



00027522200700130310260263

07/23/2007 02:49:29 PM

Fee: \$146.00

AFTER RECORDING RETURN TO:

David Brier, Esq.
Blank Rome LLP
405 Lexington Avenue
New York, New York 10017

1st - 873887

**ESTOPPEL CERTIFICATE, SUBORDINATION, ATTORNMENT, AND
NONDISTURBANCE AGREEMENT**

This Estoppel Certificate, Subordination, Attornment, And Nondisturbance Agreement (the "Agreement"), is made this 19th day of July, 2007, between MARATHON STRUCTURED FINANCE FUND, L.P. ("Lender"), PLUM RIDGE CARE COMMUNITY, LLC, an Oregon limited liability company, JON M. HARDER and DARRYL E. FISHER (collectively, "Owner"), and MARQUIS COMPANIES I, INC., an Oregon corporation ("Tenant").

Owner is the landlord and Tenant is the tenant under that certain Sublease and Option to Purchase dated November 7, 2002, as amended by that certain First Addendum to Sublease and Purchase Option Agreement dated January 13, 2003, and that certain Second Addendum to Sublease and Purchase Option Agreement dated as of July 20, 2005, as amended by Third Addendum to Sublease and Purchase Option Agreement dated October 1, 2006 (collectively, the "Lease"). The Lease demises certain land and improvements located in Klamath County, Oregon, more particularly described in such Lease and on Exhibit A attached hereto (the land and improvements are collectively referred to as the "Property"). Owner has obtained a commitment from Lender for financing Owner's ownership interests in the Property (the "Loan") to be evidenced by a promissory note in the initial principal sum of \$4,600,000 (the "Note") in favor of Lender, payment of which is to be secured by, among other things, a Leasehold Deed of Trust, Assignment of Rents, and Security Agreement (the "Deed of Trust") on the Property.

In order to induce Lender to make the Loan to Owner, and in order to establish certain safeguards and priorities with respect to their respective rights in connection with the Property, Lender has requested that Owner give and obtain from Tenant certain warranties and agreements from Tenant as hereinafter set forth.

In consideration of the mutual benefits accruing to each, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Estoppel** Tenant and Owner hereby represent and warrant to Lender that:

(a) The Lease is unmodified and in full force and effect, and there are no current or future rental concessions or abatements in effect or agreed to, other than as expressly set forth in the Lease. A true and correct copy of the Lease as executed by Tenant and Owner has been delivered to Lender concurrently with the execution of this Agreement

(b) Tenant is in full and complete possession of the Property.

(c) The Lease term and Tenant's obligation to pay rent commenced on January 1, 2003 and the Lease terminates on September 30, 2016.

(d) The monthly Base Rent currently payable under the Lease is \$40,000.00. No rents (exclusive of any security deposits) have been paid under the Lease for more than one (1) month in advance.

(e) Tenant has paid all rent, if any, and other amounts currently due under the Lease and has paid no rent more than one month in advance.

(f) A security deposit of \$40,000.00 has been paid to the Owner.

(g) Tenant has no option to purchase the Property.

(h) As of the date hereof, no event has occurred that does presently, or would with the passage of time, the giving of notice, or the expiration of a period of grace, constitute a default by either party under the Lease, give rise to a right of termination of the Lease by either party, or give rise to any rights of offset against rent by Tenant.

(i) Tenant has not subleased any portion of the Property and has not assigned, whether outright or by collateral assignment, all or any portion of its rights under the Lease; other than the liens granted by Tenant on certain of its assets (but expressly excluding Tenant's leasehold interest in the Lease), including but not limited to, its accounts receivable and certain related books, records and intangible assets, in favor of Tenant's working capital lender, CIT Healthcare LLC, in connection with the working capital financing provided to Tenant by such lender (the "Working Capital Financing").

(j) No petition in bankruptcy, insolvency, reorganization or rearrangement under any bankruptcy or insolvency law has been filed by or, to the knowledge of Tenant, against the Tenant; to the knowledge of Tenant, no action has been commenced for the appointment of a trustee or receiver of the Tenant or any of its property; and the Tenant is not insolvent and has not made an assignment for the benefit of its creditors.

2. Restriction Against Modification The Lease shall not be modified, amended, terminated, or superseded, nor shall the Property be sublet by Tenant, nor shall Tenant assign its rights under the Lease to a third party, without the express prior written approval of Lender, which approval shall not be unreasonably withheld, provided that any such modification or amendment to the Lease does not reduce any monetary or other economic obligation of Tenant under the Lease, change the use permitted by the Lease or shorten the term of the Lease.

3. Acknowledgment of Collateral Assignment Tenant acknowledges that the Lease will be collaterally assigned to Lender as security for the Loan and that the terms of the collateral assignment will prohibit the collection of rent more than one (1) month in advance. Upon written request by Lender accompanied by Lender's written certification that an event of default has occurred under the Note, or Deed of Trust or any of the other loan documents securing the Loan (collectively, the Loan Documents"), Tenant will commence paying the rental and other amounts due and owing to Owner under the Lease directly to Lender, and such payment to Lender shall constitute a full and complete discharge of the obligations of Tenant to Owner

under the Lease to the extent of the amount(s) so paid. Tenant agrees that neither Lender's demanding or receiving any such payments, nor Lender's exercising any other right, remedy, privilege, power or immunity granted by the Deed of Trust will operate to impose any liability upon Lender for performance of any obligation of Owner under the Lease unless and until Lender elects otherwise in writing.

4. Notice and Opportunity To Cure Defaults Tenant agrees to use its good faith efforts to notify Lender of any breach or default by Owner under the Lease and offer Lender the opportunity to cure such breach or default; provided, however, any notice of breach or default provided by Tenant to Owner shall be effective even if Tenant fails to provide the same to Lender. Tenant agrees not to pursue any action or exercise any legal right or remedy that Tenant may have to terminate the Lease because of such breach or default for a period of thirty (30) days following Lender's receipt of notice of Tenant's intent to terminate. Tenant further agrees that it will not exercise any right or remedy that it may have to terminate the Lease because of a breach or default that Lender has failed to cure or cause to be cured within the aforementioned thirty (30)-day period if the breach or default is one that can be cured, but cannot with due diligence be cured prior to the expiration of said thirty (30)-day period, if Lender gives notice of its intent to cure or cause such breach or default to be cured prior to the expiration of said thirty (30)-day period, and thereafter proceeds promptly with and prosecutes with all due diligence the curing of such breach or default. If the default is such that it cannot be practically cured by Lender without taking possession of the Premises, Tenant agrees that, provided there is no risk to resident health or welfare and the Property is otherwise in compliance with applicable law, any right it may have to terminate the Lease or to setoff or abate any rent under the Lease shall be suspended for a reasonable period of time so long as Lender is diligently proceeding to acquire possession of the Premises, by foreclosure or otherwise in order to cure said default.

Nothing contained herein shall be construed as obligating Lender to cure any breach or default or perform any obligation of Owner under the Lease.

Any notices sent to Lender pursuant to this Section 4 shall be delivered personally or by reputable overnight courier service such as Federal Express to the address set forth below (or to such other address or addresses as Lender may from time to time designate in writing):

Marathon Structured Finance Fund L.P.
c/o Marathon Asset Management, L.L.C.
461 Fifth Avenue, 14th Floor
New York, New York 10017
Attention: Craig Thaler, Esq.

5. Subordination Subject to the rights expressly granted to Tenant hereunder, the Lease and any rights of Tenant to purchase the Property are, and at all times shall continue to be, subject and subordinate to the Note and the lien of the Deed of Trust and to all advances made or to be made thereunder, and to any renewals, extensions, modifications, or replacements thereof.

Specifically, and without limiting the generality of the foregoing, Tenant agrees that with respect to (a) any damage to or destruction of the Property or any portion thereof by hazards insured against and for which compensation is paid, payable, or recoverable; (b) any taking of

the Property or any portion thereof by partial or total condemnation (or a transfer in lieu thereof); or (c) damages awarded for change of grade or loss of any use or enjoyment of the Property or any portion thereof, Tenant's claims thereto shall be subordinate to those of Lender under the Deed of Trust notwithstanding the covenants of Lender under Section 7 below; provided, however, nothing herein shall be construed as giving Lender any claim to or interest in any insurance proceeds or condemnation award paid directly to Tenant to compensate Tenant for the loss of its personal property, as compared to the real property, fixtures or improvements of Owner, or its leasehold interest in or income from the Property, which proceeds shall be held, released and applied as set forth in the Deed of Trust; and provided, further, that Lender and Owner acknowledge and agree that in the event Lender elects to retain any insurance proceeds or condemnation awards payable with respect to real property and improvements of Owner and does not make them available to Owner or Tenant for the repair or reconstruction of the Facility then, notwithstanding anything to the contrary set forth in the Lease, Tenant shall have the right on written notice to Owner and Lender to terminate the Lease effective as of the date of damage, destruction or taking.

Tenant shall not subordinate the Lease to any lien, claim, mortgage, deed of trust, or other encumbrance of any kind, except as provided in this Section 5, and any such other subordination shall be deemed a default under the Lease and this Agreement.

Until such time as the Loan has been repaid in full and the Deed of Trust fully reconveyed of record, any provisions of the Lease that purport to make the Lease automatically subordinate to any other existing or future mortgage, ground lease, trust deed, or other encumbrance of any kind shall be of no force or effect, and the Lease shall be deemed to have been amended to delete such provisions.

6. **Attornment** In the event of a foreclosure or sale of the Property pursuant to the trustee's power of sale, Tenant shall attorn to, and the Lease shall be recognized as a direct lease from Lender, the purchaser at the sheriff's or trustee's sale, or any subsequent owner (collectively, "Purchaser") and the Purchaser shall recognize all of the Tenant's rights thereunder, except Purchaser shall not be (a) liable for any previous act or omission of Owner under the Lease, (b) subject to any offset that shall theretofore have accrued to Tenant against Owner, (c) subject to any obligation with respect to any option payment, security deposit, prepaid rental or other prepayment under the Lease for greater than one (1) month under the Lease unless such option payment, security deposit, prepaid rental or other prepayment has been physically delivered to Purchaser or (d) bound by any previous modification of the Lease unless such modification shall have been expressly approved in writing by Lender.

The provisions of the immediately preceding paragraph (i) shall be equally applicable if Lender elects to accept from Owner a deed in lieu of foreclosure and (ii) regarding attornment by Tenant shall be self-operative and effective without the necessity of execution of any new lease or other document on the part of any party to this Agreement or the respective heirs, legal representatives, successors or assigns of any such party. Tenant agrees, however, to execute and deliver at any time and from time to time, upon the request of Owner or of any holder of any of the indebtedness or other obligations secured by the Deed of Trust, any instrument or certificate which, in the reasonable judgment of Owner or of such holder, may be necessary or appropriate in any such foreclosure proceeding or otherwise to evidence such attornment, including, if

requested, a new lease of the Property on the same terms and conditions as the Lease for the then unexpired term of the Lease.

7. **Nondisturbance** Subject to Section 11(b) below, so long as no default exists hereunder or under the Lease, nor any event has continued to exist for such period of time (after notice, if any, required by the Lease) as would entitle Owner under the Lease to terminate the Lease or would cause, without any further action of Owner, the termination of the Lease or would entitle Owner to dispossess Tenant thereunder, the Lease shall not be terminated, nor shall Tenant's use, possession, or enjoyment of the Property be interfered with, nor shall the leasehold estate be affected in any foreclosure, or in any action or proceeding instituted under or in connection with the Deed of Trust.

8. **Further Documents** Owner and Tenant shall execute and deliver to Lender or to any party to whom Tenant hereby agrees to attorn, in form and substance reasonably satisfactory to Lender or such other party, such other instruments or assurances as Lender or such other party shall reasonably request in order to more fully carry out the intents and purposes of this Agreement.

9. **Binding Effect** This Agreement shall inure to the benefit of and be binding upon the parties hereto, their successors and assigns, and the holder from time to time of the Note.

10. **Modification** This Agreement may not be modified other than by an agreement in writing, signed by the parties hereto or their respective successors in interest.

11. **Healthcare Representations and Warranties of Tenant.**

(a) Tenant hereby (i) represents and warrants to Lender and Owner that the statements set forth on Exhibit B attached hereto are true, complete and correct in all material respects as of the date hereof and, subject to the further terms of Section 11(b) below, shall be true for so long as the Loan is outstanding, (ii) covenants that it shall use its good faith efforts to comply with the healthcare covenants set forth on Exhibit B-1 attached hereto for so long as the Loan is outstanding, and (iii) agrees to notify Landlord and Lender within three (3) business days following first becoming aware of the occurrence of any facts, events or circumstances, whether threatened, existing or pending, that would make any of the representations and warranties and covenants untrue, incomplete or incorrect (together with such supporting data and information as shall be necessary to fully explain to Owner and Lender the scope and nature of the fact, event or circumstance), and shall provide to Owner and Lender within two (2) business days of Owner's and Lender's request, such additional information as Lender shall reasonably request regarding such disclosure.

(b) In the event (A) either (an "SNDA Default") (i) any representation, warranty, certification or statement made by Tenant in this Agreement (or any exhibit to this Agreement) is incorrect in any material respect when made (or deemed made) or (ii) in the event Tenant breaches any of the covenants set forth in Exhibit B-1 to this Agreement, and such breach is not remedied or waived in writing within thirty (30) days after the earlier of (A) receipt by Tenant of notice from Owner or Lender of such default, or (B) actual knowledge of Tenant of such default; provided, however, that if any such failure concerning a non-monetary covenant is

susceptible of cure and cannot reasonably be cured within said thirty (30) day period, then Tenant shall have an additional thirty (30) day period to cure such failure and no default shall be deemed to exist hereunder so long as Tenant commences such cure within the initial thirty (30) day period and diligently and in good faith pursues such cure to completion within such resulting thirty (30) day period from the date of Lender's or Owner's notice and (B) such SNDA Default is also an Event of default under the Lease, then Lender shall have the right in its sole discretion to terminate, or upon written notice to Owner, cause Owner to terminate, the Lease upon thirty (30) days prior written notice to Tenant. Absent manifest error, Tenant agrees not to challenge any such termination and hereby waives any rights and remedies, at law or in equity, against Lender in connection therewith. Notwithstanding the foregoing, it is understood and agreed by the parties that Tenant has agreed to make the representations and warranties set forth herein and to be bound by the covenants set forth herein solely as an accommodation to Owner in order to facilitate the refinancing of the Property, but that nothing herein is to be construed as imposing any obligations on Tenant to Owner beyond those set forth in the Lease and that with respect to Tenant's obligations to Owner under the Lease only, in the event of a conflict between the provisions of this Section 11 and Exhibits B and B-1 attached hereto and the Lease, the Lease shall control.

12. Estoppel Certificate:

Tenant agrees to execute and deliver from time to time, upon the request of Owner or of any holder of any of the indebtedness or other obligations secured by the Deed of Trust, a certificate regarding the status of the Lease, consisting of statements, if true (or if not, specifying why not), (a) that the Lease is in full force and effect, (b) the date through which rentals have been paid, (c) the date of the commencement of the term of the Lease, (d) the nature of any amendments or modifications of the Lease, (e) that no default, or state of facts which with the passage of time or notice (or both) would constitute a default, exists under the Lease, (f) no setoffs, recoupments, estoppels, claims or counterclaims exist against Owner, and (g) such other matters as may be reasonably requested.

13. Entire Agreement This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof. By its acceptance of Tenant's signature on this Agreement, Lender has not agreed to any conditions to Tenant's agreement to subordinate the Lease to a future mortgage or trust deed that are contained in the Lease itself and are not restated in this Agreement, including, but not limited to, provisions that purport to obligate Lender for items with respect to which Lender has been relieved of responsibility for pursuant to Section 6, or provisions that purport to require Lender, as a condition to Tenant's subordination, to make condemnation and insurance proceeds available to Owner or Tenant and/or to apply such proceeds toward the cost of restoring or repairing the Property.

14. Effect on Lease Except as herein modified, all of the terms and provisions of the Lease shall remain in full force and effect. In the event of a conflict between the Lease and this Agreement, the terms and provisions of this Agreement shall control.

15. Governing Law(A) THIS AGREEMENT IS TO BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT RESPECT TO ANY OTHERWISE APPLICABLE CONFLICTS-OF-LAWS PRINCIPLES, BOTH AS TO INTERPRETATION AND PERFORMANCE, EXCEPT

ONLY TO THE EXTENT, IF ANY, THAT THE LAWS OF THE STATE OF OREGON NECESSARILY CONTROL, AND THE PARTIES EXPRESSLY CONSENT AND AGREE TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS HAVING JURISDICTION IN THE CITY OF NEW YORK, COUNTY OF NEW YORK AND STATE OF NEW YORK AND TO THE LAYING OF VENUE IN NEW YORK, WAIVING ALL CLAIMS OR DEFENSES BASED ON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE, INCONVENIENT FORUM OR THE LIKE. EACH PARTY HEREBY CONSENTS TO SERVICE OF PROCESS BY MAILING A COPY OF THE SUMMONS TO SUCH PARTY, BY CERTIFIED OR REGISTERED MAIL, POSTAGE PREPAID, TO SUCH PARTY'S ADDRESS SET FORTH IN THE OPENING PARAGRAPH ABOVE.

(B) WAIVER OF TRIAL BY JURY. EACH PARTY HEREBY (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUES TRIABLE OF RIGHT BY A JURY, AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW HEREAFTER EXIST. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN, KNOWINGLY AND VOLUNTARILY, BY EACH PARTY, AND THIS WAIVER IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A JURY TRIAL WOULD OTHERWISE ACCRUE. EACH PARTY IS HEREBY AUTHORIZED AND REQUESTED TO SUBMIT THIS AGREEMENT TO ANY COURT HAVING JURISDICTION OVER THE SUBJECT MATTER AND THE PARTIES TO THIS AGREEMENT, SO AS TO SERVE AS CONCLUSIVE EVIDENCE OF THE FOREGOING WAIVER OF THE RIGHT TO JURY TRIAL. FURTHER, EACH PARTY HEREBY CERTIFIES THAT NO REPRESENTATIVE OR LENDER OF ANOTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WILL NOT SEEK TO ENFORCE THIS WAIVER OF RIGHT TO JURY TRIAL PROVISION.

16. Counterparts This Agreement may be executed in multiple counterparts and the executed signature pages, including acknowledgements, may be detached from a counterpart or reattached to a single counterpart.

DATED as of the day and year first above written.

LENDER:

MARATHON STRUCTURED FINANCE FUND
L.P., a Delaware limited partnership

By: [Signature]

Name: David Arzi
Managing Director

Its: _____

OWNER:

PLUM RIDGE CARE COMMUNITY, LLC, an
Oregon limited liability company

By: _____

Name: _____

Its: _____

TENANT:

MARQUIS COMPANIES I, INC., an Oregon
corporation


By: _____

Name: _____

Its: _____

STATE OF ~~NEVADA~~ ^{NEW YORK})
) ss.
COUNTY of NEW YORK)

This instrument was acknowledged before me on the 28th day of JUNE, 2007
by Dan Arzi as Managing Director of
Mevatum Structured Finance Fund, LP


Notary Public for ~~Nevada~~ NEW YORK
My Commission Expires 2/20/10
Notary Public, State of New York
No. 02TH5055873
Qualified in Westchester County
Commission Expires 2/29/10

STATE OF OREGON)
) ss.
COUNTY of _____)

This instrument was acknowledged before me on the _____ day of _____, 2007
by Jon Harter, as Manager of Plum Ridge Care Community, LLC.

Notary Public for Oregon
My Commission Expires: _____

STATE OF OREGON)
) ss.
COUNTY of _____)

This instrument was acknowledged before me on the _____ day of _____, 2007
by _____, as President of Marquis Companies I, Inc.

Notary Public for Oregon
My Commission Expires: _____

DATED as of the day and year first above written.

LENDER:

MARATHON STRUCTURED FINANCE FUND
L.P., a Delaware limited partnership

By: _____

Name: _____

Its: _____

OWNER:

PLUM RIDGE CARE COMMUNITY, LLC, an
Oregon limited liability company

By: _____

Name: Jon M. Harder

Its: Manager

TENANT:

MARQUIS COMPANIES I, INC., an Oregon
corporation

By: _____

Name: _____

Its: _____

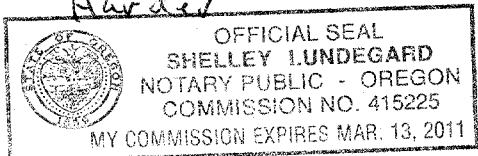
STATE OF NEVADA)
) ss.
COUNTY of _____)

This instrument was acknowledged before me on the _____ day of _____, 2007
by _____, as _____ of _____

Notary Public for Nevada
My Commission Expires: _____

STATE OF OREGON)
) ss.
COUNTY of Marion)

This instrument was acknowledged before me on the 17th day of July, 2007
by Jon Harter, as Manager of Plum Ridge Care Community, LLC.



Shelley Lundegard

Notary Public for Oregon
My Commission Expires: 3-13-2011

STATE OF OREGON)
) ss.
COUNTY of _____)

This instrument was acknowledged before me on the _____ day of _____, 2007
by _____, as President of Marquis Companies I, Inc.

Notary Public for Oregon
My Commission Expires: _____

DATED as of the day and year first above written.

LENDER:

MARATHON STRUCTURED FINANCE FUND
L.P., a Delaware limited partnership

By: _____

Name: _____

Its: _____

OWNER:

PLUM RIDGE CARE COMMUNITY, LLC, an
Oregon limited liability company


By: _____

Name: _____

Its: _____

TENANT:

MARQUIS COMPANIES I, INC., an Oregon
corporation

By:  _____

Name: STEVE C. FOBB

Its: CFO / SECRETARY

STATE OF NEVADA)
) ss.
COUNTY of _____)

This instrument was acknowledged before me on the _____ day of _____, 2007
by _____, as _____ of _____

Notary Public for Nevada
My Commission Expires: _____

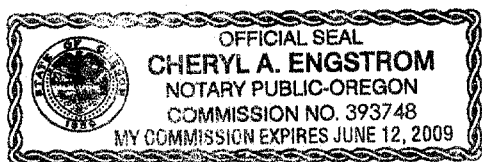
STATE OF OREGON)
) ss.
COUNTY of _____)

This instrument was acknowledged before me on the _____ day of _____, 2007
by Jon Harter, as Manager of Plum Ridge Care Community, LLC.

Notary Public for Oregon
My Commission Expires: _____

STATE OF OREGON)
) ss.
COUNTY of Clackamas)

This instrument was acknowledged before me on the 18 day of July, 2007
by Steve Chapp as President of Marquis Companies I, Inc.
CFO/Secretary



Cheryl A. Engstrom
Notary Public for Oregon
My Commission Expires: June 12, 2009

EXHIBIT A

LEGAL DESCRIPTION

PARCEL I:

A TRACT OF LAND SITUATED IN THE SW ¼ OF THE NE ¼ OF SECTION 20, TOWNSHIP 38 SOUTH, RANGE 9 EAST, OF THE WILLAMETTE MERIDIAN, KLAMATH COUNTY, OREGON, BEING A PORTION OF BLOCKS 6,7 AND 8 AND VACATED HILLTOP STREET AND VACATED FOOTHILL BOULEVARD, MCLOUGHLIN HEIGHTS SUBDIVISION, ACCORDING TO THE OFFICIAL PLAT THEREOF ON FILE IN THE OFFICE OF THE COUNTY CLERK OF KLAMATH COUNTY, OREGON, MORE PARTICULARLY DESCRIBED AS FOLLOWS: COMMENCING AT THE NORTHEAST CORNER OF MCLOUGHLIN HEIGHTS; THENCE SOUTH 0°46' 00" WEST, ALONG THE EAST BOUNDARY OF MCLOUGHLIN HEIGHTS, 100.0 FEET TO THE TRUE POINT OF BEGINNING OF THIS DESCRIPTION; THENCE SOUTH 0°46' 00" WEST, ALONG THE EAST BOUNDARY OF MCLOUGHLIN HEIGHTS 572.30 FEET TO THE NORTH BOUNDARY OF VACATED FOOTHILL BOULEVARD; THENCE 40.57 FEET ALONG THE ARC OF A 20.00 FOOT RADIUS CURVE TO THE RIGHT (THE LONG CHORD OF WHICH BEARS SOUTH 58°53' WEST, 33.97 FEET); THENCE NORTH 63°00' 00" WEST, ALONG THE NORTH BOUNDARY OF FOOTHILL BOULEVARD, 104.35 FEET; THENCE 482.81 FEET ALONG THE ARC OF A 774.83 FOOT RADIUS CURVE TO THE LEFT (THE LONG CHORD OF WHICH BEARS NORTH 80°51' 03" WEST, 475.03 FEET); THENCE LEAVING SAID ROAD BOUNDARY NORTH 20°39' 40" EAST, 504.11 FEET; THENCE SOUTH 89°21' 00" EAST, 420.87 FEET TO THE TRUE POINT OF BEGINNING. TOGETHER WITH THE NORTHERLY ONE-HALF OF VACATED FOOTHILL BOULEVARD ABUTTING THE SOUTHERLY BOUNDARY OF THE ABOVE DESCRIBED PARCEL;

ALSO INCLUDING LOTS 8,9,10,11,12,13,14 AND 15 OF BLOCK 6 OF MCLOUGHLIN HEIGHTS SUBDIVISION, TOGETHER WITH THE SOUTHERLY ONE-HALF OF VACATED FOOTHILL BOULEVARD ABUTTING THE NORTHERLY BOUNDARY OF SAID LOTS 8,9,10,11,12,13,14 AND 15 OF BLOCK 6;

EXCEPTING THEREFROM LOTS 8,9,10,11,12,13,14 AND 15 OF BLOCK 6 OF MCLOUGHLIN HEIGHTS SUBDIVISION TOGETHER WITH THE SOUTHERLY ONE-HALF OF VACATED FOOTHILL BOULEVARD ABUTTING THE NORTHERLY BOUNDARY OF SAID LOTS 8,9,10,11,12,13,14 AND 15 OF BLOCK 6;

ALSO EXCEPTING THEREFROM THE FOLLOWING DESCRIBED PARCEL:

COMMENCING AT THE NE 1/16 CORNER OF SECTION 20, TOWNSHIP 38 SOUTH, RANGE 9 EAST OF THE WILLAMETTE MERIDIAN, KLAMATH COUNTY, OREGON, BEING THE NORTHEAST CORNER OF MCLOUGHLIN HEIGHTS SUBDIVISION; THENCE ALONG THE EAST BOUNDARY OF SAID MCLOUGHLIN HEIGHTS AND THE EAST LINE OF THE SW 1/4 NE 1/4 OF SAID SECTION 20 SOUTH 0°46'00" WEST 100.00 FEET TO THE NORTHEAST CORNER OF THAT PARCEL DESCRIBED AS PARCEL 1 IN

DEED VOLUME M91, PAGE 13596, RECORDS OF KLAMATH COUNTY, OREGON; THENCE ALONG THE NORTHERLY BOUNDARY OF SAID PARCEL NORTH 89°21'00" WEST 420.87 FEET TO THE NORTHWEST CORNER OF SAID PARCEL; THENCE SOUTH 20°39'40" WEST 504.11 FEET TO THE SOUTHWEST CORNER OF THAT PARCEL DESCRIBED IN DEED VOLUME M75, PAGE 8321, RECORDS OF KLAMATH COUNTY, OREGON AND THE TRUE POINT OF BEGINNING FOR THIS DESCRIPTION; THENCE SOUTH 08°42'06" EAST 25.00 FEET TO THE CENTERLINE OF VACATED FOOTHILL BOULEVARD; THENCE FOLLOWING SAID CENTERLINE ALONG THE ARC OF A 749.83 FOOT RADIUS NON-TANGENT CURVE TO THE RIGHT 82.06 FEET, THE LONG CHORD OF WHICH BEARS NORTH 84°26'01" EAST 82.02 FEET; THENCE LEAVING SAID CENTERLINE NORTH 09°10'20" WEST 12.82 FEET; THENCE SOUTH 80°17'48" WEST 17.62 FEET; THENCE NORTH 09°32'02" WEST 17.40 FEET; THENCE SOUTH 80°54'52" WEST 63.92 FEET TO THE POINT OF BEGINNING.

ALSO EXCEPTING THEREFROM THE FOLLOWING DESCRIBED PORTION OF PARCEL 1 OF DEED VOLUME M91, PAGE 13596, RECORDS OF KLAMATH COUNTY, OREGON:

BEGINNING AT A POINT ON THE EAST BOUNDARY OF MCLOUGHLIN HEIGHTS WHICH BEARS S. 0°46' W. A DISTANCE OF 100.0 FEET FROM THE NORTHEAST CORNER THEREOF, SAID POINT BEING THE NORTHEAST CORNER OF SAID PARCEL 1 OF DEED VOLUME M91, PAGE 13596; THENCE N. 89°21'00" W. ALONG THE NORTH LINE OF SAID PARCEL 420.87 FEET TO THE NORTHWEST CORNER THEREOF; THENCE S. 20°39' 40" W. ALONG THE WESTERLY LINE OF SAID PARCEL 173.00 FEET TO A POINT; THENCE ALONG THE SOUTHERLY LINE OF SAID PARCEL S. 86°54' 35" E. 274.87 FEET; THENCE LEAVING SAID SOUTHERLY LINE NORTH 15°01'01" EAST 28.90 FEET; THENCE NORTH 72°20'55" EAST 13.09 FEET; THENCE SOUTH 69°41'02" EAST 99.96 FEET; THENCE SOUTH 24°30'18" EAST 3.74 FEET TO THE SOUTHERLY LINE OF SAID PARCEL 1; THENCE SOUTH 86°54'35" EAST TO A POINT ON THE EAST LINE OF SAID PARCEL; THENCE N. 0°46'00" E. ALONG SAID EAST LINE A DISTANCE OF 183.00 FEET TO THE POINT OF BEGINNING.

PARCEL II:

ACCESS AS DISCLOSED IN RECIPROCAL ACCESS EASEMENT, RECORDED JUNE 8, 2001 IN M-01 ON PAGE 27242, RECORDS OF KLAMATH COUNTY, OREGON.

EXHIBIT B

HEALTHCARE REPRESENTATIONS AND WARRANTIES

DEFINITIONS. The following terms have the following meanings:

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, and any agency, department or Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any corporation or other Person owned or controlled (through stock or capital ownership or otherwise) by any of the foregoing, whether domestic or foreign.

“Healthcare Laws” means all applicable Laws relating to the possession, control, warehousing, marketing, sale and distribution of pharmaceuticals, the operation of medical or senior housing facilities (such as, but not limited to, nursing homes, skilled nursing facilities, rehabilitation hospitals, intermediate care facilities and adult care facilities), patient healthcare, patient healthcare information, patient abuse, the quality and adequacy of medical care, rate setting, equipment, personnel, operating policies, fee splitting, including without limitation, (a) all federal and state fraud and abuse laws, including, without limitation, the federal Anti-Kickback Statute (42 U.S.C. § 1320a-7b(6)), the Stark Law (42 U.S.C. § 1395nn), the civil False Claims Act (31 U.S.C. § 3729, et seq.), (b) TRICARE, (c) HIPAA, (d) Medicare, (e) Medicaid, (f) quality, safety and accreditation standards and requirements of all applicable state laws or regulatory bodies; (g) all laws, policies, procedures, requirements and regulations pursuant to which Healthcare Permits are issued; and (h) any and all other applicable health care laws, regulations, manual provisions, policies and administrative guidance, each of (a) through (h) as may be amended from time to time.

“Healthcare Permit” means a Permit (a) issued or required under Healthcare Laws applicable to the business of Tenant or any of its Subsidiaries or necessary in the possession, ownership, warehousing, marketing, promoting, sale, labeling, furnishing, distribution or delivery of goods or services under Healthcare Laws applicable to the business of Tenant or any of its Subsidiaries, (b) issued by any Person from which Tenant has, as of the Closing Date, received an accreditation (including, without limitation, the JCAHO), and/or (c) issued or required under Healthcare Laws applicable to the ownership of a Location.

“HIPAA” means the Health Insurance Portability and Accountability Act of 1996, as the same may be amended, modified or supplemented from time to time, and any successor statute thereto, and any and all rules or regulations promulgated from time to time thereunder.

“HIPAA Compliant” shall mean that the applicable Person is in compliance with each of the applicable requirements of the so-called “Administrative Simplification” provisions of HIPAA, and is not and could not reasonably be expected to become the subject of any civil or criminal penalty, process, claim, action or proceeding, or any administrative or other regulatory review, survey, process or proceeding (other than routine surveys or reviews conducted by any government health plan or other accreditation entity) that could result in any of the foregoing or that could reasonably be expected to adversely affect such Person’s business, operations, assets,

properties or condition (financial or otherwise), in connection with any actual or potential violation by such Person of the provisions of HIPAA.

"JCAHO" means the Joint Commission on Accreditation of Healthcare Organizations.

"Laws" means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, guidances, guidelines, ordinances, rules, judgments, orders, decrees, codes, plans, injunctions, permits, concessions, grants, franchises, governmental agreements and governmental restrictions, whether now or hereafter in effect, which are applicable to Lender or Landlord in any particular circumstance. **"Laws"** includes, without limitation, Healthcare Laws.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest, in respect of such asset.

"Material Adverse Effect" means, with respect to any event, act, condition or occurrence of whatever nature (including any adverse determination in any litigation, arbitration, or governmental investigation or proceeding), whether singly or in conjunction with any other event or events, act or acts, condition or conditions, occurrence or occurrences, whether or not related (a) a material adverse change in, or a material adverse effect upon, any of (i) the condition (financial or otherwise), operations, business, properties or prospects of the Tenant, (ii) the rights and remedies of Tenant under this Agreement, the Lease, or the ability of Tenant to perform any of its obligations under this Agreement or the Lease, (iii) the legality, validity or enforceability of this Agreement or the Lease, (iv) the existence, perfection or priority of any security interest granted in this Agreement or the Lease or the value of any material collateral; (v) any ability to accept, admit and/or retain patients or residents or to own or operate the Property; (vi) the rate at which any Third Party Payor reimburses for goods or services provided; (vii) the use or scope of any Healthcare Permits; (viii) the continued participation by Tenant in the Medicaid or Medicare programs or any other Third Party Payor Program at then current rate certifications or levels; (b) an impairment to the likelihood that revenues in general will be collected and paid in the normal course of Tenant's business and upon the same schedule and with the same frequency as Tenant recent collections history; (c) an impairment to the value of the Property or Collateral; or (d) the imposition of a fine against or the creation of any liability of Tenant to any Governmental Authority under any Healthcare Law in excess of \$50,000.00.

"Medicaid" means the medical assistance programs administered by state agencies and approved by CMS pursuant to the terms of Title XIX of the Social Security Act, codified at 42 U.S.C. 1396 et seq.

"Medicare" means the program of health benefits for the aged and disabled administered by CMS pursuant to the terms of Title XVIII of the Social Security Act, codified at 42 U.S.C. 1395 et seq.

"Ordinary Course of Business" means, in respect of any transaction involving Tenant, the ordinary course of Tenant's business, as conducted by Tenant.

“Participation Agreements” shall have the meaning set forth in Section (C) of Exhibit B-1.

“Permits” means all governmental licenses, authorizations, provider numbers, supplier numbers, registrations, permits, certificates, franchises, qualifications, accreditations, consents and approvals required under all applicable Laws and required in order to carry on its business as now conducted, including, without limitation, Healthcare Permits.

Tenant hereby represents and warrants as follows:

(i) Healthcare Permits. Tenant has (i) such Healthcare Permits and other rights from, and have made all declarations and filings with, all applicable Governmental Authorities, all self regulatory authorities and all courts and other tribunals necessary to engage in the operation of the Property where the failure to obtain or maintain the same would reasonably be expected to have a Material Adverse Effect, and (ii) no knowledge that any Governmental Authority is considering limiting, suspending or revoking any such Healthcare Permit. All such Healthcare Permits are valid and in full force and effect and Tenant has received no written notice that it is not in material compliance with the terms and conditions of all such Healthcare Permits except where failure to be in such compliance or for a Healthcare Permit to be valid and in full force and effect would not have a Material Adverse Effect.

(ii) Specific Licensing. The Property is duly licensed as required under applicable law an assisted living facility under the applicable laws of the state where the Property is located. Tenant has not granted to any third party the right to reduce the number of licensed beds or units at the Property or the right to apply for approval to move any and all of the licensed beds or units at the Property to any other location and there are no proceedings pending or to the knowledge of Tenant contemplated to reduce the number of licensed beds at the Property.

(iii) Accreditation. In connection with its operation at the Property, Tenant has received and maintains accreditation in good standing and without impairment by all applicable accrediting organizations, to the extent required by law (including any equivalent regulation). Tenant has not received any notice or communication from JCAHO or any other accrediting organization that the Property is (i) subject to or is required to file a plan of correction with respect to any accreditation survey, or (ii) in danger of losing its accreditation due to a failure to comply with a plan of correction.

(iv) Participation Agreements/Provider Status/Cost Reports.

(a) In connection with its operation at the Property, Tenant has the requisite participation agreement or provider number or other Healthcare Permit to bill the Oregon Medicaid program with respect to residents of the Property whose care is paid for in whole or in part by Medicaid and all other Third Party Payor Programs (including, but not limited to, Medicare) which currently account for any of the revenues derived from the operation of the Property.

(b) There is no investigation, audit, claim review, or other action pending or, to the knowledge of Tenant, threatened which would reasonably be expected to result in a revocation, suspension, termination, probation, restriction, limitation, or non-renewal of any Third Party Payor participation agreement or provider number or other Healthcare Permit in effect with respect to the Property or result in Tenant's exclusion in connection with its operations at the Property from any Third Party Payor Program, nor has any Third Party Payor Program made any decision not to renew any participation agreement or provider agreement or other Healthcare Permit related to the Property, nor has Tenant made any decision not to renew any participation agreement or provider agreement or other Healthcare Permit related to the Property, nor is there any action pending or, to the knowledge of Tenant, threatened to impose material intermediate or alternative sanctions with respect to the Property.

(c) Tenant, has properly and legally billed all fiscal intermediaries and Third Party Payors for services rendered with respect to the Property and have maintained its records to reflect such billing practices. Except in the ordinary course of business, no funds relating to Tenant are now, or, to the knowledge of Tenant will be, withheld by any Third Party Payor.

(d) All Medicare, Medicaid, and private insurance cost reports and financial reports submitted by Tenant in connection with its operation of the Property are and will be materially accurate and complete and have not been and will not be misleading in any material respects. Except as disclosed in writing to Lender, no cost reports for the Property remain "open" or unsettled. There are no current, pending or outstanding Medicare, Medicaid or Third Party Payor Program reimbursement audits or appeals pending with respect to the Property or Tenant which are reasonably likely to result in a Material Adverse Effect with regard to Tenant.

(v) No Violation of Healthcare Laws.

(a) Neither the Property nor the Tenant in connection with its operations at the Property are known to be in violation of any Healthcare Laws, except where any such violation would not have a Material Adverse Effect.

(b) To its knowledge, Tenant is HIPAA Compliant.

(c) The Property has not received a statement of deficiencies or survey violation within the past three years for which a plan of correction has not been filed with the applicable state authority. The Property is not currently subject to any plan of correction that has not been accepted by or is currently the subject of a review by the applicable state authority. Tenant has received no notice of any charges of patient abuse, which remain unresolved as of the date hereof.

(vi) Proceedings. Neither Tenant, with respect to its operations at the Property, nor the Property is subject to any proceeding, suit or investigation by any federal, state or local government or quasi-governmental body, agency, board or authority or any other administrative or investigative body (including the Office of the Inspector General of the United States Department of Health and Human Services): (1) which would reasonably be expected to result in the imposition of a fine, alternative, interim or final sanction, a lower reimbursement rate for services rendered to eligible patients which has not been provided for on Tenant's financial statements, or which would have a Material Adverse Effect on Tenant, with respect to its operations at the Property or the operation of the Property; (2) which would reasonably be expected to result in the revocation, transfer, surrender, suspension or other impairment of any material operating certificate, provider agreement or Healthcare Permit of the Property; (3) which pertains to any state or federal Medicare or Medicaid cost reports or claims filed by Tenant (including, but not limited to, any reimbursement audits), or any disallowance by any commission, board or agency in connection with any audit of such cost reports; or (4) which pertains to or requests any voluntary disclosure pertaining to a potential overpayment matter involving the submission of claims to such payor by Tenant.

(vii) Ancillary Laws. Tenant has received no notice, and is not aware, of any violation of applicable antitrust laws, employment or landlord-tenant laws of any federal, state or local government or quasi-governmental body, agency, board or other authority with respect to the Property or Tenant's operations at the Property which remain outstanding as of the date hereof.

(viii) Hill-Burton. In connection with its operations at the Property, Tenant is not nor will not be a participant in any federal program whereby any federal, state or local government or quasi-governmental body, agency, board or other authority may have the right to recover funds by reason of the advance of federal funds, including, without limitation, those authorized under the Hill-Burton Act (42 U.S.C. § 291 et seq.).

(ix) Fraud & Abuse.

(a) In connection with its operations at the Property, Tenant has not engaged in any of the following: (A) knowingly and willfully making or causing to be made a false statement or representation of a material fact in any application for any benefit or payment under the Federal Health Care Program (as such term is defined in 42 U.S.C. §1320a-7b); (B) knowingly and willfully making or causing to be made any false statement or representation of a material fact for use in determining rights to any benefit or payment under the Federal Health Care Program (as such term is defined in 42 U.S.C. §1320a-7b); (C) failing to disclose knowledge by a claimant of the occurrence of any event affecting the initial or continued right to any benefit or payment under the Federal Health Care Program (as such term is defined in 42 U.S.C. §1320a-7b) on its own behalf or on behalf of another, with intent to secure such benefit or payment fraudulently; (D) knowingly and 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 (1) 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 the Federal Health Care Program (as such term is defined in 42 U.S.C. §1320a-7b), or (2) in return for purchasing, leasing or ordering or arranging for or recommending the purchasing, leasing or ordering of any good, facility, service, or item for which payment may be made in whole or in part by the Federal Health Care Program (as such term is defined in 42 U.S.C. §1320a-7b); (E) presenting or causing to be presented a claim for reimbursement for services that is for an item or services that was known or should have been known to be (1) not provided as claimed, or (2) false or fraudulent; or (F) knowingly and willfully making or causing to be made or inducing or seeking to induce the making of any false statement or representation (or omitting to state a fact required to be stated therein or necessary to make the statements contained therein not misleading) of a material fact with respect to (1) a facility in order that the facility may qualify for Governmental Authority certification, or (2) information required to be provided under 42 U.S.C. § 1320a-3.

(b) In connection with its operations at the Property, Tenant has not: (A) had a civil monetary penalty assessed against him or her pursuant to 42 U.S.C. § 1320a-7a or is the subject of a proceeding seeking to assess such penalty; (B) been excluded from participation in a Federal Health Care Program (as that term is defined in 42 U.S.C. § 1320a-7b) or is the subject of a proceeding seeking to assess such penalty, or has been "suspended" or "debarred" from selling products to the U.S. government or its agencies pursuant

to the Federal Acquisition Regulation, relating to debarment and suspension applicable to federal government agencies generally (48 C.F.R. Subpart 9.4), or other applicable laws or regulations; (C) been convicted (as that term is defined in 42 C.F.R. § 1001.2) of any of those offenses described in 42 U.S.C. § 1320a-7b or 18 U.S.C. §§ 669, 1035, 1347, 1518 or is the subject of a proceeding seeking to assess such penalty; (D) been involved or named in a U.S. Attorney complaint made or any other action taken pursuant to the False Claims Act under 31 U.S.C. §§ 3729-3731 or qui tam action brought pursuant to 31 U.S.C. § 3729 *et seq.*; (E) been made a party to any other action by any governmental authority that may prohibit it from selling products to any governmental or other purchaser pursuant to any law; or (F) been subject to any federal, state, local governmental or private payor civil or criminal investigations or inquiries, proceedings, validation review, program integrity review or statement of charges involving and/or related to its compliance with Healthcare Laws or involving or threatening its participation in Medicare, Medicaid or other Third Party Payor Programs or its billing practices with respect thereto.

(c) Compliance. Tenant, in connection with its operations at the Property, and the Property are in compliance with all covenants and obligations in this Exhibit B and Exhibit B-1 attached hereto.

EXHIBIT B-1
HEALTHCARE COVENANTS

Tenant covenants to Lender and Owner as follows:

(a) Licensed Facility.

(i) CON.

(a) If required under applicable Healthcare Laws, Tenant has and shall maintain in full force and effect a valid CON for no less than the number of beds and units in the Property as of the date of this Agreement. Tenant shall maintain any applicable CON free from restrictions or known conflicts which would materially impair the use or operation of the Property for its current use, and shall not permit any CON to become provisional, probationary or restricted in any way. Tenant shall be the owner of the CON, if any, relating to the Property.

(b) Tenant shall not do (or suffer to be done) any of the following without Lender's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed:

(A) Replace or transfer all or any part of the Property's units or beds to another site or location;

(B) transfer or demise any CON or other Healthcare Permit or rights thereunder to any Person (other than Administrative Lender) or to any location other than the Property to which such CON or Healthcare Permit pertains; or

(C) Pledge or hypothecate any CON or other Healthcare Permit as collateral security for any indebtedness.

(ii) Manager. Tenant represents and warrants that the Property is managed by Tenant and there is no affiliated or unaffiliated manager ("Manager") of any Property. Tenant shall not, unless Lender shall have consented thereto in each instance, enter into any management agreement with regard to the Property (a "Management Agreement"), or enter into any other agreement relating to the management or operation of the Property with any Person. Any Manager and any Management Agreement shall be subject to the prior consent of Lender and, in addition to any other requirements imposed by Lender, Tenant, prior to entering into a Management Agreement, shall be required to cause the Manager to enter into an assignment and subordination of management or operating agreement in form and substance reasonably satisfactory to Lender.

(iii) Transfer of Healthcare Permits and Operations. Upon written notice from Lender to Tenant following the occurrence of an Event of Default under the Loan Documents or under this Agreement that is continuing hereunder, Tenant shall:

(a) upon the termination of the Lease, subject to and in accordance with the terms of this Agreement, execute, deliver and file all documents and statements requested by Lender to effectuate a transfer of the Healthcare Permits for the Property

to a replacement operator designated by Lender ("Replacement Operator"), subject to required approval of any Governmental Authority. Tenant further shall provide to Lender all information and records requested by Lender in connection with the transfer of the Healthcare Permits; and

(b) if and to the extent requested by Lender: (i) deliver to Lender copies of all Healthcare Permits and the most recent reports and notices pertaining to the Property required to be delivered under this Agreement or Lease; (ii) continue and maintain the operation of the Property in the ordinary course of business, including, without limitation, the retention of all residents at the Property to the fullest extent possible until the transfer of the operations of the Property to the Replacement Operator is completed; (iii) upon the termination of the Lease, subject to and in accordance with the terms of this Agreement, enter into such operation transfer agreements, management agreements, and other agreements as may be requested by Lender until the transfer of the operations of the Property to the Replacement Operator is completed if and to the extent such management or other agreements are permitted by Law; provided, however, that if such Replacement Operator shall be operating under or utilizing the Healthcare Permits issued to Tenant, Tenant shall be first provided with an indemnity from a creditworthy party with respect to any potential liability it may suffer or incur as a result of same until such time as such Healthcare Permits are transferred to the Replacement Operator; and (iv) provide continued access to Lender and its Lenders to show the Property to potential replacement operators provided Lender exercises such rights in a manner which is not unreasonably disruptive to the operations at the Property and complies with applicable Laws, including, but not limited to, Laws governing the confidentiality of resident and employee records and other information. Tenant hereby consents to the disclosure by Lender to potential replacement operators of Tenant's licensure reports and surveys, financial and property due diligence materials and other documents, materials and information relating to the Property, subject to any restrictions on disclosure under applicable Laws, including, but not limited to, Laws governing confidentiality of resident and employee records and other information.

(c) Healthcare Operations.

(i) Tenant shall:

(a) timely file or caused to be timely filed (after giving effect to any extension duly obtained), all notifications, reports, submissions, Permit renewals, cost reports and other reports of every kind whatsoever required by Healthcare Laws (which reports will be materially accurate and complete in all respects and not misleading in any respect and shall not remain open or unsettled) other than in the ordinary course of business;

(b) maintain in full force and effect, and free from restrictions, probations, conditions or known conflicts which would materially impair the use or operation of any Location for its current use, all Healthcare Permits necessary under Healthcare Laws to carry on the business of Tenant as it is conducted on the date hereof;

(c) not suffer or permit to occur any of the following:

(1) any transfer of a Healthcare Permit or rights thereunder (but expressly excluding any pledge of Tenant's accounts receivables (as opposed to

the Healthcare Permits) pursuant to Tenant's Working Capital Financing to any Person (other than to Lender) or to any location other than a property approved by Lender in advance in writing;

(2) any pledge or hypothecation of any Healthcare Permit as collateral security for any indebtedness other than to Lender;

(3) any voluntary rescission, withdrawal, revocation, amendment or modification of or other alteration to the nature, tenor or scope of any Healthcare Permit without Lender's prior written consent, including, without limitation, (I) any change to the authorized units/beds capacity of the Property and/or the number of units/beds approved by the applicable Governmental Authority, and (II) any transfer all or any part of the Property's authorized units or beds to another site or location;

(4) any voluntary transfer of any resident of the Property to any other facility, unless such transfer is at the request of the resident (without economic incentives being given to the resident by an Affiliate of Tenant) or its payor or is for reasons relating to non-payment or the health, required level of medical care or safety of the resident to be transferred or other residents or employees at the Property;

(5) any fact, event or circumstance for which notice to Lender is required under this Section;

(d) If required by Law, maintain a corporate health care regulatory compliance program ("CCP") which includes at least the following components and allows landlord and/or any outside consultants from time to time to review such CCP: (1) standards of conduct and procedures that describe compliance policies regarding laws with an emphasis on prevention of fraud and abuse; (2) specific officer within high-level personnel identified as having overall responsibility for compliance with such standards and procedures; (3) training and education programs which effectively communicate the compliance standards and procedures to employees and Lenders, including, without limitation, fraud and abuse laws and illegal billing practices; (4) auditing and monitoring systems and reasonable steps for achieving compliance with such standards and procedures including, without limitation, publicizing a report system to allow employees and other Lenders to anonymously report criminal or suspect conduct and potential compliance problems; (5) disciplinary guidelines and consistent enforcement of compliance policies including, without limitation, discipline of individuals responsible for the failure to detect violations of the CCP; and (6) mechanisms to immediately respond to detected violations of the CCP;

(e) at all times be HIPAA Compliant;

(f) if the Property is currently accredited by JCAHO, (1) maintain such accreditation in good standing and without limitation or impairment, (2) submit to JCAHO a plan of correction for any deficiencies listed on any JCAHO accreditation survey report within such time frame as may be required by JCAHO, and (3) cure

all such deficiencies within such time frame as is necessary to preserve and maintain in good standing and without limitation or impairment such JCAHO accreditation.

(d) Third Party Payor Programs. Neither the Property, nor Tenant in connection with its operation at the Property, shall, other than in the normal course of business, change the terms of any Third Party Payor Programs or its normal billing payment and reimbursement policies and procedures with respect thereto (including without limitation the amount and timing of finance charges, fees and write-offs). In connection with its operations Tenant will (A) maintain in full force and effect, and free from restrictions, probations, conditions or known conflicts which would materially impair the use or operation of the Property for its current use, all Healthcare Permits necessary under Healthcare Laws to continue to receive reimbursement under all Third Party Payor Programs in which the Tenant or the Property participates as of the date of this Agreement, and (B) provide to Lender upon request, an accurate, complete and current list of all participation agreements with Third Party Payors with respect to the business of Tenant at the Property (collectively, "Participation Agreements"). In connection with its operations at the Property, Tenant shall at all times comply in all material respects with all requirements, contracts, conditions and stipulations applicable to Tenant in order to maintain in good standing and without default or limitation all such Participation Agreements where the failure to maintain such Participation Agreements would reasonably be expected to have a Material Adverse Effect.