Operations				Expense Comparable Data				VIG
	2010	2011	2012	2013	1	2	3	4	Estimated
Amount	$1,800,334	$1,943,380	$2,014,408	$1,844,652	$405,950	$409,869	$227,039	$314,018	$1,858,489
PPD	$17.39	$18.95	$19.50	$18.24	$16.13	$12.85	$15.14	$16.55	$18.25
% of Revenue	8.6%	8.5%	9.0%	8.1%	6.0%	4.8%	7.1%	8.8%	8.0%

The Dietary correlated estimate is higher than the comparable data but is in line with historical data.

Housekeeping/Laundry

This category includes wages and salaries for housekeeping and laundry staff as well as housekeeping and laundry-related supplies. The following table presents the subject's historical performance, comparable expense data and estimate of this expense category:

Housekeeping/Laundry Expense									
	Subject Historical Operations				Expense Comparable Data				VIG
	2010	2011	2012	2013	1	2	3	4	Estimated
Amount	$790,984	$739,625	$773,704	$756,124	$237,249	$189,378	$159,300	$175,882	$763,763
PPD	$7.64	$7.21	$7.49	$7.48	$9.43	$5.94	$10.63	$9.27	$7.50
% of Revenue	3.8%	3.2%	3.5%	3.3%	3.5%	2.2%	5.0%	4.9%	3.3%

Nursing

This category involves the costs of wages and salaries associated with nursing services, medical records and related supplies. The following table presents the subject's historical performance, comparable expense data and estimate of this expense category:

Nursing Expense									
	Subject Historical Operations				Expense Comparable Data				VIG
	2010	2011	2012	2013	1	2	3	4	Estimated
Amount	$7,187,172	$7,400,931	$7,580,508	$7,424,355	$1,962,917	$2,667,156	$980,065	$1,015,439	$7,433,955
PPD	$69.41	$72.19	$73.39	$73.40	$77.98	$83.63	$65.37	$53.51	$73.00
% of Revenue	34.3%	32.4%	33.9%	32.5%	29.2%	31.2%	30.7%	28.5%	31.8%

Therapies/Ancillaries

This category involves the costs of wages and salaries associated with therapy services, pharmacy and drug expenses, related supplies and contract services expenses. The following tables present the subject's historical performance, comparable expense data and estimate of this expense category:

Therapies/Ancillaries Expense									
	Subject Historical Operations				Expense Comparable Data				VIG
	2010	2011	2012	2013	1	2	3	4	Estimated
Amount	$1,376,629	$1,456,263	$1,357,481	$1,461,078	$626,607	$1,199,234	$93,913	$233,089	$1,425,690
PPD	$13.30	$14.20	$13.14	$14.45	$24.89	$37.60	$6.26	$12.28	$14.00
% of Revenue	6.6%	6.4%	6.1%	6.4%	9.3%	14.0%	2.9%	6.5%	6.1%

Therapies/Ancillaries Expense Analysis					
	2010	2011	2012	2013	VIG Estimated
Medicare Part A Revenue	$4,341,569	$5,953,498	$4,593,596	$4,831,135	$5,318,420
Other	25,357	32,996	191,732	97,292	95,230
Ancillary Revenue	93,557	56,791	52,956	108,664	106,927
Total Revenue	$4,460,483	$6,043,285	$4,838,284	$5,037,091	$5,520,576
Therapies/Ancillaries Expense	$1,376,629	$1,456,263	$1,357,481	$1,461,078	$1,425,690
Percent of M/C and Anc. Rev	30.9%	24.1%	28.1%	29.0%	25.8%

This expense is closely related to Medicare – Part A, Managed Care and Ancillary revenue. As a percentage of revenue, the correlated estimate is 25.8% of the associated revenue, which is similar to the historical range.

Activities/Social Services

This category includes the costs of wages and salaries associated with activities, social services and related supplies. The following table presents the subject's historical performance, comparable expense data and estimate of this expense category:

Activities and Social Services Expense									
	Subject Historical Operations				Expense Comparable Data				VIG
	2010	2011	2012	2013	1	2	3	4	Estimated
Amount	$443,557	$488,967	$486,554	$493,007	$129,791	$135,225	$84,816	$99,512	$493,900
PPD	$4.28	$4.77	$4.71	$4.87	$5.16	$4.24	$5.66	$5.24	$4.85
% of Revenue	2.1%	2.1%	2.2%	2.2%	1.9%	1.6%	2.7%	2.8%	2.1%

Insurance

This includes both professional liability and property insurance for the subject facility. The following table presents the subject's historical performance, comparable expense data and estimate of this expense category:

Insurance Expense									
	Subject Historical Operations				Expense Comparable Data				VIG
	2010	2011	2012	2013	1	2	3	4	Estimated
Amount	$231,539	$241,781	$225,982	$246,404	$83,470	$262,410	$42,659	$4,566	$245,000
Licensed Beds	300	300	300	300	91	98	46	54	300
Per Licensed Bed	$772	$806	$753	$821	$917	$2,678	$927	$85	$817
PPD	$2.24	$2.36	$2.19	$2.44	$3.32	$8.23	$2.85	$0.24	$2.41
% of Revenue	1.1%	1.1%	1.0%	1.1%	1.2%	3.1%	1.3%	0.1%	1.0%

Property Taxes

This category includes real estate taxes. The following table presents the subject's historical performance, comparable expense data and estimate of this expense category:

Property Taxes Expense									
	Subject Historical Operations				Expense Comparable Data				VIG
	2010	2011	2012	2013	1	2	3	4	Estimated
Amount	$6,489	$6,816	$13,300	$11,271	$71,102	$40,031	$7,865	$25,423	$291,000
PPD	$0.06	$0.07	$0.13	$0.11	$2.82	$1.26	$0.52	$1.34	$2.86
% of Revenue	0.0%	0.0%	0.1%	0.0%	1.1%	0.5%	0.2%	0.7%	1.2%

This category includes property taxes. The real estate taxes in this report are calculated in accordance with California's Proposition 13. Upon transfer, the subject will be reassessed at market value. It is an assumption within this appraisal that the subject is reassessed at market value. Therefore, the property taxes are calculated in the following table:

Estimated California Property Tax Calculation	
NOI before taxes, but after direct assessments	$3,171,559
Overall capitalization rate plus tax rate	13.7%
Estimated transfer price	$23,109,190
Tax rate	1.2242%
Estimated taxes	282,911
Direct assessments	7,161
Total taxes	$290,072
Rounded	$291,000

Management Fee

Management fees typically range from 4% to 6% of net revenue (effective gross income) for healthcare facilities of the subject's scope and level of services. A management fee of 5.0% is utilized in this analysis. The following table presents the subject's historical performance, comparable expense data and estimate of this expense category:

Management Fee Expense									
	Subject Historical Operations				Expense Comparable Data				VIG
	2010	2011	2012	2013	1	2	3	4	Estimated
Amount	$1,556,885	$1,620,795	$1,772,523	$1,791,440	$336,438	$570,509	$180,143	$320,129	$1,168,616
% of Revenue	7.4%	7.1%	7.9%	7.8%	5.0%	6.7%	5.6%	9.0%	5.0%

Reserves

Reserves for replacement are not included in the subject's historical operating statements. This reserve is for the replacement of short-lived items, general modernization and renovation. Reserves are estimated at $350 per bed, or $105,000.

Total Expenses

The historical expenses are compared to the correlated expenses in the following table:

Subject Total Normalized Expense Analysis					
	Fiscal Year Ending 10/31/2010	Fiscal Year Ending 10/31/2011	Fiscal Year Ending 10/31/2012	Annualized Period Ending 8/31/2013	VIG Estimate
Normalized Expenses	$18,767,301	$19,984,408	$20,382,221	$20,677,422	$20,484,604
PPD	$181.26	$194.92	$197.33	$204.44	$201.15
% of Revenue	89.7%	87.5%	91.2%	90.6%	87.6%
Avg Daily Census	283.7	280.9	282.2	277.1	279.0

The normalized expenses correlated estimates per patient day are within the range of the historical period annualized eight months ending in 2013 and the year ending 2012 data. The Benefits/Payroll Taxes were adjusted downward to be in line with comparable data.

The following table compares the comparable expense data to the subject:

Comparable Expense Analysis					
	Expense Comparable 1	Expense Comparable 2	Expense Comparable 3	Expense Comparable 4	VIG Estimate
Total Expenses	$5,840,716	$7,512,697	$2,725,791	$3,074,523	$20,484,604
Deduct Actual Management Fee	-336,438	-570,509	-180,143	-320,129	N/A
Add Management Fee at 5.0%	336,467	426,785	159,668	178,243	N/A
Add Reserves	31,850	34,300	16,100	18,900	N/A
Normalized Expenses	$5,872,595	$7,403,273	$2,721,416	$2,951,537	$20,484,604
PPD	$233.30	$232.13	$181.52	$155.54	$201.15
% of Revenue	87.3%	86.7%	85.2%	82.8%	87.6%

The normalized comparable data ranges from $155.54 to $233.30 per patient day and from 82.8% to 87.3% of net revenue. The correlated expenses are within the mid-range of the comparable expense data.

NET OPERATING INCOME (NOI)

In this analysis, the net operating income has been considered before deducting capital expenditures including rent, depreciation and interest because these items are accounted for in the capitalization rate. Depreciation is a provision for the recapture of historical costs and is a non-cash item. The debt-service component is excluded because the charge for debt is a component of the capitalization rate.

The following table compares the subject's historical and correlated NOI:

Subject Normalized Net Operating Income Analysis					
	Fiscal Year Ending 10/31/2010	Fiscal Year Ending 10/31/2011	Fiscal Year Ending 10/31/2012	Annualized Period Ending 8/31/2013	VIG Estimate
Normalized NOI	$2,160,088	$2,844,846	$1,977,623	$2,156,494	$2,887,720
PPD	$20.86	$27.75	$19.15	$21.32	$28.36
% of Revenue	10.3%	12.5%	8.8%	9.4%	12.4%
Avg Daily Census	283.7	280.9	282.2	277.1	279.0

The normalized NOI correlated estimate is higher than historical data primarily due to the increase in the Medicaid and Medicare rates. The current issued Medicaid rate, as of August 1, 2013, is $185.48 per Medi-Cal patient day. Based upon the August 31, 2013, trailing 12-month RUG utilization and the 2014 RUG IV rates, a Medicare rate of $614.42 is utilized in this analysis.

Table 4 presents the subject's stabilized pro forma:

Keiro Nursing Home Table 4 - Stabilized Pro Forma			
	Patient Days	**ADC**	**Payor Mix**
Private (Self Pay)	29,023	79.5	28.5%
Medi-Cal	62,119	170.2	61.0%
Medicare	8,656	23.7	8.5%
Other	2,037	5.6	2.0%
Total Patient Days	101,835	279.0	100.0%
Available Days/Licensed Beds	109,500	300.0	
Occupancy Rate	93.0%		
Revenue:	Amount	PPD	% of Rev.
Private (Self Pay)	$6,329,916	$218.10	27.1%
Medi-Cal	11,521,832	185.48	49.3%
Medicare	5,318,420	614.42	22.8%
Other	95,230	46.75	0.4%
Total R&B	$23,265,398	$228.46	99.5%
Ancillary	106,927	1.05	0.5%
Miscellaneous	0	0.00	0.0%
Total Revenue	$23,372,324	$229.51	100.0%
Expenses:			
General/Administrative	$891,056	$8.75	3.8%
Bad Debt	196,009	1.92	0.8%
Quality Assurance Fee	1,589,644	15.61	6.8%
Benefits/Payroll Taxes	2,647,710	26.00	11.3%
Plant Operations	967,433	9.50	4.1%
Utilities	407,340	4.00	1.7%
Dietary	1,858,489	18.25	8.0%
Housekeeping/Laundry	763,763	7.50	3.3%
Nursing	7,433,955	73.00	31.8%
Therapies/Ancillaries	1,425,690	14.00	6.1%
Activities and Social Services	493,900	4.85	2.1%
Insurance	245,000	2.41	1.0%
Subtotal	$18,919,988	$185.79	81.0%
Property Taxes	291,000	2.86	1.2%
Management Fee	1,168,616	11.48	5.0%
Reserves	105,000	1.03	0.4%
Total Expenses	$20,484,604	$201.15	87.6%
Net Operating Income	$2,887,720	$28.36	12.4%

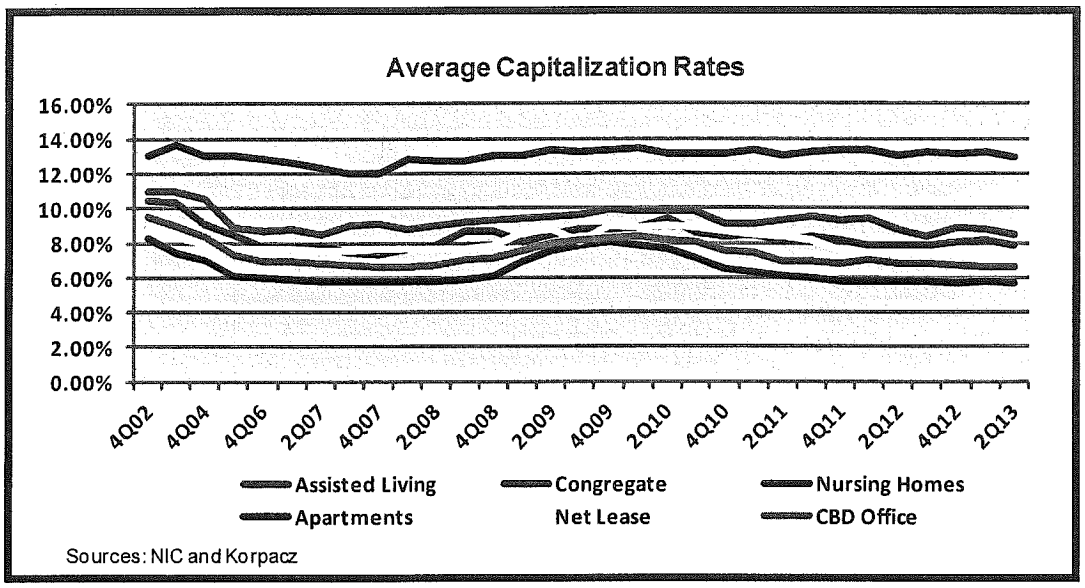
CAPITALIZATION PROCESS

After estimating cash flow from operations, it is necessary to process it into a value. This is accomplished via the Direct Capitalization Method. In this method, a capitalization rate is used to convert the estimate of stabilized net operating income into a value. This rate should represent the annual rate of return necessary to attract investment capital. The return on, and of, invested capital is inherent in the selected overall capitalization rate.

Historically, skilled nursing facility average capitalization rates have remained relatively inelastic at around 13%. While other major real estate average capitalization rates experienced a significant downward trend from 2003 to 2007, the skilled nursing industry average capitalization rate remained relatively flat. The assisted living facility capitalization rate decreased 250 basis points from the fourth quarter of 2002 to the second quarter of 2007. During that period, apartment capitalization average rates decreased by 246 basis points, the net lease market average capitalization rate decreased by 120 basis points and the CBD Office average capitalization rate decreased by 267 basis points. The skilled nursing home average capitalization rate also experienced a decline during this time period, but the decrease was only 70 basis points. The following table and chart illustrate the average capitalization rates from the fourth quarter of 2002 to the second quarter of 2013:

Average Capitalization Rates						
Period	Nursing Homes	Assisted Living	Congregate	Apartments	Net Lease	CBD Office
4Q02	13.00%	11.00%	10.40%	8.26%	8.78%	9.50%
4Q03	13.60%	11.00%	10.30%	7.45%	8.38%	9.02%
4Q04	13.00%	10.50%	9.10%	7.01%	7.91%	8.40%
4Q05	13.00%	8.90%	8.50%	6.13%	7.67%	7.35%
4Q06	12.80%	8.70%	7.70%	5.97%	7.65%	6.94%
1Q07	12.60%	8.80%	7.70%	5.89%	7.65%	6.87%
2Q07	12.30%	8.50%	7.90%	5.80%	7.58%	6.83%
3Q07	12.00%	9.00%	7.40%	5.76%	7.54%	6.68%
4Q07	12.00%	9.10%	7.30%	5.75%	7.60%	6.64%
1Q08	12.80%	8.80%	7.60%	5.79%	7.63%	6.63%
2Q08	12.70%	9.00%	7.80%	5.75%	7.63%	6.68%
3Q08	12.75%	9.20%	8.70%	5.86%	7.65%	7.04%
4Q08	13.00%	9.30%	8.70%	6.13%	7.85%	7.14%
1Q09	13.00%	9.40%	8.10%	6.88%	8.58%	7.52%
2Q09	13.30%	9.50%	8.50%	7.49%	8.83%	7.94%
3Q09	13.20%	9.60%	8.80%	7.84%	8.09%	8.11%
4Q09	13.30%	9.90%	8.80%	8.03%	8.94%	8.24%
1Q10	13.40%	9.80%	8.90%	7.85%	8.86%	8.35%
2Q10	13.10%	9.80%	9.40%	7.68%	8.98%	8.15%
3Q10	13.10%	9.80%	8.60%	7.12%	8.88%	8.01%
4Q10	13.10%	9.10%	8.40%	6.51%	8.69%	7.53%
1Q11	13.30%	9.10%	8.50%	6.29%	8.50%	7.42%
2Q11	13.00%	9.30%	8.10%	6.10%	8.34%	6.95%
3Q11	13.20%	9.50%	8.40%	5.98%	8.13%	6.91%
4Q11	13.30%	9.30%	8.20%	5.80%	7.59%	6.84%
1Q12	13.30%	9.40%	7.80%	5.83%	7.46%	7.03%
2Q12	13.00%	8.80%	7.90%	5.76%	7.40%	6.86%
3Q12	13.20%	8.40%	7.80%	5.74%	7.44%	6.85%
4Q12	13.10%	8.90%	8.10%	5.72%	7.35%	6.70%
1Q13	13.20%	8.80%	8.20%	5.73%	7.15%	6.63%
2Q13	12.90%	8.50%	7.90%	5.70%	7.03%	6.63%

Source: NIC and Korpacz



The deviation from an average skilled nursing facility capitalization rate of 13% is 120 basis points during this time frame. There were only two periods (the first and third quarters of 2003) in which the skilled nursing average capitalization was above 14%. In the early part of the 2000s, the Medicare reimbursement was changing from a retrospective to a prospective reimbursement methodology. The change occurred in 1999, but there were several revisions and changes during the first six or seven years of the system. In 2003, several add-ons to Medicare reimbursement instituted in 2001 were set to expire. This was referred to as the "Medicare Cliff." Additionally, liability insurance was skyrocketing at the time.

The lowest skilled nursing average capitalization rate from 2002 to 2010 was 12%, which was in the third and fourth quarters of 2007. This was likely due to the closing of several large portfolios during that time period. Although this was the beginning of the credit crunch, it likely included the last large deals of the year. Excluding the two high capitalization rates of 14.2% and 14.1% and the two low capitalization rates of 12%, the deviation from 13% has been only 70 basis points since 2002.

The compression of capitalization rates from 2003 through 2007 was primarily driven by the amount of capital available which, in turn, created a very competitive market. The bidding wars drove prices upward at a rate higher than income growth, which caused a decline in capitalization rates. As investors began looking for higher returns than traditional real estate (apartments, offices, retail), the assisted living market became more competitive as well, which drove down capitalization rates in this sector. The skilled nursing industry experienced some capitalization rate compression during this period, but it was not as significant as other real estate markets. The skilled nursing industry is one of the most regulated and management intensive industries in the nation and requires a specific expertise unlike most other real estate. Therefore, it is not surprising that this industry did not experience the same capitalization rate compression as other real estate markets. Additionally, the decrease in the average skilled nursing facility capitalization rate was also driven by large transactions, with capitalization rates well below 13% that may have skewed the average.

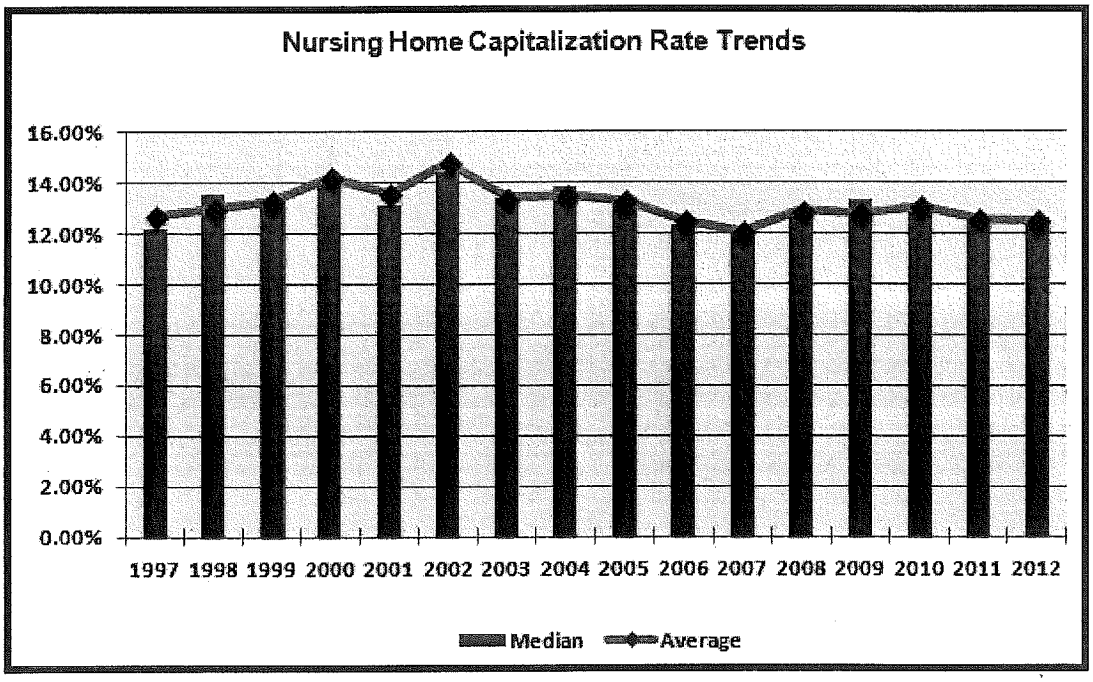
The last few years have proven the inelasticity of the skilled nursing home market. Capitalization rates are still hovering around 13.0%, even in the midst of the recession. In addition, although one of the largest changes in Medicare reimbursement began on October 1, 2011 (and was finalized in December 2011), skilled nursing capitalization rates have remained relatively steady at the 13.0% average.

Capitalization rates were derived from the market, and rates achieved by the sales used in the Sales Comparison Approach were reviewed. These sales, together with their capitalization rates, are summarized as follows:

Improved Sales Cap Rate Summary				
Sale	Beds	Date of Sale	Sales Price	R_o
1	130	Dec-12	$14,900,000	14.2%
2	120	Oct-12	$10,000,000	12.5%
3	49	Jul-12	$2,200,000	12.0%
4	99	Nov-11	$6,200,000	13.0%
5	75	Dec-10	$9,000,000	13.2%
6	191	Nov-10	$24,000,000	14.7%

While differences exist in terms of both the comparable sales and the local markets in which they operate, the properties would compete with the subject for investors' dollars. The comparable data indicates a capitalization rate range between 12.0% and 14.7%, with a median of 13.1%.

Long-term care facilities are specialized facilities drawing national investors. Typically, there are far fewer transactions of long-term care facilities compared to general real estate assets such as apartments, office buildings and retail establishments. Since long-term care facilities are unique assets, investors typically specialize in the industry either on a national or regional basis. Published surveys of investors in long-term care facilities provide a good benchmark and indicate trends. *The Senior Care Acquisition Report, Eighteenth Edition, 2013,* produced by Irving Levin and Associates Inc., indicates that the average capitalization 2012 rate was 12.5%. The following chart illustrates the trend line in OARs since 1997:



The National Investor Center (NIC) for the senior and healthcare industries gathers quarterly information on the sale of senior care facilities. The most recent quarterly results (6/30/2013) are summarized in the following table:

Property Type	Capitalization Rates			Properties
	Low	Average	High	
Congregate	6.00%	7.90%	9.00%	32
Assisted Living	7.00%	8.50%	11.00%	112
Nursing Homes	9.50%	12.90%	15.00%	134
CCRCs	6.00%	9.20%	13.00%	7

Capitalization rates reported in these published sources take into account reserves for replacement and management fees.

The two methods considered indicate a range in capitalization rates, which are summarized in the following table:

Capitalization Rate Range	
Method	Indication
Comparable Sales	12.0% to 14.7%
Published Survey	9.5% to 15.0%

The subject is most similar to Comparable Sale 2, which indicates a capitalization rate near 12.5%. In addition, the subject has maintained strong occupancy and is located in a strong market. Based upon knowledge of the financial history of the subject and the demand for skilled nursing beds in the subject market area, a capitalization rate of 12.5% is appropriate for the subject property. Applying the 12.5% capitalization rate to the adjusted net operating income results in the following computation of value:

Summary of Income Approach Value	
Net Operating Income	$2,887,720
Capitalization Rate	12.5%
Indicated Value	$23,101,763
Rounded	$23,100,000

INCOME CAPITALIZATION APPROACH SUMMARY

The fee simple market value via the Income Capitalization Approach is represented in the rounded amount of:

$23,100,000

RECONCILIATION OF VALUE

The three traditional approaches to value are used in this appraisal. While the approaches are independently developed, the same fundamental principles of valuation and economics form the logical basis for each approach. The indications of value by the three approaches are as follows:

Cost Approach	$24,230,000
Sales Comparison Approach	$23,000,000
Income Capitalization Approach	$23,100,000

The Cost Approach is indicative of the value of the land plus the depreciated replacement cost of the building, land improvements and equipment. The reliability of this approach depends on the property age and whether or not it has obsolescence. The fact that the subject was built in 1968 and 1989 makes it questionable whether the amount of depreciation in the subject improvements can be reasonably measured. In light of the complexity of estimating the replacement cost and depreciation, it is not necessarily the most reliable of value estimates. Furthermore, the Cost Approach as performed herein failed to include intangible assets such as, but not limited to, the assembled work force, business enterprise assemblage, referral network, marketing plan, systems and procedures. The

applicability of the Cost Approach is less relevant than both the Sales Comparison and Income Capitalization approaches.

The Sales Comparison Approach reflects competitive conditions based on the value of the assets, business enterprise and other intangible assets associated with the operation of a nursing home-type facility. In the case of special purpose properties such as the subject, this approach is particularly difficult to apply due to the subjectivity involved in making adjustments for intangible assets and numerous economic considerations that are not always known. The comparable sales used in this analysis are located in California. The Sales Comparison Approach in this appraisal is less relevant than the Income Capitalization Approach.

The estimated net operating income for the subject is based on actual subject operating history, as well as comparable data. The estimate of income and expenses is considered reliable and is a reasonable measure of market levels. The capitalization rate was derived from the marketplace based on sales of similar facilities and a review of other current market data. Overall, the Income Capitalization Approach, utilizing the direct capitalization method, is the best indicator of value for the fee simple interest in the subject property.

Therefore, the as-is market value of the fee simple interest of the going concern identified as Keiro Nursing Home, as of October 10, 2013, is represented as follows:

$23,100,000

The value may be allocated as follows:

Land	$4,820,000
Improvements	16,930,000
Equipment	1,350,000
Business	0
Total	$23,100,000

CERTIFICATION

We certify that to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions.

3. We have no present or prospective interest in the property that is the subject of this report and we have no personal interest or bias with respect to the parties involved.

4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. Our compensation is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Appraisal Institute's Code of Professional Ethics and the Uniform Standards of Professional Appraisal Practice.

8. Scott Conner made a personal inspection of the subject property and wrote the report through land valuation. Jean-Pierre LoMonaco, MAI, supervised the appraisal process, reviewed the appraisal and collaborated to determine the value conclusion, but did not inspect the subject property.

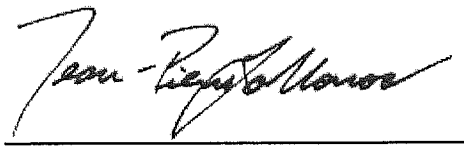
9. Todd Clairmont provided significant professional assistance to the persons signing this report, which included drafts of the Cost, Sales Comparison and Income Capitalization approaches, but did not inspect the subject property.

10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

11. This appraisal was not based on a requested minimum valuation, a specific valuation or the approval of a loan.

12. As of the date of this report, Jean-Pierre LoMonaco, MAI, has completed the continuing education program of the Appraisal Institute. As of the date of this report, Scott Conner has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.

13. I have not provided any services regarding the subject property within the three-year period immediately preceding acceptance of the assignment, as an appraiser or in any other capacity. Employees of the Valuation & Information Group have not provided any services regarding the subject property within the three-year period immediately preceding acceptance of the assignment, as an appraiser or in any other capacity.



Jean-Pierre LoMonaco, MAI
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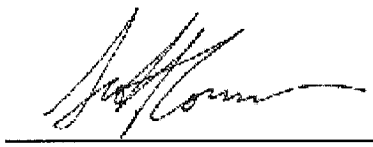

Scott Conner
CA Cert. Gen. AG034937

STATEMENT OF FACTS AND LIMITING CONDITIONS

This appraisal report has been made with the following assumptions and limiting conditions:

1. We assume no responsibility for the legal description furnished to us, stated in the report or for matters pertaining to legal or title considerations. In arriving at the opinion expressed in this report, we assumed that the owner holds good and marketable title, free and clear of all liens except those described herein.

2. If no legal description or survey was furnished, we used the county tax plat to ascertain the physical dimensions and acreage of the property. Should the information furnished to or obtained by us prove to be inaccurate, the property's value may be more or less than what is stated in this report.

3. We appraised the property free and clear of any or all liens or encumbrances unless otherwise stated.

4. We assumed that the property is an established business, with efficient and competent owners and management, experienced in the healthcare industry.

5. We assumed that the information furnished by others is reliable, but we were given no warranty of its accuracy and we make no such warranty.

6. We assumed all engineering studies to be correct. To the extent that we have included plot plans and illustrative material in this report, we have done so solely to help the reader visualize the property and make no representations in connection with such depictions.

7. We assumed that there are no hidden or unapparent conditions of the property, subsoil or structures that render it more or less valuable. We assume no responsibility for such conditions or for obtaining the engineering studies that may be required to discover them.

8. We assumed that the owner and management have fully complied with all applicable federal, state and local laws and regulations, including without limitation any zoning, use and environmental restrictions, unless any noncompliance or nonconformity is stated, described and considered in the report.

9. We assumed that all required licenses, certificates of occupancy, consents and other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

10. We assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

11. Unless otherwise stated in this report, we were not informed of and did not observe the existence of hazardous materials, which may or may not be present on the property. We are, however, not qualified to detect such materials. We assume no responsibility for such conditions or for any expertise or engineering knowledge required to discover them. The presence of asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. The intended user of the property and this appraisal is urged to retain a hazardous materials expert. In valuing the property, we assumed that there are no hazardous materials in or about the property that diminish the property's value.

12. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

13. Possession of this report, or a copy thereof, does not carry with it the right of publication.

14. Upon delivery of this report, we are not required to provide any additional services or testimony, or to appear or attend any judicial or other proceeding pertaining to the preparation or content of this report, the properties or interests described in it, or any matter that is or could have been addressed in it, unless we make or have made a separate arrangement specifically addressing this.

15. Neither all nor any part of the contents of this report (especially any conclusions as to value, our firm's identity or the identity of the appraiser) shall be disseminated to the public through advertising, public relations, news, sales or other media without our prior written consent and the approval of the appraiser.

16. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report.

17. We used only preliminary plans and specifications in the preparation of this appraisal except as indicated, and the analysis based upon any preliminary plans and specifications is made subject to a review of the final plans and specifications when available.

18. We assume that any proposed improvements have been completed unless otherwise stipulated, and we assume that any construction conforms to the building plans referenced in the report.

19. We assume that the reader or user of this report has been provided with copies of available building plans and all leases and amendments, if any, that encumber the property.

20. The forecasts, projections or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to change with future conditions.

21. We have not analyzed the requirements of the Americans with Disabilities Act (ADA), as amended, as they may pertain to this property or whether the property complies with the ADA. We were not engaged to, and did not, survey or analyze the property to determine whether or not the property or its operations complies with the requirements of the ADA. We assume no responsibility for the property's noncompliance or for any expertise or knowledge required to discover such noncompliance. If the property is not in compliance with the requirements of the ADA, such condition may affect the value of the property. The intended user of the property and this appraisal is urged to retain an ADA expert. In valuing the property, we assumed that there is no material noncompliance in or about the property that diminishes the property's value.

22. We have prepared this report in conformity with and subject to the requirements of the code of professional ethics and the standards of professional conduct of the professional appraisal organizations of which we are members.

23. We assume no responsibility to report to any person, including any financial, regulatory or tax authority, any matters or information obtained or analyzed in preparing this report.

24. This report and the valuation estimate stated herein are valid only for the purpose stated and as of the date stated.

25. In preparing this report, we have relied, where appropriate, on information, including historical financial and operating data, and assumptions provided to us by the property's owner and management. We have not audited such information and give no warranty or other assurance as to the accuracy of such information and assumptions. Some of the assumptions inevitably shall not materialize, and unanticipated events and circumstances may occur, therefore, actual results achieved may vary from the forecasts and the variance from the assumptions may be material. We have assumed, however, that this data is correct and will accurately reflect the operating performance of the subject property. Our valuation estimate would be affected by any material misstatement in the information provided to us.

26. We have assumed that there are no legal or political matters affecting the future operation of the property, unless the property's owner or management have called such matters to our attention and they are stated herein.

27. This report may depend in part upon our opinions about the future operations of the property. These opinions are usually expressed in terms of what we "anticipate," believe," "expect" or similar words. Actual results may differ from our projections.

28. We assume no responsibility to supplement or amend this report for conditions or events occurring after the date of this report.

Exhibit

A

EXHIBIT A

DESCRIPTION:

PARCEL 1:

PARCEL "A", IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON PARCEL MAP NO. 603, FILED IN BOOK 7 PAGE 10 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:

THAT PORTION OF LOT 2, IN BLOCK "A" OF PARK TRACT, IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 6 PAGES 434 AND 435, OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, AND ALSO THAT PORTION OF THE PARK TRACT ADJOINING SAID BLOCK "A" ON THE WEST DESCRIBED AS A WHOLE AS FOLLOWS:

BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT DISTANT SOUTHERLY ALONG SAID EASTERLY LINE, 45 FEET FROM THE NORTHEASTERLY CORNER OF SAID LOT; THENCE SOUTHERLY ALONG SAID EASTERLY LINE 7.285 FEET; THENCE WESTERLY PARALLEL WITH THE NORTHERLY LINE OF SAID LOT, 413.85 FEET, MORE OR LESS, TO THE WESTERLY LINE OF SAID VACATED ALLEY; THENCE NORTHERLY ALONG SAID WESTERLY LINE 52.25 FEET, MORE OR LESS, TO THE WESTERLY PROLONGATION OF THE NORTHERLY LINE OF SAID LOT; THENCE EASTERLY ALONG SAID PROLONGATION TO AND ALONG SAID NORTHERLY LINE 253.73 FEET TO A POINT IN SAID NORTHERLY LINE, DISTANT WESTERLY ALONG SAID NORTHERLY LINE 160 FEET FROM THE NORTHEASTERLY CORNER OF SAID LOT; THENCE SOUTHERLY PARALLEL WITH SAID EASTERLY LINE OF SAID LOT, 45 FEET; THENCE EASTERLY PARALLEL WITH SAID NORTHERLY LINE, 160 FEET TO THE POINT OF BEGINNING.

PARCEL 2A:

AN EASEMENT FOR SEWER PURPOSES OVER THE SOUTHERLY 10 FEET OF THAT PORTION OF SAID LOT 2 DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEASTERLY CORNER OF SAID LOT; THENCE SOUTHERLY ALONG THE EASTERLY LINE OF SAID LOT 45 FEET; THENCE WESTERLY PARALLEL WITH THE NORTHERLY LINE OF SAID LOT, 160 FEET; THENCE NORTHERLY PARALLEL WITH SAID EASTERLY LINE, 45 FEET TO THE NORTHERLY LINE OF SAID LOT; THENCE EASTERLY ALONG SAID NORTHERLY LINE 160 FEET TO THE POINT OF BEGINNING.

PARCEL 3:

PARCEL C, IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON PARCEL MAP NO. 603, FILED IN BOOK 7 PAGE 10 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

89 125598

Los Angeles Planning and Zoning

ARTICLE 4.3
ELDERCARE FACILITY UNIFIED PERMIT PROCESS

(Article 4.3 Added by Ord. No.178,063, Eff. 12/30/06.)

Section

14.3.1 Eldercare Facilities.

SEC. 14.3.1. ELDERCARE FACILITIES.
(Added by Ord. No. 178,063, Eff. 12/30/06.)

A. **Purpose Statement.** The purpose of this article is to provide development standards for Alzheimer's/ Dementia Care Housing, Assisted Living Care Housing, Senior Independent Housing and Skilled Nursing Care Housing, create a single process for approvals and facilitate the processing of applications of Eldercare Facilities. These facilities provide much needed services and housing for the growing senior population of the City of Los Angeles.

B. **Eldercare Facility Unified Permit.** The Zoning Administrator, as the initial decision maker, may, upon application, permit an Eldercare Facility to be located on a lot or lots in the A1 through R3 Zones, or in the RAS3, R4, RAS4, R5, and all C Zones, when an Eldercare Facility does not meet the use, area, or height provisions of the respective zone contained in this chapter, or the requirements of any specific plan, supplemental use district, "T" classification, "Q" condition, "D" limitation, or Citywide regulation adopted or imposed by City action. In order to approve the project, the Zoning Administrator shall ensure that it is in conformance with the provisions of this section.

In addition, if the proposed Eldercare Facility is located within the boundaries of an adopted specific plan, notwithstanding the provisions of Section 11.5.7 C. of this Code, the Zoning Administrator shall have the initial decision making authority to decide whether the proposed Eldercare Facility is in conformance with the applicable regulations of the specific plan. In making this determination, the Zoning Administrator shall make each of the findings set forth in Section 11.5.7 C.2. of this Code, following the provisions set forth in this section. Further, if the proposed Eldercare Facility is subject to site plan review, notwithstanding the provisions of Section 16.05 of this Code, the Zoning Administrator shall have the initial decision making authority relating to site plan approval. In making this determination, the Zoning Administrator shall make each of the findings set forth in Section 16.05 F. of this Code, following the provisions set forth in this section.

C. **Application for Permit.** To apply for an Eldercare Facility Unified Permit approval, an

applicant shall file an application and development plans with the Department of City Planning, on a form provided by the Department, and include all information required by the instructions on the application and the guidelines adopted by the Director of Planning. The Director of Planning shall adopt guidelines which shall be used to determine when an application is deemed complete. The application shall include a description of how the proposed Eldercare Facility meets the findings set forth in this section.

D. **Procedures.** An application for an Eldercare Facility Unified Permit shall follow the procedures set forth in Sections 14.00 B.4., 14.00 B.7. through B.11. and Section 19.00 of this Code. If the Zoning Administrator fails to act on an application within the time provided, the applicant may file a request for a transfer of jurisdiction to the Area Planning Commission for decision, pursuant to the procedures set forth in Section 14.00 B.8. An applicant or any other person aggrieved by a decision of the Zoning Administrator may appeal the decision to the Area Planning Commission pursuant to the procedures set forth in Section 14.00 B.9. and Section 19.00.

E. **Findings for Approval. (Amended by Ord. No. 182,095, Eff. 5/7/12.)** The Zoning Administrator shall not grant the approval unless he or she finds that the strict application of the land use regulations on the subject property would result in practical difficulties or unnecessary hardships inconsistent with the general purpose and intent of the zoning regulations. The Zoning Administrator must also find:

1. that the project's location, size, height, operations and other significant features shall be compatible with and shall not adversely affect or further degrade adjacent properties, the surrounding neighborhood, or the public health, welfare, and safety;

2. that the project shall provide services to the elderly such as housing, medical services, social services, or long term care to meet citywide demand;

3. that the project shall not create an adverse impact on street access or circulation in the surrounding neighborhood;

4. that the project provides for an arrangement of uses, buildings, structures, open spaces and other improvements that are compatible with the scale and character of the adjacent properties and surrounding neighborhood; and

5. that the project is in substantial conformance with the purposes, intent and provisions of the General Plan, applicable community plan, and with any applicable specific plan.

F. **Conditions of Approval.** In approving any Eldercare Facility pursuant to this section, the Zoning Administrator may impose those conditions, based upon written findings, which it deems necessary to protect the best interests of the surrounding property or neighborhood, or to ensure that the development is compatible with the surrounding properties or neighborhood, or to lessen or prevent any detrimental effect on the surrounding property or neighborhood, or to secure

appropriate development in harmony with the objectives of the General Plan.

G. **Fees.** The fee shall be as provided in Section 19.01 X. for the Eldercare Facility Unified Permit.

H. **Existing Uses.** Any lawful use of an Eldercare Facility existing on a lot or portion of a lot at the time the property is first classified in a zone in which the use is permitted only by conditional use or at the time the use in that zone first becomes subject to the requirements of this section, shall be deemed to be approved for the Eldercare Facility Unified Permit and may be continued on the lot. Further, the conditions included in any special district ordinance, exception, conditional use, or variance, which authorized the use, shall also continue in effect.

I. **Development of Site.** On any lot or portion of a lot on which an Eldercare Facility Unified Permit has been approved pursuant to the provisions of this section, new buildings or structures may be erected, enlargements may be made to existing buildings, and the existing housing types within the Eldercare Facility may be extended on the approved site, provided that development plans are submitted to and approved by the Zoning Administrator. The Zoning Administrator may disapprove the plans if he/she finds that the use does not conform to the purpose and intent of the findings required for an Eldercare Facility under this section, and may specify the conditions under which the plans may be approved. The decision of the Zoning Administrator shall be subject to the same appeal procedures as is provided for an application to establish the Eldercare Facility.

J. **Reduction of Site.** So long as the Eldercare Facility use is continued, the entire approved site shall be retained as an Eldercare Facility, and no portion shall be severed from the site or utilized for other purposes unless development plans for the reduced site are first submitted to and approved by the Zoning Administrator. The decision of the Zoning Administrator shall be subject to the same appeal procedures as is provided for an application to establish the Eldercare Facility.

K. **Change of Use.** No housing type within an Eldercare Facility may be changed to a different housing type unless the new housing type is authorized in accordance with the procedures in this section for the establishment of an Eldercare Facility. As part of any Eldercare Facility Unified Permit, the Zoning Administrator or the Area Planning Commission on appeal, may approve changes to the number of dwelling units, guest beds, guest rooms, or floor area provided that a minimum of 75 percent of the floor area, exclusive of common areas, shall consist of Senior Independent Housing and/or Assisted Living Care Housing.

L. **Discontinuance of Use.** If an Eldercare Facility is abandoned, or is discontinued for a continuous period of one year, it may not be re-established unless authorized in accordance with the procedures in this section for the establishment of an Eldercare Facility.

M. **Revocation.** The revocation procedure that applies to conditional uses and other similar quasi-judicial approvals in Sections 12.24 Z. and 12.24 AA. shall also apply to revocations of Eldercare Facilities that were granted pursuant to the procedures in this section.

Disclaimer:
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Zone	Use	Maximum Height		Required yards			Minimum Area Per Lot/ Unit	Min. Lot Width
		Stories	Feet	Front	Side	Rear		
Open Space/ Public Facilities/Submerged Lands								
OS	**Open Space** Parks and Recreation Facilities, Nature Reserves, Closed Sanitary Landfill Sites, Public Water Supply Reservoirs, Water Conservation Areas	none		none			none	
PF	**Public Facilities** Agricultural Uses, Parking Under Freeways, Fire and Police Stations, Government Buildings, Public Libraries, Post Offices, Public Health Facilities, Public Elementary and Secondary Schools							
SL	**Submerged Lands** Navigation, Shipping, Fishing, Recreation							

(1) "H" Hillside areas may alter these requirements in the RA-H or RE-H zones. Subdivisions may be approved with smaller lots, provided larger lots are also included. Section 17.05 H 1 of the Zoning Code.
(2) Section 12.08.3 B 1 of the Zoning Code.
(3) Section 12.08.3 C 2 and 3 of the Zoning Code.
(4) Section 12.09.5 C of the Zoning Code. For 2 or more lots the interior side yards may be eliminated, but 4 ft. is required on each side of the grouped lots.
(5) Section 12.17.5 B 9 (a). Dwelling considered as accessory to industrial use only (watchman or caretaker including family.)
(6) Height, yard and parking requirements for single family dwellings may be governed by the Hillside Ordinance, Section 12.21 A 17 of the Zoning Code.
(7) Side yard requirements for single family dwellings not in Hillside Areas or Coastal Zone may be governed by the "Big House" Ordinance, ord. 169,775, which has been codified in the yard requirements sections for the relevant zones.

(8) Height District (Section 12.21.1 of the Zoning Code) [see below for (9), (10)]:

Height Districts

Zone	1 ‡	1L ‡	1VL ‡	1XL ‡	2	3	4
A1§, A2§, RE40§, RZ, RMP, RW2, RD, R3, RAS3	45' 3:1 FAR		45' 3 stories † 3:1 FAR	30' 2 stories † 3:1 FAR	6 stories for RD,RAS3 and R3†; otherwise 6:1 FAR	6 stories for RD,RAS3 and R3†; otherwise 10:1 FAR	6 stories for RD,RAS3 and R3†; otherwise 13:1 FAR
RE11 §, RE15 §, RE20 §, RA § *	36' 3:1 FAR		36' 3 stories † 3:1 FAR		6:1 FAR	10:1 FAR	13:1 FAR
R1§, R2, RS §, RE9 § *	33' 3:1 FAR		33' 3 stories † 3:1 FAR				
PB	none 2 stories	75' 2 stories	45' 2 stories	30' 2 stories	none 6 stories	none 10 stories	none 13 stories
R4, RAS4, R5	none 3:1 FAR	75' 6 stories † 3:1 FAR	45' 3 stories † 3:1 FAR	30' 2 stories † 3:1 FAR	none 6:1 FAR	none 10:1 FAR	none 13:1 FAR
C, M	1.5:1 FAR	75' 6 stories † 1.5:1 FAR	45' 3 stories † 1.5:1 FAR	30' 2 stories † 1.5:1 FAR	75' for CR; otherwise none 6:1 FAR	75' for CR; otherwise none 10:1 FAR	75' for CR; otherwise none 13:1 FAR
PB	2 stories	2 stories	2 stories	2 stories	6 stories	10 stories	13 stories

SEC. 12.09.1. "RD" RESTRICTED DENSITY MULTIPLE DWELLING ZONE.

(Added by Ord. No. 127,777, Eff. 8/1/64.)

The following regulations shall apply in the "RD" Restricted Density Multiple Dwelling Zone:

A. Use. No building, structure or land shall be used and no building or structure shall be erected, structurally altered, enlarged or maintained, except for the following uses, and when a "**Supplemental Use District**" is created by the provisions of Article 3 of this chapter, for such uses as may be permitted therein:

1. One-family dwellings.

2. Two-family dwellings.

3. Multiple dwellings or group dwellings.

4. Apartment houses.

5. Park, playgrounds or community center, owned and operated by a governmental agency.

6. **(Amended by Ord. No. 157,144, Eff. 11/22/82.)** The keeping of equines, in conjunction with the residential use of the lot, and subject to the following limitations:

(a) Such activities are not for commercial purposes.

(b) The keeping of equines shall be permitted only on lots having an area of 20,000 square feet or more. Where equines are being kept, the number of such animals being kept shall not exceed one for each 5,000 square feet of lot area.

7. Accessory buildings, including private garages, accessory living quarters, servants quarters, recreation rooms, or private stables, provided that:

(a) Every accessory building containing accessory living quarters or servants quarters shall constitute a dwelling and the lot area requirements of the zone in which it is located shall be complied with.

(b) No stable is located or maintained on a lot having an area of less than 20,000 square feet and its capacity does not exceed one equine for each 5,000 square feet of lot area. **(Amended by Ord. No. 157,144, Eff. 11/22/82.)**

(c) An accessory living quarters, servants quarters, recreation room or private garage or any combination of said uses may be included in one building not exceeding two stories in height. For location of accessory buildings, refer to Section 12.21C.

8. Conditional uses enumerated in Sec. 12.24 when the location is approved pursuant to the provisions of said section.

9. Accessory uses and home occupations, subject to the conditions specified in Section 12.05A16 of this Code. **(Amended by Ord. No. 171,427, Eff. 1/4/97, Oper. 3/5/97.)**

10. **(Deleted by Ord. No. 171,687, Eff. 8/19/97.)**

11. Name plates and signs, and required automobile parking spaces as provided for in Section 12.21A of this Code. **(Added by Ord. No. 171,427, Eff. 1/4/97, Oper. 3/5/97.)**

B. Area. (Amended by Ord. No. 158,381, Eff. 11/20/83.) No building or structure nor the enlargement of any building or structure shall be erected or maintained unless the following yards and lot areas are provided and maintained in connection with such building, structure or enlargement:

1. **Front Yard.** There shall be a front yard of not less than 15 feet in depth in the RD1.5, RD2, RD3 and RD4 Zones and not less than 20 feet in depth in the RD5 and RD6 Zones.

2. **Side Yards:**

(a) **RD1.5 and RD2 Zones.** For a main building not more than two stories in height in the RD1.5 and RD2 zones, there shall be a side yard on each side of said building of not less than five feet, except that where the lot is less than 50 feet in width, the side yard may be reduced to 10% of the width of the lot, but in no event to less than three feet in width. For a building more than two stories in height in the RD1.5 and RD2 zones, one foot shall be added to the width of such yard for each additional story above the second story, but in no event shall a side yard of more than 16 feet in width be required.

(b) **RD3 and RD4 Zones.** There shall be a side yard on each side of a main building in the RD3 and RD4 zones of not less than five feet or 10% of the width of the lot, whichever is larger, but in no event shall a side yard of more than 10 feet be required.

(c) **RD5 and RD6 Zones.** There shall be a side yard on each side of a main building in the RD5 and RD6 zones of not less than 10 feet in width.

3. **Rear Yards.** There shall be a rear yard of not less than 15 feet in depth in the RD1.5, RD2, RD3 and RD4 Zones and not less than 25 feet in depth in the RD5 and RD6 Zones.

4. **Lot Area.** Every lot classified in the "RD" Zone is, according to the lot area requirements, further designated as RD1.5, RD2, RD3, RD4, RD5 and RD6.

Every lot shall have a minimum width, area and lot area per dwelling unit or guest room as follows:

[LOT SIZE – "RD"ZONE]

Zone	Minimum Lot Width (feet)	Minimum Lot Area (Square feet)	Minimum Lot Area Per Dwelling Unit or Guest Room (square feet)
RD1.5	50	5,000	1,500
RD2	50	5,000	2,000

RD3	60	6,000	3,000
RD4	60	8,000	4,000
RD5	70	10,000	5,000
RD6	70	12,000	6,000

Exceptions to area regulations are provided for in Section 12.22C.

C. Restriction. (Amended by Ord. No. 173,268, Eff. 7/1/00, Oper. 7/1/00.) For any lot designated as Public, Quasi-Public, Public/Quasi-Public Use, Other Public, or Open Space on the land use map of the applicable community or district plan; any lot shown on the map as having existing lakes, waterways, reservoirs, debris basins, or similar facilities; any lot shown on the map as the location of a freeway right-of-way; and any property annexed to the City of Los Angeles where a plan amendment was not adopted as part of the annexation proceedings:

Any of the uses permitted by Subsection A of this section shall require prior approval in accordance with the provisions of Section 12.24.1 of this Code.

Zone	Use	Maximum Height		Required yards			Minimum Area		Min. Lot Width	Parking Req'd.
		Stories	Feet	Front	Side	Rear	Per Lot	Per D.U.		
Multiple Residential										
R2	**Two Family Dwellings** R1 Uses. Home Occupations	Unlimited (8)	45 or (6),(7),(8)	20% lot depth; 20 ft. max., but not less than prevailing	10% lot width < 50 ft.; 5 ft.; 3 ft. min.; + 1 ft. for each story over 2nd	15 ft.	5,000 sq. ft.	2,500 sq. ft.	50 ft.	2 spaces, one covered
RD1.5	**Restricted Density Multiple Dwelling** One-Family Dwellings,Two-Family Dwellings, Apartment Houses, Multiple Dwellings, Home Occupations		45 or (6),(7),(8)	15 ft.	10% lot width < 50 ft.; 5 ft.; 3 ft. min.; + 1 ft. for each story over 2nd, not to exceed 16 ft. (6)	15 ft.	5,000 sq. ft.	1,500 sq. ft.		1 space per unit < 3 habitable rooms; 1.5 spaces per unit = 3 habitable rooms; 2 spaces per unit > 3 habitable rooms; uncovered (6) 1 space each guest room (first 30)
RD2								2,000 sq. ft.		
RD3					10% lot width, 10 ft. max.; 5 ft. min., (6)		6,000 sq. ft.	3,000 sq. ft.	60 ft.	
RD4							8,000 sq. ft.	4,000 sq. ft.		
RD5				20 ft.	10 ft. min. (6)	25 ft.	10,000 sq. ft.	5,000 sq. ft.	70 ft.	
RD6							12,000 sq. ft.	6,000 sq. ft.		
RMP	**Mobile Home Park** Home Occupations		45 or (8)	20% lot depth 25 ft. max.	10 ft.	25% lot depth 25 ft. max.	20,000 sq. ft.	20,000 sq. ft.	80 ft.	2 covered spaces per dwelling unit
RW2	**Two Family Residential Waterways** One-Family Dwellings,Two-Family Dwellings, Home Occupations			10 ft. min.	10% lot width < 50 ft.; 3 ft. min.; + 1 ft. for each story over 2nd	15. ft.	2,300 sq. ft.	1,150 sq. ft.	28 ft.	
R3	**Multiple Dwelling** R2 Uses, Apt. Houses, Multiple Dwellings, Child Care (20 max.)			15 ft; 10 ft. for key lots	10% lot width < 50 ft., 3 ft. min.; 5 ft.; + 1 ft. for each story over 2nd, not to exceed 16 ft.	15 ft.	5,000 sq. ft.	800 sq. ft.; 500 sq. ft. per guest room	50 ft.	same as RD zones
RAS3	**Residential/ Accessory** R3 Uses, Limited ground floor commercial			5 ft., or average of adjoining buildings	0 ft. for ground floor commerc. 5 ft. for residential	15 ft. adjacent to RD or more restrictive zone; otherwise 5 ft.		800 sq. ft.; 200 sq. ft. per guest room		
R4	**Multiple Dwelling** R3 Uses, Churches, Schools, Child Care, Homeless Shelter	Unlimited (8)		15 ft; 10 ft. for key lots	10% lot width < 50 ft.; 5 ft.; 3 ft. min.; + 1 ft. for each story over 2nd, not to exceed 16 ft.	15 ft. + 1 ft. for each story over 3rd; 20 ft. max.		400 sq. ft.; 200 sq. ft. per guest room		

Multiple Residential continued ⇓

Skilled Nursing Care Housing	0.2 automobile parking space for each guest bed

License: 970000059
Effective: 06/30/2013
Expires: 06/29/2014
Licensed Capacity: 300

State of California
Department of Public Health

In accordance with applicable provisions of the Health and Safety Code of California and its rules and regulations, the Department of Public Health hereby issues

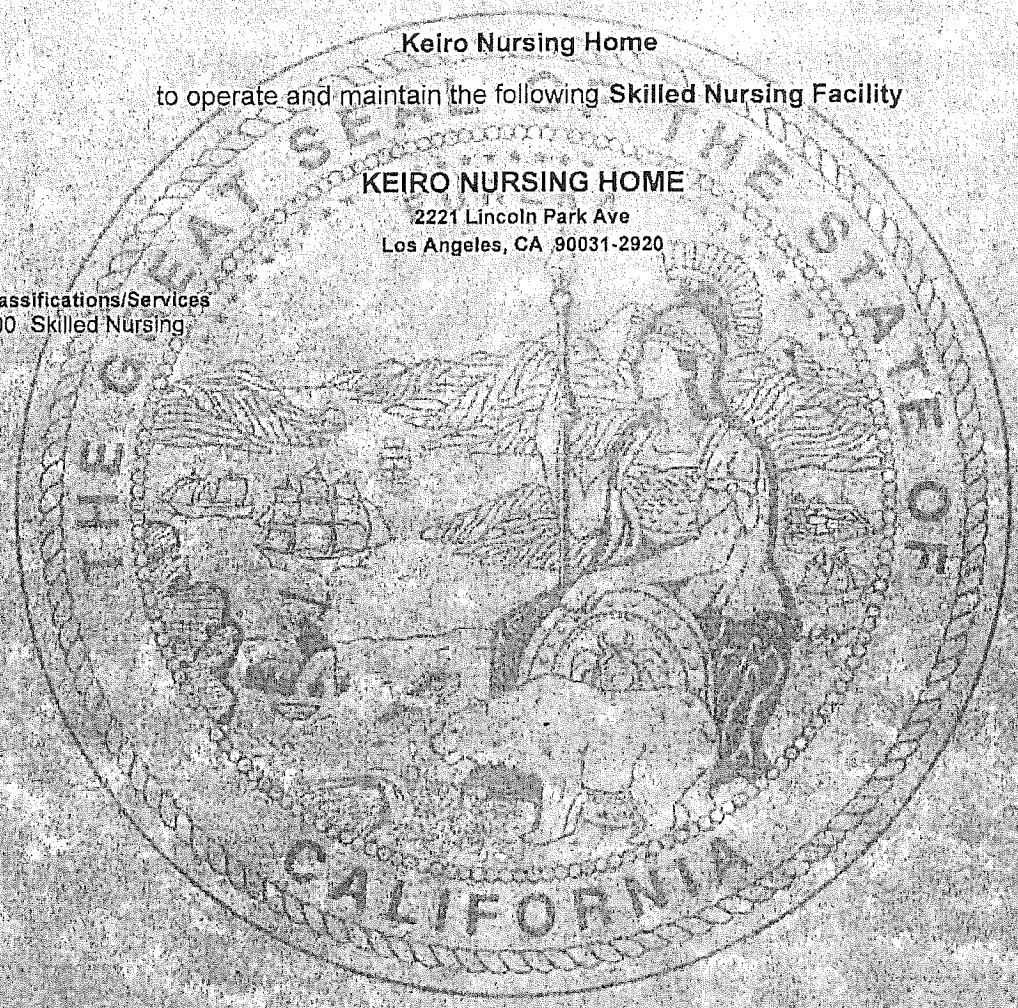
this License to

Keiro Nursing Home

to operate and maintain the following **Skilled Nursing Facility**

KEIRO NURSING HOME
2221 Lincoln Park Ave
Los Angeles, CA 90031-2920

Bed Classifications/Services
300 Skilled Nursing



This **LICENSE** is not transferable and is granted solely upon the following conditions, limitations and comments:
None

Ron Chapman, MD, MPH
Director & State Health Officer

Adewole Adegoke, District Supervisor

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, L.A. County East District Office, 3400 Aeroject Avenue, Suite 323, El Monte, CA 91731, (626)569-3724

POST IN A PROMINENT PLACE

Exhibit

B

Senior Life 2013

Radius 1: 2221 LINCOLN PARK AVE, LOS ANGELES, CA 90031-2920, 0.00 - 5.00 Miles, Total

Population	Totals
2018 Projection	944,272
2013 Estimate	916,052
2010 Census	901,487
2000 Census	903,372
Growth 2000 - 2010	-0.21%

Population by Age	2000 Census	%	2013 Estimate	%	2018 Projection	%
Total Population	903,372		916,052		944,272	
Age 45 - 54	99,668	11.03%	120,764	13.18%	129,011	13.66%
Age 55 - 64	60,477	6.69%	92,877	10.14%	103,643	10.98%
Age 65 - 74	46,631	5.16%	55,496	6.06%	67,183	7.11%
Age 75 - 84	29,826	3.30%	32,809	3.58%	34,777	3.68%
Age 85 and over	11,081	1.23%	15,094	1.65%	15,524	1.64%
Age 65 and over	87,537	9.69%	103,399	11.29%	117,484	12.44%
Total Population, Male	458,207		465,014		479,474	
Age 45 - 54	49,344	10.77%	62,905	13.53%	67,847	14.15%
Age 55 - 64	28,782	6.28%	45,357	9.75%	51,604	10.76%
Age 65 - 74	20,757	4.53%	25,247	5.43%	30,685	6.40%
Age 75 - 84	12,106	2.64%	13,420	2.89%	14,229	2.97%
Age 85 and over	3,462	0.76%	5,208	1.12%	5,214	1.09%
Age 65 and over	36,326	7.93%	43,875	9.44%	50,128	10.45%
Total Population, Female	445,165		451,038		464,798	
Age 45 - 54	50,323	11.30%	57,859	12.83%	61,164	13.16%
Age 55 - 64	31,695	7.12%	47,520	10.54%	52,039	11.20%
Age 65 - 74	25,873	5.81%	30,249	6.71%	36,498	7.85%
Age 75 - 84	17,719	3.98%	19,389	4.30%	20,547	4.42%
Age 85 and over	7,618	1.71%	9,885	2.19%	10,310	2.22%
Age 65 and over	51,211	11.50%	59,523	13.20%	67,356	14.49%

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Senior Life 2013

Radius 1: 2221 LINCOLN PARK AVE, LOS ANGELES, CA 90031-2920, 0.00 - 5.00 Miles, Total

Population by Single Race Classification	2000 Census	%	2013 Estimate	%	2018 Projection	%
White Alone	323,711		387,225		407,789	
Age 65 and over	41,922	12.95%	47,144	12.17%	53,601	13.14%
Black or African American Alone	30,185		32,584		33,881	
Age 65 and over	2,085	6.91%	2,982	9.15%	3,495	10.32%
American Indian and Alaska Native Alone	9,863		9,417		9,541	
Age 65 and over	538	5.45%	738	7.84%	936	9.81%
Asian Alone	166,344		185,416		195,626	
Age 65 and over	26,900	16.17%	35,468	19.13%	40,415	20.66%
Native Hawaiian and Other Pacific Islander Alone	950		864		922	
Age 65 and over	70	7.37%	77	8.91%	110	11.93%
Some Other Race Alone	327,884		262,480		258,624	
Age 65 and over	13,072	3.99%	13,999	5.33%	15,413	5.96%
Two or More Races	44,434		38,065		37,890	
Age 65 and over	2,950	6.64%	2,991	7.86%	3,514	9.27%

Population by Hispanic or Latino	2000 Census	%	2013 Estimate	%	2018 Projection	%
Hispanic or Latino	591,621		571,572		577,001	
Age 65 and over	36,206	6.12%	45,536	7.97%	50,900	8.82%
Not Hispanic or Latino	311,750		344,480		367,271	

Household Income by Age of Householder	2000 Census	%	2013 Estimate	%	2018 Projection	%
Householder Age 45 - 54	50,602		60,945		63,955	
Income less than $15,000	9,968	19.70%	9,626	15.79%	10,207	15.96%
Income $15,000 - $24,999	7,493	14.81%	7,674	12.59%	8,039	12.57%
Income $25,000 - $34,999	6,543	12.93%	6,836	11.22%	7,144	11.17%
Income $35,000 - $49,999	7,601	15.02%	8,765	14.38%	9,201	14.39%
Income $50,000 - $74,999	8,769	17.33%	10,828	17.77%	11,226	17.55%
Income $75,000 - $99,999	4,536	8.96%	6,503	10.67%	6,801	10.63%
Income $100,000 - $124,999	2,263	4.47%	3,706	6.08%	3,925	6.14%
Income $125,000 - $149,999	1,302	2.57%	2,148	3.52%	2,289	3.58%
Income $150,000 - $199,999	1,016	2.01%	2,591	4.25%	2,694	4.21%
Income $200,000 or more	1,112	2.20%	2,268	3.72%	2,429	3.80%
Median Household Income	$37,561		$45,844		$45,739	

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Senior Life 2013

Radius 1: 2221 LINCOLN PARK AVE, LOS ANGELES, CA 90031-2920, 0.00 - 5.00 Miles, Total

Household Income by Age of Householder	2000 Census	%	2013 Estimate	%	2018 Projection	%
Householder Age 55 - 64	32,167		48,481		53,196	
Income less than $15,000	7,613	23.67%	8,490	17.51%	9,284	17.45%
Income $15,000 - $24,999	4,342	13.50%	6,256	12.90%	6,873	12.92%
Income $25,000 - $34,999	3,665	11.39%	5,567	11.48%	6,083	11.44%
Income $35,000 - $49,999	4,735	14.72%	7,217	14.89%	7,895	14.84%
Income $50,000 - $74,999	4,891	15.21%	8,090	16.69%	8,794	16.53%
Income $75,000 - $99,999	3,064	9.53%	4,679	9.65%	5,120	9.62%
Income $100,000 - $124,999	1,583	4.92%	2,633	5.43%	2,929	5.51%
Income $125,000 - $149,999	719	2.24%	1,708	3.52%	1,910	3.59%
Income $150,000 - $199,999	695	2.16%	2,091	4.31%	2,289	4.30%
Income $200,000 or more	861	2.68%	1,750	3.61%	2,018	3.79%
Median Household Income	$36,468		$43,162		$43,278	
Householder Age 65 - 74	26,360		30,461		36,206	
Income less than $15,000	8,816	33.44%	8,581	28.17%	9,900	27.34%
Income $15,000 - $24,999	4,655	17.66%	4,731	15.53%	5,646	15.59%
Income $25,000 - $34,999	2,998	11.37%	2,894	9.50%	3,480	9.61%
Income $35,000 - $49,999	3,245	12.31%	3,527	11.58%	4,187	11.56%
Income $50,000 - $74,999	3,021	11.46%	4,214	13.83%	5,014	13.85%
Income $75,000 - $99,999	1,580	5.99%	2,274	7.47%	2,759	7.62%
Income $100,000 - $124,999	796	3.02%	1,370	4.50%	1,679	4.64%
Income $125,000 - $149,999	388	1.47%	923	3.03%	1,139	3.15%
Income $150,000 - $199,999	420	1.59%	1,015	3.33%	1,236	3.41%
Income $200,000 or more	440	1.67%	932	3.06%	1,166	3.22%
Median Household Income	$24,375		$31,627		$32,349	
Householder Age 75 - 84	18,168		19,411		20,317	
Income less than $15,000	7,459	41.06%	7,213	37.16%	7,456	36.70%
Income $15,000 - $24,999	3,173	17.46%	4,244	21.86%	4,452	21.91%
Income $25,000 - $34,999	2,229	12.27%	1,973	10.16%	2,069	10.18%
Income $35,000 - $49,999	1,797	9.89%	2,041	10.51%	2,122	10.44%
Income $50,000 - $74,999	1,772	9.75%	1,672	8.61%	1,751	8.62%
Income $75,000 - $99,999	703	3.87%	930	4.79%	983	4.84%
Income $100,000 - $124,999	354	1.95%	514	2.65%	562	2.77%
Income $125,000 - $149,999	187	1.03%	346	1.78%	388	1.91%
Income $150,000 - $199,999	192	1.06%	283	1.46%	313	1.54%
Income $200,000 or more	300	1.65%	195	1.00%	221	1.09%
Median Household Income	$20,121		$20,872		$21,070	

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Senior Life 2013

Radius 1: 2221 LINCOLN PARK AVE, LOS ANGELES, CA 90031-2920, 0.00 - 5.00 Miles, Total

Household Income by Age of Householder	2000 Census	%	2013 Estimate	%	2018 Projection	%
Householder Age 85 and over	5,323		8,968		9,131	
Income less than $15,000	2,779	52.21%	3,995	44.55%	3,989	43.69%
Income $15,000 - $24,999	889	16.70%	2,085	23.25%	2,131	23.34%
Income $25,000 - $34,999	553	10.39%	948	10.57%	976	10.69%
Income $35,000 - $49,999	397	7.46%	653	7.28%	660	7.23%
Income $50,000 - $74,999	371	6.97%	558	6.22%	588	6.44%
Income $75,000 - $99,999	128	2.40%	263	2.93%	275	3.01%
Income $100,000 - $124,999	57	1.07%	225	2.51%	236	2.58%
Income $125,000 - $149,999	54	1.01%	82	0.91%	99	1.08%
Income $150,000 - $199,999	44	0.83%	84	0.94%	92	1.01%
Income $200,000 or more	52	0.98%	76	0.85%	83	0.91%
Median Household Income	$14,999		$17,343		$17,703	

Households by Household Income	2000 Census	%	2013 Estimate	%	2018 Projection	%
Total Household Income	274,555		299,242		311,090	
Income Less than $15,000	69,640	25.36%	59,560	19.90%	61,606	19.80%
Income $15,000 - $24,999	46,878	17.07%	43,424	14.51%	44,805	14.40%
Income $25,000 - $34,999	38,122	13.89%	34,965	11.68%	36,007	11.57%
Income $35,000 - $49,999	40,059	14.59%	42,752	14.29%	44,195	14.21%
Income $50,000 - $74,999	38,549	14.04%	46,919	15.68%	48,459	15.58%
Income $75,000 - $99,999	18,893	6.88%	26,859	8.98%	28,040	9.01%
Income $100,000 - $124,999	9,237	3.36%	16,350	5.46%	17,269	5.55%
Income $125,000 - $149,999	4,558	1.66%	9,767	3.26%	10,558	3.39%
Income $150,000 - $199,999	3,918	1.43%	10,490	3.51%	11,127	3.58%
Income $200,000 - $249,000	2,314	0.84%	3,010	1.01%	3,460	1.11%
Income $250,000 - $499,999	1,709	0.62%	3,976	1.33%	4,255	1.37%
Income $500,000 or more	677	0.25%	1,170	0.39%	1,308	0.42%
Average Household Income	$44,397		$58,108		$58,950	
Median Household Income	$30,446		$39,095		$39,455	

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Senior Life 2013

Radius 1: 2221 LINCOLN PARK AVE, LOS ANGELES, CA 90031-2920, 0.00 - 5.00 Miles, Total

All Owner-Occupied Housing Unit Values	2000 Census	%	2013 Estimate	%	2018 Projection	%
Total All Owner-Occupied Housing Unit Values	86,960		93,287		96,160	
Value Less than $20,000	1,322	1.52%	386	0.41%	453	0.47%
Value $20,000 - $39,999	1,242	1.43%	1,105	1.18%	1,284	1.34%
Value $40,000 - $59,999	683	0.79%	840	0.90%	851	0.88%
Value $60,000 - $79,999	1,425	1.64%	537	0.58%	626	0.65%
Value $80,000 - $99,999	3,070	3.53%	729	0.78%	844	0.88%
Value $100,000 - $149,999	17,708	20.36%	3,550	3.81%	4,625	4.81%
Value $150,000 - $199,999	25,375	29.18%	6,646	7.12%	8,452	8.79%
Value $200,000 - $299,999	22,281	25.62%	20,391	21.86%	23,564	24.50%
Value $300,000 - $399,999	6,995	8.04%	22,861	24.51%	22,136	23.02%
Value $400,000 - $499,999	3,125	3.59%	12,179	13.06%	11,384	11.84%
Value $500,000 - $749,999	2,567	2.95%	17,010	18.23%	15,242	15.85%
Value $750,000 - $999,999	648	0.75%	2,179	2.34%	1,714	1.78%
Value $1,000,000 or more	520	0.60%	4,873	5.22%	4,985	5.18%
Median All Owner-Occupied Housing Unit Value	$185,528		$354,498		$333,346	

Group Quarters by Population Type*	2000 Census	%	2013 Estimate	%	2018 Projection	%
Group Quarters Population			27,701		27,902	
Correctional Institutions			8,896	32.11%	9,007	32.28%
Juvenile Institutions			792	2.86%	791	2.83%
Nursing Homes			4,235	15.29%	4,199	15.05%
Other Institutions			71	0.26%	71	0.25%
College Dormitories			2,507	9.05%	2,530	9.07%
Military Quarters			0	0.00%	0	0.00%
Other Noninstitutional Quarters			11,200	40.43%	11,305	40.52%

Tenure of Occupied Housing Units	2000 Census	2013 Estimate	2018 Projection
Owner Occupied	86,960	93,287	96,160
Renter Occupied	187,549	205,955	214,929

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Senior Life 2013

Radius 1: 2221 LINCOLN PARK AVE, LOS ANGELES, CA 90031-2920, 0.00 - 5.00 Miles, Total

2000 Tenure By Age of Householder	Totals	
Total Households	274,555	
Owner Occupied	86,956	
Householder 55 to 64 Years	15,178	17.45%
Householder 65 to 74 Years	13,097	15.06%
Householder 75 to 84 Years	9,021	10.37%
Householder 85 and over	2,969	3.41%
Renter Occupied	187,549	
Householder 55 to 64 Years	16,917	9.02%
Householder 65 to 74 Years	12,639	6.74%
Householder 75 to 84 Years	8,436	4.50%
Householder 85 and over	2,771	1.48%

Some median values are assigned pre-determined amounts rather than calculated amounts. Med HH Inc by Age values more than $200,000 are displayed as $200,001. Med HH Inc values less than $15,000 are displayed as $14,999. Med HH Inc values more than $500,000 are displayed as $500,001. Med Housing Values more than $1,000,000 are displayed as $1,000,001.

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Senior Life 2013

Appendix: Area Listing

Area Name:

Type: Radius 1 Reporting Detail: Aggregate Reporting Level: Block Group

Radius Definition:

2221 LINCOLN PARK AVE
LOS ANGELES, CA 90031-2920

Latitude/Longitude 34.071226 -118.202668
Radius 0.00 - 5.00

Project Information:

Site: 1

Order Number: 972528873

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Senior Life 2013

County (see appendix for geographies), Total

Population	Totals
2018 Projection	10,271,386
2013 Estimate	9,969,384
2010 Census	9,818,605
2000 Census	9,519,329
Growth 2000 - 2010	3.14%

Population by Age	2000 Census	%	2013 Estimate	%	2018 Projection	%
Total Population	9,519,329		9,969,384		10,271,386	
Age 45 - 54	1,148,534	12.07%	1,387,884	13.92%	1,408,214	13.71%
Age 55 - 64	696,265	7.31%	1,102,169	11.06%	1,240,940	12.08%
Age 65 - 74	492,843	5.18%	643,901	6.46%	797,662	7.77%
Age 75 - 84	324,709	3.41%	347,988	3.49%	376,623	3.67%
Age 85 and over	109,160	1.15%	158,118	1.59%	163,100	1.59%
Age 65 and over	926,712	9.74%	1,150,007	11.54%	1,337,385	13.02%
Total Population, Male	4,704,065		4,914,979		5,065,496	
Age 45 - 54	556,284	11.83%	685,151	13.94%	697,839	13.78%
Age 55 - 64	329,821	7.01%	526,309	10.71%	597,173	11.79%
Age 65 - 74	218,611	4.65%	291,601	5.93%	362,358	7.15%
Age 75 - 84	130,516	2.77%	143,639	2.92%	154,681	3.05%
Age 85 and over	34,082	0.72%	54,212	1.10%	54,551	1.08%
Age 65 and over	383,209	8.15%	489,452	9.96%	571,590	11.28%
Total Population, Female	4,815,264		5,054,405		5,205,890	
Age 45 - 54	592,250	12.30%	702,733	13.90%	710,375	13.65%
Age 55 - 64	366,444	7.61%	575,860	11.39%	643,767	12.37%
Age 65 - 74	274,232	5.70%	352,300	6.97%	435,304	8.36%
Age 75 - 84	194,193	4.03%	204,349	4.04%	221,942	4.26%
Age 85 and over	75,078	1.56%	103,906	2.06%	108,549	2.09%
Age 65 and over	543,503	11.29%	660,555	13.07%	765,795	14.71%

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Senior Life 2013

County (see appendix for geographies), Total

Population by Single Race Classification	2000 Census	%	2013 Estimate	%	2018 Projection	%
White Alone	4,637,082		4,977,635		5,092,196	
Age 65 and over	623,039	13.44%	709,292	14.25%	805,138	15.81%
Black or African American Alone	930,929		839,806		817,153	
Age 65 and over	87,314	9.38%	106,528	12.68%	118,971	14.56%
American Indian and Alaska Native Alone	77,013		72,940		73,000	
Age 65 and over	3,936	5.11%	6,254	8.57%	7,763	10.63%
Asian Alone	1,137,504		1,404,597		1,503,611	
Age 65 and over	119,424	10.50%	198,523	14.13%	241,763	16.08%
Native Hawaiian and Other Pacific Islander Alone	27,042		26,134		26,087	
Age 65 and over	1,357	5.02%	2,268	8.68%	2,927	11.22%
Some Other Race Alone	2,239,972		2,207,688		2,316,604	
Age 65 and over	66,148	2.95%	98,120	4.44%	124,440	5.37%
Two or More Races	469,787		440,584		442,735	
Age 65 and over	25,494	5.43%	29,022	6.59%	36,383	8.22%

Population by Hispanic or Latino	2000 Census	%	2013 Estimate	%	2018 Projection	%
Hispanic or Latino	4,242,192		4,830,835		5,060,820	
Age 65 and over	187,401	4.42%	308,601	6.39%	382,479	7.56%
Not Hispanic or Latino	5,277,137		5,138,549		5,210,566	

Household Income by Age of Householder	2000 Census	%	2013 Estimate	%	2018 Projection	%
Householder Age 45 - 54	627,528		723,695		719,727	
Income less than $15,000	73,812	11.76%	70,409	9.73%	69,806	9.70%
Income $15,000 - $24,999	58,062	9.25%	61,329	8.47%	61,028	8.48%
Income $25,000 - $34,999	64,134	10.22%	61,280	8.47%	61,331	8.52%
Income $35,000 - $49,999	89,694	14.29%	88,298	12.20%	88,008	12.23%
Income $50,000 - $74,999	126,418	20.15%	131,475	18.17%	129,698	18.02%
Income $75,000 - $99,999	80,662	12.85%	97,688	13.50%	96,569	13.42%
Income $100,000 - $124,999	50,570	8.06%	70,017	9.67%	69,461	9.65%
Income $125,000 - $149,999	27,193	4.33%	41,370	5.72%	41,771	5.80%
Income $150,000 - $199,999	25,734	4.10%	48,933	6.76%	48,185	6.69%
Income $200,000 or more	31,249	4.98%	52,896	7.31%	53,870	7.48%
Median Household Income	$55,549		$65,313		$65,361	

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Senior Life 2013

County (see appendix for geographies), Total

Household Income by Age of Householder	2000 Census	%	2013 Estimate	%	2018 Projection	%
Householder Age 55 - 64	387,138		598,169		658,934	
Income less than $15,000	57,039	14.73%	65,025	10.87%	69,927	10.61%
Income $15,000 - $24,999	37,140	9.59%	52,169	8.72%	56,726	8.61%
Income $25,000 - $34,999	38,095	9.84%	51,442	8.60%	55,995	8.50%
Income $35,000 - $49,999	53,483	13.81%	77,182	12.90%	84,205	12.78%
Income $50,000 - $74,999	71,781	18.54%	102,480	17.13%	111,851	16.97%
Income $75,000 - $99,999	46,434	11.99%	74,680	12.48%	82,159	12.47%
Income $100,000 - $124,999	29,641	7.66%	52,938	8.85%	59,013	8.96%
Income $125,000 - $149,999	16,729	4.32%	34,994	5.85%	39,436	5.98%
Income $150,000 - $199,999	16,283	4.21%	42,139	7.04%	47,018	7.14%
Income $200,000 or more	20,513	5.30%	45,120	7.54%	52,604	7.98%
Median Household Income	$52,721		$62,994		$63,995	
Householder Age 65 - 74	287,059		362,598		439,569	
Income less than $15,000	65,917	22.96%	60,070	16.57%	69,539	15.82%
Income $15,000 - $24,999	43,109	15.02%	45,743	12.62%	54,546	12.41%
Income $25,000 - $34,999	33,999	11.84%	34,674	9.56%	41,408	9.42%
Income $35,000 - $49,999	40,907	14.25%	47,954	13.23%	57,453	13.07%
Income $50,000 - $74,999	42,812	14.91%	60,387	16.65%	73,432	16.71%
Income $75,000 - $99,999	24,140	8.41%	37,078	10.23%	46,067	10.48%
Income $100,000 - $124,999	13,142	4.58%	24,327	6.71%	30,538	6.95%
Income $125,000 - $149,999	7,118	2.48%	14,340	3.95%	18,310	4.17%
Income $150,000 - $199,999	6,500	2.26%	17,639	4.86%	21,926	4.99%
Income $200,000 or more	9,415	3.28%	20,386	5.62%	26,350	5.99%
Median Household Income	$35,185		$47,766		$49,175	
Householder Age 75 - 84	201,427		205,862		218,311	
Income less than $15,000	57,831	28.71%	49,758	24.17%	50,708	23.23%
Income $15,000 - $24,999	37,208	18.47%	40,250	19.55%	42,040	19.26%
Income $25,000 - $34,999	26,720	13.27%	24,005	11.66%	25,307	11.59%
Income $35,000 - $49,999	24,977	12.40%	27,244	13.23%	28,959	13.27%
Income $50,000 - $74,999	24,390	12.11%	24,617	11.96%	26,645	12.21%
Income $75,000 - $99,999	11,826	5.87%	15,339	7.45%	16,650	7.63%
Income $100,000 - $124,999	6,333	3.14%	9,109	4.42%	10,198	4.67%
Income $125,000 - $149,999	3,222	1.60%	5,297	2.57%	6,034	2.76%
Income $150,000 - $199,999	3,349	1.66%	5,287	2.57%	6,004	2.75%
Income $200,000 or more	5,571	2.77%	4,956	2.41%	5,766	2.64%
Median Household Income	$27,124		$30,383		$31,483	

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Senior Life 2013

County (see appendix for geographies), Total

Household Income by Age of Householder	2000 Census	%	2013 Estimate	%	2018 Projection	%
Householder Age 85 and over	54,918		95,743		97,090	
Income less than $15,000	21,269	38.73%	29,993	31.33%	29,333	30.21%
Income $15,000 - $24,999	10,390	18.92%	21,134	22.07%	21,186	21.82%
Income $25,000 - $34,999	6,571	11.97%	11,994	12.53%	12,091	12.45%
Income $35,000 - $49,999	5,527	10.06%	9,606	10.03%	10,010	10.31%
Income $50,000 - $74,999	5,134	9.35%	8,689	9.08%	9,031	9.30%
Income $75,000 - $99,999	2,172	3.95%	4,448	4.65%	4,654	4.79%
Income $100,000 - $124,999	1,077	1.96%	4,459	4.66%	4,674	4.81%
Income $125,000 - $149,999	962	1.75%	1,360	1.42%	1,626	1.67%
Income $150,000 - $199,999	782	1.42%	1,663	1.74%	1,849	1.90%
Income $200,000 or more	1,034	1.88%	2,397	2.50%	2,636	2.72%
Median Household Income	$20,958		$23,460		$24,068	

Households by Household Income	2000 Census	%	2013 Estimate	%	2018 Projection	%
Total Household Income	3,136,234		3,293,054		3,398,794	
Income Less than $15,000	533,779	17.02%	425,849	12.93%	430,766	12.67%
Income $15,000 - $24,999	398,285	12.70%	364,739	11.08%	372,021	10.95%
Income $25,000 - $34,999	381,079	12.15%	324,347	9.85%	331,290	9.75%
Income $35,000 - $49,999	472,274	15.06%	442,540	13.44%	453,773	13.35%
Income $50,000 - $74,999	558,586	17.81%	573,773	17.42%	588,269	17.31%
Income $75,000 - $99,999	318,501	10.16%	386,894	11.75%	400,274	11.78%
Income $100,000 - $124,999	181,725	5.79%	265,460	8.06%	277,209	8.16%
Income $125,000 - $149,999	95,251	3.04%	153,985	4.68%	164,816	4.85%
Income $150,000 - $199,999	87,859	2.80%	175,808	5.34%	184,684	5.43%
Income $200,000 - $249,000	45,272	1.44%	57,043	1.73%	64,970	1.91%
Income $250,000 - $499,999	40,258	1.28%	84,938	2.58%	89,355	2.63%
Income $500,000 or more	23,365	0.75%	37,678	1.14%	41,367	1.22%
Average Household Income	$61,346		$78,598		$79,993	
Median Household Income	$43,098		$53,880		$54,740	

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Senior Life 2013

County (see appendix for geographies), Total

All Owner-Occupied Housing Unit Values	2000 Census	%	2013 Estimate	%	2018 Projection	%
Total All Owner-Occupied Housing Unit Values	1,499,586		1,565,399		1,611,281	
Value Less than $20,000	21,879	1.46%	14,910	0.95%	16,926	1.05%
Value $20,000 - $39,999	24,608	1.64%	18,556	1.19%	20,271	1.26%
Value $40,000 - $59,999	15,245	1.02%	15,732	1.00%	17,160	1.06%
Value $60,000 - $79,999	25,900	1.73%	15,009	0.96%	17,489	1.09%
Value $80,000 - $99,999	50,617	3.38%	19,136	1.22%	21,255	1.32%
Value $100,000 - $149,999	246,254	16.42%	62,092	3.97%	77,020	4.78%
Value $150,000 - $199,999	359,487	23.97%	95,984	6.13%	125,500	7.79%
Value $200,000 - $299,999	352,128	23.48%	315,897	20.18%	359,521	22.31%
Value $300,000 - $399,999	158,882	10.60%	324,761	20.75%	316,747	19.66%
Value $400,000 - $499,999	83,800	5.59%	191,163	12.21%	181,937	11.29%
Value $500,000 - $749,999	88,560	5.91%	293,686	18.76%	263,785	16.37%
Value $750,000 - $999,999	35,165	2.34%	42,334	2.70%	32,951	2.05%
Value $1,000,000 or more	37,061	2.47%	156,139	9.97%	160,719	9.97%
Median All Owner-Occupied Housing Unit Value	$201,648		$369,400		$347,514	

Group Quarters by Population Type*	2000 Census	%	2013 Estimate	%	2018 Projection	%
Group Quarters Population			171,445		171,226	
Correctional Institutions			26,247	15.31%	26,387	15.41%
Juvenile Institutions			4,731	2.76%	4,712	2.75%
Nursing Homes			35,331	20.61%	34,996	20.44%
Other Institutions			2,198	1.28%	2,213	1.29%
College Dormitories			51,340	29.95%	51,161	29.88%
Military Quarters			22	0.01%	22	0.01%
Other Noninstitutional Quarters			51,576	30.08%	51,735	30.21%

Tenure of Occupied Housing Units	2000 Census	2013 Estimate	2018 Projection
Owner Occupied	1,499,586	1,565,399	1,611,281
Renter Occupied	1,634,034	1,727,655	1,787,513

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Senior Life 2013

County (see appendix for geographies), Total

2000 Tenure By Age of Householder	Totals	
Total Households	3,136,234	
Owner Occupied	1,499,763	
Householder 55 to 64 Years	254,568	16.97%
Householder 65 to 74 Years	192,145	12.81%
Householder 75 to 84 Years	136,012	9.07%
Householder 85 and over	35,997	2.40%
Renter Occupied	1,634,034	
Householder 55 to 64 Years	136,092	8.33%
Householder 65 to 74 Years	90,682	5.55%
Householder 75 to 84 Years	62,093	3.80%
Householder 85 and over	21,880	1.34%

Some median values are assigned pre-determined amounts rather than calculated amounts. Med HH Inc by Age values more than $200,000 are displayed as $200,001. Med HH Inc values less than $15,000 are displayed as $14,999. Med HH Inc values more than $500,000 are displayed as $500,001. Med Housing Values more than $1,000,000 are displayed as $1,000,001.

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Senior Life 2013

Appendix: Area Listing

Area Name:

Type: List - County Reporting Detail: Aggregate Reporting Level: County

Geography Code	Geography Name	Geography Code	Geography Name
06037	Los Angeles County, CA		

Project Information:

Site: 2

Order Number: 972016564

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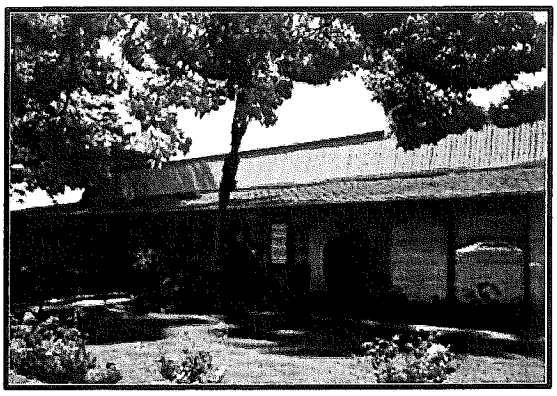
Exhibit

C

COMPARABLE IMPROVED SALE 1



General Data	
Facility	Marlinda Imperial Convalescent Hospital
Location	150 Bellefontaine St.
City	Pasadena
State	CA
Year Built	1968
Beds	130
Building Size SF	28,955
Land SF	49,373

Payor Mix and Occupancy	
Payor/PrivatePay	18.5%
Payor Medicaid	36.5%
Payor Medicare	45.0%
Total	100.0%
Overall Occupancy	95.0%

Sales Data	
Grantor	Marlinda Imperial LLC
Grantee	Premier B.H., Inc.
Recording	1864215
Date	December 5, 2012
Price	$14,900,000
Terms	See Narrative

Value Indicators	
Capitalization Rate	14.2%
EGIM	0.78
Price per SF	$514.59
Price per Bed	$114,615

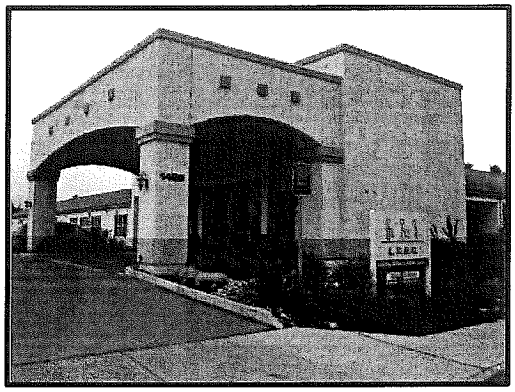
Operating Data	
Net Revenue PPD	$424.39
Net Revenue (EGI)	$19,130,535
Expenses	$17,014,311
Net Operating Income	$2,116,224
Operating Margin	11.1%
NOI per SF	$73.09
NOI per Bed	$16,279

Demographics (Five Mile Radius)	
Total Population	Increasing
Median HH Income	$57,591
Median Housing Value	$470,108

Additional Information

The above information is based on a copy of the unsigned sales agreement. The buyer specializes in turning around underperforming properties by converting them for subacute use. The property was generating a loss at the time of sale. The operating figures above are based on a review of the historical performance, the buyer's budget and market data. It includes Management's projected payor mix upon completion of the subacute unit licensure and shows an increase in short-term care and a decrease in the long-term census. The projection also includes a higher net revenue PPD and higher expenses, in line with other subacute projects. The pro forma includes a 5% management fee and $350 bed reserves. In addition, the sales price includes $1.6 million in proposed renovations to convert the property for subacute use. The sales data was confirmed with a representative of the buyer.

COMPARABLE IMPROVED SALE 2



Sales Data	
Grantor	Central Coast Convalescent Hospital
Grantee	LOM-CAL Facility, LLC
Recording	82168
Date	October 24, 2012
Price	$10,000,000
Terms	All cash to seller

Operating Data	
Net Revenue PPD	$268.09
Net Revenue (EGI)	$9,534,668
Expenses	$8,281,538
Net Operating Income	$1,253,130
Operating Margin	13.1%
NOI per SF	$28.10
NOI per Bed	$10,443

General Data	
Facility	Lompoc Skilled Nursing & Rehabilitation Center
Location	1428 W. North Ave.
City	Lompoc
State	CA
Year Built	2001
Beds	120
Building Size SF	44,593
Land SF	99,317

Payor Mix and Occupancy	
Payor/PrivatePay	8.4%
Payor Medicaid	84.7%
Payor Medicare	6.9%
Total	100.0%
Overall Occupancy	81.2%

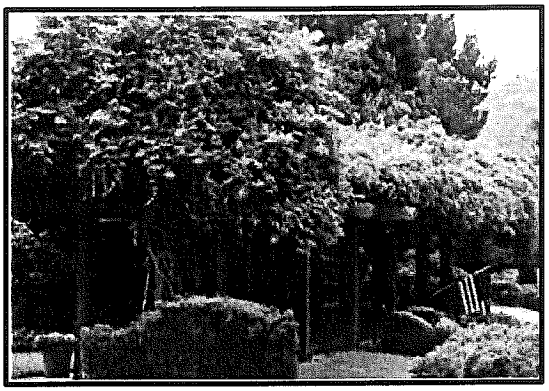
Value Indicators	
Capitalization Rate	12.5%
EGIM	1.05
Price per SF	$224.25
Price per Bed	$83,333

Demographics (Five Mile Radius)	
Total Population	Stable
Median HH Income	$50,977
Median Housing Value	$252,525

Additional Information

The facility is comprised of 62 patient rooms, which consist of four private and 58 semiprivate rooms (14 of which belong to a secure memory care wing). The property is located adjacent to a 128-bed assisted living facility and approximately 2.5 miles from the Lompoc Valley Medical Center, which is a 60-bed acute-care hospital. Overall, the facility was of good quality and condition. Following the acquisition, the facility was leased to Tom Olsen of Generations Healthcare. The operating data presented above is based on the annualized six months ending June 30, 2012. The expenses include a 5% management fee and reserves for replacement estimated at $350 per bed. The transaction was confirmed by Christopher Hydahl of Marcus and Millichap, who represented the seller in the transaction.

COMPARABLE IMPROVED SALE 3



Sales Data	
Grantor	Tujunga BCG-JG-JG LLC
Grantee	9166 Tujunga Canyon LLC
Recording	1137489
Date	July 25, 2012
Price	$2,200,000
Terms	All cash to seller

Operating Data	
Net Revenue PPD	$212.01
Net Revenue (EGI)	$3,507,432
Expenses	$3,244,031
Net Operating Income	$263,401
Operating Margin	7.5%
NOI per SF	$19.92
NOI per Bed	$5,376

General Data	
Facility	Oakview Convalescent Hospital
Location	9166 Tujunga Canyon Blvd.
City	Tujunga
State	CA
Year Built	1962
Beds	49
Building Size SF	13,222
Land SF	86,711

Payor Mix and Occupancy	
Payor/PrivatePay	17.3%
Payor Medicaid	72.5%
Payor Medicare	10.3%
Total	100.1%
Overall Occupancy	92.5%

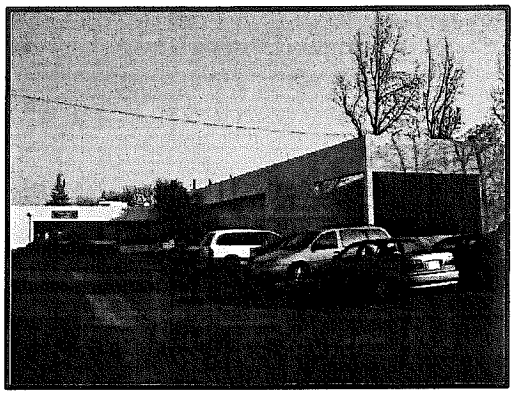
Value Indicators	
Capitalization Rate	12.0%
EGIM	0.63
Price per SF	$166.39
Price per Bed	$44,898

Demographics (Five Mile Radius)	
Total Population	Increasing
Median HH Income	$65,058
Median Housing Value	$475,761

Additional Information

The operating data above is from the annualized four months ending April 30, 2012, and includes reserves for replacement at $350 per bed. The buyer of the property operates other facilities in Los Angeles and plans to convert the property to a high-end facility. It was purchased for turnaround potential. The sale was confirmed with the seller's representative, Chris Hydahl of Marcus and Millichap at 310-909-5500.

COMPARABLE IMPROVED SALE 4



Sales Data	
Grantor	ALC, LLC
Grantee	Bullard Fresno Investments, LLC
Recording	163055
Date	November 22, 2011
Price	$6,200,000
Terms	All cash to seller

Operating Data	
Net Revenue PPD	$202.03
Net Revenue (EGI)	$7,001,192
Expenses	$6,196,055
Net Operating Income	$805,137
Operating Margin	11.5%
NOI per SF	$27.99
NOI per Bed	$8,133

General Data	
Facility	Elim Alzheimer's & Rehab
Location	668 E. Bullard Ave.
City	Fresno
State	CA
Year Built	1979
Beds	99
Building Size SF	28,769
Land SF	96,268

Payor/PrivatePay	
Payor/PrivatePay	11.5%
Payor Medicaid	81.7%
Payor Medicare	6.8%
Total	100.0%
Overall Occupancy	95.9%

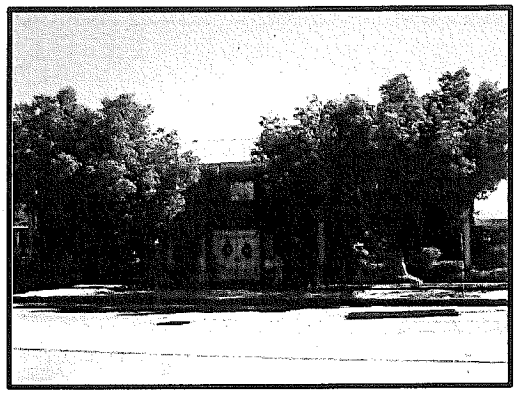
Capitalization Rate	
Capitalization Rate	13.0%
EGIM	0.89
Price per SF	$215.51
Price per Bed	$62,626

Demographics (Five Mile Radius)	
Total Population	Increasing
Median HH Income	$44,914
Median Housing Value	$199,846

Additional Information

According to the 2010 OSHPD data, the facility was operating at a loss. At the time of sale the subject specialized in memory care patients. However, the new operator will improve the financial performance by transitioning a portion of the facility to rehabilitative services targeting the general senior population. The expenses and NOI above are estimated based on the facility's potential. The subject was purchased by a group of investors, who concurrently leased the facility to Country Villa. The triple-net master lease rent is fixed for the first five years at $552,420, which equates to a capitalization rate of 8.91%. The rent is then increased to $671,220 in the sixth year and 3% each year thereafter. The initial lease term is for 20 years with a five-year renewal option and the right of first refusal. The terms of the sale were $4,200,000 down to a six-month $2,000,000 seller note. The seller note was created to accommodate the seller's 2031 exchange and, therefore, the terms of the transaction are cash equivalent. The above information was confirmed by JP LoMonaco, MAI, on January 10, 2012, via a confidential source from the buyer.

COMPARABLE IMPROVED SALE 5



Sales Data	
Grantor	Calfair Property, LLC
Grantee	GEM Land LLC
Recording	35100
Date	December 21, 2010
Price	$9,000,000
Terms	All cash to seller

Operating Data	
Net Revenue PPD	$314.02
Net Revenue (EGI)	$7,220,971
Expenses	$6,028,771
Net Operating Income	$1,192,200
Operating Margin	16.5%
NOI per SF	$66.24
NOI per Bed	$15,896

General Data	
Facility	GEM Transitional Care Center
Location	716 S. Fair Oaks Ave.
City	Pasadena
State	CA
Year Built	1964
Beds	75
Building Size SF	17,999
Land SF	48,300

Payor/PrivatePay	
Payor/PrivatePay	17.5%
Payor Medicaid	49.0%
Payor Medicare	33.5%
Total	100.0%
Overall Occupancy	84.0%

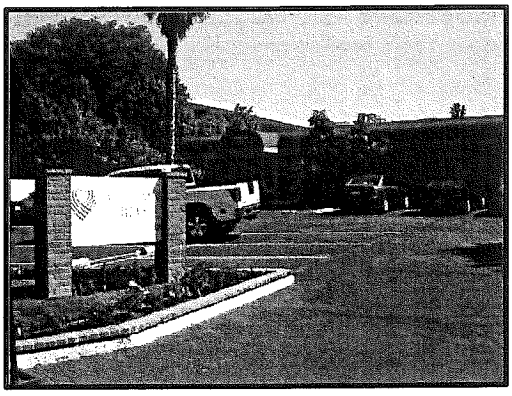
Capitalization Rate	
Capitalization Rate	13.2%
EGIM	1.25
Price per SF	$500.03
Price per Bed	$120,000

Demographics (Five Mile Radius)	
Total Population	Increasing
Median HH Income	$61,450
Median Housing Value	$556,584

Additional Information

GEM Transitional Care Center was built in 1964 with an addition in 1967 and is licensed for 75 beds. The payor mix for the facility is projected to be 49.0% Medicaid, 33.5% Medicare and 17.5% Private/Other. The financial information is based on a prospective estimate of revenues and expenses, including a 5% management fee and capital reserves at $350 per bed, and includes interim 2010 to 2011 Medi-Cal rates and the current associated provider tax. The facility is located across the street from Huntington Memorial Hospital. This facility has two floors, with patient rooms located on the ground floor only and the second floor consisting of administrative offices. The facility has one private bed, 32 semiprivate beds and 42 beds in three-bed ward rooms. The sales data was verified with the buyer.

COMPARABLE IMPROVED SALE 6



General Data	
Facility	Autumn Hills and Verdugo Vista Healthcare Center
Location	430 N. Glendale Ave. and 3050 Montrose Ave.
City	Glendale and La Crescenta
State	CA
Year Built	1962 and 1967
Beds	191
Building Size SF	47,875
Land SF	86,266

Payor/PrivatePay	
Payor/PrivatePay	15.6%
Payor Medicaid	61.8%
Payor Medicare	22.6%
Total	100.0%
Overall Occupancy	94.9%

Sales Data	
Grantor	Gromly Family Partnership
Grantee	Mariner
Recording	NA
Date	November 5, 2010
Price	$24,000,000
Terms	All cash to seller

Capitalization Rate	
Capitalization Rate	14.7%
EGIM	1.39
Price per SF	$501.31
Price per Bed	$125,654

Operating Data	
Net Revenue PPD	$261.62
Net Revenue (EGI)	$17,314,522
Expenses	$13,781,178
Net Operating Income	$3,533,344
Operating Margin	20.4%
NOI per SF	$73.80
NOI per Bed	$18,499

Demographics (Five Mile Radius)	
Total Population	Increasing
Median HH Income	$84,684
Median Housing Value	$556,729

Additional Information

The facilities are leased to Sava Senior Services. The annual rental amount is $1,955,461 and expires in December 2013. The information above was obtained from the Marcus & Millichap marketing package, 2009 OSHPD cost reports and confirmation from the buyer. Based on the rent payment alone, the capitalization rate is 8.1%. Based on the net operating income of the facilities, less management fee and reserves, the capitalization rate is 14.6%. The payor mix is 13.7% Private, 22.7% Medicare, 61.8% Medi-Cal and 1.9% Other.

Exhibit

D

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
Revenue										
3100.00 SNF_PRIVATE	343,840	349,265	(5,425)	0.00	0.00	4,082,280	4,051,840	30,440	0.00	0.00
3100.05 SNF_MEDI-CAL	892,945	877,361	15,584	0.00	0.00	10,259,556	10,043,705	215,851	0.00	0.00
3100.07 SNF_OTHER	1,575	0	1,575	0.00	0.00	9,100	14,900	(5,800)	0.00	0.00
Total SKILLED NURSING CARE	1,238,360	1,226,626	11,734	0.00	0.00	14,350,936	14,110,445	240,491	0.00	0.00
3101.00 BED HOLD_SNF PRIVATE	3,060	170	2,890	0.00	0.00	30,000	13,890	16,110	0.00	0.00
3101.05 BED HOLD SNF_MEDI-CAL	3,230	2,720	510	0.00	0.00	44,200	47,210	(3,010)	0.00	0.00
Total BED HOLD SNF	6,290	2,890	3,400	0.00	0.00	74,200	61,100	13,100	0.00	0.00
3110.04 CDP_MEDICARE A	204,100	228,800	(24,700)	0.00	0.00	2,658,251	2,753,042	(94,792)	0.00	0.00
3110.05 CDP_MEDI-CAL	0	0	0	0.00	0.00	5,525	10,275	(4,750)	0.00	0.00
3110.07 CDP_OTHER	0	0	0	0.00	0.00	0	11,175	(11,175)	0.00	0.00
Total CERTIFIED DISTINCT PART	204,100	228,800	(24,700)	0.00	0.00	2,663,776	2,774,492	(110,717)	0.00	0.00
3111.00 BED HOLD CDP_PRIVATE	0	0	0	0.00	0.00	4,800	0	4,800	0.00	0.00
3111.05 BED HOLD CDP_MEDI-CAL	300	2,400	(2,100)	0.00	0.00	33,300	23,800	9,500	0.00	0.00
Total BED HOLD CDP	300	2,400	(2,100)	0.00	0.00	38,100	23,800	14,300	0.00	0.00
3900.00 SCU_PRIVATE	78,780	143,275	(64,495)	0.00	0.00	641,210	635,205	6,005	0.00	0.00
3900.05 SCU_MEDI-CAL	129,285	69,275	60,010	0.00	0.00	1,894,960	1,840,700	54,260	0.00	0.00
Total SPECIAL CARE UNIT	208,065	212,550	(4,485)	0.00	0.00	2,536,170	2,475,905	60,265	0.00	0.00
3901.00 BED HOLD SCU_PRIVATE	570	0	570	0.00	0.00	3,990	760	3,230	0.00	0.00
3901.05 BED HOLD SCU_MEDI-CAL	2,090	190	1,900	0.00	0.00	15,580	10,950	4,630	0.00	0.00
Total BED HOLD SCU	2,660	190	2,470	0.00	0.00	19,570	11,710	7,860	0.00	0.00
4100.00 PAT SUPPLY_PRIVATE	5	2	3	0.00	0.00	206	27	179	0.00	0.00
4100.04 PAT SUPPLY_MEDICARE A	2,520	1,066	1,454	0.00	0.00	14,690	13,349	1,340	0.00	0.00
4100.05 PAT SUPPLY_MEDI-CAL	0	0	0	0.00	0.00	40	0	40	0.00	0.00
4100.07 PAT SUPPLY_OTHER	0	0	0	0.00	0.00	16	117	(102)	0.00	0.00
Total PATIENT SUPPLIES	2,525	1,068	1,457	0.00	0.00	14,952	13,494	1,458	0.00	0.00
4140.00 EQT RENT_PRIVATE	0	0	0	0.00	0.00	0	(310)	310	0.00	0.00
4140.04 EQT RENT_MEDICARE A	0	474	(474)	0.00	0.00	2,845	2,526	319	0.00	0.00
Total EQUIPMENT RENTAL	0	474	(474)	0.00	0.00	2,845	2,216	629	0.00	0.00

Income Statement with Prior Year
KEIRO NURSING HOME
October 31, 2010

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
4200.00 PT_PRIVATE	0	140	(140)	0.00	0.00	7,875	3,745	4,130	0.00	0.00
4200.04 PT_MEDICARE A	60,655	67,917	(7,262)	0.00	0.00	792,693	834,689	(41,996)	0.00	0.00
4200.05 PT_MEDI-CAL	170	(1,056)	1,226	0.00	0.00	5,021	6,265	(1,244)	0.00	0.00
4200.07 PT_OTHER	788	496	293	0.00	0.00	6,971	11,938	(4,966)	0.00	0.00
4200.24 PT_MEDICARE B	4,041	6,072	(2,030)	0.00	0.00	49,651	50,643	(992)	0.00	0.00
4200.27 PT_OTHER-B	645	1,565	(920)	0.00	0.00	645	8,755	(8,110)	0.00	0.00
Total PHYSICAL THERAPY	66,299	75,133	(8,834)	0.00	0.00	862,856	916,035	(53,179)	0.00	0.00
4300.00 PHARMACY_PRIVATE	16,967	15,022	1,945	0.00	0.00	184,933	177,683	7,250	0.00	0.00
4300.04 PHARMACY_MEDICARE A	13,076	15,894	(2,818)	0.00	0.00	168,800	198,164	(29,364)	0.00	0.00
4300.05 PHARMACY_MEDI-CAL	6,398	5,882	516	0.00	0.00	70,817	89,789	(18,972)	0.00	0.00
4300.07 PHARMACY_OTHER	0	2,729	(2,729)	0.00	0.00	1,294	16,440	(15,146)	0.00	0.00
4300.24 PHARMACY_MEDICARE B	(71)	53,390	(53,461)	0.00	0.00	7,272	233,963	(226,691)	0.00	0.00
Total PHARMACY	36,369	92,916	(56,547)	0.00	0.00	433,116	716,038	(282,922)	0.00	0.00
4400.00 LAB_PRIVATE	0	0	0	0.00	0.00	220	0	220	0.00	0.00
4400.04 LAB_MEDICARE A	3,415	4,517	(1,101)	0.00	0.00	65,640	66,464	(824)	0.00	0.00
4400.07 LAB_OTHER	0	0	0	0.00	0.00	0	309	(309)	0.00	0.00
Total LABORATORY	3,415	4,517	(1,101)	0.00	0.00	65,860	66,773	(913)	0.00	0.00
4720.00 PERS LAUND_RESIDENT P	1,044	1,071	(27)	0.00	0.00	11,637	12,780	(1,143)	0.00	0.00
4720.05 PERS LAUND_MEDI-CAL	0	0	0	0.00	0.00	108	18	90	0.00	0.00
Total RESIDENT PERSONAL LAUND	1,044	1,071	(27)	0.00	0.00	11,745	12,798	(1,053)	0.00	0.00
4911.00 RADIOLOGY_PRIVATE	593	210	383	0.00	0.00	5,145	3,313	1,832	0.00	0.00
4911.04 RADIOLOGY_MEDICARE A	1,649	5,907	(4,258)	0.00	0.00	38,345	50,580	(12,235)	0.00	0.00
4911.05 RADIOLOGY_MEDI-CAL	0	0	0	0.00	0.00	180	128	53	0.00	0.00
4911.07 RADIOLOGY_OTHER	0	0	0	0.00	0.00	868	0	868	0.00	0.00
Total RADIOLOGY	2,241	6,117	(3,876)	0.00	0.00	44,538	54,020	(9,482)	0.00	0.00
4921.00 OT_PRIVATE	0	0	0	0.00	0.00	2,040	560	1,480	0.00	0.00
4921.04 OT_MEDICARE A	57,640	63,401	(5,761)	0.00	0.00	688,877	735,956	(47,078)	0.00	0.00
4921.05 OT_MEDI-CAL	130	467	(337)	0.00	0.00	5,726	5,558	168	0.00	0.00
4921.07 OT_OTHER	0	234	(234)	0.00	0.00	5,403	11,282	(5,879)	0.00	0.00

4921.24 OT_MEDICARE B	791	1,205	(414)	0.00	0.00	22,827	44,841	(22,014)	0.00	0.00
4921.27 OT_OTHER-B	0	321	(321)	0.00	0.00	0	3,552	(3,552)	0.00	0.00
Total OCCUPATIONAL THERAPY	58,562	65,629	(7,067)	0.00	0.00	724,874	801,748	(76,874)	0.00	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
4931.00 IH_PRIVATE	627	796	(169)	0.00	0.00	6,386	7,173	(788)	0.00	0.00
4931.05 IH_MEDI-CAL	0	0	0	0.00	0.00	1,596	181	1,415	0.00	0.00
Total INHALATION THERAPY	627	796	(169)	0.00	0.00	7,982	7,354	628	0.00	0.00
4951.04 ST_MEDICARE A	17,460	21,465	(4,005)	0.00	0.00	196,427	218,745	(22,318)	0.00	0.00
4951.05 ST_MEDI-CAL	554	554	0	0.00	0.00	0	1,002	(1,002)	0.00	0.00
4951.07 ST_OTHER	0	0	0	0.00	0.00	0	2,884	(2,884)	0.00	0.00
4951.24 ST_MEDICARE B	4	3,782	(3,778)	0.00	0.00	13,637	39,769	(26,133)	0.00	0.00
4951.27 ST_OTHER-B	(554)	370	(924)	0.00	0.00	0	3,827	(3,827)	0.00	0.00
Total SPEECH THERAPY	17,464	26,170	(8,706)	0.00	0.00	210,063	266,228	(56,164)	0.00	0.00
4990.00 IV_PRIVATE	1,358	0	1,358	0.00	0.00	7,056	1,392	5,664	0.00	0.00
4990.04 IV_MEDICARE A	2,615	1,556	1,059	0.00	0.00	77,416	54,858	22,558	0.00	0.00
4990.05 IV_MEDI-CAL	0	0	0	0.00	0.00	0	435	(435)	0.00	0.00
4990.07 IV_OTHER	0	0	0	0.00	0.00	2,144	680	1,464	0.00	0.00
Total IV THERAPY	3,972	1,556	2,416	0.00	0.00	86,617	57,366	29,251	0.00	0.00
4991.00 B & B_BARBER & BEAUTI	1,480	1,693	(213)	0.00	0.00	21,754	21,245	509	0.00	0.00
4991.07 B & B_OTHER	0	0	0	0.00	0.00	0	(8)	8	0.00	0.00
Total BARBER & BEAUTICIAN	1,480	1,693	(213)	0.00	0.00	21,754	21,237	517	0.00	0.00
4999.00 PERS ITEM_PERSONAL IT	9,190	4,796	4,394	0.00	0.00	70,833	58,206	12,627	0.00	0.00
4999.05 PERS ITEM_MEDI-CAL	0	0	0	0.00	0.00	426	140	286	0.00	0.00
Total PERSONAL ITEMS	9,190	4,796	4,394	0.00	0.00	71,260	58,346	12,913	0.00	0.00
5010.00 C/A SNF_PRIVATE	0	0	0	0.00	0.00	0	1,130	(1,130)	0.00	0.00
5010.04 C/A SNF_MEDICARE A	(143)	(112)	(31)	0.00	0.00	163	1,968	(1,805)	0.00	0.00
5010.05 C/A SNF_MEDI-CAL	130,421	(90,805)	221,226	0.00	0.00	(667,557)	(885,843)	218,286	0.00	0.00
5010.07 C/A SNF_OTHER	650	506	144	0.00	0.00	2,887	4,081	(1,193)	0.00	0.00
Total CONTRACTUAL ALLOWANCE S	130,928	(90,411)	221,339	0.00	0.00	(664,507)	(878,665)	214,158	0.00	0.00

5011.04 C/A CDP_MEDICARE A	179,885	141,695	38,190	0.00	0.00	1,616,361	1,771,317	(154,956)	0.00	0.00
5011.05 C/A CDP_MEDI-CAL	(146)	(1,200)	1,054	0.00	0.00	(17,965)	(11,485)	(6,480)	0.00	0.00
Total CONTRACTUAL ALLOWANCE C	179,739	140,495	39,245	0.00	0.00	1,598,396	1,759,832	(161,436)	0.00	0.00
5090.05 C/A SCU_MEDI-CAL	(23,940)	(14,272)	(9,667)	0.00	0.00	(339,977)	(368,430)	28,453	0.00	0.00
Total CONTRACTUAL ALLOWANCE S	(23,940)	(14,272)	(9,667)	0.00	0.00	(339,977)	(368,430)	28,453	0.00	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
5100.04 C/A SNF AN_MEDICARE A	0	0	0	0.00	0.00	0	(636,066)	636,066	0.00	0.00
5100.05 C/A SNF AN_MEDI-CAL	(81)	1,803	(1,885)	0.00	0.00	(10,396)	(12,732)	2,336	0.00	0.00
5100.07 C/A SNF AN_OTHER	850	1,250	(400)	0.00	0.00	(3,148)	(12,237)	9,089	0.00	0.00
5100.24 C/A SNF AN_MEDICARE B	(1)	(74)	73	0.00	0.00	(475)	566	(1,041)	0.00	0.00
Total CONTRACTUAL ALLOWANCE A	768	2,979	(2,211)	0.00	0.00	(14,019)	(660,469)	646,449	0.00	0.00
5110.04 C/A CDP AN_MEDICARE A	(159,029)	(162,043)	3,014	0.00	0.00	(1,978,939)	(1,439,411)	(539,528)	0.00	0.00
5110.07 C/A CDP AN_OTHER	(180)	(2,122)	1,942	0.00	0.00	(178)	(4,047)	3,868	0.00	0.00
Total CONTRACTUAL ALLOWANCE A	(159,209)	(164,164)	4,955	0.00	0.00	(1,979,117)	(1,443,457)	(535,660)	0.00	0.00
5710.00 VENDING MACHINE COMMI	274	257	18	0.00	0.00	2,634	3,235	(601)	0.00	0.00
Total VENDING MACHINE COMMISS	274	257	18	0.00	0.00	2,634	3,235	(601)	0.00	0.00
5741.00 DONATED CASH-PET THER	0	0	0	0.00	0.00	675	500	175	0.00	0.00
Total DONATED CASH-PET THERAP	0	0	0	0.00	0.00	675	500	175	0.00	0.00
5770.00 MEALS-GUEST & EMPLOYE	600	696	(96)	0.00	0.00	10,036	10,358	(321)	0.00	0.00
Total MEALS-GUEST & EMPLOYEES	600	696	(96)	0.00	0.00	10,036	10,358	(321)	0.00	0.00
5990.00 OTHER REVENUE	21,284	25,184	(3,900)	0.00	0.00	66,977	79,934	(12,957)	0.00	0.00
5990.10 OTHER REVENUE-REBATES	0	0	0	0.00	0.00	5,703	0	5,703	0.00	0.00
Total OTHER EVENUE	21,284	25,184	(3,900)	0.00	0.00	72,679	79,934	(7,254)	0.00	0.00
5991.30 BAZAAR/COME & SEE	0	0	0	0.00	0.00	51	0	51	0.00	0.00
Total OTHER REVENUE	0	0	0	0.00	0.00	51	0	51	0.00	0.00
9101.00 UNREALIZED_GAIN/LOSS-	17,147	(30,439)	47,585	0.00	0.00	288,818	261,782	27,036	0.00	0.00
Total UNREALIZED GAIN/LOSS AS	17,147	(30,439)	47,585	0.00	0.00	288,818	261,782	27,036	0.00	0.00

9103.00 DONATIONS-_UNRESTRICT	(3,117)	(2,968)	(149)	0.00	0.00	277,811	178,602	99,208	0.00	0.00
9103.01 DONATIONS-_SUPPORT GR	0	15,225	(15,225)	0.00	0.00	0	79,459	(79,459)	0.00	0.00
Total DONATIONS-UNRESTRICTED	(3,117)	12,257	(15,374)	0.00	0.00	277,811	258,061	19,749	0.00	0.00
9104.01 EXTRAORDINARY GAIN/LO	0	(1,072)	1,072	0.00	0.00	0	(1,072)	1,072	0.00	0.00
Total GAINS/LOSS	0	(1,072)	1,072	0.00	0.00	0	(1,072)	1,072	0.00	0.00
9106.00 INTEREST I_SAVINGS/IN	4,380	5,383	(1,003)	0.00	0.00	130,512	147,711	(17,199)	0.00	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
9106.01 INTEREST I_SUPPORT GR	0	22	(22)	0.00	0.00	3	444	(441)	0.00	0.00
Total INTEREST INCOME	4,380	5,405	(1,025)	0.00	0.00	130,515	148,154	(17,639)	0.00	0.00
9107.00 INTEREST I_TRUST FUND	17,829	17,829	0	0.00	0.00	35,663	35,766	(103)	0.00	0.00
Total INTEREST INCOME	17,829	17,829	0	0.00	0.00	35,663	35,766	(103)	0.00	0.00
9108.51 SUPPORT GROUP EXPENSE	0	(539)	539	0.00	0.00	0	(3,620)	3,620	0.00	0.00
Total OTHER	0	(539)	539	0.00	0.00	0	(3,620)	3,620	0.00	0.00
Net Revenue	2,049,648	1,859,595	190,053	0.00	0.00	21,660,873	21,653,013	7,859	0.00	0.00
Expenses										
6110.01 SNF_WAGES-SUPERVISOR	30,059	31,031	972	0.00	0.00	333,222	317,315	(15,907)	0.00	0.00
6110.12 SNF_WAGES-RN	40,014	22,650	(17,364)	0.00	0.00	343,863	320,529	(23,335)	0.00	0.00
6110.13 SNF_WAGES-LVN	93,434	100,245	6,812	0.00	0.00	1,183,250	1,146,156	(37,094)	0.00	0.00
6110.14 SNF_WAGES-AIDES & ORD	174,111	174,583	471	0.00	0.00	2,072,442	2,056,372	(16,071)	0.00	0.00
6110.15 SNF_TECHNICIAN & SPEC	37,469	34,725	(2,744)	0.00	0.00	437,681	449,495	11,814	0.00	0.00
6110.19 SNF_WAGES-OTHER	12,619	12,357	(262)	0.00	0.00	146,157	123,170	(22,987)	0.00	0.00
6110.20 SNF_PAYROLL TAXES	29,067	29,264	196	0.00	0.00	364,495	356,044	(8,451)	0.00	0.00
6110.23 SNF_DENTAL REIMBURSEM	10,775	10,657	(118)	0.00	0.00	81,158	73,035	(8,123)	0.00	0.00
6110.24 SNF_PTO/HOL-OTHER	529	4,985	4,456	0.00	0.00	15,372	19,515	4,143	0.00	0.00
6110.25 SNF_GROUP LIFE & HEAL	36,170	52,675	16,505	0.00	0.00	550,711	522,289	(28,422)	0.00	0.00
6110.26 SNF_PENSION PLAN	3,126	28,937	25,811	0.00	0.00	35,179	38,200	3,021	0.00	0.00

6110.27 SNF_WORKERS COMPENSAT	(124,382)	20,876	145,258	0.00	0.00	293,392	262,949	(30,443)	0.00	0.00
6110.28 SNF_EMPLOYEE PHYSICAL	490	630	140	0.00	0.00	4,985	5,495	510	0.00	0.00
6110.29 SNF_UNEMPLOYMENT INSU	4,619	416	(4,203)	0.00	0.00	14,397	1,042	(13,355)	0.00	0.00
6110.30 SNF_RN PAID TIME OFF/	1,668	7,158	5,490	0.00	0.00	39,219	38,911	(308)	0.00	0.00
6110.31 SNF_LVN PAID TIME OFF	5,694	12,083	6,389	0.00	0.00	113,421	102,577	(10,844)	0.00	0.00
6110.32 SNF_AIDES/ORDERLIES P	11,208	32,116	20,908	0.00	0.00	205,740	210,547	4,806	0.00	0.00
6110.33 SNF_TECHNICIAN PAID T	2,730	11,351	8,621	0.00	0.00	49,908	52,114	2,206	0.00	0.00
6110.34 SNF_SUPERVISOR PAID T	1,222	(13,474)	(14,696)	0.00	0.00	31,941	26,406	(5,535)	0.00	0.00
6110.51 SNF_OXYGEN & OTHER GA	240	120	(120)	0.00	0.00	3,595	2,060	(1,535)	0.00	0.00
6110.53 SNF_PHARMACEUTICAL	5,667	4,728	(939)	0.00	0.00	60,412	54,862	(5,551)	0.00	0.00
6110.54 SNF_MEDICAL MATERIAL	511	4,531	4,021	0.00	0.00	62,666	69,556	6,891	0.00	0.00
6110.58 SNF_SUPPLY OTHER	210	1,283	1,073	0.00	0.00	4,121	4,751	630	0.00	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
6110.60 SNF_MINOR MEDICAL EQU	0	0	0	0.00	0.00	0	4,093	4,093	0.00	0.00
6110.61 SNF_MINOR EQUIPMENT	6,003	1,556	(4,447)	0.00	0.00	57,299	41,130	(16,169)	0.00	0.00
6110.62 SNF_EQUIPMENT RENTAL	92	119	27	0.00	0.00	1,208	1,179	(29)	0.00	0.00
6110.63 SNF_POSTAGE	0	6	6	0.00	0.00	31	1,035	1,004	0.00	0.00
6110.65 SNF_PRINTING & FORMS	480	0	(480)	0.00	0.00	2,012	1,601	(411)	0.00	0.00
6110.69 SNF_NON-MEDICAL SUPPL	29,904	25,237	(4,668)	0.00	0.00	345,908	344,947	(961)	0.00	0.00
6110.75 SNF_CONTRACT LABOR RN	0	(602)	(602)	0.00	0.00	1,660	5,835	4,175	0.00	0.00
6110.76 SNF_CONTRACT LABOR LV	(693)	8,441	9,134	0.00	0.00	28,709	60,028	31,319	0.00	0.00
6110.77 SNF_CONTRACT LABOR AI	(2,589)	3,197	5,786	0.00	0.00	54,500	61,900	7,401	0.00	0.00
6110.79 SNF_PURCHASED SERVICE	38	82	44	0.00	0.00	1,430	1,328	(102)	0.00	0.00
6110.81 SNF_TRAVEL & ENTERTAI	0	0	0	0.00	0.00	0	6	6	0.00	0.00
6110.86 SNF_TELEPHONE	59	3	(56)	0.00	0.00	405	378	(27)	0.00	0.00
6110.88 SNF_SEMINARS	0	0	0	0.00	0.00	4,859	785	(4,074)	0.00	0.00
6110.94 SNF_EMPLOYEE RECRUITM	720	630	(90)	0.00	0.00	3,240	5,641	2,401	0.00	0.00
6110.98 SNF_OTHER EXPENSE	0	8	8	0.00	0.00	59	15	(44)	0.00	0.00
Total SKILLED NURSING FACILIT	411,267	622,602	211,335	0.00	0.00	6,948,648	6,783,291	(165,357)	0.00	0.00
6112.01 CDP_WAGES-SUPERVISOR	6,464	7,162	698	0.00	0.00	73,005	7,162	(65,843)	0.00	0.00
6112.12 CDP_WAGES-RN	9,299	14,593	5,295	0.00	0.00	139,204	149,911	10,706	0.00	0.00
6112.13 CDP_WAGES-LVN	17,202	19,581	2,379	0.00	0.00	228,901	223,161	(5,740)	0.00	0.00
6112.14 CDP_WAGES-AIDES & ORD	23,033	19,555	(3,478)	0.00	0.00	272,475	265,924	(6,551)	0.00	0.00
6112.15 CDP_TECHNICIAN & SPEC	0	0	0	0.00	0.00	2,577	375	(2,201)	0.00	0.00

6112.20 CDP_PAYROLL TAXES	4,218	4,507	289	0.00	0.00	55,675	48,886	(6,789)	0.00	0.00
6112.23 CDP_DENTAL REIMBURSEM	1,500	0	(1,500)	0.00	0.00	3,000	0	(3,000)	0.00	0.00
6112.24 CDP_PAID TIME OFF/HOL	0	0	0	0.00	0.00	0	86	86	0.00	0.00
6112.25 CDP_GROUP LIFE & HEAL	7,714	6,583	(1,131)	0.00	0.00	81,494	80,275	(1,219)	0.00	0.00
6112.26 CDP_PENSION PLAN	224	3,050	2,826	0.00	0.00	2,535	3,223	688	0.00	0.00
6112.27 CDP_WORKERS COMPENSAT	(8,868)	166	9,034	0.00	0.00	11,956	1,993	(9,963)	0.00	0.00
6112.28 CDP_EMPLOYEE PHYSICAL	0	0	0	0.00	0.00	35	35	0	0.00	0.00
6112.30 CDP_RN PAID TIME OFF/	0	(667)	(667)	0.00	0.00	2,244	1,940	(304)	0.00	0.00
6112.31 CDP_LVN PAID TIME OFF	0	(944)	(944)	0.00	0.00	2,501	2,451	(50)	0.00	0.00
6112.32 CDP_AIDES/ORDERLIES P	0	(2,933)	(2,933)	0.00	0.00	5,197	4,231	(966)	0.00	0.00
6112.34 CDP_SUPERVISOR PAID T	636	8,145	7,509	0.00	0.00	12,763	8,145	(4,618)	0.00	0.00
6112.61 CDP_MINOR EQUIPMENT	0	186	186	0.00	0.00	0	186	186	0.00	0.00
6112.75 CDP_CONTRACT LABOR RN	0	602	602	0.00	0.00	0	441	441	0.00	0.00
6112.76 CDP_CONTRACT LABOR LV	0	0	0	0.00	0.00	550	246	(303)	0.00	0.00
6112.88 CDP_SEMINARS	0	0	0	0.00	0.00	1,893	0	(1,893)	0.00	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
Total CERTIFIED DISTINCT	61,422	79,588	18,165	0.00	0.00	896,005	798,672	(97,333)	0.00	0.00
6190.13 SCU_WAGES-LVN	8,497	7,402	(1,095)	0.00	0.00	95,681	82,930	(12,751)	0.00	0.00
6190.14 SCU_WAGES-AIDES & ORD	28,340	27,512	(828)	0.00	0.00	346,185	351,516	5,332	0.00	0.00
6190.20 SCU_PAYROLL TAXES	2,705	2,720	15	0.00	0.00	35,320	35,130	(190)	0.00	0.00
6190.23 SCU_DENTAL REIMBURSEM	0	0	0	0.00	0.00	9,450	12,286	2,836	0.00	0.00
6190.25 SCU_GROUP LIFE & HEAL	9,611	7,827	(1,784)	0.00	0.00	89,037	87,643	(1,394)	0.00	0.00
6190.26 SCU_PENSION PLAN	308	1,848	1,540	0.00	0.00	3,388	1,522	(1,866)	0.00	0.00
6190.27 SCU_WORKERS COMPENSAT	(11,840)	975	12,815	0.00	0.00	2,275	121,310	119,036	0.00	0.00
6190.28 SCU_EMPLOYEE PHYSICAL	0	0	0	0.00	0.00	525	525	0	0.00	0.00
6190.31 SCU_LVN PAID TIME OFF	395	166	(229)	0.00	0.00	9,934	8,779	(1,155)	0.00	0.00
6190.32 SCU_AIDES/ORDERLIES P	1,515	1,937	422	0.00	0.00	35,753	37,109	1,356	0.00	0.00
6190.76 SCU_CONTRACT LABOR LV	0	303	303	0.00	0.00	1,398	1,382	(16)	0.00	0.00
6190.77 SCU_CONTRACT LABOR AI	0	175	175	0.00	0.00	0	2,629	2,629	0.00	0.00
6190.88 SCU_SEMINARS	0	0	0	0.00	0.00	417	0	(417)	0.00	0.00
Total SPECIAL CARE UNIT	39,532	50,866	11,334	0.00	0.00	629,362	742,761	113,400	0.00	0.00
6201.01 BLDG&PLANT_WAGES-SUPE	5,151	5,143	(8)	0.00	0.00	57,627	43,125	(14,501)	0.00	0.00
6201.19 BLDG&PLANT_WAGES-OTHE	11,182	10,459	(723)	0.00	0.00	122,171	97,458	(24,713)	0.00	0.00

6201.20 BLDG&PLANT_PAYROLL TA	1,224	1,179	(45)	0.00	0.00	14,038	11,569	(2,468)	0.00	0.00
6201.23 BLDG&PLANT_DENTAL REI	2,118	0	(2,118)	0.00	0.00	2,118	1,500	(618)	0.00	0.00
6201.24 BLDG&PLANT_PAID TIME	552	61	(490)	0.00	0.00	11,535	8,851	(2,684)	0.00	0.00
6201.25 BLDG&PLANT_GROUP LIFE	2,074	2,368	294	0.00	0.00	29,602	27,036	(2,566)	0.00	0.00
6201.26 BLDG&PLANT_PENSION PL	153	325	172	0.00	0.00	455	763	308	0.00	0.00
6201.27 BLDG&PLANT_WORKERS CO	7,763	320	(7,443)	0.00	0.00	15,836	3,442	(12,394)	0.00	0.00
6201.28 BLDG&PLANT_EMPLOYEE P	0	0	0	0.00	0.00	105	210	105	0.00	0.00
6201.29 BLDG&PLANT_UNEMPLOYME	0	6,298	6,298	0.00	0.00	0	11,431	11,431	0.00	0.00
6201.34 BLDG&PLANT_SUPERVISOR	225	(4,563)	(4,789)	0.00	0.00	5,940	4,314	(1,627)	0.00	0.00
6201.58 BLDG&PLANT_SUPPLY OTH	2,496	6,869	4,373	0.00	0.00	39,651	34,120	(5,531)	0.00	0.00
6201.61 BLDG&PLANT_MINOR EQUI	768	485	(283)	0.00	0.00	13,130	16,398	3,267	0.00	0.00
6201.62 BLDG&PLANT_EQUIPMENT	0	0	0	0.00	0.00	0	35	35	0.00	0.00
6201.63 BLDG&PLANT_POSTAGE	0	0	0	0.00	0.00	45	5	(40)	0.00	0.00
6201.65 BLDG&PLANT_PRINTING &	0	0	0	0.00	0.00	126	7	(119)	0.00	0.00
6201.79 BLDG&PLANT_PURCHASED	6,295	8,982	2,687	0.00	0.00	123,853	158,516	34,664	0.00	0.00
6201.81 BLDG&PLANT_TRAVEL & E	0	0	0	0.00	0.00	208	147	(61)	0.00	0.00
6201.86 BLDG&PLANT_TELEPHONE	435	9	(426)	0.00	0.00	2,293	910	(1,383)	0.00	0.00
6201.87 BLDG&PLANT_DUES & SUB	0	0	0	0.00	0.00	926	2,470	1,543	0.00	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
6201.88 BLDG&PLANT_SEMINARS	0	0	0	0.00	0.00	1,662	720	(942)	0.00	0.00
6201.94 BLDG&PLANT_EMPLOYEE R	0	90	90	0.00	0.00	90	360	270	0.00	0.00
6201.98 BLDG&PLANT_OTHER EXPE	1	0	(1)	0.00	0.00	307	584	277	0.00	0.00
Total BUILDING & PLANT	40,438	38,025	(2,413)	0.00	0.00	441,718	423,972	(17,746)	0.00	0.00
6202.58 SECURITY_SUPPLY OTHER	0	0	0	0.00	0.00	5	0	(5)	0.00	0.00
6202.79 SECURITY_PURCHASED SE	11,155	12,142	987	0.00	0.00	146,213	148,159	1,946	0.00	0.00
6202.98 SECURITY_OTHER EXPENS	0	10	10	0.00	0.00	0	10	10	0.00	0.00
Total SECURITY	11,155	12,152	996	0.00	0.00	146,218	148,168	1,951	0.00	0.00
6204.19 GROUNDS_WAGES-OTHER	3,517	3,343	(174)	0.00	0.00	38,756	36,283	(2,473)	0.00	0.00
6204.20 GROUNDS_PAYROLL TAXES	270	256	(14)	0.00	0.00	3,237	2,982	(255)	0.00	0.00
6204.24 GROUNDS_PAID TIME OFF	252	384	132	0.00	0.00	4,497	4,342	(155)	0.00	0.00
6204.25 GROUNDS_GROUP LIFE &	496	596	100	0.00	0.00	6,509	5,547	(961)	0.00	0.00
6204.26 GROUNDS_PENSION PLAN	0	0	0	0.00	0.00	0	45	45	0.00	0.00
6204.27 GROUNDS_WORKERS COMPE	(1,284)	45	1,329	0.00	0.00	1,196	586	(610)	0.00	0.00

6204.28 GROUNDS_EMPLOYEE PHYS	0	0	0	0.00	0.00	70	35	(35)	0.00	0.00
6204.58 GROUNDS_SUPPLY OTHER	51	0	(51)	0.00	0.00	611	2,377	1,766	0.00	0.00
6204.61 GROUNDS_MINOR EQUIPME	0	0	0	0.00	0.00	703	1,159	455	0.00	0.00
6204.62 GROUNDS_EQUIPMENT REN	0	0	0	0.00	0.00	1,178	0	(1,178)	0.00	0.00
6204.79 GROUNDS_PURCHASED SER	0	1,076	1,076	0.00	0.00	0	14,999	14,999	0.00	0.00
6204.94 GROUNDS_EMPLOYEE RECR	0	0	0	0.00	0.00	0	90	90	0.00	0.00
6204.98 GROUNDS_OTHER EXPENSE	0	0	0	0.00	0.00	261	22	(239)	0.00	0.00
Total GROUNDS MAINTENANCE	3,301	5,700	2,398	0.00	0.00	57,018	68,468	11,449	0.00	0.00
6205.82 UTILITIES_ELECTRICITY	17,256	15,718	(1,538)	0.00	0.00	190,264	189,789	(474)	0.00	0.00
6205.83 UTILITIES_GAS	3,460	1,999	(1,461)	0.00	0.00	46,278	34,558	(11,720)	0.00	0.00
6205.84 UTILITIES_WATER	9,156	112	(9,044)	0.00	0.00	77,129	54,027	(23,102)	0.00	0.00
6205.85 UTILITIES_TRASH & GAR	3,422	3,840	418	0.00	0.00	38,648	46,906	8,258	0.00	0.00
Total UTILITIES	33,294	21,669	(11,625)	0.00	0.00	352,319	325,280	(27,039)	0.00	0.00
6207.58 EQUIPMENT_SUPPLY OTHE	1,054	(6)	(1,061)	0.00	0.00	5,103	3,771	(1,332)	0.00	0.00
6207.61 EQUIPMENT_MINOR EQUIP	0	176	176	0.00	0.00	871	4,335	3,463	0.00	0.00
6207.79 EQUIPMENT_PURCHASED S	2,566	0	(2,566)	0.00	0.00	18,355	28,752	10,397	0.00	0.00
Total EQUIPMENT	3,621	170	(3,451)	0.00	0.00	24,330	36,857	12,528	0.00	0.00
6300.19 HSKP_WAGES-OTHER	36,069	38,213	2,144	0.00	0.00	425,760	423,617	(2,143)	0.00	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
6300.20 HSKP_PAYROLL TAXES	2,774	2,780	7	0.00	0.00	34,585	34,269	(317)	0.00	0.00
6300.23 HSKP_DENTAL REIMBURSE	580	0	(580)	0.00	0.00	6,040	4,740	(1,300)	0.00	0.00
6300.24 HSKP_PAID TIME OFF/HO	2,500	9,162	6,662	0.00	0.00	43,121	50,283	7,162	0.00	0.00
6300.25 HSKP_GROUP LIFE & HEA	7,570	8,487	917	0.00	0.00	88,415	83,030	(5,385)	0.00	0.00
6300.26 HSKP_PENSION PLAN	131	1,080	949	0.00	0.00	1,251	1,289	39	0.00	0.00
6300.27 HSKP_WORKERS COMPENSA	(12,327)	1,727	14,055	0.00	0.00	20,097	20,312	215	0.00	0.00
6300.28 HSKP_EMPLOYEE PHYSICA	105	140	35	0.00	0.00	840	665	(175)	0.00	0.00
6300.57 HSKP_CLEANING SUPPLIE	(1,043)	5,787	6,830	0.00	0.00	43,242	60,991	17,748	0.00	0.00
6300.58 HSKP_SUPPLY OTHER	4,063	5,183	1,121	0.00	0.00	69,944	66,250	(3,694)	0.00	0.00
6300.61 HSKP_MINOR EQUIPMENT	388	0	(388)	0.00	0.00	1,551	2,695	1,143	0.00	0.00
6300.94 HSKP_EMPLOYEE RECRUIT	0	0	0	0.00	0.00	180	720	540	0.00	0.00
6300.98 HSKP_OTHER EXPENSE	193	1,838	1,644	0.00	0.00	1,561	2,683	1,122	0.00	0.00
Total HOUSEKEEPING	41,002	74,397	33,395	0.00	0.00	736,586	751,543	14,956	0.00	0.00

6400.19 LAUNDRY_WAGES-OTHER	9,072	5,394	(3,678)	0.00	0.00	90,927	59,497	(31,429)	0.00	0.00
6400.20 LAUNDRY_PAYROLL TAXES	670	435	(235)	0.00	0.00	7,511	4,819	(2,693)	0.00	0.00
6400.24 LAUNDRY_PAID TIME OFF	477	1,601	1,124	0.00	0.00	11,418	6,822	(4,596)	0.00	0.00
6400.25 LAUNDRY_GROUP LIFE &	1,363	962	(401)	0.00	0.00	13,913	10,688	(3,225)	0.00	0.00
6400.27 LAUNDRY_WORKERS COMPE	(3,246)	125	3,371	0.00	0.00	10,440	9,386	(1,054)	0.00	0.00
6400.28 LAUNDRY_EMPLOYEE PHYS	35	35	0	0.00	0.00	70	112	42	0.00	0.00
6400.56 LAUNDRY_LINEN & BEDDI	0	0	0	0.00	0.00	3,708	0	(3,708)	0.00	0.00
6400.58 LAUNDRY_SUPPLY OTHER	1,775	1,016	(759)	0.00	0.00	15,423	15,169	(254)	0.00	0.00
6400.59 LAUNDRY_EMPLOYEE WEAR	0	0	0	0.00	0.00	408	0	(408)	0.00	0.00
6400.61 LAUNDRY_MINOR EQUIPME	66	0	(66)	0.00	0.00	1,623	1,890	267	0.00	0.00
6400.79 LAUNDRY_PURCHASED SER	1,786	16,067	14,281	0.00	0.00	80,469	207,032	126,563	0.00	0.00
6400.94 LAUNDRY_EMPLOYEE RECR	0	0	0	0.00	0.00	270	0	(270)	0.00	0.00
6400.98 LAUNDRY_OTHER EXPENSE	0	0	0	0.00	0.00	469	0	(469)	0.00	0.00
Total LAUNDRY	11,997	25,636	13,639	0.00	0.00	236,650	315,417	78,767	0.00	0.00
6500.15 DIETARY_DIETICIAN	4,623	4,496	(127)	0.00	0.00	47,871	50,266	2,395	0.00	0.00
6500.19 DIETARY_WAGES-OTHER	48,767	46,478	(2,289)	0.00	0.00	553,017	548,891	(4,126)	0.00	0.00
6500.20 DIETARY_PAYROLL TAXES	3,989	3,865	(125)	0.00	0.00	48,190	47,854	(337)	0.00	0.00
6500.23 DIETARY_DENTAL REIMBU	1,021	1,500	479	0.00	0.00	5,887	6,695	808	0.00	0.00
6500.24 DIETARY_PAID TIME OFF	1,041	7,303	6,262	0.00	0.00	47,973	49,976	2,002	0.00	0.00
6500.25 DIETARY_GROUP LIFE &	8,421	7,134	(1,288)	0.00	0.00	95,901	82,804	(13,097)	0.00	0.00
6500.26 DIETARY_PENSION PLAN	194	1,804	1,610	0.00	0.00	2,131	1,804	(327)	0.00	0.00
6500.27 DIETARY_WORKERS COMPE	(19,090)	5,657	24,748	0.00	0.00	18,929	92,811	73,882	0.00	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
6500.28 DIETARY_EMPLOYEE PHYS	105	105	0	0.00	0.00	910	945	35	0.00	0.00
6500.29 DIETARY_UNEMPLOYMENT	1,997	(138)	(2,135)	0.00	0.00	5,791	1,526	(4,265)	0.00	0.00
6500.33 DIETARY_DIETICIAN PAI	211	249	38	0.00	0.00	4,957	4,526	(430)	0.00	0.00
6500.54 DIETARY_SUPPLEMENTS-O	914	1,833	919	0.00	0.00	11,092	16,856	5,765	0.00	0.00
6500.55 DIETARY_FOOD	43,843	51,406	7,564	0.00	0.00	596,613	584,601	(12,012)	0.00	0.00
6500.57 DIETARY_CLEANING SUPP	853	453	(400)	0.00	0.00	14,838	15,680	842	0.00	0.00
6500.58 DIETARY_SUPPLY OTHER	3,698	6,685	2,987	0.00	0.00	53,154	53,875	721	0.00	0.00
6500.59 DIETARY_EMPLOYEE WEAR	263	71	(192)	0.00	0.00	932	1,055	123	0.00	0.00
6500.61 DIETARY_MINOR EQUIPME	7,432	262	(7,170)	0.00	0.00	30,522	9,629	(20,892)	0.00	0.00
6500.62 DIETARY_EQUIPMENT REN	582	291	(291)	0.00	0.00	3,781	3,753	(28)	0.00	0.00

6500.63 DIETARY_POSTAGE	8	0	(8)	0.00	0.00	263	125	(138)	0.00	0.00
6500.65 DIETARY_PRINTING & FO	0	0	0	0.00	0.00	102	75	(26)	0.00	0.00
6500.73 DIETARY_MANAGEMENT SE	9,297	8,574	(723)	0.00	0.00	117,511	113,162	(4,349)	0.00	0.00
6500.78 DIETARY_CONTRACT LABO	50,440	19,900	(30,540)	0.00	0.00	283,274	278,513	(4,761)	0.00	0.00
6500.79 DIETARY_PURCHASED SER	768	554	(214)	0.00	0.00	12,324	18,497	6,173	0.00	0.00
6500.81 DIETARY_TRAVEL & ENTE	23	271	248	0.00	0.00	833	746	(87)	0.00	0.00
6500.86 DIETARY_TELEPHONE	177	44	(133)	0.00	0.00	617	550	(67)	0.00	0.00
6500.87 DIETARY_DUES & SUBSCR	486	0	(486)	0.00	0.00	834	669	(165)	0.00	0.00
6500.88 DIETARY_SEMINARS	0	120	120	0.00	0.00	1,262	1,660	398	0.00	0.00
6500.94 DIETARY_EMPLOYEE RECR	270	180	(90)	0.00	0.00	720	1,928	1,208	0.00	0.00
6500.98 DIETARY_OTHER EXPENSE	1,211	1,984	772	0.00	0.00	17,551	15,952	(1,599)	0.00	0.00
Total DIETARY	171,543	171,080	(463)	0.00	0.00	1,977,777	2,005,423	27,646	0.00	0.00
6600.01 SOCIAL SVC_WAGES-SUPE	2,336	3,368	1,032	0.00	0.00	29,182	28,545	(636)	0.00	0.00
6600.19 SOCIAL SVC_WAGES-OTHE	7,889	8,745	856	0.00	0.00	95,341	90,575	(4,766)	0.00	0.00
6600.20 SOCIAL SVC_PAYROLL TA	681	840	159	0.00	0.00	9,382	9,111	(271)	0.00	0.00
6600.23 SOCIAL SVC_DENTAL REI	2,346	0	(2,346)	0.00	0.00	5,434	3,120	(2,314)	0.00	0.00
6600.24 SOCIAL SVC_PAID TIME	(744)	148	892	0.00	0.00	8,431	8,249	(182)	0.00	0.00
6600.25 SOCIAL SVC_GROUP LIFE	1,396	1,692	297	0.00	0.00	19,263	18,342	(922)	0.00	0.00
6600.26 SOCIAL SVC_PENSION PL	174	2,673	2,499	0.00	0.00	2,881	3,215	335	0.00	0.00
6600.27 SOCIAL SVC_WORKERS CO	1,457	117	(1,340)	0.00	0.00	3,077	(64)	(3,141)	0.00	0.00
6600.28 SOCIAL SVC_EMPLOYEE P	0	35	35	0.00	0.00	105	140	35	0.00	0.00
6600.34 SOCIAL SVC_SUPERVISOR	10	(1,747)	(1,757)	0.00	0.00	3,517	4,180	663	0.00	0.00
6600.46 SOCIAL SVC_CONSULTANT	223	0	(223)	0.00	0.00	1,263	0	(1,263)	0.00	0.00
6600.49 SOCIAL SVC_PROFESSION	0	0	0	0.00	0.00	0	975	975	0.00	0.00
6600.58 SOCIAL SVC_SUPPLY OTH	481	184	(297)	0.00	0.00	2,045	2,015	(30)	0.00	0.00
6600.61 SOCIAL SVC_MINOR EQUI	0	0	0	0.00	0.00	470	0	(470)	0.00	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
6600.63 SOCIAL SVC_POSTAGE	87	204	117	0.00	0.00	1,464	1,712	248	0.00	0.00
6600.65 SOCIAL SVC_PRINTING &	0	0	0	0.00	0.00	122	625	503	0.00	0.00
6600.81 SOCIAL SVC_TRAVEL & E	0	17	17	0.00	0.00	128	90	(38)	0.00	0.00
6600.87 SOCIAL SVC_DUES & SUB	0	0	0	0.00	0.00	86	0	(86)	0.00	0.00
6600.88 SOCIAL SVC_SEMINARS	0	0	0	0.00	0.00	794	0	(794)	0.00	0.00
6600.94 SOCIAL SVC_EMPLOYEE R	573	0	(573)	0.00	0.00	3,100	0	(3,100)	0.00	0.00
6600.98 SOCIAL SVC_OTHER EXPE	0	0	0	0.00	0.00	10	3	(7)	0.00	0.00

Total SOCIAL SERVICES	16,908	16,275	(633)	0.00	0.00	186,094	170,834	(15,261)	0.00	0.00
6700.01 ACTIVITIES_WAGES-SUPE	3,504	3,122	(382)	0.00	0.00	38,064	36,635	(1,429)	0.00	0.00
6700.19 ACTIVITIES_WAGES-OTHE	16,118	18,044	1,926	0.00	0.00	198,277	198,665	388	0.00	0.00
6700.20 ACTIVITIES_PAYROLL TA	1,465	1,606	141	0.00	0.00	18,644	18,738	94	0.00	0.00
6700.23 ACTIVITIES_DENTAL REI	442	1,315	873	0.00	0.00	9,385	6,345	(3,040)	0.00	0.00
6700.24 ACTIVITIES_PAID TIME	794	979	185	0.00	0.00	18,266	18,302	35	0.00	0.00
6700.25 ACTIVITIES_GROUP LIFE	2,703	4,719	2,016	0.00	0.00	53,038	50,064	(2,973)	0.00	0.00
6700.26 ACTIVITIES_PENSION PL	431	4,408	3,977	0.00	0.00	4,931	5,146	215	0.00	0.00
6700.27 ACTIVITIES_WORKERS CO	(7,088)	470	7,558	0.00	0.00	6,921	6,334	(587)	0.00	0.00
6700.28 ACTIVITIES_EMPLOYEE P	35	70	35	0.00	0.00	280	385	105	0.00	0.00
6700.34 ACTIVITIES_SUPERVISOR	182	572	390	0.00	0.00	5,029	5,302	273	0.00	0.00
6700.45 ACTIVITIES_THERAPIST	0	0	0	0.00	0.00	720	0	(720)	0.00	0.00
6700.49 ACTIVITIES_PROFESSION	0	0	0	0.00	0.00	0	720	720	0.00	0.00
6700.58 ACTIVITIES_SUPPLY OTH	436	488	52	0.00	0.00	5,538	5,991	453	0.00	0.00
6700.61 ACTIVITIES_MINOR EQUI	219	0	(219)	0.00	0.00	1,150	940	(210)	0.00	0.00
6700.63 ACTIVITIES_POSTAGE	36	24	(12)	0.00	0.00	281	191	(90)	0.00	0.00
6700.65 ACTIVITIES_PRINTING &	30	29	(2)	0.00	0.00	537	475	(63)	0.00	0.00
6700.79 ACTIVITIES_PURCHASED	0	0	0	0.00	0.00	300	0	(300)	0.00	0.00
6700.87 ACTIVITIES_DUES & SUB	70	54	(16)	0.00	0.00	938	671	(267)	0.00	0.00
6700.88 ACTIVITIES_SEMINARS	0	0	0	0.00	0.00	318	450	132	0.00	0.00
6700.93 ACTIVITIES_RESIDENT O	9	9	(1)	0.00	0.00	355	313	(42)	0.00	0.00
6700.94 ACTIVITIES_EMPLOYEE R	0	90	90	0.00	0.00	442	180	(262)	0.00	0.00
6700.97 ACTIVITIES_VOLUNTEER	151	147	(4)	0.00	0.00	5,026	5,602	576	0.00	0.00
6700.98 ACTIVITIES_OTHER EXPE	412	624	212	0.00	0.00	6,258	4,763	(1,495)	0.00	0.00
Total ACTIVITIES	19,950	36,770	16,820	0.00	0.00	374,698	366,211	(8,487)	0.00	0.00
6800.12 EDUCATION_WAGES-RN	6,184	6,005	(179)	0.00	0.00	69,890	69,344	(547)	0.00	0.00
6800.13 EDUCATION_WAGES-LVN	4,754	4,786	32	0.00	0.00	50,997	50,387	(610)	0.00	0.00
6800.20 EDUCATION_PAYROLL TAX	810	784	(26)	0.00	0.00	9,747	9,639	(109)	0.00	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
6800.23 EDUCATION_DENTAL REIM	0	0	0	0.00	0.00	700	1,448	748	0.00	0.00
6800.25 EDUCATION_GROUP LIFE	960	1,118	158	0.00	0.00	12,836	12,792	(44)	0.00	0.00
6800.26 EDUCATION_PENSION PLA	297	2,951	2,655	0.00	0.00	3,404	3,483	79	0.00	0.00
6800.27 EDUCATION_WORKERS COM	(3,865)	256	4,121	0.00	0.00	2,340	3,262	922	0.00	0.00

6800.28 EDUCATION_EMPLOYEE PH	70	70	0	0.00	0.00	70	70	0	0.00	0.00
6800.30 EDUCATION_RN PAID TIM	254	(960)	(1,214)	0.00	0.00	5,981	5,520	(462)	0.00	0.00
6800.31 EDUCATION_LVN PAID TI	283	707	425	0.00	0.00	5,626	5,615	(11)	0.00	0.00
6800.58 EDUCATION_SUPPLY OTHE	46	0	(46)	0.00	0.00	547	537	(10)	0.00	0.00
6800.61 EDUCATION_MINOR EQUIP	0	0	0	0.00	0.00	143	0	(143)	0.00	0.00
6800.65 EDUCATION_PRINTING &	0	0	0	0.00	0.00	8	9	1	0.00	0.00
6800.88 EDUCATION_SEMINARS	0	59	59	0.00	0.00	447	59	(388)	0.00	0.00
Total EDUCATION	9,791	15,776	5,985	0.00	0.00	162,736	162,163	(573)	0.00	0.00
6901.01 ADM OFFICE_WAGES-SUPE	18,691	18,332	(358)	0.00	0.00	197,722	192,533	(5,188)	0.00	0.00
6901.20 ADM OFFICE_PAYROLL TA	575	581	6	0.00	0.00	13,532	13,409	(123)	0.00	0.00
6901.23 ADM OFFICE_DENTAL REI	0	0	0	0.00	0.00	335	870	535	0.00	0.00
6901.25 ADM OFFICE_GROUP LIFE	1,068	1,299	231	0.00	0.00	12,483	12,992	508	0.00	0.00
6901.26 ADM OFFICE_PENSION PL	553	5,711	5,157	0.00	0.00	6,424	5,871	(553)	0.00	0.00
6901.27 ADM OFFICE_WORKERS CO	2,471	50	(2,421)	0.00	0.00	3,891	873	(3,018)	0.00	0.00
6901.28 ADM OFFICE_EMPLOYEE P	0	0	0	0.00	0.00	35	35	0	0.00	0.00
6901.34 ADM OFFICE_SUPERVISOR	1,013	1,302	289	0.00	0.00	22,346	26,504	4,158	0.00	0.00
6901.41 ADM OFFICE_MEDICAL DI	1,100	1,100	0	0.00	0.00	13,200	13,200	0	0.00	0.00
6901.42 ADM OFFICE_UTILIZATIO	95	238	143	0.00	0.00	1,042	1,269	227	0.00	0.00
6901.58 ADM OFFICE_SUPPLY OTH	0	145	145	0.00	0.00	846	1,118	271	0.00	0.00
6901.61 ADM OFFICE_MINOR EQUI	0	0	0	0.00	0.00	66	0	(66)	0.00	0.00
6901.63 ADM OFFICE_POSTAGE	0	41	41	0.00	0.00	291	72	(219)	0.00	0.00
6901.65 ADM OFFICE_PRINTING &	0	0	0	0.00	0.00	223	279	56	0.00	0.00
6901.79 ADM OFFICE_PURCHASED	19	17	(2)	0.00	0.00	210	275	65	0.00	0.00
6901.80 ADM OFFICE_PUBLIC REL	0	0	0	0.00	0.00	26	0	(26)	0.00	0.00
6901.81 ADM OFFICE_TRAVEL & E	12	0	(12)	0.00	0.00	637	2,919	2,283	0.00	0.00
6901.87 ADM OFFICE_DUES & SUB	0	190	190	0.00	0.00	433	483	50	0.00	0.00
6901.88 ADM OFFICE_SEMINARS	0	0	0	0.00	0.00	4,410	1,531	(2,879)	0.00	0.00
6901.89 ADM OFFICE_TAXES, LIC	0	0	0	0.00	0.00	50	0	(50)	0.00	0.00
6901.95 ADM OFFICE_AUTO ALLOW	153	153	0	0.00	0.00	1,805	1,736	(69)	0.00	0.00
6901.98 ADM OFFICE_OTHER EXPE	33	57	24	0.00	0.00	1,302	1,394	92	0.00	0.00
Total ADMINISTRATION OFFICE	25,783	29,217	3,434	0.00	0.00	281,307	277,363	(3,944)	0.00	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
6906.79 PURCHASING_PURCHASED	0	(100)	(100)	0.00	0.00	0	0	0	0.00	0.00

Total PURCHASING	0	(100)	(100)	0.00	0.00	0	0	0	0.00	0.00
6907.01 BUSINESS_WAGES-SUPERV	5,697	5,226	(472)	0.00	0.00	62,312	63,953	1,641	0.00	0.00
6907.19 BUSINESS_WAGES-OTHER	16,452	16,324	(128)	0.00	0.00	182,589	179,796	(2,793)	0.00	0.00
6907.20 BUSINESS_PAYROLL TAXE	1,746	1,697	(49)	0.00	0.00	20,580	19,741	(839)	0.00	0.00
6907.23 BUSINESS_DENTAL REIMB	1,500	210	(1,290)	0.00	0.00	8,359	8,821	462	0.00	0.00
6907.24 BUSINESS_PAID TIME OF	1,012	5,268	4,256	0.00	0.00	23,440	20,982	(2,458)	0.00	0.00
6907.25 BUSINESS_GROUP LIFE &	2,119	2,541	421	0.00	0.00	27,815	29,663	1,848	0.00	0.00
6907.26 BUSINESS_PENSION PLAN	396	5,499	5,103	0.00	0.00	5,662	6,797	1,135	0.00	0.00
6907.27 BUSINESS_WORKERS COMP	(941)	162	1,103	0.00	0.00	(189)	2,163	2,352	0.00	0.00
6907.28 BUSINESS_EMPLOYEE PHY	0	0	0	0.00	0.00	175	210	35	0.00	0.00
6907.34 BUSINESS_SUPERVISOR P	395	3,307	2,912	0.00	0.00	7,899	8,684	785	0.00	0.00
6907.58 BUSINESS_SUPPLY OTHER	0	0	0	0.00	0.00	118	1,364	1,246	0.00	0.00
6907.61 BUSINESS_MINOR EQUIPM	0	0	0	0.00	0.00	38	11	(27)	0.00	0.00
6907.62 BUSINESS_EQUIPMENT RE	90	0	(90)	0.00	0.00	1,170	990	(180)	0.00	0.00
6907.63 BUSINESS_POSTAGE	244	304	60	0.00	0.00	3,514	3,517	3	0.00	0.00
6907.65 BUSINESS_PRINTING & F	0	135	135	0.00	0.00	1,645	1,544	(100)	0.00	0.00
6907.79 BUSINESS_PURCHASED SE	0	0	0	0.00	0.00	938	75	(863)	0.00	0.00
6907.81 BUSINESS_TRAVEL & ENT	11	0	(11)	0.00	0.00	188	129	(59)	0.00	0.00
6907.87 BUSINESS_DUES & SUBSC	0	130	130	0.00	0.00	0	130	130	0.00	0.00
6907.88 BUSINESS_SEMINARS	0	0	0	0.00	0.00	58	265	207	0.00	0.00
6907.98 BUSINESS_OTHER EXPENS	0	48	48	0.00	0.00	37	305	268	0.00	0.00
Total BUSINESS OFFICE	28,721	40,850	12,129	0.00	0.00	346,346	349,139	2,793	0.00	0.00
6908.01 MED REC_WAGES-SUPERVI	2,949	3,145	195	0.00	0.00	32,870	33,738	868	0.00	0.00
6908.19 MED REC_WAGES-OTHER	6,788	8,474	1,686	0.00	0.00	89,056	87,543	(1,514)	0.00	0.00
6908.20 MED REC_PAYROLL TAXES	745	878	134	0.00	0.00	10,093	9,723	(370)	0.00	0.00
6908.23 MED REC_DENTAL REIMBU	976	0	(976)	0.00	0.00	6,124	4,680	(1,444)	0.00	0.00
6908.24 MED REC_PAID TIME OFF	410	1,055	645	0.00	0.00	10,598	8,614	(1,984)	0.00	0.00
6908.25 MED REC_GROUP LIFE &	2,208	7,050	4,842	0.00	0.00	18,833	25,821	6,988	0.00	0.00
6908.26 MED REC_PENSION PLAN	218	2,146	1,929	0.00	0.00	2,485	2,539	55	0.00	0.00
6908.27 MED REC_WORKERS COMPE	(465)	72	537	0.00	0.00	(26)	972	998	0.00	0.00
6908.28 MED REC_EMPLOYEE PHYS	0	0	0	0.00	0.00	175	175	0	0.00	0.00
6908.34 MED REC_SUPERVISOR PA	231	1,020	789	0.00	0.00	3,910	3,937	26	0.00	0.00
6908.43 MED REC_CONSULTANT	1,782	594	(1,188)	0.00	0.00	7,194	7,128	(66)	0.00	0.00
6908.58 MED REC_SUPPLY OTHER	1,528	0	(1,528)	0.00	0.00	9,228	12,003	2,775	0.00	0.00

	Amount	Prior Yr	Variance	Amount	Prior	Amount	Prior Yr	Variance	Amount	Prior
6908.61 MED REC_MINOR EQUIPME	0	0	0	0.00	0.00	568	1,422	854	0.00	0.00
6908.62 MED REC_EQUIPMENT REN	312	312	0	0.00	0.00	3,875	3,876	1	0.00	0.00
6908.65 MED REC_PRINTING & FO	143	143	0	0.00	0.00	7,722	8,605	883	0.00	0.00
6908.79 MED REC_PURCHASED SER	0	0	0	0.00	0.00	0	390	390	0.00	0.00
6908.88 MED REC_SEMINARS	0	0	0	0.00	0.00	0	185	185	0.00	0.00
6908.98 MED REC_OTHER EXPENSE	0	0	0	0.00	0.00	63	28	(34)	0.00	0.00
Total MEDICAL RECORDS	17,824	24,889	7,065	0.00	0.00	202,768	211,380	8,612	0.00	0.00
6910.87 RD_DUES & SUBSCRIPTIO	0	(190)	(190)	0.00	0.00	0	0	0	0.00	0.00
Total RESOURCE DEVELOPEMENT	0	(190)	(190)	0.00	0.00	0	0	0	0.00	0.00
6990.20 GENERAL_PAYROLL TAXES	0	0	0	0.00	0.00	0	346	346	0.00	0.00
6990.40 GENERAL_LONG/SHORT TE	166	159	(7)	0.00	0.00	1,826	954	(872)	0.00	0.00
6990.47 GENERAL_LEGAL PROFESS	0	0	0	0.00	0.00	0	146	146	0.00	0.00
6990.48 GENERAL_ACCTG PROFESS	0	0	0	0.00	0.00	21,580	21,477	(103)	0.00	0.00
6990.49 GENERAL_OTHER PROFESS	0	(30)	(30)	0.00	0.00	4,500	0	(4,500)	0.00	0.00
6990.58 GENERAL_SUPPLY OTHER	770	1,185	416	0.00	0.00	12,390	13,349	959	0.00	0.00
6990.61 GENERAL_MINOR EQUIPME	0	0	0	0.00	0.00	1,754	1,934	180	0.00	0.00
6990.62 GENERAL_EQUIPMENT REN	593	594	0	0.00	0.00	7,423	7,117	(305)	0.00	0.00
6990.63 GENERAL_POSTAGE	0	0	0	0.00	0.00	43	200	157	0.00	0.00
6990.65 GENERAL_PRINTING & FO	692	95	(597)	0.00	0.00	2,786	3,919	1,134	0.00	0.00
6990.73 GENERAL_MANAGEMENT FE	130,407	136,877	6,470	0.00	0.00	1,556,885	1,571,577	14,692	0.00	0.00
6990.79 GENERAL_PURCHASED SER	2,331	3,678	1,347	0.00	0.00	33,210	44,422	11,212	0.00	0.00
6990.81 GENERAL_TRAVEL & ENTE	354	197	(157)	0.00	0.00	3,060	197	(2,863)	0.00	0.00
6990.86 GENERAL_TELEPHONE	1,538	1,640	102	0.00	0.00	19,798	27,094	7,295	0.00	0.00
6990.87 GENERAL_DUES & SUBSCR	1,826	1,756	(70)	0.00	0.00	21,340	20,468	(872)	0.00	0.00
6990.88 GENERAL_SEMINARS	0	999	999	0.00	0.00	0	999	999	0.00	0.00
6990.89 GENERAL_TAXES, LICENS	7,946	7,768	(178)	0.00	0.00	102,167	90,850	(11,317)	0.00	0.00
6990.91 GENERAL_RESIDENT PERS	2,000	30	(1,970)	0.00	0.00	4,034	2,541	(1,493)	0.00	0.00
6990.93 GENERAL_AQMD EXPENSE	275	350	75	0.00	0.00	5,863	4,323	(1,540)	0.00	0.00
6990.94 GENERAL_BED TAX EXPEN	310,073	88,955	(221,118)	0.00	0.00	1,094,869	883,517	(211,351)	0.00	0.00
6990.95 GENERAL_SUPPORT GROUP	0	306	306	0.00	0.00	2,071	306	(1,765)	0.00	0.00
6990.96 GENERAL_BANK CHARGES	2,690	2,041	(650)	0.00	0.00	9,646	7,169	(2,478)	0.00	0.00
6990.98 GENERAL_OTHER EXPENSE	(11,645)	20,873	32,519	0.00	0.00	9,124	78,093	68,969	0.00	0.00
Total GENERAL	450,017	267,473	(182,544)	0.00	0.00	2,914,368	2,780,997	(133,370)	0.00	0.00
7110.92 DEPR_LAND IMPROVEMENT	1,466	1,065	(401)	0.00	0.00	15,151	14,422	(730)	0.00	0.00
Total DEPRECIATION	1,466	1,065	(401)	0.00	0.00	15,151	14,422	(730)	0.00	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
7120.92 DEPR_BUILDING & IMPRO	47,939	33,974	(13,965)	0.00	0.00	420,137	406,157	(13,980)	0.00	0.00
Total DEPRECIATION	47,939	33,974	(13,965)	0.00	0.00	420,137	406,157	(13,980)	0.00	0.00
7131.92 DEPR_KITCHEN EQUIPMEN	2,055	1,834	(221)	0.00	0.00	23,110	21,370	(1,740)	0.00	0.00
Total DEPRECIATION	2,055	1,834	(221)	0.00	0.00	23,110	21,370	(1,740)	0.00	0.00
7140.92 DEPR_MOVABLE EQUIPMEN	14,415	12,410	(2,005)	0.00	0.00	157,317	155,440	(1,877)	0.00	0.00
Total DEPRECIATION	14,415	12,410	(2,005)	0.00	0.00	157,317	155,440	(1,877)	0.00	0.00
7141.92 DEPR_OFFICE/MINOR EQU	4,170	4,105	(65)	0.00	0.00	48,948	35,029	(13,919)	0.00	0.00
Total DEPRECIATION	4,170	4,105	(65)	0.00	0.00	48,948	35,029	(13,919)	0.00	0.00
7142.92 DEPR_FURNITURE & FIXT	9,070	7,396	(1,674)	0.00	0.00	90,318	46,827	(43,491)	0.00	0.00
Total DEPRECIATION	9,070	7,396	(1,674)	0.00	0.00	90,318	46,827	(43,491)	0.00	0.00
7143.92 DEPR_VEHICLES	0	0	0	0.00	0.00	0	1,432	1,432	0.00	0.00
Total DEPRECIATION	0	0	0	0.00	0.00	0	1,432	1,432	0.00	0.00
7160.92 AMORT_LOAN COST	5,737	5,737	0	0.00	0.00	68,843	68,843	0	0.00	0.00
Total AMORTIZATION	5,737	5,737	0	0.00	0.00	68,843	68,843	0	0.00	0.00
7300.89 REAL PROPERTY TAX	541	540	0	0.00	0.00	6,489	6,490	1	0.00	0.00
Total REAL PROPERTY TAXES	541	540	0	0.00	0.00	6,489	6,490	1	0.00	0.00
7400.90 PROPERTY INS_FIRE & E	2,629	2,556	(73)	0.00	0.00	31,517	30,726	(791)	0.00	0.00
Total PROPERTY INSURANCE	2,629	2,556	(73)	0.00	0.00	31,517	30,726	(791)	0.00	0.00
7401.90 PROPERTY INS_AUTO	516	572	56	0.00	0.00	6,637	7,169	531	0.00	0.00
Total PROPERTY INSURANCE	516	572	56	0.00	0.00	6,637	7,169	531	0.00	0.00
7402.90 PROPERTY INS_LIABILIT	(186,793)	(213,329)	(26,536)	0.00	0.00	192,385	180,394	(11,992)	0.00	0.00
Total PROPERTY INSURANCE	(186,793)	(213,329)	(26,536)	0.00	0.00	192,385	180,394	(11,992)	0.00	0.00
7403.90 PROPERTY INS_OTHER	83	83	0	0.00	0.00	1,000	1,000	0	0.00	0.00
Total PROPERTY INSURANCE	83	83	0	0.00	0.00	1,000	1,000	0	0.00	0.00
7601.94 INTEREST EXP_LOANS	17,833	19,170	1,338	0.00	0.00	219,340	234,590	15,250	0.00	0.00
Total INTEREST EXPENSE	17,833	19,170	1,338	0.00	0.00	219,340	234,590	15,250	0.00	0.00

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	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
7700.00 BAD DEBT PROVISION_PR	162,048	57,042	(105,006)	0.00	0.00	160,573	68,758	(91,815)	0.00	0.00
7700.04 BAD DEBT PROVISION_ME	(18,851)	15,108	33,960	0.00	0.00	15,826	31,317	15,491	0.00	0.00
7700.05 BAD DEBT PROVISION_ME	41,423	53,970	12,547	0.00	0.00	72,387	54,229	(18,158)	0.00	0.00
7700.06 BAD DEBT PROVISION_OT	15,300	8,855	(6,445)	0.00	0.00	15,509	9,803	(5,706)	0.00	0.00
Total BAD DEBT ALLOWANCE	199,919	134,975	(64,943)	0.00	0.00	264,295	164,107	(100,188)	0.00	0.00
7801.00 MISC EXP_VENDING MACH	0	0	0	0.00	0.00	0	816	816	0.00	0.00
Total MISCELLANEOUS EXPENSE	0	0	0	0.00	0.00	0	816	816	0.00	0.00
7896.00 MISC EXP_PET THERAPY	86	522	436	0.00	0.00	1,210	1,601	391	0.00	0.00
Total MISCELLANEOUS EXPENSE	86	522	436	0.00	0.00	1,210	1,601	391	0.00	0.00
8100.51 PAT SUPPLY_OXYGEN & O	1,886	1,500	(386)	0.00	0.00	20,026	17,168	(2,858)	0.00	0.00
Total PATIENT SUPPLIES	1,886	1,500	(386)	0.00	0.00	20,026	17,168	(2,858)	0.00	0.00
8130.54 EQT RENT_MEDICAL MATE	10,196	2,660	(7,535)	0.00	0.00	48,056	47,608	(448)	0.00	0.00
Total EQUIPMENT RENTAL	10,196	2,660	(7,535)	0.00	0.00	48,056	47,608	(448)	0.00	0.00
8200.45 PT_PROFESSIONAL FEES-	36,829	39,014	2,186	0.00	0.00	476,786	467,242	(9,544)	0.00	0.00
Total PHYSICAL THEARPY	36,829	39,014	2,186	0.00	0.00	476,786	467,242	(9,544)	0.00	0.00
8300.46 PHARMACY_CONSULTANT F	485	485	0	0.00	0.00	5,820	5,820	0	0.00	0.00
8300.52 PHARMACY_IV SOLUTIONS	3,066	1,425	(1,641)	0.00	0.00	65,714	40,162	(25,551)	0.00	0.00
8300.53 PHARMACY_PHARMACEUTIC	24,870	28,186	3,316	0.00	0.00	288,470	304,902	16,432	0.00	0.00
8300.55 PHARMACY_ENTERAL SUPP	656	476	(180)	0.00	0.00	10,264	73,115	62,851	0.00	0.00
Total PHARMACY	29,076	30,572	1,496	0.00	0.00	370,268	424,000	53,732	0.00	0.00
8400.79 LAB_PURCHASED SERVICE	2,556	2,692	136	0.00	0.00	40,342	34,563	(5,778)	0.00	0.00
Total LABORATORY	2,556	2,692	136	0.00	0.00	40,342	34,563	(5,778)	0.00	0.00
8911.79 RADIOLOGY_PURCHASED S	0	1,482	1,482	0.00	0.00	30,739	36,431	5,692	0.00	0.00
Total RADIOLOGY	0	1,482	1,482	0.00	0.00	30,739	36,431	5,692	0.00	0.00
8921.45 OT_PROFESSIONAL FEES-	29,637	30,333	696	0.00	0.00	363,247	371,716	8,469	0.00	0.00
Total OCCUPATIONAL THERAPY	29,637	30,333	696	0.00	0.00	363,247	371,716	8,469	0.00	0.00
8951.45 ST_PROFESSIONAL FEES-	7,549	11,975	4,427	0.00	0.00	95,247	117,871	22,624	0.00	0.00

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Total SPEECH THERAPY	7,549	11,975	4,427	0.00	0.00	95,247	117,871	22,624	0.00	0.00
8991.00 B & B_BARBER & BEAUTI	1,128	2,559	1,431	0.00	0.00	15,720	15,260	(460)	0.00	0.00
Total BARBER & BEAUTICIAN	1,128	2,559	1,431	0.00	0.00	15,720	15,260	(460)	0.00	0.00
8999.00 PERS ITEM_PERSONAL IT	1,039	690	(349)	0.00	0.00	19,032	12,700	(6,332)	0.00	0.00
Total PERSONAL ITEMS	1,039	690	(349)	0.00	0.00	19,032	12,700	(6,332)	0.00	0.00
Total Expenses	1,637,125	1,667,930	30,805	0.00	0.00	19,941,107	19,638,908	(302,199)	0.00	0.00
Net Income	412,523	191,665	220,857	0.00	0.00	1,719,766	2,014,105	(294,340)	0.00	0.00

Detail

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	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
Revenue										
3100.00 SNF_PRIVATE	473,650	399,240	74,410	199.01	0.00	5,489,040	4,464,195	1,024,845	202.33	0.00
3100.05 SNF_MEDI-CAL	907,820	847,340	60,480	200.14	0.00	10,608,020	9,920,645	687,375	200.08	0.00
3100.07 SNF_OTHER	0	3,240	(3,240)	0.00	0.00	52,280	14,560	37,720	203.42	0.00
Total SKILLED NURSING CARE	1,381,470	1,249,820	131,650	199.75	0.00	16,149,340	14,399,400	1,749,940	200.85	0.00
3101.00 BED HOLD_SNF PRIVATE	1,755	4,920	(3,165)	195.00	0.00	32,105	48,340	(16,235)	196.96	0.00
3101.05 BED HOLD SNF_MEDI-CAL	7,215	5,950	1,265	195.00	0.00	76,650	61,075	15,575	194.54	0.00
Total BED HOLD SNF	8,970	10,870	(1,900)	195.00	0.00	108,755	109,415	(660)	195.25	0.00
3110.00 CDP_PRIVATE	10,500	0	10,500	420.00	0.00	13,860	330	13,530	420.00	0.00
3110.04 CDP_MEDICARE A	178,600	260,700	(82,100)	380.00	0.00	3,153,950	2,980,235	173,715	379.99	0.00
3110.05 CDP_MEDI-CAL	0	0	0	0.00	0.00	2,660	1,975	685	380.00	0.00
3110.07 CDP_OTHER	23,940	0	23,940	380.00	0.00	101,080	7,260	93,820	380.00	0.00
Total CERTIFIED DISTINCT PART	213,040	260,700	(47,660)	381.79	0.00	3,271,550	2,989,800	281,750	380.15	0.00
3111.00 BED HOLD CDP_PRIVATE	0	0	0	0.00	0.00	3,905	6,405	(2,500)	355.00	0.00
3111.05 BED HOLD CDP_MEDI-CAL	2,485	3,050	(565)	355.00	0.00	33,725	11,285	22,440	355.00	0.00
Total BED HOLD CDP	2,485	3,050	(565)	355.00	0.00	37,630	17,690	19,940	355.00	0.00
3900.00 SCU_PRIVATE	69,960	29,200	40,760	220.00	0.00	683,660	721,600	(37,940)	220.39	0.00
3900.05 SCU_MEDI-CAL	187,220	196,400	(9,180)	220.00	0.00	2,301,300	1,881,600	419,700	219.88	0.00
Total SPECIAL CARE UNIT	257,180	225,600	31,580	220.00	0.00	2,984,960	2,603,200	381,760	220.00	0.00
3901.00 BED HOLD SCU_PRIVATE	0	1,365	(1,365)	0.00	0.00	3,225	4,500	(1,275)	215.00	0.00
3901.05 BED HOLD SCU_MEDI-CAL	860	0	860	215.00	0.00	7,310	12,465	(5,155)	215.00	0.00
Total BED HOLD SCU	860	1,365	(505)	215.00	0.00	10,535	16,965	(6,430)	215.00	0.00
4100.00 PAT SUPPLY_PRIVATE	0	0	0	0.00	0.00	12	14	(2)	0.00	0.00
4100.04 PAT SUPPLY_MEDICARE A	1,309	2,582	(1,273)	0.15	0.00	27,284	20,211	7,073	0.26	0.00
4100.05 PAT SUPPLY_MEDI-CAL	223	0	223	0.03	0.00	1,160	0	1,160	0.01	0.00
4100.07 PAT SUPPLY_OTHER	0	0	0	0.00	0.00	504	0	504	0.00	0.00
Total PATIENT SUPPLIES	1,532	2,582	(1,050)	0.18	0.00	28,960	20,225	8,735	0.28	0.00
4140.00 EQT RENT_PRIVATE	378	0	378	0.04	0.00	1,365	0	1,365	0.01	0.00
4140.04 EQT RENT_MEDICARE A	0	1,019	(1,019)	0.00	0.00	6,169	8,842	(2,673)	0.06	0.00

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4140.07 EQT RENT_OTHER	0	0	0	0.00	0.00	1,679	0	1,679	0.02	0.00
Total EQUIPMENT RENTAL	378	1,019	(641)	0.04	0.00	9,213	8,842	370	0.09	0.00
4200.00 PT_PRIVATE	0	240	(240)	0.00	0.00	240	3,040	(2,800)	0.00	0.00
4200.04 PT_MEDICARE A	46,960	79,360	(32,400)	5.40	0.00	786,080	952,450	(166,370)	7.61	0.00
4200.05 PT_MEDI-CAL	2,880	177	2,703	0.33	0.00	7,607	4,377	3,229	0.07	0.00
4200.07 PT_OTHER	4,045	773	3,272	0.46	0.00	24,125	5,536	18,589	0.23	0.00
4200.24 PT_MEDICARE B	4,768	674	4,094	0.55	0.00	21,137	24,590	(3,454)	0.20	0.00
4200.27 PT_OTHER-B	1,279	0	1,279	0.15	0.00	1,279	4,123	(2,844)	0.01	0.00
Total PHYSICAL THERAPY	59,931	81,223	(21,292)	6.89	0.00	840,467	994,117	(153,650)	8.14	0.00
4300.00 PHARMACY_PRIVATE	16,129	12,114	4,015	1.85	0.00	166,748	167,119	(371)	1.61	0.00
4300.04 PHARMACY_MEDICARE A	10,161	22,044	(11,883)	1.17	0.00	219,971	227,391	(7,421)	2.13	0.00
4300.05 PHARMACY_MEDI-CAL	6,921	7,211	(290)	0.80	0.00	54,303	63,141	(8,838)	0.53	0.00
4300.07 PHARMACY_OTHER	1,455	(280)	1,735	0.17	0.00	14,545	2,048	12,496	0.14	0.00
4300.24 PHARMACY_MEDICARE B	3,218	6,006	(2,789)	0.37	0.00	3,468	13,079	(9,611)	0.03	0.00
Total PHARMACY	37,883	47,094	(9,211)	4.35	0.00	459,034	472,779	(13,744)	4.44	0.00
4400.00 LAB_PRIVATE	418	0	418	0.05	0.00	2,058	337	1,721	0.02	0.00
4400.04 LAB_MEDICARE A	7,647	9,896	(2,250)	0.88	0.00	120,153	92,645	27,508	1.16	0.00
4400.05 LAB_MEDI-CAL	827	0	827	0.10	0.00	1,053	0	1,053	0.01	0.00
4400.07 LAB_OTHER	385	0	385	0.04	0.00	1,050	267	783	0.01	0.00
Total LABORATORY	9,276	9,896	(620)	1.07	0.00	124,314	93,249	31,065	1.20	0.00
4720.00 PERS LAUND_RESIDENT P	1,116	1,269	(153)	0.13	0.00	14,373	12,393	1,980	0.14	0.00
4720.05 PERS LAUND_MEDI-CAL	0	0	0	0.00	0.00	0	18	(18)	0.00	0.00
Total RESIDENT PERSONAL LAUND	1,116	1,269	(153)	0.13	0.00	14,373	12,411	1,962	0.14	0.00
4911.00 RADIOLOGY_PRIVATE	317	1,328	(1,011)	0.04	0.00	6,646	3,815	2,831	0.06	0.00
4911.04 RADIOLOGY_MEDICARE A	3,829	0	3,829	0.44	0.00	51,553	48,119	3,434	0.50	0.00
4911.05 RADIOLOGY_MEDI-CAL	0	0	0	0.00	0.00	845	233	613	0.01	0.00
4911.07 RADIOLOGY_OTHER	0	0	0	0.00	0.00	3,014	443	2,571	0.03	0.00
Total RADIOLOGY	4,146	1,328	2,818	0.48	0.00	62,058	52,610	9,449	0.60	0.00

4921.00 OT_PRIVATE	0	270	(270)	0.00	0.00	270	270	0	0.00	0.00
4921.04 OT_MEDICARE A	53,370	79,380	(26,010)	6.13	0.00	882,270	966,035	(83,765)	8.54	0.00
4921.05 OT_MEDI-CAL	3,240	113	3,127	0.37	0.00	12,491	4,121	8,370	0.12	0.00

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	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
4921.07 OT_OTHER	3,555	438	3,117	0.41	0.00	24,456	3,427	21,029	0.24	0.00
4921.24 OT_MEDICARE B	1,936	1,504	432	0.22	0.00	25,046	12,585	12,461	0.24	0.00
4921.27 OT_OTHER-B	0	0	0	0.00	0.00	511	1,044	(533)	0.00	0.00
Total OCCUPATIONAL THERAPY	62,101	81,704	(19,604)	7.14	0.00	945,045	987,482	(42,437)	9.15	0.00
4931.00 IH_PRIVATE	1,191	435	756	0.14	0.00	7,798	5,970	1,828	0.08	0.00
4931.04 IH_MEDICARE A	0	0	0	0.00	0.00	7	0	7	0.00	0.00
4931.05 IH_MEDI-CAL	0	0	0	0.00	0.00	217	0	217	0.00	0.00
Total INHALATION THERAPY	1,191	435	756	0.14	0.00	8,022	5,970	2,051	0.08	0.00
4951.04 ST_MEDICARE A	4,400	2,550	1,850	0.51	0.00	60,900	169,755	(108,855)	0.59	0.00
4951.05 ST_MEDI-CAL	0	0	0	0.00	0.00	0	100	(100)	0.00	0.00
4951.07 ST_OTHER	550	0	550	0.06	0.00	1,350	0	1,350	0.01	0.00
4951.24 ST_MEDICARE B	454	1,159	(705)	0.05	0.00	2,991	3,147	(156)	0.03	0.00
4951.27 ST_OTHER-B	0	0	0	0.00	0.00	602	0	602	0.01	0.00
Total SPEECH THERAPY	5,404	3,709	1,695	0.62	0.00	65,843	173,002	(107,159)	0.64	0.00
4990.00 IV_PRIVATE	596	0	596	0.07	0.00	3,346	194	3,152	0.03	0.00
4990.04 IV_MEDICARE A	5,842	5,621	221	0.67	0.00	72,838	81,859	(9,020)	0.71	0.00
4990.05 IV_MEDI-CAL	693	724	(31)	0.08	0.00	695	724	(28)	0.01	0.00
4990.07 IV_OTHER	968	(724)	1,692	0.11	0.00	42,938	4,179	38,759	0.42	0.00
Total IV THERAPY	8,099	5,621	2,478	0.93	0.00	119,818	86,955	32,863	1.16	0.00
4991.00 B & B_BARBER & BEAUTI	3,090	1,623	1,467	0.36	0.00	24,878	21,580	3,299	0.24	0.00
Total BARBER & BEAUTICIAN	3,090	1,623	1,467	0.36	0.00	24,878	21,580	3,299	0.24	0.00
4999.00 PERS ITEM_PERSONAL IT	3,097	5,138	(2,041)	0.36	0.00	56,831	88,207	(31,376)	0.55	0.00
4999.05 PERS ITEM_MEDI-CAL	18	50	(32)	0.00	0.00	134	311	(177)	0.00	0.00
Total PERSONAL ITEMS	3,115	5,188	(2,074)	0.36	0.00	56,965	88,518	(31,553)	0.55	0.00
5010.00 C/A SNF_PRIVATE	0	0	0	0.00	0.00	0	(50)	50	0.00	0.00

5010.04 C/A SNF_MEDICARE A	0	0	0	0.00	0.00	(42)	(5,595)	5,554	0.00	0.00
5010.05 C/A SNF_MEDI-CAL	(103,444)	(38,393)	(65,052)	0.00	0.00	(1,174,895)	(478,349)	(696,546)	0.00	0.00
5010.07 C/A SNF_OTHER	0	2,140	(2,140)	0.00	0.00	19,377	4,450	14,927	0.00	0.00
Total CONTRACTUAL ALLOWANCE S	(103,444)	(36,253)	(67,192)	0.00	0.00	(1,155,559)	(479,544)	(676,015)	0.00	0.00
5011.04 C/A CDP_MEDICARE A	95,645	214,417	(118,772)	0.00	0.00	1,439,737	2,978,858	(1,539,121)	0.00	0.00

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	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
5011.05 C/A CDP_MEDI-CAL	(1,294)	(1,391)	97	0.00	0.00	(17,097)	(5,514)	(11,584)	0.00	0.00
Total CONTRACTUAL ALLOWANCE C	94,351	213,026	(118,675)	0.00	0.00	1,422,639	2,973,344	(1,550,705)	0.00	0.00
5090.05 C/A SCU_MEDI-CAL	(37,206)	(27,506)	(9,700)	0.00	0.00	(444,420)	(239,221)	(205,199)	0.00	0.00
Total CONTRACTUAL ALLOWANCE S	(37,206)	(27,506)	(9,700)	0.00	0.00	(444,420)	(239,221)	(205,199)	0.00	0.00
5100.05 C/A SNF AN_MEDI-CAL	(9,969)	(4,733)	(5,237)	(1.15)	0.00	(34,797)	(19,579)	(15,219)	(0.34)	0.00
5100.07 C/A SNF AN_OTHER	(10,902)	994	(11,896)	(1.25)	0.00	(94,666)	(9,068)	(85,597)	(0.92)	0.00
5100.24 C/A SNF AN_MEDICARE B	(525)	(200)	(326)	(0.06)	0.00	(1,901)	(1,070)	(832)	(0.02)	0.00
Total CONTRACTUAL ALLOWANCE A	(21,397)	(3,938)	(17,458)	(2.46)	0.00	(131,365)	(29,717)	(101,648)	(1.27)	0.00
5110.04 C/A CDP AN_MEDICARE A	(133,568)	(202,452)	68,884	(19.01)	0.00	(2,227,274)	(2,567,307)	340,032	(27.42)	0.00
5110.07 C/A CDP AN_OTHER	0	0	0	0.00	0.00	0	(106)	106	0.00	0.00
5110.24 C/A CDP AN_MEDICARE B	(150)	(279)	129	(0.02)	0.00	(177)	(707)	529	0.00	0.00
Total CONTRACTUAL ALLOWANCE A	(133,718)	(202,731)	69,013	(19.03)	0.00	(2,227,452)	(2,568,119)	340,668	(27.42)	0.00
5200.00 ADMINISTRATIVE ADJUST	(13,679)	0	(13,679)	0.00	0.00	(17,039)	0	(17,039)	0.00	0.00
Total ADMINISTRATIVE ADJUSTME	(13,679)	0	(13,679)	0.00	0.00	(17,039)	0	(17,039)	0.00	0.00
5710.00 VENDING MACHINE COMMI	239	217	23	0.03	0.00	2,187	2,257	(70)	0.02	0.00
Total VENDING MACHINE COMMISS	239	217	23	0.03	0.00	2,187	2,257	(70)	0.02	0.00
5741.00 DONATED CASH-PET THER	0	0	0	0.00	0.00	105	0	105	0.00	0.00
Total DONATED CASH-PET THERAP	0	0	0	0.00	0.00	105	0	105	0.00	0.00
5770.00 MEALS-GUEST & EMPLOYE	1,374	923	451	0.16	0.00	18,461	13,003	5,458	0.18	0.00
Total MEALS-GUEST & EMPLOYEES	1,374	923	451	0.16	0.00	18,461	13,003	5,458	0.18	0.00

5990.00 OTHER REVENUE	22,172	82	22,090	2.55	0.00	81,217	3,043	78,174	0.79	0.00
Total OTHER EVENUE	22,172	82	22,090	2.55	0.00	81,217	3,043	78,174	0.79	0.00
9101.00 UNREALIZED_GAIN/LOSS-	2,814	112,646	(109,832)	0.32	0.00	277,284	(33,740)	311,024	2.68	0.00
Total UNREALIZED GAIN/LOSS AS	2,814	112,646	(109,832)	0.32	0.00	277,284	(33,740)	311,024	2.68	0.00
9103.00 DONATIONS-_UNRESTRICT	2,620	8,833	(6,214)	0.30	0.00	597,627	216,766	380,861	5.79	0.00
Total DONATIONS-UNRESTRICTED	2,620	8,833	(6,214)	0.30	0.00	597,627	216,766	380,861	5.79	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
9104.01 EXTRAORDINARY GAIN/LO	0	(1,063)	1,063	0.00	0.00	(11,884)	(1,063)	(10,821)	(0.12)	0.00
Total GAINS/LOSS	0	(1,063)	1,063	0.00	0.00	(11,884)	(1,063)	(10,821)	(0.12)	0.00
9106.00 INTEREST I_SAVINGS/IN	6,337	5,450	888	0.73	0.00	128,990	145,387	(16,396)	1.25	0.00
9106.01 INTEREST I_SUPPORT GR	0	0	0	0.00	0.00	0	0	0	0.00	0.00
Total INTEREST INCOME	6,337	5,450	888	0.73	0.00	128,990	145,387	(16,397)	1.25	0.00
9107.00 INTEREST I_TRUST FUND	0	17,829	(17,829)	0.00	0.00	20,207	35,659	(15,452)	0.20	0.00
Total INTEREST INCOME	0	17,829	(17,829)	0.00	0.00	20,207	35,659	(15,452)	0.20	0.00
9109.91 MISCELLANE_EXPENSES	0	0	0	0.00	0.00	(510,587)	0	(510,587)	(4.94)	0.00
Total MISCELLANEOUS	0	0	0	0.00	0.00	(510,587)	0	(510,587)	(4.94)	0.00
Net Revenue	1,881,730	2,081,614	(199,884)	216.29	0.00	23,372,169	23,192,261	179,908	226.27	0.00
Expenses										
6110.01 SNF_WAGES-SUPERVISOR	31,734	30,009	(1,725)	4.52	0.00	337,139	321,299	(15,841)	4.15	0.00
6110.12 SNF_WAGES-RN	53,865	(27,951)	(81,816)	7.67	0.00	563,827	509,205	(54,622)	6.94	0.00
6110.13 SNF_WAGES-LVN	89,726	1,200	(88,526)	12.77	0.00	1,062,009	1,146,609	84,600	13.07	0.00
6110.14 SNF_WAGES-AIDES & ORD	175,078	74,652	(100,426)	24.92	0.00	2,051,261	2,071,102	19,841	25.25	0.00
6110.15 SNF_TECHNICIAN & SPEC	36,347	33,653	(2,693)	5.17	0.00	433,327	405,885	(27,442)	5.33	0.00
6110.19 SNF_WAGES-OTHER	15,304	14,179	(1,125)	2.18	0.00	169,031	164,967	(4,064)	2.08	0.00
6110.20 SNF_PAYROLL TAXES	30,060	8,936	(21,125)	4.28	0.00	374,752	373,995	(756)	4.61	0.00

6110.23 SNF_DENTAL REIMBURSEM	16,431	16,746	315	2.34	0.00	124,921	90,404	(34,517)	1.54	0.00
6110.24 SNF_PTO/HOL-OTHER	1,028	1,890	861	0.15	0.00	18,151	20,169	2,018	0.22	0.00
6110.25 SNF_GROUP LIFE & HEAL	46,843	15,196	(31,646)	6.67	0.00	611,503	583,179	(28,324)	7.53	0.00
6110.26 SNF_PENSION PLAN	3,852	3,372	(480)	0.55	0.00	52,120	38,077	(14,043)	0.64	0.00
6110.27 SNF_WORKERS COMPENSAT	50,581	(87,343)	(137,924)	7.20	0.00	388,072	401,866	13,794	4.78	0.00
6110.28 SNF_EMPLOYEE PHYSICAL	395	455	60	0.06	0.00	5,320	5,300	(20)	0.07	0.00
6110.29 SNF_UNEMPLOYMENT INSU	89	2,705	2,616	0.01	0.00	4,493	10,653	6,160	0.06	0.00
6110.30 SNF_RN PAID TIME OFF/	3,461	3,773	311	0.49	0.00	60,244	57,572	(2,672)	0.74	0.00
6110.31 SNF_LVN PAID TIME OFF	1,380	2,468	1,087	0.20	0.00	101,074	112,697	11,623	1.24	0.00
6110.32 SNF_AIDES/ORDERLIES P	9,265	8,212	(1,053)	1.32	0.00	219,804	205,912	(13,892)	2.71	0.00
6110.33 SNF_TECHNICIAN PAID T	2,508	2,913	404	0.36	0.00	55,003	49,491	(5,513)	0.68	0.00
6110.34 SNF_SUPERVISOR PAID T	1,408	795	(613)	0.20	0.00	37,397	34,217	(3,181)	0.46	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
6110.51 SNF_OXYGEN & OTHER GA	545	554	9	0.08	0.00	6,850	3,677	(3,173)	0.08	0.00
6110.53 SNF_PHARMACEUTICAL	7,776	9,547	1,771	1.11	0.00	58,097	58,109	11	0.72	0.00
6110.54 SNF_MEDICAL MATERIAL	7,071	7,819	748	1.01	0.00	75,547	79,305	3,758	0.93	0.00
6110.58 SNF_SUPPLY OTHER	646	1,395	748	0.09	0.00	4,914	6,213	1,299	0.06	0.00
6110.60 SNF_MINOR MEDICAL EQU	0	0	0	0.00	0.00	0	980	980	0.00	0.00
6110.61 SNF_MINOR EQUIPMENT	3,155	3,562	408	0.45	0.00	56,419	44,575	(11,844)	0.69	0.00
6110.62 SNF_EQUIPMENT RENTAL	422	935	513	0.06	0.00	4,326	2,389	(1,937)	0.05	0.00
6110.63 SNF_POSTAGE	0	25	25	0.00	0.00	71	159	88	0.00	0.00
6110.65 SNF_PRINTING & FORMS	54	54	0	0.01	0.00	1,492	1,111	(381)	0.02	0.00
6110.69 SNF_NON-MEDICAL SUPPL	37,102	23,900	(13,203)	5.28	0.00	345,114	333,087	(12,027)	4.25	0.00
6110.76 SNF_CONTRACT LABOR LV	4,812	5,340	528	0.68	0.00	30,003	13,014	(16,989)	0.37	0.00
6110.77 SNF_CONTRACT LABOR AI	3,679	11,563	7,884	0.52	0.00	90,130	83,708	(6,423)	1.11	0.00
6110.79 SNF_PURCHASED SERVICE	2,528	1,835	(693)	0.36	0.00	31,094	2,901	(28,193)	0.38	0.00
6110.81 SNF_TRAVEL & ENTERTAI	64	0	(64)	0.01	0.00	64	0	(64)	0.00	0.00
6110.86 SNF_TELEPHONE	26	32	6	0.00	0.00	331	377	46	0.00	0.00
6110.88 SNF_SEMINARS	230	0	(230)	0.03	0.00	5,393	2,589	(2,804)	0.07	0.00
6110.94 SNF_EMPLOYEE RECRUITM	0	90	90	0.00	0.00	4,290	3,780	(510)	0.05	0.00
6110.98 SNF_OTHER EXPENSE	0	0	0	0.00	0.00	10,001	9,438	(563)	0.12	0.00
Total SKILLED NURSING FACILIT	637,466	172,510	(464,956)	90.74	0.00	7,393,586	7,248,010	(145,576)	91.02	0.00
6112.01 CDP_WAGES-SUPERVISOR	7,559	7,969	409	15.06	0.00	81,321	78,453	(2,867)	9.63	0.00
6112.12 CDP_WAGES-RN	10,113	84,143	74,030	20.15	0.00	188,730	180,462	(8,268)	22.35	0.00

6112.13 CDP_WAGES-LVN	13,858	116,197	102,338	27.61	0.00	242,709	248,106	5,397	28.74	0.00
6112.14 CDP_WAGES-AIDES & ORD	15,976	122,070	106,094	31.83	0.00	281,223	265,730	(15,494)	33.30	0.00
6112.15 CDP_TECHNICIAN & SPEC	0	1,844	1,844	0.00	0.00	4,345	1,844	(2,501)	0.51	0.00
6112.20 CDP_PAYROLL TAXES	3,716	25,653	21,938	7.40	0.00	62,381	60,390	(1,991)	7.39	0.00
6112.25 CDP_GROUP LIFE & HEAL	7,622	42,374	34,752	1.08	0.00	104,984	87,214	(17,770)	1.29	0.00
6112.26 CDP_PENSION PLAN	224	224	0	0.03	0.00	3,006	2,486	(519)	0.04	0.00
6112.27 CDP_WORKERS COMPENSAT	19	(5,088)	(5,108)	0.00	0.00	2,044	2,262	218	0.03	0.00
6112.28 CDP_EMPLOYEE PHYSICAL	0	0	0	0.00	0.00	35	35	0	0.00	0.00
6112.30 CDP_RN PAID TIME OFF/	421	764	344	0.84	0.00	3,226	2,314	(912)	0.38	0.00
6112.31 CDP_LVN PAID TIME OFF	359	1,322	963	0.72	0.00	3,768	3,504	(264)	0.45	0.00
6112.32 CDP_AIDES/ORDERLIES P	618	1,797	1,179	1.23	0.00	5,395	5,570	175	0.64	0.00
6112.33 CDP_TECHNICIAN PAID T	0	0	0	0.00	0.00	79	0	(79)	0.01	0.00
6112.34 CDP_SUPERVISOR PAID T	552	142	(409)	1.10	0.00	11,120	10,831	(289)	1.32	0.00
6112.61 CDP_MINOR EQUIPMENT	0	0	0	0.00	0.00	49	0	(49)	0.00	0.00
6112.77 CDP_CONTRACT LABOR AI	0	0	0	0.00	0.00	602	0	(602)	0.07	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
6112.88 CDP_SEMINARS	0	180	180	0.00	0.00	90	180	90	0.00	0.00
6112.98 CDP_OTHER EXPENSE	0	0	0	0.00	0.00	40	20	(20)	0.00	0.00
Total CERTIFIED DISTINCT	61,037	399,590	338,553	8.11	0.00	995,147	949,402	(45,745)	11.10	0.00
6190.12 SCU_WAGES-RN	3,166	0	(3,166)	2.70	0.00	12,441	0	(12,441)	0.91	0.00
6190.13 SCU_WAGES-LVN	11,330	8,117	(3,213)	9.66	0.00	147,896	93,598	(54,298)	10.86	0.00
6190.14 SCU_WAGES-AIDES & ORD	33,027	31,824	(1,203)	28.16	0.00	386,375	372,012	(14,363)	28.37	0.00
6190.15 SCU_TECHNICIAN & SPEC	1,412	0	(1,412)	1.20	0.00	1,528	0	(1,528)	0.11	0.00
6190.20 SCU_PAYROLL TAXES	4,070	3,060	(1,010)	3.47	0.00	43,634	37,639	(5,995)	3.20	0.00
6190.23 SCU_DENTAL REIMBURSEM	2,815	1,085	(1,730)	2.40	0.00	9,359	13,067	3,708	0.69	0.00
6190.25 SCU_GROUP LIFE & HEAL	6,363	6,616	254	5.42	0.00	81,906	76,481	(5,425)	6.01	0.00
6190.26 SCU_PENSION PLAN	291	298	7	0.25	0.00	4,128	3,351	(778)	0.30	0.00
6190.27 SCU_WORKERS COMPENSAT	471	(10,161)	(10,632)	0.40	0.00	11,618	20,081	8,463	0.85	0.00
6190.28 SCU_EMPLOYEE PHYSICAL	0	0	0	0.00	0.00	630	630	0	0.05	0.00
6190.31 SCU_LVN PAID TIME OFF	1,504	779	(725)	1.28	0.00	11,675	10,680	(995)	0.86	0.00
6190.32 SCU_AIDES/ORDERLIES P	2,572	1,787	(784)	2.19	0.00	40,502	38,946	(1,557)	2.97	0.00
6190.33 SCU_TECHNICIAN PAID T	136	0	(136)	0.12	0.00	136	0	(136)	0.01	0.00
6190.61 SCU_MINOR EQUIPMENT	0	0	0	0.00	0.00	49	0	(49)	0.00	0.00
6190.94 SCU_EMPLOYEE RECRUITM	0	0	0	0.00	0.00	90	0	(90)	0.01	0.00

6190.98 SCU_OTHER EXPENSE	0	0	0	0.00	0.00	720	400	(320)	0.05	0.00
Total SPECIAL CARE UNIT	67,156	43,406	(23,750)	57.25	0.00	752,686	666,884	(85,803)	55.28	0.00
6201.01 BLDG&PLANT_WAGES-SUPE	0	0	0	0.00	0.00	0	4,451	4,451	0.00	0.00
6201.19 BLDG&PLANT_WAGES-OTHE	7,357	9,077	1,719	0.85	0.00	88,457	108,196	19,739	0.86	0.00
6201.20 BLDG&PLANT_PAYROLL TA	513	656	143	0.06	0.00	6,965	9,097	2,132	0.07	0.00
6201.23 BLDG&PLANT_DENTAL REI	0	0	0	0.00	0.00	2,915	1,500	(1,415)	0.03	0.00
6201.24 BLDG&PLANT_PAID TIME	(544)	365	909	(0.06)	0.00	8,451	9,447	996	0.08	0.00
6201.25 BLDG&PLANT_GROUP LIFE	866	1,667	801	0.10	0.00	13,588	20,227	6,640	0.13	0.00
6201.26 BLDG&PLANT_PENSION PL	55	55	0	0.01	0.00	952	469	(483)	0.01	0.00
6201.27 BLDG&PLANT_WORKERS CO	(1)	(2,171)	(2,170)	0.00	0.00	17,761	12,339	(5,422)	0.17	0.00
6201.28 BLDG&PLANT_EMPLOYEE P	0	0	0	0.00	0.00	70	105	35	0.00	0.00
6201.29 BLDG&PLANT_UNEMPLOYME	440	0	(440)	0.05	0.00	880	4,580	3,700	0.01	0.00
6201.34 BLDG&PLANT_SUPERVISOR	0	0	0	0.00	0.00	0	58	58	0.00	0.00
6201.58 BLDG&PLANT_SUPPLY OTH	3,967	4,301	334	0.46	0.00	39,541	45,497	5,955	0.38	0.00
6201.61 BLDG&PLANT_MINOR EQUI	1,050	173	(877)	0.12	0.00	22,495	14,099	(8,396)	0.22	0.00
6201.62 BLDG&PLANT_EQUIPMENT	136	136	0	0.02	0.00	1,773	1,167	(606)	0.02	0.00
6201.63 BLDG&PLANT_POSTAGE	47	51	5	0.01	0.00	465	261	(204)	0.00	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
6201.65 BLDG&PLANT_PRINTING &	0	0	0	0.00	0.00	11	18	7	0.00	0.00
6201.73 BLDG&PLANT_MANAGEMENT	10,862	9,983	(879)	1.25	0.00	138,658	125,966	(12,693)	1.34	0.00
6201.78 BLDG&PLANT_CONTRACT L	15,263	15,622	359	1.75	0.00	196,621	176,953	(19,668)	1.90	0.00
6201.79 BLDG&PLANT_PURCHASED	28,337	89,034	60,697	3.26	0.00	231,238	227,209	(4,029)	2.24	0.00
6201.81 BLDG&PLANT_TRAVEL & E	272	6,010	5,738	0.03	0.00	1,188	12,405	11,217	0.01	0.00
6201.86 BLDG&PLANT_TELEPHONE	329	333	4	0.04	0.00	3,612	2,644	(968)	0.03	0.00
6201.87 BLDG&PLANT_DUES & SUB	525	0	(525)	0.06	0.00	525	525	0	0.01	0.00
6201.88 BLDG&PLANT_SEMINARS	0	160	160	0.00	0.00	1,164	2,734	1,570	0.01	0.00
6201.94 BLDG&PLANT_EMPLOYEE R	0	0	0	0.00	0.00	1,030	90	(940)	0.01	0.00
6201.98 BLDG&PLANT_OTHER EXPE	0	25	25	0.00	0.00	860	6,017	5,157	0.01	0.00
Total BUILDING & PLANT	69,474	135,476	66,002	7.99	0.00	779,220	786,055	6,834	7.54	0.00
6202.79 SECURITY_PURCHASED SE	15,221	11,713	(3,508)	1.75	0.00	164,871	152,408	(12,462)	1.60	0.00
Total SECURITY	15,221	11,713	(3,508)	1.75	0.00	164,871	152,408	(12,462)	1.60	0.00
6204.19 GROUNDS_WAGES-OTHER	1,926	2,100	174	0.22	0.00	23,188	24,519	1,331	0.22	0.00

6204.20 GROUNDS_PAYROLL TAXES	158	152	(6)	0.02	0.00	1,844	1,979	135	0.02	0.00
6204.24 GROUNDS_PAID TIME OFF	148	121	(27)	0.02	0.00	2,690	2,913	223	0.03	0.00
6204.25 GROUNDS_GROUP LIFE &	588	270	(317)	0.07	0.00	6,599	3,455	(3,144)	0.06	0.00
6204.27 GROUNDS_WORKERS COMPE	13	(579)	(591)	0.00	0.00	630	330	(300)	0.01	0.00
6204.28 GROUNDS_EMPLOYEE PHYS	0	0	0	0.00	0.00	35	35	0	0.00	0.00
6204.58 GROUNDS_SUPPLY OTHER	364	0	(364)	0.04	0.00	978	99	(879)	0.01	0.00
6204.61 GROUNDS_MINOR EQUIPME	0	0	0	0.00	0.00	0	130	130	0.00	0.00
6204.79 GROUNDS_PURCHASED SER	3,422	0	(3,422)	0.39	0.00	16,205	1,410	(14,795)	0.16	0.00
6204.98 GROUNDS_OTHER EXPENSE	0	0	0	0.00	0.00	40	45	5	0.00	0.00
Total GROUNDS MAINTENANCE	6,618	2,065	(4,553)	0.76	0.00	52,209	34,915	(17,294)	0.51	0.00
6205.82 UTILITIES_ELECTRICITY	26,262	16,804	(9,457)	3.02	0.00	211,168	202,588	(8,580)	2.04	0.00
6205.83 UTILITIES_GAS	2,292	3,398	1,106	0.26	0.00	29,907	39,176	9,270	0.29	0.00
6205.84 UTILITIES_WATER	9,532	6,624	(2,908)	1.10	0.00	76,206	73,543	(2,663)	0.74	0.00
6205.85 UTILITIES_TRASH & GAR	4,879	4,253	(626)	0.56	0.00	54,199	47,480	(6,719)	0.52	0.00
Total UTILITIES	42,964	31,079	(11,886)	4.94	0.00	371,480	362,788	(8,691)	3.60	0.00
6207.58 EQUIPMENT_SUPPLY OTHE	212	354	142	0.02	0.00	3,519	7,187	3,668	0.03	0.00
6207.61 EQUIPMENT_MINOR EQUIP	0	0	0	0.00	0.00	0	1,165	1,165	0.00	0.00
6207.79 EQUIPMENT_PURCHASED S	0	5,407	5,407	0.00	0.00	2,628	27,002	24,374	0.03	0.00
6207.98 EQUIPMENT_OTHER EXPEN	2	0	(2)	0.00	0.00	2	0	(2)	0.00	0.00
Total EQUIPMENT	213	5,761	5,547	0.02	0.00	6,149	35,353	29,205	0.06	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
6300.19 HSKP_WAGES-OTHER	37,126	32,893	(4,232)	4.27	0.00	411,810	387,854	(23,956)	3.99	0.00
6300.20 HSKP_PAYROLL TAXES	2,784	2,571	(213)	0.32	0.00	33,260	31,052	(2,207)	0.32	0.00
6300.23 HSKP_DENTAL REIMBURSE	0	2,977	2,977	0.00	0.00	13,105	5,240	(7,865)	0.13	0.00
6300.24 HSKP_PAID TIME OFF/HO	1,639	3,003	1,364	0.19	0.00	41,561	39,916	(1,644)	0.40	0.00
6300.25 HSKP_GROUP LIFE & HEA	6,053	6,635	582	0.70	0.00	73,226	84,004	10,778	0.71	0.00
6300.26 HSKP_PENSION PLAN	294	189	(105)	0.03	0.00	3,978	1,761	(2,217)	0.04	0.00
6300.27 HSKP_WORKERS COMPENSA	(47,733)	(5,518)	42,214	(5.49)	0.00	109,080	67,863	(41,216)	1.06	0.00
6300.28 HSKP_EMPLOYEE PHYSICA	70	70	0	0.01	0.00	735	745	10	0.01	0.00
6300.29 HSKP_UNEMPLOYMENT INS	743	355	(388)	0.09	0.00	2,187	12,300	10,113	0.02	0.00
6300.57 HSKP_CLEANING SUPPLIE	12,777	1,175	(11,602)	1.47	0.00	49,226	52,862	3,636	0.48	0.00
6300.58 HSKP_SUPPLY OTHER	9,405	7,571	(1,834)	1.08	0.00	112,963	89,674	(23,289)	1.09	0.00
6300.62 HSKP_EQUIPMENT RENTAL	0	0	0	0.00	0.00	69	0	(69)	0.00	0.00
6300.79 HSKP_PURCHASED SERVIC	0	0	0	0.00	0.00	3,500	0	(3,500)	0.03	0.00

6300.94 HSKP_EMPLOYEE RECRUIT	0	0	0	0.00	0.00	360	360	0	0.00	0.00
6300.98 HSKP_OTHER EXPENSE	2	0	(2)	0.00	0.00	782	855	73	0.01	0.00
Total HOUSEKEEPING	23,158	51,921	28,762	2.66	0.00	855,839	774,486	(81,354)	8.29	0.00
6400.19 LAUNDRY_WAGES-OTHER	9,191	9,326	135	1.06	0.00	103,627	105,306	1,679	1.00	0.00
6400.20 LAUNDRY_PAYROLL TAXES	662	712	50	0.08	0.00	8,365	8,488	123	0.08	0.00
6400.23 LAUNDRY_DENTAL REIMBU	906	0	(906)	0.10	0.00	2,016	0	(2,016)	0.02	0.00
6400.24 LAUNDRY_PAID TIME OFF	350	583	233	0.04	0.00	11,674	11,629	(45)	0.11	0.00
6400.25 LAUNDRY_GROUP LIFE &	1,331	1,148	(183)	0.15	0.00	16,491	14,791	(1,699)	0.16	0.00
6400.26 LAUNDRY_PENSION PLAN	106	50	(56)	0.01	0.00	779	204	(575)	0.01	0.00
6400.27 LAUNDRY_WORKERS COMPE	52	(2,266)	(2,318)	0.01	0.00	2,156	1,911	(245)	0.02	0.00
6400.28 LAUNDRY_EMPLOYEE PHYS	35	0	(35)	0.00	0.00	140	140	0	0.00	0.00
6400.56 LAUNDRY_LINEN & BEDDI	505	0	(505)	0.06	0.00	696	2,753	2,057	0.01	0.00
6400.57 LAUNDRY_CLEANING SUPP	0	0	0	0.00	0.00	0	44	44	0.00	0.00
6400.58 LAUNDRY_SUPPLY OTHER	1,500	1,217	(284)	0.17	0.00	21,311	18,605	(2,707)	0.21	0.00
6400.59 LAUNDRY_EMPLOYEE WEAR	0	(50)	(50)	0.00	0.00	406	886	480	0.00	0.00
6400.61 LAUNDRY_MINOR EQUIPME	0	0	0	0.00	0.00	0	611	611	0.00	0.00
6400.79 LAUNDRY_PURCHASED SER	488	1,214	726	0.06	0.00	12,457	14,860	2,403	0.12	0.00
6400.98 LAUNDRY_OTHER EXPENSE	0	0	0	0.00	0.00	200	225	25	0.00	0.00
Total LAUNDRY	15,126	11,934	(3,191)	1.74	0.00	180,318	180,453	135	1.75	0.00
6500.15 DIETARY_DIETICIAN	4,916	3,391	(1,525)	0.57	0.00	51,848	50,946	(902)	0.50	0.00
6500.19 DIETARY_WAGES-OTHER	53,736	53,807	71	6.18	0.00	659,452	627,353	(32,099)	6.38	0.00
6500.20 DIETARY_PAYROLL TAXES	4,705	4,724	19	0.54	0.00	57,132	54,442	(2,690)	0.55	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
6500.23 DIETARY_DENTAL REIMBU	2,720	1,870	(850)	0.31	0.00	13,105	5,870	(7,235)	0.13	0.00
6500.24 DIETARY_PAID TIME OFF	3,389	3,779	390	0.39	0.00	58,951	52,724	(6,227)	0.57	0.00
6500.25 DIETARY_GROUP LIFE &	8,796	8,455	(341)	1.01	0.00	101,095	89,425	(11,670)	0.98	0.00
6500.26 DIETARY_PENSION PLAN	478	247	(231)	0.05	0.00	4,047	2,408	(1,640)	0.04	0.00
6500.27 DIETARY_WORKERS COMPE	397	(14,544)	(14,941)	0.05	0.00	13,656	30,783	17,128	0.13	0.00
6500.28 DIETARY_EMPLOYEE PHYS	140	105	(35)	0.02	0.00	1,155	880	(275)	0.01	0.00
6500.29 DIETARY_UNEMPLOYMENT	301	901	600	0.03	0.00	(1,186)	5,132	6,318	(0.01)	0.00
6500.33 DIETARY_DIETICIAN PAI	236	620	384	0.03	0.00	5,686	6,067	382	0.06	0.00
6500.54 DIETARY_SUPPLEMENTS-O	1,591	(108)	(1,698)	0.18	0.00	25,810	8,696	(17,114)	0.25	0.00
6500.55 DIETARY_FOOD	55,111	49,240	(5,871)	6.33	0.00	634,439	639,629	5,190	6.14	0.00

6500.57 DIETARY_CLEANING SUPP	1,545	1,275	(270)	0.18	0.00	16,018	14,977	(1,040)	0.16	0.00
6500.58 DIETARY_SUPPLY OTHER	4,038	3,733	(305)	0.46	0.00	54,588	51,376	(3,211)	0.53	0.00
6500.59 DIETARY_EMPLOYEE WEAR	79	852	773	0.01	0.00	905	1,946	1,041	0.01	0.00
6500.61 DIETARY_MINOR EQUIPME	66	843	777	0.01	0.00	8,516	21,889	13,373	0.08	0.00
6500.62 DIETARY_EQUIPMENT REN	234	234	0	0.03	0.00	2,806	3,553	747	0.03	0.00
6500.63 DIETARY_POSTAGE	0	7	7	0.00	0.00	160	389	229	0.00	0.00
6500.65 DIETARY_PRINTING & FO	0	0	0	0.00	0.00	155	111	(44)	0.00	0.00
6500.73 DIETARY_MANAGEMENT SE	11,496	10,730	(766)	1.32	0.00	147,572	136,973	(10,599)	1.43	0.00
6500.78 DIETARY_CONTRACT LABO	24,897	17,927	(6,969)	2.86	0.00	299,100	285,914	(13,186)	2.90	0.00
6500.79 DIETARY_PURCHASED SER	692	4,847	4,155	0.08	0.00	19,526	17,784	(1,741)	0.19	0.00
6500.81 DIETARY_TRAVEL & ENTE	0	302	302	0.00	0.00	10,877	2,582	(8,295)	0.11	0.00
6500.86 DIETARY_TELEPHONE	85	85	0	0.01	0.00	986	1,054	68	0.01	0.00
6500.87 DIETARY_DUES & SUBSCR	0	0	0	0.00	0.00	320	459	139	0.00	0.00
6500.88 DIETARY_SEMINARS	0	0	0	0.00	0.00	1,198	4,904	3,706	0.01	0.00
6500.94 DIETARY_EMPLOYEE RECR	0	0	0	0.00	0.00	90	1,530	1,440	0.00	0.00
6500.98 DIETARY_OTHER EXPENSE	858	460	(398)	0.10	0.00	15,236	12,698	(2,538)	0.15	0.00
Total DIETARY	180,505	153,781	(26,724)	20.75	0.00	2,203,242	2,132,495	(70,747)	21.33	0.00
6600.01 SOCIAL SVC_WAGES-SUPE	4,403	4,144	(258)	0.51	0.00	44,057	45,072	1,014	0.43	0.00
6600.19 SOCIAL SVC_WAGES-OTHE	11,888	9,433	(2,456)	1.37	0.00	115,763	116,736	973	1.12	0.00
6600.20 SOCIAL SVC_PAYROLL TA	1,129	1,100	(29)	0.13	0.00	12,159	12,132	(27)	0.12	0.00
6600.23 SOCIAL SVC_DENTAL REI	0	279	279	0.00	0.00	6,583	4,073	(2,510)	0.06	0.00
6600.24 SOCIAL SVC_PAID TIME	102	962	860	0.01	0.00	10,654	11,470	816	0.10	0.00
6600.25 SOCIAL SVC_GROUP LIFE	519	1,891	1,372	0.06	0.00	19,203	18,694	(509)	0.19	0.00
6600.26 SOCIAL SVC_PENSION PL	317	308	(9)	0.04	0.00	5,222	3,240	(1,982)	0.05	0.00
6600.27 SOCIAL SVC_WORKERS CO	96	(2,484)	(2,580)	0.01	0.00	2,498	2,583	85	0.02	0.00
6600.28 SOCIAL SVC_EMPLOYEE P	35	35	0	0.00	0.00	140	140	0	0.00	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
6600.34 SOCIAL SVC_SUPERVISOR	147	317	169	0.02	0.00	6,257	5,903	(354)	0.06	0.00
6600.46 SOCIAL SVC_CONSULTANT	0	0	0	0.00	0.00	1,501	1,730	229	0.01	0.00
6600.58 SOCIAL SVC_SUPPLY OTH	132	61	(72)	0.02	0.00	1,985	2,801	815	0.02	0.00
6600.61 SOCIAL SVC_MINOR EQUI	0	0	0	0.00	0.00	237	1,308	1,071	0.00	0.00
6600.63 SOCIAL SVC_POSTAGE	89	84	(4)	0.01	0.00	1,344	1,231	(113)	0.01	0.00
6600.65 SOCIAL SVC_PRINTING &	0	0	0	0.00	0.00	1,065	693	(372)	0.01	0.00
6600.81 SOCIAL SVC_TRAVEL & E	0	0	0	0.00	0.00	112	98	(14)	0.00	0.00

6600.88 SOCIAL SVC_SEMINARS	0	0	0	0.00	0.00	159	441	282	0.00	0.00
6600.94 SOCIAL SVC_EMPLOYEE R	0	0	0	0.00	0.00	5,205	6,976	1,771	0.05	0.00
6600.98 SOCIAL SVC_OTHER EXPE	0	0	0	0.00	0.00	180	205	25	0.00	0.00
Total SOCIAL SERVICES	18,858	16,129	(2,730)	2.17	0.00	234,323	235,524	1,200	2.27	0.00
6700.01 ACTIVITIES_WAGES-SUPE	3,286	3,785	499	0.38	0.00	35,491	37,586	2,096	0.34	0.00
6700.19 ACTIVITIES_WAGES-OTHE	16,349	15,884	(465)	1.88	0.00	196,923	191,376	(5,546)	1.91	0.00
6700.20 ACTIVITIES_PAYROLL TA	1,553	1,510	(43)	0.18	0.00	18,766	18,332	(435)	0.18	0.00
6700.23 ACTIVITIES_DENTAL REI	515	769	254	0.06	0.00	10,638	10,965	327	0.10	0.00
6700.24 ACTIVITIES_PAID TIME	1,648	1,154	(494)	0.19	0.00	22,316	21,247	(1,069)	0.22	0.00
6700.25 ACTIVITIES_GROUP LIFE	3,798	4,442	643	0.44	0.00	53,612	52,618	(994)	0.52	0.00
6700.26 ACTIVITIES_PENSION PL	507	455	(52)	0.06	0.00	6,650	5,113	(1,537)	0.06	0.00
6700.27 ACTIVITIES_WORKERS CO	280	(5,319)	(5,599)	0.03	0.00	4,035	4,209	174	0.04	0.00
6700.28 ACTIVITIES_EMPLOYEE P	70	35	(35)	0.01	0.00	385	385	0	0.00	0.00
6700.34 ACTIVITIES_SUPERVISOR	(159)	139	298	(0.02)	0.00	5,712	5,356	(357)	0.06	0.00
6700.45 ACTIVITIES_THERAPIST	180	0	(180)	0.02	0.00	720	840	120	0.01	0.00
6700.58 ACTIVITIES_SUPPLY OTH	723	325	(398)	0.08	0.00	4,762	5,161	399	0.05	0.00
6700.61 ACTIVITIES_MINOR EQUI	0	277	277	0.00	0.00	1,463	606	(857)	0.01	0.00
6700.63 ACTIVITIES_POSTAGE	18	29	11	0.00	0.00	103	279	176	0.00	0.00
6700.65 ACTIVITIES_PRINTING &	56	28	(27)	0.01	0.00	861	592	(269)	0.01	0.00
6700.79 ACTIVITIES_PURCHASED	0	0	0	0.00	0.00	0	300	300	0.00	0.00
6700.87 ACTIVITIES_DUES & SUB	84	42	(42)	0.01	0.00	750	1,172	422	0.01	0.00
6700.88 ACTIVITIES_SEMINARS	0	0	0	0.00	0.00	600	0	(600)	0.01	0.00
6700.93 ACTIVITIES_RESIDENT O	78	27	(51)	0.01	0.00	315	459	144	0.00	0.00
6700.97 ACTIVITIES_VOLUNTEER	186	207	21	0.02	0.00	3,535	5,930	2,395	0.03	0.00
6700.98 ACTIVITIES_OTHER EXPE	265	635	370	0.03	0.00	5,369	7,488	2,120	0.05	0.00
Total ACTIVITIES	29,436	24,424	(5,011)	3.38	0.00	373,005	370,014	(2,991)	3.61	0.00
6800.12 EDUCATION_WAGES-RN	6,251	6,568	318	0.72	0.00	69,064	69,231	166	0.67	0.00
6800.13 EDUCATION_WAGES-LVN	5,041	4,811	(230)	0.58	0.00	52,599	50,287	(2,313)	0.51	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
6800.20 EDUCATION_PAYROLL TAX	850	843	(7)	0.10	0.00	10,055	9,951	(104)	0.10	0.00
6800.23 EDUCATION_DENTAL REIM	0	0	0	0.00	0.00	2,080	2,710	630	0.02	0.00
6800.25 EDUCATION_GROUP LIFE	1,041	1,041	0	0.12	0.00	12,240	12,335	95	0.12	0.00
6800.26 EDUCATION_PENSION PLA	311	298	(13)	0.04	0.00	3,998	3,260	(738)	0.04	0.00

6800.27 EDUCATION_WORKERS COM	70	(2,811)	(2,881)	0.01	0.00	2,072	1,859	(213)	0.02	0.00
6800.28 EDUCATION_EMPLOYEE PH	70	70	0	0.01	0.00	70	70	0	0.00	0.00
6800.30 EDUCATION_RN PAID TIM	332	344	12	0.04	0.00	7,383	7,087	(297)	0.07	0.00
6800.31 EDUCATION_LVN PAID TI	402	363	(39)	0.05	0.00	7,241	6,868	(373)	0.07	0.00
6800.58 EDUCATION_SUPPLY OTHE	55	54	(2)	0.01	0.00	465	398	(67)	0.00	0.00
6800.61 EDUCATION_MINOR EQUIP	0	0	0	0.00	0.00	49	0	(49)	0.00	0.00
6800.65 EDUCATION_PRINTING &	0	0	0	0.00	0.00	4	4	0	0.00	0.00
6800.88 EDUCATION_SEMINARS	180	0	(180)	0.02	0.00	180	0	(180)	0.00	0.00
6800.98 EDUCATION_OTHER EXPEN	0	0	0	0.00	0.00	80	90	10	0.00	0.00
Total EDUCATION	14,603	11,581	(3,022)	1.68	0.00	167,582	164,149	(3,433)	1.62	0.00
6901.01 ADM OFFICE_WAGES-SUPE	21,350	13,414	(7,936)	2.45	0.00	205,354	190,906	(14,448)	1.99	0.00
6901.20 ADM OFFICE_PAYROLL TA	752	190	(562)	0.09	0.00	13,959	13,310	(649)	0.14	0.00
6901.23 ADM OFFICE_DENTAL REI	1,659	2,000	341	0.19	0.00	2,423	2,901	478	0.02	0.00
6901.25 ADM OFFICE_GROUP LIFE	956	474	(483)	0.11	0.00	14,300	11,943	(2,357)	0.14	0.00
6901.26 ADM OFFICE_PENSION PL	626	403	(223)	0.07	0.00	7,999	5,820	(2,178)	0.08	0.00
6901.27 ADM OFFICE_WORKERS CO	187	(4,013)	(4,201)	0.02	0.00	3,639	3,398	(241)	0.04	0.00
6901.28 ADM OFFICE_EMPLOYEE P	0	0	0	0.00	0.00	35	35	0	0.00	0.00
6901.29 ADM OFFICE_UNEMPLOYME	0	0	0	0.00	0.00	11,700	0	(11,700)	0.11	0.00
6901.34 ADM OFFICE_SUPERVISOR	(4,304)	1,025	5,329	(0.49)	0.00	28,755	24,711	(4,043)	0.28	0.00
6901.41 ADM OFFICE_MEDICAL DI	1,100	1,100	0	0.13	0.00	13,200	13,200	0	0.13	0.00
6901.42 ADM OFFICE_UTILIZATIO	95	90	(5)	0.01	0.00	1,001	1,768	767	0.01	0.00
6901.58 ADM OFFICE_SUPPLY OTH	134	34	(100)	0.02	0.00	706	573	(133)	0.01	0.00
6901.61 ADM OFFICE_MINOR EQUI	0	0	0	0.00	0.00	259	245	(14)	0.00	0.00
6901.63 ADM OFFICE_POSTAGE	2	6	4	0.00	0.00	2	43	42	0.00	0.00
6901.65 ADM OFFICE_PRINTING &	0	0	0	0.00	0.00	217	182	(36)	0.00	0.00
6901.79 ADM OFFICE_PURCHASED	16	17	1	0.00	0.00	195	216	21	0.00	0.00
6901.80 ADM OFFICE_PUBLIC REL	0	0	0	0.00	0.00	0	211	211	0.00	0.00
6901.81 ADM OFFICE_TRAVEL & E	0	21	21	0.00	0.00	862	3,183	2,321	0.01	0.00
6901.87 ADM OFFICE_DUES & SUB	0	0	0	0.00	0.00	517	1,231	714	0.01	0.00
6901.88 ADM OFFICE_SEMINARS	0	0	0	0.00	0.00	917	789	(128)	0.01	0.00
6901.95 ADM OFFICE_AUTO ALLOW	204	153	(51)	0.02	0.00	2,336	1,817	(519)	0.02	0.00
6901.98 ADM OFFICE_OTHER EXPE	31	238	207	0.00	0.00	623	826	203	0.01	0.00
Total ADMINISTRATION OFFICE	22,809	15,152	(7,658)	2.62	0.00	309,000	277,310	(31,689)	2.99	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
6907.01 BUSINESS_WAGES-SUPERV	6,150	5,726	(424)	0.71	0.00	62,581	63,091	510	0.61	0.00

6907.19 BUSINESS_WAGES-OTHER	14,529	16,790	2,260	1.67	0.00	170,477	183,706	13,229	1.65	0.00
6907.20 BUSINESS_PAYROLL TAXE	1,665	1,724	59	0.19	0.00	20,050	20,609	559	0.19	0.00
6907.23 BUSINESS_DENTAL REIMB	0	65	65	0.00	0.00	5,666	6,578	912	0.05	0.00
6907.24 BUSINESS_PAID TIME OF	(3,563)	897	4,461	(0.41)	0.00	22,884	22,233	(651)	0.22	0.00
6907.25 BUSINESS_GROUP LIFE &	3,133	3,582	449	0.36	0.00	36,467	25,913	(10,554)	0.35	0.00
6907.26 BUSINESS_PENSION PLAN	629	579	(50)	0.07	0.00	8,955	5,950	(3,005)	0.09	0.00
6907.27 BUSINESS_WORKERS COMP	19	601	582	0.00	0.00	892	2,552	1,660	0.01	0.00
6907.28 BUSINESS_EMPLOYEE PHY	0	0	0	0.00	0.00	175	140	(35)	0.00	0.00
6907.34 BUSINESS_SUPERVISOR P	206	366	160	0.02	0.00	8,629	8,723	94	0.08	0.00
6907.58 BUSINESS_SUPPLY OTHER	0	0	0	0.00	0.00	58	60	3	0.00	0.00
6907.61 BUSINESS_MINOR EQUIPM	20	0	(20)	0.00	0.00	352	0	(352)	0.00	0.00
6907.62 BUSINESS_EQUIPMENT RE	90	180	90	0.01	0.00	1,080	1,080	0	0.01	0.00
6907.63 BUSINESS_POSTAGE	300	199	(101)	0.03	0.00	3,162	3,140	(21)	0.03	0.00
6907.65 BUSINESS_PRINTING & F	0	0	0	0.00	0.00	1,189	2,182	993	0.01	0.00
6907.79 BUSINESS_PURCHASED SE	0	0	0	0.00	0.00	0	449	449	0.00	0.00
6907.81 BUSINESS_TRAVEL & ENT	52	0	(52)	0.01	0.00	165	209	44	0.00	0.00
6907.88 BUSINESS_SEMINARS	230	180	(50)	0.03	0.00	627	694	67	0.01	0.00
6907.94 BUSINESS_EMPLOYEE REC	0	0	0	0.00	0.00	0	90	90	0.00	0.00
6907.98 BUSINESS_OTHER EXPENS	0	19	19	0.00	0.00	293	346	54	0.00	0.00
Total BUSINESS OFFICE	23,459	30,908	7,449	2.70	0.00	343,701	347,745	4,045	3.33	0.00
6908.01 MED REC_WAGES-SUPERVI	3,397	3,070	(327)	0.39	0.00	35,069	34,924	(145)	0.34	0.00
6908.19 MED REC_WAGES-OTHER	7,940	5,608	(2,331)	0.91	0.00	85,142	86,034	892	0.82	0.00
6908.20 MED REC_PAYROLL TAXES	838	653	(185)	0.10	0.00	9,886	9,840	(46)	0.10	0.00
6908.23 MED REC_DENTAL REIMBU	1,608	1,000	(608)	0.18	0.00	2,608	5,118	2,510	0.03	0.00
6908.24 MED REC_PAID TIME OFF	313	(169)	(482)	0.04	0.00	9,410	9,876	466	0.09	0.00
6908.25 MED REC_GROUP LIFE &	1,190	1,643	453	0.14	0.00	13,134	18,466	5,332	0.13	0.00
6908.26 MED REC_PENSION PLAN	152	84	(68)	0.02	0.00	1,602	1,968	367	0.02	0.00
6908.27 MED REC_WORKERS COMPE	12	(316)	(328)	0.00	0.00	310	289	(21)	0.00	0.00
6908.28 MED REC_EMPLOYEE PHYS	0	0	0	0.00	0.00	140	150	10	0.00	0.00
6908.29 MED REC_UNEMPLOYMENT	0	2,739	2,739	0.00	0.00	3,251	2,739	(512)	0.03	0.00
6908.34 MED REC_SUPERVISOR PA	58	174	116	0.01	0.00	3,940	4,017	77	0.04	0.00
6908.43 MED REC_CONSULTANT	594	1,188	594	0.07	0.00	7,194	7,128	(66)	0.07	0.00
6908.58 MED REC_SUPPLY OTHER	1,405	1,055	(350)	0.16	0.00	7,034	10,819	3,785	0.07	0.00
6908.61 MED REC_MINOR EQUIPME	905	303	(602)	0.10	0.00	905	309	(597)	0.01	0.00
6908.65 MED REC_PRINTING & FO	1,063	622	(441)	0.12	0.00	10,192	10,209	17	0.10	0.00

	Current Period			Year To Date		
		PPD	PPD		PPD	PPD

	Amount	Prior Yr	Variance	Amount	Prior	Amount	Prior Yr	Variance	Amount	Prior
6908.88 MED REC_SEMINARS	230	180	(50)	0.03	0.00	230	405	175	0.00	0.00
6908.94 MED REC_EMPLOYEE RECR	0	0	0	0.00	0.00	90	90	0	0.00	0.00
6908.98 MED REC_OTHER EXPENSE	0	0	0	0.00	0.00	200	282	82	0.00	0.00
Total MEDICAL RECORDS	19,705	17,835	(1,870)	2.26	0.00	190,337	202,662	12,325	1.84	0.00
6990.40 GENERAL_LONG/SHORT TE	166	166	0	0.02	0.00	1,992	1,992	0	0.02	0.00
6990.48 GENERAL_ACCTG PROFESS	0	6,628	6,628	0.00	0.00	27,806	28,728	922	0.27	0.00
6990.58 GENERAL_SUPPLY OTHER	783	1,087	304	0.09	0.00	14,602	12,958	(1,644)	0.14	0.00
6990.61 GENERAL_MINOR EQUIPME	0	0	0	0.00	0.00	1,943	5,518	3,574	0.02	0.00
6990.62 GENERAL_EQUIPMENT REN	434	45	(388)	0.05	0.00	939	691	(247)	0.01	0.00
6990.63 GENERAL_POSTAGE	0	0	0	0.00	0.00	17	12	(5)	0.00	0.00
6990.65 GENERAL_PRINTING & FO	0	0	0	0.00	0.00	1,893	2,687	794	0.02	0.00
6990.73 GENERAL_MANAGEMENT FE	144,289	139,587	(4,702)	16.58	0.00	1,772,523	1,620,795	(151,728)	17.16	0.00
6990.79 GENERAL_PURCHASED SER	3,157	1,950	(1,207)	0.36	0.00	37,397	22,531	(14,866)	0.36	0.00
6990.81 GENERAL_TRAVEL & ENTE	0	36	36	0.00	0.00	0	423	423	0.00	0.00
6990.86 GENERAL_TELEPHONE	4,134	1,861	(2,273)	0.48	0.00	26,097	19,737	(6,360)	0.25	0.00
6990.87 GENERAL_DUES & SUBSCR	2,020	1,952	(68)	0.23	0.00	24,943	22,642	(2,301)	0.24	0.00
6990.89 GENERAL_TAXES, LICENS	8,061	7,514	(547)	0.93	0.00	138,048	97,293	(40,755)	1.34	0.00
6990.90 GENERAL_EMPLOYEES FUN	1,376	0	(1,376)	0.16	0.00	15,028	6,304	(8,724)	0.15	0.00
6990.91 GENERAL_RESIDENT PERS	1,746	13	(1,733)	0.20	0.00	5,719	6,432	713	0.06	0.00
6990.93 GENERAL_AQMD EXPENSE	752	700	(52)	0.09	0.00	6,669	5,833	(836)	0.06	0.00
6990.94 GENERAL_BED TAX EXPEN	349,197	352,014	2,817	40.14	0.00	1,390,183	1,262,452	(127,731)	13.46	0.00
6990.95 GENERAL_SUPPORT GROUP	0	0	0	0.00	0.00	0	5	5	0.00	0.00
6990.96 GENERAL_BANK CHARGES	4,853	2,993	(1,860)	0.56	0.00	18,009	12,261	(5,748)	0.17	0.00
6990.98 GENERAL_OTHER EXPENSE	205	3,042	2,838	0.02	0.00	6,331	18,814	12,483	0.06	0.00
Total GENERAL	521,172	519,588	(1,584)	59.90	0.00	3,490,140	3,148,107	(342,032)	33.79	0.00
7110.92 DEPR_LAND IMPROVEMENT	1,493	1,493	0	0.17	0.00	17,916	17,916	0	0.17	0.00
Total DEPRECIATION	1,493	1,493	0	0.17	0.00	17,916	17,916	0	0.17	0.00
7120.92 DEPR_BUILDING & IMPRO	53,226	53,191	(35)	6.12	0.00	639,199	585,855	(53,344)	6.19	0.00
Total DEPRECIATION	53,226	53,191	(35)	6.12	0.00	639,199	585,855	(53,344)	6.19	0.00
7131.92 DEPR_KITCHEN EQUIPMEN	2,124	1,893	(230)	0.24	0.00	25,052	23,512	(1,539)	0.24	0.00
Total DEPRECIATION	2,124	1,893	(230)	0.24	0.00	25,052	23,512	(1,539)	0.24	0.00
7140.92 DEPR_MOVABLE EQUIPMEN	16,350	14,844	(1,506)	1.88	0.00	187,091	173,991	(13,101)	1.81	0.00
Total DEPRECIATION	16,350	14,844	(1,506)	1.88	0.00	187,091	173,991	(13,101)	1.81	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
7141.92 DEPR_OFFICE/MINOR EQU	3,523	3,781	258	0.40	0.00	46,009	46,588	579	0.45	0.00
Total DEPRECIATION	3,523	3,781	258	0.40	0.00	46,009	46,588	579	0.45	0.00
7142.92 DEPR_FURNITURE & FIXT	9,689	9,880	191	1.11	0.00	117,731	114,368	(3,362)	1.14	0.00
Total DEPRECIATION	9,689	9,880	191	1.11	0.00	117,731	114,368	(3,362)	1.14	0.00
7160.92 AMORT_LOAN COST	1,928	5,737	3,809	0.22	0.00	47,991	68,843	20,852	0.46	0.00
Total AMORTIZATION	1,928	5,737	3,809	0.22	0.00	47,991	68,843	20,852	0.46	0.00
7300.89 REAL PROPERTY TAX	759	561	(198)	0.09	0.00	13,300	6,816	(6,483)	0.13	0.00
Total REAL PROPERTY TAXES	759	561	(198)	0.09	0.00	13,300	6,816	(6,483)	0.13	0.00
7400.90 PROPERTY INS_FIRE & E	2,692	2,554	(138)	0.31	0.00	30,963	27,785	(3,178)	0.30	0.00
Total PROPERTY INSURANCE	2,692	2,554	(138)	0.31	0.00	30,963	27,785	(3,178)	0.30	0.00
7401.90 PROPERTY INS_AUTO	514	670	156	0.06	0.00	5,151	5,956	804	0.05	0.00
Total PROPERTY INSURANCE	514	670	156	0.06	0.00	5,151	5,956	804	0.05	0.00
7402.90 PROPERTY INS_LIABILIT	15,662	16,475	813	1.80	0.00	188,392	206,664	18,272	1.82	0.00
Total PROPERTY INSURANCE	15,662	16,475	813	1.80	0.00	188,392	206,664	18,272	1.82	0.00
7403.90 PROPERTY INS_OTHER	98	115	17	0.01	0.00	1,476	1,376	(101)	0.01	0.00
Total PROPERTY INSURANCE	98	115	17	0.01	0.00	1,476	1,376	(101)	0.01	0.00
7500.94 INTEREST EXP_OTHERS	40	39	(1)	0.00	0.00	732	922	191	0.01	0.00
Total INTEREST EXPENSE	40	39	(1)	0.00	0.00	732	922	191	0.01	0.00
7601.94 INTEREST EXP_LOANS	7,193	16,366	9,173	0.83	0.00	153,678	202,257	48,579	1.49	0.00
Total INTEREST EXPENSE	7,193	16,366	9,173	0.83	0.00	153,678	202,257	48,579	1.49	0.00
7700.00 BAD DEBT PROVISION_PR	52,670	77,694	25,024	6.05	0.00	58,169	87,853	29,684	0.56	0.00
7700.04 BAD DEBT PROVISION_ME	0	7,565	7,565	0.00	0.00	1,171	49,230	48,059	0.01	0.00
7700.05 BAD DEBT PROVISION_ME	20,425	2,206	(18,219)	2.35	0.00	39,640	73,268	33,628	0.38	0.00
7700.06 BAD DEBT PROVISION_OT	16,253	6,913	(9,340)	1.87	0.00	18,962	8,904	(10,058)	0.18	0.00
Total BAD DEBT ALLOWANCE	89,348	94,378	5,030	10.27	0.00	117,942	219,254	101,313	1.14	0.00
7896.00 MISC EXP_PET THERAPY	60	60	0	0.01	0.00	900	914	14	0.01	0.00
Total MISCELLANEOUS EXPENSE	60	60	0	0.01	0.00	900	914	14	0.01	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
8100.51 PAT SUPPLY_OXYGEN & O	1,773	1,095	(678)	0.20	0.00	20,150	16,229	(3,921)	0.20	0.00
Total PATIENT SUPPLIES	1,773	1,095	(678)	0.20	0.00	20,150	16,229	(3,921)	0.20	0.00
8130.54 EQT RENT_MEDICAL MATE	1,311	0	(1,311)	0.15	0.00	18,410	37,139	18,729	0.18	0.00
Total EQUIPMENT RENTAL	1,311	0	(1,311)	0.15	0.00	18,410	37,139	18,729	0.18	0.00
8200.45 PT_PROFESSIONAL FEES-	25,468	81,880	56,412	2.93	0.00	396,532	482,648	86,116	3.84	0.00
Total PHYSICAL THEARPY	25,468	81,880	56,412	2.93	0.00	396,532	482,648	86,116	3.84	0.00
8300.46 PHARMACY_CONSULTANT F	1,684	1,562	(122)	0.19	0.00	18,555	18,518	(37)	0.18	0.00
8300.52 PHARMACY_IV SOLUTIONS	3,077	5,026	1,949	0.35	0.00	69,840	60,009	(9,831)	0.68	0.00
8300.53 PHARMACY_PHARMACEUTIC	26,358	22,689	(3,669)	3.03	0.00	300,118	278,886	(21,232)	2.91	0.00
8300.55 PHARMACY_ENTERAL SUPP	1,194	1,822	628	0.14	0.00	18,681	19,174	494	0.18	0.00
Total PHARMACY	32,312	31,099	(1,213)	3.71	0.00	407,193	376,587	(30,606)	3.94	0.00
8400.79 LAB_PURCHASED SERVICE	3,564	6,665	3,101	0.41	0.00	55,039	56,372	1,333	0.53	0.00
Total LABORATORY	3,564	6,665	3,101	0.41	0.00	55,039	56,372	1,333	0.53	0.00
8911.79 RADIOLOGY_PURCHASED S	2,270	3,202	932	0.26	0.00	34,995	35,623	628	0.34	0.00
Total RADIOLOGY	2,270	3,202	932	0.26	0.00	34,995	35,623	628	0.34	0.00
8921.45 OT_PROFESSIONAL FEES-	25,226	73,379	48,153	2.90	0.00	399,603	421,418	21,815	3.87	0.00
Total OCCUPATIONAL THERAPY	25,226	73,379	48,153	2.90	0.00	399,603	421,418	21,815	3.87	0.00
8951.45 ST_PROFESSIONAL FEES-	6,269	11,877	5,608	0.72	0.00	64,118	83,615	19,497	0.62	0.00
Total SPEECH THERAPY	6,269	11,877	5,608	0.72	0.00	64,118	83,615	19,497	0.62	0.00
8991.00 B & B_BARBER & BEAUTI	2,192	1,122	(1,070)	0.25	0.00	18,590	15,386	(3,204)	0.18	0.00
Total BARBER & BEAUTICIAN	2,192	1,122	(1,070)	0.25	0.00	18,590	15,386	(3,204)	0.18	0.00
8999.00 PERS ITEM_PERSONAL IT	1,432	2,153	721	0.16	0.00	36,469	24,272	(12,197)	0.35	0.00
Total PERSONAL ITEMS	1,432	2,153	721	0.16	0.00	36,469	24,272	(12,197)	0.35	0.00
Total Expenses	2,075,493	2,089,361	13,868	238.56	0.00	21,907,455	21,321,069	(586,386)	212.09	0.00
Net Income	(193,764)	(7,747)	(186,016)	0.00	0.00	1,464,714	1,871,193	(406,478)	0.00	0.00

Income Statement with Prior Year
KEIRO NURSING HOME
August 31, 2013

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
Revenue										
3100.00 SNF_PRIVATE	583,932	442,520	141,412	208.25	204.11	4,305,764	4,551,680	(245,916)	208.21	202.20
3100.05 SNF_MEDI-CAL	838,986	930,620	(91,634)	205.48	200.13	9,123,416	8,813,800	309,616	205.10	200.06
3100.07 SNF_OTHER	(5,945)	0	(5,945)	205.00	0.00	13,051	52,280	(39,229)	213.95	203.42
Total SKILLED NURSING CARE	1,416,973	1,373,140	43,833	206.62	201.40	13,442,231	13,417,760	24,471	206.09	200.80
3101.00 BED HOLD_SNF PRIVATE	6,425	3,335	3,090	178.47	196.18	34,955	29,765	5,190	197.49	197.12
3101.05 BED HOLD SNF_MEDI-CAL	4,000	3,395	605	200.00	199.71	62,550	65,730	(3,180)	199.84	194.47
Total BED HOLD SNF	10,425	6,730	3,695	186.16	395.88	97,505	95,495	2,010	198.99	195.29
3110.00 CDP_PRIVATE	0	0	0	0.00	0.00	10,920	0	10,920	420.00	0.00
3110.04 CDP_MEDICARE A	231,270	252,320	(21,050)	390.00	380.00	2,628,620	2,759,510	(130,890)	390.00	379.99
3110.05 CDP_MEDI-CAL	780	0	780	390.00	0.00	1,560	2,660	(1,100)	390.00	380.00
3110.07 CDP_OTHER	0	0	0	0.00	0.00	44,850	74,860	(30,010)	390.00	380.00
Total CERTIFIED DISTINCT PART	232,050	252,320	(20,270)	390.00	380.00	2,685,950	2,837,030	(151,080)	390.12	379.99
3111.00 BED HOLD CDP_PRIVATE	0	0	0	0.00	0.00	1,319	1,420	(101)	439.67	355.00
3111.05 BED HOLD CDP_MEDI-CAL	1,456	2,840	(1,384)	364.00	355.00	23,233	28,045	(4,812)	363.02	355.00
Total BED HOLD CDP	1,456	2,840	(1,384)	364.00	355.00	24,552	29,465	(4,913)	366.45	355.00
3900.00 SCU_PRIVATE	15,142	73,700	(58,558)	226.00	220.00	560,526	549,680	10,846	226.20	220.49
3900.05 SCU_MEDI-CAL	251,312	182,160	69,152	226.00	220.00	2,044,802	1,929,280	115,522	225.94	219.86
Total SPECIAL CARE UNIT	266,454	255,860	10,594	226.00	220.00	2,605,328	2,478,960	126,368	226.00	220.00
3901.00 BED HOLD SCU_PRIVATE	0	1,290	(1,290)	0.00	215.00	2,210	3,010	(800)	221.00	215.00
3901.05 BED HOLD SCU_MEDI-CAL	221	645	(424)	221.00	215.00	7,956	6,450	1,506	221.00	215.00
Total BED HOLD SCU	221	1,935	(1,714)	221.00	215.00	10,166	9,460	706	221.00	215.00
4100.00 PAT SUPPLY_PRIVATE	45	0	45	0.01	0.00	61	12	49	0.00	0.00
4100.04 PAT SUPPLY_MEDICARE A	1,306	2,952	(1,646)	0.15	0.34	16,412	25,350	(8,938)	0.19	0.29
4100.05 PAT SUPPLY_MEDI-CAL	0	0	0	0.00	0.00	161	0	161	0.00	0.00
4100.07 PAT SUPPLY_OTHER	0	0	0	0.00	0.00	0	504	(504)	0.00	0.01
Total PATIENT SUPPLIES	1,351	2,952	(1,601)	0.16	0.34	16,634	25,866	(9,232)	0.20	0.30
4140.00 EQT RENT_PRIVATE	0	493	(493)	0.00	0.06	0	493	(493)	0.00	0.01
4140.04 EQT RENT_MEDICARE A	0	0	0	0.00	0.00	0	6,169	(6,169)	0.00	0.07

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
4140.05 EQT RENT_MEDI-CAL	0	0	0	0.00	0.00	164	0	164	0.00	0.00
4140.07 EQT RENT_OTHER	0	0	0	0.00	0.00	0	1,679	(1,679)	0.00	0.02
Total EQUIPMENT RENTAL	0	493	(493)	0.00	0.06	164	8,341	(8,177)	0.00	0.10
4200.00 PT_PRIVATE	120	0	120	0.01	0.00	3,630	240	3,390	0.04	0.00
4200.04 PT_MEDICARE A	55,800	63,800	(8,000)	6.42	7.34	636,520	687,520	(51,000)	7.56	7.98
4200.05 PT_MEDI-CAL	0	162	(162)	0.00	0.02	4,275	2,807	1,468	0.05	0.03
4200.07 PT_OTHER	0	0	0	0.00	0.00	9,661	19,520	(9,859)	0.11	0.23
4200.24 PT_MEDICARE B	8,317	4,890	3,428	0.96	0.56	27,042	13,714	13,328	0.32	0.16
4200.27 PT_OTHER-B	0	0	0	0.00	0.00	6,282	0	6,282	0.07	0.00
Total PHYSICAL THERAPY	64,237	68,851	(4,614)	7.39	7.92	687,410	723,801	(36,390)	8.16	8.40
4300.00 PHARMACY_PRIVATE	11,468	12,748	(1,280)	1.32	1.47	101,397	134,433	(33,036)	1.20	1.56
4300.04 PHARMACY_MEDICARE A	26,433	17,835	8,598	3.04	2.05	256,500	197,328	59,171	3.04	2.29
4300.05 PHARMACY_MEDI-CAL	4,994	4,174	820	0.57	0.48	68,728	40,023	28,704	0.82	0.46
4300.07 PHARMACY_OTHER	0	0	0	0.00	0.00	3,863	12,944	(9,082)	0.05	0.15
4300.24 PHARMACY_MEDICARE B	0	0	0	0.00	0.00	4,505	250	4,254	0.05	0.00
Total PHARMACY	42,894	34,756	8,138	4.93	4.00	434,992	384,979	50,012	5.16	4.47
4400.00 LAB_PRIVATE	870	173	698	0.10	0.02	3,228	1,371	1,857	0.04	0.02
4400.04 LAB_MEDICARE A	9,197	12,889	(3,692)	1.06	1.48	77,245	105,156	(27,911)	0.92	1.22
4400.05 LAB_MEDI-CAL	0	158	(158)	0.00	0.02	362	158	204	0.00	0.00
4400.07 LAB_OTHER	0	0	0	0.00	0.00	3,733	665	3,068	0.04	0.01
Total LABORATORY	10,067	13,219	(3,152)	1.16	1.52	84,567	107,349	(22,782)	1.00	1.25
4720.00 PERS LAUND_RESIDENT P	891	1,044	(153)	0.10	0.12	10,072	12,240	(2,168)	0.12	0.14
4720.05 PERS LAUND_MEDI-CAL	324	0	324	0.04	0.00	837	0	837	0.01	0.00
Total RESIDENT PERSONAL LAUND	1,215	1,044	171	0.14	0.12	10,909	12,240	(1,331)	0.13	0.14
4911.00 RADIOLOGY_PRIVATE	128	255	(128)	0.01	0.03	1,320	5,677	(4,357)	0.02	0.07
4911.04 RADIOLOGY_MEDICARE A	5,410	4,657	753	0.62	0.54	40,770	44,760	(3,990)	0.48	0.52
4911.05 RADIOLOGY_MEDI-CAL	0	128	(128)	0.00	0.01	295	540	(245)	0.00	0.01
4911.07 RADIOLOGY_OTHER	0	0	0	0.00	0.00	781	3,014	(2,234)	0.01	0.03
Total RADIOLOGY	5,538	5,040	498	0.64	0.58	43,165	53,991	(10,826)	0.51	0.63

4921.00 OT_PRIVATE	0	0	0	0.00	0.00	2,025	270	1,755	0.02	0.00
4921.04 OT_MEDICARE A	60,885	71,415	(10,530)	7.00	8.21	822,285	771,255	51,030	9.76	8.95

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
4921.05 OT_MEDI-CAL	0	3,105	(3,105)	0.00	0.36	3,993	6,991	(2,997)	0.05	0.08
4921.07 OT_OTHER	0	0	0	0.00	0.00	10,372	20,406	(10,035)	0.12	0.24
4921.24 OT_MEDICARE B	6,661	5,928	733	0.77	0.68	22,318	20,567	1,750	0.26	0.24
4921.27 OT_OTHER-B	282	0	282	0.03	0.00	3,107	511	2,595	0.04	0.01
Total OCCUPATIONAL THERAPY	67,828	80,448	(12,619)	7.80	9.25	864,099	820,001	44,098	10.26	9.52
4931.00 IH_PRIVATE	(289)	641	(929)	(0.03)	0.07	3,795	5,847	(2,052)	0.05	0.07
4931.04 IH_MEDICARE A	0	0	0	0.00	0.00	960	7	953	0.01	0.00
4931.05 IH_MEDI-CAL	0	0	0	0.00	0.00	340	164	176	0.00	0.00
Total INHALATION THERAPY	(289)	641	(929)	(0.03)	0.07	5,095	6,018	(923)	0.06	0.07
4951.00 ST_PRIVATE	0	0	0	0.00	0.00	750	0	750	0.01	0.00
4951.04 ST_MEDICARE A	10,250	5,150	5,100	1.18	0.59	110,350	53,850	56,500	1.31	0.62
4951.05 ST_MEDI-CAL	0	0	0	0.00	0.00	150	0	150	0.00	0.00
4951.07 ST_OTHER	409	0	409	0.05	0.00	3,809	550	3,259	0.05	0.01
4951.24 ST_MEDICARE B	5,205	0	5,205	0.60	0.00	26,202	2,440	23,762	0.31	0.03
4951.27 ST_OTHER-B	248	0	248	0.03	0.00	1,324	602	722	0.02	0.01
Total SPEECH THERAPY	16,112	5,150	10,962	1.85	0.59	142,585	57,442	85,143	1.69	0.67
4990.00 IV_PRIVATE	3,397	495	2,902	0.39	0.06	9,692	2,038	7,654	0.12	0.02
4990.04 IV_MEDICARE A	3,726	14,458	(10,732)	0.43	1.66	62,592	63,429	(837)	0.74	0.74
4990.05 IV_MEDI-CAL	0	(75)	75	0.00	(0.01)	0	0	0	0.00	0.00
4990.07 IV_OTHER	0	0	0	0.00	0.00	5,998	41,970	(35,972)	0.07	0.49
Total IV THERAPY	7,122	14,877	(7,755)	0.82	1.71	78,282	107,437	(29,155)	0.93	1.25
4991.00 B & B_BARBER & BEAUTI	2,282	2,283	(1)	0.26	0.26	24,565	19,508	5,057	0.29	0.23
4991.04 BARBER & BEAUTICIAN-M	0	0	0	0.00	0.00	(5)	0	(5)	0.00	0.00
4991.05 BARBER & BEAUTICIAN-M	0	0	0	0.00	0.00	(140)	0	(140)	0.00	0.00
Total BARBER & BEAUTICIAN	2,282	2,283	(1)	0.26	0.26	24,420	19,508	4,912	0.29	0.23
4999.00 PERS ITEM_PERSONAL IT	5,496	3,777	1,719	0.63	0.43	56,692	50,887	5,805	0.67	0.59

4999.05 PERS ITEM_MEDI-CAL	27	0	27	0.00	0.00	236	100	136	0.00	0.00
Total PERSONAL ITEMS	5,524	3,777	1,747	0.64	0.43	56,928	50,987	5,940	0.68	0.59
5010.00 C/A SNF_PRIVATE	(10)	0	(10)	0.00	0.00	(10)	0	(10)	0.00	0.00
5010.04 C/A SNF_MEDICARE A	(3,307)	0	(3,307)	0.00	0.00	(19,851)	(42)	(19,809)	0.00	0.00
5010.05 C/A SNF_MEDI-CAL	(110,836)	(99,198)	(11,638)	0.00	0.00	(1,186,987)	(966,052)	(220,936)	0.00	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
5010.07 C/A SNF_OTHER	0	2,282	(2,282)	0.00	0.00	4,996	18,077	(13,081)	0.00	0.00
Total CONTRACTUAL ALLOWANCE S	(114,153)	(96,916)	(17,237)	0.00	0.00	(1,201,852)	(948,016)	(253,836)	0.00	0.00
5011.04 C/A CDP_MEDICARE A	120,533	121,106	(573)	0.00	0.00	1,414,998	1,248,932	166,065	0.00	0.00
5011.05 C/A CDP_MEDI-CAL	(1,198)	(853)	(345)	0.00	0.00	(12,539)	(14,141)	1,602	0.00	0.00
Total CONTRACTUAL ALLOWANCE C	119,335	120,253	(918)	0.00	0.00	1,402,459	1,234,792	167,667	0.00	0.00
5090.05 C/A SCU_MEDI-CAL	(54,416)	(36,161)	(18,255)	0.00	0.00	(442,014)	(370,665)	(71,348)	0.00	0.00
Total CONTRACTUAL ALLOWANCE S	(54,416)	(36,161)	(18,255)	0.00	0.00	(442,014)	(370,665)	(71,348)	0.00	0.00
5100.00 C/A SNF AN_PRIVATE	(28)	0	(28)	0.00	0.00	(46)	0	(46)	0.00	0.00
5100.05 C/A SNF AN_MEDI-CAL	(1,458)	(4,010)	2,552	(0.17)	(0.46)	(32,792)	(17,288)	(15,504)	(0.39)	
5100.07 C/A SNF AN_OTHER	(4)	(8)	5	0.00	0.00	(20,082)	(98,743)	78,661	(0.24)	
5100.24 C/A SNF AN_MEDICARE B	(443)	(149)	(293)	(0.05)	(0.02)	(3,660)	(503)	(3,157)	(0.04)	
Total CONTRACTUAL ALLOWANCE A	(1,932)	(4,167)	2,235	(0.22)	(0.48)	(56,580)	(116,534)	59,954	(0.67)	
5110.04 C/A CDP AN_MEDICARE A	(173,009)	(193,156)	20,147	(25.02)	(28.19)	(2,023,656)	(1,954,824)	(68,832)	(30.74)	
5110.24 C/A CDP AN_MEDICARE B	0	0	0	0.00	0.00	(276)	(13)	(262)	0.00	0.00
Total CONTRACTUAL ALLOWANCE A	(173,009)	(193,156)	20,147	(25.02)	(28.19)	(2,023,931)	(1,954,837)	(69,094)	(30.75)	
5200.00 ADMINISTRATIVE ADJUST	0	0	0	0.00	0.00	(39,367)	0	(39,367)	0.00	0.00
Total ADMINISTRATIVE ADJUSTME	0	0	0	0.00	0.00	(39,367)	0	(39,367)	0.00	0.00
5710.00 VENDING MACHINE COMMI	215	212	3	0.02	0.02	1,620	1,734	(114)	0.02	0.02
Total VENDING MACHINE COMMISS	215	212	3	0.02	0.02	1,620	1,734	(114)	0.02	0.02
5741.00 DONATED CASH-PET THER	0	0	0	0.00	0.00	75	105	(30)	0.00	0.00
Total DONATED CASH-PET THERAP	0	0	0	0.00	0.00	75	105	(30)	0.00	0.00

5770.00 MEALS-GUEST & EMPLOYE	2,385	2,013	372	0.27	0.23	16,822	15,603	1,219	0.20	0.18
Total MEALS-GUEST & EMPLOYEES	2,385	2,013	372	0.27	0.23	16,822	15,603	1,219	0.20	0.18
5990.00 OTHER REVENUE	3	(507)	510	0.00	(0.06)	1,614	59,029	(57,415)	0.02	0.69
5990.10 OTHER REVENUE-REBATES	2,942	0	2,942	0.34	0.00	9,243	0	9,243	0.11	0.00
Total OTHER EVENUE	2,946	(507)	3,453	0.34	(0.06)	10,856	59,029	(48,173)	0.13	0.69
9101.00 UNREALIZED_GAIN/LOSS-	(59,404)	8,962	(68,366)	(6.83)	1.03	(65,346)	255,420	(320,766)	(0.78)	2.96
Total UNREALIZED GAIN/LOSS AS	(59,404)	8,962	(68,366)	(6.83)	1.03	(65,346)	255,420	(320,766)	(0.78)	2.96

Income Statement with Prior Year
KEIRO NURSING HOME
August 31, 2013

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
9103.00 DONATIONS-_UNRESTRICT	10,737	7,132	3,605	1.24	0.82	339,156	567,504	(228,348)	4.03	6.59
Total DONATIONS-UNRESTRICTED	10,737	7,132	3,605	1.24	0.82	339,156	567,504	(228,348)	4.03	6.59
9104.01 EXTRAORDINARY GAIN/LO	0	0	0	0.00	0.00	0	1,389	(1,389)	0.00	0.02
Total GAINS/LOSS	0	0	0	0.00	0.00	0	1,389	(1,389)	0.00	0.02
9106.00 INTEREST I_SAVINGS/IN	6,017	7,670	(1,652)	0.69	0.88	115,861	106,885	8,976	1.38	1.24
9106.01 INTEREST I_SUPPORT GR	0	0	0	0.00	0.00	0	0	0	0.00	0.00
Total INTEREST INCOME	6,017	7,670	(1,652)	0.69	0.88	115,861	106,885	8,977	1.38	1.24
9107.00 INTEREST I_TRUST FUND	0	0	0	0.00	0.00	0	20,207	(20,207)	0.00	0.23
Total INTEREST INCOME	0	0	0	0.00	0.00	0	20,207	(20,207)	0.00	0.23
9109.91 MISCELLANE_EXPENSES	0	(510,587)	510,587	0.00	(58.72)	0	(510,587)	510,587	0.00	
Total MISCELLANEOUS	0	(510,587)	510,587	0.00	(58.72)	0	(510,587)	510,587	0.00	
Net Revenue	1,890,182	1,431,104	459,078	217.44	164.57	19,372,742	19,608,158	(235,415)	229.97	227.54
Expenses										
6110.01 SNF_WAGES-SUPERVISOR	20,603	30,038	9,435	2.98	4.38	264,559	278,252	13,693	4.02	4.12
6110.12 SNF_WAGES-RN	61,899	52,237	(9,661)	8.95	7.62	536,176	459,184	(76,992)	8.14	6.80
6110.13 SNF_WAGES-LVN	76,889	91,257	14,368	11.12	13.32	799,365	885,724	86,358	12.14	13.12
6110.14 SNF_WAGES-AIDES & ORD	168,401	174,778	6,377	24.36	25.51	1,660,298	1,702,548	42,251	25.22	25.22

6110.15 SNF_TECHNICIAN & SPEC	34,295	36,659	2,364	4.96	5.35	350,888	361,659	10,771	5.33	5.36
6110.19 SNF_WAGES-OTHER	14,451	13,386	(1,065)	2.09	1.95	142,205	140,348	(1,857)	2.16	2.08
6110.20 SNF_PAYROLL TAXES	30,427	32,360	1,932	4.40	4.72	303,180	312,253	9,073	4.61	4.63
6110.23 SNF_DENTAL REIMBURSEM	903	6,223	5,320	0.13	0.91	103,891	102,528	(1,362)	1.58	1.52
6110.24 SNF_PTO/HOL-OTHER	596	863	267	0.09	0.13	16,582	15,811	(771)	0.25	0.23
6110.25 SNF_GROUP LIFE & HEAL	61,782	52,031	(9,751)	8.94	7.59	568,730	513,223	(55,507)	8.64	7.60
6110.26 SNF_PENSION PLAN	3,803	3,904	101	0.55	0.57	39,543	44,472	4,929	0.60	0.66
6110.27 SNF_WORKERS COMPENSAT	7,253	33,444	26,191	1.05	4.88	404,785	287,367	(117,419)	6.15	4.26
6110.28 SNF_EMPLOYEE PHYSICAL	560	545	(15)	0.08	0.08	4,520	4,470	(50)	0.07	0.07
6110.29 SNF_UNEMPLOYMENT INSU	0	546	546	0.00	0.08	3,684	4,404	720	0.06	0.07
6110.30 SNF_RN PAID TIME OFF/	3,934	3,744	(190)	0.57	0.55	54,882	50,245	(4,637)	0.83	0.74
6110.31 SNF_LVN PAID TIME OFF	5,590	6,148	558	0.81	0.90	91,405	88,614	(2,791)	1.39	1.31

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
6110.32 SNF_AIDES/ORDERLIES P	13,031	13,818	786	1.88	2.02	188,616	187,238	(1,377)	2.87	2.77
6110.33 SNF_TECHNICIAN PAID T	3,051	4,479	1,429	0.44	0.65	43,924	47,047	3,123	0.67	0.70
6110.34 SNF_SUPERVISOR PAID T	1,891	1,767	(123)	0.27	0.26	34,204	32,037	(2,167)	0.52	0.47
6110.51 SNF_OXYGEN & OTHER GA	290	534	244	0.04	0.08	3,820	6,305	2,485	0.06	0.09
6110.53 SNF_PHARMACEUTICAL	4,175	4,667	491	0.60	0.68	40,401	40,791	391	0.61	0.60
6110.54 SNF_MEDICAL MATERIAL	6,304	6,135	(169)	0.91	0.90	46,144	64,898	18,754	0.70	0.96
6110.58 SNF_SUPPLY OTHER	413	1,053	640	0.06	0.15	3,929	4,150	221	0.06	0.06
6110.61 SNF_MINOR EQUIPMENT	199	13,714	13,515	0.03	2.00	61,460	49,236	(12,224)	0.93	0.73
6110.62 SNF_EQUIPMENT RENTAL	343	343	(1)	0.05	0.05	3,761	3,562	(199)	0.06	0.05
6110.63 SNF_POSTAGE	2	0	(2)	0.00	0.00	6	71	65	0.00	0.00
6110.65 SNF_PRINTING & FORMS	55	170	115	0.01	0.02	704	1,334	630	0.01	0.02
6110.69 SNF_NON-MEDICAL SUPPL	30,339	31,951	1,612	4.39	4.66	258,601	285,610	27,010	3.93	4.23
6110.76 SNF_CONTRACT LABOR LV	520	2,075	1,555	0.08	0.30	18,999	19,318	318	0.29	0.29
6110.77 SNF_CONTRACT LABOR AI	6,665	12,323	5,658	0.96	1.80	54,596	78,698	24,102	0.83	1.17
6110.79 SNF_PURCHASED SERVICE	3,084	2,515	(569)	0.45	0.37	26,058	25,779	(279)	0.40	0.38
6110.86 SNF_TELEPHONE	24	32	8	0.00	0.00	236	293	57	0.00	0.00
6110.88 SNF_SEMINARS	0	975	975	0.00	0.14	4,587	5,024	437	0.07	0.07
6110.94 SNF_EMPLOYEE RECRUITM	90	380	290	0.01	0.06	3,106	3,840	734	0.05	0.06
6110.98 SNF_OTHER EXPENSE	0	0	0	0.00	0.00	9,105	10,001	896	0.14	0.15
Total SKILLED NURSING FACILIT	561,862	635,093	73,231	81.26	92.69	6,146,950	6,116,333	(30,616)	93.38	90.60
6112.01 CDP_WAGES-SUPERVISOR	7,090	6,271	(819)	11.84	9.33	67,035	66,756	(279)	9.80	9.08

6112.12 CDP_WAGES-RN	12,727	17,254	4,526	21.25	25.68	167,160	166,790	(370)	24.45	22.69
6112.13 CDP_WAGES-LVN	16,180	14,385	(1,795)	27.01	21.41	182,254	212,717	30,462	26.66	28.93
6112.14 CDP_WAGES-AIDES & ORD	15,516	22,368	6,852	25.90	33.29	226,952	245,412	18,460	33.19	33.38
6112.15 CDP_TECHNICIAN & SPEC	0	1,198	1,198	0.00	1.78	255	4,345	4,090	0.04	0.59
6112.20 CDP_PAYROLL TAXES	3,953	4,769	815	6.60	7.10	50,414	54,367	3,953	7.37	7.39
6112.25 CDP_GROUP LIFE & HEAL	8,099	8,584	485	1.17	1.25	91,521	88,980	(2,541)	1.39	1.32
6112.26 CDP_PENSION PLAN	224	224	0	0.03	0.03	2,271	2,565	294	0.03	0.04
6112.27 CDP_WORKERS COMPENSAT	122	161	39	0.02	0.02	1,448	1,894	446	0.02	0.03
6112.28 CDP_EMPLOYEE PHYSICAL	0	0	0	0.00	0.00	35	35	0	0.00	0.00
6112.30 CDP_RN PAID TIME OFF/	0	0	0	0.00	0.00	1,637	2,385	748	0.24	0.32
6112.31 CDP_LVN PAID TIME OFF	0	0	0	0.00	0.00	3,037	3,050	13	0.44	0.41
6112.32 CDP_AIDES/ORDERLIES P	0	0	0	0.00	0.00	4,375	4,159	(216)	0.64	0.57
6112.33 CDP_TECHNICIAN PAID T	0	0	0	0.00	0.00	79	79	(1)	0.01	0.01
6112.34 CDP_SUPERVISOR PAID T	684	829	144	1.14	1.23	9,539	9,704	165	1.40	1.32
6112.61 CDP_MINOR EQUIPMENT	0	0	0	0.00	0.00	49	49	0	0.00	0.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
6112.76 CDP_CONTRACT LABOR LV	0	0	0	0.00	0.00	1,099	0	(1,099)	0.16	0.00
6112.77 CDP_CONTRACT LABOR AI	0	110	110	0.00	0.16	597	208	(389)	0.09	0.03
6112.88 CDP_SEMINARS	0	0	0	0.00	0.00	0	90	90	0.00	0.00
6112.94 CDP_EMPLOYEE RECRUITM	0	0	0	0.00	0.00	90	0	(90)	0.00	0.00
6112.98 CDP_OTHER EXPENSE	0	0	0	0.00	0.00	0	40	40	0.00	0.00
Total CERTIFIED DISTINCT	64,595	76,151	11,556	8.60	10.12	809,849	863,624	53,775	11.14	11.54
6190.12 SCU_WAGES-RN	1,493	(80)	(1,573)	1.27	(0.07)	24,896	8,242	(16,654)	2.15	0.73
6190.13 SCU_WAGES-LVN	16,569	16,232	(337)	14.04	13.85	144,654	122,125	(22,530)	12.50	10.80
6190.14 SCU_WAGES-AIDES & ORD	30,853	34,497	3,643	26.15	29.43	327,624	321,491	(6,133)	28.31	28.42
6190.15 SCU_TECHNICIAN & SPEC	2,060	0	(2,060)	1.75	0.00	14,298	0	(14,298)	1.24	0.00
6190.20 SCU_PAYROLL TAXES	4,084	3,812	(272)	3.46	3.25	41,036	35,843	(5,193)	3.55	3.17
6190.23 SCU_DENTAL REIMBURSEM	50	450	400	0.04	0.38	8,470	6,544	(1,926)	0.73	0.58
6190.25 SCU_GROUP LIFE & HEAL	7,358	7,549	190	6.24	6.44	71,012	68,411	(2,600)	6.14	6.05
6190.26 SCU_PENSION PLAN	359	290	(69)	0.30	0.25	3,034	3,557	523	0.26	0.31
6190.27 SCU_WORKERS COMPENSAT	864	816	(48)	0.73	0.70	9,857	9,603	(254)	0.85	0.85
6190.28 SCU_EMPLOYEE PHYSICAL	35	35	0	0.03	0.03	490	560	70	0.04	0.05
6190.30 SCU_RN PAID TIME OFF/	(29)	0	29	(0.02)	0.00	400	0	(400)	0.03	0.00
6190.31 SCU_LVN PAID TIME OFF	(1,008)	530	1,539	(0.85)	0.45	9,257	8,782	(475)	0.80	0.78

6190.32 SCU_AIDES/ORDERLIES P	4,539	2,157	(2,381)	3.85	1.84	37,777	34,113	(3,664)	3.26	3.02
6190.33 SCU_TECHNICIAN PAID T	87	0	(87)	0.07	0.00	1,824	0	(1,824)	0.16	0.00
6190.61 SCU_MINOR EQUIPMENT	0	0	0	0.00	0.00	0	49	49	0.00	0.00
6190.94 SCU_EMPLOYEE RECRUITM	0	0	0	0.00	0.00	0	90	90	0.00	0.01
6190.98 SCU_OTHER EXPENSE	0	0	0	0.00	0.00	0	720	720	0.00	0.06
Total SPECIAL CARE UNIT	67,313	66,288	(1,026)	57.05	56.56	694,629	620,131	(74,498)	60.02	54.82
6201.19 BLDG&PLANT_WAGES-OTHE	9,101	7,234	(1,867)	1.05	0.83	83,380	75,453	(7,928)	0.99	0.88
6201.20 BLDG&PLANT_PAYROLL TA	705	531	(174)	0.08	0.06	6,647	5,966	(681)	0.08	0.07
6201.23 BLDG&PLANT_DENTAL REI	0	0	0	0.00	0.00	1,132	1,915	783	0.01	0.02
6201.24 BLDG&PLANT_PAID TIME	484	380	(104)	0.06	0.04	7,520	8,157	637	0.09	0.09
6201.25 BLDG&PLANT_GROUP LIFE	1,436	1,055	(381)	0.17	0.12	12,748	11,646	(1,103)	0.15	0.14
6201.26 BLDG&PLANT_PENSION PL	58	55	(2)	0.01	0.01	464	843	379	0.01	0.01
6201.27 BLDG&PLANT_WORKERS CO	125	91	(34)	0.01	0.01	11,650	13,769	2,119	0.14	0.16
6201.28 BLDG&PLANT_EMPLOYEE P	0	0	0	0.00	0.00	35	70	35	0.00	0.00
6201.29 BLDG&PLANT_UNEMPLOYME	0	0	0	0.00	0.00	880	440	(440)	0.01	0.01
6201.58 BLDG&PLANT_SUPPLY OTH	6,799	3,187	(3,612)	0.78	0.37	46,526	33,761	(12,764)	0.55	0.39
6201.61 BLDG&PLANT_MINOR EQUI	2,701	240	(2,461)	0.31	0.03	26,122	15,974	(10,148)	0.31	0.19

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
6201.62 BLDG&PLANT_EQUIPMENT	136	136	0	0.02	0.02	1,500	1,500	0	0.02	0.02
6201.63 BLDG&PLANT_POSTAGE	17	58	41	0.00	0.01	259	363	104	0.00	0.00
6201.65 BLDG&PLANT_PRINTING &	0	0	0	0.00	0.00	0	13	13	0.00	0.00
6201.73 BLDG&PLANT_MANAGEMENT	10,748	12,951	2,203	1.24	1.49	116,409	114,234	(2,176)	1.38	1.33
6201.78 BLDG&PLANT_CONTRACT L	14,091	18,847	4,756	1.62	2.17	176,945	159,948	(16,996)	2.10	1.86
6201.79 BLDG&PLANT_PURCHASED	(5,567)	19,788	25,354	(0.64)	2.28	160,743	172,173	11,430	1.91	2.00
6201.81 BLDG&PLANT_TRAVEL & E	0	148	148	0.00	0.02	0	786	786	0.00	0.01
6201.86 BLDG&PLANT_TELEPHONE	206	309	103	0.02	0.04	3,258	2,953	(305)	0.04	0.03
6201.87 BLDG&PLANT_DUES & SUB	0	0	0	0.00	0.00	(136)	0	136	0.00	0.00
6201.88 BLDG&PLANT_SEMINARS	0	176	176	0.00	0.02	525	834	309	0.01	0.01
6201.94 BLDG&PLANT_EMPLOYEE R	0	0	0	0.00	0.00	90	940	850	0.00	0.01
6201.98 BLDG&PLANT_OTHER EXPE	2	(487)	(489)	0.00	(0.06)	2,033	828	(1,204)	0.02	0.01
Total BUILDING & PLANT	41,042	64,700	23,657	4.72	7.44	658,731	622,566	(36,165)	7.82	7.22
6202.79 SECURITY_PURCHASED SE	12,763	15,438	2,675	1.47	1.78	135,495	137,473	1,978	1.61	1.60
Total SECURITY	12,763	15,438	2,675	1.47	1.78	135,495	137,473	1,978	1.61	1.60

6204.19 GROUNDS_WAGES-OTHER	1,844	1,989	145	0.21	0.23	19,392	18,952	(440)	0.23	0.22
6204.20 GROUNDS_PAYROLL TAXES	144	153	9	0.02	0.02	1,583	1,514	(69)	0.02	0.02
6204.24 GROUNDS_PAID TIME OFF	192	161	(31)	0.02	0.02	2,487	2,369	(118)	0.03	0.03
6204.25 GROUNDS_GROUP LIFE &	641	588	(54)	0.07	0.07	6,154	5,424	(730)	0.07	0.06
6204.27 GROUNDS_WORKERS COMPE	31	33	2	0.00	0.00	379	328	(50)	0.00	0.00
6204.28 GROUNDS_EMPLOYEE PHYS	35	35	0	0.00	0.00	35	35	0	0.00	0.00
6204.58 GROUNDS_SUPPLY OTHER	36	39	3	0.00	0.00	452	573	120	0.01	0.01
6204.79 GROUNDS_PURCHASED SER	992	2,664	1,672	0.11	0.31	21,452	12,783	(8,669)	0.25	0.15
6204.98 GROUNDS_OTHER EXPENSE	0	0	0	0.00	0.00	40	40	0	0.00	0.00
Total GROUNDS MAINTENANCE	3,916	5,662	1,746	0.45	0.65	51,974	42,018	(9,956)	0.62	0.49
6205.82 UTILITIES_ELECTRICITY	23,634	23,813	179	2.72	2.74	174,485	161,690	(12,795)	2.07	1.88
6205.83 UTILITIES_GAS	1,962	1,569	(393)	0.23	0.18	25,826	26,249	423	0.31	0.30
6205.84 UTILITIES_WATER	6,586	6,576	(10)	0.76	0.76	59,910	59,764	(146)	0.71	0.69
6205.85 UTILITIES_TRASH & GAR	4,499	4,418	(81)	0.52	0.51	46,649	44,901	(1,748)	0.55	0.52
Total UTILITIES	36,682	36,377	(305)	4.22	4.18	306,870	292,604	(14,266)	3.64	3.40
6207.58 EQUIPMENT_SUPPLY OTHE	360	161	(200)	0.04	0.02	2,707	2,916	209	0.03	0.03
6207.61 EQUIPMENT_MINOR EQUIP	128	0	(128)	0.01	0.00	998	0	(998)	0.01	0.00
6207.79 EQUIPMENT_PURCHASED S	60	0	(60)	0.01	0.00	3,448	2,628	(820)	0.04	0.03

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
Total EQUIPMENT	548	161	(387)	0.06	0.02	7,153	5,544	(1,609)	0.08	0.06
6300.19 HSKP_WAGES-OTHER	31,968	36,185	4,217	3.68	4.16	332,133	340,726	8,593	3.94	3.95
6300.20 HSKP_PAYROLL TAXES	2,472	2,825	353	0.28	0.32	26,881	27,618	737	0.32	0.32
6300.23 HSKP_DENTAL REIMBURSE	0	0	0	0.00	0.00	7,570	13,105	5,535	0.09	0.15
6300.24 HSKP_PAID TIME OFF/HO	1,897	2,079	182	0.22	0.24	31,535	35,093	3,558	0.37	0.41
6300.25 HSKP_GROUP LIFE & HEA	6,014	6,122	108	0.69	0.70	62,556	61,003	(1,554)	0.74	0.71
6300.26 HSKP_PENSION PLAN	160	293	133	0.02	0.03	2,382	3,393	1,012	0.03	0.04
6300.27 HSKP_WORKERS COMPENSA	530	651	121	0.06	0.07	152,353	153,965	1,612	1.81	1.79
6300.28 HSKP_EMPLOYEE PHYSICA	105	105	0	0.01	0.01	560	525	(35)	0.01	0.01
6300.29 HSKP_UNEMPLOYMENT INS	0	637	637	0.00	0.07	23	1,444	1,421	0.00	0.02
6300.57 HSKP_CLEANING SUPPLIE	5,584	4,301	(1,284)	0.64	0.49	46,835	32,390	(14,445)	0.56	0.38
6300.58 HSKP_SUPPLY OTHER	3,988	13,231	9,242	0.46	1.52	86,600	94,462	7,862	1.03	1.10

6300.61 HSKP_MINOR EQUIPMENT	240	0	(240)	0.03	0.00	437	0	(437)	0.01	0.00
6300.62 HSKP_EQUIPMENT RENTAL	0	0	0	0.00	0.00	69	0	(69)	0.00	0.00
6300.79 HSKP_PURCHASED SERVIC	0	3,500	3,500	0.00	0.40	787	3,500	2,713	0.01	0.04
6300.94 HSKP_EMPLOYEE RECRUIT	0	90	90	0.00	0.01	200	360	160	0.00	0.00
6300.98 HSKP_OTHER EXPENSE	0	0	0	0.00	0.00	440	780	340	0.01	0.01
Total HOUSEKEEPING	52,958	70,018	17,060	6.09	8.05	751,360	768,363	17,002	8.92	8.92
6400.19 LAUNDRY_WAGES-OTHER	9,384	8,415	(969)	1.08	0.97	91,141	86,003	(5,139)	1.08	1.00
6400.20 LAUNDRY_PAYROLL TAXES	742	699	(43)	0.09	0.08	7,131	6,976	(155)	0.08	0.08
6400.23 LAUNDRY_DENTAL REIMBU	0	0	0	0.00	0.00	3,292	1,000	(2,292)	0.04	0.01
6400.24 LAUNDRY_PAID TIME OFF	682	724	42	0.08	0.08	10,229	10,095	(133)	0.12	0.12
6400.25 LAUNDRY_GROUP LIFE &	1,585	1,440	(145)	0.18	0.17	15,229	13,703	(1,526)	0.18	0.16
6400.26 LAUNDRY_PENSION PLAN	276	112	(164)	0.03	0.01	2,698	567	(2,131)	0.03	0.01
6400.27 LAUNDRY_WORKERS COMPE	161	152	(9)	0.02	0.02	2,201	1,949	(252)	0.03	0.02
6400.28 LAUNDRY_EMPLOYEE PHYS	0	0	0	0.00	0.00	70	105	35	0.00	0.00
6400.56 LAUNDRY_LINEN & BEDDI	0	154	154	0.00	0.02	1,145	191	(954)	0.01	0.00
6400.58 LAUNDRY_SUPPLY OTHER	2,028	2,144	116	0.23	0.25	19,219	18,257	(962)	0.23	0.21
6400.59 LAUNDRY_EMPLOYEE WEAR	0	0	0	0.00	0.00	1,145	406	(739)	0.01	0.00
6400.79 LAUNDRY_PURCHASED SER	571	764	194	0.07	0.09	6,990	10,894	3,903	0.08	0.13
6400.98 LAUNDRY_OTHER EXPENSE	0	0	0	0.00	0.00	200	200	0	0.00	0.00
Total LAUNDRY	15,429	14,606	(824)	1.77	1.68	160,692	150,346	(10,346)	1.91	1.74
6500.15 DIETARY_DIETICIAN	4,681	4,801	120	0.54	0.55	41,261	42,808	1,548	0.49	0.50
6500.19 DIETARY_WAGES-OTHER	55,313	54,422	(891)	6.36	6.26	545,802	549,382	3,580	6.48	6.38

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
6500.20 DIETARY_PAYROLL TAXES	4,748	4,754	6	0.55	0.55	47,087	47,576	489	0.56	0.55
6500.23 DIETARY_DENTAL REIMBU	0	0	0	0.00	0.00	7,395	10,385	2,990	0.09	0.12
6500.24 DIETARY_PAID TIME OFF	2,965	3,349	384	0.34	0.39	48,363	49,351	988	0.57	0.57
6500.25 DIETARY_GROUP LIFE &	9,208	8,284	(924)	1.06	0.95	89,116	85,016	(4,100)	1.06	0.99
6500.26 DIETARY_PENSION PLAN	426	486	59	0.05	0.06	4,573	3,102	(1,471)	0.05	0.04
6500.27 DIETARY_WORKERS COMPE	1,076	1,040	(36)	0.12	0.12	11,667	11,657	(10)	0.14	0.14
6500.28 DIETARY_EMPLOYEE PHYS	185	140	(45)	0.02	0.02	930	875	(55)	0.01	0.01
6500.29 DIETARY_UNEMPLOYMENT	0	312	312	0.00	0.04	5	(1,487)	(1,492)	0.00	
6500.33 DIETARY_DIETICIAN PAI	253	299	45	0.03	0.03	5,169	4,790	(379)	0.06	0.06
6500.54 DIETARY_SUPPLEMENTS-O	836	2,453	1,616	0.10	0.28	7,804	23,741	15,937	0.09	0.28

6500.55 DIETARY_FOOD	44,254	58,595	14,341	5.09	6.74	491,005	518,697	27,692	5.83	6.02
6500.57 DIETARY_CLEANING SUPP	1,801	1,520	(282)	0.21	0.17	16,477	12,424	(4,053)	0.20	0.14
6500.58 DIETARY_SUPPLY OTHER	2,518	4,712	2,194	0.29	0.54	37,359	45,629	8,270	0.44	0.53
6500.59 DIETARY_EMPLOYEE WEAR	582	107	(475)	0.07	0.01	1,474	673	(801)	0.02	0.01
6500.61 DIETARY_MINOR EQUIPME	576	193	(383)	0.07	0.02	4,324	8,389	4,065	0.05	0.10
6500.62 DIETARY_EQUIPMENT REN	0	234	234	0.00	0.03	234	2,338	2,104	0.00	0.03
6500.63 DIETARY_POSTAGE	6	0	(6)	0.00	0.00	14	106	92	0.00	0.00
6500.65 DIETARY_PRINTING & FO	0	0	0	0.00	0.00	0	93	93	0.00	0.00
6500.73 DIETARY_MANAGEMENT SE	11,930	15,212	3,282	1.37	1.75	123,195	121,630	(1,565)	1.46	1.41
6500.78 DIETARY_CONTRACT LABO	(29,286)	25,815	55,101	(3.37)	2.97	188,824	247,673	58,849	2.24	2.87
6500.79 DIETARY_PURCHASED SER	2,134	896	(1,237)	0.25	0.10	14,749	17,803	3,054	0.18	0.21
6500.81 DIETARY_TRAVEL & ENTE	0	92	92	0.00	0.01	20	10,877	10,857	0.00	0.13
6500.86 DIETARY_TELEPHONE	89	86	(3)	0.01	0.01	908	818	(90)	0.01	0.01
6500.87 DIETARY_DUES & SUBSCR	0	50	50	0.00	0.01	286	320	34	0.00	0.00
6500.88 DIETARY_SEMINARS	0	35	35	0.00	0.00	10	1,198	1,188	0.00	0.01
6500.94 DIETARY_EMPLOYEE RECR	90	0	(90)	0.01	0.00	360	90	(270)	0.00	0.00
6500.98 DIETARY_OTHER EXPENSE	163	1,326	1,163	0.02	0.15	8,708	12,283	3,576	0.10	0.14
Total DIETARY	114,549	189,212	74,664	13.18	21.76	1,697,118	1,828,237	131,120	20.15	21.22
6600.01 SOCIAL SVC_WAGES-SUPE	4,004	3,349	(655)	0.46	0.39	36,281	36,414	133	0.43	0.42
6600.19 SOCIAL SVC_WAGES-OTHE	11,207	8,798	(2,409)	1.29	1.01	98,790	94,578	(4,212)	1.17	1.10
6600.20 SOCIAL SVC_PAYROLL TA	1,177	962	(215)	0.14	0.11	10,241	9,903	(337)	0.12	0.11
6600.23 SOCIAL SVC_DENTAL REI	0	2,000	2,000	0.00	0.23	2,196	5,583	3,387	0.03	0.06
6600.24 SOCIAL SVC_PAID TIME	519	662	143	0.06	0.08	9,425	9,020	(405)	0.11	0.10
6600.25 SOCIAL SVC_GROUP LIFE	1,285	1,574	288	0.15	0.18	18,881	17,066	(1,815)	0.22	0.20
6600.26 SOCIAL SVC_PENSION PL	345	315	(30)	0.04	0.04	4,384	4,599	215	0.05	0.05
6600.27 SOCIAL SVC_WORKERS CO	256	208	(48)	0.03	0.02	2,204	2,159	(45)	0.03	0.03

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
6600.28 SOCIAL SVC_EMPLOYEE P	35	0	(35)	0.00	0.00	140	105	(35)	0.00	0.00
6600.34 SOCIAL SVC_SUPERVISOR	593	445	(149)	0.07	0.05	5,587	5,503	(84)	0.07	0.06
6600.46 SOCIAL SVC_CONSULTANT	307	307	0	0.04	0.04	1,393	1,226	(167)	0.02	0.01
6600.58 SOCIAL SVC_SUPPLY OTH	657	78	(579)	0.08	0.01	2,484	1,872	(612)	0.03	0.02
6600.61 SOCIAL SVC_MINOR EQUI	0	0	0	0.00	0.00	1,299	237	(1,062)	0.02	0.00
6600.63 SOCIAL SVC_POSTAGE	88	117	29	0.01	0.01	1,148	1,146	(2)	0.01	0.01
6600.65 SOCIAL SVC_PRINTING &	0	675	675	0.00	0.08	321	1,002	681	0.00	0.01

6600.81 SOCIAL SVC_TRAVEL & E	0	0	0	0.00	0.00	52	112	60	0.00	0.00
6600.88 SOCIAL SVC_SEMINARS	0	0	0	0.00	0.00	275	159	(116)	0.00	0.00
6600.94 SOCIAL SVC_EMPLOYEE R	0	0	0	0.00	0.00	210	5,205	4,995	0.00	0.06
6600.98 SOCIAL SVC_OTHER EXPE	0	0	0	0.00	0.00	180	180	0	0.00	0.00
Total SOCIAL SERVICES	20,472	19,489	(983)	2.36	2.24	195,490	196,070	579	2.32	2.28
6700.01 ACTIVITIES_WAGES-SUPE	3,450	3,321	(129)	0.40	0.38	31,793	32,205	412	0.38	0.37
6700.19 ACTIVITIES_WAGES-OTHE	16,857	16,989	132	1.94	1.95	166,557	163,780	(2,777)	1.98	1.90
6700.20 ACTIVITIES_PAYROLL TA	1,562	1,564	2	0.18	0.18	15,987	15,609	(378)	0.19	0.18
6700.23 ACTIVITIES_DENTAL REI	1,600	2,432	832	0.18	0.28	7,754	9,696	1,942	0.09	0.11
6700.24 ACTIVITIES_PAID TIME	1,270	1,197	(72)	0.15	0.14	18,749	18,416	(333)	0.22	0.21
6700.25 ACTIVITIES_GROUP LIFE	5,049	4,993	(57)	0.58	0.57	48,577	44,821	(3,756)	0.58	0.52
6700.26 ACTIVITIES_PENSION PL	507	510	3	0.06	0.06	5,357	5,618	261	0.06	0.07
6700.27 ACTIVITIES_WORKERS CO	344	345	0	0.04	0.04	3,488	3,408	(80)	0.04	0.04
6700.28 ACTIVITIES_EMPLOYEE P	70	70	0	0.01	0.01	280	245	(35)	0.00	0.00
6700.34 ACTIVITIES_SUPERVISOR	333	298	(35)	0.04	0.03	4,319	4,666	346	0.05	0.05
6700.45 ACTIVITIES_THERAPIST	0	0	0	0.00	0.00	540	540	0	0.01	0.01
6700.58 ACTIVITIES_SUPPLY OTH	507	143	(364)	0.06	0.02	3,300	3,405	105	0.04	0.04
6700.61 ACTIVITIES_MINOR EQUI	0	0	0	0.00	0.00	172	1,463	1,291	0.00	0.02
6700.63 ACTIVITIES_POSTAGE	26	4	(22)	0.00	0.00	150	62	(88)	0.00	0.00
6700.65 ACTIVITIES_PRINTING &	35	0	(35)	0.00	0.00	324	608	284	0.00	0.01
6700.79 ACTIVITIES_PURCHASED	0	0	0	0.00	0.00	330	0	(330)	0.00	0.00
6700.87 ACTIVITIES_DUES & SUB	110	222	112	0.01	0.03	788	666	(122)	0.01	0.01
6700.88 ACTIVITIES_SEMINARS	0	600	600	0.00	0.07	0	600	600	0.00	0.01
6700.93 ACTIVITIES_RESIDENT O	30	0	(30)	0.00	0.00	286	238	(48)	0.00	0.00
6700.97 ACTIVITIES_VOLUNTEER	214	269	55	0.02	0.03	2,882	3,212	331	0.03	0.04
6700.98 ACTIVITIES_OTHER EXPE	424	137	(287)	0.05	0.02	5,182	4,750	(432)	0.06	0.06
Total ACTIVITIES	32,389	33,094	705	3.73	3.81	316,815	314,008	(2,806)	3.76	3.64
6800.12 EDUCATION_WAGES-RN	6,048	6,331	283	0.70	0.73	56,623	57,087	464	0.67	0.66

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
6800.13 EDUCATION_WAGES-LVN	3,208	5,026	1,819	0.37	0.58	41,950	43,275	1,324	0.50	0.50
6800.20 EDUCATION_PAYROLL TAX	806	850	44	0.09	0.10	8,354	8,408	53	0.10	0.10
6800.23 EDUCATION_DENTAL REIM	0	0	0	0.00	0.00	2,000	2,080	80	0.02	0.02
6800.25 EDUCATION_GROUP LIFE	1,131	1,038	(93)	0.13	0.12	10,864	10,161	(703)	0.13	0.12

6800.26 EDUCATION_PENSION PLA	299	307	8	0.03	0.04	2,965	3,400	434	0.04	0.04
6800.27 EDUCATION_WORKERS COM	176	184	8	0.02	0.02	1,822	1,828	6	0.02	0.02
6800.30 EDUCATION_RN PAID TIM	370	380	9	0.04	0.04	5,536	6,301	765	0.07	0.07
6800.31 EDUCATION_LVN PAID TI	712	289	(422)	0.08	0.03	6,350	6,161	(189)	0.08	0.07
6800.58 EDUCATION_SUPPLY OTHE	69	0	(69)	0.01	0.00	279	271	(8)	0.00	0.00
6800.61 EDUCATION_MINOR EQUIP	0	0	0	0.00	0.00	0	49	49	0.00	0.00
6800.65 EDUCATION_PRINTING &	0	0	0	0.00	0.00	0	3	3	0.00	0.00
6800.98 EDUCATION_OTHER EXPEN	0	0	0	0.00	0.00	80	80	0	0.00	0.00
Total EDUCATION	12,819	14,405	1,586	1.47	1.66	136,824	139,103	2,279	1.62	1.61
6901.01 ADM OFFICE_WAGES-SUPE	15,557	11,368	(4,189)	1.79	1.31	174,627	163,091	(11,536)	2.07	1.89
6901.20 ADM OFFICE_PAYROLL TA	1,561	1,336	(225)	0.18	0.15	14,530	12,597	(1,933)	0.17	0.15
6901.23 ADM OFFICE_DENTAL REI	0	264	264	0.00	0.03	4,958	764	(4,194)	0.06	0.01
6901.25 ADM OFFICE_GROUP LIFE	1,682	1,799	118	0.19	0.21	16,235	11,515	(4,719)	0.19	0.13
6901.26 ADM OFFICE_PENSION PL	626	626	0	0.07	0.07	6,248	6,767	518	0.07	0.08
6901.27 ADM OFFICE_WORKERS CO	344	344	0	0.04	0.04	3,490	3,119	(372)	0.04	0.04
6901.28 ADM OFFICE_EMPLOYEE P	0	0	0	0.00	0.00	35	0	(35)	0.00	0.00
6901.29 ADM OFFICE_UNEMPLOYME	0	0	0	0.00	0.00	0	11,700	11,700	0.00	0.14
6901.34 ADM OFFICE_SUPERVISOR	2,551	3,429	877	0.29	0.39	29,050	31,743	2,693	0.34	0.37
6901.41 ADM OFFICE_MEDICAL DI	1,100	1,100	0	0.13	0.13	11,000	11,000	0	0.13	0.13
6901.42 ADM OFFICE_UTILIZATIO	90	96	7	0.01	0.01	883	810	(74)	0.01	0.01
6901.58 ADM OFFICE_SUPPLY OTH	0	20	20	0.00	0.00	304	545	241	0.00	0.01
6901.61 ADM OFFICE_MINOR EQUI	0	0	0	0.00	0.00	49	259	210	0.00	0.00
6901.63 ADM OFFICE_POSTAGE	11	0	(11)	0.00	0.00	257	0	(257)	0.00	0.00
6901.65 ADM OFFICE_PRINTING &	0	0	0	0.00	0.00	0	161	161	0.00	0.00
6901.79 ADM OFFICE_PURCHASED	16	16	0	0.00	0.00	295	163	(132)	0.00	0.00
6901.80 ADM OFFICE_PUBLIC REL	0	0	0	0.00	0.00	148	0	(148)	0.00	0.00
6901.81 ADM OFFICE_TRAVEL & E	0	0	0	0.00	0.00	1,632	862	(769)	0.02	0.01
6901.87 ADM OFFICE_DUES & SUB	0	0	0	0.00	0.00	607	517	(90)	0.01	0.01
6901.88 ADM OFFICE_SEMINARS	0	0	0	0.00	0.00	1,435	917	(518)	0.02	0.01
6901.95 ADM OFFICE_AUTO ALLOW	204	204	0	0.02	0.02	2,004	1,934	(71)	0.02	0.02
6901.98 ADM OFFICE_OTHER EXPE	19	0	(19)	0.00	0.00	1,507	473	(1,034)	0.02	0.01
Total ADMINISTRATION OFFICE	23,761	20,603	(3,158)	2.73	2.37	269,293	258,935	(10,357)	3.20	3.00

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
6907.01 BUSINESS_WAGES-SUPERV	6,037	4,330	(1,707)	0.69	0.50	49,427	51,847	2,420	0.59	0.60

6907.19 BUSINESS_WAGES-OTHER	15,507	15,664	157	1.78	1.80	145,140	142,720	(2,420)	1.72	1.66
6907.20 BUSINESS_PAYROLL TAXE	1,602	1,691	89	0.18	0.19	16,407	16,769	362	0.19	0.19
6907.23 BUSINESS_DENTAL REIMB	125	0	(125)	0.01	0.00	4,985	5,666	681	0.06	0.07
6907.24 BUSINESS_PAID TIME OF	1,638	1,406	(231)	0.19	0.16	19,188	23,913	4,725	0.23	0.28
6907.25 BUSINESS_GROUP LIFE &	3,483	3,090	(393)	0.40	0.36	33,384	30,253	(3,132)	0.40	0.35
6907.26 BUSINESS_PENSION PLAN	671	639	(32)	0.08	0.07	6,183	7,716	1,533	0.07	0.09
6907.27 BUSINESS_WORKERS COMP	53	56	3	0.01	0.01	540	820	280	0.01	0.01
6907.28 BUSINESS_EMPLOYEE PHY	35	35	0	0.00	0.00	105	105	0	0.00	0.00
6907.34 BUSINESS_SUPERVISOR P	319	706	387	0.04	0.08	7,409	7,632	224	0.09	0.09
6907.58 BUSINESS_SUPPLY OTHER	0	34	34	0.00	0.00	0	58	58	0.00	0.00
6907.61 BUSINESS_MINOR EQUIPM	0	49	49	0.00	0.01	661	271	(391)	0.01	0.00
6907.62 BUSINESS_EQUIPMENT RE	90	90	0	0.01	0.01	900	900	0	0.01	0.01
6907.63 BUSINESS_POSTAGE	312	256	(55)	0.04	0.03	3,113	2,622	(492)	0.04	0.03
6907.65 BUSINESS_PRINTING & F	0	0	0	0.00	0.00	786	687	(100)	0.01	0.01
6907.81 BUSINESS_TRAVEL & ENT	0	0	0	0.00	0.00	0	113	113	0.00	0.00
6907.88 BUSINESS_SEMINARS	20	0	(20)	0.00	0.00	304	397	94	0.00	0.00
6907.98 BUSINESS_OTHER EXPENS	0	0	0	0.00	0.00	399	293	(107)	0.00	0.00
Total BUSINESS OFFICE	29,891	28,045	(1,846)	3.44	3.23	288,931	292,780	3,848	3.43	3.40
6908.01 MED REC_WAGES-SUPERVI	2,928	3,246	318	0.34	0.37	29,128	29,295	167	0.35	0.34
6908.19 MED REC_WAGES-OTHER	7,458	6,812	(646)	0.86	0.78	66,013	70,353	4,340	0.78	0.82
6908.20 MED REC_PAYROLL TAXES	829	847	18	0.10	0.10	7,662	8,225	563	0.09	0.10
6908.23 MED REC_DENTAL REIMBU	2,845	0	(2,845)	0.33	0.00	7,129	1,000	(6,129)	0.08	0.01
6908.24 MED REC_PAID TIME OFF	630	702	71	0.07	0.08	7,545	8,158	613	0.09	0.09
6908.25 MED REC_GROUP LIFE &	2,127	1,190	(937)	0.24	0.14	19,774	10,755	(9,019)	0.23	0.12
6908.26 MED REC_PENSION PLAN	152	152	0	0.02	0.02	1,552	1,302	(250)	0.02	0.02
6908.27 MED REC_WORKERS COMPE	27	28	1	0.00	0.00	264	271	7	0.00	0.00
6908.28 MED REC_EMPLOYEE PHYS	0	0	0	0.00	0.00	140	140	0	0.00	0.00
6908.29 MED REC_UNEMPLOYMENT	0	0	0	0.00	0.00	1,616	3,251	1,635	0.02	0.04
6908.34 MED REC_SUPERVISOR PA	291	209	(82)	0.03	0.02	3,902	3,439	(463)	0.05	0.04
6908.43 MED REC_CONSULTANT	0	594	594	0.00	0.07	5,379	6,006	627	0.06	0.07
6908.58 MED REC_SUPPLY OTHER	0	1,345	1,345	0.00	0.15	4,960	5,629	669	0.06	0.07
6908.61 MED REC_MINOR EQUIPME	0	0	0	0.00	0.00	691	0	(691)	0.01	0.00
6908.65 MED REC_PRINTING & FO	21	0	(21)	0.00	0.00	5,434	9,075	3,642	0.06	0.11
6908.88 MED REC_SEMINARS	0	0	0	0.00	0.00	180	0	(180)	0.00	0.00
6908.94 MED REC_EMPLOYEE RECR	0	0	0	0.00	0.00	90	90	0	0.00	0.00

	Amount	Prior Yr	Variance	Amount	Prior	Amount	Prior Yr	Variance	Amount	Prior
6908.98 MED REC_OTHER EXPENSE	0	0	0	0.00	0.00	217	200	(17)	0.00	0.00
Total MEDICAL RECORDS	17,308	15,124	(2,184)	1.99	1.74	161,676	157,189	(4,487)	1.92	1.82
6909.23 IT_DENTAL REIMBURSEME	65	0	(65)	0.01	0.00	65	0	(65)	0.00	0.00
Total INFORMATION TECHNOLOGY	65	0	(65)	0.01	0.00	65	0	(65)	0.00	0.00
6990.40 GENERAL_LONG/SHORT TE	166	166	0	0.02	0.02	1,660	1,660	0	0.02	0.02
6990.48 GENERAL_ACCTG PROFESS	0	23,144	23,144	0.00	2.66	7,941	27,806	19,866	0.09	0.32
6990.58 GENERAL_SUPPLY OTHER	697	420	(277)	0.08	0.05	13,458	12,701	(757)	0.16	0.15
6990.61 GENERAL_MINOR EQUIPME	1,434	66	(1,369)	0.16	0.01	3,156	1,943	(1,212)	0.04	0.02
6990.62 GENERAL_EQUIPMENT REN	0	45	45	0.00	0.01	1,808	460	(1,349)	0.02	0.01
6990.63 GENERAL_POSTAGE	62	0	(62)	0.01	0.00	126	0	(126)	0.00	0.00
6990.65 GENERAL_PRINTING & FO	214	236	22	0.02	0.03	1,571	1,893	322	0.02	0.02
6990.73 GENERAL_MANAGEMENT FE	150,602	148,845	(1,757)	17.32	17.12	1,492,049	1,487,229	(4,820)	17.71	17.26
6990.79 GENERAL_PURCHASED SER	3,099	6,687	3,588	0.36	0.77	65,188	31,322	(33,865)	0.77	0.36
6990.86 GENERAL_TELEPHONE	2,983	2,969	(14)	0.34	0.34	27,998	20,300	(7,698)	0.33	0.24
6990.87 GENERAL_DUES & SUBSCR	1,703	2,020	317	0.20	0.23	20,353	20,903	550	0.24	0.24
6990.89 GENERAL_TAXES, LICENS	9,078	54,455	45,377	1.04	6.26	88,329	121,615	33,286	1.05	1.41
6990.90 GENERAL_EMPLOYEES FUN	0	0	0	0.00	0.00	17,900	13,653	(4,248)	0.21	0.16
6990.91 GENERAL_RESIDENT PERS	0	0	0	0.00	0.00	3,771	3,973	202	0.04	0.05
6990.93 GENERAL_AQMD EXPENSE	100	935	835	0.01	0.11	5,792	5,347	(445)	0.07	0.06
6990.94 GENERAL_BED TAX EXPEN	129,352	0	(129,352)	14.88	0.00	1,290,225	1,040,986	(249,238)	15.32	12.08
6990.96 GENERAL_BANK CHARGES	0	0	0	0.00	0.00	15,823	13,069	(2,755)	0.19	0.15
6990.98 GENERAL_OTHER EXPENSE	1,384	1,502	117	0.16	0.17	20,184	5,156	(15,029)	0.24	0.06
Total GENERAL	300,875	241,489	(59,386)	34.61	27.77	3,077,331	2,810,015	(267,316)	36.53	32.61
7110.92 DEPR_LAND IMPROVEMENT	1,666	1,493	(173)	0.19	0.17	15,936	14,930	(1,006)	0.19	0.17
Total DEPRECIATION	1,666	1,493	(173)	0.19	0.17	15,936	14,930	(1,006)	0.19	0.17
7120.92 DEPR_BUILDING & IMPRO	50,023	53,267	3,244	5.75	6.13	522,249	532,706	10,457	6.20	6.18
Total DEPRECIATION	50,023	53,267	3,244	5.75	6.13	522,249	532,706	10,457	6.20	6.18
7131.92 DEPR_KITCHEN EQUIPMEN	2,293	2,160	(132)	0.26	0.25	22,804	20,804	(2,000)	0.27	0.24
Total DEPRECIATION	2,293	2,160	(132)	0.26	0.25	22,804	20,804	(2,000)	0.27	0.24
7140.92 DEPR_MOVABLE EQUIPMEN	16,511	16,335	(175)	1.90	1.88	165,378	154,470	(10,908)	1.96	1.79
Total DEPRECIATION	16,511	16,335	(175)	1.90	1.88	165,378	154,470	(10,908)	1.96	1.79

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
7141.92 DEPR_OFFICE/MINOR EQU	4,203	3,899	(304)	0.48	0.45	39,636	38,587	(1,049)	0.47	0.45
Total DEPRECIATION	4,203	3,899	(304)	0.48	0.45	39,636	38,587	(1,049)	0.47	0.45
7142.92 DEPR_FURNITURE & FIXT	9,607	9,689	82	1.11	1.11	94,634	98,354	3,720	1.12	1.14
Total DEPRECIATION	9,607	9,689	82	1.11	1.11	94,634	98,354	3,720	1.12	1.14
7143.92 DEPR_VEHICLES	2,150	0	(2,150)	0.25	0.00	4,300	0	(4,300)	0.05	0.00
Total DEPRECIATION	2,150	0	(2,150)	0.25	0.00	4,300	0	(4,300)	0.05	0.00
7160.92 AMORT_LOAN COST	1,566	(509,110)	(510,677)	0.18	(58.55)	15,665	44,587	28,922	0.19	0.52
Total AMORTIZATION	1,566	(509,110)	(510,677)	0.18	(58.55)	15,665	44,587	28,922	0.19	0.52
7300.89 REAL PROPERTY TAX	1,402	1,357	(45)	0.16	0.16	9,387	11,184	1,796	0.11	0.13
Total REAL PROPERTY TAXES	1,402	1,357	(45)	0.16	0.16	9,387	11,184	1,796	0.11	0.13
7400.90 PROPERTY INS_FIRE & E	2,715	2,692	(23)	0.31	0.31	27,134	25,579	(1,555)	0.32	0.30
Total PROPERTY INSURANCE	2,715	2,692	(23)	0.31	0.31	27,134	25,579	(1,555)	0.32	0.30
7401.90 PROPERTY INS_AUTO	1,059	514	(545)	0.12	0.06	7,891	4,123	(3,768)	0.09	0.05
Total PROPERTY INSURANCE	1,059	514	(545)	0.12	0.06	7,891	4,123	(3,768)	0.09	0.05
7402.90 PROPERTY INS_LIABILIT	16,978	15,662	(1,316)	1.95	1.80	169,122	157,069	(12,053)	2.01	1.82
Total PROPERTY INSURANCE	16,978	15,662	(1,316)	1.95	1.80	169,122	157,069	(12,053)	2.01	1.82
7403.90 PROPERTY INS_OTHER	127	129	2	0.01	0.01	1,077	1,249	172	0.01	0.01
Total PROPERTY INSURANCE	127	129	2	0.01	0.01	1,077	1,249	172	0.01	0.01
7500.94 INTEREST EXP_OTHERS	349	49	(300)	0.04	0.01	2,375	647	(1,728)	0.03	0.01
Total INTEREST EXPENSE	349	49	(300)	0.04	0.01	2,375	647	(1,728)	0.03	0.01
7601.94 INTEREST EXP_LOANS	6,195	7,390	1,194	0.71	0.85	66,458	139,194	72,736	0.79	1.62
Total INTEREST EXPENSE	6,195	7,390	1,194	0.71	0.85	66,458	139,194	72,736	0.79	1.62
7700.00 BAD DEBT PROVISION_PR	0	54	54	0.00	0.01	54,840	244	(54,596)	0.65	0.00
7700.04 BAD DEBT PROVISION_ME	8,079	0	(8,079)	0.93	0.00	9,312	1,171	(8,141)	0.11	0.01
7700.05 BAD DEBT PROVISION_ME	0	227	227	0.00	0.03	48,971	7,359	(41,611)	0.58	0.09
7700.06 BAD DEBT PROVISION_OT	0	1,585	1,585	0.00	0.18	1,698	2,709	1,011	0.02	0.03
Total BAD DEBT ALLOWANCE	8,079	1,866	(6,213)	0.93	0.21	114,821	11,483	(103,338)	1.36	0.13

Income Statement with Prior Year
KEIRO NURSING HOME
August 31, 2013

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
7896.00 MISC EXP_PET THERAPY	90	60	(30)	0.01	0.01	589	780	192	0.01	0.01
Total MISCELLANEOUS EXPENSE	90	60	(30)	0.01	0.01	589	780	192	0.01	0.01
8100.51 PAT SUPPLY_OXYGEN & O	1,396	1,800	405	0.16	0.21	15,559	16,809	1,250	0.18	0.20
Total PATIENT SUPPLIES	1,396	1,800	405	0.16	0.21	15,559	16,809	1,250	0.18	0.20
8130.54 EQT RENT_MEDICAL MATE	2,285	1,216	(1,069)	0.26	0.14	24,041	15,906	(8,135)	0.29	0.18
Total EQUIPMENT RENTAL	2,285	1,216	(1,069)	0.26	0.14	24,041	15,906	(8,135)	0.29	0.18
8200.45 PT_PROFESSIONAL FEES-	33,509	35,208	1,698	3.85	4.05	341,658	341,713	56	4.06	3.97
Total PHYSICAL THEARPY	33,509	35,208	1,698	3.85	4.05	341,658	341,713	56	4.06	3.97
8300.46 PHARMACY_CONSULTANT F	2,055	1,358	(697)	0.24	0.16	18,203	15,200	(3,003)	0.22	0.18
8300.52 PHARMACY_IV SOLUTIONS	785	6,750	5,965	0.09	0.78	24,903	63,254	38,351	0.30	0.73
8300.53 PHARMACY_PHARMACEUTIC	27,115	21,626	(5,490)	3.12	2.49	280,660	247,651	(33,010)	3.33	2.87
8300.55 PHARMACY_ENTERAL SUPP	706	1,675	969	0.08	0.19	8,640	15,921	7,281	0.10	0.18
Total PHARMACY	30,661	31,409	748	3.53	3.61	332,406	342,026	9,619	3.95	3.97
8400.79 LAB_PURCHASED SERVICE	5,675	5,317	(358)	0.65	0.61	47,100	47,472	372	0.56	0.55
Total LABORATORY	5,675	5,317	(358)	0.65	0.61	47,100	47,472	372	0.56	0.55
8911.79 RADIOLOGY_PURCHASED S	3,286	2,920	(366)	0.38	0.34	26,448	30,665	4,217	0.31	0.36
Total RADIOLOGY	3,286	2,920	(366)	0.38	0.34	26,448	30,665	4,217	0.31	0.36
8921.45 OT_PROFESSIONAL FEES-	31,479	34,081	2,602	3.62	3.92	321,506	346,569	25,063	3.82	4.02
Total OCCUPATIONAL THERAPY	31,479	34,081	2,602	3.62	3.92	321,506	346,569	25,063	3.82	4.02
8951.45 ST_PROFESSIONAL FEES-	15,983	6,381	(9,601)	1.84	0.73	147,780	54,781	(93,000)	1.75	0.64
Total SPEECH THERAPY	15,983	6,381	(9,601)	1.84	0.73	147,780	54,781	(93,000)	1.75	0.64
8991.00 B & B_BARBER & BEAUTI	1,658	1,618	(40)	0.19	0.19	17,377	14,778	(2,599)	0.21	0.17
Total BARBER & BEAUTICIAN	1,658	1,618	(40)	0.19	0.19	17,377	14,778	(2,599)	0.21	0.17
8999.00 PERS ITEM_PERSONAL IT	385	2,554	2,169	0.04	0.29	14,079	32,129	18,051	0.17	0.37
Total PERSONAL ITEMS	385	2,554	2,169	0.04	0.29	14,079	32,129	18,051	0.17	0.37

Total Expenses	1,660,569	1,275,910	(384,659)	191.02	146.72	18,434,655	18,113,934	(320,721)	218.83	210.20

Income Statement with Prior Year
KEIRO NURSING HOME
August 31, 2013

	Current Period					Year To Date				
	Amount	Prior Yr	Variance	PPD Amount	PPD Prior	Amount	Prior Yr	Variance	PPD Amount	PPD Prior
Net Income	229,613	155,194	74,419	0.00	0.00	938,087	1,494,223	(556,136)	0.00	0.00

Census Days Monthly Summary Report
KEIRO NURSING HOME
FY 2010, 2011, 2012 AND YTD AUG 2013

	2010	2011	2012	Aug-13
Resident Type				
Commercial				
BC HMO		22	87	
CAREMORE HMO			34	216
HCUSTODIAL	1,464	2,216	2,735	1,320
HSKILLED	21	43	81	90
KAISER HMO	52	53	402	108
Total:	**1,537**	**2,334**	**3,339**	**1,734**
Guarantor				
CO-INS		44		
PRIVATE	26,585	28,031	29,152	22,036
PVT-HSPCE		163	860	1,296
Leave H	165	236	150	181
Leave P	43	88	31	19
Total:	**26,793**	**28,562**	**30,193**	**23,532**
Medicaid				
MCD	66,569	62,148	60,939	51,829
Leave H	398	421	484	353

Leave P	63	28	40	50
Total:	**67,030**	**62,597**	**61,463**	**52,232**
Medicare				
AAA				5
BB1				1
CB1	53	26	14	0
CC1		8	10	34
CD1			28	30
CE1		14		18
ES1		98	61	0
ES2		16		0
HB1			13	0
HC1			54	26
HD1		63	58	28
HE1		6	70	6
LB1				7
LC1		22	89	30
LD1		147	165	45
LD2		1		0
LE1		114	168	0

PC1		9		2
PD1	30			0
PE1			3	0
RHA	48	225	263	19
RHB	324	34	80	148
RHC	166	63	147	79
RMA		5	10	26
RMB	3	22	106	57
RMC		47	97	27
RML	10			0
RMX	231		15	0
RUA		89	255	19
RUB	2,339	4,630	3,429	3,530
RUC	335	980	823	1,059
RUL	962	138		0
RUX	314	15	12	14
RVA	181	1,023	775	113
RVB	2,197	946	1,191	1,257
RVC	122	292	332	161
RVL	240		29	0
RVX	293			1
SE1				0

SE2	91			0
SE3	209			0
SSA	10			0
SSC	22			0
Total:	**8,180**	**9,033**	**8,297**	**6,742**
Total In-house:	102,871	101,753	102,587	83,637
Total Hospital:	563	657	634	534
Total Personal:	106	116	71	69
Total:	**103,540**	**102,526**	**103,292**	**84,240**

	A	B	C	D	E	F	G
1	AB1629 Skilled Nursing Facility Rates Attachment for OIL for Dates of Service 8/1/13-7/31/14						
2	OSHPD ID	National Provider Identifier (NPI)	Facility Name	Accommodation Code 01	Accommodation Codes 02 and 03	Accommodation Code 11	Accommodation Code 12
496	206194199	1487754297	KEIRO NURSING HOME	$185.48	$178.83	$191.20	$184.55

Exhibit

E

Business, Transportation & Housing Agency

OFFICE OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

COPY COPY COPY COPY COPY

Jean-Pierre LoMonaco

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

OREA APPRAISER IDENTIFICATION NUMBER: AG 011111

Effective Date: June 25, 2013
Date Expires: June 24, 2015

Jim Martin, Director, OREA

3007769

THIS DOCUMENT CONTAINS A TRUE WATERMARK - HOLD UP TO LIGHT TO SEE 'CHAIN LINK'

REAL ESTATE APPRAISER LICENSE

Scott Conner

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title "Certified General".

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

OREA APPRAISER IDENTIFICATION NUMBER: AG 034937

Effective Date: October 1, 2012
Date Expires: September 30, 2014

Jim Martin, Director, OREA

3001250

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PROFESSIONAL QUALIFICATIONS

JEAN-PIERRE LoMONACO, MAI
PRESIDENT
VALUATION & INFORMATION GROUP

Experience

General

Mr. LoMonaco entered the real estate consulting industry in 1989. Assignments include market feasibility analysis, appraisal reports, lease analysis, highest and best use studies, and general consulting. Mr. LoMonaco's expertise has been used by clients for lending, litigation support, asset allocation, due diligence, lease negotiation, tax appeals, bankruptcy proceedings and market and site selection.

Mr. LoMonaco is the President of Valuation & Information Group, Culver City, CA. Experience includes appraisal and market feasibility assignments for a wide variety of property types in the senior housing and healthcare related industry. Property types include senior apartments, independent living, congregate, assisted living, skilled nursing, Alzheimer's, medical office buildings, surgery centers, dialysis centers, rehabilitation hospitals, psychiatric hospitals, specialty hospitals and general acute-care hospitals. Assignments have been conducted throughout the United States.

Prior to joining the Valuation & Information Group Mr. LoMonaco was Vice President of a national consulting company specializing in healthcare related assets and was responsible for the western real estate division. Duties included client servicing, staff development and general oversight of the western division.

Professional Affiliations

Member of the Appraisal Institute (MAI); Certified General Real Estate Appraiser in Arizona, California, Colorado, Georgia, Illinois, Maryland, Massachusetts, Michigan, Nevada, Ohio, Oregon, Pennsylvania, Texas, Utah and Washington

Education

By continually attending classes, seminars and conferences, Mr. LoMonaco routinely exceeds the minimum continuing education requirements of the Appraisal Institute and State requirements.

Mr. LoMonaco has moderated panels at senior housing / long-term care conferences. He received his Bachelor of Science degree in Finance and Real Estate Emphasis at the University of Southern California.

V&IG

SENIOR HOUSING/HEALTHCARE INDUSTRY ASSIGNMENTS PERFORMED BY JEAN-PIERRE LoMONACO, MAI

Senior Housing/Assisted Living Facilities

Acacia Creek (Proposed), Fountain Valley, CA
Aegis of Dana Point, Dana Point, CA
Aegis of Escondido, Escondido, CA
Aegis of Fremont, Fremont, CA
Aegis of Granada Hills, Granada Hills, CA
Aegis of Kirkland, Kirkland, WA
Aegis of Las Vegas, Las Vegas, NV
Aegis of South San Francisco, San Francisco, CA
Aegis of Shoreline, Shoreline, WA
Aegis of Shoreline II, Shoreline, WA
Aegis of Ventura, Ventura, CA
AgeSong Hayes Valley & Laguna Grove, San Francisco, CA
Aliso Laguna Village, Aliso Laguna, CA
The Allegro at East Lake, Tarpon Springs, FL
Alpha House Assisted Living, Darnestown, MD
Alterra- Augusta, Augusta, KS
Alterra Clare Bridge of Corona, Corona, CA
Alterra Clare Bridge of East Hempfield, Lancaster, PA
Alterra Clare Bridge, Oceanside, CA
Alterra Sterling Hse of Chambersburg, PA
Alterra-Woodland Terrace, Liberal, KS
Ambassador at Scarsdale, Scarsdale, NY
Ambassador Garden Reitrement Center, Reseda, CA
Amdal Chico, Chico, CA
Amdal Residential Care, Hemet, CA
Amdal Rancho Mirage, Rancho Mirage, CA
American House of Bonita Springs, Bonita Springs, FL
AmeriPark at Austin, Austin, TX
AmeriPark at Sherwood, Tucson AZ
Anaheim Gardens, Anaheim, CA
Anaheim Village, Anaheim, CA
Anberry Rehab, Atwater, OR
Angela Jane/Harmony Place, Philadelphia, PA
Antebellum Grove, Warner Robins, GA
The Arbor, Nacogdoches, TX
The Arbors Memory Care, Sparks, NV
Arbor Rose, Northglenn, CO
Arbors at Delaware, Delaware, OH
Arbors at Rancho Penasquitos, San Diego, CA
The Arbors Memory Care, Sparks, NV
Arbour Villas, San Bernardino, CA
Arcadia Gardens Retirement Hotel, Arcadia, CA
Artisan Lofts (proposed), Palm Springs, CA
Arveda Care Signal Hill, Austin, TX
Ashton Court, Orange, CA
Assisted Living at Thousand Oaks, Thousand Oaks, CA
Assisted Living Concepts, Several Locations, USA
Assisted Living Foundation, Agoura Hills, CA
Astoria Gardens, Vallejo, CA
Ateret Avot, Brooklyn, NY
Atria of Palm Desert, Palm Desert, CA
Atria of Woodbridge, Irvine, CA
Atrium of Carmichael, Carmichael, CA
Auburn Park, Bakersfield, CA
Austin Gardens Alz Care Center, Lodi, CA
Autumn Leaves of Oswego, Oswego, IL
Autumn Years, Costa Mesa, CA
Avalon at Brush Creek, Santa Rosa, CA
Avalon at Newport, Newport, CA
Avalon Park (proposed), Orlando, FL
Jonesboro Assisted Living Center, Jonesboro, GA 12781
Josephine Street, Garden Grove, CA
The Kensington, Hastings, NE
The Kensington, Williston, ND
Kensington-Algonquin, Cumberland, MD
Lafayette Conv. Hosp., Lafayette, CA
Laguna Bch Retirement Comm., Laguna Bch, CA
Lakeview Senior Citizens Center, Cleburne, TX
Lakeview Village, Boulder City, NV
Lakeview Village Assisted Living, Yorba Linda, CA
Lake Wiley Assisted Living, Lake Wiley, CA
Lamplight Inn of Fort Wayne, Fort Wayne, IN
Lancaster Assisted Living at Aurora, Lancaster, CA
Lancaster Senior Living, Lancaster, CA
The Landing at Canton, Canto, OH
Lantern Crest Senior Retirement, Santee, CA
Las Fuentes Resort Village, Prescott, AZ
Laurel Place, San Bernardino, CA
Lavender Rose, Northglenn, CO
Legacy House of East Mesa, Mesa, AZ
Liberal Springs, Liberal, KS
Liberty Commons Nurs. & Rehab. Ctr., Whiteville, NC
Lincoln Square Assisted Living, North Versailles, PA
Locust Grove Assisted Living, West Mifflin, PA
The Lodge at Missouri Manor, Great Falls, MT
The Lorelton, Wilmington, DE
Loyalton at Biloxi, Biloxi, MS
Loyalton at Hattiesburg, Hattiesburg, MS
Loyalton of Broadmoor, Colorado Springs, CO
Ludington Woods Living Center, Ludington, MI
Lynwood Assisted Living, Lynwood, CA
Madera Assisted Living, Madera, CA
The Manse on Marsh, San Luis Obispo, CA
Maple Leaf, Seattle, WA
Marsh Manor at Deer Run, Sturgeon Bay, WI
Marymount Greenhills Retirement Center, Millbrea, CA
Marymount Villas Retirement Center, San Leandro, CA
The Meadows, Norfolk, NE
Meadowview - Fort Collins, Fort Collins, CO
Meadowview Nursing Center, Berlin, PA
Melrose Gardens, Los Angeles, CA
Merion Gardens Assisted Living, Carney Point, NJ
Mermaid Manor, Brooklyn, NY
Mill Pond at Plaza Regency, Park Ridge, NJ
Mission Villa, Campbell, CA
Monaco Ridge Assisted Living, Reno, NV
Montclair Estates, Garland, TX
The Montecito, Peoria, AZ
Monte Vista Care Center, Montclair, CA
Morningside of Cleveland, Cleveland, TN
Morningside of Gainesville, Gainesville, GA
Morningside of Macon, Macon, GA
Morningside of Madison, Madison, AL
My Doctor's Inn, Sterling Heights, MI
Needles Village Campus, Needles, CA
Newburgh Senior Living, Newburgh, IN
New Friends Dementia Community, Kalamazoo, MI
New Haven Residential Care Home, New Haven, CT
Nightingale Assisted Living, Escondido CA
Nightingale Assisted Living Center, San Marcos, CA

Avila Gardens, Duarte, CA
Avita Stroudwater, Westbrook, ME
Avonlea Cottage of Quad Cities, Milan, IL
Awakenings at 1500 Page Street, San Francisco, CA
Barton House, Scottsdale, AZ
Bay Ridge Assisted Living Ctr., Garfield Township, MI
Beaverton Hills Assisted Living, Beaverton, OR
Bedford, Vancouver, WA
Bel Air Assisted Living, Bel Air, MD
Bellaire Senior Housing Community, Houston, TX
Bella Mar, Santa Monica, CA
Bellflower Gardens, Bellflower, CA
Belmont Hills, Belmont, CA
Belmont Manor Nursing Center, Belmont, MA
Belton Memory Care, Belton, TX
Berkshire Commons, Mapleton, UT (proposed)
Beshant Assisted Living, West Palm Beach, FL
Bethany Healthplex, Lakewood, CO
Beverly Hills Carmel North, Beverly Hills, CA
Beverly Hills Carmel South, Beverly Hills, CA
Beverly Monterey, Monterey, CA
Bickford House, Bourbonnais, IL
Bickford House, Rockford, IL
Blue Ridge Manor, Martinsville, VA
Bothell Assisted Living, Bothell, WA
The Boulevard, San Francisco, CA
Bradley Bay Nursing Center, Bay Village, OH
Bradley Sun City, Sun City, CA
Brandywine at Reflections, Brick, NJ
Brandywine – Bel Ami, Brick Township, NJ
Brandywine at the Gables, Brick, NJ
Brandywine at Governor's Crossing, Englishtown, NJ
The Breakers, Long Beach, CA
Bressi Ranch Memory Care, Carlsbad, CA
The Bridge at Citadel, Mesa, AZ
Bremerton, Bremerton, WA
Briarwood Ret. & Assisted Living, Springfield, OR
Broadway at City View, Ft. Worth, TX
Brunswick Attleboro, Langhorne, PA
Buchanan Meadows, Buchanan, MI
Cabot Cove of Largo, Largo, FL
California Villa Retirement, Van Nuys, CA
Cambridge House, Los Angeles, CA
Camino Alto Resident Club, Vallejo, CA
Camlu Retirement Center, Kerrville, TX
Canterbury Apartments, Waterford, MI
Canterbury House, Auburn, CA
Canterbury Ridge, Urbana, IL
Capri Retirement Villa, Newhall, CA
Care Age, Carlsbad, CA
Careage, DuPont, WA
Cardinal Retirement, Cuyahoga Falls, OH
Carlton Plaza of Davis, Davis, CA
Caroline's Chateau, Sylmar, CA
Cartie's Health Center, Central Falls, RI
Carlton Plaza of San Jose, CA
Carlton Plaza of San Leandro, CA
Carlton Plaza of Sacramento, Sacramento, CA
Carson Retirement, Carson, CA
Carriage Court of Hilliard, Hilliard, OH
Carriage Hill Retirement Home, Bedford, VA
Casa Carmen, Glendora, CA
Casa de Flores, Morro Bay, CA
Casa Verdugo, Glendale, CA
Castle Hill Retirement Village, Thousand Oaks, CA
Nikkei Senior Gardens, Arleta, CA
North Hills Retirement, Northridge, CA
Northbay at Rancho Solon, Fairfield, CA
Northern Meadows (proposed), Bellingham, WA
North Ridge Masonic Campus, New Hope, MN
Oak Harbor Retirement Community, Oak Harbor, WA
Oak Park Place, Albert Lea, MN
Oakdale Heights of Beverly Hills, Los Angeles, CA
Oakdale Heights of Fresno, Fresno, CA
Oakdale Heights of La Mesa, La Mesa, CA
Oakdale Heights of Santa Clarita, Newhall, CA
Oakland Manor, Oakland, IA
Oakwood Manor, Oshkosh, WI
The Oasis at Fellowship Square, Phoenix, AZ
Oasis at Mesa Palms, Mesa, AZ
Ochoco Village, Prinville, OR
Olive Grove Retirement Resort, Riverside, CA
Ontario Residential Manor, Ontario, CA
Orchard Brooke, Orchard Park, NY
Orchard Hills, Eau Claire, WI
Orchard Park, Bellingham, WA
Ottawa Proposed, Ottawa, KS
Pacific Gardens at Chino, Chino, CA
Pacific Gardens at Santa Monica, Santa Monica, CA
Pacific Gardens at Tarzana, Tarzana, CA
Palm Gardens, Woodland, CA
Palms at Loma Linda, Loma Linda, CA
Paragon Assisted Living, Mission Viejo, CA
Paramount Parks at Vacaville, Vacaville, CA
Park Place, Denver, CO
Park Place Senior Living, Fort Wayne, IN
Park Place Village, Camarillo, CA
Park Regency at the Forum, Fort Myers, FL
Parkside Gardens Assisted Living, Hemet, CA
Parkside Manor & Retirement, Stevens, PA
The Parkview, Pleasanton, CA
Parsons House Austin, TX
Parsons House on Eagle Run, Omaha, NE
Patriots Landing CCR & Condo, Du Pont, WA
The Pavilions at Forrestal Residence, Princeton, NJ
Peridot Assisted Living Community, Prescott, AZ
Piedmont Senior Living, Crozet, VA
Pine Haven, Sugar Land, TX
Pine Ridge Center, Wisconsin Rapids, WI
Pines at the Park, Mesa, AZ
Plantation Place Retirement Home, Boise, ID
Plaza Village Senior Living, National City, CA
Pleasanton Assisted Living, Pleasanton, CA
Plum Creek Assisted Living, Alpharetta, GA
Portland Center for Assisted Living, Portland, ME
Powdersville Village, Powdersville, SC
Prestige Assisted Living in Kalispell, Kalispell, MT
Primrose – Alzheimer, Santa Rosa, CA
Proposed ALF, Escondido, CA
Proposed ALF, Luling, LA
Proposed ALF, Mapleton, UT
Proposed ALF Metamora, Metamora, MI
Proposed ALF, Pasadena, CA
Proposed ALF, San Rafael, CA
Proposed ALF, W. Sacramento, CA
Prop. Highland Square AL Residence, Highland, NY
Proposed Senior Apt. Complex, Las Vegas, NV
Raechelle Care Home, Los Angeles, CA
Rancho Mirage Assisted Living, CA
Redondo Beach ALF, Redondo, Beach, CA

Castle Rock Assisted Living, Arlington, TX
Cathcart Assisted Living (proposed), Harrisonburg, VA
Cedar Court, Corydon, IN
Cedar Creek Senior Living, San Diego, CA
Centinela Assisted Living, Inglewood, CA
Century Fields Ret. & Assisted Living, Lebanon, OR
Cerritos Village, Cerritos, CA
Champlin Assisted Living, Westerley, RI
Chancellor of Murrieta. Murrieta, CA
Chancellor Place of Windsor, Windsor, CA
Charleston Gardens, Charleston WV
Chateau Battiste at Hemet Street, Hemet, CA
Chatsworth Green Healthcare Center, Wellington, FL
Cherry Blossom Inn, San Leandro, CA
Chestnut of Highlands, Highlands
Chestnut Hills Manor, Brodheadsville, PA
Chestertown Nursing & Rehab Cntr, Chestertown, MD
Cheyenne Residential Care, N. Las Vegas, NV
Chris Ridge Village, Phoenix, AZ
Christian Care Mesa III, Mesa, AZ
Christian Church Home, Lexington, KY
Citadel, Mesa, AZ
City Scape ALF, Henderson, NV
Claremont House, Oakland, CA
Clarion, Simi Valley, CA
Clio Woods Apartments, Flint, MI
Cobblestones at Fairmont, Manassas, VA
Colonnade of Schwenksville, Schwenksville, PA
Columbia Cottage--Mountain Brook, Birmingham, AL
Coral Plaza, Margate, FL
Corinthians Estate, Carrollton, TX
Costa Del Mar, Costa Mesa, CA
Cottage of Green Valley, Henderson, NV
Cottonwood Assisted Living, Cottonwood, AZ
Country House Cumberland, Cumberland, MD
Country Villa La Sierra Care Center, Merced, CA
Country Villa West, Culver City, CA
The Cove at Lake Woods, Muskegon, MI
Covered Bridge Health Campus, Seymour, IN
Cranbrook Tower, Ann Arbor, MI
Crescent Senior Care, Weatherford, TX
Creston Village, Paso Robles, CA
Crowne Health Care of Fort Payne, Fort Payne, AL
Culver Village, Culver City, CA
Curry Manor, Roseburg, OR
Cutler Bay (proposed), Cutler Bay, FL
Cypress Meadows, Antioch, CA
Cypress Palms, Largo, FL
Cypress Place, Ventura, CA
Dancing River Assisted Living, Mansfield, TX
Davis Life Care Center, Pine Bluff, AR
Deane Hill, Knoxville, TN
DeBoer Nursing Home, Muskegon, MI
Desert Pines Eldercare, Sahuarita, AZ
Diamond Springs Assisted Lvng, Diamond Springs, CA
Diamond Villa ALF, Diamond Springs, CA
Divine Destiny, Goodyear, AZ
Dogwood Forest of Dunwoody, Atlanta, GA
Dogwood Forest of Acworth (proposed), Acworth, GA
Douglasville Terrace Square, Douglasville, GA
Draper Assisted Living, Draper, UT
Dubuque Assisted Living, Dubuque , IA
Eden Villa, Walnut Creek, CA
8764 Olympic/1019 Wooster, Los Angeles, CA
Elim Gardens, Fresno, CA
Regency Fallbrook, Fallbrook, CA
Regency Park Astoria, Pasadena, CA
Regency Park - El Molino, Pasadena, CA
Regency Park- Oak Knoll, Pasadena, CA
Residential Care Facility, Menifee, CA
Rhode Island, Cranston, RI
Ridge Wind, Pocatello, ID
Ridgemont Terrace, Port Orchard, WA
River Falls Community, Duncan, SC
River Ridge Retirement Village, South Haven, MI
Rolston Village, San Mateo, CA
Rosemont at Clearlake, Houston, TX
Rosemont at Kingwood, Kingwood, TX
Rosetta Assisted Living, Missoula, MT
Rosewood Estates, Bucks County, PA
Royal Bellingham Gardens, North Hollywood, CA
Rubidoux Manor, Riverside, CA
Sacramento ALF, Sacramento, CA
Safe Haven at the Terraces, Pasadena, CA
Sanctuary at Wilmington Place, Dayton, OH
Sanctuary Care Assisted Living, Rye, NH
San Francisco ALF, San Francisco, CA
San Ramon Assisted Living, San Ramon, CA
Sanford House, Los Angeles, CA
Santa Monica ALF, Santa Monica, CA
Seabrook House, Seabrook, NJ
Seasons at Modesto, Modesto, CA
Seasons at Northridge, Northridge, CA
Seasons at Tucson, Tuscon, AZ
Select Care Center of Indio, Indio, CA
Select Retirement Village of Indio, Indio, CA
Sequoia Care, Fresno, CA
Seville Terrace, Las Vegas, NV
Siena on Brendenwood, Rockford, IL
Sierra Hills Village Center, Ankeny, IA
Silver Creek Leisure Living, Bullhead City, AZ
Silverado Azusa, Azusa, CA
Silverado- San Luis Rey, San Juan Capistrano, CA
Silverado Senior Living, Costa Mesa, CA
Silverado Senior Living, Escondido, CA
Silverado Senior Living, Oxnard, CA
Silverado- Olympus View, Salt Lake City, UT
Silverado – Tustin, Tustin, CA
Solana Beach Seniors Project, Solana Beach, CA
Southerland Place, Brentwood, TN
Southern Care Assisted Living, Tifton, GA
South Windsor, South Windsor, CT
Spring Retirement, Torrance, CA
Springdale Village ALF, Mesa, AZ
Springfield Manor, Rosemead, CA
Springfield Place, Petaluma, CA
Springs at Oceanside, Oceanside, CA
St. Cloud Nursing Home, Orange, NJ
St. Joseph Gardens, Fort Worth, TX
St. Joseph Villa, Salt Lake City, UT
St. Paul's Vila, San Diego, CA
St. Teresa Assisted Care, Pleasant Hill, CA
State Street Assisted Living, Dover, DE
Sterling House of Broadmoor, Colorado Springs, CO
Sterling Commons & Inn, Victorville, CA
Sterling House of Lincoln, Lincoln, NE
Sterling House at Olathe, Olathe, KS
Sterling House of Omaha, NE
Sterling House of Sioux City, Woodbury, IA
Sterling House of Temecula, Temecula, CA

Elk Meadows, Oakley, UT
Elder Care Alliance, San Rafael, CA
Emerald Hills, Auburn, WA
Emeritus, Several Locations, USA
Emeryville Residence, Emeryville, CA
Encino Assisted Living, Los Angeles, CA
Encino Riviera, Tarzana, CA
Eskaton FountainWood Lodge, Orangevale, CA
Eskaton Lodge Brentwood, Brentwood, CA
Eskaton Lodge Roseville, Roseville, CA
Everett Nursing and Rehabilitation, Everett, MA
Lodge at Eskaton Village Placerville, Placerville, CA
The Evergreen, Dickinson, ND
Evergreen Valley Retirement Center, Spokane, WA
Fairmont Park, Dunnellon, FL
Fair Oaks Estates, Carmichael, CA
Fair Oaks, Pasadena, CA
Fairways of Augusta, Augusta, KS
Fairwinds, West Hills, CA
Fairwinds, Coeur d' Alene, ID
Farmington Square, Salem, OR
Fellowship Square - Mesa, Mesa, AZ
Fellowship Square - Phoenix, Phoenix, AZ
Fine Gold Manor, North Hollywood, CA
Forbes Road Nursing & Rehab. Center, Pittsburgh, PA
Foremost Health Care Center, Hesperia, CA
Fountain Asst. Living-Ashton Studios, Orange, CA
Fountain View Portfolio, Multistate
Fountain Village, Fountain Valley, CA
Four Maine ALFs, ME
Four Seasons Assisted Living, Coeur d'Alene, ID
Franciscan Court, West Chicago, IL
Freemont Hills Assisted Living, Fremont, CA
Frisingertown Senior Residence, Drums, PA
Fullerton Village, Fullerton, CA
The Gables of Ojai, Ojai, CA
The Gables at Cobb Village, Royston, GA
Garden Court Memory Care, Olympia, WA
Garden Crest, Los Angeles, CA
Garden Square at Casper, Casper, WY
Garden Square AL of Crete, Crete, NE
Garden Square of Greeley, Greeley, CO
Garden Square of Westlake, Greeley, CO
Gardena Retirement Center, Gardena, CA
The Gardens Assisted Living - Rochester, Rochester, MI
The Gardens at Park Balboa, Van Nuys, CA
The Gardens at Emerald Bay, Clovis, CA
Georgetown Place, Fort Wayne, IN
Glenwood Gardens, Bakersfield, CA
Golden Creek Inn, Irvine, CA
Golden Crest, Franklin, NH
Golden Oaks, Pasadena, CA
Golden Pond Retirement Community, Sacramento, CA
Grace Assisted Living, Farr West, UT
Grace Healthcare of Clewiston, Clewiston, FL
Grace Healthcare of Lakeland, Lakeland, FL
Grace Healthcare of St. Petersburg, St. Petersburg, FL
Graceland Assisted Living, Garden Ridge, TX
Grand Court Las Vegas, Las Vegas, NV
Grand Court of Mesa, Mesa, CA
Grandview Palms, Los Angeles, CA
Grandview Plaza Assisted Living, University Place, WA
Granite Hills Convalescent Hospital, El Cajon, CA
Green Hill Park, Chandler, AZ
Green Valley, Henderson, NV
Stratford at Maple Leaf, Seattle, WA
Summerfield Senior Care Center, Yuba City, CA
Summerhill Villa, Newhall, CA
Summer Ridge AL & Retirement Comm., Rockwall, TX
Summerville at Litchifield Hills, Torrington, CT
Summerville at South Windsor, South Windsor, CT
Summit at First Hill, Seattle, WA
Summit at Westlake Hills, Austin, TX
Sun City Village, Sun City, CA
Sun City Assisted Living Center, Sun City, CA
Summerville at Tarzana, Tarzana, CA
Summerville at Valley View, Garden Grove, CA
Sun & Sea Manor, Imperial Beach, CA
Sunharbor Manor, Rosyln Heights, NY
Sungarden Terrace/McAllister Inst, Lemon Grove, CA
Sunnybrook at Tama, Tama, IA
Sunnycrest Senior Living, Fullerton, CA
Sunridge Village, Bullhead City, AZ
Sunrise Santa Monica, Santa Monica, CA
Sunset Villa Care Center, Roswell, NM
Sunshine Villa Living Center, Santa Cruz, CA
Tacoma, Lutheran Home, Tacoma, WA
Tanner Springs Assisted Living Center, West Linn, OR
Tarzana Place, Tarzana, CA
Temecula ALF, Temecula, CA
Tennyson Court Sr. Care Center, Williamsville, NY
Terraces at Martinsville, Martinsville, IN
Terrace at Mountain, Chattanooga, TN
Terraces at Plainfield, Plainfield, IN
Terraces at Roseville, Roseville, CA
The 80th Street Residence, New York, NY
The Arbor, Nacogdoches, TX
The Theodora, Seattle, WA
Three Rivers Health & Rehab. Center, Windsor, NC
Timber Ridge at Madera, Madera, CA
Torrance Assisted Living/Memory Care, Torrance, CA
Tower at Emerald Bay, Clovis, CA
Tustin Royal, Tustin, CA
Uncommon Care Louisville, Louisville, KY
Uncommon Care Nashville, Nashville, TN
Uncommon Care Sugarland, Sugarland, TX
Valley View Place, Garden Grove, CA
VantagePointe Village, Ashland City, TN
The Veranda, Roswell, GA
Victoria House, Matawan, NJ
Victorian Oaks, Cambridge, OH
Victorian Villa, Dallastown, PA
Viera Manor Assisted Living (proposed), Viera, FL
Villa Alamar, Santa Barbara, CA
Villa Colima, Walnut, CA
Villa at the Lake, Conneaut, OH
Villa at Mission San Luis Rey, Oceanside, CA
Villa Res. Care Home at Arlington, Arlington, TX
Villa Maria, Tucson, AZ
Village at Legacy Pointe, Waukee, IA
The Village at Morse Farm, Carlinville, IL
The Villas by Regency Park, Pasadena, CA
Villas Las Posas, Camarillo, CA
Villas at San Bernardino, San Bernardino, CA
Vintage Terrace Assisted Living, Newport Beach, CA
Vintage Terrace Assisted Living, Nipomo, CA
Vista Cove at Arcadia, Arcadia, CA
Vista Cove at Rancho Mirage, Rancho Mirage, CA
Vista Oaks of Lakeway, Lakeway, TX
Washington Oaks Retirement, Everett, WA

Green Valley Assisted Living, Green Valley, AZ
Greenfields Assisted Living Community, Mesa, AZ
Gridley Assisted Living & Retirement, Gridley, CA
Guardian Angel Homes of Lewiston, Lewiston, ID
Harborview Chateau, San Diego, CA
Haven Nursing Center, Baltimore, MD
Hazel Creek, Orangevale, CA
Health Care & Parking Lots, Los Angeles, CA
Heritage Assisted Living, Yukon, OK
Heritage Oaks, Tallahassee, FL
Heritage Place, Bountiful, UT
Heritage Pointe, Omaha, NE
Heritage Pointe Senior Living, Cookeville, TN
The Hermitage, Muskegon, MI
Hidden Woods (proposed), Hanover, PA
Hillcrest ALF (proposed), West Palm Beach, FL
Hillcrest Inn, Thousand Oaks, CA
Hillside Retirement Terrace Community, Ann Arbor, MI
Holiday Manor, Scranton, PA
Holladay Home of the Elderly, Salt Lake City, UT
Holy Hill, Los Angeles, CA
Home Place of Columbus, Columbus, OH
The Homestead at Boulder City, Boulder City, NV
Homewood at Boyton Bch, Boyton Bch, FL
Homewood at Delray Bch, Delray Bch, FL
Homewood at Richmond, Cleveland, OH
Homewood at Shavano Park, San Antonio, TX
House of Urhuru, Los Angeles, CA
Hundred Palms Tucson, AZ
The Huntington, Alhambra, CA
Huntington Retirement Hotel, Torrance, CA
Huntington Terrace ALF, Gresham, OR
Hyde Park Assisted Living, Flushing, MI
Immanuel Campus of Care, Peoria, AZ
Infinia at Mansfield, Mansfield, OH
Ingham Assisted Living, Lansing, MI
Inland Retirement Center, Fontana, CA
The Inn at Chappel Creek, Vermilion, OH
Inn at Chestnut Hill, Columbus, OH
Iranian Jewish Senior Ctr., Los Angeles, CA
Jewish Home for the Aging Senior Apts., Reseda, CA
Waterfront Inn, Wichita, KS
Waterford Gardens of Dunwoody, Dunwoody, GA
The Waters of Edina, Edina, MN
Watsonville ALF, Watsonville, CA
Wauchula Assisted Living (proposed), Wauchula, FL
Wel-Life at Alta, Alta, IA
Wells House Hospice, Long Beach, CA
Wells House Hospice, Stanton, CA
Wesley Hills (proposed), Lancaster, OH
West Cobb Assisted Living, Marietta, GA
Western Ferndale Board & Care, Los Angeles, CA
Westminster Terrace, Westminster, CA
Westside Manor, East Hampton, CT
Westwood Retirement Plaza, Los Angeles, CA
White Oaks Assisted Living, Lawton, MI
Wildwood Canyon Villa, Yucaipa, CA
Wilkins House, Pittsburg, PA
Willow Creek, Youngtown, AZ
Willow Creek at San Martin, Las Vegas, NV
Willow Glen ALF, San Jose, CA
The Willows, Bremerton, WA
Wilshire Assisted Living, Las Vegas, NV
Wilshire Retirement Center, Los Angeles, CA
Wilshire at Lakewood, Lee's Summit, MO
WinCrest Assisted Living, El Campo, TX
Windchime of Marin, Kentfield, CA
Windemere Park Senior Community, Warren, MI
Windsor Place, Naples, FL
Wingate Senior Living at Needham, Needham, MA
Whitehall Residence, Rochelle Park, NJ
Wildwood Canyon Villa, Yucaipa, CA
Willowcreek – Phoenix, Youngtown, PA
The Woodlands, Las Vegas, NV
Woodman/Nordoff, Los Angeles, CA
The Woodmark at Sun City, Sun City, AZ
The Woodmark at Uptown, Albuquerque, NM
Woodward at Bloomfield Hills, Bloomfield Hills, MI
Woodward Estate, Bowie, MD
Woodview Health Care, Fort Wayne, IN
Wyngate Senior Living Community, Parkersburg, WV
Yorkshire House, Hemet, CA
Zachery's Nyzinda Home, Ventura, CA

Skilled Nursing Facilities

Aberjona Nursing Center, Winchester, MA
Abigail House for Nursing & Rehab., Camden, NJ
Absolut Ctr. for Nursing & Rehab, East Aurora, NY
Absolut Ctr. for Nursing & Rehab, Orchard Park, NY
Absolut Ctr for Nursing & Rehab, Salamanca, NY
Alameda Healthcare & Wellness Center, Alameda, CA
Alamitos Belmont, Long Beach, CA
Albuquerque Care Center, Albuquerque, NM
Alhambra Convalescent Home, Alhambra
All Saints Subacute & Rehab Center, San Leandro, CA
Allenbrooke Nursing & Rehab. Center, Memphis, TN
All Faith Pavillion, Chicago, IL
Alpha Manor Nursing Home, Detroit, MI
Alta Mesa Nursing Center, Ft. Worth, TX
Alta Vista Healthcare & Wellness, Riverside, CA
Americare, Detroit, MI
Anberry Rehabilitation Hospital, Atwater, CA
Anchorage Nursing & Rehab Center, Salisbury, MD
Andorra Woods Healthcare Center, Whitemarsh, PA
Apex Health of Silver Spring, Silver Spring, MD
Laurel Canyon , Albuquerque, NM
Laurel Heights, Albuquerque, NM
Laurel Wood Center, Meridian, MS
Lawndale Healthcare & Wellness Centre, Lawndale, CA
Lee County Nursing and Rehabilitation, Sanford, NC
Legend - San Antonio, TX
Lexington Center for Health & Rehab, Lexington, KY
Liberty Care Center, Liberty, MS
Liberty Commons, North Chatham, MA
Liberty Island, Houston, TX
Liberty Nursing Center of Oxford, Oxford, OH
Liberty Nursing Center of Riverside, Cincinnati, OH
Liberty Nursing Center of Three Rivers, Cincinnati, OH
Liberty West View Manor, Derby, KS
Life Care Center of Casper, Casper, WY
Life Care Center of Charleston, N. Charleston, SC
LifeHouse Castro Valley Healthcare, Castro Valley, CA
LifeHouse Riverside Healthcare Center, Riverside, CA
Lighthouse Healthcare Center, Los Angeles, CA
Liliha Healthcare Center, Honolulu, HI

Arbor Glen Care Center, Glendora, CA
Arbor Place of Puryear, Puryear, TN
Arbors at Delaware, Delaware, OH
Arbors East, Columbus, OH
Arch Plaza Nursing & Rehab. Ctr., North Miami, FL
Ashford Gardens, Houston, TX
Ashley Health Care Center, Rogers, AR
Aspen Siesta, Denver, CO
Astoria Nursing & Rehab, Sylmar, CA
Atherton Healthcare, Menlo Park, CA
Atlantic Shores Rehab. & Health Center, Millsboro, DE
Atrium at Wayne, Wayne, NJ
Attleboro Nursing, Langhorne, PA
Auburndale Oaks Healthcare Center, Auburndale, FL
Aurora Behavioral, Glendale, AZ
Autumn Hills, Glendale, CA
Autumn Village Skilled Nursing & Rehab, Worcester, MA
Autumnwood of Livonia, Livonia, MI
Autumnwood of McBain, McBain, MI
Autumnwood of Deckerville, Deckerville, MI
Autumn Health Care of Coshocton, Coshocton, OH
Autumn Grove Care Center, Harrisville, PA
Avalon Care Center – Othello, Othello, WA
Avalon Care Center – Sonora, Sonora,CA
Avista Healthcare Nursing and Rehab., Cherry Hill, NJ
Avon Oaks, Avon, OH
Bailey Park Community Living Center, Humboldt, TN
Bakersfield Healthcare Center, Bakersfield, CA
Balch Springs, Balch Springs, TX
Baldwin Manor, Kenton, OH
Bala Nursing & Retirement, Philadelphia, PA
Bamberg County Memorial Nursing, Bamberg, SC
Bayonne Subacute/SNF, Bayonne, NJ
Bay Pointe Healthcare, Hayward, CA
Bayside Care Center, Morro Bay, CA
Bear Creek Care, Rochester, MN
Belair Health and Rehab Center, Lower Burrell, PA
Bel Air Health Care Center, Milwaukee, WI
Beloit Health and Rehab Center, Beloit, WI
Bel Vista Convalescent Hospital, Long Beach, CA
Bell Gardens, Bell Gardens, CA
Bellhaven Center - Geriatric & Rehab, Brookhaven, NY
Bellmire Health Care Facilities, Bowie, TX
Benchmark Healthcare of Festus, Festus, MO
Bennion Care Center, Taylorsville, UT
Bennington Health & Rehabilitation, Bennington, VT
Benson Heights Rehabilitation Center, Kent, WA
Berkley East Convalescent Hospital, Santa Monica, CA
Berlin Health & Rehabilitation, Barre, VT
Berlin Nursing and Rehab, Berlin, MD
Bethany Gardens, Rome, NY
Bethesda Court, Philadelphia, PA
Beverly Healthcare – Burbank, Burbank, CA
Beverly Healthcare of Forestdale, Birmingham, AL
Beverly Healthcare - La Mesa La Mesa, CA
Beverly Healthcare Center, Monterey, CA
Beverly Healthcare of Tarboro, Tarboro, NC
Beverly Manor, St. Joseph, CA
Biloxi Community Living Center, Biloxi, MS
Birchwood Nursing and Rehabilitation, Nanticoke, PA
Bland County Nursing & Rehab. Center, Bastian, VA
Blair Park, Jackson, MI
Blossom North, Rochester, NY
Blossom South, Rochester, NY
Blossom Nursing & Rehab, Salem, OH
Lincoln Care Center, Detroit, MI
Lincoln Specialty Care Center, Vineland, NJ
Linda Vly Care & Linda Vly Villa, Loma Linda, CA
Linwood Care Center, Linwood, NJ
Litchfield Healthcare Center, Litchfield, IL
Live Oak Nursing Ctr., George West, TX
Lockney Health & Rehab. Center, Lockney, TX
Lompoc Skilled & Rehabilitation, Lompoc, CA
Longwood Comm. Living Center, Booneville, MS
Loretto Green, Cicero, NY
Lorien Nursing & Rehab Center, Baltimore, MD
Lubbock Hospitality House, Lubbock, TX
Lynwood Manor Healthcare Center, Adrian, MI
Jacobsen Center, Seattle, WA
James Square Health & Rehab Center, Syracuse, NY
Madison Manor Nursing Home, Madison, AL
Maggie Valley Nursing & Rehab, Maggie Valley, NC
Maison Aine, Stow, OH
Maison DeVille of Harvey, Harvey, LA
Maison DeVille of Houma, Houma, LA
Maison DeVille of Opelousas, Opelousas, LA
Manor Health Care, Las Vegas, NV
Manor of Farmington Hills, Farmington Hills, MI
Manor of Novi, Novi, MI
The Manor at Seagoville, Seagoville, TX
Manteca Care & Rehab Center, Manteca, CA
Maple Grove Health Care Center, Lebanon, VA
Maple Ridge Health and Rehab. Ctr., Milwaukee, WI
Maplewood Care Center, Streetsboro, OH
Maplewood Nursing Center, Marion, OH
Marietta Health & Rehabilitation Center, Marietta, GA
Mariposa SNF, Mariposa, CA
Marilinda Convalescent Hospital, Napa, CA
Maryland Gardens, Phoenix, AZ
Mathis Nursing Center, Mathis, TX
McClure Convalescent Hospital & Rehab Ctr., Oakland, CA
McComb Nursing & Rehab. Center, McComb, MI
McLean Care Center, McLean, TX
Meadow Manor, Taylorsville, IL
Meadowbrook Healthcare Center, Hemet, CA
Meadow View Health and Rehabilitation Ctr, Salem, IN
Meadow View Care Center, Williamstown, NJ
Meadow Woods Nursing & Rehab, Bloomingdale, MI
Meadows Health & Rehabilitation Center, Dallas, TX
Meadowview Healthcare Center, Seville, OH
Medco Center of Henderson, Henderson, KY
Medco Health and Rehab Center, French Lick, IN
Medford Extended Care Center, Medford, MA
Mediplex of Stamford, Stamford, CT
Megansett Nursing, North Falmouth, MA
Memorial Convalescent Center, Adel, GA
Memphis Convalescent Center, Memphis, TX
Menard Conv. Center, Petersburg, IL
Merced Behavioral Health Center, Merced, CA
Mercer Nursing & Rehabilitation, Bluefield, WV
Mercy-Douglas Residence, Philadelphia, PA
Meridian Comm. Living Center, Meridian, MS
Meridian Portfolio, 5 facilities, CA
Mesa Vista Inn Health Care, San Antonio, TX
Michael Manor, Douglas, WY
Mid-Wilshire Health Care Center, Los Angeles, CA
Midwest City Nursing Center, Midwest City, OK
Mifflin Care Center, Mansfield, OH
Millford House, Baltimore, MD
Millington Healthcare Center, Millington, TN

Blue Point Nursing Center, Baltimore, MD
Blue Ridge Care & Rehabilitation, Charles Town, WV
Blue River Care Center, Kansas City, MO
Boulevard Terrace, Murfreesboro, TN
Bowie Proposed SNF, Bowie, TX
Brady West Nursing and Convalescent, Brady, TX
Brandon Nursing & Rehabilitation Center, Brandon, MI
Brentwood Place, Dallas, TX
Brian Ctr. Health & Rehab Spruce Pine, Spruce Pine, NC
Brian Ctr. Nursing Care of Alleghany, Low Moor, VA
Briarcliff, McAllen TX
Briarcliff Haven Healthcare & Rehab, Atlanta, GA
Briarwood Manor, Lexington, TN
Briarwood Nursing/Medical Arts Health, GA
Brighten Place, Chalfont, PA
Brighton Convalescent Center, Pasadena, CA
Brighton Place East, Spring Valley, CA
Brighton Place San Diego, San Diego, CA
Brighton Place Spring Valley, Spring Valley, CA
Brinton Woods Nursing & Rehab, Sykesville, MD
Bristol Minor Health Care Center, Rochelle Park, NJ
Brittany Manor, Midland, MI
Brookfield Healthcare Center, Downey, CA
Brookhaven Health Care Center, East Orange, NJ
Brooklyn Ridge Senior Living, Brooklyn, OH
The Brunswick at Attleboro, Langhorne, PA
Buckingham at Norwood, Norwood, NJ
Buena Vista Retirement, Clovis, NM
Buena Ventura Care Center, Los Angeles, CA
Burlingame Long Term Care, Burlingame, CA
Calhoun Nursing Home, Edison, GA
Calhoun Nursing & Rehab. Center, Hardin, IL
California Nursing & Rehabilitation, Palm Springs, CA
Cambria Care Center, Cambria Township, PA
Cameron Manor, Cameron, MO
Camp Care Nursing Home, Inman, SC
Campus Health Care Center, Youngstown, OH
The Canterbury at Cedar Grove, Cedar Grove, NJ
Canterbury on the Lake, Waterford, MI
Canterbury Nursing and Rehab Ctr, Ft Wayne, IN
Canterbury Villa of Houston, Houston, TX
Canyon Rim Care Center, Salt Lake City, UT
Cape Cod Nursing, Buzzards Bay, MA
Capitol Healthcare Services, Dover, DE
Capitol Nursing & Rehab Center Inc., Kent, DE
Caprice Health Care Center, North Lima, OH
Care Center of Brenham, Brenham, TX
Cardinal Hill Healthcare, Greenville, IL
Cardinal Healthcare, Energy, IL
Carehouse Conval. Ctr. Santa Ana, CA
Care Meridian – Artesia, Artesia, CA
Care Meridian – Escondido, Escondido, CA
Care Meridian, Fairfax, CA
Care Meridian – Silverado, Silverado, CA
Carlton Manor, Washington Court House, OH
Carlyle Nursing Home, Framingham, MA
Carmel Hills Living Center, Independence, MO
Carrizo Springs Nursing & Rehab., Carrizo Springs, TX
Carson Convalescent Center, Carson City, NV
Carson Nursing & Rehab. Center, Carson City, NV
Casa San Miguel, Concord, CA
Cascade Park Care Center, Vancouver, WA
Castle County Care Center, Price, UT
Catered Manor, Long Beach, CA
Cedar Lawn Convalescent Hospital, Abington, VA
Millwood Hospital, Arlington, TX
Middlebury Manor Health Care Ctr. Akron, OH
Miravilla Care Center, Cherry Valley, CA
Mission de la Casa, Santa Clarita, CA
Mission de la Casa, San Jose, CA
Mission Healthcare at Bellevue, Bellevue, WA
Mission Manor Health Center, Albuquerque, NM
Mission Oaks Manor, San Antonio, TX
Monaco Parkway Health & Rehabilitation, Denver, CO
Mohawk Valley Nursing Home, Ilion, NY
Montebello Plaza Hotel, Montebello, CA
Monterey Care Center, Monterey, CA
Monterey Palms Healthcare Center, Palm Desert, CA
Monte Vista Care Center, Montclair, CA
Montgomery Care & Rehab Center, Clarksville, TN
Monument Hill Nursing Ctr., La Grange, TX\
Moreno Valley Care Center, Moreno Valley, CA
Mtn City Health Care Center, Mountain City, TN
Mount Vernon Nursing and Rehab, Mount Vernon, IN
Mountain Shadow Nursing, Las Cruces, NM
Mountain View Healthcare Center, El Paso, TX
Liberty Terrace Care Center, Liberty, MO
Life Care Center of San Gabriel, San Gabriel, CA
Life Care Center at South Mountain, Phoenix, AZ
Lighthouse, Los Angeles, CA
Mountainview Care Center, Bozeman, MT
Mulberry Manor, Stephenville, TX
Natchitoches Nursing & Rehab. Ctr., Natchitoches, LA
Nemasket Healthcare Center, Middleboro, MA
Nentwick Care Center, East Liverpool, OH
New Bedford Rehabilitation Hospital, New Bedford, MA
New Hope Care Center, Tracy, CA
New Light Nursing Home, Detroit, MI
New London Health Center, Snellville, GA
New Martinsville HCC, New Martinsville, WV
New Vista, Newark, NJ
Nine CapitalSource SNFs, IN, WI, MT
Normandy Terrace SE, San Antonio, TX
North Pointe Healthcare Centre, Fresno, CA
Northampton Nursing, Northampton, MA
Northbrook Nursing & Rehab, Willits, CA
Northpoint Medical & Rehab. Center, Oshkosh, WI
Northern Oaks Living, Abilene, TX
Norwalk Meadows Nursing Center, Norwalk, CA
Northwest Houston Health & Rehabilitation, Houston, TX
Norwood Pines Care Center, Sacramento, CA
Nye Legacy, Fremont, NE
Oak Crest Nursing Ctr., Rockport, TX
Oak Grove Institute at Vista, Vista, CA
Oak Manor Nursing Ctr. Flatonia, TX
Oak Park Convalescent Hospital, Pleasant Hill, CA
Oak Park Convalescent Hospital, Torrance, CA
Oak Park Health Care Center, Lake Charles, LA
Oak Ridge Care Center, Union Grove, WI
Oak Ridge Health Center, Roseville, CA
Oakland Care Center, Oakland, CA
Oakland Care Center, Oakland, NJ
Oakland Healthcare & Wellness Center, Oakland, CA
Oakland Manor, Oakland, IA
Oakland Manor Nursing Center, Giddings, TX
Oakland Nursing & Rehab, Oakland, MD
Oak Ridge Rehab & Nursing, Wayne, NJ
Oakridge Care Center, Union Grove, WI
Oakwood/Briarwood/Whitehaven, TN
Oakwood Community, Dyersburg, TN

Cedar Springs Health & Rehabilitation, Cedartown, GA
Cedar Wood Villa, Red Lodge, MT
Center at Parkwest, Reseda, CA
Centinela Park Conv. Hospital, Inglewood, CA
Centinela Skilled Nursing, Inglewood, CA
Central California Nikkei, Fresno, CA
Central Coast Convalescent Hospital, Lompoc, CA
Chancellor at Del Mar, Del Mar, DE
Chariton Park Health Care Center, Salisbury, MO
Cherokee Rose Manor, Glen Rose, TX
Cherry Creek Nursing Center, Aurora, CO
Cheyenne Care Ctr., N. Las Vegas, NV
Chicago Lakeview Hospital, Chicago, IL
Children of the Pioneers, Denver, TX
Christian Church Home of Lexington, Lexington, KY
Christian Park Health Care Center, Escanaba, MI
Christian Park Village, Escanaba, MI
Citrus Nursing Center, Fontana, CA
Cityview Care Ctr. Fort Worth, TX
Clairmont Nursing & Rehab, Eau Claire, WI
Clairmont, Longview, TX
Clairmont, Tyler, TX
Clearview Sanitarium, Gardena, CA
Clermont Health & Rehab. Center, Clermont, FL
Cleveland Rehab & Spec. Care Ctr. Cleveland, OH
Clinton House, Frankfort, IN
Closed SNF, Kalamazoo, MI
Clover Rest Home, Columbia, NJ
Coast Fork, Cottage Grove, OR
College Oak Nursing & Rehab, Sacramento, CA
College Park Rehab. Center, North Las Vegas, NV
College Park Rehab & Care Center, Weatherford, TX
Colonial Manor, New Braunfels, TX
Colonial Manor, York, PA
Colonial Manor at Tyler, Tyler, TX
Colonial Manor Convalescent Hosp., West Covina, CA
Colonial Rehab & Nursing, Weymouth, MA
Colonnades at Reflection Bay, Pearland, TX
Comanche Trail Nursing Ctr., Big Spring, TX
Community Alzheimer's Living Facility, Fresno, CA
Community Conv. Center of La Mesa, La Mesa, CA
Community Living Center, Oakhurst, CA
Comprehensive Healthcare of Clearwater, Clearwater, FL
Consolidated Industries, 17 facilities, CA
Convalescent Care of Reseda, Reseda, CA
Coral Gables Nursing & Rehabilitation, Miami, FL
Coronado Nursing Center, Abilene, TX
Country Club Conv. Hospital, Santa Ana, CA
Country Hills Health Care Center, El Cajon, CA
Country Villa Bay Vista, Long Beach, CA
Country Villa Belmont Heights, Long Beach, CA
Country Villa East Nursing Center, Los Angeles, CA
Country Villa Health & Rehab, Los Angeles, CA
Country Villa Long Beach, Long Beach, CA
Country Villa Los Feliz, CA
Country Villa Madera Rehab & Nursing, Madera, CA
Country Villa Mar Vista Healthcare Center, LA, CA
Country Villa North, Los Angeles, CA
Country Villa Rehabilitation Center, Los Angeles, CA
Country Villa Watsonville East, Watsonville, CA
Country Villa Westwood, Los Angeles, CA
Country Villa Wilshire, Los Angeles, CA
Courtney Manor, Bad Axe, MI
Courtyards at Forth Worth, Fort Worth, TX
Covington Manor Nursing Home, Covington, GA
Oakwood Manor, Dryersburg, TN
The Oaks at Scenic View, Baldwin, GA
Oaks at Town Center, Harrisburg, NC
The Oaks of Brevard, Brevard, NC
The Oaks of Pasadena, Pasadena, CA
Ocean View Conv. Hospital, Santa Monica, CA
Oceanview Transitional Care Center, Texas City, TX
Ochoco Care Center, Prineville, OR
Olive Ridge Care Center, Oroville, CA
Omni Continuing Care, Detroit, MI
Orem Nursing & Rehab, Orem, UT
Orchard Brooke Living Center, Orchard Park, NY
Orlando Health & Rehab. Center, Orlando, FL
Osborn Health and Rehabilitation, Scottsdale, AZ
Oshkosh Medical & Rehab Center, Oshkosh, WI
Oswego, Oswego, KS
Oxford Square, Clinton Township, MI
Pacific Convalescent Hospital, Santa Monica, CA
Pacific Gardens Nursing & Rehab. Ctr., Fresno, CA
Pacific Haven, Garden Grove, CA
Pacific Health and Rehab, Tigard, OR
Padre Behavioral Health, Corpus Christi, TX
Palm at Park Place, Kissimmee, FL
Palm Terrace, Riverside, CA
Palm Valley Rehab & Care Center, Goodyear, AZ
Paramount Health and Rehabilitation, Murray, UT
Paramount Meadows, Paramount, CA
Park Avenue Healthcare & Wellness Center, Pomona, CA
Park Manor Health Care, DeSoto, TX
Park Manor Rehabilitation Center, Walla Walla, WA
Park Ridge Commons, Buffalo, NY
Parkmoor Village Healthcare Center, Colorado Springs, CO
Parkview Care Center, Billings, MT
Parkview/Side Care Center, Fremont, OH
Parkview Manor, Humbolt, TN
Parkview Julian, Bakersfield, CA
Parkway Health & Rehabilitation Center, Memphis, TN
Parkway Hills Nursing & Rehab, La Mesa, CA
Parkwood Health Care Facility, Phenix City, AL
The Pavilions at Forrestal Health, Princeton, NJ
Pilot Butte Rehabilitation Center, Bend, OR
Pine Ridge Health Care Center, Elizabethton, TN
Pines at the Park, Mesa, AZ
Pine Valley Ctr. For Rehab. & Nurs., Spring Valley, NY
Pinnacle Rehab. & Health Center, Smyrna, DE
Pioneer Care Center, Brigham City, UT
Pioneer Care Center, Salt Lake City, UT
Plaquemine Manor Nursing Home, Plaquemine, LA
Plaza Comm. Living Center, Pascagoula, MS
The Plaza Regency at Park Ridge, Park Ridge, NJ
Pleasant Hills Comm. Living Center, Jackson, MS
Pleasant Manor, Faribault, MN
Plum Creek Healthcare Center, Amarillo, TX
Plum Grove Health Care, Palantine, IL
Pocatello Care and Rehabilitation, Pocatello, ID
Point Loma, San Diego, CA
Ponce Plaza, Miami, FL
Proposed Nursing Home, Breckenridge, TX
Proposed Nursing Home, Glenrose, TX
Proposed Nursing Home, Perasall, TX
Proposed Nursing Home, Uvalde, TX
Proposed SNF, Lutz, FL
Proposed SNF, Redondo Beach, CA
Proposed SNF, San Diego, CA
Provident Memory Care, Buda, Texas

Crane Nursing & Rehab, Crane, TX
Creekside Conv. Hospital, Santa Rosa, CA
Crescent Senior Care, Weatherford, TX
Crestmark at Roselawn, Demotte, IN
Crestview Rehabilitation Center, Crestview, FL
Crestwood, Eureka, CA
Crestwood Convalescent Center, Port Angeles, WA
Crestwood Manor at Freemont, Freemont, CA
Crestwood Portfolio, 30 facilities, CA
Creswell Care Center, Creswell, OR
Culver West, Culver City, CA
Cuppett and Weeks Nursing Home, Oakland, MD
Cuyahoga Falls Country Place, Cuyahoga Falls, OH
Cypress Manor, Fort Meyers, FL
Cypress Portfolio
Dallas Nursing Center, Dallastown, PA
Danville, Danville, CA
Darby Square Nursing & Rehab Center, Lexington, KY
DeBoer Nursing Home, Muskegon, MI
Del Amo Gardens Convalescent, Torrance, CA
Delany Park Health & Rehab. Center, Orlando, FL
Deseret Nursing & Rehab at Arma, Arma, KS
Devonshire Care, Hemet, CA
Douglasville Nursing & Rehab. Ctr., Douglasville, GA
Downey Community Health, Downey, CA
Draper Rehab & Care Center, Draper, UT
Durham-Hensley Nursing Home, Chuckey, TN
Eagle Ridge at Grand Valley, Grand Junction, CO
Eaglewood Care Center, Carey, OH
Earlwood, Care Ctr. Torrance, CA
Eastside Medical & Rehab, Bellevue, WA
Eastside Rehabilitation Center, Milwaukee, WI
Eastwood Convalescent Center, Detroit, MI
Ebony Lake Healthcare Center, Brownsville, TX
Egg Harbor Care Center (proposed), Egg Harbor, NJ
Egle Nursing Home, Lonaconing, MD
Eight TX SNFs, TX
18 PA SNFs, PA
El Camino Care Center, Carmichael, CA
El Dorado Care Center, El Cajon, CA
Elk Grove, Elk Grove, CA
Elkhart Rehabilitation Center, Elkhart, IN
Elmcrest Care Center, El Monte, CA
Elms Haven Care Center, Thornton, CO
Elmwood Convalescent, Oakland, CA
Ely Manor, Allegan, MI
Embassy Rehab & Care Center, Sergeant Bluff, IA
Emily Flinn, Marion, IN
Emmanuel Convalescent – Alameda, Alameda, CA
Emmanuel of San Jose, San Jose, CA
Empire Spanish Meadows, Brownsville, TX
Empress Rehab Center, Long Beach, CA
Ennoble Manor, Dubuque, IA
Enumclaw Health & Rehab. Center, Enumclaw, WA
Escondido Care Center, Escondido, CA
Estrella Oaks Rehabilitation and Care, Georgetown, TX
Evergreen at Arvin, Arvin, CA
Evergreen at Bakersfield, Bakersfield, CA
Evergreen Bremerton Health & Rehab, Bremerton, WA
Evergreen Enumclaw HC & Rehab, Enumclaw, WA
Evergreen at Fullerton, Fullerton, CA
Evergreen Gardnerville, Gardnerville, NV
Evergreen Health & Rehabilitation, Rome, GA
Evergreen at La Grande, La Grande, OR
Evergreen at Lakeport, Lakeport, CA
Puget Sound Healthcare Center, Olympia, WA
Qualicare Nursing Home, Detroit, MI
Quince Nursing and Rehab. Center, Memphis, TN
Raceland Manor Nursing Home, Raceland, LA
Radford Nursing and Rehab Center, Radford, VA
Ramona Manor Convalescent Hospital, Hemet, CA
Raymore Health Care, Raymore, MO
Redmond Health Care Center, Redmond, OR
Regal Heights Healthcare & Rehab, Hockessin, DE
Regency Care Center, Independence, MO
Regency Care Center, Saint Joseph, MO
Rehabilitation Centre of Bakersfield, Bakersfield, CA
Rheem Valley Convalescent Hospital, Moraga, CA
Richfield Care Center, Richfield, UT
Ridgecrest Healthcare, Ridgecrest, CA
Ridgewood Manor, Maumee, OH
Ringgold Nursing and Rehab. Center, Ringgold, LA
Riverbluff of Cahokia, Cahokia, IL
Riverfront Nursing & Rehab. Center, Bradenton, FL
River Hills Health & Rehab, Kerrville, TX
River Oaks Health & Rehab, Columbus, TX
River Ridge Retirement Village, South Haven, MI
Rivershores Care Center, Marseilles, IL
Riverside Health Care Center, Covington, GA
Riverside Healthcare Center, Riverside, CA
Riverview Care Center, Des Moines, IA
Riviera Healthcare Center, Pico Rivera, CA
Riviera Palms Nursing & Rehabilitation, Palmetto, FL
Rochester Manor, Rochester, NH
Rockmill Rehabilitation Centre, Carroll, OH
Rocksprings Rehabilitation Center, Pomeroy, OH
Rockwood Health Care Center, Rockwood, TN
Rocky Mountain Care Center, Helena, MT
Rose Villa, Bellflower, CA
Rosenberg Health & Rehab, Rosenberg, TX
Roseville Point Health & Wellness Center, Roseville, CA
Rosewood Post-Acute, Carmichael, CA
Royal Care of Avon Park, Avon Park, FL
Royal Health Gate, Trenton, NJ
Royal Nursing, Falmouth, MA
Ruston Nursing & Rehab. Center, Ruston, LA
Ruxton Health & Rehab, Richmond, VA
Ruxton Health & Rehab, Pikesville, MD
Sabal Palms, Largo, FL
Sable Care and Rehabilitation Center, Aurora, CO
Sadie G. Mays Health & Rehab Center, Atlanta, GA
Saint Joseph's Health & Retirement, Ojai, CA
Salado Creek, San Antonio, TX
Sanctuary at Wilmington Place, Dayton, OH
San Bruno Skilled Nursing Hospital, San Bruno, CA
San Diego Healthcare Center, San Diego, CA
San Francisco Nursing Center, San Francisco, CA
San Jose Healthcare, San Jose, CA
San Luis Transitional Care, San Luis Obispo, CA
San Pablo Healthcare & Wellness Center, San Pablo, CA
Sandpiper Bay Healthcare Center, Wichita, KS
Santa Anita Conv. &Retirement Ctr Temple City, CA
Santa Maria Care Center, Santa Maria, CA
Santa Rita Nursing & Rehab, Green Valley, AZ
Savannah Court of Haines City, Haines, FL
Scenic Nursing & Rehab. Center, Herculaneum, MO
Scott Villa Nursing and Rehab Center, Scottsburg, IN
Sea Cliff, Huntington Beach, CA
Seacrest Conv. Hospital, San Pedro, CA
Seashell Communities, Morro Bay, CA

Evergreen Independence, Idanha, OR
Evergreen Mesa, Mesa, AZ
Evergreen Nursing & Rehab, Olympia, WA
Evergreen Park Royal Healthcare Ctr., Longview, WA
Excel Rehabilitation & Health Center, Tampa, FL
Extendicare SNFs, Various Locations, USA
Fairmont Rehabilitation Hospital, Lodi, CA
Fairlawn Nursing Home, Leominster, MA
Fallbrook Hospital Skilled Nursing, Fallbrook, CA
Fallon Convalescent Center, Fallon, NV
Fellowship Square Phoenix, Phoenix, AZ
15 Ciena SNFs, MI
Fifth Season Residential – Benton, IL
Fireside Conv. Hospital, Santa Monica, CA
Fireside Lodge Retirement Center, Fort Worth, TX
Five Atrium SNFs, MI
Five Illinois SNFs, IL
Five KeyCorp SNFs, VA
Five Northcoast Facilities, CA
Five Northern California SNFs, CA
595 County Avenue, Secaucus, NJ
Forest Hill Convalescent Home, Richmond, VA
Forest Ridge Health and Rehab Ctr, Bremerton, WA
Fort Walton Rehabilitation Center, Fort Walton Beach, FL
Fort Worth SW, Fort Worth, TX
Fountain Care Ctr., Orange, CA
Fountain City Care & Rehab, Columbus, GA
Fountain View and Wolverton Glen, Ripon, WI
Four CA SNFs, CA
Four Ciena MI SNFs, MI
Four Courts at Cherokee Park, Louisville, KY
Four Goldstar SNFs, CA
Four MA SNFs, MA
Four MA SNFs (Madonna), MA
Four Seasons Healthcare & Wellness, Valley Village, CA
Four Southern California SNFs, CA
Four TX SNFs, TX
Fox Acute at Warrington, Warrington, PA
Fox Chase Rehabilitation & Nursing, Silver Spring, MD
Fox Subacute at Clara Burke, Plymouth Meeting, PA
Franciscan Care Center of Sylvania, Toledo, OH
Franklin Care Center, Detroit, MI
Franklin Hills Health & Rehab, Spokane, WA
Fredrick Villa, Catonsville, MD
Fremont Manor, Fremont, CA
Friendship Home, Carlinville, IL
Garden Crest, Los Angeles, CA
Gardens on University, Spokane, WA
Garrison Nursing Home and Rehab Center, Garrison, TX
Gates Manor Health Care Center, Montclair, NJ
GEM Transitional Care Center, Pasadena, CA
Gilbert Market Study, Gilbert, AZ
Gilmer Nursing Home, Ellijay, GA
Gladewater Nursing Home, Gladewater, TX
Glendora Grand, Glendora, CA
Glenwood Care Center, Oxnard, CA
Golden Age Guest Home, Skysville, MD
Golden LivingCenter – various locations, USA
Golden Plains Healthcare Center, Hutchison, KS
Golden Slipper Health & Rehab, Philadelphia, PA
Golden State Health Centers, 24 facilities, CA
Goldstar Healthcare Ctr of Chatsworth, Chatsworth, CA
Goldstar Healthcare Ctr of Inglewood, Inglewood, CA
Goldstar Rehab & Nursing, Santa Monica, CA
Good Samaritan Rehab and Care, Stockton, CA
Season's At La Jolla, La Jolla, CA
Seaview Manor, Far Rockaway, NY
Seven Hoosier Care SNFs, IL, IN
Shasta View Nursing Center, Weed, CA
Shelby Ridge Nursing Home, Alabaster, AL
Sheffield Manor Nursing & Rehabilitation Center, Detroit, MI
Sheridan of Navasota, Navasota, TX
Sherwood Park Nursing & Rehab Center, Keizer, OR
Shields El Cerrito Nursing Center, El Cerrito, CA
Shields Richmond Nursing Center, Richmond, CA
Shore Meadows, Toms River, NJ
Shoreline Care, Oxnard, CA
Sierra Madre SNF, Sierra Madre, CA
Silver Care Center, Cherry Hill, NJ
Silver Creek Manor, San Antonio, TX
Silver Hills Health Care Center, Las Vegas, NV
Silver Springs Healthcare Center, Houston, TX
Silverbrook Manor, Niles, MI
Six Covenant Care SNFs, IL, NV, IN, CA
Six Tara Cares SNFs, AL
Skyline Healthcare Center, San Jose, CA
Somerset Special Care Center, El Cajon, CA
Sorrento Care Center, Detroit, MI
South Jersey Health Care Center, Camden, NJ
Southern Oaks Health Care Center, St. Cloud, FL
Southern Oaks Rehab. & Nursing Center, Pensacola, FL
Southwest Nursing & Rehab, Fort Worth, TX
Southwood Care Ctr., Austin, TX
Specialty Hospital of Denver, Thornton, CO
Spring Arbor of Fredericksburg, Fredericksburg, VA
The Springs at Pacific Regent, San Diego, CA
Spring Branch Transitional Care Center, Houston, TX
Spring City Health Care Center, Spring City, TN
Spring Creek Rehab. & Medical Center, Harrisburg, PA
Springdale Village SNF, Mesa, AZ
Sprindale Village West, Mesa, AZ
Springfield Health & Rehabilitation, Springfield, VT
Shuffield II & III, Brady, TX
St. Andrews, Los Angeles, CA
St. Ann's Convalescent Center, Detroit, MI
St. Anthony Healthcare Center, Warren, MI
St. Cloud Health Care Center, Orange, NJ
St. Elizabeth Healthcare Center, Fullerton, CA
St. Elizabeth Healthcare Center, Saint Elizabeth, MO
St. James Nursing Center, Detroit, MI
St. Johnsbury Health and Rehabilitation, St. Johnsbury, VT
St. Joseph Nursing Care Center, Dorchester, MA
St. Joseph Transitional Rehab. Center, Las Vegas, NV
St. Jude Nursing Center, Livonia, MI
St. Luke Healthcare & Rehab, Fortuna, CA
St. Martin's at the Pines, Birmingham, AL
St. Michael Nursing Center, Detroit, MI
St. Peter Villa, Memphis, TN
Stanton Nursing Center, Stanton, KY
Stearns Nursing & Rehab. Center, Granite City, IL
Sterling Healthcare, Media, PA
Stone Oak Care Center, San Antonio, TX
Stonehedge – Chittenango, Chittenango, NY
Stonehedge – Rome, Rome, NY
Stone Oak Care Center, San Antonio, TX
Stonespring of Vandalia, Dayton, OH
Stratford Manor Care & Rehab. Ctr., West Orange, NJ
Strawberry Lane Medical Center, Wisconsin Rapids, WI
Summers Nursing and Rehab. Center, Hinton, WV
Summit Health & Rehabilitation, Rome, GA

Good Shepherd, Lake View Terrace, CA
Good Shepherd Health Care Center, Santa Monica, CA
Gordon Lane Convalescent, Fullerton, CA
Gowanda Nursing Home, Gowanda, NY
Grace Healthcare of Clewiston, Clewiston, FL
Grace Healthcare of Lakeland, Lakeland, FL
Grace Healthcare of St. Petersburg, St. Petersburg, FL
Grand Prairie Healthcare Center, Grand Prairie, TX
Grand Terrace Care Center, Grand Terrace, CA
Granite Hills Care, El Cajon, CA
Granite Nursing and Rehab. Center, Granite City, IL
Great Falls Health Care Center, Patterson, NJ
Green Valley Pavilion, Smyrna, DE
Green Valley Terrace, Millsboro, DE
Greenwood Terrace, Swansea, IL
Gridley Healthcare & Wellness Centre, Gridley, CA
Guadalupe Valley Nursing Ctr., Seguin, TX
Hacienda Rehabilitation, Kettleman City, CA
Hacienda Rehab & Health Care Center, Hanford, CA
Hackett Hill Healthcare Center, Manchester, NH
Hallettsville Nursing Ctr., Hallettsville, TX
Hannah Duston Healthcare Center, Haverhill, MA
Hanover Hall, Hanover, PA
Harbor Convalescent Hospital, Torrance, CA
Harbor Health Care, Fullerton, CA
Harbor View Care Center, Corpus Christi, TX
Hardi Nursing Homes, CA
Hartford Nursing and Rehabilitation Center, Detroit, MI
Harmony Court, Cincinnati, OH
Hartsville Convalescent Center, Hartsville, TN
Haven Healthcare of St. Albans, St. Albans, VT
Haven Healthcare of Rocky Hill, Rocky Hill, CT
Haven Healthcare of Rutland, Rutland, VT
Haven Health Center of Derry, Derry, NH
Haven Health Center of Torrington, Torrington, CT
Haven Nursing Center, Baltimore, MD
Hawthorne Nursing, Danvers, MA
The Hayworth Center Retirement, Farmington Hills, MI
Hayward Healthcare & Wellness Center, Hayward, CA
Hayward Hills Health Care Center, Hayward, CA
Healthcare Centre of Fresno, Fresno, CA
Healthwin, South Bend, IN
The Hearthside Rehab. & Nurs. Ctr., State College, PA
Hearthstone of Mesa, Mesa, AZ
Hearthstone of Sun City, Sun City, AZ
Heartland Country Village, Black Earth, WI
Heatherbank, Columbus, PA
Hebrew Hospital Home, Bronx, NY
Hereford Care Center, Hereford, TX
Heritage at Longview Healthcare Center, Longview, TX
Heritage Care Center, American Fork, UT
Heritage Convalescent Center, Amarillo, TX
Heritage Gardens Health Care, Loma Linda, CA
Heritage Gardens Healthcare Ctr., Carollton, TX
Heritage Hall SNFs, VA
Heritage Healthcare at Spring Valley, Eberton, GA
Heritage Health at Sunrise, Moultrie, GA
Heritage Health Care Center, Utica, NY
Heritage Healthcare of Elkin, Elkin, NC
Heritage Healthcare of Greenville, Greenville, GA
Heritage Healthcare of Macon, Macon, GA
Heritage Healthcare of Savannah, Savannah, GA
Heritage Hills Health Care Center, Nephi, UT
Heritage Manor, Detroit, MI
Heritage Manor Healthcare & Plano Specialty, Plano, TX
Sun Bridge Care & Rehab, Carmichael, CA
Sun Bridge Care & Rehab, San Leandro, CA
Sun Bridge Care & Rehab, Toledo, OH
Sunbridge Rehab of Meridian, ID
Suncrest Healthcare Center, Phoenix, AZ
Sunharbor Manor, Roslyn, NY
Sun Healthcare, Brookline/Boston, MA
Sunray Health Center, Los Angeles, CA
Sunrise Care Center, Milwaukee, WI
SunRise Care Rehab., Torrance, CA
Sunrise Conv. & Rehab, San Antonio, TX
Sunrise Manor, Virden, IL
Sunrise Manor Nursing Home, Bay Shore, NY
Sunset Lakes,Desert Hot Springs, CA
Sunset Manor, Brush, CO
Surry Comm. Nursing Center, Surry, NC
Sykesville Continuum Care, Sykesville, MD
Sylmar Health & Rehab, Sylmar, CA
Taber Street Nursing, New Bedford, MA
Tabitha Nursing & Rehab. Center, Lincoln, NE
Templeton Care Center, Templeton, CA
Tendercare Clare, Clare, MI
Tendercare Saginaw, Saginaw, MI
Texan Nursing and Rehab of Victoria, Victoria, TX
Texoma Healthcare Center, Sherman, TX
300 East Gleed Avenue, East Aurora, NY
Three GA facilities, GA
Three Liberty Nursing SNFs, OH
Timberwood Nursing & Rehab Center, Livingston, TX
TL Portfolio (8 SNFs), DE, FL, NY, PA, TX
Torrance Care Center East, Torrance, CA
Torrance Care Center West, Torrance, CA
Totally Kids, Sun Valley, CA
Town & Country Manor, Boerne, TX
Trinity Health Care of Logan, Logan, WV
Trinity Health Care of Mingo, Williamson, WV
Tri State Comprehensive Care Center, Harrogate, TN
Tulia Health & Rehab. Center, Tulia, TX
Tupelo Nursing & Rehabilitation Center, Tupelo, MS
Tustin Care Center, Tustin, CA
Twin Oaks Health and Rehab Center, Chico, CA
Two Rivers Healthcare Center, New Bern, NC
Ukiah Healthcare Center, Ukiah, CA
UniHealth Post-Acute Care - Aiken, Aiken, SC
Unity Court, Cincinnati, OH
University Care Center, San Diego, CA
University Convalescent Hospital, Menlo Park, CA
Vallejo Hospital, Vallejo, CA
Valley Health Care Ctr, Fresno, CA
Valley Healthcare Center, San Bernardino, CA
Valley House Care Ctr, Santa Clara, CA
Valley Pointe Nursing & Rehab Ctr., Castro Valley, CA
Van Allen Nursing Home, Little Falls, NY
The Verandas at Riverfront, Bradenton, FL
Verdugo Vista, La Crescenta, CA
Vermont Care Center, Torrance, CA
Vernon Convalescent, Los Angeles, CA
Vernon Hall, Cambridge, MA
Victoria Health Care Center, Matawan, NJ
View Heights Conv. Hospital, Los Angeles, CA
Villa Elena Healthcare Center, Norwalk, CA
Villages of Eastwood, Henderson, TN
Villa Maria Care Ctr., Santa Maria, CA
Villa Monte Vista, Poway, CA
Villa Residential Care at Arlington, Arlington, TX

Heritage Manor of Mandeville, Mandeville, LA
Heritage Manor Stratmore Center, Shreveport, LA
Heritage Oaks Estate, Ballinger, TX
Heritage Rehabilitation Center, Torrance, CA
Highland Heights Health Care Center, Milwaukee, WI
Highland Park Skilled Nursing, Highland Park, CA
Highlands Health Care & Rehab Center, Bella Vista, AR
Highlands Long Term Care Center, Fitchburg, MA
Highland Pines, Longview, TX
Hillcrest Health & Rehab, Bellevue, NE
Hilltop Conv. Center, Charleston, IL
Hilltop Park Rose, Tacoma, WA
Holmesdale Care Center, Kansas City, MO
Homestead I, Painesville, OH
Homestead II, Painesville, OH
Hood River Care Center, Hood River, OR
Hope Health & Rehab, Lomira, WI
Horizon Healthcare Center at El Paso, El Paso, TX
Horizon Healthcare Corp, Rowell, NM
Horizon Ridge, Henderson, NV
Hunterdon Care Center, Flemington, NJ
Huntington Health & Rehabilitation, Huntington, WV
Huntington Healthcare Center, Los Angeles, CA
Huntington Transitional Center, Pasadena, CA
Hurricane Rehabilitation Center, Hurricane, UT
Hy-Lond Health Care Center, Merced, CA
Imperial Crest Healthcare Center, Hawthorne, CA
Imperial Heights Healthcare & Wellness, Brawley, CA
Indian Hills Manor, Ogallala, NE
Indian River Rehab & Nursing, Granville, NY
Indianspring of Oakley, Cincinnati, OH
Infinia at Abilene, Abilene, KS
Infinia at Arma, Arma, KS
Infinia at Kensington, KS
Infinia at McPherson, McPherson, KS
Infinia at Oswego, Oswego, KS
Infinia at Smith Center, Smith Center, KS
Infinia at Wichita, Wichita, KS
Ironwood Health and Rehab Ctr, South Bend, IN
Irving Place Rehabilitation & Nursing, Shreveport, LA
Ivy Court, Couer d'Alene, ID
Ivy Hall Nursing Home, Elizabethton, TN
Jackson Health Care, Jackson, AL
Jacksonville Conv. Center, Jacksonville, IL
James Square Health & Rehab., Syracuse, NY
Jefferson City Nurs. & Rehab. Ctr., Jefferson City, MO
Jewish Geriatric Home, Cherry Hill, NJ
Jewish Home of the Aging Reseda, CA
John Scott House Rehab & Nursing, Braintree, MA
Jonesboro Nursing &Rehab. Center, Jonesboro, GA
Kent's Nursing & Rehab, Fort Worth, TX
Kenton Healthcare Center, Lexington, KY
Kern Manor, Pilot Point, TX
Kindred Nursing and Rehab-Andrew House, New Britain, CT
Kingston Care Center, Sylvania, OH
Kith Haven, Flint, MI
Kulana Hale II, Honolulu, HI
La Grande, La Grande, OR
La Mariposa Care & Rehab, Fairfield, CA
La Salle Healthcare Center, La Salle, IL
Lafayette Convalescent Hospital, Lafayette, CA
Laird Hospital, Bakersfield, CA
Laird Hospital, Union, MS
Lake Eustis Care Center, Eustis, FL
Lakeland Nursing & Rehab. Center, Jackson, MI
Vineyard Hills Health Center, Templeton, CA
Vintage Estates of Sacramento, Sacramento, CA
Virgil Rehab. and Skilled Nursing Center, LA, CA
Vista Del Sol, Los Angeles, CA
Vista Hills Health Care Center, El Paso, TX
Wahiawa Skilled Nursing, Wahiawa, HI
Waldron Healthcare Home, Waldron, IN
Walton Manor Health Center, Walton Hills, OH
Washoe Care Center Nursing Home, Sparks, NV
Waterford at Three Fountains, Medford, OR
The Waters of Allegany, Allegany, NY
The Waters of Aurora Park, East Aurora, NY
The Waters of Dunkirk, Dunkirk, NY
The Waters of Eden, Eden, NY
The Waters of Endicott, Endicott, NY
The Waters of Gasport, Gasport, NY
The Waters of Houghton, Houghton, NY
The Waters of Orchard Park, Orchard Park, NY
The Waters of Salamanca, Salamanca, NY
The Waters of Three Rivers, Painted Post, NY
Waterview Nursing Care Center, Flushing, NY
Wayne View Care Center, Wayne, NJ
Wellington Care Center, Wellington, TX
Wellington Place Living & Rehab, Temple, TX
Wellsville Manor, Wellsville, NY
Wesley Highland Maor, Memphis, TN
Wesley of the South, Dyersburg, TN
Westchester Center, Mount Vernon, NY
West Hills Health & Rehab, Canoga Park, CA
West Jefferson Health Care Center, Harvey, LA
West Ridge Care Center, Cedar Rapids, IA
West Side Campus of Care, White Settlement, TX
West Side Care Center, Los Angeles CA
West 36th Street, LLC, Brooklyn, NY
Western Healthcare Center, Colton, CA
Westlake Convalescent Hospital, Los Angeles, CA
Westlake Convalescent Hospital, Thousand Oaks, CA
Westlake Health Care Center, Westlake Village, CA
Westland Conv. & Rehab Center, Westland, MI
Westminster Care of Clermont, Clermont, FL
Westminster Care of Delaney Park, Orlando, FL
Westminster Care of Orlando, Orlando, FL
Westmount Care Center, Logan, IA
Westpark Rehabilitation Center, Evansville, IN
Westside Healthcare, Los Angeles, CA
West Side Campus of Care, White Settlement, TX
Westward Trails, Nacogdoches, TX
Westwood Nursing and Rehab, Pittsburg, PA
Whitehall Healthcare Ctr. Ann Arbor, Ann Arbor, MI
Whitehall Healthcare Center of Novi, Novi, MI
White Hall Nursing & Rehab. Center, White Hall, IL
Whitehaven Manor, Memphis, TN
Whitney Young, Kentwood, MI
Whittier Hills Health Care Center, Whittier, CA
Wilmington Health & Rehabilitation, Wilmington, NC
Willapa Harbor Care Center, Raymond, WA
Williamsport Health & Rehab, Williamsport, IN
Willow Creek Care Center, Clovis, CA
Willow Ridge Nursing & Rehab. Center, Arcadia, LA
Willow Tree Manor, Charles Town, WV
Willowbrook Manor, Flint, MI
Wilshire at Lakewood, Lee's Summit, MO
Windcrest Nursing & Rehab Center, Fredericksburg, TX
Windsor Health & Rehab. Center, Salem, OR
Windsor Nursing & Rehab Center, Corpus Christi, TX

Lakeview Convalescent Center, Wayne Twshp, NJ
Lakeview Manor Healthcare Center, Tawas City, MI
Lakeview Specialty Hospital & Rehab, Waterford, WI
Lakewood Park Health Center, Downey, CA
Lake Woods Nursing & Rehab. Center, Muskegon, MI
Lancashire Hall, Neffsville, PA
Laredo Nursing & Rehab. Ctr. (proposed), Laredo, TX
Las Fuentes Care Center, Prescott, AZ
Las Vegas Skilled Nursing Facility, Las Vegas, NV
Laurel Pointe Health & Rehabilitation, Fort Pierce, FL
Laurel Wood Center, Union, CA
Laurel Woods Rehabilitation Center, East Haven, CT
Laurelwood Comm. Living Center, Laurel, MS
Windsor Place, Lancaster, TX
Windsor Terrace, Van Nuys, CA
Wisconsin Lutheran Care Center, Milwaukee, WI
Woburn Nursing Center, Woburn, MA
Wood Glen Nursing & Rehab, West Chicago, IL
Woodcrest Manor Care Center, Elsmere, KY
Woodhaven Manor Nursing Home, Demopolis, AL
Woodland Care Center, Reseda, CA
The Woodlands, Clifton Forge, VA
Woodruff Convalescent Center, Bellflower, CA
Woodsfield Nursing and Rehab Center, Woodsfield, OH
Woodside Healthcare Center, Sacramento, CA
Wyoming Nursing & Rehab Cntr., New Richmond, WV

Medical Office Buildings/Surgical Centers

Balboa Medical Plaza, Granada Hills, CA
Beltway Portfolio, Indianapolis, CA
Cambridge Medical Center, San Diego, CA
Camden MOB, Camden, NJ
Camino Medical Group, Sunnyvale, CA
Cosmetic Surgery Center, Norwalk, CA
Emmanuel House, Santa Ana, CA
Encino Medical Plaza, Encino, CA
Eye Q Vision Care Center-Fresno, Fresno, CA
Eye Q Vision Care Center-Sylmar, Sylmar, CA
Fairfield Cardiac Cath Lab, Fairfiled, OH
Family Health Plan, WI
Holt-Krock Clinics, AK
Houston Orthopedic Surgical Hospital, Bellaire, TX
Medical Office Building, Atlanta, GA
Medical Office Building, Bonita, CA
Medical Office Building, Des Moines, WA
Medical Office Building, Gardena, CA
Medical Office Building, Glendale, CA
Medical Office Building, Granada Hills, CA
Medical Office Building, Norwalk, CA
Medical Office/Clinic, Los Angeles, CA
Mercy Anderson Surgery Center, Cincinnati, OH
Mercy Fairfield Surgery Center, Fairfield, OH
Mercy Medical/ MacGregor Medical, Houston, TX
Mission MOB, Huntington Park, CA
Mission Viejo MOB, Mission Viejo, CA
Nevada Cancer Institute, Las Vegas, NV
Norton Healthcare, Louisville, KY
Office Building, Los Angeles, CA
Olympic Blvd MOB & Parking Lot, Los Angeles, CA
Pacific Medical Plaza, San Luis Obispo, CA
Pacific Tower, Huntington Beach, CA
Rancho Vistoso, Tucson, AZ
Simi Surgery Center & UC & Sleep Lab, Simi Valley, CA
Victory Tampa Medical Square, Los Angeles, CA

Hospitals

Alhambra Hospital Medical Center, Alhambra, CA
Anaheim Windsor Gardens Convalescent, Anaheim, CA
Arroyo Grande Comm. Hospital, Arroyo Grande, CA
Avoyelles Hospital, Marksville, LA
Aurora Behavioral Health Care SD, San Diego, CA
Bakersfield Heart Hospital, Bakersfield, CA
Baptist Memorial Hospital – Lauderdale, Ripley, TN
(Former) Barstow Community Hospital, Barstow, CA
Bellwood General Hospital, Bellflower, CA
Benefits Healthcare West Campus, Great Falls, MT
Braxton County Memorial, Gassaway, WV
Brookhaven Hospital, Tulsa, OK
Brotman Medical Center, Culver City, CA
Callaway Community Hospital, Fulton, MO
Cedars Hospital, DeSoto, TX
Centinela Hospital Medical Center, Inglewood, CA
Chestatee Regional Hospital, Dahlonega, GA
Chilton Medical Center, Clanton, AL
Chino Valley Medical Center, Chino, CA
Christ Hospital, Jersey City, NJ
Citrus Valley, Covina, CA
City of Angels, Los Angeles, CA
Coast Plaza Hospital, Norwalk, CA
College Hospital Costa Mesa, Costa Mesa, CA
Columbia Chino Valley Medical Center, Chino, CA
Community Hospital of Alhambra, Alhambra, CA
Community Hospital of Gardena, Gardena, CA
Comm. & Mission Hosp. Of Huntington Park, CA
Las Encinas Hospital, Pasadena, CA
Lauderdale Community Hospital, Ripley, TN
Mad River Community Hospital, Arcata, CA
Marian Medical Center, Santa Maria, CA
Meadows Hospital, North Las Vegas, NV
Mercy Hospital, Buffalo, NY
Mercy Baptist Medical Center
Medical Center of Baton Rouge, Baton Rouge, LA
Medical Service Center of Hot Spring, Hot Springs, AR
Memorial Hospital of Adel, Adel, GA
Memorial Hospital of Gardena, Gardena, CA
Methodist Hospital of Southern CA, Arcadia, CA
Mission Healthcare of Bellevue, Bellevue, WA
Mission Hospital, Huntington Park, CA
Missouri Southern Healthcare, Dexter, MO
Mt. Diablo Healthcare, Pleasant Hill, CA
Monrovia Community Hospital, Monrovia, CA
Moreno Valley Comm. Hospital, Moreno Valley, CA
North Georgia Medical Center, Ellijay, GA
Oakdale Community Hospital, Oakdale, LA
Ojai Valley Community, Ojai, CA
Olympia Medical Center, Los Angeles, CA
Orange County Community Hosp., Buena Park, CA
Pacific Grove Convalescent Hospital, Pacific Grove, CA
Pacifica Hospital, Huntington Beach, CA
Pacifica Hospital of the Valley, Sun Valley, CA
Paradise Valley Hospital, National City, CA
Park Community Hospital, Riverside, CA

Dallas Medical Center Southeast, Dallas, TX
DaVita Los Angeles Dialysis Center, Los Angeles, CA
Delma Pacifica, Huntington Beach, CA
Desert Parkway Behavioral Hospital, Las Vegas, NV
Digital Hospital, Birmingham, AL
Doctor's Hospital of Montclair, Montclair, CA
Doctors Hospital of West Covina, West Covina, CA
East Kansas Rehab Hospital, KS
East Los Angeles Doctor's Hospital, Los Angeles, CA
ElaStar Community Hospital, Los Angeles, CA
Evergreen Medical Center, Evergreen, AL
Foothill Presbyterian Hospital, Glendora, CA
French Hospital, San Luis Obispo, CA
Good Samaritan Medical Center, Phoenix, AZ
Grant Hospital, Chicago, IL
Gulf Pines Hospital, Port St. Joe, FL
Hadley Memorial Hospital & SNF, Washington, D.C.
Harbor Oaks Hospital, New Bedford, MI
Harlingen Medical Center, Harlingen, TX
HealthSouth Rehab Institute, San Antonio, TX
Hemet Valley Hospitals, CA
Hollywood Community Hospital, Hollywood, CA
Hollywood Comm. Hosp. at Van Nuys, Van Nuys, CA
Houston Orthopedic Surgical Hospital, Bellaire, TX
Huntington East Valley Hospital, Glendora, CA
Ingleside Hospital, Rosemead, CA
Jackson Medical Center, Jackson, AL
Kindred Hospital – Riverside, Perris, CA
Kingsburg Medical Center, Kingsburg, CA
Los Angeles Community Hospital, LA, CA
Los Angeles Community Hospital, Norwalk, CA
General Hospital, Mesa, AZ
Parkview Community Hospital, Riverside, CA
Physicians Hospital, Portland, OR
Queen of Angeles – Hollywood, Los Angeles, CA
Queen of the Valley Medical Center, West Covina, CA
Redbud Community Hospital, Clearlake, CA
River West Medical Center, Plaquemine, LA
Savoy Medical Center, Mamou, LA
Sharp Healthcare, San Diego, CA
Sherman Oaks Hospital, Sherman Oaks, CA
Snoqualmie Valley Hospital (Proposed), Snoqualmie, WA
Southern Specialty Hospital, Slidell, LA
Southwest Doctors Hospital, Atlanta, GA
Southwest Doctors Hospital, Gusati, CA
Southwest Regional Medical Center, Little Rock, AR
Specialty Hospital of So. California, La Mirada, CA
Specialty Hospital San Gabriel, West Covina, CA
St. Francis Medical Center-Liliha, Honolulu, HI
St. Francis Medical Center-West, Ewa Beach, HI
St. Joseph Hospital, Buffalo, NY
The Rehab Institute of Santa Barbara, Santa Barbara, CA
Thousand Oaks Surgical Hospital, Thousand Oaks, CA
Trace Regional Hospital, Houston, MS
Tri-County Regional Center, Hawaiian Gardens, CA
US Family Care Center, Montclair, CA
Verdugo Hills Hospital, Glendale, CA
Victor Valley Community Hospital, Victorville, CA
Walnut Hills Physicians' Hospital, Dallas, TX
Washington Medical Center, Culver City, CA
Westlake Convalescent Hospital, Los Angeles, CA
White County Medical Center, Carmi, IL
William Kessler Memorial Hospital, Hammonton, NJ
Williamson Memorial Hospital, Williamson, WV
Winn Parish Medical Center, Winnfield, LA

Psychiatric Facilities

Anacapa by the Sea, Port Hueneme, CA
Aurora Charter Oaks, San Diego, CA
Aurora Psychiatric, San Diego/Covina, CA
Benchmark Behavioral, Woods Cross, UT
Brown Schools of Virginia, Charlottesville, VA
Brynn Marr Behavioral Health Care, Jacksonville, NC
Cathedral City, Palm Springs, CA
CBHS Of San Diego, San Diego, CA
Cedar Crest Hospital, Belton, TX
Cedar Springs, Colorado Springs, CO
Charter by the Sea, St. Simons Island, GA
Charter Oak BHS, Covina, CA
Chicago Lakeshore Hospital, Chicago, IL
College Health Enterprises, Downey, CA
College Hospital Costa Mesa, Costa Mesa, CA
College Hospital Inc., Cerritos, CA
Community Psychiatric Hospitals, 24 facilities
Cypress Creek, Houston, TX
Focus Healthcare of HighPoint, Cooper City, FL
Focus Healthcare of Arrowhead, Maumee, OH
Gulf Coast Youth Services, FL
Havenwyck Hospital, Auburn Hills, MI
6 Health Source Rehab Facilities
Heartland Behavioral Health Services, Nevada, MI
Hill Crest Behav + 3 Group Homes, Birmingham, AL
Holly Hill Hospital, Raleigh, NC
Ingleside Hospital, Rosemead, CA
KidsPeace Orchard Hills, Orefield, PA
Kingwood, Kingwood, TX
Lakeview NeuroRehabilitation Center, Effingham, NH
Laurel Ridge, San Marcos, TX
Light House at Mays Landing, Hamilton Twnshp, NJ
Macon Behavioral Health System, Macon, GA
Manatee Adolescent Treatment Srvce, Bradenton, FL
Manatee Palms Youth Services, Bradenton, FL
Meadow Wood, New Castle, DE
Mesilla Valley Hospital, Las Cruces, NM
Mingus Mountain Academy, Prescott Valley, AZ
Mission Vista Compass Hospital, San Antonio, TX
Mission Vista Behvrl Hlth System, San Antonio, TX
Oaks Treatment Center, Austin, TX
Pacific Shores Hospital, Oxnard, CA
Palo Verde Hospital, Tucson, AZ
Park Manor Health Care & Rehab, DeSoto, TX
Passages Ventura, Port Hueneme, CA
Ramsay Youth Center of Dothan, Dothan, AL
Riveredge Hospital, Forest Park, IL
Rolling Hills Hospital, Ada, OK
Salvation Army Rehab Facility, San Bernardino, CA
Sand Hospital, Conway, SC
San Marcos Treatment Center, San Marcos, TX
Somerset Advocate School, Riverside, CA
Sun Health Specialty Hospital, Boise, ID
TBS of Okalahoma, Tulsa, OK
Telecare Mental Health, Gresham, OR
Texas NeuroRehab Center, Austin, TX
Valley of the Sun, Peoria, CA
Vista Del Mar Mental Health, Ventura, CA

Knollwood Center, Riverside, CA
Lakeshore Hospital, Chicago, IL
West Oaks Hospital, Houston, TX
Woodside Hospital, Newport News, VA

Multifamily/Affordable Housing Properties

Ann Arbor Woods, Ann Arbor, MI
Carlton Court Apartments, Los Angeles, CA
Chanteclair Apartments, Garden Grove, CA
The Colony Townhomes, Santa Clarita, CA
Essex Suites, Panorama City, CA
Foxfire Apartments and Townhomes, Jackson, MI
Great Oaks, Rochester, MI
Grosvenor House, Elkridge, MD
The Grove Apartments, Goleta, CA
Highlands Village, Clearlake, CA
Harborview, National City, CA
Imperial Homes South, West Memphis, AR
Jack Simpson School View Apartments, Ukiah, CA
Kiwanis Courts Garden Apartments, Bradford, PA Lakeview Housing, Lakeport, CA
The Meadows (proposed), Jacksonville, AR
North Shore Villas, Lucerne, CA
Poplar Terrace, Lebanon, PA
The Sinclair, Sacramento, CA
South First Street Apartments, San Jose, CA
Sutton Place, Ocala, FL
Sycamore Hills by the Bay, Hercules, CA
Tivoli Manor, Bloomfield, MI
Tulpehocken Terrace, Myerstown, PA
Westgate Towers, Westland, MI

PROFESSIONAL QUALIFICATIONS

SCOTT CONNER
SENIOR CONSULTANT
VALUATION & INFORMATION GROUP

Experience

General

Mr. Conner entered the real estate appraisal field in 2004 after receiving his real estate appraiser trainee license. His assignments have included limited, summary and complete appraisal reports; lease analysis; replacement cost studies; and general consulting. Clients for lending, asset allocation, lease negotiation, trust and estate proceedings, and market and site selection have used Mr. Conner's expertise.

Mr. Conner is currently a Senior Consultant at Valuation & Information Group in Culver City, California. Experience includes appraisal and consulting assignments for a wide variety of property types in the real estate, senior housing, and healthcare related industry. Property types included a variety of proposed and existing properties, including nursing homes, senior apartments, assisted living, skilled nursing, Alzheimer's, medical office buildings, surgery centers, office buildings, hospitals and vacant land. Assignments have been conducted throughout the United States. Interests appraised include fee simple, leased fee and leasehold.

Mr. Conner has developed an excellent understanding of the importance of accuracy, integrity and customer relations through a wide range of job experiences. Prior to joining Valuation and Information Group, Mr. Conner was a Senior Account Executive in the Car Sales division of Enterprise Rent-A-Car. In his four years with Enterprise, he was responsible for marketing to lending institutions, developing a large customer base, training new employees, securing financing and all aspects of selling vehicles. Mr. Conner also has eight years of customer service, sales and management experience in the bicycle industry, with another five years as a freelance camera assistant in the film industry.

Education

California State University, Sacramento

B. A. in Communication Studies/Minor in Business Administration - January 1993

Licensure

California Certified General Real Estate Appraiser – AG034937
Texas Certified General Real Estate Appraiser – TX-1338556-G

PROFESSIONAL QUALIFICATIONS

TODD CLAIRMONT
FINANCIAL ANALYST
VALUATION & INFORMATION GROUP

Experience

General

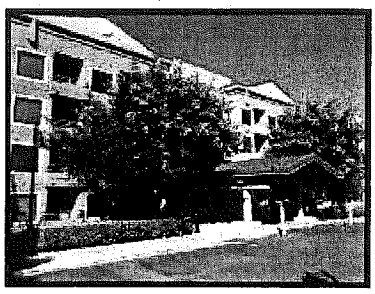
Todd Clairmont entered the real estate appraisal field in May of 2012. Currently he is a Financial Analyst at Valuation & Information Group, Austin, TX. Experience includes appraisal and consulting assignments for a variety of property types in the real estate, senior housing, and healthcare related industry. Property types include nursing homes, assisted living, independent living and hospitals. Assignments have been conducted throughout the United States.

Education

Mr. Clairmont received his Bachelor of Business in Economics from Texas State University – San Marcos.

An Appraisal of an Intermediate Care and Independent Living Facility

Keiro Intermediate Care



Keiro Retirement Home

325 South Boyle Avenue
Los Angeles, California

Prepared For
Keiro Senior Health Care
325 South Boyle Avenue
Los Angeles, California

V & I G

Prepared By
Valuation & Information Group
6167 Bristol Parkway
Suite 430
Culver City, California

VALUATION & INFORMATION GROUP

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5 Neshaminy Interplex
Suite 215
Trevose, PA 19053
Tel 215.639.7600
Fax 215.639.7605

www.valinfo.com

February 3, 2014

Shawn Miyake
President/CEO
Keiro Senior Health Care
325 South Boyle Avenue
Los Angeles, California 90033

RE: Keiro Intermediate Care
325 South Boyle Avenue
Los Angeles, California

Dear Mr. Miyake:

In accordance with your request, a valuation of the above referenced facility was conducted and is provided in an appraisal report. The subject is comprised of a 90-bed intermediate care facility (Keiro Intermediate Care) built in 1951 and a 154-bed, 127-unit independent living facility (Keiro Retirement Home) built in 1989. These facilities are located on one parcel that also includes a dining room/administration building and activity center building, as well as various amenities including a garden, koi pond, gate ball field and Japanese garden and patio.

The primary purpose of this valuation is to estimate the as-is fee simple market value of the total assets of the business. This appraisal will be used in connection with internal planning.

The value reported herein is that of the fee simple estate, which includes the land, improvements, equipment and business assets. Working capital is not included in the valuation, but is assumed to be available and adequate to support the operations of the facility.

This appraisal investigation included a visit to the property on October 16, 2013, and all necessary investigation and analyses were made by the appraisers. The appraisal was prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) and involved the facts, assumptions, investigations and analyses set forth in the report.

Based upon the procedures outlined in this report, the as-is fee simple market value of the total assets of the business, as of October 16, 2013, is reasonably represented in the following rounded amount:

$8,640,000

This estimate and the report are subject to the statement of facts and limiting conditions that are a critical part of the valuation report. No part of the appraisal report should be published or disseminated without Valuation & Information Group's prior written approval.

Thank you for the opportunity to provide you this service.

Respectfully submitted,

Valuation & Information Group

Jean-Pierre LoMonaco, MAI
President
CA Cert. Gen. AG011111

JPL/KN/TC:cb
230305c/N1FB

SUMMARY OF SALIENT FACTS

LOCATION

INTERMEDIATE CARE PROPERTY	Keiro Intermediate Care
INDEPENDENT LIVING PROPERTY	Keiro Retirement Home
PROPERTY ADDRESS	325 South Boyle Avenue, Los Angeles, California

GENERAL INFORMATION

PARCEL NUMBER	5174-012-009
INTEREST APPRAISED	Fee Simple Estate
EFFECTIVE DATE OF APPRAISAL	
As-Is	October 16, 2013
DATE OF PHYSICAL INSPECTION	October 16, 2013
DATE OF REPORT	February 3, 2014
TYPE OF VALUE	As-is fee simple market value of the total assets of the business.
INTENDED USE	Internal planning
INTENDED USERS	Keiro Senior Health Care

SITE CHARACTERISTICS

SIZE	4.7 acres, or 204,150 square feet
SHAPE	Irregular
ZONING	[Q]R4-1 (Medium Residential)
CORNER INFLUENCE	Corner

HIGHEST & BEST USE

AS VACANT	Multifamily residential use
AS DEVELOPED	Senior care campus

Improvements Summary

	Keiro Intermediate Care Building	Keiro Retirement Home Building	Dining Room/Administration Building	Activity Center Building
Stories	5, with two basement	5	1, with three basement levels	1
Size	29,990 square feet	72,250 square feet	24,686 square feet	5,305 square feet
Frame	Wood	Wood	Wood	Concrete Block
Exterior Finish	Painted brick	Painted stucco	Brick	Concrete block and stucco
Year Built	1951	1989	1930	1958
Quality of Construction	Average	Good	Average	Average
General Condition	Average	Good	Average	Good

UNIT MIX

	Intermediate Care	Independent Living	TOTAL
PRIVATE	6	95	**101**
SEMIPRIVATE	42	2	**44**
1 BEDROOM	0	30	**30**
2 BEDROOM	0	0	**0**
TOTAL UNITS	**48**	**127**	175

VALUE INDICATORS

VALUE CONCLUSION **$8,560,000**

This value may be allocated as follows:

Land	$7,150,000
Improvements	$310,000
Equipment	$1,100,000
Business	$0

COST APPROACH

VALUE INDICATION **$19,820,000**

Land	$7,150,000
Improvements	$11,570,000
Equipment	$1,100,000

SALES COMPARISON APPROACH

VALUE INDICATION **$8,650,000**

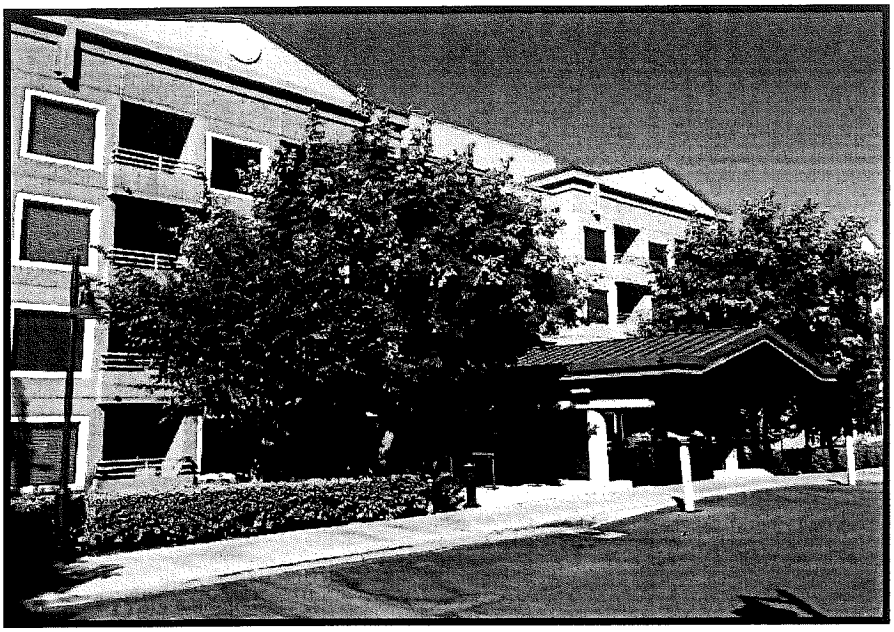
Value Per Bed/Unit Comparison	$13,390,000
EGIM Analysis	$2,560,000

INCOME APPROACH

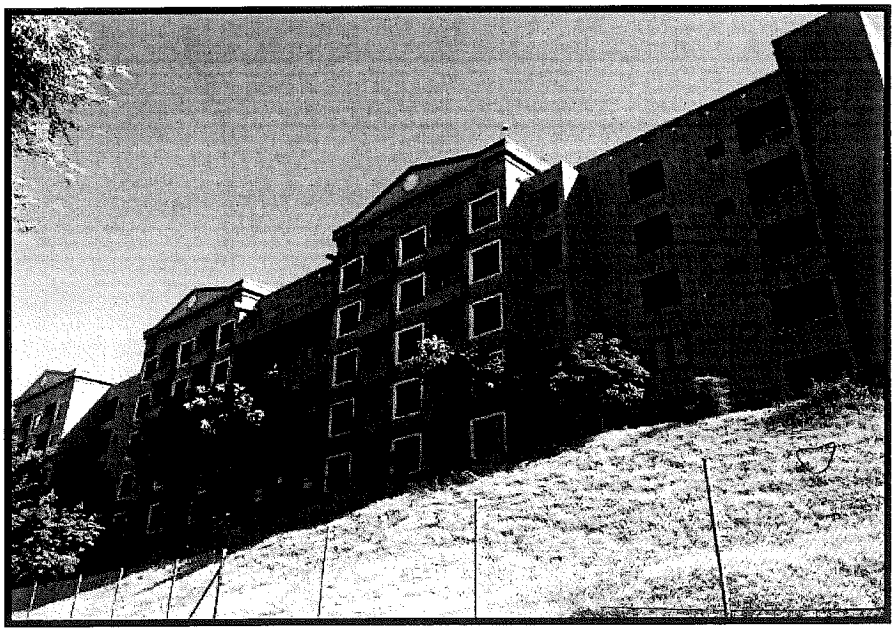
VALUE INDICATION **$8,560,000**

Net Revenue	$7,300,507
Expenses	6,530,149
NOI	$770,358
Capitalization Rate	9.0%
Value (Rounded)	**$8,560,000**
Per Bed	$35,082
EGIM	1.17

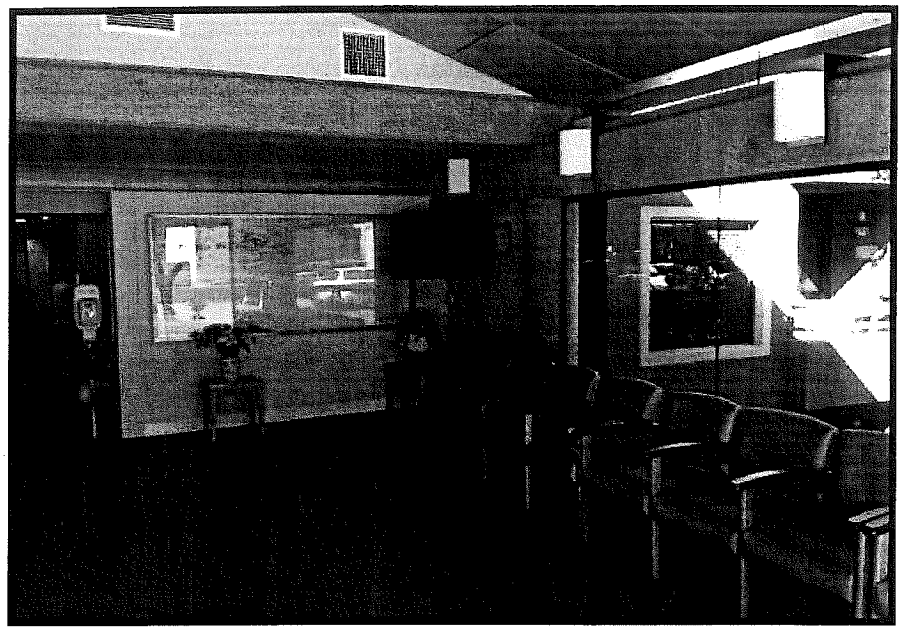
SUBJECT PHOTOGRAPHS – INDEPENDENT LIVING



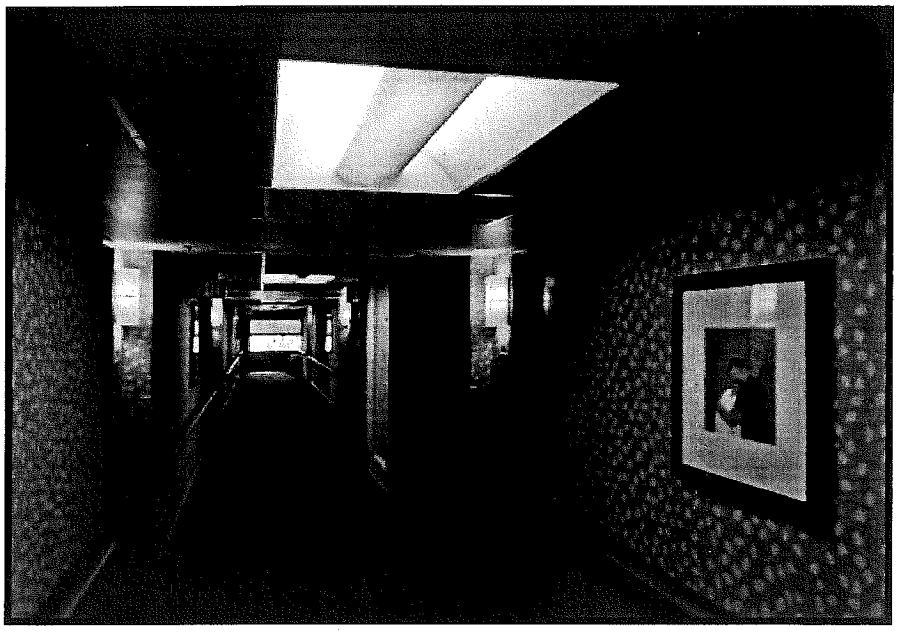
Front (East Side)



Rear (West Side)

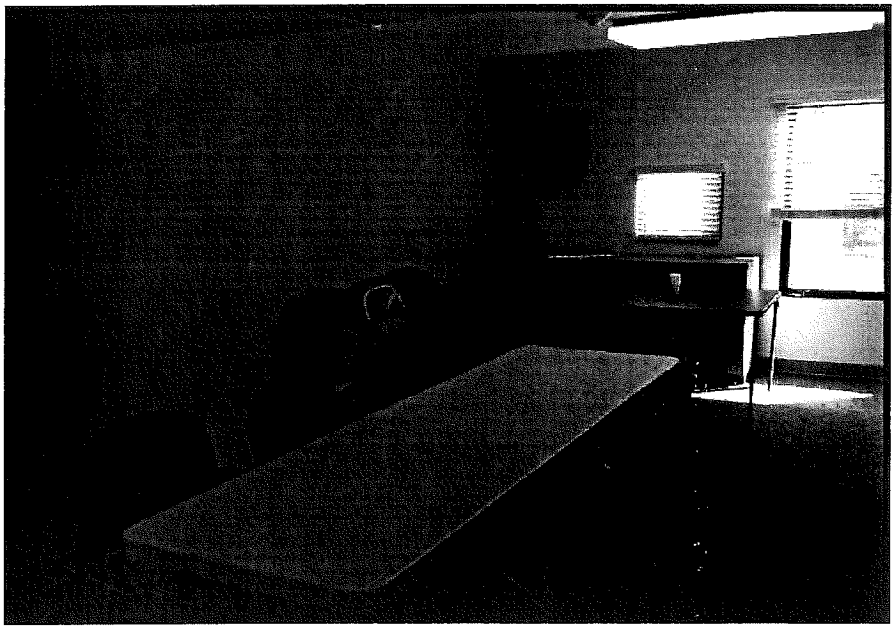


Lobby



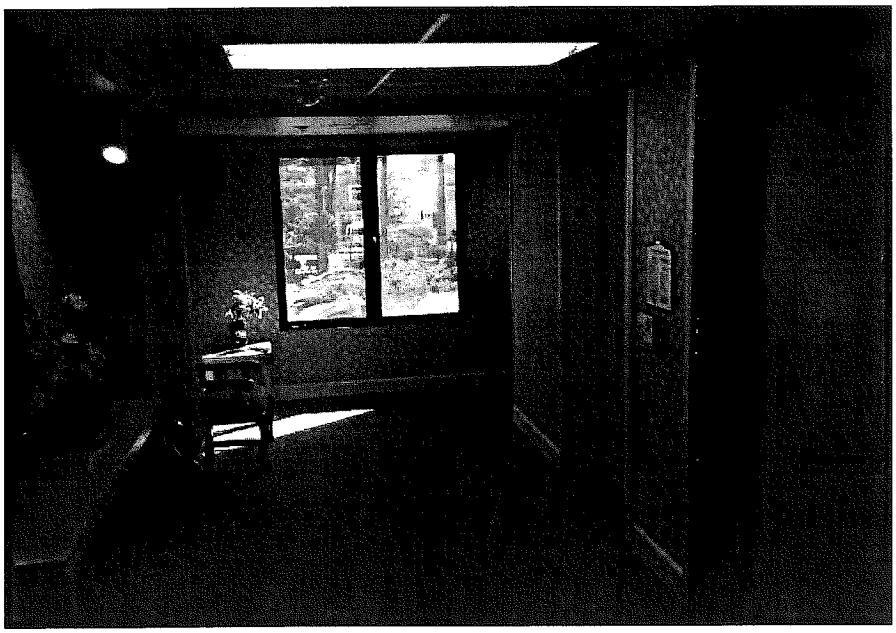
Typical Hallway

Library

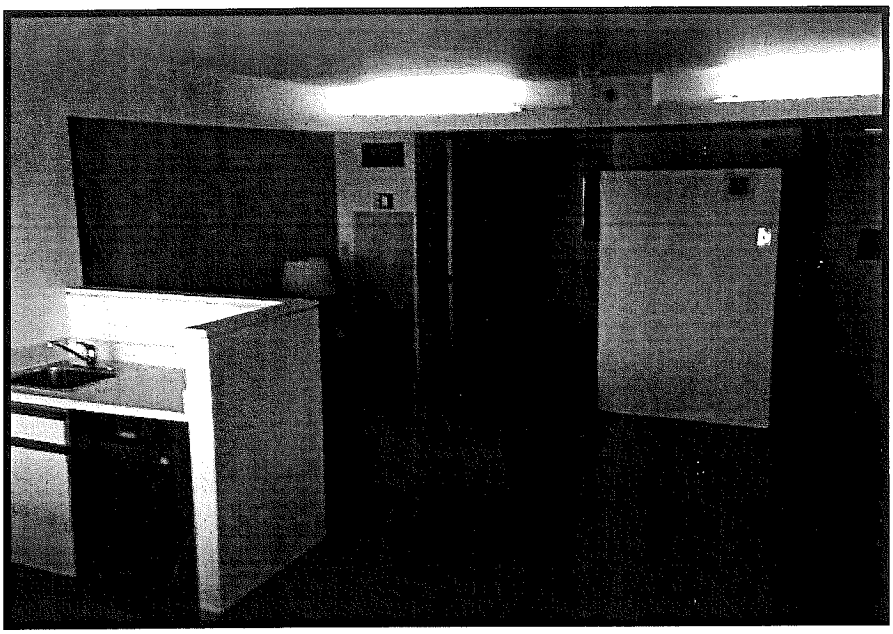


Community Room

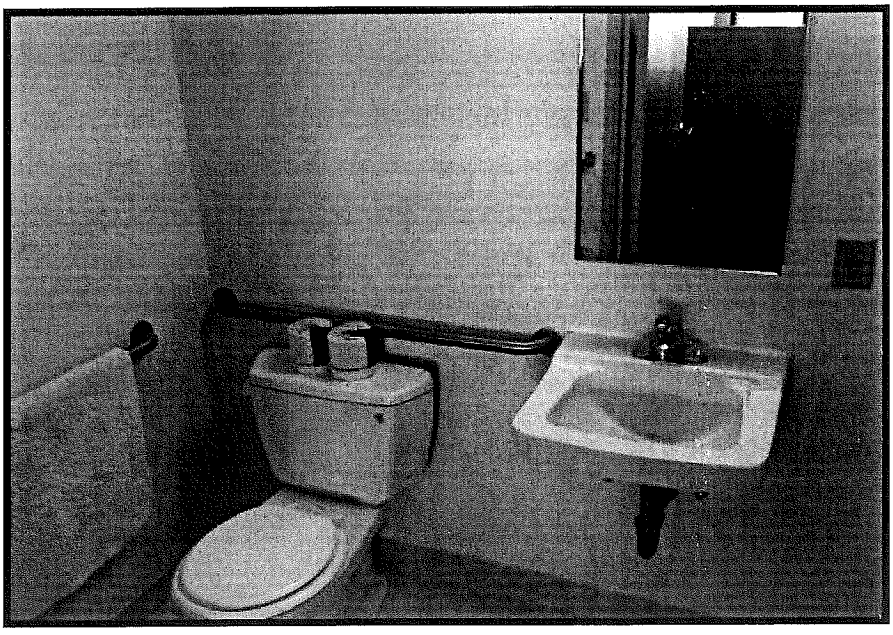
Typical Laundry Room



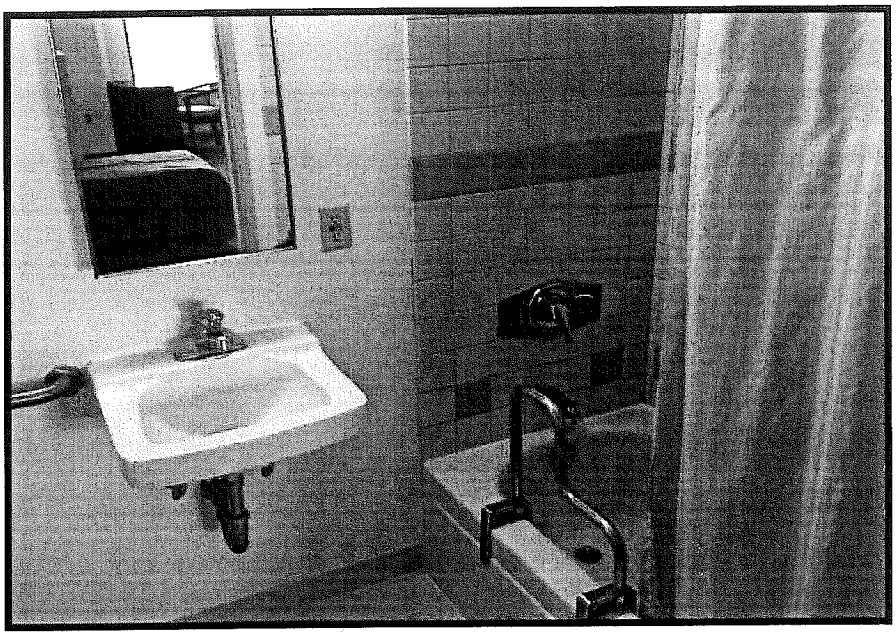
Elevators



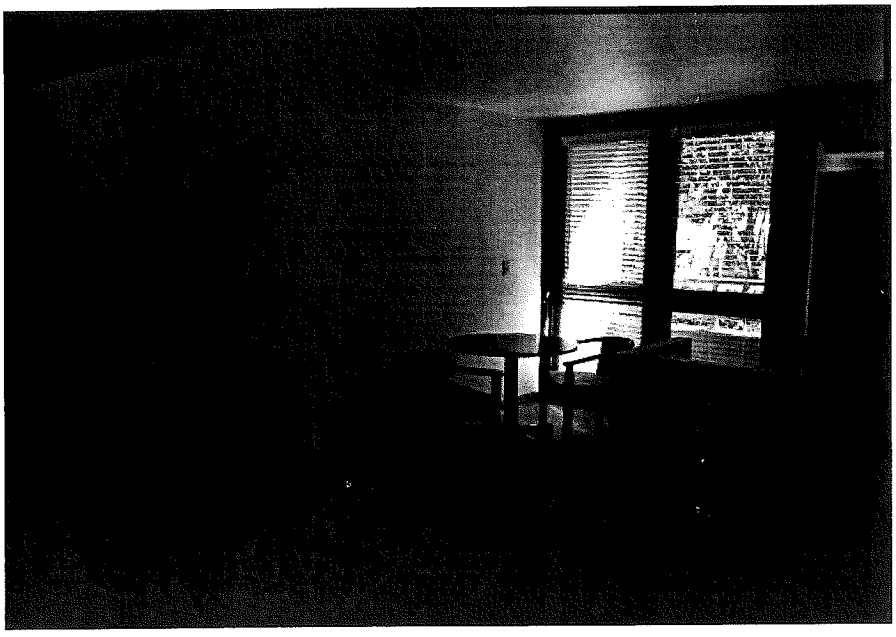
Typical Studio Unit



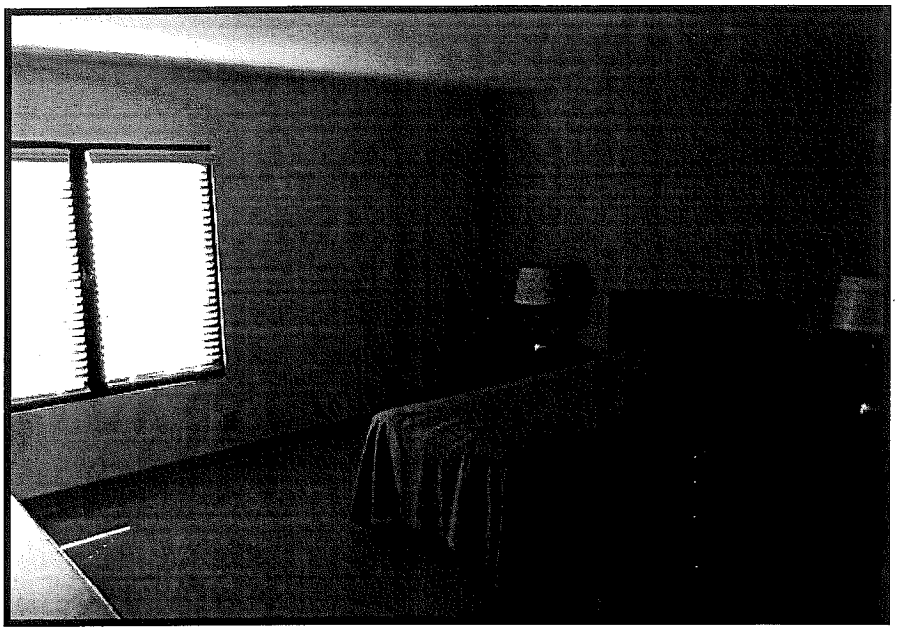
Studio Unit Restroom



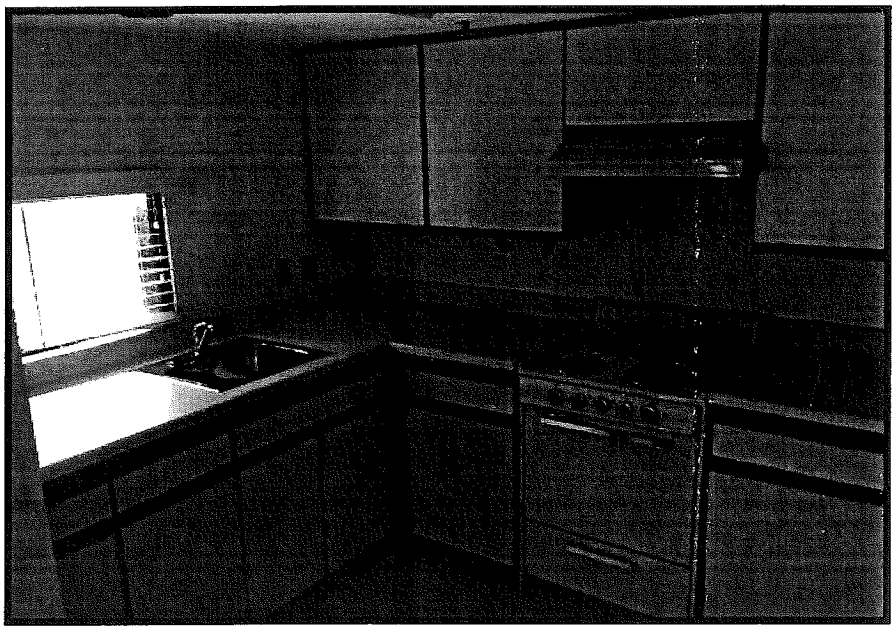
Studio Unit Restroom – Alternate View



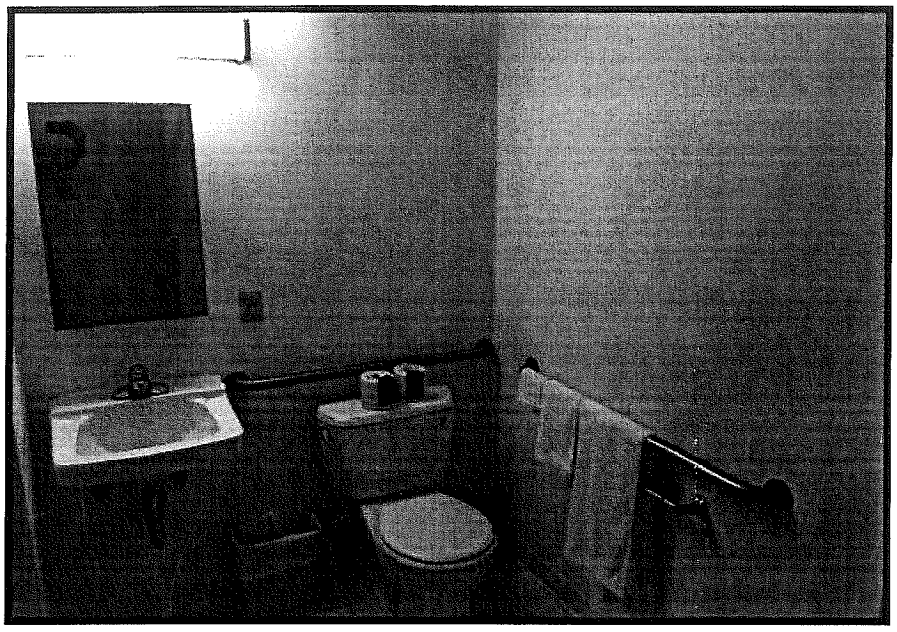
One-bedroom Unit Living Room



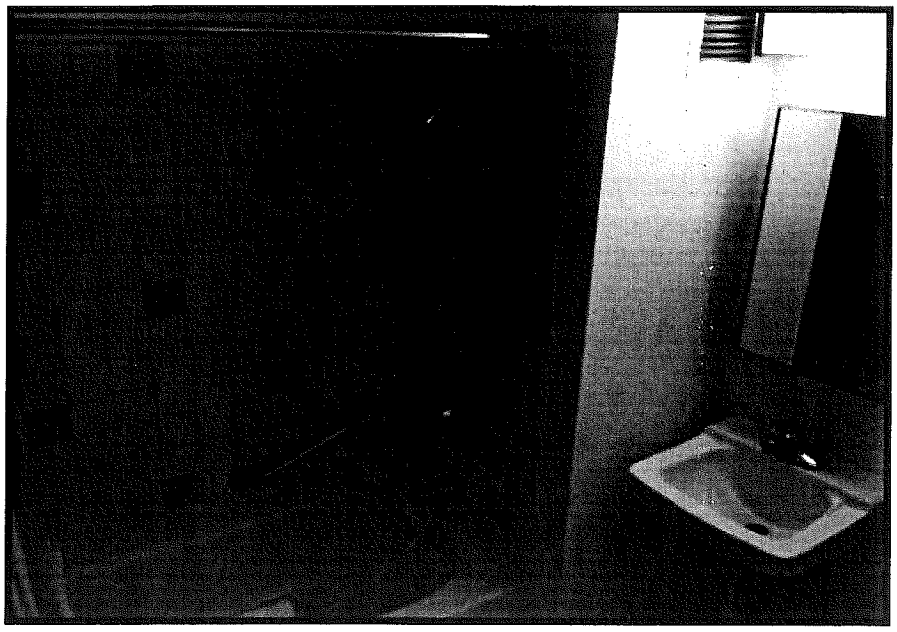
One-bedroom Unit Bedroom



One-bedroom Unit Kitchen

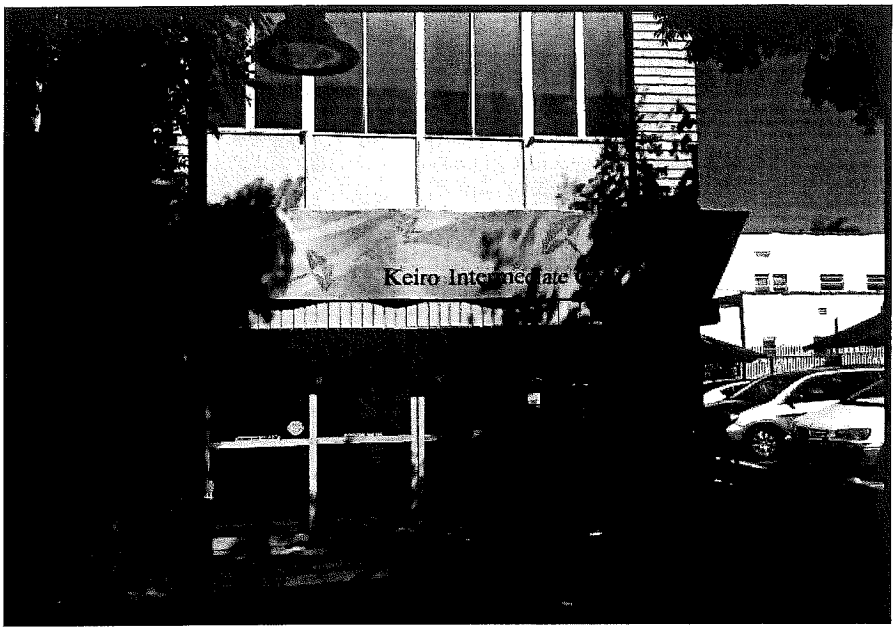


One-bedroom Unit Restroom

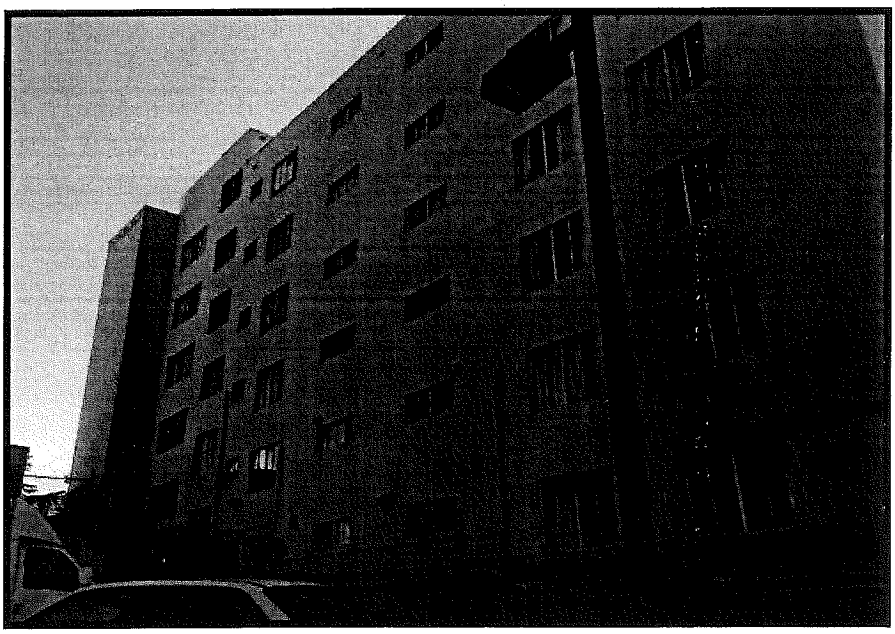


One-bedroom Unit Restroom – Alternate View

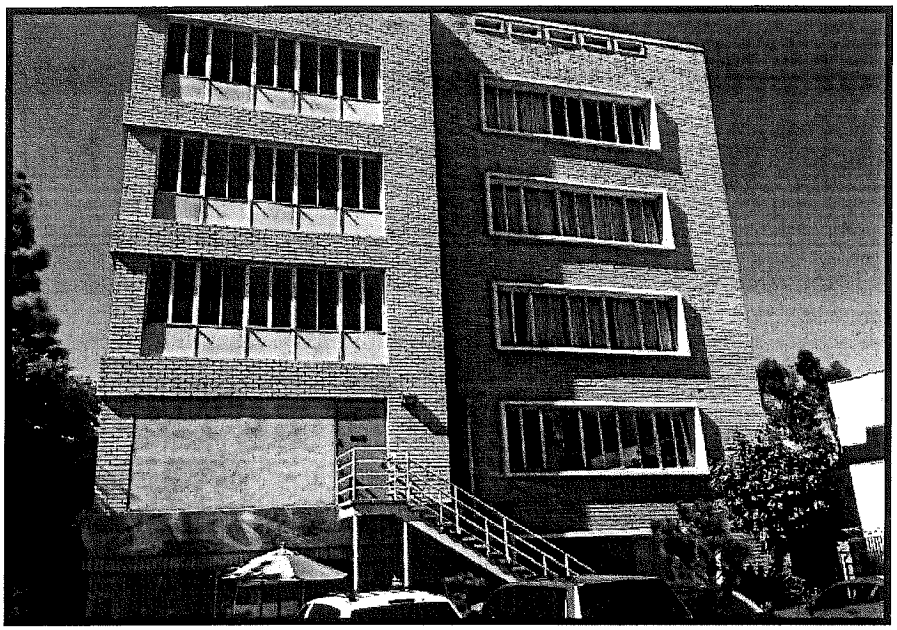
SUBJECT PHOTOGRAPHS – INTERMEDIATE CARE



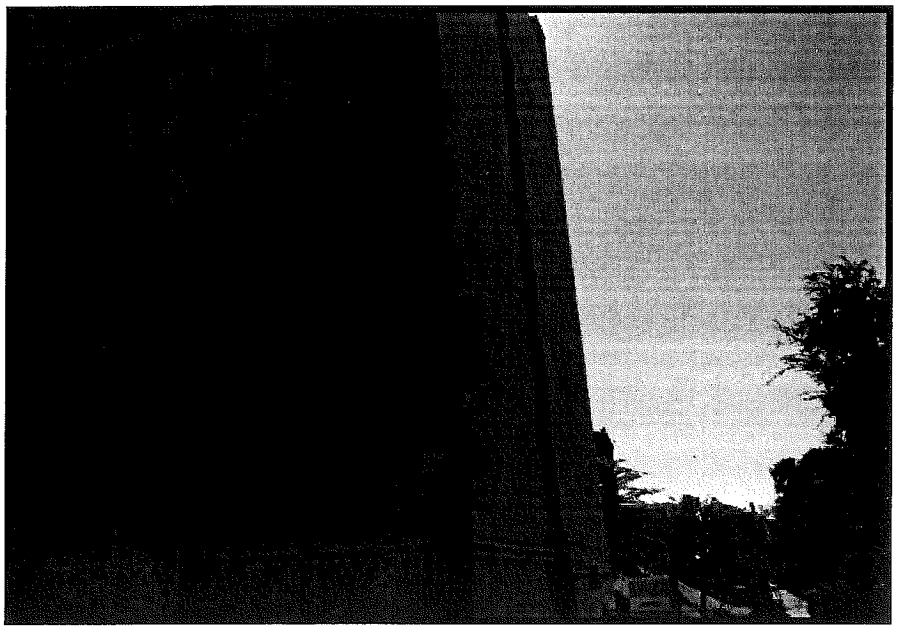
Front (South Side)



Rear (North Side)

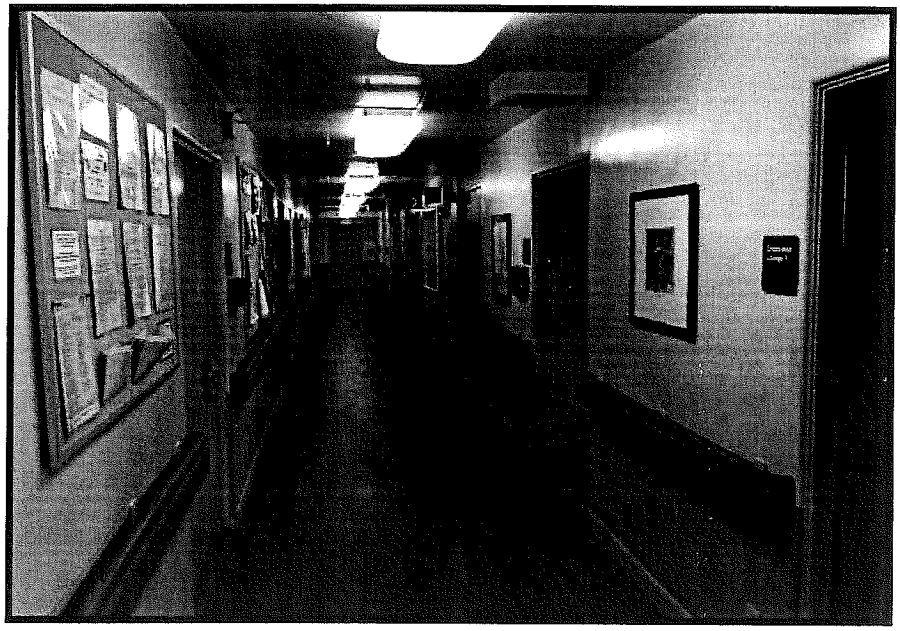


East Side

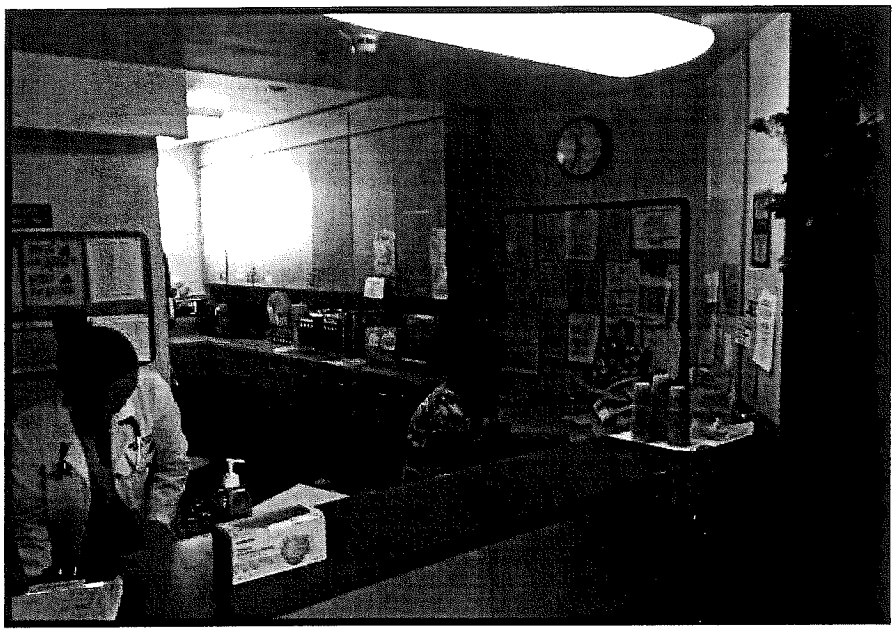


West Side

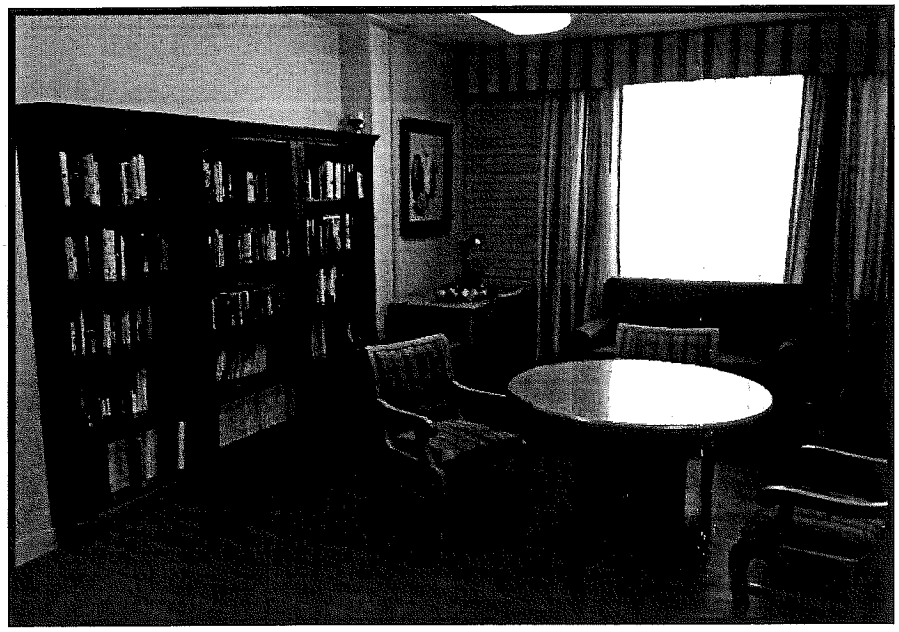
Lobby



Typical Hallway

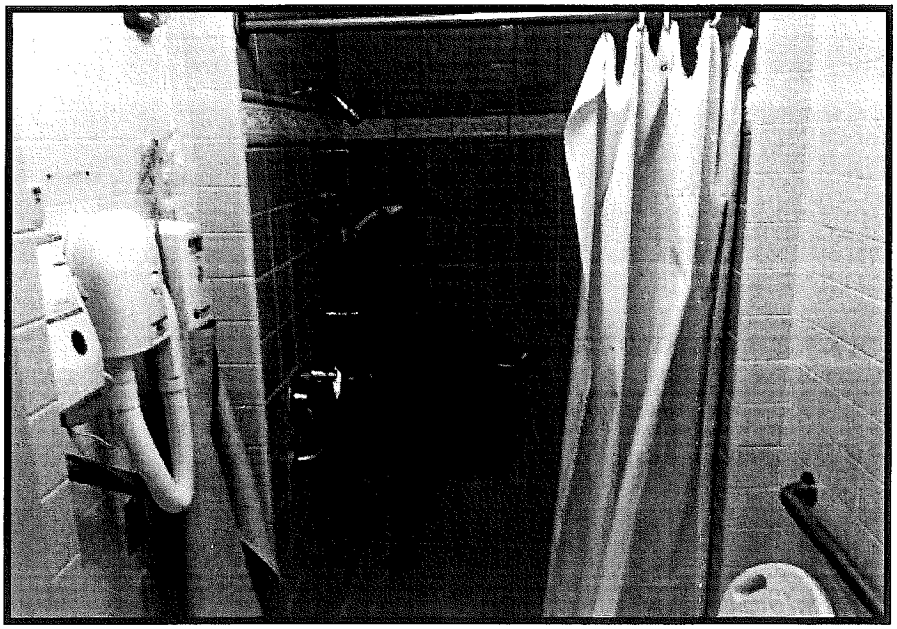


Typical Nurses' Station

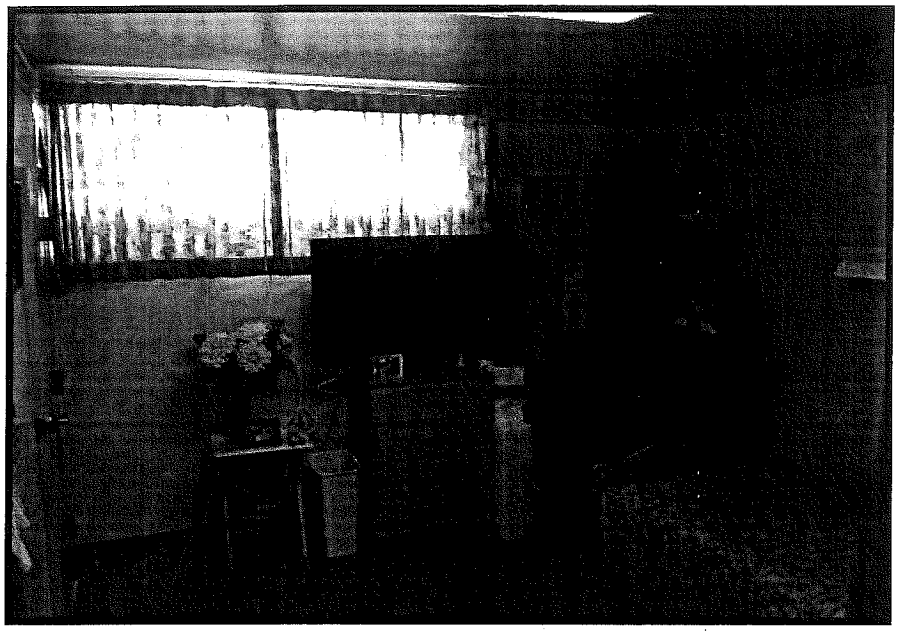


Library

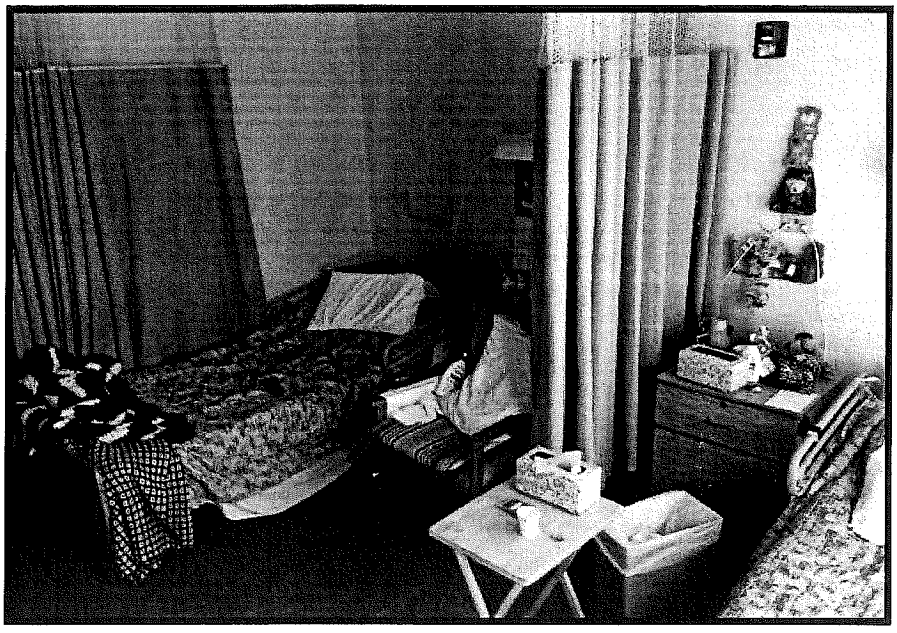
Pantry



Typical Shower Room



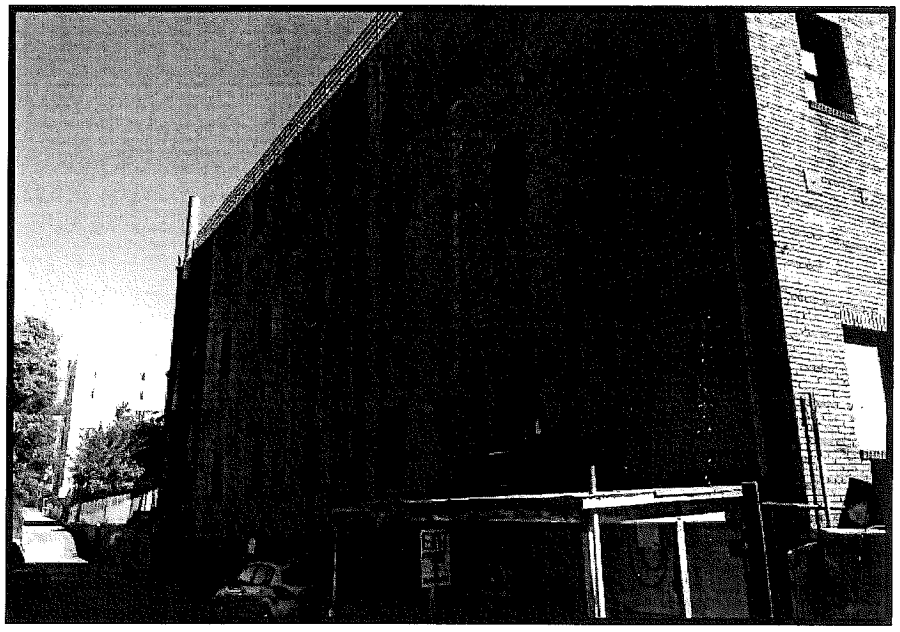
Typical Private Room



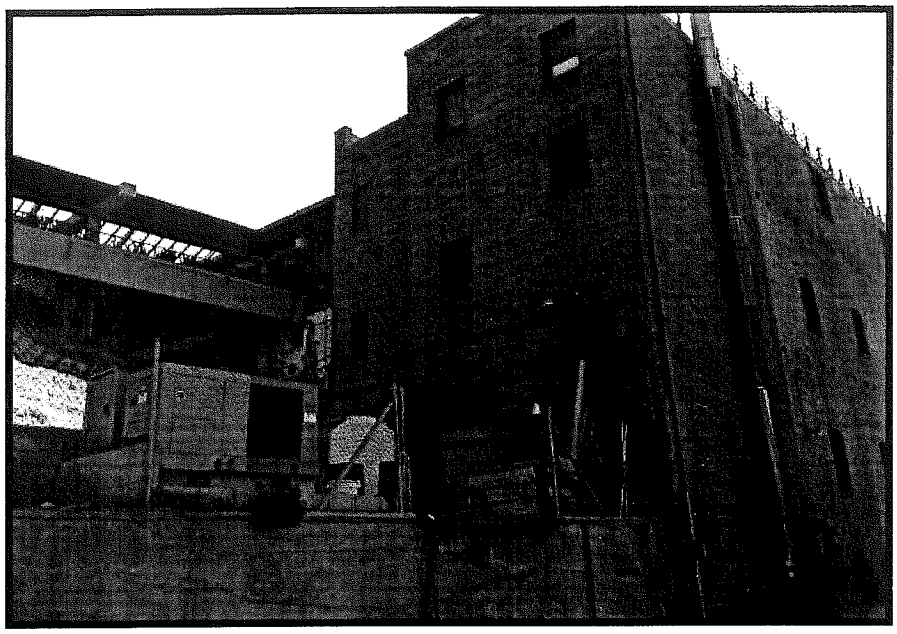
Typical Semiprivate Room

SUBJECT PHOTOGRAPHS – DINING ROOM/ ADMINISTRATION BUILDING

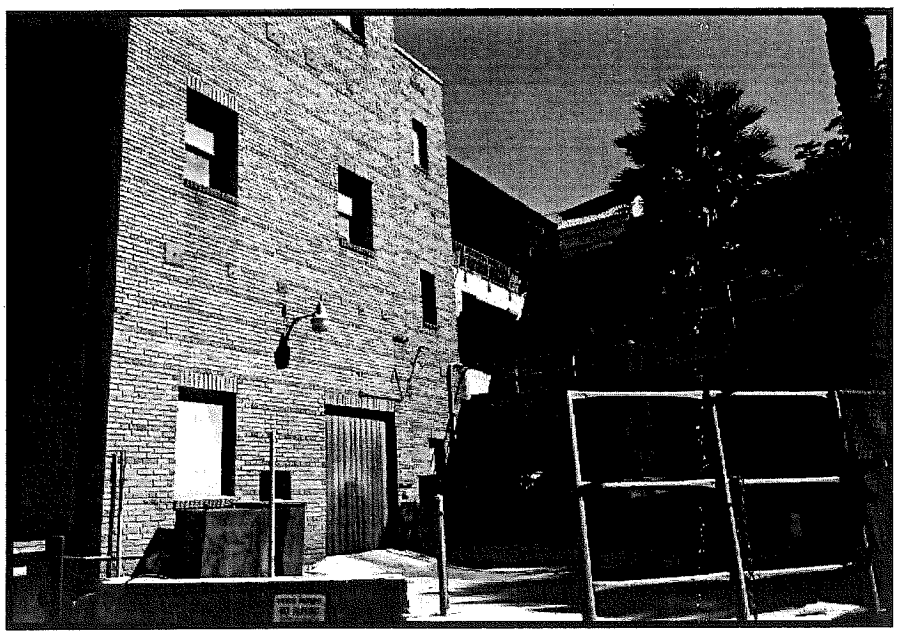
Front (East Side)



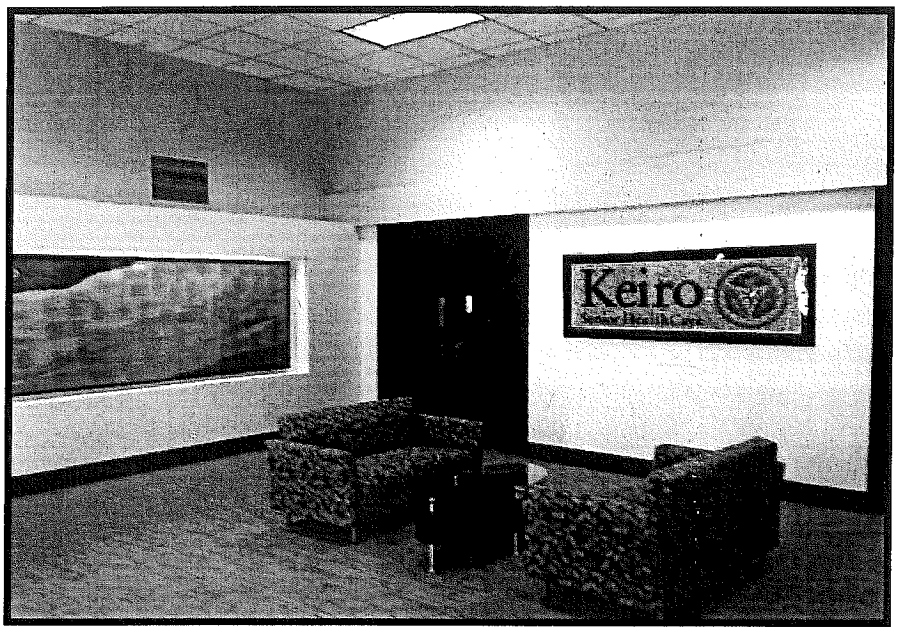
Rear (West Side)



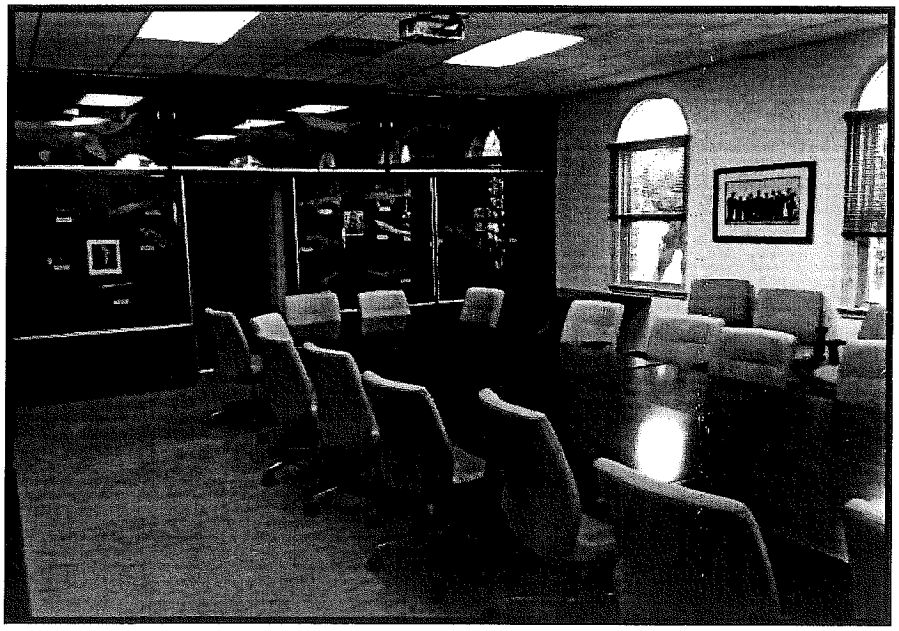
North Side



South Side

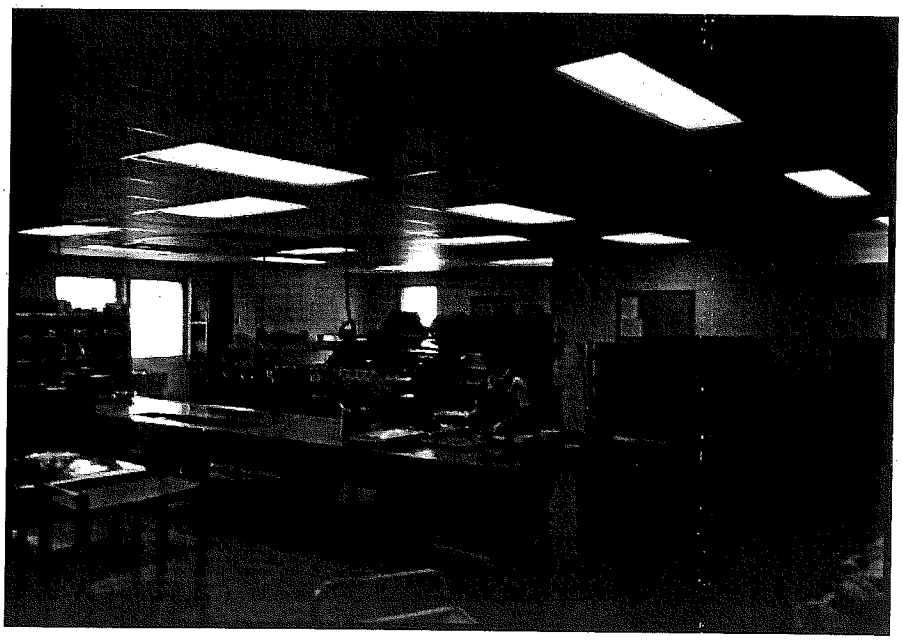


Lobby

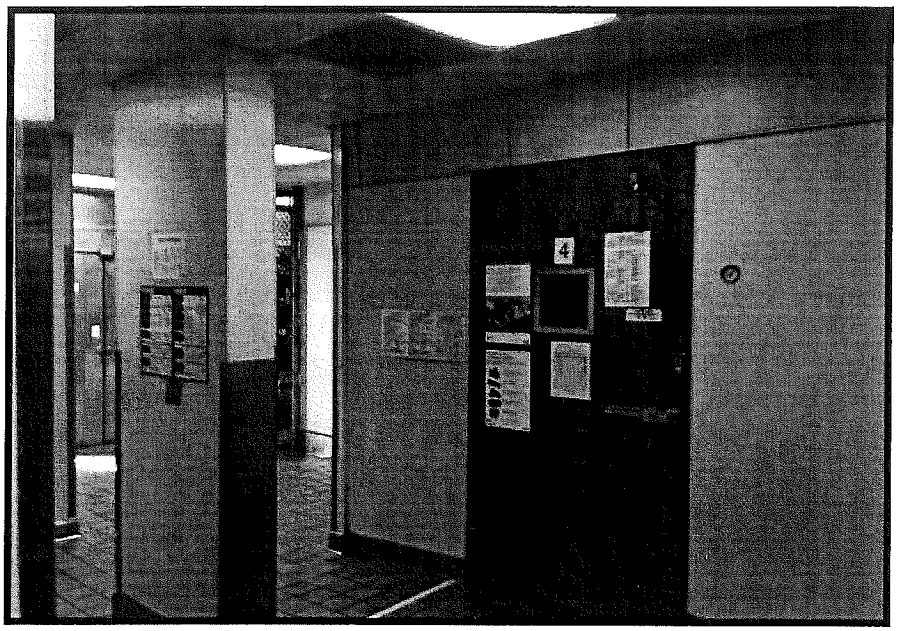


Conference Room

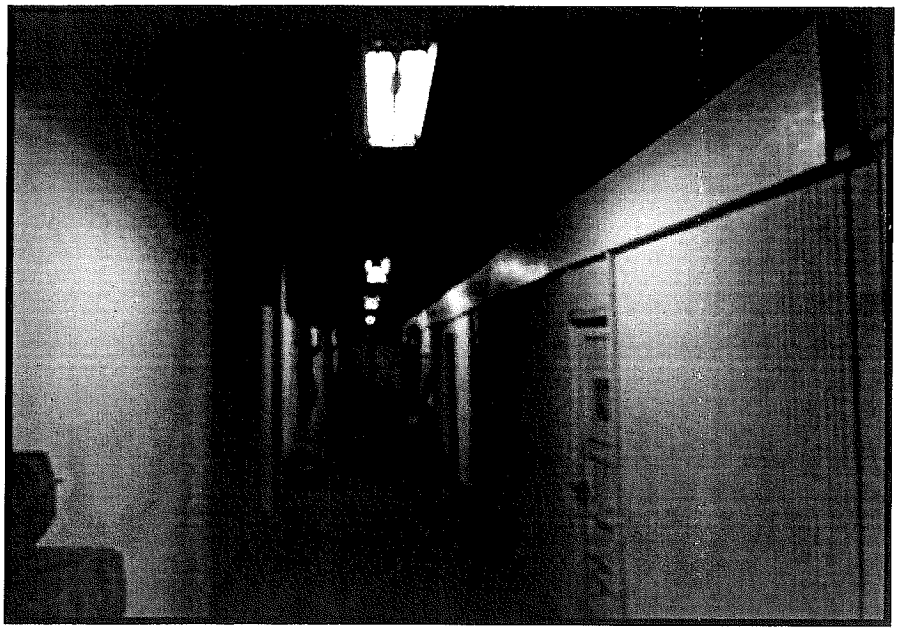
Dining Room



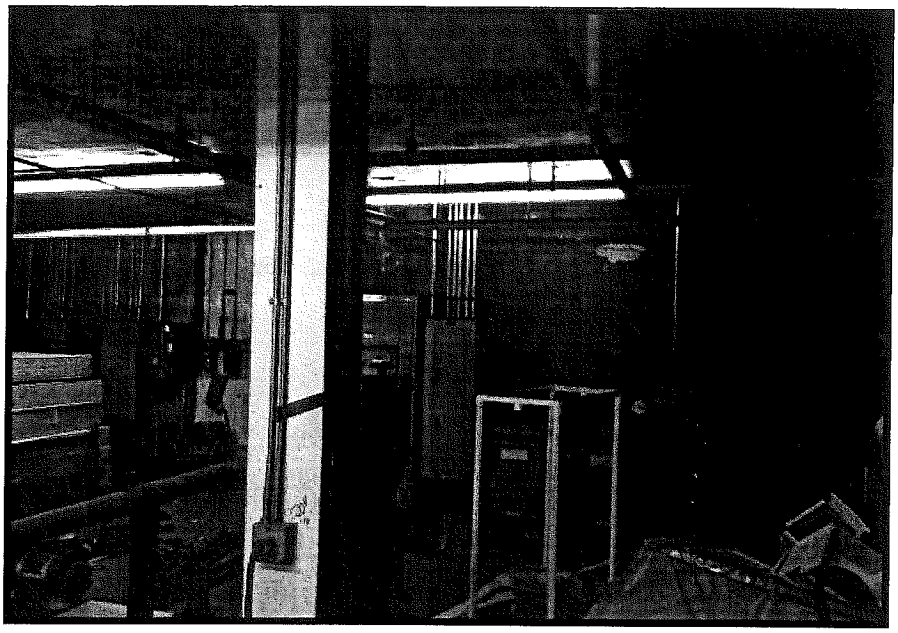
Commercial Kitchen



Typical Walk-in Refrigerator/Freezer

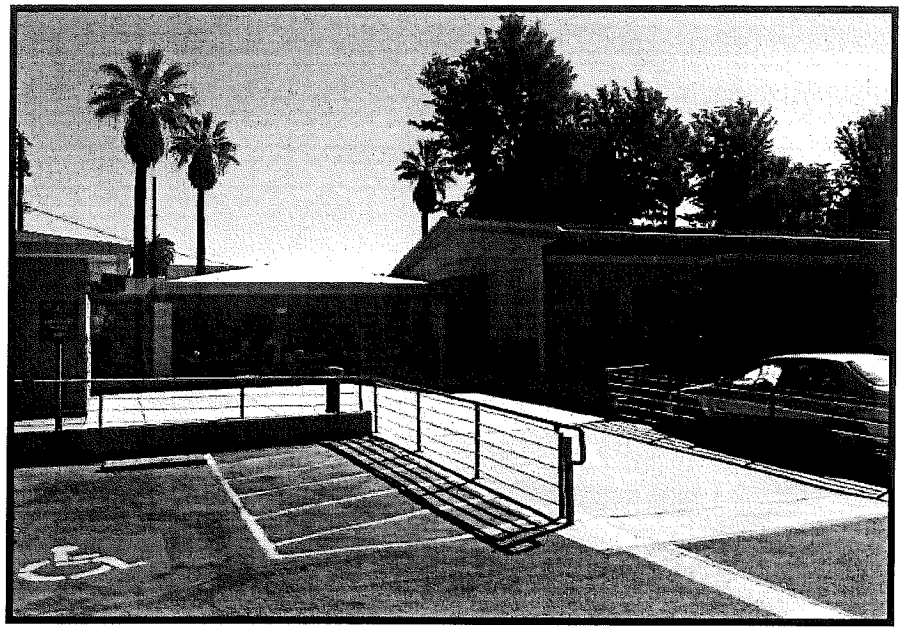


Typical Basement Hallway



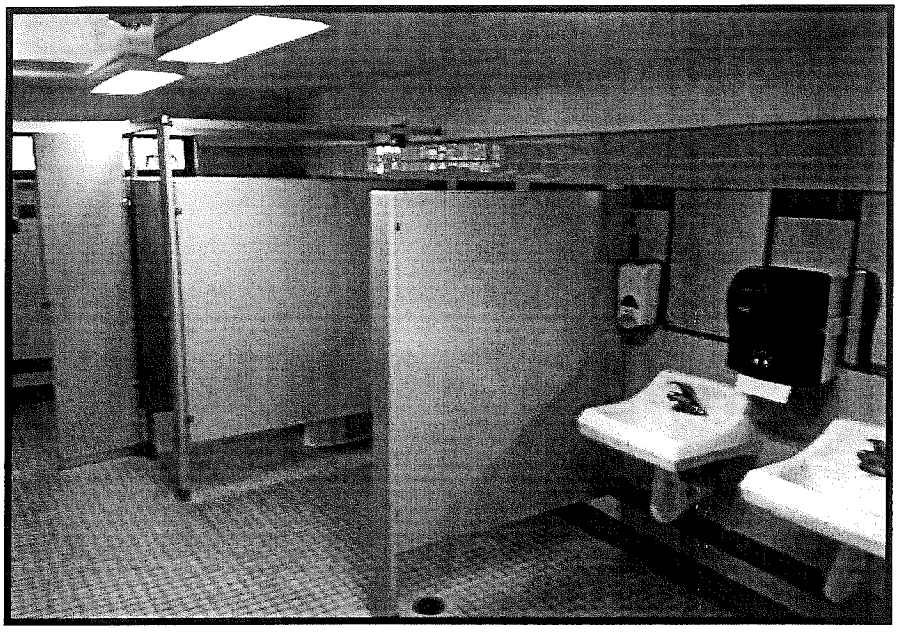
Mechanical Room

SUBJECT PHOTOGRAPHS – ACTIVITY CENTER BUILDING

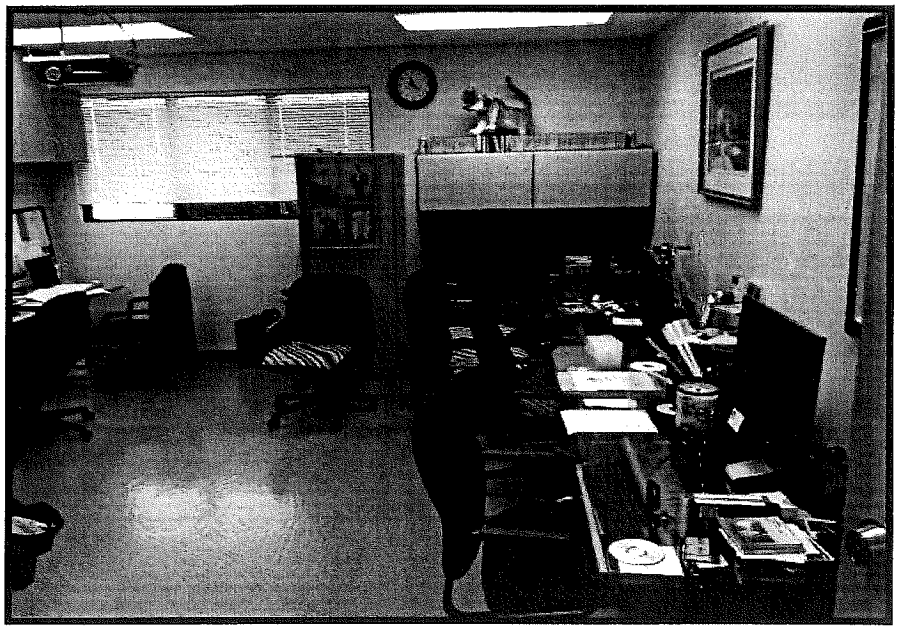


Front (West Side)

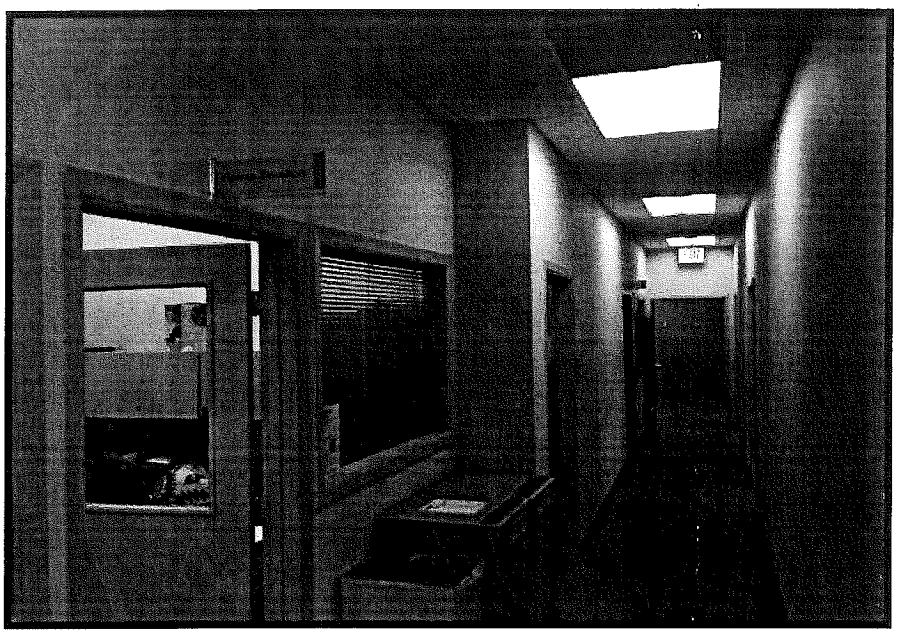
Patio



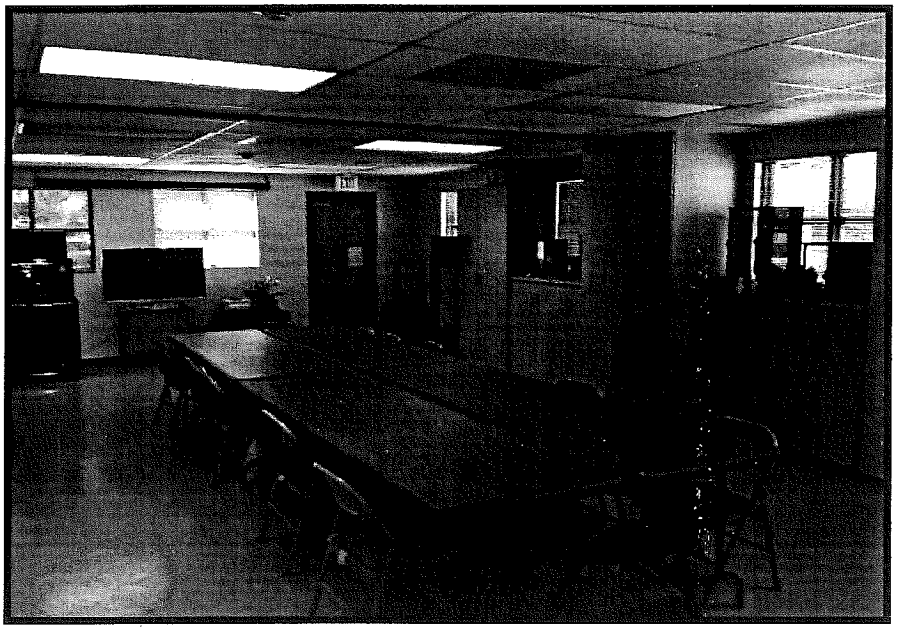
Public Restroom



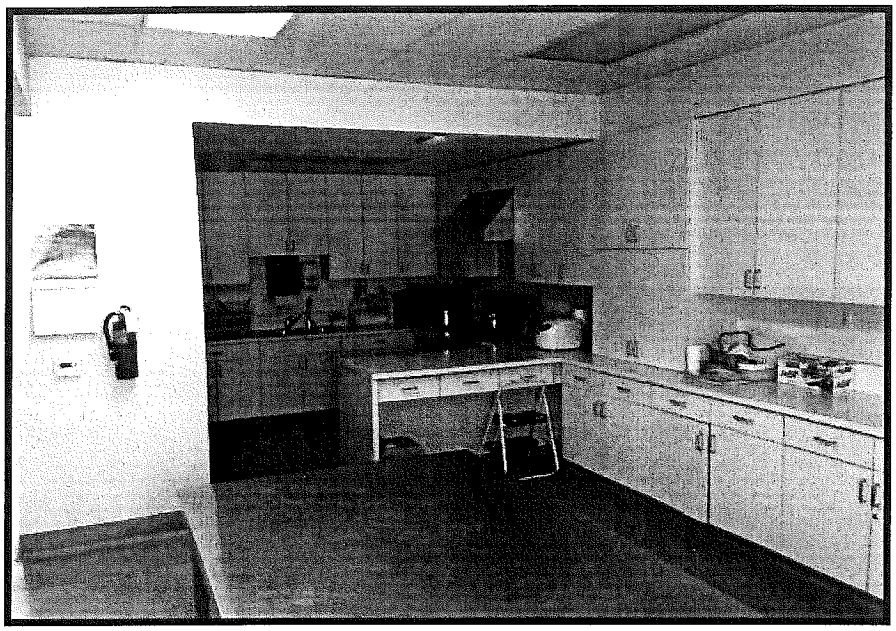
Resident Computer Lab



Typical Hallway and Adjoining Offices

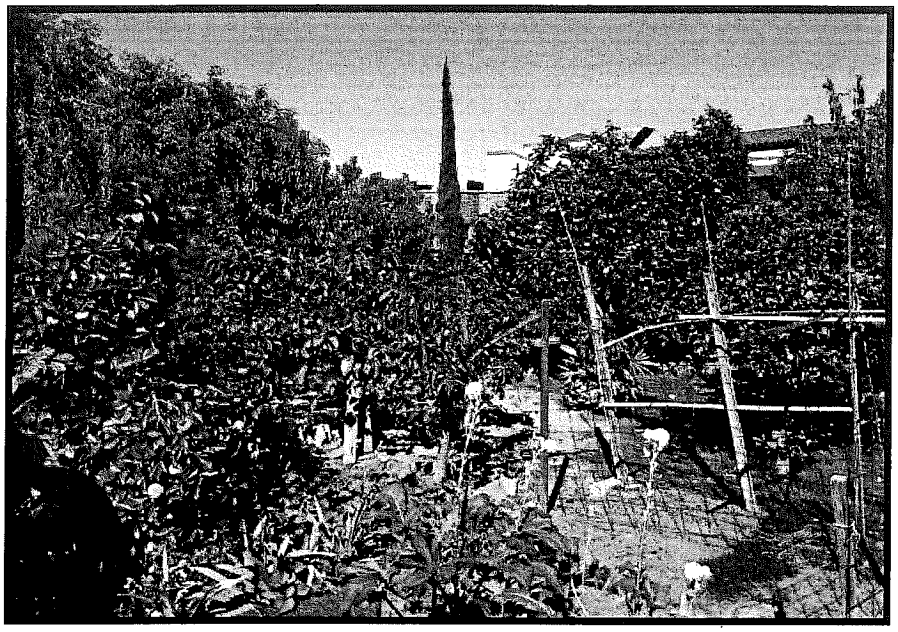


Large Activity Room

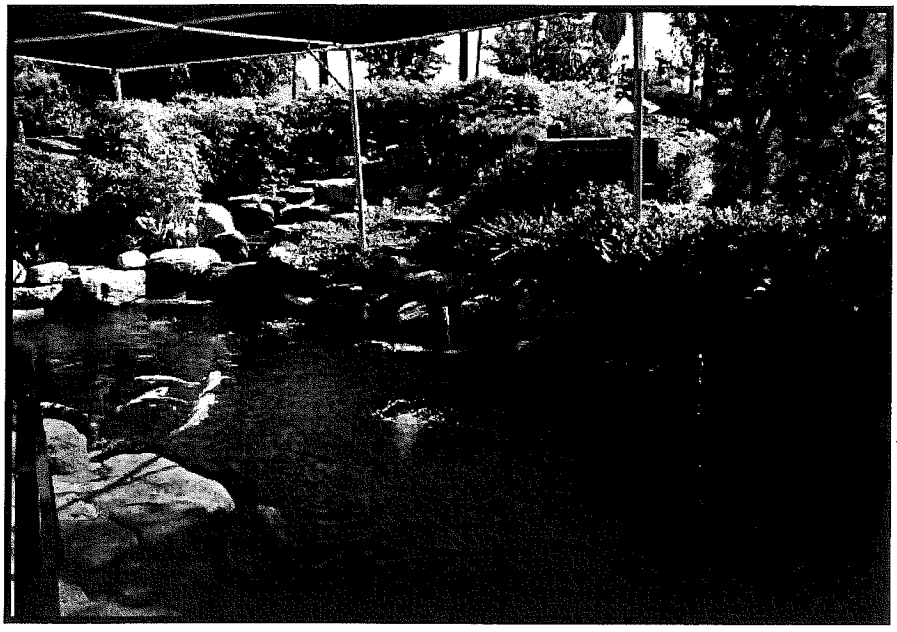


Kitchen

SUBJECT PHOTOGRAPHS – GROUNDS



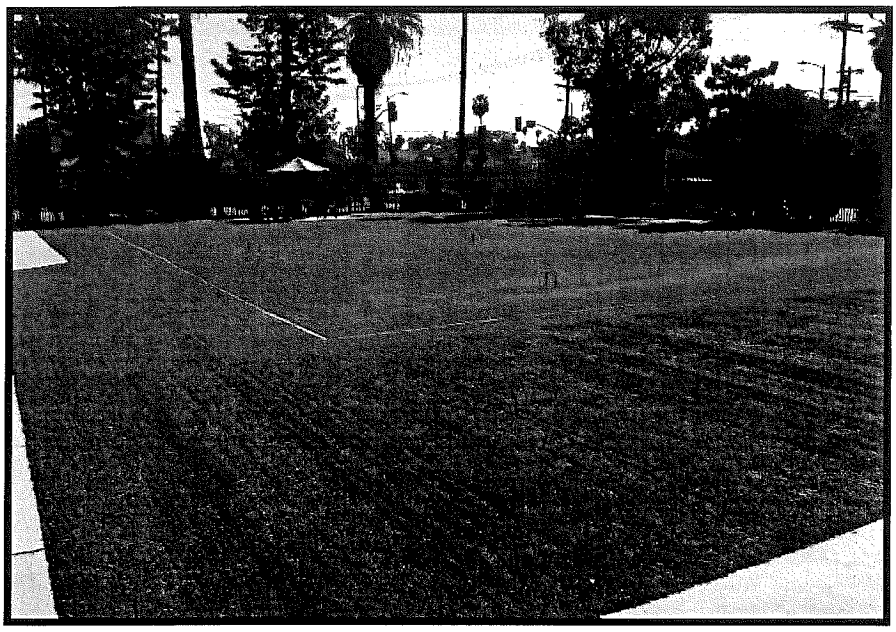
Garden at South Portion of Site



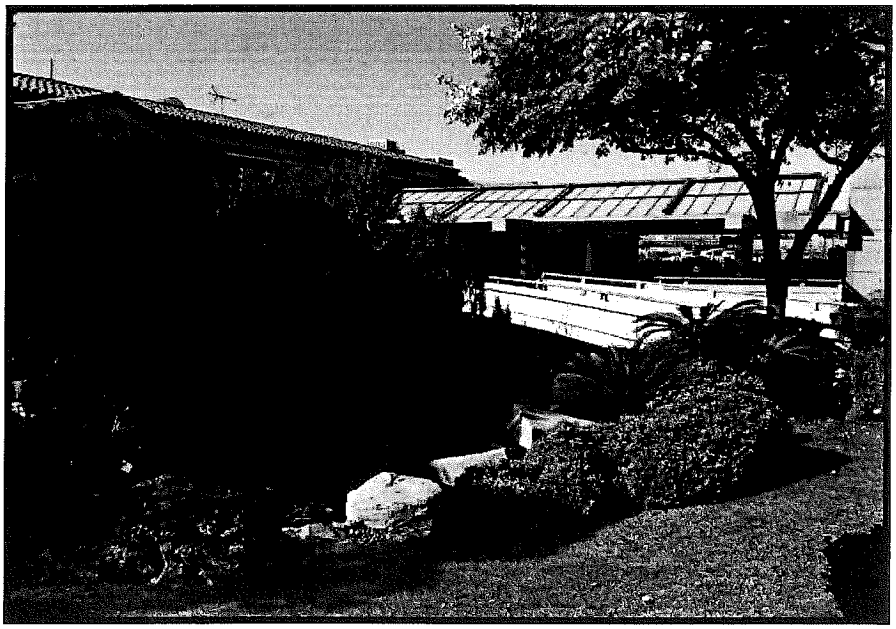
Koi Pond

Japanese Garden

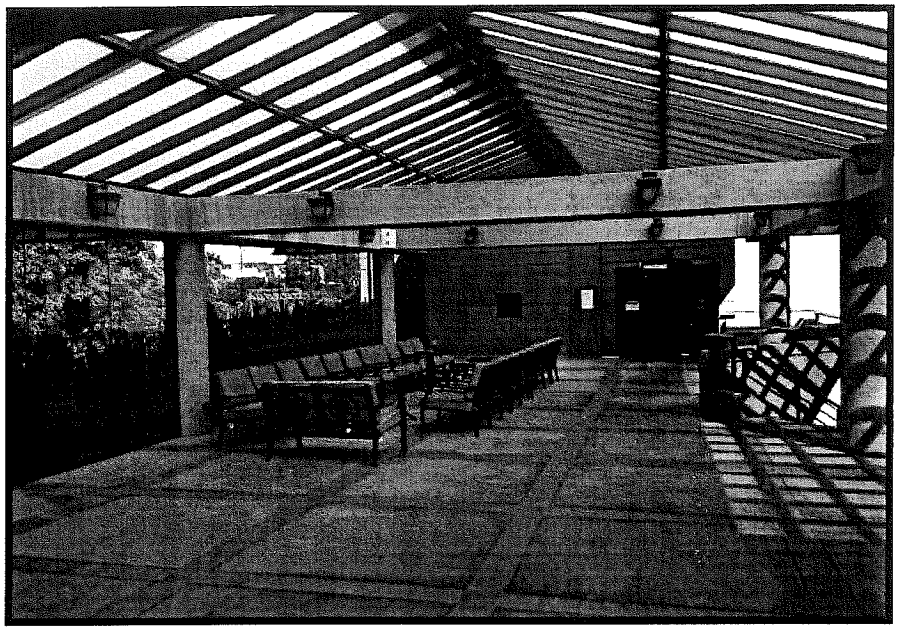
Patio Overlooking Japanese Garden



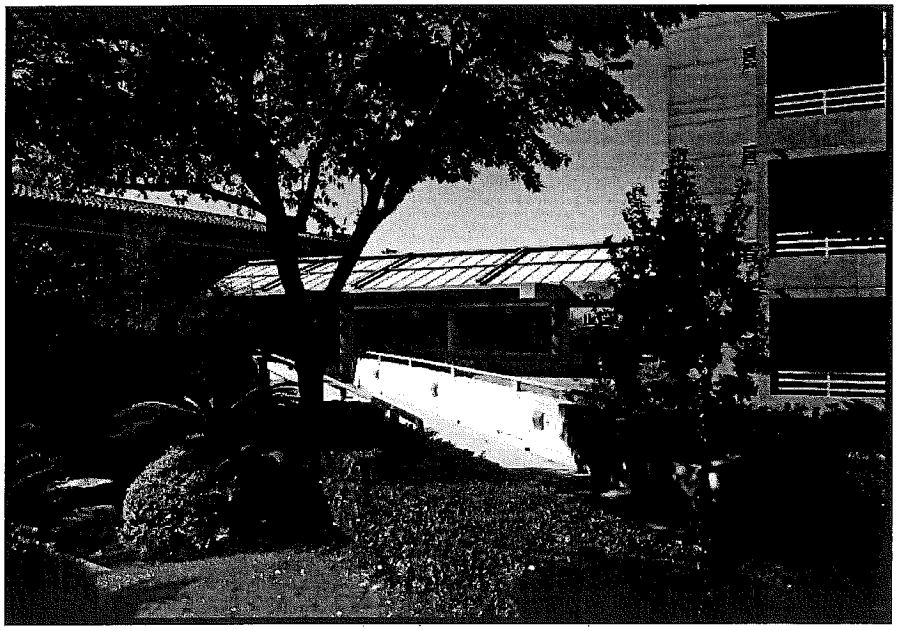
Gate Ball Field



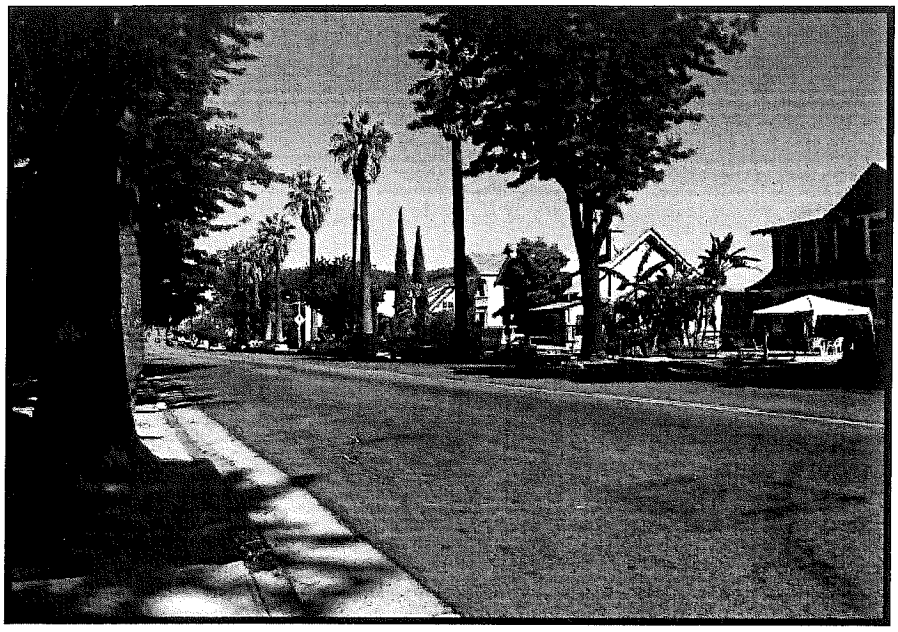
Bridge ("Skylight Terrace") between Dining Room/Administration and Independent Living Buildings



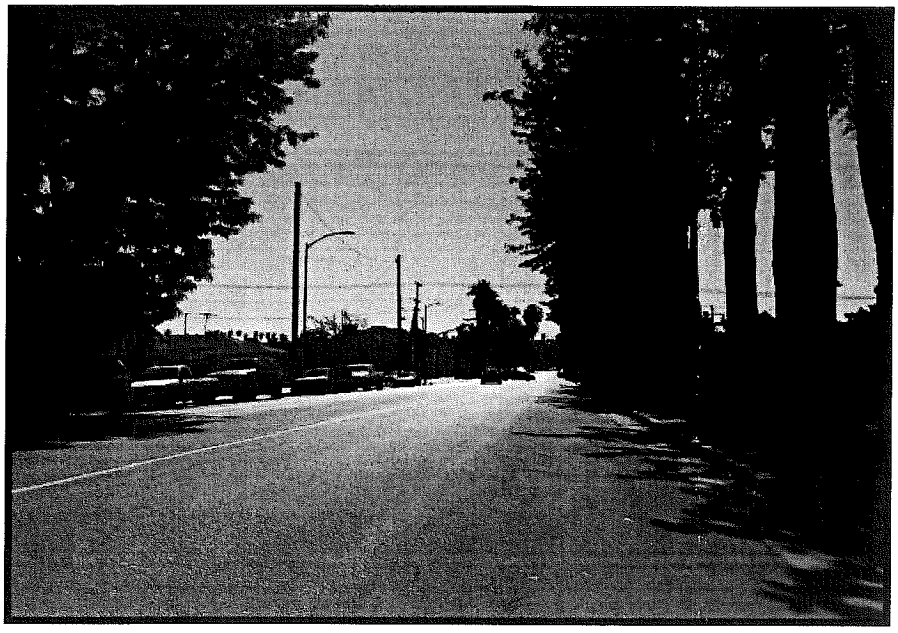
Skylight Terrace Interior



Skylight Terrace Entry from Parking Lot



Looking North on South Boyle Avenue



Looking South on South Boyle Avenue

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ADDENDUM

Exhibit A - Legal Description, Zoning Information and License
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Exhibit E - Appraiser's License and Qualifications
Exhibit F - Engagement Letter

INTRODUCTION

PROPERTY IDENTIFICATION

ADDRESS	325 South Boyle Avenue Los Angeles, California 90033
COUNTY	Los Angeles
PARCEL NUMBER	5174-012-009
LEGAL	See addendum

TYPE AND DEFINITION OF VALUE

The purpose of the appraisal is to set forth an estimate of and support for the market value of the total assets of the business. For the purpose of this report, "market value" is defined as follows:

> The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:[1]
>
> a) buyer and seller are typically motivated;
>
> b) both parties are well informed or well advised and each acting in what they consider their best interests;
>
> c) a reasonable time is allowed for exposure in the open market;
>
> d) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
>
> e) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

[1] Office of the Comptroller of the Currency, 12 CFR Part 34.42g.

INTENDED USE, INTENDED USERS AND CLIENT

INTENDED USE	Internal planning
INTENDED USERS	Keiro Senior Health Care
CLIENT	Keiro Senior Health Care

SCOPE OF THE APPRAISAL

The subject is a going concern with a substantial real estate base. Included in the concept of going concern are tangible and business assets comprising the business. Tangible assets include land, site improvements, building and equipment. In addition to tangible assets, also known as real and personal property, the subject includes various business assets necessary for the provision of healthcare, dietary, housekeeping, laundry and ancillary services. The provision of these services may create a going concern value beyond the value of the real and personal property. These assets, which tend to increase in value in relation to the level of services provided, include an assembled workforce, referral sources, systems and procedures, resident records and goodwill. This appraisal is of the entire going concern, one part of which is real estate. The appraisal engagement uses applicable standard appraisal techniques and is in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) as set forth by the Appraisal Foundation.

This appraisal engagement entails the collection, analysis and description of data pertaining to the physical, legal and economic conditions that affect the use and value of the subject property, and any other relevant data that would pertain to the appraisal of a senior care facility.

The scope of the appraisal includes, but is not limited to, the following:

1. Conducting an inspection of the subject property.
2. Describing the property and its environment.
3. Conducting an analysis of the city and neighborhood.
4. Estimating the market value of the land by the analysis of the land sales identified.
5. Estimating the depreciated replacement cost of the improvements which, when added to the land and equipment, indicates the market value via the Cost Approach.

6. Conducting a search for (with verification) and analysis of sales of similarly improved properties.
7. Estimating the market value by the analysis of the sales identified via the Sales Comparison Approach.
8. Estimating the fee simple market value via the Income Capitalization Approach.
9. Reconciling the three approaches to value for the final value estimate.
10. Preparing an appraisal report based on all findings.

APPRAISAL STANDARDS

This appraisal engagement was conducted using applicable standard appraisal techniques and is in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

PROPERTY RIGHTS APPRAISED

The property rights appraised herein are the fee simple of the tangible and business assets. These interests are defined as follows:

> Fee Simple Estate: Absolute ownership unencumbered by any other interest or estate, subject only to the limitation imposed by the governmental powers of taxation, eminent domain, police power, escheat.[2]

EFFECTIVE DATE OF THE APPRAISAL

The effective date of the as-is market value is October 16, 2013. The facility was inspected on October 16, 2013.

APPRAISAL DEFINITIONS

For the purposes of this report, "Appraisal Report" is defined as:

> A written report prepared under Standards Rule 2-2(a).[3]

[2] *The Appraisal of Real Estate*, Fourteenth Edition, Appraisal Institute, Illinois, 2013, page 5.
[3] *Uniform Standards of Professional Appraisal Practice*, 2014-2015 Edition, The Appraisal Foundation, Washington D.C., page 22.

"Going-concern value" is defined as:

> An established and operating business with an indefinite future life. The market value of the going concern including real property, personal property, financial assets and the intangible assets of the business. The market value of a going concern includes the incremental value associated with the business concern, which is distinct from the value of the tangible real property and personal property. The assemblage of the land, buildings, labor, equipment, financial assets and the marketing operation creates an economically viable business that is expected to continue.[4]

"Personal property" is defined as:

> Movable items of property that are not permanently affixed to, or part of, the real estate.[5]

For purposes of this appraisal, equipment represents personal property.

The appraisal reflects the value in a proven property operation considered as an assembled economic unit. Financial assets are assumed to exist but are not valued in this appraisal. The value estimate is expressed in terms of cash.

COMPLIANCE

The analyses, opinions and conclusions that are developed in this report were prepared in conformity with the regulations of the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation.

[4] *The Appraisal of Real Estate*, Fourteenth Edition, Appraisal Institute, Illinois, 2013, pages 63, 64.

[5] Ibid., page 7.

COMPETENCY

The appraisers identified in the Certification are competent to perform this appraisal due to the fact that:

1. The appraisers have knowledge and experience in the nature of this assignment.
2. All necessary and appropriate steps have been taken in order to complete the assignment competently.
3. There is no lack of knowledge or experience that would prohibit this assignment from being completed in a professional, competent manner or where a biased or misleading opinion of value is to be rendered.

SALES AND PROPERTY HISTORY

The subject last underwent a transfer of ownership on February 14, 1975, according to public records. The Keiro Senior HealthCare website indicates that Japanese Home for the Aged purchased the subject parcel from the Jewish Home for the Aging in Boyle Heights for a reported $1,000,000. The subject has not sold or been listed to sell in the three years prior to this appraisal.

EXPOSURE TIME

"Exposure time" is defined as:

> Estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.[6]

The concept of reasonable exposure time encompasses not only adequate, sufficient and reasonable time, but also adequate, sufficient and reasonable effort. This concept also takes into consideration the type of property being appraised, supply/demand conditions as of the effective date(s) of the appraisal and the analysis of historical sales information (sold after exposure and after completion of negotiations between the seller and buyer). The reasonable exposure period is therefore a function of price, time and use, and is not an isolated estimate of time alone.

[6] *Uniform Standards of Professional Appraisal Practice*, 2014-2015 Edition, The Appraisal Foundation, Washington D.C., page 79.

Reasonable exposure time is always presumed to precede the effective date of the appraisal and differs for various types of real estate and under various market conditions. The estimate of exposure time is therefore based on the subject property's determined highest and best use, in a market where there is evidence of demand for such a facility.

The estimate of reasonable exposure time is not a predication, but rather a judgment made by the appraiser based on market conditions preceding the effective date of the appraisal.

Given the subject's highest and best use, condition, physical characteristics and market value conclusion, the subject could sell within 12 months if offered for sale.

LONG-TERM CARE INDUSTRY OUTLOOK

DEMAND

The rapid increase in the elderly population will result in the continued expansion of the senior housing and long-term care industries. The U.S. Bureau of the Census estimates that between 1990 and 2050, the number of Americans aged 65 and older will more than double (from 31 million in 1990 to more than 79 million in 2050).

The United States population statistics and forecasts are provided in the following table:

U.S. Population Growth					
	2000	2014 Estimate	% Change	2019 Projection	% Change
Total Population	281,421,906	317,199,353	12.7%	328,309,464	3.5%
65+ Population	18,390,870	25,630,875	39.4%	31,928,703	24.6%
% of Total	6.5%	8.1%		9.7%	
75+ Population	12,361,442	13,554,516	9.7%	15,011,456	10.7%
% of Total	4.4%	4.3%		4.6%	
85+ Population	4,239,540	5,972,019	40.9%	6,338,467	6.1%
% of Total	1.5%	1.9%		1.9%	
Source: The Nielsen Company					

Over the next five years the fastest growing age group is expected to be the 65 and older population.

In the United States, the population is composed of those 65 years of age or older is projected to increase from 12.4% of the population in 2000 to 20.7% by 2050 due to the aging of the baby boom generation as well as increased longevity. The implications for the delivery and financing of healthcare will be profound because elderly persons use healthcare services at a greater rate than younger persons. The larger number of elderly persons will put greater pressure on the budget for the Medicare program. An increase in the number of persons 85 years of age or older, who are most likely to require nursing home and other long-term care, will exert similar pressure on the Medicaid program, which pays for about half of the total costs of nursing home care.

A factor contributing to growth in demand for elderly care is the increased life expectancy of the United States population. As the average life expectancy for both men and women continues to increase (as illustrated in the following table) the probability of an elderly individual requiring some form of healthcare service also increases.

United States Life Expectancy				
	Men		Women	
	At Birth	At Age 65	At Birth	At Age 65
1950	65.6	12.8	71.1	15.0
1960	66.6	12.8	73.1	15.8
1970	67.1	13.1	74.7	17.0
1980	70.0	14.1	77.4	18.3
1990	71.8	15.1	78.8	18.9
2000	74.1	16.0	79.3	19.0
2010	76.2	N/A	81.0	N/A
Source: National Center for Health Statistics				

While most major healthcare providers will benefit as America ages, the senior housing/care industry will be the primary beneficiary.

SUPPLY

Many types of in-home care services and new kinds of senior housing, offering a wide range of costs and services, are emerging to meet the needs of America's aging population. Defining the different types of housing options can be difficult since there are many types and variations that can vary from facility to facility, and since many residences offer more than one type of housing or care. The definitions below are considered a general guide to the types of housing options seniors may find.

Home and Day Care Services

If an individual requires assistance, a combination of health and social services may allow the older person to continue living at home if desired. The home can be physically adapted with a variety of helpful features to make it more accessible. Home health aides can help with daily activities such as medication, bathing and dressing. Homemaker services can help with housekeeping, cooking and home and yard maintenance. Meals on Wheels and other groups may deliver low cost, nutritious lunches to homebound elders. Visiting nurses, medical laboratories and occupational and physical therapists can provide in-home medical services.

Many cities have adult day care programs where seniors can spend daytime hours to socialize while also relieving the individual's primary caregiver. Many of these programs are designed for seniors in relatively good health but with cognitive or mental difficulties. These programs are commonly nonprofit and low cost but often have waiting lists. Local support groups for specific illnesses, community

organizations and agencies are a good source for finding other appropriate care and support services.

Retirement Communities

There are many types of retirement communities to choose from, varying greatly in services offered, scope and cost. They range from lushly landscaped, country club-style condominium developments in a suburb to senior apartments in a bustling urban area.

Traditional retirement communities, sometimes regarded as active adult communities, restrict admission to adults above a certain age and offer security, recreational facilities, planned activities and possibly communal dining and housekeeping. Planned adult communities can be open to renters or may offer condominiums or homes for purchase. Medical services are not included but are generally located nearby.

Senior apartment complexes, also called congregate housing, generally charge a monthly rental fee and security deposit for services such as transportation, activities and meals. Some are under federal housing guidelines and only accept low income seniors, but most are privately owned.

Continuing Care Retirement Communities

A continuing care retirement community (CCRC), or life care community, provides housing and health-related services to an older person under an agreement effective for the person's lifetime or a specified period of time. This living alternative can be attractive since it eliminates the need for moving when the individual's health and medical needs change. An essential part of continuing care is the provision that a resident can stay in the community even if he or she needs skilled nursing services.

Some CCRCs require a substantial entry fee or buy-in, which may be forfeited if the person dies or decides to leave. Most also charge monthly maintenance fees in exchange for a living unit, meals and some health services. Both types of fees vary greatly among CCRCs, depending on location, size of the unit, services and programs. CCRCs typically require that the individual be in relatively good health and independent upon entrance. Those with serious illnesses or limited financial resources may not qualify for admission to this type of community.

Assisted Living

Assisted living is a type of licensed care that provides personal care services, support and housing for those who need help with daily activities, yet need limited medical care. Assisted living can be in an independent facility or part of a retirement, continuing care or life care community. The programs and services may include transportation, social activities, exercise and fitness programs, beauty or barber shop access, hobby and craft activities, community excursions, meals in a dining room

setting and other activities sought by residents. These facilities are often in apartment-like buildings with private residences ranging from single rooms to large apartments. Rooms may typically be furnished at least partially with the resident's belongings.

Although assisted living facilities are not licensed to perform skilled nursing activities, residents can sometimes receive skilled nursing care from outside licensed home health agencies that come in on a daily or weekly basis.

Alzheimer's Facilities

An increasing number of facilities are focusing on the needs of people with Alzheimer's or other dementia-related illnesses. These facilities may be exclusively dedicated or have special sections or areas for elderly residents with these conditions. Typically, Alzheimer's facilities offer a secured environment, a high ratio of staff to residents and special activity programs designed for those with limited attention spans. Other services may include incontinence care, medication management and transportation to medical appointments. Alzheimer's facilities may be licensed as either assisted living or skilled nursing.

Skilled Nursing Facilities

A skilled nursing facility is state licensed to provide room and board, nursing care, supervision and medical care. These facilities are also referred to as convalescent homes, rehabilitation homes or hospitals, and nursing homes. They provide the type of extended nursing care not given in assisted living or residential care homes. Skilled nursing facilities, at a minimum, include skilled nursing, dietary and pharmaceutical services, and an activity program.

Skilled nursing facilities provide three levels of care, defined as basic, skilled and subacute. Basic care is the level of care required to maintain daily living activities and includes personal care and supervision. Skilled care is for residents requiring the services of a registered nurse or other medical professional on a regular basis for treatments and procedures. Subacute care is comprehensive inpatient care for someone who has an acute illness or injury and requires frequent patient assessment.

Facilities usually bill for two types of charges. There are standard daily rates for room, care and some nursing services, and extra charges for any services not included in the basic rate, such as therapies, pharmacy, wheelchairs, dental care, hand feeding or care for incontinence. Skilled nursing facilities are generally the most expensive senior housing option. Thus, financial planning is critical since private insurance, Medicaid and Medicare have only limited provisions for skilled nursing care. A skilled nursing facility may be the best and only alternative when an individual needs 24-hour nursing care and supervision.

INDUSTRY DYNAMICS

Although the senior population has increased, MedPac indicates that the number of nursing home beds has increased at a slow pace (7% annually) since 2001. In addition, overall nursing facility occupancy has been stable during this period. This is primarily due to alternative senior housing and home care options. In the late 1990s, assisted living facilities became a popular housing alternative for private pay patients who did not require skilled nursing. The assisted living market took much of the demand for private pay nursing home beds, leaving nursing homes with a higher Medicaid census. Medicaid does not sufficiently reimburse nursing facilities and, therefore, profits declined.

In mid-2008, private firms purchased several of the large nursing home chains, which took the industry out of the public eye. However, the national recession and credit crisis have significantly reduced the amount of capital available for the acquisition of nursing homes. In previous years, Medicaid reimbursement improved with better state economies and, in many states, a higher federal match with the use of quality assurance fees. However, given high unemployment and decreased tax bases, several states experienced difficulty in funding their Medicaid systems and have frozen and slightly reduced nursing home Medicaid rates in fiscal years 2009, 2010 and 2011. Given the current national economic outlook and the elimination of the increased federal match, this trend is projected to continue in the immediate future.

Based on preliminary indications, the majority of states surveyed have indicated that they will be maintaining reimbursement levels in fiscal year 2013, with a moderate number of states reducing rates. Only a very limited number of states have indicated that they actually will be increasing rates. This reflects the sunset of the Tax Relief and Health Care Act of 2006 on October 1, 2011. This act reduced the maximum quality assessment fee that states could charge from 6.0% to 5.5% of total revenue. A moderate number of states have utilized this higher ceiling to increase their quality assessment fees. This has allowed states to generate additional federal matching revenue that will be utilized to fund the states' Medicaid reimbursement systems in fiscal year 2013.

REGULATORY ENVIRONMENT

The movement to control Medicare and Medicaid fraud and abuse, especially in the home health area, promises to continue. This will continue to favor quality providers, for whom patient care is emphasized and for whom cost efficiencies and marketing synergies, rather than overbilling, drive margin improvement. The movement toward privatization of reimbursement will accentuate this trend. This is expected to manifest in substantial growth in Medicare-risk HMOs.

Unlike traditional fee-for-service Medicare programs, HMOs are free to shift Medicare patients to a lower cost long-term care facility immediately, foregoing a required three-day hospital stay. Studies show that savings can range from 40.0% to 60.0%, even with longer lengths of stay in a skilled nursing facility. Hospitals have been unsuccessful in operating captive skilled nursing beds profitably because of this inability to downscale care regimens and nursing staffs appropriately for certain diagnostic-related groups (DRGs). Companies with a wide range of services will benefit as reimbursement moves toward payment for episodes of care and disease management.

As both state and federal governments attempt to cut medical costs and maintain quality medical care, there is a greater recognition that it is cost-effective to fund the most efficient level of care for each individual. Subacute care offers a savings of 30% to 60% from an acute-care hospital stay and assisted living costs are about two-thirds the cost of care in an average skilled nursing facility. However, the promise of increased regulation of aging-in-place assisted living (and the increased cost of retrofitting most recently built assisted living facilities to skilled nursing facility standards to qualify for higher acuity care) will limit the level of services that can be provided in an assisted living facility. This is evidenced by the trend toward shorter lengths of stay at assisted living facilities over the past several years, as residents who enter are older and frailer. These residents quickly require skilled care that only the integrated-service capabilities of a more sophisticated long-term care provider can produce on a cost efficient basis.

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act, which is projected to decrease Medicare funding. These funding reductions are proposed to be feasible by reducing cost through more efficient care and promoting the utilization of community-based long-term care options that will allow residents to remain in their homes. In addition, the Patient and Protection and Affordable Care Act also will provide additional federal matching funds for Medicaid to states that increase and encourage access to community based care alternatives. The law will also create increased transparency and oversight of the long-term care industry.

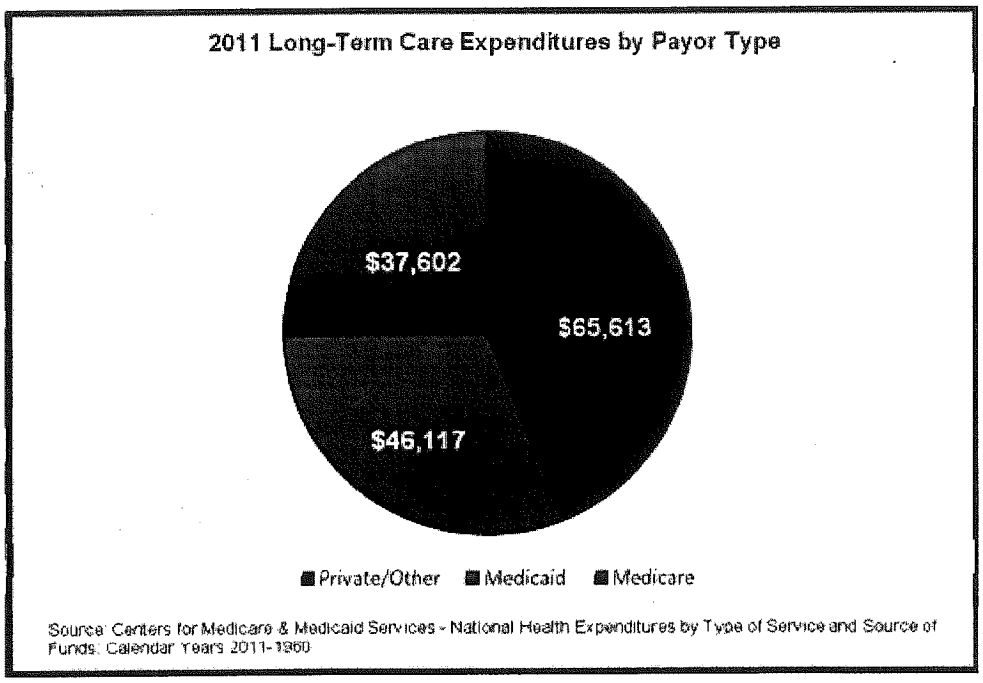
Another significant change that will be implemented through healthcare reform will be the development of Accountable Care Organizations (ACOs). ACOs are legal entities that agree to be accountable for the quality, cost and overall care of a specific population of Medicare beneficiaries. The stakeholders of an ACO will primarily be hospitals, health systems and physician networks. The responsibility of the ACOs will be to coordinate care for Medicare beneficiaries through a network of affiliated providers. The healthcare delivery model utilized by ACOs will tie reimbursement to quality metrics and reductions in the total cost of care for an assigned population of patients.

The goal of an ACO will also be to reduce Medicare spending by greater reduction of utilization of more costly healthcare services. Services will be coordinated through ACOs by "ACO Exclusive" primary care physicians. It is unlikely that nursing homes will be part of an ACO entity. Most likely, nursing homes will be contracted by ACOs on an as-needed basis. Nursing homes may be able to contract with multiple ACOs. However, given the focus on quality of care, nursing homes with poor health surveys and outcomes may be excluded from contracting with ACOs. Given that Medicare represents a significant revenue source for nursing homes this could severely impact a facility's profitability and financial solvency.

Healthcare networks were permitted to be begin operating as ACOs and contracting with Medicare on January 1, 2012. These healthcare networks must sign a three-year agreement with Medicare. It is currently unclear how many healthcare networks applied to be ACOs in 2012.

REIMBURSEMENT ENVIRONMENT

Reimbursement for nursing facilities is primarily comprised of private pay sources, the federal Medicare program and state Medicaid programs for indigent patients. These revenues will be influenced by a number of factors, including the licensed bed capacity of its facilities, occupancy rates, the mix of patients and rates of reimbursement among payor categories (private and other, Medicare and Medicaid), and the extent to which subacute and other specialty medical and ancillary services are utilized by the patients and paid for by the respective payment sources. The following pie chart indicates the percentage of funding from each source:



2011 Long-Term Care Expenditures (in millions)		
Private/Other	$65,613	43.9%
Medicaid	$46,117	30.9%
Medicare	$37,602	25.2%

PRIVATE AND OTHER FUNDING

Private and other revenues include payments from individuals who pay directly for services without government assistance or from commercial insurers, HMOs, preferred provider organizations (PPOs), workers' compensation programs, hospice programs and other similar payment sources. Private pay rates are typically higher than rates for patients eligible for assistance under state Medicaid programs.

MEDICARE

Medicare is a federally funded and administered health insurance program primarily designed for individuals aged 65 and over and who are entitled to receive Social Security benefits. Currently, the Medicare program consists of four parts: Medicare parts A, B, C and D. Part A is typically free for those who are eligible and covers inpatient hospital services and certain services furnished by other institutional healthcare providers, such as long-term care facilities. Part B is optional, typically requiring a monthly premium, and covers the services of doctors, suppliers of medical items and services, and various types of outpatient services.

Part B services include physical, occupational and speech therapy; pharmaceuticals and medical supplies; certain intensive rehabilitation and psychiatric services; and ancillary services of the type provided by long-term care or acute-care facilities. Originally called Medicare + Choice program, Part C became available in 1997 for persons who were eligible for Part A and enrolled in Part B. These recipients could choose to use an insurance company that would contract with the federal government for healthcare insurance. This program typically offered recipients more choices including managed care plans (such as HMOs) and preferred provider organizations (PPOs). This program became known as Medicare Advantage with the enactment of the Medicare Prescription Drug, Improvement, and Modernization Act in 2003. This act also created Part D of Medicare, which provides prescription drug benefits to anyone eligible for Medicare. Part D is administered through private insurance companies with recipients choosing the plan and paying the associated monthly premium.

Part A coverage, as applied to services delivered in a long-term care facility, is limited to skilled nursing and rehabilitative care related to recent hospitalization and limited to a specified term (generally 100 days per calendar year); requires beneficiaries to share some of the cost of covered services through the payment of a deductible and co-insurance payment; and requires beneficiaries to meet certain qualifying criteria. The coinsurance for 2012 is $144.50 per day for Medicare stays greater than 20 days. There is no coinsurance for the first 20 days. There are no limits on duration of coverage for Part B services, but there is a co-insurance requirement for most services covered by Part B.

In 1997, Congress passed the Balanced Budget Act of 1997 (BBA 1997) mandating that the Health Care Finance Administration, now known as the Center for Medicare and Medicaid Services (CMS), develop a prospective payment system (PPS) for skilled nursing facilities. Prior to PPS, skilled nursing facilities were reimbursed based on costs subject to ceilings. The PPS that was developed included a classification system known as Resource Utilization Group version III (RUG) and originally included 44 groups. On May 17, 2005, CMS released the SNF PPS Rule for fiscal 2006. CMS added nine RUGs to create more accurate payments for medically complex patients. The changes became effective January 1, 2006. The 53 RUG III classification system used the Minimum Data Set 2.0 (MDS 2.0) tool to classify patients by acuity.

Effective October 1, 2010, CMS instituted several changes to the Medicare system, including a new classification (RUG IV) and assessment tool (MDS 3.0), which was originally scheduled for implementation on October 1, 2010. The implementation was originally delayed by the Patient Protection and Affordable Care Act until October 1, 2011, but President Obama signed the Medicare and Medicaid Extenders Act of 2010 on December 15, 2010, thus repealing the delay of the new RUG IV system and making it retroactive to October 1, 2010.

The RUG IV system reflects updated staff time measurement data derived from the recently completed Staff Time and Resource Intensity Verification (STRIVE) project. It includes the transition to the Minimum Data Set 3.0 (MDS 3.0) resident assessment instrument and an expansion from 53 to 66

RUG categories. The law also includes the implementation of the concurrent therapy adjustment and an adjustment to the look-back period to ensure that only services provided after a resident is admitted to a skilled nursing facility are utilized to determine a resident's RUG classification.

The fiscal year 2011 rates (effective October 1, 2010) reflect an update using the latest market basket index and adjusting for the fiscal year 2009 forecast error correction. Given that Medicare reimburses nursing facilities on a prospective basis, the market basket index increases project how much costs are forecasted to increase. The actual market basket increase for a given period can be higher or lower than the forecasted increase available at the time a payment update is determined. This is commonly referred to as a forecast error. CMS is required to provide a market basket adjustment if the actual market basket increase differs significantly from the CMS projection. The fiscal year 2011 market basket increase factor is 2.3%. When combined with the negative 0.6% forecast error adjustment for fiscal year 2009, this results in a net fiscal year 2011 increase of 1.7%.

Skilled nursing facilities experienced substantial increases in the weighted average Medicare rate as a result of the new classification system (RUG IV verses RUG III). This is primarily due to an adjustment to the rate ("parity adjustment") intended to keep RUG IV weighted average reimbursement in line with RUG III. After reviewing the first three months of data, CMS has acknowledged that skilled nursing facilities' weighted average Medicare rates are significantly higher under RUG IV verses RUG III and the parity adjustment utilized was incorrect. Given this factor, CMS recently announced that the RUG IV reimbursement system cuts 11.1% for fiscal year 2012 from 2011 for skilled nursing providers. However, the weighted average Medicare rate for skilled nursing facilities increased substantially with the conversion from RUG III to RUG IV the previous year. Although the 2012 weighted average rate is 11.1% lower than 2011, it is still 3.4% higher than 2010 weighted average rates.

The switch from RUG III to RUG IV for fiscal year 2011 was calculated to be budget neutral, meaning that most providers would not have any substantial changes in reimbursement. What was not

expected is the skilled nursing home industry's reaction in their business models, which increased average daily reimbursement by $90. The 11.1% decrease in average reimbursement for 2012 serves as the correction for CMS's miscalculation.

MEDICAID

Medicaid is a federal/state entitlement program that pays for medical assistance for certain individuals and families with low incomes and resources. Medicaid is the largest source of funding for medical and health-related services for America's poorest people.

Medicaid programs vary from state to state. Although reimbursement rates are determined by the state, the federal government retains the right to approve or disapprove individual state plans. Providers must accept reimbursement from Medicaid as payment in full for the services rendered, because the provider may not bill the patient for more than the amount of the Medicaid payment received.

Medicaid operates as a vendor payment program. States may pay healthcare providers directly on a fee-for-service basis, or states may pay for Medicaid services via various prepayment arrangements such as HMOs. Within federally imposed upper limits and specific restrictions, each state, for the most part, has broad discretion in determining the payment methodology and payment rate for services.

The federal government pays a share of the medical assistance expenditures under each state's Medicaid program. That share, known as the Federal Medical Assistance Percentage (FMAP), is determined annually by a formula that compares the state's average per capita income level with the national income average. States with a higher per capita income level are reimbursed a smaller share of their costs. The American Recovery and Reinvestment Act of 2009 increased FMAPs approximately 6.4% until December 31, 2010. In addition, the American Workers, State and Business Relief Act extends the increased FMAP to June 30, 2010; however, the standard FMAP increase will be decreased

50% from 6.4% to 3.2% from January 1, 2011, to March 31, 2011, and further reduced to 1.2% from April 1, 2011, to June 30, 2011. The increased FMAP percentages were eliminated on July 1, 2011.

There are generally two types of Medicaid fee for service reimbursement rates: retrospective and prospective, although some states have adopted plans that have both retrospective and prospective features. A retrospective rate is determined after completion of a cost report by the service provider and is designed to reimburse costs after they are incurred. Typically, an interim rate based upon historical cost factors and inflation is paid to the state during the cost reporting period and a cost settlement is made following an audit of the filed cost report.

The more prevalent type of Medicaid reimbursement rate is the prospective rate. Under a prospective plan, the state sets its rate of payment for the period in advance of services rendered. Actual costs incurred by operators during a period are used by the state to establish the prospective rate for a subsequent period. The provider must accept the prospective rate as payment in full for all services rendered.

MANAGED CARE

In an effort to control rising healthcare costs, both the federal (Medicare) and state (Medicaid) reimbursement agencies are requiring seniors to enroll in managed care plans. Since the 1970s, Medicare beneficiaries have had the option to receive their health benefits through managed care plans, predominately HMOs. In 2010, Medicare's managed care plan (Medicare Advantage) accounted for 22% of total Medicare spending. In addition, Medicare Advantage subscribers represented approximately 24% of total Medicare eligible individuals.

Medicare reimburses these managed care plans on a capitated basis (per member, per month) to coordinate for eligible subscribers Part A and B benefits. In addition, Medicare reimburses these plans separately for Part D (prescription drug plan) services. Traditionally, Medicare Advantage plans

reimburse providers at higher than fee-for-service costs. The Patient Protection and Affordable Care Act will reduce federal payments to Medicare Advantage plans in an effort to reduce reimbursement levels from these plans to amounts more consistent with fee-for-service costs. These changes are estimated to significantly reduce Medicare spending and enrollment in Medicare Advantage Plans.

With respect to Medicaid, an increasing number of states are turning over the coordination of long-term care benefits to managed care organizations. Currently, Arizona, Hawaii and New Mexico have transitioned over the responsibility of reimbursing long-term care facilities to contracted managed care agencies. Florida has indicated that it will convert to a managed care reimbursement system in fiscal year 2013 and a minor number of additional states are considering doing the same. Under these arrangements, the states provide capitation payments to these managed care organizations, which have the discretion to negotiate specific rates with long-term care providers. Although there is very limited transparency on how these organizations are determining reimbursement rates for nursing facilities, it appears that these rates are at least partially based on previous or current calculated fee for services rates determined through the states' reimbursement methodologies.

ASSISTED LIVING INDUSTRY OUTLOOK

Assisted living is defined as the long-term care option in which communities provide housing, supportive services, personalized assistance with activities of daily living (ADL) and healthcare, and are licensed, certified or registered by states. Seniors who choose assisted living receive assistance that is customized to their needs and benefits, enriches their lives, and promotes independence and well-being. Staff is available to meet both scheduled and unscheduled needs.

Activities of daily living (ADLs) include bathing or showering, dressing, eating, getting in or out of bed or chair, walking and using the toilet.

Instrumental activities of daily living (IADLs) include using the telephone, doing light housework, doing heavy housework, preparing meals, shopping for personal items and managing money.

NEW CONSTRUCTION ACTIVITY

The American Seniors Housing Association and the National Investment Center for the Seniors Housing & Care Industry identified a total of 2,100,000 existing units in the 100 largest metropolitan areas of the country, and of those, 23,469 assisted living units, independent living units, and nursing care units are under construction. The 2013 report identifies 317 new and 165 expanding senior housing properties under construction, containing a total of 35,219 units/beds. These numbers reflect construction activity within freestanding, combined and continuing care retirement community (CCRC) properties. The senior properties tracked include a small number of HUD Section 202 properties and other types of affordable properties, in addition to market rate rental senior apartments.

At 23,469, the number of senior housing units under construction in 2013 (starting April 1, 2012, and ending March 31, 2013) represents an 18.7% increase in starts from the prior year. This figure is on par with year-over-year previous peaking of 23,685 units from the period of April 1, 2007, and ending March 31, 2008.

There are 12,949 new senior apartment units under construction in the 100 largest metropolitan areas. Including the units comprised in expansions to existing properties, senior apartments account for 29% of all senior housing units under construction.

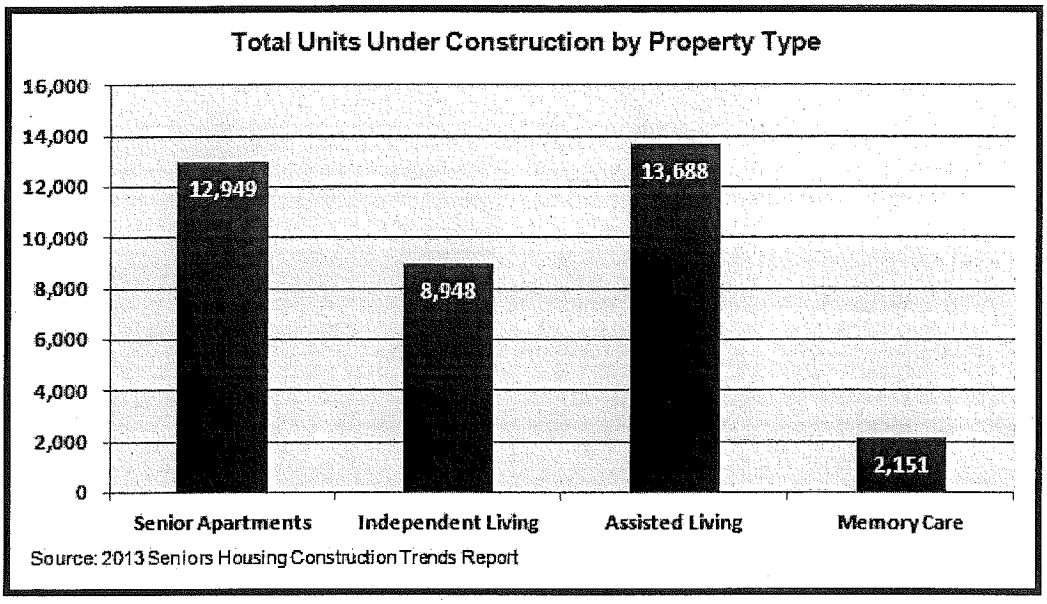
There are 8,948 new independent living units under construction in the 100 largest metropolitan areas. Including the units in expansions to existing properties, independent living units account for 20% of all senior housing units under construction.

There are 13,688 new assisted living units under construction in the 100 largest metropolitan areas. Including the units in expansions to existing properties, assisted living units account for 31% of all senior housing units under construction.

There are 2,151 new memory care units under construction in the 100 largest metropolitan areas.

Data collected in 2013 reveals that assisted living units represent 31% of the total national sample of seniors housing units under construction, followed by senior apartments (29%) and independent living units (20%). The balance is comprised of nursing care units (20%).

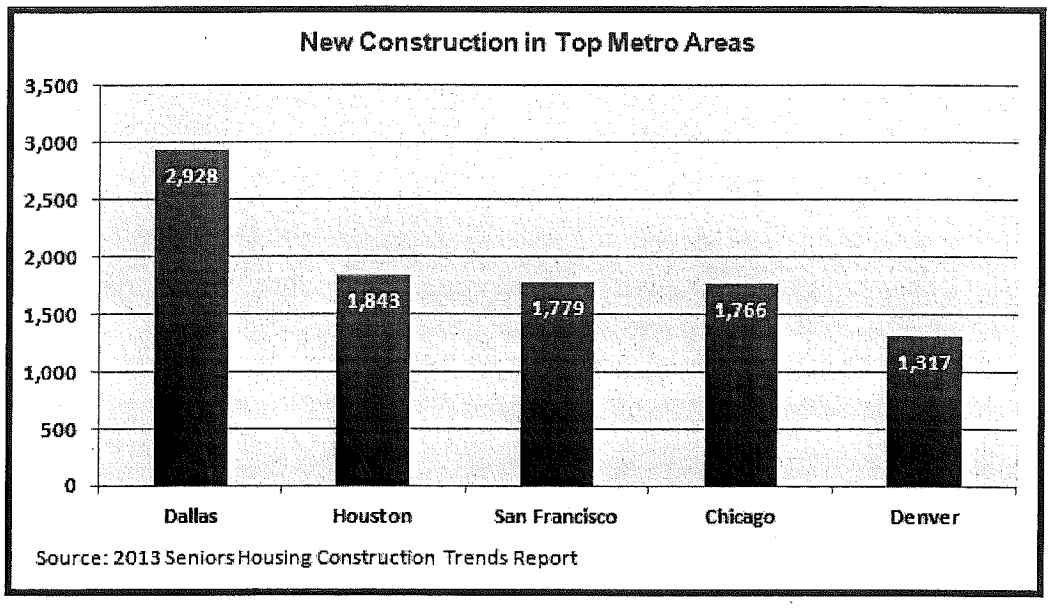
The following graph illustrates the total units under construction by property type in 2013:



NEW CONSTRUCTION BY CITY

Dallas is the top metropolitan area in terms of the number of units being built (2,928). Houston ranks second (1,843), followed by San Francisco (1,779), Chicago (1,766) and Denver (1,317). These five

metropolitan areas represent 21.7% of all senior housing units reported under construction as of March 31, 2013. Chicago had the greatest number of projects (new and expansions) under construction with 27, followed by Houston (24), Chicago (22) and Boston (19).



INDEPENDENT LIVING

The metropolitan area with the largest number of existing independent living units is Philadelphia, with 26,726 units, followed by Chicago (25,403), New York (16,151), Phoenix (15,795) and Washington D.C. (15,751). The metro area with the highest percentage of independent living construction to existing supply is Knoxville (36.5%), followed by Albuquerque (24.2%), Toledo, Ohio (14.9%), Albany, New York (12%) and Chattanooga (10.7%).

ALL ASSISTED LIVING

The metro area with the largest number of existing assisted living units is New York, with 18,891 units, followed by Los Angeles (17,440), Chicago (10,536), Dallas (8,320) and Philadelphia (8,209). The

metro area with the highest percentage of assisted living construction to existing supply is Austin (32.2%), followed by Knoxville (27.6%), Poughkeepsie (20.3%), Jackson (19.4%) and Houston (18.2%).

PAYORS

Residents and/or their families generally pay for the cost of congregate and assisted living services, whereas skilled nursing facilities rely heavily on governmental reimbursements. Some states provide for reimbursement of assisted living through a variety of funding programs, such as Medicaid waiver programs. Medicaid coverage is common (37 state Medicaid programs currently cover assisted living), but participation is not. As opposed to congregate and assisted living, 70.0% to 75.0% of revenue for skilled nursing facilities is derived from Medicaid.

The following table illustrates the distribution of residents' annual household income by care segment:

Annual Household Income by Segment

Income	General	Home Care	Independent Living	Assisted Living	Skilled Nursing	Total
Income of Resident:						
<$25,000	72.50%	72.70%	68.80%	71.90%	80.20%	73.30%
$25,000 to $74,999	21.70%	25.50%	28.10%	24.60%	16.50%	22.10%
>$75,000	5.70%	1.80%	3.10%	3.50%	3.30%	4.50%
Total Worth of Resident:						
<$50,000	40.60%	50.80%	53.10%	45.50%	62.40%	45.40%
$50,000 to $99,999	27.00%	19.40%	12.50%	12.70%	14.00%	22.90%
$100,000 to $299,999	20.60%	20.20%	15.60%	23.60%	18.30%	20.30%
$300,000 to $499,999	4.20%	4.80%	15.60%	5.50%	2.20%	4.60%
>$500,000	7.70%	4.80%	3.10%	12.80%	3.30%	6.90%

Source: NIC National Survey of Adult Children 2000

Wealthier households are more likely to receive home care or live in independent living or assisted living communities compared to lower income households, which are more likely found in skilled nursing facilities. Overall, 73% of residents have annual household income of less than $25,000, 22.1% had income between $25,000 and $74,999, and 4.5% had an income of $75,000 or more.

CALIFORNIA NURSING HOME INDUSTRY OVERVIEW

INTRODUCTION

Nursing facilities in California are licensed by the California Department of Public Health (CDPH), Certificates and Licenses Division, under the designation of "Skilled Nursing Facilities." Prior to July 1, 2007, nursing homes had been licensed by the Department of Health Services, which has since been divided into the Department of Public Health and the Department of Health Care Services (DHCS). The DHCS administers the state's Medi-Cal reimbursement system, which will be detailed later in this overview. The following table summarizes the total number of nursing facilities within the state:

NURSING FACILITIES IN CALIFORNIA	
Licensed Nursing Facilities*	1,144
Licensed Nursing Beds*	119,656
Beds per 1,000 Aged 65 >**	27.68
Beds per 1,000 Aged 75 >**	32.28
Occupancy Percentage - 2010***	86.3%

**Source: California Office of Statewide Health Planning and Development*

***Source: The Nielsen Company - 2011 Population*

****Source: 2010 Medicare Cost Reports*

CERTIFICATE OF NEED

California does not require an individual or organization to obtain a Certificate of Need (CON) to construct or acquire a nursing facility or increase the capacity and services offered at an existing facility. The CON program in California was terminated in 1986, creating an open market as it relates to the new construction and expansion of existing nursing homes. Potential new developments continue to require licensing as well as notification to the state of intent to build. Construction plans must be in accordance with state codes and meet the approval of the Office of Statewide Health Planning and Development for such construction. There is no moratorium on the construction of nursing facility beds in California.

BED NEED METHODOLOGY

California does not possess a bed need methodology and is not in the process of developing a bed need calculation.

QUALITY ASSURANCE FEE

California utilizes a quality assurance fee (QAF) to obtain additional reimbursement for, and to support quality improvement efforts in, licensed skilled nursing facilities. The QAF was established under the Medicaid Long-Term Care Reimbursement Act, Assembly Bill 1629 (AB 1629).

The DHCS possesses two different QAF rates, with one for nursing facilities with less than 100,000 total resident days and one for nursing homes with 100,000 or more total resident days, based on the maximum allowable QAF amount and total resident days for each facility group. The DHCS calculates the total QAF charge by multiplying the appropriate assessment fee by the total resident days.

The QAF was set to expire on July 31, 2013, but the California Legislature recently reauthorized the QAF on freestanding skilled nursing facilities until July 31, 2015. An Assembly Bill (ABx4 5) adopted under California's 2009 state budget in July 2009 expanded the QAF calculation to include Medicare revenue, which had previously been excluded. The resulting revenue is not passed through to the Medi-Cal reimbursement rate.

The QAF for fiscal year 2011 was $13.08 per resident day for nursing facilities with less than 100,000 total resident days and $11.93 per resident day for nursing homes with 100,000 or more total resident days. These rates are an increase from the 2009-2010 rates of $11.16 and $10.12, respectively. Effective October 1, 2011, the Tax Relief and Health Care Act of 2006 was terminated. This act temporarily reduced the maximum QAF that states could charge from 6.0% to 5.5% of total revenue. Therefore, the ceiling reverted to 6.0% on October 1, 2011. Medi-Cal has increased its QAF to reflect the new ceiling.

Effective August 1, 2011, the QAF is $14.33 per resident day for nursing facilities with less than 100,000 total resident days and $13.43 per resident day for nursing homes with 100,000 or more total resident days.

Effective January 1, 2012, the QAF was slightly increased to $14.42 per resident day for nursing facilities with less than 100,000 total resident days and $13.46 per resident day for nursing homes with 100,000 or more total resident days. The state is in the process of determining the QAF that will be effective August 1, 2012. However, it is estimated that the QAF will increase by slightly more than $1.00.

The QAF is paid by each provider on a monthly basis to the DHCS for deposit into the state treasury. For each facility assessed, the QAF is reimbursed for the Medi-Cal portion of its fee (the per diem rate assigned to the facility multiplied by Medi-Cal patient days).

Those facilities identified as multi-level retirement communities (MLRCs) were exempt from the QAF until October 2010, when SB 853 extended the QAF to these facilities. An MLRC is a provider of a continuum of services, including independent living services, assisted living services and skilled nursing care on a single campus. However, these facilities are not required to provide more than one level of care and are not licensed as continuing care retirement communities (CCRCs). CCRCs are still be exempt from the QAF. This purpose of this legislation is to ensure the general fund will not be impacted by the loss of the QAF.

MEDI-CAL RATE CALCULATION SYSTEM

California's Medi-Cal program previously reimbursed facilities on a prospective, flat-rate system. AB 1629 converted the Medi-Cal payment system into a cost based, facility-specific reimbursement system. Medi-Cal now reimburses nursing facilities for improved wages and staffing based on the

actual cost of care derived from the facility's cost reports. It also holds nursing facilities accountable for residents' quality of life and provides a way for the state to tap into more federal Medicaid dollars.

As part of the reform proposal that reauthorizes several aspects of nursing facility quality and accountability under AB 1629, the California Legislature passed SB 853, which, among other provisions, allowed a maximum rate increase of 3.93% through July 31, 2011. In addition, fiscal year 2012 rates (effective August 1, 2011) were increased 0.426%, which was funded by increases to the state's QAF.

Given budget issues, effective June 1, 2011, California announced that it would temporarily reduce nursing facility Medi-Cal rates by 10.0% for a 14-month period. The state indicated that it will retroactively reimburse nursing facilities for this rate reduction by December 31, 2012. However, the state experienced delays in implementing this policy. Given this factor, the temporary reduction was only collected for the period of April 19, 2012, to July 31, 2012. The temporary reduction has since been refunded to nursing facilities.

COST CENTERS

Reimbursement is facility specific and reflects the sum of six cost components as follows:

- The Labor cost component includes direct resident care labor, and indirect resident care labor. Direct care labor includes wages associated with routine nursing, social services, activities and other direct care personnel. Indirect care labor includes wages associated with staff supporting the delivery of patient care including housekeeping, laundry/linen, dietary, medical records, in-service education and plant operations.
- The Indirect Care Non-Labor component includes the non-labor costs related to services supporting the delivery of resident care, including the non-labor portion of nursing, housekeeping, laundry and linen, dietary, in-service education, and plant operations and maintenance costs.
- The Administrative cost component includes allowable administrative and general expenses of operating the facility, including a facility's allocated expenditures related to allowable home office costs. This component also includes allowable property insurance costs, and excludes expenditures associated with caregiver training, facility license fees and medical

records. However, legal and consulting costs for cases not found in favor of facilities are not considered allowable expenses.

- The Capital cost component is based on a fair rental value system (FRVS), which reimburses a facility's property costs. The FRVS is used in lieu of actual cost and/or lease payments on land, buildings, fixed equipment and major moveable equipment used in providing resident care.
- The Direct Pass-Through cost component is comprised of Medi-Cal's proportional costs for property taxes, facility license fees, caregiver training, and new state or federal mandates. This also includes QAF reimbursement discussed in the Quality Assurance Fee section.
- Professional Liability Insurance cost component includes professional liability insurance costs. Effective August 1, 2010, this expense was removed from the Administrative cost component and made its own cost center.

INFLATION AND REBASING

The rate year in California is from August 1 to July 31. Rates are updated annually based on the most recent cost report data. Facilities must be audited a minimum of once every three years. Audit adjustment factors from prior fiscal period audits are applied to reported costs. For facilities not audited during the rate-setting year, audit adjustments based on the previous audit will be applied to the reported costs during intervening years (if not an audit). Fiscal year 2011 rates were calculated utilizing 2008 cost report data. Nursing facility Medi-Cal rates were not rebased in fiscal year 2012 and will not be rebased in fiscal year 2013.

In normal rebasing years, Direct Resident Care Labor and Indirect Care Labor costs are inflated forward using an inflation index based on the most recent industry-specific historical wage data available. Indirect Care Non-Labor, Administrative (caregiver training), Liability Insurance costs are inflated forward using the California Consumer Price Index (CCPI). Property tax costs are inflated 2% annually. Direct pass-through expenses are not inflated.

Beginning with fiscal year 2006, Medi-Cal has established maximum allowable increases in the weighted average Medicaid reimbursement rate from the prior year. The maximum allowable increase for fiscal years 2010 and 2011 was proposed to be 5.0%. However, due to California's fiscal

crisis, ABx4 5 (previously discussed in the Quality Assurance Fee section) eliminated the maximum and froze the statewide average reimbursement rate for fiscal years 2010 at the fiscal year 2009 level.

The statewide average reimbursement rate, via SB 853, allowed the stateside average reimbursement rate to increase up to 3.93% for fiscal year 2011. Based on increases to the QAF, in fiscal year 2012 rates were increased 0.426%. With the exception of a minor reduction ($0.87) in total potential rate add-ons, Medicaid rates in fiscal year 2013 (effective August 1, 2012) will remain frozen at fiscal year 2012 levels. Therefore, there will be no updates to individual cost component rates. The state has indicated that it will rebase rates in fiscal years 2014 and 2015. However, this rate increase will be limited to assure that the statewide weighted average rate does not increase by greater than 3.0% in either year.

In addition, via SB 853, the state approved a Quality and Accountability (Q&A) Program. Medicaid rates for fiscal year 2012 were to be reduced 1.0% as a set-aside for the Q&A program. The implementation of the program has been temporarily suspended until fiscal 2014.

RATE METHODOLOGY

A facility's per diem reimbursement rate is the sum of its six cost components. In typical rebasing years, allowable inflated costs within each component are divided by patient days, resulting in a facility's per diem rate. The components are subject to applicable maximum allowable reimbursement levels, or ceilings.

Historically, the total statewide weighted average per diem rate was $142.11 in fiscal year 2006 (as adjusted for 2006-2007 mandates), $148.59 in fiscal year 2007, $152.14 in fiscal year 2008, $161.81 in fiscal year 2009 and $164.27 in fiscal year 2010, which represented a 1.5% increase over the previous year. The weighted average rate for fiscal year 2011 was $173.34, which represents an approximate

5.5% increase from the prior year. The weighted average rate is projected to $177.65 in fiscal year 2012, which represents a 2.5% increase from the prior year.

Effective August 1, 2011, the state implemented two new rate add-ons, one for the conversion to MDS 3.0 and one to protect employees against airborne transmitted diseases. All facilities in the state receive these add-ons, which were $1.24 per day for the conversion to MDS and $0.86 for the protection against airborne transmitted diseases. The add-ons for MDS and the protection again airborne transmitted diseases are projected to decrease to $0.51 and $0.25, respectively, in fiscal year 2013. However, this will be partially offset by two additional add-ons equating to a total of approximately $0.47 per day. Overall, the total amount of add-on revenue a nursing facility can receive in fiscal year 2013 will be $1.23 per day, which is a $0.87 per day reduction from the prior year total ($2.10).

MINIMUM OCCUPANCY STANDARDS

Medi-Cal methodology does not utilize any minimum occupancy standards.

OTHER RATE PROVISIONS

Newly constructed nursing facilities with no cost history or an existing facility newly certified to participate in the Medi-Cal program will receive an interim reimbursement rate based on the peer grouped weighted average Medi-Cal reimbursement rate. Once the new nursing facility has submitted six months of audited cost data, its facility-specific rate will be calculated according to the methodology set forth by the state.

Nursing facilities that experience a change of ownership are not qualified for increases in reimbursement rates associated with the change of ownership. In instances where the previous owner participated in the Medi-Cal program, the state will reimburse the new owner the per diem payment

rate of the previous provider until the new owner or operator has submitted six or more months of audited cost data.

The nursing homes in California are eligible to be reimbursed by Medi-Cal for holding a bed for a resident that required hospitalization. Bed hold reimbursement is limited to a maximum of seven days per hospitalization. The nursing home is reimbursed its current per diem rate minus a-per diem raw food costs. Effective August 1, 2011, this per diem is $6.28. This amount will remain the same in fiscal year 2013.

PROPOSED CHANGES TO THE MEDI-CAL RATE CALCULATION

As of the date of this report, there is no significant planned or proposed legislation that would impact the state's reimbursement system.

CALIFORNIA REGULATORY OVERVIEW

The Department of Social Services, Community Care Licensing Division licenses assisted living facilities in California. Assisted living facilities are licensed as residential care facilities for the elderly (RCFE). An RCFE is a housing arrangement chosen voluntarily where 75% of the residents are 60 years of age or older and where varying levels of care and supervision are provided, as agreed to at the time of admission or as determined at subsequent times of reappraisal. Younger residents must have needs compatible with other residents.

Legislation enacted in 2012 in regards to RCFEs includes: Assembly Bill (AB) 40, AB 2066, Senate Bill (SB) 1329 and SB 345. AB 40 requires that mandated reporters of elder or dependent adult abuse report specified incidents of physical abuse directly to the California Department of Social Services (CDSS), law enforcement officials and the State Ombudsman with the suspected abuse form (SOC 341).

AB 2066 requires the CDSS to establish a closure date of a RCFE of 60 days after the CDSS order of revocation of a license. The CDSS has the authority to reset the date to one sooner than 60 days after revocation if substantial health and/or safety threats develop. AB 2066 allows a licensee to contract for the services of an unrelated entity to oversee the daily operations of the facility as an interim 60-day co-licensee as approved by the CDSS Community Care Licensing Division (CCLD).

SB 1329 allows RCFEs of 16 or more residents and other specified entities to donate unused medication to a prescription drug depository and distribution program providing medication to medically indigent patients free of charge. It also expands which pharmacies are eligible to dispense donated medication.

SB 345 aligns, through amendment and repeal, Welfare and Institutions Code Sections relating to the Office of the State Long Term Care Ombudsman and its roles and responsibilities to federal law, the Older Americans Act, Title VII, Chapter 2, Sections 711/712.

An admission agreement must be completed prior to a resident being accepted. The agreement must include available basic and optional services, service rates, payment provisions and refund conditions. Written notice must be given to a resident 60 days prior to any basic rate change. Written notice must also be provided to a resident and the resident's representative for rate increases due to a change in the resident's level of care within two business days after initially providing services at the new level of care. Admission agreements should also disclose:

- A comprehensive description of any items and services provided under a single fee;
- A description and schedule of all items and services not included in the single fee;
- A description of any preadmission fee (a licensee cannot require a preadmission fee from a recipient under the State Supplementary Program for the Aged, Blind and Disabled;
- An explanation for the use of third-party services;
- A comprehensive description of billing and payment policies and procedures;
- Conditions under which rates may be increased;

- Policy concerning family visits and refunds; and
- Conditions under which the agreement may be terminated.

The admission agreement should also include eviction policies and procedures and must state the rights of the resident when a licensee evicts a resident. A new law requires RCFEs to provide language in an eviction notice stating that the licensee must file an unlawful detainer action in superior court and receive a written judgment signed by a judge in order to evict a resident who stays in the facility after the effective date of a 30- or three-day eviction. The agreement should also contain information about the facility's closure plan to assist residents in the event of a closure, as well as the relocation assistance offered by the facility. If the facility advertises or promotes specialized care, such as care of persons with dementia, then additional disclosures are required.

Scope of Care

The facility may provide assistance with activities of daily living (ADLs), observation and reassessment, postural support that can be released by the resident, and other types of care. Residents with the following conditions or requiring the following services may be cared for so long as the provider complies with the applicable RCFE regulations for that condition. These incidental medical services include administration of oxygen, catheter care, colostomy/ileostomy care, contractures, diabetes, enemas/suppositories, incontinence, injections, intermittent positive pressure breathing machine, stage I and II dermal ulcers and wound care. Health-related conditions specified in regulations can be cared for as long as the applicable RCFE regulations are followed and those procedures and services requiring a nurse or physical therapist are provided by the appropriately skilled professional. Dementia and hospice care can also be provided if regulations are met.

Outside agencies that provide home health or hospice services, among others, may provide licensed medical services within their scope of practice to RCFE residents who have conditions allowed in a licensed RCFE setting. However, the facility staff is prohibited from providing any care beyond that allowed within the parameters of the RCFE license. Staff members should also refrain from

administering medications to residents unless they are appropriately skilled professionals acting within their scope of practice. However, they may assist with the self-administration of medications.

Private paid personal assistants (PPPAs) may only provide services that the licensee is not required to provide. PPPAs can provide companionship, additional baths or assist with the self-administration of medication, but only if the resident's physician approves the storing and administering of his/her own medications. PPPAs must have criminal background checks.

An assessment of residents must be performed prior to move in, including an evaluation of functional capacity, mental condition and social factors. A form is available at the CCLD website, although no standardized form is required. A comprehensive physician report is also part of the resident assessment tool and must be updated upon significant change in condition. The assessment overall must be updated at least once a year, or upon significant change in resident condition.

Residents may not be admitted if they have active communicable tuberculosis; require 24-hour skilled nursing or intermediate care; have a mental disorder resulting in ongoing behavior that would upset the general resident group; would require a greater amount of care and supervision than the other residents; or cannot generally benefit from the program services available at the facility. Residents must be assessed prior to move-in. However, there is no standardized form required. Residents' appraisals must be updated at least once a year, or when their condition changes significantly. A report from a physician is required for the assessment, and should also be updated upon a significant change in condition.

A 30-day notice may be issued by the facility for: nonpayment of the basic services within 10 days of the due date; failure to comply with the state or local law; failure to comply with general facility policies; the resident is no longer appropriate for the facility and level of care; or if there is change in

the use of the facility. If evidence supports that a resident is a threat to himself or others, a three-day eviction notice may be granted.

FACILITY REQUIREMENTS

The regulations allow for private or semiprivate resident rooms. Resident rooms must be furnished by the licensee or resident and be of sufficient size to allow for easy passage of the resident and equipment. A maximum of two residents is allowed per resident unit. Private and shared toilets, bathing and lavatory facilities are permitted. There must be at least one toilet and washbasin per six persons and one bathtub or shower for each 10 persons including residents, family and facility-dwelling staff.

Prior to being licensed, each facility must secure and maintain an appropriate facility fire clearance approved by the fire authority that has jurisdiction. All RCFEs must have smoke detectors.

Residents diagnosed with dementia may be admitted to an RCFE if an annual medical assessment, adequate supervision, enhanced physical plant safety requirements and an appropriate activity program are provided. For residents having dementia, use of egress alert devices, delayed egress and locked facility doors and perimeters are allowed if specified additional requirements are met. Delayed egress and locked doors/perimeters require special fire clearances, and are only allowed with approval from CCLD. Resident and/or responsible person consent is required prior to use of delayed egress devices or locked facility doors.

STAFFING REQUIREMENTS

In RCFEs caring for 16 or more residents, there must be awake night staff. In facilities with dementia residents, there must be an adequate number of direct care staff to support each resident's physical, social, emotional, safety and health care needs as identified at time of admission or reassessment. In

facilities with fewer than 16 residents, if a resident with dementia is determined to require awake night supervision, there must be one awake staff member at all times.

An administrator must complete a 40-hour initial Certification Training Program from one of the department's approved training vendors and pass a written test. Nursing home administrators must complete 12 of the 40 hours in areas of laws and regulations, use and misuse of medication, and resident admission, retention and assessment procedures if they possess a valid Nursing Home Administrator license. Nursing home administrators with a current and valid administrator's license are exempt from taking the test administered by the department.

To administer a facility licensed for 16 or more residents, an administrator must have specified college or continuing education credits and experience providing residential care to the elderly. All employees in facilities of 16 or more residents must complete 16 hours of initial training, including eight hours of shadowing training. Direct care staff must pass an exam and complete additional training per each 12-month period. Facilities must retain documentation that proves a consultant pharmacist or nurse has reviewed the facility's medication program and procedures at least twice a year. Food service and activity directors in facilities with a capacity of 16 or more must have specified experience and education.

Direct care staff at facilities licensed for 15 or fewer residents must complete six hours of initial training, including two hours of hands-on shadowing training.

All staff who assist residents with personal ADLs must receive at least 10 hours of training within the first four weeks of employment and at least four hours annually thereafter. Staff providing direct care to residents must complete a first aid course by such agencies as the Red Cross, and each RCFE shall provide training in recognizing and reporting elder and dependent adult abuse. Prior to admission of a resident with a restricted health condition, the licensee shall ensure that facility staff who will

participate in meeting the resident's specialized care needs complete training provided by a licensed professional to meet those needs, which should include hands-on instruction in general procedures and resident-specific procedures.

Administrators must complete 40 hours of continuing education units every two years in areas related to any of the uniform core knowledge areas and must include eight hours in Alzheimer's disease and dementia training. Administrators that hold a current license are only required to complete 20 of the 40 hours of continuing education. For any administrator, 20 hours of continuing education may be completed on-line.

DEMENTIA WAIVER

Licensed assisted living facilities that accept and retain residents with dementia are required to have a dementia waiver. With a dementia waiver, the licensee may accept and retain residents who are incapable of demonstrating the mental competence and physical ability to leave a building without assistance of any other person or without the use of any mechanical aid in case of an emergency. Licensees are required to submit additional information that include operation and training plans, an activity program plan that addresses the needs and limitations of residents with dementia, including large motor activities and perceptual and sensory stimulation. Licensees are also required to submit a written plan developed with the concurrence of each resident's physician that includes facility-wide practices and resident-specific procedures to minimize the need for psychoactive medication. In addition, the facility staff is required to be trained in dementia care, identifying and reporting resident abuse and neglect, and the behavioral effects of medications on residents with dementia. Each resident with dementia must have an annual medical assessment and an annual reappraisal, both of which shall include a reassessment of the resident's dementia-care needs.

RCFEs that advertise specialized Alzheimer's and dementia care are to meet additional staff training requirements, including six hours of dementia care orientation within the first four weeks of employment and eight hours minimum of dementia care in-service training per year.

MEDICAID REIMBURSEMENT

The Department of Health Care Services (DHCS) offers a federal home- and community-based services waiver to provide a Medi-Cal benefit to persons participating in the Assisted Living Waiver (ALW). Participants must be both Medi-Cal eligible and nursing-home eligible, and may reside in either a licensed RCFE or publicly subsidized housing.

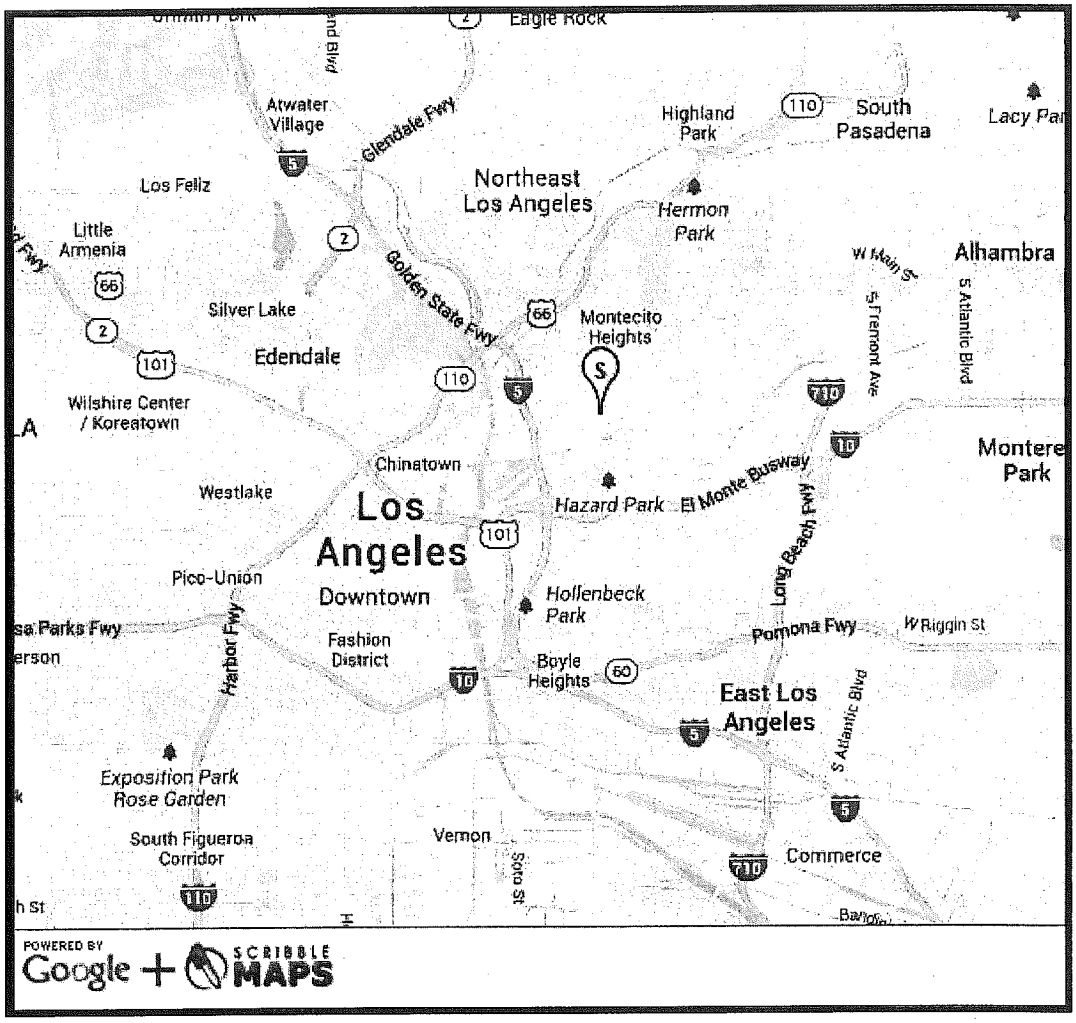
The ALW is serving or is scheduled to serve beneficiaries in Los Angeles, Sacramento, San Joaquin, San Bernardino, Riverside, Sonoma and Fresno counties.

REGIONAL ANALYSIS

The subject property is located in Los Angeles, Los Angeles County, California. The subject property is located in the Greater Los Angeles Metropolitan Area. Los Angeles County is larger than the combined area of Delaware and Rhode Island, covering 4,083 square miles, including 76 miles of coastline. Situated in the southwest corner of the state, Los Angeles County is bounded by Ventura County to the northwest, Kern County to the north, San Bernardino to the northeast and Orange County to the southeast. Approximately 29.0% of California's residents live in Los Angeles County, which consists of 88 cities.

The Greater Los Angeles Area is home to over 16 million people and is the world's 12th-largest economy. The $500 billion in gross regional output in 2000 represents 5.0% of all U.S. jobs. The Los Angeles economy is led by the motion picture, foreign trade and manufacturing industries. The Los Angeles basin had nearly 7.5 million jobs in 2000, accounting for half of the state's total economic activity. The services sector is the region's largest major industry category, led by business and health services, which account for over two million jobs. Los Angeles County is the largest international trade center in the United States. It is also a national leader in manufacturing and distribution. Perched on the edge of the Pacific Rim, its system of harbors, airports, transcontinental railroads and

freeways will make it possible for the country to capitalize on the near doubling of trade with Pacific Rim countries that is anticipated to occur over the next 15 to 20 years.



TRANSPORTATION

The city has excellent transportation linkages to surrounding areas. Major freeways traveling in all directions surround the subject area, providing rapid access to the entire state and nation. Major highways and freeways within proximity to the subject include the following:

- Interstate 5 runs north/south that merges and spans the West Coast, originating at the nation's busiest international border crossing at San Ysidro (San Diego), California, and culminating at Blaine, Washington. This freeway connects all of the major population centers of the western seaboard, including San Diego, Santa Ana, Anaheim, Los Angeles, Sacramento, Portland and Seattle.
- U.S. 101 (Hollywood Freeway) runs north/south from Los Angeles along the coast to the Canadian border in the north.
- State Route 2 (Glendale Freeway) forms the subject neighborhood's western border and runs north/south from the Silver Lake neighborhood of Los Angeles to La Canada Flintridge to the north.
- Interstate 10 (Santa Monica Freeway) runs east/west from Santa Monica on the west coast through downtown Los Angeles and across the nation to Jacksonville, Florida, on the east coast.
- Interstate 110 (Harbor Freeway) stretches north/south from San Pedro in the south through downtown Los Angeles and to Pasadena in the northeast.
- Interstate 710 runs north/south from Alhambra to San Pedro Port.

Public bus transportation is provided by the Los Angeles County Transportation Authority and Greyhound Bus Lines. Transportation service for the elderly is provided by Dial-A-Ride and Access Services, Inc.

Metrolink, Amtrak and the Metropolitan Transit Authority (MTA) provide passenger rail transportation in the area. General transportation information is available at Caltrans Transportation Hotline.

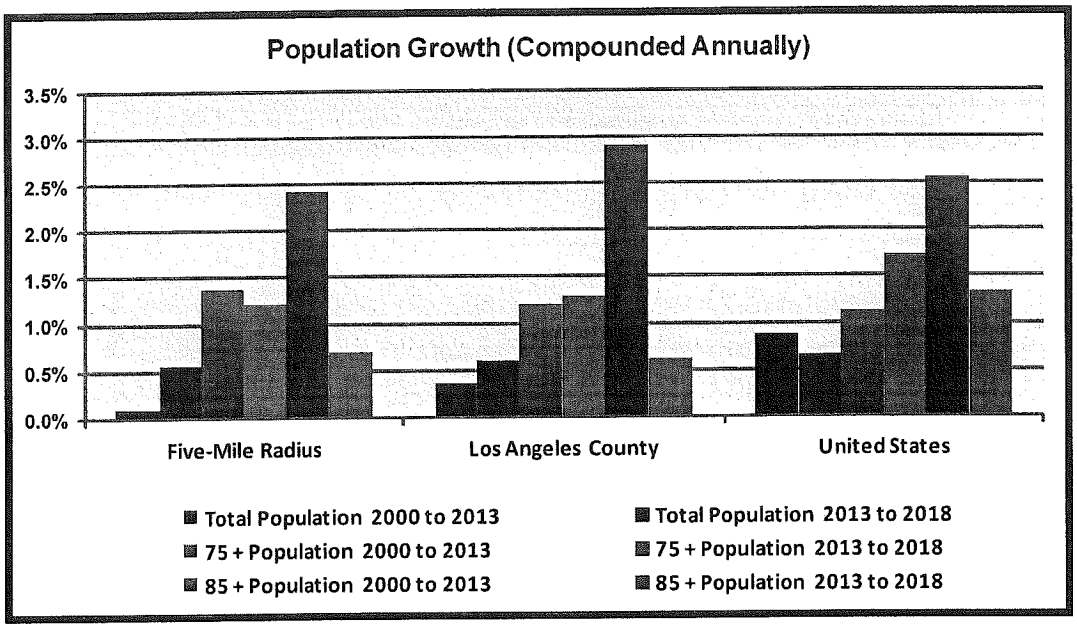
Water transportation is provided at Los Angeles County's San Pedro Bay Ports, composed of the Los Angeles and Long Beach shipping harbors. It is the largest port complex in the United States and is currently undergoing expansion. The complex ranks third in the world in terms of containers moved, after Singapore and Hong Kong.

Passenger air transportation is provided by Los Angeles International Airport, 13 miles southwest of the subject; Burbank Bob Hope International Airport is approximately 13 miles northwest of the subject and Long Beach Airport is approximately 16 miles south of the subject property.

DEMOGRAPHICS

The 2000 census, 2013 estimate and 2018 projections for the total population and the 65-plus, 75-plus and 85-plus age cohorts are presented in the following tables:

Population Growth					
	2000 Census	2013 Estimate	CAGR	2018 Projection	CAGR
Total Population					
Five-Mile Radius	1,078,675	1,091,042	0.1%	1,121,789	0.6%
Los Angeles County	9,519,329	9,969,384	0.4%	10,271,386	0.6%
United States	281,421,942	314,861,807	0.9%	325,322,277	0.7%
65+ Population					
Five-Mile Radius	81,572	98,317	1.4%	112,466	2.7%
Los Angeles County	926,712	1,150,007	1.7%	1,337,385	3.1%
United States	34,991,852	43,861,920	1.8%	50,997,686	3.1%
65+ Population, as a % of Total Population					
Five-Mile Radius	7.6%	9.0%	N/A	10.0%	N/A
Los Angeles County	9.7%	11.5%	N/A	13.0%	N/A
United States	12.4%	13.9%	N/A	15.7%	N/A
75+ Population					
Five-Mile Radius	36,495	43,509	1.4%	46,206	1.2%
Los Angeles County	433,869	506,106	1.2%	539,723	1.3%
United States	16,600,982	19,158,070	1.1%	20,873,124	1.7%
75+ Population, as a % of Total Population					
Five-Mile Radius	3.4%	4.0%	N/A	4.1%	N/A
Los Angeles County	4.6%	5.1%	N/A	5.3%	N/A
United States	5.9%	6.1%	N/A	6.4%	N/A
85+ Population					
Five-Mile Radius	9,360	12,763	2.4%	13,214	0.7%
Los Angeles County	109,160	158,118	2.9%	163,100	0.6%
United States	4,239,540	5,876,669	2.5%	6,278,130	1.3%
85+ Population, as a % of Total Population					
Five-Mile Radius	0.9%	1.2%	N/A	1.2%	N/A
Los Angeles County	1.1%	1.6%	N/A	1.6%	N/A
United States	1.5%	1.9%	N/A	1.9%	N/A
Source: The Nielsen Company					
**CAGR - Compounded Annual Growth Rate*					



The general population in the U.S., Los Angeles County and the five-mile radius is projected to increase. The senior population in the U.S., Los Angeles County and the five-mile radius is projected to increase at a faster rate than the total population over the next five years. This suggests stability within the senior market for both Los Angeles County and the five-mile radius.

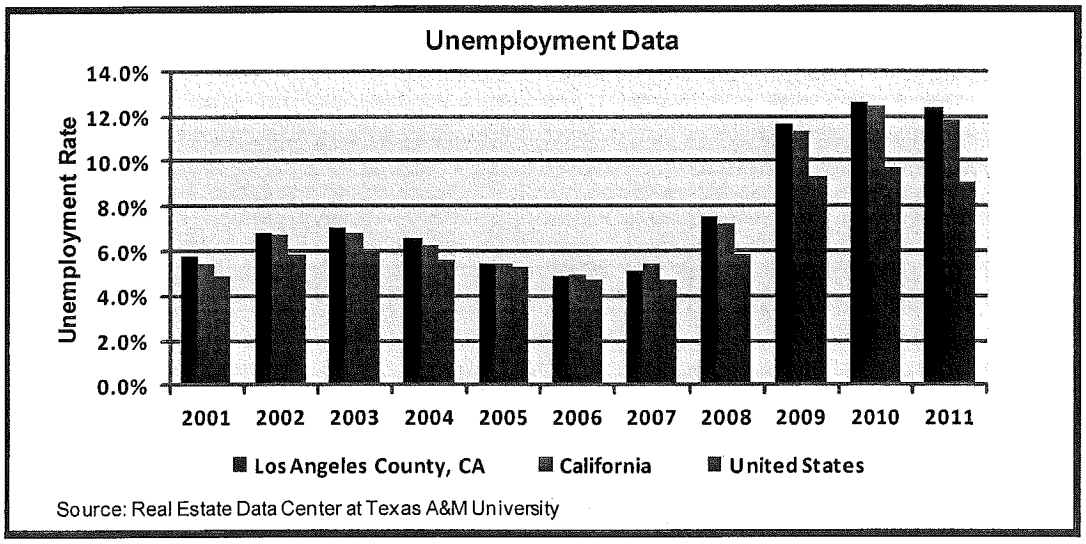
EMPLOYMENT

As indicated in the following table, the county labor force decreased from 4,566,914 in 2008 to 4,322,993 in 2011. During that same time, the unemployment rate in Los Angeles County changed from 7.5% in 2008 to 11.6% in 2009, 12.6% in 2010 and 12.3% in 2011. In 2011, the national unemployment rate was lower than Los Angeles County's unemployment rate.

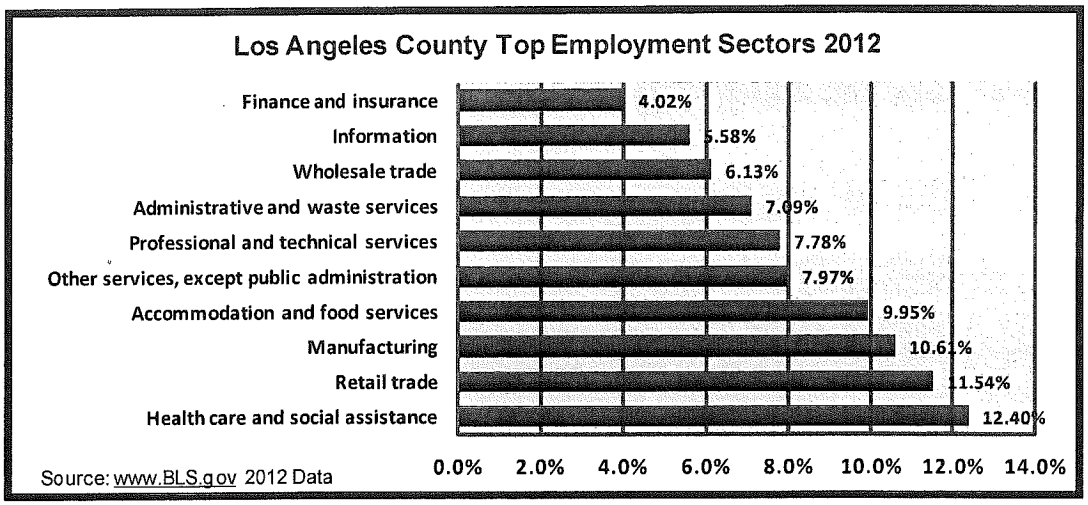
Employment Information												
	Los Angeles County, CA				California				United States			
Date	Total Employment	% Change	Unemployment Rate	% Change	Total Employment	% Change	Unemployment Rate	% Change	Total Employment	% Change	Unemployment Rate	% Change
2000	4,424,894	-	5.4%	-	16,024,341	-	4.9%	-	138,117,863	-	4.0%	-
2001	4,483,355	1.3%	5.7%	0.3%	16,220,033	1.2%	5.4%	0.5%	138,241,765	0.1%	4.8%	0.8%
2002	4,447,115	-0.8%	6.8%	1.1%	16,180,799	-0.2%	6.7%	1.3%	137,936,672	-0.2%	5.8%	1.0%
2003	4,427,053	-0.5%	7.0%	0.2%	16,200,064	0.1%	6.8%	0.1%	138,386,941	0.3%	6.0%	0.2%
2004	4,454,108	0.6%	6.5%	-0.5%	16,354,779	1.0%	6.2%	-0.6%	139,988,841	1.2%	5.6%	-0.4%
2005	4,516,008	1.4%	5.4%	-1.1%	16,592,204	1.5%	5.4%	-0.8%	142,328,021	1.7%	5.2%	-0.4%
2006	4,578,726	1.4%	4.8%	-0.6%	16,821,266	1.4%	4.9%	-0.5%	144,990,051	1.9%	4.7%	-0.5%
2007	4,625,623	1.0%	5.1%	0.3%	16,960,730	0.8%	5.4%	0.5%	146,397,562	1.0%	4.7%	0.0%
2008	4,566,914	-1.3%	7.5%	2.4%	16,893,860	-0.4%	7.2%	1.8%	146,068,941	-0.2%	5.8%	1.1%
2009	4,336,969	-5.0%	11.6%	4.1%	16,151,063	-4.4%	11.3%	4.1%	140,721,690	-3.7%	9.3%	3.5%
2010	4,294,202	-1.0%	12.6%	1.0%	16,063,550	-0.5%	12.4%	1.1%	139,982,125	-0.5%	9.7%	0.4%
2011	4,322,993	0.7%	12.3%	-0.3%	16,237,286	1.1%	11.8%	-0.6%	140,943,799	0.7%	9.0%	-0.7%
2012	4,345,723	0.5%	10.9%	-1.4%	16,560,348	2.0%	10.5%	-1.3%	143,574,126	1.9%	8.1%	-0.9%
2013 - Jan	4,357,751	0.8%	10.9%	-1.4%	16,631,898	2.4%	10.4%	-1.4%	142,647,214	1.2%	8.6%	-0.4%
Feb	4,418,003	1.4%	10.3%	-0.6%	16,835,907	1.2%	9.7%	-0.7%	143,257,989	0.4%	8.1%	-0.5%
Mar	4,409,777	-0.2%	9.9%	-0.4%	16,816,802	-0.1%	9.4%	-0.3%	143,719,559	0.3%	7.7%	-0.4%
Apr	4,439,362	0.7%	9.3%	-0.6%	16,944,904	0.8%	8.5%	-0.9%	143,073,939	-0.4%	7.8%	0.1%
May	4,469,608	0.7%	9.2%	-0.1%	17,080,583	0.8%	8.1%	-0.4%	145,449,778	1.7%	7.3%	-0.5%
Jun	4,465,624	-0.1%	10.2%	1.0%	17,038,189	-0.2%	8.9%	0.8%	145,857,596	0.3%	7.8%	0.5%
Jul	4,451,602	-0.3%	10.8%	0.6%	16,947,100	-0.5%	9.3%	0.4%	146,125,306	0.2%	7.7%	-0.1%
Aug	4,486,406	0.8%	10.2%	-0.6%	17,005,863	0.3%	8.8%	-0.5%	145,515,974	-0.4%	7.4%	-0.3%

Source: Real Estate Data Center at Texas A&M University

The following chart depicts unemployment trends in the last 10 years:



The following chart presents an overview of industry percentages:



The largest employers of Los Angeles County are summarized in the following table:

Major Employers		
Employer	Number of Employees	Industry
American Honda Motor Co.	Torrance	Auto Wholesale
California Institute of Technology	Pasadena	Academic
California State Northridge	Northridge	Academic
Cedars Sinai Medical Center	West	Medical
Fire Command Control	Los Angeles	Fire Department
Gold Coast Tire Company	Los Angeles	Storage & Retail
Kaiser Permanente	Los Angeles	Medical
USC Medical Center	Los Angeles	Medical
Los Angeles County Sheriff	Monterey Park	Police Department
Los Angeles County Sheriff	Los Angeles	Police Department

Source:America's Labor Market Information System (ALMIS) Employer Database, 2011 1st Edition

EDUCATION

Los Angeles is served by the Los Angeles Unified School District (LAUSD). LAUSD served 662,140 students during the 2011-2012 school year. It is the second-largest public school district in the United States, after the New York City Department of Education.

In addition, Los Angeles County is home to over 80 colleges and universities including several well-known universities. The largest universities are the University of Southern California (USC), the University of California Los Angeles (UCLA) and Loyola Marymount University (LMU). Other universities include California State University Los Angeles (CSULA), California State University Northridge (CSUN) and Pepperdine University, located in Malibu.

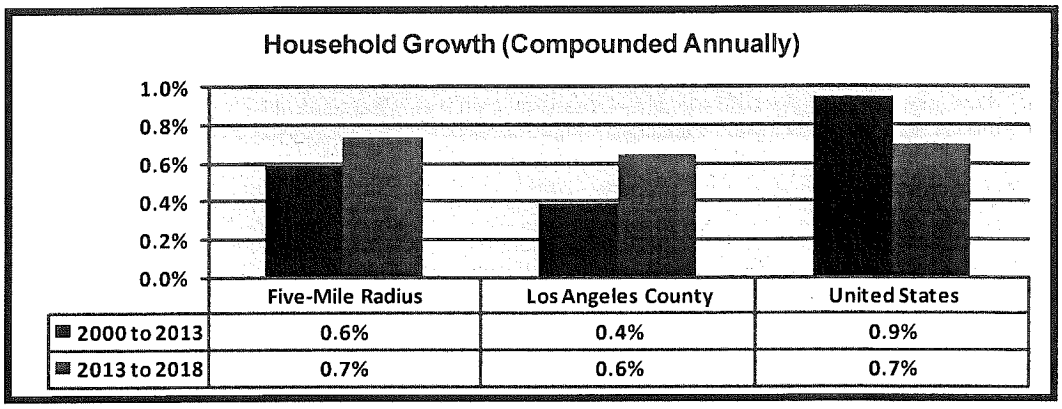
HOUSING

The following table presents housing characteristics for the city, county and nation:

Housing Characteristics					
	2000	2013	CAGR	2018	CAGR
Households					
Five-Mile Radius	303,817	327,776	0.6%	339,902	0.7%
Los Angeles County	3,133,620	3,293,054	0.4%	3,398,794	0.6%
United States	105,480,131	119,206,509	0.9%	123,405,917	0.7%
Median Household Income					
Five-Mile Radius	$25,099	$32,542	2.0%	$32,803	0.2%
Los Angeles County	$43,098	$53,880	1.7%	$54,740	0.3%
United States	$42,728	$49,297	1.1%	$49,815	0.2%
Median Home Value					
Five-Mile Radius	$168,381	$315,637	5.0%	$293,285	-1.5%
Los Angeles County	$201,648	$369,400	4.8%	$347,514	-1.2%
United States	$112,465	$171,345	3.3%	$176,692	0.6%
	2000	2013	% Change	2018	% Change
Household Size					
Five-Mile Radius	3.55	3.33	-6.2%	3.30	-0.8%
Los Angeles County	3.04	3.03	-0.3%	3.02	-0.2%
United States	2.67	2.64	-1.0%	2.64	-0.2%
Percentage of Homeowners					
Five-Mile Radius	24.4%	24.0%	-1.3%	23.9%	-0.8%
Los Angeles County	47.9%	47.5%	-0.7%	47.4%	-0.3%
United States	66.2%	65.0%	-1.8%	64.9%	-0.2%
Source: The Nielsen Company					

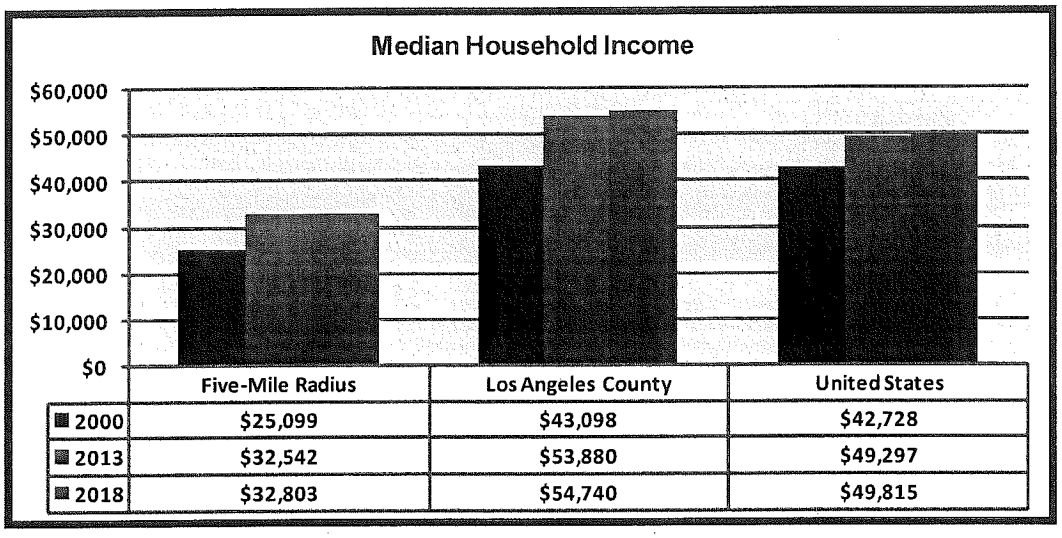
HOUSEHOLDS

Based on the above statistics, households in the U.S., Los Angeles County and the five-mile radius have increased since 2000 and are projected to increase over the next five years.

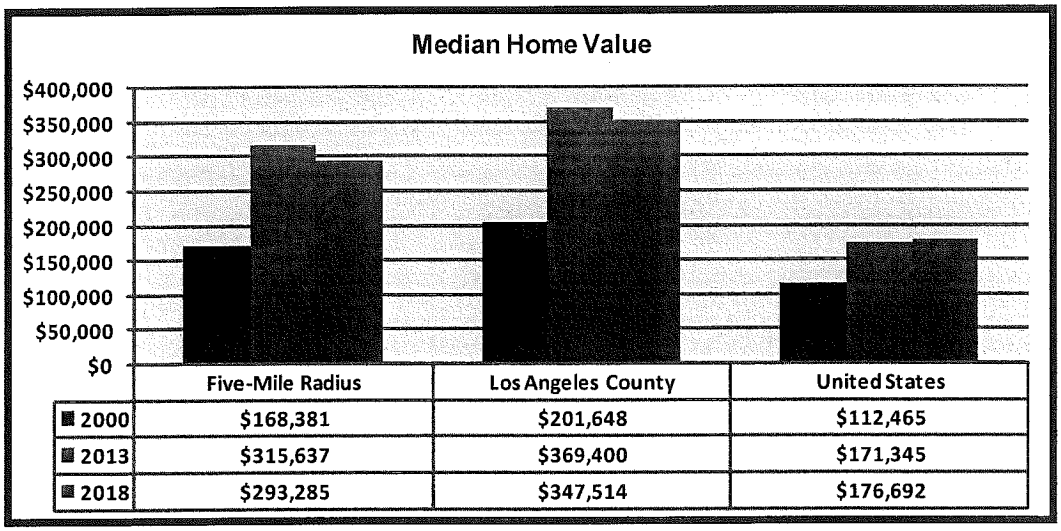


	Five-Mile Radius	Los Angeles County	United States
2000 to 2013	0.6%	0.4%	0.9%
2013 to 2018	0.7%	0.6%	0.7%

The median household income and median home value have increased in both the five-mile radius and Los Angeles County. This trend is not expected to continue over the next five years.



	Five-Mile Radius	Los Angeles County	United States
2000	$25,099	$43,098	$42,728
2013	$32,542	$53,880	$49,297
2018	$32,803	$54,740	$49,815

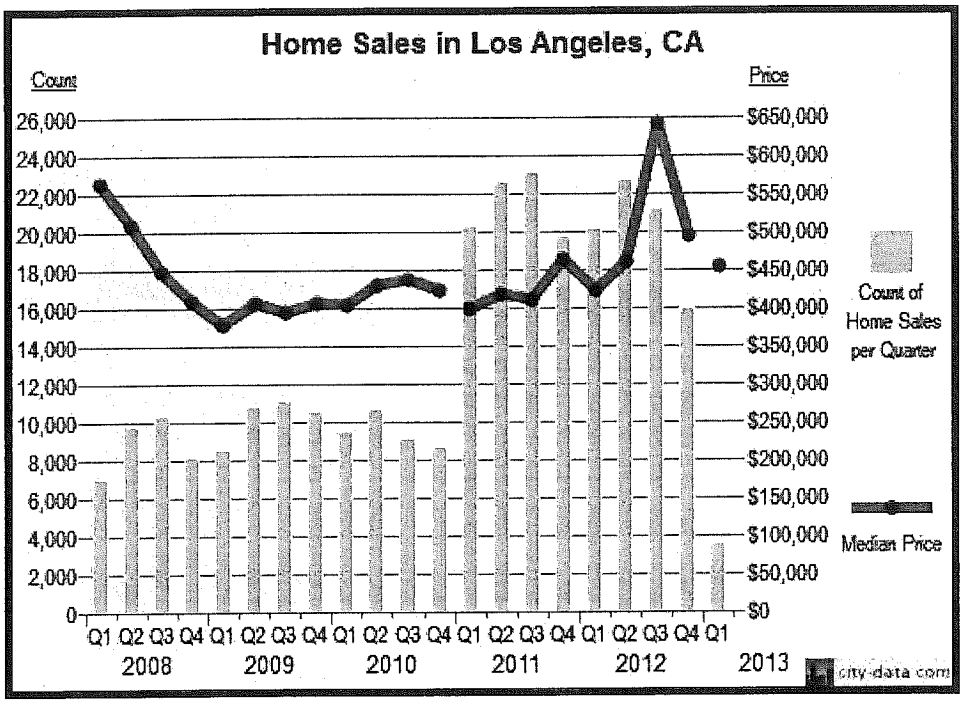


	Five-Mile Radius	Los Angeles County	United States
2000	$168,381	$201,648	$112,465
2013	$315,637	$369,400	$171,345
2018	$293,285	$347,514	$176,692

MEDIAN HOME PRICES

There is a variety of housing available in Los Angeles and the surrounding areas. The subject is located in zip code 90033. The median list prices and median home sales are shown in the following table and chart.

Median List Prices				
Community	**Zip Code**	**Price**	**Previous Year**	**From**
Los Angeles	**90033**	**$279,100**	**39.6%**	**-1.7%**
Los Angeles	90032	$335,000	N/A	8.5%
Los Angeles	90065	$560,900	35.9%	1.3%
Los Angeles	90042	$418,400	15.5%	6.3%
Los Angeles	90026	$616,000	22.3%	-3.4%
Los Angeles	90012	$475,000	19.3%	22.1%
Los Angeles	90063	$285,900	N/A	N/A
Source: www.zillow.com				



HOUSEHOLD SIZE

Between 2000 and 2013, the household size in the U.S. decreased 1.0% and is expected to decrease by 0.2% over the next five years. From 2000 to 2013, the household size in Los Angeles County decreased by 0.3% and is expected to decrease by 0.2% over the next five years. During the same period, the

household size in the five-mile radius decreased by 6.2% and is expected to decrease by 0.8% over the next five years.

PERCENTAGE OF OWNERS

Between 2000 and 2013, the percentage of homeowners in the U.S. decreased 1.8% and is expected to decrease by 0.2% over the next five years. From 2000 to 2013, the percentage of homeowners in Los Angeles County decreased by 0.7% and is expected to decrease by 0.3% over the next five years. During the same period, the percentage of homeowners in the five-mile radius decreased by 1.3% and is expected to decrease by 0.8% over the next five years.

HEALTHCARE

HOSPITALS

The following is a summary of acute-care hospitals within a four-mile radius of the subject:

Hospitals		
Facility	**Beds**	**Distance (Miles)**
White Memorial Medical Center	353	0.4
LAC+USC Medical Center	674	1.2
Keck Hospital of USC	334	1.7
Pacific Alliance Medical Center	142	1.9
East Los Angeles Doctors Hospital	127	2.5
Los Angeles Community Hospital	180	2.6
Good Samaritan Hospital	313	2.6
California Hospital Medical Center	304	2.6
Silver Lake Medical Center - Downtown	186	3.0
Saint Vincent Medical Center	366	3.3
Total	**2,979**	
Source: www.ahd.com		

White Memorial Medical Center is a 353-bed acute-care facility located 0.4 miles northeast of the subject. Keck Hospital is a private teaching hospital, part of the Keck School of Medicine, located on the USC Health Sciences Campus adjacent to the LAC+USC Medical Center in East Los Angeles. The

facility offers some of the most sophisticated technology available, with advanced services including neurointerventional radiology, cardiac catheterization and interventional cardiology.

The following table summarizes historical discharge statistics of nearby acute-care facilities:

Historical Discharge Statistics					
Facility	**FY 2012**	**FY 2011**	**FY 2010**	**FY 2009**	**FY 2008**
White Memorial Medical Center					
Total Discharges	4,021	4,051	4,089	3,928	3,788
Discharges to Skilled Nursing Facilities	806	893	984	964	932
Facility	**FY 2012**	**FY 2011**	**FY 2010**	**FY 2009**	**FY 2008**
LAC+USC Medical Center					
Total Discharges	1,512	1,272	1,836	1,702	2,008
Discharges to Skilled Nursing Facilities	169	129	201	174	181
Facility	**FY 2012**	**FY 2011**	**FY 2010**	**FY 2009**	**FY 2008**
Keck Hospital of USC					
Total Discharges	3,727	4,128	3,590	2,731	2,699
Discharges to Skilled Nursing Facilities	408	426	344	244	237
Source: www.ahd.com					

CONCLUSION

Population is expected to increase in the city, county and nation over the next five years. The 75-plus population is expected to increase in the city and county over the next five years. Median incomes are expected to increase in the city, county and nation over the next five years. Based upon the increases in the 75-plus population, coupled with income gains, the demand for intermediate care and independent living services should increase.

NEIGHBORHOOD ANALYSIS

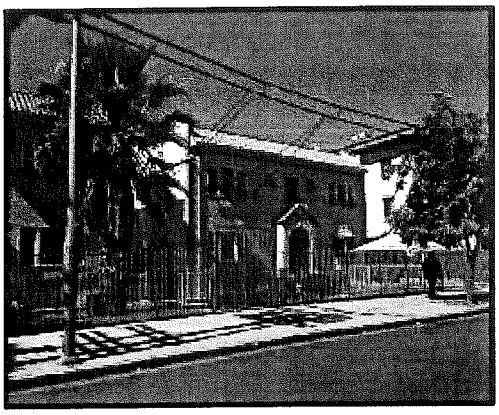
Neighborhoods may be devoted to one or more uses such as residential, commercial, industrial, agricultural, and cultural and civic activities. Analysis of the neighborhood in which a particular property is located is important due to the fact that the various economic, social, political and physical forces that affect the neighborhood also directly influence the individual properties within it. An analysis of these various factors as they affect the subject property is presented in the following discussion.

The subject is situated in east-central Los Angeles in the Boyle Heights district. The subject is located in a triangular pocket formed by the juncture of several freeways, known as the East Los Angeles Interchange. To the south is the juncture of U.S. Route 101, Interstate 5, State Route 60 and Interstate 10. State Route 60 approaches from the east and turns into Interstate 10, which continues west. Interstate 10 approaches from the west and turns into Interstate 5, which travels north. Interstate 5 approaches from the south and splits into U.S. Route 101 and Interstate 5, continuing north. To the north is the juncture of Interstate 10 and U.S. Route 101. Interstate 10 approaches from the east and continues west as U.S. Route 101. The following table presents the neighborhood boundaries:

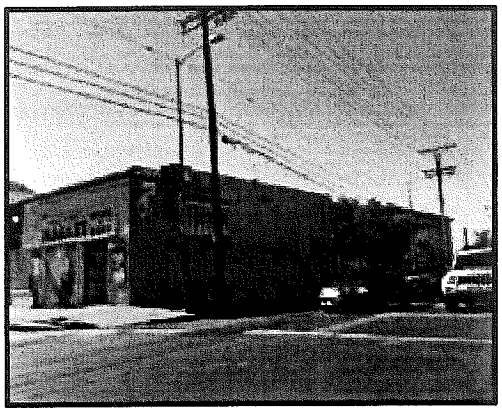
NORTH	**U.S. Route 101/Interstate 10** North of the subject is average quality single- and multifamily residential, followed by the Boyle Heights Metro station and Mariachi Plaza, as well as White Memorial Medical Center, an acute-care hospital. There are medical-related uses and neighborhood commercial along East Cesar E. Chavez Avenue. At the north portion of the neighborhood abutting U.S. Route 101/Interstate 10 is Prospect Park and Bridge Street Elementary School.
SOUTH	**Whittier Boulevard** The subject is bordered to the south by fair quality neighborhood commercial across 4th Street, followed by two- to four-family and multifamily residential along South Boyle Avenue. These uses are succeeded by the International Institute of LA and PUENTE Learning Center, along with more residential along the east side of the street. Toward the south portion of the neighborhood along the west side of South Boyle Avenue is Hollenbeck Palms, a retirement community that is one of the subject's competitors.
EAST	**Interstate 5/10** East of the subject is average quality residential up to Interstate 5, with fair quality neighborhood commercial along East 4th Street and East 1st Street. Second Street Elementary School is at the eastern edge of the neighborhood abutting Interstate 5. According to Zillow.com, single-family homes in the neighborhood have recently sold from $120,000 to $350,000 and were generally built in the early 1900s.
WEST	**U.S. Route 101** At the rear of the subject to the west is 3rd Street, which runs behind the entire parcel, followed by U.S. Route 101. Farther west is fair quality single-family residential, followed by industrial uses along the Los Angeles River. Downtown Los Angeles is located directly west of the subject, approximately 1.5 miles away.

The following pictures depict the land uses surrounding the subject:

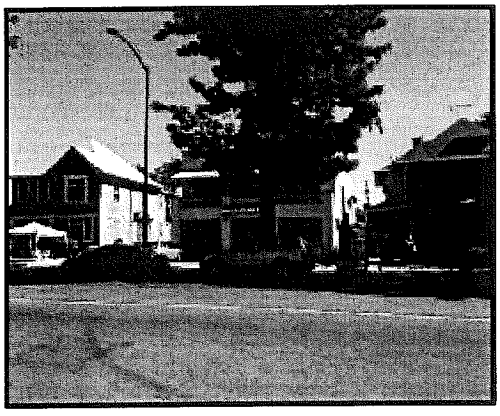
ADJACENT USE TO THE NORTH



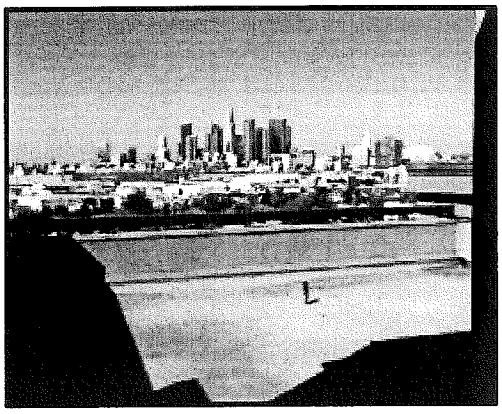
ADJACENT USE TO THE SOUTH



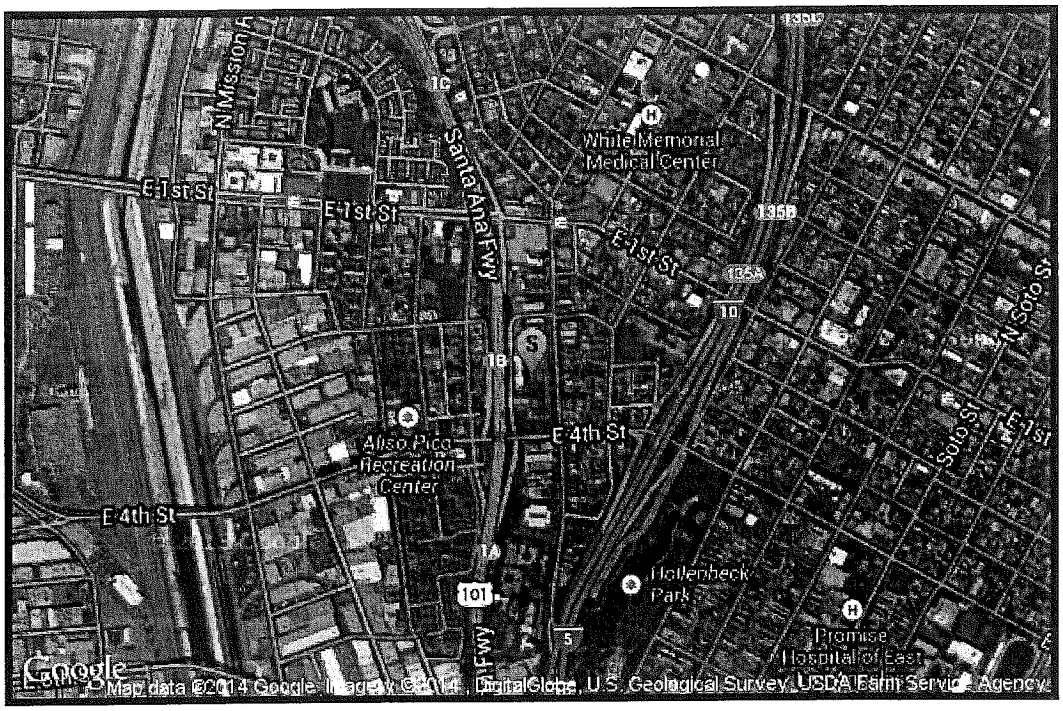
ADJACENT USE TO THE EAST



ADJACENT USE TO THE WEST



Major land uses in the neighborhood include White Memorial Medical Center, senior care facilities, including the subject and Hollenbeck Palms, and single- and multifamily residential. The subject and its surroundings are included in the following photograph:



Every neighborhood has a dynamic quality of its own. This quality can be described as the life cycle of the neighborhood. There are four stages that a neighborhood will typically encounter. These phases, in the order in which they typically appear, are defined below.

Growth – A period during which the neighborhood gains public favor and acceptance.
Stability – A period of equilibrium without marked gains or losses.
Decline – A period of diminishing demand.
Revitalization – A period of renewal, modernization and increasing demand.

The complementary land uses that comprise a neighborhood typically evolve around these four stages. These four stages describe the neighborhood in a general way and are not a specific guide to market trends. No set number of years is assigned to any of the cycles, and a neighborhood can remain in a cycle for many years.

The subject's neighborhood is in the stable phase of its life cycle. The subject area's population has experienced an increase over several years and is projected to increase over the next five years.

A neighborhood is affected by social factors that will determine why people reside and work in the area. Potential residents and workers are attracted to or deterred by a neighborhood based on its status, physical environment, services, affordability, safety and convenience. The subject neighborhood is urban in nature and has a good combination of land uses. The neighborhood has very good linkage via U.S. Route 101, Interstate 5, Interstate 10 and State Route 60, which provides access to neighboring communities. Retail and commercial uses are located north and south of the subject along East 4th Street and East 1st Street. The downtown area of Los Angeles is located 1.5 miles west of the subject. The overall social outlook for the subject's neighborhood is average.

Economic considerations relate to the financial capacity of a neighborhood's occupants. Some of these considerations include the ability of residents to rent or own property, the ability to adequately maintain property and the ability to make repairs or renovations to property as needed. The majority

of the properties are single-family and two- to four-family residential. Most improvements are in average condition and adequately maintained. There appear to be no adverse effects on the subject's neighborhood due to economic conditions.

Governmental considerations relate to the laws, regulations and taxes that are imposed on a neighborhood's properties. The more desirable these attributes, the more desirable the neighborhood becomes. Real estate tax rates are in line with neighboring communities' rates and do not have an adverse effect on the neighborhood. Regulations regarding zoning and land use are dictated by the City of Los Angeles. There appear to be no adverse effects on the neighborhood due to governmental considerations.

The final consideration one must give to a neighborhood focuses on environmental issues. These consist of man-made or natural features of the neighborhood that include building sizes, neighborhood density, topographical features, adequacy of public utilities and nuisances and hazards emanating from nearby properties. The subject's neighborhood is composed of level and sloping terrain as is typical of the area. There appear to be no adverse effects on the neighborhood due to environmental considerations.

In conclusion, the neighborhood provides adequate services and amenities needed to support a senior care facility. The neighborhood is predominantly urban in nature and within proximity to neighborhood commercial services and medical centers. Overall, the subject neighborhood is a good location for an intermediate care and independent living facility.

FACILITY OVERVIEW

The subject is comprised of an intermediate care facility that is licensed for 90 intermediate care beds and an independent living facility that is licensed for 154 independent living beds in 127 units. These facilities are located on one parcel that also includes a dining room/administration building and

activity center building, which are further described in the Improvements section, as well as various amenities including a garden, koi pond, gate ball field and Japanese garden and patio.

The subject intermediate care facility is one of only a few of its kind in California. There are 17 intermediate care facilities (without specialization) currently licensed (including the subject), according to the California Department of Public Health website, and most of these are part of a hospital. Intermediate care facilities are licensed by the Department of Public Health and provide a lower level of nursing care than skilled nursing facilities. Patients require light nursing care and assistance with daily activities, but do not require continuous nursing care. Intermediate care facilities are typically certified for Medi-Cal, but at a lower rate than skilled nursing facilities. Medicare does not certify or pay intermediate care facilities. The target population for this facility is 75-plus in age and requires intermediate care services. Major referral sources include Keiro Nursing Home and Keiro Retirement Home.

The subject independent living facility is licensed as a residential care facility for the elderly (the term for assisted living facilities in California). It mainly operates as an independent living facility but is able to provide services to ambulatory elderly residents that are 60-plus in age. Many independent living facilities in California offer the same structure, with a base rate established for those who desire independent living (i.e., minimal assistance with housekeeping, one meal a day, etc.) and additional assisted living care available either on a level-of-care or a-la-carte basis. The subject offers some assistance with activities of daily living on an a-la-carte basis.

MANAGEMENT OVERVIEW

Since the successful operation of a business is dependent upon effective management, a perusal of facility management can provide an indication of growth potential or the likelihood of achieving budgeted cash flows. Professional management with a high level of experience and expertise can improve the stability of operations, reducing the risk associated with the assets.

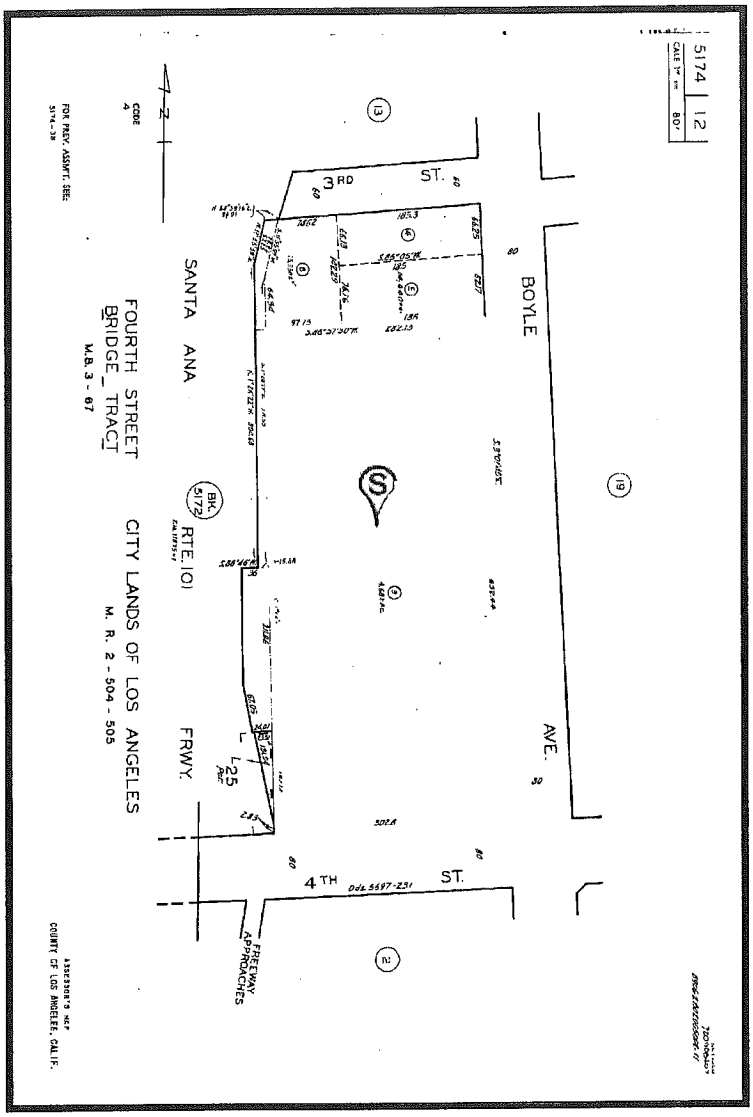
The subject is owned and operated by Keiro Senior HealthCare. The company was founded in 1961 by a group of eight community leaders, George Aratani, Edwin Hiroto, Kiyoshi Maruyama, James Mitsumori, Gongoro Nakamura, Frank Omatsu, Joseph Shinoda and Fred Wada, to meet the need of Japanese American seniors.

Keiro began with the purchase of the Japanese Hospital of Los Angeles in 1961. Keiro Nursing Home in Boyle Heights began operating in 1969. In 1974, Keiro purchased five acres of land from the Jewish Home for the Aging in Boyle Heights for a reported $1,000,000, which was developed with the Keiro Retirement Home in 1975 and the Keiro Intermediate Care Facility in 1977. The subject, South Bay Keiro Nursing Home, opened in 1982.

SITE DESCRIPTION

SITE CHARACTERISTICS	
ADDRESS	325 South Boyle Avenue, Los Angeles (Los Angeles County), California
PARCEL NUMBER	5174-012-009
SIZE	204,150 square feet, or 4.7 acres, according to the Los Angeles County Assessor
FRONTAGE	Frontage along South Boyle Avenue measures approximately 652 feet, with a depth of 292 feet. Frontage along East 4th Street measures approximately 303 feet, with a depth of 685 feet.
SHAPE	Irregular
CORNER INFLUENCE	Corner
TOPOGRAPHY	Level and sloping
DRAINAGE	Observed in a dry condition, but assumed to be adequate.
SOIL HAZARDS	No information was received regarding the condition of the subsoils. No unusual soil conditions were reported by Management. No negative impact on property values due to soil conditions is assumed to exist.
VISIBILITY	Visibility is good along South Boyle Avenue.
ACCESS	Access is good. The site is accessed via two curb cuts along the west side of South Boyle Avenue, both of which allow entry to the parking lot, which stretches along the east side of the subject. South Boyle Avenue is a two-lane, two-way tertiary thoroughfare providing local access. There is one curb cut along East 4th Street that is fenced off but provides access to a driveway along the rear (west side) of the subject and abuts U.S. Route 101. There is some parking available along this driveway. It also accesses the rear of the buildings on the adjacent parcel to the north, and exits to a curb cut at the end of East 3rd Street, although this curb cut is fenced off.

The following parcel map indicates the subject's location, shape and other features:



The following aerial photograph illustrates the access to the subject:

UTILITIES

All public utilities exist and are available to the subject site, including sewer, water, gas, electricity, sanitation, and fire and police protection. Utilities are provided from the following suppliers:

GAS	Southern California Gas Company
ELECTRICITY	Los Angeles Department of Water and Power
WATER	Los Angeles Department of Water and Power
SEWER	Los Angeles Department of Water and Power

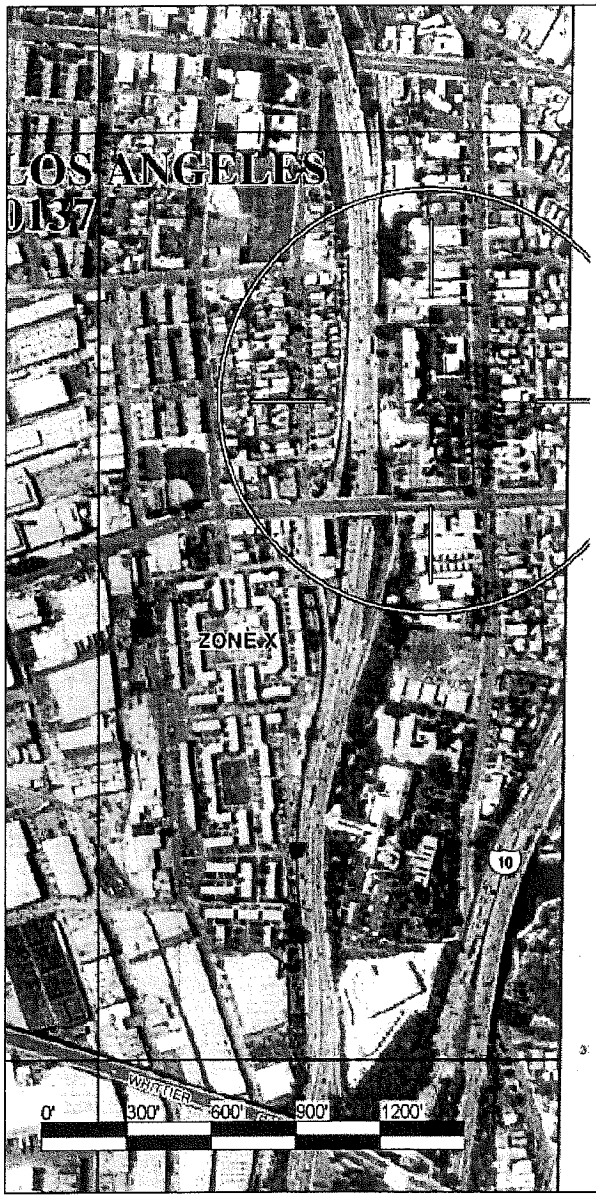
FLOOD ZONE

FLOOD ZONE	X
COMMUNITY MAP/ PANEL NUMBER	06037C1636F
EFFECTIVE DATE	September 26, 2008
DEFINITION	Zone X (unshaded) is an area of minimal flood hazard, usually depicted on FIRMs as above the 500-year flood level.

InterFlood by a la mode
www.interflood.com • 1-800-252-6633

Prepared for:
Valuation & Information Group

325 S Boyle Ave
Los Angeles, CA 90033-3812



FLOODSCAPE

Flood Hazards Map

Map Number
06037C1636F

Effective Date
September 26, 2008

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877.77.FLOOD
www.floodsource.com

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ZONING

ZONING	[Q]R4-1 (Medium Residential)
ZONING DEPARTMENT	City of Los Angeles
PERMITTED USES	Any use permitted in the R3 zone, churches, child care facilities or nursery schools, hotels, motels and apartment hotels, fraternity or sorority houses or dormitories, schools, museums or libraries, accessory uses and home occupations, retirement hotels, accessory buildings, homeless shelters with 30 beds or less and eldercare facilities
CONDITIONAL USES	Those uses permitted by conditional use permit
CONFORMING USE	Legally non-conforming
DEVELOPMENT	The subject may be rebuilt if destroyed, in accordance with current development standards.
RESTRICTIONS:	
Minimum Lot Size	5,000 square feet
Minimum Front Yard	15 feet
Minimum Side Yard	5; for buildings more than 3 stories in height, 1 foot is added to the depth for each additional story, not to exceed 16 feet
Minimum Rear Yard	15; for buildings more than 3 stories in height, 1 foot is added to the depth for each additional story, not to exceed 20 feet
Maximum Building Height	45 feet
PARKING	Varies by use, not by zone — senior independent housing requires 1 space per dwelling unit, and assisted living care housing requires 1 space per dwelling unit or guest room. The City of Los Angeles requires 175 spaces based on 48 units at Keiro Intermediate Care and 127 units at Keiro Retirement Home. The subject provides 139 spaces and is legally nonconforming with regard to parking.

EASEMENTS, ENCROACHMENTS AND RESTRICTIONS

A property profile was not reviewed for this appraisal. It is assumed typical easements exist and provide for the availability of utilities such as water, gas and electricity. The easements are of the type normally found on a developed parcel and do not adversely affect the marketability of the subject site.

ASSESSMENT AND TAXES

The subject qualifies for the Welfare Exemption as a nonprofit organization and is only subject to direct assessments. According to the California Board of Equalization, the Welfare Exemption applies to property that is (1) used exclusively for religious, hospital, or charitable purposes, and (2) owned or held in trust by nonprofit organizations operating for those purposes. Thus, this is not a transferrable exemption.

The following table presents the pertinent real estate tax information:

TAXING AUTHORITY	Los Angeles County
TOTAL TAX RATE	1.224234%
PER ASSESSED VALUE	$100
FREQUENCY OF ASSESSMENT	Annually per Proposition 13
LAST REASSESSMENT	2013
REASSESSMENT TRIGGERED BY SALE	Yes
PERSONAL PROPERTY TAXES	No
PERSONAL PROPERTY LIABILITY	$0

The following table presents the subject's real estate assessment and taxes:

Assessment and Property Taxes							
APN	Land Value	Improvement Value	Assessed Value	Exemption Value	Real Estate Taxes	Direct Assessments	Total Taxes
5174-012-009	$891,728	$11,738,723	$12,630,451	$0	$0	$11,521	$11,521
Effective Date of Assessment/Taxes 2013/14							

Comparable Assessment Data

The real estate taxes in this report are calculated in accordance with California's Proposition 13. Upon transfer, the subject will be reassessed at market value. New construction is also reassessed at cost. Subsequent assessments are limited to 2% annual increases or annual appreciation, whichever is less. It is an assumption within this appraisal that the subject is reassessed at market value. Therefore, the use of comparable tax data and historical assessment trends is not meaningful in California.

Improvements Description

Independent Living Building

Building plans for the subject were not available for review. The following is based on an inspection and discussions with Management. It is assumed that all information provided by Management is accurate.

GENERAL INFORMATION	
LICENSED UNITS	127
OPERATING UNITS	127
LICENSED BEDS	154
OPERATING BEDS	154
QUALITY OF CONSTRUCTION	Good
GENERAL CONDITION	Good
NUMBER OF STORIES	5
SIZE	72,250 square feet (per county assessor)
DATE OF CONSTRUCTION	1989

GENERAL CONSTRUCTION	
SITE PREPARATION	Leveling and grading
FOUNDATION	Poured concrete slab
FRAME	Wood
EXTERIOR WALLS	Painted stucco
FLOORS	Concrete
UPPER FLOORS	Concrete
ROOF	Flat

FINISH CONSTRUCTION

ROOF COVER	Epoxy rubber
PARTITIONING	Painted and papered drywall over wood studs
CEILINGS	
Foyer/Entrance	Wood paneling
Hallways	Suspended acoustic tile
Wellness Office/Community Rooms	Painted drywall
Resident Rooms	Painted drywall
Services Areas	Painted drywall
Dining Room	N/A
Kitchen	N/A
FLOOR COVERINGS	
Foyer/Entrance	Carpet
Hallways	Carpet
Wellness Office/Community Rooms	Carpet
Resident Rooms	Carpet; vinyl tile in restrooms
Services Areas	Vinyl tile
Dining Room	N/A
Kitchen	N/A

MECHANICAL EQUIPMENT

PLUMBING	
Domestic Hot Water Supply	2 boilers; 119-gal. electric water heater for laundry
Storage Tanks	1
Number of Public Restrooms	2
HVAC	Roof-mounted boilers and cooling tower
ELECTRICAL	
Amperes	800
Volts	480/277
Wire Type	3-phase, 4-wire
GENERATOR	1 Onan

OTHER FEATURES

FIRE PROTECTION	Wet sprinkler fire protection; fire alarms; smoke detectors; carbon monoxide detectors
EMERGENCY CALL SYSTEM	Two-way intercom in resident units
WASHERS	5 residential
DRYERS	5 residential
ELEVATORS	1 5-stop, 2,500-lb., 16-person capacity; 1 6-stop, 2,500-lb., 16-person capacity
MISCELLANEOUS	Handrails in hallways

LAYOUT

The Keiro Retirement Home building is comprised of a rectangular, mid-rise building located at the western portion of the subject parcel. This building has a later construction date than the others as it was damaged in the 1987 Whittier earthquake and completely rebuilt in 1989. There are five stories in the building with a rooftop mechanical room, which is accessed by one of the elevators. There is a sloping lawn to the west side of the building, followed by a driveway along the rear of the parcel and U.S. Route 101. The entrance to the building is from the parking lot to the east, and accesses the second level. The building may also be accessed from a covered bridge (called the Skylight Terrace) that connects to the dining room building, also on the second level. The Skylight Terrace is also accessible from the parking lot.

Contained within this building are a wellness office providing part-time nursing care (specified assisted living services are available a-la-carte), library, activity room, residential laundry room, lounge, two common area restrooms and resident rooms. This facility has 24-hour staffing.

The subject consists of the following type and number of rooms:

Unit and Bed Mix			
Type Of Unit	Approximate Size (SF)	Units	Bathrooms
Independent Living			
Studio-private	370	95	Private 3-fixture
Shared	370	2	Private 3-fixture
One-bedroom	536	30	Private 3-fixture
Total		**127**	

INTERMEDIATE CARE BUILDING

Building plans for the subject were not available for review. The following is based on an inspection and discussions with Management. It is assumed that all information provided by Management is accurate.

GENERAL INFORMATION	
LICENSED BEDS	90
OPERATING BEDS	90
CONSTRUCTION QUALITY	Average
GENERAL CONDITION	Average
STORIES	5, with two basement levels
SIZE	29,990 square feet (per county assessor)
YEAR BUILT	1951

GENERAL CONSTRUCTION	
SITE PREPARATION	Leveling and grading
FOUNDATION	Poured concrete slab
FRAME	Wood
EXTERIOR WALLS	Painted brick
FLOORS	Concrete
UPPER FLOORS	Concrete
ROOF	Flat

FINISH CONSTRUCTION

ROOF COVER	Asphalt roll
PARTITIONING	Painted drywall over wood studs
CEILINGS	
Foyer/Entrance	Painted drywall
Hallways	Painted drywall
Administration Offices	Painted drywall
Patient Rooms	Painted drywall
Services Areas	Painted drywall
Dining Room	Painted drywall
Kitchen	N/A
FLOOR COVERINGS	
Foyer/Entrance	Wood-style vinyl tile
Hallways	Wood-style vinyl tile
Administration Offices	Wood-style vinyl tile
Patient Rooms	Carpet
Services Areas	Wood-style vinyl tile
Dining Room	Wood-style vinyl tile
Kitchen	N/A

MECHANICAL EQUIPMENT

PLUMBING	
Domestic Hot Water Supply	3 boilers (1 domestic, 2 HVAC)
Storage Tanks	3
Shower Rooms	2
Public Restrooms	7
HVAC	Cooling tower and ground-mounted chiller; 2 boilers
ELECTRICAL 1	
Amperes	800
Volts	240/120
Wire Type	3-phase, 4-wire
GENERATOR	1 Kohler

OTHER FEATURES

FIRE PROTECTION	Wet sprinkler fire protection; fire alarms; smoke detectors
EMERGENCY CALL SYSTEM	Yes
WASHERS	2 commercial
DRYERS	2 commercial
ELEVATORS	2 4,000-lb., 26-person capacity
MISCELLANEOUS	Handrails in hallways

LAYOUT

The Keiro Intermediate Care building is comprised of a rectangular, mid-rise building located at the northwestern portion of the subject parcel. The west side of the building faces the driveway along the rear of the parcel and U.S. Route 101. The entrance is on the southeast side from the parking lot.

The building has five stories, with a basement and sub-basement. The first floor contains the lobby, administrative office, library, IT room and two public restrooms. Two elevators access the upper floors. The second floor contains two dining rooms, a pantry, a day room, six patient rooms, a nurses' station and a shower/tub room. The third through fifth floors contain patient rooms, two shower/tub rooms each, a nurses' station and a day room with two-fixture restroom. There is no kitchen located in this building; it is located in the dining room building toward the south of the subject site. The basement contains the beauty shop, storage, two locker rooms, two restrooms, laundry room and employee lounge, while the sub-basement contains an unfinished storage room, mechanical and electrical rooms.

The subject consists of the following type and number of rooms:

Unit and Bed Mix					
Type of Room	Approximate Size (SF)	Rooms	Beds Per Room	Total Beds	Bathrooms
Intermediate Care					
Private	187	6	1	6	Private 2-fixture
Semiprivate	204	42	2	84	Private 2-fixture
Total		**48**		**90**	

DINING ROOM/ADMINISTRATION BUILDING

Building plans for the subject were not available for review. The following is based on an inspection and discussions with Management. It is assumed that all information provided by Management is accurate.

GENERAL INFORMATION	
QUALITY OF CONSTRUCTION	Average
GENERAL CONDITION	Average
NUMBER OF STORIES	1, with three basement levels
SIZE	24,686 square feet (per county assessor)
DATE OF CONSTRUCTION	1930

GENERAL CONSTRUCTION	
SITE PREPARATION	Leveling and grading
FOUNDATION	Poured concrete slab
FRAME	Wood
EXTERIOR WALLS	Brick
FLOORS	Concrete
UPPER FLOORS	Concrete
ROOF	Flat with mansard trim

FINISH CONSTRUCTION

ROOF COVER	Composition roll with tile trim
PARTITIONING	Painted drywall over wood studs
CEILINGS	
Foyer/Entrance	Suspended acoustic tile
Hallways	Suspended acoustic tile
Staff Rooms	Suspended acoustic tile
Dining Room	Suspended acoustic tile
Kitchen	Suspended acoustic tile
FLOOR COVERINGS	
Foyer/Entrance	Carpet
Hallways	Carpet
Staff Rooms	Carpet
Dining Room	Vinyl tile
Kitchen	Quarry tile

MECHANICAL EQUIPMENT

PLUMBING	
Domestic Hot Water Supply	1 boiler
HVAC	Roof-mounted
ELECTRICAL	
Amperes	800
Volts	240
Wire Type	3-phase, 4-wire
GENERATOR	1 with self-contained tank; capacity unknown

OTHER FEATURES

FIRE PROTECTION	None
ELEVATORS	1 4-stop, 2,500-lb., 16-person capacity
MISCELLANEOUS	4 walk-in refrigerator/freezers

LAYOUT

The dining room/administration building is located at the southern portion of the subject parcel, adjacent east of the driveway along the rear of the parcel and U.S. Route 101 and north of the garden and koi pond. The entrance to the building is from the parking lot to the east. The building may also be accessed from a covered bridge (called the Skylight Terrace) that connects to the second floor of the Keiro Retirement Home building. The Skylight Terrace is also accessible from the parking lot.

This building contains four levels, with one floor above grade and three basement levels. A lobby, dining room, commercial kitchen and conference room are located on the first floor. The first basement level contains the maintenance office. The second basement level contains storage, and the third basement level contains the boiler, storage, electrical and mechanical rooms.

ACTIVITY CENTER BUILDING

Building plans for the subject were not available for review. The following is based on an inspection and discussions with Management. It is assumed that all information provided by Management is accurate.

GENERAL INFORMATION	
QUALITY OF CONSTRUCTION	Average
GENERAL CONDITION	Good
NUMBER OF STORIES	1
SIZE	5,305 square feet (per county assessor)
DATE OF CONSTRUCTION	1958

GENERAL CONSTRUCTION	
SITE PREPARATION	Leveling and grading
FOUNDATION	Poured concrete slab
FRAME	Concrete block
EXTERIOR WALLS	Concrete block and stucco
FLOORS	Concrete
ROOF	Gabled

FINISH CONSTRUCTION	
ROOF COVER	Composition shingle
PARTITIONING	Drywall over wood studs
CEILINGS	
Foyer/Entrance	Suspended acoustic tile
Hallways	Suspended acoustic tile
Community Rooms	Suspended acoustic tile
Kitchen	Suspended acoustic tile
FLOOR COVERINGS	
Foyer/Entrance	Carpet
Hallways	Carpet
Community Rooms	Sheet vinyl
Kitchen	Sheet vinyl

OTHER FEATURES	
NUMBER OF PUBLIC RESTROOMS	7
MISCELLANEOUS	Resident computer lab

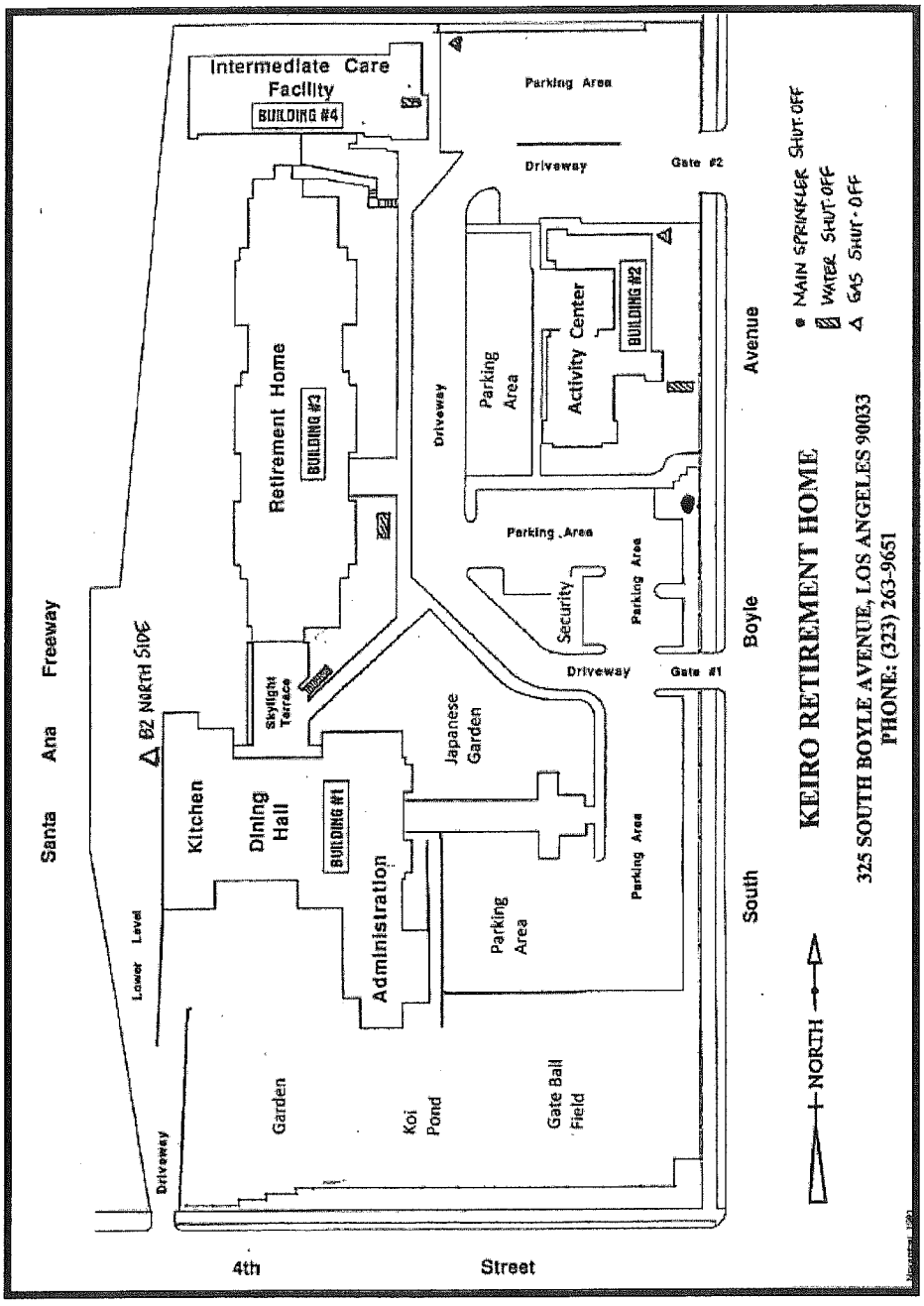
LAYOUT

The activity center building is located in the northeastern portion of the subject parcel along South Boyle Avenue. Parking is available on all sides of this building. The building is in the shape of a backward 'C,' with the entrance on the west side. At the entry in the middle of the 'C' is a covered patio.

This one-story building provide a multipurpose room, a large 100-person capacity activity room with storage, a small kitchen, two common area bathrooms, offices and a resident computer lab. This building underwent a major remodel in 2003 and 2006.

OVERALL SITE IMPROVEMENTS

A copy of the subject's floor plans is presented as follows:



SITE IMPROVEMENTS

The subject site is improved with asphalt paving, concrete walks, signage and mature landscaping surrounding the structure. In addition to the four buildings described above, the site includes a garden, koi pond and gate ball field at the southern portion of the site along 4th Street, a Japanese garden and patio located in the central portion between the retirement home and dining room/administration building, and four different parking areas. The subject provides parking for 139 vehicles. There are 18 spaces in the northwest lot, 37 spaces in the northeast lot to the east of the ICF building and north of the activity center building, 26 spaces to the east of the IL building and south of the activity center building and 45 spaces in the southeast lot to the east of the dining room building.

DEPRECIATION

PHYSICAL

The improvements consist of an intermediate care facility built in 1951, an independent living facility built in 1989, a dining room/administration building built in 1930 and an activity center building built in 1958. The subject has undergone several renovations over the past 10 years, including those to the activity center in 2003 for $1,057,680, conversion of three activity rooms in 2006 for $223,000, lobby and business office remodel in 2008 for $287,500, dining room in 2010 for $122,000, entry lobby enclosure in 2011 for $300,000, breezeway enclosure in 2011 for $279,000 and common area flooring in the Keiro Intermediate Care building in 2013 for $86,266. No other significant renovations or repairs other than routine maintenance have been completed within the last few years.

The facility and grounds were in average condition at the time of inspection with no signs of significant deferred maintenance. The mechanical components appeared to be and were reported to be in adequate working order. The interior is adequately maintained and in average repair. No significant roof leakage was reported, and no leakage or water stains were apparent at inspection. The quality of construction and the condition of the improvements are average.

FUNCTIONAL

The overall utility of the design of the subject improvements is typical and adequate for their current use as an intermediate care and independent living facility. However, there is functional obsolescence in the dining room/administration building as it was built in 1930 and does not maximize the amount of square footage available.

ECONOMIC/EXTERNAL

As indicated by the difference between the upcoming Cost Approach and the correlated market value, the subject property exhibits economic obsolescence. The subject's depreciated improvements do not generate sufficient income to satisfy an investor's minimum required returns.

The subject intermediate care facility provides a unique care type and has historically generated negative NOI. Intermediate care is a level of care essentially between skilled nursing and assisted living and is a dying industry in California, as indicated by the lack of comparable facilities in the Supply Analysis. There are currently only 17 facilities remaining in the state, and most of these are part of a hospital. Only three of these were found to provide similar care to the subject. It would be advantageous for the subject to convert to skilled nursing, but the hallways are too small for the current intermediate care facility building to be converted to this type of use. Therefore, economic obsolescence exists for this care type. Although obsolescence can be specifically identified and quantified as either functional or external, these types of obsolescence are often intertwined. An inherent limitation of the Cost Approach is that cost does not necessarily equal value. Therefore, the Cost Approach value as presented is not adjusted for external obsolescence.

BUSINESS AND OTHER ASSETS

Business and other assets typical in a going concern include, but are not limited to, an assembled workforce, systems and procedures, medical records, noncompete agreements and other contracts, licenses, referral sources, CON, waiting lists, management and marketing plans.

EQUIPMENT

Equipment includes the normal complement of items (nursing, patient, care supplies, office, laundry, kitchen, dining, activities) necessary to serve an intermediate care and independent living facility. A detailed inventory of the equipment is beyond the scope of this assignment. The equipment appeared to be of adequate quantity and quality to serve patient needs and was in average condition.

SUMMARY

The subject improvements comprise an intermediate care facility, independent living facility, dining room/administration building and activity center building. The improvements are of average to good quality and average to good condition and exhibit no significant signs of deferred maintenance. Some functional obsolescence was noted in the dining room/administration building. However, no economic obsolescence was noted, and the subject is adequately equipped to provide intermediate care and independent living.

SUPPLY ANALYSIS: INTERMEDIATE CARE

The survey of competition concentrated on the facilities that offered the same intermediate care facility programs. There are 17 intermediate care facilities (without specialization) currently licensed (including the subject), according to the California Department of Public Health website, and most of these are part of a hospital. The facilities that are part of a hospital are not considered competitive and were not surveyed for this report. One of the 17 facilities, known as Sea Cliff Healthcare Center, has not been included below because the admissions coordinator indicates that they are no longer accepting intermediate care patients.

Based upon a search of the California Department of Public Health website, the following is a summary of intermediate care facilities and beds comparable to the subject in the state of California. Reimbursements for services provided by intermediate care facilities are based upon a statewide

Medi-Cal rate. Intermediate care facilities are typically certified for Medi-Cal but at a lower rate than skilled nursing facilities. Medicare does not certify or pay intermediate care facilities.

The following table summarizes the occupancy of the intermediate care facilities comparable to the subject in California:

Intermediate Care Occupancy Statistics			
Provider	**Licensed Beds**	**Occupied Beds**	**Occupancy Rate**
1 Park Merritt Care Center	24	14	58.3%
2 Harbor View House	82	80	97.6%
3 Tustin Care Center	99	97	98.0%
Weighted Average	205	191	93.2%
Subject	**90**	**90**	**100.0%**
Total Including Subject	**295**	**281**	**95.3%**

There are 295 licensed beds providing intermediate care and mixed care, including the subject, in California, with an overall average occupancy of 93.2%. The subject's occupancy of 100% is at the upper end of the range of the facilities. Comparables 2 and 3 are similar. The facility contact at Comparable 1 (Billy Jean, 510-268-8491) indicates that they are undergoing a transition in ownership and cannot currently admit residents as they await a new license. In addition, they changed their name from Park Merritt Intermediate Care to Park Merritt Care Center, although the contact indicates that there is not expected to be a change in the care level.

Comparable 2 is the closest facility to the subject, as it is located in San Pedro in Los Angeles County. It is also operated by a non-profit organization and accepts both Medi-Cal and private pay, although this is rare and determined on an individual basis. However, this facility caters to adults 18 and older who have a mental illness and either a chronic or acute physical illness. The facility contact indicates that they have a number of elderly residents. Comparable 1 is located in Oakland, in Alameda County,

and currently caters to those of age 60-plus, like the subject. Comparable 3 is located in Tustin, in Orange County, and also caters to those of age 60-plus. The admissions contact indicates that they are typically comprised of only Medi-Cal payors.

The following table presents the comparable facilities' payor mixes:

Payor Source			
Provider	Private/Other Payors	Medi-Cal Payors	Total Payors
1 Park Merritt Care Center		14	14
2 Harbor View House		80	80
3 Tustin Care Center		97	97
Subject	**38**	**52**	**90**

The subject is comprised of private pay and Medi-Cal patients, while all of the comparables are comprised of only Medi-Cal patients.

RATE

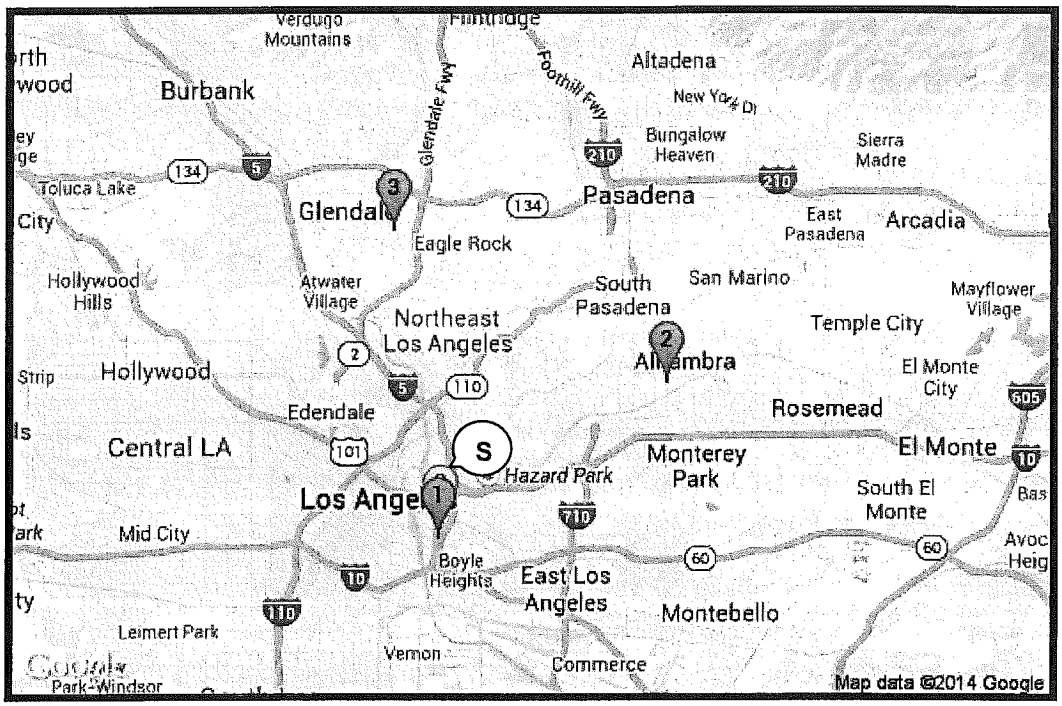
In order to determine if the subject's private pay rates are within market, a survey of local facilities was conducted. The following table presents a summary of these rates:

Private Pay Daily Rates			
Provider	Private	Semiprivate	Ward
1 Park Merritt Care Center	$150	$135	$130
2 Harbor View House			
3 Tustin Care Center			
Min to Max	$150 to $150	$135 to $135	$130 to $130
Subject	**$180**	**$160**	

Intermediate care facilities in California are typically comprised of Medi-Cal payors. All of the comparables currently have only Medi-Cal payors, while the subject has some private pay payors. The facility contact at Comparable 2 indicates private pay payors are rare, and the rates are typically determined on an individual basis. The contact at Comparable 3 indicates that the rate would be over $80, but was not sure because all of the payors are typically Medi-Cal. Therefore, the comparison of private pay rates is not as meaningful in this type of facility. Based on the subject's location, age, design appeal and historical census, the subject's rates are reasonable.

SUPPLY ANALYSIS: INDEPENDENT LIVING

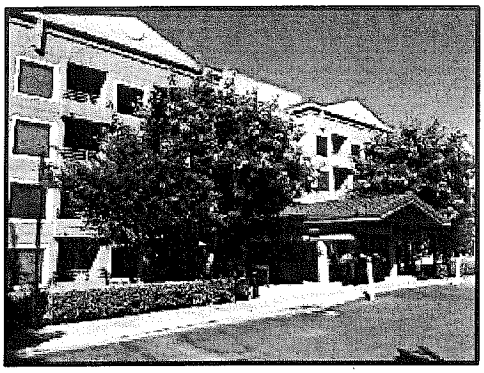
A search for local competition consisted of an interview with the subject's administrator and a search on www.newlifestyles.com. A map indicating the location of each facility is presented as follows:



	Name	Address	City	State	Distance (Miles)
Subject	Keiro Intermediate Care	325 South Boyle Avenue	Los Angeles	CA	N/A
1	Hollenbeck Palms	573 S. Boyle Ave.	Los Angeles	CA	0.3
2	Atherton Baptist Homes	214 S. Atlantic Blvd.	Alhambra	CA	5.8
3	Windsor	1230 E. Windsor Rd.	Glendale	CA	6.5

Profiles of the subject and the competition are presented on the following pages:

Keiro Retirement Home



SUBJECT PROFILE

General

Street Address:	325 South Boyle Avenue
City, State, Zip:	Los Angeles, California 90033
Contact Person:	Takeshi Oishi - Administrator
Telephone Number:	323-263-9651
Owner:	Japanese Home for the Aged
Operator:	Keiro Senior HealthCare

Operations

	IL	MC	AL
Number of Licensed Units	127	N/A	127
Number of Operating Units	127	N/A	127

Other types of units available: ☐ SN ☐ MC ☐ CC/IN

Building

Stories	5, with two basemer	Design	Institutional
Constructed	1989	Visibility	Good
Quality	Good	Access	Good
Condition	Average	Neighborhood	Urban

Services Provided in Basic Rate

Daily Meals	☑	Utilities	☑
Weekly Housekeeping	☑	Maintenance	☑
Laundry - Linens	☐	Furnished Room	☑
Laundry - Personal Items	☐	Activities	☑
Scheduled Transportation	☑	Social Services	☑

IL Unit Sizes & Rates *

Unit Type	Size (SF)	Monthly Base Rate	
Shared	370	$1,165	
Studio	370	$1,966	$2,672
1 Bedroom	536	$2,294	$3,004
2 Bedroom	N/A	N/A	
3 Bedroom	N/A	N/A	
Other	N/A	N/A	
Other 2	N/A	N/A	

*As of the effective date of value, 10/16/2013

Other Services Provided

Medication Mgmt.	☑	Secured Memory Care	☐
Therapies	☐	Beauty/ Barber Shop	☐
Hospice	☐	Other	☐
Respite	☐		

Personal Care Rate Structure

Type of Rate Structure	A La Carte

AL Unit Sizes & Rates*

Unit Type:	Size (SF)	Monthly Base Rate
AL Studio-Shared		
AL Studio-Private		
AL 1 Bedroom		
AL 2 Bedroom		
Memory Care Private		
Memory Care Shared		
Other		

*As of the effective date of value, 10/16/2013

Other Fees

Entrance Fee	N/A	Community Fee	N/A
2nd Occupant	$500		

Payor Mix*

Private/Other	97.8%
Medicaid	0.0%
SSI/Other	2.2%
Total	100%

*As of the effective date of value, 10/16/2013

Occupancy Statistics

AL	N/A
AL Occupancy	N/A
IL	127
IL Occupancy	100%
MC	N/A
MC Occupancy	N/A

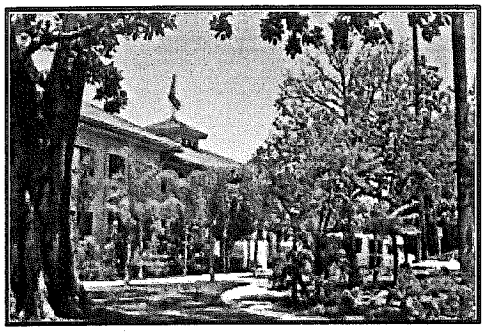
Comments:

The subject independent living facility is licensed as a residential care facility for the elderly, but mainly offers independent living (i.e., minimal assistance with housekeeping, one meal a day, etc.). Some assistance with activities of daily living is offered on an a-la-carte basis. It is located on a campus with an intermediate care facility. There are 127 independent living units, with the capacity for 154 residents. The facility offers studio and one-bedroom floor plans. The rates displayed above are the monthly rates (there is no entrance fee). The rate for the shared studio is per person, although this type of unit is typically obsolete. The rates for the studio and one-bedroom units vary based on which floor of the building the unit is located on, which side of the building the unit is located on, and whether there is a balcony. Private pay and SSI are accepted, although there were only three SSI residents on the inspection date.

IN-Independent, CC- Congregate Care, AL- Assisted Living, ALZ - Assisted Living Alzheimer's, SN - Skilled Nursing, SN ALZ - Nursing Alzheimer's

Hollenbeck Palms

Competitor 1



General	
Street Address:	573 S. Boyle Ave.
City, State, Zip:	Los Angeles, CA 90033
Contact Person:	Kathy
Telephone Number:	323-263-6195
Distance from Subject:	0.3 miles south
Owner:	Hollenbeck Palms
Operator:	Hollenbeck Palms

Operations	IL	MC	AL
Number of Licensed Units	145	N/A	0
Number of Operating Units	145	N/A	0

Other types of units available: ☐ SN ☑ MC ☑ CC/IN

Building			
Stories	3	Design	Residential
Constructed	1987	Visibility	Average
Quality	Good	Access	Good
Condition	Good	Neighborhood	Urban

Services Provided in Basic Rate			
Daily Meals	☑	Utilities	☑
Weekly Housekeeping	☑	Maintenance	☑
Laundry - Linens	☑	Furnished Room	☑
Laundry - Personal Items	☐	Activities	☑
Scheduled Transportation	☑	Social Services	☑

IL Unit Sizes & Rates *			
Unit Type	Size (SF)	Monthly Base Rate	
Shared	N/A	N/A	
Studio	300 to 550	$3,415	$4,620
1 Bedroom	600	$5,220	
2 Bedroom	N/A	N/A	
3 Bedroom	N/A	N/A	
Other	N/A	N/A	
Other 2	N/A	N/A	

*As of the effective date of value, 10/16/2013

Other Services Provided			
Medication Mgmt.	☑	Secured Memory Care	☑
Therapies	☑	Beauty/ Barber Shop	☑
Hospice	☑	Other	☑
Respite	☑		

Personal Care Rate Structure	
Type of Rate Structure	Tiered
Service Level Compared to Subject	Superior

AL Unit Sizes & Rates*		
Unit Type:	Size (SF)	Monthly Base Rate
AL Studio-Shared	N/A	N/A
AL Studio-Private	N/A	N/A
AL 1 Bedroom		N/A
AL 2 Bedroom		N/A
Memory Care Private		N/A
Memory Care Shared		N/A
Other		N/A

*As of the effective date of value, 10/16/2013

Other Fees			
Entrance Fee	N/A	Community Fee	N/A
2nd Occupant	$500		

Payor Mix*	
Private/Other	100.0%
Medicaid	0.0%
SSI/Other	0.0%
Total	100%

*As of the effective date of value, 10/16/2013

Occupancy Statistics	
AL	N/A
AL Occupancy	N/A
IL	138
IL Occupancy	95%
MC	N/A
MC Occupancy	N/A

Comments:

Hollenbeck Palms is a CCRC on an 8.5-acre campus offering independent ("residential") living, assisted living, memory care and skilled nursing. The facility offers studio, large studio, one-bedroom and two-bedroom floor plans.The facility contact indicated that residents may choose between paying a monthly rate or an entrance fee with a reduced monthly rate. The rates listed above represent the former rate, as the subject does not charge an entrance fee. If a resident desired to pay an entrance fee, the rates are as follows: studio for $48,900 entrance fee with a $2,435 monthly rate; large studio for $93,500 entrance fee with a $2,695 monthly rate; and one-bedroom for $120,350 entrance fee with a $2,840 monthly rate.

IN-Independent, CC- Congregate Care; AL- Assisted Living, ALZ - Assisted Living Alzheimer's, SN - Skilled Nursing, SN ALZ - Nursing Alzheimer's

Atherton Baptist Homes

Competitor 2

General	
Street Address:	214 S. Atlantic Blvd.
City, State, Zip:	Alhambra, CA 91801
Contact Person:	Verlynn - Marketing
Telephone Number	626-289-4178
Distance from Subject:	5.8 miles northeast
Owner	Atherton Baptist Homes
Operator:	Atherton Baptist Homes

Operations

	IL	MC	AL
Number of Licensed Units	170	N/A	0
Number of Operating Units	170	N/A	0

Other types of units available: ☐ SN ☑ MC ☑ CC/IN

Building

Stories	3	Design	Residential
Constructed	1914	Visibility	Good
Quality	Average	Access	Average
Condition	Good	Neighborhood	Suburban

IL Unit Sizes & Rates *

Unit Type	Size (SF)	Monthly Base Rate
Shared	N/A	N/A
Studio	N/A	N/A
1 Bedroom	1,044	$2,550
2 Bedroom	1,156 to 1,350	$2,950
3 Bedroom	N/A	$4,350
Other	N/A	N/A
Other 2	N/A	N/A

*As of the effective date of value, 10/16/2013

AL Unit Sizes & Rates*

Unit Type:	Size (SF)	Monthly Base Rate
AL Studio-Shared		N/A
AL Studio-Private		N/A
AL 1 Bedroom		N/A
AL 2 Bedroom		N/A
Memory Care Private		N/A
Memory Care Shared		N/A
Other		N/A

*As of the effective date of value, 10/16/2013

Services Provided in Basic Rate

Daily Meals	☑	Utilities	☑
Weekly Housekeeping	☑	Maintenance	☑
Laundry - Linens	☑	Furnished Room	☑
Laundry - Personal Items	☐	Activities	☑
Scheduled Transportation	☑	Social Services	☑

Other Services Provided

Medication Mgmt.	☑	Secured Memory Care	☑
Therapies	☑	Beauty/Barber Shop	☑
Hospice	☑	Other	☑
Respite	☑		

Personal Care Rate Structure

Type of Rate Structure	Tiered
Service Level Compared to Subject	Superior

Other Fees

Entrance Fee	N/A	Community Fee	N/A
2nd Occupant	N/A		

Payor Mix*

Private/Other	100.0%
Medicaid	0.0%
SSI/Other	0.0%
Total	100%

*As of the effective date of value, 10/16/2013

Occupancy Statistics

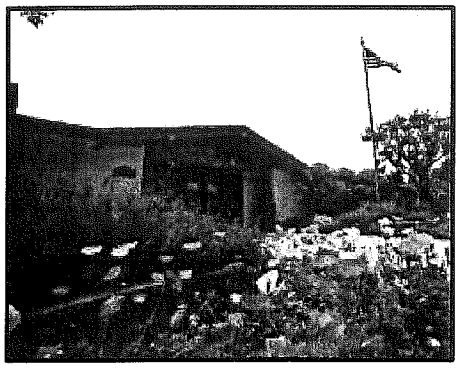
AL	N/A
AL Occupancy	N/A
IL	135
IL Occupancy	79%
MC	N/A
MC Occupancy	N/A

Comments:

Atherton Baptist Homes is a 15-acre retirement village offering independent living, assisted living, memory care and skilled nursing. The facility was originally built in 1914, with the most recent addition completed in 2013. The independent living portion offers one-bedroom, two-bedroom and three-bedroom units, with floor plans including apartments, cottages, duplexes, triplexes and standalone homes. The facility contact indicated the independent living occupancy is higher than usual due to lots of recent transitions. In addition, the facility contact indicated that residents typically pay an entrance fee with a reduced monthly rate. There is an option to pay a higher monthly rate with no entrance fee, but there is limited availability for this option, and they are currently at capacity. However, the rates listed above represent this option, as the subject does not charge an entrance fee. The rates are as follows for residents who pay an entrance fee: one-bedroom for $112,000 entrance fee with a $1,550 monthly rate; two-bedroom for $144,000 entrance fee with a $1,950 monthly rate; and three-bedroom for $256,000 with a $3,350 monthly rate. In addition, the second person fee for a unit comprises an addition of 10% of the entrance fee and 10% of the monthly rate.

IN-Independent, CC- Congregate Care, AL- Assisted Living, ALZ - Assisted Living Alzheimer's, SN - Skilled Nursing, SN ALZ - Nursing Alzheimer's

Windsor



Competitor 3

General	
Street Address:	1230 E. Windsor Rd.
City, State, Zip:	Glendale, CA 91205
Contact Person:	Sandy - Marketing
Telephone Number	818-306-4514
Distance from Subject:	6.5 miles northwest
Owner	Southern California Presbyterian Homes
Operator:	be.group

Operations	IL	MC	AL
Number of Licensed Units	74	N/A	0
Number of Operating Units	74	N/A	0

Other types of units available: ☑ SN ☐ MC ☑ CC/IN

Building			
Stories	4	Design	Residential
Constructed	1972	Visibility	Average
Quality	Good	Access	Good
Condition	Good	Neighborhood	Suburban

Services Provided in Basic Rate			
Daily Meals	☑	Utilities	☑
Weekly Housekeeping	☑	Maintenance	☑
Laundry - Linens	☑	Furnished Room	☑
Laundry - Personal Items	☐	Activities	☑
Scheduled Transportation	☑	Social Services	☑

IL Unit Sizes & Rates *

Unit Type	Size (SF)	Monthly Base Rate
Shared	N/A	N/A
Studio	280 to 385	$2,700 to $3,600
1 Bedroom	450 to 500	$4,595 to $5,295
2 Bedroom	N/A	N/A
3 Bedroom	N/A	N/A
Other	N/A	N/A
Other 2	N/A	N/A

*As of the effective date of value, 10/16/2013

Other Services Provided			
Medication Mgmt.	☑	Secured Memory Care	☑
Therapies	☑	Beauty/Barber Shop	☑
Hospice	☑	Other	☑
Respite	☑		

AL Unit Sizes & Rates*

Unit Type:	Size (SF)	Monthly Base Rate
AL Studio-Shared		N/A
AL Studio-Private		N/A
AL 1 Bedroom		N/A
AL 2 Bedroom		N/A
Memory Care Private		N/A
Memory Care Shared		N/A
Other		N/A

*As of the effective date of value, 10/16/2013

Personal Care Rate Structure	
Type of Rate Structure	Tiered
Service Level Compared to Subject	Superior

Other Fees			
Entrance Fee	N/A	Community Fee	N/A
2nd Occupant	$500		

Payor Mix*	
Private/Other	100.0%
Medicaid	0.0%
SSI/Other	0.0%
Total	100%

*As of the effective date of value, 10/16/2013

Occupancy Statistics	
AL	N/A
AL Occupancy	N/A
IL	74
IL Occupancy	100%
MC	N/A
MC Occupancy	N/A

Comments:

This is a CCRC offering independent living, assisted living and skilled nursing located on a quiet residential street in Glendale. There are 74 units offered in the independent living portion, with studio, semi-suites (studio suites), one-bedroom, one-bedroom suites and two-bedroom floor plans available. The facility contact indicated that residents may choose between paying a monthly rate or an entrance fee with a reduced monthly rate; however, the former option is limited and on a case-by-case basis. The rates listed above represent this option, as the subject does not charge an entrance fee. If a resident desired to pay an entrance fee, the rates are as follows: studio - $45,000 to $50,000 entrance fee plus monthly payments starting at $2,138; semi-suite for $65,000 plus $2,900 monthly; one-bedroom suite for $82,000 plus $3,656 monthly; and one-bedroom for $99,000 to $139,000 plus $3,772 monthly.

IN-Independent, CC- Congregate Care, AL- Assisted Living, ALZ - Assisted Living Alzheimer's, SN - Skilled Nursing, SN ALZ - Nursing Alzheimer's

ADDITIONS TO SUPPLY

Based on discussions with the management of the subject and its competitors, as well as an interview with the local building and planning department, there are no additional facilities in the planning stages or under construction.

SUMMARY OF LOCAL COMPETITIVE FACILITIES

OCCUPANCY

Occupancy in the PMA is determined on a unit basis for independent living services. A total of 516 independent living units (including the subject) were surveyed, of which 470 were occupied, indicating an occupancy rate of 91.1%.

The subject's administrator indicates Hollenbeck Palms is the closest competition. This facility is located less than a mile south of the subject in the same area, and offers independent living as well. However, all of the comparables are continuing care retirement communities (CCRCs) that also provide assisted living and skilled nursing. This type of comparable was utilized as the subject offers independent living and intermediate care on the same campus. It is licensed as a residential care facility for the elderly, but only offers some assisted living services a-la-carte. In addition, the intermediate care facility licensure does not allow for the type of care provided at the comparables' skilled nursing portions. Therefore, although various levels of care are provided, the subject is inferior to the comparables as they allow residents to age in place.

The subject's occupancy represents the high end of the range in the market, although it is similar to both comparables 1 and 3. The subject currently has three SSI payors, while the comparables do not accept this form of payment, which could explain the slightly higher occupancy. Comparable 2 has the lowest occupancy in the market, and the facility contact indicated this number is actually high due to a high number of recent transitions to the independent living portion.

The following table presents the occupancy rates of the local comparable facilities:

IL Occupancy Statistics					
	Occupied	Licensed		Operating	
Provider	Units	Units	Occup.	Units	Occup.
1 Hollenbeck Palms	138	145	95.2%	145	95.2%
2 Atherton Baptist Homes	135	170	79.4%	170	79.4%
3 Windsor	70	74	94.6%	74	94.6%
Weighted Average	343	389	88.2%	389	88.2%
Subject	**127**	**127**	**100.0%**	**127**	**100.0%**
Total Including Subject	**470**	**516**	**91.1%**	**516**	**91.1%**

RATE

In order to determine if the subject's private pay rates are within market, a survey of local facilities was conducted. The following table presents a summary of these rates:

Independent Living Monthly Rates by Unit Type					
Provider	Shared	Studio	1 Bedroom	2 Bedroom	3 Bedroom
1 Hollenbeck Palms		$3,415 to $4,620	$5,220		
2 Atherton Baptist Homes			$2,550	$2,950	$4,350
3 Windsor		$2,700 to $3,600	$4,595 to $5,295		
Min to Max		$2,700 to $4,620	$2,550 to $5,295	$2,950 to $2,950	$4,350 to $4,350
Mean		$3,584	$4,415	$2,950	$4,350
Median		$3,508	$4,908	$2,950	$4,350
Subject	**$1,165**	**$1,966 to $2,672**	**$2,294 to $3,004**	**N/A**	**N/A**

As mentioned in the competitor profiles, the rates listed above represent the monthly rates with no entrance fee. All of the competitors offer an entrance fee option which reduces the monthly payment, with a limited capacity for accommodating residents paying no entrance fee. These rates are presented for comparison with the subject's as it does not charge any entrance fees. The subject is located on a campus offering fewer levels of care and amenities than the comparables. Therefore, although the subject's rates are slightly lower than the comparable facilities', based on the subject's rate structure, type of care and historical census, the subject's rates are reasonable.

HIGHEST AND BEST USE

"Highest and best use" is defined as:

> The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value.[7]

For existing properties, two analyses of highest and best use are required. The first is the highest and best use "as vacant," which assumes that the actual improvements do not exist. The outcome of the highest and best use "as vacant" determines the methodology of the land valuation. The second highest and best use analysis is "as improved," which is based on the land and current improvements.

The highest and best use of the land as vacant may be different from the highest and best use of the improved property. This may be true when the improvement is not the maximally productive use but still makes a contribution to the total property in excess of land value.

The highest and best use of both the land as vacant and the property as improved must meet four criteria. The highest and best use must be legally permissible, physically possible, financially feasible and maximally productive. These criteria are defined as follows:

> **Legally Permissible** – Uses that are allowed by private restrictions, zoning, building codes, historic districts, environmental regulations and possible long-term leases.
>
> **Physically Possible** – Considers the size, shape, area, terrain and accessibility of a parcel, and the risk of natural disasters such as floods or earthquakes.
>
> **Financially Feasible** – Uses that are likely to satisfy operating expenses, financial obligation and capital amortization. All uses that are expected to produce a positive return are regarded as financially feasible.
>
> **Maximally Productive** – Of the financially feasible uses, the use that produces the highest residual land value consistent with the rate of return warranted by the market for that use is the highest and best use.

[7] *The Appraisal of Real Estate*, Fourteenth Edition, Appraisal Institute, Illinois, 2013, page 333.

HIGHEST AND BEST USE AS VACANT

Highest and best use as vacant assumes that the subject site is vacant and available for development.

LEGALLY PERMISSIBLE

Legal restrictions to a site are typically private deeded restrictions or public restrictions created by zoning. Additional legal restrictions may include a lease or similar encumbrance such as an easement, encroachment or an attachment to the site. There are no known leases on the land, recorded easements, deed restrictions or environmental restrictions that would limit development of the site. The subject site is zoned [Q]R4-1 (Medium Residential) by the City of Los Angeles. Permitted uses include, but are not limited to, any use permitted in the R3 zone, churches, child care facilities or nursery schools, hotels, motels and apartment hotels, fraternity or sorority houses or dormitories, schools, museums or libraries, accessory uses and home occupations, retirement hotels, accessory buildings, homeless shelters with 30 beds or less and eldercare facilities. Special uses permitted are those uses permitted by conditional use permit. According to the City of Los Angeles Zoning Department, the subject is a legally non-conforming use that is allowed to continue as an intermediate care and independent living facility. The subject may be rebuilt if destroyed, in accordance with current development standards. It is unlikely that there would be any adverse reactions from local residents to develop the site given the predetermined zoning. Thus, a multifamily residential use is legally permissible.

PHYSICALLY POSSIBLE

The size, shape, available utilities, terrain, accessibility and risk of natural disasters all affect potential development of the subject site. Only typical utility easements exist on the subject site, which do not limit its potential development. The subject site is an irregular, corner lot with level and sloping topography. It contains approximately 204,150 square feet, or 4.69 acres.

The subject site provides good functional utility for potential developments. The site soils appear adequate to support a variety of development types. All public utilities are available and of adequate

capacity to support a variety of development. The subject could support any of the legally permitted uses.

Based upon the legal constraints as set forth by the zoning district, and the surrounding uses in the subject's immediate area in conjunction with the site's physical characteristics, the most probable use is a multifamily residential use.

FINANCIALLY FEASIBLE

The next step in the analysis is to consider the financial feasibility of those uses that are legally permitted and physically possible. Any use of the subject site that provides an acceptable financial return to the land is financially feasible. The primary test is whether the particular use results in a market value that is high enough to cover all development costs, or whether the income generated by the property is sufficient to satisfy all operating expenses. Based upon the development of other sites in the area, a multifamily residential use is financially feasible.

MAXIMALLY PRODUCTIVE

The use that produces the highest residual land value is the highest and best use. Therefore, the maximally productive use of the subject, assuming it is vacant and available for development, is a multifamily residential use.

HIGHEST AND BEST USE AS IMPROVED

This analysis considers the property with the existing improvements in place. The highest and best use of the property as improved is analyzed for the following two reasons:

1. To identify the property use that can be expected to produce the highest overall return for each dollar of capital invested.
2. To apply the principle of consistent use to the collection and selection of data. All the comparable data used later in this report were partially selected due to similar highest and best uses.

The same four tests that are applied to arrive at the highest and best use as vacant are also applied to determine the highest and best use as improved.

LEGALLY PERMISSIBLE

The improvements are a legally conforming use according to current zoning regulations. Considering the density and configuration of the existing improvements, any addition to the property is not warranted.

PHYSICALLY POSSIBLE

The improvements consist of a five-story with two basement levels, 29,990-square-foot intermediate care facility built in 1951, and a five-story, 72,250-square-foot independent living facility built in 1989, which adequately serve their intended function and, therefore, pass the physically possible test. Considering the density and configuration of the existing improvements, any addition to the property is not warranted. As indicated in the description of improvements, deferred maintenance was not noted.

FINANCIALLY FEASIBLE AND MAXIMALLY PRODUCTIVE

The three basic questions addressed in the financially feasible analysis are as follows:

1. Do the improvements contribute to the land value?
2. Should the improvements be modified?
3. Should the improvements be left alone?

The method used to determine if the existing improvements are contributing to the overall property is to compare the estimated total market value derived in this report to the value of the site, less the cost of demolition. If the latter is higher, the existing improvements should be replaced. If it is similar to the total value, the existing improvements are an interim use. If the value of the site less demolition is much lower than the overall value, the existing improvements reflect a financially feasible use.

Based on the conclusions within this report, the value of the subject property as improved is higher than the value of the subject site. Therefore, existing improvements add considerable value to the site and are a financially feasible use.

No other use is feasible considering the cost of conversion and the subject's surrounding uses. The financially feasible and maximally productive use of the subject is for continuation of its current use with completion of identified repairs.

As of the date of value, the existing real estate is being used as an intermediate care and independent living facility. This use is reflected in the appraisal.

VALUATION METHODOLOGY

Appraisal methodology applied to any specific property or property types must emulate the rationale of market participants. The first step is defining the appraisal problem, including the identification of the real estate, the effective date of value, the property rights being appraised and the type of value sought. Once accomplished, the appraiser collects and analyzes the factors that affect the market value of the subject property.

The three recognized approaches in the valuation of real property are the Cost, Sales Comparison and Income Capitalization approaches. The type and age of the property and the quality and quantities of available data affect the applicability of each approach in a specific appraisal situation.

The basic tenet of all three appraisal approaches is the principle of substitution. This principle is defined as follows:

> When several similar or commensurate commodities, goods, or services are available, the one with the lowest price attracts the greatest demand and widest distribution.[8]

This principle assumes rational, prudent market behavior, with no undue cost due to delay. According to the principle of substitution, a buyer will not pay more for a property than another that is equally desirable. It affirms that a prudent purchaser has three alternative courses of action available: to buy a vacant site and build a similar property (Cost Approach), to acquire an equally desirable existing property offering comparable utility (Sales Comparison Approach), or to acquire a substitute income stream of comparable quality, quantity and durability (Income Capitalization Approach).

> In the **Cost Approach**, the current cost of constructing the subject improvements is estimated, less all forms of depreciation plus the market value of the underlying land. The result is the indicated property value via the Cost Approach.
>
> The **Sales Comparison Approach** involves a search for recent sales and current listings of comparable properties and an analysis of the selected data as they relate to the subject. The two indicators of value employed in this approach are the price per bed and the effective gross income multiplier. In valuing intermediate care buildings, the most common unit of comparison is the price per bed. Comparable data is adjusted to compensate for differences. An analysis of the comparable data is then made to arrive at a current estimate of the market value of the subject. The second method is based on selecting an effective gross rent multiplier, which is derived from the market data, and multiplying it by the subject's estimated effective gross income. Based upon these two techniques, an estimate of value via the Sales Comparison Approach is determined.
>
> The **Income Capitalization Approach** involves an estimate of a property's capacity to produce income. This method involves estimating market rent for the subject property, typical vacancy, and credit loss rates and expenses. From this, an estimate of the net operating income is generated. There are two primary methods to value the income stream of a property. One is the Direct Capitalization Method, which capitalizes the net operating income by a single rate derived from the market. The second method is a Discounted Cash Flow Analysis, which projects the income and expense streams for a specified holding period. The ultimate reversion from the sale of the property at the end of the holding period is also considered.

[8] Ibid., page 38.

The final step in the valuation process is the reconciliation of the three value indications into a single conclusion of value for the subject. The reliability and precision of each approach are considered, along with possible inconsistencies with the other approaches. Thus, certain approaches may be emphasized because of more reliable data and analyses, or because of a greater degree of relevance to the behavior of the marketplace.

The subject is appraised using all three approaches to value. The Cost Approach is presented first, followed by the Sales Comparison Approach and the Income Capitalization Approach. The valuation concludes with a reconciliation of the three approaches and a final estimate of value.

Value estimates determined by the Cost, Sales Comparison and Income Capitalization approaches are rounded to the nearest $10,000.

Following the three approaches to value, a final opinion of value is presented in the reconciliation.

COST APPROACH

The Cost Approach is divided into three segments: the land value estimate, the estimated cost new of the improvements and the depreciation estimate. The Cost Approach is also known as the summation approach because at the end of the approach, the three segments are brought together to derive an indication of value. Each one of these three processes is further described later in this section.

LAND VALUATION

Anticipation, change, supply and demand, substitution and balance are appraisal principles that influence land value. The subject is valued in accordance with its highest and best use as vacant. The procedures used to value vacant land are as follows.

> **Sales Comparison:** Sales of similar parcels of land are analyzed, compared and adjusted to provide a value indication for the land being appraised.

Allocation: Allocates total value, including improvements, to land and building. The principles of balance and the related concept of contribution affirm that there is a typical ratio of land value to property value for specific categories of real estate in specific locations. This method is typically used when adequate land sales do not exist.

Extraction: Land value is extracted from the sale price of an improved property by deducting the value contribution of the improvements, estimated at their depreciated costs.

Income Capitalization: Converts, via a capitalization or discount rate, a cash flow attributable to the land into value.

The Sales Comparison procedure is the most common technique for valuing land, and is the preferred method when comparable sales are available. Based upon the quantity and quality of the available data herein, the Sales Comparison procedure is used to estimate land value.

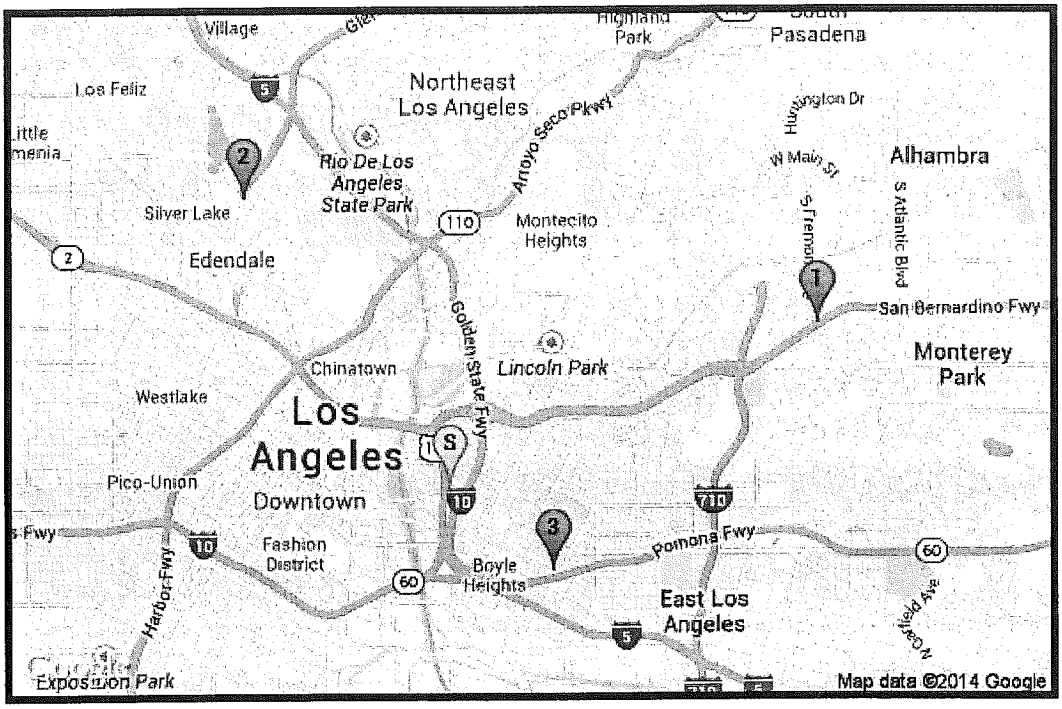
SURVEY OF COMPARABLE LAND DATA

In order to estimate the value of the subject site, an extensive survey is conducted for comparable sales, sales negotiations and offerings of vacant or minimally improved sites within the surrounding area. Land in the subject area is purchased, sold and valued on a price-per-square-foot basis. The unit of comparison used in this analysis is the price-per-square-foot. The data most pertinent in formulating an opinion of value are presented in the following table:

Comparable Land Data							
	Address	Date	Zoning	Land SF	Acres	Price	Price Per SF
Subject	325 South Boyle Avenue	N/A	[Q]R4-1	204,150	4.69	N/A	N/A
1	2500 - 2520 W. Hellman Ave.	8/31/12	CPD	51,836	1.19	$2,770,415	$53.45
2	1819 - 1855 Glendale Blvd.	7/1/11	CM & RD2	101,930	2.34	$4,800,000	$47.09
3	625-639 S. Lorena St.	2/8/10	RD1.5/C2	115,173	2.64	$5,700,000	$49.49

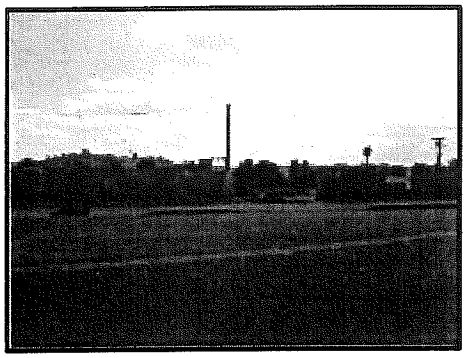
The above comparable sales indicate an unadjusted price range of $47.09 to $53.45 per square foot. Adjustments are applied for factors such as property rights conveyed, financing terms, conditions of sale, market conditions (time), location, access and visibility, and physical characteristics, such as topography, shape, size and zoning.

A map indicating the location of each land sale is presented as follows:



	Address	City	State	Distance (Miles)
Subject	**325 South Boyle Avenue**	**Los Angeles**	**CA**	**N/A**
1	2500 - 2520 W. Hellman Ave.	Alhambra	CA	4.4
2	1819 - 1855 Glendale Blvd.	Los Angeles	CA	3.8
3	625-639 S. Lorena St.	Los Angeles	CA	1.5

COMPARABLE LAND SALE 1



General	
Location	2500 - 2520 W. Hellman Ave.
City	Alhambra
State	CA
Tax ID	5352-029-015, -008 & -003
Distance from Subject	4.4 miles northeast

Site	
Land SF	51,836
Acres	1.19
Units	#N/A
Zoning	CPD
Topography	Level
Shape	Irregular
Corner/Interior	Corner

Transaction	
Grantor	Reifer Trust
Grantee	Westport-Alhambra Storage
Property Rights	Fee Simple
Recording	1309534
Date	8/31/2012
Terms	All cash to seller
Price	$2,770,415
Price Per SF	$53.45
Price Per Acre	$2,328,080
Price Per Unit	#N/A

Additional Information

The site sold partially developed with three vacant retail buildings totaling 4,608 square feet built in 1922, 1940 and 1956. These improvements have been razed and the site is being developed with a self-storage facility. The site is bordered by a four-lane major thoroughfare, a two-lane freeway frontage road and Interstate 10. Surrounding uses include a school and single-family homes. The sales data was obtained and verified through Costar.com, public records and the broker, Stephen Chan with GE Property Development, Inc.

COMPARABLE LAND SALE 2

General

Location	1819 - 1855 Glendale Blvd.
City	Los Angeles
State	CA
Tax ID	5423-003-020, -036 & -037
Distance from Subject	3.8 miles northwest

Site

Land SF	101,930
Acres	2.34
Units	#N/A
Zoning	CM & RD2
Topography	Level and sloping
Shape	Irregular
Corner/Interior	Corner

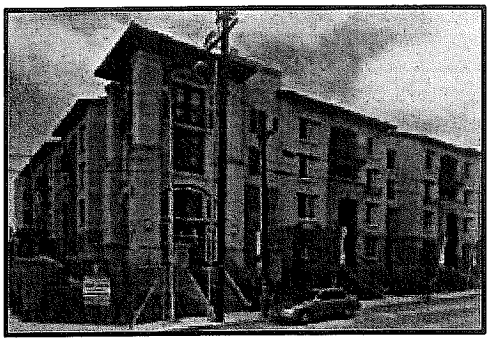
Transaction

Grantor	East West Bank
Grantee	1855 Glendale Boulevard LLC
Property Rights	Fee Simple
Recording	895934
Date	7/1/2011
Terms	All cash to seller
Price	$4,800,000
Price Per SF	$47.09
Price Per Acre	$2,051,282
Price Per Unit	$0

Additional Information

The site is comprised of three parcels near the end of the Glendale Freeway (State Route 2) as it becomes Glendale Boulevard, a six-lane major commercial thoroughfare. It includes two contiguous vacant parcels on the northwest corner of Glendale Boulevard and a residential cul-de-sac. The third parcel is on the southwest corner and sold developed with a vacant and gutted, 36,239-square-foot industrial building built from 1946 to 1965 that has since been razed. The buyer is currently building a 71-unit multifamily development. The sales data was obtained and verified through Costar.com, public records and the broker, Richard Byrd, at Land Advisors Organization.

COMPARABLE LAND SALE 3



General	
Location	625-639 S. Lorena St.
City	Los Angeles
State	CA
Tax ID	5186-015-034, 038, 039, 040
Distance from Subject	1.5 miles southeast

Site	
Land SF	115,173
Acres	2.64
Zoning	RD1.5/C2
Topography	Level
Shape	Rectangular
Corner/Interior	Corner and interior

Transaction	
Grantor	First United Christian Molokan Church
Grantee	Lorena Apartments LP/Global Premier
Property Rights	Fee Simple
Recording	176218
Date	2/8/2010
Terms	See Comments
Price	$5,700,000
Price Per SF	$49.49
Price Per Acre	$2,159,091

Additional Information

This site sold improved with a vacant 1940s religious facility (6,202 square feet) and an old, vacant multifamily property (4,339 square feet). The improvements were razed in order to construct an apartment complex. The site sold with potential soil contamination that was considered in the sale price and led to a three-year escrow. The amount of consideration attributable to the contamination was not available. Surrounding land uses include fair to average quality and condition single-family homes built in the 1950s and 1960s, as well as a neighboring four-story apartment building constructed in 2006. The site has good exposure on the corner of Lorena Avenue, a heavily traveled thoroughfare that passes over the Pomona Freeway just south of the site, and Guirado Street, a lightly traveled cul-de-sac. The site has additional frontage on Concord Street, a residential roadway.

EXPLANATION OF ADJUSTMENTS

Property Rights

All of the comparable sales reflect fee simple estates. The sales do not require an adjustment.

Financing

The verification process indicates that the prices of the transactions used in this analysis are cash-equivalent prices. The sales do not require an adjustment.

Conditions of Sale

This adjustment takes into account any unusual conditions or circumstances that may affect the sales or listing price. Utilities and off-site improvements were available to all of the comparable sales. Sale 1 sold partially developed with three vacant retail buildings totaling 4,608 square feet built in 1922, 1940 and 1956. An upward adjustment of $23,040 ($5 per square foot) to account for demolition costs is warranted for Sale 1. Sale 2 sold partially developed with a vacant and gutted, 36,239-square-foot industrial building built from 1946 to 1965 that has since been razed. An upward adjustment of $181,195 ($5 per square foot) to account for demolition costs is warranted for Sale 2. Sale 3 sold improved with a vacant religious facility and old multifamily building totaling 10,541 square feet. These improvements were razed by the buyer. Therefore, the sale price has been adjusted upward $52,705 ($5 per square foot) to account for demolition costs.

Market Conditions

The next adjustment accounts for the influence of change in market conditions between the transaction dates and the date of valuation. The comparable sales transacted within the last 44 months. During this time, there has been minimal new development activity and no significant pressure on land prices. No adjustments are warranted for this factor.

Location

The location is a major contributing factor to a value of a site. Location influences include quality of the surrounding improvements, proximity to arterials and business centers, and convenience to residential neighborhoods as well as the perception of market participants.

The subject is situated in the eastern central portion of Los Angeles in the Boyle Heights district, at the juncture of several major freeways. Major land uses in the neighborhood include White Memorial Medical Center, senior care facilities, including the subject and Hollenbeck Palms, and single- and multifamily residential.

Comparable Sale 1 is located 4.4 miles northeast of the subject. This sale is land intended for multifamily residential use surrounded by average quality commercial and a school and bordered by Interstate 10. The overall quality and condition of the surroundings and local demographics are superior. A downward adjustment is warranted.

Comparable Sale 2 is located 3.8 miles northwest of the subject. This sale is land intended for multifamily residential use surrounded by average quality neighborhood commercial on Glendale Boulevard, with residential to the east and west. The overall quality and condition of the surroundings and local demographics are superior. A downward adjustment is warranted.

Comparable Sale 3 is located 1.5 miles southeast of the subject. This sale is land intended for multifamily residential use surrounded by average quality neighborhood commercial and multifamily residential on a freeway-adjacent parcel. The overall quality and condition of the surroundings and local demographics are superior. A downward adjustment is warranted.

Zoning

The subject site is zoned [Q]R4-1. Due to the lack of recent multifamily zoned sales, both commercial and multifamily zoned sales have been utilized. Sale 1 is zoned commercial, which allows for a wider variety of uses, and warrants a downward adjustment. Sales 2 and 3 are zoned commercial and multifamily, more similar to the subject's zoning, but do allow for commercial uses, and warrant a smaller downward adjustment.

Topography

The subject property's topography is level and sloping. Sale 1 has level topography and does not warrant a downward adjustment. The subject site has significant slopes in some areas, which could hinder development. All of the sales have level, or less sloping, topography, and warrant downward adjustments.

Shape

The shape is a primary factor in determining the utility of a site. It limits as well as strongly influences the type of configuration of the improvements developed on the land. The subject site is irregular in shape. The shape is adequate for most types of development. The comparable sales have functional shapes. No adjustments are warranted.

Exposure

The exposure adjustment accounts for the positive or negative effect on value for access and visibility. The subject is a corner site with good visibility and good access. The comparable sales have similar exposure and do not require an adjustment.

Size

The subject property contains an area of 204,150 square feet, or 4.69 acres. The comparable sales range in size from 51,836 to 115,173 square feet. Typically, a larger property will sell for a lower price-per-square-foot compared to an otherwise similar but smaller property. Sale 1 is smaller in size and warrants a downward adjustment. Sales 2 and 3 are closer in size and do not warrant adjustments.

The Comparable Land Sales Adjustment Grid is presented as follows:

Keiro Intermediate Care Comparable Land Sales Adjustment Grid								
	Subject		**1**		**2**		**3**	
	325 South Boyle Avenue		2500 - 2520 W. Hellman Ave.		1819 - 1855 Glendale Blvd.		625-639 S. Lorena St.	
	Los Angeles		Alhambra		Los Angeles		Los Angeles	
Parcel Data								
Tax ID	5174-012-009		5352-029-015, -008 & -003		5423-003-020, -036 & -037		5186-015-034, 038, 039, 040	
Zoning	[Q]R4-1		CPD		CM & RD2		RD1.5/C2	
Topography	Level And Sloping		Level		Level and sloping		Level	
Shape	Irregular		Irregular		Irregular		Rectangular	
Corner/Interior	Corner		Corner		Corner		Corner and interior	
Land SF	204,150		51,836		101,930		115,173	
Acres	4.69		1.19		2.34		2.64	
Sales Data								
Recording	N/A		1309534		895934		176218	
Date	N/A		8/31/2012		7/1/2011		2/8/2010	
Property Rights	Fee Simple		Fee Simple		Fee Simple		Fee Simple	
Price	N/A		$2,770,415		$4,800,000		$5,700,000	
Price Per SF	N/A		$53.45		$47.09		$49.49	
Adjustments								
Property Rights			0		0		0	
			2,770,415		4,800,000		5,700,000	
Financing			0		0		0	
			2,770,415		4,800,000		5,700,000	
Conditions of Sale			23,040		181,195		52,705	
			2,793,455		4,981,195		5,752,705	
Market Conditions			0		0		0	
Adjusted Sale Price			$2,793,455		$4,981,195		$5,752,705	
Adjusted Price Per SF			$53.89		$48.87		$49.95	
Adjustments								
Location			-10%		-15%		-10%	
Zoning			-10%		-5%		-5%	
Topography			-10%		-10%		-10%	
Shape			0%		0%		0%	
Exposure			0%		0%		0%	
Size			-5%		0%		0%	
Overall Adjustment			-35.0%		-30.0%		-25.0%	
Adjusted Price Per SF			$35.03		$34.21		$37.46	
Low	$34.21							
High	$37.46							
Mean	$35.57							
Median	$35.03							
Conclusion	$35.00	x	204,150	=	$7,145,250			
Rounded					**$7,150,000**			

CONCLUSION OF LAND VALUE

After adjustments, the comparable sales indicate a range in value of $34.21 to $37.46 per square foot, with a mean of $35.57 and a median of $35.03 per square foot. The comparable sales require net overall adjustments of -35.0% to -25.0%. Sale 3 requires the least overall adjustment of -25.0%, has the most similar location and size and is given primary emphasis. Sales 1 and 2 require overall adjustments of -35.0% to -30.0% and are given secondary emphasis. Sale 3 is given minimal emphasis. Therefore, the estimated land value is presented as follows:

Land Value Conclusion		
$35.00 per SF × 204,150 SF	=	$7,145,250
Rounded		$7,150,000

BUILDING AND SITE IMPROVEMENTS VALUATION

The building and land improvements are valued on the basis of replacement cost new less accrued depreciation. The replacement cost new consists of direct costs and indirect costs associated with construction.

MARSHALL & SWIFT VALUATION

Direct costs include only the hard costs associated with the construction of the building. *Marshall Valuation Service,* a nationally recognized cost manual, provides the average base cost for typical buildings, classified by construction class and quality of construction, and applies it to the gross building area. *Marshall Valuation Service* includes all direct costs and the following indirect costs:

- Plans, specifications and building permits.
- The cost of interim money during normal periods of construction, not discount points or permanent financing charges.
- Sales tax on materials.
- Contractor's overhead and profit, including workers' compensation, fire and liability insurance, and unemployment insurance.

The improvements consist of the following:

Improvements Summary				
	Kelro Intermediate Care Building	Kelro Retirement Home Building	Dining Room/Administration Building	Activity Center Building
Stories	5, with two basement	5	1, with three basement levels	1
Size	29,990 square feet	72,250 square feet	24,686 square feet	5,305 square feet
Frame	Wood	Wood	Wood	Concrete Block
Exterior Finish	Painted brick	Painted stucco	Brick	Concrete block and stucco
Year Built	1951	1989	1930	1958
Quality of Construction	Average	Good	Average	Average
General Condition	Average	Good	Average	Good

The base cost per square foot of gross building area of the building is as follows:

Base Cost Per Square Foot		
	ICF	ILF
Category	convalescent hospitals	elderly assisted living
Section/Page	15/26	12/20
Quality	average	good
Base Cost	$129.25	$83.63

Adjustments to the base cost include fire sprinklers, elevators, height, perimeter, time and location.

SITE IMPROVEMENTS

Site improvements include all improvements except the building. These typically include parking lots, signage, fencing, lighting, landscaping and walkways. Site improvements are estimated on a price per square foot of the site area less the building footprint. This calculation is as follows:

Keiro Intermediate Care and Keiro Retirement Home Site Improvements	
Site Size	204,150
ICF Building Footprint	-5,998
ILF Building Footprint	-14,450
Site Improvements	183,702
Cost per SF of Improvements	$5.00
Total	$918,510
Rounded	**$920,000**

The total direct costs via the *Marshall Valuation Service* total $15,331,694. The following table summarizes the *Marshall Valuation Service* direct cost calculations:

Marshall Valuation Service Direct Costs			
	ICF	ILF	Total
Marshall Valuation Service			
Base Cost	$129.25	$99.45	
$/SF Adjustments			
Sprinklers	3.00	3.00	
Elevators	2.00	0.00	
	$134.25	$102.45	
Multipliers			
Height	1.00	1.01	
Perimeter	1.00	1.00	
Time	0.99	1.06	
Location	1.21	1.21	
Adjusted Base Cost	$160.82	$132.72	
Gross Building Area	29,990	72,250	
Direct Cost - Buildings	4,822,934	9,588,759	$14,411,694
Direct Cost - Site Improvements			920,000
Total Direct Costs			$15,331,694
Marshall Valuation Service Cost PSF			$149.96

COMPARABLE COST METHOD: INTERMEDIATE CARE

The comparable cost method estimates direct costs by considering construction costs for new skilled nursing projects. The costs include direct costs and site improvements. The following table summarizes these costs:

Comparable Construction Data

	Facility City, State	Quality	Building Size (SF)	Beds	Year Built	Building Cost $	Building Cost PSF	Building Cost Per Bed	FF&E $	FF&E Per Bed
1	Gilbert SNF Gilbert, Arizona	Good	77,000	120	2009	$12,919,819	$167.79	$107,665	$1,190,000	$9,917
2	Ashton Creek Ft. Wayne, Indiana	Good	68,684	139	2009	$8,977,691	$130.71	$64,588	$1,377,659	$9,911
3	Dallas Center of Rehab Dallas, Texas	Excellent	62,255	136	2008	$15,643,384	$251.28	$115,025	$1,986,000	$14,603
4	Fort Apache SNF Las Vegas, Nevada	Good	57,000	160	2009	$9,978,231	$175.06	$62,364	N/A	
5	Colonnades at Reflection Bay Pearland, Texas	Good	88,146	180	2007	$13,338,110	$151.32	$74,101	$1,642,909	$9,127
6	Ashley Health and Rehabilitation Rogers, Arkansas	Good	47,003	100	2007	$6,944,803	$147.75	$69,448	N/A	
7	Fort Worth Center of Rehab Fort Worth, Texas	Excellent	64,069	136	2010	$14,170,516	$221.18	$104,195	$2,255,264	$16,583
8	Lutz Care & Rehab Center Lutz, Florida	Excellent	55,227	120	2010	$14,238,958	$257.83	$118,658	$2,488,881	$20,741

Year Built - May also be date of construction contract/bid.
Total Cost - Excludes land, fill up, FF&E and entrepreneurial profit.

The building costs indicate a range of $130.71 to $257.83 per square foot, or $62,364 to $118,658 per bed. However, adjustments for time and location via *Marshall Valuation Service* can be applied to refine the indicated range relative to the subject. The following grid applies time and location factors to each of the projects:

Adjusted Comparable Construction Data										
		Time Adjustment			Location Adjustments					
Facility	Building Cost	Year	Factor	Adj Cost	Local	National Avg	Subj Factor	Adj Cost	PSF	Per Bed
Gilbert SNF	$12,919,819	2009	1.087	$14,043,843	0.95	$14,782,993	1.21	$17,887,421	$232.30	$149,062
Ashton Creek	$8,977,691	2009	1.077	$9,668,973	0.98	$9,866,299	1.21	$11,938,222	$173.81	$85,886
Dallas Center of Rehab	$15,643,384	2008	1.074	$16,800,994	0.89	$18,877,522	1.21	$22,841,801	$366.91	$167,954
Fort Apache SNF	$9,978,231	2009	1.087	$10,846,337	1.12	$9,684,230	1.21	$11,717,918	$205.58	$73,237
Colonnades at Reflection Bay	$13,338,110	2007	1.109	$14,791,964	0.89	$16,620,184	1.21	$20,110,423	$228.15	$111,725
Ashley Health and Rehabilitation	$6,944,803	2007	1.094	$7,597,614	0.91	$8,349,027	1.21	$10,102,323	$214.93	$101,023
Fort Worth Center of Rehab	$14,170,516	2010	1.042	$14,765,678	0.89	$16,590,649	1.21	$20,074,685	$313.33	$147,608
Lutz Care & Rehab Center	$14,238,958	2010	1.066	$15,178,729	1.03	$14,736,630	1.21	$17,831,323	$322.87	$148,594

Time Adjustment - Marshall Valuation Service, Section 98, Pages 15-36; Local Adjustment - Section 99

After adjusting for time and location, the comparable data indicates a range of $173.81 to $366.91 per square foot and $73,237 to $167,954 per bed. The upper end of the range is represented by three facilities. One is a three-story, Class A building of excellent quality in the heart of a major metropolitan area, the second has extensive rehabilitation areas and the third is an excellent quality facility. Excluding these three facilities, the range narrows to $173.81 to $232.30 per square foot and $73,237 to $149,062 per bed.

Based on the data presented above, a direct cost of $175.00 per square foot is estimated. This calculation is presented in the following table:

Intermediate Care Comparable Cost Method		
Base Cost	$175.00	
Gross Building Area	29,990	
Total Direct Costs		**$15,363,250**

COMPARABLE COST METHOD: INDEPENDENT LIVING

The comparable cost method estimates direct costs by considering construction costs for new skilled nursing projects. The costs include direct costs and site improvements. The following table summarizes these costs:

Comparable Construction Cost Data

	Facility City, State	Quality	Building Size (SF)	Units	Year Built	Building Cost $	 PSF	 Per Unit	FF&E $	 Per Unit
1	Bressi Ranch Carlsbad, California	Excellent	39,550	80	2011	$7,373,800	$186.44	$92,173	$775,000	$9,688
2	Ashton Plantation Luling, Louisiana	Excellent	55,014	60	2010	$7,402,656	$134.56	$123,378	$250,000	$4,167
3	Grace Assisted Living Farr West, Utah	Good	68,003	94	2010	$7,270,300	$106.91	$77,344	$500,000	$5,319
4	Ambassador at Scarsdale Scarsdale, New York	Excellent	118,767	115	2010	$24,408,700	$205.52	$212,250	$2,000,000	$17,391
5	My Doctor's Inn Sterling Heights, Michigan	Good	87,000	90	2009	$13,994,888	$160.86	$155,499	$450,000	$5,000
6	The Oasis at Brown Mesa, Arizona	Good	40,238	50	2009	$6,649,797	$165.26	$132,996	$280,000	$5,600
7	Assisted Living of Pahrump Pahrump, Nevada	Good	49,855	60	2009	$6,048,269	$121.32	$100,804	$280,000	$4,667

Year Built - May also be date of construction contract/bid.
Total Cost - Excludes land, fill up, FF&E and entrepreneurial profit.

The building costs indicate a range of $106.91 to $270.67 per square foot, or $77,344 to $212,250 per unit. However, adjustments for time and location via *Marshall Valuation Service* can be applied to refine the indicated range relative to the subject. The following grid applies time and location factors to each of the projects:

Adjusted Comparable Construction Cost Data										
		Time Adjustment			Location Adjustments					
Facility	Building Cost	Year	Factor	Adj. Cost	Local	National Avg.	Subj. Factor	Adj. Cost	PSF	Per Unit
Bressi Ranch	$7,373,800	2011	1.019	$7,513,902	1.17	$6,422,139	1.03	$6,614,803	$167.25	$82,685
Ashton Plantation	$7,402,656	2010	1.042	$7,713,568	0.91	$8,476,448	1.03	$8,730,741	$158.70	$145,512
Grace Assisted Living	$7,270,300	2010	1.055	$7,670,167	0.97	$7,907,388	1.03	$8,144,610	$119.77	$86,645
Ambassador at Scarsdale	$24,408,700	2010	1.085	$26,483,440	1.31	$20,216,366	1.03	$20,822,857	$175.33	$181,068
My Doctor's Inn	$13,994,888	2009	1.077	$15,072,494	1.15	$13,106,517	1.03	$13,499,712	$155.17	$149,997
The Oasis at Brown	$6,649,797	2009	1.087	$7,228,329	0.97	$7,451,886	1.03	$7,675,442	$190.75	$153,509
Assisted Living of Pahrump	$6,048,269	2009	1.087	$6,574,468	1.16	$5,667,645	1.03	$5,837,675	$117.09	$97,295
Low									$117.09	$82,685.03
High									$190.75	$181,068.32
Median									$158.70	$145,512.35
Mean									$154.87	$128,101.53
Time Adjustment - Marshall Valuation - Sec. 98, Pgs. 15-36; Local Adjustment - Sec. 99										

After adjusting for time and location, the comparable data indicates a range of $117.09 to $190.75 per square foot and $82,685 to $181,068 per unit.

Based on the data presented above, a direct cost of $170.00 per square foot is estimated. This calculation is presented in the following table:

Assisted Living Comparable Cost Method		
Base Cost	$170.00	
Gross Building Area	30,000	
Total Direct Costs		**$9,300,000**

DIRECT COST SUMMARY AND RECONCILIATION

The two methods indicate a 0.2% range and are supportive of one another. The comparable cost method is given more emphasis, as it is based on actual current construction costs of Assisted Living and Independent facilities adjusted for time and location. Therefore, the direct cost estimated in the analysis is $15,100,000. The two methods are summarized in the following table:

Reconciliation		
Methodology	**ICF Value**	**ILF Value**
Marshall Valuation Service	$5,812,934	$10,538,759
Comparable Cost Method	$5,248,250	$10,115,000
Concluded Direct Costs	**$5,100,000**	**$10,000,000**

Total Direct Cost Reconciliation	
Methodology	**Value**
Marshall Valuation Service	$15,331,694
Comparable Cost Method	$15,363,250
Concluded Direct Costs	**$15,100,000**

INDIRECT COSTS

The indirect costs include such items as financing points, property taxes on land during construction, marketing, revenue loss during construction and entrepreneurial profit.

- **Financing Points:** Financing points are estimated at 2%, based on a 75% loan-to-value ratio of the concluded direct costs, plus land value and equipment.
- **Taxes During Construction:** Taxes are calculated based on the market value of the land during construction, assumed to take 12 months. This time frame is based on estimations received from contractors who specialize in the construction of convalescent hospitals.
- **Marketing:** A marketing expense is estimated in order to account for the initial marketing effort required to bring a property to a stabilized level. Based on experiences of several national and regional providers, this expense ranges from $1,500 to $3,500 per bed/unit. An estimate of $1,500 per bed/unit is utilized.
- **Revenue Loss:** This expense accounts for the difference in revenue between a stabilized property and a property in the initial absorption period. This expense is based upon an absorption period of 365 days, multiplied by the number of beds/units to be absorbed, multiplied by the average daily revenue, which equals a total potential revenue loss. Since the absorption of beds/units will occur gradually over time, the midpoint is utilized. Therefore, the total revenue loss is divided in half, which is the average loss. This amount is further reduced by 40% to account for lower variable expenses during the absorption period. Therefore, the revenue loss during absorption is estimated as follows:

Keiro Intermediate Care and Keiro Retirement Home Revenue Loss			
	ICF	ILF	Total
Absorption Period	365	365	
Stabilized ADC	85.5	135.5	
Less Beds Pre Leased	17.1	27.1	
Remaining Beds to be Absorbed	68.4	108.4	
Average Daily Revenue	$125.99	$68.10	
Total Estimated Loss	$3,145,553	$2,694,853	$12,526,351
Average Loss	$1,572,776	$1,347,427	
% Offset by Reduced Expenses	40.0%	40.0%	
Revenue Loss	$943,666	$808,456	$1,752,122
Rounded			$1,750,000

- **Entrepreneurial Profit:** This profit is a necessary element in the enticement for undertaking the cost and risks associated with developing a property such as the subject. The amount of entrepreneurial profit varies according to economic

conditions and types of development, exhibiting a fairly wide range. An entrepreneurial profit of 15% of direct and indirect costs is utilized in this analysis.

INTERMEDIATE CARE/INDEPENDENT LIVING DEPRECIATION

Depreciation of a structure is its loss in value due to physical deterioration and obsolescence. These terms are defined as follows:

- **Physical Deterioration:** The loss in value due to ordinary wear and tear, i.e., age and natural forces taking their toll on the improvements. This begins at the time the building is completed and continues throughout its physical life.
- **Functional Obsolescence:** An element of accrued depreciation resulting from deficiencies or superadequacies in the structure.
- **External Obsolescence:** An element of accrued depreciation. A defect, usually incurable, caused by negative influences outside a site and generally incurable on the part of the owner, landlord or tenant.

ECONOMIC LIFE

The assignment of an economic life assumes that, except for the building shell and foundation, shorter-lived building components will be replaced periodically over the life of the building.

The amount of depreciation and obsolescence in the subject building is typical for a facility of its age. An inspection of the property revealed that the structure and related component parts are adequately maintained through a continuous maintenance service program.

Marshall Valuation Service indicates that the typical building lives of convalescent hospitals range from 35 to 50 years. However, the effective lives of buildings can vary greatly depending on a number of factors including, but not limited to, maintenance level, barriers to entry, CONs, competition, demand growth, renovations and overall profitability of the operations. The majority of the skilled nursing facilities in the United States were built in the 1960s and 1970s, which equates to building ages of 30 to 50 years. The economic lives of these buildings are often extended due to the factors previously discussed.

A more reliable method of determining the economic life of skilled nursing facilities is based on market data. This can be accomplished by comparing the replacement cost new to the sale price, less land value and FF&E. The following table is a summary of the market derived depreciation and total economic life:

Depreciation And Effective Life Analysis									
Comparable	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Facility	Lufkin, TX	Snellville, GA	Dallas, TX	Denver, CO	Carson, NV	Stockton, CA	Smithfield, RI	Fresno, CA	Vineland, NJ
Beds	150	144	303	265	73	98	133	59	210
Size	42,457	45,347	212,147	82,399	22,326	27,070	66,174	14,617	72,336
Year Built	1988	1991/96	1953/84	1961-72	1965	1967	1947-1990	1920/62	1985
Cost Approach Analysis									
Replacement Cost Improvements	$9,070,000	$14,640,000	$30,123,000	$12,731,000	$4,910,000	$7,280,000	$15,330,000	$3,257,000	$21,270,000
Land Value	470,000	790,000	2,470,000	2,530,000	1,060,000	380,000	290,000	480,000	470,000
Total Cost New	$9,540,000	$15,430,000	$32,593,000	$15,261,000	$5,970,000	$7,660,000	$15,620,000	$3,737,000	$21,740,000
Depreciation Analysis									
Sale Price	$8,000,000	$12,000,000	$17,000,000	$12,057,000	$3,250,000	$5,300,000	$6,600,000	$2,400,000	$20,000,000
Less Land Value	470,000	790,000	2,470,000	2,530,000	1,060,000	380,000	290,000	480,000	470,000
Less MME Value	375,000	500,000	608,000	530,000	180,000	245,000	200,000	120,000	945,000
Indicated Value of the Improvements	$7,155,000	$10,710,000	$13,922,000	$8,997,000	$2,010,000	$4,675,000	$6,110,000	$1,800,000	$18,585,000
Replacement Cost Improvements	$9,070,000	$14,640,000	$30,123,000	$12,731,000	$4,910,000	$7,280,000	$15,330,000	$3,257,000	$21,270,000
Improved Price Divided By Cost New	78.9%	73.2%	46.2%	70.7%	40.9%	64.2%	39.9%	55.3%	87.4%
Implied Total Depreciation	21.1%	26.8%	53.8%	29.3%	59.1%	35.8%	60.1%	44.7%	12.6%
Building Effective Age	15	15	35	25	35	30	35	35	10
Implied Annual Rate of Depreciation	1.4%	1.8%	1.5%	1.2%	1.7%	1.2%	1.7%	1.3%	1.3%
Implied Total Economic Life - Years	71.0	55.9	65.1	85.2	59.3	83.8	58.2	78.2	79.2

	Min	Max	Median	Mean
Building Effective Age	10.0	35.0	30.0	26.1
Implied Annual Rate of Depreciation	1.2%	1.8%	1.4%	1.4%
Implied Total Economic Life - Years	55.9	85.2	71.0	70.7

The comparable data suggests that the economic lives of the skilled nursing facilities range from 56 to 85 years, with a mean and median of 71 years. Facilities near the upper end of the range have more profitable operations. Considering the factors that influence the subject's total economic life, and based on the data previously presented, the subject is estimated to have an economic life of 70 years.

The actual age of the two buildings is 25 to 63 years, and the effective age of the buildings is estimated at 30 years. Intermediate and independent living facilities are licensed, inspected regularly and maintained at a higher level relative to other income-producing properties. The subject has undergone several renovations over the past 10 years, including those made to the activity center in 2003 for $1,057,680, conversion of three activity rooms in 2006 for $223,000, lobby and business office remodel in 2008 for $287,500, dining room in 2010 for $122,000, entry lobby enclosure in 2011 for $300,000, breezeway enclosure in 2011 for $279,000 and common area flooring in the Keiro Intermediate Care building in 2013 for $86,266. Therefore, an effective age below the actual age is warranted. The building is estimated to have an economic life of 70 years. Therefore, the remaining economic life is 40 years. Economic life is the period over which the improvements to the real estate contribute to the value of the property.

The amount of depreciation attributable to the property is estimated on a straight-line age/life basis. Straight-line depreciation is founded on the assumption that depreciation of a property occurs at the same rate throughout its economic life. The straight-line depreciation percentage is estimated at 42.9% (30 years/70 years).

The elements that comprise the site improvements typically have shorter economic lives than the life of the building. The aggregate economic life of these items is estimated to be 20 years, with an effective age of 10 years. The straight-line depreciation percentage is estimated at 50.0%.

No functional obsolescence was noted.

INTERMEDIATE CARE/INDEPENDENT LIVING EQUIPMENT VALUATION

Equipment cost new for an Intermediate care or Independent Living home ranges from $6,000 to $16,500 per bed. Depreciated equipment values for nursing homes range from $1,500 to $5,500 per bed. The low end of this range represents equipment that is either sparse in quantity, low in quality or highly depreciated. The upper end of the range would be expected at a newer facility or at a facility with a higher percentage of private rooms. The correlated equipment value per bed is calculated as follows:

Equipment Conclusion		
$4,500 per bed x 90 beds	=	$1,098,000
Rounded		$1,100,000

The Cost Approach is summarized as follows:

Keiro Intermediate Care and Keiro Retirement Home Summary Of Cost Approach			
	ICF	**ILF**	**Total**
Concluded Direct Costs	$5,100,000	$10,000,000	$15,100,000
Indirect Costs			
Financing Points	$200,250	$273,750	
Taxes During Construction	87,533	N/A	
Marketing	135,000	190,500	
Revenue Loss	940,000	810,000	
Entrepreneurial Profit	970,000	1,700,000	
Total Indirect Costs	$2,332,783	$2,974,250	$5,307,033
Replacement Cost New	$7,432,783	$12,974,250	$20,407,033
Depreciation			
Deferred Maintenance	$0	$0	
Physical - Buildings	2,994,329	5,226,734	
Physical - Site Improvements	223,007	389,269	
Functional Obsolescence	0	0	
External Obsolescence	0	0	
Total Depreciation	$3,217,337	$5,616,003	$8,833,339
Depreciated Replacement Cost			$11,573,693
Land Value			7,150,000
Equipment			1,100,000
Indicated Value - Cost Approach			$19,823,693
Rounded			$19,820,000

COST APPROACH SUMMARY

Based on the aforementioned data and analysis, the market value, via the Cost Approach of the assets comprising the subject property, is represented in the following rounded amount:

Keiro Intermediate Care and Keiro Retirement Home Summary Of Cost Approach	
Land	$7,150,000
Improvements	11,570,000
Furniture, Fixture and Equipment	1,100,000
Total	**$19,820,000**

INSURABLE VALUE

"Insurable value" is defined as follows:

> Value used by insurance companies as the basis for insurance. Often considered to be replacement or reproduction cost less deterioration and non-insurable items. Sometimes cash value or market value but often entirely a cost concept (Marshall & Swift, Section 3, Page 2).

For the purposes of this report, insurable value is estimated by subtracting the non-insurable items, financing points, marketing revenue loss and entrepreneurial profit from the replacement costs, and adding the costs of the furniture, fixtures and equipment. The non-insurable items include the grading, foundation, utility lines from the street, pavement, concrete walks and landscaping. These items are estimated at 5%.