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Thomas J. Wettlaufer
625 Hawthorne Ave SE, Suite 100
Salem, OR 97301

2018-011907

Klamath County, Oregon



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09/28/2018 03:35:24 PM

Fee: \$122.00

MEMORANDUM OF REPLACEMENT LEASE

BE IT KNOWN THAT on September 24, 2018 (the “**Effective Date**”), **Klamath Falls Intercommunity Hospital Authority**, a hospital authority formed pursuant to ORS 441 (“**Lessor**”) and **Klamath Falls SNF, LLC**, a California limited liability company (“**Lessee**”) entered into a Replacement Lease for the real property located at 1401 Bryant Williams Drive, Klamath Falls, Oregon, more particularly described on the attached Exhibit A (the “**Real Property**”) for a term commencing as of the date hereof and terminating at 11:59:59 PM on March 31, 2090.

IN WITNESS WHEREOF, the undersigned, on behalf of the parties, have executed this instrument as of the Effective Date.

[Signature Pages Follow]

MEMORANDUM OF REPLACEMENT LEASE
LESSOR SIGNATURE PAGE

Klamath Falls Intercommunity Hospital Authority,
a hospital authority formed pursuant to ORS 441

By: [Signature]

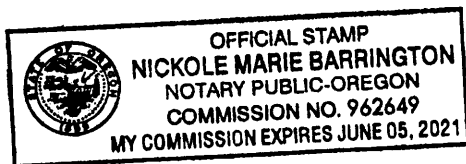
Name: Stan Gilbert

Its: Chair

STATE OF OREGON)
) ss.
County of Klamath)

On this 24th day of September, 2018, personally appeared before me the within-named
Stan Gilbert, as chair of Klamath Falls Intercommunity Hospital
Authority.

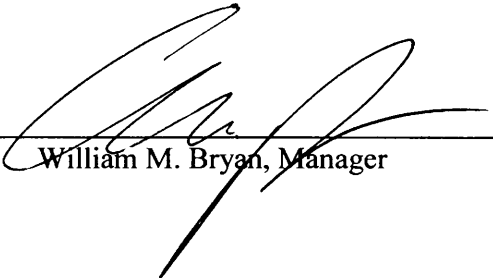
Before me: Nickole Marie Barrington



NOTARY PUBLIC FOR Oregon
My Commission Expires: 6/5/2021

Lessee's Signature Page for Memorandum of Lease

KLAMATH FALLS SNF, LLC,
a California limited liability company

By: 
William M. Bryan, Manager

DISTRICT OF COLUMBIA)ss:

On this 20th day of September, 2018, before me, a Notary Public in and for said District, duly commissioned and sworn, personally appeared William M. Bryan, the Manager of Klamath Falls SNF, LLC, a California limited liability company, known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person or the entity on behalf of which the person acted, voluntarily executed the instrument.

WITNESS my hand and official seal




Notary Public

My commission expires: _____
MIKLOS BAUGH
NOTARY PUBLIC DISTRICT OF COLUMBIA
My Commission Expires January 31, 2020

EXHIBIT A
Legal Description of Real Property

A tract of land situated in the SW 1/4 of the NE 1/4 of Section 20, Township 38 South, Range 9 East, Willamette Meridian, Klamath County, Oregon, being a portion of Blocks 7 and 8 and vacated Hilltop Street, McLoughlin Heights Subdivision, 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 Foothills 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 Foothills 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 South 84°26'01"

West 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 South 0°46'00" West 100.00 feet from the northeast corner thereof, said point being the

northeast corner of said Parcel 1 of deed Volume M91, Page 13596; thence North 89°21'00" West along the north line of said parcel 420.87 feet to the northwest corner thereof; thence South 20°39'40" West along the westerly line of said parcel 173.00 feet to a point; thence along the southerly line of said parcel

South 86°54'35" East 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 4°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 North 0°46'00" East along said east line 183.00 feet to the point of beginning.

EXHIBIT B
HUD LEASE ADDENDUM

Notwithstanding any other provisions of this Lease, if and so long as this leasehold is subject to a security instrument insured, reinsured, or held by HUD or given to HUD in connection with a resale, or the Lessee's interest in the Property¹ and Improvements² now or hereafter located thereon, is acquired and held by HUD because of a default under the security instrument, the following provisions of this Lease Addendum shall be in effect:

- a) The Lessee is authorized to obtain one or more loans, the repayment of which is to be insured by HUD and secured by a security instrument on this leasehold estate and the Improvements. The Lessee is further authorized to execute all documents necessary as determined by HUD and otherwise to comply with Program Obligations for obtaining any such insured loan.
- b) Intentionally Omitted.
- c) If approved by HUD, the Lessee may convey, assign, transfer, lease, sublease or sell all or any part of its leasehold interest in the Property and its interest in the Improvements without the need for approval or consent by any other person or entity.
- d) (i) Insurance policies shall be in an amount, and with such company or companies and in such form, and against such risks and hazards, as shall be approved by lender and HUD.

(ii) The Lessor shall not take out separate insurance concurrent in form or contributing in the event of loss with that specifically required to be furnished by the Lessee to lender. The Lessor may at its own expense, however, take out separate insurance which is not concurrent in form or not contributing in the event of loss with that specifically required to be furnished by the Lessee to lender.
- e) (i) If all or any part of the Property or the Improvements or the leasehold estate shall be taken or damaged by condemnation, that portion of any award attributable to the Improvements or the Lessee's interest in the leasehold estate or damage to the Improvements or to the Lessee's interest in the leasehold estate shall be paid to lender or otherwise disposed of as may be provided in the security instrument. Any portion of the award attributable solely to the underlying fee estate (exclusive of any Improvements) shall be paid to the Lessor. After the date of taking, the annual ground rent shall be reduced ratably by the proportion which the award paid to the Lessor bears to the total value of the Property.

(ii) In the event of a negotiated sale of all or a portion of the Property or the Improvements, in lieu of condemnation, the proceeds shall be distributed and annual ground rent reduced as

¹ "Property" means the legally described land as defined in the ground lease, except it does not include the buildings and improvements now or hereafter located thereon.

² "Improvements" means the buildings, structures, and alterations now constructed or at any time in the future constructed or placed upon the land, including any future replacements and additions.

provided in cases of condemnation, but the approval of HUD and lender shall be required as to the amount and division of the payments to be received.

- f) The Lessor may terminate the ground lease (the “**Ground Lease**”) prior to the expiration day of the full term of this Ground Lease (“**Expiration Date**”) after a Lessee default under this Ground Lease (“**Ground Lease Event of Default**”), but only under the following circumstances and procedures. If any Ground Lease Event of Default shall occur, then and in any such event, the Lessor shall at any time thereafter during the continuance of such Ground Lease Event of Default and prior to any cure, give written notice of such default(s) (“**Notice of Default**”) to the Lessee, lender and HUD, specifying the Ground Lease Event of Default and the methods of cure, or declaring that a Ground Lease Event of Default is incurable. If the Ground Lease Event of Default is a failure to pay money, the Lessor shall specify and itemize the amounts of such default. Failure to pay money shall be specified as a separate default and not combined with a non-monetary Ground Lease Event of Default. Within sixty (60) days from the date of giving the Notice of Default to the Lessee, the Lessee must cure a monetary default by paying the Lessor all amounts specified in the Notice of Default and must cure any specified Ground Lease Event of Default that is capable of being cured within such period. During the period of 180 days commencing upon the date Notice of Default was given to lender and HUD, lender or HUD may: (a) cure any Ground Lease Event of Default; and (b) commence foreclosure proceedings or institute other state or federal procedures to enforce lender's or HUD's rights with respect to the leasehold or the Lessee Improvements. If the Lessee, lender or HUD reasonably undertake to cure any Ground Lease Event of Default during the applicable cure period and diligently pursues such cure, the Lessor shall grant such further reasonable time as is necessary to complete such cure. If HUD or lender commences foreclosure or other enforcement action within such 180 days, then its cure period shall be extended during the period of the foreclosure or other action and for 90 days after the ownership of the Lessee's rights under the Ground Lease is established in or assigned to HUD or such lender or a purchaser at any foreclosure sale pursuant to such foreclosure or other action. The transfer of the Lessee's rights under the Ground Lease to lender, HUD or purchaser, pursuant to such foreclosure or other action shall be deemed a termination of any incurable Ground Lease Event of Default and such terminated Ground Lease Event of Default shall not give the Lessor any right to terminate the Ground Lease. Such purchaser may cure a curable Ground Lease Event of Default within said 90 days. If after the expiration of all of the foregoing cure periods, no cure or termination of an existing Ground Lease Event of Default has been achieved as aforesaid, then and in that event, this Ground Lease shall terminate, and, on such date, the term of this Ground Lease shall expire and terminate and all rights of the Lessee under the Ground Lease shall cease and the Improvements, subject to the security instrument and the rights of lender thereunder, shall be and become the property of the Lessor. All costs and expenses incurred by or on behalf of the Lessor (including, without limitation, reasonable attorneys' fees and expenses) occasioned by any default by the Lessee under this Ground Lease shall constitute additional rent hereunder. The Lessor shall have no right to terminate this Ground Lease except as provided in this paragraph (f).
- g) Upon termination of this Ground Lease pursuant to paragraph (f) above, the Lessor shall immediately seek to obtain possession of the Property and Improvements. Upon acquiring

such possession, the Lessor shall notify HUD and lender in writing. Lender and HUD shall each have six (6) months from the date of receipt of such notice of acquisition to elect to take, as Lessee, a new ground lease on the Property and on the Improvements. Such new ground lease shall have a term equal to the unexpired portion of the term of this Ground Lease immediately prior to such termination and shall, except as otherwise provided herein, be on the same terms and conditions as contained in this Ground Lease, except that lender's or HUD's liability for ground rent shall not extend beyond their occupancy under such ground lease. The Lessor shall tender such new ground lease to lender or HUD within thirty (30) days after a request for such ground lease and shall deliver possession of the Property and Improvements immediately upon execution of the new ground lease. Upon executing a new ground lease, lender or HUD shall pay to the Lessor any unpaid ground rent due or that would have become due under this Ground Lease to the date of the execution of the new ground lease, including any taxes which were liens on the Property or the Improvements and which were paid by the Lessor, less any net rentals or other income which the Lessor may have received on account of the Property and Improvements since the date of default under this Ground Lease.

- h) The Lessor agrees that within ten (10) days after receipt of written request from the Lessee, it will join in any and all applications for permits, licenses or other authorizations required by any Governmental Authority³ in connection with any work which the Lessee may do hereunder and will also join in any grants for easements for electric, telephone, telecommunications, cable, gas, water, sewer and such other public utilities and facilities as may be reasonably necessary in the operation of the Property or of any Improvements and if, at the expiration of such ten (10) day period, the Lessor shall not have joined in any such application, or grants for easements, the Lessee shall have the right to execute such application and grants in the name of the Lessor, and for that purpose, the Lessor hereby irrevocably appoints the Lessee as its attorney-in-fact to execute such papers on behalf of the Lessor, only to the extent that a public body as Lessor may do so within the exercise of its municipal powers and responsibilities.
- i) Nothing in this Ground Lease shall require the Lessee to pay any franchise, estate, inheritance, succession, capital levy or transfer tax of the Lessor or any income excess profits or revenue tax, or any other tax, assessment charge or levy upon the rent payable by the Lessee under this Ground Lease.

All notices, demands and requests which are required to be given by the Lessor, the Lessee, lender or HUD in connection with this Ground Lease shall be in writing and shall be sent by registered or certified mail, postage prepaid, and addressed to the address of the party as given in this instrument unless a request for a change in this address has been sent to the party giving the notice by registered or certified mail prior to the time when such notice is given.

³ **"Governmental Authority"** means any board, commission, department or body of any municipal, county, state, tribal or federal governmental unit, including any U.S. territorial government, and any public or quasi-public authority, or any subdivision of any of them, that has or acquires jurisdiction over the mortgaged property, including the use, operation or improvement of the mortgaged property.

All notices to lender or HUD shall be addressed as follows:

If to Lender:	Lancaster Pollard Mortgage Company, LLC 65 East State Street, 16th Floor Columbus, OH 43215
If to HUD:	Office of Residential Care Facilities U.S. Department of Housing and Urban Development 451 Seventh Street, SW Washington, DC 20410
If to Lessee:	Klamath Falls SNF, LLC Attn: Bill Bryan 3435 Ocean Park Blvd, Suite 202 Santa Monica, CA 90405
If to Lessor:	Klamath Falls Intercommunity Hospital Authority City Hall 500 Klamath Avenue Klamath Falls, OR 97601

- j) This Ground Lease shall not be modified without the written consent of HUD and lender.
- k) The provisions of this Lease Addendum benefit lender and HUD and are specifically declared to be enforceable against the parties to this Ground Lease and all other persons by lender and HUD. In the event of any conflict, inconsistency or ambiguity between the provisions of this Lease Addendum and the provisions of any other part of this Ground Lease, the provisions of this Lease Addendum shall prevail and control.
- l) Jurisdiction and venue for any legal action involving HUD and/or the lender shall lie in the federal court with jurisdiction over Klamath County, Oregon, or, with the written consent of HUD and lender, Klamath County.
- m) In the event that the Lessee's interest in the Ground Lease and/or in the Real Property is assigned or conveyed to HUD or any HUD Lender, the liability of HUD or such HUD Lender, as applicable, for the obligations of Lessee under the Ground Lease, shall be limited to its interest in the Real Property.